



# Recent local government reforms in Europe

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# Types of local government reforms

(Dente, Kjellberg 1988)

		Scope	
		Adjustment of intergovernmental relations	Adjustment of internal local aspects
Content	Changes in organization	Structural reforms	Organization reforms
	Changes in decisional aspects	Functional and procedural reforms	Decision-making reforms
	Changes in financial resources	Intergovernmental financial reforms	Local financial reforms



# Types of local government reforms

(Dente, Kjellberg 1988)

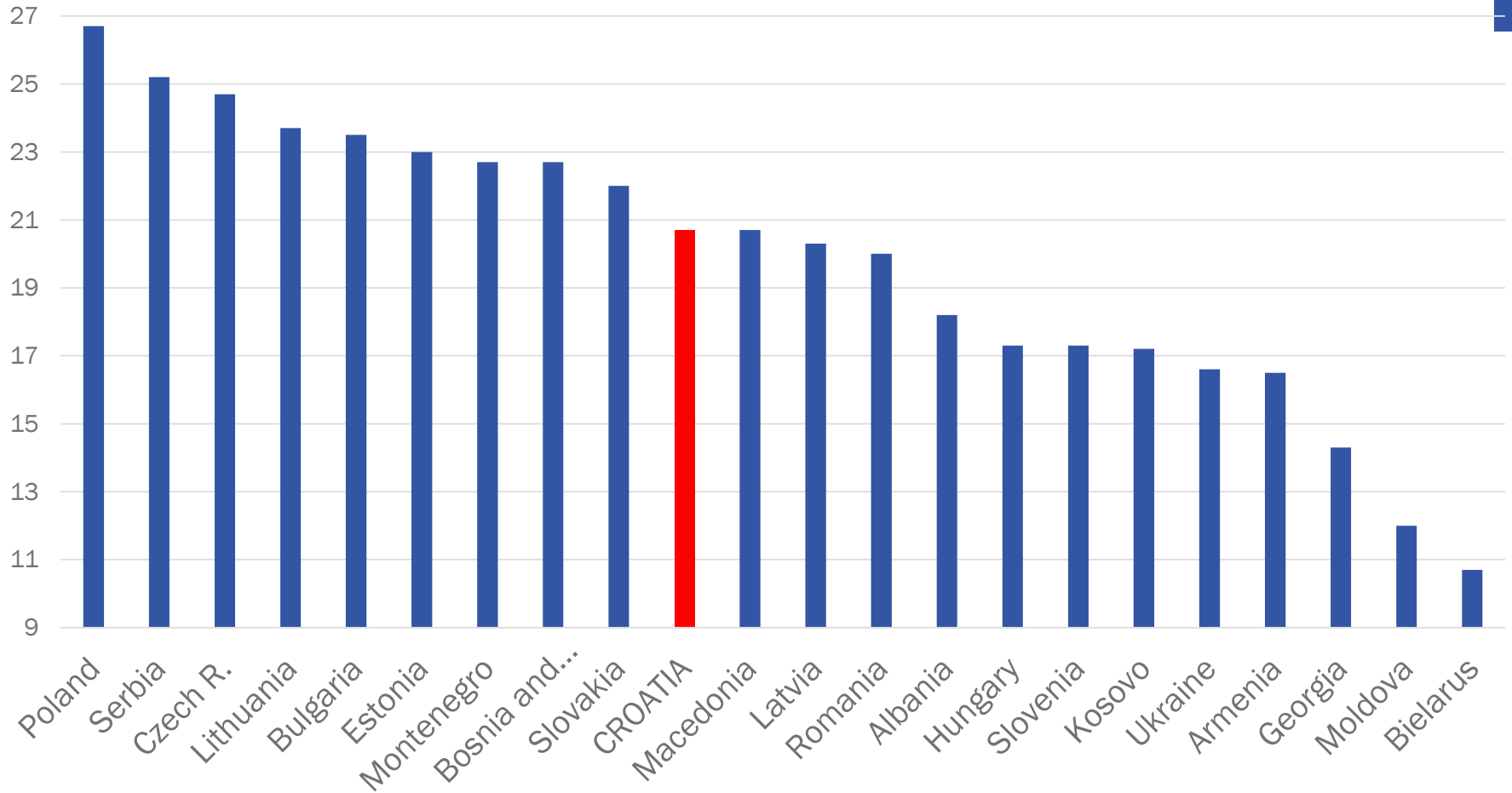


Territorial reforms

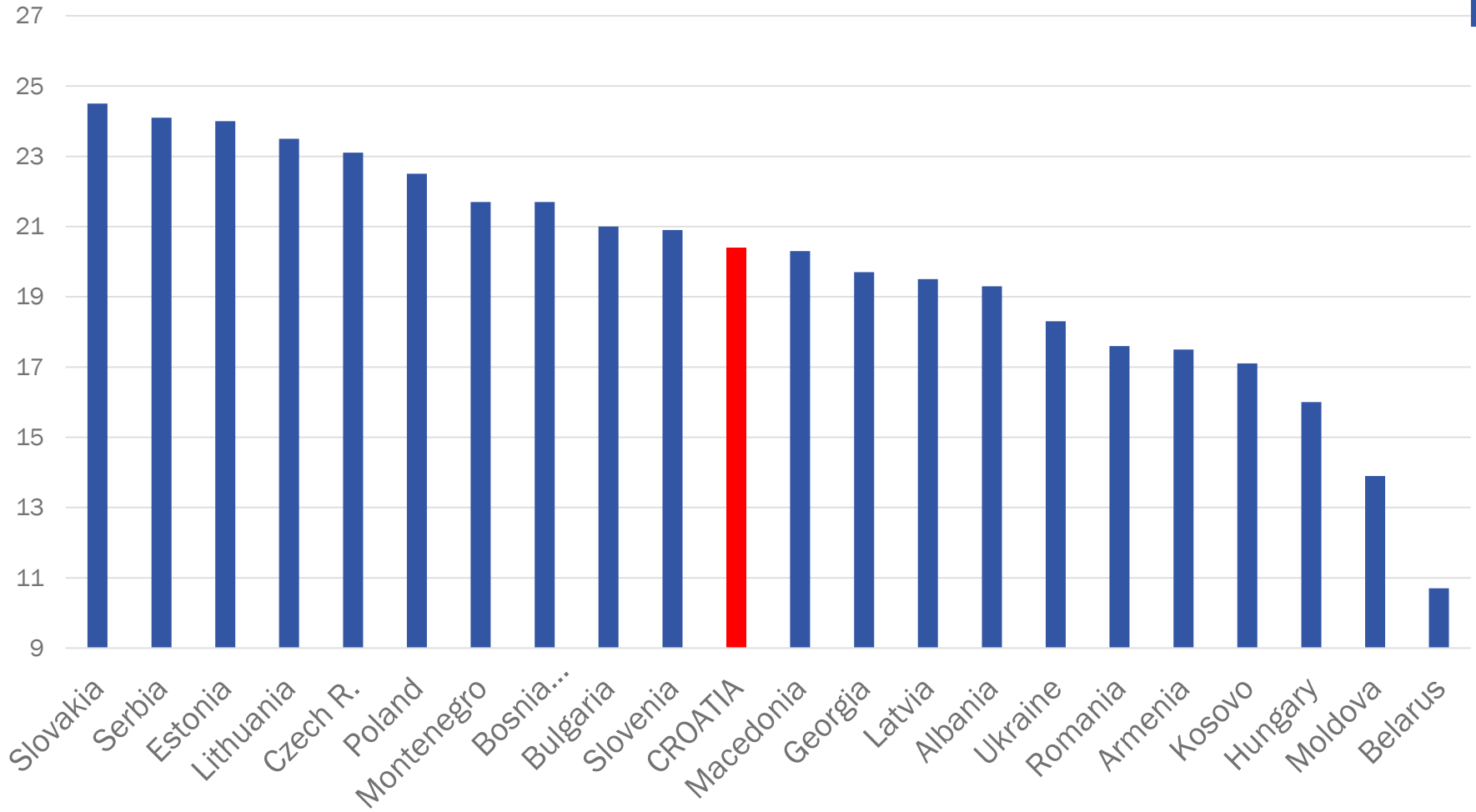
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# LAI in 2014 in Eastern Europe



# LAI in 2020 r. in Eastern Europe



# Territorial reforms

In 1990-1999 (and especially 1990-1995) several thousand cases of municipal splits in Eastern Europe

- Croatia one of the most extreme cases

  - From 102 to 556 municipalities

- But also numerous in Bosnia, Czech Rep., Hungary, Macedonia, Romania, Slovakia, Slovenia, Ukraine

- Single (or un-numerous) cases in Bulgaria, Lithuania, Montenegro, Poland

Much slower pace of splits in 2000-2009 (ca. 500)

Almost disappearing phenomenon in 2010-2019 (14 cases in the whole region)

From neutral rules (or even incentives in Romania) towards tighter rules of splits



# Territorial reforms

Revival of municipal amalgamation reforms in 21st century

19 countries (or parts – in case of federations) have undergone such reforms after 2000

Including several countries of Eastern Europe:

Albania 2014

Armenia 2015-on going

Estonia 2017

Georgia 2006, Latvia 2008

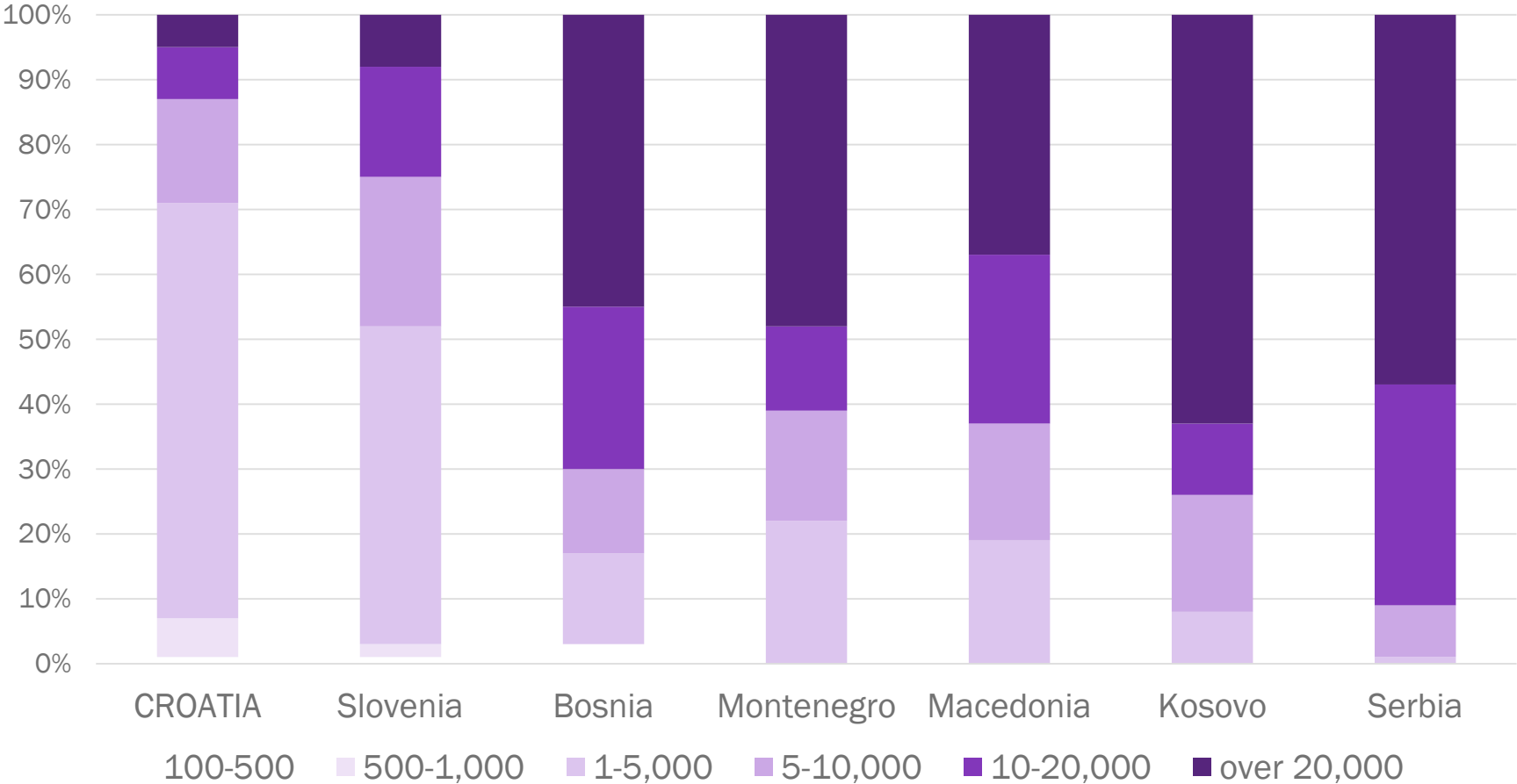
North Macedonia 2004

Ukraine 2015-2020



# The level of territorial fragmentation as of today

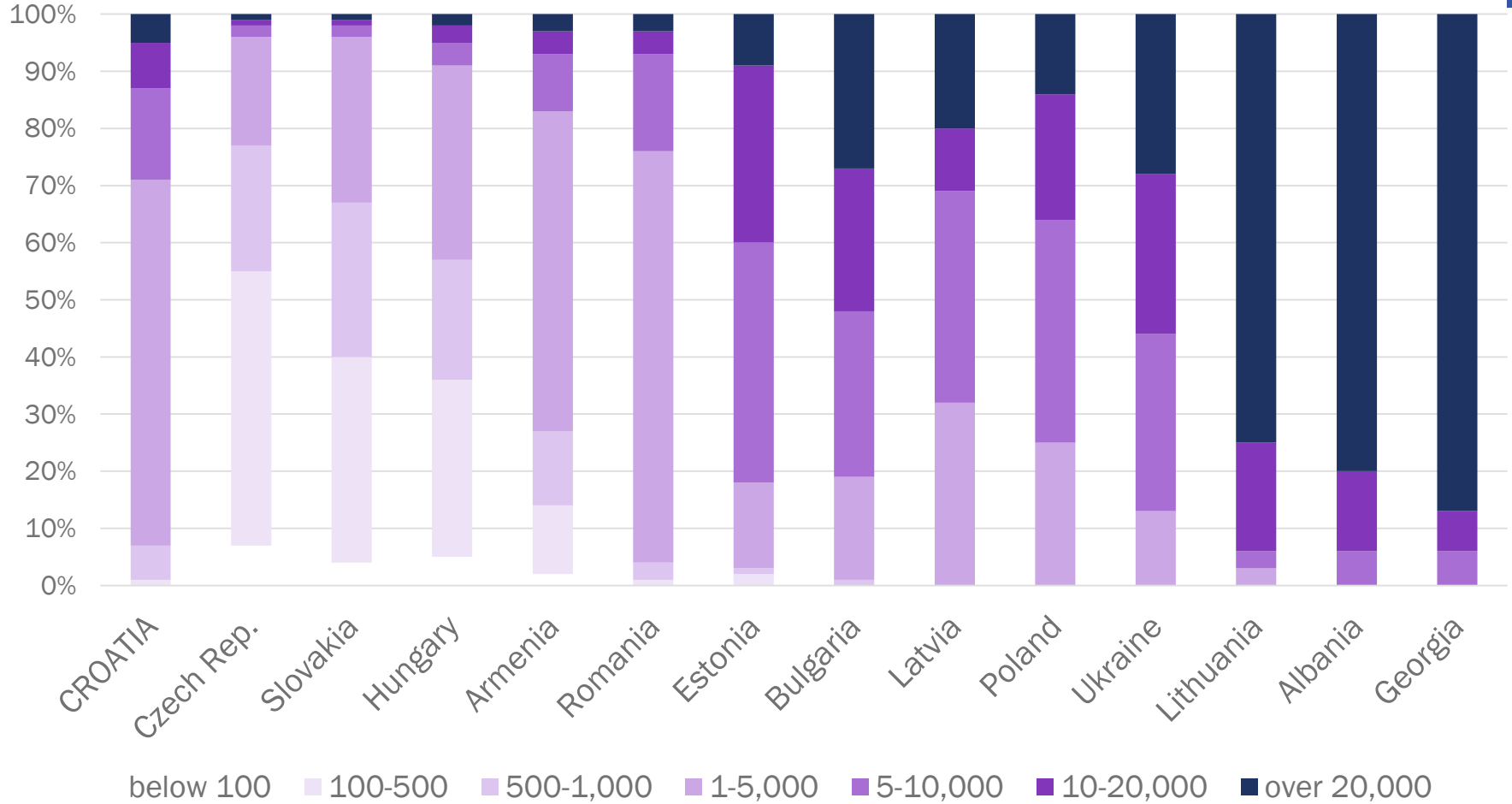
Structure of municipalities by size groups





# The level of territorial fragmentation as of today

Structure of municipalities by size groups



# Coupling of territorial with functional/ decentralization reforms

		Changes in policy scope and/or policy discretion parallel or shortly after territorial reforms	
		No	Yes
Increase of local autonomy and/or policy scope in a decade before territorial reform	No	No coupling Austria (Styria), Georgia, Germany (Saxony), Latvia, Switzerland (Fribourg)	Stimulated decentralization reforms Albania, Armenia, Denmark, England(1), Estonia, Germany (Thuringia), Greece, Ireland, Northern Ireland, North Macedonia, Norway, Ukraine
	Yes	Adjustment reforms Finland, Iceland, Netherlands	Continuous decentralization reforms

In Western Europe functional decentralization was more frequent in amalgamating comparing to non-amalgamating countries



But not such a relationship in Eastern Europe

# Academic studies of territorial reforms

## Growing number

- Over 200 academic papers in Scopus indexed journals during last decade

- Growing proportion of European studies (over 50% all published in 2015-2019)

## Important role of growing number of meta-analysis of systematic reviews summarizing conclusions from various studies

## Special role of quasi-experimental designs giving higher certainty of finding causal relationships

## Distinction between:

- Impacts on economic performance (including financial management, costs and quality of services)

- Impacts on various aspects of democratic performance



# Economic impacts

Clear finding of saving on administrative costs

Costs of other services - less clear and depend on country, sector and methodology

Quality of services – results inconclusive, though “offer some support to the idea that larger are able to provide better quality services”

„the survey of the literature recommends caution regarding the expectations of amalgamation reforms and not the unbridled optimism we often see in consultancy and governmental reports”. In other words, the frequent promises made by policy-makers arguing for territorial amalgamation reforms can hardly be characterized as “evidence-based policies”

Common identification of pre-merger „hoarding” on common pool resources – might be seen as an economic cost of merger

Most of European evidences based on Scandinavian studies (also some in Netherlands, Germany, Switzerland), while CEE reforms heavily understudied



# Impacts on democracy

Available studies (mostly from Western Europe plus single from Poland) suggest negative impact of amalgamations on local election turn-outs, trust towards local politicians and the sense of territorial attachment to the local government unit

Studies of turn-out the most frequent

There might be short-term gains in turn-out but long-term effects are usually negative

But greater electoral competition in larger governments  
The topic of the impact of territorial amalgamations on local democracy still awaits a more systematic summary of the existing evidence, but it seems unlikely that it could overturn the mainly negative picture drawn



# Conclusions

not all aspects of the consequences of territorial reform have been studied in academic researches with similar intensity

also availability of studies is very uneven for individual countries

- reforms in Scandinavia (Denmark, Finland, Sweden) have been the most intensively covered

- studies on Germany, the Netherlands or Switzerland are also relatively common.

- But for other countries internationally available academic literature either does not exist or includes only single articles (in particular for CEE countries)

The sum of academic studies show that academics seem to be much more sceptical about the effects of territorial reforms as compared to numerous politicians and decision-makers.

**This is not to say that territorial amalgamation is not a good idea, but the actual picture of pros and cons is far from black and white and has many more nuances than usually presented by the proponents of territorial reforms.**

COVID lockdown as a specific push for amalgamation reforms?



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# Regional reforms

What is the region? (e.g. NUTS 2? NUTS 3?)

All changes on upper tiers are included

Amalgamation of regions

Parallel with municipal amalgamations

Denmark 2006

Germany – different years in different lands

Greece 2011

Norway 2021

Ukraine 2020

In some (small) countries municipal amalgamation together with abolishing upper tier (flattening the structure)

Strengthened municipalities take over some of upper tier functions

Unrelated to municipal amalgamations

Poland 1999

France 2016





# Financial reforms

Index of financial autonomy (sub-index of Local Autonomy Index – Ladner et al. 2019)

Fiscal autonomy (local tax policy) – 0 – 4

Financial transfer system – 0 – 3

Financial self-reliance – 0 – 3

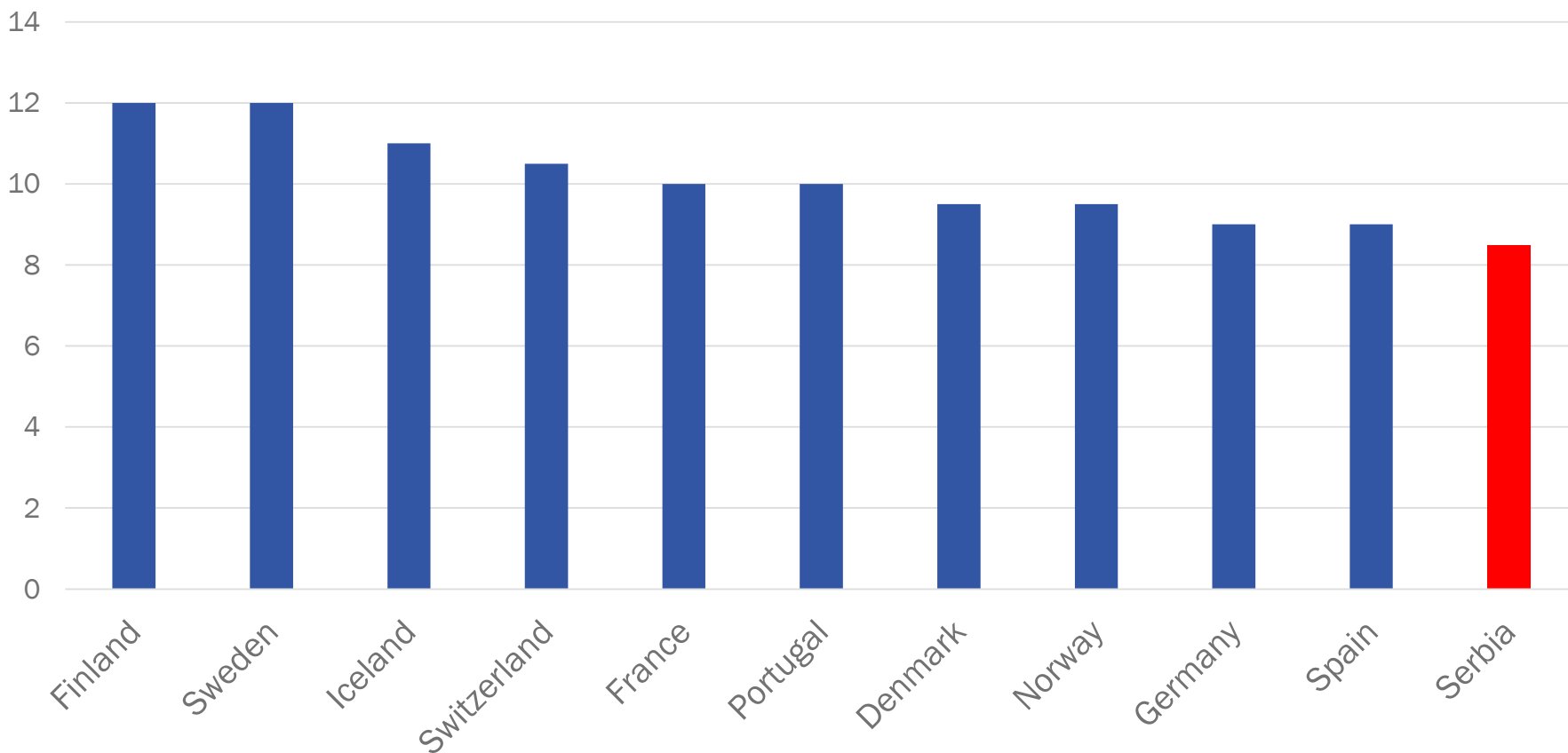
Borrowing autonomy – 0 -3

Overall index 0 – 13



# Countries of Eastern Europe far from the top of Financial Autonomy Index

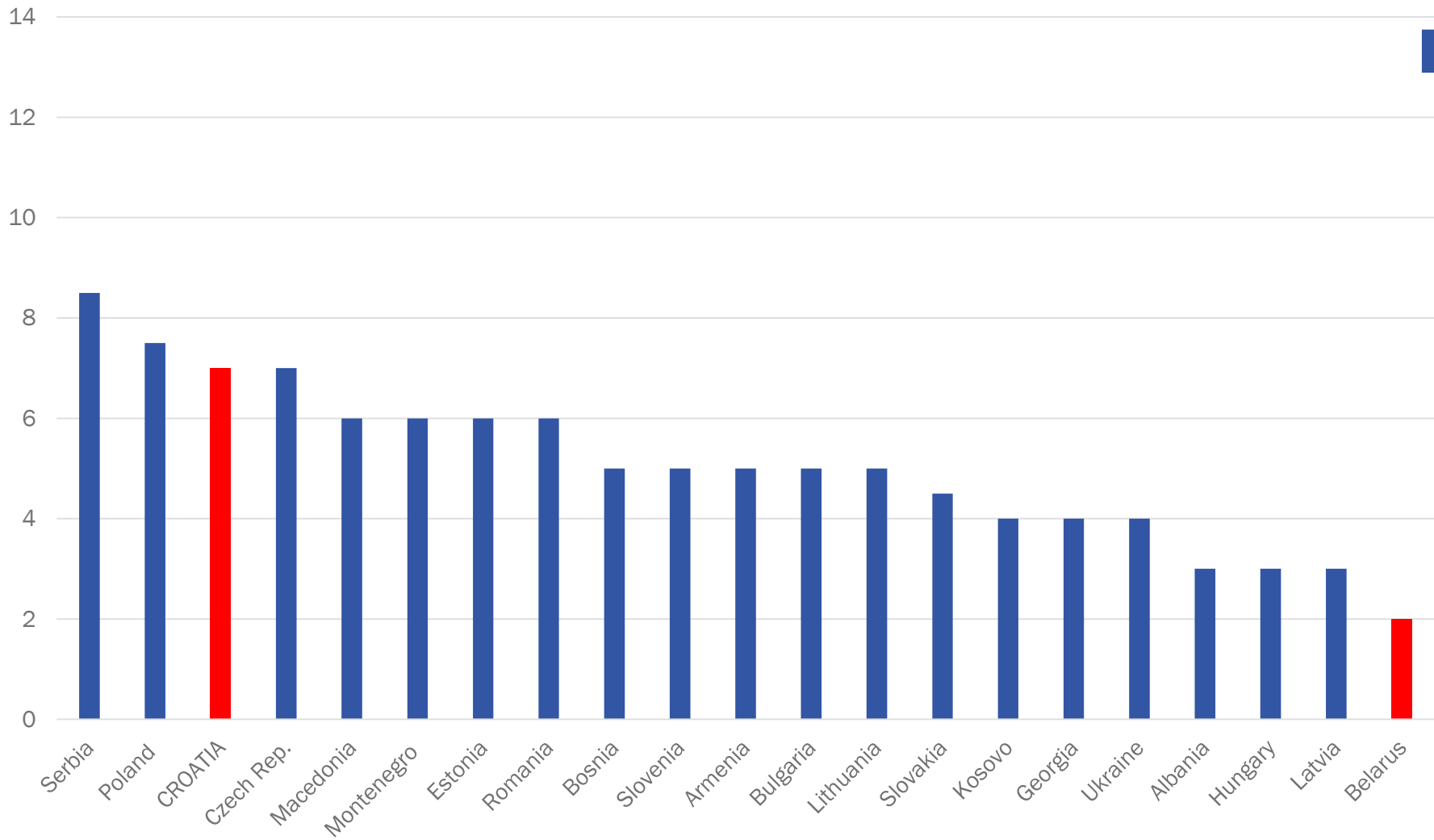
Financial autonomy index 2020



Serbia – the highest score in Central and Eastern Europe



# Financial autonomy index 2020

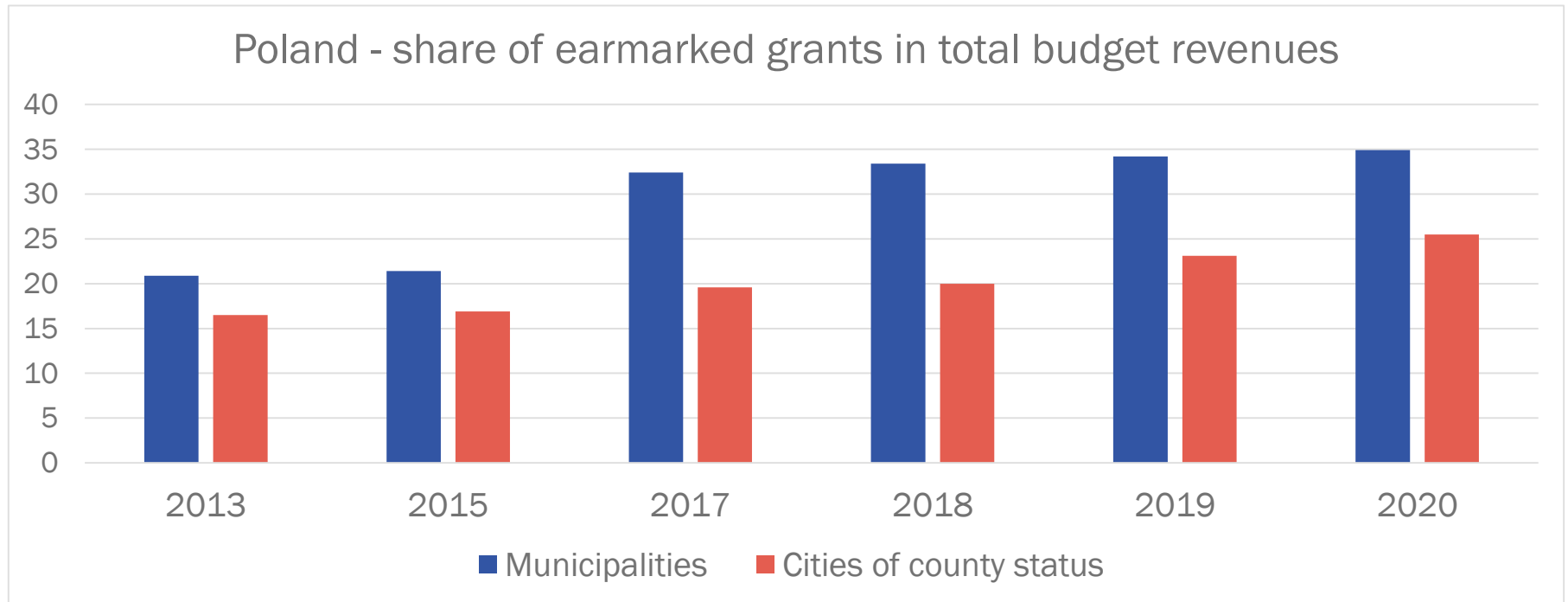


Difficult to find examples of radical financial decentralization reforms in last decades

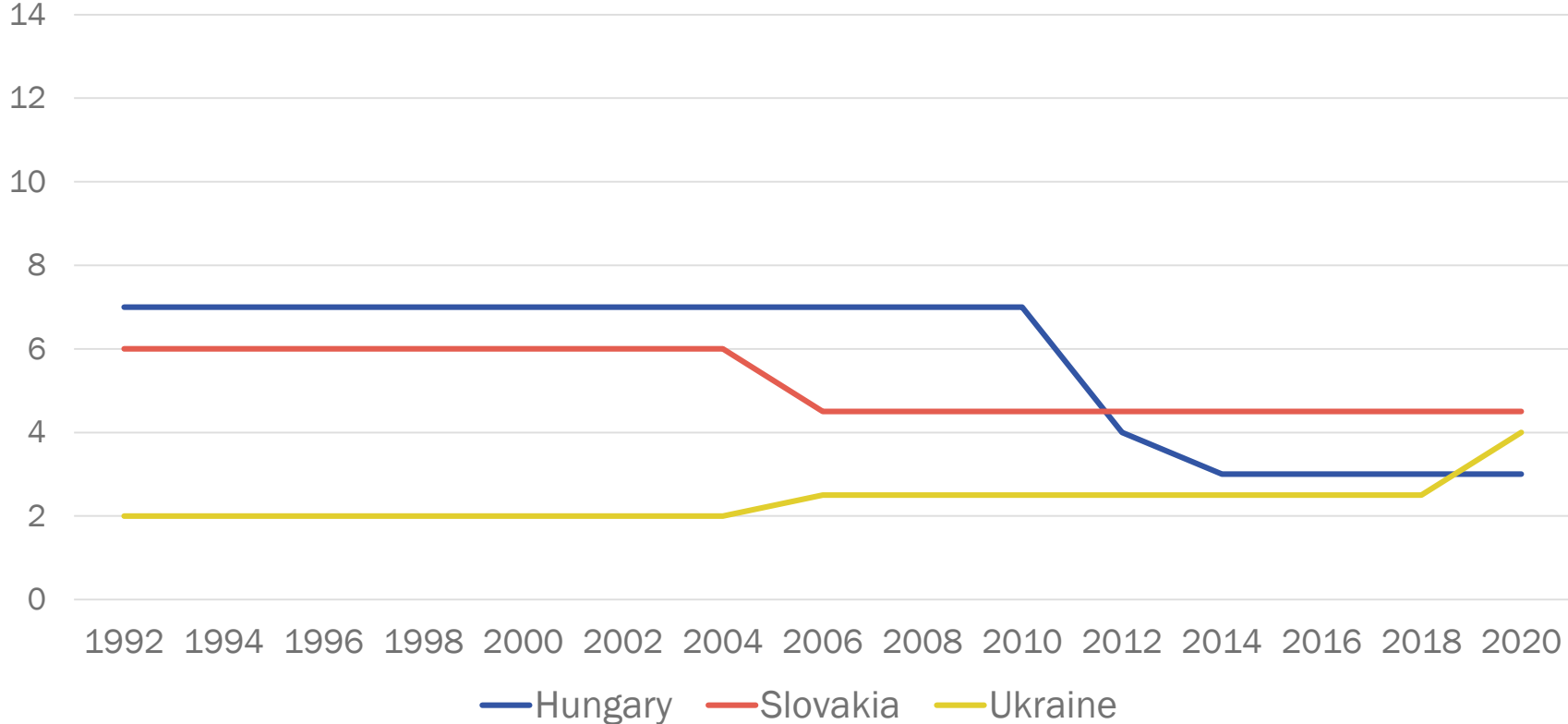
Easier to find opposite examples

- Tightening borrowing rules – several countries, especially after 2008 crisis

- Increasing role of earmarked grants – e.g. Poland



# Financial Autonomy Index



# Recent financial decentralization in Ukraine

## Before territorial reform:

- Modest financial decentralization in larger cities (cities of oblast significance)
- Extreme centralization in case of remaining areas
  - Including allocation of transfers based on subjective, non-transparent criteria
  - Extremely scarce revenues from own sources

## Including all local governments in:

- Formula of general purpose transfer allocation
- PIT revenue sharing mechanism

## But no change in fiscal autonomy

- and almost no changes in the earlier level of FAI in major cities



# Potential financial decentralization reforms might focus on:

## Fair allocation of resources


- Equalization formula with fair assessment of spending needs

- In several countries including allocation of PIT revenues

  - Minority of countries with a system based on origin

## Spending autonomy – very much underestimated issue





- Experiences of other countries worth to be analysed

- But there is no ideal model to follow which would fit local challenges

  - One has to find its own way to go

Hvala lijepa za pažnju

