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RELATIONSHIP BETWEEN THE SIZE OF LOCAL AND REGIONAL AUTHORITIES AND THEIR EFFECTIVENESS AND ECONOMY OF THEIR ACTION

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THE SIZE OF LOCAL AND REGIONAL AUTHORITIES: ITS IMPACT ON SERVICE DELIVERY AND DEMOCRATIC QUALITY

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Introduction

1. Today, local governments are a key element in European political systems. They provide a wide range of services and are critical actors in the development of the social and economic well-being of their citizens. Despite all the differences between them, together they spend huge amounts of money and are major sources of direct or indirect employment.

2. Local authorities represent proximity to the citizens; they express their concerns and demands and also provide the political arenas for participation and the decisions of a wide range of public policies. If this is true in the more traditional and consolidated democracies, it is even more relevant in those (former communist) countries that have since 1989 been involved in developing democratic and economically viable societies.

3. Social, economic and political changes present a big challenge for local governments in Europe and have had a deep impact on the organisation, structure and new tasks of local authorities. There are new patterns of intergovernmental relationships, with complex networks and new political actors at the meso level, new territorial distribution of power and growing interest in local democracy.

4. It is true that some countries give independence to local authorities and have municipalities that raise most of their revenue through direct taxation and play a relatively independent game vis-à-vis the central government. In those cases the control of local authorities by the central state is legally limited. There are other countries that have regulated the local authorities mainly as agents for carrying out central government policies, but the most common model is an interactive one, where the focus is on "working together", creating bodies of joint authority to undertake common tasks.

5. It is difficult to assign a country to a specific model of organisation of local authorities - each case is a mixture of all elements. For example, there is probably more autonomy in the Scandinavian countries than in southern Europe where, although legally defined as autonomous, the lack of financial resources limits the real possibility of autonomous action of local authorities.

6. The replies on which this report is based[1], show that a group of countries consider its local authorities as service delivery institutions, whereas, for others, municipalities are mainly political and representative institutions. These two different priorities produce differentiated cognitive maps and also alternative strategies. We should take into account that for many countries democracy is taken for granted whilst for others it is a living process not yet finished.

7. Is efficiency an imperative issue or a choice? And is democracy a choice or an imperative? What type of democracy are we talking about? It should be kept in mind that in the choice of local government structures the question of whether municipalities are able to deliver particular services or not is but one of the elements to be taken into consideration. Democratic quality and efficiency are elements that should be combined in the best possible manner.

8. It is important to bear in mind that through the municipal structure, the distribution of tasks (removing or assigning new ones), the production of services or the type of local government, the supra-municipal authorities can affect both variables: effectiveness and democracy.

9. Whatever role the government has decided to play within the political system, we should say that it would at least have to perform a key role in two main respects: to ensure democracy and, also, to provide welfare for the citizens. And, as some delegations rightly argued, there are many ways in which democratic participation can be expressed, not only in the electoral arena. Indeed, there are connections between participation and service delivery, for example where user-groups of citizens are created to evaluate the type and quality of services delivered. Nonetheless, for analytical purposes service provision is distinct from democratic participation and the various decentralisation processes should achieve two main goals: not only contributing to the efficiency and establishing a better provision of the welfare policies for the citizens, but also reinforcing democracy. The role of the local elites leadership, within their communities, is going to be fed through the electoral connection and also by means of the exercise of competences and tasks, and through proper management of service delivery.

10. Analytically, the three main aspects to be distinguished are the following: citizenship and citizens' participation; leadership of the local community; management and service delivery. The two first aspects have to do with democracy and democratic arrangements and the last one is closely linked to effectiveness, a concept that embodies the full range of variables related causally to economic performance. In this respect, it is relevant to point out, that legitimacy and efficiency are elements intimately intertwined. Higher levels of efficiency strengthen legitimacy and, we tend to think, that a strong leadership allows for better and more efficient local government outcomes. We can imagine a gradient in which the countries involved will fall in a different category according to their score on legitimacy or efficiency.

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[1] The reports presented came from the following countries: Austria, Belgium, Czech Republic, Denmark, Estonia, Finland, France, Greece, Hungary Iceland, Lithuania, Malta, Netherlands, Norway, Poland, Slovakia, Slovenia, Spain, Sweden, "the former Yugoslav Republic of Macedonia" and Turkey.

Table 1: Local Authority Typology

	EFFICIENCY		
LEGITIMACY		+	--
	+	A	B
	--	C	D

The table offers four theoretical types of political systems: those with high levels of legitimacy and efficiency (Type A), those with lower levels of each (Type D); those with a higher level of legitimacy and a lower level of efficiency (Type B) or the opposite case (Type C).

11. The report will try to set forth arguments at two different levels: on the one hand, that of the impact of the size variable (with all its multifaceted aspects) on effectiveness in achieving the best results for citizenship and for democracy. On the other hand the argument of, in what way a specific size of local authority contributes to improve the situation, or, on the contrary, it represents an obstacle to those developments.

2. Size and effectiveness

12. The debate on the appropriate size of local governments has been a permanent and long lasting one. There have always been people supporting arguments in favour of merging small local municipalities into larger units, and, on the other hand, advocates of a fragmented map built up of small units. Depending on historical circumstances, local specificities and/or value judgments, we see different approaches to the same question: what is the "ideal" size for local authorities? Ideologies, mentalities and interests are ingredients feeding the continuous debate. According to the findings, there are four main arguments used by those who favour larger local government. Thus: a) efficiency (which scale will produce better and more services at a lower cost); b) democracy (what type of structures can enhance citizenship control over government and proper accountability; c) development (which kind of organisations are best prepared for promoting economic development) and, finally, d) distribution (which size will provide for a better and fairer distribution of services, tasks and tax burdens). The normative elements that blight each one of those concepts make it very difficult to reach a conceptual framework upon which we can all agree. The range of interests and the various social, political and economic situations make for strong disagreement on their definitions. Political leaders (national or local), administrative elites, bureaucratic organisations, social classes, especially groups and voluntary associations within the several communities, express conflicting views, not only between them but, even, within the same group (for example, local business vs. larger companies, national civil servants vs. local ones, international NGOs vs. local ones…).

13. It is true that the arguments in favour of larger units were developed in accordance with the pace of the welfare state, expanding the role of governments and the use of new models for economic and physical planning. All the academic and political criteria pinpointed that small units were not prepared for the new developments that required large-scale planning and integrated service delivery systems for the new and more sophisticated services to be offered. If we can date this pro-amalgamation policy around the 60s and 70s, a crisis in those approaches begins in the 80s, and the positions favouring small local authorities began to evolve in a rigorous manner. The 90s faced a more vivid debate and again the arguments in favour of the larger units in local government were on the political agenda in many countries. The reform strategies, the crisis of the welfare state, the policies for restructuring the old state apparatus, the ideas of making more lean or reducing the role of the state and the new supra-state networks contributed to reinforce the re-engineering process at local level. In other respects, the globalisation framework already represents a new context for those attempts at restructuring local governments. Globalisation and "localisation" are two sides of the same coin.

14. The theoretical support for a map of small authorities (small size) comes from the Public Choice approaches, based upon utilitarian and individualist philosophies (self-interested individuals that make, through public choices, the aggregated public goods: democracy as a method for allowing the individuals the maximum space for choice; market as the arena for competition and efficiency). Without intending to enter in great detail on the public choice approach, it is underlined that the main argument (local government is seen as a private company and citizens are seen as consumers that shop around for the best services according to their own preferences) has been severely criticized, not only because human behaviour does not always follow the rational utility maximizing strategy, or because the concept of interest is not that simple (consider the elements which impinge upon the perception of the interests), or because the notion of efficiency cannot always be limited to the idea of smaller cost but mainly because public choice does not allow for any form of redistributive policies. It is very important to take into account that politics and policy have a lot to do with distributing and re-distributing scarce resources and services to the citizens and not only with satisfying the preferences of individuals.

15. The main arguments used in favour of this relation between size and effectiveness are very often confusing. One element is, in the majority of cases, clear: nobody is looking for an "a priori" definition of how big is "big" or how small is "small", in order to produce an immediate qualification of positive or negative. We are not looking for a kind of normative "optimum size". Rather the target of every case under consideration is to understand better the effects of size on the economic and political structures of local authorities.

16. This position should allow for several alternative answers: a) increasing the size may well produce better results in terms of economic effectiveness and also in democratic performance; b) but the same policy could lead to the opposite outcome. The relevant question is not to establish a clear division between big and small (whatever is considered to be big or small), but to understand that these concepts are multi-dimensional and, incidentally, one of the variables, and an important one, is time.

17. One of the difficulties with the information coming from the country reports is that there is not a strong and clear analytical conceptual construction. In most cases size is an ambiguous concept because the word that expresses verbally the concept has no unequivocal meaning and also no clear empirical referent.

18. Size is, in most of the reports, population size and, sometimes, also all the elements related to it, i.e. population density, local economy, geographical size, concentration or dispersion of the population in each local authority, rural or urban, volume of the resources, level of competences, etc. In the reports and in the few studies carried out, those important and different concepts are very often not clearly distinguished. Furthermore, size is also relevant in the logic of the subsidiarity principle and should also be considered in connection with the degree of decentralisation in any specific country.

19. Finally, it appears that there is more concern with the problems derived from big size (big, large cities) than with those of small ones. It is probably true that many municipalities are, and at the same time, small and big, according to different variables.

20. From the point of view of large municipalities, the arguments used to explain the lack of effectiveness are mainly diseconomies of scale, inefficiencies resulting from the financial burden of bureaucratic expenses and wastefulness. According to the results of research carried out over the last twenty years, no clear conclusion emerges. Sometimes analysts have found positive correlations between size and inefficiency and, in the same study, the opposite.

21. At present, it is not possible to make out a case against large authorities on the grounds of diseconomies of scale. We can argue that large cities spend more money per capita, but this has to do with factors such as more and specialised services, more financial resources, better tax base, etc. Probably this has to do also with some diseconomies of scale, but not enough is known to support one or the other argument.

22. With respect to the other element that suggests that administrative costs rise in relation to an increased size of municipalities, the counter fact has a serious base in empirical research; it is more likely that the bureaucratic expenses fall proportionally as the size of local authorities increases. What appears even more consistently from this research is the proposition that a large number of small local authorities generate high administrative costs on central government.

23. The paradox is that according to research, big does not mean inefficiency and there are a lot of strong arguments in its favour. In the first place, in well developed societies there are services that must be set up on a large scale (housing, planning, water, environment, transportation, etc). Secondly, the production and delivery of very specialised services require a big population (especially education, care of the elderly, cultural developments, etc). Thirdly, the policies of equality and redistribution require a certain degree of centralisation and this runs against the fragmentation of the territory into small units. It is very unlikely that small local authorities, competing against each other, will produce equality; on the contrary they will reinforce territorial inequalities.

24. The tentative conclusion will lead us to accept that large municipalities are not less efficient by comparison with the small ones, and can be much more effective as service providers than the small units.

25. In fact the debate about municipal reform has been oriented to the positive outcomes, related to economy and efficiency, derived from the various processes of amalgamation. Recently the emphasis has focused on new elements for the debate: it is stated that small municipalities are characterised by unprofessional administration, vulnerability in financial terms and inferior quality of service.

26. This type of reasoning appears frequently in the reports, but in scientific terms the fact is that we do not know enough about the various issues. We do not know whether small municipalities as providers of services lack the necessary quality. We do not know whether the personnel of small municipalities show a lack of professionalism or whether their administrative structures are outdated. Even if it is possible that the small municipalities are financially vulnerable, we do not know for sure.

27. Probably, in view of the broad variety of experience illustrated by the reports, to give an answer to the question of size we should first clarify our beliefs about local government and what type of local government we want and then develop our thoughts accordingly. Are we in favour of giving local government more power and competences? Are we ready to push forward a second wave of decentralisation from "meso-governments" to the local level? These questions and the answers to them will illustrate clearly that the future of local government is not an issue exclusively for academic research, it is, above all, a political issue.

28. Whether the small municipalities should amalgamate or not, whether the amalgamation process should be conducted on a voluntary basis or should be imposed by the higher level of government, whether it is better to save some money looking for efficient "best practices" at the expense of the quality and level of democratic participation, etc. All these questions are political problems that require political decisions. Research cannot decide these questions, but it can offer analysis to be taken into consideration in the decision-making process, mainly to avoid unfounded decisions.

29. If we look at the map of Europe, many countries have over the last decades reduced the number of municipalities through amalgamation. Some countries reduced the number of local units (Denmark, Sweden, Germany, Greece, United Kingdom, Austria, Netherlands and Norway) in a very drastic way, some others in a very small percentage (this is the case in Spain, Malta, Switzerland, , etc), some indeed tried other solutions, such as leaving more or less intact the number of municipalities but promoting intermunicipal co-operation (France).

30. In fact, today the European countries fall into three main categories, in respect to the size of their municipalities; those who have large local authorities (the case of the United Kingdom, with municipalities on average above 100,000 inhabitants), a second group of countries with relatively small municipalities, approximately 10,000 inhabitants on average, with extreme cases such as the Czech Republic, France or Switzerland *(*95% of the municipalities have less than 5,000 inhabitants), or Spain (with 86% of its municipalities under the 5,000 level); finally, a third group, in the middle, with very few municipalities under 5,000 inhabitants and characterised by municipalities of medium size (Denmark for example).

31. The various studies which related average population to local government expenditure show that there is a clear correlation between municipal size and municipal tasks and that until a certain size is reached, few alternatives are available (in the cases of Sweden or Denmark the decision was in favour of many tasks in the hands of the municipalities, Portugal went in the other direction).

32. Many reports refer to the idea of economies of scale to justify amalgamation and we should be very cautious about this. All the questions related to size, small or big, minimum or maximum or optimal, or even medium sized, are looked upon on the basis of the theory of scale. This theory originated in economic theory and was applied to industrial production. It was based on the assumption of the absolute uniformity of the output produced. When looking at local authorities we are faced with the following problems: local governments produce very different kinds of outputs; some of these outputs are measurable and some others are not; the idea of optimum in scale is one in a policy area but not the same in others. The only undisputable element within these considerations is the one related to minimum size, as below this level, it is not possible to accomplish any of the functions expected from any local authority. However, we should always have in mind that local governments are in the first place, political communities, living settings for citizenship and leadership and after that they are economic arenas and providers of a more or less adequate level of services.

33. The whole idea of scale in the economy is related to capital intensive activities. Notwithstanding that some activities of local authorities such as water and waste management may be capital intensive, local government activities are often of the labour intensive type. Moreover, even capital intensive tasks do not necessitate amalgamation because intermunicipal co-operation (to be discussed later) can be an appropriate alternative mechanism to solve diseconomies of scale should they occur.

34. However, in any case, we can find clear examples of advantages of economy of scale . Each municipality, small or not, incurs a number of basic costs (a mayor, a council, secretariat, top officers and civil servants working directly with citizens) that represent a considerable burden for the budget of a small unit and a less important one for the budget of a large city. Some of the basic services have a standard cost, even if this is the minimum, which weighs heavily in the modest economy of a small municipality. Even the administrative services required to provide public services can be organized more efficiently if the size of the municipality is bigger.

35. However, if we move to the largest units again the cost rises sharply. Probably, according to some recent research, the efficiency can be found in the middle sector: not too small and not too big (circa 40,000).

36. With this empirically contrasted information, is there serious justification for amalgamation? That depends. In general the cost-benefit analysis teaches us that the economic benefits are not very important and the costs, including the political ones, can advise us to be extremely prudent and only to practise amalgamation in selected individual cases.

37. When we analyse the country reports evaluating the changes produced, the obstacles faced and the best practices, the emphasis was on amalgamation (voluntary or compulsory). This policy has been on the political agenda of almost each country, but they do not have any proper evaluative study of the outcomes of the process, only ideological discourse.

38. In those countries (France or Spain, for example) where amalgamation is not an issue, the reports reinforce the arguments of middle structures (departments, provinces, autonomous regions), or new bodies of intermunicipal co-operation through which supramunicipal arrangements can be made. In the Netherlands report there are some interesting evaluations, concluding that the reforms have produced two main effects: a) reduction of the vulnerability of local administration; and b) strengthening of strategic capabilities and professionalism.

39. If we consider size in geographical terms, or referred to population, or to the density of population, or to the degree of scattering in the population within a single geographic unit, or area, or even if we consider size in terms of the number of local representatives elected, the map of European local government offers all kinds of variations. This specific situation makes the impact of size on effectiveness very complex, as well as the measurements of efficiency levels in each local government. The very few studies carried out up to now show us contradictory and heterogeneous results. They all depend on the kind of services included in the analysis, the type of demographic structure, the distribution of power within the political system (central, federal, asymmetrical federal), the number of tiers of government, the level of public expenditure, the type of competences established for each level of government and those specifically corresponding to local government, and finally, the kind of political culture within each context.

40. As we can imagine, size could be a main element to influence the managerial capabilities to effectively deliver the services at local level, but this relation between size and managerial skills and capabilities to effectively deliver the services, takes place at different levels and is a complex one. In some cases, the variation in the score on efficiency is related to the competences and the way in which these are or are not related to size. In other cases, size is more likely to be linked to financial resources and this situation could eventually lead to a more effective delivery of services, but not necessarily to a more efficient one. The administrative capabilities, another key factor to be analysed, is not only related to the size of the municipality, but is also connected to other factors, such as: the network of local-regional-national relationships, the kind of services that we are considering (the research done shows that certain services are better related to the size of local authority than others, i.e. social security vs. public works), the centrality of the local government with respect to its own territory (we need to take into account the cases of conurbation, immigration, regional developments etc, as factors that could contribute to changing the central role of the municipality, as a governing structure of new spaces).

41. Even though it is quite well established that municipalities under 7000 inhabitants fall below the standards of managerial skill or administrative capabilities, studies carried out in the Netherlands and in Switzerland conclude that the relation between managerial skills and the size of local authorities varies greatly between policy areas.

3. Size and democracy

42. The paradoxical relationship between size and democracy lead literature to support the idea that if you want to increase democracy you have to diminish the size of local government. The arguments are mainly: bigger impact of citizens on collective decision-making, better conditions for leadership with stronger links with the citizens, more responsiveness and, because the units are smaller and thus tend to be more homogeneous, greater ease in reaching political majorities and easier collective decision-making. The counter arguments try to suggest that the fact that the unities are smaller gives room for oligarchy as the main leadership configuration and stronger mechanisms for social control and social conformity. Political communication is weaker as well as, political institutions (political parties, pressure groups, NGOs …). In summary, small size favours elite domination.

43. Probably both positions are true at the same time, because each one considers different types of smallness. Size being, as we already know, a non-homogeneous category, we are within our own tower of Babel until we clarify what is included in our specific "small size" category.

44. There is some debate on the relation between the enlargement of local units and political participation. Acknowledging that political participation cannot only be limited to the electoral turnout and based on the cases on which we have information, it is tentatively suggested that as electoral participation rises, the size of local governments decreases (in Spain, the percentage of turnout in local elections, goes from 80.5 % per unit of 250 inhabitants, down to 66.1% for municipalities above 15,000 inhabitants; in Switzerland for the election to the National Council, the average electoral participation percentage goes from 46% in local units up to 1,000 inhabitants to 40% in municipalities above 100,000 inhabitants.); the research carried out by Goldsmith and Rose, shows a clear size effect for Norway and a mixed effect in the United Kingdom. This research probably supports the hypothesis that the type of electoral system chosen, proportional or first-past-the-post systems, has an effect on the turnout percentage in relation with the size. As the British report suggested, size is probably not the only variable to be taken into account to understand the electoral turnout percentage and its relation with the size of a local authority.

45. In any case, in larger municipalities, there are several negative incentives related to electoral participation. Not only is the cost of participation higher and the ratio between citizens and leaders lower, but most important of all, the enlargement of local units brings with it the loss of a sense of belonging. We just need to think of the new suburban and conurbation areas and the new migratory processes, which all produce only working links or other economic networks, but lack the sense of community among the various residents of the same municipality. Size is not the sole factor that determines whether citizens will engage in the electoral process; other important factors include the type of neighbourhood, prevailing civic values, etc.

46. In many reports one of the most important considerations behind municipal reforms has to do with democratic settings, proximity to the citizens, better and closer relationships between electors and elected, quality of participation, trust in the institutions, among others. The assumption can be expressed in the following terms: the larger the municipality, the more difficult it is to sustain democracy. In large local authorities citizens lose their sense of community and political identity, develop syndromes of alienation and inefficiency, are less aware of and, in addition, less concerned by public affairs; cynicism, distance with respect to the leaders and apathy arise because the cost of participation in the democratic process is very high and participation limited to a few citizens.

47. The (inconclusive) research carried out does not support these democratically erosive consequences of moving from small communities to big ones. The classical study done by Dahl & Tufte concludes that "there is no general relationship between turnout and unit size". Today we know that electoral turnout decreases as one goes down from central to local government and decreases further where it concerns elections for intermediate levels of territorial administration. But within the same level of government turnout decreases as size increases. In some respects the smaller the municipalities the larger the participation.

48. Is this an argument against amalgamation? A high turnout percentage may not be the only element to consider in assessing the good health of democracy and, more importantly, electoral participation may not be the only way in which citizens become involved in local politics. Indeed, not only representative democracy but also the possibilities for citizens to participate directly in decision-making processes are to be taken into account in assessing the overall quality of local democracy. On the other hand, "being big" for a municipality can produce socio-ecological situations that will explain democratic deficits that have nothing to do with size (isolation, level of disconnection between community and municipality, relative weight of the individual vote, social exclusion, poverty).

49. The most common argument in favour of small units of government suggests that because elections are based on personal knowledge of the candidates, democracy will work better in those municipalities than in the big ones. The alternative assumptions underline that local authorities experience everywhere a "nationalisation" of their electoral processes. People vote for parties rather than persons and mobilisation is based on national issues rather than on specifically local ones. Local elections are used as indicators of citizen satisfaction with national governments, as arenas for debate of national issues, or as experimenting grounds for national party strategies.

50. What about organisational participation? Most literature concentrates on individual participation and never considers the relationship between size and this element. There seems to be a consensus about the fact that large urban settings have more citizens' associations, NGOs and community groups than the small ones. If this is true then it is suggested that if individual participation does not differ in municipalities of different sizes, organisational participation is largely related to size; the bigger the unit the more organisational participation develops. This concerns not only associations of all types, but also the presence of political parties in a more competitive framework, the development of mass media coverage of local affairs (TV and radio networks and newspapers) and even the effects of the "more tasks" model on participation rates. If the municipality is able to do more, it is to be expected that citizens become increasingly involved.

51. We can probably conclude that large units of local government may be, in some respects, more democratic than the small ones, in the sense that, if individual participation increases in some way with the decrease of the size of the local authorities, collective participation, the role of the parties and citizens' organisations, follow the opposite trend.

52. With all these elements, why is there so much emphasis on the democratic virtue of the small? Many experts explain that it is a mixture of an anti-urban ideology and a romantic view of small local authorities, but in reality the small units are not, in any country, the appropriate ground for open, democratic society and government. On the contrary, they develop stronger mechanisms to obtain social conformity through coercive suppression of political dissent or conflict.

53. Politics is about distribution of scarce resources and dealing with conflicts and this activity is better accomplished in a democratic manner, in large, than in small, municipalities. Sometimes, politicians and academics believe that small means the absence of conflict, because they think that smallness implies homogeneity and consensual society, but these conditions have nothing to do with size.

54. Finally, there is a recent discussion on political trust or distrust and its relation to size. We talk about a high degree of political trust if each person in the municipality has a positive opinion about the politicians (there are responsive, accountable, they make the right decisions and take the opinions of citizens into account). If the degree of political trust is low, it does means that people have a cynical view of politics (politicians are only interested in obtaining votes and do not care about the opinions or needs of citizens).

55. Studies done in Denmark, measuring "competence" (the politicians can make the right decisions for the municipality), "credibility" (the idea that politicians keep their promises) and "responsiveness" (taking the voter's opinion into account) show very clearly that confidence is reduced following the increase in size of the municipality. That is to say that if we want to develop trust in the community it is better to avoid amalgamation.

56. Historically, local governments have often been established as a defense against the abuse of central powers ; nowadays some meso-government arrangement and the new regional powers, perform the role of the old central power. The state power center engineered local government as an efficient service provider, because this level of government was adequate for implementing and adapting policies to redefine territorial spaces. Despite these two different views given from above or from the bottom up, local authorities accomplish several other functions connected to the promotion of democracy. Local authorities are participatory tools and each level of government (originated in the several decentralising strategies) represents a new arena for participation and representation, and not only in terms of the citizenship but also in terms of the territorial dimensions. Finally, local authorities are in every respect democratic schools for citizens and leaders, for promoting democracy and facilitating mass participation. Even in a globalised world, people are "proximity animals".

4. Citizens' satisfaction with the services provided and its relation with size

57. The common ground suggests that citizens experience a higher level of satisfaction in large municipalities. Those are the ones which have more resources and offer services which are more specialised and more difficult to obtain elsewhere. However, a common finding is that citizens of a small but homogeneous municipality are highly satisfied with the services offered. It is likely that it is easier to satisfy the demands of similar people and on the contrary very difficult to deal with highly heterogeneous settings.

58. The studies carried out, particularly in the Nordic countries, support two main arguments: a) satisfaction decreases with the increase of the municipal size above the level of 30,000 inhabitants; b) the size is closely related to the specific policy areas. In those areas of elderly care, primary schools and day care, the dissatisfaction occurs in municipalities of under 3,000 inhabitants and, even more, in the case of towns with over 30,000 inhabitants.

59. However, if we consider other policies, such as cultural activities, libraries, sports, music festivals, etc, the opposite pattern emerges, particularly citizens of big municipalities are more satisfied. With respect to amalgamation and its relation to citizens' satisfaction, it could be suggested that it depends on the type of units amalgamated. If heterogeneous units are merged, this leads to dissatisfaction; on the contrary, if homogenous units are merged, the result is more likely to be satisfactory.

5. Reforming the local map or building new networks based upon the existing territorial local authorities units?

60. A policy of changing boundaries, in fact, changing the map of local authorities is highly complex. Although it is recognized that the boundaries of local authorities may, at least in some cases, have been the outcome of (distant) history and may to a certain extent be considered arbitrary, proposals for change are nonetheless often highly contentious.

61. There have been profound changes in European societies that have affected the structure of local authorities and particularly the urbanisation and immigration processes which produce the concentration of a large number of people and the need to expand the boundaries of each municipality. Secondly, the development of the Welfare State and new educational and health policies required bigger units. From the perspective of the central state, amalgamation is always seen as a good policy because it offers a less complex universe to handle and it improves the working of the financial system. Significant changes in local government have taken place in all European countries, including those which were historically based on the Napoleonic model. However, as regards changes to the boundaries of local authorities, it appears that those countries that were not historically based on the Napoleonic model have seen the biggest changes. Structurally, the change in the boundaries will produce changes affecting political majorities, power distribution, electoral outcomes, etc (gerrymandering effect).

62. If, in the last forty years, almost every country has experienced processes of amalgamation or fusion and, as a consequence, a reduction of the number of local authorities, nowadays amalgamation is not, in general, a policy on the political agenda of the countries considered. The various legal systems have regulations related to this phenomenon with specific guarantees for the voluntary expression and the democratic participation of local governments. In some cases the countries require a minimum number of inhabitants to form a local authority and in others targeted grants are provided with the purpose of stimulating amalgamation.

63. What has been a clear trend, even more relevant today, is the proliferation of all types of mechanisms of intermunicipal co-operation. This establishment of joint authorities is contemplated as a solution for the problems faced by small local authorities. In the country reports all countries mention this formula clearly as the only one that is flexible, easy and which raises few political difficulties. Only the Netherlands report explains that intermunicipal co-operation is useful but is not an alternative to boundary reform.

64. A report of the Council of Europe of 1995 gives full details of the types of intermunicipal co-operation, legal regulations, compulsory or voluntary systems, networks built on the same level (local) or among several levels of authorities, single purpose or multi-purpose. According to the fragmented information in the 2000 reports the previous information is still perfectly valid.

65. The presence of a centralised, or a federal political system, creates deep differences in relation to the type of supra-municipal bodies. In the federal, or – as the Spanish case – in highly politically decentralised and regionalised countries, local authorities are linked in a triangular relationship to the regional government (Länder, Comunidades Autonomas, Regions) and, at the same time, to the central government, creating a very complex intergovernmental network.

66. In Spain, since the beginning of the democratic transition, there have been a central government, 17 Autonomous Communities, 50 Provinces, 8,105 local authorities and twenty years of intermunicipal co-operation has produced 927 "mancomunidades", and more than 500 "consortiums". The provinces implement some of the competences that are now in the hands of the Autonomous Communities and accomplish relevant functions in technically, juridically and economically helping local authorities – especially the small ones – of its territory.

67. The "mancomunidades" are voluntary associations of local authorities for the common implementation of tasks or services; half of the 927 (in 1978 the number was 165) are single purpose. An average of 74% of local authorities belong to "mancomunidades"; 75% of municipalities under 5,000 inhabitants belong to these joint authority bodies and only 42% of municipalities with between 100,000 and 500,000 inhabitants. The information of the services provided by these intermunicipal bodies give an accurate idea of the areas in which local authorities lack capability. Thus, 482 "mancomunidades" are related to waste collection, 460 with solid refuse processing, 274 with water supply, 270 with social welfare services, 210 with fire services, 209 with education and culture, 166 with tourism, 131 with technical services, 104 with slaughterhouses, 103 with the environment and 102 with urban planning.

68. Together with the "mancomunidades" there are the "consortiums" established as joint collaborations with other administrative bodies or, even, with the private sector as far as it is publicly oriented and there is no lucrative activity on its part. The majority of those "consortia" are related to telecommunications, water, civil protection, cultural developments, cleaning of roads, etc.

69. The research conducted by Professor Dafflon and his team at the University of Fribourg, represents the most recent and complete effort in designing a method of analysis that allows an accurate measurement of the influence that the size of municipalities has on the degree of budgetary and financial autonomy. This work finds profound differences in the territorial boundaries of each of the intermunicipal systems of collaboration. Based on this reality Professor Dafflon concludes that there is a weak connection between size and financial and budgetary autonomy, because of the "très forte hétérogénéité" of the situation. With all these difficulties, the amalgamation of small units tends to produce the following results: economic gains because of the economy of scale and the negative externalities; budgetary improvements derived from the rationalisation of administrative apparatus, fiscal homogenisation and a correction of the structural disparities; an improvement of the managerial skills due to a better organisational structure and the avoidance of overlapping and duplicities; and, against the common opinion that the small units amalgamated would lose their autonomy, the impossibility of having the amalgamated units lose the autonomy that they do not actually have.

70. The Fribourg research team underlined that improving the financial autonomy of the local units amalgamated did not solve deep and key non-economic problems, such as: sense of belonging, social identity and well-being.

71. Dafflon suggests a new method to implement amalgamation as a way to solve at the same time the institutional problem (the lack of connection between decision-makers and tax payers) and the economic problem (the lack of connection between tax payers and beneficiaries). He believes that fiscal federalism, with the theories of optimal size of government, do not offer an adequate answer for practical policy and he also believes that the mechanism of horizontal intermunicipal co-operation only solves questions of efficiency in the provision of services, but suffers from a democratic deficit. His formula is based on the so-called "noyaux forts", which refers to the new strong centres built among several local units that can be debased to create new enlarged communities, in which decision-makers, tax payers and beneficiary citizens, coincide.

6. Large municipalities: how big is big?

72. The Europe of the new century is going to be the Europe of the cities; more than 50% of the population lives in highly urbanised centres or in metropolitan areas. In those new territories a mixture of development and serious social problems, wealth and poverty, the more dynamic activities and the marginalised population all come together. The new city is no longer a municipality, it is a multi-dimensional reality: central city, the focus of political and administrative activities, a conurbation and, in some cases, a metropolitan area. The big city is also part of international networks, in close relation with the region and the central star of a complex galaxy. These cities suffer very often from a democratic deficit because the representative structure does not correspond to the economic and social life around it.

73. The common trend is disaggregating the city structure into districts, with the possible contradiction between the different political majorities in the districts and in the centre (each district used to have its own sociological and economical features). In some countries (eg Spain) the district authorities are appointed by the mayor, in others directly elected, or, at least, appointed from the political group that obtained the best electoral results in the district. One of the dangers underlined in the reports is that very often the richer neighbourhoods are the ones that promote the desegregation from the urban centres. In Sweden they advocate technical solutions such as decentralized budgets and accounting models.

74. In Spain – whose report provides detailed information – legislation prohibits the disintegration of a big city into several municipalities based upon a common population. For this reason the solution to the problems of the larger municipalities is the deconcentration technique, producing a big city with districts with their own organisation and competences. According to recent studies, the idea is that all the cities with over 300,000 inhabitants should have a deconcentrated organisation that will manage budgetary resources of at least 15% of the municipal budget.

75. Spain has 8 cities with more than 350,000 inhabitants, the biggest one (Madrid) has 21 districts, the two smallest (Seville and Malaga) have 6 districts each. The average population of each district varies from 150,000 in Barcelona to 39,000 in Las Palmas. These data hide very different realities. Only Madrid and Barcelona have developed and consolidated proper districts, the other cities are less developed. The district organisation is more the product of social and economic pressure (to avoid congestion and overlapping and lack of co-ordination of the administrative structures) and not based onconsiderations related to reinforcing democratic participation. Public opinion polls show a very positive perception by citizens. The main obstacle to further developments is that the mayor is afraid to lose control and some of his political power.

76. In Bulgaria legislation provides for an obligation to create districts in municipalities over 300,000 inhabitants and provides this as an option for cities over 100,000. Legislation in the Czech Republic recognises the possibility of internal (sub-) division for the category of "statutory cities", which are those cities with a population above 52,000 inhabitants. In Finland it is generally agreed that cites with a population of over 100,000 are "big", although they do not have any special legal status. In Slovakia only two big cities (the smallest of which has 240,000 inhabitants) have districts with elected councils.

7. Institutionalisation and learning processes

77. During the last ten years several international organisations (the Council of Europe, the International Union of Local Authorities, the World Bank, among others), specialised forums and workshops, have been organised to exchange experiences and ideas. Local government is a living laboratory for a wide learning process, learning about efficiency in delivering services and, also, learning about democratic arrangements.

78. Functional effectiveness, some used to say, is incompatible with democracy. From the classical Greek *polis* to the post-state articulation, mankind has been always looking for a kind of optimum political space to develop citizens' potential. The long history of the Modern State is a perfect example of those developments and the recent discussion on the withering away of the state in Europe is only a new step in the new globalised world. It is this bi-polar dimension, global-local, which is under discussion today. Local authorities should be prepared to take advantage of the new rules of the game.

79.Two major and challenging events in our societies are the weakening of the nation-state and the strengthening of the sub-national authorities. Over recent years it has become increasingly clear that developments such as the new environmental concerns, the new economy and the political time-scale of the globalised world are beyond the full control of the individual nation-state and may require new political responses. The attempts of European states to deal with globalisation by developing supra-national political units have contributed, to a great extent, to the erosion of the state itself. At the same time, in many respects and contexts the state continues to be in a strategic position and to fulfil a very relevant role.

80.Simultaneously, we acknowledge new processes of decentralisation and the rise of meso-government. It seems that traditional state structures are out of scale, probably too small for the new globalised world and, at the same time, too big, too rigid, to handle the growing and new demands of their citizens efficiently.

81. We need to learn that there is not sufficient ground for supporting the law of scale, large or small, neither small is beautiful nor the contrary, probably the best practice is the mixture of units at different scales. Flexibility, co-operation, innovation and different capabilities are what seems to work in politics and also in the economic world.

82. The appearance of new practices, new rules, new understanding and resources, contributes to new institutionalisation processes, substituting old ones, and consequently entails new forms of institutional adaptation and with them a complex mixture of innovation, inertia and routinisation. Those changes can occur through a voluntary mechanism, based upon individual rational choices, or, on the contrary, be the result of cultural variables. Without forgetting that, in some cases, new institutions are the outcomes of political coercion. Scientific literature contemplates several hypotheses according to which in some cases new structures follow an

isomorphic pattern, and, in others, old structures develop a reluctant strategy to avoid change and to maintain autonomy. The isomorphic hypothesis could be explained by several causes: technical superiority, structures that impose their conditions upon others, or, more often, we see cases of imitation, a copy of a concrete setting because we want to handle uncertainty. Nowadays, a high rate of experimentation is taking place; new networks and governance structures are being developed, in a very intensive way, at local and regional level. New regionalism in Europe, new definition of the role of local authorities, in this context, and differentiated strategies to cope with the new situation (structural, technical or financial).

83. All countries, in their reports, make reference to the need for reforms to accommodate local authorities to the rules of economy and efficiency, while, at the same time, renewed emphasis is placed on democratic and participatory values. Indeed, large units of government are necessary for the efficient and effective provision of public services, but, on the other hand, small municipalities are more relevant for grass roots democracy, a high rate of individual participation, face to face relationships between political leaders and citizens, and, finally, a better sense of belonging.

84. It is time to learn from others, democratic and institutional learning.

8. Conclusions and guidelines

Conclusions:

¤1 Size[2] has an important and complex impact on the capacity of local and regional authorities to function and perform their tasks as well as on the effectiveness of local and regional democracy.

¤2. Failure to deliver the kind and level of services citizens require as well as poor quality of democratic life may undermine the legitimacy of local and regional authorities.

¤3 It is not a useful exercise to designate specific local or regional authorities as being "large" or "small", since an individual authority could be "large" in some ways (e.g. territorially) but "small" in others (e.g. the financial resources at its disposal).

¤4 Efforts are rightly focussed on achieving the optimal size, however it must be borne in mind that no standard optimum size applicable to all local and regional authorities exists. The optimal size can only be determined in each case, taking the specific circumstances into account. Furthermore, internal decentralisation and deconcentration, external association and co-operation, the existence of financial equalisation systems as well as the way in which other levels of sub-national government are constructed may affect the impact of size of local and regional authorities.

¤5 The positive or negative impact of size may differ or even be opposite if measured in terms of effectiveness and efficiency of service delivery or in terms of changes to the quality of local democracy. Furthermore, the impact of size on effectiveness and efficiency may differ between individual competences or policy areas.

¤6 There is no unequivocal relation between size and effectiveness in the delivery of services: large municipalities may benefit from economies of scale. However, beyond a certain point they may also create heavy bureaucracies, which may affect effectiveness and efficiency of their action.

¤7 There is no unequivocal relation between size and the quality of local and regional democracy. In general, individual participation (essentially through elections) may be better in smaller municipalities, while associative participation is usually lower. Within large metropolitan areas, internal decentralisation and deconcentration may help to improve participation.

¤8 There is one clear relation between size and financial/budgetary autonomy in that very small municipalities often have very little financial freedom (if at all) because of their low income and high overheads.

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[2] Size is usually expressed in terms of number of inhabitants, the density of inhabitation, geographical area and resources at its disposal.

◘9 Levels of satisfaction both in respect of service delivery and the credibility and sensitivity of local/regional government are important indicators for the optimal size.

◘10 E-government has a potential to affect the relationships between on the one hand the size of local and regional authorities and on the other hand both service delivery and the quality of local and regional democracy. New technology tends to require and facilitate co-operation and common action on a larger scale possible between local authorities. At the same time e-government will make it possible to increase the possibilities for citizen participation.

Guidelines:

The following suggested guidelines have been drawn up seeking to assist those trying to address questions related to the size of local or regional authorities in practice:

1. **The impact of a possible change to the size of a local or regional authority must be considered both in terms of effectiveness and efficiency of service delivery and in terms of quality of local and regional democracy and must be the subject of thorough analysis before any decisions are taken. Such an analysis should consider the consequences on effectiveness and efficiency in all individual policy areas or competences as well as the effects on democracy in the local community.**

As the report clearly spells out, the size of a local or regional authority is a complex and multi-faceted issue. As possible changes to the size of a local or regional authority will affect in different ways all the elements connected to it, care should be taken not to base any final decisions on the consideration of the consequences for just one or a few of the facets involved. Thus it would be undesirable to determine the size of a local or regional authority by looking only at the aspect of "quality of democracy" (e.g. the effect on levels of electoral participation) or only at the aspect of service delivery (e.g. administrative efficiency).

The second element is closely connected to the first. The complexity of size and the consequences of changing it leads to the suggestion to consider and analyse possible consequences thoroughly before taking any decisions. Such an exercise must be sensitive to the fact that even within one broad area of activity (e.g. service delivery) the consequences of changes to the size may be positive for some aspects but negative for others. A sufficient degree of detailed fact finding is thus essential whilst in such an approach it is also desirable to provide for broad consultations.

2. **Where a local or regional authority is found to be too small in certain respects, external association and co-operation should be considered as possible solutions. Such co-operation may be horizontal, vertical as well as across frontiers (where relevant national legislation permits this).**

The report and conclusions point to the fact that a local or regional authority may at the same be small in some respects and big in others. Thus the size of a local or regional authority may for example be quite satisfactory from the point of view of levels of participation but unsatisfactory in respect of service delivery or availability of certain services. Techniques of external association and co-operation, including transfrontier arrangements, allow to address such shortcomings without changing the overall size of the local or regional authority. Thus a targeted solution to the problem of size may be found for one specific area, avoiding the complexities of a more general change. It follows that the use of such techniques should be considered before further-reaching changes of size should be envisaged.

3. Where a local or regional authority is found to be too big in certain respects, internal decentralisation and *deconcentration*[3] should be considered as a possible solution.

This third guideline is the logical complement of the approach recommended under guideline 2. The techniques involved may help to overcome situations where for certain areas the size of a local or regional authority is judged to be too big. Such techniques may be quite sufficient to address problems related to size and avoid the need for an overall change.

4. Mergers and other changes involving modifications of boundaries should only be performed in conformity with the principles underlying the European Charter of Local Self-Government (such as the consultation of the local communities concerned, possibly by means of referendum). This does not preclude the central authorities from creating positive incentives for local or regional authorities to co-operate, merge or de-centralize.

This guideline reiterates the principles underlying Article 5 of the European Charter of Local Self-Government. As pointed out above, the requirement of consultation is not only a legal obligation that must be complied with by states party to the Charter, but is more generally, if properly carried out, a means of ensuring that a change to the size of a local or regional authority does not have unforeseen and undesirable effects.

5. In cases where merger of small local or regional authorities is found to be appropriate, consideration should be given, in the light of history and tradition, to casting the institutional arrangements of the new entity in such a way that the sense of identification of the population with the previously existing entities may, as far as possible, be preserved.

This guideline is based on the recognition that on the one hand it may be necessary to amalgamate (very) small historic entities into larger ones, but on the other hand emphasises that, when such changes are to be made, it may be desirable to maintain as much as possible the sense of identification of the population with the old entity through the institutional arrangements of the new entity (e.g. a deconcentrated body; a deputy mayor etc).

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[3] The arrangement whereby a single authority is geographically established in more than one locality.

6. Following the introduction of any change to the size of a local or regional authority, proper evaluation studies should be carried out.

The report makes clear that the effects of changes to size following their implementation are analysed only in few cases. This not only leaves open to speculative debate whether or not a given change in size has been successful or not, but also constitutes a lost opportunity to learn more about the complex impact of changes to size. Systematic evaluation allows for both informed debate on the merits of any particular case and contributes to the overall understanding of the issues at hand.

7. Advantage should be taken of new technologies to improve the effectiveness and efficiency of service delivery and to enhance the quality of local and regional democracy.

As in other areas of social and economic life, new technology has already had and is likely to have in the future a significant impact on governance. Complex tasks may become routine and thus change the notion of size itself. In their search for the optimal size, local and regional authorities will need to keep themselves abreast of technological developments and the potential they offer to improve both service delivery and democratic participation.

8. Advantage should be taken from the experiences of others, not only within one country but also across and outside Europe. In particular full use should be made of information available on the local democracy internet site and the LOREG database.

The complexity of changes to size and the limited knowledge that exists so far militate in favour of learning from the positive and negative experiences of others.

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