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INTER-MUNICIPAL COOPERATION IN EUROPE

INSTITUTIONS AND
GOVERNANCE

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Filipe Teles and Pawel Swianiewicz

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Motives for Revisiting Inter-municipal Cooperation

Filipe Teles and Pawel Swianiewicz

This book examines the nature of inter-municipal cooperation (IMC)¹ in Europe. By nature we mean the intrinsic features of governance arrangements and institutions created to generate and maintain collaborative settings between different local governments in a particular territory. Those intrinsic features include motives for cooperation and how their different origins can induce diverse cooperative experiences. They convey also the perspectives and roles of the actors involved, as well as of the consequences of such arrangements. Furthermore, it implies paying particular attention to the democratic aspects of these governance settings, especially regarding legitimacy and accountability features. Looking for these multiple aspects requires not only a comparative approach but also an in-depth analysis of some specific cases, in order to enrich the already available knowledge.

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Local governments play an undeniable role in European political and policy landscape. An increasing number of constraints and demands are confronting communities with unprecedented challenges to their institutional settings and self-government ways of thinking and doing. The usual suspects—governance and new public management—are, now, accompanied by multiple other determinants of these changes. They include austerity policies, trans-border cooperation, territorialised innovation strategies, new technologies, democratic disruptions, neighbourhood micro-politics, gentrification, migrations, climate change and terrorism. This list could easily result from any report assessing the challenges contemporary states are facing. However, local governments are no longer immune, or even less influenced than national governments, to these contextual constraints. In fact, at the lowest level of governance, these are often more acutely addressed and demanding new tools communities were not—until now—expected to be equipped with.

The consequent wave of reforms aimed at dealing with the challenging times faced by local governments has produced significant changes. From modernisation to reorganisation of services delivery, functional and territorial re-scaling, governance arrangements between public, private and non-profit sector organisations and cooperation, local governments have been involved in a complex, often frequent, set of reforms, which changed their systems and patterns all over Europe (Bouckaert and Kuhlmann 2016).

As stated elsewhere (Teles 2016, p. 2):

We have come to call this a paradigm change or [...] *territorial instability*. It is not just a makeover: it is a profound, yet new, reshaping of structures, institutions, roles, competencies, borders and scale. Very few things are taken for given in local governance research nowadays, and Europe, in particular, has been watching profound changes in its local and regional structures. Several waves of territorial reforms seem to take place in order to tackle the problem of efficiency and democracy at the lower tiers of government. This permanent mutation has evolved into different political conformations and governance arrangements.

There are important differences between countries and European regional patterns of local authorities in terms of the scope, frequency and content of these reforms. There are also clear differences between how public utilities, social services and infrastructure are organised and run at the local and regional level. However, performance improvement “(in terms

of effectiveness, efficiency and legitimacy) is a key function of local public sector reforms” (Schwab et al. 2017, p. 101).

The complex array of services and answers to communities, in which local governments operate, requires special conditions to be able to control (or, at least, steer) these networks of public, private and semi-private sector organisations, whose territories exceed, most of the times, the municipal boundaries. If not the organisation involved in the service delivery, most certainly the problem being addressed will require a multi-actor approach from local authorities. To question the limits of more traditional forms of governance or the borders of administrative territories is an undeniable consequence of contemporary conditions. The design of effective governance arrangements has, therefore, changed significantly the balance between consolidation and competition which have enriched earlier debates on local government reforms. The quest for efficiency had been significantly dominated by those two main trends: on the one hand, to consolidate organisations, territories, and—eventually—merging municipalities and political institutions; on the other hand, to promote, in different ways, new opportunities for the competition between territories in order to expose their relative advantages, giving them more capacities, autonomy and policy discretionary tools and in that way challenging the local context in search of the survival of the fittest. It is precisely within this backdrop that cooperation presented itself as a new player available to enter the match between those, often ideologically driven, competing sides.

There is a wide agreement that in this complex setting, most of the problems can be addressed only through joint actions of multiple actors involved in different and, often, flexible arrangements, crossing sectors and levels of governance (Schwab et al. 2017). The concepts of multi-level and inter-sectoral governance capture this in an interesting way since, together, they underline the fact that local governments have to interact with other levels of government and, within each one’s borders, different actors, from the public, private and non-profit sectors, work together for common and agreed purposes.

But at the same time that some services remain predominantly local and public, both in the tools used to determine how and which ones to be delivered and in the mechanisms to provide them, there are several issues that must be addressed beyond the strict confinement of municipal borders. Sustainability and climate change issues, water and waste management, relevant infrastructures and regional development strategies are just some

of the few examples of those circumstances that require new mechanisms of interaction. The first and most relevant questions that need to be addressed are usually the ones that result from these new economies of scale. Evidently, the main aspect under consideration is the way services are delivered in more policy and cost-efficient ways. Consequently, issues related to the relative importance of municipalities, the way their inhabitants are consulted, the tools they have for making decisions—and making accountable those that decide—are also high on the agenda.

Frequently used as the starting point of any comparative endeavour, the size of municipalities is a useful tool to understand why these questions related to economies of scale have risen so high in the political agenda and act as one of the drives of local government reforms in Europe. Though there is no clear regional pattern of municipal size in the Europe, nor does it explain why some countries have preferred to implement territorial reforms to address this creating larger local entities, the “size argument” is inescapable if one wants to understand the argument behind the search for efficient service delivery at a higher scale or with larger municipalities (Baldersheim and Rose 2010; Askim et al. 2016).

Local service delivery, and its quality and efficiency, is inevitably linked to the different approaches of the reforms, namely, territorial and functional re-scaling, since it addresses its most common problem: the size of the locality and the problems of economies of scale. There are many reasons why services should be provided by the lowest level of government, and one of them is definitively “proximity,” since local governments are closer to citizens and, thus, can respond to their specific needs, adopting tailor-fit policies. This also allows for better democratic accountability of local politics. The problems of scale, particularly those resulting from the need to deliver services at a higher level than the municipal one, have been answered through “hard” mechanisms in several countries over the last couple of decades. Amalgamation, its most common example, where localities are merged to form new entities, has contributed significantly to this change of the European municipal landscape. Alternatively, “soft” mechanisms such as IMC have allowed local authorities to provide different answers to similar problems. These allow functional optimisation without profound changes to the territorial or political status of the locality. The strengthened inter-local cooperation allows municipalities to keep their autonomy and, at the same time, obtain the same economy-of-scale results as in amalgamation processes.

LOCAL GOVERNMENT UNDER PRESSURE: THE RISE AND EVOLUTION OF NEW ARRANGEMENTS

The emphasis on partnership working asks for new alliance building strategies and mechanisms. The main insight of this perspective is the fact that effective governance is only achievable through nurturing cooperative arrangements between different actors in an everyday complex network of organisations, territories and “demos” (Teles 2016). In this context, IMC is a widespread phenomenon. It goes hand in hand with the emergence of open horizontal and vertical networks of inter-sectoral and intra-sectoral conditions. The prominence of networked governance arrangements brings about the softening of the boundaries between municipal territories and amongst the competencies of the multiple actors involved. A clear-cut delimitation of functions and of territories is no longer possible.

IMC has been a topic of debate in European academic literature for a long time. However, a gap in scholarship results from a deficit of comprehensive comparative studies. So far, the only comprehensive study (Hulst and Van Montfort 2007) just covered eight European countries. In Central and Eastern Europe, a volume has been edited by Pawel Swianiewicz (2010). There are, also, some texts comparing two different countries (e.g. Wollmann 2010) or focusing on the general aspects of the phenomenon (Teles 2016).

The existent literature, though already quite relevant, tends to focus on comparative research and tentative typologies based on the identification of general commonalities (e.g.. Hulst and Van Montfort 2007). Another approach tends to place cooperation within a wider set of alternative reform paths and ways of addressing the problems of scale and efficiency (e.g. Baldersheim and Rose 2010). Specific cases (e.g. Agranoff 2009) or two-country comparisons are also common. Evidently, the gaps in research result, mostly, from the difficulties of addressing such a diverse and complex phenomenon.

Though highly emphasised in academic literature (e.g. Teles 2016), the main questions regarding the relevance of these inter-local cooperative arrangements remain to be answered, especially in order to measure how important these are in the functioning of local government systems in individual countries. The way municipalities formalise their collaborative arrangements, from loosely coupled policy networks, with informal character, to formalised procedures, with governing entities, is just one example of such diversity. Inter-municipal cooperative arrangements vary in

shape, scope and integration. They result from the political initiative of diverse, often opposite, agents and present different forms in their intrinsic nature and in the theoretical lenses used to study them. Furthermore, its main drivers and motivations are of multiple natures. To add complexity to the picture, national administrative traditions, governance systems, political culture and the different levels of local autonomy in each country make the development of a tentative typology of IMC a hazardous, if not impossible, task. Furthermore, most of these dimensions are not the result of a limited number of options. They are, in fact, a continuum of possibilities, which would not translate easily into an objective *typologisation* of reality.

Though we acknowledge the advantages of typologies, we claim the need to move forward in this research agenda and avoid the descriptive debates. The classic typologies tend to consider each descriptive dimension as two opposite “options”, which water down the colour of its real diversity. In-depth, individual case analysis provides other kinds of information and illustrates them in a more complex, multi-category and fluid way. Hulst and Van Montfort’s (2007) typology showed how widespread are different forms but revealed also the limitations of such an approach. The multiple dimensions needed in order to produce a more complete typology would complexify it to a point where it would not fulfil the task of simplifying existing types. In addition, to explain different forms of collaborative arrangements, we would need to set boundaries, not always consensual in literature but strong enough to be accepted as delimiting these different types. Within the existing literature, we only see attempts to partially capture the whole picture.

The required applicability, consistency and high degree of distinctness typologies must offer, as if each ideal type corresponded to a “situation” which would, ultimately, have a clear and distinct knowledge of all the alternatives, seem rather unattainable in the collaborative arrangements’ empirical landscape. In fact, the former conditions imply that institutional design would occur in stable and predictable ways. Even though this would allow typologies to generalise about regularities, with significant research advantages, we claim that a “post-typology” approach, consisting of a list of relevant dimensions, would be much more consistent with the diversity and fluidity of contemporary inter-municipal settings. These dimensions must include the level of *formalisation* of such inter-local networks; how *voluntary/compulsory* are they; to which *purposes* and to perform how many functions were they implemented; the number of *partners* involved in cooperation; the *nature of members*, given the multi-level and/

or multi-sector partnerships we can identify in several countries; and their *areas of cooperation*.

Recent research on IMC has focused on different aspects of the phenomenon and looked at it from different angles. It addresses the above-mentioned diversity and is consistent in delivering tentative typologies, two countries' comparisons, taxonomy of functions and roles and national reports. It is mostly about drivers and outcomes, rather than the functioning of IMC, with a significant lack of comprehensive comparative studies focused on the different aspects of the governance capacity of IMC.

Evidently, more empirical work is necessary to test some of the arguments regarding the advantages of IMC, but more relevant would be to focus on its governance capacity (Teles 2016). Both horizontal and vertical partnership relations and multi-level governance features should be explored. Democracy, accountability and political leadership in collaborative arrangements require, equally, further attention. The conditions for stability are, also, still far from being fully studied and explored. In this particular case, learning outcomes may result from the usual best case-study approaches, but there is also a largely unexplored universe of material and evidence related to unsuccessful cases.

Research and knowledge would gain not only from these comparative studies but also from in-depth case studies exploring special situations of cooperation. Exemplary not because they are best practices but because they provide good learning outcomes, may it be because they stand out as successful ways of dealing with the challenges of cooperation or of achieving its purpose or may it be because they failed in doing so. In such complex governance settings with strong local identities, problems are expected to occur: often they relate to zero-sum games, lack of transparency and accountability, new policy-making costs, added multi-level complexity and territorial overlapping. There are obvious opportunities for policy learning and development.

Research also needs to provide useful information. There is an obvious need for a design arm of political science, as advocated by Gerry Stoker (2015). IMC is a good example of this urgency. There is enough case-based material that can be useful for national authorities in designing reform processes and for local authorities in dealing with the challenges of cooperation. Governing through cooperation is, indeed, one of the main challenges nowadays for municipalities in Europe.

In general, inter-municipal cooperative arrangements are seen as a way of addressing the challenges of suboptimal municipal size and can serve as

functional substitutes for territorial amalgamation. The most important assets of IMC are their spill-over effects. Of course the benchmarking opportunities that it creates, together with the significant results in terms of economies of scale, are also quite important. Nevertheless, it is common, in research, to see references to cooperation extending beyond the initially agreed areas. Cooperation may positively influence management practices and knowledge sharing between organisations, since a more inclusive political culture is encouraged through partnership working. The focus on strategic responsibilities and the enlargement of the number of agents involved in policy may also have recognisable positive effects. These “soft-learning” effects are one of the most interesting facts regarding cooperation.

However, on IMC there are not only observable advantages. On the contrary, as argued in a previous book (Swianiewicz 2010, p. 14): “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.” Problems related to the political costs of bottom-up voluntary cooperative arrangements, usually linked to leaders’ agreements and compromises, but also the downsides related to democracy and accountability are often quoted:

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. (ibidem)

In fact, cooperation is not a simple matter of choosing and engaging, but it entails complex negotiation, sharing and collectively delivering services. It is prone to failure, causing unwarranted side effects, and in most cases, it harnesses the democratic control of the involved municipalities. The motivation for this book lies not only in the emerging new answers to the challenge of scale and efficiency at the local level but also in trying to provide new evidence regarding the way these cooperation arrangements work.

The book helps not only to describe and explain the functioning of these mechanisms of cooperation but goes further in providing practical reasoning and evidence to make inter-municipal arrangements more effective at achieving valued purposes. This book draws on the argument that

there is sufficient level of maturity in recent research to offer clear lessons about how IMC works, despite its evident fragilities.

WHY A NEW BOOK ON INTER-MUNICIPAL COOPERATION?

The rise of cooperation between municipalities and its evolution may have been the main characteristics of the phenomenon in this last decade. Therefore, our main challenge for this book was precisely to capture both this general facet of IMC and, at the same time, provide data and information resulting from in-depth analysis, going down from the country-level comparison to the institutional level. Thus, both the increasing incidence of the phenomenon and the lack of systematised research covering several new countries are important justifications for the relevance of the following chapters.

As often argued, diversity is the best word to describe IMC institutional landscape in European local governance. Moreover, this is a matter of not only comparative analysis at the national level but also diversity within each country. Typologies as the ones presented in previous comparative studies, though relevant in providing wider pictures of IMC forms, tend to water down the colour of such diversity. Though diversity in IMC seems to frighten scholars and to create too many constraints for them to engage in comparative analysis or, as an alternative, to take refuge in comparing specific features resulting from descriptive analysis, our aim is to find evidence of the relevant information in-depth analysis and comparative research can provide. To push forward research on this topic and, at the same time, to shed some light on the current state of affairs of such a relevant aspect of local governance in Europe is, therefore, a huge endeavour.

In-depth, individual case analysis certainly provides other kind of data and information regarding the functioning of these arrangements, illustrating in a more complex and detailed way some of the post-typology research questions that should be addressed.

This book tries to capture some of the aforementioned research challenges and is an effort to shed some light on municipal cooperation's main complexities. Its main aim is to explore the dynamics, experiences and drivers of IMC in Europe. Both the increasing incidence of the phenomenon and the lack of systematised research covering several new countries are important justifications for the relevance of a new book on this topic in Europe. The decade difference between this volume and the

data collected for Hulst and Van Montfort's (2007), though revisited later in their article first published in September 2011 (Hulst and Van Montfort 2012), allowed us to include the subsequent effects of two events of undeniable importance for European countries. First of all, it covers a period of economic crisis which stimulated debates and territorial reforms, with relevant impacts on how cooperation between municipalities would evolve. Second, the EU enlargement added a set of new and, often, different experiences of local government and has changed the nature of the motives for IMC.

We aimed also at including *unusual suspects*—countries which so far have been less frequently discussed in international literature, particularly regarding their contribution for research on IMC. Most typically, when these arrangements in European countries are referred to, one may expect illustrative cases from France, Finland, Germany, Italy or the Netherlands. Much less is known about most of the rest of Europe. Our book includes some expected cases (Finland, France, Germany, Italy, the Netherlands and Switzerland) and less covered ones in previous publications on the topic (Greece, Portugal, Spain and the UK), several countries of the so-far heavily under-explored EU new member states from the eastern part of the continent (Croatia, Czech Republic, Estonia, Poland, Slovakia, Slovenia and Romania) and non-EU members (Albania, Iceland and Norway). IMC in five countries of Eastern Europe (including two of the new member states) was studied at the end of the previous decade (Swianiewicz 2011) but only within an exploratory study. Moreover, our selection covers also several relatively small (in terms of population size) European countries (Iceland, Slovakia and Slovenia), while the previous comparative study of Hulst and Van Montfort (2007) was focused on mid-sized and large countries (the smallest included in their study were Finland and Belgium).

These twenty countries provide a relevant and diversified source of information and knowledge. These are the results of the contribution of renowned scholars and, more important, of the research knowledge they bring from previous projects and publications. It also results from diverse methodological approaches, which range from surveys to case studies, including financial data analysis, network analysis, historical and political essays and comparative studies. The book is organised in four parts, which—in our perspective—reflect three of the most relevant research lenses to use in studying this phenomenon. The first part on “Drivers, Democracy and Delivery” (Chaps. 2, 3, 4, 5 and 6) follows a comparative

path in which each chapter brings together data from two or more countries, in a cross-country comparative thematic analysis. On the other hand, in each chapter of Part II, “Cooperation in Europe” (Chaps. 7, 8, 9, 10, 11, 12, 13 and 14), country-case analyses are presented. We also included a third part, on “Success and Failure: Case Studies” (Chaps. 15, 16, 17, 18 and 19), where short reports on specific case studies on individual institutions and inter-municipal arrangements are meant to provide relevant information and learning outcomes for research. We knew that learning from failure is as relevant as gathering evidence from best practices.

In what follows, Chap. 2 looks at the impact of austerity on IMC, using a survey of experts in eleven countries. The fiscal stress policies seem to have had an influence on cooperative arrangements. Chapter 3 is focused on the role of different political actors in initiating and running these institutions, based on a survey conducted in eight European countries, confirming the important role played by mayors. The following chapter introduces the relevance of democratic legitimacy as the main focus of research on IMC and claims that these new arrangements borrow their legitimacy from the elected authorities of member municipalities. Chapter 5 looks at the governance capacity issue. Following a comparison between Portugal and Spain, the authors suggest that in order to improve efficiency in service delivery, inter-municipal associations require specific political and organisational resources. The first part of the book ends with a chapter focused on three Nordic countries, Finland, Iceland and Norway, and on the motives for engaging in cooperative arrangements, underlying the relevance of legal and constitutional constraints in explaining the prevalence of such arrangements.

The chapters included in Part II are exclusively focused on country cases. The new trends of cooperation in France, the complex networks of overlapping arrangements in the Netherlands, the highly autonomous and small municipalities of Switzerland, the challenges within the German Federal State of Brandenburg, the Icelandic municipal size effect, the inter-local financial transfers in Poland, the regionalisation process in Slovenia and the multi-layered Spanish quasi-federal system, all deserve an individual chapter in this section.

Part III presents five different short case studies. From success to failure of cooperative arrangements, in-depth information is given on specific Polish, Romanian, Albanian, Czech and Icelandic institutions. The final chapter brings us back to the issues raised in the introduction regarding the rise and evolution of IMC in Europe and to the need to raise new research questions.

We intended to deliver a readable and informative book, particularly useful for those interested in local governments, multi-level governance and territorial reform issues. The comprehensive information we believe to provide in what follows aims at reinforcing the relevance of IMC and of the new research questions which remain still to be answered. Most of all, this is a call for increasing the research agenda intensity on the topic, going beyond the comparison of institutional forms of IMC and addressing its most difficult questions: why is this phenomenon so widespread? Does it work? Is it manageable? Is it democratic?

We hope the following pages help in identifying some clues for these questions. Certainly, they are not complete and definitive. However, we expect at least to contribute to this important debate. We are certain that the *liquid state* of cooperation—a way of portraying its mutable and multiple nature—has proven to be one of the most interesting features of contemporary local governance in Europe.

NOTES

1. When appropriate, in this volume, inter-municipal cooperation is referred to by its acronym, IMC.

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PART I

Drivers, Democracy and Delivery

Inter-municipal Cooperation and Austerity Policies: Obstacles or Opportunities?

Ringa Raudla and António F. Tavares

INTRODUCTION

The literature addressing the rationale for inter-municipal cooperation (IMC) has grown significantly in recent years, with studies pointing out the benefits associated with IMC, including the economies of scale and scope, enhanced negotiation of outsourcing deals, and improvement of credit ratings to attract external funds (Council of Europe 2010; Swianiewicz 2010; de Sousa 2013; Bel et al. 2013). In contrast to the extensive discussion of these motivations, the role played by austerity policies as possible drivers or obstacles to IMC has been conspicuously absent from the debate.

Different countries have responded to the crises unfolding since 2008 in different ways (e.g. Pollitt 2010; Raudla et al. 2016). The scope and content of the austerity measures adopted in response to the fiscal crisis

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have also varied considerably from country to country. Hence, we would expect that the austerity pressures have led to different developments in intergovernmental relationships as well. While there are many studies that have looked at whether IMC reduces local government (LG) expenditures, there has been less focus on the question of whether increased financial constraints lead to more extensive use of IMC by municipalities, especially in the European context (Bel and Warner 2015a; Homsy and Warner 2014). Furthermore, the paucity of comparative research on IMC identified in recent research (Teles 2016) justifies a closer look at the variation in the IMC solutions resulting from austerity policies in European countries. Given that the connection between fiscal austerity and public sector reforms is a complex one (Pollitt 2010), no linear effects of austerity measures on IMC can be expected.

IMC is frequently described as a tool to increase the LG capacity (Teles 2016) without resorting to blunter policy instruments such as forced amalgamations. Some authors have also argued that the fiscal crisis and the ensuing need to adopt austerity measures pressure LGs to find alternatives for delivering services in more effective and efficient ways, with IMC being a possible response (Bel and Warner 2015b). The profound challenges experienced by European countries as a consequence of the fiscal crisis, combined with the increase in the scope, size, and diversity of IMC, justify a closer look at whether and how austerity policies have shaped the developments of IMC across different countries. In particular, we are interested in the following questions: Has IMC become more prevalent in countries affected by the fiscal crisis? Has IMC been a primary tool employed by LGs to respond to austerity policies? Or has IMC been part of a broader set of reforms directed at the LG, which also includes territorial amalgamations and local finance reforms? Have austerity policies presented obstacles or opportunities for IMC initiatives? Are there variations across countries?

We conducted a survey of experts in 11 selected countries to investigate these questions: Portugal, Spain, Italy, Greece, Poland, the Netherlands, the UK, Finland, Iceland, Croatia, and Estonia.¹ The rationale for this choice is to include both countries that were hit hard by the fiscal crisis and implemented extensive austerity policies (primarily Southern European countries) and countries where IMC is known to be or becoming prevalent (the Netherlands, Finland, and Iceland).

The first section of this chapter describes the impacts of austerity policies on LG, addressing the different policy tools employed to cope with fiscal stress and improve local resilience. The section outlines theoretical predictions

about how austerity policies are likely to affect IMC and reviews the existing empirical literature examining that question. The second section reports the results of our survey and discusses the effects of austerity policies on LGs in a comparative perspective. The section “[Inter-municipal Cooperation and Austerity: Expert Survey Analysis](#)” concludes the chapter.

THEORETICAL DISCUSSION

The goal of this section is to discuss theoretically, drawing on the existing literature, how the context of austerity may influence the *constraints* and *opportunities* LGs face and what kinds of shifts in *incentives* are likely to take place—and how these, in turn, can influence IMC?

Generally speaking, the era of austerity is likely to create an environment for the LGs where they have to operate with *increasing constraints*.

The existing literature exploring fiscal crises and governance often argues that the need to undertake large-scale cutbacks leads to changes in governmental *decision-making processes*. In particular, it is expected that the need to undertake fiscal retrenchment would give rise to *increased centralization* of decision-making in the public sector (e.g. Levine and Posner 1981; Peters et al. 2011; Raudla et al. 2015a). Increased centralization is likely to occur when governments attempt to deal with common-pool problems involved in budgeting (Hallerberg et al. 2009; Raudla 2010; Raudla et al. 2015a). In the case of budgetary cutbacks (analogous to “maintaining” the commons), the costs of undertaking the expenditure cuts are concentrated within individual organizations, whereas the potential benefits (if any) of successful fiscal consolidation are diffused. Thus, it is very unlikely that the “spenders” would voluntarily propose cuts on themselves (Behn 1985; Dunsire and Hood 1989; Levine 1979). As a result, in order to adopt and implement austerity measures, top-down decisions would be needed (Levine 1979; Tang et al. 2014). Having a central actor that is able to monitor the behaviour of others and impose sanctions (if necessary) can help achieve coordination on the budgetary commons (Hallerberg et al. 2009; Raudla et al. 2015a).

Thus, given the likely resistance of the subnational units to voluntarily adopt fiscal discipline measures, we can predict that austerity is likely to lead to increased centralization in the relationships between the central government and LGs (Levine and Posner 1981). The central government can (re) exert its authority vis-à-vis the LGs via directly influencing their revenues (e.g. by changing tax laws, reducing LG grants, or changing the nature of

the intergovernmental grants), redefining the division of tasks between the central government and LG, reducing the decision-making discretion of the local authorities, and imposing constraints on their budgetary decision-making via fiscal rules (e.g. in the form of expenditure limits, deficit ceilings, or borrowing restrictions) (Bolgherini 2016; Clark and Ferguson 1983; Levine and Posner 1981; Mouritzen 1992; Overmans and Timm-Arnold 2016; Sørensen and Underdal 1993). The degree of *severity of the crisis* is likely to influence the extent to which austerity would lead to such forms of increased centralization (Bolgherini 2016; Kristinsson and Matthíasson 2016).

The size and scope of national-level austerity plans affect the scope of austerity management needs and tasks at the local level (Overmans and Timm-Arnold 2016). Drawing on the theoretical perspectives of *blame avoidance* (Hood 2011; Peters et al. 2011), it is likely that in response to fiscal crisis, central government actors may attempt to diffuse the blame for cutback measures and shift at least some of the burden of painful austerity policies on LGs. Thus, in the context of fiscal crisis and austerity, the LGs are likely to face a “*scissors-effect*” whereby they have to deal with an increasing demand for services while having to meet them with lower levels of revenues (Raudla et al. 2015b; Tarschys 1983).

Given the increasing *constraints* described above, what kind of shifts in *incentives* can we expect among LGs with regard to IMC? First, from the critical juncture perspective, fiscal crises are often presented as opening up *opportunities for reforms*, both in terms of policy and in terms of administrative structures. In response to a crisis, it is easier for policy actors to discredit the status quo, argue for change, and overcome resistance (Keeler 1993; Kingdon 1984; Pollitt 2010). Indeed, a critical juncture generated by a crisis can loosen constraints that allow for more radical reforms than would be possible during times of normalcy (Soifer 2012). The experience of a crisis can create a sense of urgency among policy-makers, motivating them to depart from the incremental reform path and push for swifter change (Keeler 1993). It is also argued that the *deeper the crisis*—that is, the more severe the fiscal pressures in a country—the bigger the “window of opportunity” for more comprehensive reforms (Keeler 1993; Cepiku et al. 2016; Raudla et al. 2015b). On the other hand, as Pollitt (2010, p. 18) notes, in the context of reduced resources, reforms cannot be “lubricated” with more money, and compensating the objectors to the reform becomes more challenging, which may, in turn, undermine reform efforts. As Peters et al. (2011) have emphasized, structural reforms, in particular, may be rather costly and hence face challenges in the context of austerity.

In light of these arguments, we can make diverging predictions about the effects of austerity on IMC. Our first theoretical proposition is:

Proposition 1: Austerity is likely to facilitate IMC.

There are several mechanisms through which austerity can facilitate IMC. First, the dissatisfaction with the status quo and the perception of a “crisis” may motivate LGs that have not engaged in IMC before to seek out more opportunities for it. It may also encourage the national governments to promote IMC more extensively than before. The main rationale for developing IMC under austerity is that the decrease in revenues associated with diminished transfers from upper levels of government and lower tax revenues requires cost-saving measures. Municipal amalgamations, IMC, or both are prime candidates to cope with this revenue squeeze. Indeed, when faced with increasing resource scarcity, administrative reforms that might benefit from savings generated by economies of scale—like IMC but also amalgamations (Bel et al. 2013)—are likely to look even more appealing than during times of “normalcy”. Hence, both fostering IMC and amalgamation reforms might enter the reform agenda since they help to address the perceived costs and inefficiencies related to fragmentation (Bel et al. 2013). Increased size associated with mergers and IMC can potentially increase the capacity of LGs to tackle additional functions passed on to them by national governments as a consequence of cutback measures (Zafra-Gómez et al. 2013).

Second, based on the existing literature, we can expect that in addition to increased centralization in the intergovernmental relations, the decision-making *at the LG level* can also become more centralized (Behn 1985; Tang et al. 2014). When few actors are involved in decision-making, the number of *veto points* is reduced and hence the adoption of IMC solutions may be facilitated.

On the other hand, the increased scarcity of resources may prevent LGs from advancing their efforts directed at IMC (or voluntary mergers). Thus, our second theoretical proposition is:

Proposition 2: Austerity is likely to inhibit IMC.

First, fiscal stress reduces the amount of “slack” resources available for LGs (Sørensen and Underdal 1993; Pollitt 2010; Raudla and Savi 2015; Wolman 1986); hence, they might have more limited means available for

conducting the relevant *analysis and preparatory works* that are necessary for various types of IMC. Given the fiscal stress faced by *national* governments, they may lack the necessary resources to “lubricate” the voluntary mergers and IMCs with additional insertions of funds from the central government budget, undermining the incentives to undertake them. At the same time, in light of the increased centralization argument developed above, from the perspective of the national government, imposing mandated amalgamation reforms may start looking more attractive than the slower (and potentially more expensive) reforms geared at fostering voluntary cooperation between the LGs.

Second, although a crisis can be seen as an opportunity for reforms, the context of a crisis and austerity measures are likely to increase the sense of *uncertainty* among the LG officials and shorten their time horizons of decisions (Caiden 1981; Jimenez 2009; Morgan and Pammer 1988), which, in turn, can undermine trust and reciprocity between different LGs. Since trust and reciprocity are considered to be conducive for solving collective action dilemmas (Ostrom 1990; Tang et al. 2014), the necessity to deal with fiscal stress and implement austerity measures may reduce the willingness and ability of LG officials to pursue IMC efforts. In addition, severe economic downturns may increase the *heterogeneity* of population within the communities but also between communities, and this may complicate any efforts at cooperation. Uncertainty caused by heterogeneity and decreased trust in local communities increases the transaction costs of IMC, which can only be overcome through more *formalized* types of IMC agreements (Feiock 2013). LG officials may be forced to accept top-down decisions valuing more formalized IMC options such as new entities (e.g. inter-municipal companies) to the detriment of other, more organic, and informal IMC solutions.

Finally, the *borrowing needs* of LGs in the context of austerity may further influence their incentives vis-à-vis IMC. Various forms of IMC may increase monitoring costs since an additional hierarchical layer might be needed to oversee the body in charge of the cooperation (Allers and van Ommeren 2016; Bel et al. 2013). Because of the increased inefficiency arising from additional monitoring costs, interest rates at which inter-municipal organizations can borrow might be higher than the rates available to individual municipalities (Allers and van Ommeren 2016). Thus, in the context of austerity, when the price of credit might become a weightier consideration in LG decision-making, the creation of additional inter-municipal organizations might look less attractive. On the other

hand, because of the scale effects and a greater distance from “political” decision-making (which may involve more extensive rent seeking), the borrowing costs for inter-municipal organizations might be lower than those for the individual LGs (Allers and van Ommeren 2016). Similar arguments apply to amalgamated municipalities.

So far, we have outlined the *general* predictions about how austerity might influence the incentives to pursue IMC (and also amalgamation reforms as an alternative). There are, however, a number of contextual and country-specific factors that are likely to shape the motives to undertake IMC.

First, the existing level of *financial autonomy* of LGs is likely to play a role in the austerity management strategies available (Ladner and Soguel 2015). If LGs have more financial autonomy in raising revenues, they can put more weight on that, in response to reduced transfers from the central government. Those with lower financial autonomy in terms of own revenues have to be more oriented to cutting expenditures (Overmans and Timm-Arnold 2016). This, in turn, is likely to influence the incentives to undertake IMC as well.

Second, the situation *at departure* (before the crisis) is likely to play a role in the impact of austerity on IMC. *More territorial fragmentation* among LGs is likely to result in a bigger push for mergers and IMC reforms as a result of top-down pressures (Bolgherini 2016; Kristinsson and Matthíasson 2016). On the other hand, densely clustered networks of LGs with prior experience in multiple cross-service cooperation endeavours are more likely to maintain the degree of credible commitment required to adopt and sustain IMC during economic and fiscal hardship (Shrestha and Feiock 2009; Lee et al. 2012).

Third, the austerity management responses of LGs are likely to depend on the *institutional features* of the LGs, including the relationships between elected officials and civil service (Overmans and Timm-Arnold 2016). Depending on the political system (e.g. a strong mayor or weak mayor or a mayor council or council manager, among many other possible configurations), the profile of the mayor, in particular, may be especially relevant for the overall attitude of the LG towards IMC. Some of the countries hard hit by the global crisis and austerity policies fit the strong mayor model, including Portugal, Greece, Spain, and Italy (Heinelt and Hlepas 2006; Magre and Bertrana 2007). The mayor represents the interests of the community in the face of higher levels of government (Heinelt and Hlepas 2006) and other governments in the region. The combination

of a strong mayor system and conditions of austerity is likely to entail further increase in centralized decision-making and a reduction in the number of veto points at the local level. As a result, it may be easier for mayors to push for the adoption of the IMC solutions of their preference. Political leadership, a key trait of strong mayor systems, is even more decisive in fiscal crisis situations.

With regard to existing empirical evidence on the relationship between austerity and IMC, there are only few studies that have examined this question explicitly. In their meta-analysis of the determinants of IMC, Bel and Warner (2015) find that among the existing empirical studies, more than half have found that fiscal constraints have a significant effect on cooperation (and a large majority finds a positive effect). Homsy and Warner (2014) find that in the US context, cooperation between municipalities has increased since the Great Recession. None of the six case studies of Italian municipalities described in Cepiku et al. (2016) identify IMC as a strategic approach to cope with austerity.

INTER-MUNICIPAL COOPERATION AND AUSTERITY: EXPERT SURVEY ANALYSIS

This section presents the results of our survey conducted with experts from 11 countries. The findings are summarized in three subsections: (a) the consequences of the financial crisis for LGs in terms of fiscal stress and changes in revenues, tasks, and fiscal rules as a result of austerity policies; (b) the impact of austerity policies on IMC initiatives; and (c) if IMC was adopted as part of a larger set of LG reforms instigated by the financial crisis and ensuing austerity policies.

Fiscal Stress in Local Governments After the Financial Crisis

In most of the countries covered in our study, LGs have faced increased fiscal stress as a result of the austerity measures. As can be seen from Table 2.1, in 9 out of the 11 countries, LGs have experienced *a fall in revenues* (resulting either from lower tax revenues and reductions in central government grants or from a combination of both). Revenue drops have been particularly dramatic in the UK (where central government funding to LGs dropped by 37% between 2010 and 2016) and Greece (where the central government grants have been reduced by 60% between 2009 and 2015). Only in two countries—Poland and Iceland—have LGs

Table 2.1 Fiscal stress and LGs: changes in revenues, tasks, and fiscal rules as a result of austerity

	<i>Changes in revenues</i>	<i>Changes in tasks</i>	<i>Is approval needed for a loan from central government?</i>	<i>New fiscal rules</i>
Croatia	Reduced	No change	Yes	Expenditure constraint; limits on the salaries of local officials
Estonia	Reduced		Yes	Yes: debt limits and budget balance requirements
Finland	Reduced	Re-arranged: increased until 2013, reduced since then	No	No
Greece	Reduced significantly	Not increased	Yes	Yes: limit on the debt servicing costs as a ratio of revenues; debt limit, balanced budget rule
Iceland	Not reduced	Increased	No	Yes (e.g. debt ceiling)
Italy	Reduced	Increased	No	Yes: expenditure and borrowing rules, balanced budget requirement
Poland	Not reduced	Not increased	No	Abolition of general debt limit in relation to revenues. Individual debt limits instead (according to capacity) (not directly related to the crisis)
Portugal	Reduced	Yes, indirectly. Not explicitly by law	No, unless they are under fiscal scrutiny—ex-ante supervision from the Accounting Court	Yes: new expenditure and borrowing rules; municipal financial restructuring and municipal financial rebalancing measures approved by legislation

(continued)

Table 2.1 (continued)

	<i>Changes in revenues</i>	<i>Changes in tasks</i>	<i>Is approval needed for a loan from central government?</i>	<i>New fiscal rules</i>
Spain	Reduced	Increased	No (but needed in some circumstances)	Yes: borrowing restrictions and balanced budget requirements
The Netherlands	Reduced	Increased	No (unless they are under fiscal scrutiny)	No
The UK	Reduced significantly	Increased (social care tasks taken over by LGs)	Yes	Referendum required for increasing council tax above a threshold rate

LGs-local governments

been spared from revenue reductions. In parallel with falling revenues, in more than half of the countries included in our study, LGs have been entrusted with *additional tasks* (especially in the area of social welfare). In none of the cases has the range of functions that LGs have been reduced. The only exception is Finland, where the recent reform plans entail the possibility of re-allocating social welfare and health functions from the local to the regional level. Thus, in most of the countries included in our analysis, LGs have faced the “scissors-crisis”: having to deal with additional tasks while facing falling revenues.

Alongside the combination of falling revenues and increasing (or unchanged) tasks, LGs in most countries have faced additional constraints in the form of new fiscal rules imposed on them by the central government. Indeed, only in Finland and the Netherlands have the LGs been spared from additional fiscal rules. In half of the cases, the new fiscal rules include limits on debt and deficit. In addition, in Croatia, caps have been imposed on LG salaries, and in the UK, LGs have to hold a referendum for increasing the council tax beyond a certain threshold. In at least half of the countries, LGs also need permission from the central government to incur a loan (either always or in specific circumstances).

In conclusion, we can see that the LGs in the countries covered in our study have had to deal with fiscal stress resulting from falling revenues and increasing (or unchanged) tasks in the face of additional top-down constraints imposed on them by the central government in the form of stricter

Table 2.2 Inter-municipal cooperation and the financial crisis

	<i>Has IMC become more prevalent after the crisis?</i>	<i>If yes, what types of IMC?</i>	<i>Motives/reasons for Yes or No?</i>	<i>Is IMC part of a broader set of reforms, including mergers?</i>	<i>Have austerity policies been obstacles or opportunities? Has legislation played a role in this?</i>
Croatia	Generally no. Some increase in IMC during the recent period but this was not a result of specific austerity policy measures	Not applicable	The existing cooperative structures at the local level are not the result of comprehensive and stimulating central policies (let alone austerity policies). In recent years, there has been an increase in the number of cooperative organizations: (a) specialized co-owned local utilities and (b) opportunities in EU rural development policies stimulated the creation of numerous “local action groups”	No significant LG reform has been implemented since 2009 (directly elected mayors); the territorial organization of Croatian LG and the national legal framework for IMC remain unchanged	Creating more specific, detailed, and comprehensive IMC legislative framework or its proactive stimulation was never on the political agenda during austerity years. Every Croatian government keeps a “laissez faire” approach towards IMC
Estonia	No, limited IMC	Not applicable	The focus on mergers has been facilitated by austerity but not triggered by it	No. In the 1996–2016 period, 72 LGs merged into 30 LGs; incentives for voluntary mergers have been provided during the past decade	Territorial reform legislation was approved in 2016: LGs should have a minimum of 5000 pop., but are free to choose with whom to merge (exceptions for island municipalities). Mergers as a pre-emption of IMC discourse

(continued)

Table 2.2 (continued)

	<i>Has IMC become more prevalent after the crisis?</i>	<i>If yes, what types of IMC?</i>	<i>Motives/reasons for Yes or No?</i>	<i>Is IMC part of a broader set of reforms, including mergers?</i>	<i>Have austerity policies been obstacles or opportunities? Has legislation played a role in this?</i>
Finland	No major change. IMC is already widespread	There are some compulsory IMCs, in social and health care and alarm centres, but beyond that LGs are free to find the best ways to produce services. For the main tasks of municipalities (education and culture) there are IMC and specific rules constraining local choices	The current government is reforming LG by creating self-governing regions and giving them many tasks (like social and health care) that traditionally have belonged to municipalities. As a result of this reform, the need for IMC will decrease dramatically and many hundreds of IMC organizations will be abolished as a result	The last LG reform (2007–2011) mandated the reorganization of social and health care services to serve a minimum of 20,000 citizens. This was accomplished through IMC in some cases and mergers in others. IMC is also growing in solid waste management since energy conversion requires large investments	As a response to fiscal pressures, in 2005, the Government of Finland restructured municipalities and services, leading to amalgamations and the establishment of new IMCs for social and health care. In 2015, the new government took a totally new direction and decided to reform LGs based on a two-level LG system
Greece	No. Austerity policies have not directly influenced IMCs in Greece	Not applicable	In some cases, member municipalities were less willing to pay their contribution to IMCs due to their own lack of resources. In other cases, municipalities seem to be more willing to join forces due to the lack of resources. But these cases have not changed the overall picture	Failed attempts to implement IMC as a preliminary stage for future voluntary amalgamations. Due to this failure, the first wave of amalgamations (“Kapodistrias-Reform”) was implemented in 1998	

(continued)

Table 2.2 (continued)

	<i>Has IMC become more prevalent after the crisis?</i>	<i>If yes, what types of IMC?</i>	<i>Motives/reasons for Yes or No?</i>	<i>Is IMC part of a broader set of reforms, including mergers?</i>	<i>Have austerity policies been obstacles or opportunities? Has legislation played a role in this?</i>
Iceland	No, IMC has been popular for the past 10–15 years	Across the board, there is increase in all forms of IMC	Yes, discourse about improving cost efficiency of LGs for the past 20 years; IMC as a response to internal fiscal stress	No direct actions on behalf of the central government in relation to amalgamation/IMC since the financial crisis in 2008	No. High inflation, unemployment, and currency problems were the biggest threats the local authorities faced but no direct actions on behalf of the central government
Italy	Yes, it has been fostered as never before	Municipal unions (MUs) (i.e. multipurpose formal entities) have been promoted. Conventions are allowed, but not actively “desired”	Size and economics of scale; inability of small municipalities to provide basic services Elimination of the provinces from the Constitution requires an intermediate/supra-municipal level	Yes. A major reform took place in 2014	Legislation on IMC is national but regionally specified and articulated. IMC organizations have been stimulated, but rules have not substantially changed
Poland	No	Not applicable	No connection to austerity policy but fiscal stress in Polish LG increased substantially in years 2009–2011 and since then it has been stable. EU funds are an important motive for IMC	No territorial amalgamation reform. Minor reforms to support IMC with minimal reference to austerity. A reform of metropolitan areas is being considered	Conditions for IMC have been changing due to some changes in legislation (e.g. change of the law on solid waste management) but no connections to austerity policies

(continued)

Table 2.2 (continued)

<i>Has IMC become more prevalent after the crisis?</i>	<i>If yes, what types of IMC?</i>	<i>Motives/reasons for Yes or No?</i>	<i>Is IMC part of a broader set of reforms, including mergers?</i>	<i>Have austerity policies been obstacles or opportunities? Has legislation played a role in this?</i>
Portugal	Compulsory; formal contracts; multipurpose organizations. Increased intensity in the use of inter-municipal communities (CIMs)	The CIMs were a generalized form of cooperation among LGs even before the financial crisis and the austerity measures	IMC has been indirectly affected by a broader set of LG reforms in Portugal, including the amalgamation of sub-municipal units called parishes	New legislation approved as part of territorial and functional LG reforms facilitates the transfer of responsibilities, resources, and political deliberative powers to the CIMs
Spain	Reduction in the number of IMC organizations	The Law (27/2013) established that all IMC entities should meet some economic and fiscal sustainability criteria. If any IMC entity failed to achieve these criteria, it had to be dissolved. The outcomes of this legislation are still being analysed	There have not been global reforms related to either IMC or amalgamation	Local reform passed at country level has made more difficult engaging in IMC

(continued)

Table 2.2 (continued)

<i>Has IMC become more prevalent after the crisis?</i>	<i>If yes, what types of IMC?</i>	<i>Motives/reasons for Yes or No?</i>	<i>Is IMC part of a broader set of reforms, including mergers?</i>	<i>Have austerity policies been obstacles or opportunities? Has legislation played a role in this?</i>
The Netherlands	Yes, all types have been adopted. Some voluntary, some more compulsory. Some as formal IMCs, some as informal coordination platforms. If “purpose” is defined on a rather high level of abstraction, most are for single purposes	Reduction (sharing) of transaction/transformation costs resulting from getting new tasks at municipal level. Lack of expertise and general capacity in smaller municipalities (sharing of resources)	Some IMCs are linked to reforms directed at combining decentralization and coordination between municipalities. There are also some territorial amalgamations on the agenda, but that is an independent process (and not very strong)	There are no important changes in IMC legislation. Municipalities have large freedom in developing IMCs. There is, however, growing awareness in municipal councils that their influence in IMCs is usually limited; this might develop into something of an obstacle in some municipalities
The UK	Yes Council partnerships and agreements for administrative services and in local authority companies	Main reason: financial savings and cost reductions; also as an alternative to mergers	IMC is a LG response; no encouragement from the centre. Instead, pressures for mergers of county councils (an upper tier) for financial savings	More IMC but no legislation to facilitate it. Cities and Local Devolution Act (2016) is a new framework for councils that have brokered devolution deals with the central government to act together

IMC-inter-municipal cooperation, *LG*-local governments

borrowing and deficit rules. While in some of the countries the central government has opted to bear the brunt of the austerity burden (Croatia, Iceland, and Finland), in a majority of our cases, austerity has also spilled over to the local level, forcing LGs to operate in increasingly challenging environments.

Has IMC Become More Prevalent as a Result of Austerity Policies?

The majority of the countries covered in our survey did not experience any increase in IMC as a direct result of austerity policies. In five countries, austerity measures have led to more extensive use of IMC: Italy, Portugal, the UK, the Netherlands, and Iceland. In Italy, the national government has led the efforts to use IMC more extensively in order to cope with fiscal stress at the local level. Municipal unions (i.e. multipurpose formal entities) have been the preferred format of IMC. They are voluntary, but strong financial incentives have been put forth by the national and regional governments. Other forms such as conventions—looser and time-limited formal agreements—are still allowed but not openly promoted. Two reasons were put forth by Italian authorities as the main motivators. First, the goal to increase size and reap economies of scale in times of austerity was regarded as quite relevant for small-sized municipalities (more than 70% of Italian municipalities) to cope with their basic tasks assigned by national legislation. Second, the comprehensive reform of 2014 and the change in the constitutional law in 2016, which advocated the elimination of the provinces (second-tier level), required an “intermediate level”/supra-municipal alternative. In the UK, increasing fiscal stress of LGs has led to an increase in LG partnerships and agreements on administrative services and in local authority companies. Financial savings and cost reduction were the most frequently stated goals, but, for many LGs, IMC is also seen as an alternative to mergers. In the Netherlands and Iceland as well, increased fiscal stress of LGs has motivated them to make more extensive use of IMC. In the Netherlands, in particular, our experts suggest that IMC continues to serve as a strategy to reduce (share) transaction costs resulting from new tasks assigned to the municipal level. Unlike in Italy, however, increased IMC in the UK, the Netherlands, and Iceland has resulted from the bottom-up efforts of LGs (struggling with fiscal strain) rather than being directed by the central government.

In Portugal, IMC reform was undertaken in 2008, prior to the crisis, and resulted in the top-down creation of inter-municipal communities

(CIM) with compulsory geographical borders. The newly created CIM had as one of their major goals to apply for regional funds from the EU. Austerity, and particularly the bailout agreement, was seen as an opportunity to enhance the set of competencies and tasks assigned to the CIM. IMC was not regarded as an explicit policy to address specific austerity issues but rather as one of the strategies included in a broader set of reforms affecting LGs.

Spain is the only country that appears to have adopted legislation tightening the use of IMC. All municipalities under 20,000 residents (over 95% of the 8117 municipalities) were subjected to coordination of public service provision either directly by the province or indirectly through an inter-municipal arrangement (*Mancomunidades*). However, all *Mancomunidades* are now forced to submit their budgets and financial reports to the central auditing authorities (Bolgherini 2016). Noncompliance resulted in either massive adjustments or extinction, affecting primarily *Mancomunidades* addressing issues of economic and social development.

In the remaining countries, our panel of experts did not identify major changes as a result of the financial crisis of 2008. In Finland, IMC was already a widespread endeavour and the most recent financial crisis did not affect these efforts. In Poland, internal fiscal stress and the lack of expertise and capacity in smaller municipalities are stated as key motivators for the continuing trend of IMC. In Poland, there has been an increase in the number of Integrated Territorial Investments since 2014, but these are justified as a new EU structural funds instrument and are unrelated to austerity policies. Studies undertaken in Poland indicate that EU funds have been one of the most important motivations for IMC since the 1990s (Swianiewicz et al. 2016). Finally, in Croatia, Estonia, and Greece, austerity policies did not have significant impacts on IMC.

Has IMC Been a Part of a Broader Set of Reforms Directed at the LG?

In several countries, IMC is part of a broader set of reforms on the political agenda, but in most cases, these reforms are unrelated to the financial crisis or austerity policies. The exceptions seem to be Italy and Portugal. In Italy, a major LG reform took place in 2014. Overall, the Italian case seems to be the one where the link between austerity policies and IMC is the most evident (Bolgherini 2016). Besides the cuts to public expenditures to

increase budgetary discipline and comply with EU requirements, Italy has also focused on territorial reforms aiming to rationalize LG architecture (Bolgherini 2016). The reforms conducted in 2007–2013 point to an increase in the number of MUs, a form of IMC clearly favoured by the national government to the detriment of other forms. Municipalities under 5000 residents were forced to manage the mandatory tasks assigned by legislation through MUs and those with less than 1000 residents also have to do the same for all administrative functions and public services (Bolgherini 2014). These compulsory changes were accompanied by the complete defunding of mountain communities (MCs), an older form of IMC involving the smallest municipalities in remote areas. A reduction in the number of provinces was also clearly signalled by their removal from Constitutional status and an increasing transfer of some of their functions to regions, metropolitan cities, and MUs (Bolgherini 2014). In the Italian context, perhaps more than anywhere else, IMC is not only openly promoted but often imposed in a specific format (MUs) to the detriment of others (MCs), resulting in effective reduction of municipal autonomy and an increase in the deficit of democratic legitimacy as MUs' officials are not directly elected (Bolgherini 2014). Municipal amalgamations are also included as a goal in this reform but they are still voluntary, even if encouraged (and financed) as never before.

In Portugal, the 2011 bailout agreement was the main catalyst for LG reforms. The merger of municipal and sub-municipal units projected in the Memorandum of Understanding (MoU) signed in 2011 by the Portuguese Government, the International Monetary Fund, the European Commission, and the European Central Bank was never fully enacted. Since the MoU was ambiguous in terms of which units should be merged as a conditionality of financial aid, the Portuguese Government opted for the merger of sub-municipal units, leaving municipal boundaries intact. The Portuguese territorial reform stands as an example of how austerity policies have generated an unbalanced outcome for the local level. Sub-municipal mergers were enacted without concomitant changes to municipal boundaries, the allocation of functions between municipal and sub-municipal governments, local finances, or local election rules (Tavares 2015). The urgency to cut costs (required in the MoU) and the imposed deadlines gave an incentive for the central government to produce ad hoc and fragmented changes. These external demands, which sanctioned the argument for rushed measures, together with the political costs of significant territorial changes, can explain the absence of a coherent reform

strategy and the missed opportunity to facilitate IMC. The main policy set by this reform affecting IMC was the enhancement of responsibilities, resources, and political deliberative powers of the CIMs.

Finland went through an important reform which started before the financial crisis and was unrelated to it (2007–2011). LGs were asked to reorganize their social and health care services to serve a minimum of 20,000 citizens. Many LGs decided to amalgamate, but others solved this upper-level mandate using IMC, resulting in a significant increase in IMC in the last ten years. In other areas, such as garbage collection, IMC is also growing because using garbage as energy requires large investments. The current reform effort, however, is directed at creating the second tier of LG (in the form of self-governing regions) that would be responsible for several tasks (e.g. in social and health care) that have traditionally belonged to municipalities. As a result, IMC is likely to decrease dramatically.

In Estonia, a law prescribing compulsory amalgamations was adopted in 2016 but this was a result a longer-term reform effort rather than having been triggered by austerity measures.

Other countries have not experienced comprehensive LG reforms. In Poland, for example, no territorial amalgamation reform has been implemented or seriously considered. The experts we surveyed identified a few minor reforms aiming to support IMC but with minimal reference to austerity. A reform of metropolitan areas is also being considered, but no final decision has been reached. Croatia has not seen any significant LG reform since 2009, when the direct election of mayors came into law. The territorial organization of Croatian LG has remained the same and the national legal framework for IMC was also unchanged during the financial crisis years. Strategic policy documents (Strategy of Public Administration Development 2015–2020, National Reform Programme 2016) include IMC as a part of LG consolidation, in order to provide technical and financial support to cooperating municipalities, but no IMC legislation has been implemented yet. Interestingly, in these documents, IMC is primarily regarded as a step towards possible territorial amalgamations and not a reform in itself. In contrast, LGs see IMC policy tools and linkages as an instrument to avoid mergers. Greece also faced an attempt to implement IMC as a testing ground for future voluntary amalgamations, but this was not successful in either the first (1998) or second (2011) wave of amalgamations, although both financial and political incentives were offered.

DISCUSSION

The main goal of this chapter was to conduct an exploratory analysis of the overall effects of austerity policies enacted following the financial crisis of 2008 and the possible effects of these policies on the use of IMC by LGs in selected European countries. Is there a relationship between austerity policies and IMC initiatives? We outlined two competing theoretical propositions. We found more support for the first proposition—that austerity facilitates IMC—than for the second—that austerity inhibits IMC. This appears to be the case in at least 5 countries out of 11. Although in most of the countries covered in this chapter LGs have experienced increased fiscal stress as a result of austerity measures, only in few countries—Italy, Portugal, Iceland, the UK, and the Netherlands—has IMC emerged as a solution to deal better with fiscal stress. In Italy, the comprehensive reform of IMC has been a top-down initiative, pushed by the central government, whereas in the UK and the Netherlands, more extensive IMC has resulted from the bottom-up decisions of the LGs to better deal with increasing financial strain. Other countries covered in our survey have also experienced changes in the IMC landscape (e.g. Croatia, Poland) but these have been unrelated to austerity policies.

There does not seem to be a direct connection between the severity of fiscal stress/crisis and IMC. While some of the countries where austerity measures triggered more extensive IMC have been experiencing severe fiscal strain (e.g. Italy), others have experienced it more mildly (e.g. the Netherlands). Furthermore, in some other countries most affected by austerity (e.g. Spain and Greece), it has not triggered any noteworthy changes in IMC (if, then perhaps in the opposite direction). Thus, although based on the theoretical discussion in the section “[Theoretical Discussion](#)”, IMC could be viewed as a potential solution to deal with increased fiscal stress by the LGs due to the economies of scale and cost savings it could deliver. In practice, LGs appear to prefer other ways for coping with increasing scarcity of financial resources.

Other questions deserve more detailed research in the future. How exactly are austerity policies and IMC connected? Which factors influence the choice of national governments to adopt enabling/inhibiting legislation? What are the motivations for voluntary adoption by LGs affected by austerity policies? Explaining the dynamics of this association requires an in-depth analysis of country cases. Although we did not explore it more closely in our survey, the obstacles to IMC in the context of austerity

could lie in the theoretical arguments outlined in section “[Theoretical Discussion](#)”: increased transaction costs of engaging in IMC, decreased trust in the context of crisis and austerity, and the lack of (historical) traditions and experiences of utilizing IMC.

In addition to an in-depth investigation of the relationship between austerity policies and IMC, future work should also focus on the countries that have implemented IMC initiatives as direct or indirect consequences of fiscal stress. IMC has been shown to generate efficiency gains for specific services, such as solid waste collection. Several empirical studies confirm the possibility of capturing economies of scale and cost savings through IMC solutions for waste collection (Bel et al. 2010; Bel and Fageda 2010; Bel et al. 2013; Dijkgraaf and Gradus 2013; Zafra-Gómez et al. 2013). However, cost savings accruing from IMC are contingent on service characteristics, the size of the population to be served, and the transaction costs entailed by the IMC solution (Bel and Warner 2015). Most studies have focused on solid waste management, a service for which costs are usually available. There is far less information about the effects of IMC for other types of services, but anecdotal evidence suggests that IMC arrangements for the delivery of social and cultural services are frequently sacrificed by LGs facing austerity (Bolgherini 2016), therefore implying that these alternatives may be costlier. Finally, there is also controversy over whether scale economies are achievable using multipurpose organizations for IMC. These and other implications of IMC arrangements implemented in the aftermath of the financial crisis should be explored in future research to determine their effectiveness in addressing the challenges faced by LGs in a context of austerity.

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NOTES

1. From 1 to 3 experts per country were contacted, 18 in total.

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Actors in Inter-municipal Cooperation

Paweł Swianiewicz

CONCEPTUAL FRAMEWORK

The topic of our study in this volume is the cooperation of local governments. We mainly concentrate on inter-municipal cooperation (IMC) institutions which have been established on a voluntary basis, although in some cases, there have been strong incentives provided by other tiers of public government. But even in the relatively rare case of compulsory cooperation, there is still room for a local discretion in arranging the internal mechanisms of cooperation, and sometimes in deciding on the exact scope of the joint activities or the geographical shape of the “members of the club”. But when we talk about the cooperation of municipalities, we usually treat a single municipality as a “black box”. In this chapter, we are trying to look inside the “black box” and analyse the cooperation from the point of view of multiple actors—both political and administrative—who operate within each municipality. When we say “cooperation of municipalities”, between whom exactly do we expect cooperation? Local mayors, municipal councils, local administrations? All of them? And for each of them to what extent?

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Therefore, the main question asked in this chapter is about the role of various actors—elected and other officials—in initiating and running inter-municipal institutions. One of the possible negatives of IMC is a low level of legitimacy and accountability—towards both member municipalities and local communities who are the ultimate beneficiary of the services provided by IMC institutions. The issues of legitimacy and the transparency of decision-making in IMC entities have been the topic of interest of several past academic studies (Haveri 2003; Wollmann 2010; Borraz and Le Gales 2005; Négrier 2005; Dafflon 2012). They are also the focus of another chapter in this volume, by Gendźwiłł and Lackowska, and separately discussed in some of the country chapters. By analysing the involvement and interest of various actors, we can better understand who is behind the cooperation and to whom IMC institutions may be accountable to.

We understand that the situation may differ from place to place, and we want to explore this variation, both between countries and between individual IMC institutions within countries.

Therefore, our first empirical question is: what are the differences among studied countries? We assume that to some extent, it depends on the type of political leadership in the institutional setting of the local government systems. To answer this research question, we refer to two concepts. The first is the typology of local leadership developed by Mouritzen and Svava (2002), who distinguish between four types of institutional settings:

- (1) Council-manager, in which the important powers belong to a local council, which employs a non-partisan city manager to run the everyday business of local government;
- (2) Collective, in which the executive power rests in the hands of a collective board, appointed by the council. The city mayor chairs the board, but his (her) role is nothing more than *primus inter pares*;
- (3) Committee-leader, in which part of the executive powers rest with the committees of the council;
- (4) Strong mayor, in which the executive power is personalized and concentrated in the hands of the mayor, who is usually directly elected by the local population (although there are exceptions to this rule).

The second concept which is referred to is the index of mayoral strength, which was originally developed by Heinelt and Hlepas (2006), but has recently been modified in Heinelt et al. (2017, forthcoming). The index is based on several variables, such as mode of appointment of the mayor,

Table 3.1 Horizontal power relations in countries included in the empirical analysis

	<i>Type of leadership per the Mouritzen and Svava (2002) classification</i>	<i>Mayoral strength index according to Heinelt et al. (2017, forthcoming)</i>
Czech Republic	Collective	4.5
Germany (Brandenburg)	Strong mayor	9.0
Iceland	Committee-leader	9.0
Poland	Strong mayor	10.0
Portugal	Strong mayor	6.0
Slovakia	Strong mayor	12.0
Slovenia	Strong mayor	11.0
Spain (Catalonia)	Strong mayor	12.0

his/her power to appoint key individuals in the local administration, the formal relationship between the mayor and the council and so on. The index has a range of 0–14, where 0 means almost powerless, and 14 means an extremely strong position of the mayor in horizontal power relations.

As may be noted in Table 3.1 illustrating the relevant institutional settings in countries included in our empirical analysis, our sample has a strong over-representation of the strong-mayor leadership form (six out of eight countries). Not surprisingly, the index of mayoral strength is also usually high—in six out of eight countries, its value is at least 9 on a 0–14 scale.

The two concepts are, of course, inter-related—usually the strong-mayor form implies a high value on the mayoral strength index, while the three remaining types of leadership are characterized by low levels of the index. However, our set of countries has some peculiarities. While the index level for the Czech Republic is typical of the collective form of leadership in Europe, the index for Iceland is exceptionally high, atypical for the committee-leader form. At the same time, the position of the Portuguese mayor is weaker than is usually found in the strong-mayor form.

The position of the mayor in actual decision-making in the current activities of local government business is also related to the role of politicians and bureaucrats in everyday governance. Both the local political system and political (administrative) tradition may favour different positions on who takes the lead—for example, mayor, councillors or administrative managers. Describing this phenomenon, Zerbinati (2012) distinguishes between political and administrative leadership (see also Zerbinati and Souitaris 2005 for a more detailed typology). Investigating the implementation of EU funds in Italy and

England, she discovered distinct models in both countries. In Italian local governments, it was usually the mayor who took care of acquiring EU funds, whereas in England most of the actions were undertaken by administrative staff. Both patterns cause different mechanisms in the whole policy-making process. They make it either more politicized or shift it towards a more technocratic approach. This may have consequences for the democratic legitimacy of the given policy. In our chapter, we expect that having a strong mayoral position (especially the strong-mayor system, to follow the Mouritzen and Svvara classification) is related to political leadership, while the weak position of mayor is often connected to more administrative leadership.

Consequently, the first hypothesis to be tested in this chapter is:

The stronger the position of the mayor is, the more likely he/she is to play a major role in establishing and maintaining (operations of) an IMC institution.

If the position of mayor is weaker, this role is, to a larger extent, played by other actors—mostly local bureaucrats and councillors. This distinction refers to the Zerbinati (2012) concept of political versus administrative entrepreneurship in local government operations. Referring to Mouritzen and Svvara's (2002) typology, we expect the main difference to be seen between strong-mayor and other types of leadership. The highest administrative role is expected in the council-manager form (Iceland in our set of countries).

But we also expect variation within countries, or at the level of individual IMC institutions. First, we expect the most powerful local political actor—represented by the mayor in the strong-mayor system, which dominates in our set of countries—to express more interest in IMC operation if the cooperation is more developed and is more vital to the functioning of member municipalities. Therefore, hypothesis 2 is:

The more institutionalized the cooperation of local governments is, the higher the interest of the mayor is in its operation.

The third hypothesis assumes a more personal style of leadership by the mayors of small local governments, and more formalized and more procedurally bureaucratic in larger cities:

In small municipalities, mayors are usually directly involved in the work of IMC institutions, while in larger municipalities, the task is more often delegated to local bureaucrats.

These three hypotheses are tested further in this chapter.

DATA SOURCE, MEASUREMENT AND METHODS

The main data source is a survey conducted in eight European countries between September 2014 and the end of 2015. Respondents were recruited from IMC institution offices, which implies a focus on formal inter-municipal entities (usually legal entities), and not on looser networks or contractual agreements among municipalities. Ideally, we intended to research the same form of inter-municipal institutions in each of the countries, but this was not possible in the complex world of diversified forms of IMCs. Instead, we decided that in each of the countries, we would focus on the most developed and formalized institutional structures (see also Table 3.2). Respondents had a choice of receiving the survey either on-line or by post. Data from seven countries¹ are available at the level of individual IMCs, which allows for the testing of hypotheses 2 and 3. In most cases, we have also collected contextual variables, such as the population size of member municipalities and the size of the IMC budget.

In addition to the survey responses, contextual data on each of the IMC institutions were collected, such as year of establishment, number of member municipalities, population of member local governments and (where possible) the size of the annual budget.

How did we operationalize our hypotheses to make them measurable by an empirical test? The position of mayor is measured by the index of mayoral strength (as described above) and in reference to the Mouritzen and Svava (2002) typology of local leadership.

Table 3.2 Basic characteristics of the collected empirical material

<i>Country</i>	<i>Form of IMC covered by the survey</i>	<i>Number of responses</i>
Czech Republic	Microregion	179
Germany (Brandenburg)	Special Purpose Associations (Zweckverbände)	25
Iceland	Survey directed at 50 largest IMC institutions in the country	37
Poland	Inter-Municipal Union (związek komunalny)	65
Portugal	Inter-Municipal Association	16
Slovakia	Microregion and Joint Municipal Office	58
Slovenia	Joint Municipal Authority	36
Spain (Catalonia)	Inter-Municipal Association (mancomunidad)	50

The level of IMC institutionalization is measured by multiple answers to our questionnaire, namely items on: the location of IMC office (own premises or rented by member municipalities), possessing own website, number of permanent employees in the IMC office and the size of the IMC budget.²

The dependent variables from our hypothesis are measured by answers to the following questions from our survey:

- (1) Please indicate who the initiator of this IMC institution was.
- (2) How often do you contact the following people as part of the daily work of the IMC institution? (mayor, deputy mayor, councillors, Chief Executive Officers, heads of departments in municipal administrations, other officials)
- (3) Who usually represents municipalities at meetings of IMC bodies? (mayor, deputy mayor, councillors, Chief Executive Officers, other bureaucrats)

The most difficult (and indirect) is the measurement of the impact of the size of municipalities on the level of the mayor's involvement in IMC. Our main database originates from a survey of IMC offices, not of individual municipalities. Therefore, we do not have a precise measurement of the variation among municipalities based on their population size. We may trace the relationship only indirectly, comparing mean population size of municipalities that are members of different IMC institutions.

The applied methods are based on very simple statistics: frequencies of answers on individual questions, indices based on two or more questionnaire questions, correlations of answers with other characteristics of the countries, and individual IMCs and simple regression models.

WHO INITIATES AND WHO GOVERNS IN INTER-MUNICIPAL COOPERATION INSTITUTIONS?

In most of the analysed countries, mayors are the most active in initiating IMC (see Fig. 3.1). Other local actors usually play a marginal role, although there are noticeable differences among countries. The most striking exception is Iceland, in which councillors are active on nearly the same level as mayors. The councillors' role is also noted as being on a higher-than-average level in Slovenia and Germany. Local administration is the most active in establishing IMC institutions in Slovenia, but it also

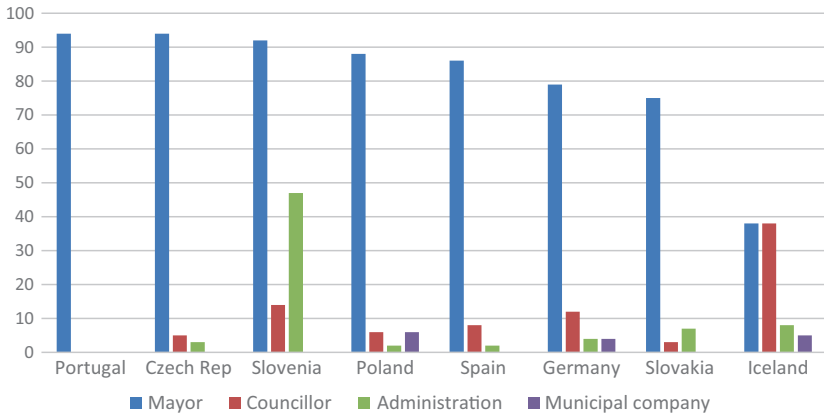


Fig. 3.1 Initiators of establishing an IMC institution (pct of answers)

happens to play a role in Iceland and Slovakia. These results for Slovenia (and to some extent Slovakia) may be explained by the typical nature of cooperation in the studied institutions, which is often connected to the joint performance of administrative tasks. Leaders of municipal companies are rarely found among initiators of the joint inter-municipal activities. The incidence is marginally higher in Poland than in other countries, although even there it is declared by fewer than 10% of the studied institutions. That slightly higher importance may be explained by the frequent areas of cooperation of the Polish unions, which is related to joint service delivery in sectors which are often commercially operated by municipal companies (water and sewage, waste management, public transport).

But the leading role in establishing an IMC may not be identical to the role of daily operations and supervision of the IMC institution. Figure 3.2 shows the variation of a more comprehensive index built around questions on: (1) initiation, (2) frequency of contacts between the IMC office and other municipal actors and (3) the representative from member municipalities to IMC institution assemblies. The latter may, of course, be influenced by particular legislation deciding by whom and under what conditions the municipality can be represented in the IMC entity. But usually the legislation leaves some amount of flexibility in this respect, and the law itself is also a reflection of the dominant thinking on the role of various actors.

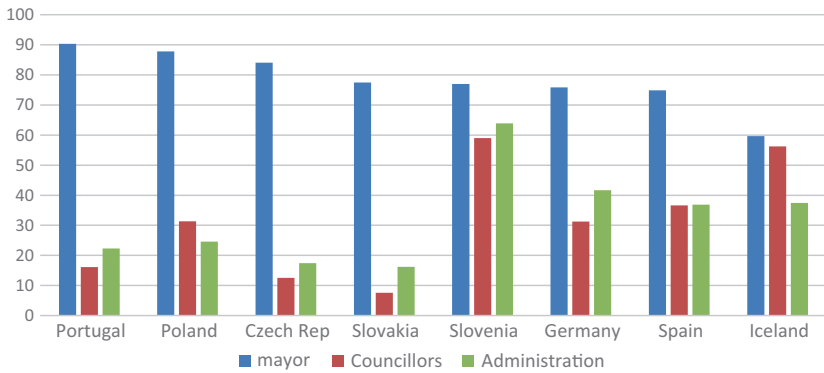


Fig. 3.2 Index of strength of municipal actors in IMC institutions (0–100 scale)

Once again, Iceland is an outlier from most other countries. Councillors are almost as active as mayors, and administration³ also plays a prominent role. The other country in which all three actors demonstrate a similar level of strength is Slovenia. The countries in which the domination of mayors in IMC institutions is the most visible are Portugal, Poland, the Czech Republic and Slovakia.

If we look in more detail at the values of individual variables (see Table 3.3), we observe the difference between daily operational (frequency of contacts with IMC office) and supervisory/strategic decision-making (representing member municipalities on IMC meetings) roles. The former allows for a more active role of administration (especially in Germany, Iceland, Slovenia and Spain), although in some countries (Poland, Portugal, Czech Republic) mayors remain the most active in this dimension of IMC activity, as well. But in representation of member municipalities, the role of bureaucrats is usually very limited (with some exception for Iceland, Slovenia and Spain). The specific importance of administration in Icelandic and Slovenian IMCs is based on its role in initiating and maintaining IMC operations, not in representing or supervising them (Table 3.3).

What are the factors influencing the roles of various actors in IMC institutions? We concentrate on the position of mayors, who are the most powerful actors in most studied countries.

Table 3.3 Role of various local policy actors in initiating and managing IMC cooperation

	% initiating IMC		Frequency of contacts with IMC office (1-4 scale)		Frequency of representing municipality in IMC (1-4 scale)				
	Mayor	Councillors	Administration	Mayor	Councillors	Administration			
Germany	79	12	4	3.22	2.05	3.85	3.24	2.40	1.78
Iceland	38	38	8	2.81	2.42	2.88	3.42	3.50	2.25
Poland	88	6	2	3.52	2.07	2.56	3.74	2.57	1.59
Portugal	94			3.52	1.81	2.89	3.79	1.64	1.12
Slovakia	75	3	7	2.84	1.59	1.97	3.88	1.00	1.28
Slovenia	92	14	47	3.14	3.78	3.64	3.03	3.11	2.71
Spain	86	8	2	2.71	1.80	2.75	3.45	3.26	2.51
Czech Rep	94	5	3	3.29	1.65	2.40	3.46	1.33	1.08

The first finding is that contacts between IMC offices and mayors are stronger in cases where IMCs are characterized by higher values on the index of institutionalization. A statistically significant correlation has been found for both the merged data file that includes all studied IMCs in eight countries (0.184^{***4}) and in calculations performed separately for IMCs in some of the countries (e.g. Czech Republic 0.277^{***}, Iceland 0.411^{*}).

In several cases, the contacts are also more intense in IMCs with the largest budgets (in Czech Republic—correlation 0.179^{*}, in Portugal—0.637^{**}; in Portugal, the size of the budget is also correlated with the frequency of municipalities being represented by the mayor—0.658^{***}).

Finally, in some cases, the size of member municipalities matters. In both Portugal and Poland, mayors are directly representing their municipalities less often (but are still delegating other staff members or elected officials) if the population size of member municipalities is larger (Poland—correlation—0.264^{*}, Portugal—0.564^{*}).

DISCUSSION AND CONCLUSIONS

The empirical data analysed in this chapter confirm, first, that mayors are the most active and most influential actors in initiating and maintaining IMC. It is not surprising, especially considering that most of the analysed countries belong to the strong-mayor leadership model. In the only one which belongs to the council-manager type (Iceland), the position of mayor is quite powerful, looking at the Heinelt et al. (2017) mayoral strength index.

We also confirmed that the position of various local political actors in initiating and maintaining IMC is diverse and dependent on institutional setting. But results from testing the concrete hypotheses formulated at the beginning are less unambiguous than expected.

First of all, the relationship between the involvement of various actors and the type of local leadership present in individual countries is not as straightforward as expected. Indeed, as expected, in Iceland, the council-manager type, mayors are less influential actors in IMC than in countries with the strong-mayor form of political leadership. But in the Czech Republic, which represents the collective type of leadership, the role of the mayor is among the highest in the group of analysed countries. How can we explain this result? The values quoted in Table 3.1 have been developed according to the typology which comes from

research on cities with over 10,000 residents. In the Czech system of fragmented territorial structure, the vast majority of municipal governments are much smaller. And the system of horizontal power relations in smaller, local Czech governments is more complex. Indeed, the collective leadership model dominates in municipalities over 10,000. But in the smallest local governments (below 500 citizens), there is no collective board, and the mayor alone plays the role of the board. Here, we may expect that his/her position is much more powerful than in the larger cities, and the type of leadership is far from collective. The situation in municipalities with a population between 500 and 10,000 is even less clear, since there might be a collective board or “single mayor board” depending on local decisions. In our sample of micro-regions studied in the Czech Republic, there are just seven in which all member local governments are below 500 in population, so we are certain that there are no collective boards there. None of our micro-regions consists solely of municipalities over 10,000 in population, so in most cases, we may assume that some member municipalities have collective boards, while some rely on a single-mayor system. Summing up, classifying the Czech Republic as solidly as having a collective type of leadership is an oversimplification in the study, which includes also municipalities smaller than 10,000 residents. In such circumstances, the obtained result is much less surprising. It may mean that the data from the Czech Republic are not that contradictory to our initial hypothesis, as they may look at a first glance. This issue would require further investigation into a set of countries with more differentiated types of local political leadership.

There are other results, too, which need more thorough interpretation, since they deviate from the expectations based on hypothesis 1. Among the countries included in the study, Portugal has one of the lowest values on the mayoral strength index (Heinelt et al. 2017), but the role of mayors in IMCs is among the strongest. Perhaps the explanation is related to the way Portuguese Inter-Municipal Associations were initiated. Although their creation was not compulsory from a strictly legal point of view, the opportunities created by the new law made it so that individual local governments could hardly refuse. The law also made mayors directly responsible for implementing the form of cooperation. The high level of bureaucrat activity in Slovenian IMCs may be explained by the nature of cooperation in the researched IMC institutions; it is very much focused on the provision of administrative services.

Taken together, it confirms that country-specific features are more significant than other characteristics identified on the level of individual IMCs. Indeed, the regression models in which the dependent variables are, respectively, the index of mayoral strength in IMC and the frequency of contact between the mayors and IMC offices, confirm this observation. The most significant are country dummy variables (with Iceland and Spain negatively and Poland positively correlated with the values of dependent variables). Their significance is stronger than for other independent variables, such as the institutional strength of individual IMCs or mean size of involved member municipalities.

Nevertheless, the index of IMC institutionalization proved to be significant (at a 0.05 level) in the model explaining the frequency of contact between mayors and IMC offices. As explained in the previous section of this chapter, the index of institutionalization is also important according to correlation coefficients of various variables of mayoral involvement in IMC operation. We can say that hypothesis 2, which claims that higher institutionalization of IMC leads to a higher interest of mayors, has been confirmed, even if this impact is weaker (and to some extent overshadowed) by contextual differences among countries.

The confirmation of the third hypothesis (on the relationship between the size of the involved municipalities and the direct involvement of mayors in IMC operation) is the most doubtful. We found that in Portugal and Poland, mayors more often delegate other elected officials or bureaucrats to represent their municipalities, especially if the population size of the municipality is larger. But these are the only significant relationships, not confirmed in other countries or by other dimensions of mayoral activities. However, we need to remember that our operationalization of the hypothesis has been relatively weak. The only variables we could use were mean, maximum and minimum population size of member municipalities in the given IMC institution. In many cases, the variation in size among municipalities involved in the IMC is very large. And the answers of our respondents address the “average situation”, not distinguishing between the situations for different members of the club. Therefore, we should conclude that the issue requires further study based on more precise measures.

From the point of view of the topic of this chapter, the set of countries is strongly biased, since the vast majority of them belong to the strong-mayor leadership model (six of eight countries, moreover—as explained above—the Czech Republic is not far from the same model where small

municipalities are concerned). Therefore, in the future, a similar study would be worth repeating with more countries representing other types of leadership, such as Nordic states (Denmark, Finland, Norway and Sweden), Baltic States (Estonia, Latvia, Lithuania), Belgium, England, the Netherlands, Switzerland or Serbia.

NOTES

1. Except Germany.
2. Details of the construction of the index we refer to in this chapter may be found in Swianiewicz and Teles (2016).
3. Data shown on figures are based on more detail answers to questions on the role of Chief Executive Officers and regular bureaucrats.
4. Here and in further parts of the chapter ***—correlation coefficient significant on 0.001 level, **—on 0.01 level and *—significant on 0.05 level.

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A Borrowed Mandate? Democratic Legitimacy of Inter-municipal Entities: A Comparative Analysis

Adam Gendźwiłł and Marta Lackowska

INTRODUCTION

The legitimacy of democratic power is assured mainly by the free, competitive elections. The elected officials represent the people and transform (some of) their preferences into policies. This basic principle of electoral representation in an obvious way refers also to local democracy, where councillors, and—in many countries—directly elected mayors, are accountable to the local electorates. However, it is clear that the electoral legitimacy is insufficient, and in contemporary democracies, it is supplemented by the other, non-electoral, forms: direct civic participation, meritocracy and impartiality of public administration (the idea of civil service), academic or technical expertise, and judicial review rooted in the constitutional rule of law (Rosanvallón 2011; Beetham 2013).

The development of multi-level governance structures additionally complicates this picture, as the legitimacy of decision-making bodies stems

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from different sources, combines various modes of political representation, is delegated or mediated (Bache and Flinders 2004; Jachtenfuchs and Kohler-Koch 2004; Knodt 2005). In this respect, many studies analyse the complex legitimacy of EU institutions (Schmidt 2013; Cini and Perez-Solórzano Borragan 2010). Similar approach can be applied to the institutions of inter-municipal cooperation (IMC), which are objects of our study. However, the legitimacy of IMC institutions is less frequently an object of interest.

The aim of this chapter is to address this gap by describing and comparing the basic mechanisms assuring legitimacy of inter-municipal unions (IMUs) in four European countries: Czech Republic, Poland, Portugal and Spain (Catalonia). We compare both features of institutional design and opinions of inter-municipal administration revealed in an international survey conducted in 2015 and 2016.

In the following sections of this chapter, we discuss how the concept of legitimacy applies to the institutions of IMC. We focus on the mechanisms of “borrowing” legitimacy from elected local authorities and distinguish three dimensions of IMC institutions’ legitimacy: input, output and throughput (Schmidt 2013). After these theoretical considerations, we present the data and briefly describe the institutional setting in the compared countries. Subsequently, we analyse several indicators of input, throughput and output legitimacy, searching the between- and within-country variation. Finally, we summarize the results, demonstrate the limitations of our study and present the issues requiring further research.

LEGITIMACY OF INTER-MUNICIPAL ENTITIES

IMC is frequently portrayed as a solution for the problems of optimal scale for service delivery, an alternative to the territorial consolidation. De la Fuente and Schaap argue that “New regionalism endorses the ‘pooling of problem-solving capacity’ among governments at different levels(...).The focus shifts from creating new layers of government to making things work. This approach emphasizes the relevance of checks and balances as necessary features of a pluralistic society (normative statement). The strategy assumes that decisions are made within a context of interdependencies in extensive networks (empirical observation)” (de la Fuente and Shaap 2007, pp. 205–206). Inter-municipal entities cannot be treated only as executive agencies or subcontractors for the local governments. Hulst and van Montfort argue that the focus of local administration gradually moves

from the local to the inter-municipal level. Taking that into account, the authors observe that it is unacceptable for IMC institutions to grow into multipurpose quasi-regional governments without proper democratic legitimization (Hulst and van Montfort 2007, p. 223). For that reason, it is important to reflect on how civic control over IMC institutions is secured and executed.

De la Fuente and Schaap argue that the multi-level arrangements are based principally on the notion of “borrowing” legitimacy from municipalities. Therefore, in the vast majority of inter-municipal institutions, the participation and representation of citizens’ interests is indirect. It is possible that the institutional design or empirical practice provides opportunities for the participation of individual citizens as well; however, it occurs rarely. In fact, the political representation in IMC bodies is “double indirect”, as the members of IMC decision-making bodies are representing the not always coherent interests of member municipalities’ authorities and, simultaneously, citizens of these municipalities.

The lack of direct legitimacy of IMC institutions is frequently described as “democratic deficit”—this term is used analogically as in case of the EU institutions (Moravcsik 2002; Hix 2013; Schmidt 2013). Wollmann mentions that the IMC bodies in Germany were increasingly criticized for the lacking direct political legitimacy and accountability. He points out that “this deficit is deemed to become more serious the more functions come to be delegated to the inter-municipal bodies by their member municipalities or at the land level” (2010, p. 273). Both Wollmann (2010) and Hoffmann-Martinot (2003) report the similar problem in French *communautés* in which councils are elected indirectly by the member municipalities. Hoffmann-Martinot concludes that the *communautés urbaines* have “resulted in depriving communes of responsibilities and transferring them to intercommunal structures that work in an opaque and expensive manner, without enough democratic control” (2003, p. 179).

The normative definitions of legitimacy refer to the classical concept of democracy as the government *by* the people (legitimacy through participation), *of* the people (legitimacy through fair representation) and *for* the people (legitimacy through the effectiveness, outcomes of enacted policies). These concepts were incorporated into political system theory as *input* and *output* legitimacy (Easton 1965; Scharpf 1970), later supplemented by the notion of *throughput* legitimacy, referring to the inclusiveness, openness and transparency of decision-making; in other words—government *with* the people (Schmidt 2013).

The existing literature usually identifies the democratic legitimacy of inter-municipal institutions with the direct (popular) elections of decision-making bodies: assemblies or boards. The substitution of direct elections by nominations or indirect election (held in municipal councils of member municipalities) is considered as “democratic deficit”. It is particularly visible if the IMC institution takes over and exclusively performs some tasks of municipalities, affecting lives of local citizens. In this case, the attention is focused mainly on the rules of participation and representation of municipalities and individual citizens, thus input legitimacy. However, the IMC is frequently legitimized by the reference to the desired outputs, which can balance the shortage of input legitimacy. The purpose of cooperation can be understood as a common good or public interest, for example, lowering costs of service delivery or the solution of a complex problem reaching beyond the borders of single municipality. The actions of IMC administration can be thus justified by the idea of technocratic expertise or civil service acting non-politically in the pursuit of the common interest.

In this chapter, we attempt to compare and contrast the democratic legitimacy of IMUs in four European countries. Going beyond the description of legal rules of representation and decision-making, we analyse the original survey data, capturing various indicators of input, throughput and output legitimacy of inter-municipal entities.

DATA AND METHOD

Our analyses are based on the survey carried out among IMC institutions in eight European countries (see introductory chapter). For the purpose of our study, we have chosen four of them: Czech Republic, Poland, Portugal, and Catalonia (Spain). The key of our selection was twofold. First, and the most important, we included countries in which the investigated IMC institutions are sufficiently similar in legal terms to enable cross-country comparisons. Second, in order to conduct the statistical analyses, we selected the countries for which the most complete data on their institutionalization were available.

In all four countries, the legal basis used for the establishment of IMC entities investigated in the survey is the Local Government Law. Most of them function as separate entities, with own resources and internal authorities—usually called “general assembly” and “executive board”. They are

responsible for joint delivery of certain public services; frequently, they function as single-purpose bodies, but they can also be multipurpose or have unspecified (general) purpose, as Czech micro-regions and Portuguese associations. Polish and Czech associations function on a voluntary basis, while the ones in Catalan and Portuguese are created centrally, yet have discretion regarding the scope of their functioning (services they provide).

In all of those countries, the general (Poland, Czech Rep., Catalonia), or even detailed (Portugal), principles of member municipalities' representation are given in the Local Government Law. In Poland, Czech Republic and Spain, the details of the IMC authorities' composition are regulated by the IMC's statute or founding agreement.

In Poland, the survey included IMUs (*związki międzygminne*), which are the most institutionalized form of IMC. They are responsible for joint delivery of certain public services. In financial terms, public transport prevails (but concentrated in just a few big IMUs), followed by waste management, water and sewage. In 2015, there were 162 active IMUs, out of which 65 responded to our survey.

Among the Czech IMC institutions, micro-regions were chosen for our analysis. They usually have a general purpose, such as the common development of the involved municipalities' territories, environmental protection, common water treatment plants and gas infrastructure. About 60% of all Czech voluntary municipal associations are micro-regions. In 2014, there were 532 micro-regions in Czech, out of which 179 are included in the database.

In Catalonia, Spain, the study dealt with *mancomunidades*, which are formal juridical bodies formed only by municipalities. They are devoted to service provision (most frequently, water and waste-water management, waste management and road infrastructure) and local government investments. Out of 64 active units, 50 took part in the survey.

Portuguese research covered inter-municipal associations (IMAs; located out of the metropolitan areas), which enjoy their own competencies, bodies and finances. In terms of the internal decision-making process, IMAs are headed by one of the mayors, chosen amongst their peers. Although the leader can have some political and professional advantages, his vote has the same weight as other mayors (Silva et al. 2016). They are multipurpose, and most of them are responsible for strategic planning, management of the EU funds and economic development. Less popular tasks are tourism and regional territorial marketing.

RESULTS

Input Legitimacy

In all studied countries, the democratic legitimacy of inter-municipal entities is assured by “borrowing” the electoral legitimacy of municipal authorities. In Poland, Czech Republic, Catalonia and Portugal, municipalities are represented in the inter-municipal entities, principally by their mayors (all apart from Czech mayors are directly elected by citizens). However, a mayor usually can be replaced by a deputy mayor or a nominated councillor (the latter option is impossible in Portugal). In the case of the decision-making process, the picture is more complex. Once the voting rules in the assembly are compared, a variation in the institutional setting can be observed. In Czech Republic and in Poland, in the majority of cases, each member-municipality has equal number of votes. Polish regulations allow, however, for over-representation of selected members, for example, bigger municipalities. In such cases, the additional representatives are elected by the council and are not obliged to be directly elected by citizens before.

In Catalonia, the rules of representation are regulated by a statute of each IMC. The general framework (specified in the Law on Catalan Local Government) imposes only that each municipality should be represented, yet each may have different number of representatives or different number of votes, depending on the statute adopted by the members. In Portugal—rules are regulated by the Law on Local Government, the statute of each IMC can specify them, but the degree of discretion is limited.

In most of the countries under study, it is possible that representatives without electoral mandate (neither mayors nor councillors) have decision-making power within IMC (e.g. hold a seat in the IMC Assembly or in Executive Board). In Catalonia and Portugal, the presence of decision-makers without electoral mandate is not legally excluded, yet rare. In Poland, such situations occur once a council is entitled to elect additional representatives of a municipality; however, the presence of non-elected members in the assembly and board is limited. In the Czech Republic, the union’s manager can have no electoral mandate (yet, he/she only conducts IMC’s everyday tasks having only certain degree of discreet power). Polish managers may play a more important role both informally and formally (e.g. they may seat in the union’s executive board).

The Executive Board is usually elected by the Assembly (Poland, Catalonia and Czech Republic). In Portuguese inter-municipal communities, there are two executive bodies: (a) the inter-municipal council composed of all mayors of the municipalities and led by a president and two deputies (elected among them) and (b) the inter-municipal executive secretariat, which is non-political, composed by a first secretary and other secretaries, elected by the Assembly.

The survey of IMC institutions brings empirical evidence that the political representation in all countries prevails over administrative representation, which supports the model of “borrowing electoral legitimacy” from municipal authorities. The assemblies of IMC institutions are composed predominantly by electorally accountable local politicians. Nonetheless, in Czech Republic, Catalonia and Poland, it so happens that the representation of member municipalities is supplemented by local officials (Fig. 4.1).

It is obvious that IMC institutions are mainly open to inputs from the municipal authorities. However, many IMC entities are well recognized locally and establish their own relations with citizens, bypassing the “bor-

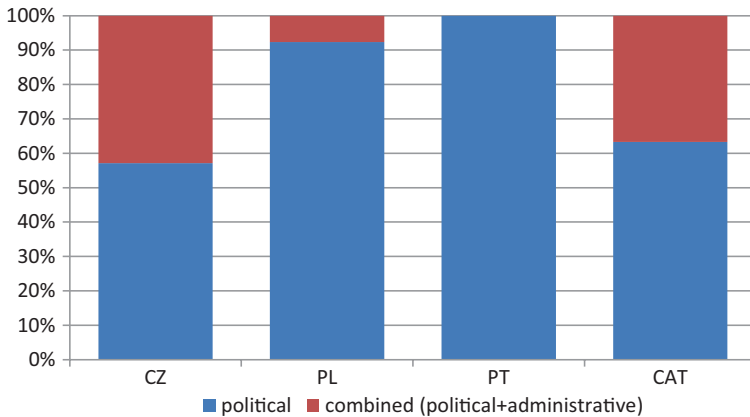


Fig. 4.1 Political and administrative representation in the IMC institutions’ assemblies. Notice: In all figures included in this chapter, we use country abbreviations: *CZ* Czech Republic, *PL* Poland, *PT* Portugal, *CAT* Catalonia (Spain). Based on the survey responses on who represents municipalities in the assembly. Responses “often” and “sometimes” were summarized. Mayors, deputy mayors and councillors were considered “political”

rowed” electoral linkage. It is difficult to catalogue all forms of direct citizens’ interactions with inter-municipal entities and assess the degree to which IMC institutions are open to inputs from citizens of member municipalities. In our survey, we only explored this issue by asking whether local citizens are interested in issues of IMC institutions. We compare the provided answers with answers to the analogical question concerning perceived citizens’ interest in municipal issues. Keeping in mind that these measures are imperfect, capture only perceptions of civic interest and may be biased towards larger interest in IMC, it is worth noticing that there are systematic differences in the perceptions of citizens’ interest between studied countries. In Portugal, where municipalities are relatively weak and IMC institutions are functionally equivalent to the regional tier of subnational government, the interest in IMC issues is relatively larger than in other countries, yet the majority of answers indicate that the attention of citizens is focused more on municipal issues. In Catalonia, citizens’ focus on municipalities in all analysed cases equals or prevails over their interest on IMC. Polish and Czech unions also represent dominating focus on municipal issues, yet considerable shares of answers indicate equal interest in both institutions (Fig. 4.2).

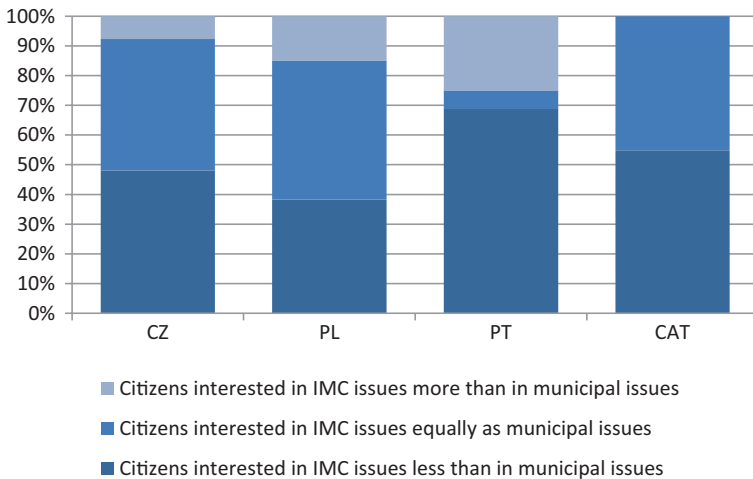


Fig. 4.2 Perceived civic interest in IMC issues and issues of member municipalities. Based on the survey responses from the IMC institutions

Throughput Legitimacy

The concept of throughput legitimacy refers to the manner of decision-making, checks and balances, and providing citizens with information. It is difficult to assess the transparency of decision-making process in numerous IMC institutions without an in-depth analysis. Nevertheless, in our survey, we asked about the channels by which citizens are informed about the issues of IMC. Two arrangements are possible in this respect, indicating the dominant model of assuring transparency and communicating with citizens. It is possible that the IMC institutions themselves are responsible for informing citizens (we asked about the IMC webpage and meetings with local citizens). In the alternative model, member municipalities are responsible for informing citizens (analogically, we asked whether the issues of IMC are presented at the municipalities' webpages or meetings with citizens organized by local authorities).

Figure 4.3 presents the differences between the investigated countries.

In Portugal, where IMC institutions are relatively strong, the direct channel is the most important; municipal authorities only support IMC entities in informing citizens. In Poland, the combined model of provid-

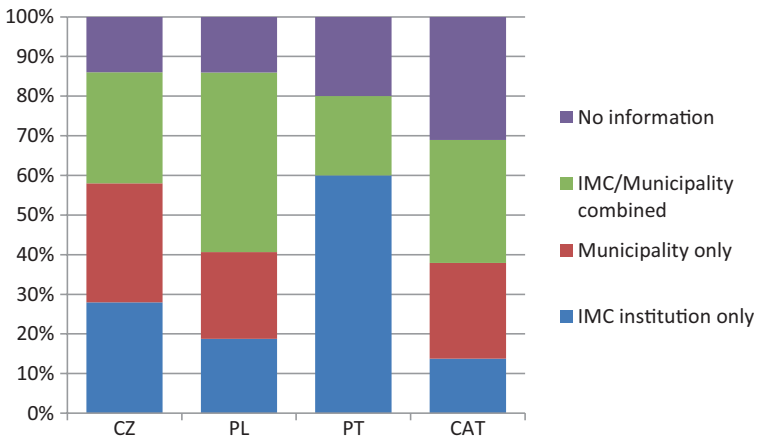


Fig. 4.3 Sources of information for citizens in the analysed countries. “No information” means that neither IMC nor its municipalities give the citizens the information about the IMC functioning

ing information dominates. In Czech Republic, there is more balance between direct municipal, direct IMC and mixed channel of information provision. In Spanish institutions, the throughput legitimacy related to the transparency of decision-making could be assessed as the weakest, as in more than 30% of institutions, the administration admits that citizens of member municipalities are not informed at all.

Output Legitimacy

The issue of output legitimacy is illustrated by the two sets of variables. First, we refer to a row of questions indicating satisfaction and division of benefits among the member municipalities, in particular:

- *Members of the Association are pleased to participate in the Association and satisfied with its outcomes*—the basic indicator of members' general satisfaction with the participation in the union.
- *The benefits of the activity of the Association recognized by individual members are commensurate with their contribution and commitment to cooperation*—this question allows stating whether the division of benefits is fair, that is, depends on the input of a member. We refer here to the Ostrom's et al. (1994) rule of pay-off, that is, the balance between the resources contributed to a system and the obtained benefits.
- *Outcomes of the Association's activities are clearly visible and easy to evaluate*—leaning on previous studies (Swianiewicz et al. 2016), we assume that the effects which are clearly visible and easy to measure, correspond to the general satisfaction with the Associations' activity. When the effects are difficult to estimate, the evaluation of the Associations' activity also becomes difficult. This is consistent with Brown's and Potocki's findings (2003) on IMC. They discovered that if a public service has so-called measure difficulties, it's less likely to be delivered in cooperation. The authors explain that the bigger the problem with measuring performance in a field, the higher the probability of opportunistic behaviour among the partners (limiting one's contribution, free-riding, etc.).
- *Thanks to the cooperation in the Association, the member municipalities have started to cooperate also in other areas*—based on the concept of spillovers, we decided to treat extensions of cooperation as signs of success. This assumption comes from the neo-functional approach in Europeanization studies, which assumes that successful

cooperation tends to develop so-called spill-over effect, that is, it expands on new members (territory), new policy fields (scope) or deepening the cooperation in the original field. In our survey, only this question correlated with assessment of satisfaction, whereas other questions asking about new members or withdrawals seemed irrelevant. Moreover, they were correlated with each other, meaning that flexibility in member's composition often works in both ways—inter-municipal institutions, which gain new members, lose others at the same time.

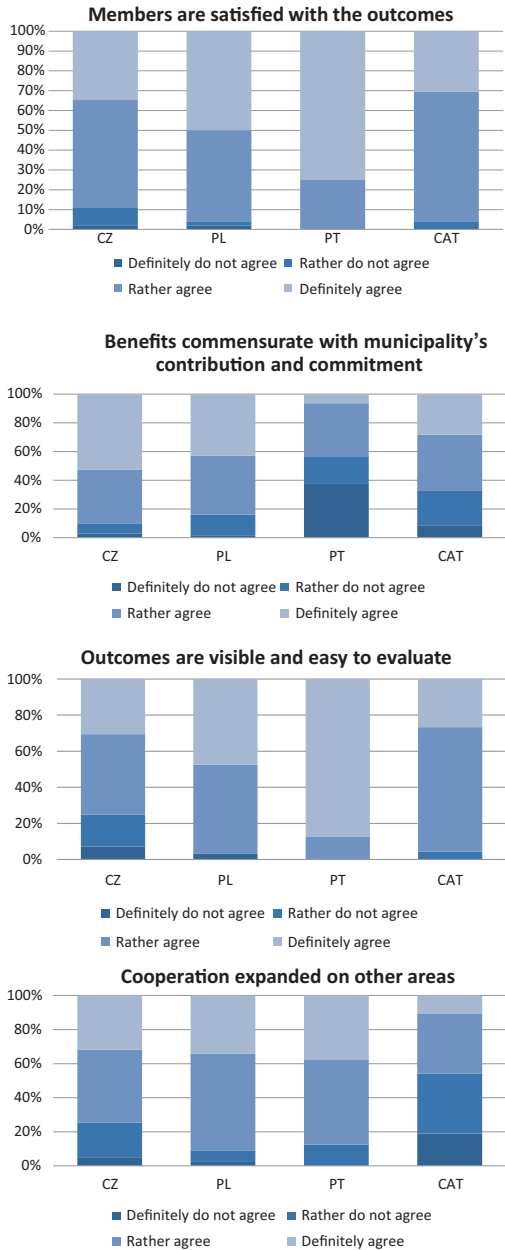
Additionally, we analyse the reported effects of IMC activities—most popular types and the number of declared effects.

It is visible that the answers about satisfaction with the outcomes of the IMC do not vary much, with a clear prevailing of the positive assessments (Fig 4.4). The most differentiated (and also sceptical) opinions come from the Czech Republic. There is much more variation when it comes to assessing the specific outcomes of cooperation. In the Iberian countries, a relatively large share of the Associations stated that the benefits are not proportional to the contributions and commitment of municipalities (Portugal 56%, Catalonia 32%). In both Poland and Czech Republic, these shares were considerably lower (below 20%). Along our assumption, responses to both questions are strongly correlated ($r = 0.343$, $p < 0.01$), yet even stronger relationship was found between general satisfaction with the Association and the opinion that outcomes are visible and measurable ($r = 0.558$, $p < 0.01$; see Fig. 4.3). Opinions on the visibility and measurability of outcomes are also systematically related to the opinions on the fair division of benefits ($r = 0.337$, $p < 0.01$).

We also asked if the activity of the Association has inspired member municipalities to start cooperation on other areas. In this respect, Polish and Portuguese answers are very similar, and Spanish answers differentiate the most, with few Associations confirming such a development (10.8% definitely agree). Answers to this question show relationship with measurable effects ($r = 0.335$, $p < 0.01$), general satisfaction ($r = 0.333$, $p < 0.01$) and a bit lower with fair distribution of the effects ($r = 0.256$, $p < 0.01$).

The most frequently mentioned effect of IMC is obtaining external funding (reported by 65.2% of investigated Associations), followed by lowering the current operational costs (like the cost of providing local services; 52.3%). In the second place, soft effects of cooperation were mentioned: mutual learning and exchange of experience (47.4%) and

Fig. 4.4 Opinions on outcomes of inter-municipal cooperation—various aspects of output legitimacy



increased visibility of a municipality due to joint actions (39.7%). One-fifth of Associations—mainly from Czech Republic and Poland—reported that due to the IMC, implementation of top-down guidelines was possible.

Looking at the subsequent countries, we notice that this general pattern presents some variation. Obtaining external funding is much less important in Catalonia than in all other countries, and lowering the costs—in Czech Republic. At the same time, Czech Associations especially often mention mutual learning and experience exchange, also in increasing visibility they score much higher than Polish and Spanish ones. This illustrates the general character of Czech micro-regions, which can be accompanied more often by soft effects of cooperation than the hard, measurable ones. It is interesting that implementation of the top-down regulations (e.g. regional ones) was an effect of IMC only in two Central-Eastern European countries, indicating the difference in intergovernmental relations in the two groups (Fig. 4.5).

“Soft” effects (mutual learning and increased visibility) often are reported together ($r = 0.326$, $p < 0.01$), but mutual learning also often goes with getting external funding ($r = 0.247$, $p < 0.01$). Mutual relationships are also observed between implementation of top-down regulations and mutual learning ($r = 0.220$, $p < 0.01$) and increased visibility ($r = 0.221$, $p < 0.01$). External funding often goes together with increased visibility ($r = 0.206$, $p < 0.01$).

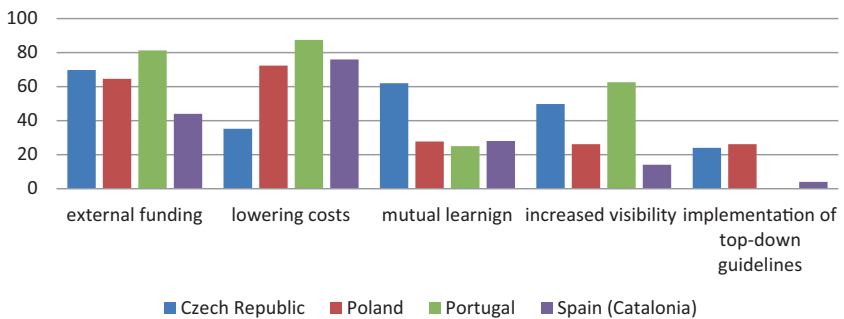


Fig. 4.5 Reported outcomes of inter-municipal cooperation

LEGITIMACY AND FEATURES OF IMC INSTITUTIONS

In the case of four countries studied in this chapter, we collected basic information on the features of inter-municipal institutions: their size (both in terms of total population and raw data of member municipalities), financial significance (measured by the IMC institutions' budget per capita) and age (years since the establishment of the union). In the subsequent micro-level analyses, we use them as independent variables, explaining part of the variation between the IMC institutions in terms of legitimacy. Our dependent variables are related to the three types of legitimacy, discussed above: input, throughput and output.

One of the dimensions of input legitimacy is covered by the measure of relative citizens' interest in IMC (we compare the perceptions of interest in IMC issues and municipal issues). We assume that more significant unions—those with larger budgets and encompassing larger number of citizens—might appear more important and, as a consequence, can gain more interest of the residents.

Throughput legitimacy is illustrated by the indicator demonstrating whether the inter-municipal entities communicate directly with the residents (via the website or meetings organized by the unions). We assume that size of the IMC matters—bigger, more significant IMC institutions are more likely to interact with citizens independently from the municipal authorities.

Finally, output legitimacy is described by four variables discussed in the previous section: perceived satisfaction of the member municipalities with the outcomes of cooperation, the degree to which the distribution of IMC benefits is commensurate to municipalities' contributions, visibility and measurability of the cooperation outcomes, and extensions of cooperation on other areas. We may assume that most of the assessments of the IMC are positively related to its financial significance. The only variable which, presumably, negatively influences the assessments of outputs is the size of IMC entities expressed by the number of municipalities. We assume that the more municipalities cooperate, the easier it is to perform free-riding, and so the distribution of the effects may not be assessed as fair. Olson (1965) provided evidence for the negative effects of a size of a group on collective action, and Ostrom (2010) discussed the free-rider's effect in big groups.

In the case of all dependent variables, we assume that age of inter-municipal entity reveals positive relationship with our dependent variables.

Over time, associations are able to develop their channels of interactions with residents, the procedures of benefits' division among the members. We assume that long-lasting institutions become stable actors on the supra-local political scene and gain more civic interest.

In the regression models (displayed in Table 4.1), we also included country dummies (treating one of investigated countries, Poland, as a reference category) and clustered estimated standard errors in order to account for specific national contexts and grouping of our observations. Such an empirical strategy is equivalent to the fixed-effects regression analysis. The coefficients related to country dummies help to interpret whether the observed differences between countries are systematic and statistically significant. As in model (2), the dependent variable is binary, and we used the logistic regression; in other models, dependent variables were treated as continuous—for that reason, we used the ordinary least squares (OLS) regression. All continuous independent variables apart from age were transformed with the use of natural logarithm in order to correct the skewness of their distributions.

The models support many of our assumptions about the relationship between the institutional features of the IMC entities and various dimensions of their legitimacy, yet the overall explanatory power of the models (expressed by R^2 coefficients) is rather unsatisfying.

Citizens' interest in the IMC issued is bigger in associations which are more significant in terms of their budget (per capita) and population. Nonetheless, the large number of cooperating municipalities rather decreased reported relative civic interest. IMUs with a very extensive membership happen to be weakly institutionalized and have only a very general purpose, too abstract to be significant for citizens. It may also happen that they are very technical in dealing with their task, as so of not much interest to the residents.

The indicator of throughput legitimacy is—according to our initial propositions—related to the financial significance and the number of cooperating municipalities, but not the number of residents. In parallel to the input legitimacy, this provides an interesting distinction between size measured by a number of institutional members (municipalities) and by a population size. The issue seems intriguing and worth more detailed studies in the future.

Age of the IMC entities does influence the analysed indicators of legitimacy apart from two indicators of output legitimacy. Interestingly, the relationship is in the opposite direction than we expected. The older the

Table 4.1 Dimensions of legitimacy and features of inter-municipal entities—results of the regression analysis

	(1)	(2)	(3)	(4)	(5)	(6)
	<i>Input: citizens' relative interest</i>	<i>Throughput: IMC informing citizens (logistic)</i>	<i>Output: members satisfied with outcomes</i>	<i>Output: benefits commensurate with contributions</i>	<i>Output: outcomes visible and easy to evaluate</i>	<i>Output: organizational spill-over</i>
Total population of	0.228*	0.232	0.0396	-0.0822	0.0386	0.00122
IMC (ln)	(0.0782)	(0.182)	(0.0777)	(0.0467)	(0.0690)	(0.0408)
IMC entity budget	0.145*	0.192***	0.0608***	0.0391	0.0678*	0.0370
per capita in EUR (ln)	(0.0294)	(0.0514)	(0.00251)	(0.0389)	(0.0130)	(0.0263)
Number of member municipalities (ln)	-0.251*	0.379*	-0.0429	0.0849	-0.0801	-0.0898
	(0.0969)	(0.191)	(0.0936)	(0.0596)	(0.112)	(0.104)
Age	-0.00414	0.0145	-0.00437*	-0.0160	-0.0113*	-0.00679
	(0.0141)	(0.0189)	(0.00101)	(0.0114)	(0.00431)	(0.00434)
<i>Country dummies: (PL—reference)</i>						
PT	-0.561	0.201	0.157*	-1.337**	0.216	-0.0996
	(0.260)	(0.446)	(0.0535)	(0.185)	(0.0993)	(0.0994)
CAT	0.161	-1.098***	-0.180	-0.596***	-0.220*	-0.841***
	(0.0734)	(0.181)	(0.104)	(0.0349)	(0.0653)	(0.0620)
CZ	1.313**	1.560**	0.0901	0.0366	-0.0933	-0.0841
	(0.214)	(0.514)	(0.188)	(0.255)	(0.206)	(0.123)
Constant	-2.874*	-3.362*	3.072*	4.239**	3.248**	3.478***
	(0.589)	(1.864)	(0.684)	(0.501)	(0.498)	(0.241)
<i>N cases</i>	235	282	260	265	269	243
<i>N countries</i>	4	4	4	4	4	4
-2log likelihood	-337.0	-165.0	-258.1	-315.2	-312.0	-294.8
<i>R</i> ²	0.08		0.08	0.16	0.13	0.06
pseudo- <i>R</i> ²		0.08				

*p<0.1, **p<0.05, ***p<0.01, ****p<0.001

association, the lesser the satisfaction among its members, and the outcomes of cooperation are assessed as less visible and more difficult to evaluate. Perhaps, the elapsing time affects the development of indifference towards the activities and results of the IMC. Such a routine may contribute to lowering the quality of activities, what may be noticed by final beneficiaries. Association becomes so self-assured that it pays less attention to its outcomes. Two out of four variables illustrating output legitimacy relate positively to the size of the IMC's budget, in accordance with our expectations. Interestingly, neither the opinions on fair outcomes distribution nor the declarations concerning the organizational spillovers were related to any of our explanatory variables.

The regression analysis demonstrates the significance of national context, generally confirming simple cross-tabulations presented in the previous chapter. However, it is difficult to determine precisely which particular features of this context, for example, institutional design of local government system or legal framework for IMC, are relevant factors impacting the indicators of legitimacy. However, some of the regularities observed may serve as post hoc explanations. Citizens' highest relative interest in IMC was noted in the Czech Republic, where municipalities are relatively small and less capable to perform their functions alone. Czech associations are also more frequently providing information to citizens without brokerage of member municipalities. Portugal and Catalan IMC entities, which are created as top-down, ranked generally lower than Czech and Polish unions, created voluntarily, in terms of commensurability of contributions and benefits.

CONCLUSIONS

In many European countries, IMC is gaining on importance. This process gained recognition in many policy papers and academic literature (e.g. Hulst and van Montfort 2007; Hertzog et al. 2010; Downing and Feiock 2012; Teles 2016). As the problem of "democratic deficit" is frequently mentioned in the theoretical considerations, the issue of democratic legitimacy should gain more attention in empirical research. Our comparative study of four European countries and their IMUs discussed several dimensions of democratic legitimacy. We proposed empirical indicators based on the survey of inter-municipal entities, which allowed describing between- and within-country variation. Nonetheless, the selection of these indicators is far from being comprehensive, as our research design did not take into account the multi-level character of relationships between IMC enti-

ties, citizens and local governments. In case of input legitimacy we focus on legal provisions, assuring the impact of elected local authorities on decision-making process and citizens' relative interest. In case of throughput legitimacy, we assess only the dominating channel of communication between unions and citizens of member municipalities. In the case of output legitimacy, the indicators refer to the perspective of local authorities, not individual citizens, as our respondents were better able to assess the former than the latter.

First of all, unions rely on borrowing legitimacy from the elected authorities of member municipalities—in all the investigated countries, municipalities and their elected representatives hold an important (dominant) position in the decision-making process within unions. Municipalities are represented in the unions by the mayors (who can be usually replaced with a councillor or deputy mayor). Persons having no democratic mandate can sometimes perform important functions in the unions, but the survey shows that this is rare in practice. Consequently, many unions rely on their municipalities in contacting the citizens. Yet, there are also cases of IMC entities which develop their own channels of interactions with residents—our analysis demonstrates that these are usually larger, financially more significant and well-settled unions. Such situations are more frequent in Portugal, where the IMCs are strong institutions. Also in Portugal, we noticed that civic interest is focused more on the IMC issues than the issues of member municipalities. However, as a general rule, citizens show more interest in municipal affairs than the IMCs' ones.

In terms of output, financial effects prevail in all the investigated countries and are strongest in the Portuguese unions. Interestingly, the division of the benefits is assessed as commensurate to municipal input more often in Central-Eastern European countries than in the Iberian ones. On the other hand, the clear visibility of the IMC effects is most frequent in Portugal.

Various aspects of legitimacy turned out to be related with the institutional characteristics of the unions in a—mostly—predictable way. The most universal precondition for all three types of legitimacy (input, throughput and output) is the union's budget per capita. Total population of the union occurred to matter only in case of input legitimacy. The number of member municipalities may influence legitimacy in both ways (see indicators of input and throughput legitimacy), what also is coherent with theories of cooperation. On the one hand, the larger the number of partners, the more difficult the decision-making process may be. On the

other hand, bigger organizations with numerous members need to develop better organizational mechanisms in order to function, what may result in positive relationship with throughput legitimacy (informing the citizens about union's activities). The only surprise is the fact that the age of a union seems to negatively correlate with output legitimacy, as if the older unions were getting tired of showing their results to their member municipalities.

To summarize, the research has shed some light on the details of the phenomenon of borrowing legitimacy from the municipalities. IMUs are dominated by the mayors, yet the administrative staff and other non-elected persons sometimes supplement the decision-making bodies. However, their presence is limited. Non-electoral forms of democratic control are not very well developed, yet there are cases of "bypassing" the municipal governments by unions, usually larger, in order to directly reach the citizens.

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Striving for Local Governance Capacity in Portugal and Spain

Patrícia Silva and Esther Pano Puey

INTRODUCTION

Local government in Portugal and Spain presents some similar features and some distinctive aspects. From a similar historical and economic background, both countries somehow evolved along different paths. While Spain opted for a quasi-federal system and maintained an extremely fragmented municipal map, Portugal tended to a more centralized system. In both systems, however, inter-municipal associations (IMAs) have constituted a relevant piece of the institutional system. Indeed, IMAs have been considered as an important mechanism to improve efficiency and ensure municipal service provision. The strategies to foster these bodies have also been different: Portugal opted to promote them very clearly, on the verge

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of employing a top-down logic, whereas Spain has had more contradictory policies, moving from creating incentives to utilizing restrictive measures under the framework of austerity programmes.

A comparative analysis of the functioning of IMAs becomes, then, of an utmost importance, as it entails an examination of two completely distinct interpretations of the same tool. IMAs were included as part of the rationalization of administration programmes in the case of Portugal, while, at the same time, Spain has approved regulation in order to reduce their number and to ensure their economic viability. This chapter focuses on the governance capacity of these entities as the main dimension for comparison. The aim of this chapter is twofold. First, it presents a cross-case comparative analysis of governance capacity, using the governance index developed by Silva et al. (forthcoming). A second and inter-related objective of the chapter is to test the validity of the index in different contexts.

Data used in this chapter comes from a joint international project on inter-municipal cooperation and was gathered using a common questionnaire. This fact ensures complete comparability of the variables. For the case of Portugal, we are using nationwide data from 16 out of 23 IMAs. For the case of Spain, we are using data from the IMAs in Catalonia, 1 of the 17 autonomous communities. For this case, information from 50 IMAs out of a total of 64 was gathered.

Results suggest that despite the well-known differences regarding the level of devolution in the two countries, and the different approaches to inter-municipal cooperation, both countries present remarkable similarities and relatively low levels of governance capacity. Also, results suggest that despite a general understanding that municipalities need to unite in order to conquer, both countries' IMAs need to entail considerable efforts to improve the involvement of other local stakeholders, as it can potentially impact on IMAs' legitimacy.

This chapter is organized as follows. It begins by exploring Portuguese and Spanish institutional features, highlighting their similarities and differences. Section "[Beyond Governance: The Capacity of Inter-municipal Collaborative Arrangements](#)" explores the concept of governance capacity and seeks to break down the concept into dimensions, which can be operationalized and measured on a comparative perspective. Section "[Data and Methods](#)" deals with the data and methods used in this comparative endeavour, while section "[Results and Discussion](#)" presents a descriptive analysis of the governance capacity variables. This section ends with the presentation of a comparative aggregate index of governance capacity.

Finally, the chapter ends with some concluding remarks that discuss some policy implications as well as limitations of the study.

INTER-MUNICIPAL COOPERATION IN PORTUGAL AND SPAIN

The prevailing narrative on inter-municipal cooperation in Portugal and Spain has presented a widespread recognition of the effect of path dependencies, which arguably hinder the effectiveness of regional development strategies. Beyond the well-known geographic and historical similarities (both underwent a long dictatorial period that finished in the mid or late 1970s, and both joined the European Union in 1986), the internal processes also present some resemblances regarding the need for improving their financial situation and the modernization of public structures. The capacity of governments to adequately design and efficiently deliver public goods and policies is potentially curtailed by an enduring perception of entrenched problems as corruption; rent-seeking and clientelism (Sotiropoulos 2004), as well as the perpetuation of a “non-Weberian State”, where legal rationalism has been hard to enshrine (M. Rhodes 2015).

Despite these similar traits, territorial political organization was sharply different in both countries. Spain has evolved a quasi-federal system while Portugal faced difficulties to implement regionalization policies.

Concerning the local structure, local governments in Portugal and Spain show similar volumes of expenditure. In 2015, local governments' expenditures did not exceed 6 per cent of their respective GDP, well below the EU average (11.1 per cent). In both countries, the percentage of expenditures has been steadily declining since 2009. Spain and Portugal were particularly affected by the problems of national debt and the Eurozone crisis that plunged several nations into recession. On the verge of economic collapse, both countries embarked on a narrative of austerity, with governments seeking to sustain their economies by cutting public spending. This drift towards increasingly restrictive adjustment programmes had a particularly strong effect on local government, where the economic downturn had acted (and continues to act) as a catalyst for structural reforms (Teles 2014; Magre and Pano 2016). In this context, both countries launched a set of measures aimed at “rationalizing” their local structures, at least on paper.

As for Portugal, these reforms were mostly focused on the reduction of civil parishes and a decrease of transfers to municipalities from the national

budget. Also, several measures were entailed to encourage municipalities to be engaged in IMAs. Although these were legally established in 2003, their initial functioning revealed several flaws, as these were considered to be incoherent with the existing administrative, political and territorial organization (Nico 2013). Therefore, in 2008, central government established several incentives to promote inter-municipal cooperation: municipalities that associate themselves at the NUTS III level were given the possibility to collect property taxes themselves, rather than having central government collect them; and, following other European counterparts, the Portuguese government decided that municipalities that prepared a territorial development plan at the NUTS III level would be given the possibility of managing a global grant from Regional Operational Programmes of the National Strategic Reference Framework (OECD 2008; Silva et al. 2016). Within this backdrop, although municipalities were free to join these general-purpose IMAs, not doing so would limit their access to the EU funding and restrict their capacity to influence the management of supra-municipal interests (Lopes 2009). As a consequence, all of the 308 Portuguese municipalities are currently engaged in one of the 25 IMAs.

The European Union funding process was, thus, one of the main underlying forces that induced local governance partnerships and inter-institutional cooperation. In parallel, the reduction of national funds, particularly in a context of deep economic and financial crisis impelled local governments to develop additional efforts to provide an adequate level of service provision. Hence, local governments were forced to join hands with their neighbour counterparts, operating on a scale that exceeds their territorial dimension.

Overall, then, as Nelles (2013) posits, the intervention of central government in providing incentives can directly encourage local actors to cooperate, which resonates in the Portuguese case. Indeed, it brought previously non-cooperative actors together to address collective issues (Silva et al. 2016). This move towards inter-municipal cooperation, however, did not occur in a favourable scenario. Indeed, it occurred in a highly centralized country, where local authorities tend to be more strictly controlled by central government (De Ceuninck et al. 2010, p. 807). Also, Portugal has been characterized by its low stocks of social capital (Teles 2012), lack of cooperative experience, and where municipalities remain reluctant to relinquish decision-making or financial authority (Oliveira 2009). These could potentially jeopardize the cooperative arrangements.

Regarding Spain, the authorities opted for different solutions to similar problems. IMAs (*Mancomunidades*) have always been seen as a conservative way to deal with the difficulties of providing services by the smaller municipalities (Pano et al. 2016). A debate about amalgamation has periodically emerged but all attempts in this direction have failed. In this framework, IMAs arose as an attractive alternative to empower towns with small populations and to improve service delivery (Hernando 2015). Economic literature has also highlighted the benefits of these entities as a way of generating economies of scale (Warner 2006, Bel and Warner, 2015 Bel et al. 2013).

Thus, we may consider that the Spanish strategy concerning the extreme fragmentation of the municipal map has consisted of creating more organizations instead of reducing their number. This general trend of expansion has affected all kinds of local entities including municipalities, second-tier governments, multi-level organizations and IMAs (Magre and Pano 2016; Martínez-Alonso Camps 2013). For the particular case of IMAs, the reforms of the Local Government Act (Law 7/1985) generally reinforced this scheme, which was based on generating new institutions to facilitate cooperation. This tendency dramatically changed with the last reform, which was approved in the last days of December 2013. This latter reform could be considered to be a part of a set of restrictive programmes aimed at reducing public expenditure. As a matter of fact, a collection of regulations was approved during this period. These sought to introduce systemic mechanisms to control expenditure and public debt. Law 2/2012 of Budgetary Stability and Financial Sustainability and Law 27/2013 of Rationalization and Sustainability of Local Government were focused on the introduction of austerity measures. The concepts of “rationalization” and “sustainability” became a leitmotiv. Hence, while other European counterparts were using IMAs to face austerity, Spanish authorities sought to reduce them.

The above-mentioned reform of the Local Government Act (Law 27/2013) included restrictions on the creation of new bodies, and this directly affected IMAs. Indeed, the first drafts of the reform were even more restrictive but these initial aspirations might have collided with the Spanish Constitution and the local autonomy constitutional guarantee. The text that was finally approved was somehow less drastic on this point. Even so, the law did not progress easily. Not only were municipal authorities reluctant to apply it but the regulations of autonomous communities also modulated its content.

Even though it is difficult to be certain about the complete implementation of the reform, the truth is that some impact can already be detected. Although it is hard to be certain about the exact number of IMAs that were dissolved as a consequence of the regulation, we can be certain of at least two elements: firstly, some IMAs have effectively been dissolved after the enforcement of the law and secondly, the new regulation implies a change in a long tradition of promotion of inter-institutional entities. Regarding the first aspect, it is often said that, “temporal succession does not entail causation”. However, in some formal procedures it was claimed that restrictions imposed by the law were the main causes of dissolution. Concerning the latter aspects, we will have to be on the lookout for any future regulation in order to assess whether this reform is merely a single episode in a very specific context or a real and lasting change in this field.

These two different alternatives adopted by two countries which shared a good number of characteristics and a similar context expose the diverse paths for restructuring local government. One option may be based on cooperation and a mixed strategy of bottom-up and top-down policies, whereas the other implies top-down decisions and a rescaling of functions, or at least an attempt to do so. The role played by inter-municipal cooperation in the two countries illustrates opposed alternatives: in Portugal it is seen as a strategic option while the Spanish authorities consider it to be an obsolete solution.

BEYOND GOVERNANCE: THE CAPACITY OF INTER-MUNICIPAL COLLABORATIVE ARRANGEMENTS

As the preceding section sought to demonstrate, any attempt to gauge the overall effectiveness of inter-municipal cooperation in Portugal and Spain cannot disregard these entrenched traits. The question remains, however, as to the extent to which inter-municipal collaborative endeavours led to the emergency of a new (broader) space or to the emergence of policy actors that are able to function effectively (Christopherson 2010; Scott et al. 2001). Indeed, scholars have tried to theoretically account for the need to engage in inter-municipal strategies: to improve efficiency in publicly produced services (Bel and Costas 2006; Bel et al. 2013); to exchange information, share resources and “enhance each other’s capacity for mutual benefit and a common purpose, by sharing risks, responsibilities and rewards” (Airaksinen and Haveri 2003, p. 6); to enhance the quality

and efficacy of local service provision (Hulst and van Montfort 2007, p. 211). Yet, research needs to look beyond these triggers and focus instead on the features that ensure the maintenance of inter-municipal arrangements and the ability of IMAs to effectively function as policy actors. This requires a set of capabilities which are termed governance capacity in this chapter. This section seeks to present both the concept of governance capacity and the operationalization of its various dimensions.

Although generally absent from empirical studies, governance capacity has been presented as a variable that potentially affects policy results and outcomes. Generally, capacity has been defined as “the ability to perform functions, solve problems, set and achieve objectives” (Fukuda-Parr et al. 2002, p. 3). Others argue that capacity is the ability to “anticipate, respond, to and cope with changing intra and inter metropolitan relations due to crucial internal and external process of change” (van den Berg and Braun 1999).

These definitions, however, are too broad and fail to indicate the activities that should be performed to build and maintain capacity. Consequently, its operationalization may turn into a troublesome endeavour. There are, however, some theoretical efforts to analyse and measure governance capacity. Nelles (2013, p. 1351) equates governance capacity with the regional capacity “to function as effective, legitimate and robust policy actors”, and the “ability of actors in a city-region to recognize collective challenges and opportunities, assemble relevant actors, debate alternatives and secure agreement on solutions, and take collective action”. More recently, Teles (2016) argued that inter-municipal governance capacity goes beyond the ability to deliver services at a higher scale. Rather, it implies the capacity to coordinate the aggregation of diverging interests (Frischtak 1994); gathering relevant policy and organizational tools (Teles 2016). It is also widely consensual that governance capacity requires not only the ability to coordinate decision-making (Perkmann 2007b), but also the ability to maintain negotiated consensus between involved actors over time (Frischtak 1994; Nelles 2013; Teles 2016). Finally, IMAs’ capacity depends on the aptitude to involve citizens and ensure their support over time (Frischtak 1994).

These definitional endeavours hint towards a potential conceptual toolkit that can be used to thoroughly assess and measure governance capacity. Overall, five dimensions can be taken into account: the scope of cooperation; the nature of institutional structures; efficiency; democracy and accountability; and the stability of cooperative arrangements. Hence,

the ensuing section seeks to further detail and provide a potential operationalization of each dimension.

The Capacity Puzzle

The first dimension reports to the scope of cooperation. It entails the capacity to embrace complexity avoiding the fragmentation of issues between specialized policy areas (Dubreuil and Baudé 2008). When local governments are capable of engaging in strategic partnerships to address a wide range of activities and tasks, they will be better prepared to target strategic, holistic and cross-cutting problems. Instead, such partnerships could be framed under “policy programmes” (Borrás and Radaelli 2011, p. 469), revolving around precise goals within one single policy area without a multisectoral approach to deal with the region’s development problems. This would generally mean less commitment from member municipalities. In parallel, addressing complexity encourages a much broader co-framing of the decisions with various local stakeholders, which has been recognized as an essential feature that ensures the success of inter-municipal cooperation (Mäeltsemees et al. 2013), as will be detailed ahead.

The scope of cooperation can also be assessed through the motives for cooperation. The degree of governance capacity may be undermined if inter-municipal partnerships are regarded as a means to a specific end—funding—thus, pointing to a shallow change in the established way of doing things and unveiling a mere accommodation to EU or national governments’ imposed rules (Radaelli 2008). On the contrary, when partnerships are recognized as appropriate and as a crucial mode of operation to enhance regional development, local governments will be more predisposed to strengthen a shared common perspective (Dąbrowski 2013; Radaelli 2008) enhancing IMAs’ governance capacity.

Naturally, the scope of cooperation is related to the nature of institutional structures, the second dimensions used to operationalize governance capacity. The institutionalization of partnerships is a function of both the number of member municipalities and the degree of homogeneity of member municipalities, particularly regarding their size. As to the latter, it must be recognized that although there is no magic formula for determining the optimal number of member municipalities (Rakar et al. 2015), it has been fairly demonstrated that the involvement of many policymakers can generate delays (or even block) decision-making process,

which can challenge member municipalities willingness to cooperate. Regarding the former, size similarities amongst members can stimulate local governments to cooperate with one another. Existing case studies tend to corroborate this expectation. Studies across Europe—vide, inter alia, the Spanish case (Bel and Costas 2006; Bel et al. 2013); the Belgian (De Peuter and Wayenberg 2007) or Finnish (Haveri and Airaksinen 2007) cases—demonstrate that small municipalities are essentially those who feel the need to cooperate in order to reduce costs.

Institutionalization also reports to the IMAs' administrative-set-up, including information on size of employment; and the financial self-reliance of inter-municipal communities (Perkmann 2003, p. 7). These dimensions are particularly relevant within the so-called Southern Europe reform pattern, characterized by the preservation of smaller municipalities and the establishment of new types of groupings that bring together existing municipalities (Kuhlmann and Wollmann 2014, pp. 150–152). A higher degree of institutionalization—hence, higher governance capacity—will be mirrored by inter-municipal bodies autonomous from the participating members (both financially and in terms of human resources and other amenities) (Nelles 2013; Perkmann 2003; Perkmann 2007a). IMAs' revenue-raising capacity depicts the extent to which they are dependent on contributions from member municipalities.

The third dimension of governance capacity was coined by Teles (2016) as *efficiency*. This dimension reports to the ability to *act* and *interact* with other actors. Acting efficiently entails the capacity to implement and comply with the objectives established and the extent to which all individual members are committed and able to contribute to the associations' aims. This capacity to act creates a potential virtuous cycle, as it can lead participants to a perception on the benefits of cooperation, thus, ensuring stability. In turn, greater stability enhances the commitment of members.

This dimension also entails the degree to which municipalities are effective actors in multi-level functioning, which requires negotiating alliances between several levels of government, establishing some degree of vertical connectivity (Dubreuil and Baudé 2008). This ability can potentially enhance the possibility of IMAs to translate their local and regional concerns at higher levels of decision-making. In turn, this ability can boost IMAs' legitimacy (Dubreuil and Baudé 2008).

The horizontal dimension of the partnership principle refers to the participation of regional stakeholders in the policy process. Governance capacity entails the need to establish tools to consult and elicit consensus

from a plurality of territorial actors (Nelles 2013, p. 1354). Indeed, existing research has demonstrated that horizontal involvement in regional development may induce significantly different allocative choices at the agenda-setting (Silva et al. 2016). This stems from the fact that territorial networks and inter-institutional partnerships are better placed to define strategically optimal decisions to cope with the dilemmas of territorial scale and resource rationing. Hence, as Klijn and Koppenjan (2000, p. 153) put it, “because it is the task of governmental organizations to uphold and further the common interest, they should, rather than refraining from network games, actively seek to organize and manage them”.

The success of horizontal connectivity is, however, dependent on the capacity to enhance transparency and local accountability (Mäeltsemees et al. 2013). Scholars have claimed that the benefits to be gained from exploiting scale economies are often counterbalanced by the problems related to legitimacy issues and democratic control (R. Rhodes 1997; Swianiewicz 2010). The lack of transparency may emerge as a destabilizing factor favouring tensions and conflicts at local level. This dimension of governance capacity—hereby labelled as *democracy*—is enhanced if IMAs are capable of reducing information asymmetries and reducing the costs associated with monitoring cooperative agreements (Feiock et al. 2009; Hawkins 2010). Assessing the democratic dimension requires both an analysis of the strategies used to convey and disseminate information; and also the scrutiny of the extent to which the several stakeholders are interested in such information.

An important, albeit relatively unexplored, dimension of governance capacity pertains to IMAs’ stability. This last dimension of governance capacity is associated with the efficiency dimension. In fact, as others have posited, assessing success and failure is not only dependent on local governments’ effectiveness in achieving goals, but also on the subjective judgements of individual actors (Klijn and Koppenjan 2000). Stability can be assessed through the attitudes of participants towards the partnership and the extent to which this “indicate a commitment to cooperation and the potential for greater horizontal governance capacity” (Nelles 2013, p. 1356). This can be operationalized though member municipalities’ perceptions on the benefits of cooperation, as a positive assessment of the results of cooperative arrangements leads members to further support network collaboration. Stability can also be boosted if there is a wide perception of mutual trust. If parties build a reputation of being trustworthy, future cooperation can be enhanced, as trust reduces transaction costs

(Currall and Inkpen 2002; Dąbrowski 2013; Feiock 2007). As aforementioned, engaging in strategic partnerships with neighbour local authorities can generate delays (or even block) decision-making process, which make partnerships more prone to conflict. On the contrary, if decision-making processes are perceived as efficient, member municipalities will be more willing to further cooperate (Dąbrowski 2013; Klijn and Koppenjan 2000). Finally, stability can be assessed through the perceptions of spill-over effect, particularly, if member municipalities are willing to expand the areas of cooperation.

This section presented and operationalized the dimensions that compose a potential index of governance capacity—the scope of cooperation; the nature of institutional structures; efficiency; democracy; and the stability. The following sections present the data collection procedures and the measurement of all dimensions in Portugal and Spain.

DATA AND METHODS

As aforementioned, this chapter seeks to present an index of governance capacity and to use it to measure the effectiveness of IMAs, using a cross-case comparative analysis, as a means of assessing the validity of the index. Empirically, these endeavours are based on the data gathered through an anonymous questionnaire-based survey, applied from February to April 2016. This was applied to all inter-municipal executive secretariat of all Portuguese mainland IMAs (23) and to all Catalonian IMAs (64). Rates of responses were considerable in both cases (70 per cent for the Portuguese case, 78 per cent for the Catalonian IMAs), which enhances the precision of your survey findings. In order to ensure the comparability of data and be more consistent in the analysis we have opted for excluding all cases that did not have enough data to calculate the governance capacity index. This is not very important for the Portuguese case, which only loses two IMA, but it is relevant for the IMA of Catalonia. The lack of responses to some subjective questions has reduced the valid number of cases from 50 to 21.

RESULTS AND DISCUSSION

This section explores and compares the aforementioned dimensions of governance capacity. It begins by profiling the IMAs in both countries, analysing the nature of their institutional structures regarding their size

(both in terms of member municipalities and in terms of population) number of employees and IMAs' annual budget. Then, the five dimensions of governance capacity—which are based on the reported perceptions—are then presented. This section ends with the presentation of the overall index of governance capacity for the two cases analysed.

Profiling IMAs

Table 5.1 depicts the main features of IMAs. Regarding the number of municipalities involved in the association, in general, a higher dispersion can be identified in Catalan IMA. In fact, for this case it is not rare to identify IMAs composed of only two municipalities, while this is not possible for the Portuguese case. Since IMAs are not compulsory, this shows the particular casuistry for the Catalan case, where there is not only an extreme municipal fragmentation but also, even when municipalities associate, they can create rather small institutions. In relation to the global population of all municipalities, again Catalonia presents a clearly higher degree of dispersion. While the smallest IMA in Portugal has almost

Table 5.1 Main features of IMAs in Portugal and Catalonia

	<i>N</i>	<i>Minimum</i>	<i>Maximum</i>	<i>Mean</i>	<i>Std. Deviation</i>
Number of local governments involved in IMAs					
Total	66	2.00	32.00	7.56	5.66
Portugal	16	5.00	19.00	11.06	4.28
Catalonia	50	2.00	32.00	6.44	5.62
Number of population in IMAs' municipalities					
Total	66	1,180.00	460,139.00	93,011.21	123,613.50
Portugal	16	89,063.00	460,139.00	247,464.88	128,959.98
Catalonia	50	1,180.00	353,948.00	43,586.04	69,974.03
Full-time employees					
Total	64	0.00	172.00	10.02	25.82
Portugal	16	7.00	21.00	12.69	4.87
Catalonia	48	0.00	172.00	9.13	29.71
Annual budget (in euros)—expenditure by IMAs					
Total	65	2,350.00	22,955,068.62	1,799,351.49	3,272,293.47
Portugal	16	812,253.00	9,985,993.00	3,258,003.38	2,353,868.94
Catalonia	49	2,350.00	22,955,068.62	1,323,057.00	3,406,601.42

Source: Compiled by the authors

90,000 inhabitants, in the case of Catalonia this figure is at around 1000 inhabitants. This contrast exposes the sharp difference in the structure of local government in both countries and the extreme micro-municipality in the case of Catalonia and, by extension, the rest of Spain.

Regarding staff, if we only take full-time employees into consideration, the same pattern can be detected. While the mean of the variable is rather similar, the minimum and maximum in both cases are clearly distinct and with a higher dispersion in the Catalan case. It should be noted that some of the staff of IMA are part-time employees. In fact, the smaller entities normally only have part-time personnel. To finish with this general overview, we focus on the data about annual expenditure that reflects concurrence with previous dimensions—a higher degree of dispersion and a lower mean for the Catalan data. This could be the common conclusion for all the variables explored: higher dispersions and lower means in the Catalan data, but they express some harmony in terms of volume.

Profiling IMAs Governance Capacity

How do respondents perceive the functioning of the IMAs in terms of the remaining dimensions of governance capacity? Table 5.2 reports the mean for each dimension in each country, as well as the overall mean, considering both countries together. It also reports the minimum and maximum reported values, so that the range of responses can be also assessed.

The first dimension reports to the nature of institutional structures. Although the descriptive data presented in the previous section is also relevant to assess and characterize the nature of institutional structures, in

Table 5.2 Dimensions of governance capacity, Portugal and Catalonia

	<i>Nature of institutional structures</i>	<i>Scope of cooperation</i>	<i>Efficiency</i>	<i>Democracy</i>	<i>Stability</i>
Total	1.83	2.51	1.09	-1.46	15.01
Portugal	0.42	2.64	1.14	-1.14	14.71
	[0.01, 0.96]	[0, 10]	[-1, 3]	[-6, 2]	[11.5, 19]
Catalonia	2.82	2.43	1.05	-1.67	15.21
	[0.07, 17.38]	[0, 7]	[0, 4]	[-6, 2]	[12.5, 18.5]

Note: In square brackets, the minimum and maximum values for each dimension

this section—and in the estimation of the overall aggregated index of governance capacity—the nature of institutional structures will be equated as IMAs’ revenue-raising capacity. The idea behind this is to provide a proxy of the extent to which IMAs are dependent on contributions from member municipalities. It is worth noticing this variable is estimated differently in the two countries. For Portugal, data reports to municipalities efforts—it is estimated by dividing the transfers of each municipality to their respective IMA by overall volume of revenues of each municipality. This provides an estimation of how relatively independent IMAs are from member municipalities’ financial contributions. For the Catalan case, we adjusted the model, taking into account the transference to IMAs of the capacity to collect taxes and fees on behalf of the municipalities. This will be identified as one of the areas of income of IMAs. As depicted in Table 5.2, the results for this indicator are much higher in the Catalan case, a potential reflection of the rather sophisticated services provided. But these results are particularly interesting taking into account that the Catalan IMAs are always completely voluntary and there are neither incentives nor pressure from upper-level governments. That is to say, in some cases, the degree of engagement is rather high.

The mean value reported for the Portuguese case is significantly lower—although the standard deviation is also significantly lower in this case (0.27, contra 4.25 found in the Catalan case). Potentially, this stem from the aforementioned lack of cooperative experience in the Portuguese case, leading municipalities to remain rather reluctant to renounce decision-making or financial authority, as other studies highlighted (Oliveira 2009).

The scope of cooperation is defined by the number of activities and services carried out by the IMA (Hulst et al. 2009). IMAs can be devoted to one or more areas of cooperation and this might be considered as a proxy for the commitment of the members and the way the entity fits in the institutional structure. A higher number of areas imply a higher level of trust on the part of the municipalities in the provision or implementation capacity of IMAs and also a certain level of dependency on its activity. Indeed, if a wide range of activities is carried out, the municipalities depend on its operation to ensure these activities. A sub-optimal operation would have a higher impact for the municipality in these cases.

As depicted in Table 5.2, IMAs can be used to conduct cooperation in more than one area and even in some particular cases this number can reach ten different services or activities. Although the means are around 2.5 for both countries, there are important differences to consider, as the

mean reported value of areas of cooperation is slightly higher in the Portuguese case, where some IMAs can cooperate in ten different areas. Potentially, this reflects the differences identified in terms of the nature of governance structures as, on average, the Portuguese case depicted higher mean values in all variables considered. To some extent, these results are also potentially explained by the differences between the two cases. In fact, given the top-down approach, combined with the scarcity of resources, Portuguese IMAs seem to be more committed to strengthen the partnership principle and to and to push towards a more efficient use of resources. It should not be disregarded that if we take into account the data regarding regions' eligibility under the convergence and regional competitiveness objectives (data for 2007–2013), the large bulk of Portuguese mainland is still eligible. On the contrary, in Spain—and Catalonia in particular—the share and absolute amounts are going down. Catalonia is considered to be the leading region in this respect, taken as a competitiveness and employment region (OECD 2010). Despite the fact that we are dealing with small differences in the mean values reported—and although there is great differences between IMAs in Portugal, as the standard deviation is considerably higher in this case (2.95, when compared to 1.99 in the Catalanian case)—data does suggest different predispositions towards cooperative efforts.

Governance capacity, however, depends not only on the scope of cooperation, but also on how efficient IMAs are perceived to be in performing their activities. As reported earlier, efficiency, within the scope of this chapter, is defined by contrasting the effects of the IMA activities and the reasons given to constitute the entity. The strength of the partnership is crucial to ensure effectiveness; and therefore, the stronger it is, the more probable the municipalities will provide IMAs with the appropriate resources to foster effectiveness (Feiock et al. 2009). Respondents were asked to select the reasons for creating IMAs and their effects, and were given five choices for both cases: enhance mutual learning, stronger marketing effect, obtaining external funding, solving the problems which go beyond the boundaries of a single municipality and lowering the costs through cooperation. So, virtually, efficiency could range from -5 to 5 , with the former indicating that the IMAs were not efficient in any arena; and the latter indicating that the effects of the IMAs largely outshined the reasons why they were created.

As depicted, respondents tend to positively perceive the efficiency of their IMAs, that is to say, IMAs seem to be able to achieve the main attrib-

uted goals successfully. A closer inspection of results unveils significant cross-case differences. In fact, while Portuguese IMAs were created to obtain external funding (reported by nearly 93 per cent of respondents) and lowering costs through cooperation (64 per cent of respondents); Catalan respondents consider that IMAs were created as a strategy used to cope with the dilemmas of territorial scale. Indeed, 62 per cent of respondents claim that one of the reasons for creating IMAs was to solve the problems which go beyond the boundaries of a single municipality; and 66.7 per cent considered that they are important to lower the costs. Only 19 per cent of respondents selected the objective of obtaining external funding. While only the Catalan respondents perceive that IMAs were created to increase the visibility of municipalities (4.8 per cent), a potential reflection of their size, a significantly larger proportion of Portuguese respondents argue that IMAs can be a tool to enhance mutual learning (14.3 per cent), a goal not reported by Catalan respondents.

Looking at these results, we could argue that the Portuguese experience emerged from a shallow understanding of inter-municipal cooperation—given the rather high percentage of respondents that signalled the importance of IMAs to obtain funding. On the contrary, the Catalan IMAs seem to emerge from the need to enhance regional development, which potentially enhances their governance capacity.

As to the effects of the IMAs activities, Portuguese respondents argue that IMAs have by and large corresponded to all the goals, with the exception of the one related to the possibility of obtaining external funding—and still, a respectable percentage of respondents (81.7 per cent) selected this effect. It should be noticed that this explains the negative value found in the range of values depicted in Table 5.2. As to the Catalan case, IMAs seem to meet expectations and even exceed them, particularly in what comes to the goal of obtaining external funding (reported by 4.6 per cent of respondents). It is interesting that while increasing the visibility of municipalities was not a reason for the establishment of Portuguese IMAs, 71.4 per cent of respondents argue that IMAs have accomplished it. In parallel, whereas enhancing mutual learning was not envisaged as a reason for the creation of Catalan IMAs, 28.6 per cent of respondents agree that IMAs exceeded this objective.

The third dimension of governance capacity depicted in Table 5.2 pertains to democracy. It is normally claimed that complexities linked to democratic procedures and accountability are one of the main pitfalls of IMAs. In this sense, the position of stakeholders and citizens in relation to the

activities of the IMA is particularly important. As for the objectives of this chapter, attention is focused on respondents' perceptions regarding citizens and other local actors' interest in IMAs activities (business and other social organizations). Respondents were asked to rate the interest of these stakeholders on a scale from 1 (not interested) to 4 (very interested). A higher interest can be interpreted as a stronger link with the organization and with greater pressures for accountability. Democracy was operationalized as the differences between the interest in local municipalities and the interest in the activities of the IMA of diverse agents, including residents, social organizations, businesses and even municipal councillors.

In general, as reported in Table 5.2, local stakeholders and citizens are more interested in the activities of their own municipalities than in the activities of the IMA, a pattern that resonates in both cases. This seems to be that way even when the object of the IMA is the provision of crucial services such as water infrastructures or waste management. It is important to highlight that this is one of the variables that presents a higher level of missing values for the Catalan case. The respondents did not want to give an opinion about this subject and, somehow, this may also reflect a certain attitude towards this issue.

Overall, then, results suggest that despite a general understanding that municipalities need to be united to conquer—a perception that derives from a wide recognition that inter-municipal arrangements efficiently accomplished the aims they were initially set to realize—IMAs need to entail considerable efforts to improve the involvement of other local stakeholders. Indeed, it can be argued that such involvement is also required to ensure the stability of IMAs, as it is from this involvement that legitimization potentially emerges. In this regard, the Catalan case seems to require additional efforts, as the mean value is lower than the one found in Portugal. Indeed, on average, the number of municipalities and population involved in IMAs is lower in the Catalan case. Research tends to suggest that within smaller municipalities there tends to be a stronger resistance to ceding functions to IMAs and where a “door-bell mentality” (Sorrentino and Simonetta 2013, p. 296) tends to persist. According to the results depicted regarding the perception of interest of local stakeholders in IMAs' activities, Catalan IMAs may need to entail further strategies to involve local stakeholders and citizens.

The last dimension explored for the construction of the index is stability. In this case, the operationalization of the variable is rather complex and includes a wide range of different indicators. The aggregative variable is

created by including the median response of Likert-type options, ranging from “definitely disagree” (with a value 1) to “definitely agree” (with a value 4). The questions reported aim to reflect different relevant aspects that are mutual trust among the members of the IMA, efficiency of decision-making processes, perception of the benefits of cooperation, the existence of elements of hierarchy in the relationship among the members, and the possibility of spill-over effects beyond the scope of the IMAs. In order to provide an aggregate variable of stability, the sum of reported results regarding these Likert-type items is given in Table 5.2.

Despite the lower results in terms of efficiency and democracy in the Catalanian case, IMAs perform slightly better in terms of stability, than the Portuguese one. Potentially, this is a reflection of the low stocks of social capital (Teles 2012) and the lack of a rooted cooperative experience found in the Portuguese case.

Striving for Governance Capacity

The previous analysis aimed to describe the composition of the index and the main features of the constituent variables. This section seeks to present an aggregated account of the index of governance capacity for the two cases under study. To estimate this index, each variable presented in the previous section was weighted evenly. For each category, a maximum score of five points was given.¹ Overall, then, each IMA could receive a maximum of 25 points, and these scores were then standardized to 100. By weighting all the dimensions into the same scale, it is possible to compare the mean scores for each dimension, assessing the specific contribution of each dimension to the overall index of governance capacity. Table 5.3 shows the statistical profile of the resulting index.

The result shows a reasonably comparable behaviour, when considering the results for each dimension. These results manifest relatively similar behaviour, even taking into account the differences in the process and in the political context. To some extent, this proves the validity of the index for comparative analysis.

On average, both countries score poorly in what concerns the democratic dimension, suggesting both countries face the same difficulties in terms of the democratic deficit of IMAs. In general, local stakeholders reveal a lack of interest in the activities performed by IMAs, which may jeopardize the accountability and legitimacy of IMAs in both contexts. However, the commitment of local stakeholders sharply contrasts with the

Table 5.3 Governance capacity in Portugal and Catalonia

	<i>N</i>	<i>Scope of cooperation</i>	<i>Efficiency</i>	<i>Nature of institutional structures</i>	<i>Democracy</i>	<i>Stability</i>	<i>Overall IMC capacity</i>
Total	35	1.4	1.1	3.1	0.2	3.4	36.7
Portugal	14	1.5	1.2	3.6	0.4	3.3	40.3 [28; 64] Std: 9.9
Catalonia	21	1.3	1.0	2.7	0.0	3.4	34.3 [16; 64] Std: 12.5

Note: In square brackets, the minimum and maximum values for overall IMC governance capacity
Std: standard deviation

commitment of municipalities involved. In both cases, IMAs' members seem to be strongly committed towards the aims and the cooperative efforts entailed through the IMAs. In fact, it is the stability dimension that mostly contributes to IMAs' governance capacity index. Both countries also present similarities in terms of the scope of cooperation and efficiency. This seems to be an arena where both countries' IMAs have greater margin to progress, especially considering the commitment of members.

Major differences between the two countries can be identified regarding the nature of institutional structures. It should not be disregarded that this dimension was operationalized in differently in both cases, which can potentially explain the results. Despite this methodological operationalization, results seem to suggest that Portuguese IMAs seem to be slightly more independent from member municipalities. To recap, this dimension sought to estimate the extent to which IMAs are able to become autonomous from the participating members (Nelles 2013; Perkmann 2007a). Portuguese IMAs reveal a greater degree of institutionalization, which may explain the different results regarding the overall IMAs' governance capacity index.

As to the overall index of governance capacity, Portugal and Catalonia show relatively low rates of governance capacity. On average, none of the countries reach the threshold score of 50. In fact, only four IMAs reach values over 50: two in Portugal and two in Catalonia. Even this "minor" aspect illustrates a highly comparable situation. The low range of values exposes the difficulties that these entities have to reach a steady institu-

tionalization. In spite of this, IMAs have proved to display an important resilience.

It should not be disregarded, however, that Portuguese IMAs' governance capacity is slightly higher than the one found in Catalonia, also revealing a lower standard deviation (9.9), suggesting smaller internal differences among IMAs in the Portuguese scenario. Moreover, the minimum scores for both countries are distinctive, with the Catalan case revealing a lower point of departure. This might find an explanation in the different conditions in which these entities were created in both countries. In the case of Portugal, IMAs are so promoted by upper-level governments that it could be said that they are compulsory. In the case of Catalan IMAs, the process of creation (and dissolution) is so long and complex that it implies a clear will from the promoters of the entity—which is mirrored in the 0.1 point of advantage regarding the stability dimension in the Catalan case. Hence, results seem to corroborate Nelles (2013) expectation regarding the effect of central government intervention in providing incentives to encourage local actors to cooperate. In the absence of such incentives, local actors need to strive for local governance, making it more dependent on their own commitment towards maintaining the cooperative efforts.

CONCLUDING REMARKS

IMAs in Portugal and Spain (Catalonia) are currently facing a completely different situation. While the Portuguese government promotes and encourages the creation of IMAs in order to ensure and improve efficiency in service provision, Spanish authorities are trying to control them and even reduce their number. This is particularly remarkable taking into account the intensity of these policies, with the result that the pressure on the municipalities is in completely opposite directions in the two countries. The IMAs governance capacity becomes particularly relevant, though perhaps for different reasons. If municipalities are almost obliged to engage with their counterparts, it is crucial to ensure its good governance. From the opposite perspective, Spanish IMAs need to demonstrate their capacity in order to avoid further questioning. In this sense, “Iberian” IMAs seem to be striving for governance capacity.

The development of valid mechanisms to explore the degree of governance of the IMAs becomes a key factor, not only for research but also in terms of the possibility of improving the implementation of these policies.

The governance capacity index has shown a striking ability to be valid in different contexts and to accurately reflect the situation of the entities in different environments.

The results of the analysis of the variables composing the index and of the index itself also show elements that are worthy of reflection. In general, in both countries the entities show low levels of the different dimensions included in the index. Since the data is reasonably similar for both countries, the difficulties that these entities face in terms of resources really merit further scrutiny. In fact, only four entities obtain at least half of the possible value; two in Portugal and two in Catalonia—even this situation illustrates analogous behaviour. On closer observation, we can also perceive that the internal differences of the entities are noticeable. This reveals that some entities have succeeded in finding funds and resources while others have to deal with struggles in different fields. However, even in these conditions, these entities manage to provide extremely sophisticated services and to meet the expectations of the actors involved in this process. Indeed, one of the most noteworthy aspects is the level of satisfaction with the effects reached by the IMAs.

However, the IMAs normally have a low rate of resources compared with the municipalities' members. This latter element can also find an explanation in the lack of interest reported by the respondents of diverse groups of actors, including stakeholders and citizens. Obviously, it might be difficult to justify the allocation of resources in an entity that is not visible to the core agents involved. It should not be disregarded that this research is focused on the perspectives of members of IMAs regarding citizens' involvement, who may have a limited capacity to assess the extent to which citizens legitimize these governance structures. Regardless, a perception of weak citizens' interest in IMAs' activities must not be overlooked. Indeed, if citizens mainly have a parochial focus, that is, are concerned only with their municipality, they will be potentially more reluctant to understand and accept matters that involve several municipalities (Lidstrom 2013). A greater degree of governance capacity may have a positive influence on citizens in order to have a territorial orientation that extends beyond their own municipal borders. This will be difficult if these entities do not find better ways to improve their legitimacy and their democratic anchorage.

As a final consideration, more research is needed in order to identify elements of connection between the government bodies of the municipalities and the executive structures of the IMAs. Obviously, these strate-

gies have demonstrated their capacity, and Portugal and Catalonia are good examples of providing sophisticated municipal services in a context of economic constraints. However, they should also develop more and better mechanisms to ensure accountability; otherwise it is questionable whether more resources can be devoted to these structures.

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NOTES

1. For the *scope of cooperation*, the reported areas were coded according to the following range: 0 areas were coded as 0, 1 or 2 areas were coded as 1, from 3 to 5 areas were coded as 2, from 6 to 8 areas were coded as 3, from 8 to 10 areas were coded as 4, and finally 10–12 received a value of 5. As for *efficiency*, it reports the sum of the differences between the effects of the association's activities and the reasons for creating the IMA. Negative numbers were coded as 0, and in other cases, the resulting values were directly reported to the new variable. Regarding the *nature of institutional structures*, we reported the values from the variable municipalities' efforts and recoded from 0.1 to 0.29 as 5, from 0.30 to 0.49 as 4, from 0.50 to 0.69 as 3, from 0.70 to 0.89 as 1, and finally 0.90 or more as 1. Concerning the dimension of *democracy*, it is the result of the sum of the differences between the interest in local municipalities and that in the activities of IMAs. Negative values were coded as 0, less than 2 were coded as 1, from 3 to 4 as 2, from 5 to 6 as 3, from 6 to 7 as 4, and 8 as 5. Finally, *stability* was transformed using the following values: from 1 to 4 as 1, from 5 to 9 as 2, from 10 to 15 as 3, from 16 to 19 as 4, and 20 as 5.

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Reasons for Inter-municipal Cooperation: A Comparative Analysis of Finland, Iceland and Norway

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INTRODUCTION

Inter-municipal cooperation (IMC) is a common phenomenon in Europe. There is, however, variation in terms of the institutionalization of cooperation, the policy fields where it exists and the scope of cooperation. In this chapter, we intend to contribute to the comparative perspective in IMC and hence find explanations to the above-delineated variation.

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Our comparative perspective focuses on the Nordic countries. The functional status of local governments in the Nordic countries is more pronounced than in other European countries, notably due to the decentralized character of the Nordic welfare states (Goldsmith and Page 2010b; Loughlin et al. 2011). The broad responsibilities of Nordic local governments may explain why IMC is rather frequent amongst the Nordic municipalities. This is, however not a sufficient explanation for the variance in institutional features that we find in the Nordic countries. Hence, we develop a more comprehensive model, which will be described briefly in the following.

IMC has commonly been regarded as one of several optional strategies for managing problems of scale relating to local government tasks and responsibilities (Baldersheim and Rose 2010; Hulst and van Montfort 2007; Kjellberg 1985; Swianiewicz 2011; Klausen et al. 2016; Steiner et al. 2016; Tavares and Feiock 2014; Teles 2016). Problems of scale occur mainly because (a) existing jurisdictions are seen as suboptimal in terms of achieving economies of scale; (b) a proportion of municipalities are seen as having less than “critical mass” in terms of administrative capacity; or (c) important policy issues exceed territorial delimitations (Askim et al. 2016). Amalgamations, regionalization or nationalization of tasks and functions, as well as increasing state regulation and supervision of local government activities, are optional strategies for managing problems of scale. Because these strategies infringe on the territorial integrity of individual local governments, as well as on their relative autonomy and task portfolios, IMC has often been hailed as a more attractive option to meet problems of scale.

Why would problems of scale translate into increasing prevalence of IMC? The first determinant is the volume and type of tasks handed over to municipal implementation. Problems of scale would probably be particularly acute in local government systems characterized by extensive decentralization and devolution of tasks and responsibilities. Local governments in the Nordic countries have traditionally been characterized by extensive functional decentralization, as well as a strong emphasis on local autonomy (M. Goldsmith and Larsen 2004; M. J. Goldsmith and Page 2010a; Loughlin et al. 2011; Page and Goldsmith 1987; Sellers and Lidström 2007). Following this, there is a reason to assume that IMC is particularly widespread in the Nordic countries. The second determinant relates to the multi-level system of government. More specifically, we believe that the existence of a second tier of government may alleviate

some of the perceived need for IMC, because regional/county governments tend to serve coordinative functions. The third macro-level determinant is the current degree of fragmentation of the local government system. Finland, Iceland and Norway are particularly interesting cases because the local government structures of these countries are more fragmented than in Denmark and Sweden. While Denmark carried out a comprehensive reform in 2007 (Blom-Hansen et al. 2016), attempts at comprehensive reform met limited success in Finland (Sandberg 2013). Iceland has never managed to carry out a comprehensive reform despite having tried through wide-ranging local referenda in 1993 and 2005 (Eythórsson 1998; Eythórsson 2009), but nevertheless managed to reduce the number of municipalities from 196 in 1993 to 74 today (Steiner et al. 2016). The outcome of the ongoing reform in Norway is still very much pending (Klausen et al. 2016). The reform in Sweden in the 1970s resulted in much larger local government units than in Finland, Iceland and Norway (Lidström 2011), potentially reducing the perceived need for IMC. In this chapter, we will focus on these three countries, where the likelihood for cooperation is high due to fragmentation.

Regarding the national context, a key determinant is legislation. Various laws may restrict or enable a local government's discretion in the question or even have an impact on municipalities' prerequisites for being responsible for a task. Potential laws include both local government act-type legislation and laws dealing with specific services.

In sum, the chapter aims at finding explanations as to why municipalities engage in IMC. We try to identify institutional differences between the three countries in terms of the legal setup for IMC, and analyse these with reference to the other dimensions of the model. The key determinants discussed in the chapter are presented in Fig. 6.1.

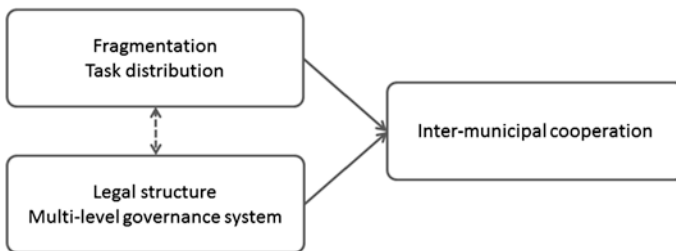


Fig. 6.1 Key determinants of IMC

The chapter includes three of the five Nordic countries: Finland, Iceland and Norway. We will describe the institutional diversity of IMC and provide statistics on the use of these forms, to the extent that such data are available. Analytically, these forms represent varying degrees of “agencification” (Pollitt 2004; Pollitt and Talbot 2004) in the sense that they differ in terms of their degree of operational autonomy. Some of them operate as legally independent bodies; others are integrated parts of the municipal organization in one of the IMC member municipalities. This means significantly varying conditions for democratic governance, a challenge that has been discussed in several studies (Jóhannesson et al. 2016; Bjørnsen et al. 2015; Gjertsen and Martiniussen 2006; Holmen and Hanssen 2013; Leknes et al. 2013; Opedal et al. 2012; Ringkjøb et al. 2008). Perceived downsides with IMCs have been important arguments in the ongoing local government reform in Norway. A number of publications on the reform expand on the challenges pertaining to fragmentation and diffusion of authority related to IMCs, and this is used as an argument for territorial consolidation. The chapter will draw on these sources to provide a basis for a critical and analytical comparative perspective.

THE THREE NORDIC COUNTRIES

The following section delineates the national level factors potentially affecting IMC. The emphasis in the following is on legislation enabling and constraining cooperation at local level, characteristics of local government structure and other national level factors which can play a role in IMC.

Finland

Finland has been highly fragmented in terms of territory during its 100 years of independence, but gradually the number of municipalities has been diminishing. Between 1955 and 2017, the number of municipalities declined from 557 to 311. IMC has, particularly in earlier stages, responded to the problem of small municipalities.

On the one hand, inter-municipal cooperation has compensated for the lack of a second tier of local self-government. The Finnish constitution of 1919 opened up for the establishment of regional self-government, but the parliament never reached consensus on the establishment of a regional level (Tiihonen 1986). Only as late as in 2015, the cabinet launched a reform in order to establish a new regional level to be implemented in

2019 (Statsrådets kansli 2015). From the 1920s, regional joint municipal authorities were established to manage tasks requiring larger system capacity, for example the establishment of hospitals and institutions for the care of disabled persons. Nowadays, mandatory regional cooperation includes special health care, care of disabled persons and regional planning.

On the other hand, voluntary and mandatory inter-municipal cooperation has compensated for the imbalance stemming from the fact that the duties of Finnish local authorities are symmetrical—that is, the smallest and the largest local authority have the same mandatory duties—while the size as well as the financial and professional capacity of the local authorities varies significantly. The median size of a Finnish local authority is about 6000 inhabitants. Finnish local authorities are (financially) responsible for a broad range of duties, including primary and secondary health care. Over the last 20 years, the regulation of inter-municipal cooperation has increased in order to secure financial and professional capacity, resulting in a wide variety of different inter-municipal arrangements and a gradually growing asymmetry between the smallest and the largest municipalities. While the smallest municipalities handle fewer and fewer tasks in-house, larger cities have become responsible for a growing portfolio of regional tasks, like waste management and public transport (Kettunen 2015).

The overall attitude towards inter-municipal cooperation is permissive. Finnish municipalities are allowed to perform their functions either alone or in cooperation with other local authorities. “Municipalities shall perform those functions prescribed for them by law either alone or in cooperation with other municipalities. Municipalities may also acquire services required for the performance of their functions from other service providers” (Local Government Act 365/1995, Local Government Act 410/2015).

There are few restrictions when it comes to the form of inter-municipal cooperation. Only in the case of mandatory regional inter-municipal cooperation compensating for a regional level, is the form of cooperation regulated by law. In other cases, also when IMC is mandated by law, the cooperating municipalities may decide on the premises of cooperation. The most common forms of inter-municipal cooperation according to public sector law are joint municipal authorities and various forms of host arrangements. In practice, the joint activities are integrated into the operations of one of the municipalities. In addition, municipalities may establish joint companies, foundations and associations in accordance with private sector law. The exact premises of IMC are always established in a contract between the parties to the cooperation.

The frames for the political governance of IMC are established in the Local Government Act. Joint municipal authorities (*kuntayhtymä/samkommun*) are independent authorities with a legal and political capacity of their own. Every municipality is granted a seat on the council, whereas the seats on the executive board and other political bodies are distributed according to the outcome of municipal elections in the area covered by the joint authority. In host arrangements, the political governance of joint activities is formally part of the organization of the host municipality, but usually governed by a body where all the municipalities are represented. Companies, foundations and associations are governed according to the statutes of individual bodies.

Iceland

Iceland has a two-tier system of administration, the state level and the local level. There is no regional level with an elected council. Local self-government is protected by the Constitution of Iceland, Paragraph 78. The interpretation is that local authorities may do what they like, or assign responsibilities to another body, as long as it is not prohibited by law (Valsson 2014; Hlynsdóttir 2015). Municipalities in Iceland, however, have a long history, stretching all the way back to the eleventh century. When the Danes took control over Iceland in 1662, they whittled down the autonomy of municipalities and then totally abolished them by law in 1809. Later on, in the nineteenth century, when the Icelanders began asserting their rights of independence, the local government system was reinstated by law in 1872, this time including a regional governmental level, or “Amt”. This regional experiment was not successful and the Amts were abolished in 1904 (Eythórsson 1998).

The number of municipalities gradually increased until the middle of the twentieth century in line with the societal development, peaking in 229 municipalities in 1950, after which a slow decrease set in, but not significantly until after 1990 (Eythórsson 1998). After two general referenda on municipal amalgamations, 1993 and 2005, the number went down and was already around 100 in 2002. Since 2013 the number of municipalities has remained at 74. This reduction in number has not managed to change the main characteristics of the municipal structure—small municipalities and a fragmented system with a large number of municipalities lacking the size and capacity to provide their citizens with

efficient services. Even though the average municipal population is around 4500 the median of 900 tells another story.

Originally, amalgamations were meant to strengthen the municipal level by producing larger local units, which could take over extensive new functions from the state. A failure to carry out a complete reorganization, however, meant that other methods had to be considered (Eythórsson 1998, 2009).

During the past 20 years, some functions and responsibilities have been decentralized to the municipal level, the primary school in 1996 and the handicap services in 2011. The heavy burden of running primary schools pushed many of the smallest municipalities into amalgamating with their neighbours. As far as the handicap services were concerned, the problem was solved by means of IMC since most of the municipalities did not have, by state definition, the capacity to run these operations by themselves.

Unquestionably, the main tasks of the municipalities in Iceland measured in expenditures are education (primary schools, kindergartens and music schools), social services, and youth leisure and sports. Other tasks to be mentioned are health care, culture, fire departments and public disaster protection and hygiene. Local government expenditures constitute 30% of total public spending.

Until the Local Government Act of 1986, IMC was voluntary—based on special acts or contracts between institutions if they wished to cooperate on certain issues or services. Since 1986 voluntary cooperation has been a free choice for those who wanted (Grétarsson 2013, pp. 98–99). The forms or arrangements of IMC in Iceland can be identified as follows:

- (1) *Inter-municipal organizations* (Byggðasamlög). Here the municipalities (most often on a district/region basis) cooperate in an organization administered by a board of representatives, normally from all municipalities involved. Social services, primary school specialist counselling, primary schools, fire brigades, bus transport, museums and regional tourism centres are most frequently included here. Handicap services are the most recent task among these (2011).
- (2) *Inter-municipal agreements or contracts*. Here a contract on service provision is entered into by municipalities. Usually this is about one large(r) municipality providing services to one or more, smaller neighbouring districts.

- (3) *Inter-municipal public companies*. This is not a frequent arrangement in Iceland but exists, for example, in cases of power and water companies. In some instances, these public companies deal with sewage, as well as other tasks and can, therefore, be seen as multipurpose organizations.

There are also inter-municipal informal networks and associations for regional economic development (Atvinnuþróunarfélög) but these are not included in the following.

Norway

Norway carried out a comprehensive local government reform in the late 1960s (Hansen 1991), but although the reform reduced the number of units by more than 40%, the resulting structure remained quite fragmented. Several conurbations comprise a number of local government units. Notably, the continuously built area in and around Oslo comprises 11 local governments.¹ In terms of population, Norway's 428 local government units² vary between 200 and 658,390 inhabitants, with a median size of 4700.³ The current system of second-tier (county) government was established in 1975 and consists of 18 multipurpose jurisdictions with elected councils.⁴ There are, furthermore, several regional offices of the national administration subsumed under the ministries. A number of these offices are departments in the county governor's offices; that is, state territorial representatives located in each county alongside the elected county governments. Other regional branches of the state administration operate independently of each other. Notably, the regional state administrations for health services, as well as the regional education authorities, are departments in the county government offices.

Norway is a universalist social democratic welfare state (Esping-Andersen 1990) and belongs to the highly decentralized group of Northern/Central European local government systems (Hesse and Sharpe 1991). As a consequence, local governments are in charge of a broad range of tasks and services, most of which are mandatory by law.⁵ Furthermore, local governments have non-differentiated competencies and consequently even the smallest units are obliged by law to provide the same range of services as the largest ones. In recent years, central government supervision seems to have increased (Goldsmith and Page 2010a),

concurrent with a general increase in procedural and substantive regulations on local government task performance (Askim et al. 2013). The combined effect of structural fragmentation, extensive decentralization and increasing supervision poses a severe challenge for the local government sector, which has clearly provided an impetus for IMC.

The Local Government Act of 1991 mandates two forms of IMC. The IMC⁶ form allows local governments to establish boards for solving joint tasks. Although these IMCs may be established as legal entities, the participants have unlimited liability. This form is in many cases used for organizing regional boards for multipurpose political cooperation, for instance relating to regional development (Jacobsen 2011). But IMC is also used for joint service provision; including administrative support functions, auditing, civil protection and nature management. The *municipal hosting* arrangement⁷ allows one or several municipalities to transfer specific tasks or functions to another municipality, who then serves as a “host”. The host carries out the task “in-house” using its own employees and is compensated by the other municipalities. This arrangement can be purely administrative, but the law also includes stipulations for hosting arrangements with a joint board of elected representatives. Hosting arrangements are mainly used for primary health care, crisis centres, fire protection and administrative support functions.

IMC may also be organized in the form of joint corporations. Local governments are at liberty to establish or purchase shares in *limited liability corporations* (AS) pursuant to corporate law. Furthermore, two or more local governments may choose to establish an *inter-municipal corporation* (IKS). This form is by law reserved for local and county governments and cannot be co-owned by private investors.⁸ The IKS is an unlimited liability corporation, and was designed with the stated purpose of providing more extensive governing powers for public owners.⁹

IMC is not mandatory by law for any type of service or function. The Local Government Act mandates the introduction of statutory IMC,¹⁰ but this mandate has never been used (Jacobsen 2014, p. 82). The general rule is that local governments decide on their own organization. There are, however, certain legal provisions that restrict the use of the various forms of IMC. The Local Government Act delimits delegation of powers to IMC boards to decisions on managerial issues. Exertion of authority, defined as decisions with consequences for the rights and duties of individual legal subjects, is not included. The bulk of local government service

provision falls into this category.¹¹ The implication is that core services such as primary education or child care cannot be organized using most forms of IMC. Only one form of IMC does allow delegation of powers to exert authority, namely the “political” variety of the hosting arrangement that includes a joint board of elected representatives.

SUMMARY AND TENTATIVE EXPECTATIONS

The main characteristics of IMC arrangements are summarized in Table 6.1. The three countries come across as quite different. Restrictions against IMC in Norwegian law are absent in Finnish and Icelandic legislation. In Finland, and to some extent in Iceland, there are provisions for mandatory IMC; in Norway IMC is voluntary. Roughly, the same set of organizational forms for IMC is available. A tentative observation is that from a legal perspective, it seems that IMC is encouraged and even expected in Finland, to a greater extent than in Norway. On this scale, Iceland seems more similar to Finland than to Norway.

The table also provides empirical evidence relating to the general assumptions noted in the introduction. We characterized all three countries as relatively fragmented, because historical reforms reduced the number of local governments less than in Sweden and Denmark. Nevertheless, in spite of this commonality, the three countries differ. At a glance, Iceland comes across as particularly fragmented, with a mean population of 4445.9 for its 74 local governments, and a median size of just 882 people. Corresponding figures for Finland and Norway indicate lower levels of fragmentation. But in Finland and Norway local governments vary considerably more in size than they do in Iceland—note that the standard deviation, a statistical measure for spread, is highest in Finland. Also, in Finland and Norway the population of the median local government is no more than about 0.1% of the population of the country. In Iceland, the corresponding percentage is almost three times as high—0.27%.

A key difference between the three countries is that Norway has an elected, multifunctional intermediate level of government not found in Finland and Iceland. Local and county level governments in Norway share tasks and responsibilities delegated to sub-national levels, but in the two other countries local governments manage all sub-national tasks alone. The two indicators for decentralization reported in Table 6.1 to some

Table 6.1 Main characteristics of IMC arrangements

	<i>Finland</i>	<i>Iceland</i>	<i>Norway</i>
Legal restrictions against IMC	Few, general mandate in Local Government Act	None, general mandate in the Local Government Act	Authority exertion only allowed for hosting arrangements w/ pol. board
Mandatory IMC	Regional inter-municipal cooperation, Regional rescue departments, mandatory provisions on minimum size of service jurisdiction, limited no. of education licences	Mandatory provisions on the minimum size of service-jurisdictions in handicap services. Otherwise voluntary	None
Structural differentiation	Public law: (in-house hosting arrangements; legally independent Joint Municipal Authorities) Private law: (companies, associations, foundations)	Public law: Municipal hosting arrangements. Legally independent Joint Municipal Authorities. Private law: companies, associations	Public law: Inter-municipal cooperation, Municipal hosting arrangements with/without pol. board Inter-municipal company act (legally independent, unlimited liability) Private law: Ltd companies, foundations, cooperatives
Fragmentation ^a			
Mean	17,531.3	4493.6	12,182.2
Std.dev.	47,038.9	15,094.5	37,950.6
Median	6068	882	4705
Share median	0.11%	0.27%	0.09%
MLG system ^b	Two-tier	Two-tier	Three-tier
Decentralization (share of public expenditure) ^c	40.06%	30.10%	32.83%

(continued)

Table 6.1 (continued)

	<i>Finland</i>	<i>Iceland</i>	<i>Norway</i>
Decentralization ^d (share of tax revenue)	33.17%	27.08%	18.54%*
Local autonomy ^e	29.33	28.00	27.00

^dLocal government population, 2015. Source: Kommunförbundet [Association of Finnish Local and Regional Authorities], Finland; Statistics Iceland; Statistics Norway. Author's calculations

^bLevels of elected government

^cConsolidated government expenditure as a percentage of total general government expenditure (consolidated). Share of local level (2015). Source: OECD Fiscal Decentralization Database

^dSubnational government tax revenue as a per cent of public tax revenue, 2014 OECD Regions at a glance 2016. DOI: 10.1787/19990057

^eLocal autonomy: Index value for a broad range of indicators. 2014. <12.00, 29.76>, 39 countries. (Ladner et al. 2015, p. 60)

extent reflect this variation. The local government sector consumes a much larger share of public expenditure in Finland than in Norway. Finnish local governments also receive a significantly higher allocation of public tax revenue than do their Norwegian counterparts. In Iceland, local governments' share of total public expenditure is lower than in Norway and Finland, but their share of tax revenue is intermediate.

Finally, although the designation of the Nordic countries as the “promised land” of local government (Rose and Ståhlberg 2005, p. 83) applies equally to Finland, Iceland and Norway, there is, on closer inspection, some degree of variation. A recent comparative study ranks the three countries in terms of *local autonomy*—an index value derived from expert-based assessments of policy scope and discretion, financial autonomy and self-reliance, constitutional status and a number of other indicators (Ladner et al. 2015). According to this study, Finnish local governments enjoy the second-highest autonomy of the 39 countries included in the study, only surpassed by Switzerland (*ibid.*, p. 60) and with Iceland in third place. Norway, on the other hand, ranks number eight.¹²

The differences between the three countries cited in Table 6.1 are not fully consistent. However, preconditions for a wide-ranging use of IMC seem particularly favourable in Finland, and possibly more so than in Norway—with Iceland in an intermediary position. We now turn to empirical evidence provided by previous studies, to see whether those assumptions hold water.

Table 6.2 IMC profiles in Finland, Iceland and Norway

	<i>Finland</i>	<i>Iceland</i>	<i>Norway</i>
Health and care services			
Environmental health care	96%	99%	n/a
Specialized health care	100%	0%	0%
Crisis centres	n/a	n/a	75%
Medical emergency room	n/a	n/a	66%
Care of disabled	100%	93%	5%
Education			
Vocational education	27%	59 %	0%
Planning			
Regional planning	100%	99 %	n/a
Technical services			
Fire brigade	100%	45%	56%
Waste management	94%	50%	84%
Water supply	n/a	n/a	17%
Sewage	n/a	n/a	14%
Internal services			
Auditing	n/a	n/a	82%
ICT services	n/a	n/a	48%
Accounting	n/a	n/a	12%
Purchases	n/a	n/a	43%

Sources: Finland: Legislation (finlex.fi), Ministry of Education and Culture, The Association of Finnish Local and Regional Authorities, Statistics Finland Iceland: Jóhannesson et al. (2016). The data is from a database collected in the project, which the report is from Norway: Monkerud et al. (2016)

INTER-MUNICIPAL COOPERATION IN PRACTICE

How do the three countries compare, in terms of how widely IMC is used by local governments, and for what functions? Although previous studies provide relevant evidence, limited availability of data detracts from the precision of the comparative analysis. In the following section, we will first present each country individually. Then the findings are summarized in Table 6.2.

Finland

In Finland, a large share of IMC is law based and compulsory. When it comes to the inter-municipal cooperation compensating for lack of a regional level (20 hospital districts; 18 regional authorities responsible for spatial planning and structural policy), every municipality is assigned

membership in one specific joint municipal authority. Municipalities are also assigned membership in one of the 22 regional rescue departments. In this case, however, the municipalities may decide on the legal form of cooperation. Most of the regional rescue departments are formally integrated in the organization of the largest city in the region, but governed by a political body comprising members from the whole area of the rescue department.

When it comes to other tasks prescribed to the municipalities by law, the duty to cooperate is explicitly regulated in various ways, usually affecting the small municipalities more than the large municipalities. A duty to cooperate can be expressed as a goal for the minimum number of inhabitants required to secure quality in services (e.g. 20,000 inhabitants in social care and primary health care). It can also be expressed as a goal for the number of professionals needed to establish a bureau or organization for a specific service (health inspection is to be organized in units with at least ten professional officers, which means about 70 units in the country as a whole). As for public transportation, the legislation identifies clusters of municipalities, usually larger cities and their surrounding municipalities that are required to cooperate in the provision of public transport.

Other aspects of the legislation do not include explicit provisions for IMC, but will in fact result in joint arrangements. This is especially the case when it comes to secondary education, where a limited number of licenses to provide education are awarded by the national authorities. IMC is particularly common in the field of vocational secondary education. Similar demands concerning volume or capacity are found concerning infrastructure, as for example waste management and water supply, where there is a trend towards increased cooperation between more municipalities within larger areas.

Even though the legislation framing IMC in Finland is more extensive than in many other countries, remarkable variations exist between different parts of the country. Apart from mandatory regional institutions of inter-municipal cooperation, municipalities have considerable discretion when it comes to the constellation, form and governance of IMC. For practical and tactical reasons, the configuration of IMC may vary, even within the same macro region.

Finally, there is the sector of technical and support services. Collective transport has been traditionally supported by public resources. In the year 2013, the national government decided to encourage collective transport in the urban areas, and hence directed resources towards increasing public

services and their usage. For example, in South-West Finland this led, in 2015, to a new extensive area consisting of six municipalities which now all share the same bus ticket price covering their entire jurisdiction, a significant improvement compared to earlier arrangements. The purpose of the policy is to encourage citizens to use more public transport rather than driving themselves.

Iceland

As already noted, no existing IMC entity is mandatory. However, in some cases, being part of a cooperation initiative is more or less considered by the municipalities to be a duty, such as joining regional federations of municipalities (Landshlutasamtök Sveitarfélaga) and regional economic development centres (Atvinnuþróunarfélög), in which all municipalities participate. When the municipal level took over the responsibility for handicap services from the state in 2011, a collective agreement was concluded between the state and the Federation of Municipalities. Since the minimum size of a municipality for running handicap services was defined by the state as a population of 8000, IMC was bound to happen in order to comply with this requirement.¹³ As few as 7 out of 74 municipalities attained the minimum, so broad-based cooperation had to be introduced. Thus, in this and similar contexts, most of the municipalities were in fact obliged to take part in cooperation projects. Nevertheless, the sector is strictly state regulated and the municipalities are rigorously controlled by laws and regulations. In the above circumstance, the municipalities obliged themselves to join cooperation entities, but this can hardly be seen as a result of mandatory IMC. The many and various inter-municipal cooperation projects in Iceland are voluntary. A large number of small municipalities can be seen as members out of necessity, due to lack of capacity to run services, as well as for economic reasons where the shortcomings of smallness make it almost impossible to run, for example schools, on their own.

In spring 2016, a comprehensive mapping of inter-municipal cooperation in the whole of Iceland was introduced in a report (Jóhannesson et al. 2016). The mapping yielded results on the scope of inter-municipal cooperation arrangements and their patterns, as well as the outcomes of a survey on inter-municipal cooperation among all elected local officials in all municipalities. The findings show that smaller municipalities tend to participate more frequently in IMC arrangements. This was to be expected, at least according to the rather common hypothesis that one of the main

drivers for participation in IMC arrangements was insufficient capacity, efficiency and professionalism—resources which smaller entities lack more than larger ones. This is further supported by survey data from the survey referred to above (Jóhannesson et al. 2016) where a large majority of local elected officials agreed to the statement that joining inter-municipal cooperation enabled municipalities to run tasks which they otherwise would not have had the capacity to perform (Jóhannesson et al. 2016, p. 59).

Looking at inter-municipal cooperation in Iceland categorized by tasks, a clear pattern is revealed. By far the most frequent tasks giving rise to cooperation are the main concerns of municipalities in general. Thus arrangements relating to social services and education (primary schools, kindergartens and music schools), are the most frequent areas of cooperation, closely followed by public security/fire brigade, culture and museums.

Norway

A recent comprehensive study of local government organization in Norway (Monkerud et al. 2016) revealed that IMC arrangements are extensively used in several branches of municipal service provision. The study reported on the organization of 22 distinct services provided by all local governments (pp. 97–99). The majority of local governments use IMC for renovation (84.1%), auditing (80.3%), crisis centres (75.2%), medical emergency services (66.1%), fire protection (56.4%) and Information and communications technology (ICT) services (48.2%). Furthermore, IMC is quite commonly used for joint public purchases (43.2%), water supply (17.1%), sewage (14.6%) and accounting (12.3%). However, very few local governments (1–5%) use IMCs for core welfare services such as kindergartens, primary education and care services. Earlier studies indicate that IMC usage has been fairly stable during the past 12 years (Hovik and Stigen 2004, 2008; Blåka et al. 2012).

The precise number of IMCs mandated by the Local Government Act is difficult to determine. However, data on the corporate forms of IMC (AS and IKS) are reported annually to Norway's Public Register of Business Enterprises.¹⁴ These data were analysed in a recent study (Bjørnsen et al. 2015).

The IKS form, referring to public law corporations with unlimited liability—is used predominantly for water/sewage/renovation, administrative support services, fire protection and culture/education. Overall, 254 IKS were identified. The AS form—that is, limited liability companies

organized by corporate law—is used most extensively for energy provision, real estate ownership and enterprises offering employment for the disabled. A total of 1775 AS are owned wholly or in part by one or several local governments. Note that the data does not distinguish between corporations fully owned by one municipality and those held by two or more. Many of these corporations are not IMCs.

This “corporatization” of local government in Norway is in line with observations in other European countries (Lippi et al. 2008, Kuhlmann 2008). IMC can be seen at least partially in conjunction with trends towards external autonomization of public government (Pollitt and Talbot 2004; Pollitt 2004; Christensen and Lægred 2006).

SUMMING UP THE INTER-MUNICIPAL COOPERATION IN PRACTICE

Table 6.2 presents statistics on the use of IMC for various local government tasks. It is important to note that because Table 6.2 is based on what evidence is available, it does not necessarily cover the full range of local government tasks and responsibilities. Data availability for Norway can be regarded as quite comprehensive.¹⁵

Although incomplete, Table 6.2 indicates interesting similarities as well as differences in the IMC profiles of the three countries. First, it is noteworthy that local governments in Finland and Iceland tend to use IMC for welfare service provision—notably health and care services, but also to a considerable extent for vocational education. In Norway, with two exceptions, IMC is not used for welfare service provision. Legal and constitutional differences account for some of these differences. As noted, whereas IMC is mandatory by law for specialized health care in Finland, this is a central government task in Norway, carried out by a system of health regions.

In Norway, local governments are by law obliged to provide crisis centre services for women, men and children who are subjected to violence or threats of violence in close relationships. Because use of such centres is voluntary and available to all, the provisions barring the use of IMC for services involving authority exertion do not affect this service. In many smaller local governments, the number of clients is very low, and thus it is economical to organize this service as an IMC.

In Norway, local governments are responsible for providing general/entry-level medical care. This includes medical emergency rooms, along with other tasks.¹⁶ A recent reform has expanded this responsibility. Local

governments are now obliged to provide 24-hour care for patients who are discharged from hospital, if deemed necessary. IMC is in many cases a convenient and economical solution because the service is costly to establish, and the number of clients in each municipality at any given point in time may be limited.

The 5% of local governments that reported use of IMC for care services to the disabled comprise services to clients with psychological disabilities.

As for vocational training, this task is county government task in Norway. In Finland, there are a limited number of licences for vocational training. These are in many cases held by IMCs, to meet a requisite number of students. It follows that legal and constitutional differences account for the observed variations in IMC use between the three countries.

Table 6.2 shows that IMC is prevalent for technical services in all three countries, not least for fire protection and waste management. These are mandatory local government tasks in all three countries. In Finland, IMC is mandatory for fire protection. As for waste management, however, local governments in all three countries decide on the use of IMC. The prevalence of IMC for waste management in all three countries consequently indicates that variations in fragmentation and decentralization are not necessarily associated with varying use of IMC.

As for internal services, it is particularly regrettable that there is no empirical data from Finland and Iceland. In Norway, local governments use IMC to a considerable extent for providing such functions.

CONCLUDING DISCUSSION

In the introduction, we argued that IMC would be particularly attractive in fragmented local government systems, due to capacity problems in small municipalities. We further argued that extensive decentralization of tasks and responsibilities would exacerbate such capacity problems, and so provide an additional boost for the use of IMC solutions. Hence, we assumed that the combination of particularly high decentralization and fragmentation that characterizes Finland, as compared to Norway in particular, would entail that IMC is used more often in Finland than in Norway. We assumed that Iceland would use IMC to an intermediate extent.

These assumptions are not supported by empirical evidence. Although we note that the profile of IMC use in different sectors varies between the countries, these differences are not caused by varying fragmentation and decentralization. In light of evidence, legal and constitutional explanations seem to

matter more. This is evident from the way health and care services are organized. First, whereas IMC is mandatory for certain services in Finland, IMC is in part legally disallowed in Norway. Second, specialized health care is not a task for Norwegian local governments, but the state's responsibility—contrary to Finland, where this very large sector of public service provision is a local government responsibility. Vocational education is a county government task in Norway, but a local government task in Finland and Iceland.

On the other hand, there are few legal and constitutional differences between the three countries in terms of technical and internal services, with the exception of mandatory IMC for fire protection in Finland. If the assumptions concerning fragmentation and decentralization were true, we would expect IMC to be markedly more widespread in Finland (and to some extent in Iceland) than in Norway. But the evidence presented in Table 6.2 is not in line with this assumption. On the contrary, it seems that in the absence of legal and constitutional variation, the three countries have chosen to use IMC to a fairly equal extent.

We cannot rule out, however, indirect effects of fragmentation and decentralization on IMC use. Legal and constitutional structures exist for a reason. A viable assumption is that Finland has opted for mandatory IMC in the health sector as well as in education *because* they found it difficult to defragment the local government system. If a system of elected, multifunctional regional authorities at intermediate level had existed in Finland and Iceland, the governments of these countries might have chosen to resolve capacity problems in the fragmented local government system by diverting tasks to the regional level, instead of making IMC mandatory. But the establishment of county governments is a costly and difficult decision. The introduction of mandatory IMC may reasonably have come across as an easier solution. Such counterfactual assumptions are difficult to substantiate. But an important message to come out of this is that scalar politics is no walk in the park. If a fragmented local government system is seen as detrimental to service provision, there are few easy solutions. If the political and pecuniary costs for carrying out a comprehensive structural reform are seen as prohibitive, and there are no intermediate-level authorities that can carry some of the burden, mandatory IMC could present itself as the easiest and most economical solution.

Finally, we want to mention the democratic implications of inter-municipal cooperation. The fragmentation of municipal governance means highly varying conditions for democratic government, a challenge that has been discussed in several studies.

In *Finland*, the democracy argument has been used by the national government when persuading the municipalities to amalgamate. In practice, inter-municipal cooperation is controlled by local politicians much in the same way as in-house activities, but for the inhabitants it may be more difficult to know whom to contact when a service is inter-municipally run. Again, the various forms of corporate services are even less transparent as they do not necessarily follow similar openness as public institutions. In the *Icelandic* debate and earlier research very few concerns about democracy show up. In the survey from 2016 in Jóhannesson et al., a large majority of local politicians think that inter-municipal cooperation is a democratic way of providing services to people. However, in the same survey they think that in IMCs responsibility can be unclear and that the decision-making process can be inefficient (Jóhannesson et al. 2016). In *Norway*, the current government has contended that IMC may put democratic accountability in jeopardy. The argument is that the plethora of IMCs in many local governments is detrimental to scrutiny and inspection; furthermore, that IMC removes issues from the council's attention, because matters are dealt with by IMC governing bodies instead. The government has used these arguments in support of the ongoing local government reform (Askim et al. 2016). But the opponents of the same reform disagree, arguing that IMC, on the contrary, is a useful strategy for alleviating capacity problems due to small size, and that accountability problems are negligible or non-existent.

In the chapter, we have tried to look at only a fraction of the aspects connected with inter-municipal cooperation. What could be done to follow this up is a micro-level approach to explain why inter-municipal cooperation comes about. We have briefly mentioned the democratic aspect in this chapter. Furthermore, it might be a matter for consideration whether to add, in further investigations, the two Nordic countries which were not included in this study, that is, Denmark and Sweden. But the first step (and hopefully not the last) has been to study and compare these three countries.

NOTES

1. Source: Statistics Norway, registry of conurbations.
2. The number of local governments in 2013, before the implementation of the current reform (Askim et al. 2016).
3. 1.1.2016. Source: Statistics Norway.
4. Oslo is a county exempt city, and the city government is in charge of tasks otherwise devolved to county governments.

5. Key tasks include kindergartens, primary education, social services, primary health care, care services for the elderly and the disabled, local roads, water and sewage, culture and recreation.
6. *Interkommunalt samarbeid*, §27 of the Local Government Act.
7. *Vertskommune*, §28 of the Local Government Act.
8. Inter-municipal corporation act of 1999.
9. Kan vurdere å inkludere samvirkeforetak og stiftelser. Jacobsen (2014) har valgt å ekskludere dette.
10. §27.
11. Ot.prp. nr. 95 (20015-2006), see Jacobsen (2014): 80–81.
12. Notably, Norway scores lower than Finland and Iceland on indicators of fiscal autonomy (p. 37) and policy discretion (p. 34).
13. Samkomulag ríkis og sveitarfélaga um tilfærslu þjónustu við fatlaða 2010 [Agreement between state and municipalities regarding the transfer of services for people with handicaps].
14. Bedrifts—og foretaksregisteret (BoF)/Brønnøysundregistrene.
15. Commissioned in four-year intervals since 2000 by the Ministry of Local Government and Modernization, the “Local government database” is overseen by an expert group comprising ministry officials, municipal chief officers as well as leading experts, including a representative of Statistics Norway.
16. Health and care services act, §3–2.2.

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PART II

Cooperation in Europe

Inter-municipal Cooperation in France: A Continuous Reform, New Trends

Robert Hertzog

*France is probably the European nation with the richest history of inter-municipal cooperation that already began in the 19th century. Today, French municipalities have a very wide spectrum of possibilities to develop cooperation, not only through the formation of inter-municipal entities, but also through different sorts of public contracts. Nearly all French municipalities are involved in some kind of inter-municipal cooperation.*¹ This is due to history and politics. At the end of the eighteenth century, France was the most populated State in Europe, with few big cities, many small ones and numerous rural villages with a consistent number of inhabitants. In 1789, one of the first tasks of the Revolutionary Assembly was to initiate a new territorial organisation to erase the ancient feudal structures. A law of 22 December 1789 was established, on basis of former projects conceived by geographers and other scientists, departments, communes and other administrative divisions that still exist. The discussion on communes was of high quality, with a clear option between large or small municipalities. Finally, article 7 of the law decided that “There will be a municipality in every town, parish or community”, which resulted in more than 40,000. It was a way to take several functions, especially the civil register, away

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from the Catholic Church which was the only institution equally present on all the territory. Small-size communes were also a way to favour a kind of “direct ruling” by the population, as said in the constitution of 1791: “French citizens, considered with respect to local relations...constitute the communes.” So, communes have been the foundations of local self-government and democracy. The powers of municipal councils and mayors were significantly strengthened by a law of 5 April 1884. A provision saying that communes can intervene in any matter of local interest, which is not in the competence of other public entities, became the legal basis for an extension of municipal functions, in relation with the evolution of economy and society. The frame of this power has been defined by the Supreme Administrative Court. This law also allowed communes to conclude an agreement for managing a matter of common interest, mostly land or forest.

The great number of very small communes, which grew in the twentieth century with urban concentration and “rural exodus”, was immediately seen as a problem. Therefore, the new constitution of 1795 decided that no commune should have less than 5000 inhabitants, but this was not implemented, and the following constitutions contain no provisions on this subject. Several other attempts to amalgamate communes (1930, 1941 and 1947) failed quickly. A 16 July 1971 law, on merging and consolidation of communes, expressed an ambitious plan aiming to reduce dramatically their number. In all departments, a methodical analysis of each commune was performed, under the supervision of the prefect and with consultation of a special commission, in order to propose the most pertinent perimeters of the merged communes. Finally, it succeeded by reducing them from 38,600 to 36,600 and by promoting multi-functional unions, which became substitutes of merger. The resistance of the political class was so efficient because it gained full support of the citizens. This failure transformed municipal amalgamation into a political taboo. So, inter-municipal cooperation (IMC), which had already reached a critical size, was the only way.

There is a wide consensus for considering that the whole territorial administration system has important defaults and needs serious modifications. But, it is an impossible task to conceive a global plan that corrects all the major problems. Yet the main one is municipal fragmentation. Then, there is a dispute about the rationality of having both departments and regions, with frequent proposals to transfer department’s competences to the region. Paradoxically, a law of 16 January 2015 merged

regions, reducing them to 13. Contrary to the promises of the government, this created no economies in the budgets but a rise of many costs, and several ones are now so big that it will be impossible, in the future, to merge them with their departments. Nevertheless, there is also a debate about having State administrations (prefects) on a regional and a departmental level, while many competences have been transferred to the respective local governments. But State is still important for security (police), control of local self-governments, environment protection, education, treasury and taxation, hospitals and so on. And there are the questions of unclear and non-pertinent distribution of competences or inadequate financial equalisation (Tables 7.1 and 7.2).

A total of 26,080 communes, with less than 1000 inhabitants, have a global population of 9,210,000. Nearly half of the population lives in the

Table 7.1 Regions and departments in France

Regions: 12 (+ *Corsica*, with special status)

Departments^a: 98

Overseas: a great variety of local self-government status. *New Caledonia* and *Polynesia* are nearly federate states. *Martinique* and *Guyana* have merged region and department, which is not the case in *Reunion* and *Guadeloupe*; municipal law is nearly the same in these regions and communes have large sizes (105 from 129 have more than 3500 inhabitants). *Mayotte* is a department with much specificity

^a*Paris* is a commune and a department with one council and executive managing the two entities; the law n° 2017-257 of 28 February 2017 on the status of Paris and metropolitan development creates a unique type of local self-government called *Ville de Paris*, starting on 1 January 2019, with competences of commune and department but with some specificities; the executive of the council is called mayor. Since 2016, *Lyon-Metropole* is already unique with municipal and department powers.

Table 7.2 Population and communes in France

<i>1 January 2016 population</i>	<i>Number of communes</i>	<i>Total population</i>
<300	13,520	2,150,000
301–999	12,560	7,060,000
1000–3499	6728	12,079,000
3500–9999	2038	11,572,000
>10,000	910	30,837,000
Total	35,756	63,698,000
	35,287 (1/1/2017)	

Source: *Les collectivités locales en chiffres 2016*, Ministère de l'Intérieur; official population in 2016, but census of 2013

910 cities of more than 10,000 inhabitants. The 39 communes, with over 100,000 inhabitants, have a total population more important than the 26,000 smallest ones. Such disparities do not allow a sane and pertinent distribution of competences; subsidiarity with departments or regions means nothing in many cases. Equal access to fiscal resources is impossible and equalisation procedures are difficult to conceive and manage. This is now well understood. It helped to create and strengthen the communities, but it is not sufficient to overcome all obstacles on the road of a reform.

Local self-government has been the subject of a considerable number of reforms in recent years, illustrating the sociological law that complexity generates more complexity. Important information is to be taken into consideration about France's reputation of being a highly centralised State. This was mainly due to the past importance of State territorial administrations (prefects) in departments and regions. But a great part of their functions has been transferred to respective local self-governments and is now under the responsibility of elected assemblies and executives. On the central level, the local political class has a tremendous influence in parliament and government because many members of these institutions have, or have had, executive responsibilities in local self-government. This is a typical French phenomenon of *plurality of offices* ("cumul de mandats"). Local self-government's associations (of mayors, departments, regions, great cities, rural communes, etc.) are powerful lobbies who generate a continuous flow of proposals for modifying the law or write amendments for laws discussed in parliament. So, the machine producing the legislation on local self-government is in the hands of local self-government politicians! This explains the complexity of law and especially the numerous forms of IMC invented or modified in the last 20 years.

A short history will be necessary to understand this evolution; we will then describe the main IMC organisations.

FROM TECHNICAL UNIONS TO INTEGRATED COMMUNITIES: THE SEARCH OF SUBSTITUTES TO AMALGAMATION

IMC was a pragmatic answer for concrete problems resulting from the fragmentation of French municipalities. It has developed in several steps since the end of the nineteenth century. Each progression was linked to the extension of legal competences of communes and, more important, of responsibilities in delivering public services demanded by the citizens due to economic and technical development that could not have been

performed by isolated communes. The positive consequence is that services and facilities are everywhere in the country. The negative side is that it has a high cost, and that the various IMC entities complicate excessively the municipal system. So, in recent years, amalgamation has got support and shows some success.

Starting with “Technical Unions”,² Still in Action

Extension of municipal autonomy having been done by a law of 1884, a law of 22 March 1890 allowed the creation of *single-purpose* IMC unions which are public entities with own governance and budget. Their creation needed unanimous agreement of all member communes and the procedure was complicated. Only 40 existed in 1914. Acceleration came after World War I; 2168 were functioning in 1936 with 22,000 communes involved, mostly in rural areas and for public utilities. A bylaw of 30 October 1935 created the *mixed union* in which communes can associate with other legal public persons.

After the publication of a new constitution on 4 October 1958, the government launched a thorough transformation of public institutions. A bylaw of 5 January 1959 created *multi-purpose municipal unions* and decided that single-purpose unions can be established by a majority vote of communes; multi-purpose unions needed unanimity but, some years later, this was replaced by a majority vote. Consequently, a commune can be integrated in a union without its acceptance. The bylaw proposed also the *urban district*, later denominated only *district*, with some compulsory competences and fiscal power. A total of 95 existed in 1972; the maximum was 324 in 1995. After 1999, all were transformed into communities.

Municipal unions burgeoned with impressive speed. France was in its “30 glorious years”, a period of economic growth, rapid urbanisation and the modernisation of many public facilities or services: roads, water delivery, sewage, waste collection, schools, industrial districts, electricity or gas, sport facilities, urban heating, cable television, houses for elderly and so on. Though these “pipe unions” or “technical unions” concerned all types of communes, they were mostly for rural communes who needed to unite in order to have a pertinent scale of population for managing the service and to get grants and loans for paying the investment. Financial support from ministries and departments was an incentive to create unions.

In 2015, total expenditure of these unions was about 18 Md€, with circa 69,000 employees (Table 7.3).

Table 7.3 Number of municipal unions

<i>Number of</i>	1962	1979	1999	2007	2016
Single purpose	6543	10,974	14,885	12,149	7992
Multi-purpose	209	1962	2165	1501	1149
Mixed	19	439	1454	2749	2979
Total	6771	13,375	18,504	16,399	12,234*

Source: Ministry of Interior *Les collectivités locales en chiffres*, of various years

*In 2016, 114 are other types of unions.

The fast reduction, since 1999, is due to the creation of communities that absorbed many unions. The recent booming of “mixed unions” is explained by the need of communities to unite with other communities or with the department, the chamber of commerce or even the region to perform specific tasks for which a given community does not have the appropriate size.

Communities: More Integrated, More Strategic

After the major decentralisation reform of 1982, when departments and regions became full local self-governments, the State was reconsidering its policy of regional development. Under the influence of the *Délégation à l'aménagement du territoire et à l'action régionale* (DATAR),³ appeared the opinion that strategic matters like urban planning, economic development, environment protection and so on, should be exercised by larger and stronger IMC entities that should be “project unions”. Both urban and rural areas needed stronger governance in a changing society.

Models existed already. The rather weak *districts*, based on the bylaw of 1959, were not seen as sufficiently integrated. A law of 31 December 1966 had established directly four *urban communities* in the most fragmented urban areas (Bordeaux, Lille, Lyon and Strasbourg). They had many obligatory competences and own fiscal power; additional competences can be decided with acceptance by the communes. Some others were created later on a voluntary basis. They had shown their efficiency, and the name sounded well, so the new entities were called communities.

The law of 6 February 1992, on territorial administration, creates new forms of *communities* with the aim that they have a greater number of member communes, and thus a greater geographical size than the existing unions. The main legal differences with multi-purpose unions are that they

had some compulsory competences and nearly the same fiscal power than the communes. It had some success, but the procedures and structures were complicated, and the need of modifications appeared quickly. After a long discussion with the local government associations and political leaders, they were brought by the crucial law of 12 July 1999, on simplification of IMC. It defines three types of communities: for rather rural communes, middle-sized communes and large cities (urban areas). The government was very anxious about the success of the law, so it offered generous financial incentives announcing that the dedicated national budget will be “limited”. This created tremendous competition for getting this additional money and for not being overtaken by the neighbouring municipalities. The national budget had to be increased, as it was not possible to turn away new applicants because the premium had run out. In a very short time, France was covered with communities. In 2002, already 2066 communities existed and, on 1 January 2011, 95.5% of all communes belonged to a community, representing 90% of the national population.

This unexpected success story is due to three main factors: unions had already accustomed politicians and staff to IMC, and they had learned that they get additional means and strength; the French society had changed, being much more urban and with mobility even in rural areas and most decisive were the financial incentives in a period of rising financial stress for many communes. The law of 13 August 2004, on local liberties and responsibilities,⁴ a part of the second step of decentralisation in France,⁵ added substantial provisions to the status of the communities in order to facilitate the functioning of the new entities, to allow an evolution of their competences, structures and limits, as many communities had been created in a hurry and needed improvement.

Merging IMC Entities: Larger and More Powerful

Let us give at first a *general view of local self-government's budgets* that shows the place taken today by IMC, following the reforms that is described below. The municipal sector is still the most important in total expenses and in investment, despite massive transfer of competences and revenues from State to regions and departments from 1983 to 2004 (Table 7.4).

The success of the 1999 policy also showed negative aspects. The numerous communities complicated the map of local self-government. Each community being free to fix the list of its competences, it became a headache knowing who was in charge of what. Many communities, having

Table 7.4 Local government budget in France

<i>2015 in Md€</i>	<i>Total expenditures</i>	<i>Investment*</i>
Communes	97	21.3
Communities	40.8	8.4
Municipal sector**	128.3	29.7
Departments	75.4	10.9
Regions	30.5	9.9

Source: *Rapport de l'Observatoire des finances locales 2016*, Ministère de l'Intérieur

*Investment expenditures, without the repayment of the principal of the debt.

** *Municipal sector*, a statistical aggregate, consolidates communes, communities and metropolises; total is without the grants that communities pay to member communes by sharing taxes in an equalisation mechanism. One should add 18 Md€ of technical union's budgets; but consolidation is complicated here, as the contributions of the communes are an important part of their revenues.

been decided by pure bargaining between local politicians, had no optimal limits and were still very small; competences were not defined with sufficient care. The fast-growing cost became a concern for the Ministry of Finance and the Financial Court.⁶ While IMC budgets were booming, sometimes by 20–25% each year, municipal budgets did not slow down in the same proportion (Table 7.5).⁷

They had many investment projects, but the major part of expenses was for staff. The number of employees in communities rose from 50,000 in 1998 to 217,000 in 2014, and the cost was multiplied by more than four. And we must add 69,000 employees in the technical unions.⁸ The Ministry of Finance was very upset by this trend compared to its tough policy aimed at reducing jobs in State administrations, especially after the 2008 crisis.

Following a debate on the need to merge departments and regions, the President of the Republic asked a study to a Committee chaired by former Prime Minister Edouard Balladur. He delivered a report in March 2009⁹ with a full review of local self-government defaults. It demonstrated that

Table 7.5 Communities expenditures

	<i>2000</i>	<i>2004</i>	<i>2008</i>	<i>2015*</i>
Communities expenditures	13.5 Md€	24.5 Md€	33.3 Md€	40.8 Md€

*42.3 in 2014; since 2015, expenditures are decreasing; current expenses are nearly stable, and investment diminishes due to the reduction of State grants motivated by the need to control public deficit.

there will be no satisfying answer for the two most important issues, distribution of competences and financing of local governments, which determinate the efficiency of local administrations, as long as there is no territorial consolidation.

Consequently, two strategic orientations were taken by the government: oblige communities to become bigger and have more competences (be more integrated), which reduces the disparities; decide by law or allow by agreement the transfer of competences from departments and regions to the largest cities (metropoles).

The law of 16 December 2010, on reform of local government,¹⁰ intended to reshape all levels of local administrations by reducing the number of entities and making them stronger. It has provisions facilitating the merger of department or regions and even between these two layers, which had no success.¹¹ Concerning communes, it creates a new category of strong IMC organisations called *metropole*, which will be described later. The government was conscious that special attention must be given to large urban areas in which governance has a positive impact on innovation and national richness, as it has been demonstrated by Organisation of Economic Co-operation and Development (OECD).¹² This law creates also the *new commune* resulting from the amalgamation of communes. To the surprise of all observers, these provisions started a process of municipal mergers that is unique in French history. The regime is described at the end of the chapter.

The law has long provisions on “completion and rationalization of the map of IMC”. In each department, the services of the prefect had to establish a planning document on IMC in order to cover the whole territory with such institutions, no commune staying out of a union. The competences and limits of existing unions had to be evaluated to make them more coherent. A special commission on IMC is established in each department; it is composed of members of municipal councils, municipal unions and department. It analyses and discusses the prefect’s document which is then submitted to the municipal councils and finally published by the prefect. A procedure is then launched to make it effective by adoption of the proposed structures. Isolated communes must join a union on a voluntary basis or following a compulsory one. The implementation of the law was slowed by the perspective of national elections in spring 2012 and the opposition of the socialist party who was ruling a majority of big local self-governments. As this party won both presidential and national assembly elections, in 2012, it again modified the legislation.

The law of 27 January 2014, modernising public territorial action and consolidating the metropolises,¹³ pays special attention to urban areas considering that they are places of creation of wealth¹⁴ but also of poverty and social fragmentation. It modifies the general status of metropolises, primarily defined in the law of 16 December 2010 and creates metropolises with a special status: the *Metropole of Lyon*, the *Metropole du Grand Paris* (MGP) and, with less specificity, the *Metropole Aix-Marseille*. Considering that Strasbourg is a capital of European institutions, it is named *Eurométropole*, without legal consequences; to show the concern for transborder cooperation, the law gives this denomination: *Métropole européenne de Lille*. The regime of all metropolises is described in the second part.

The latest modifications are in the law of 7 August 2015 on new territorial organisation of the Republic.¹⁵ As shown by its title, it deals with many subjects. It has long provisions modifying the powers of the regions and departments. It changes the statute of Corsica. On 1 January 2018, it will be a unique entity merging the existing two departments and the region, with one assembly, executive and budget.

On IMC, the most important provision is the obligation for communities to have a population of at least 15,000 inhabitants, with possibility, under limited conditions, due to a specific geographical (mountains) and demographic (low-density) situation to have a lower number of inhabitants but that cannot be less than 5000. In each department, new plans of IMC were established by the prefect with the support of the IMC commission and a deadline of 31 March 2016. The year 2016 was a year of intensive activity in reorganising the communities. A total of 573 modifications in the IMC maps comprised 493 mergers, 76 dissolutions and 4 transformations into a more integrated category of community. Many small communities united in order to reach the required size or entered into metropolises and big communities. The situation around Paris was rationalised. The number of communities fell dramatically, while their territory and population increased. Only five communes stay alone! The government declared that the process has come to its end, only minor changes happening in the future (Table 7.6).

Another important innovation of this law is that it extends significantly the list of compulsory competences of the communities and obliges them to take charge of missions that had been left to single- or multi-purpose unions. It is an evident strategy for emptying the communes slowly to the benefit of the upper level. More uniformity in each category brings more clarity of the system, and more homogeneity allows better financial equalisation.

Table 7.6 Agglomerations and metropolises growth

	2002	2007	2012	2017
Urban community	14	14	15	15
Agglomeration Co.	120	174	207	218
Communal Co.	2032	2400	2409	1019
Metropole	–	–	1	14*
Total	2166	2588	2632	1266

Source: Ministry of Interior *Les collectivités locales en chiffres*; 2017 website of the ministry

*Add Metropole of Lyon, which has a special status; seven will be added on behalf of a law of 28 February 2017

A very interesting modification in the behaviour of political leaders is that, today, all want more integrated structures. When urban communities became metropolises, several agglomeration communities changed for urban communities, for which numbers stayed stable. Then, there was an intense lobbying of several cities to become metropolises though their size, administrative position or radiance was not in line with the legal criteria. So, against the initial will of the government, the law of 28 February 2017, adopted at the very end of the parliament's session before elections, in spring, changed these criteria and allowed the creation of seven new metropolises.

THE REGIME OF INTER-MUNICIPAL COOPERATION INSTITUTIONS AND AMALGAMATION

The classical legal distinction is between associative cooperation (technical unions) and integrated communities with fiscal power. The first category has already been reduced, and communities should progressively absorb more associations. There is also a move for amalgamation.

Inter-municipal Cooperation for Special Activities

Technical unions will not disappear. Their perimeters are under practical constraints which make them pertinent inside of larger communities or even between them, so that we observe many strange combinations. They exist inside of a community or metropole for managing a retiring home, a music school, collective heating, water distribution and so on. Several communities may unite for waste collection, an opera or managing

development areas. Communes belonging to distinct communities associate for special facilities such as ski lift. Yet, the general wish is to reduce such situations. And many special types have been created in recent times.

- Single-purpose and multi-purpose *communal* unions¹⁶

Their number had grown up to nearly 19,000, and they are still about 12,000. They are legal public entities with ownership and budget. All members are communes. Creation can be asked by a spontaneous decision of several communes that express the wish to cooperate on certain matters. Otherwise, the prefect, after informal consultations, establishes a list of communes that are invited to enter a new union with given missions. The union is created by a decision of the prefect if there is an agreement of a majority of at least two-thirds of the municipal councils of the communes concerned, representing more than half of the total population, or at least half of the municipal councils of the communes representing two-thirds of the population. This majority must include the communes whose population is greater than a quarter of the total population concerned. There is now mostly consensus. In the past, it ended sometimes in the administrative court.

The missions are listed in the status and are definitely under the responsibility of the union; the communes can no more take decisions or spend money in these matters even if the union is inactive, unless it is dissolved. The union's assembly is composed of two persons elected by each municipal council among its members or among the citizens; all have equal power in the decision process. It elects the president and deputy presidents,¹⁷ who are generally mayors. The functioning of the union and its financial rules are the same as for communes. The union has its own staff. Small ones often contract with the biggest commune whose officers manage the union. As the unions have no fiscal power, their general resources are the contributions paid by the member communes; the calculation of the amount owed by each commune is ruled by the status; it can be demographic or physical criteria, depending on the competences, length of the roads, number of pupils if the union manages school buses and so on. It can take into account the richness of each commune and be based on an equalisation principle. Unions get a general grant from the State, such as communes. They can receive investment grants from various origins and contract loans. Many unions collect fees for water distribution, transportation and garbage collection. When they have such a "commercial" activity,

private law applies to the relations with the customers, and they must balance the budget with the fees without grants from the municipal budgets, except under limited conditions. A union can contract with a private enterprise and delegate its activities. Control of legal decisions is done by the prefect who has more power on the unions than on the communes, especially when the president fails to fulfil his obligations; financial control is done by the prefect in relation with the regional financial court, following the rules applied to all local self-government entities.

- Special types of technical unions

Mixed union (syndicat mixte) exists since 1935. Classically, communes are associated, here, with department, region, Chamber of Commerce or other public persons for specific tasks such as managing an airport, economic development planning and industrial districts. The number of these unions has sharply increased in recent times as many communities cooperate now in domains, where their size or topography is not pertinent.

Union "à la carte" (syndicat à la carte)

It has been created by a law of 1988 for maximum flexibility. Like a multi-purpose union, it has various competences, which will yet be implemented differently in the communes. For example, it has 12 members but exercises the competence of water distribution only in eight communes and garbage collection in six. Each commune decides which competences it will transfer to the union. The main complication is to calculate the financial contribution that each commune will have to pay.

- Metropolitan poles¹⁸

It is a cooperation entity between two or more communities to discuss matters of common interest, mostly economic development, research, innovation policies and so on. Structures and financial means are rather light as is their activity.

- Rural poles¹⁹

They are subject to the rules of a "mixed union" and unite communities in a perimeter without enclaves. The law does not define their precise role. They are meant to conceive a development policy for the given territory. The originality lies in its "Territorial development council", an advi-

sory body whose members are representatives of the economic, social, cultural, educational, scientific and associative actors.

- Private law entities

The law allows the creation of commercial societies with public and private shareholders or with only public ones. They can have any activity that is in the competences of the associates and that can function with commercial revenues. They are not specifically intended for IMC or inter-administrative cooperation, but some are used for such a purpose, in the domains of sports, culture, leisure, transportation, urban development and public utilities.

Private law associations are widely used by municipalities in matters like sports and culture (music festivals, temporary exhibitions) or promotion of tourism. They have greater flexibility for recruiting staff in contracting, accountancy and payments but are subject of a control by the regional financial court. They can associate communes and private partners; they can also be a form of IMC.

Communities and Metropolises: Towards New Municipalities?

The legal and statistical classifications use the expression of IMC entities with own fiscal power. This includes different types of communities and metropolises which are the substitutes of mergers and will probably become, in the long run, the consistent municipal level, the old communes staying like the parishes in England. This evolution is more or less accepted by the citizens and by politicians. Financial difficulties are an accelerator.

The philosophy of the government and the legislator at the beginning of the century was to have a small number of models, but there is a trend for continuous diversification. Practitioners always find topics for “improving” the institutions, and their sectorial associations prepare proposals. So, there are more and more differences between the categories of communities, mostly on minor aspects, but that become globally important.

All communities and metropolises (with exception of Lyon) are legal persons considered as *établissement public* and not full *collectivité territoriale*. The differences between these legal categories have become very tenuous and artificial. A main one was that the assemblies of communities were not elected directly by the citizens but by the municipal councils who chose the delegates amongst their members. The number of delegates

depends on the importance of each commune; it is defined in the charter of each community. To enhance the legitimacy of the union's council, the law of 16 December 2010, modified, in 2013, imagined an original procedure. Since the municipal elections of 2014, the ballots of the candidates have a separate place with the name of the persons who will represent the commune in the community. The persons who will effectively enter the community council depend on the number of councillors elected on each list, as the delegates are chosen in proportion of the number of councillors of each list.

Another difference is that a community has only powers in matters that are explicitly listed in its status (principle of speciality). *Collectivités locales*, explicitly communes, have the benefit of the general clause of competence, meaning that they can decide in any matter of municipal interest as long as it is not forbidden by the law (pay grants to political parties, for instance) or is not attributed to another public person. But the competences of the communities are now more important than the powers left to the communes, and there are territorial authorities without general competence.²⁰

The law (General code of territorial administrations) gives a list of competences that are compulsory for each category of communities or metropolises and a list in which a minimum number of competences must be chosen. The obligatory competences and the "optional obligatory" ones have been extended by the law of 7 August 2015. Let's take the example of communal communities. They had two compulsory competences and the obligation to add at least two chosen in an optional list of five. When the new law is fully in application (for water distribution the delay is until 2020), seven competences are compulsory and at least three have to be chosen in a list of seven others. To incite for even more integration, the law offers the possibility to opt for the status of "improved grant community" which has to take six competences in a list of ten optional ones. All other municipal competences can be transferred to the IMC organisation either immediately, in its founding statutes, or at any time by a decision taken at a majority by the IMC council and the councils of the communes. Many communities are in a permanent process of extending their functions.

Communities and metropolises have fiscal power on property tax,²¹ taxes on enterprises, of which they can decide the rates. They have several specific taxes, for waste collection or on salaries for paying the urban transportation system. They get important grants from the State and can freely contract loans. Their rapid expansion shows that they benefit from a strong

financial autonomy. They must or can pay grants to the communes, creating some financial equalisation inside their territory. Communes pay compensations for the competences that have been transferred to the community; they are calculated on the basis of the expenses that the commune spent for the service or the facility before its transfer to the community. Thus, ample money flows between the community and its communes. The law allows communities to contract with communes to assume certain tasks, such as printing documents, data processing services and legal department; this “mutualisation” has become frequent to save money, but its conditions are often complicated.

In the past, the mayor of the central city was nearly always the president of the community. This has become less frequent. Both are hard jobs. In the big communities, the central city often has no longer the majority of the population, and thus the majority of delegates in the IMC council. On a symbolic register, the mayor of the central city is still an important political figure, but the shift of powers is on the side of the community or metropole. Communities and metropolises have their own personnel, under the same regime than those working in other local self-governments. They are under the control of the prefect for the legality of their decisions and of the regional financial court for their budgets.

- Communities of Communes (*communautés de communes*)

Being the most numerous, they look as being the generic status of communities. Their size, the number of members (some with several dozens), their economic substance and demographic characters (density) offer a great variety. A community of communes is created by prefectural order. Its territory, without enclave, must have at least 15,000 inhabitants. This threshold can be lowered to 5000 inhabitants under certain topographic and population density conditions. They have an important list of compulsory competences and are incited to progressively absorb the technical unions.

- Communities of Agglomeration (*communautés d'agglomération*)

They are appropriate for middle-sized urban areas, but some are bigger than urban communities and could decide to join this latter category. It would be reasonable to unify agglomeration community and urban community in one category. Conditions of creation are to group more than

50,000 inhabitants around one or more municipalities with a population of over 15,000. The threshold of 15,000 inhabitants does not apply, where the community of agglomeration includes the chief town or the most important municipality of the department. And the threshold of 50,000 inhabitants is reduced to 30,000, when the community of agglomeration comprises the chief town of the department. This takes into account the situation of rural departments with small cities.

- Urban communities (*communautés urbaines*)

Created by a law of 1966, they are the oldest form of IMC with fiscal power. Until the creation of the metropolises in 2010, they were also the most integrated IMC organisations with important powers and strong fiscal resources. Their number is relatively stable since many years, but they are no longer the same: new ones have been created and all biggest ones have become metropolises. The minimal size of population has been changed several times. The law of 27 January 2014 lowers the demographic threshold from 450,000 inhabitants to 250,000 inhabitants, with possible derogations. Only two have a population slightly above 400,000. Six are close to 300,000, and two are under 100,000. On January 2017, the 15 urban communities unite 609 communes. This is an average of 40, but Reims has 144 and Le Mans 14. The total population is 3,654,000 inhabitants.

- Metropolises

This latest category of IMC institutions appeared in the law of 16 December 2010 on reform of local government. Nice-Côte d'Azur is the only metropole created, in 2012, on the basis of this law. Metropolises developed effectively after publication of the law of 27 January 2014, modernising public territorial action and consolidating the metropolises. It defines a general status and creates several metropolises with a unique regime.

On 1 January 2015, the communities with more than 400,000 inhabitants that were in a large urban area of more than 650,000 inhabitants became metropolises. If a majority of communes agrees, a community can also obtain this status if it is the capital of a region and has more than 400,000 inhabitants. Under certain conditions, communities with more than 400,000 inhabitants can also ask for such a status, and a new law of

2017 reduces this figure to 250,000. The creation is decided by decree which defines the name, the seat, the limits and the competences.

The functions of the metropole are defined by the law in an ambitious and pompous wording. The law insists on development policy that must be conducted “in a spirit of regional and interregional cooperation”. This shows an inconsistency with the regional reform decided by the law of 16 January 2015 which reduces the number of regions. There is no coherence between the shape of the regions and the position of metropolises. Some regions have no metropole, and, in other ones, there are several metropolises in competition. This situation will be even stranger after the adoption of the law n° 2017-257 of 28 February 2017 on the status of Paris and metropolitan development. It reduces the demographic criteria to become a metropole allowing the creation of new ones. The government announced that seven will be created in order to cover, “in a coherent manner”, the whole territory with metropolises. The project was severely criticised and the Senate did not adopt it finally. Most new metropolises are not the capital of a region, have no great radiance or are very close to another metropole. The minister in charge of local self-government opposed to a multiplication of metropolises until he changed his position under the pressure of leaders from all parties. Some regions will now have three or four metropolises which is contradictory with their vocation to animate and symbolise a region! This illustrates the national power of local politicians. Each leader of an important city wants to get the status of metropole that looks decisive for the marketing of the territory. By the way, several communities have already added the word metropole in their denomination, without having the respective status!

The main innovation compared to former communities is that the metropole gets, directly from the law, powers that belong otherwise to the department (buses, roads, industrial and commercial districts), and it can get more by mutual agreement (social assistance, high schools, economic development, etc.). By agreement, it can also receive competences from the Region and even from the State.

The law of 2014 creates the *Metropole of Lyon* of a unique kind. Its status is different from the general metropole status. It is a full local self-government (*collectivité territoriale*) and not only a legal public person (*établissement public*) like all other IMC institutions. It has a wide range of competences. The greatest originality is that it will exercise the competences of the department in the area of its territory. The members of the council of the metropole are directly elected by the citizens and not by the

municipal councils of the communes. The financial regime is also special because it organises the compensation for these powers. This audacious reform had been negotiated between the mayor of Lyon (socialist party) and the president of the department of Rhône (right party) and the government prepared the legal provisions adopted by the parliament. A specific geographical and demographic situation of the third greatest city in France made this solution quite evident since many years, but one had to wait for a window of political opportunity to make it happen.

Furthermore, the MGP, beginning on 1 January 2016, has a special status. It includes the city of Paris and a huge number of communes around, especially for managing transportation facilities and services. Inside the MGP, a complicated set of smaller IMCs is in charge of current local services. This is a complex machinery that must show its efficiency and will probably be under modification. Many provisions concern public entities around Paris, for example, the “*Défense*”, the big business district west of Paris, on the territory of several communes, has its own inter-administrative structure with State membership, or the scientific district of *Saclay*. These are places of national importance for which development policy is not only a matter of municipal interest.

The metropole Aix-Marseille-Provence has also some specificity. It unites six former communities, with a total of 92 communes. With 1.8 million inhabitants, it represents 93% of the population of the department (Bouches-du-Rhône) and 37% of the region Provence-Alpes-Côte d’Azur. The council has 240 members! The metropole is divided in six *Territories*, in the limits of the former communities. They have no legal personality but have their own council and can manage certain matters delegated by the metropole.

And Finally, Communal Amalgamation Is on Its Way!

The municipal law contained provisions on amalgamation since it exists. They have been modified many times to make them more attractive or to adjust them with the policy of IMC. Each year, some mergers were registered, but there was no move and no government tried to push for it. Then the law of 16 December 2010 proposed an original model of amalgamation by creation of a *new commune* (*commune nouvelle*). It defines procedures to merge communes by either unanimous agreement of their councils or referendum with a majority of votes in all concerned communes. A *new commune* will have some specificities; the most visible is that

its council can decide that the former communes will become “delegated communes” with their own delegated mayor and a permanent municipal office. Financial incentives are also provided. Without any pressure of State authorities, a slow process of amalgamation started then and became progressively significant. The law of 16 March 2015, on improving the regime of the new communes, facilitates their creation; in particular, a financial pact guarantees for three years the level of State grants. This is an appreciated privilege because, in the frame of the national policy to reduce public deficits, these grants are reduced, each year, since 2013, for all local governments. On 1 January 2016, 1090 communes had merged, resulting in 317 new communes; on 1 January 2017, they were 518, concerning about 1740 former communes and the process is continuing. Most mergers involve only two or three communes. The average population is approximately 3400 inhabitants, but we see also big cities (new Annecy with 126,000 inhabitants). New communes sprout in all regions, though western France (Bretagne) is more active. The total number of communes is still over 35,000, but the taboo of no merger is broken, and financial difficulties will push for more!

CONCLUSION

There is a stabilisation of the communal sector, mergers of communes will continue and the legislation will have to be continuously adaptive. Communities and metropolises acquire progressively a political and cultural identity, especially in urban areas. Communes stay in places where people have their homes and find some solidarity, which is important in the present society. Mayors have the best political rating from the citizens. Difficulties of adjustment between communes and communities may appear, where these are very large, with a number of villages and small towns quite poor. On the national level, in the coming years, the debate will probably be on the departments that are in deep financial difficulties due to high expenditures in social assistance, representing more than 60% of the current expenses and still growing. The shape of several new regions is also greatly criticised.

MORE INFORMATION

A legal description of IMC institutions: www.collectivites-locales.gouv.fr/intercommunalite-1.

The national database on inter-municipal organisations: www.banatic.interieur.gouv.fr.

Legislation on IMC is in the *Code général des collectivités territoriales*; “Local cooperation” is in Part V, articles L5111-1 and ff; free access to this code on: www.legifrance.gouv.fr

This data bank contains nearly all the French law: constitution, laws, codes and jurisdictions; also reports and documents of Parliament.

Annual report with general data on local self-government (structures, population, finances, employees, etc.): www.collectivites-locales.gouv.fr/collectivites-locales-chiffres-2016 (or other years).

Statistical data with a comment are in the annual report of the *Observatoire des Finances locales*: www.collectivites-locales.gouv.fr/finances-des-collectivites-locales-2016 (or any other year).

Since 2013, the Financial Court (*Cour des comptes*) publishes an annual report *Les finances publiques locales* presenting a thorough analysis of the financial situation of French local self-governments: www.ccomptes.fr/Accueil/Publications/Publications/Les-finances-publiques-locales4.

NOTES

1. *Local and regional democracy in France* Report of a monitoring Committee of The Congress of local and regional authorities of the Council of Europe **CG30(2016)06-prov** 12 February 2016, adopted 22 March 2016.
2. The French name for these unions is *syndicat de communes*; *syndicat* is also the name of labour unions.
3. *Délégation à l'aménagement du territoire et à l'action régionale* (DATAR) was an agency under the authority of the prime minister, in charge of prospective studies and steering national policies for regional development.
4. Loi n°2004-809 du 13 août 2004 relative aux libertés et responsabilités locales.
5. A modification of the constitution, on 28 March 2003, added provisions on local government, especially a new article 72-2 on financial autonomy. Art. 2 says that France's administrative organisation is *decentralised*.
6. The upper Financial Court (*Cour des Comptes*) expressed early concern at the increase of expenditure, in a report on IMC, in 2005. Jean-Luc Albert, Vincent De Briant, Jacques Fialaire and Ronan Doaré: *L'intercommunalité et son coût*, L'Harmattan, Coll. Grate, 2008, 311 p.
7. Municipal employees rose from 1,056,000 in 1998 to 1,232,000 in 2014, in a period of slow economic growth!
8. Total number of employees in communes and *all* IMC was 1,161,000 in 1998 and 1,518,000 in 2014.

9. *Il est temps de décider, Rapport du Comité pour la réforme des collectivités locales au Président de la République*, Journal officiel 6 March 2009, p. 4161. www.ladocumentationfrancaise.fr/var/storage/rapports-publics/094000097.pdf
10. Loi n° 2010-1563 du 16 décembre 2010, de réforme des collectivités territoriales.
11. A referendum in the Region Alsace was organised on 7 April 2013 on merging the two departments and the region in a single self-government. Though a majority of 58% was in favour of the project, it was not adopted because of insufficient electoral participation.
12. Organisation of Economic Co-operation and Development (OECD), *The Metropolitan Century: Understanding Urbanisation and its Consequences*, Paris 2015.
13. Loi n° 2014-58 du 27 janvier 2014 de modernisation de l'action publique territoriale et d'affirmation des métropoles.
14. A total of 15 metropolitan areas produce 51% of the national gross domestic product (GDP), offer 43% of all jobs and file 70% of patent applications (2016).
15. Loi n° 2015-991 du 7 août 2015 portant nouvelle organisation territoriale de la République, known as *NOTRe*. It has been slightly modified by law n° 2017-257 of 28 February 2017, relative au statut de Paris et à l'aménagement métropolitain (on status of Paris and metropolitan development), as it will be explained below.
16. *Syndicats intercommunaux à vocation unique (SIVU)*; *Syndicats intercommunaux à vocation multiple (SIVOM)*.
17. The law has limited their number—like for communities—to 20% of the total number of councillors. In the past, unions had often as many vice-presidents as member communes. This was not only for prestige, influence and facilitation of consensus decisions, but they also got a financial compensation without assuming heavy duties!
18. One can see the map on www.poles-metropolitains.fr/cartographie-des-poles; it shows that some poles unite communities that are really distant, on a large geographical area.
19. *Pôle d'Équilibre Territorial et Rural*; 90 exist in February 2017.
20. The law of 7 August 2015 decides that departments and regions, which are “collectivités locales” by the constitution, have no longer the benefit of the general competence and only powers in matters defined by law. The Constitutional Court held this in conformity with the constitution (N° 2015-717 DC, 6/8/2015).
21. On land and buildings; the latter is paid by the owner but also by the “occupant”, owner or tenant, and then calculated differently. Being often the first revenue of the community, it has become excessively heavy.

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Inter-municipal Cooperation in the Netherlands

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INTRODUCTION

In the Netherlands, since the 1950s, successive governments have made attempts at introducing new regional public authorities, which should either replace municipal government or serve as an add-on to the traditional system of local government. The dire fate of these efforts is well documented (e.g. Boedeltje and Denters 2010; Denters and Klok 2005; Schaap 2005). Because of the continuous failure of these reforms, the entire weight of the coordination and cooperation of regional affairs still rests on a polycentric system of cooperation, labelled by some as a “crazy-quilt” pattern of inter-municipal cooperation (IMC).

In this chapter, we attempt to describe some of the features of the Dutch way of organizing IMC. For this purpose, we use the results of a

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study that was performed in 2015 (Boogers et al. 2016). This comprehensive study contains structural data on cooperation from all 393 Dutch municipalities in 2015. Due to amalgamations, the number of municipalities has, however, dropped to 388 in 2017. Next to these structural data, a survey was conducted using key informants from all municipalities collecting data on their perceptions of the democratic quality of IMCs, their performance and relational aspects of cooperation.

We start with a short outline of the basic features of the institutional structure for IMC. Next, we describe a number of characteristics of the IMC network as it appeared at the time of the study. Then, we describe the democratic quality and the performance (costs and benefits) of IMC as perceived by our respondents. Finally, we provide some information on the relational aspects of cooperation.

THE INSTITUTIONAL STRUCTURE FOR COOPERATION

The institutional structure for IMC in the Netherlands contains a number of relevant elements. Most important is the Joint Provisions Act (*Wet gemeenschappelijk regelingen—WGR*), which provides a number of different models that municipalities can use in organizing their cooperation on public-administrative tasks. The act contains four different forms of cooperation, ranging from strong to rather weak in terms of its institutional status. The most far-reaching form is a full-blown organization with staff of its own and with possibilities to act in legal and administrative matters. Next is a ‘common organization’ without the possibility to hire its own staff but which does have limited administrative competences. Third is the possibility to enter into a ‘centre-municipality’ construction: the cooperating municipalities assign their common tasks to one central municipality, which acts on behalf of the participating municipalities. Finally, there is the option of municipalities working together without any formal organizational form. This is a very light construction, without any formal conditions prescribed by the Act. The WGR is rather permissive in terms of choice of organizational form, leaving that to the discretion of the participating municipalities. It does, however, contain some regulations concerning the representation of municipalities in the governance structure of the stronger forms of cooperation.

Next to the provisions available under public law, the Dutch municipalities have a number of options available under private law. These include private companies, where the municipalities act as shareholders and are

allowed making profit; private foundations (not allowed to make a profit); private law associations where municipalities act as members of the association; and cooperations, where members not only participate but also have ownership of the organization. In the above-mentioned forms, the IMC has a legal status based on private law. Just as is the case under administrative (public) law, there is always the option to organize more or less durable forms of network cooperation and consultative platforms without any legal status. Many of these exist, but they remain outside the scope of this chapter.

As a final remark, it is important to be aware of the fact that in the Dutch institutional system the municipalities are to be regarded as having a general competence in terms of governing their jurisdiction. Outside the tasks that have been provided explicitly to higher-order government or specific public organizations, municipalities are free to take any initiative they deem in the interests of their citizens. Combined with the general freedom to enter into any cooperative initiative they see in their interest, Dutch municipalities have ample opportunities to engage in IMCs. However, there are a number of tasks where IMCs are mandated. These include six general fields of municipal tasks: public safety, public health, implementing environmental law, labour market policy, public care and youth care.

THE STRUCTURE OF INTER-MUNICIPAL COOPERATION

The structure of IMC in the Netherlands is not easily described, for a number of reasons. First, as has been indicated above, the institutional conditions for cooperation are very permissive, giving municipalities ample opportunities to enter into cooperation as they please. As a result, cooperation has developed in an organic rather than a systematic way, over many years. Second, municipalities can choose from a number of different legal forms for their cooperation, to some extent depending on the policy field they want to cooperate on. Third, and partly related to the previous point, there is no national register of IMCs. Even on a local level, there are only obligations to have a register on certain types of IMCs.

In the absence of a national register of IMCs, it was necessary for our study to obtain from other sources. Dutch municipalities are legally obliged to give an account of their spending on IMCs in their annual local budget plans. Using these budget plans, a comprehensive database has been developed of all IMCs with information on the municipalities that

partake, the legal regime of the organizations and the policy area(s) in which they operate. A total number of 779 IMCs were identified. Together, they account for 6467 membership relations. Approximately 16% of municipal budgets are spent through IMCs (Ministerie BZK 2017). The average number of members for IMCs is just over eight municipalities, but there is a large variation, ranging from 2 to 54. The average *number of IMCs* for municipalities is just over 16 (with 16 also as the median value). Again, the variation is considerable (SD 3.53). The lowest number is 9. Taking into account that for all municipalities the number of mandated IMCs is 6, these municipalities have only very limited voluntary cooperation. On the other hand, there are three municipalities that have 28 IMCs.

In order to show the interrelatedness of cooperation, a graphical representation is presented in Fig. 8.1, using network software. The graph represents the municipalities and their IMCs as a two-mode network, showing relations between each municipality and their IMCs. In order to focus on the municipalities, the IMCs are represented as tiny dots, making them invisible. The size of the municipal nodes is indicating the number of IMCs that they are member of. The location of municipalities is based on the IMCs they have in common: municipalities that work together in many common IMCs are located close together.

The graph shows that cooperation is indeed a regional phenomenon, as most municipalities cluster in clearly identifiable groups that are closely linked together and have limited relations with other clusters of municipalities. The ‘cooperative map’ also shows a very high resemblance with the geographical map of the Netherlands, indicating that geographical regions form the basis for IMC. This is in line with the proposition that geographical closeness contributes to cooperation (Feiock 2007). The graph also shows that there is considerable variation in the interconnectedness of different regions in the Netherlands. Two regions (provinces) stand out in terms of their peripheral position. The first, at the top of the graph, is constituted by the province of Friesland. Although this province is bordering the provinces of Groningen, Drenthe, Overijssel and Flevoland, hardly any municipalities have IMCs across these borders. The Frisian municipalities are all tightly connected to each other, but only to each other, forming ‘a world of their own’. This could well be a reflection of their common culture, including a separate officially recognized second language, and a more general orientation as

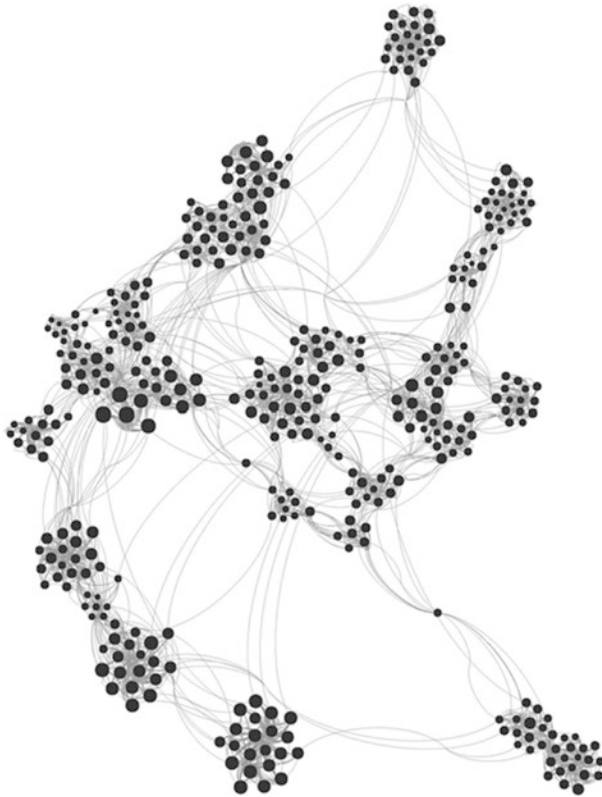


Fig. 8.1 Inter-municipal cooperation in the Netherlands as a two-mode network

being part of a clear regional identity that is different from the rest of the country. If we compare this to the situation of the neighbouring province of Drenthe, we see these municipalities are part of the longer stretched group of municipalities at the upper-right part of the graph. The municipalities of Drenthe are also linked together, but some of them have also many relations to municipalities from Groningen (located above them), while others have many relations with those from Overijssel (located below them). This makes these municipalities connected to a much larger part of the network than the rather isolated group of Frisian municipalities.

In the far south (lower right part of the graph), we see that the municipalities that are part of the province of Limburg show a similar pattern as those from Friesland. Again, cultural and historical factors could play a role here. There is, however, one exception: the small municipality of Mook and Middelaar is forming a ‘network bridge’ with those in the region of Nijmegen (above the area to the left). This municipality is part of the province of Limburg but geographically located very close to Nijmegen as the only large city in the area. As a consequence, they participate in more IMCs with municipalities across the border.

Another interesting feature is that the most important region of the Netherlands in terms of population and economic development, the Randstad, becomes visible as three separate areas in terms of IMCs. In the left-middle part of the graph, we find municipalities from the province of South Holland, with the metropolitan area of Rotterdam–The Hague as its core. Moving upward to the right, we see a cluster from the province of North Holland, with Amsterdam as its core. At the very centre of the graph we see a cluster that is more closely connected to the city and province of Utrecht. A group of municipalities that is geographically close to both Amsterdam and Utrecht, but part of the province of North Holland, is, however, more closely connected to this Utrecht region. This shows that the Randstad region, although in international and economic terms often presented as one major metropolitan area, still consists of separate sub-networks in terms of IMC.

As the geographical analysis above shows, the structure of cooperation can be described by who cooperates with whom. Additionally, our research enables us to describe some other structural features of cooperation. One of these is the *number of unique partners* that municipalities have when we consider all their IMCs. Some IMCs have a large number of overlapping partners (the same municipalities are involved in a number of different IMCs), while others have much lower levels of overlap. The average number of unique partners that municipalities have is 47 (median is 44). This can be seen as an indication for the complexity of their network structure. However, variation on this variable is considerable (SD 21.0). The lowest number of different partners is 12, meaning these municipalities have relations in IMCs with only 12 other municipalities. The highest number of different partners is a striking 114. These municipalities participate in a couple of the larger IMCs, which are mostly working in policy areas with a rather operational character, such as waste removal or combined purchase of office supplies.

The complexity of the structure of cooperation can also be measured by the *congruence* of the IMCs that municipalities are involved in. The variable *congruence* is basically a characteristic of two IMCs and is defined as the percentage of overlapping members. Congruence of two IMCs is calculated by dividing the number of overlapping members (members of both IMCs) by the total (unique) number of members of the two IMCs. To obtain information about the congruence of all IMCs of a municipality, the first step is to calculate the congruence of all pairs of IMCs in the database. In the next step, the overall average congruence score for a municipality is calculated by taking the mean score of all combinations of IMCs that a municipality is simultaneously a member of. This results in an overall congruence score between 0 and 1 for all municipalities. Measured on a scale from 0 to 1, the average level of *congruence* is 0.45 (SD 0.11), indicating an average overlap of 45% of members in all IMCs that municipalities are members of. Municipalities with the highest levels of congruence have a value of 0.71 (indicating an average of 71% overlap). At the other side of the scale the lowest level of congruence is 0.19.

TYPES AND TASKS OF IMCS

As has been indicated above, the institutional structure of cooperation enables municipalities to choose from a number of different types of IMCs. For each IMC, information has been collected on its legal regime: based on private law (company, foundation, etc.) or public law (the Local Provisions Act: WGR). For some IMCs, data on this characteristic were missing. For 671 out of the total of 779 IMCs (86%), the institutional type could be established. Out of these, 475 (71% of the known cases) were based on public law (the WGR). Lack of clear data precluded further differentiation in the subtypes of this form. Within the group of private law organizations, the non-profit foundation was most popular, with 85 cases (13%). Next came two forms of private law (for profit) companies, that together provide 56 cases (8%). Informal consultation platforms provide for 27 cases (4%) and cooperations for 21 cases (3%). The forms chosen by municipalities can also be used as an indicator at the municipality rather than the IMC level. The legal structure can be measured by the *share of (public) WGR-based IMCs* in the total IMCs of a municipality. The average share of WGR-based IMCs is 59% (SD 0.12). Highest values are 90%, indicating that these municipalities almost completely restrict themselves to the public legal structures. The lowest value is 31%, indicating

these municipalities opt for private law constructions in the vast majority of cases.

The tasks that IMCs are involved in have been categorized in 11 general policy fields. Results are provided in Table 8.1. As can be seen in the table, ‘urban planning and environmental policy’ and ‘employment policies’ are the two fields in which most IMCs are active, closely followed by ‘social policies and care’. We see a number of mandated IMCs in these fields, but they do not account for the majority of these IMCs, so there are also a large number of voluntary IMCs involved. ‘Management and administration’ includes administrative services for the municipality themselves, such as common purchase of goods and cooperation between administrative officials (rather than policy coordination).

As has become visible by the total numbers in Table 8.1, a number of IMCs can be seen as a multi-purpose cooperation at the level of these rather encompassing policy fields. Needless to say that within these broad categories, IMCs might still perform multiple tasks within a single field. Of all IMCs, 76% is only active in one of these fields and can thus be regarded as a single-purpose IMC, when using this categorization of 11 policy fields. Sixteen per cent is active in two policy fields and 4% in three fields, leaving 4% active in more than three policy fields.

Table 8.1 Policy fields in which IMCs are active

<i>Policy fields</i>	<i>Number of cases (percentage)</i>
Urban planning and environment	186 (24%)
Employment policies	183 (23%)
Social policies and care	144 (18%)
Management and administration	143 (18%)
Education, culture and sports	118 (15%)
Economic development	73 (9%)
Tourism	64 (8%)
Public safety	61 (8%)
Transport and infrastructure	47 (6%)
Finance	39 (5%)
Housing	35 (4%)
Total	1093*

*As some IMCs have a multi-purpose character, the number of fields (1093) is larger than the number of IMCs (779). Percentages indicate the percentage of IMCs that are active in this field (using 779 as baseline)

DEMOCRATIC QUALITY OF IMCs

Many have voiced concerns about the democratic quality of IMCs (Ostrom 1972; Ostrom 1989; Heinelt and Kübler 2005; Denters et al. 2014), but little research is done on actual democratic quality. In our research, we have measured it by using perceptions of direct and indirect influence of citizens and their organizations on IMCs. Chief municipal officers (response rate 58%) and council clerks (response rate 69%) were asked a set of six questions indicating to what level their executive board (for CMOs) or council (for Clerks): (a) are timely involved in IMC decision-making, (b) have opportunities to present their opinions, (c) show an interest in IMC decision-making, (d) have sufficient time to participate in decision-making, (e) actually use opportunities to influence decision-making and (f) have influence on IMC decision-making. Both respondents were also asked to what extent the municipal IMCs: (a) provide opportunities for individual citizens to participate in decision-making, (b) provide opportunities for local and regional organizations to participate in decision-making, (c) actively provide information about the performance to citizens and organizations and (d) provide opportunities for citizens and organizations to ask specific questions. Additionally, they were asked to indicate to what extent (e) citizens and organizations are informed about the tasks of the IMCs.

Influence of the executive board: from the six items, a scale has been constructed that specifies the perceived influence that the executive board of a municipality has on decision-making in IMCs. The average level of *influence of the executive board* on a scale from 1 to 10 is 7.0 (SD 1.2). This is well above the medium point of the scale (5.5). Of all municipalities, 89% indicate that the influence of the board is above the medium value of 5.5. Lowest values are 3.5, and the highest value is 9.7. Chief executive officers are thus in clear majority of the opinion that their board has a large influence on what is going on in the IMCs in which they participate.

Influence of the council: using five of the six items, a scale has been constructed that specifies the perceived influence that the council of a municipality has on decision-making in IMCs. The average score of *influence of the council* is 6.2 (SD 1.2). Lowest scores are 1.0, and highest scores are 9.0. Again, the medium point of this scale is 5.5, so the results show that most municipalities are positive about influence of the council: 73% indicate a value above 5.5. Council clerks are thus also rather positive

concerning the influence of their council, albeit somewhat less than CMOs on the influence of the executive board.

Influence of citizens and organizations: both types of respondents have very similar perceptions of the influence of citizens and their organizations. Because of that, one combined scale was used. The average score on the combined scale is 3.4 (SD 0.99) on a scale from 1 to 10. In only 2.1% of the municipalities, the scale has a value on or above 5.5. Lowest values are 1.0, and the highest value is 6.0. So, in contrast to the situation for councillors and the executive, direct democracy in the case of the Dutch IMCs is not very well developed.

Overall, we find considerable variation, meaning there are substantial differences in perceived democratic quality of IMCs in different municipalities. In terms of a democratic deficit, the general conclusion is that, as far as the representative institutions are concerned, there is little evidence of a systematic deficit. Citizens and organizations are, however, to a large degree dependent on their representatives to have any influence on IMCs. We do find that the percentage of IMCs based on public law (WGR) in a municipality is somewhat positively correlated to the influence of the executive and the citizens (but not to the influence of the municipal council). This could indicate that the institutional provisions for the organization of IMCs in the WGR might contribute to democratic quality.

COSTS AND BENEFITS OF COOPERATION

Unless cooperation is mandated, municipalities will cooperate with a reason: they expect certain benefits, or to be more specific, they expect that the benefits will be larger than the additional costs of cooperation. In terms of cost, most authors focus on the transaction costs that come with the efforts to coordinate activities and adapt to partners in the IMCs. The *transaction costs* of collaboration pertain to all costs municipalities incur in negotiating agreements and in coordinating, monitoring and controlling IMC (Feiock 2007, p. 51; Boogers 2013, pp. 14–17). The *benefits of cooperation* are essentially twofold. First, municipalities can benefit when collaboration enhances their capacity to (efficiently) provide facilities and services for the local community and its members or to solve the locality's problems. The benefits of this type of collaboration are selective: they will only become available if the municipality contributes to the cooperation (no contribution = no provision!). The joint collection of garbage or the establishment of an inter-municipal purchasing

consortium provides examples of this type of collaboration. But there may also be regional benefits of collaboration. This is the case when, for example, municipalities invest in regional infrastructure (roads, canals, or a regional business and science park) or develop joint regional policies in domains such as the environment, planning, housing and economic development. These policies intend to generate regional effects. These regional effects inevitably will affect all residents that live in the catchment area. Hence, there is no way to retaliate against regional municipalities that do not contribute to such regional provisions and policies. In other words, in the case of such regional benefits, a free-ridership problem—that impedes effective collaboration between the region's municipalities—might occur (cf. Olson 1971). Because of this, it is important to differentiate between local and regional benefits of cooperation, or to formulate it in network terms: between benefits for the member organizations and for the network as a whole (Provan and Milward 2001). In our research, these variables have been measured by perceptions of the chief municipal officer.

Transaction costs: chief municipal officers were asked a set of three questions indicating to what level their IMC network is characterized by (a) unnecessary complexity, (b) lengthy and useless consultations and (c) high negotiation costs. From these variables, a scale has been constructed that specifies the perceived level of transaction costs that a municipality has to make when engaging in IMCs. The average level of transaction costs on a scale from 1 to 10 is 5.5 (SD 1.74). This is also the medium point of the scale. Of all municipalities, 53% indicate that the transaction costs are above the medium value of 5.5. Lowest values are 1.3, and the highest value is 10. As can be seen by these extremes and the high value of the standard deviation, perceptions of transaction costs vary a lot between different municipalities.

Local benefits: the respondents were asked to what extent the municipal IMC network (a) contributes to an effective solution of local policy problems, (b) the quality of municipal service provision and (c) the quality level of local public facilities. With these indicators a scale has been constructed that indicates the perceived extent of local benefits that the IMC network brings about. The average score of local benefits is 6.0 (SD 1.68). Lowest scores are 1.0, and highest scores are 9.0. Again, the medium point of this scale is 5.5, so the results show that most municipalities are positive about local results: 69% indicate a value above 5.5. The results show, however, that variation is again very high.

Regional benefits: regional benefits were measured by perceived benefits on solving regional problems, improving regional service provision and quality of regional public facilities. The scores on the scale for regional benefits are somewhat higher than for local benefits, at an average level of 6.5 (SD 1.33). For regional benefits, 80% of the municipalities indicate a value above 5.5. Lowest values are 1.7, and highest values are 9.7. Variation on this variable is also somewhat less than for transaction costs and local benefits.

If we combine the scores on transaction costs and local and regional benefits, we might get an indication of the expected viability of IMCs. In order to do this, all three variables have been dichotomized, based on the median value of 5.5. The results in Table 8.2 show that in 32% of the cases the viability of cooperation is expected to be very high because high scores on both local and regional benefits are combined with low transaction costs. In 28% of the cases, high levels of both benefits are produced at high transaction costs. As long as these benefits are substantial, these forms of cooperation could be expected to be viable as well. Thus, together, in 60% of the cases, prospects seem to be particularly positive. In 12% of the cases, one type of benefit is high, combined with low transaction costs. As long as costs remain low and some benefits are produced, one might expect rather high viability of these IMCs as well. At the other side of the scale, we see that in 9% of the cases there are low benefits and high costs, clearly indicating low viability. Lack of benefits but also low costs is found in 4% of the cases, indicating a situation of ‘irrelevance’ of cooperation. In 16% of the cases, we see that only one type of benefit is produced at high levels of transaction costs. Viability of these IMCs could be expected to be at high risk.

The local benefits are somewhat related to the size of the municipalities. For municipalities with less than 20,000 inhabitants and those between 20,000 and 50,000, the mean scale values of 6.2 and 6.1 are higher than for those between 50,000 and 100,000 (5.4) and larger than

Table 8.2 Combinations of costs and benefits (percentage of all municipalities)

	<i>No benefits</i>	<i>Local or regional benefits</i>	<i>Local and regional benefits</i>	<i>Total</i>
Low costs	4%	12%	32%	47%
High costs	9%	16%	28%	53%
Total	13%	28%	60%	100%

100,000 (4.9). Apparently, the economies of scale are more clearly perceived by smaller municipalities, which could be expected. Regional benefits and transaction cost are, however, not related to size.

RELATIONAL ASPECTS OF COOPERATION

Cooperation can be described by its structural features and its results in terms of democracy and performance, but it is also a process of actors working together at different levels of (dis)harmony and productivity. In order to obtain insight in the relational qualities of the cooperation, two sets of questions were asked about the levels of mutual trust, consensus and aspects of goal orientation.

Trust/consensus: in the survey, questions were asked about the levels of trust and consensus between municipalities and between municipalities and the IMC organization: (a) consensus between municipalities, (b) consensus between the IMC organization and municipalities, (c) trust between municipalities and (d) trust between the IMC organization and municipalities. According to the results of a factor analysis, all variables had to be retraced to one dimension. Consequently, a scale has been constructed that indicates the level of trust and consensus in the IMC network of a municipality. The average score on the scale for trust/consensus is 5.9 (SD 1.62), with 58% of the municipalities scoring above 5.5. Lowest values are 2.25, and highest scores are 9.5, indicating high levels of variation.

Decisiveness: the degree of decisiveness is measured by constructing a scale from the answers to questions about the extent to which the municipal IMC network can be described by (a) compliance to agreements, (b) swift and decisive actions, (c) binding obligations, (d) agreements with tangible goals and (e) transparency. The average level of decisiveness is somewhat lower than for trust/consensus at 5.6 (SD 1.16), with also 58% of the municipalities scoring above 5.5. Lowest values are 2.6, and highest scores are 9.0.

Both relational aspects of cooperation correlate somewhat differently with the costs and benefits of cooperation. We see a clear relation with the transaction costs: if transaction costs are perceived as low, both trust/consensus and decisiveness have values that are on average in the order of 1 point higher than when transaction costs are perceived as high. If regional benefits are seen as high, both relational aspects score on average 0.5 point higher compared to when regional benefits are low. Local benefits do not co-vary with relational aspects at all.

CONCLUSION

In this chapter, we have drawn a picture of IMC in the Netherlands. Although cooperation is ubiquitous, we see a clear pattern when analysing the IMC structure using network analysis. Regional cooperation varies in intensity and (sub)-networks vary in their connections across administrative borders and in complexity. The majority of IMCs have a public-administrative character, but private law constructions are also popular (and even the most used by a small number of municipalities). Democratic quality is perceived to be not a big issue, as far as indirect democracy is concerned (representation by the municipal executive or council). Direct democracy, by citizens themselves, is, however, hardly developed. Performance of IMCs is perceived to be rather high, but more concerns are formulated on the transaction costs that come with cooperation. However, for a clear majority of municipalities, the viability of their IMCs is promising, when combining levels of benefits and transaction costs. All in all this “crazy-quilt” pattern of cooperation seems to be working quite well.

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Inter-municipal Cooperation in Switzerland

Reto Steiner and Claire Kaiser

INTRODUCTION

Given the need to increase effectiveness, efficiency, and capacities, reforms that cross municipal boundaries have increased in importance (see, for example, Kersting & Vetter 2003). Collaboration among municipalities is one possible reform strategy for local governments aiming to achieve economies of scale, to improve the quality of services or to achieve higher visibility. Particularly in decentralized countries with autonomous municipalities, intermunicipal cooperation (IMC) is inherent, and many municipalities need to cooperate to fulfill their tasks adequately (CoE, UNDP & LGI 2010).

Swiss municipalities, characterized by their high degree of autonomy and their small size, rely heavily on inter-municipal cooperation (IMC). In decentralized states, cooperation between municipalities is widespread. When municipalities are more autonomous—as is the case in Switzerland—and endowed with more competences, they are free to organize service fulfilment themselves. Thus, there are more opportunities for IMC (CoE, UNDP, & LGI 2010). Swiss municipalities, with a median population size of approximately 1400 inhabitants, are quite small when compared internationally. Unlike municipalities in many other European countries,

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Swiss municipalities have not pursued major reforms focused on territorial re-scaling. Meanwhile, municipal tasks have become more complex and manifold due to societal, technological and economic changes and increasing requirements from citizens. Given these circumstances, IMC is a possibility for smaller and medium-size municipalities seeking to fulfil their public tasks effectively and efficiently.

In this chapter, IMC is understood as ‘the fulfilment of a public municipal task by an individual municipality, by two or more municipalities jointly or by a third legal entity, whereby the task fulfilment simultaneously serves at least two municipalities and the participating municipalities participate directly (“performing”) or indirectly (“organizing”)’ (Steiner 2003, p. 553; see also Arn and Friederich 1994, p. 5). We speak of IMC when local governments actively organize or perform the fulfilment of a task, not when they are only passively involved. In Swiss municipalities, there are various organizational forms of IMC, ranging from the simple exchange of opinions to legally binding cooperation; IMC can even be mandated by the higher-ranking state level (see Friederich 1997; De Spindler 1998; Steiner 2002).

The structure of this chapter is as follows: In the next section, which explores the diffusion and drivers of IMC, we aim to determine how common IMC arrangements are in Swiss municipalities, as well as the possible causes of such arrangements. Then, the different possibilities for organizing IMC are presented. Next, we highlight the advantages and disadvantages of IMC before presenting the main conclusions of the chapter and formulating some policy advice concerning this issue. The underlying data for this chapter come from a survey of Swiss municipalities, which was conducted in 2017, with a response rate of 82.3 per cent.

DIFFUSION AND DRIVERS OF IMC

IMC is very important in Swiss municipalities. A 2017 survey of all Swiss municipalities shows that they cooperate, on average, in nine task areas.¹ Furthermore, 56 per cent of all municipalities have increased their IMC arrangements since 2012. Almost all Swiss municipalities cooperate with one or more other municipalities in one or more task areas—there is hardly a municipality that does not cooperate at all.

There is a small negative correlation between the number of tasks fulfilled using IMC and the population size of a municipality (Pearson’s R is -0.133^{**} and is significant at the 0.01 level). This shows that, compared to larger municipalities, smaller municipalities tend to fulfil more tasks in cooperation with one or more neighbouring municipalities. The reason is

probably that smaller municipalities cannot fulfil certain tasks on their own, perhaps due to efficiencies, whereas larger municipalities are able to fulfil more tasks on their own.

Not every task is equally suited to being fulfilled by IMC arrangements. In Switzerland, municipalities cooperate most in home care (so-called Spitex). For example, 67 per cent of Swiss municipalities indicate that they have a IMC arrangement with one or more other municipalities in this task area. Fire brigade and homes for the elderly/rest homes are also very popular task areas for IMC, and approximately 62 and 58 per cent, respectively, of local governments work together with one or more neighbouring municipalities. Additionally, care for the elderly, social welfare, refuse/waste disposal, energy supply, external childcare, sewage and public transportation are fulfilled in cooperation with other municipalities by between 40 and 50 per cent of Swiss municipalities. On the one hand, these are tasks that require substantial infrastructure. On the other hand, they are social tasks, and it is especially difficult for small municipalities to fulfil them alone. IMC arrangements are less common under municipal executives and in municipal administrations (i.e., municipal administration in general, residents' office and finances). A municipality's core tasks are important to its identity. Therefore, local governments often fulfil core tasks without help from other municipalities. Only in IT do municipal administrations more often choose cooperation with other municipalities over working independently. About one-third of the municipalities (32 per cent) rely on IMC arrangements in this task area. Public construction, private traffic management and environmental protection are additional task areas in which IMC occurs only rarely. In each of these areas, less than 10 per cent of municipalities report cooperating with other municipalities. For new tasks, interestingly, municipalities do consider IMC arrangements: for example, 44 per cent of municipalities cooperate with one or more neighbouring municipalities for external childcare, even though day-care services were introduced in many municipalities only a couple of years ago (Ladner et al. 2013) (Fig. 9.1).

Although IMC is already widespread in Swiss municipalities, IMC efforts continue to intensify. Between 2012 and 2017, more than half of local governments (55.8 per cent) increased their numbers of IMC arrangements with one or more neighbouring municipalities. Furthermore, in 42.9 per cent of municipalities, IMC has remained constant, and in only 1.4 per cent has it decreased. Depending on the size category, we observe that the large cities (with a population size of 50,000 or more) register the smallest increase rate in IMC, which has only increased in 17 per cent of

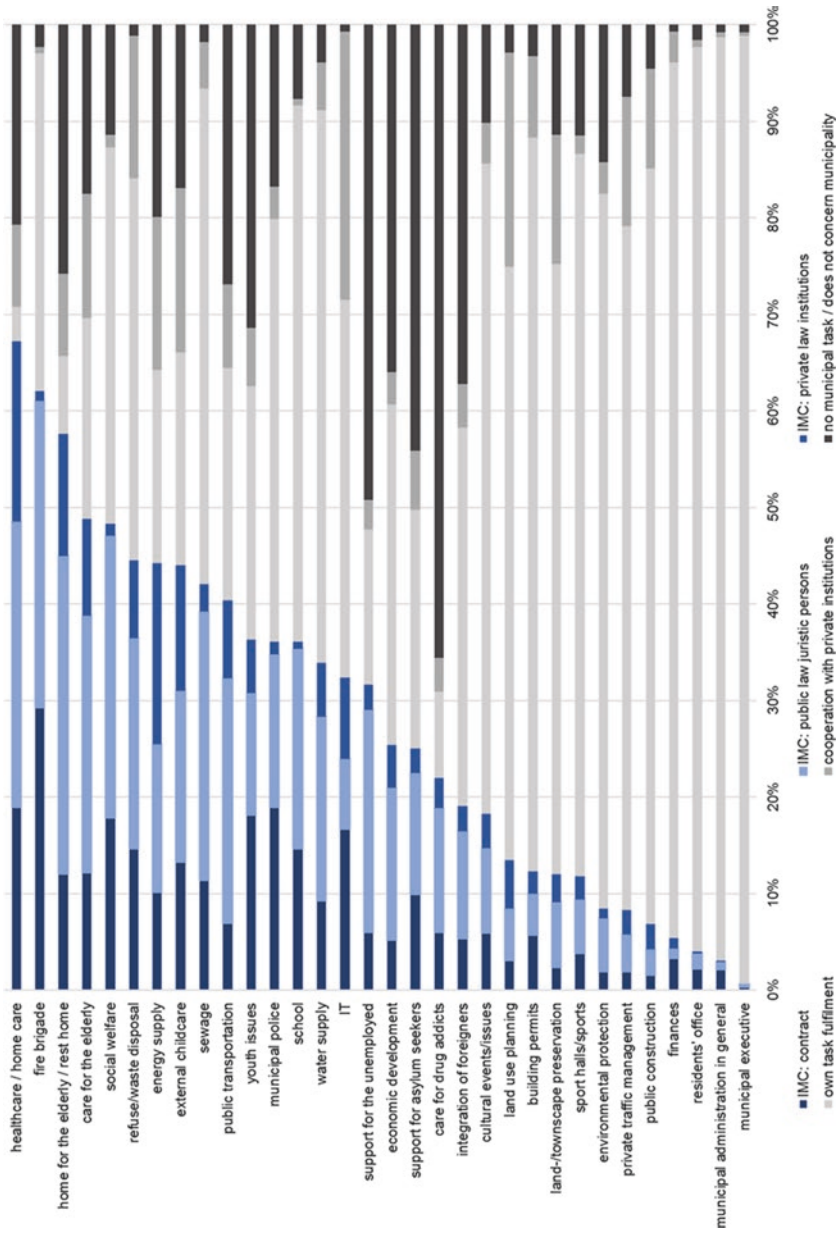


Fig. 9.1 Diffusion and the form of IMC in different task areas in Swiss municipalities. Note: $N_{\min} = 1716$; $N_{\max} = 1760$

the cases (however, it needs to be said that $N = 6$ is quite small in this size group). Also, IMC increased below average (49 per cent) in the medium-sized municipalities with 5000–9999 inhabitants. The reason may be that they are large enough to fulfil their tasks on their own. The increase of IMC has not happened to the same degree in all regions: The highest increase is observed in the French-speaking part, where 65 percent of the municipalities have intensified IMC, followed by the Rhaeto-Romanic-speaking municipalities (56 per cent) and the German-speaking municipalities (53 per cent). Less than half of the municipalities in the Italian-speaking part of Switzerland have undergone this reform (48 per cent).

What are the possible drivers of more or less intense use of IMC? Previous research shows that small and weakly performing Swiss local governments tend to cooperate more. However, there are also other factors that influence the intensity of IMC. These factors include openness to reform on the part of the authorities, the intensity of social contacts among the citizens of the affected municipalities, the location of the municipalities as well as cantonal politics (Steiner 2003). For the canton of Appenzell Ausserrhoden, a correlation analysis was conducted to investigate the connection between intense IMC and possible explanatory factors. There are hardly any indications that population size is responsible for the number of task areas that use IMC. Small negative correlations could be found only between the number of cooperatively fulfilled tasks and the tax level and between the number of cooperatively fulfilled tasks and the self-assessed service capacity of the municipality. Positive—but also small—correlations are found for per capita expenses and per capita tax revenue. The results of the study suggest that IMC in Appenzell Ausserrhoden does not emerge solely from smallness or financially difficult situations. Rather, the drivers of IMC are to be found in additional legislated requirements from the higher-ranking state levels or in cantonal politics (Steiner et al. 2012).

ORGANIZATIONAL FORMS OF IMC

There is a wide range of forms of cooperation between municipalities, and this variety has even been called a ‘cooperation jungle’ (Wanner 2006). Different forms of IMC are possible with regard to intensity, number of joint tasks, financial scope and other factors (De Spindler 1998). Even within one municipality, there can be a range of forms of cooperation if the municipality participates in various cooperative projects with different partners. Thus, depending on the task area, variable geometry can be applied (Iff et al. 2009).

The possible forms of IMC range from the simple exchange of opinions and experiences among administrative staff to legally binding cooperation that restricts municipalities' autonomy; this form is sometimes even imposed by higher-ranking state levels. Under cantonal law, municipalities can select the forms of IMC in which they will participate, and different cantons have different regulations regarding IMC.

Across European countries, there are various arrangements for informal or formal IMC. These arrangements may be classified into four main categories: (a) informal IMC, (b) weakly formalized IMC, (c) IMC in functional 'enterprises' and (d) IMC as a model of integrated territorial cooperation (CoE, UNDP, & LGI 2010, p. 13). Switzerland has IMC arrangements in all four of these categories. In the next step, we illustrate the forms of IMC that occur between Swiss municipalities using this internationally applicable categorization.

(1) *Informal IMC*

Informal IMC is a relationship between municipalities that does not have a legal basis. It occurs when mayors or local secretaries (i.e., the top bureaucrats in Swiss municipalities) arrange meetings or exchange opinions and experiences pertaining to municipal issues. This is often an easy way for neighbouring municipalities to find answers to questions, coordinate current issues or solve problems.

(2) *Weakly formalized IMC*

For weakly formalized IMC, that is, IMC based on agreements or contracts, two different sub-models may be distinguished in the Swiss case. One possibility is that (a) one municipality fulfils tasks on its own for other municipalities as well ('*Sitzgemeindemodell*'); a second possibility is (b) joint task fulfilment, whereby two or more municipalities fulfil their tasks together (Friederich 1997; Steiner 2016, p. 899). In (a), '*Sitzgemeindemodell*', one municipality not only fulfils a certain task for itself but also for other municipalities. As a rule, this type of arrangement is based on a contract. This model is simple and requires little administrative work. Task fulfilment can be organized in line with the municipalities' specific needs. However, a disadvantage for the affiliated municipalities is the limited co-determination and control rights that they have—only indirectly—over the '*Sitzgemeinde*'. Voters are often limited either to approving the cooperation contract or to supporting the referendum against it.

It is, however, possible to define more far-reaching determination rights for affiliated municipalities. In (b), *joint task fulfilment*, the municipal tasks are fulfilled by two or more municipalities together. The basis for this arrangement is often a contract. Two or more municipalities first decide to fulfil a certain task together and then jointly define the manner of task fulfilment and the common organs to be used. They also own infrastructure or additional property together. The participating municipalities are largely treated equally, and financial risks are also distributed equally. This organizational form of IMC is not appropriate if decisions need to be made quickly because processes often take longer due to joint task fulfilment. This model is, therefore, utilized rather rarely.

(3) *IMC in functional ‘enterprises’*

IMC in functional ‘enterprises’ refers to IMC arrangements that require appropriate legal status (CoE, UNDP, & LGI 2010). Such arrangements are common for public utility services such as water supply, sewage and waste management. In Switzerland, if municipalities decide to hire a juristic person to fulfil a task, they are no longer directly involved in task fulfilment except through their delegates to organs (Steiner 2016). The reason is that a new legal entity with its own will, rights and duties is created. In the Swiss case, we may differentiate among agencies, juristic persons of the private law and juristic persons of the public law. Juristic persons of the private law are regulated by federal law. In IMC, associations (Art. 60 et seqq. ZGB), companies limited by shares (Art. 620 et seqq. OR), cooperatives (Art. 828 et seqq. OR) and foundations (Art. 80 et seqq. ZGB) are of interest. Juristic persons of the public law are regulated under the cantonal and (partially) under the communal law.

Associations of local authorities (*‘Gemeindeverband’* or *‘Zweckverband’*) are most common. These are public law associations of two or more municipalities that cooperate to fulfil particular communal tasks. They have a membership structure, and the municipalities are the members of the association. The association of local authorities can act in a sovereign manner and is subordinate to the supervision of municipalities (*‘Gemeindeaufsicht’*). This organizational form is especially appropriate for fulfilling sovereign tasks and politically sensible tasks. Members of these associations of local authorities have democratic participation rights, which is why decision-making processes are often quite long. We can describe these associations of local authorities as having a monopolistic structure because the members are, as a rule, obliged to purchase the service from

the association, which fixes the price. There is a distinction made between single-purpose and multi-purpose associations of local authorities. The more common single-purpose association fulfils its purpose in one task area only, for example, schools or sewage. The multi-purpose association, on the other hand, fulfils several public tasks. As organs, both a legislative and an executive authority are observed, at minimum. In many cases, there is also a control authority (Steiner 2016).

(4) *IMC as a model of integrated territorial cooperation*

‘IMC as a model of integrated territorial cooperation’ is understood as a category of IMC arrangements that ‘look like second level self-government authorities’ (CoE, UNDP, & LGI 2010, p. 14). We may include the Swiss forms of cooperation in agglomerations in this category. Cities and towns are often subject to the burdens of the centre. One of the problems they face is so-called free riding, which holds that the services of central towns and cities are not only consumed by their own citizens but also by citizens of surrounding municipalities, who do not pay the full costs. This can be at least partially addressed by equalizing the burdens of the centre. However, planning for future development and finding solutions to problems with traffic, land use planning, culture, economic development and so on are more difficult (Steiner 2016). This is where ‘models of integrated territorial cooperation’ may come into play. Their possible design in Swiss urban areas is illustrated using the case of Bern, the capital city of Switzerland.

A new form of cooperation in agglomerations is the regional conference (*Regionalkonferenz*). This is not an additional state level but rather a so-called soft institution. In the framework of the regional conference model, task-overlapping municipal boundaries can be coordinated, and public tasks can thereby be jointly fulfilled within a coherent perimeter in a binding manner. Projects and solutions are, for example, jointly realized in settlement planning, the economy, landscape planning, traffic management, energy and culture. After a binding decision is made, the tasks are still fulfilled by the municipalities, either by one municipality on its own for the other municipalities as well (*Sitzgemeindemodell*) or under the framework of an association of local authorities. The regional conference is, thus, not financed through additional taxes (Steiner et al. 2015).

Here, the regional conference in the canton of Bern serves as an example (Canton of Bern 2017). This form of binding regional cooperation has been active since 2008. The aim was to promote agglomerations as drivers

of growth without neglecting rural areas. The regional conference is an entity of municipal law with its own legal personality. It is responsible for regional structure planning (*Richtplanung*), total traffic planning and settlement planning, regional promotion of culture and regional tasks in regional policy (Canton of Bern 2017). Mayors represent their own municipalities in the regional conference. Some tasks are bindingly transferred to the regional conference. Additionally, the municipalities can propose further tasks to the regional conference, in which case not all municipalities have to participate but only those that consent. The power of voice is allocated according to the population size of the municipality. It is balanced so as to ensure that cities and larger municipalities cannot simply outvote the smaller municipalities. It is possible to enable participation rights for citizens in the form of initiatives or referenda (Steiner 2016).

Another form of cooperation in the Swiss agglomerations is the association ‘Hauptstadtregion Schweiz’ (‘capitalregion Switzerland’) (Hauptstadtregion Schweiz 2017). Founded in 2010, its members are cantons, regions, cities and municipalities in the area of Bern. Its aim is to develop the identity of the Swiss capital region and to use the strength and potential of this region to stand out in the international competition among regional and metropolitan areas (Steiner 2016). The perimeter of the capital region contains parts of the cantons of Bern, Fribourg, Valais, Neuchâtel and Solothurn, which are closely connected with regard to their geography, economies and traffic. This region is not a conclusively defined area of cooperation; rather, it has a variable geometry and members who want to cooperate. The members agree on the principle of parity, meaning that the cantons, on the one hand, and the cities/municipalities/regional organizations, on the other hand, pay an equal share to the association. In contrast to members of regional conferences, the members of this association do not yield decision-making power regarding municipal tasks to the Hauptstadtregion. Rather, this association is a vehicle for bundling interests and addressing important issues, which range widely; examples include an integrated system for managing public traffic or a multi-lingual school leaving examination (*Matura*). Therefore, one can speak of a certain level of lobbying and think tank activities for the metropolitan area. When decisions need to be made, the authorities that are formally responsible must make them, and adequate IMC arrangements must be made to fulfil the tasks. There is also a metropolitan conference in Zurich, which is comparable to the Hauptstadtregion Schweiz.

Not all forms of IMC arrangements are equally common, as we know from the results of the survey of all Swiss municipalities. In Switzerland, 50 per cent of IMC arrangements are organized under public law juristic persons, mainly as associations of local authorities. A further 32 per cent of IMC collaborations are based on contracts, and the last 18 per cent are private law institutions such as associations, foundations and companies limited by shares. Depending on the specific task area, the values deviate quite strongly from the average. In homes for the elderly, for example, 57 per cent of IMC is organized by public law juristic persons such as associations, 22 per cent as private law institutions and again almost the same share by contracts (21 per cent). The situation is quite different, for example, in inter-municipal fire brigade cooperations, where about half of the cooperations are organized by public law juristic persons (51 per cent) and the other half by contracts (47 per cent) and only 2 per cent by private law institutions.

OPPORTUNITIES AND RISKS OF IMC

When deciding about adequate modes of task fulfilment, a municipality needs to decide whether to fulfil a task on its own or in cooperation with one or more other municipalities. In the latter case, an adequate organizational form must be selected (Steiner 2016). When introducing new IMC arrangements, the advantages and disadvantages of cooperation must be weighed against each other.

Through cooperation, various benefits may arise (see, e.g., Geser et al. 1996, p. 268 f.; Steiner 2002, p. 112 f.; Kersting 2006). IMC as a form of task fulfilment, unlike, for example, municipal mergers, enables municipalities to adapt the perimeters within which a common task is fulfilled depending on the requirements of that task. From a theoretical point of view, this enables optimal service delivery and an increase in fiscal equivalence (Avenir Suisse 2012). This becomes evident when we consider that every task or function—for example, water supply, fire brigades or schools—has its own functional area that is dependent on various factors. These factors include, amongst others, production technology, topography, demand, settlement patterns and mobility of citizens (Avenir Suisse 2012).

One of the advantages resulting from participation in IMC is the possibility of economies of scale. The cost of service delivery may be lower per capita if services are provided by more than one municipality for more

people (CoE, UNDP, & LGI 2010). Costs may be saved by avoiding inefficient duplication. If the size of a municipality is too small for professional task fulfilment, cooperation helps to achieve not only economies of scale but also higher quality and professionalism. For example, regional social and information centres are widespread in Switzerland and manage social tasks and those concerning health policies. Thus, professional consultation is available to citizens of smaller municipalities. More resources and know-how are accessible, and municipalities can make more progress along the learning curve. There is even the possibility of introducing new services or building new infrastructure (CoE, UNDP, & LGI 2010): If the size of a municipality is too small for the fulfilment of certain tasks, cooperation enables capacity building. This might be the case, for example, when small municipalities share education or water management infrastructure. Financial resources for larger projects, for example, sewage infrastructure, can also be raised more easily.

Additional reasons for creating IMC are better visibility and marketing through the use of regional symbols and by sharing attractions and advertising costs (CoE, UNDP, & LGI 2010). Additionally, risks may be reduced and a culture of trust may be created (Henkel 1992; Gächter et al. 2004). Furthermore, by enlarging the perimeter of task fulfilment through IMC, the free rider problem (resulting from people who consume a public service without paying the full costs) can be lessened. An example is the cultural offerings subsidized by cities, which are also consumed by citizens of peri-urban municipalities (Steiner 2016).

However, cooperation also has its obstacles (see CoE, UNDP, & LGI 2010; Steiner et al. 2012). Still, if properly recognized and handled, they need not become real disadvantages of IMC.

IMC entities may slow down the decision-making process (CoE, UNDP, & LGI 2010), which becomes more complex because more actors are involved. Coordination problems, unclear mandates and responsibilities and bureaucratic inertia may arise, generating redundancies and duplication costs. Also, there is often a lack of cost transparency (Steiner 2002).

Opponents criticize the democratic deficit and other problems related to IMC, in which direct democratic steering and control are often reduced (Kettiger 2004). Decision-making procedures in IMC are less transparent than in municipalities, where they are well known and set out in statutes (CoE, UNDP, & LGI 2010). In Switzerland, with its tradition of direct democracy, this is especially accentuated. By transferring competences to inter-municipal boards, citizens no longer have the

opportunity to influence the decisions made by these inter-municipal authorities. Thus, there is at least a partial loss of autonomy on the part of individual participating municipalities. As a rule, they cannot elect the persons responsible for serving on these boards, nor can they participate through direct democracy, even though decisions often have a normative or planning character with considerable financial consequences (Kübler 2003; Iff et al. 2009).

Furthermore, there is a political cost to IMC because political leaders are reluctant to share power and prestige in an IMC structure, and free rider problems may occur. Additionally, compared with other reform strategies such as amalgamations, reliance on IMC may hinder development of an ‘overall strategy’ (Avenir Suisse 2012).

Depending on the task area as well as on the type of IMC, either the opportunities or risks of cooperation may prevail. Although IMC restricts the autonomy of the single participating municipalities, cantonal experts consider it to be justified (a) when it is democratically legitimized and opportunities for control and participation are preserved and (b) when output quality and efficiency can be increased (Avenir Suisse 2012). Compared with contract solutions, agencies or juristic persons of the private law, associations of local authorities and regional conferences receive better assessments regarding (direct) democratic control. Foundations are especially critical in this regard because they are often only subject to the supervision of the foundation, leaving municipalities and cantons with almost no control. These differences among the various types of IMC might be because the former are often regulated by the canton under local government laws, while the others are not. Concerning output quality and efficiency, hardly any difference is observed between the types of IMC: All forms of IMC are judged to be rather good by the cantonal experts. Particularly, the quality of service delivery is held to a high standard. However, there is still room for improvement concerning efficiency because the costs for service delivery are often no longer set in the context of a municipality’s budget; instead, high-quality solutions are offered—with correspondently high costs (Avenir Suisse 2012).

CONCLUSIONS AND POLICY ADVICE

In decentralized Switzerland, municipalities are highly autonomous. They are endowed with many competences and are largely free to organize service fulfilment themselves. Thus, there are many opportunities

for cooperation among municipalities. Furthermore, when compared internationally, the scale of Swiss municipalities is very small; they depend, to a larger extent, on cooperation with other local governments. Accordingly, IMC is quite widespread in Swiss municipalities.

There are several arguments to be considered when assessing IMC. Cooperation creates many opportunities regarding economies of scale, improved quality of services and flexible perimeters for task fulfilment. However, there are also risks concerning democratic deficits, reduced transparency and longer decision-making processes. When deciding on an organizational form of task fulfilment, local governments should therefore carefully examine the chances and risks of the different options. IMC is not the only solution, and not every task is equally suited to cooperative fulfilment. Possibilities for the municipality range from fulfilling the task independently, fulfilling it in cooperation with others and even to amalgamating with one or more neighbouring municipalities. If IMC is selected as the appropriate form of task fulfilment, municipalities are advised to weigh the advantages and disadvantages of the different types of IMC—informal IMC, weakly formalized IMC, functional ‘enterprises’ or integrated territorial cooperation—each of which has its own strengths and weaknesses.

In conclusion, it can be stated that IMC offers a wide variety of possibilities in terms of partners and perimeter and in terms of the organizational forms appropriate for each municipal task. Despite its known weaknesses, IMC has, therefore, proven to be a successful model of task fulfilment in Swiss municipalities.

NOTES

1. The median value is 9; the average 8.9 task areas (out of 32 task areas that are of high importance for Swiss local governments) were therefore included in the survey and the analysis.

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Traditions, Problems and Challenges of Inter-municipal Cooperation in the German Federal State of Brandenburg

Jochen Franzke

LOCAL SELF-GOVERNMENT TRADITIONS IN GERMANY

In Germany, a system of functionally strong and autonomous municipalities within a multipurpose model of local self-administration (*kommunale Selbstverwaltung*) has been developing for more than 200 years (e.g., in Prussia since 1808, in Bavaria since 1816). Hence, democratic representation has characterised German local self-government since the first democratic local elections in 1919 (see Bogumil and Holtkamp 2006, p. 14ff). After an interruption by the Nazi and Communist dictatorships, it became possible to restore local self-government, and municipalities became an increasingly important space for citizen participation.

The modern German local government system bases on a two-tier structure. Currently, 11,084 towns and municipalities constitute the bottom (local) level of self-administration, and 295 counties form the upper (supralocal) tier.¹ Since the late 1960s in West Germany and the beginning of the

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1990s in East Germany, the federal area states have implemented territorial reforms in several waves at both tiers of local government, mostly combining them with functional reforms. Since then, more than 21,000 German municipalities have lost their independent status. Because the intensity of these reforms varies, this significantly increases the variance of local administrative structures among German federal states (Franzke 2013).

The German constitution guarantees the entire institution of local government, but does not provide for a direct relationship between federal and local authorities. Nonetheless, federal legislation deeply influences local authorities because they are obliged to implement federal laws. Local authorities constitutionally form an integral part of the administrative structure of the respective federal state (Kuhlmann and Wollmann 2014, p. 70ff.; Franzke 2016a, b). Consequently, federal states possess the legislative power to determine their status, competencies and territorial structure. Local authorities are included in their administrative structure and depend on them financially to a great extent. Furthermore, the federal states exercise legal oversight (*Rechtsaufsicht*) and in some cases operational oversight (*Fachaufsicht*)² over them. Thus, as Wollmann and Bouckaert identified, while as relates to the federal level the “Länder assume a distinctly decentralist stance, they often take a downright centralist stand in their relation to the local government levels” (see Wollmann and Bouckaert 2006, p. 23).

The true degree of decentralisation differs greatly among the German Länder. According to Freitag and Vatter (2008), Brandenburg and the other East German Länder much less decentralised than the West German federal states. This applies not only to resources but also in general to the ratio of the power relationship between the Länder and its local authorities. In West Germany, they observe a “distinct division of power between the (federal) state(s) and local levels”, while in East Germany, there is evidence “for a concentration of power at the federal state level” (Freitag and Vatter 2008, p. 214ff). Angelika Vetter came to the same conclusion: “While local autonomy in West Germany has suffered (in the last decades), local autonomy in East Germany has never been comparably strong” (Vetter 2010, p. 106).

Under these circumstances, local authorities in the Western Länder act as political veto players with great discretion for decision-making and an influential role in federal state policy. In contrast, in East Germany there is a clear principal-agent relationship, with local authorities playing a limited role in Länder policy and local autonomy.

German local authorities cover two large areas of responsibility: their own sphere and the transferred sphere of responsibility. This “dual function” model combines self-government and “delegated” state tasks. It includes a catalogue of administrative functions and responsibilities that, by international comparison, is unusually broad (Kuhlmann and Wollmann 2014, p. 75; see also Bogumil and Kuhlmann 2010). A transfer of more public tasks into local authorities’ own responsibilities might strengthen their autonomy, but it is little likely. According to Wollmann, local administration continues “to be ‘integrated’ into federal and federal states government administration” (Wollmann 2010, p. 7). Under these circumstances, the “state agent syndrome” might become dangerous for German municipalities if inhabitants see them no longer be acting as a self-government authority but as a pure state agent.

Here, Germany applies the multipurpose model, characterised by positive effects like integration of functions, bundling of execution and political accountability as well as horizontal coordination. Nevertheless, the system is at the same time a fused or “Janus-faced” one, which can overburden and endanger local authorities. The range of public tasks executed by local authorities has not been determined forever; it will change in line with social convictions, economic and financial constellations, and changing political majorities.

Currently, German municipalities in general are facing several challenges: the crisis of municipal budgets, increasing debt and the growing discrepancy between financially strong and weak municipalities. The transfer of new responsibilities to local authorities by federal and federal state governments in recent years without providing sufficient financial compensation is especially responsible for this trend. Examples are the payment of basic security money for pensioners and disabled people, Hartz IV, and the legal right to municipal childcare for children below three years of age. This may result in overburdening local politics, abolishing self-government and finally making municipalities simple state agents. Municipalities cannot solve this problem themselves. It is still an urgent task for federal and federal state governments to implement new systems of financial support for the local level. In addition, many municipalities lost control of important local policy areas (such as housing, water and sanitation, energy) because of privatisation during the New Public Management reform area. In the meantime, however, many German municipalities are trying to regain control of important local services and utilities, especially in the field of energy supply.

Finally, many German municipalities are facing demographic challenges with negative fiscal and organisational consequences, such as a shrinking and ageing population. In addition to rural areas with their specific traditional problems, new regions are suffering from demographic challenges that have negative consequences for the utilisation of infrastructure (e.g., kindergartens, schools), local housing markets and the supply of skilled labour. So far, some federal states have tried to solve this problem by further amalgamation and removing public administrations' front and back offices in the towns.

Municipalities and counties play a strong role in the German welfare state according to the principle of subsidiarity. They employ more than 34 % of all German civil servants and are responsible for more than 1/3 of all public investments in infrastructure. The delivery of most public services in Germany is decentralised (with the exception of labour administration). In this context, IMC in Germany traditionally plays an important role in service delivery (Franzke 2016a, b).

LOCAL AUTHORITIES WITHIN THE ADMINISTRATIVE STRUCTURE OF BRANDENBURG

Like all other East German states, at least two contradictory indicators characterise the administrative system of the federal state of Brandenburg. On the one hand, after the peaceful revolution and German unification, the federal state became a part of the Federal Republic of Germany. A ready-made state was able to notice its own traditions of local self-government and inter-municipal cooperation from before 1933. On the other hand, Brandenburg is still a society, a state and an economy in transition. Many legacies from communist times are still relevant in the political culture of Brandenburg and its municipalities and counties. In this, Brandenburg has much in common with Central Eastern European countries, including how IMC performs.

Brandenburg has a two-tier administrative structure. The highest level consists of the federal state ministries and their subordinate agencies, while the second level is the local authorities (14 counties, 4 county-free cities, 417 municipalities, of which 148 are unitary municipalities and 269 are members of 52 "associations of municipalities"). There is no general intermediate administration (as in other German federal states), but there are still a number of exceptional federal state authorities (*Sonderbehörden*).

The region of Brandenburg and Berlin has a regional planning structure unique in Europe. Around 910,000 inhabitants live on 2,851 km² in the economically dynamic and populous regions around the German capital of Berlin (called *Berliner Umland*), which is a separate federal state. Here there are only unitary municipalities, and this facilitates IMC.³ The other regional planning area (called *Weiterer Metropolenraum*) in Brandenburg is made up of its predominantly sparsely populated rural periphery, 26,632 km² with actually around 1.6 million inhabitants. In this part of Brandenburg the population will decline in the years to come. Besides just a few unitary municipalities, primarily associations of municipalities exist in this area.

To understand the different types of cooperation within the IMC in Brandenburg, it is important to note at the outset the two different types of municipalities in this German federal state:

- (1) Unitary municipalities which are self-governing political entities with a directly elected municipal council (exercising the budget right) and a full-time mayor, directly elected for an eight-year period. They have their own administration, steered by the mayor. Unitary municipalities are part of a county, situated mostly in suburbia around the German capital of Berlin. This group of municipalities has a high average administrative power and the resources to operate municipal infrastructure.
- (2) Municipalities as part of “associations of municipalities” (*Ämter*)⁴ which are self-governing political entities with a directly elected municipal council (exercising the budget and the development planning right). The head of administration is a directly elected part-time mayor who at the same time is the chairperson of the municipal council. According to law they should have at least 5000 inhabitants to carry out joint self-management tasks for the member municipalities and to organise competitive, economical and efficient local management. The main difference from the unitary municipalities is that they have lost control over the administration, which is now concentrated in the “association of municipalities” and steered by a special “head of administration” (*Amtsdirktor*). The municipal association committee (*Amtsabschluss*) elects the head of administration for a period of eight years. These municipalities are part of a county, situated mostly in rural and peripheral areas.

IMC IN BRANDENBURG

In Brandenburg, the federal state constitution guarantees the autonomy of local governments to decide on IMC institutions with other municipalities. The “Municipal Constitution of the Federal State of Brandenburg” defines the legal provisions for the “associations of municipalities”.⁵ Local governments can decide autonomously on cooperation with other local authorities and on the form in which they carry out their public tasks (e.g., local authority itself, municipally owned enterprises, contracting-out or IMC) (Heinz 2007). IMC gained additional attractiveness after the end of privatisation of municipal property in mid-2000 (see Bolgherini 2011).

Legal Framework

Each German federal state decides independently on the rules of establishing IMC institutions. In this regard, a special law on joint local authorities’ activities regulates IMC in Brandenburg.⁶ This law specifies that municipalities and their associations can exercise together all public tasks that they are entitled or obliged to exercise. This does not apply if the law defines another specific legal form. According to this law, the following different IMC forms are possible: (a) public-sector legal forms like municipal working groups, (b) public law agreements, (c) special-purpose associations (SPAs) (*Zweckverbände*) and (d) institutions under public law (*Anstalten öffentlichen Rechts*). Private legal forms of IMC organise as limited liability companies (GmbH), joint stock companies (AG) or private law agreements. Beside these regulations, any informal cooperation between municipalities is possible.

All forms of IMC mentioned in the law are intensively used. In summary, at the end of 2015, approximately 200 IMCs are active in Brandenburg.⁷ Classically, the term IMC is strongly orientated in Germany only towards the legal forms of cooperation. Unfortunately, this term does not include all forms of inter-municipal cooperation, such as the Unions of Local Employer Associations, the Euro regions, joint municipal research institutions and local savings banks:

- (1) The most important compulsory form of IMC in Brandenburg is the “association of municipalities” (*Ämter*) already mentioned several times. They are separate legal entities in the form of public corporations (*Körperschaften öffentlichen Rechts*), established by law in 1993

and reformed in 2003. A new reform is on the way. Members are municipalities, belonging to the same county. More than 65 % of all municipalities in Brandenburg (269 of 417) belong to 52 *Ämter* (on average, five municipalities per association). They combine the administrations of several municipalities in order to organise them more efficiently. This does not affect the political self-government rights of the member municipalities (including the budget right). *Ämter* are responsible for some public tasks assigned by law or regulation (e.g., registry offices). Member municipalities may transfer additional self-government tasks to them (e.g., school and day-care facilities). They have—in addition to their own revenues—various additional sources of funding: for all public tasks assigned by law or state regulation, they receive subsidies from the federal state. If this funding is not sufficient, all member municipalities have to pay a special apportionment (*Amtsumlage*). The member municipalities have to pay for all special services that they have transferred to the *Ämter*. Their future is controversial (see Section 3.3). According to Hulst and van Montfort's IMC typology (2012), “associations of municipalities” are quasi-regional governments.

- (2) The five “Regional Planning Associations” (*Regionale Planungsgemeinschaften*) are another compulsory form of IMC in the federal state of Brandenburg.⁸ Its members are the counties (*Kreise*) and county-free cities (*kreisfreie Städte*). They also form a legal entity in the form of public corporations (*Körperschaften öffentlichen Rechts*) supervised by the Federal State Planning Authority. Regional planning associations act on the Federal Spatial Planning Act 2008⁹ and the Federal State Law on Regional Planning and Lignite as well as Rehabilitation Planning.¹⁰ Regional planning associations in Brandenburg are the general institution of regional planning, responsible by law for fulfilling the mandatory task of installing, updating, amending and supplementing regional plans. They can take over additional tasks of regional planning (e.g., energy concepts). The federal state bears costs through a basic fee and a population- or area-based annual allocation. For additional tasks, the costs shared between the federal state and regional planning associations members. They are planning forums according to Hulst and van Montfort's IMC typology (2012).
- (3) Furthermore, 40 voluntary agreements between local authorities registered in Brandenburg. Half of them are public agreements (*öffentlich-*

rechtliche Vereinbarung) and private law agreements (*privat-rechtliche Vereinbarung*). In the latter case, the EU public procurement rules for supplies or services apply. Municipalities and “associations of municipalities” may agree that one of the parties carry out individual municipal tasks for the other parties (e.g., co-use of infrastructural facilities or utility installations), costs to be borne by the parties. Some examples will demonstrate the significance of this form of IMC. In 2007, 17 counties and county-free cities signed a public law agreement on joint operation of required public tasks based on the Social Code XII, including integration assistance for disabled people, help for care and help for blind people. The acquisition of former government planning tasks; developing general standards of performance and concluding agreements on services, costs, and quality assurance measures with free and private organisations for inpatient and day-care facilities; forming a joint service-paying unit (“*Entgeltstelle*”) in the district of Spree-Neisse. Another example of IMC is the integrated centres for fire, ambulance and emergency services. Until 2008, these public tasks were located at the level of counties and county-free cities. At this time, five regional centres for fire and disaster protection and emergency medical services were established, responsible for several counties and county-free cities. According to Hulst and van Montfort’s IMC typology (2012), these can be regarded as service delivery agreements.

- (4) SPAs (*Zweckverbände*) constitute the most important kind of IMC in Brandenburg. Currently, 77 of them are officially registered.¹¹ Exactly 65 of them are active in the “drinking water and wastewater” field (84 %), followed by “waste”, “education and training” and “culture” (each three SPAs), as well as IT, planning and tourism (one SPA each). They are separate legal entities in the form of associations of public corporations. They are mostly voluntary (*freiwilliger Zweckverband*), though in some cases they have been established on a compulsory basis (*pflichtiger Zweckverband*). SPAs are a form of horizontal cooperation of local authorities of the same level. Fees, contributions of customers and allocation of members finance them. Only in case of emergency do they get financial support from the federal state.

The number of staff of the SPAs in Brandenburg has remained relatively constant since 1995. It increased from 1795 of 63,430 (core budget municipal employees) in 1995 (2.8 % total of all municipal employees) to 1870 (of 51,280) in 1998. In the following years, the

number of employees fell to 1705 by 2009 (4.2 % of 40,715 municipal employees). Since then it has been growing each year, reaching 1945 employees in 2014. These are, however, 4.3 % of the entire staff in municipalities and local government associations (45,345), only five of whom are civil servants (*Beamte*).¹²

According to the result of a special survey from late 2015,¹³ the most important goals pursued by establishing SPAs in Brandenburg are problem solving and cost reduction. Full-time mayors of member municipalities mostly initiating and dominating SPAs, due to their broad legal competencies, strong formal position, intensive networks and high legitimacy. For heads of municipal associations, the situation is similar, though without similar legitimacy. The councillors and senior managers of member municipalities play only a mid-range role, while external actors play no role whatsoever. The survey shows high variance of institutional power among SPAs due to large differences in size, number of member municipalities and number of employees. Only half of them have “hard” institutional structures.

Their performance self-assessment in the survey is rather positive. The respondents evaluate as positive the horizontal relations among member municipalities, the effectiveness of decision-making, and the benefits of cooperation and the level of communication with local communities. There are relatively stable SPAs in Brandenburg that trend towards closed shops and have fewer direct spill-over effects.

According to Hulst and van Montfort’s IMC typology (2012), SPAs are service delivery organisations.

- (5) Finally, the most informal variant of IMC are voluntary joint municipal working groups (*kommunale Arbeitsgemeinschaften*). These institutions are widespread in Brandenburg under different names like “roundtables”, mayor conferences or expert panels. Their exact number is unknown.¹⁴ According to a survey held by the association of cities and municipalities in Brandenburg, 21 municipalities reported that they use the instrument of joint municipal working groups.¹⁵ Members are municipalities and “associations of municipalities”, other public law organisations, institutions or foundations and natural or legal persons in private law. Within this soft form of IMC, the partners can discuss joint activities, agree on implementation plans and initiate common solutions. The joint working groups cannot take binding decisions; they remain the responsibility of councils of the participating municipalities. Examples for content-based working

groups are the municipal associations “Technology-aided data processing in Brandenburg”, founded in 1991, “Cities with historic centres” of Brandenburg, founded in 1992, and the “Water tourism initiative Brandenburg South East”. One example of territorially based working groups is the municipal working group “Economic Region Osthavelland”, founded in 2010. Beyond Hulst and van Montfort’s IMC typology (2012), this kind of IMC is a form of ad hoc project cooperation.

- (6) A special form of IMC is the associations of local authorities (*kommunale Spitzenverbände*), two of which have existed in Brandenburg since 1990. First, the “Association of Cities and Municipalities Brandenburg” (*Städte- und Gemeindebund Brandenburg*) with 4 county-free cities, 141 unitary municipalities and 75 municipalities is part of an Amt. In addition, 50 Ämter are members. Second, the “Association of Counties Brandenburg” (*Landkreistag Brandenburg*) has all 14 counties as members. The two influential associations represent the interests of their members to the federal state parliament and government. They play an advisory and consultation role in planning projects and municipally relevant decisions of the federal and federal state governments. They organise the exchange of experience and the opinion-forming process among their members and give professional and legal advice. Members’ fees and contributions finance them. This voluntary form of IMC does not fit Hulst/van Montfort’s typology. It is not an ad hoc institution. These umbrella organisations play an important role in the participation of local authorities in German decision-making at the federal and federal state levels. I therefore regard them as an additional type of IMC to be added to the Hulst/van Montfort typology.

Public Debate on IMC in Brandenburg

In Brandenburg, an intensive discussion is going on about the performance and challenges of IMC. Particularly because the federal state government is still planning a new territorial reform at the county and municipal levels, the pressure on intensifying IMC in Brandenburg remains high, despite municipal structures being to some extent consolidated. It appears that the international debate about the advantages and disadvantages of IMC and amalgamation is also taking place in Brandenburg (Swianiewicz 2010; Hertzog 2010; Sancton et al. 2000; Soguel 2006; Sullivan and Skelcher 2002).

In this chapter, I will focus only on two major events: the results of a Parliamentary Commission on the reform of public administration in Brandenburg and the current process of administrative reform at county level since 2015.

A good opportunity to reflect on the current debate on IMC in Brandenburg are the discussions held by the special commission of the federal state Parliament (*Landtag*), which between 2011 and 2013 discussed the future of public administration in Brandenburg, including the local level and the issues of IMC. It was intended that it submit proposals to increase the quality and scope of IMC, including changes in government regulations. A second focus was on the relationship between IMC and possible further municipal amalgamations.

In its final report, the Commission refers to the constitutionally secured cooperation autonomy of local authorities.¹⁶ It recommended that the Parliament should improve the legal options for IMC by an amendment to the Law on local community work. However, it concluded that IMC “does not necessarily lead to long-term stable and sustainable structures” and has “insufficient democratic legitimacy”. Finally, the Commission stated that more IMC could not function “as a substitute for a comprehensive local government structural reform”. It advocated strongly in favour of a new territorial reform at least at county level. However, it rejected a new compulsory territorial reform at municipal level. Instead, to force municipalities to merge voluntarily new incentives are discussed.

Some experts taking part in the commission sessions (and the opposition parties Christian Democratic Union (CDU) and Free Democratic Party (FDP)) see the potential of the IMC in Brandenburg in a much more positive light. Using the example of IMC in the integration assistance under Social Code XII, the expert Mr. Lutz Amsel showed their advantages and disadvantages.¹⁷ The advantages arise mainly from the increase in the quality of this social service and the higher level of professionalism. Further advantages are the improved negotiating position due to the larger volume in the purchase of goods and services, the reduction of bureaucracy, greater transparency by defining joint standards, as well as significant cost savings for the municipalities participating in IMC. The disadvantages include the high level of time necessary on the part of executives, especially in the implementation phase, the high requirements of procurement law and the ongoing need for a strong political will. Summing up, Mr. Amsel found significantly more advantages than disadvantages. The opposition parties follow this argument.

However, the Enquete Commission recommends a reform of the existing “associations of municipalities” in Brandenburg to ensure the sustainability of this form of IMC. It expressed doubts about whether the existing “associations of municipalities” continue to satisfy the requirements of both federal and federal state constitutional law. Therefore, to overcome the democratic deficit, they should be converted into “Brandenburg Ämter municipalities” with two directly elected organs (municipal mayor and municipal council). To strengthen these new municipalities, they should take over tasks from former “associations of municipalities” and from the federal state or the counties. The commission suggests voluntary amalgamation based on agreements to reach at least 10,000 inhabitants (in 2030) to make them more efficient than the existing local authorities.

During the Commission’s sessions, the influential CEO of the “Association of Towns and Municipalities Brandenburg”, Karl-Ludwig Böttcher, criticised that there is “no special institution in federal state government to support IMC”. In addition, he demanded lower regulatory barriers, an increased use of e-government and better incentive structures to improve IMC in Brandenburg. The Commission also discussed some problems of IMC that are rooted within the municipalities themselves. In some places, pronounced rivalry, historical conflicts and local self-interests constitute high hurdles for IMC. Above all, the local administration (i.e., the main offices) seems to dominate the public service agreements; the influence of the local councils seems too low.

The Commission’s majority concluded in the final report in October 2013 that IMC can only “temporarily” help to bridge the existing administrative weakness of local authorities. However, it is not enough to establish a strong local management as an isolated step. Hence, IMC do “not necessarily lead to long-term stable and sustainable structures”. (Landtag Brandenburg 2014, p. 7). The commission especially criticised the SPAs’ and local authorities’ agreements because of the difficulties in the decision-making process and a lack of democratic legitimacy. Therefore, the Commission’s majority believes that cooperation is only the second-best solution for the future of local authorities and “no substitute for a comprehensive local government structural reform”, that is, reducing the number of local administrations (Landtag Brandenburg 2014, p. 7). Finally, it considers amalgamations the more cost-effective solution.

Based on the results of the Parliament commission referred to above, the new federal state government, elected in September 2014, described

its basic positions towards IMC and municipal reforms in the coalition treaty.¹⁸ In this document, it committed to further expansion of IMC. Above all, the government wants to ensure that any changes in tax law (e.g., VAT on municipal services) will not hinder IMC activities. Taking the results of the Commission referred to above into account, the new federal state government decided to carry through a new administrative reform at the county level by 2019. Furthermore, it has decided to reform the existing “associations of municipalities” and replace them with new Brandenburg Ämter municipalities.

The current discussion on IMC in Brandenburg focuses on three issues: the question of a new territorial re-organisation of local authorities, the future of the “associations of municipalities” and finally the specific problem of decisions on invalidated charges for drinking water and wastewater associations for connections before 1989.

Based on the analysis of the Parliamentary Commission, in May 2015 the federal state government submitted a concept for an administrative reform by 2019 (Ministerium für Inneres und Kommunales 2016). A new law intends to reduce the number of county administrations this year. In addition, in the next legislative period after 2019, a new wave of voluntary amalgamation municipalities with more than at least 10,000 residents is expected.

The federal state Parliament decided in July 2016 to restructure the county level by reducing their number and by incorporating by 2019 the existing county-free cities into the newly established counties. Only the capital of Brandenburg, Potsdam will remain this status. In the context of the associated functional reform, 22 previously federal state tasks shall be transferred to the counties and county-free cities (e.g., regional planning, tasks of nature conservation and the preservation of monuments).¹⁹

By the end of 2016, the federal state Parliament will decide on the laws of the new territorial county structure and borders. The reform continues to be very controversial. The reform opponents want to stop it by bringing an action before the country's Constitutional Court. If this is not successful, they will try to stop the reform by a referendum.

Furthermore, the federal state Parliament decided in July 2016 in Brandenburg to establish a new organisational model rather than the existing “associations of municipalities”. Based on the model existing in Saxony-Anhalt and Rhineland-Palatinate, they will be replaced by “Brandenburg Ämter municipalities”. To strengthen these new municipalities, they shall take over tasks carried out by the former “associations

of municipalities” and the federal state or counties. To ensure the sustainability of this form of IMC, the government has decided to establish these new models on a contractual basis, forming municipalities of at least 10,000 inhabitants (in 2030).

The Specific Problem of Drinking and Wastewater SPAs

Finally, I will briefly mention a specific problem of IMC in Brandenburg that has impaired the IMC’s public reputation. After the peaceful revolution of 1989 in East Germany, the drinking water and wastewater SPAs in Brandenburg invested a significant amount in modernising their related equipment (such as sewage treatment plants). In some cases, this was carried out far in excess of requirements. Therefore, many PSAs in this branch ran into financial difficulties because of the huge associated debts. To get rid of them, they forced households in their jurisdiction to pay high fees, including households that before 1989 had been connected to the drinking water and sewage mains (*Altanschließer*). This method was legal since an amendment to the local tax act of Brandenburg of 2004 allowed retroactive collection of contributions. Nevertheless, from the beginning it had an unfair character, and various legal actions followed.

The Federal Constitutional Court finally decided in late 2015 that the contribution requirements for wastewater connections to about 100,000 households from the time of the former German Democratic Republic (GDR) period and even through the year 2000 are ineffective because they violate the legal principle of legitimate expectations and non-retroactivity. Thus, it annulled the aforementioned Brandenburg local tax act. The implementation of this decision will cause estimated costs of between 400 and 500 million euros. Until now, it is unclear who will pay for them: the Land Brandenburg, the municipalities as the responsible authorities or the SPAs themselves.

Overall, this issue was a collective institutional failure in which special-purpose associations, municipalities, the federal state Parliament, the federal state government and the judiciary, including the Federal State Constitutional Court, tried for a long time to solve the problem at the expense of a group of customers. In any case, this problem has significantly weakened the confidence of the population in the drinking water and wastewater associations. In addition, because of expected high financial burdens, the further existence of some SPAs in this area is at risk. Finally, the state government feels validated in their scepticism about IMC.

CONCLUSIONS

The analysis emphasises the intensive use of different forms of IMC in Brandenburg. The special law on joint local authorities' activities in Brandenburg constitutes a good framework for the development of IMC. The most important goals in establishing IMCs in Brandenburg are problem solving and cost reduction. Full-time mayors and heads of "associations of municipalities" mostly heading the IMC organisations in Brandenburg. Shortcomings of IMC are insufficient democratic legitimacy, a lack of sustainability and stability and sometimes-inadequate efficiency.

Despite the non-fragmented territorial structure of local authorities, the federal state government and the majority of Parliament continues to focus on the benefits of mergers of counties and municipalities. At the same time, IMC decision processes shall be made more transparent, democratic and efficient. Because of government plans for new amalgamations at the county level by 2019, possibly followed by voluntary merger at municipal level, the pressure on intensifying IMC as a possible alternative for amalgamations remains high.

Despite some specific features (e.g., proximity to the German capital, Berlin), the results of the analysis of the IMC performance in Brandenburg can be generalised for at least the other East German federal states.

NOTES

1. This level includes in addition the 107 county-free cities (*kreisfreie Städte*) that combine municipal and district functions. Data for January 1, 2016.
2. To the extent that the federal state delegates administrative functions to local authorities.
3. However, IMC between Brandenburg municipalities and Berlin are not possible because Berlin itself is a unitary municipality and its districts do not constitute separate municipal units. For this reason, for any issue (including municipal affairs), a treaty between the two federal states is always necessary (e.g., if Brandenburg pupils want to go to schools in Berlin and vice versa).
4. In the literature, various terms are used for this institutional arrangement such as inter-municipal associations or local government associations.
5. See Kommunalverfassung des Landes Brandenburg (BbgKVerf) vom 18. Dezember 2007 (GVBl.I/07, [Nr. 19], S.286), zuletzt geändert durch Artikel 5 des Gesetzes vom 11. Februar 2014 (GVBl. I/14, [Nr. 07]) (see http://www.bravors.brandenburg.de/sixcms/detail.php?gsid=land_bb_bravors_01.c.47187.de#122).

6. See Gesetz über kommunale Gemeinschaftsarbeit im Land Brandenburg (GKG) in der Fassung der Bekanntmachung vom 28. Mai 1999 (GVBl.I/99, [Nr. 11], S.194), zuletzt geändert durch Artikel 3 des Gesetzes vom 16. Mai 2013 (GVBl.I/13, [Nr. 18], S.194; (See http://www.bravors.brandenburg.de/sixcms/detail.php?gsid=land_bb_bravors_01.c.47179.de).
7. The number may be partial since we have no exact data on working groups and other soft forms of IMC.
8. The regions are Prignitz-Oberhavel, Uckermark-Barnim, Oderland-Spree, Lausitz-Spreewald and Havelland-Fläming.
9. See Raumordnungsgesetz vom 22. Dezember 2008 (BGBl. I S. 2986), zuletzt durch Artikel 9 des Gesetzes vom 31. Juli 2009 (BGBl. I S. 2585) geändert.
10. See Gesetz zur Regionalplanung und zur Braunkohlen- und Sanierungsplanung (RegBkPIG) in der Fassung der Bekanntmachung vom 8 Februar 2012 (GVBl./12 [Nr. 13]), geändert durch Artikel 9 des Gesetzes vom 11. Februar 2014 (GVBl.I/14 [Nr. 07]).
11. See [http://service.brandenburg.de/lis/list.php?page=behoerdenverzeichnis_art&sv\[adr_art\]=zv_*&_grid=Zweckverb%C3%A4nde](http://service.brandenburg.de/lis/list.php?page=behoerdenverzeichnis_art&sv[adr_art]=zv_*&_grid=Zweckverb%C3%A4nde). (Viewed on 17 March 2016.)
12. According to data of the Statistical Office Berlin-Brandenburg.
13. The online survey was based on a questionnaire proposed by a Polish team led by Pawel Swaniewicz in the English language, which was translated into German and adapted to the circumstances in Brandenburg. It was open from 3 November to 5 December 2014. For each of 74 SPAs, the president and the chairperson of the association board were asked to take part in the survey. In the end, 25 of the 148 special-purpose associations whose participation was requested completely filled in the questionnaires ($N = 25$). Hence, the response rate is 16.9 %. Given this, the survey is not representative, but does reflect opinions and self-images of high-level SPA representatives in Brandenburg.
14. They have different names; for example, the term “Round Table” is very common.
15. According to the presentation held by Mr. Sebastian Kunze (Association of Cities and Municipalities Brandenburg) on “The cooperation model of inter-municipal cooperation”, 10 June 2013 (see <https://www.zab-energie.de/de/system/files/media-downloads//Das%20Kooperationsmodell%20der%20interkommunalen%20Zusammenarbeit-7812.pdf>).
16. The final report was adopted by the majority of the commission, consisting of the commission members of the government (SPD and Left party) with the support of the commission members of the opposition party “The Greens”. The other opposition parties CDU and FDP as well as some individual members of the commission voted to some extent differently.

17. Presentation by Mr. Lutz Amsel during the commissions session at 10 February 2012, quoted according to final report, p. 157.
18. Koalitionsvertrag zwischen SPD Brandenburg und DIE LINKE Brandenburg für die 6. Wahlperiode des Brandenburger Landtages (URL: <http://www.brandenburg.de/media/lbm1.a.4868.de/20141010-Koalitionsvertrag.pdf>) (last retrieved on 29 September 2016).
19. Landtag Brandenburg (2016), Beschluss zum Entwurf des Leitbildes für die Verwaltungsstrukturreform 2019, Potsdam (Drucksache 6/4528-B). <https://www.parlamentsdokumentation.brandenburg.de/starweb/LBB/ELVIS/parladoku/w6/beschlpr/anlagen/4528-B.pdf>

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Bigger and Stronger Together: How Icelandic Municipalities Solve Their Lack of Capacity and Scale Economy

Grétar Thór Eythórsson

INTRODUCTION

Inter-municipal cooperation (IMC) in Iceland has a history of many decades, as there is and has been historically significant contact and collaboration between municipalities throughout the country. IMC was voluntary, until the Local Government Act of 1986, but based on special acts or contracts between institutions if they wanted to join forces on certain issues or services. With the Act of 1986, voluntary cooperation was made a free choice for those who wanted (Grétarsson 2013, pp. 98–99).

The harsh geographical and weather conditions in Iceland—such as high mountains and cold and snowy winters—have historically had an impact on the municipal structure. In many cases, this has prevented possibilities for municipal amalgamations due to problems with communication on land. This is one of the causes of the fragmented local government system in Iceland, with a population of 330,000 and 74 municipalities, which gives an average population of almost 4500. The capital of Reykjavík

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is overwhelmingly the largest municipality with a population of over 122,000 but the median size of an Icelandic municipality is only 882.

As is seen in Table 11.1, 35% of the municipalities have a population of less than 500 and more than 55% less than 1000, so the fragmentation is a fact—the size scope is from 53 to 122,460.

Another explanation for these structural characteristics, as shown in Table 11.1, is the fact that it has always been a principle at the national political level that no municipality can be amalgamated without the consent of the majority of the voters (Eythórsson 1998). Two rather unsuccessful general referenda on municipal amalgamations have been held in the last two decades: 1993 and 2005. However, these attempts to reform the municipal structure in the country have not led to the desired results—that is, to eliminate the so-called small municipalities, often defined as those with a population of less than 1000. Shortly after the latter referendums in 2005, attempts to continue to try to solve the structural problem by means of IMC came on the agenda. Already in 2007, plans were made for a stepwise process of transferring responsibility from the state to local level. This was to be done, regardless of whether municipalities wished to amalgamate or not. Suddenly, IMC became the mantra for those willing to reform the local government system. The main interest was now in the cooperative approach and intentions to reform by amalgamating municipalities were put aside—at least for the time being. Support increased for reinforcing the local level with this method as is confirmed by surveys among local leaders in 2006 and 2011. These clearly show increased interest in trying the cooperation way instead of amalgamations—among both elected local officials and members of parliament (Eythórsson et al. 2006; Eythórsson and Arnarson 2012). In 2011, all handicap services were transferred from the state to local level—a move which had comprehensive cooperation between municipalities as a prerequisite. This was because less than 10% of Icelandic municipalities had, according to the state standards, the minimum population required to take over this function.¹

Table 11.1 Number of municipalities in Iceland in different size categories (2016)

<i>Size</i>	<i>>500</i>	<i>500–1000</i>	<i>1001–2500</i>	<i>2501–5000</i>	<i>>5000</i>	<i>All</i>
Number	26	15	15	9	9	74
%	35.1	20.3	20.3	12.2	12.2	100.1

Source: Statistics Iceland

IMC is fairly widespread in Iceland. A total of 197 IMC projects (formal arrangements) are ongoing and the average Icelandic municipality is involved in 13.5 projects (Jóhannesson et al. 2016). However, there is a regional difference in this frequency, which might be a consequence of the conditions mentioned earlier. Due to this shift in emphasis towards methods of reinforcing the local level by transferring tasks to it from the state, interest in doing research on IMC is more emerging than before—both practically and theoretically. That leads us to the research question of whether small municipalities tend to try to solve their capacity and scale problems by entering into IMC. Are these arrangements first and foremost established in order to try to solve problems of insufficient capacity to provide efficient services? And why this, rather than amalgamating?

In this chapter, I intend to give the first indications of answers to these main questions. The data used to answer this is taken from two surveys. The first one was conducted in the beginning of 2015—a survey among directors of 50 non-randomly selected inter-municipal entities. A total of 37/50 answered—a response rate of 75.5%. The other survey was part of a recent research project completed in spring 2016 by scientists at the University of Akureyri, where IMC in Iceland as a whole was mapped. In the same project, a net survey was conducted among the entire population of elected local officials in the country—a total of 489 received the survey and 258 answered, which is about 54% (Jóhannesson et al. 2016). These surveys posed questions about reasons and motives for entering into cooperation and here I show results from these.

INTER-MUNICIPAL COOPERATION: WHY AND WHY NOT?

Earlier research on IMC has given clear signs that the main motives for entering into such cooperation frequently focus on reduced costs, better service quality, increased service capacity and enhancement of administrative capacity. This is often connected with the fact that small municipalities lack capacity to provide essential services due to a low population base. Studies that show this are, for example, Lundtorp and Weber (2001) in Denmark who found that professional capacity and service quality clearly increased in municipalities which joined cooperation and that costs were reduced at the same time. A further significant gain was reduction of costs and therefore the municipalities achieved the same or more quality at lower, or at least, similar prices (Lundtorp and Weber 2001, pp. 77–78). Icelandic studies show similar results. Ragnarsson (2003) found that

economies of scale and reduction of expenditure were the main motives identified by local elected officials in a survey. Results from several studies on IMC projects in Iceland point in the same direction, both from Sveinsson on the Westfjord and North-West regions in 2014 and from Arnardóttir on the West Iceland region in 2011. Hlynsdóttir (2004) conducted a study on extensive cooperation between four municipalities in South-Iceland and found clear evidence of scale economy, as well as increased service quality and quantity in most sectors participating in cooperation, although not in administration and primary schools (Hlynsdóttir 2004, p. 110ff.). And there is more evidence on this. In an anthology edited by Pawel Swianiewicz (2011b) on IMC in Central and Eastern Europe, several main benefits of joining IMC are brought forward. The first to be mentioned are economies of scale and service-delivering capacities for small municipalities. Others are as follows: cooperation prevents “free riding” if the catchment area of one municipality is wider than administrative boundaries with neighbouring municipalities; the benefit identified is the joint management of indivisible infrastructure; IMC will facilitate the management of functionally integrated services in areas which are administratively fragmented; and, finally, a source of strength is increased visibility for smaller units which lack capacity for the effective promotion of, for example, tourism. In their anthology from 2007, Hulst and van Montfort (2007) describe joining IMC arrangements as one of the strategies European municipalities have used to “deal with the pressures on local government resulting from the increasing technical scale of production, the growing scale of social and economic processes and the pressures of the European market” (Hulst and van Montfort 2007, p. 4). Baldersheim and Rose (2010) describe these problems and the need to solve them as “overcoming fragmented, costly, duplicative and occasionally overlapping jurisdictional boundaries” (Baldersheim and Rose 2010, p. 8). The Swedes Wiberg and Limani (2015) show clear signs of the collaborative profile meeting needs for higher cost efficiency and competence among staff in three Swedish municipalities. In very recent research by Klausen et al. (2016b), on IMC in Norway, they state that, together with strong state government, IMC has been the preferred method in Norway in order to solve the economies of scale problem (p. 284). Jacobsen (2014) draws the same picture and says that traditionally (in Norway) effective production has been the principal argument for IMC. He ties effective production to economy, that is, the search for lower production costs.

To sum up, the main motives for joining cooperation arrangements clearly seem connected to lack of efficiency, capacity and professionalism, and production costs. All these are the disadvantages of smallness and can be overcome by reaching “critical size” in cooperation arrangements. Therefore, one would most likely hypothesize that the tendency to enter cooperation arrangements is connected with population size—small or smaller units should be more eager to join, and small or smaller units should gain most from cooperation.

COMPLICATIONS WITH INTER-MUNICIPAL COOPERATION

At the same time as the motives for entering into IMC—the disadvantages—eventual complications connected with this have to be mentioned. These are, however, more connected with other aspects than the questions of capacity and cost efficiency. The questions raised have been on democracy, political accountability and inefficient administration.

Democratic concerns with the IMC form have been raised by some scholars, relating to the complexity of accountability and decision-making. Municipal voters delegate their power to their directly elected politicians, which in itself is a transfer of authority and, in principle, could be a problem. This is a fundamental aspect of representative democracy. What is not necessarily included in representative democracy, however, is the situation when elected officials in municipal councils further delegate their authority to another board or council, which is not in any way elected by their voters. Thus, a democratic dilemma can occur. In a report on IMC in Denmark, the Danish political scientist Ulrik Kjær mentions several “potential concerns on democracy” connected to IMC projects (Kjær 2000). First, the political minority on each municipal board involved in cooperation is, or can be, undermined, since it is more commonly a spokesperson from the majority in council who represents the municipality on the IMC board. The second concern is that having only one representative on these IMC boards leads to fewer possibilities of monitoring that the interests of each municipality are taken care of. A third consideration is that political accountability can be diffuse. The voters have problems realizing which politician in their municipality is responsible for the decisions of an IMC board (Kjær 2000, p. 11ff.). However, in another research on IMC in Denmark, these concerns received less support. Lundtorp and Weber (2001) argued that their research findings did not confirm the democratic concerns expressed by Kjær (Lundtorp and

Weber 2001, pp. 73–74). Neither does earlier Icelandic research on this topic seem to support concerns for the democratic aspect (Ragnarsson 2003; Hlynsdóttir 2004; Arnardóttir 2011; Sveinsson 2014). In Finland, criticism has mostly focused on overgrown, inefficient and, therefore, expensive administration in the context of IMC—not on the democratic aspect (Pekola-Sjöblom 1998). More recent European research, however, identifies democratic deficits, slow decision-making and increased personnel and political costs as unfavourable consequences of cooperation (Swianiewicz 2011a, p. 8ff.).²

SURVEY AMONG THE DIRECTORS OF INTER-MUNICIPAL COOPERATION ARRANGEMENTS

In the beginning of 2015, when it was decided to undertake a survey among inter-municipal entities, a total mapping of the entities had not been carried out. Therefore, a sample of the 50 larger entities was taken. The objective was to include as many as possible of the largest and most comprehensive entities where general information on staff and/or director could be found on the web. The directors who received the survey were persons especially recruited/hired to lead the cooperation entities. The final non-random sample size turned out to be 50 and the survey (net survey) was sent out to the directors. The survey was sent out on 2 February 2015 and, after two reminders to potential respondents, it was closed down on 3 March. Finally, 38 responded; one respondent, however, was dropped during the data collection period and is therefore excluded. Thus, 37/50 participated—a response rate of 75.5%. It is important to note here that since a total mapping of inter-municipal entities did not exist at the time of the survey and that the sample was not a random sample, any broad generalizations of the results from the survey cannot be drawn. However, many areas of cooperation are covered and the biggest entities are quite well represented so the results are likely to offer a good insight into the real situation.

In this non-random sample, IMC entities of various kinds were represented: handicap services, culture, garbage and sewage, fire brigade, harbours, regional federations of municipalities and regional economic development centres. Some of those who answered the survey were involved in multi-purpose arrangements, which means the tasks covered were quite comprehensive. The figure shows this (Fig. 11.1).

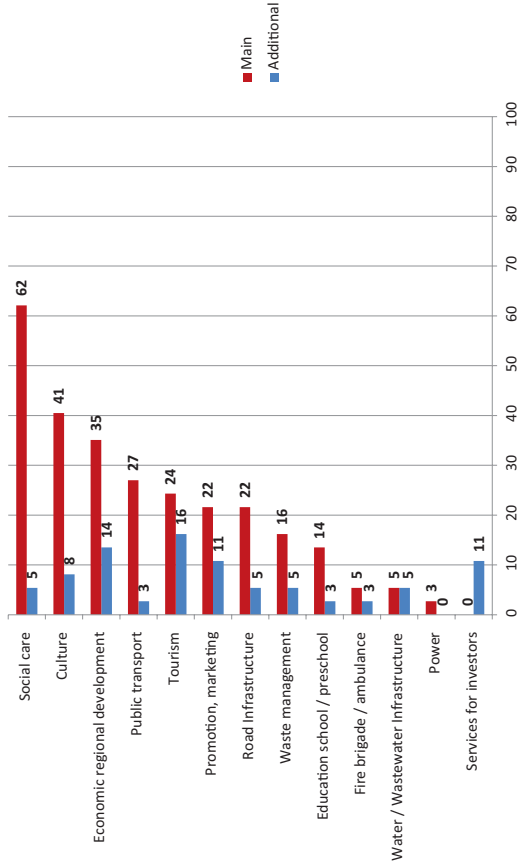


Fig. II.1 Areas of cooperation within the entities participating in the survey

Social care is clearly the most widespread main function (62%) followed by culture and economic and regional development (35–40%). Other items scoring over 20% as the main function are public transport, tourism, marketing and road infrastructure (22–27%).

THE DIRECTORS ON MOTIVES AND REASONS

So, what motives can be expected for entering into IMC? The results from the Icelandic survey are very much in line with the reasons and motives discussed here in an earlier chapter. The motives behind the IMCs, as identified by the directors, are shown in Fig. 11.2. *Gaining capacity* (60%) is by far the strongest motive according to the directors. Other motives lie far behind, but *lowering costs* (22%) and *increased visibility* (19%) can also be mentioned as somewhat significant motives (Fig. 11.2).³

These findings should not come as a surprise, bearing in mind the fragmented local government system of Iceland, with more than 50% of the municipalities with a population of less than 1000 and over 90% with less than 10,000. The problems of the small and very small municipalities are frequently seen as lack of scale economy, lack of capacity and insufficient ability to compete with other municipalities in attracting new firms and new inhabitants (Eythórsson 1998; Eythórsson 2014; Eythórsson et al. 2014). This has to be stated with the disclaimer that the sample is not

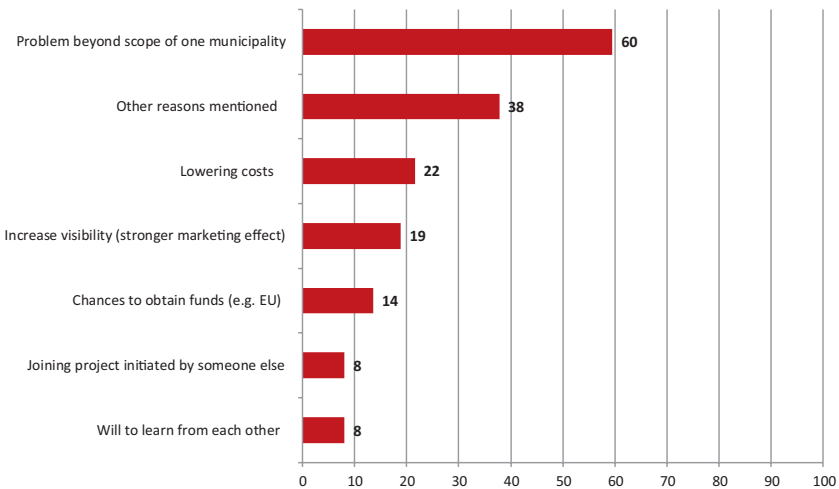


Fig. 11.2 Motives behind IMC projects/entities in Iceland. Survey 2015

random which limits the scope to generalize but, nevertheless, provides a reasonable indication of the situation.

Even though our study is not an evaluation study on how IMC has played out, the survey offers some evidence in this respect. We also asked a question aimed at inducing the directors to evaluate the main benefits of the cooperation. The results are in Fig. 11.3 and clearly indicate how the cooperation projects have helped to meet the intentions and hopes attached to them.

The given alternatives for evaluating the IMCs all seem relevant as effects or results of cooperation activities. Clearly, the strongest effect is attributed to the alternative *solving problems beyond the boundaries of one single municipality* (62%). This is a clear sign of IMC as a means to overcome the capacity problem. Both *lowering costs through cooperation* (40%) and *increased visibility* (32%) again appear as frequent choices. This indicates the motive for what appears to be realized as the outcome. This option may be connected to the capacity solution but can in principle also suit larger municipalities wanting to lower their expenditure. Entering into a wider context in order to become more visible also seems an attractive option for some municipalities. The main pattern that can be read out of this is that the impact of IMC is strongest in helping small municipalities to solve their tasks and to achieve this at lowest possible cost.

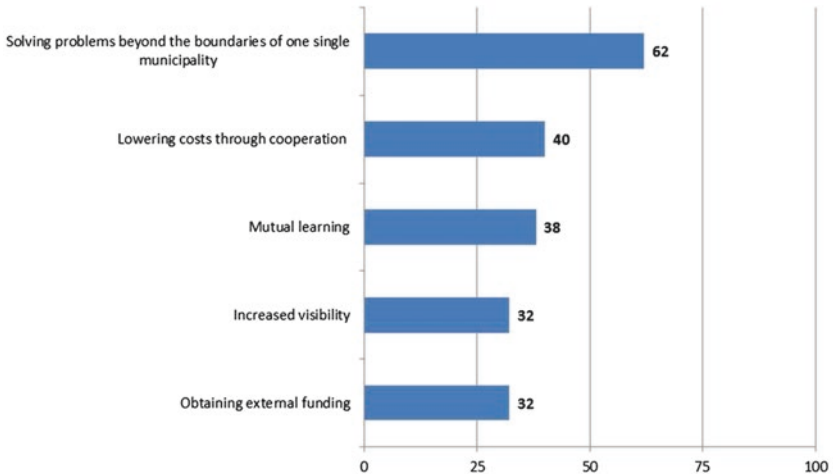


Fig. 11.3 What are the effects of the association's activities? (You can choose more than one answer).

The results from this survey clearly indicate that IMC is a way for small or smaller municipalities in Iceland to solve many of the most emerging problems they face in their service provision due to their smallness, lack of size efficiency and lack of capacity. Those weaknesses are mitigated by entering into cooperation with other municipalities, which seems to be going well, and no great problems are in evidence due to imbalance of power or lack of trust between parties. Again, it has to be stressed that this is based on a survey in a non-random sample of IMC entities, which limits the possibility of generalizing to all IMCs in Iceland.

ELECTED LOCAL OFFICIALS ON MOTIVES FOR INTER-MUNICIPAL COOPERATION

In a survey sent in 2016 to all elected local officials in the country, they were asked questions on related topics. The results were first presented in the report “Samstarfsverkefni Sveitarfélaga” [Municipal cooperation projects] (Jóhannesson et al. 2016). Here, the local elected officials were asked various questions on IMC. Four of these are connected to the research questions dealt with in this chapter. In all of them the respondents are asked to answer to what extent they agree or disagree with certain statements.

The first statement was “*Inter-municipal cooperation enables my municipality to provide services which are beyond its own capacity.*” The results are in Table 11.2 and we see immediately that responses are somewhat dependent on municipal size.

Table 11.2 The Icelandic local elected officials’ responses to the statement: “with inter-municipal cooperation my municipality can provide services beyond its own capacity”

	<i>Totally agree</i>	<i>Rather agree</i>	<i>Rather disagree</i>	<i>Totally disagree</i>	<i>N</i>	<i>Balance agree-disagree</i>
With IMC, my municipality can provide services beyond its own capacity						
All	26%	55%	16%	4%	200	62%
500 and less	33%	58%	7%	2%	43	81%
501–1000	31%	60%	9%	0%	45	82%
1001–2500	15%	72%	11%	2%	46	74%
2501–10,000	31%	33%	31%	6%	49	27%
More than 10,000	13%	56%	19%	13%	16	38%

The local politicians in general see IMC as a way to provide services beyond their own capacity. This is clearly the case in municipalities with less than 2500 inhabitants, which tells us that this is a more urgent issue in the smaller municipalities. In all those municipalities, around 90% totally or strongly agree with the statement; the proportion is a little lower in the larger municipalities but still around two-thirds. This is a clear indication of the belief that IMC is of greater value to smaller municipalities by increasing their capacity to provide services.

The next table is about gaining more professional services and administrative capabilities with cooperation projects. There is a positive attitude towards this statement. The local leaders see IMC as a way to increase professionalism in providing the services. As shown in Table 11.2, this is especially the case in the smaller municipalities—that is, with less than 2500 (Table 11.3).

In general, 86% agree with the statement that municipalities are able to provide more professional services by cooperating. And, as was the case in Table 11.2, the percentage drops when the municipality population reaches 2500, where we see the percentage fall significantly, to 67–76%. As was the case with IMC, gaining increased in capacity and also seems to promote professionalism.

The following table is about cost efficiency, which is clearly one of the main motives for joining IMC. In short, the table shows clear signs of IMC resulting in more cost-efficient service provision (Table 11.4).

The belief that the IMC arrangements are saving money for the municipalities is very strong—in all categories 79% or more totally or rather agree with the statement.

Table 11.3 The Icelandic local elected officials’ responses to the statement: “with inter-municipal cooperation my municipality is able to provide more professional services”

	<i>Totally agree</i>	<i>Rather agree</i>	<i>Rather disagree</i>	<i>Totally disagree</i>	<i>N</i>	<i>Balance agree-disagree</i>
With IMC, my municipality is able to provide more professional services						
All	32%	54%	12%	3%	200	71%
500 and less	45%	48%	7%	0%	42	86%
501–1000	31%	64%	4%	0%	45	91%
1001–2500	23%	70%	4%	2%	47	87%
2501–10,000	27%	40%	29%	4%	48	33%
More than 10,000	35%	41%	12%	12%	17	53%

The last table is on a more general topic, focusing on IMC in comparison with municipal amalgamations. For many, IMC has been an alternative to amalgamating when faced with no other option than choosing either of these two. This has been the case in smaller municipalities which lack the strength of the population size. Here, local politicians were simply facing the statement that IMC was a better choice than amalgamating. And the results show split opinions with a difference between smaller and larger municipalities.

In the smallest municipalities it seems to be the majority opinion that IMC is a better alternative—57%–65% agree with the statement. In municipalities with more than 1000 inhabitants the opinion is different—a good majority in all categories disagree with the statement and only 28%–39% agree. These findings do not come as a big surprise. In amalgamation contexts the smallest municipalities are those most in need but at the same time they are far more likely to “disappear” or “be set aside” when amalgamating with bigger municipalities (Eythórsson 1998; Brantgärde 1974; Steiner et al. 2016). Therefore, solving problems of capacity and cost efficiency through cooperating with the neighbours instead of amalgamating, thus risking to be swallowed up by larger entities, would appear to be a reasonable choice.

To sum up these analyses, a large majority of Icelandic local politicians believe that IMC results in increased capacity and professionalism and saved money for their municipality; this particularly, however, applies to smaller municipalities. Moreover, local politicians in the smallest municipalities, rather than their colleagues in larger ones, prefer IMC to amalgamations.

Table 11.4 The Icelandic local elected officials’ responses to the statement: “Inter-municipal cooperation enables my municipality to provide services more cost-efficiently”

	<i>Totally agree</i>	<i>Rather agree</i>	<i>Rather disagree</i>	<i>Totally disagree</i>	<i>N</i>	<i>Balance agree-disagree</i>
IMC enables my municipality to provide services more cost efficiently						
All	23%	63%	11%	3%	204	72%
500 and less	33%	60%	7%	0%	42	86%
501–1000	22%	59%	15%	4%	46	61%
1001–2500	17%	77%	4%	2%	47	87%
2501–10,000	24%	57%	14%	4%	49	63%
More than 10,000	16%	63%	16%	5%	19	58%

SOLVING THE LACK OF CAPACITY AND SCALE ECONOMY

The motives and reasons for entering into such arrangements are characteristic of IMC in Iceland. The strongest reason for entering cooperation is, according to both the survey results presented, to be able to *successfully deal with problems or tasks which are beyond the scope of one municipality*—something that can resolve capacity difficulties that mainly small or smaller municipalities have to face. Another quite frequent motive is *lowering costs* by entering into bigger and therefore more cost-efficient arrangements, thus providing opportunities for economy of scale and reduced expenses which small municipalities do not have when operating on their own. This is clearly revealed in the survey among the directors of IMCs—however with the disclaimer that the survey was from a non-random chosen sample. The results from the second survey—the survey among local politicians—show very much the same pattern. That survey contributed an addition, that is, the opinion of elected local officials in the Icelandic municipalities, which increased professionalism in services and administration, was gained by cooperation. The results clearly indicate that municipalities—especially the smaller ones—tend to try to solve their scale, professionalism and capacity problems by cooperating with other similar municipalities—joining a larger unit. Even when asked which is more desirable, IMC or municipal amalgamations, leaders in the smallest municipalities are more in favour of IMC than their colleagues in the larger ones. That indicates that they see cooperating as the choice for them, instead of risking entry into a somewhat peripheral, powerless situation with low status, in an amalgamated municipality. This kind of fear of being locked in a peripheral position after an amalgamation has emerged in both Swedish and Icelandic research (Brantgårde 1974; Eythórsson 1998; Kjær 2001). The smaller units in an amalgamation context tend to be more sceptical and negative towards amalgamating because of the fear of losing power in the new enlarged municipality. In such cases, IMC can easily be a preferred choice. Such a wish, however, is first and foremost connected to the hope of solving the problems of insufficient capacity and lack of scale economy. But there are pros and cons with IMC. In this chapter I have first and foremost looked at the pros side—that is, why this form is chosen and by whom. The smaller units definitely join hands in order to become larger.

NOTES

1. The state defined the population size of a municipality at 8000 as the minimum level for having the capacity to provide the service. See in *Samkomulag ríkis og sveitarfélaga um tilferslu þjónustu við fatlaða* [Agreement between the state and the municipalities on the transfer of disability services] (2010) & Eythórsson et al. (2014).
2. In Franzke et al. (2016), some discussion on pros and cons of IMC is found on pages 84–86.
3. Other reasons mentioned (38%) were highly varied, with “serving the interests of the municipalities in the region” as the most frequently mentioned.

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Inter-local Financial Transfers as a Measure of Cooperation in Poland

Julita Łukomska and Katarzyna Szmigiel-Rawska

INTER-MUNICIPAL COOPERATION IN POLAND: FORMS AND SIZE

There is a three-tier division of local government in Poland. There are two local levels: municipal and county, as well as a regional level. Local communities directly elect a mayor and council members at the municipal level. There are 2479 municipalities, 380 counties and 16 regions. The municipalities were introduced into law in 1990, and the counties and regions in 1999. The average municipality in Poland has 15,500 inhabitants. Twenty per cent of the municipalities have fewer than 5000 inhabitants, but none has a population of fewer than 1000. All municipalities have the same functions and are responsible for the provision of public services in the areas of education, culture, healthcare, transportation, water and sewage systems, waste collection and environmental protection. The largest Polish cities are the exception. There are 66 cities which have the status of cities with county rights, which means that they act as both municipalities and counties in managing functions and revenues.

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In the decision-making process around the type of service or task performed in Poland, the municipality may choose one of the following basic types:

1. *Subordinated to the principles of administrative law, based on cooperation*: inter-municipal union (IMU; pol. *związek międzygminny*), administrative agreement (pol. *porozumienie*).
2. *Subordinated to the principles of private law, based on cooperation*: an intercommunal company (ICC; pol. *spółka międzykomunalna*) or an association (including a local action group).
3. *Subordinated to the principles of private law, based on market principles*: purchase of services from a private company on the basis of contracts governed by public procurement law or the establishment of a municipal company.
4. *Subordinated to the principles of administrative law, based on market principles*: purchase of services from another local government.
5. *Administrative*: in-house.

Municipalities can also cooperate within international organisations and networks (e.g. EUROCITIES), euro regions, working groups or EU-funded projects. The popularity of the different forms of cooperation varies and is difficult to catalogue because there are no easily accessible registers of joint municipal activities. According to our own estimations, made on the basis of different official records, 56% (2015) of Polish municipalities have taken part in a IMU since the beginning of 1990; there have been 313 (2015) IMUs established since 1990 and half of those (156) can be assessed as currently active ones, having submitted a financial report to the relevant ministry in 2015; the remainders have been dissolved or have not been submitting financial reports. There are 160 ICCs (2014, at least 50% local government ownership) whose average size includes 3.5 local entities involved (most often municipalities, but also counties, regions and IMUs). There are no nationwide registers of inter-municipal agreements, and the financial analysis presented in this chapter can thus be considered as an attempt to estimate how often they appear in the activity of Polish local government units. The average financial commitment of local governments in evaluating all three forms of cooperation is around 4.01% of their budgeted expenditures (Fig. 12.1). However, these values can be up to a dozen or so per cent for an individual local government unit.

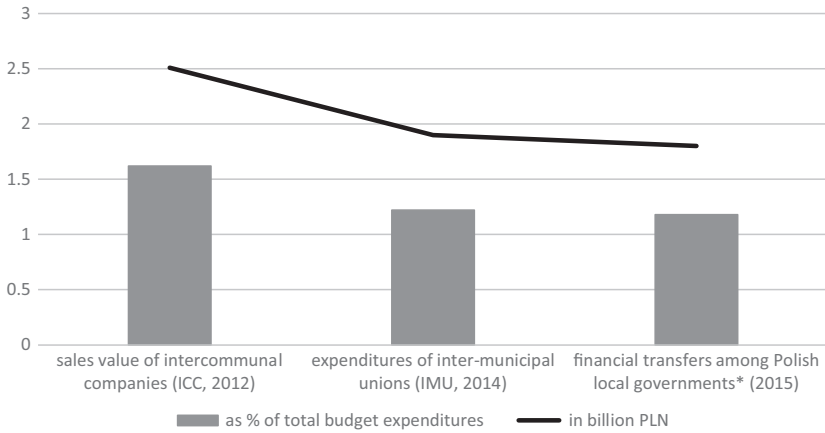


Fig. 12.1 The amount of money spent by Polish municipalities on inter-municipal cooperation (IMC) according to the main forms of cooperation (2012–2015). Source: Swianiewicz (2016) and authors' own calculation on the basis of reports from budget executions (Ministry of Finance). Note: *financial transfers among local governments are defined as in the following part of the chapter but we subtracted here membership fees and grants to inter-municipal unions (IMUs) from our indicator of financial transfers (thus the category mainly consists of administrative agreements and services purchased from other local governments).

IMUs are generally considered to be the most important form of inter-municipal cooperation in Poland. They are legal entities, work according to statutes and have budgets funded by transfers from their members or by fees for services provided. Most municipality tasks can be passed to the union, which can serve more than one purpose.

The most popular areas of IMUs spending in 2014 were communal services (51%) and transport (42%). However, as P. Swianiewicz (2016) writes, transport expenditures are found only in 12 IMUs, and their high value in the overall structure of expenditures of IMUs in Poland is linked to the dominant position of the Communal Communication Union of Upper Silesian Industrial District, whose budget represents 42% of all IMUs transport expenditures. Expenditures related to communal services were spent mostly on the construction of sewage treatment plants, sewage networks and solid-waste treatment plants, but the available data do not allow for a more detailed distinction between the issues being addressed.

ICCs—according to sales value—the most often deal with water supply and sewage collection (over 45%), transport (over 22%), waste management (less than 12%) and energy provision (Swianiewicz 2016). Generally, it can be said that when it comes to providing heat and energy, the chosen form of intercommunal transaction is ICC; with regard to communal services, the most formalised organisational forms—ICC or IMU—are usually selected, but in the case of transport, the situation is most diversified, as the cooperation takes place within all three basic types: ICC, IMU and administrative agreement.

DISTINCTION OF MODES OF COORDINATION

Three mechanisms of coordination are well described in the literature: market, hierarchy and network (Powell 1990). The mentioned mechanisms are, of course, ‘pure’ or ‘ideal’ types which are unlikely to be found empirically (Wiesenthal 2000). The network notion is often used interchangeably with the notion of cooperation (Powell 1998; Ring and Van de Ven 1994; Dyer and Nobeoka 2000; Phillips et al. 2000). However, despite the popularity of this division, even the general differences between the mechanisms are difficult to distinguish in an empirical verification. The possible individual features of the mechanisms may be as follows: market relations are organised by the price mechanism, the hierarchy is organised by legitimised authority and cooperation is organised by the mechanism of negotiation between actors (Phillips et al. 2000). The market model promoted in local studies by the New Public Management approach assumes short-term relationships based on supply, demand and price; unlike cooperation, it does not assume investment in relationships and building structures for managing them. The important distinction between market and hierarchy is that market relations are non-repetitive and hierarchical exchanges are highly repetitive. Cooperative relations are of long duration and are repetitive as well, but are not undertaken under the established legal dependency (Powell 1990).

Williamson in 2009 (thus sometime after the Powell’s division was published) stressed that the third model of coordination, which he called a hybrid model, is one in which the features of the two alternative systems—market and hierarchy—mix to form a new quality. This mixture covers the three most important features of models of coordination: the degree of opportunism; the degree of control and power; and the importance of agreements (rule of law). The force of opportunism and significance of

contracts are the most important in a market, while the degree of control and power have the smallest significance; for the hierarchy the significance is the other way around (Williamson 1991). A model is identified as hybrid when the extremes do not occur.

There is a need for a detailed definition of inter-local cooperation in the context of financial exchange if transfers are to be the measure. This is because financial exchanges are an element of market relations, while there are also financial transfers within the hierarchical relations and financial exchanges are also used as an element of the definition of inter-local cooperation (see Krueger and McGuire 2005).

The definition of inter-municipal or inter-local cooperation differs between the approaches. In the most widely known, developed by Hulst and van Montfort (2007), inter-municipal cooperation is to some extent institutionalised and undertaken by independent territorial units. It is a definition of cooperation that can be called ‘indirect’ because it is always undertaken through some formal organisation created for the purpose of cooperation. It involves financial transfers, but they are not local-budget-to-local-budget transfers (see also Warner 2006; Airaksinen and Haveri 2003 or Wollmann 2010). The second most popular definition defines cooperation through inter-local agreements (Shrestha 2008; Kwon and Feiock 2010; Jordan et al. 2015) and it can be called ‘direct’ because it involves budget-to-budget transfers of finance resources.

The definitions of direct inter-municipal cooperation are difficult to set in the division between market and cooperation. Agreements are not a distinctive feature of cooperation. They are present also within market relations as well as financial exchange. And cooperation in many analyses is described as a variant of the make-or-buy decision (Powell 1998). At the same time, it is generally accepted that the scale of payments for the services provided by one local government to another on the basis of contracts is a measure of inter-local cooperation (Krueger and McGuire 2005; Jung and Kim 2009; Jordan et al. 2015).

Contracting out to the private sector and contracting to other local governments are often scrutinised as a single function in the literature (Soguel 2006; Torsteinsen and van Genugten 2016). Financial transfers can be considered in the context of the New Public Management debate on *contractualisation* (Kuhlmann 2008)—the ability to send money to other local governments is a kind of contracting out between local governments, but the nature of these contracts is different to the nature of public-

private contracts (Krueger and Bernick 2010). These differences are interesting in the context of the debate on re-municipalisation (Wollmann and Marcou 2010)—since the nature of these contracts is different, can they be a tool in re-municipalisation processes? To answer this question of importance to contemporary local studies, we need to know much more than we currently do on inter-municipal financial transfers and contracts.

In the local studies literature, financial transfers between local governments are not described by a coherent set of terms and definitions. Generally, the notion of inter-governmental financial transfers (grants) is understood as a description of financial flows from central government to local government, and horizontal grants are most often understood through an equalisation mechanism in which the wealthiest local governments subsidise the least wealthy in a scheme designed and controlled by central government. We are describing here a mechanism of horizontal financial transfers (*inter-local resource exchange*—Kwon et al. 2014) in which the decision to enter into the mechanism results in direct financial flow from one local budget to another.

Krueger and Bernick (2010), summarising the US local studies literature since 1990, note that inter-local financial transfers, although considered as a challenging mechanism of inter-local cooperation, had rarely been analysed in the literature. They have been gaining in popularity for the last 15 years and can be found in the works of Bickers and Stein (2004), Brown and Potoski (2003), Kwon et al. (2014), Post (2002), Rubado (2014), Shrestha and Feiock (2004) set in US local government studies. The lack of works on financial transfers in Europe as a measure of inter-local relations might be the effect of a lack of transfers between local governments. Since they are not described in the literature, it is difficult to assess their usage in practice in Europe, but we identified the possibility of contracting out to another municipality in: Switzerland (Soguel 2006), Slovenia, Slovakia and Brandenburg (Franzke et al. 2016), Norway and the Netherlands (Torsteinsen and van Genugten 2016), and Spain (Zafra-Gómez et al. 2014). We assume that the legal possibility of contracting out to another local government is followed by the legal possibility of sending a payment for services provided. Bel and Warner (2015) noticed that inter-local contracting is much rarer in Europe (Spain and the Netherlands) than in the USA. Still the question on the meaning of financial flows between local governments' budgets in Europe remains unanswered.

The added value of using financial transfers as a measure of inter-local relations is its quantitative description allowing for a more detailed explanation than a simply nominal variable which answers the yes-no question

of whether a relationship exists (Krueger and Bernick 2010). The remaining question is however, “What in fact do they describe?” The simplest answer is that they describe relations between local governments—but what kinds of relations? They are usually used as an indicator of contracting out (Brown and Potoski 2003; Shrestha and Feiock 2004; Shrestha 2008) and/or inter-municipal cooperation (Krueger and McGuire 2005; Shrestha 2008; Zafra-Gómez et al. 2014).

INDICATOR OF INTER-MUNICIPAL FINANCIAL TRANSFERS

There are two approaches developed in this chapter; one is descriptive and the other is methodological. We test if financial transfers between local governments’ budgets can be considered as a measure of inter-municipal cooperation. There is a general lack of measures of inter-local cooperation, especially quantitative ones. It can be argued that cooperation cannot be counted up. We do not want to develop discussion around this view, but we argue that there is a need for tools to assess cooperation if it is going to become an important policy innovation. This need stems from the recognition of management through a network or through cooperation as the relevant contemporary management paradigm (Teles 2016). There are two questions posed in the chapter, as follows:

1. What is the quantitative share of different types of coordination models in Polish local government relations measured using inter-local financial transfers?
2. What is the usefulness of inter-local financial transfers for IMC analysis?

We have constructed an indicator of inter-municipal cooperation which is based on financial transfers between the budgets of local governments in Poland. We describe the methodological procedure by which this indicator was constructed and the outcomes of its tests. We also deliberate on the extent to which inter-municipal financial transfers reflect cooperative relationships and to what extent they represent other types of relations, namely market and hierarchy. We try to answer the question of how much cooperation in inter-municipal relations is described by financial exchanges, using detailed description of types of inter-local financial transfers undertaken by Polish local governments to do so. Many IMC studies are about relations in general and not about cooperation in particular, because the

distinction of cooperation from other types of relations is very complicated. We test one possible method grounded in local government finance.

According to the budgetary classification in Poland, local governments can transfer financial resources to other local governments under five headings:

1. Conditional grants which are implemented on the basis of contracts (agreements) between local government units provided to other municipalities for different (current and investment) purposes.
2. Conditional grants for financial aid to other local governments to subsidise their current and investment functions.
3. Purchase of services from other local governments.
4. Various fees and payments made to other local governments units.
5. Membership fees and grants to IMUs.

In the analysis, the first and the last category were assigned to cooperative relations. The first was so assigned because it requires a contract. Contracts are not a distinctive feature of cooperation, they are present also within market relations but we assumed that in this finite set of categories, in which a category describing a selling–buying relation is also present, assignment to the “contracts” category represents a choice closer to the cooperative relation than to the market category—otherwise expenditure would be categorised as a purchase of services.

Municipalities have legal personality in Polish civil law, and so have the right to incur liabilities and acquire rights and thereby to conclude agreements in their own name and on their own responsibility. According to the law, a municipality may enter into agreement in respect to an accomplished task if the purpose of the contract is consistent with the implementation of the tasks assigned to the municipality, and the validity of a contract for the implementation of the purpose cannot be generally defined and should be examined separately in relation to an individual case. And although there are limits in the law to conclude agreements by municipalities, for instance resulting from the principles of public finance, the contractual capacity of Polish municipalities is similar to the contractual capacity of private corporations (Bitner and Kulesza 2009). Moreover, financial rules allow for transferring money between municipalities without signing a contract, and thus we assume that the procedure of contract assignment is launched when there is a need to establish detailed, unique and negotiated conditions for a relation which is closer to cooperation than to the market mode

of exchange. Within this category we identified current conditional grants which are related mainly to local public transport and education, and investment grants which are mostly devoted to communal services including water and sewage, solid-waste collection and disposal and so on.

The last category—*membership fees and grants to IMUs*—is used to establish and to make work standing organisations of cooperation, so these financial transfers can undoubtedly be categorised as an indicator of cooperation.

All *conditional grants for financial aid to other local governments to subsidise their current and investment functions* (the second category) should be considered as a measure of cooperative relations. These types of transfers reflect efforts to build long-term relationships between local governments. It is difficult here to observe signs of market coordination (not being organised by the price mechanism) or hierarchical relations (there being no legal dependency of local governments on each other). Municipalities within current financial aid to other local governments mainly support services of local public transport and local culture. When it comes to financial aid for investments, they primarily sustain the construction of local roads in other municipalities.

The most difficult to assess is *purchase of services from other local governments* (the third category). This type of financial transfers usually describes the situation in which a local government buys services from another local government, and should thus be assigned to the market mode of exchanges. Purchases do not require any contract but can also be made among municipalities who have signed a contract. However, what is striking in Polish circumstances is that, in the case of preschool education and social services, the purchase can be imposed by a law established by central government (hierarchy). As a result, within different types of services we can observe financial transfers representing both market and hierarchical relations.

Various fees and payments made by the municipality to other local governments units (typically concerning land and property management or waste management) are mostly connected with the previous category—purchase of local services. Financial transfers within this type of local budget expenditure should be treated as a market relation because they are usually based on a price mechanism.

All *conditional grants for joint investments and for financial aid related to investments* transferred to other municipalities were treated as cooperative relations because we assume that: (a) the investment process is usually

planned for long duration—it denotes not only building something under joint action but also joint exploitation of the built infrastructure—and that (b) joint investments require negotiating processes during which detailed conditions for the relation are established.

Data on financial transfers between local governments' budgets in Poland are available year by year thanks to annual reports on budget execution being sent by all Polish local governments to the Ministry of Finance. All Polish municipalities and cities with county status (the biggest 66 cities) are included in this analysis. The timeframe of the indicator analysis is 2001–2015. In Poland, only municipalities have a certain degree of freedom to decide upon the scope of their revenues. It is often stated that local autonomy over local decisions on the sources of revenues allows for better adjustment of services provided by local governments to the preferences of the local community (Łukomska and Swianiewicz 2015). This can be extended to external relation of municipalities—local fiscal autonomy allows for a diversified external policy.

The analysis is based on the budget expenditures; the revenue side of the budget is not included in the study because of the lower transparency of budget classification in this element of accounting. The direct transfers from one budget to another are taken into account, so the subject of the analysis is expenditures from one municipal budget to the budget of other municipalities (horizontal links). The constructed indicator is the sum of all financial expenditures made during the year from the budget of one municipality to other municipalities' budgets relative to the overall budget expenditures of the municipality.

The constructed indicator of financial cooperation between local governments should be seen as underestimated rather than overestimated. The index does not take into account transfers between municipal companies, budgetary establishments and the value of loans which local governments grant each other. These transfers have a slightly different character, but also reflect financial linkages between local governments. For reasons of budget classification there was also no possibility to account for the contributions of municipalities in Local Action Groups organised under the European Union regional policy scheme.

The biggest part of the constructed index of financial transfers between local budgets relates to service purchasing (almost 50% in 2015). Slightly less than 25% of the value of the developed index is represented by membership fees and grants to IMUs (Table 12.1).

Table 12.1 Structure of financial transfers among Polish local governments (in %, 2015)

Purchase of services from other local governments	47.3
Membership fees and grants to inter-municipal unions	23.3
Current and investment conditional grants implemented on the basis of contracts between local government units	15.7
Various fees and payments made to other local government units	8.4
Conditional grants for financial aid to other local governments to subsidise their current and investment functions	5.3

Source: Authors' own calculation on the basis of the reports from budgets execution (Ministry of Finance)

DYNAMICS OF INTER-LOCAL FINANCIAL TRANSFERS

Financial transfers between local governments occurred in 2015 in almost all Polish municipalities (99.4%) and all Polish cities with county status. Analysis of local budgets indicates that in 2015 about 2.4 billion PLN (around 570 million Euros, which accounts for 1.54% of total municipal expenditure) was allocated to transfers to other municipalities. Analysing the changes in these expenditures over the last decade, we can see an increase in the importance of inter-local financial relations. In comparison with data for 2004 (when financial transfers to other municipalities represented almost 0.4% of the total expenditures of municipal budgets), in 2015 the share of such spending in local budgets was more than four times higher (Fig. 12.2).

In total, 1.54% of municipal budget is not substantial and many municipalities probably perceive money allocated to transfers as not being very important. However, the share of 'autonomous' tax revenues (in relation to which local governments have tax autonomy, that is, discretion to set tax rates or grant tax reliefs, exemptions or defer the payments to be made by individual tax-payers) is less than 20% of total municipal budgets in Poland (according to 2015 data—15.3% of revenues of cities with county status, 20.7% of revenues of urban municipalities and 17.0% of revenues of rural municipalities). Thus, given the financial autonomy of municipalities, 1.54% of a municipal budget allocated on transfers to other local governments cannot be considered as an insignificant element.

This value can be compared to the mean value for US cities (with a population of over 10,000) which for 2002 was 1.69% (Jung and Kim 2009). According to our estimations, financial transfers indicating cooperative

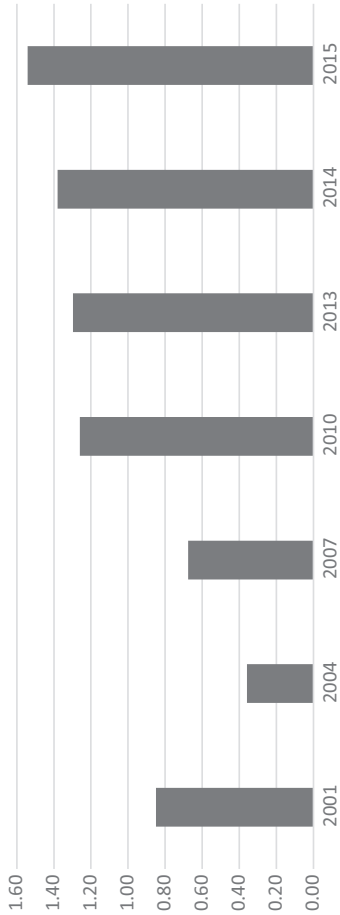


Fig. 12.2 Financial transfers to other municipalities as a percentage of total budget expenditures of Polish municipalities (including cities with county status, in %, 2001–2015). Source: Authors' own calculation on the basis of reports from budget executions (Ministry of Finance)

exchanges can be found in around 83% of Polish municipalities, market exchanges in 89% and hierarchy in 78%. The first two kinds, which reflect voluntary actions, can also be compared with analysis made for the US municipalities' inter-local transfers. According to Rubado's (2014) analysis, in 1924 24% of US municipalities were engaged in inter-local transfers, while this value reached a level of around 55% in 1977 and remained steady till 2007 (the last year of Rubado's analysis) but the trend is highly differentiated between states.

APPLYING MODES OF COORDINATION IN POLISH IMC

Identifying different types of financial transfers to other municipalities makes it possible to estimate which types of transfer are the most common and which modes of coordination dominate in inter-local financial transfers between Polish municipalities (Table 12.2). The current system of Polish budgetary classification does not provide the perfect opportunity to assign all types of financial transfers made to other local governments to three distinguished modes of coordination. But according to our analysis (Table 12.2), classification of inter-local financial transfers is as close as possible to the real situation of Polish local governments, taking into account all limitations associated with the availability of data.

Table 12.2 Types of inter-local financial transfers in Poland according to modes of coordination (ordered by highest popularity within types)

<i>Hierarchy</i> 16.4% of total value of financial transfers	<i>Cooperation</i> 44.3% of total value of financial transfers	<i>Market</i> 39.3% of total value of financial transfers
Paying for services: Preschool education, foster families, childcare centres, other local social services	Membership fees in inter-municipal unions Grants (current and investments) transferred to inter-municipal unions Joint public service delivery based on agreements or contracts Grants for financial aid to other municipalities Shared investments, grants for investments	Buying services: Nursing homes, Special care services, Other local services (public transport, water supply and sewage, etc.) Fees to other municipalities on joint land and property management, on waste management

Hierarchical transfers are imposed on local governments by the central law. Their share in the total financial transfers made by Polish local governments to other municipalities is estimated at 16.4% of total value of financial transfers for 2015. These transfers are mainly payments and fees for services that residents of one municipality benefit from another municipality. The local government bearing the costs has no impact on the quality and method of service provision. Accountability is shifted to the central level. Transfers of this kind are therefore part of inaccuracy-fixing in the redistribution of financial resources between the local and central level. They are an occurrence which limits the autonomy of local government by not allowing them any impact on the volume of expenditure, or the quality and quantity of the object of purchase. The amount of payments is mostly determined by central legal regulations and conditions imposed by or dependent on the other local government (seller of local service). The value of such financial transfers reflects the migration of the population and the level of development of local social infrastructure (e.g. in the case where a local government has no preschool of its own, or local preschools do not provide enough places for children living within the municipality, or in parents' opinions the quality of local services is not high enough—local government must pay other local governments for the services).

The hierarchy is imposed in preschool education policy and social services. Until 2012, Polish financial transfers relating to payments for children in public preschools were not required by law, but were carried out on the basis of voluntary agreements (a legal obligation of inter-local financial transfers has been used since 2004 in the case of private preschools). The law was changed to diminish the free-rider effect, because only some of the municipalities signed contracts for public preschool service provision to introduce some equalising mechanisms. Lack of contracts and voluntary cooperation also resulted in limited access to preschools for children from outside the municipality. Thus, implementation of compulsory inter-local financial transfers was an element of central government policy aimed at raising preschool education levels by increasing access to preschool infrastructure regardless of territorial fragmentation (Swianiewicz and Łukomska 2011). It has not resulted in ending voluntary cooperation in the provision of preschool services entirely. Some municipalities still assign inter-local contracts in which they agree additional activities to raise the quality of preschool educa-

tion, and in which they establish rules of mutual accountability under the compulsory transfers. The central government has not provided legal regulations enabling buyer control over provider when compulsory transfers are made.

The other two models of coordination remain at local government discretion. According to the results of our estimation, 44.3% of total value of financial transfers represents cooperation and 39.3% market mode of exchanges. However, it is difficult to establish a clear distinction between these two categories. The division definitely does not reflect the division between the service types; we can find both modes of coordination in almost all kinds of services. For example, in preschool education the dominant mode is hierarchy, but we also identify cooperative relations (e.g. as a result of joint discussion one municipality decides to pay another local government for extracurricular religion classes in which children of a denomination other than Catholic from the first municipality participate). In social services the most common is market—we can observe decisions of local authorities based on price mechanism in the case of elderly and people requiring care who are directed to nursing homes. Due to the fact that the municipality is obliged to bear the cost of care for these people staying in nursing homes in other municipalities, local authorities try to find and direct their residents to the units with the lowest costs or to provide the service themselves. But we can also find examples of cooperative relations in this type of local service (e.g. agreements over foster families when they need to change supervisor due to a personal conflict with the local administration). When it comes to public transport services the most common mode of coordination is cooperation (as a result of negotiations municipalities establish joint rules of local transport services which are provided by one municipality to the citizens of the other) but we also identified examples of purchases of this service on a basis of price mechanism only.

CONCLUSION

Inter-local transfers are a common occurrence in the Polish local government system. This commonness is not a result of central government regulations but of voluntary actions made by local governments. The voluntary actions are undertaken by more than 80% of Polish local governments and their share of total value of financial transfers is also over

80% (cooperation—44.3%, market—39.3%). The definition of inter-local cooperation which emerges from this study consists of several types of activities:

1. Signing a contract with another local government; however, this can be unconditionally assigned to the cooperation mode of exchanges only in a system which allows buying–selling relations to be established among local governments without a separate formal contract—otherwise the contract might also be an indicator of the market mode of control because of its imposed nature.
2. Shared investments—common investment needs long-term relations and an extensive negotiation process.
3. Grants for financial aid to other municipalities—as an example of altruistic attitudes among local politicians.
4. Membership in municipal joint standing organisations (i.e. unions and companies).

Defined in this way, cooperation is a common policy measure undertaken in Poland but its significance in local budgets in general is marginal. However, when it is estimated in relation to the autonomous financial resources, its significance rises considerably.

The analysis of financial transfers among local governments enables the significance of inter-local cooperation in Polish local government system to be assessed. They can be also a useful tool for international comparisons but local financial transfers to date have not been analysed in European local government studies. A thorough analysis of transfers allows the diverse set of actions undertaken jointly by local governments to be ordered, which is a useful first step in detailed qualitative analysis and gives context to sectoral analysis of selected local services.

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Inter-municipal Cooperation in Slovenia: An Intermediate Step Towards Regionalisation

Irena Bačlija-Brajnik

INTRODUCTION

Slovenia gained its independence in 1991 and establishment of contemporary system of local self-government followed in 1993. In that year the Local Government Act was passed, which introduced a system of a single-level local self-government, which had already been provided for in the Constitution of the Republic of Slovenia. First reform wave established local self-government system with territorial, financial, political and functional scopes, in line with European Charter on Local Self-government. After local self-government reform in 1994 when new municipalities replaced the former 62 communes, number of municipalities was constantly increasing. In 1994, 147 municipalities were formed, in 1998 another 45 municipalities were added and in 2002 1 more, in 2006 additional 17 and in 2011 1 municipality. The last municipality was established in 2015. There are currently 212 municipalities in Slovenia. Although

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Table 13.1 Number and percentage of municipalities in Slovenia

<i>No. of inhabitants</i>	<i>No. of municipalities</i>	<i>% of municipalities</i>
Less than 1000	6	2.8%
1000–5000	105	49.5%
5000–10,000	48	22.6%
10,000–50,000	49	23.1%
50,000–100,000	2	0.9%
More than 100,000	2	0.9%
Total	212	

Source: Ministry of Public Administration, 2016

numbers of municipalities were constantly rising, second tier of local self-government was never established. Slovenia is one of the few countries in Europe without second tier of local government. Although this in itself does not hamper functioning of municipalities or country (see Dunn and Wetzel 2000, who list Slovenia among countries with no significant need for decentralisation), it can affect some aspects of local development. This possibility increases due to extreme heterogeneity of municipal sizes, resulting in a number of small municipalities that are struggling to meet regulatory demands and standards. Although legal limit for establishing municipality is among other 5000 inhabitants, more than half of the municipalities have fewer inhabitants (see Table 13.1). This was enabled with special legal provision that allowed for establishment of smaller municipalities for specific historical, social or economic reasons. Many declared as such and were granted establishment under political umbrella.

Additional problem that enhances need for some type of functional second tier of local self-government is so-called symmetrical legislation. By simplifying this means that all municipalities have virtually same tasks (those with few hundreds to those with more than a quarter of a million inhabitants). Instead of former communes, that were admittedly not very autonomous in decision-making and had full authority over about 20 per cent of their competencies (about 80 per cent of their competencies were deconcentrated and not decentralised from the national government), Slovenia's local self-government map is now a jigsaw of incomparable pieces.

Regions or some other types of municipal cooperation are intended to fill in the vacuum between the small municipalities and the state. The aim is to bring municipalities together in order to enable a more efficient management and realisation of the needs of citizens and the economy which

are beyond the capabilities of individual municipalities.¹ Regions carry out the tasks which municipalities are not capable of performing since they exceed their human resource, technical, organisational and financial capabilities. Those tasks are within the original competence of regions as they can perform them on their own without the transfer from municipalities which are not competent for carrying out the tasks of wider local communities (regions). Nevertheless, municipalities may transfer certain tasks from their original competence to regions. The original tasks of regions cover environmental protection, spatial planning, transport and communications, agriculture and, notably, regional development. Moreover, regions carry out the tasks transferred to them by the state on the basis of the principles of subsidiarity and decentralisation, the tasks laid down by law as the original tasks of regions as well as the tasks referred to municipalities in their role as the first instance of the state jurisdiction.

Regions in Slovenia were to this day not established, and in line with bottom-up approach Slovenia is adopting for constantly building local self-government system, they will probably not be established soon. Nor is there any specific and urgent need to do so. This offers great opportunity for municipal cooperation (which could lead to bottom-up regionalisation), that could very effectively address above-mentioned issues of municipal heterogeneity and legal symmetry. This chapter will present types of inter-municipal cooperation in Slovenia and assess how successful these types of cooperation are in building functional regions.

FAILED ATTEMPTS OF TERRITORIAL REFORM

There is little discussion about territorial reform in Slovenia at the municipal level, although amalgamation is mentioned occasionally and there were heated debates when imposing more restriction when establishing new municipalities. So at the municipal level there were no strategic territorial reforms. The main focus was on establishing second level of local government—regions (*pokrajine*). The dispute between centralists and regionalists started in 1991 when the consensus on whether regions are to be created freely by municipalities or can regions only be established by national government (see Šmidovnik 1995) was not reached and the argument of *graduality* and bottom-up building of local self-government prevailed. Thus the 143 article of the Constitution of the Republic of Slovenia stated that regions can be established by municipalities. Second attempt of regionalisation was in 1993 with the Law on local self-government that,

while tackling uncommon constitutional provision, stated that although municipalities are not obligated to form region, in case they do, region becomes legal subject (*sui generis*) just as municipality. It is quite redundant to add that there were no regions formed at the time. In 2003, there was a draft Law on regions but political turmoil prevented political consensus. The *graduality* of the process is ongoing as until now all attempts for regionalisation of Slovenia have failed. There is however, a general consensus² that regions should be implemented, and the two open questions are how many and what should be their scope of activities (one-tier or two-tier system; how much formal power should be endowed to them, etc.). Most often these two questions are not trying to be answered jointly, causing “chicken and an egg” situation.

Lastly, political cleavage mustered enough strength to make the last attempt of regionalisation and in 2006 constitutional amendments *de iure* established the two-tier self-government system. However, these constitutional amendments do not directly lead to the establishment of regions; they are foundation for the further legislation for establishment of regions (territorial, functional, organisational decentralisation). Following constitutional amendments was regional legislation³ proposals in 2007. Following in 2008, there was a national referenda in proposed 13 (12 + 1) (see picture 1) regions. There was only 10.98 per cent turnout at the referenda and although just two regions were not confirmed, many questioned the legitimacy of expressed peoples will.

At this stage, Slovenia was as close to implementation of regions as ever; however political turmoil prevented adoption of proposed legislation. As newly adopted strategy of the development of local self-government in Slovenia 2020, that was adopted by Slovenian government adopted at the end of September 2016, does not specifically envision establishing second tier of local self-government, bottom-up scenario again calls for some more time. Meanwhile strategy does support inter-municipal cooperation as a mechanism for more effective and efficient local service system and as an intermediate step towards regionalisation.

BRIDGING THE PROBLEM OF TERRITORIAL ASYMMETRY: INTER-MUNICIPAL COOPERATION IN SLOVENIA

Inter-municipal cooperation in Slovenia is a subject of Law on local self-government and can be according to the Article 6 of the Law⁴ organised as (a) joint bodies and joint municipal administration bodies,⁵ public insti-

tutes, public companies⁶ and institutions, and (b) communities, unions and associations of municipalities.⁷ Different cooperation methods are defined in detail by law and have meticulous blue print for decision-making structures within inter-municipal cooperation.

If we apply Hulst and van Montforts' (2012) categorisation, there are three (out of four) types of cooperation present: quasi-regional governments, service delivery organisations and service-delivery agreements (see Table 13.2). There are numerous (exact number is not known as municipalities do not have to report these activities to national government) inter-municipal agreements or contracts, that are of voluntary nature and where no separate legal entity is created. These fall under the category of service-delivery agreements. Also falling under this category are inter-municipal administrations. After the governmental policy in 2005 that inter-municipal administrations will be a subject of subsidies, their number grew rapidly. National policy objective was to stimulate inter-municipal cooperation by offering subsidies for specific local services, which could in long-term result in spillover effect and municipalities would foster cooperation exceeding these few subsidised local services. The idea behind this mechanism was that it would gradually promote economic benefits of amalgamation and that "real amalgamation will follow" (Vlaj 2006). This top-down approach never reached its policy goals.

Next, regional development agencies fall under categorisation of quasi-regional governments, albeit they could hardly be labelled as "governments" as they can be established by municipalities and/or private businesses. There are 12 regional development agencies and they were established to overcome "regional deficit" by creating platform for adopting regional development plan. Municipalities may join individual agency voluntarily, and main decision-making body is Council of the region, that consists of mayors of members municipalities. The legal framework that have had allowed for variations of agencies' organisation types has prevented coherent development of quasi-regional institutions, thus agencies are under severe pressure to assure funding from different sources and have in the past been subjects of bankruptcy.

Third type of inter-municipal cooperation are municipal associations (three are currently existing), which are not "full-fledged" quasi-regional governments, but are to be included into discussion due to their strong position in decision-making. Associations serve as representatives of municipalities in dialogue with national government (members of the Committee of regions are also elected among associations' members) and

Table 13.2 Inter-municipal cooperation categorisation according to Hulst and van Montfort (2012) typology in Slovenia

<i>Form of IMC</i>	<i>Type of IMC (Hulst and van Montfort 2012)</i>	<i>Separate legal entity?</i>	<i>Roughly: how many in the country</i>	<i>Voluntary or compulsory?</i>	<i>Most typical (sector) areas of cooperation</i>	<i>Source of income (members contributions, state transfers, EU transfers, fees for delivered services)</i>
Inter-municipal agreement/contract	4	No	???	Voluntary	Various	Payment of one local government to another
Regional development agencies (<i>Regionalna razvojna agencija</i>)	1	Yes	12 (RDA can be established at any time by municipalities and/or private businesses)	Voluntary	Project planning, Development planning, mutual promotion and tourism	All RDAs are financed by establishing members (thus owners)—these can be municipalities and private businesses + from EU funds or other funds
Municipal associations (<i>Združenje občin, Skupnost občin, Združenje mestnih občin</i>)	1	yes	3	Voluntary	Associations serve as representatives of municipalities in dialogue with national government (members of the Committee of regions are also elected among associations members)—basically associations serve as public policy advisory bodies	Membership fee + state transfers
Inter-municipal public entity (<i>Skupna občinska uprava</i>)	3	no	49 (expected to grow significantly due to state subsidy)	Voluntary	Inspectorial oversight, Traffic Constabulary, Audit (municipal finances), Environmental protection, R&D, Traffic infrastructure...	Municipal members + state subsidy

are to be consulted whenever draft bill affects municipalities. Their position is defined also in the Rules of procedures on National Assembly and recently in Regulatory impact assessment forms, making their opinion indispensable.

Regional Development Agencies

Because of the absence of regions, national legislation was adopted in 1999 to establish regional development agencies that would act as a bridge between municipalities when addressing issues of regional character. Due to frequent criticism of the legislation (linked especially to provisions on the organisation and implementation of regional policy) (see Bačlija et al. 2009), the National Assembly passed a new Act on the Encouragement of Harmonious Regional Development (Official Gazette, Nos. 93/2005 and 127/2006) that brought about important change that refers to the implementation and final decision-making on regional policy. The new act brought about major changes concerning the organisation of regional development planning, which is the body that prepares and accepts a development plan.

There are currently 12 regional development agencies, covering all municipalities. They act as subjects for enhancing balanced and sustainable development and have role in servicing municipalities when regional development plans are prepared. Previous research has implied that regional development agencies are institutionally weak and do not have enough administrative capacity to carry out delegated tasks.

In 2007, according to Bačlija, Gologranc and Kukovič, there were 150 people employed in 12 registered regional development agencies; however, there were considerable differences in the number of employees between individual regional development agencies (varying from 7 to 23). Employees were experts in different fields (jurists, political scientists, economists, building contractors, etc.) and the level of education of the employees also varies. Most employees (58 per cent) have a college degree, followed by employees with a higher education (15 per cent), employees with a high-school education (13 per cent) and those with a master's degree or PhD (13 per cent). Therefore, the regional development agencies employ highly educated staff and obviously expertise from different fields is needed.

It was also established that the regional development agencies cooperate with different institutions (ibidem). All 12 regional development agencies,

namely, cooperate with Slovenian administrative and political institutions and with the municipalities. Cooperation with private companies and public agencies follows, as well as cooperation with European institutions. Interactions are already established between the municipalities and the regional development agencies; however, they only cooperate on individual projects that the municipalities are familiar with.

The regional development agencies are financed by their founders, from the national budget, through funds from projects, international aid and from funds of interested clients. The amounts of resources gained strongly differ between individual regional development agencies. Further role of regional development agencies is rather limited with the new strategy; however, their experiences and staff will be transferred to future functional regions.

Municipal Associations

There is a tradition of inter-municipal cooperation in Slovenia for representing local interests vis-à-vis national government. Since there is no second chamber that would represent territorial interests,⁸ these associations have more prominent role in national decision-making. Municipal associations are described in Article 86 of Law on local self-government. According to this, if municipal association is granted special status, it acts as representative body between the association's municipalities and national bodies, international organisations of self-governing communities and other international organisations. It is also co-financed by national government.

An association of municipalities may acquire the status of a national association and this status is granted by the government once it has been determined that the association consists of more than half the municipalities, whose population must total no fewer than half of the population of the country, and that the association, in accordance with the founding act, performs tasks relating to representation and cooperation between the association's municipalities and national bodies, international organisations of self-governing communities and other international organisations. Under current law one municipality can be a member of more than one association. Consequently, there are three associations with status of national association in Slovenia: The Association of Municipalities of Slovenia, The Association of Municipalities and Towns of Slovenia and The Association of Urban Municipalities of Slovenia.

According to Law on local self-government, Rules of procedures of National Assembly and Rules of procedures of the Government, municipal associations have to be consulted when adopting legislation that influences local government system. This consultation mechanism is in place and has some influence on decision-making.

Inter-municipal Administrations

A body of inter-municipal administration is established when a general act on its founding is passed by the municipal councils on the joint proposal of the mayors of the municipalities. Joint municipal administrations are led by a head, appointed and dismissed by the mayors of the member (owner) municipalities. Although the legal possibility for municipalities to form joint municipal administrations existed since 1993, they were few and far in between. All together there were less than 15 joint municipal administrations until 2005. In that year, legislation on municipal financing was amended, that created favourable circumstances for municipalities to establish joint municipal administrations. New legislation provided financial mechanism in form of subsidy for 50 per cent of last year's expenditure (for the specific public service)⁹, if joint municipal administration was established. In 2016, the number of joint municipal administrations rose to 49.

The idea of graduate spillover effect, which would be caused by municipalities understanding the benefits of inter-municipal cooperation on the service provision area, did not realised. This is evident because (a) great majority of the joint municipal administrations were created only for the service provisions that were a subject of subsidies and (b) municipalities tend to establish Joint municipal administrations with as little partner municipalities as possible, thus at least two (to be granted subsidy). Research (ibidem) shows that great majority (43 out of 48) of inter-municipal administrations are providing only one to two services. Although all tasks listed in the Law are a subject of subsidies, many municipalities opted only for slimmer version of inter-municipal administration (mainly for combination of inspectorial oversight and traffic constabulary). Additionally, research shows that municipalities are more likely to form inter-municipal administrations with fewer partners as possible, however still enough to be in title of grants.

According to the survey, there is a plan of expanding cooperation. In total, 69.4 per cent of the surveyed inter-municipal administrations expanded to the new areas of the cooperation since the association was

established and 61.1 per cent of them will expand cooperation in next two to three years (when both assessments of existing and future expansion combined Slovenia comparatively shows most impressive growth of inter-municipal cooperation).

The salient reason to establish inter-municipal administrations in Slovenia is to save costs. All inter-municipal administrations were established for lowering costs and all have effect of lowering costs through cooperation (also one-third of inter-municipal administrations were created to obtain external financing, presumably national subsidies). Only second listed as a reason for establishment is solving problems beyond the scope of one municipality. What is also prominent and gets momentum combined with the data presented in next subsection is that 19 per cent of inter-municipal administrations were established because project was initiated by someone else. The new strategy of the development of local self-government in Slovenia 2020 includes provisions that will limit subsidies and will proportionally offer higher compensation for inter-municipal administrations that provide more (than one) public service and higher compensation for inter-municipal administrations with more member municipalities.

CONCLUSION

Transition from commune system to full-fledged local self-government system in Slovenia was, in retrospective, a slippery slope. In an attempt to divorce from former system, localities were given high levels of autonomy, also giving local residents (almost) final say in how big their municipality should be. This resulted in extreme variations in size of municipalities. As all residents, regardless of the residing municipality are equal, all municipalities were vested same tasks and competencies. This hampered their further development drastically. Small municipalities are overwhelmed with day-to-day workload (see Prebilič and Bačlija 2013) with existing competencies, while larger do not have the authority over crucial local policies that would enable further development. It is either necessary to give larger municipalities more competencies, thus provide asymmetric legislation, or to implement territorial reform. Additional possibility is building a strong inter-municipal web of different types of cooperation, thus overcoming the issue of size. New strategy of the development of local self-government in Slovenia

2020 is addressing and stimulating existing types of inter-municipal cooperation by mechanisms of progressive financing if more municipalities jointly organise more tasks.

NOTES

1. Prebilič and Bačlija (2013) presented a research on administrative capacity of Slovene municipalities and concluded that when levels of administrative capacity are correlated with the sizes of municipalities (according to the number of inhabitants) small and also medium municipalities (with up to 10,000 inhabitants) tend to have either a medium or a lower level of administrative capacity, and larger ones (with more than 10,000 inhabitants) have a middle to high level of administrative capacity. Very small municipalities (with less than 5000 inhabitants) prove to be especially problematic in this respect as 90 per cent of them show a low or medium level of administrative capacity. This would imply that smaller (under 5000 inhabitants) municipalities would be more inclined to inter-municipal cooperation, as they struggle to perform even basic services.
2. Not shared by the author of this article.
3. This was a “package” of five law proposals: Law on regions, Law on regional finances, Law on elections to regional bodies, Law on the constituencies for the first regional elections, Law on competence transfer (decentralization). Additionally, amendments to other legislation that is linked to regionalization were proposed simultaneously.
4. Self-governing local communities shall voluntarily cooperate with each other for the purpose of joining forces to regulate and conduct local matters of public importance. For this purpose, they may merge their funds and, in accordance with the law, set up joint bodies and joint municipal administration bodies, establish and manage funds, public institutes, public companies and institutions, and link together to form communities, unions and associations.
 “Self-governing local communities, and their communities, unions and associations may also co-operate with local communities from other countries and with international organisations of local communities” (Article 6).
5. “The municipality may not perform duties for another municipality which are by law or according to other regulations the duties of the municipal administration. Municipalities may decide to establish one or more bodies of joint municipal administration. A body of joint municipal administration shall be established when a general act on its founding is passed by the municipal councils on the joint proposal of the mayors of the municipalities” (Article 49a).

6. A municipality shall guarantee the performance of local public services which it has determined by itself and public services determined by law (local public services). The provision of local public services shall be ensured by municipalities:

- directly within the framework of municipal administrations
- by setting up public institutions and public companies
- by granting concessions
- by investing their own capital in activities performed by persons in private law

For the purpose of ensuring public services more economically and efficiently, two or more municipalities may jointly set up a public institution or public company (Article 61).

7. For the purposes of regulating individual local affairs of wider importance, exercising common interests and protecting the position of self-governing local communities, municipalities may set up communities, unions or associations of municipalities. The acts on founding a community, union or association shall set out its tasks, bodies and financing. An association of municipalities may acquire the status of a national association. This status shall be granted by the government once it has been determined that the association consists of more than half the municipalities, whose population must total no fewer than half of the population of the country, and that the association, in accordance with the founding act, performs tasks relating to representation and cooperation between the association's municipalities and national bodies, international organisations of self-governing communities and other international organisations (Article 86).
8. Second chamber of the Parliament is the National Council, which is the representative body for social, economic, professional and local interests (basically an upper chamber). It is composed of: representatives of labour and social interests (functional interests)—representatives of local interests (territorial interests). Thus to some extent, territorial interest is represented.
9. According to the Law on the financing of municipalities (Article 26), there are four services that can be subsidised:

- Municipal inspectorial oversight and traffic constabulary
- Internal financial revision and accounting
- Spatial planning tasks
- Various tasks for establishing and running public sector organisation

Legal provisions are rather flexible (e.g. various tasks) and, consequently, there are some areas that are a subject of subsidies although they are not specifically mentioned in the Law. It depends on the explanation and argumentation of the Governmental Office for Local self-government on whether individual services can be understood as services of cooperative nature (e.g. spatial planning, EU funds management, etc.).

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Layer upon Layer: The Position of Inter-municipal Cooperation in the Spanish Quasi-Federal System—The Case of Catalonia

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INTRODUCTION

The Spanish local system is characterized by strong fragmentation and a large number of local territorial entities. Catalonia is one of the 17 autonomous communities and, under the framework of powers assigned by the

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Spanish Constitution, has created an extra level of second-tier government. This has resulted in an extremely high number of local entities composed of municipalities, counties (*comarcas*) and provinces (*provincias*), each with territorial boundaries and a corresponding government, and non-compulsory cooperative entities, namely inter-municipal associations and consortia. The existence of this diversity of entities and layers of institutions requires careful examination.

The aim of this chapter is to study the position of inter-municipal associations in a complex context of different entities engaging in local cooperation, focusing particularly on the needs of smaller municipalities. Municipalities of less than 500 inhabitants are around 35% of the total number of municipalities in Catalonia (947) and, according to the Local Government Act, have to provide sophisticated services such as waste management. In fact, we selected this service to scrutinize the paths of cooperation. In order to approach this complex reality, we are using different sources of data. Firstly, we are using the results of a joint international project on inter-municipal cooperation, secondly, we also collected information from different public registers to build a consistent database of consortia and, finally, we also gathered information about service provision in smaller municipalities. The combined use of all this information enables us to examine the two sides of the cooperation. On the one hand, we explore the cooperative entities—what they claim to do and who their members are—and, on the other hand, we analyse the vision of the municipalities—whether they use these tools and to what extent the municipalities engage in them.

This chapter is organized into five sections. The next section focuses on the different options that facilitate cooperation, their legal requirements and formal limitations; in the third section, we explore the literature on inter-governmental relations. The fourth section includes an examination of the different options for cooperation and their effective implementation and then finally we indicate some conclusions and certain avenues for future discussion.

THE MULTI-LEVEL SYSTEM IN CATALONIA

The institutional system in Spain has often been considered as a quasi-federal structure where the central government shares responsibilities and functions with the autonomous communities. The result is an extremely complex institutional system composed of many layers of overlapping lev-

els of government and territorial organizations. This situation becomes even more intricate due to the activity of the autonomous communities regarding the regulation of local administration. According to both the Spanish Constitution and the Local Government Act (Law 7/1985) the autonomous communities can establish distinct regulations and therefore the laws of the Spanish Parliament and the laws of the autonomous communities coexist and have to interact.

Even though the Local Government Act (Law 7/1985) contains a complete and detailed legal framework, almost all the autonomous communities have been rather active and have approved regulations and even created new tiers of local government. The group of local entities currently comprises: 50 provinces (although 7 of these are a province and an autonomous community at the same time, since the autonomous community is composed of only 1 province); 8123 municipalities; 11 islands; more than 3700 sub-municipal units; 81 counties (counties are only found in some autonomous communities); 3 metropolitan areas; and 1008 inter-municipal associations (Table 14.1). In the case of Catalonia, the complete range of institutions with functions of local cooperation includes the following entities:

1. Provinces (*Provincias*): Provinces are second-tier local entities recognized and protected by the Constitution, which also guarantee their local autonomy. There are provinces throughout the Spanish territory, four of them in Catalonia, though in this community their appropriateness has at times been questioned. The functions and tasks of the provinces are essentially based on local cooperation, and the last reform of the Local Government Act, which came into force in 2014, was intended to reinforce this role to the detriment of the power of municipalities, particularly the smaller towns. The plenary bodies of the provinces are indirectly elected according to the results of the municipal elections and named by the political groups. The presidents are elected in the plenary body by the councillors.
2. Counties (*Comarcas*): Counties only exist in some autonomous communities. They are also considered to be local entities. The Catalan Parliament approved the creation of counties in 1987; there are currently 42 of them. The functions of the counties are also based on cooperation with the municipalities, but the regulations meant to define their tasks are rather vague and it has often been argued that this indeterminacy leaves the counties in an uncertain institutional position (Pano Puey and Viñas Ferrer 2014). The plenary

Table 14.1 The territorial distribution of local entities in Spain^a

	Autonomous community		Municipalities		Provinces		Islands		Counties		Metropolitan areas		Inter-Municipal Associations (IMA)		Consortia	
	N	%	N	%	N	%	N	%	N	%	N	%	N	%	N	%
Andalucía	778	9.6	8	16.0	-	-	-	-	-	-	-	-	79	8.3	137	17.3
Aragón	731	9.0	3	6.0	-	-	32	39.0	-	-	-	-	30	3.1	28	3.5
Asturias	78	1.0	1	2.0	-	-	-	-	-	-	-	-	17	1.8	14	1.8
Islas Baleares	67	0.8	1	2.0	4	36.4	-	-	-	-	-	-	5	0.5	36	4.5
Canarias	88	1.1	2	4.0	7	63.6	-	-	-	-	-	-	13	1.4	22	2.8
Cantabria	102	1.3	1	2.0	-	-	-	-	-	-	-	-	20	2.1	4	0.5
Castilla-León	2248	27.7	9	18.0	-	-	1	1.2	-	-	-	-	234	24.5	51	6.4
Castilla la Mancha	919	11.3	5	10.0	-	-	-	-	-	-	-	-	123	12.9	33	4.2
Cataluña	947	11.7	4	8.0	-	-	42	51.2	1	33.3	1	33.3	82 ^a	8.6	255 ^a	32.2
Extremadura	388	4.8	2	4.0	-	-	-	-	-	-	-	-	64	6.7	25	3.2
Galicia	313	3.9	4	8.0	-	-	-	-	-	-	-	-	37	3.9	30	3.8
Madrid	179	2.2	1	2.0	-	-	-	-	-	-	-	-	48	5.0	41	5.2
Murcia	45	0.6	1	2.0	-	-	-	-	-	-	-	-	7	0.7	15	1.9
Navarra	272	3.3	1	2.0	-	-	-	-	-	-	-	-	68	7.1	10	1.3
País Vasco	251	3.1	3	6.0	-	-	7	8.5	-	-	-	-	37	3.9	29	3.7
la Rioja	174	2.1	1	2.0	-	-	-	-	-	-	-	-	30	3.1	2	0.3
Comunidad Valenciana	542	6.7	3	6.0	-	-	-	-	-	-	2	66.7	61	6.4	60	7.6
Ceuta	1	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Melilla	1	0.0	-	-	-	-	-	-	-	-	-	-	-	-	1	0.1
Total	8124	100.0	50	100.0	11	100.0	82	100.0	3	100.0	955	100.0	793	100.0	793	100.0

Source: Authors, based on data from Ministerio de Hacienda y Función Pública (accessed on February 13, 2017)

^aThese data are directly downloaded from the Ministerio and it is not validated with other sources. The data used in this research were validated by the authors and this is why some differences can be detected

bodies of the counties are indirectly elected according to the results of the municipal elections. The presidents are elected in the plenary body by the councillors.

3. Metropolitan Areas (*Àreas Metropolitanas*): The creation of metropolitan areas is the responsibility of the autonomous communities. In Catalonia, there is only one legally recognized metropolitan area, the urban area of Barcelona. This area was the focus of a political battle and went through a complex process up to its most recent approval in 2011. There was an earlier metropolitan area, which was dissolved by the autonomous community government; its functions were then taken over by three different inter-municipal associations, and these, in turn, were later replaced by the new metropolitan area. The election mechanism depends on the regulations governing each metropolitan area, but the plenary bodies of the metropolitan areas are generally indirectly elected and their structures are appointed by the plenary bodies of the municipalities.
4. Inter-municipal associations (*Mancomunitades*): The municipal associations are local entities that are created according to the free will of the municipalities and can be devoted to the provision of any kind of local service. They are exclusively composed of municipalities, and they have often been considered to be a way of compensating for municipal fragmentation.
5. Consortia (*Consortios*): Consortia are also associations created by the will of their members. They are multi-level cooperation tools and thus imply the cooperation of different levels of government, namely, counties, provinces or even the autonomous communities.

Most Catalan municipalities are rather small: 97.6% of Catalan municipalities have less than 20,000 inhabitants, but most people (70.6%) live in the other 2.4%. As a matter of fact, in Catalonia, there are currently 947 municipalities, and although the mean is 7928.31, the median is, by coincidence, also 947. Cooperation appears as an essential element to making the system work and therefore all the above-mentioned entities include it as a basic task. The resulting map consists of an overlapping network of different layers of institutions that often share functions since all of them include cooperation and assistance in the provision of municipal services. Some of them may even deliver the service on behalf of the municipalities. The interaction among these organizations has evolved into a highly interdependent system that has resulted in an increase in the number of

entities. The concept of territorial agreement, which is already embedded in the origin of second-tier governments, is also present in the Constitution of all these voluntary cooperation entities. The generation of different ways of engaging in cooperation may thus lead to a certain degree of redundancy. In any case, what is clear is that municipalities have different options to ensure the provision of municipal services and they can choose among them. Inter-municipal associations would be one of these options but not the only one, and we explore how all these different alternatives interact and which are the main tendencies detected.

THE FRAGMENTATION OF GOVERNMENTS AND INSTITUTIONAL OVERLAPPING: AN OVERVIEW OF DIFFERENT APPROACHES

At the beginning of the twenty-first century, no one can deny the fact that there has been a dispersion of political power through many different units of government. Strong centralization and highly concentrated political power are scarce. Indeed, power is mainly distributed vertically—different political units with different territorial bases—though also horizontally through the specialization of functions and competences across similar units. Local governments are often used as a playground and a laboratory for reform and restructuring (Kersting and Vetter 2003). Nowadays, overlapping jurisdictions and the fragmentation of governments are at the forefront of local government policy-making and service delivery.

The aforementioned processes, which lead to jurisdictional fragmentation, have mainly been analysed through two approaches: public management and economic studies. The former focuses on the structure and the processes of improving services, both from an input and from an output perspective (Steiner 2003), and the latter on creating economies of scale and an efficient public service provision (for seminal works see Oates 2011; Tiebout 1956). However, both approaches are focused on the effects of inter-municipal cooperation (IMC), and both lack an institutional analysis of the conditions under which this cooperation is achieved.

From an institutional perspective, to understand jurisdictional fragmentation and the existing shifting and blurring of power at the local level, we have to take into account the goals and motivations that are driving the changes and especially their coercive nature. On the one hand, regard-

ing goals and motivations, we can identify several aspects, sometimes conceptualized as opposing or divergent paths of reform. These include reorganizations principally motivated by the desire to generate improvements in service delivery (management, quality, efficacy, efficiency and cost savings), institutional performance (territorial reforms, coordination among layers of government, reduction of political units and attributions of functions) or, reorganizations less commonly, motivated by a desire to make democratic improvements in a broader sense (participation of citizens in local policy-making, civic engagement, responsiveness and accountability). On the other hand, regarding the coercive nature of reforms and institutional changes, the main aspect to take into account is whether such reforms and changes are compulsory or induced by the upper levels of government.

The consolidation of the multi-level governance concept suggests that formal (institutional) and also informal means of coordination and decision-making may drive central-local relations. Hooghe and Marks (2003) identified two main types of multi-level governance: “Type I” is related to the federal systems of government and is characterized by levels of government that tend to be general-purpose, that is, units of government that tend to share responsibilities, with a limited number of government levels, with a tendency to stable institutional structures and “Type II” derives from neoclassical economists and theorists of public choice. This type is characterized by specialized levels of government (i.e. they are “service providers”); units of government share responsibilities based on the best way to internalize costs and benefits; there is a great diversity of levels of government and the basic institutional design is flexible and malleable.

One of their fundamental contributions is the linkage between institutional constraints and institutional margins for manoeuvre, both of which shape multi-level governance. Scarce attention has been paid to the different effects and uses that cooperative structures have for local levels, depending on their size and density. Specifically, consortia may be seen as an alternative to consolidation or amalgamation and may be chosen by local governments because they allow for the joint provision of services, while maintaining a certain degree of jurisdictional autonomy (de Mello and Lago-Peñas 2013). Therefore, the theoretical arguments mobilized to analyse the possibility of participating in IMC are mainly related to achieving several objectives locally: to maximize economies of scale, internalize externalities, for administrative flexibility and effectiveness and efficiency

of task fulfilment (Lago-Peñas and Martínez-Vázquez 2013; Steiner 2003; von Hulst and van Montfort 2007). However, empirical analyses dealing with these concepts are limited by the big variety in institutional arrangements across countries and the reduced stability of these relations and do not point to clear patterns.

Regarding the Spanish case, there is limited evidence on the participation of consortia in Spanish local government. Bel et al. (2013) conceive IMC as an alternative to privatization in order to exploit economies of scale and minimize transaction costs. However, they only find empirical evidence for this statement when smaller local units are involved. Indeed, according to these authors, municipalities vary regarding the choice of the service delivery depending on the type of service and its cost structure: where economies of scale are possible (amount of output produced), cooperation appears more clearly. Moreover, municipalities that cooperate are less likely to use private production than are those that do not cooperate.

Using a more general approach, de Mello and Lago-Peñas (2013) shed light on the determinants of participation in inter-municipal consortia by taking into account the provision costs of local services. These authors state that “the causal link between unit provision costs and participation in inter-municipal consortia is complex and specific to particular services” (p. 223). In their models, they do not find a clear relationship between population size, urban centrality and unit provision costs across services. Finally, they state that the unit provision costs do not seem to provide a strong incentive for participation in consortia in Spain, but they find significant effects of unemployment and dependence on inter-governmental transfers in almost all services for establishing municipal cooperation through consortia.

THE INTERCONNECTION OF THE DIFFERENT LAYERS OF GOVERNMENT: SOME DATA

In this section, we aim to explore the behaviour of the different actors and try to identify patterns of relations. We would like to focus particularly on the behaviour of the smaller municipalities and, regarding the interaction of entities, we selected waste management as an appropriate service to track. All inter-municipal associations are included in the analysis although we only have data for those that answered the questionnaire of the joint

project of IMC (50 out of 64). Regarding consortia, we selected those that include at least one municipality and we excluded one for methodological reasons because it was promoted by upper-level administrations and included almost all municipalities. In order to avoid the distortion of an element that is present in all cases, we excluded it from the analysis.

We use diverse sources of data. We employ information from the Spanish Ministry of Public Administrations and from the Catalan Government. Concerning primary data, we are using the results of an international joint project on IMC and the information collected by the project “Local Government Observatory” that consists of an extensive questionnaire sent to all the Catalan municipalities (currently 947 local councils). We use information from 151 out of the 332 municipalities of less than 500 inhabitants (45% of cases).

Inter-municipal Associations in Catalonia

According to the data from the international project on IMC, the main areas of cooperation are water and waste water infrastructure and waste management (Table 14.2). These are both compulsory municipal services and they both require a sophisticated process of management and complex infrastructure. In fact, these services may benefit from economies of scale and thus be more suitable for common provision or outsourcing (Bel and Miralles 2003; Bel et al. 2013; Bel and Warner 2015; Zafra-Gómez and Muñiz 2010).

The results of the project also showed a low level of institutionalization in terms of resources and the high dependence of these kinds of entities on the municipalities. Although these kinds of entities have often been considered a way to generate economies of scale and overcome fragmentation (Warner and Hebdon 2001; Warner 2006; Teles 2016), our data seem to reflect that the size of the municipality is not a relevant variable that can predict the tendency to participate in an inter-municipal association. Table 14.4 shows that smaller municipalities do not participate more often in inter-municipal associations than larger towns. This result raises a question related to the different mechanisms these municipalities are using to deliver municipal services. In fact, taking into account the complexity of some of these activities and the profile of these local councils (more than 300 have less than 500 inhabitants), we would have expected a different pattern.

Table 14.2 Areas of cooperation of IMA ($n = 50$)

<i>Main area</i>	<i>N</i>	<i>%</i>
Water and waste water infrastructure	15	30.0
Waste management	11	22.0
Primary and secondary education/ preschool	4	8.0
Social care	4	8.0
Economic development	4	8.0
Environmental protection	3	6.0
Tourism	3	6.0
Road infrastructure	2	4.0

Source: Composed by the authors from IMC project data

Consortia in Catalonia

Although consortia are not specifically local cooperation tools, the vast majority of municipalities are members of at least one consortium and almost all the consortia include at least one municipality. Probably, the capability to include a range of diverse types of bodies—that is to say, all levels of government and not-for-profit institutions—might have been a key element in the proliferation of consortia. The number of consortia experienced a significant rise during the first decade of the twenty-first century (Martínez-Alonso Camps 2013). According to Martínez-Alonso, there were 141 consortia in 2000 and in 2013 the number had increased to 319. Currently, there are 182. The economic crisis and some austerity measures focused on the reduction of public administration might have been relevant factors in their reduction. However, the number is still rather high, and, as a matter of fact, municipalities tend to be more prone to participate in consortia than in inter-municipal associations. In contrast to inter-municipal associations, consortia are not specially designed as a tool for local cooperation. However, the large majority of consortia include at least one municipality among their members. In fact, according to our data, 92.8% of existent consortia are composed of at least one municipality.

Table 14.4 shows the data of participation of municipalities in consortia depending on the total population of the municipality. This table offers some relevant information. Firstly, the percentage of municipalities that are members of consortia is always higher than the percentage of municipalities that are members of inter-municipal associations. Secondly, while the participation in inter-municipal associations is not correlated with the population of municipalities, the participation in consortia tends to

increase depending on the size of the towns and cities. As a conclusion, we could say that the participation in consortia is more widespread than the participation in inter-municipal associations and that it shows a clear relationship with the population size.

Regarding the areas of cooperation (Table 14.3), consortia seem to display a diverse variety of functions and some of them are related to promotion activities, such as the promotion of culture or economic development. In general terms, consortia and inter-municipal associations develop different functions. The only exception is waste management, which is a relevant area of cooperation for both types of entities.

Second-tier institutions in Catalonia

The map of institutions that conduct cooperation in Catalonia is completed by second-tier governments. In fact, there are three different types of second-tier entities: provinces, counties and metropolitan areas. The main task of these institutions is also related to municipal cooperation but the two former institutions are compulsory and were conceived to support smaller municipalities.

Table 14.3 Main area of cooperation of consortia

<i>Main area</i>	<i>Frequency</i>	<i>Percentage</i>
Economic development	37	20.3
Promotion of culture	24	13.2
Environmental protection	17	9.3
Social care	16	8.8
Waste management	14	7.7
Tourism	14	7.7
Local media	14	7.7
Urban planning	9	4.9
Education	7	3.8
Health	7	3.8
Other	7	3.8
Public park	6	3.3
Cultural heritage	5	2.7
Drinking water infrastructure	2	1.1
Sports public facilities	2	1.1
Traffic regulations	1	0.5
Total	182	100.0

Source: Composed by the authors

The provinces are second-tier local entities present throughout the Spanish territory and are protected by the Spanish Constitution. They were first established in the Constitution of Cadiz in 1812 and consolidated in 1833 when the central state organized the territory following a French-inspired departmental model (Bertrana et al. 2011). Although these institutions were part of the liberal programmes of rationalization, they have often become the focus of public and political debate. According to the law, their functions are mainly based on municipal cooperation and the provision of some specific activities related to their area of action. However, according to Bertrana et al. (2011: 232), “the ‘upward’ delegation of functions by municipalities to achieve economies of scale has hardly been used” and therefore, we did not expect to find transferences for municipal services or provincial support in the delivery and our data confirmed this point.

The counties (*comarcas*) are a territorial supra-municipal but infra-provincial institution. Currently, there are 42 counties and, in fact, one of them was created in 2015. That is to say, the map of counties is still under discussion. Through the years, the counties have adopted a twofold role. On the one hand, they conduct municipal cooperation, particularly related to compulsory municipal services. On the other, they act as a local articulator of the Catalan Government (Pano and Viñas 2014). In fact, the main role claimed by the counties is precisely related to the needs of the smaller municipalities. Indeed, their institutional position (between the municipalities and the provinces and the autonomous community) is convenient for acting as a connection between levels of government. According to our research, counties are the main receptors of transferences of services and they are very active in the creation of consortia.

The Interaction of Different Actors

In order to explore the logic of the interaction among all these different entities, we decided to focus our attention on an area of cooperation that is relevant for all types of entities: waste management. Waste management is a compulsory municipal task that implies complex processes and sophisticated infrastructures; thus, it may also benefit from economies of scale. As a consequence, it might be considered a challenge for smaller towns. Around 35% of the 947 municipalities of Catalonia have less than 500 inhabitants and they all have to ensure the provision of compulsory municipal services including waste management.

Table 14.4 Participation in IMA and consortia by size of the municipality ($N = 947$)

<i>Municipalities by size</i>	<i>IMA</i>		<i>Consortia</i>		<i>No IMA and no consortia</i>	
	Freq.	%	Freq.	%	Freq.	%
Inhabitants						
0–250	65	34.9	111	59.7	60	32.3
251–500	56	38.4	96	65.8	36	24.7
501–1000	57	37.0	99	64.3	35	22.7
1001–2500	52	33.3	106	67.9	29	18.6
2501–5000	40	41.7	79	82.3	14	14.6
5001–10,000	34	38.6	78	88.6	7	8.0
10,001–20,000	23	40.4	57	100.0	0	
20,001–50,000	19	46.3	40	97.6	0	
50,001–100,000	5	38.5	13	100.0	0	
100,001+	3	30.0	10	100.0	0	
Total	233	37.9	689	72,80	181	19.1

Source: Own elaboration from Local Government Observatory and Municat (<http://municat.genstat.cat/>)

The combination of sources we referred to in previous sections enables us to contrast what the cooperation entities claim to be doing in relation to municipal service support and what the municipalities consider these institutions to be effectively doing. First of all, we wanted to address the participation of municipalities in inter-municipal associations and consortia and explore detectable trends. Obviously, we already knew that the number of consortia is higher than the number of inter-municipal associations, even focusing only on those with only local entities as members. Even so, the results shown in Table 14.4 are still striking. Table 14.4 presents data about the municipal participation in both kinds of entities, and it makes clear that municipalities tend to be more predisposed to be part of consortia than of inter-municipal associations. Besides, in the case of consortia, a relation with size can be detected: the larger the municipality is, the more probable it is that they participate in consortia. This tendency can also be identified in the lack of participation in any kind of cooperation tool. Again, we can observe that larger municipalities tend to be more active in taking part in these entities. In any case, consortia involve an extremely high number of municipalities while inter-municipal associations include a much lower number of entities.

Concerning the services, Tables 14.2 and 14.3 showed the relevant differences between inter-municipal associations and consortia. In general,

municipalities tend to use inter-municipal associations for compulsory services related to the provision of basic services (water and waste water infrastructure and waste management) and, the other side, consortia are more focalized on other types of activities, such as those related to environmental protection, economic development and culture. Certainly, waste management is also a relevant function for both types of entities, but it is, in fact, the only case.

The reasons for the proliferation of consortia, particularly comparing them with inter-municipal associations, could lie in this specialization of functions, but we tend to consider structural reasons as a more consistent possibility. Indeed, the fact that consortia can include upper-level institutions introduces the possibility of having a “funding partner”. That is to say, upper levels of government can use consortia to engage in cooperation and transfer resources to municipalities. While inter-municipal associations have to be funded only by municipalities, consortia can receive resources from other institutions that are normally better funded. Consortia, in fact, are also playing a key role in the articulation of cooperation though the different local levels. According to our data, almost 50% of consortia are strictly local, and they only comprise a combination of local institutions—municipalities, counties or provinces.

However, inter-municipal associations and consortia do not appear to be the main mechanism of support for smaller municipalities. Following with the idea of waste management as an “ideal service” to be analysed, we asked the municipalities about modes of provision of services. Table 14.5 shows the results, and the data are striking and rather clear. The vast majority of municipalities of less than 500 inhabitants transfer waste management services to another administration, and the county was the most frequent agent.

Table 14.5 Provision of waste management by municipalities of less than 500 inhabitants ($N = 151^a$)

<i>Type of delivery</i>	<i>N</i>	<i>%</i>
Direct provision	16	10.3
IMA	6	3.8
Consortia	18	11.5
Outsourcing	29	18.6
County	87	55.8

Source: Composed by the authors from Local Government Observatory

^aThe question was designed as a multi-answer

CONCLUSIONS AND SOME QUESTIONS FOR FUTURE DISCUSSION

In this chapter, we wanted to address the interaction of different layers of institutions in a complex local system. Almost 1000 municipalities—a significant proportion of which (35%) has less than 500 inhabitants—four provinces and 42 counties comprise a sophisticated network. They also have the legal option to engage in cooperation and they often use it. All of them interact, combine and generate an overlapping institutional network that goes beyond territorial boundaries. In order to analyse the different relationships of this wide range of actors, we opted to carry out a first general overview from both a formal and a quantitative point of view and then focus on one type of municipality—those with less than 500 inhabitants—and use a particular service to follow the relationships and dissect and identify the different roles played by different actors in the public service provision process.

Seen from a global perspective, inter-municipal associations are specific entities used under certain conditions and for some kinds of public services. In other words, the profile of these organizations is well defined and, thus, their number has stayed rather steady and their role can be clearly identified. Their policy scope is mainly focused on two areas: water and waste water infrastructures and waste management. Both of them can be considered highly demanding services that require sophisticated processes and an intensive use of resources. These activities fit perfectly in the ideal concept of an activity that could benefit from cooperation. This scheme could lead us to think that smaller municipalities would be especially interested in taking part in inter-municipal associations but, according to our data, this hypothesis does not seem to have empirical support. Conversely, smaller municipalities are not particularly prone to be part of these bodies.

On the other hand, there was an increase in the number of consortia in the first decade of the twenty-first century, a number that has since dropped mainly due to a diverse array of austerity and rationalization measures. Even so, consortia are still more common than inter-municipal associations. The main peculiarity of these entities is the possibility of including all types of public bodies and even non-for-profit organizations. This factor might have promoted the proliferation of these organizations; the possibility of including the upper-levels of government as “funding partners” might have encouraged the creation of these entities. Regarding the areas

of cooperation, consortia carry out a variety of activities, but they are notably focused on areas associated with promotion and development. In this case, we identified a relation between the size of the municipality and the tendency to be a member of consortia, but this was not in the direction that could be expected. As a matter of fact, larger municipalities tend to be more disposed to take part in these organizations.

After the examination of the two non-compulsory cooperative mechanisms, the main conclusion is that municipal size is a relevant variable, but it intervenes in the opposite direction from what we would expect: larger municipalities are more active. This might indicate that there is a minimum threshold of resources that are needed to be able to promote, or even be part of, a cooperative body. Non-compulsory cooperative mechanisms do not seem to be the answer to the question about how micro-municipalities manage to provide sophisticated services. In this sense, our data reveals that counties play a major role and might have almost replaced municipalities in the provision of some services. Namely, with respect to waste management, almost 60% of the respondent municipalities with less than 500 inhabitants have transferred the provision of the service to the counties.

The three agents (inter-municipal associations, consortia and counties) have developed different roles and have found specific spaces in the institutional network. Each type of entity fits into a particular function and they have adapted their activities to the vacant areas in a crowded political system. They have all generated close ties among them and have created new institutional settings beyond the formal territorial boundaries. The interactions are visible and common but also somehow specialized in certain areas and profiles of cooperation. Even though there is this specialization, it would be sensible to question the reason for the existence of some of these mechanisms. The fact that a significant proportion of consortia comprise only local entities indicates that the formal functions of cooperation of second-tier governments are not enough to facilitate support and, as a result, the second-tier governments create new structures. It is difficult to ascertain the nature of this “need” and whether it emerges from a political germ or from other technical or material motives, but, in any case, the result is a heterogeneous conglomerate of units that comprise a juxtaposed institutional network.

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PART III

Success and Failure: Case Studies

The Rise and Fall of the Union: A Case in Poland

Paweł Swianiewicz and Adam Gendźwiłł

INTRODUCTION

The aim of this brief study is to provide a detailed analysis of the cooperation between several municipalities in southern Poland. We focus on the single case of an inter-municipal union, which was established in 1994 and went into liquidation in 2009. This case, investigated through the desk research and individual in-depth interviews with main stakeholders, provides a good example of inter-municipal cooperation (IMC) dynamics. It demonstrates the drivers which initially supported the development of the union, as well as main factors inducing its internal crisis and dissolution. The latter seems to be particularly important, as not only the “success stories” and “best practices” but also the examples of failures allow us to learn about the mechanisms of IMC, its facilitators and obstacles.

The legal frameworks for cooperation between municipalities in Poland are provided by the Act on Local Government, which since 1990 (i.e. the establishment of local democracy in Poland) describes inter-municipal unions, agreements and associations as the main institutional forms of

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cooperation between the units of territorial self-government. In practice, all forms of cooperation between municipalities are voluntary. Polish municipalities can also establish companies, based on the Commercial Companies Law; once they have two or more municipalities as shareholders or an inter-municipal union is its shareholder, they are functionally another form of IMC. Nonetheless, the unions which are public law entities with their own resources, competences and internal governance structure are considered as the most institutionalized form of IMC. Unions are established by the joint resolutions of municipal councils of member municipalities. Usually, they are responsible for the joint delivery of particular public services which are delegated to the union by all member municipalities. The detailed regulations on the sources of income, representation and decision-making process are described in the unions' statutes, approved by the member municipalities (Swianiewicz et al. 2016).

BEGINNINGS

Związek Gmin Dorzecza Górnej Raby i Krakowa (Inter-Municipal Union of Upper Raba river and Kraków) was officially registered on December 28, 1994. The number of member municipalities was changing, but in the moment of top development of the union, there were 15 member municipalities—the City of Kraków (ca. 800 thousand residents, currently the second-largest Polish city) and 14 small towns and villages located south of Kraków (the largest of them was Myślenice, with just over 40,000 inhabitants). The population of Kraków was larger than all remaining 14 municipalities of the union together. Also, the political and financial resources of Kraków were incomparably higher than of its partners.

The idea of establishment of the union was related to the protection of water in the Raba river and especially in the Dobczyce reservoir (built in the lower part of the Raba river, ca. 20 km south of Kraków) which is the main source of drinking water for Kraków. In 1986, water management units of suburb towns of Myślenice, Dobczyce and Wieliczka were incorporated into the structure of Kraków Enterprise for Water and Sewage Management (MPWiK). MPWiK was a state-owned enterprise (in the communist system, cities were not separate legal entities and could not own any properties, including public utility companies).

In 1990, after decentralization reform and establishment of democratic local governments in Poland, it was not clear how to arrange municipalization of MPWiK Kraków. The usual practice of municipalization was to

transfer ownership of assets to the local government on which territory the properties and assets were located. It would mean that the town of Dobczyce would become an owner of the water facilities around the Dobczyce reservoir and Kraków would need to buy water from the small town of Dobczyce. Such a solution was hard to be accepted by the Kraków local government. An alternative solution would be to offer shares of MPWiK to minority shareholders from surrounding suburb municipalities. Nonetheless, this solution was also unacceptable for Kraków. Eventually, the fixed assets of MPWiK were divided and part of them became ownership of suburb municipalities, but the water intake in Dobczyce remained a property of Kraków.

At the same time Kraków was interested in improving the quality of water in the river and Dobczyce reservoir. In that period, the idea of creation of an inter-municipal union which would take care of water quality in Raba river was formulated. The idea was that union's investments would be financed by contributions from member municipalities, specific grants from central government, grants and loans from the National Fund for Environment Protection and the financial contributions from MPWiK Kraków. (Kraków city promised to transfer to the union, on annual basis, 10% of revenues from the water sold from Dobczyce reservoir.) The proper contract guarantying this model of financing was signed by MPWiK with a group of municipalities who formally initiated establishment of the union. The contract was valid for an undefined period, but there was a clause allowing MPWiK to withdraw from its obligation if two of the initiators' municipalities would leave the union. The main political patron of the agreement and establishment of the union was the governor of Kraków region (and in following the influential central-level politician, holding several ministerial posts)—Jerzy Miller. The town of Myślenice became a seat of the union office.

In the first years of its activity, union received considerable grants from the central budget (local MPs from Kraków effectively lobbied for allocating such grants in every-year budget)—National Fund for Environment Protection and Regional Fund for Environment Protection. First investment projects of the union focused on developments of existing sewage networks and sewage treatment plants in the northern part and the largest towns of the union. The reasons for such a selection of investment priorities were twofold. First, these investments were located in the close vicinity of the Dobczyce reservoir, so they had the most immediate effect for the quality of water for Kraków. Second, larger towns were better prepared

to quickly implement new investments than smaller, mostly rural local governments in the southern part of the union. The funds “organized” by the union provided even 80–90% of the total investment cost, the own contribution of benefiting municipalities was usually around 10–20% of the cost only. In later years, the necessary contribution of local communities was usually higher.

After the new assets (sewage network, sewage treatment plans) were built, they were transferred to individual municipalities, and their current operation has been arranged by management units of each local government. Therefore the union was nothing more than an “investment vehicle”, organizing, funding and managing construction process. The additional activity of the union was implementing educational programmes on environment protection. It is worth mentioning that in the late 1990s the Union of Upper Raba was often referred to as the model example of successful IMC.

CHANGING INCENTIVES, DIVERGENT INTERESTS

In the late 1990s, the union had changed its investment priorities. The most important investments moved to the southern part of the region, especially around the town of Mszana Dolna located at the southern edge of the union. The change in geographical allocation of investments in various periods of union’s operation is illustrated in the Table 15.1. The change has resulted partially from structural reasons related to satisfaction of the most urgent investment needs in the northern, more urbanized, part of the region and at the same time from the changing power play of main political actors. From the latter point of view, the turning point was 1998, when the mayor of Myślenice, and one of the leaders of the union—

Table 15.1 Location of investments in sewage networks in the Union of Upper Raba river and Kraków

	1995–2000		2001–2005	
	<i>km</i>	<i>% that was built during the period</i>	<i>km</i>	<i>% that was built during the period</i>
Northern part of the region	96	81	82	18
Southern part of the region	22	19	369	82

Source: own calculations based on data received from the union’s office

Stanisław Nowacki—lost mayoral elections. But this did not mean disappearing from the politics of the region—thanks to the support of mayors of rural governments from the southern part of the union that he was appointed the Director of the Union' Office. In 2000, the union office was moved to Mszana Dolna as well.

The operating model of a union has changed considerably. It stopped to be just a manager of investments. From now, the new assets were not transferred to member municipalities any more, but they were operated by the new company, "Upper Raba", created in 2000 and owned entirely by the union. The reason of that change was pragmatic—most of small, rural local governments which benefited from new investments brought by the union, in contrast to towns, did not have any management units which could take over responsibility for the management of the sewage system, most of them did not have any sewage system at all. They had a choice of either establishing own companies in each municipality or organizing a joint management unit. The decision was to choose the latter option.

The "Upper Raba" company took over ownership and operation of five newly built sewage treatment plants in the southern part of the union. But the plot of land of the largest of those facilities remained the property of Mszana Dolna town. As a result of these developments, the situation has become very complex—the company operated only part of the assets created by the union but remained the ownership of the whole union. The land under sewage treatment in Mszana Dolna was rented by the union, but the renting agreement stipulated that in case of liquidation of the union, the land would be transferred back to the municipality.

After 2000, the union tried to apply for funding from Instrument for Structural Policies of Pre-accession (ISPA) EU pre-accession funds, but the application was rejected. Few years later, after the 2004 Poland-EU accession, the union tried to apply for funds from the Operating Programme Infrastructure and Environment but it appeared that the condition to get a grant was that there would be one company responsible for operation of newly produced assets. For municipalities located in the northern part of the region, such a solution was unacceptable, as they had their own management units and were not ready to get rid of them in favour of the joint company. They were also afraid that the single management of the network would lead to unified tariffs for water and sewage for the whole territory of the union. Since rural municipalities in the southern part were more sparsely populated and induced much higher unit costs of

operating the system, the unification would be unwelcome by the towns in the northern part of the region.

Due to the disagreement on these important details, the union has not attracted any new, substantial funding. Consequently, the union got into financial troubles, and member municipalities have to cover budget deficit of the union. At the end of 2006 and beginning of 2007, there was another change on top management positions in the union. A former mayor of Myślenice was recalled from his position of the union's office director and he was replaced by a politician from Limanowa, the town located close to the southern part of the region. In the same period, some of member municipalities, disappointed by failures of joint applications, independently applied for EU structural funds—some of them successfully. Soon after a few member municipalities—including Myślenice and other towns of the northern part of the union—Dobczyce and Wieliczka—as well as the city of Kraków—resigned from their membership and withdrew from the cooperation. According to some of our interviewees, the representatives of Kraków city played a role in encouraging other local governments to leave the union. The reason was the clause in the founding agreement, mentioned earlier in this chapter—it stipulated that Kraków might withdraw from financial contribution to the union's budget once two other municipalities decide to withdraw from the union.

UNEASY DIVORCE

All the union's investments ended in 2009. The assembly of the union decided to liquidate the union (the gradual decrease of the union's budget spending is illustrated on the Fig. 15.1). The company "Upper Raba" was transformed into a multi-shareholder company—however, only symbolically. Still 98.4% of shares is owned by the union and remaining 1.6% of shares is allocated among 8 municipalities on which territory the company operates. The ownership structure is complicated—there are still two other member municipalities of the union, which do not hold any share of the company directly, and the company "Upper Raba" does not provide any services on their area, but they remain indirect co-owners (through the union).

The liquidation of the union takes a much longer time than initially anticipated. The first reason is related to formal requirement concerning

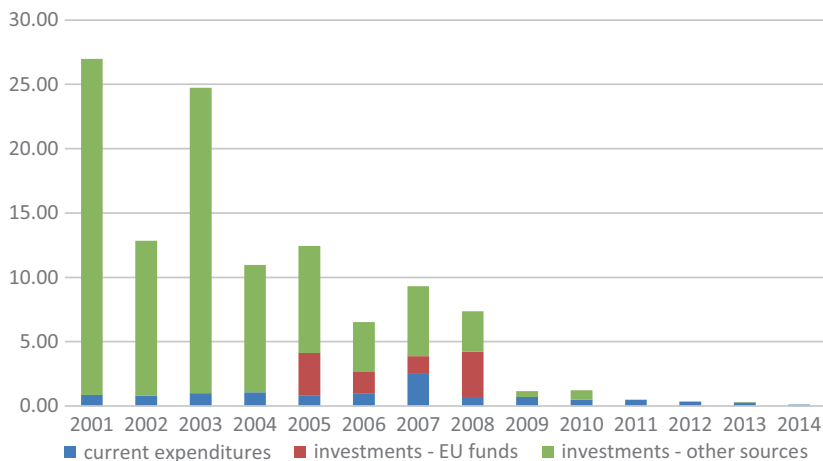


Fig. 15.1 Budget expenditures of the union of Upper Raba and Krakow (in million PLN). Source: own calculations on the basis of unions; budget reports. Note: precise information on budget in the 1995–2000 period is not available

the durability of EU co-funded projects. Another complication is related to the decision on what to do with the assets and future ownership of the joint company. The third complication arises from the issue of the ownership of land used by the joint sewage treatment plant in Mszana Dolna. The mayor of Mszana Dolna serving at office between 2006 and 2014 was not ready to offer the land to the union. However, the plant serves not only the town but also four other municipalities. Only at the beginning of 2015 did the new mayor of Mszana Dolna agree for long-term (30 years) lease of the land to the union. But it is still not clear who would be the future owner of the company. One option suggests that the only shareholders would be municipalities who are served by the company. In such cases, the cooperation institutionalized as an inter-municipal union would be replaced by the inter-municipal company. But mayors of the remaining local governments who are still members of the union are not ready to get rid of their shares, at least not without financial compensation. The union has been under liquidation since 2009. During that period, its annual budget has been minimal (in 2014, it was just over 100,000 PLN or 25,000 EUR), but due to all complications described above, it is very difficult to predict when it may really cease its existence.

WHY THE COOPERATION SCHEME FAILED?

Why the cooperation—very successful in late 1990s and first years of the twenty-first century—eventually failed? For many years, the union had been a useful instrument for joint investments in water protection, usually heavily subsidized from the dedicated funds managed at the central level. It sounds like a paradox that problems emerged exactly when much larger funds from the EU structural funds became available for local governments in Poland. The union was unable to prepare a successful joint application for funding. As a result, some of member municipalities—especially larger and more affluent towns in the northern part of the region—lost their interest in joint activities and decided to apply for the EU funds on their own. As one of the mayors told us during the interview:

Union was unable to prepare such an application to the Cohesion Fund (...) it caused discussions among members and suggestion that individual municipalities may apply separately. And we decided to go that way (...) and that is why we decided to leave the Union.

So, the initial source of problems was disappointment with the lack of joint success. However, it was accompanied by the structural disparities within the union, related to the crucial differences between cooperating municipalities.

Firstly, a part of municipalities was interested in extending their existing sewage network and modernization of sewage treatment, while others needed to build a new network from the scratch. Secondly, municipalities differed in terms of institutional capacity and readiness to absorb large investment funding. The larger, more affluent, urban municipalities of the “north” were ready to start their investments since the very beginning, while rural local governments in the “south” needed to start with time-consuming preparations of necessary documents.

At the same time, the area on which the union operated was very wide, and there was a lack of “glue” in the form of a common territorial identity. As a result, the particularistic interests of individual members and smaller sub-regions within the union have prevailed. One could notice a visible shift of power within the union in terms of the influence on important decisions and nominations on key positions in the union. In the first period, the office of the union was located in Myślenice (the main town of the “north”) and most of the investments were implemented in and

around Myślenice. In the second stage, an office was moved to the south—to Mszana Dolna—and the former mayor of Myślenice (being in conflict with the new mayor) became the director of the union's office. At the same time, the large part of union's investment was moved to the southern part of the region. Northern municipalities, who have already met their most urgent needs, and who lost their decisive power within the union, have gradually lost their interest in union's activity.

Additionally, one can identify some constraints in the institutional design and strategy of the union which led to the crisis.

Firstly, there were no clear rules on what would happen with new fixed assets produced by the union's investments. Part of these assets was simply transferred to the member municipalities as their own property and part remained in the union and was managed by the company owned by the union. The ownership structure of the company has become very complicated (all members were co-owners through the union, but in addition, some of municipalities had direct ownership rights through their own shares).

Secondly, the crisis was inevitably brought by the lack of long-term, consequently implemented strategy deciding on investment priorities and organizing the timetable for the funding application and implementation of the financed projects. Consequently, a considerable part of strategic decisions in this respect was dependent on the personal position (influence) of individual mayors and not widely discussed.

Thirdly, the internal problems in the union occurred also due to the political changes in some member municipalities. Once a large part of decisions was based on the personal relations between mayors (who were, since 2002, directly elected), each local election profoundly influenced the governance structure of the union. We noticed a practice of offering posts in the union's office for important local politicians losing elections in their municipalities. This led to personal animosities among the key decision makers. According to several respondents, it also resulted in limited managerial quality of the union's administrative leaders, who in fact were more politicians than managers. Consequently, when difficulties came, there was the lack of a strong manager who would be able to break through the crisis situation.

Finally, the crisis occurred along with the change of external funds' distribution rules. In the first period of the union's operation, one could observe a custom of some of the local mayors to organize funding of

investments through lobbying and personal contacts on upper tiers. However, this method has occurred insufficient in applying for EU pre-accession and structural funds. In that sense, the “crowding-out” of national funding by EU Operating Programmes has had fatal consequences for the union described in this study.

CONCLUSION

There are two possible interpretations of the story of the Union of Upper Raba and Kraków. The first interpretation is from a rather optimistic perspective. Once it is true that the liquidation of the union is a difficult and turbulent process, at the same time, it would be incorrect to call it a “failure story”. In the 1995–2005 period, the union has accomplished a lot, benefiting from several investment projects. The decision to cease this form of cooperation was made after the accomplishment of the main aims formulated at the beginning. Sewage network has been built in the vicinity of Dobczyce reservoir, the water in Raba is much cleaner and thus the supply of good quality water for Kraków is secured. Therefore, the case could be classified as a “mission completed” story. The union—a peculiar institutional form of IMC—is being dissolved simply because it is not needed any more. Anyway, it does not make previous successes invalid.

The second interpretation is less favourable for the discussed case. Such an interpretation stresses mistakes made in the institutional design of the union (it is possible that they could have been avoided). It also demonstrates the devastating conflicts among member municipalities, which hardly fit into the “mission completed” successful story. Apart from that, one may easily refer to other cases of IMC in Poland (see e.g. Swianiewicz et al. 2016) in which the cooperation, once initiated, was seen a value in itself, worth of protection. Such an attitude allowed to sustain the IMC institution, thanks to finding other forms and goals after the achievement of the initially formulated aim.

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The Architecture of a Complex System: The Oradea Metropolitan Area in Romania

Cristina Stănuş

INTRODUCTION

This case study¹ approaches the experience of inter-municipal cooperation (IMC) in the metropolitan area corresponding to one of Romania's largest cities, Oradea. This particular IMC arrangement is an atypical case for two very different reasons. First, because the IMC arrangement has led to a slow push towards amalgamation. Second, because this particular arrangement blends in some cross-border cooperation elements, as Oradea is very close to Romania's Western border. From a completely different perspective, we have a typical case of cooperation, where change in terms of service delivery to the citizens depends on the degree of organisational integration and organisational complexity.

The defining contextual elements for the introduction of IMC in Romania are a very visible tendency towards fragmentation of existing local governments combined with a constitutional protection of local autonomy which does not allow the central government to force amalgamations. The legal framework for IMC in Romania, introduced in

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2004–2006 (Pop et al. 2007; Stănuș 2011), provides for a quite complicated architecture of cooperation. Thus, for a specific list of public services (water supply and sewerage, centralised heating, waste management, street lighting, local transport), it requires municipalities choosing to cooperate to set up a single-purpose IMC arrangement for each service. The respective arrangement would involve municipalities setting up a quasi-public single-purpose association of municipalities which, at its turn, needs to delegate services to a private service delivery company whose shareholders are the IMC arrangement and the respective municipalities. It must be noted that in Romania these areas of service delivery are perceived as the most difficult in relation to the list of competences attributed to local governments. Moreover, these are the areas with significant problems in terms of accessibility of service to the citizens; for example, large parts of Romania's rural areas still do not have access to sewerage services.

Within this framework, metropolitan areas are organised using the same set of rules as other forms of IMC. There are two differences between a metropolitan area association and an IMC arrangement grouping rural municipalities, namely the permission to use the label of the metropolitan area and the type of financial incentives available under EUs structural instruments (which were the main incentive for IMC used by the central government). Otherwise, from a regulatory perspective, very few differences exist.

THE ARCHITECTURE OF COOPERATION: THE OMA CASE

The Oradea Metropolitan Area (OMA)² is a good example of the complex architecture of cooperative arrangements in Romania. It groups the city of Oradea (Romania's tenth largest city) and ten neighbouring rural municipalities (out of which three adhered at a later date) and is situated next to Romania's border with Hungary.³ The total population living in the area is of approximately one-quarter million, while the surface covered is of approximately 10 percent from the territory of the county (although the city's influence extends all over the entire county). Oradea serves as the major centre for employment, education, administrative services, healthcare and public transportation, while the neighbouring municipalities provide good locations for industrial and services development and housing. Moreover, functional specialisation within the metropolitan area already existed. A tendency towards suburbanisation was already visible, with housing development focused on the three of the ten rural municipalities in the OMA. Taking

into account the strong interdependency between these municipalities, OMA was set up in 2001 as a private law non-governmental association. Local bottom-up incentives were met halfway by top-down incentives favouring IMC, mostly in the form of pre-accession (Instrument for Structural Policies for Pre-Accession, ISPA) and later EU structural (Regio) funding earmarked for urban agglomerations.

In 2006, following the introduction of national regulations concerning IMC, the legal form was changed to inter-community development association (ICDA, a quasi-public body with multiple competences). This entity performs mainly planning and coordination functions: strategic planning, writing of funding applications for joint or single municipality projects falling within the general strategy of the OMA and project management and auditing (although not exclusively). However, this legal form is very far from the power and discretion attributed to public metropolitan authorities in other national contexts (see Lidström 2016). In order to impact policy and service delivery in the metropolitan area, the following cooperation structures and legal entities were set up to work alongside the main organisation:

- Cooperation in the area of water supply and sewerage services is managed through the ApaRegio public service ICDA (single-purpose, quasi-public body with a legal status regulated differently from that of the main OMA association). This organisation groups most but not all members of the OMA, the Bihor County Council and several other municipalities in the county. This organisation operates in tandem with the Oradea Water Company, the regional water and sewerage operator.
- Cooperation in the area of local transport is managed through the TransRegio ICDA (a status similar to the ApaRegio organisation), which so far groups only the municipalities of Oradea, Borş and Sânmartin. Plans are being made to expand this organisation to include other municipalities in the metropolitan area. This organisation operates in tandem with the local public transport company from the city of Oradea, which has been delegated the operation of service. Cooperation in this area has a strong cross-border component, as medium and long-term planning has focused on integrated transport not limited to the OMA territory but expanded to the de facto Oradea-Debrecen (Hungary) metropolitan area. Another component focuses on developing rural-to-rural transport links.

- Cooperation on an integrated project aimed at improving the quality of local water and road infrastructure in the municipalities of Oșorhei, Sântandrei, Sînmartin and Nojorid is managed through the Progres ICDA (single-purpose quasi-public body).
- Cooperation in the area of waste management is managed through a county-level public service ICDA led by the county council. This form of cooperation was a condition for accessing the EU structural funding available for Bihor County in this area (quasi-compulsory IMC). Before this, a public service ICDA, named REOSAL, grouping all rural municipalities in the metropolitan area, and a corresponding service operator were set up so as to deliver waste collection for these municipalities. Both structures are presently operational. We find here two different legal entities with complementary purposes and overlapping jurisdictions.
- Cooperation in the area of centralised heating is managed through the TermoRegio public service ICDA (single-purpose quasi-public body), and the corresponding regional operator and is *de facto* limited to Oradea and the neighbouring municipality of Sînmartin. There are plans to expand cooperation in this area.
- The OMA's main organisation cooperates with member municipalities in developing and implementing projects of relevance to a single municipality, such as building new local (sometimes cross-border) roads and bicycle lanes, tourist information centres or improving local health services. These projects usually involve some form of formal partnership between the OMA organisation and the respective municipality and work towards showcasing the benefits of cooperation to reluctant local political actors.
- The OMA main organisation develops small projects of relevance for the entire metropolitan area, such as a small project concerning the creation of an inventory of cultural goods in the metropolitan area or a project focused on increasing energy efficiency. Some of these projects also require a partnership agreement involving all municipalities, for example, the setting up of a metropolitan voice-and-data network and of a joint interactive web-based Geographical Information Systems (GIS) database.

Informally, municipalities in the metropolitan area and the main OMA organisation also cooperate in other ways. For example, they have jointly lobbied electricity and natural gas providers to obtain better prices. In some

cases, informal cooperation involves policy transfer from the city of Oradea to the rural municipalities. It is the case of a local policy concerning stray dogs: the municipality of Oradea has developed a set of regulations and has decided that its facilities are made available to the rural municipalities and the rural municipalities have adopted the exact same set of regulations. Another example of soft, not very formalised, cooperation concerns the creation of an inventory of investment opportunities in the metropolitan area, which are then marketed by the OMA main organisation and the municipalities.

This complex legal structure leads to complexity in many other ways. The existence of several legal entities means a significant increase in the number of delegation decisions which need to be made by the local councils and the number of documents that need to be issued and processed. Political decision-making in local councils unavoidably means political negotiations take place every time a new formal decision concerning metropolitan cooperation needs to be made. This is a difficult process, especially since the OMA is the locus of very contradictory tendencies: on the one hand, we have the tendency towards fragmentation (separation of existing municipalities in order to counteract the effects of the 1968 forced amalgamation) and on the other hand we have some acknowledgement of existing interdependencies and need for cooperation. This is further complicated by a very specific characteristic of the Romanian political system, namely, the over-politicisation of local government decisions (Dragoş and Neamţu 2007), leading to a quite strong tendency to overturn policy decisions made by previous administrations. Ensuring inter-sectoral coordination becomes a complex task which is assumed by the staff of the main OMA organisation. They are able to ensure such coordination as long as the municipalities do not initiate projects on their own without taking into account the wider OMA strategy. The main instrument used to prevent this has been joint strategic planning for local development closely supervised by the OMA staff.⁴ OMA staff goes as far as pointing out that the difficulties and complexities of political negotiations within the metropolitan area make it difficult to plan a further expansion of joint service provision and suggest at this point that the IMC arrangement is focused on conserving and consolidating what has already been achieved. Moreover, the resulting satellite organisations display different degrees of institutionalisation and different abilities in terms of taking the initiative in their policy area.

Like most IMC arrangements in Romania, the OMA is relevant in terms of achieving the expected economies of scale (see Bel and Mur 2009; Bel and Warner 2015), as well as economies of scope (creating

access to services unavailable before, especially in the rural areas). Also like most functional IMC arrangements in Romania, the OMA displays a dependency on EU structural funding and other forms of external funding. However, unlike other arrangements, it also displays signs of cooperation (although limited to soft areas) not linked to EU structural funding.

A key area of cooperation, which also gives an insight into the potential impact of IMC on vertical power relations, concerns the development of the local road infrastructure in the metropolitan area. The OMA pursues two objectives: to increase connectivity between rural municipalities by building new direct roads and to ensure the entire metropolitan area is well connected to the still-under-construction Transylvania Highway. However, developments in these areas are dependent on the relationship with the central government and its key agent, the National Company of Road Infrastructure Management (CNAIR). Vary of the inefficiencies at the central government level, the municipalities and the OMA main organisation have invested local funds into developing projects which were then passed on to the CNAIR, so that the latter can submit them to the relevant authorities, gain EU structural funding for these projects and build the respective roads. This suggests that, although the central government has incentivised IMC, it was very slow in adapting the priorities and operations of its agencies to the needs identified by the cooperating municipalities.

CITIZENS AND THE ACCOUNTABILITY OF IMC ARRANGEMENTS

When both academics and practitioners discuss the political aspects of IMC, an important emphasis is placed upon the issue of accountability (Denters et al. 2016; Swianiewicz 2011; Teles 2016). It is generally agreed that in the case of IMC arrangements, accountability to citizens is diminished in favour of accountability to elected officials. Nevertheless, citizens remain the key stakeholders/main beneficiaries of the public services provided by such arrangements. By law, in Romania, there are no accountability mechanisms linking the OMA main organisation or any of its satellites directly to the citizen. Accountability is supposed to be achieved indirectly, via the control exercised by the local councils over the IMC arrangements. The organisational complexity of the OMA and its reliance of EU-funded projects should help in this direction, as councillors are constantly called upon to examine documents and make decisions con-

cerning the different areas of cooperation. The extent to which councillors actually manage to stay updated on these topics and manage this complexity is a different topic, on which so far there is no data available. The OMA is, however, a good example of the need to establish direct linkages with the citizens, as shown by the circumstances leading to the withdrawal of a rural municipality from a key water infrastructure project.

The rural municipality of Biharia has joined the OMA since the beginning and has also agreed to be part of the ApaRegio ICDA and to delegate its water supply and sewerage services to the regional water operator. The goal of the ApaRegio ICDA and the regional operator was to obtain 83 million Euro of EU structural funding for a complex project involving the development of water infrastructure covering a significant part of Bihor County. Following the delegation of service to the regional operator, its need of obtaining funding for co-financing the infrastructure project, and some changes in national regulations, citizens in the rural municipalities included in the project were faced with a rapid increase in the value of their monthly water bills. Citizens in Biharia have expressed discontent and the members of the local council have consequently preferred to vote in favour of withdrawing from the ApaRegio ICDA and cancelling the delegation of services. The situation was complicated by the approaching June 2012 local elections, as some of the local politicians have preferred the popular path (caving in to citizens' pressure) to the less popular one (informing citizens and promoting the project). This has jeopardised the entire project, as the ApaRegio ICDA had to seek permission from the funding agency to make significant changes to the initial project (replace one municipality with another). In the end, Biharia was allowed to withdraw and has lost 5.8 million Euro in funding for its water infrastructure. Moreover, Biharia was ordered by the court to pay approximately one-quarter of a million Euros in damages to the ApaRegio ICDA, which amounts to approximately one-quarter of its annual budget.

The main causes leading to this withdrawal seem to have been the lack of communication between the water company and citizens, a very weak sectoral ICDA which left things to be handled by the regional operator and a lack of involvement of local political actors in discussing with and informing citizens of all aspects rounding this very significant change. This situation shows that, *prima facie*, indirect accountability mechanisms seem to work in the case of OMA, as councillors have used the extreme accountability mechanism at their disposal, withdrawal from the IMC arrangement. However, the same situation shows that the distance between the

IMC arrangement and citizens, as well as the existence of intermediaries, impedes citizens to acquire information and to formulate evidence-based opinions concerning public service delivery.

A STEP TOWARDS AMALGAMATION?

The influence of local political factors was also visible in a completely different area. Constitutional principles and deriving legislation practically do not allow the Romanian central government to force amalgamation. The only path towards amalgamation involves a bottom-up process. First, a local initiative in this respect needs to be approved by the relevant local councils. Second, based on the decisions of the local councils, local referenda need to be organised in all involved municipalities (a minimum turnout of 30 percent applies). Third, if via referenda citizens approve the amalgamation, the parliament needs to pass a law with a qualified majority sanctioning the decision of the citizens. It was within this framework that the central government enacted its IMC policy, hoping that it will create premises for voluntary bottom-up amalgamation. The OMA was the first IMC arrangement in Romania that publicly displayed a tendency in this direction.

Incentivised by the fatigue of constant political negotiations for major and minor decisions alike, the municipality of Oradea and the OMA main organisation initiated a discussion on voluntary amalgamation. The discussion was founded upon an in-depth study of the interdependencies between the city and the neighbouring rural municipalities. Based on this study, the municipality of Oradea extended an invitation for voluntary amalgamation to some of the municipalities in the OMA area. The municipality of Sânmartin, displaying one of the highest degrees of interdependency with the city, was the only one to accept a discussion on this matter. This was followed by a joint decision of the two local councils to pursue voluntary amalgamation and initiate the necessary local referenda. The citizens of Sânmartin came out to vote in large numbers and approved the amalgamation, while in Oradea, the minimum 30 percent turnout was not reached in two different attempts. In accordance with the legal provisions detailed above, the initiative could not progress beyond this point.

Two different aspects need to be pointed out here. First, the very limited citizen information campaign conducted was dominantly focused on appeasing any concerns the citizens of Sânmartin may have. Few explanations were given to the citizens of Oradea despite the fact that it was more

likely that they did not understand what was at stake.⁵ Moreover, for political reasons, the information campaign was initiated too late and it did not manage to mobilise and energise key actors in the community. After two failed referendums in Oradea, in the 2016 local elections, citizens replaced the mayor of Sânmartin with a politician not favouring amalgamation. The aftermath of this failure has seen significant difficulties in terms of implementation of existing cooperation projects between the two municipalities (especially a project focused on the construction of a new road). Moreover, this has led to fears that rural municipalities will become more isolationist, especially as they are now more able to attract EU funding on their own and local politicians are able to present achievements not linked to the OMA framework. This has also influenced the behaviour of the OMA main organisation; significant efforts are now channelled towards strengthening the city—rural municipalities’ links.

A BRIEF CONCLUSION

The key finding of this brief case study concerns the significant impact of a great organisational complexity in a national context that is not yet ready for the notion of metropolitan authority. This complexity is however a conscious choice, as it allows the OMA to be one step forward in terms of public service delivery in relation to both national regulations and other metropolitan areas in Romania. A second finding concerns the role of local political actors in furthering/hindering local development and cooperation, as showcased by the withdrawal of the municipality of Biharia from a signature OMA project. A third finding suggests that the likelihood that IMC works as a prerequisite for voluntary bottom-up amalgamation remains low as long as this depends on local political actors consciously making decisions leading to significant change of the local territorial-administrative and political context.

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NOTES

1. This case study is based on the analysis of official documents, news stories as well as two interviews with personnel of the Oradea Metropolitan Area’s main organisation, conducted seven years apart in 2009 and 2016.

2. www.zmo.ro.
3. It must be noted that two of the current members are the result of the voluntary split-up of municipalities; in one of the cases the split-up occurred after the creation of OMA and both resulting municipalities joined OMA. The rural municipalities members of the OMA are: Biharia, Borsș, Cetariu, Girișu de Criș, Ineu, Nojorid, Paleu, Sînmartin, Sîntandrei and Toboliu.
4. All member municipalities have developed their strategic documents within the framework of a project managed by the OMA main organisation, *Local Development Strategies in Oradea Metropolitan Area*, 2010–2012, funded through the EU structural instruments in Romania, <http://zmo.ro/en/index.php/projects/implemented-projects/56-strategii-de-dezvoltare-locala-in-zona-metropolitana-oradea>.
5. See the www.referendumoradea.ro website for details in this respect.

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Korça Waste Management and the Territorial Reform in Albania

Alba Dakoli Wilson

INTRODUCTION

In 2015, Albania carried out a major territorial reform, reducing the number of municipal governments from 384 to 61. It is frequently assumed that inter-municipal cooperation (IMC) is an alternative for territorial reform. In this chapter, we ask the following questions: whether these two processes may work together, how the major territorial amalgamation influenced the environment for IMC and if it has strengthened the basis for cooperation or eroded the demand, since increased scale of local governments allows provision of more services independently. The case on which we conduct our analysis is cooperation in solid waste management arranged around the city of Korça, which is the main regional centre in the south-east of Albania. This has been one of the pioneering examples of IMC in the country, where IMC does not have a long tradition. The start-up of Korça IMC was supported by international donor programmes, mainly the KfW, a German Development Bank, through several support projects.

KRWM—Korça Regional Waste Management company—is an IMC entity set up as a joint-stock company, founded with public capital owned

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by the municipalities of Korça region. The company's mission is to deliver service quality and resource efficiency in integrated waste management haulage and disposal for the region of Korça, contributing to reduction of waste and safeguarding of occupational and environmental health and safety. The company's scope of work includes waste haulage and administration at the regional landfill in Maliq. For conducting the above activities, the company creates and implements an economically affordable and environmentally non-harmful system for waste management and acts by applying the best possible techniques and in compliance with the regulations, strategies and national and local waste management plans.

RANGE OF TASKS DELIVERED

KRWM is a single-purpose cooperation arrangement, covering functionally integrated waste management services. Tasks assigned to KRWM upon its set-up included a wide range of services, such as joint waste management, with IMC exercising service and administrative and investment competence on behalf of participating local government units (LGUs) for collection, transportation, administration and disposal of urban, industrial, hospital, construction, demolition, remains from water treatment, agricultural, livestock and bulky waste along with several other functions related to overall environmental protection in the region.

Approaching the operation of the regional landfill, a review of KRWM tasks was undertaken, preceded by a thorough shareholder discussion, narrowing down the task to *management and operation of the regional facilities and the long-distance transport system associated with it*. The responsibility to support waste reduction and recycling initiatives remains with the IMC, although partnership with the private sector in this domain is considered crucial.

The Territorial Administrative Reform (TAR) implemented in 2015 and the respective review of local government tasks and responsibilities did not modify the municipal own functions in the area of waste management; therefore, the responsibilities of the IMC were not impacted. However, redesign of municipal boundaries impacted the service coverage area of KRWM. Regionalization of the initiative discussed at several stages became a reality after implementation of territorial reform with the territory of all LGUs merging with the current shareholder municipalities (Table 17.1).

Table 17.1 Tasks assigned and needs for joint delivery

<i>Tasks assigned</i>	<i>Articulated need for joint delivery</i>	<i>Potential for extending scope</i>	<i>Assessing optimal service size</i>
<ul style="list-style-type: none"> Joint waste management, with IMC exercising service, administrative and investment competence on behalf of participating LGUs for collection, transportation, administration and disposal of urban, industrial, hospital, construction, demolition, remains from water treatment, agricultural, livestock and bulky waste 	<ul style="list-style-type: none"> Improvement of the situation of waste collection and disposal Implementing proper principles and techniques for protection of environment Prevention of further pollution of watersheds of Ohrid and Prespa lakes Stop to endangering water quality of aquifers that supply population with drinking water 	<ul style="list-style-type: none"> IMC carries out awareness campaigns, calculates service tariffs and offers expertise to members 	<ul style="list-style-type: none"> Feasibility study carried out suggests delivering service for 80 per cent of region's population Affordability of LGUs decisive in participating in arrangement

The observed case *tackled the delivery of acceptable service standards*. It deals with urban waste disposal and the introduction of disposal methods that meet EU standards, a novel practice for the country. Cooperation negotiations moved towards regional landfill coverage, which was favoured as the way forward for the country's environmental strategy.

KRWMM is trying to make *use of economies of scale* to make service cost affordable and to attract good-quality private service providers, as well as financing institutions.

Indivisible infrastructure (two of the biggest water bodies in the country shared among participating municipalities) seems to be one of the main reasons for the creation of KRWMM. Preventing pollution of lakes Ohrid and Prespa (which border Macedonia and Greece) has already been tackled by several programmes, including major investments in the water and sewage sector.

The present stage of development for IMCs is not yet ripe enough to yield *envisaged impact towards quality of services*. Nevertheless, it reports successful fund-raising, while important feasibility studies and business

plan analysis have been carried out. These analyses recommend efficient service coverage, facilitated decisions on IMC membership and share distribution and provide projections for the costs involved.

FORMS OF COOPERATION AND ACTORS INVOLVED (TABLE 17.2)

KRWM shareholders aim towards a consolidated separate institution. It is nevertheless worth drawing attention *to the time span required to formalize agreement*.

KRWM, a consolidated IMC in terms of properly developed decision-making mechanisms, and institutions and feasibility studies that guide decisions, took more than five years to institutionalize the municipal cooperation as a company. Institutionalization has certainly proved to be a major challenge when setting up IMCs.

As in most of the cases, IMCs are associated with *an initiator*, usually the mayor of the largest municipality and probably the most active member of the initiators' group. This role is carried out by the mayor of Korça, the largest participating municipality. Negotiation skills, coupled with the possibility of subsidizing some initial steps in the setting-up process (and despite the political composition of mayors in the negotiating group), enabled the initiative to move forward.

Table 17.2 Forms of cooperation and members involved

<i>Legal form and decision-making bodies</i>	<i>Participating and potential members</i>
<p>KRWM</p> <ul style="list-style-type: none"> • Shareholders company • The highest decision-making body is Shareholders' Assembly composed of all shareholder local units, with voting power proportional to the number of shares possessed • The Assembly proposes and elects a Supervisory council, which oversees activity of the executive • Represented by the general administrator, who covers administrative and financial sectors 	<ul style="list-style-type: none"> • LGUs presently the only shareholders of company • Considerations given towards the participation of private sector as shareholders and provisions in statute to sell and buy shares • County council not participating but has had some role as a databank for various waste-related registers

FINANCING MECHANISMS AND INCENTIVES

The financing patterns report financial incentives for triggering the IMC and also sustainability plans for the future of the cooperation.

Financial incentives, externally funded, are present throughout the implementation of IMC start-up and its institutional consolidation. Through donor support, the feasibility study was financed even before the institutionalization of cooperation, while a substantial part of the financial incentive was used for upgrading the service infrastructure and institutionally strengthening of KRWM (Table 17.3).

It is natural that the IMC activities described for KRWM would be *financed through service tariffs* since areas of these activities cover public service. Moreover, the participating members have agreed to increasing service-fee levels mirroring the increase in service quality expected through KRWM, which is also offering support for conducting public awareness activities, giving out information on plans to improve the service and collecting fees.

PROVISIONS FOR REPRESENTATION AND ACCOUNTABILITY

It is a difficult task to analyse arrangements for accountability and representation merely from the statute articles of KRWM. Since there are no IMC legal forms that are tailor-made for publicly owned companies in the country, KRWM was set up based upon private law statutes for private companies, leaving representation and accountability arrangements up to each municipality.

It is up to the assigned municipal representatives and the municipal councils to streamline procedures for keeping the latter informed about

Table 17.3 Financing mechanisms and incentives

<i>Initial financial incentives</i>	<i>Membership financing mechanisms</i>
<ul style="list-style-type: none"> • Three consecutive projects, amounting in total to approximately three million euro, have supported the process of establishing an IMC • Loan covering landfill construction, including sorting and recycling activities 	<ul style="list-style-type: none"> • Activities of IMC supported by following revenue streams: cleaning fees and other revenues consisting of fees for services or taxes related to waste administration • Other contributions made by participating local units

activities carried out by KRWM. Such a routine procedure still has to be designed, taking into account that city councils have delegated to KRWM the competences for the assigned function (without regulatory competence), while the responsibility for delivering the service still remains with the local authority towards their local communities.

INTER-MUNICIPAL COOPERATION AND TERRITORIAL ADMINISTRATIVE REFORM

Joint waste management is where the IMC will exercise service, administrative and investment competence on behalf of participating LGUs for the collection, transportation, administration and disposal of the following waste categories: municipal waste (household waste, non-hazardous commercial, industrial and institutional waste), which is collected within the municipal waste management collection scheme.

Information on the IMC

Waste management, based on EU standards and waste directives, is quite a new approach in Albania. It was introduced in the Korça region as a necessary means to improve the situation of waste collection and disposal and provide the proper principles and techniques for the protection of the environment. The first tier of local units is fully responsible for collection, transportation and disposal of waste, since the enactment of the Local Government Organic Law in 2000. Despite this legal obligation and the increasing demand of communities for proper waste management, several local units remained unable to offer a quality service, or cover fully the respective administrative territory or even introduce the service (particularly in deep rural areas). On the other hand, dumping in the region has polluted watersheds of Ohrid and Prespa lakes and endangered water quality of aquifers that supply the population with drinking water.

Description of the IMC

This IMC is focused on delivering the waste management service and includes also facilitation for the setting up of a fee system, applying the principle of cost recovery. Member local units have delegated to KRWM the authority¹ to fulfil the function of solid waste management at a regional level. However, regulatory competence for this function remains with founding members,

while the IMC exercises administrative, service and investment competence. KRWM is also expected to provide training and advice for local unit administrations, as well as develop standards for various waste management activities, such as for waste reduction, treatment and disposal.

KRWM serves a total number of around 311,000 inhabitants in the region within six municipalities.² Participating units agreed to establish the joint-stock company “Korça Region Waste Management” to provide waste management service and help build the structures needed to perform it. Participating local units are all shareholders of the company, sharing the rights and duties according to the number of their shares, which are defined in proportion to the population served (based on official population figures published by the National Institute of Statistics, INSTAT).

The Shareholders’ Assembly is the highest decision-making organ and is composed of all shareholder local units, with voting power proportional to the number of shares they possess. The Shareholders’ Assembly constitutes the authority that has the right to change the statute. The Assembly proposes and elects the Supervisory Council, presently composed of five members, which oversees the activity of the executive of KRWM in the periods between Assembly meetings.

The company is represented by the general manager, who covers the administrative and financial sector. In all, KRWM has four employees.

Partner local units finance the activities of the IMC from the following revenue streams: cleaning fees, other revenues consisting of fees for service or taxes that are related to waste administration and other contributions made by participating local units.

Members may also assist the company with administrative support or other services as deemed appropriate. KRWM can receive and administer loans, while assets needed for its activities remain the property of local units in use by the company.

Presently, through a loan from KfW,³ the company is executing the construction of a joint sanitary landfill and is performing tender procedures for the construction of three transfer stations and procurement of equipment. Future projections look into a scenario that has service fees as the main basis for financing the activity of KRWM. The fee policy remains a decision of municipal councils, with future projections to cover service cost, although such a cost recovery principle for services has been introduced by law since 2000.

Regular reporting mechanisms to the Shareholders Assembly and Supervisory Council are introduced in the legal documentation of KRWM.

It is through the representation at the Assembly of Shareholders, and the Supervisory Council, that participating local units monitor and control the activities of the company.

Establishment of the IMC—Initiating Cooperation

The process, between expression of municipalities' willingness to cooperate and to date the establishment and operation of the KRWM company, was a long-term exercise involving a six-year time span (2003–2008).

Initial steps of the cooperation were carried out in 2001, by mayors of the five municipalities in the Korça region, namely the mayors of Korça, Pogradec, Erseka, Maliq and Bilisht. The initiative, apart from resolving the issue of waste management in the given municipalities, aimed also at making further use of the good cooperation and investment opportunities offered by KfW. The latter has a very good track record of investment projects in Korça municipality particularly with the set-up of the water company that provided 24-hour drinking water to Korça city.⁴ Investment in waste management for the region would also help the success and sustainability for two already ongoing interventions financed by KfW, namely the protection and preservation of Lake Ohrid watershed, in which several municipalities and communes had located the dumping sites, and the set-up of a drinking water system from an aquifer that was posed to be at high risk of pollution with the illegal dumpsite on top of the crust layer.

Carrying Out the Feasibility Study

The initiators carried out successful negotiations with KfW, which in 2003 financed feasibility and a site selection study for a regional landfill. The studies were carried out under the auspices of Korça Municipality, which was leading the process on behalf of the initiators group.

The outcome of the feasibility study included also recommendations for provisional measures to prepare the community for actively taking part in a new waste management system, introduce systems for recycle and reuse and for the improvement of existing dumpsites close to an acceptable standard.

The Legal Set-Up of the IMC

The association was legally established on 6 June 2008, by the first meeting of the Shareholders' Assembly.

Future Plans for the Development of the IMC

KRWM has now become a regional enterprise covering the whole regional territory. It is, therefore, crucial to maintain the settled relations with its shareholders and consolidate its position as an exclusive service provider through quality of service, proficiency and commitment.

KORÇA SOLID WASTE MANAGEMENT AND TERRITORIAL ADMINISTRATIVE REFORM

As the following paragraphs describe in terms of tasks and funding allocation the company continued routinely after TAR. Its membership base was consolidated, with the reduction in shareholder LGUs, from 28 into six. Before TAR, the range of the size of involved local governments was from less than 1000 to more than 85,000 residents, with eight local governments having fewer than 5000 residents. The current variation in population size is much smaller, from 7000 to 95,000. The change has eased the communication and decision making. In addition to the changes in membership base, TAR has brought about an extension of the service, given that some smaller LGUs that merge with the municipalities were not previously part of the IMC service coverage. This change had to be reflected in the statutory documents of the IMC, including a reallocation of shares based on the changes of population within member municipalities. Some of the new areas included within the IMC coverage have difficulties to be included in the waste transport systems already developed by the company, while the reflection of the statutory changes demanded that the systems for registering the company's decisions were geared towards the new LGUs created by the respective law on TAR. This adaptation brought some delay into the normal operations of the IMC. As in all other enlarged municipalities, the aspect of accountability needs further attention after TAR, given that small communities previously represented in the general assembly of the company are now part of the bigger municipalities and do not have a direct participation in the decision-making bodies of the IMC.⁵

Overall, the operations of the IMC, with stronger member municipalities, have increased opportunities to provide the necessary financial support, and the reduction of shareholder number speeds up the decision making of KRWM structures. This aspect was also facilitated by the law on the functioning of the local government after TAR, recognizing the IMC as a means that municipalities can use for public service delivery and recognizing the ability of municipalities to financially support it.

NOTES

1. Authority transfer is accomplished through an agreement between participating local units, approved by the respective local councils.
2. After the 2015 territorial reform, initially it was a joint undertaking of more than 20 smaller local governments (see also the section “[Forms of Cooperation and Actors Involved](#)” of this chapter).
3. KfW stands for Kreditanstalt für Wiederaufbau/The German Bank for Development.
4. Korça was the first city in the country to provide 24-hour drinking water to the inhabitants, through financing and cooperation with KfW.
5. This conclusion is based on qualitative interviews conducted with representatives of amalgamated local governments. The issue of accountability and representation of interests of small communities is frequently raised as an important issue.

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Mapping the Success: Inter-municipal Cooperation in Two Czech Micro-regions

Jakub Lysek and Pavel Šaradín

The Czech municipal structure is substantially fragmented since over 80% of the 6253 municipalities have the populations under 1000; hence, municipalities must cooperate closely (Illner 2011: 20). The inter-municipal cooperation (IMC) is thus extremely important as it facilitates the municipal development and provision of services which Czech municipalities are legally bound to provide.

In our case study, we introduce two successful micro-regions in the Czech Republic. Both of them have a history of more than 15 years of a thriving cooperation among its members. Both micro-regions are well organized, structured, and operating in various fields. Since the foundation, they have been effective in obtaining the EU and government funding, which has been resulting in a greater regional development. In addition, unlike other micro-regions, they also have focused on building communities of citizens. They were both chosen for several particular reasons. The first micro-region is located in the former Sudeten lands that experienced the deportations of Germans after the Second World War, and subsequently, those areas had been repopulated by the communist

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government. This meant that the cultural, social, and identity traditions were cut off, and then, it resulted in a lower civic participation, higher unemployment, lower educational level, and higher criminal rate. Currently, this former region faces a social and economic deprivation. It is regarded as a peripheral region in the Czech Republic. Such a structural condition is not favourable for an IMC, yet the presented micro-region of “Svazek obcí Údolí Desné” is recognized as a well-functioning IMC and serves as an illustration of unexpected successes. The second micro-region is in the Central Moravian region. The micro-region Moštěnka is distinctive because not only it is good at various forms of IMC, but it also provides other IMCs in the Czech Republic with expert’s opinions in terms of the EU funds, community building, and legal advice.

The short study is structured as follows. First, we briefly explain general realities of the IMC in the Czech Republic to give the reader a preliminary knowledge of the Czech context to better understand overall. Then we focus on the cases of two micro-regions we have mentioned. Finally, we conclude by trying to answer a basic question as proposed by Teles (2017: 3): “Why do local governments choose to cooperate, and under what conditions can it work?”

IMC IN THE CZECH REPUBLIC

The most institutionalized form of cooperation is a voluntary association of municipalities, or so-called micro-regions which are being presented here. In 2015, just recently, the Act No 128/2000 Coll., on Municipalities, was amended. It stipulates only one form of cooperation now, the voluntary association of municipalities (§ 49) as previous forms were excluded such as “the agreement concluded for the purpose of fulfilling a specific task” and “the cooperation of municipalities creating a legal entity” (former § 46 Section 2 of the Municipal Law). The law, however, vaguely defines other forms founded on the Civic Code such as the common public procuring, founding a legal entity, and fulfilling the task of public administration.

Moreover, a specific form of IMC is Local Action Groups (LAGs). In total, there are approximately 550 micro-regions and 181 LAGs.¹ Some micro-regions are even interconnected with certain LAG’s, both territorially and personally, which enables them to exploit all the possible funding programmes as granted by the central and regional government as well as the EU.

While we have a relatively precise picture of the areas in which municipalities cooperate and some of the basic reasons to do so (such as the economies of scale), there have been no systematic comparative studies which would have identified any factors leading to a more intensive and successful cooperation among municipalities. Yet, we see a regional variation, as good practice micro-regions or LAGs tend to be located in Moravian regions² rather than Bohemian regions. Those micro-regions and LAGs are more likely to participate voluntarily in various projects aimed at IMC. So far, it seems that the main factors to predispose certain micro-regions to be more cooperative in comparison with the others are strong social, cultural, and local identities together with a present group of active citizens. The recent wide-ranging project of The Union of Towns and Municipalities of the Czech Republic addressed the cooperation among municipalities with an extended authority (205 larger municipalities that execute autonomy and delegated powers).³ Approximately 5200 mayors were surveyed as well as representatives of voluntary association of municipalities. Table 18.1 shows the main areas of cooperation among municipalities. More than 50% of surveyed mayors and managers indicated transportation, waste management, and grammar schools as the

Table 18.1 The most frequent areas of cooperation

Transportation	61.90%
Waste management	59.70%
Education (grammar schools)	54.20%
Tourism	43.20%
Social service (elderly)	42.80%
Technical infrastructure (pipelines and water treatment plants)	39.50%
Preliminary schools	38.60%
Fire risk prevention	38.60%
Environment	36.40%
Culture	35.50%
Crime prevention	33.10%
Organizing common (social) events	32.40%
Sports	29.60%
Strategic planning	25.90%
Cooperation in public administration (legal service, accounting, informal cooperation, etc.)	25.60%

Source: Union of Towns and Municipalities

Note: The total number surveyed was 579. The percentages show how many of those indicated respective field of cooperation. Only areas above 25% are listed. Multiple responses.

main areas of cooperation. Generally, more than 80% were polyfunctional—that is, cooperating in various areas—and 20% aimed at just one specific area of cooperation (Jetmar 2015).

“One of the reasons why the state legislators have spent so much time trying to encourage partnerships amongst municipalities is because it is anticipated that this will lead to a structural and functional integration of municipalities which will eventually, as it is at least hoped, lead to the territorial and administrative consolidation of a currently fragmented structure” (Illner 2011: 2). This is an example of a recent voluntary project of the Union that was financially supported by the central government and it aims to increase the administrative interconnection of smaller municipalities with those that have larger competencies in terms of state delegated power. An amalgamation enjoys almost no public support in the Czech Republic due to its perceived link with the negative past experience under the previous regime (Galvasova 2007). Therefore, the IMC is being perceived by the Czech government as a suitable alternative to amalgamation (cf. Swianiewicz 2011: 4).

IMC SVAZEK OBCÍ ÚDOLÍ DESNÉ

The micro-region of Svazek obcí Údolí Desné is located on the edge of the Jeseníky Mountains. The micro-region is in the northern part of the Olomouc region in Moravia. It is regarded as a peripheral part of the Olomouc region and faces many socio-economic challenges which partly originate in the history of this region after the Second World War. Despite this, however, the micro-region is recognized as an example of a good practice in terms of IMC.

The micro-region creation was initiated as a reaction to the large floods in 1997 that devastated vast areas of Moravia and caused large economic losses and human casualties. The river valley was ruined along with the local railroad. Eventually, the IMC was founded on 16 October 1997 for the purpose of reconstructing the railroad between two regional municipalities, Šumperk and Kouty nad Desnou. Besides this major task, the IMC set up another two aims: to improve housing and to improve the quality of school facilities and its equipment. In its newly elaborated strategic document, the IMC also strives for improving living and social conditions in the region and fulfilling the tasks within tourism. There is also a close cooperation between the micro-region and LAG in the region. The IMC was originally founded by five municipalities, but it has nine members

nowadays as four new municipalities accessed the IMC. The statute body is the IMC board (*předsednictvo*) and it is in charge of executing the daily agenda. Among its members, there is a chairman of the board and a deputy chairman, elected by fellow members of the IMC board. Other IMC bodies are represented by the general meeting (*valná hromada*) and control committee. Around 13,000 inhabitants live in the 9 municipalities that cooperate within this IMC. The smallest village has a population of 150, the largest, on the other hand, has 3234. The IMC is composed rather of larger municipalities in the Czech context (Table 18.2).

The mayors or other municipal representatives hold their annual and frequent meetings where they address issues such as running of the IMC, obtaining funding and other financial means, and dealing with ongoing projects aimed at regional development. One of the distinguishing features of this IMC in the Czech Republic is that this micro-region owns and fully operates its local railroad (since 2002). The Czech Railways (*České Dráhy*) had previously refused to operate this railway line. The IMC invested a lot of sources in this railroad as the sources were obtained from the EU and the regional government of the Olomouc region. The money was invested in the maintenance and electrification. The IMC has also reconstructed the train stops and built two brand-new train stations. In 2015, the new train station was opened in a potentially attractive tourist location in the municipality of Velké Losiny.⁴ Due to this success and because the line is being used frequently by local passengers as well as new tourists, the Czech Railways has recently agreed to operate the trains

Table 18.2 Municipalities of the Svazek obcí Údolí Desné

<i>Municipality</i>	<i>Inhabitants</i>
Rapotín	3234
Velké Losiny	2654
Vikýřovice	2363
Loučná nad Desnou	1640
Petrov nad Desnou	1201
Sobotín	1198
Vernířovice	218
Rejchartice	187
Hraběšice	150

Source: The Czech Statistical Office, <https://www.czso.cz/csu/czso/home>, The micro-region, <http://www.udoli-desne.cz/>

within this line again. The IMC's effort showed that the regional transportation is sustainable and profitable, too. The railway had a very positive impact on regional development since it has the lion's share of tourism growth in the Jeseníky mountains region. The last railway stop is just a few yards far from one of the largest ski resorts in the region. The Desná river valley is a part of the Integrated Plan of Regional Development (*Integrovaný plán rozvoje území*) which has had a positive impact on gaining financial means from the EU. Besides the railway, the IMC tries to cooperate in other areas of transportation. It secured main roads with modern level crossings and improved citizen safety on municipal roads.

Another great success was accomplished in the field of education. Back in 2005, the central government enabled the IMCs in the Czech Republic to found its own micro-regional schools. On the whole, the field of education is an important feature of the IMC. However, only three IMC school facilities are functioning in the country. Other municipalities are using less "integrated" approaches. In 2008, the micro-region established the Grammar and Pre-School of the Desná River Valley. This project was only the second in the Czech Republic. The member municipalities tried to cope with demographic decline by creating an IMC school district. The school system consists of three grammar schools in three member municipalities, three kindergartens, and two school kitchens. Such a solution has many advantages. Unlike municipalities with less successful cooperation, the schools in the municipalities of the IMC do not fight each other to attract more students. Thus, the municipal schools are not competitors. Quite the opposite, they have a common staffing policy and can thus offer efficiently more specific classes such as foreign language courses. This also resulted in lower operational costs as the economies of scale increased. The schools are able to negotiate together to secure more convenient energy prices on the market, too. Above all, the IMC operates its own school bus (which is rare in the Czech context) that transports children to and back home from school as well as among schools if necessary, for instance before PE classes in the shared gym. The bus also serves for after-school and other community activities. This project proves the ability of small municipalities to cooperate on such a sensitive issue as education. Schooling is a crucial institution; it is a necessary part of the municipal community life and the place for citizen meetings. Schools serve as a facility for various social programmes which are attended not only by the pupils, but also by adults and elderly people.

We asked the manager of the micro-region, Mrs. Ivana Jurková, what she personally sees as the main determinant of success and she replied: “The decisive moment for an inter-municipal cooperation was the flooding in 1997. We saved the railway that is the backbone of local transportation. We have revenues from its lease and sublicense, by which we are financing the micro-regions. We even ventured to found a micro-regional school. The high trust among municipal representatives safeguards a proper functioning of the micro-region. This is the foundation for success”, she claims.⁵

THE MICRO-REGION OF MOŠTĚNKA

The IMC was founded in 1999, and in 2001, it was transformed to a voluntary association of municipalities according to the newly amended Act No 128/2000 Coll., on Municipalities. This micro-region is named after the creek of “Moštěnka” and it is located in the central Haná region in Moravia. This region has a strong cultural and historical heritage and it was constantly inhabited by the Czechs, unlike the northern regions of former Sudeten lands. Originally, the micro-region had 22 municipalities and subsequently two municipalities have joined the IMC since 1999. The micro-region mostly consists of small villages. The largest municipality has only 1651 inhabitants. Altogether, the IMC has approximately 11,000 inhabitants (Table 18.3).

Table 18.3 Municipalities of the micro-region Moštěnka

<i>Municipality</i>	<i>Inhabitants</i>	<i>Municipality</i>	<i>Inhabitants</i>
Horní Moštěnice	1651	Čechy	337
Dřevohostice	1520	Dobřčice	232
Vlkoš	1063	Radkova Lhota	223
Bochoř	978	Přestavlky	220
Lipová	719	Turovice	217
Beňov	686	Věžky	208
Stará Ves	616	Líšná	187
Domaželice	578	Bezuchov	182
Želatovice	545	Nahošovice	165
Říkovice	483	Radkovy	150
Křtomil	444	Podolí	101

Source: The Czech Statistical Office, <https://www.czso.cz/csu/czso/home>, The micro-region Moštenka, <http://www.mostenka.cz/>

The main tasks and/or fields of cooperation are, in accordance with the Strategic document, as follows: the regional development, social policy, tourism, transportation, and technical infrastructure. This micro-region is, however, distinct to other IMCs in the Czech Republic due to its tight cooperation with the LAG—Partnership Mošćenka.⁶ As the name of the LAG indicates, the micro-region and LAG form one coherent platform for IMC. Surprisingly within the Czech context, it was the micro-region of Mošćenka which initiated the foundation of the LAG. Yet, the LAG is larger, both geographically and in terms of its members. The LAG consists not only of municipalities of the micro-region of Mošćenka, but also of other micro-regions, and municipalities, respectively. The representatives of the micro-region might also be representatives of the LAG. This is particular for the case of mayors and also project managers who can have part-time contracts with both the micro-region and LAG. The micro-region of Mošćenka cooperates largely with other regions and with the LAG of Mošćenka. It is therefore no coincidence that the LAG of Mošćenka was granted the title of “best performing LAG” in the Czech Republic within the EU 2007–2013 programming period. The micro-region of Mošćenka is arguably the most typical example “of networked governance and economy where political and administrative hierarchical structures are becoming more and more open to horizontal networks, both inter-sectoral and intra-sectoral” (Teles 2017: 4). Furthermore, it even involves citizens and initiates participatory activities in the community. In its documents, the partnership amongst municipalities, local entrepreneurs, and civic associations is stressed. The micro-region of Mošćenka is also very active in helping other Czech IMCs with strategic documents by conducting educational and training activities for them. The managers of the LAG and micro-regions are helping other IMCs in the Czech Republic to develop coherent strategic plans and proposals obtaining financial means for its “micro-regional” development.

The micro-region has many activities demanding the IMC. To better illustrate this, the following table lists various projects initiated by the micro-region (Table 18.4).

The micro-region of Mošćenka, compared to the micro-region of Údolí Desné, had initially a better starting position as its location is in comparatively well-developed central region. One of the administrators of the micro-region, Mrs Markéta Poláchová, explains the success in the following way: “The initial impulse for an inter-municipal cooperation was directed from the centre, the ministries. We took advantage of it and hence

Table 18.4 List of activities and projects of the micro-region Moštěnka

2016	“The centrum of common services Moštěnka”
2014	“Lowering dustiness”
2013–2014	“Microregion Moštěnka—bio-waste project (I)”
2011–2012	“Digital flooding plan and communicational system for municipalities of Moštěnka”
2011–2012	“Flood control in Microregion Moštěnka”
2012	“We want to learn! The support of technical/administrative education for local councilors”
2012	“Compost—purchase of 13 garbage cans for biowaste”
2011	“Public spaces maintenance”- purchasing common machines for maintaining green areas
2010	“Good practices of the regions Bohemia—Moravia”—common project of micro-regions Holešovsko and Moštěnka
2009	“Moštěnka is having fun, sports and celebrate”,
2007	Common planning of the key cycling paths in the micro-region Moštěnka
2005	“Supporting employment—education of citizens and granting microloans”
2003	“Information system of the Microregion Moštěnka”
2002	Strategic document of the development of the micro-region Moštěnka

Source: <http://www.mostenka.cz/>

our cooperation has begun. A decisive issue may be represented by competent and efficient managers who help small municipalities with its agenda. Currently, three managers are working on various projects. The second impulse was that we were able to create a good base and we can rely on many active people willing to put things forward. The partnership is very important here. The larger municipalities are helping with everyday agenda to smaller municipalities. We got used to that kind of cooperation in our region which helps our connectedness and it improves the relationship itself.”⁷

CONCLUSION

Both cases illustrate very active micro-regions. Regarding the first micro-region, despite its comparatively small size and structurally unfavourable location, its municipalities cooperate in several distinctive fields, including saving and subsequently operating the local railroad and it is seen as a pioneer in terms of IMCs in the micro-regional cooperation within education. Second, the micro-region of Moštěnka is larger in terms of the number of cooperating municipalities and it serves as an example of strong,

successful, IMC, helping to build the local community by initiating various activities within its territory. The micro-region is interconnected with the LAG, which enables the increased cooperation in numerous fields. It has also been successful in raising the region's capacity to obtain financial funding for a micro-regional development.

In conclusion, it is clear that both of these IMCs have been relatively successful in their goals of increasing the social and economic development in their specific regions. The reason for this success can be partly attributed to the good governance in the matter of the human capital. As many mayors have indicated in previous surveys,⁸ any effort in terms of local development is difficult without active citizen and there is less likelihood that projects could be successful. For this reason, it is indispensable to acknowledge that micro-regions' achievements reciprocally depend on the IMCs and its reliance on active citizens who are enthusiastic about taking part in betterment of their localities. This variable seems to be crucial as even the IMC located in peripheral region with unfavourable social and economic condition might serve as an example of good practices.

However, there might be other reasons why those IMCs are successful and indeed, we cannot rely merely on the interviews with the IMC representatives. Previous studies (cf. Binek 2012: 4) suggested that a part of the success could be attributed to the IMC size structure. The IMC in the IMCs consisting of more than 30 members is rather formalized and thus less effective than in smaller ones. Both the IMCs analysed here have the "optimal" number of members. Moreover, they both have set concrete goals that are achievable in accordance with the judgement of the representatives. This further increases the enthusiasm for cooperation among them. Lastly, the financial means are also very crucial but seemingly, the success itself is conditioned by both, the active citizens and their representatives. In spite of adequate financial resources, not all the micro-regions can follow the successful road of the above-mentioned cases. Yet, a comprehensive *large-N* analysis of all the micro-regions in the Czech Republic is still missing, albeit it could precisely shed light on the prime factors that may lead to the success and effectiveness of IMC.

NOTES

1. Regional Information Service, Ministry of Regional Development, available at <http://www.risy.cz/cs/vyhledavace/mikroregiony> (accessed 29 January 2017).

2. National Network of Local Action Groups in the Czech Republic, <http://nsmascr.cz/dokumenty/informace-o-mas/> (accessed 29 January 2017).
3. *Podpora meziobecní spolupráce*, Svaz měst a obcí ČR (2015), available at <http://smocr.cz/cz/nase-projekty/ukoncene-projekty/meziobecní-spoluprace/o-projektu.aspx> (accessed 29 January 2017).
4. The municipality is famous for the chateau where alleged witches were executed in the second half of the seventeenth century. The historical event was also filmed in a story.
5. Interview conducted 10 January 2016. Tel: +420,602,771,192 E-mail: svazek@rapotin.cz
6. The LAGs official webpage, <http://mas-mostenka.cz/mas/>.
7. Interview conducted 8 January 2016. Markéta Poláchová; Tel: 737,775,991; E-mail: marketa.kropackova@mas-mostenka.cz.
8. For instance the project of the Association of Local Self-Governments: “MAS jako nástroj spolupráce obcí pro efektivní chod úřadů”, available at <https://www.smscr.cz/aktuality/883-mas-jako-nastroj-spoluprace-obci-pro-efektivni-chod-uradu> (accessed 20 January 2017) and *Analýza potřeb venkova*. 2011. Research report. Olomouc: Palacky University.

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Can Tiny Municipalities Survive Through Extensive IMC Arrangements? The Case of Iceland

Eva Marín Hlynsdóttir

LOCAL GOVERNMENT REFORMS IN ICELAND

There has been a heated debate on local government reforms in Iceland for more than half a century. However, it was not until the early 1990s that the government was able to successfully promote large-scale mergers at the local level. As the Local Government Act (138/2011) states that amalgamation can take place only after a local referendum, the emphasis must be on the government's ability to promote large-scale amalgamation. Within a span of 20 years, the number of Icelandic municipalities dropped from around 200 to 74, which suggests impressive results. There is also extensive inter-municipal cooperation (IMC) at the local level, and all municipalities participate in IMCs to some extent. Nevertheless, amalgamation seems to be back on the agenda, and there are signs that we may see more reforms at the local level within a few years. The question that remains is why were the previous reforms not

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enough? The main reason lies within the fact that although the number of municipalities is only around one-third of its previous numbers, the reforms were only partly successful. Interestingly around 40 out of the 74 municipalities have less than 1000 inhabitants, and the number of these municipalities has remained more or less the same through the reform process. Thus, the main result of the reform was to cut down the number of tiny municipalities and increase the number of small municipalities. Nevertheless, there are still a substantial number of municipalities with less than 500 inhabitants, and there are six that reach the stage of Lilliput with less than 100 inhabitants. This opens up another question on how these Lilliput municipalities are able to survive in the light of legal requirements of the local government act that all municipalities regardless of size should provide their citizens with the same level of services.

THE LILLIPUT MUNICIPALITIES

The six municipalities that reach the status of a Lilliput municipality are Svalbarðshreppur (99 residents), Fljótsdalshreppur (74 residents), Tjörneshreppur (60 residents), Árneshreppur (55 residents), Helgafellssveit (55 residents) and Skorradalshreppur (53 residents). Out of these six, Árneshreppur is a special case as it lies in a remote and secluded area which is often completely snowed in for months during the wintertime. It is also the only one of these municipalities with its own school. Most of these municipalities have used the system of direct personal voting when electing their council. This simply means that all eligible citizens are on the ballot, and their fellow citizens may vote for whomever they like. The councils thus consist of five individuals with no political ties whatsoever. The individual who gets the highest number of votes is usually chosen by the council to be council leader (is. Oddviti) thus functioning as council leader, mayor and chief executive. The municipalities with the exception of Árneshreppur are all situated close to a larger municipality with a fairly easy access to services in the neighbouring municipalities. This brings forth the question: Why have residents in these municipalities repeatedly rejected amalgamation proposals? No doubts there are different reasons between different areas, but let us discuss the case of the smallest of these Lilliput municipalities, the municipality of Skorradalshreppur.

THE MUNICIPALITY OF SKORRADALSHREPPUR

Between 1994 and 2006, a large number of small and tiny municipalities merged in the fjord of Borgarfjörður in several stages into the municipality of Borgarbyggð with 3600 residents and 4924.9 km². The main centre of the municipality is the town of Borgarnes (ca. 1800 residents). The municipality of Skorradalshreppur also lies within the fjord of Borgarfjörður (ca. 80 km north of Reykjavik). The municipality lies in a beautiful secluded valley of a 208 km² which is a popular holiday destination for Icelanders. The local residents mainly live on farmland, as there is practically no urbanization within the municipality. The demographic changes of the population are different compared to its neighbour Borgarbyggð. The majority of the residents in Skorradalshreppur are above 50 years in comparison to 34 per cent in Borgarbyggð. The number of school children is also much lower than in Borgarbyggð. Thus, the population in Skorradalshreppur is ageing faster than the average of Borgarbyggð. This is similar to an ongoing trend within areas mainly consisting of rural farmland where the number of children has become dangerously low as the population becomes unsustainable.

The main source of income comes from property tax of the over 500 second homes situated within the valley of Skorradalur. As income tax is very low due to the number of residents, the property tax funds practically all service provisions, and due to unusually high level of income per resident, the municipality does not receive funds from the Equality fund unlike most other Lilliput municipalities. The municipality is also one of only three municipalities who in 2015 issued the lowest income tax rate possible.¹ Due to lack of urbanization and low internet connectivity the municipality rents office space in the village of Hvanneyri in the neighbouring municipality of Borgarbyggð. The office staffs consist beside the council manager of an office clerk and a planning and building officer. The fact that the municipality has its own planning and building officer is related to the large number of second homes within the municipality; however, it must be pointed out that this is an exception to the rule as municipalities with less than 2500 residents rarely run a planning and building office on their own.

During the amalgamation process in Borgarfjörður, the residents of Skorradalshreppur were invited to join on several occasions which they repeatedly refused in local referendums. The long-time council leader Davíð Pétursson stated in 2014 in a newspaper article that one of the main

reasons the council had been against merging was that they wanted to finish the obligatory master plan of land planning first. At the same time, he pointed out that Skorradalshreppur was now ready to discuss amalgamation with their neighbours. Nevertheless, Skorradalshreppur still exists as a separate local government entity. However, it is too small to arrange service provision independently. Thus it relies on contract agreement with Borgarbyggð which provides, all school services, social services, provides access to sport and recreational facilities, and various other services. Furthermore, there is a contract with Borgarbyggð on the provision of the fire brigade services. For a municipality with more than 500 second homes scattered in a bushy landscape, the importance of a good fire brigade cannot be undervalued. However, as has been pointed out repeatedly in the Icelandic discourse on local government services, the method of using contract agreement although flexible and easy to use has one important flaw. Although Skorradalshreppur is covering costs of service provision, there is usually no board or formal decision-making forum for individual IMCs. The council of Skorradalshreppur does not have any authority over staffs within various service schemes similar to the authority they have over their planning and building officer. This also means that the citizens of Skorradalshreppur do not have direct influence on the way services are organized. It is unclear how responsive the council of Skorradalshreppur is able to be to various citizens' complaints and demands. Based on the method of contract agreement, it is possible that it might be difficult for citizens to get positive response as the service provides may point to the contract and claim it is out of their hands while the council may be in the same position not being able to change contracts very easily. On the other hand, the community of both municipalities is not very large, thus the closeness and familiarity may help in providing tailor-made solutions when possible.

THE FUTURE OF SKORRADALSHREPPUR

Lilliput municipalities have in the past few decades been merging into larger municipalities one after another. The fact that Skorradalshreppur is still alive and kicking is mostly due to the fact that it has a strong backup in its second-home owners. It has been suggested that individuals working and living within the capital city have moved their legal home to the Skorradalshreppur municipality to benefit from the low income tax level. Some have even gone so far to call it tax haven. The low number of

residents (53) in the municipality does not necessarily support this theory. However, it has repeatedly happened that the residence number suddenly rises shortly before popular referendums on controversial issues such as amalgamation proposals.

For how long Skorradalshreppur will be able to keep its Lilliput status remains to be seen, and there are strong forces on the rise who oppose this type of so-called pseudo municipalities and call for a real reform with the creation of municipalities that are able to provide their core services on their own.

NOTES

1. In 2015, local authorities were able to decide their income tax level between 12.44 and 14.52 per cent. Out of 74 municipalities, 57 used the highest percentage possible.

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PART IV

Conclusion

Inter-municipal Cooperation Diversity, Evolution and Future Research Agenda

Pawel Swianiewicz and Filipe Teles

Our volume demonstrates that the experience of inter-municipal cooperation (IMC) in European countries is a highly diversified phenomenon. On the one extreme we find countries with a long-lasting and very dense network of various forms of IMC, while in some others this is still a rare form of innovation of governance arrangements. France certainly belongs to the first group. In 2014, the budget of French inter-communal *communautés* was over 40 billion euro, which equalled to more than 30 per cent of total spending of the municipal sector. And if other forms of such institutions are taken into account, the role of cooperative arrangements in the provision of local public services is even greater. In 2011, over 90 per cent of

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French communes belonged to a community, and if we also take into account other forms of inter-municipal institutions, the cooperation network is even more dense. The Netherlands, where in average each municipality is involved in 16 various forms of cooperative arrangements (both more permanent institutions and ad hoc contractual arrangements), is another evident example of the same group. Contrarily, Albania belongs to the latter group of countries in which IMC is still not a common phenomenon. As described in Chap. 17, the case of cooperation on solid waste management in the region around the city of Korca is, rather, an exceptional innovation, and not a common feature of the Albanian local governance landscape. Between these two extremes, we have the full range of countries in which this is relatively common, but still far from playing an important role in service provision as in the French, Dutch or Finnish cases. In Poland and Czech Republic, jointly provided local services account to a maximum of 3 per cent of total municipal spending, and in Slovenia, this is closer to 0.5 per cent, that is, very far from the above-mentioned figures.

If the picture of IMC in Europe is so much diversified, can we draw any meaningful, comparative conclusions? We believe so. In spite of the huge variation, the chapters of this volume have revealed several features and contemporary trends in IMC in Europe.

The first common feature in most of the analysed countries is the *development (growth)* of inter-municipal arrangements. It is increasingly clear that IMC has become more and more popular in many European countries. We discuss motives and drivers for this development later in this chapter, but the numbers are very clear. The chapter on France, the country with perhaps the most developed inter-local tradition in Europe, showed how the total budget of *communautés* has increased from 13 billion euro in 2000 to over 42 billion in 2014. However, this is not the only example. The Polish chapter demonstrates that the financial transfers between municipalities more than tripled during the last decade. There are more inter-municipal contracts as well as more spending by inter-municipal unions (for detailed data see also Swianiewicz et al. 2016). Also in the Czech Republic, the financial share of cooperative arrangements in the total municipal spending more than tripled since the beginning of this century, and more examples of similar developments can be found in other countries as well. This dynamics in selected countries is presented in Fig. 20.1.

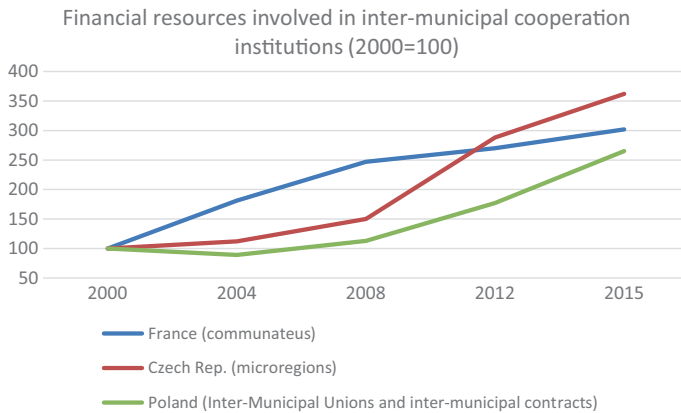


Fig. 20.1 Financial resources involved in IMC institutions

As expected, the second characteristic feature is *variety*. Here we mean not only how meaningful are cooperative institutions in the provision of local public services, but also the forms which they take in different countries. The empirical material presented in this volume confirms that we are dealing with an enormous complexity of various forms of collaborative institutions. Most of country chapters spend a considerable amount of words on explaining the different forms available in their countries—formal and informal, based on public and private law, bilateral and multi-lateral, single- and multi-purpose, and so on. Obviously, this complexity exists to a different extent in different countries. In some countries (like Slovenia or Spain), the number of available options is relatively limited, and IMC plays a limited role in the provision of local functions. But in the Netherlands or Switzerland the map is, indeed, very complex, and understanding all possible forms is not an easy task. The third section of this volume includes the discussion of individual, interesting case studies of these arrangements in various countries. They cover very different legal forms: (a) contractual arrangements between municipal governments (Skorradalshreppur and Borgarnes municipalities in Iceland), an inter-municipal union having the character of single-purpose association (sewage system in the valley of Raba river in Southern Poland), a private law company owned by local governments (waste management in the region of Korca city, Albania) and weakly institutionalised cooperative

arrangements (Oradea Metropolitan Area in Romania, the Czech case of a micro-region may perhaps classified in the same category).

The third common observation is a constant *evolution*, which—by the way—makes studying inter-municipal arrangements even more fascinating. We are not talking about a stable phenomenon but about a dynamic, constantly changing process. This *liquid state* of cooperation, as we called it in the introduction to this volume, is quite evident and constitutes one of its most relevant features, particularly given the challenges and the contextual changes of local government landscape in Europe during the last few decades. France is perhaps the best (although not the only available) example in this respect. Its inter-municipal institutions have been perhaps the most developed for decades among all European countries and are currently responsible for spending over one-third of the municipal sector expenditures. But what is perhaps the most striking is that for over two decades the inter-municipal institutions in France have been constantly being re-invented. New legal forms, ways of financing, allocated functions and political structures have been replacing old with a pace which have made trends difficult to follow for an external observer. And the new trends/forms are often contested in public debates, which allow us to expect further evolution in the near future. The latest experiments with metropolises and direct elections of inter-municipal politicians are confirmations of that observation.

Finally, when we study IMC we soon realise how *fuzzy* boundaries or definitions of the phenomena under our investigation are. In our volume we have tried to concentrate on “pure” examples of IMC, defined as situations in which two or more municipalities agree to cooperate (work together) to achieve mutual benefits. But, in fact, the development of this phenomenon is only part of the wider process of the emergence of collaborative governance, and it is sometimes very difficult to separate sharply from other forms of inter-institutional interactions. Some forms of cooperation are not only inter-municipal, but at the same time multi-level. Examples of such an institution might be Spanish consortia. Also in Poland, a recent (2015) amendment of the law allowed to create inter-municipal unions with the participation of both municipal and county governments. There are also several forms of cross-sectoral cooperation which are inter-municipal institutions at the same time. Local Action Groups (LAGs) promoted by the EU funds for rural development are inter-municipal, but at the same time they involve local businesses and third-sector organisations (so they are cross-sectoral and are forms of

community involvement mechanisms). Among the countries discussed in this volume, LAGs are popular, for example, in the Czech Republic, Slovakia, Poland or Portugal. Another form of “IMC’s not being just IMC’s” are companies owned by several municipalities, but also by the private sector. Finally, we can increasingly observe the “double-decker” structures of, for example, *sindicatos* of inter-communal *communautés* in France or companies established and owned by inter-municipal unions in Poland. All of these examples suggest that the definition of IMC is not always very easy, and the borders between what is and what is not an IMC institution cannot be drawn sharply.

INTER-MUNICIPAL COOPERATION AND TERRITORY (SPACE)

There are cases in which the cooperation between local governments involves units which do not share common borders, and are located far from each other. It includes international networks of local governments (e.g. Eurocities), twin-city arrangements, but sometimes concerns also the cooperation of two (or more) jurisdictions in the same country. But the main focus of our volume is on area-based cooperation of local governments, jointly organising, delivering or coordinating functions on the territory of neighbouring units. And the results presented in the preceding chapters reveal a significant relationship between inter-municipal arrangements and various spatial aspects.

Perhaps the most appealing is the relationship with territorial reforms. The pressure for territorial amalgamation is usually related to the widespread belief that the organisation of services may bring economies of scale and increase administrative capacity for better provision. According to some authors, as we mentioned in the introduction to this volume, IMC may be a viable alternative to territorial reform (Hertzog 2010). And this argument is frequently repeated in several European countries. In more or less explicit ways, it is spelled-out in France, Czech Republic, Slovakia, Slovenia, Iceland but also in Finland. It has been also discussed during recent debates in Norway.

Since economy of scale and administrative capacity are often mentioned as theoretical arguments for *cooperation*, it is often assumed that the small scale of local government is an important driver for IMC. Following this assumption, we might expect that those arrangements are more popular in countries which have more territorially fragmented municipal structures, and in smaller local governments within each of the countries. But

empirical data only confirm these expectations to a limited extent. In 2015, there were ten European countries with the mean population size of municipal governments below 5000 (5 of them are discussed in our volume). Within that group, IMC is indeed extremely popular in France, Switzerland and Iceland. But Czech Republic, Slovakia, Hungary or Ukraine have much less-developed institutions of collaborative inter-municipal arrangements. At the same time, it is very much popular in the Netherlands and Finland—both with a population size of municipalities well over the European average.

Also within-countries variation does not always meet the theoretical expectation. The Swiss chapter shows an expected correlation (small local governments more often involved in IMC arrangements), even if the statistical relationship is relatively weak. But data from other countries do not confirm the rule. The chapter on the three Nordic countries (Iceland, Norway and Finland) finds no support for this claim. In Poland and in Spain the relationship seems to be the opposite—small local governments are involved in cooperation less often than their larger partners. The Spanish chapter suggests an explanation for this phenomenon in the weak capacity of the smallest local governments to organise and manage their presence in these new institutions. Therefore, not only some *push factors* (demand for cooperation due to small scale), but also *pull factors* (the necessary capacity to be engaged) matter for explaining the variation among local governments. If this logic is confirmed, it is one of the arguments undermining the claim that IMC can always be a substitute to territorial reforms, in achieving their goals.

One more different perspective on the relationship between size, territorial reforms and IMC is brought by the Albanian case study of waste management in the Korca region. The small scale of local governments was an important argument for initiating an inter-municipal company serving more than 20 communities. However, the 2015 territorial reform has radically changed the spatial structures, reducing the number of local governments more than six times. Interestingly, not only these arrangements are still found useful in spite of the reform, but the perception is that cooperation is nowadays easier and smoother. The first reason is related to the lower number of partners which need to agree on crucial decisions, but the second is related to the increased capacity of cooperating municipalities. This example shows that territorial reforms and IMC do not need to be mutually exclusive strategies. The same conclusion is suggested by the experience of the United Kingdom, country with by far

the largest (and still growing in the process of further territorial consolidation) local government units in Europe. As documented in Chap. 2 of this volume, its inter-municipal structures have developed within the last decade.

SCOPE OF INTER-MUNICIPAL COOPERATION

Since we are dealing with a very much diversified set of institutions operating in different institutional and economic settings, there is no surprise in the fact that the typical areas of cooperation vary from one country to another. However, there are sectors in which cooperative arrangements are especially popular in the vast majority of the studied countries. One of them is waste management, which due to strong scale-effect requires cooperation mechanisms especially in countries with a strong territorial fragmentation. This sector has been mentioned among the most popular areas of cooperation in Czech Republic, Finland, Germany, Iceland, Norway, Poland, Portugal, Slovakia, Slovenia, Spain and Switzerland. Another very popular area is water and waste-water management listed among the most frequent sectors in Germany, Poland, Portugal, Slovakia, Slovenia and Spain.

Three other sectors which have been mentioned the most often are of a different character. In countries with a high share of cohesion regions (Czech Republic, Poland, Portugal, Slovakia), raising EU structural funds is often mentioned as the primary area of the cooperation activity. In few other countries (Czech Republic, Iceland, Portugal, Slovakia) an important area of cooperation is economic development and tourism.

The Netherlands, Switzerland and the three Nordic countries covered by our study (Finland, Iceland and Norway) represent a different model in which the most frequent scope of IMC is related to planning and social services (employment, social care, education, culture) as well as to fire brigades and crisis centres.

MOTIVES AND DRIVERS OF COOPERATION

If size is not sufficient as an explanation of the cooperative endeavour, what are the other drivers which push local governments towards working with their neighbours?

Chap. 2 by Raudla and Tavares demonstrates that in contemporary Europe one of the factors facilitating the development of IMC has been the economic

crisis and the austerity measures undertaken by central governments. From other studies we know that austerity has also supported territorial amalgamation reforms in several European countries.¹ What are the mechanisms of that impact? In their theoretical interpretation, Ringa Raudla and António Tavares indicate two major factors. The first is related to the widespread belief in economies of scale, so it is expected that joint service management or provision may help to reduce costs. The second mechanism is more of the psychological nature—crisis makes leaders and institutions more open for looking for reform options. However, at the same time crisis may produce barriers for cooperation, since it may increase transaction costs and decrease trust, which is an important pre-condition of any cooperative arrangement. Their analysis suggests that the facilitating nature of the crisis has often prevailed over barriers created by the changing economic environment.

The chapter comparing three Nordic countries suggests that constitutional and legal issues are crucial to understand the variation in propensity towards cooperation. First of all, in some cases cooperation is compulsory (imposed by the law). Second, the allocation of functions also matters. There are some functions which require coordination across boundaries more than others, and especially if the level of local autonomy is high, local governments are pushed into looking for solutions in collaboration with their neighbours.

But even if it is not obligatory in strictly legal terms, there might be strong external incentives which makes cooperation a “not to refuse” option. Those incentives might be of different character. They are often financial—either in form of specific grants for cooperating municipalities, or through the access to alternative financial sources (e.g. taxes) only under the condition of creating an inter-municipal institution (the latter played an important role in stimulating the creation of French *communautés* some years ago). The other type of incentives might be functional—related to transferring additional competences to local governments who engage in inter-municipal arrangements.

Interestingly, while in several countries this is strongly encouraged by central governments (e.g. in Finland, Portugal, to a smaller extent also Czech Republic and Slovakia), in some others the government stays mostly ambivalent (e.g. Poland) and in some others it treats these institutions with a certain degree of distrust and tries to discourage them (e.g. Norway and Spain).

The incentives come usually from the national level (in regionalised countries this occurs at the regional level). But, increasingly, the European

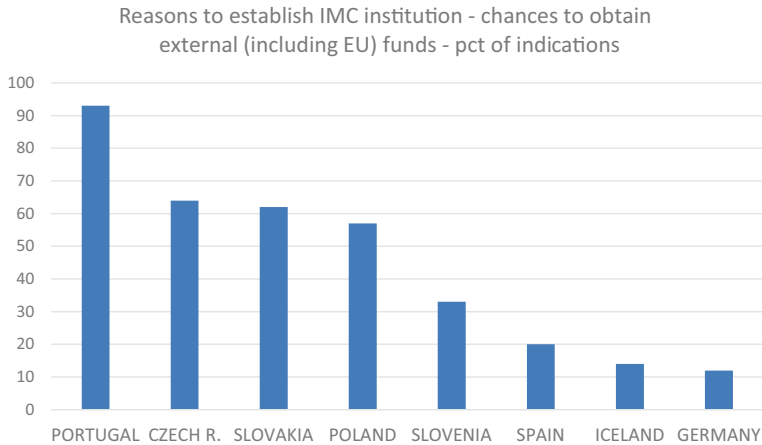


Fig. 20.2 Reasons to establish IMC institutions

Union and its structural funds have been perceived as an important stimulus of cooperation, especially in countries with a large share of “cohesion regions” eligible for EU regional development funding. Figure 20.2 shows how often the external funds incentives were indicated as one of the main reasons to organise IMC in our survey of IMC institutions in eight European countries.² In Portugal and several new member states (Czech Republic, Slovakia, Poland), willingness to increase chances for obtaining EU funding has been mentioned as the most important (in Portugal even the most frequent) motives.

Finally, the incentive might be also of a soft, and sometimes of exogenous, character. The 2010 Toolkit of IMC prepared jointly by the Council of Europe, UNDP and LGI Programme of the Open Society Institute has played an important role in stimulating the discussion on local collaborative arrangements, especially in the eastern part of the continent.

ACTORS AND LEGITIMACY IN INTER-MUNICIPAL COOPERATION

As we claimed in the introduction to this volume, IMC is mostly about the way we deal with collective service provision. Nevertheless, as it has been demonstrated in Chap. 3, personal leadership on a municipal level is very important. In the vast majority of the analysed countries the Mayor is by

far the most influential actor, having an impact both on initiating and on managing of collaborative arrangements. But the weakness of generalising the relevance of that observation lies in the fact that our sample has been mostly limited to countries with a strong mayor leadership model. In the future, similar research should be extended on countries with collective or more managerial models of leadership.

Not surprisingly, on the level of individual inter-municipal institutions, the analysis proved that the larger the institution, the more money is involved in it and the *harder* are its institutional structures. It is precisely in those cases that mayors try to be more involved and to keep an eye (and hand) on its operation.

Chapter 4 suggests that scale of operation has an impact also on citizens' interests in the operation of inter-municipal institutions. This issue concerns the democratic dimension of cooperative operations, which has been sometimes mentioned in the academic literature (Haveri 2003; Wollmann 2010; Négrier 2005; Dafflon 2012, also Hertzog et al. 2010), but rarely discussed empirically. In our volume, it is covered by two chapters: Chap. 4 by Gendźwiłł and Lackowska, which comparatively covers four countries, and in Chap. 8 presenting the experience of the Netherlands. The former pays special attention to the fact that while talking on the democratic dimension of IMC, it is useful to distinguish (and measure separately) input, throughput and output legitimacy. Especially in relation to input legitimacy the authors discuss the concept of “borrowed legitimacy”, in which councillors of the club members control the operation of the institution on behalf of their (poorly informed) citizens. The Dutch country chapter does not refer to the concept of “borrowed legitimacy” literally, but the logic of the argument goes in the same direction. And the final conclusions are not that pessimist as some of the earlier studies had suggested: “In terms of a democratic deficit, the general conclusion is that, as far as the representative institutions are concerned, there is little evidence of a systematic deficit. Citizens and organizations are however to a large degree dependent on their representatives to have any influence on IMCs”.

FUTURE RESEARCH AGENDA

In spite of the existing comparative publications (Hulst and Van Montfort 2007, 2012; Swianiewicz 2011; Teles 2016; Bel and Warner 2015—in the latter case limited to single service—waste management), IMC studies are

still a highly under-researched area in international comparative studies.³ The deficit is especially related to two areas (dimensions) of the research:

- (1) International comparative studies going beyond the general description of the situation in individual countries but researching empirically individual cases of IMC and analysing factors behind successes and failures, diversified satisfaction of members, democratic performance and several other features which characterise individual institutions.
- (2) Comparative analysis which would try to explain variation among countries. What are the factors beyond an enormous difference in the role played by IMC in various countries?

Our volume has made a step in this direction. Several chapters in the first part are based on the joint survey conducted among offices of IMC institutions in several European countries. At least two of them also open a space for further empirical research. The chapter by Silva and Pano suggests a methodology for empirically measuring and comparing the governance capacity of individual IMC entities. The chapter by Gendźwił and Lackowska tries to empirically address the issue of democratic legitimacy in inter-municipal institutions. But these are just first steps on that way and we hope that other researchers will follow these paths in the future building of new empirical knowledge, eventually leading to new theoretical conclusions.

Our joint survey, conducted in eight countries, has allowed gaining some comparative perspective of practical functioning of IMC's as seen by bureaucrats in leading offices of these entities. But in the future research, the academic community should complement this picture with empirical material using other perspectives—especially from individual municipal governments involved in the collaboration and citizens, who are consumer/recipients of the services delivered by these cooperative arrangements. It would allow to cover more diversified forms of IMC, including contractual arrangements between two or more local governments, informal cooperation or multi-level forms of cooperation including communes and provinces in Spain, municipalities and counties in Poland (our survey, discussed in Chaps. 3–5, and in some of the country chapters, concerned only permanent inter-municipal institutions, being usually separate legal entities, but ignored more informal, ad-hoc or multi-level arrangements).

Our empirical base is not sufficient enough yet to formulate definite conclusions on the factors behind variation among countries. For the moment, we are able to offer few hypotheses which might be tested in future research projects.

Discussing the coordination of functions in European metropolitan areas, Heinelt and Kübler (2005) defined three conditions of successful cooperation:

- (1) Organisational culture favourable for cooperation
- (2) External incentives
- (3) Strong leadership⁴

The conditions formulated by Heinelt and Kübler may be treated as important factors explaining scope and forms of cooperation. The variation of organisational culture reflects the variation of social capital among European countries, which in a simplistic form has been measured for many years by the Eurobarometer. Therefore, the first potential explanatory variable is related to the level of social capital. We expect that social capital—through the trust between potentially involved actors—makes IMC easier. Consequently, the density of those institutions may be related to the type and level of social capital.

As explained earlier in this chapter, external incentives factors may refer to central government policies, but also to EU regional policies which play an important role in stimulating cooperation, especially in the cohesion regions. On the European level, it is important to distinguish between cohesion and non-cohesion regions, as defined by EU regional policies. Therefore we expect the density of IMC institutions to be dependent on external incentives provided by regional, national and European level.

Regarding the leadership factor, in addition to individual styles of leadership, the formal position of the local leader seems to be important. We may refer to Mouritzen and Svara (2002) classification of types of leadership, but in the European context the distinction between strong, direct legitimacy of directly elected mayors and a more collective style of leadership seems to be especially important. In the former case, we expect that mayors play direct, significant role in initiation and maintenance of the cooperation, while in the latter case, we expect a stronger role of professionals and bureaucrats (Zerbinati 2012 distinguishes in this context between political entrepreneurship and administrative entrepreneurship; see also Zerbinati and Sourtaris 2005). This claim has been partially (and

positively) verified in Chap. 3 of our volume, but more tests are required, since most of the countries studied in our survey have adopted the strong leader model, so the comparative base with countries following alternative models is not sufficient yet.

The fourth potential explanatory variable is related to the level of territorial fragmentation/consolidation of municipal tier governments. Since economies of scale are often indicated as one of the potential benefits of IMC, some authors argue that the demand for IMC exists first of all in territorially fragmented systems (France being a classic example, but similar arguments might be used in other countries). We argue that these arrangements occur in various countries regardless of the level of their territorial fragmentation. The nature and motivation behind the establishment of new inter-municipal institutions may differ between countries with relatively big and small municipalities.

The fifth variable is related to the level of functional decentralisation and to the level of local self-reliance in dealing with their tasks. The allocation of tasks among tiers of governments has a direct impact on the potential scope of cooperation. One may expect that a larger scope of local responsibilities as well as more financial autonomy (which by the same token mean: lesser dependence on the support from the central budget) would produce more demand for cooperation, since local communities may, to a lesser extent, rely on external support (intervention) in solving difficult issues they cope with.

These hypotheses are summarised in Fig. 20.3, and they may be a base for the future research agenda.

We suggest that, rather than a closed and already explored field, IMC is an open ground for researchers, offering numerous questions and hypotheses to be tested. This book examined the nature of IMC in Europe. This meant looking in depth to the intrinsic features of the governance arrangements and institutions in collaborative settings between municipalities. These included drivers of cooperation and their impact on the forms it takes, the role of the actors involved and the democratic aspects of these governance experiences.

We believe this to be an informative book given the comprehensive information we provide regarding different aspects of this phenomenon. It reinforces the relevance of IMC and of new research agendas required to provide some clues to the questions that remain still to be answered.

IMC is a growing occurrence in Europe and one of the most diverse phenomena in local government's landscape. The multiple forms it takes,

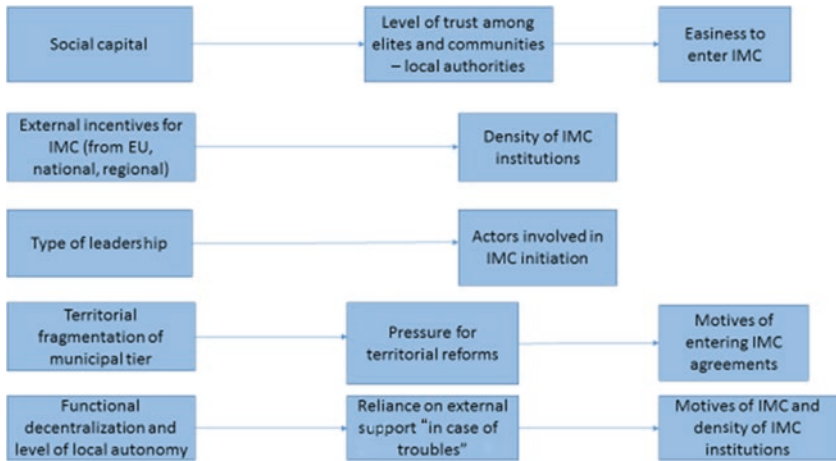


Fig. 20.3 Tentative hypotheses to be tested in future research

the fuzzy definition this entails and the research complexity it brings, should act as an incentive for the research interest on it. Above all, we would like to underline the evolution of IMC in Europe, and particularly in some of its countries, the fact that it corresponds to a process of permanent adaptation to the context and to new needs. This *liquid state* of cooperation is, indeed, one of its most interesting features. The capacity of these organisations to perform their role, with adequate governance capacity, relies precisely on this: the way these arrangements are able to mutate, adapt and evolve.

IMC has become a synonym of local government and institutional evolution and adaptation. It has risen up the European political agenda and transformed local government landscape. We expect it to continue on a growth and evolution path.

NOTES

1. After 2008, that is, during last eight years, municipal amalgamation reforms have been implemented in Albania, Greece, Ireland, Latvia, in some parts of federal countries of Austria and Switzerland, accelerated (started earlier transformations) in the Netherlands and Finland, and are currently implemented in Estonia, Norway and Ukraine. In Portugal, similar reform has been implemented on a sub-municipal (parish) level. In most of those cases,

the reforms have been directly or indirectly connected to attempts of coping with negative consequences of the financial crisis.

2. More information about the survey and sampling method may be found in Chap. 3 of this volume.
3. In addition to the above mentioned, one may also add studies focusing on comparisons of two different European countries, for example, Wollmann (2010) on France and Germany, Bolgherini (2011) on Italy and Germany, Bolgherini (2014) on Italy and Spain.
4. We refer, predominantly, to horizontal cooperation, but—as Grote (2003) convincingly demonstrates—elements of hierarchy may increase efficiency of network coordination.

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