

Is There a Third Way  
Between Small yet Ineffective  
and Big yet Less Democratic?  
Comparative Conclusions  
and Lessons Learned

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# Is There a Third Way Between Small yet Ineffective and Big yet Less Democratic? Comparative Conclusions and Lessons Learned

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After the presentation of theoretical expectations in the first chapter (which are either inconclusive or, depending on the stress on particular values, lead in the opposite direction) and after presenting the empirical findings of individual countries, we may ask; do these observations allow for more general conclusions? And are there any practical recommendations stemming from them? These are the main questions discussed in the present chapter. However, before turning to empirical evidence on local government function in relationship to its size, we need to focus briefly on an institutional setting which is very different in each of countries considered.

## 1. HOW HAS TERRITORIAL ORGANIZATION CHANGED SINCE 1990?

As it was mentioned in chapter 1, the 1989/1990 political transformations brought significant changes in the territorial organization of the municipal level in some countries (Czech Republic, Slovakia, Hungary). While in some others (Poland, Bulgaria) the level of fragmentation/consolidation remained mostly unchanged. Contrary to the events in several West European countries during the 1960s and 1970s (see chapter 1), the change led rather to a more fragmented, not to a territorially amalgamated, system. As a result, among the countries which are analyzed in this book, there are two very distinct models of territorial organization on the municipal level: those that are territorially fragmented, as in the Czech Republic, Hungary, Slovakia, and those which are territorially consolidated as in Bulgaria and Poland. It seems inevitable that allocation of functions, relationship between municipalities, other tiers of administration, as well as the everyday functioning of local governments, must differ in such distinct institutional settings.

In the discussion of underlying reasons for these variations, one might put several explanatory factors, such as:

- the perception of the main values of local democracy. There is some evidence that in the Czech and Slovak Republics the communitarian approach, seeing first and foremost the representational role of local government, has been dominant. While in Poland, the more liberal attitude, placing more emphasis on efficiency in local service delivery, has been more visible [for more detail see the discussion in Swianiewicz, 2001]. The former approach led to the “freedom of fragmentation” while the latter demanded maintenance of the larger local government units. A quite similar line of argumentation for West-European countries has been presented by Goldsmith (1995);
- various levels of public sector control over the rural communist economy. In Poland, a large part of the rural economy was organized around private farms while, in other countries in the region, the *kolkhoz* structures (often identical with the territorial administrative units) very much dominated every day life. Therefore, territorial organization was “more visible” for average citizens and the oppression of the “central village” in the municipality was much more painful. It led to the demand for village autonomy as soon as the democratization process would allow for such a change;
- depth of democratization and decentralization reforms. At the beginning of 1990s, decentralization reform in Bulgaria was much more modest than in other countries discussed in this book. The limited reform did not produce enough space (or incentives) for a bottom-up demand for fragmentation.

But whichever of these underlying reasons we treat as the most convincing, there are some immediate differences between the ways various countries make decisions on territorial division at the lowest level. These are differences between legal regulations. They are perhaps the most rigid in Poland where the law says vaguely about “consultations” with local community and yet the central level is free to make a decision on the splitting or merging of municipal governments even against the opinion expressed in these consultations. In Bulgaria, the role of local public opinion is slightly greater. A decision on establishment or liquidation of municipality requires, not an undefined type of consultation but, namely a referendum. It is impossible to change the territorial division if the local community votes in opposition to it. However, if the referendum proves there is public support for a change in the territorial organization, the central government may, but does not have to, proceed based on this opinion. There are several conditions in order for a new municipality to be formed: it should have a minimal population of 6,000 people, it should have central settlement unit, minimal financial capacity and—furthermore—the maximum distance between villages located within the municipality should not exceed 40 kilometers.

Similarly in the Czech Republic, Hungary, and Slovakia, no change can be introduced without the agreement of the local population. Since the beginning of

the last decade, it has been automatic to follow the peoples' preferences, which sometimes led to enormous fragmentations. There were even some extreme cases in which villages with less than 20 citizens declared themselves a separate local government. Since then, national governments have introduced legislation that attempts to stop the process of fragmentation. Most often, the threshold population size for a village to be proclaimed as a separate municipality was adopted, with some variety of conditions added as well. In Slovakia in 2001, a new law was introduced (effective as of 1 January 2002) which set some conditions for the creation of a new municipality. A minimum threshold, a population of 3,000 people, seemed to have been the most important among the new criteria. In the Czech Republic, the threshold was declared a population level of 1,000, with no additional conditions mentioned. In Hungary, the limit was set at a much lower level (population 300) but additional conditions, to demonstrate the capacity to provide all obligatory functions, were added. Any change in the existing territorial division can be initiated only locally, but not by the central authorities. It seems, however, that the threshold numbers introduced by new legislations are based on intuition rather than on any concrete analysis. Indirect proof of such a claim is provided by the fact that, in Hungary, there are no statistics available which describe the differences between costs and administrative performance in the groups below and above 300 citizens (the minimal size for a new municipality). The regulations discussed above are briefly summarized in Table 6.1.

*Table 6.1*  
Decisions on the Change in Number of Municipalities

Country	Method of Decision/Limitations
Poland	indecisive consultations, decision made by the central government, territory of the new municipality should "as far as possible, be homogenous, take into account social and cultural links, and ensure capacity to provide public functions"
Bulgaria	local referendum may block government decision, but cannot force central government to create/liquidate a municipality, new municipality should have above 6,000 citizens, central settlement unit; distances among villages should not exceed 40 km.
Slovakia	the domination of the right of every village to their own local government, beginning in 2002, a new municipality cannot be smaller than 3,000 citizens, infrastructure facilities serving the whole territory of the municipality cannot be divided, cannot create an "urbanite unit" within the "mother unit"
Hungary	the dominate right of every village to their own local government, recent threshold of 300 minimum population size, newly created local government has to demonstrate its capacity to provide obligatory tasks
Czech Republic	the dominate right of every village to their own local government, recent threshold of 1,000 minimum population size

Another dimension of territorial changes after 1989 relates to new divisions and the creation of elected self-governments on the regional level. During the last five years, re-organization concerning this has been implemented in the Czech Republic, Slovakia and Poland. In Hungary, the upper (county) tier of self-government has existed throughout the whole of the 1990s, but it has been relatively weak throughout. In Bulgaria, there is still only one level of self-government. Yet, introduction of regional self-government seems quite unlikely in the near future even though such a recommendation has been formulated by several experts (including authors of the report in this book). Interestingly enough, amongst the analyzed countries, Poland is the only one in which the elected regional governments cover territory identical with NUTS 2 units, which play an important role in the implementation of European Union regional policies [Żebrowska–Cielek, 2001]. The issue of regional government is a fascinating and very important field of analysis, however, in this book we focus, first and foremost, on the basic level of local governments and the regional dimension will not be discussed further in this chapter.

## 2. TERRITORIALLY FRAGMENTED VERSUS TERRITORIALLY CONSOLIDATED SYSTEMS—DEFINITION

Several times in this chapter we use the term “small” or “big” local government. But how can we define which municipal government we can call “small” and consequently, which local government system we will call “fragmented” and which “territorially consolidated”? As mentioned in Chapter 1, some analysis made in Western European countries suggests that several functions cannot be performed locally in communities of less than 1,000 citizens and that the unit costs of several functions grow significantly below 5,000 dwellers threshold [“The Size of Municipalities...”, 1995]. The Polish chapter of this book indicates that, for various functions, the visible threshold is somewhere about 5–10,000 citizens.

For the analysis presented in this book, let us agree to call “fragmented” systems those in which a considerable proportion (over 25%) of local governments is smaller than 1,000 citizens, while a vast majority (over 66%) is smaller than 5,000. As it has been shown in Figure 1.3 in Chapter 1 of this book, in the countries analyzed, the proportion of “below 1,000” municipalities varies from none in Bulgaria and Poland, to 54% in Hungary, 68% in Slovakia and 80% in the Czech Republic. The proportion of “big” (over 5,000 citizens) varies from about 5% in the Czech Republic and Slovakia, to almost 10% in Hungary, 72% in Bulgaria and 76% in Poland. The split between fragmented systems in the Czech Republic, Hungary and Slovakia, on one hand, and consolidated systems of Poland and Bulgaria, on the other, is very clear and sharp.

### 3. NATIONAL DEBATES ON THE SIZE OF LOCAL GOVERNMENTS

In regards to the discussions on territorial organization, we could perhaps distinguish between small, local debates on merging/splitting individual local governments, which happens in every country, and larger, national debates on the general shape of territorial division. The latter type is a hot topic in some of the countries analyzed. The size of municipal governments has not recently been debated much in countries with territorially consolidated systems. Bulgarian discussions related to size are not at the center of the political agenda and are mostly focused at a regional level.

In Poland, most of the discussions relating to the size issue concentrate on the upper tiers—regions and counties. Should twelve, sixteen or seventeen regions, over 300 or below 200, counties be created? These were very hot issues not very long ago, and some attempts at county governmental consolidation are still under discussion. But the size of (relatively big) municipal governments is usually taken for granted and not disputed. What is interesting, however, is that if there are any suggestions on systematic changes of the basic territorial organization level, they point in the direction of even further consolidation, not fragmentation. A recent example is provided by the Ministry of Finance's proposals for the revisions of the Law on Local Government Revenues, which were presented at the beginning of 2002 [Weber, 2002]. The proposal has suggested an incentive, of an additional 1% share in PIT revenues for 5 years, for those local governments who decide to merge. This suggestion is targeted, first of all, at county governments but it is also addressed to municipalities as well.

In the fragmented systems of Hungary, Slovakia or Czech Republic the issue of size is the subject of very hot debates. General amalgamation is usually rejected as unrealistic and undemocratic, but individual countries concentrate on other solutions which are discussed in detail within national reports and will be briefly summarized later in the concluding chapter. For example, in Hungary there are suggestions to make notary offices (which serve administration of several local governments) obligatory for villages below 1,000 or even populations below 1,500. It is suggested that there should be between 3 and 7 villages (local governments) served by one notary office. Interestingly enough, in Poland the average number of villages in the one rural local government is almost 20. Still one should remember that an average Polish village is smaller than a Hungarian one. The stimulation of voluntary inter-municipal co-operation is another direction which will be also discussed later in this chapter. It should be added that, according to national reports, Slovakia is the only country in which the obligatory amalgamation of the smallest villages is among the considered options.

Also in the Czech Republic, the appreciation of the low level of effectiveness of very small municipalities (especially of the 547 local governments with less than 100 citizens) is very common. But the discussion goes mostly in the direction of categorization of municipalities and increasing number of functions delivered by the larger ones.

## 4. SIZE AND ALLOCATION OF FUNCTIONS

### 4.1 More Functional Decentralization in Countries with Bigger Municipalities?

In the introductory chapter, we referred both to theoretical arguments as well as to empirical observations from Western European countries suggesting that larger size local government units allow for more radical decentralization of functions. We may ask whether this observation can be confirmed by data from Eastern and Central Europe.

A very simple indicator we may use is the role of municipal budgets in public spending within countries with more (territorially) fragmented and consolidated systems. The best measure would be the share of the municipality in total public spending. However, this measure creates several methodological and data problems because of the existence of various extra-budgetary public funds in several countries. Therefore, we concentrate on the, less perfect but more clear, indicator—namely the share of municipal spending in GDP.

As it is clear from Table 6.2<sup>1</sup> there is some relationship between the average size (or between fragmentation measured by the proportion of municipalities below 1,000 population) and the overall size of municipal budgets. Still, it is not as strong or clear as one might expect. There are countries which support our hypothesis—small size corresponds to the low share of municipal spending in GDP (Slovakia) or big size is connected to a relatively high share in GDP (Poland, Bulgaria). But as the Hungarian case shows, there might also be small local governments spending a lot of money.

The correlation with the dominant trend in municipal spending over the last decade is a little bit stronger. As Table 6.3 shows, municipalities in all of the countries with fragmented territorial systems have been on a descending slope in the share of municipal spending in GDP. However, in some of these countries (Hungary, Slovakia) the trend is not very clear (and they have been marked by question marks in Table 6.3). It is much less clear still, on the other extreme, with territorial organization. Among countries with consolidated systems, Poland has been the only case with a clear increase of municipal budgets. In Bulgaria or Lithuania, the share in GDP has been decreasing—not very different from the fragmented systems.

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

*Table 6.2*  
 Relationship Between Average Size  
 and the Municipalities Expenditures' Share in GDP

		Share of local government spending in GDP		
		Low (<5%)	Medium (5–8%)	High (over 8%)
Average population size of municipalities	Small (below 5,000)	Slovakia (4)	Czech Rep. (5.8)	Latvia (8.6) Hungary (11)
	Medium (5–12,000)	Romania (<4) Slovenia (4.7)		Estonia (12)
	Big (over 12,000)		Lithuania (6.8)	Poland (8.6) Bulgaria (8)
% of municipalities with less than 1,000 population	High (over 50%)	Slovakia (4)	Czech Rep. (5.8)	Hungary (11)
	Medium (10–50%)			Latvia (8.6)
	Low (below 10%)	Slovenia (4.7)	Lithuania (6.8)	Estonia (12)
	None			Poland (8.6) Bulgaria (8)

SOURCE: Author's calculations based on Horváth (1999) and Kandeve (2000).

*Table 6.3*  
 Relationship Between Average Size of Municipalities and Trend of Changes  
 (During the Last Decade) in Municipalities Expenditures' Share in GDP

		Trend of Changes in Municipalities Expenditures' Share in GDP		
		Decreasing	Stable	Increasing
Average population size of municipalities	Small	Czech Rep. Latvia Hungary? Slovakia?		
	Medium		Romania Slovenia	Estonia
	Large	Bulgaria Lithuania		Poland

NOTE: Question marks indicate a trend which is unclear.

SOURCE: Author's calculations based on Horvath (1999) and Kandeve (2000).

## 4.2 Illusion of the Same Function for Every Local Government

In all of the countries analyzed, the legal regulations stipulate that all basic tiers of local governments (regardless their size) are equal and have the same powers. Obviously, it is an illusion to expect small villages will be able to provide a similar number of functions as bigger territorial units do. In fact, the real scope of activity depends strongly on the size of municipality.

In Bulgaria, the national report states that the capital, Sofia, provides 48 various functions. In smaller units, the number of activities gradually decreases and in case of municipalities with a population below 10,000 the average number of provided functions is a mere 13. Health care provides a good example of this process—the number of functions related to the health care gradually decreases with the decreasing size of local government.

In Poland, the law defines the 65 big cities which are responsible not only for municipal but also for the county functions, such as secondary education, fire service, consumer protection, etc. But there are differences in service provision among the rest of municipal governments, although these differences can be hardly traced by the law. Local public transportation is a good example—it is provided by about 200 (usually the biggest) municipalities, but not by the remaining 2,200+.

A Hungarian report mentions few thresholds related to population number (2,000, 10,000, 20,000, 30,000) above which the number of obligatory functions increases. Similarly, it is difficult to expect that almost 9% of Czech municipalities with less than 100 citizens, or their equally small counterparts in Slovakia, are able to take responsibility for most of the typical local functions, such as infrastructure services, waste collection and disposal, etc. In some cases, these functions are delivered jointly by some of the neighboring local governments. Sometimes, local government remains responsible for them or contracts them out to private or public sector companies. In several cases, especially in the Czech Republic, these functions are simply provided by the neighboring town, without any formal agreement nor financial compensation from the surrounding rural governments.

As it has been shown in the study on public perception of decentralization reforms (Swianiewicz 2001), citizens of large municipalities also think local governments should be responsible for a wider scope of functions. In the Czech Republic, citizens of small villages (below 500) usually think that present duties of local governments are sufficient, while respondents from the largest cities express their wishes for further progress in decentralization. A similar relationship has been found in Poland as well.

The typical argument, heart-breaking and frequently raised, against the territorial consolidation within territorially fragmented countries is the case of an old lady who needs to travel several kilometers to get something done in at the municipal adminis-

tration office. Then there is the question (which is discussed in more detail later in this chapter) whether it is really necessary for her to go to the central town/village or whether a municipal administration might be available locally (as it is sometimes in Bulgaria) even if the capital of the municipality is several miles away. More importantly, we can re-formulate the dilemma: she may have a municipal office very nearby but, it may only deal with a very narrow scope of issues (so, for more complicated matters, she will need to travel anyhow), or the municipal office might be slightly more distant but it may provide much more complex services.

Summing up, we failed to find convincing evidence that the territorial consolidation versus fragmentation of the municipal government system is related to the extent of financial decentralization of countries in the Central and Eastern Europe. Nevertheless, it is quite clear that the variation of functions allocation can be observed within individual countries. *Larger municipalities are responsible for a wider scope of functions, while, in numerous cases, the autonomy of the smallest local governments is mostly symbolic, since in practice they are unable to take responsibility for any significant public services.* Instead, these services are provided to the local population either by the state administration or by another municipality.

## 5. COST OF SERVICE DELIVERY —THE CASE FOR ECONOMY OF SCALE

In most of the countries analyzed, it has been discovered that the economy of scale is important for several of the services local governments are responsible for. Straight forward comparisons are very difficult because small and bigger municipalities often perform different functions, even within the same sector. Moreover, some of national chapters report that lower spending per unit is very often due to lower quality and performance level, which in turn is due to insufficient financial capacity of the smaller governments. For example, this has been noted in Bulgaria in case of waste collection, kindergartens, and some other social services. Similar observations have been made also in the Hungarian chapter concerning pre-school and school education. The specifically Bulgarian explanation of (sometimes) unexpectedly high relative spending per unit in the biggest municipalities concentrate on a lack of arrears in payments in big cities, whereas, such unpaid bills are quite common in smaller municipalities. We can make note all of these explanations, but it is extremely difficult to measure the impact of such differences and formulate convincing descriptive evidence, either of the existence or the lack of effect of economy of scale. Still, we can make several general observations based on cases discussed in the national reports presented in this book.

As it was noted above, in Bulgaria, the number of services provided is much lower in small municipalities. Yet, the curve illustrating the relationship between per capita spending on several services and the size of local government is U-shaped. We may interpret this as indirect evidence of higher unit costs in the small local governments group. However, we should remember that even the smallest Bulgarian local governments might be considered big in several other countries with more fragmented territorial systems. They consist of several settlement units and have population well over 1,000. It seems that their higher unit costs are mostly related to lower populations density and spatial dilution of service users rather than the size factor itself. In Bulgaria, changing the administrative division, towards the direction of further amalgamation, would probably not change the general picture described above.

In Poland, the clear illustration of the economy of scale phenomenon is provided by the costs per pupil in primary education which increases with the decreasing size of local government. The relationship remains valid when we limit our analysis to the group of rural local governments only, where the impact of population density is not correlated with the size. This means that size itself is an important explanatory variable of the unit cost. Similarly, it has been noted that the costs of solid waste collection and disposal are significantly lower in those cases of inter-municipal co-operation.

Also, in Hungary, the education costs per pupil in rural areas provides an example of economy of scale. The Hungarian report suggests that size of local government makes a big difference to social services. It also suggests that in the case of public utilities, it is not so important because they are provided by utility companies which usually cover areas larger than one local government unit. We recognize this opinion, however, this observation does not seem to be valid for the whole region. It is often the case that catchment's areas of public utility services are identical with the area of municipality and that the fragmentation of local governments leads to the parallel fragmentation of the service provision.

In the case of current expenditures per local administration, the analysis of the impact of size on per unit spending is relatively simpler. The summary of findings for four countries (Bulgaria, Poland, Slovakia and Hungary) is presented on Figures 6.1a and 6.1b<sup>2</sup>. *The evidence of economy of scale* is most visible in the Polish and Bulgarian instances. Per capita spending in the largest group is about two times lower than amongst the smallest municipalities. In Bulgaria, per capita spending in relatively small municipalities is much higher than in larger local governments, in spite of their much narrower scope of functions. However, in the two remaining countries, the descending slope for the administrative costs of bigger local governments is also quite convincing. There are two complicating factors, however, which cause the relationship to be not quite linear: (i) the extended functions of larger local governments influence also raises spending on administration (that is why cities

with a county status have been excluded from the Polish analysis, this same factor probably explains the relatively good score for the smallest—below 200 citizens—Hungarian villages), (ii) big cities pay higher salaries to their employees. These factors have been reported directly within the Hungarian chapter. Figure 6.1b<sup>3</sup> also illustrates that small local government's budgets are dominated much more by administrative spending—in some extreme cases, not much is left over for any other purpose. This is most visible in Hungary where the smallest local governments spend over 40% of their budgets on administration. Further, in Slovakia, a very great burden of administrative spending within local budgets is very visible. In villages below 500, citizens bureaucracy consumed almost 49% of total local budget during 2000, this is down from 52% in 1999.

In addition to the evidence provided by Figure 6.1, we should mention that Hungarian analysis reported an over 50% difference in administrative spending between local governments that joined and did not join the notary office. It is quite evident that, in the provision of administrative services, joint efforts with other municipalities leads to considerable savings.

*Figure 6.1a*  
Spending per Capita on Municipal Administration  
as % of National Average

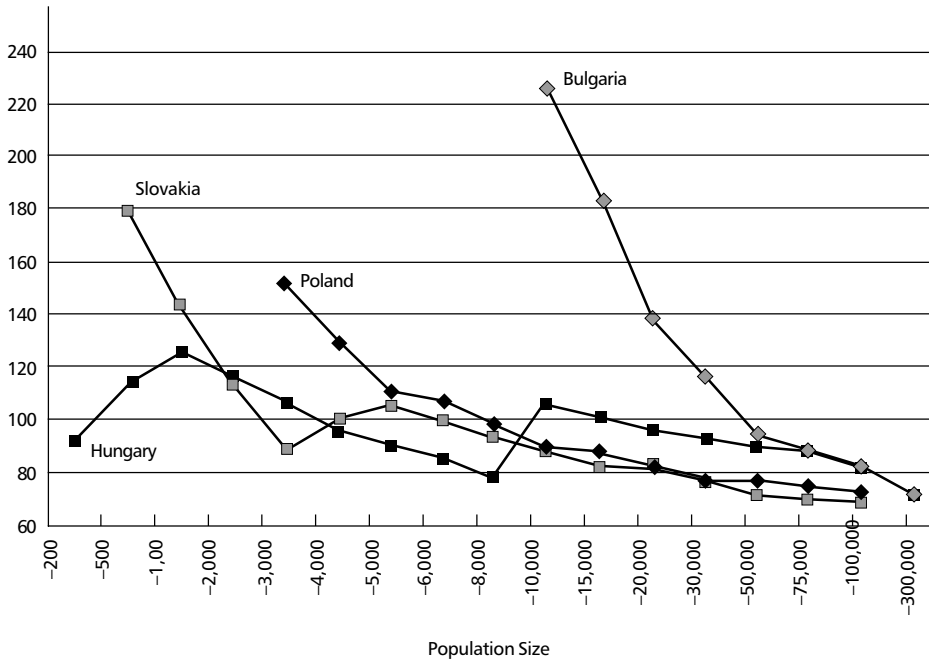
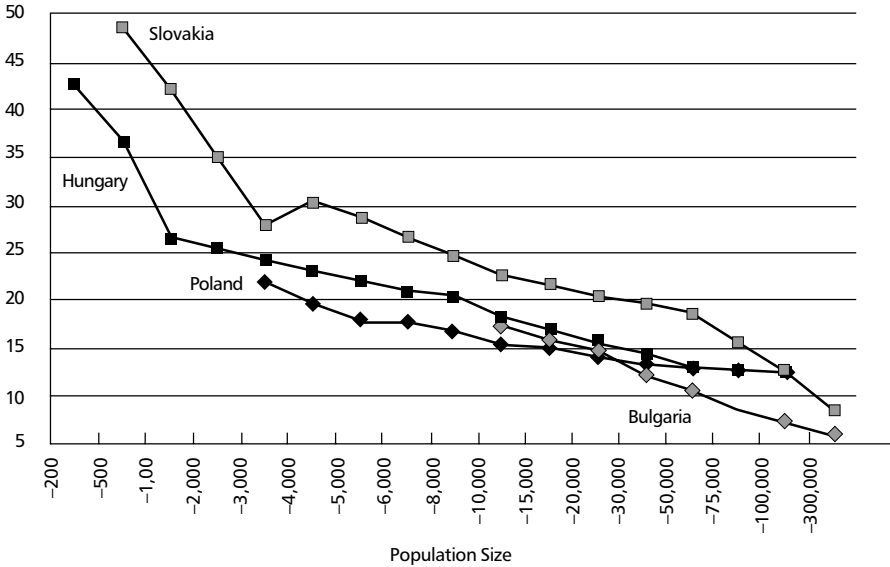


Figure 6.1b  
 Spending on Administration  
 as % of Total Operating Expenditures



## 6. BIG IS STRONGER—SIZE AND CAPACITY FOR ECONOMIC DEVELOPMENT

In the countries analyzed, the direct influence of local governments on the local economy is relatively limited. However, they can support local enterprises and attract investments through planning instruments, implementation of promotional strategies, use of local tax incentives, etc. At least with some of these instruments, big local governments have a greater chance to make an impact. They can mobilize (and concentrate) larger amounts of resources and—for example—are capable to undertake wider promotion/marketing activities.

Perhaps indirect influence on local economy is even more important and also more dependent on the size factor. Local competitive advantage, to a large extent, depends on the infrastructure facilities which municipal governments are responsible for in most of the countries analyzed. There are several indicators suggesting that *big local governments may be more effective in infrastructure development policies*:

- 1) they are less dependent on the transfer of state grants, which makes them more flexible in making policy choices. This has been clearly reported in

Bulgarian, Polish and Slovak reports. In Bulgaria, the relationship between size of local government and investment spending is not very clear (it is the highest in Sofia, on one hand, and also in the smallest municipalities, on the other). Yet detail data clearly suggests that a relatively good “score” for small municipalities is fully dependent on capital grants received from the state budget.

- 2) They usually have a stronger economic base combined with lower per unit operational costs, this results in a larger part of their revenue base which may be allocated to financing developmental projects (either directly or through re-payment of debt made in order to finance capital projects). Again, data from Bulgaria, Poland and Slovakia clearly support this claim.
- 3) Big municipalities can more easily concentrate resources on a small number of big projects, which are crucial from the point of view of developmental perspectives.
- 4) Their capacity to use credit resources in order to finance investment projects is greater. This is due both to the fact that they are treated as “better clients” by commercial banks and other investors (for example, those who are interesting in buying municipal bonds) as well as due to the more advanced technical skills of their administrative staff. As included in the Slovak chapter, information on the high level of debt of the largest municipalities is, on the one hand, sometimes scary. On the other hand, it confirms their high credibility for banks. Polish data indicates both more frequent using of credit instruments by bigger municipalities and their frequent long-term, coherent investment strategies.
- 5) Their current level of technical infrastructure facilities grows alongside the growing size of the local government unit (partially as a result of the factors enumerated above). The most complete evidence of this thesis is included in the Hungarian and Bulgarian chapters, but it is also true in the other analyzed countries. As a result of better infrastructure facilities, the competitive advantage of larger local governments is bigger.

The second very important indirect influence of local governments on economic development is the spatial (land use) planning instruments. Because of their better qualified staff and sometimes also because of larger financial resources, bigger governments are much better prepared to cope with this task effectively. This has been reported in Poland where several small municipalities have had considerable difficulties preparing new master plans before the national legislation’s set deadline. The Slovak report informs that several small villages have been unable to modify the spatial plans prepared long ago during the communist period.

## 7. SMALL IS LIKED—THE CASE FOR LOCAL DEMOCRACY

There is no doubt that—as public choice or localism theories suggest—the smaller size of local governments helps build of healthy and vital relationships between citizens and local authorities. This has been already noted in the study of public perception of local governments [Swianiewicz, 2001, pp.34–35]:

*[citizens from small municipalities] feel better informed and they more often know local councilors. In all the countries analyzed, the turn-out for local elections is negatively correlated with the size (i.e. citizens of small towns and villages are more interested and more involved in local public affairs). Also, in the larger cities, there is higher mayoral turn-over after elections, which may be interpreted as lower voters' satisfaction with local governmental performance in big cities...*

*Although in most cases, overall positive opinion is clearly related to the small size of the local constituency, the picture is not quite one-dimensional. The level of declared satisfaction with local governments' activity is usually negatively correlated with size, but there are some exceptions to this rule.*

*In the Czech Republic, the opinions of citizens from villages below 500 inhabitants are less positive than those from the 500–2000 population cohort. Although the difference is not statistically significant, at least the trend stops at around population size 500. In Hungary, there was a visible (negative) correlation between size and satisfaction in 1990–91, but data for 2000 is not as clear. In the smallest groups (below 1,000) average opinion is negative, while the most positive feedback is from administrative units between 2 and 5 thousand citizens...*

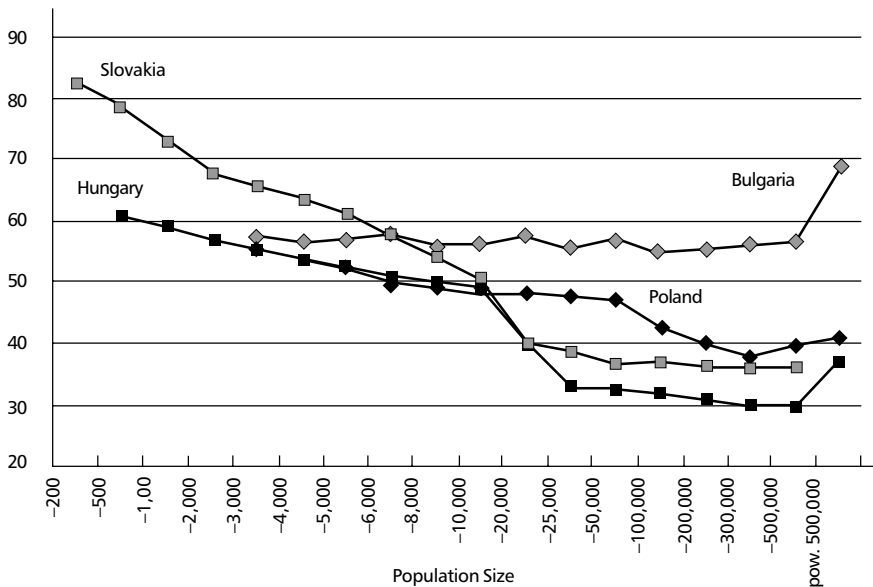
*For many services, the highest rate of satisfaction is found in the 2,000–10,000 cohort, while satisfaction in the smallest units is slightly lower. In the case of schools, the level of satisfaction is very low in villages below 1,000 citizens. Regarding culture, the relationship with size is positive (i.e. higher levels of satisfaction are found in larger territorial units). In the Czech Republic, declared interest in participation in local politics is the highest, not in the smallest group, but in towns between 3 and 20 thousand.*

It is hard to formulate very definite conclusions on the basis of data collected by the “Public perception...” LGPP project, but it seems that citizens from smaller administrative units, while enjoying many positive features of their local governments, are at least partially aware that far reaching decentralization of functions would be unrealistic and/or lead to inefficiency of service provision for much smaller authorities. This is confirmed both by less support for decentralization of more functions in the smallest local governments and by some level of disappointment with local services' quality in the smallest municipalities (Hungary, Czech Republic).

Reports included in this book mainly confirm observations made in the public perception study. In Bulgaria (which was not included in the study quoted above), the available data is rather limited. However, on the basis of a small sample of municipalities under investigation, we may say that people in bigger local governments are less interested in local public affairs but more satisfied with the provision of services. However, we should remember Bulgarian smallest municipalities are still quite big by the Slovak, Czech or Hungarian standards.

The relationship between size and local democracy is not entirely one-dimensional. The reform theory expects greater pluralism in the local politics of bigger governments as well as higher trust, due to a better developed civic society and their activities in larger communities. This expectation has been partially confirmed in our reports. In Poland, the number of candidates in local elections sharply increases in larger municipalities. Both Polish and Hungarian chapters report more NGOs and local newspapers in bigger local governments. Opposite to reform theory expectations, neither greater pluralism nor wider scope of functions of big government leads to greater citizens trust or interest in participation in local politics. As it is shown on Figure 6.2, turn-out for local elections is negatively correlated with the size of municipality in three of four countries for which relevant data is available (Hungary,

*Figure 6.2*  
Turn-out in Local Elections (1998)



Poland, Slovakia<sup>4</sup>). Interestingly enough, in most countries, we also observe considerable increase in voter turn-out in the largest local governments group (with slight simplification we can dub this phenomenon the “capital city effect”). Still, it does not change the general picture. The rule of higher turn-out in small municipalities does not apply in the case of Bulgaria, a full explanation of this would require an additional detailed investigation. One may speculate that the proportional electoral system in Bulgaria, which does not support representation of small villages in municipal councils may discourage voters from voting in these settlements. It must once again be noted that there are no really small local governments in Bulgaria, so the factors of closeness and openness of small communities are not really able to be examined.

## 8. VOLUNTARY CO-OPERATION OF MUNICIPAL GOVERNMENTS

In situations in which individual local governments are too small to provide some functions effectively, voluntary co-operation with neighboring municipalities might be seen as the solution. This is quite often seen as an alternative to the creation of large local government units through the amalgamation process. Indeed, examples of co-operation have been described in all national chapters of this book. Interestingly enough, it is seen as an important way to improve the performance of local administration, not only in countries with numerous tiny municipalities, but also in states with large local governments. In Western Europe, such examples are drawn from Britain, where joint authorities provide services such as fire protection, public transport and waste disposal. In Finland, local authorities form joint boards for health care, social services and vocational training [Davey, 2002]. Similar examples may be found in Central Europe, in countries in which basic tier authorities are generally larger—i.e. in Bulgaria or Poland. In both Poland and Bulgaria, the one service the central government has most encouraged inter-municipal co-operation for is solid waste disposal.

According to some Polish studies, the economy of scale for this service is not achieved if the market serves less than approximately 100 thousand residents. Therefore, the waste disposal site’s optimal catchment area is closer to a Polish county than a municipal government. In some services (waste disposal, water provision and waste water treatment), it has been determined that inter-municipal commercial companies are more flexible and enable easier management options than the “traditional” local government associations. There are also several examples of co-operation in promotion of local economic development and environment protection. At the end of 2000, there were almost 200 municipal associations registered in Poland which focused on delivery of services or joint promotion of local development.

In other countries analyzed in this book, as recommended (by the central government), co-operation concerns a broader scope of services with a special stress on basic administrative services. The strongest suggestion for co-operation is found in Hungary, where it is recommended that all local governments with populations lower than 1,000 should form joint notary offices. These offices should then provide basic administrative services for a group of villages. However, in practice only 2/3 of small municipalities enter into these kinds of co-operations, moreover, the number of notary offices has been stagnating and even decreasing in the last few years. In 1997, in order to strengthen joint offices and to provide additional incentive for local governments, a special subsidy system was created. In 2000, this subsidy has been offered on a normative basis. Consequently, the trend of the decreasing number of joint offices (which had been noted in the first half of the last decade) has been reversed. The typical joint office usually serves between 1,000 and 2,000 citizens, not 5,000 as is recommended by official central government policies. In Hungary, examples of the joint provision of services may be found also in other sectors, such as kindergartens or primary schools. In 1999, as many as 7% of children and students have been attending jointly managed kindergartens and schools. There is a total number of over 1,400 associations, most of them focusing on one function, often led by "compulsion", i.e. the old, indivisible infrastructure which cannot be managed by a single village. Another typical aim of the small local government association is promotion of economic development (or some sectors of the local economy, such as tourism) in the micro-region.

In Slovakia, typical areas of inter-municipal co-operation cover: solid waste disposal, sewage treatment, environmental protection, economic development (including tourism), joint development of infrastructure projects, education, as well as social welfare projects. In the instance of technical infrastructure, as with Poland, organization of inter-municipal commercial companies has recently become quite a popular option. Similar to Hungary, the Slovak system provides an opportunity for joint administrative offices, but this option has not been widely used. Very limited enthusiasm for the co-operation is seen also in the results of surveys conducted in municipalities with less than 5,000 citizens. Local mayors were asked about their plans regarding delivery of education services after responsibility is transferred to local governments. Only 17% expressed willingness to establish inter-municipal co-operation. Even in villages with less than 200 citizens, more than 1/3 wanted to manage schools and kindergartens independently and in villages between 200 and 500 citizens, the proportion rose to over 2/3.

In the Czech Republic, very often instead of co-operation between a few neighboring local governments, the service is delivered by the local center (town) not only for its citizens, but also for residents of the surrounding villages. Village governments do

not contribute to financing these services. But such an arrangement also means that the local rural population does not have an opportunity to influence (through democratic mechanisms) the way service is managed either.

Why are examples of voluntary inter-municipal co-operation not amply frequent and why don't they always bring satisfactory results? One should remember that there are several potential problems to overcome before co-operation becomes fruitful and operational. It requires compromises on the particular interests of the individual villages involved. Local leaders need to agree on co-operation which will sometimes affect their personal political ambitions. The joint provision of functions, although frequently bringing financial savings, requires transaction costs, which may be identified with a complicated organizational-managerial setting. Therefore, it is difficult to expect that the expected benefits will provide sufficient stimulation and that voluntary co-operation may solve all problems related to the lack of economy of scale in small local government units. *The development of co-operation needs to be stimulated by incentives provided by the central government.* The Slovak authors, in their chapter of this book, even recommend some forms of mandatory (imposed by the law) cooperation between municipalities. In some of the countries analyzed, the only incentives have been of a "moral" nature, which are definitely not sufficient. A specific illustration of an insufficient central government interest in promoting inter-municipal co-operation is provided by Hungary, where there is still no precise information available about the intensity and structure of associations.

It is interesting that there seems to be no relationship between the average size of local governments in the country and no central government policies that encourage joint provision of services. It is hard to find examples of the financial incentives both for Poland (in which local governments are usually relatively big) and for Slovakia (which has one of the most territorially fragmented systems). Conversely, in another country with big local governments—Bulgaria—the government has been offering special grants for the joint development of waste landfills, grants that cover most of capital investment costs. The most complex system of co-operation support has been sited in Hungary. Villages of less than 500 citizens may get grants only if they belong to the office notary and if they deliver some functions through associations. Quite recently, there was a special grant scheme for the purchase of school buses. This would enable the liquidation of small and costly schools in very small villages and develop a decent transportation system to ship pupils daily to more distant schools. There is also extra support available for municipal associations. However, the Hungarian authors claim that the system is not really coherent. Support for associations competes with special grants for the smallest local governments. Grants for school-buses have not been followed by the support for every-day operation of a pupils' transportation system<sup>5</sup>. It seems that the system of incentives for co-operation might easily be built-up or developed in any of the countries analyzed.

## 9. RELATIONSHIP BETWEEN “MUNICIPAL CAPITAL” AND “MUNICIPAL PERIPHERY”

In two of the countries analyzed (Bulgaria and Poland), there are several villages that do not have their own local government but are part of a larger municipality with the “capital” in another town or larger village. It is exactly this situation that many local politicians in the Czech Republic, Hungary, and Slovakia are afraid of. They argue that such an arrangement violates the right to local autonomy, destroying village identity, and may lead to disregarding the needs of small local communities. The Bulgarian and Polish examples give us an opportunity to consider whether such fears are well grounded, under what circumstances, and how negative consequences of multi-settlement unit local governments may be reduced.

First of all, we should stress that in none of the “consolidated systems” does the village in question disappear as an entity with a certain amount of autonomy. In Bulgaria, within municipal structures, there are almost 1,700 *kmetstva*, and in Poland over 40 thousand *solectwa*, that enjoy the power to deliver limited functions and have their own elected representatives. The existence of sub-municipal units depends on the decision made by the municipal council, but there are no signs of attempts at liquidating them. Village leaders are invited for municipal council meetings and they may make the interests of their small motherlands known, but they have no voting rights in the local government council. The position of sub-municipal government is briefly summarized in Table 6.4.

However, it should be added that, in both countries, decentralization within the municipality can go further. Moreover, the chapter on Bulgaria reports there has been decreasing enthusiasm for the delegation of more functions in recent years. Also in Poland, in a survey of village leaders, many respondents complained that their relationship with municipal mayors has not been straightforward and delegation of functions has often included only very limited powers. There is no doubt that there is space for more radical decentralization and the passing of more discretionary powers to individual villages. This claim is supported by the examples of Western democracies with territorially consolidated systems [compare for ex. Hambleton, Hogget, 1990]. Some extreme arguments are provided by Norwegian cities [Klausen, 2002] in which over half of the municipal budgets are administered by sub-municipal units. In Poland, usually no more than 2–3% of the budget is transferred to the villages or districts of the city. A similar figure is provided in the Bulgarian report.

The survey of village leaders in Poland still does not support those who suggest small villages would feel oppressed by the “capital” in large local governments and the struggle for resources between sections of the municipality might become a dominant dimension of local conflicts. According to the survey, territorial conflicts are among the least visible and the least important problems amongst Polish local

governments. Part of the explanation for this statement may be the electoral system. In many Polish rural governments, there is a majority system, with one (or more) councilor elected for every village. In this way, every village has a feeling of being represented and, even in those municipalities in which there are more villages than councilors, the representation in the council is based on a geographical basis. In mixed urban-rural municipalities (consisting of relatively small urban town and several surrounding villages), it quite often will happen that councilors from the town may be out-voted by the more numerous representatives of rural areas. Anyhow, domination over the largest settlement unit during the decision making and allocation of resources is actually very unlikely.

*Table 6.4*  
Position of Sub-municipal Governments in Bulgaria and Poland

	<b>Bulgaria</b>	<b>Poland</b>
Number of sub-municipal governments	1,696 <i>kmetsvo</i>	Over 40,000 <i>solectwo</i> (exist in 99% of rural and urban-rural and in 6% of urban municipalities)
Size of sub-municipal units	At least 500 citizens (by law)	Average 370 citizens
How the unit is created?	Referendum initiated by 25% of population or by the council	Decision of the council, in practice led by the tradition
Election of village leader	Popular (all citizens)	Popular
Representation of individual villages in the local council	No guarantees, proportional representation tends to lead to the to the domination of the largest town and dramatic under-representation of villages	Single-councilor wards guarantee representation of most villages (but in 40% of rural governments, the number of villages is larger than number of councilors). But in 152 (7%) of municipalities within villages, in which population exceeds 20,000 —proportional elections in few wards with 5–10 councilors in each
Powers and services delivered by villages	Depends on the municipal council. Reported decline in support for decentralization	Depends on the council. Typical examples: part of the revenue from local taxes stays in the village, management of village culture centers, street lighting, transport of pupils to school
Village leader participation in management of municipality	Invited to municipal council meetings, but no voting rights	Invited to municipal council meetings, but no voting rights

The situation in Bulgarian local governments is significantly different, due to a different electoral system. Proportional representation, with all citizens voting for the same lists, often leads to a situation in which over 90% of councilors come from the largest town. Also, in the allocation of resources, the needs of small rural villages are more likely to be overlooked.

## 10. CONCLUSIONS AND RECOMMENDATIONS

Both empirical observations and theoretical considerations suggest there are several options for arranging the territorial organization of local governments. These options have been summarized in Table 6.5.

Each of these options has positive and negative aspects. In practice, the most common model is a mixture of various approaches, but we may find examples which are the closest to each of these solutions in their most ideal form. Until recently, Slovakia had been a good example of the first solution (fragmentation, most of functions kept by the state), but recent reforms have started to change this picture and Slovakia is looking for an arrangement better tailored to wider decentralization. One of considered options is amalgamation of the smallest municipalities—the Slovak chapter in this book suggests it should be mandatory for villages below 200 inhabitants. The present situation in the Ukraine (especially in rural areas) is also not very different from option one. The Czech Republic is perhaps closest to the second model, in which, despite formally even distribution of functions between all municipalities, larger towns frequently serve citizens from smaller local governments. Obviously, such situations happen in every country regardless of territorial organization and local government system. Still, it seems unusually common and is generally (although silently) accepted in the Czech Republic. In Hungary, the central government tries to promote voluntary (and semi-voluntary) co-operation among small local governments, although many observers of this policy say they are not always implemented and, consequently, their successes are limited. In the Hungarian report there is also reflection on the discussion about wider implementation of the “buying in” option.

Poland has followed the model of territorial consolidation, although the opinion has been voiced that further amalgamation, both on the municipal and on a county level, are necessary. The road of amalgamation has been also chosen by several Western democracies—including all the Nordic countries, United Kingdom, Netherlands and, to some extent, Germany and Austria. But, as we mentioned in Chapter 1, Western experiences are also not uniform—France provides an example of an extremely fragmented municipal tier with a mixture of upper tier (department) responsibility for several functions and very wide-spread co-operation among tiny *communes*. There are over 19,000 inter-municipal associations in France. These take various organizational

forms such as syndicates, districts, communities of cities, etc. [Poplewska, 2002]. With some services (water provision), France is also an example that a private provider may be the answer for a lack of economy of scale in small territorial units [Lorrain 1997].

*Table 6.5*  
Territorial Organization on the Basic Level—Options Available

	<b>Size of Local Governments (Basic Tier)</b>	<b>How Are Most of the Important Local Functions Delivered</b>	<b>Risks/ Recommendations</b>
1	Small	Narrow scope of functions for local governments, most of services delivered by the state administration	Lack of decentralisation, central provision is often less efficient than provision by democratic local governments
2	Small	Narrow functions of villages and small towns, several services delivered by larger towns for citizens of surrounding settlement units (which are formally separate local governments)	Accountability problems in delivery of services for small local governments
3	Small	Wide scope of functions for local governments, several services delivered through contractual arrangements—“contracting out” (buying services from the private sector) or “buying in” (small local governments purchase services from the bigger town nearby).	Wide “contracting out” especially difficult in CEE countries where market of providers is not developed. Local governments are usually not willing to enter “buy in” agreements
4	Small	Narrow functions for basic tier governments, upper tier responsible for majority of vital functions	Not applicable for small countries in which county/regional tier is difficult to justify. Fear of municipalities’ domination by upper tier of government
5	Small	Wide scope of functions delivered through voluntary co-operation of local governments	Political and administrative costs of co-operation make most of local governments reluctant. Accountability and transparency problems of associations. Co-operation requires strong central incentives and clear rules focused on transparency.
6	Big	Wide scope of functions possible to deliver by consolidated (amalgamated) local governments	Recommendations: protect neighbourhood (village) governments’ identity; avoid proportional electoral system which may lead to local council biased towards over-representation of the main town.

*Empirical evidence, presented in this book, suggests that some amount of territorial amalgamation would have a positive impact on the economic performance of local government. Models presented in the Polish chapter suggest that, for local governments with populations below 20,000, the increase in population size results in the marginal loss in democratic efficiency which is lower than marginal gain in economic performance. So, from the cost/benefit analysis point of view, there is a lot of space for amalgamation in most of countries in the region. However, in several cases, amalgamation is a solution which is not politically accepted. Small village autonomy is seen as a very important value, even if, in practice, this autonomy is more symbolic than real. The fragmented system definitely helps to build a local democracy. In Central and Eastern Europe, where democratic values still need careful cultivation, this argument is difficult to reject. Therefore, we are not able to say whether the fragmented or amalgamated system is always better for every country. The decision toward territorial organization has to be made locally and needs to take into account what is politically acceptable.*

Does it mean that the evidence and analysis collected in this book does not allow for any definite conclusions and recommendations? We are not able to give a “best” answer which would be valid for each set of local circumstances, but we are able to discuss advantages and disadvantages of the most typical solutions and to indicate the traps that should be avoided, as well as recommend steps which may help assist within a chosen option.

## Small Local Governments (Options 1–5)

One may decide that the local democracy arguments presented above are the most important and forced amalgamation is out of the question. But *local communities do not only have a right to autonomy, they should also have a right to information.* It is highly recommended that complex information, on the implications of maintaining the fragmented system, is provided to local population in an easily comprehensible form. In such cases, we can assume that, if a local government refuses to merge with another local government, it is the result of a conscious decision and not just lack of information.

But even if we decide in favor of a territorially fragmented system (a system which may be characterized by a large number of municipalities), there are still a variety of arrangements (described in Table 6.5, above, as options (1)–(5)) for local government systems available.

*Option (1) (many small elected governments, but most functions are in the hands of the state administration) is hard to accept for those who believe that local democracy and decentralization both bring important values to social and economic life.* Apart from other reasons; why bother with the function of several hundreds (if not thousands) of local governments if they have very little, or nothing, to do with your everyday life? Function

of local councils and even residual local administration is always costly. So, it only makes sense when they have an essential role to play. Symbolic representation of villages and practical lessons of local democracy are important, but not sufficient if they have minimal influence on the crucial services delivered to local population.

*Option (2) (citizens in a small local government are served by a nearby town) has one fundamental disadvantage.* If “by definition” the catchment area of several crucial services is different from the geographical boundaries of the administrative unit responsible for their delivery, *democratic accountability is seriously damaged.* Citizens from small villages are proud of having their own local government, which they can influence but their local authorities have a minimal impact on the most important services. At the same time, they do not elect the representatives (councilors, mayor, etc.) of the nearby town (which, in fact, provides them with many important services). So, they have no democratic influence on the way crucial services are managed. There is also no direct link between (local) taxes paid by dwellers of small villages and delivery of many services. The town finances these services either from its own resources (under the assumption that its local tax base is rich enough) or gets support directly from the central budget. Such a situation also undermines the rules for a healthy local democracy.

*Option (3) (contractual arrangements through the “contracting-out” or “buying in” of services by small local governments) sounds attractive, but most likely it is unrealistic in contemporary Central and Eastern Europe.* Most typically, the market for local services (especially in the peripheral, small, local governments) is not well developed enough to expect contracting-out to the private sector as a realistic solution. Certainly, these options would require complex legislative changes, potentially similar to Compulsory Competitive Tendering in Britain [see, for example, Walsh, 1994]. It does not mean that there are no positive examples of contracting-out in Central and Eastern Europe. In Poland, for instance, several cities contracted-out waste collection and disposal. The city of Gdańsk had already contracted-out its water provision by 1992. Yet these examples are not very numerous, moreover, they are more likely to be found in relatively big cities than in small, rural governments. Experience from Central and Eastern Europe suggests that local governments are not very willing to enter inter-municipal contractual arrangements to buy services from another municipality. Most often, negotiations fail and citizens end up using the services of neighboring authorities as “free riders”. This is quite frequent in the Ukraine, where—for example—citizens of one local government use the hospital services of the larger neighboring town while their own local authorities are unwilling to contribute to financing operation of the hospital [Swianiewicz, Tymkovich, 2002]. Similarly in Poland, most of the negotiations between core metropolitan cities and surrounding towns, on co-financing metropolitan public transportation system, failed as well. Further examples are relatively easily found in other countries in the region too. However, in the Hungarian report, this solution has been mentioned as a possible recommendation.

So, in fact, the only two acceptable versions for “small governments” decision are (4) and (5). The typical trouble with option (4) (*small governments with limited functions and an upper tier of elected government providing more functions*) is the unpleasant memory of the relationship between the municipal and upper tiers of government under the previous political system. During the communist period, the higher tier of local government used to directly supervise local communities and had been seen as one of the main barriers to local autonomy. It is not surprising that in several countries contemporary suggestions for a strong, elected county self-government with no hierarchical dependencies and a clear distinction of functions between tiers of government, is often met with distrust. Otherwise, option (4) is worth considering—as it is certainly easier to manage than relying on the voluntary co-operation of municipalities.

*Voluntary co-operation of municipalities (option 5) seems to be the most commonly accepted.* We have already mentioned numerous examples of inter-municipal co-operation in France. There are also thousands of voluntary agreements in metropolitan areas in the U.S.. Joint purchasing agreements provide a very good example of an attempt at utilizing economy of scale effect (Lindstrom 1998). Clark (2000) stresses that, in such agreements, each local government *can voluntarily withdraw from the consortium at nearly any time. This forces the consortium to act responsibly and keeps local power within the smallest local governments, rather than transferring major power to a metro area unit that could generate deleterious effects for democracy.* However, this positive image is not always the reality. The co-operation is complicated, has organizational and political costs, and the experiences of most of European countries suggest it almost never happens automatically or spontaneously. Wherever we find good and plentiful examples of co-operation, they have been supported (stimulated) by central policies. It has been so in France and often times in Hungary. Some experts suggest that, in many cases, co-operation should be compulsory rather than voluntary. In such an instance, one may ask, what is the difference between the existence of small municipalities, with compulsory co-operation in delivery of some services, and creation of an upper tier of local government? But even if we do not leap so far ahead in our conclusions and we are strict in keeping with the principle of locally made decisions, there are some obvious recommendations to follow. First of all, *there has to be a favorable legal framework allowing for different forms of joint-ventures between local governments.* In some countries (not presented in this book however; in the Ukraine for example), establishing single-purpose local governmental associations is very difficult, or even illegal. Another serious problem related to voluntary co-operation is an issue of transparency. *Transparency and democratic accountability in the associations’ decision making process is more difficult to achieve than in singular local governmental units.* Therefore, legal regulations should be especially sensitive to these issues. Clear rules on reporting and public access to information concerning local governmental associations’ finance, structures, and other activities may help to reduce the problem.

Last, but not least, in each of national reports in this book (including the Hungarian one) we identify either that there are no real incentives, or that the system of incentives is not coherent neither consequent. The Western European experience has been that if no specific, strong incentives are provided by the central level authorities, small municipalities are usually not very willing to co-operate with their neighbors on the up keep of basic services, regardless of the technical merits of such arrangement [Davey, 2002]. Without violating the local autonomy, *central government should build a clear set of support for co-operating local governments, as well as disincentives for small local governments who are not willing to enter joint agreements*. Otherwise, it would be naive to expect the majority of local governments to break down all their organizational and psychological difficulties and enter into mass co-operation.

## Territorial Amalgamation (Option 6)

As it was mentioned above, there are strong empirical arguments for the creation of large local governmental units. But, if there is a political will of territorial consolidation through amalgamation of small local governments, there are also some practical recommendations also worthy of consideration:

- *protecting the identity of amalgamated villages*. Amalgamation reforms have been introduced to strengthen local governments and enable them to deliver a wide scope of functions efficiently. But citizens' identification with smaller territorial communities is also a value worthy of protection. In most countries which have undergone the amalgamation reform, smaller villages' governments did not disappear completely, becoming subjects of territorial governments. There is usually a symbolic political representation at the village level. Both in Poland and Bulgaria, the legal system even keeps traditional names (*solectwo* and *kmetstvo*) and village leaders are popularly elected and recognized as important symbols of their local communities;
- *responsibility for some functions in amalgamated municipalities can be decentralized and handed down to villages*. In the United Kingdom, parish councils, although not very powerful, play important role in local life. In Scandinavian countries, experiments with management of some functions by small communities within larger local governments have well advanced. In some local governments in Poland, individual villages keep a portion of local taxes and provide some simple functions. Both Bulgarian and Polish chapters agree that, in practice, there is still much more progress to be made in the passing of more functions down to villages. One may claim that a difference between the amalgamated system (with symbolic political representation on a village level and provision of some limited functions of the lowest possible level) and two-tier system

(with formally independent, small villages and more powerful upper tier of elected self-government) is not very intense.

- *electoral system that prevents domination of one town and secures balanced representation of geographical interests.* The typical fear of amalgamation is related to the potential domination of the largest settlement unit and disregard towards the needs of small villages. Bulgarian examples suggest such a fear is not merely theoretical. As the Polish case suggests, one may reduce such a danger through the electoral system, in which the municipality is divided into as many wards as the number of councilors elected. Such a system ensures that no part of municipality will be without representation and that none of the settlement units can dominate within the council or during local decision-making. The issue may be even more controversial when the mayor is directly elected by all the citizenry (as it is in Slovakia, Hungary or Ukraine and as it will be in Poland after the 2002 local elections). In such an instance, the local council (which has more or less a balanced geographical representation) should play an important role in crucial budget allocation decisions.
- *accessibility of local administration.* As it was mentioned above, the frequent argument against amalgamation stresses that it might be troublesome for people to travel relatively far away in order to visit the local town-hall. There are several solutions to reduce the effects of this problem. Municipal administrations may have local branches in individual villages. They do not need to be open on a daily basis but should be accessible enough to serve local citizens needs. This solution is technically easier nowadays due to the wide-spread availability of the Internet and other computer technologies. But it is still possible, even in those peripheral regions of the Central and Eastern European countries in which such advanced technological tools are still unavailable.

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## NOTES

- <sup>1</sup> Tables 6.2 and 6.3 are based on 1998/1999 data. The situation may have changed since then in some of the countries analysed, but for the sake of a clear comparative base more recent data has not been considered
- <sup>2</sup> However, even in this relatively simple case, there have been considerable methodological problems which resulted in some approximations on the graph. Firstly, individual national reports used various size-cohorts. In several cases, Figure 6.1 includes estimations based on interpolation of data for original size groups.

Secondly, the Hungarian report used the combination of size and administrative status (village, town, town being a county capital) criteria. Sometimes a big village is larger than small town. Also, the county capital designation does not imply any particular size, however, the graphic illustration is based on the assumption that most county capitals are bigger than the other towns, and that the majority of them are larger than a population of 50,000.

- <sup>3</sup> In Slovakia, data from Figure 6.1b refers to the share of administrative expenditures to total expenditures (current + capital).
- <sup>4</sup> In Slovakia, data on the size of local government in Figure 6.3 refers to the number of eligible voters, not to total number of citizens in the local government unit.
- <sup>5</sup> However, one might argue that if operation of the joint school is really cheaper, no additional incentive is necessary. After the initial stimulus in forming support for the capital purchase of the bus, the maintenance of the bus service could be financed by savings made by lower school operational costs.