Municipal Cooperation: A Review of the Reasons and Results

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Introduction

It is a common phenomenon that municipalities cooperate with each other. Cooperation as such can be either voluntary, initiated by the municipalities themselves, or compulsory, demanded by the national government. One of the obvious reasons for cooperation is the insufficient size or resources to deliver services or fulfil obligations. The second is a desire to create the common tools for gaining the development factors, like funds or companies. Cooperation eventually brings about the gains of efficiency or makes it possible to deliver services. We can however assume that cooperation may also fail, cause unwarranted negative side-effects and diminish the democratic capacity of the participating municipalities. Both the organization theory and the network theory suggest that the institutional arrangements of cooperation are crucial and fragile dimensions of success through the conceived satisfaction of the participating actors. Inter-municipal cooperation varies among countries because of differences in the political and legal systems but also among the types of territories (Kuhlmann & Wollmann 2014). Functional urban areas, cross-border areas, rural areas or peripheries influence the schemes of cooperation in their particular ways. Wealth, traditions, leadership, planning system or even environmental factors affect as well the ways inter-municipal cooperation structures itself.
In many European countries since the 50s there has been a public discourse about the relationship between the territorial scope of socio-economic processes and the size of administrative territorial units and political-administrative control over these processes. Inter-municipal cooperation is often considered as a competitive model of local government development in relation to a model based on the amalgamation of territorial units. This dichotomy needs however further investigation, vaster conceptual framework and more empirical evidences. In the last decades, cooperation between local authorities, both in the provision of public goods and services and in strategic planning, has become a common practice in Europe and worldwide. This “new” form of cooperation appears, among other institutional solutions, as a way of dealing with economies of scale and efficiency in the provision of public services. However there is a significant lack of research on its operation and acting.

The aim of this paper is to present the literature and available scholarship on the topic, and discuss the research agenda on inter-municipal cooperation, especially through the analysis of its scope, motivations, and perceived costs and benefits. The approach to the problem will be based in multidisciplinary contributions of existing research, which involves theoretical arguments related to the advantages of cooperation, the impact on democracy and accountability, as well as the discussion of public vs private provision of services. The conclusions should enable a serious reflection about Inter-municipal Cooperation state of the art.

**Inter-municipal cooperation: research perspectives**

Inter-municipal cooperation is a network type of organization functioning in a local political administrative context. The relatively small amount of literature on intergovernmental cooperation (Hulst et al., 2009), despite the growth of such experiences as inter-municipal types of organizations (Hulst & van Montfort, 2007), does not provide significant information about its motivations, functioning, and results. Moreover, the findings resulting from comparative analysis tend to explain this type of cooperation as mostly a result of specific political and legal contexts (Kantor, 2006).

**Diversity in practice**

Hulst and Van Montfort (2007) suggest that these kinds of collaborative experiences can be traced back to several decades ago, highly dependent on the different levels of government in each countries, particularly on the role of regional authorities (when existent), and on the legal incentives directly addressed to cooperation between municipalities. One of the major differences identified is the top-down encouraged forms of cooperation and those that result
from a bottom-up, voluntary, arrangement between local authorities. These two approaches aren’t mutually exclusive, since in same cases (as in Portugal), both experiences can happen almost simultaneously, though assuming different legal forms. In the first case we will typically identify the municipal association working on specific policy issues (water, transport, health), while the latter tends to take form as a multiple-purpose type of entity. It may be that voluntary forms of cooperation work better simply because they are genuinely initiated by the actors themselves.

These arrangements tend also to vary “with respect to their composition (only local governments or a mix of Municipalities and other public and/or private partners), their scope (the cooperation includes one service or a range of services) and the degree of organisational integration (the service is carried out by a separate joint organisation or it is organised through agreements)” (Hulst et al. 2009, p. 264).

Although this context discourages any attempt for providing comparative research with relevant information, there are some regularities identifiable across different country experiences. The growing interest towards this phenomenon, though recent, results from the ‘numerous and often remarkably different’ (Bolgherini 2009, p. 2) forms it has taken in Europe, this last couple of decades. These have been oriented towards the delivery of public services at a “better”, preferentially optimal, territorial size, allowing economies of scale. These new arrangements often take variable forms and patterns over time, depending on national institutional arrangements, or as a consequence of changing incentives or specific European requirements (Hulst et al. 2009, p. 279). These shifts in drivers, institutional arrangements, competencies and territories present, also, different solutions regarding the role of non-public agents.

The “output legitimacy” of local governments (Scharpf 1999, Kuhlmann 2008), with the greater local autonomy in European countries reform trends, goes along with this trend towards the increase of IMC entities. The growing importance and complexity of policy delivery at the sub-national level challenges traditional, territorially defined, approaches. The decision to work together, both as a consequence of voluntary engagements, or as a national top-down reform, is one of the ways to tackle with the scarcity of resources, small scale and lack of efficiency, single municipalities tend to face in such contexts of decentralization.

**Diversity in theory**

This dynamic and plural phenomenon, that is changing traditional territorial approaches to policy delivery, requires further analysis, first of all regarding the reasons and motivations for the cooperation between municipalities. There are four major arguments in favor of inter-municipal cooperation, resulting from different theoretical frameworks: the political economy
model; the network theory approach; the public choice argument, and the collective action approach.

The first considers local agents as able to ponder costs and benefits both of the political and the economic aspects of service delivery cooperation (Gerber and Gibson, 2005). This sets the rational for economic efficiency of supra municipal arrangements, explaining why economies of scale can justify cooperation to provide a specific service. The economic efficiency argument considers cooperation a way of generating cost savings in capital-intensive initiatives, of dealing with externalities between adjacent municipal territories (Gerber and Gibson 2005), or of gathering the technical and financial capacity to respond to new competencies (Lackey, Freshwater, and Rupasingha, 2002).

The second approach - network theory - sees in governance, and in the aim of resource and decision sharing, the best way to explain cooperation. Without formal incentives, trust and informal rules can play a relevant role in the decision to share service delivery, particularly in those contexts where territorial identity is strong and municipal mergers and unwelcomed. The new ways to collaborate may dispense formal contracts and tend to help overcome vital transactions costs and cooperation obstacles (Feiock, Tao and Johnson, 2004; Williamson, 1993).

The third one - public choice argument - revives the debate between the advantages of consolidation versus territorial fragmentation. Ostrom, Tiebout, and Warren (1961) claimed that the competition between municipalities in highly polycentric areas provide institutional barriers against monopoly positions of new inter-municipal authorities, avoiding new limits for local citizen choice, and hindering competition. This downplay of the economies of scale argument does not impede collaboration between smaller territories, since the choice between diverse scales of service provision in multiple centres of decision is always available (Bish and Ostrom, 1973). However, the complexity of contemporary local governance, with its various inter-institutional arrangements and overlapping organizational instruments of public and private service provision, leads to consider it as an integrated system of multiple units (Bouckaert et al., 2002).

Fourthly, we can apply collective action theory to explain how cooperative networks function. It is in this complex context that the Institutional Collective Action framework (Feiock, 2004) tries to shed new light to the discussion between upscaling and fragmentation. Its core lies in the idea that local authorities can collaborate through a network of voluntary associations (Feiock, 2004: 6) when elected officials extract political benefits from collective action. In those cases where transaction costs (information, negotiation, control, enforcement) are reduced given the prior knowledge, homogeneity and proximity of the partners involved, and where performance
control and service costs quantification is easier, one can identify the incentives to involve in partnerships providing prospects of mutual gain (Feiock, 2007).

It is evident that, although scholars agree that there is little empirical evidence with which to explain why local authorities do or do not cooperate, there is considerable agreement that territorial and institutional scale is relevant. In this context, municipalities have to take powers of other actors – whose aims and perspectives may not be entirely aligned with local priorities and practice – into account when designing local strategies and policies. Notwithstanding, the existing literature is relatively weak in considering how local governments perceive the roles and influence of other actors in promoting regional development, without an in-depth examination of the relationship between inter-organisational structures, the specific performances of regional governments, their institutional framework and the capability to implement inter-municipal policies.

**Incentives, efficiency and democracy**

Inter-municipal cooperation can be analyzed from a number of perspectives. Municipal cooperation is the phenomenon but the research questions can deal with incentives to this sort of activity, the economic results of it, or the relationship between cooperation and local government democracy. Finally, scholarly analysis might be focused on the existence and development of inter-municipal cooperation. The following analysis is based on a detailed comparison of relevant research dealing with the subject. All the articles were published after the year 2000, and they were explicitly dealing with inter-municipal cooperation. The articles are divided into three, overlapping groups: the incentives of cooperation, the efficiency of cooperation, and the democracy of cooperation.

*The incentives of cooperation*

This group of articles, typically in the area of regional science or urban policy, asks which sorts of incentives enable municipalities to cooperate, in order to coordinate land use planning or find the location of a major infrastructure placement. Hence the research question is typically either what incentives explain emerging cooperation, or reversely, which factors reject it. Haveri (2003, 324) argues that the disadvantages of inter-municipal cooperation are the following. First, one basic problem of fragmented and voluntary network-like arrangements of cooperation is their weak ability to delve into regional issues and to make decisions based on a regional perspective rather than on a narrow municipal advantage. Second, cooperative arrangements are complicated and do not meet the requirements of good governance in the sense of transparency
and democracy. The third problem of fragmented network-like forms of cooperation is connected with the time consumed by the models. Networking often calls for an unreasonably high time consumption on the part of civil servants and elected municipal council members, and diverts council members from policy-making to administration.

Ferro and Sorrentino (2010, 24) emphasize the need for a central coordination activity complementing distributed choices closer to local needs. The presence of a central complementary coordination activity may be justified in a number of ways, including the following: providing a more effective allocation of financial resources, and establishing the definition of standards necessary to guarantee interoperability among public agencies. In addition, reaching a good level of organizational and technological homogeneity is critical for systemic management of innovation at regional level. In fact, the presence of standard practices and interoperable technologies allows a much faster diffusion of incremental innovations in the system reducing customization costs.

When analyzing regional IT service in Germany, Niehaves and Krause (2010, 276) found out that regional cooperation emerges if it saves money, political actors are included, and there is some earlier history of cooperation between the participating municipalities. As Ferro and Sorrentino (2010) put it the challenge for the future is to find the right balance between the constitutionally recognized autonomy of local municipalities and the centralization of activities such as standard definition and solutions development that may allow the attainment of an effective and sustainable E-Government. In line with Albrechts’ study of the institutional preconditions for polycentric development in Flanders, Rader-Olsson and Cars found that municipalities are more willing to cooperate on issues regarding traffic and transport, where the value of building a coalition is clear and local political autonomy is not threatened. Even if there are clear divisions in transport project preferences, there would seem to be room for negotiation due to a consensus regarding the need for better links to the airport and among northeast communities. However, there is less interest in linking to other urban cores (besides the airport) and no willingness to compromise the local land use planning monopoly to serve regional interests. (Rader Olsson & Cars 2011, 169).

Schönharting et al 2003, 202, argue that regional thinking in the RheinRuhr requires the presence of public agencies that extend beyond the borders of individual cities. Linear structures reaching over the entire area offer possibilities for regional planning. Furthermore, the problem here is not purely one of traffic planning, it concerns the whole idea of a city space. This task could help to promote a regional consciousness that problems need to be addressed with consideration to urban design.
IMC and municipal mergers certainly tend to be more widespread in small, weakly performing municipalities; however, more important factors include authorities that are open to reforms, intensive social contacts among the citizenry of the affected municipalities, an advantageous location and cantonal politics. As a result, one should be very careful about claiming that IMC and amalgamations are the direct result of a worsened financial situation. It can be assumed that the tense economic situation creates an advantageous climate for changes, but that it is not exclusively those municipalities that are the most affected by this situation that implement reforms. (Steiner 2003, 567)

However, some problems were identified and should not be overlooked. As municipalities can benefit from each other in a regional approach, they are also bound to each other, and actions taken by one municipality, affect the others. Cases in which partner municipalities do not pay their share are evident in both cases and can jeopardize the important achievements. Another problem is related to the effluent reuse. Although in Israel a high rate of wastewater is being reused (64% of generated wastewater), these two cases resulted in high-quality effluent not being reused. Additional potential problems that can be associated with regional approach and are not demonstrated directly by the presented cases were found in another case analyzed in the research. They should also be mentioned in this discussion. The NIMBY syndrome is found to be stronger within host communities in the case of larger facilities. This was found to be so in the facilities of the Tel Aviv metropolitan area, located 17km south next to the municipality of Rishon. (Hophmayer-Tokic & Kliot 2008, 563-564).

Nelles (2011) concludes: Despite what appear to be relatively fertile conditions for cross-border cooperation, very few cross-border partnerships between local authorities have actually bloomed. Nor has the recent advent of a common economic threat produced much in the way of collective action. Despite the open admission of local officials on both sides of the border that cooperation would probably benefit the region, that there are few serious barriers to working together, and that there is currently ample opportunity to open discussion it is unlikely that any such initiatives will emerge.

**Public vs. private**

This group of articles looks at the results, rather than motivations of cooperation. Typically from the field of economics, the articles aim at showing the optimal way of organizing municipal services. Inter-municipal cooperation can be seen as alternative to other forms of organizing. In the US, municipalities often consider whether to privatize services, use competition. According to two recent articles (Warner 2011; Warner & Hebdon 2001) this
choice situation is simplified, as it depends on the service in question, and whether there are enterprises around. When local governments consider whether to engage in inter-municipal cooperation, the alternatives may be doing it by the municipality itself, make a contract with a private etc. Warner & Hebdon discuss (2001) this in the US context and state that local governments play an active role in creating competition and economics of scale by structuring markets through their management of public and private alternatives. These include: inter-municipal cooperation, privatization, reverse privatization, governmental entrepreneurship behavior, and cessation of services. Cooperation is best for services that are indirect if for which regional economies of scale are essential to ensure efficient delivery. Inter-municipal cooperation allows governments to achieve economies of scale while keeping services in the public sector. (ibid., 322).

In the Netherlands there has been a comparatively greater emphasis placed on the use of public firms, with considerable managerial autonomy, but with ultimate control remaining in the hands of the owner governments. By contrast in Spain, less emphasis is given to public firms and where they do exist, they do not compete for contracts outside their own municipality. By way of an alternative, the relatively small average municipality size in Spain has resulted in many instances of inter-municipal cooperation. (Bel et al, 480). Furthermore, in The Netherlands, inter-municipal cooperation typically involves a few municipalities whose joint efforts to deliver this service, are run as a public service. By contrast, in Spain, inter-municipal cooperation tends to mean that municipal governments engage in partnerships under a joint authority in governance in which all the governments play a role. In this situation, a choice can then be made between different forms of service delivery: public production, private production, or mixed forms. (Bel et al, 486).

Corporatisation looks more appealing than contracting-out and public–private partnership (PPP) pure and simple, on the one hand because it allows municipalities to maintain political control over the providers, and on the other because it guarantees a framework for cooperation which is more stable than ad hoc PPP agreements. Citroni et al 2015, 230. In other words, Italian Municipalities seem to have tailored the private-like instruments and rationales promoted by the hegemonic paradigm of public administration to their needs, although recent case studies on specific companies operating in the domain of local utilities seem to suggest that the concrete outcomes of such a strategy are often far from intentional. Citroni et al. 2015, 232.

Is IMC a cost-effective way of organizing? This was asked by Dijkgraaf and Gradus (2008). Interestingly, the cost advantage of inter-municipal cooperation is now, at 4%, larger than that for a private company. Inter-municipal cooperation is found to be the best alternative to privatization. In addition, our result is only significant at the 10% level. However, this is not in
line with the transaction cost theory, which gives indications that municipal cooperations suffer from transaction and agency costs as several political authorities are involved. Although Dutch Municipal Cooperation is in general a multigovernment body, for refuse collection it seems to come with few transaction costs as on a day-to-day basis, civil servants run this public unit (ibid., 704-705). The authors point also to the importance to analyse the costs in the longer timeframe.

Sörensen (2007, 1057) asks whether the hybrid organization suffers from one or more governance failures. Empirical analyses presented here suggest that fragmented ownership to public induces cost-inefficiency relative to companies owned by a single political authority. In fact, inter-municipal cooperation may create more problems than it solves.

**How democratic are the inter-municipal networks**

Finally we have a group of articles which explicitly ask whether municipal cooperation is democratic, or compatible with some definition of municipal democracy. Sissel Hovik & Signe Irene Vabo (2005) ask how does inter-municipal cooperation, or networks, function in the case of cross-border natural resources. They refer to governance literature, in which different forms of governance arrangements are seen as promising solution for managing complex situations (Hovik & Valbo 2005, 257-258). Further on they consider that inclusion is the central question in such networking. In the network governance literature, inclusion of all stakeholders as well as openness regarding decisions is seen as a solution to the challenge of democracy. On the basis of some case studies they draw the following conclusion: even though it is important to secure the participation of major target groups, from the democratic point of view they apply in the article, it is also important to ensure that other stakeholders are heard. Their findings indicate that in cases of cross-border conflicts of interests, a supra-local representative body is probably needed to play the role of democratic meta-governor and decided which actors to include or exclude in the networks at local level (ibid., 273).

Similarly Hall et al. (2009) argue that while majority of studies analyzing the local and regional networks in the Scandinavian countries are not in democracy, it is an important perspective. One conclusion that can easily be drawn from this review is that there is an almost conspicuous absence of democracy-related questions in the Nordic studies of network governance at the local and regional levels. Most of the works on local and regional governance do not address democracy issues at all. Denmark is the exception here. Danish research has from the early years been focusing on this theme, and democracy has to a far larger degree been the central theoretical pillar of the research in these studies. (Hall et al. 2009).
In Germany the states of Nordhein-Westfalen and Hessen, together composing about 30% of the country’s entire population, pursued the strategy of creating integrated municipalities. On the other side, most West German Länder and following German unification, the East German Länder too, decided to embark upon softer territorial reform strategies in that they chose to carry out minor or even no mergers and to instead establish a new layer of inter-municipal bodies. (Wollmann 2010, 270). Furthermore, Wollmann presents a number of critical points concerning these bodies. First, member municipalities tend to thin out their organization and personnel to the point of losing any administrative competence and skills of their own. Second, the inter-municipal bodies are increasingly criticized for lacking direct political legitimacy and accountability. Thirdly, the issue of conflict, coordination, and transaction costs that are generated by the dual structure has been critically raised. (2010, 273).

**[First] Concluding remarks**

The role of the inter-municipal cooperative institutions varies. In some countries they hardly exist (England, The Netherlands). In other countries they can be more an alternative to privatization (US), while in others it is typically small municipalities which benefit from inter-municipal cooperation in order to be able to provide services or to accomplish a legal obligation. Besides this diversity in experiences, with different scopes, arrangements and scales, the examined articles also presented a plethora of research perspectives ranging from the incentives of cooperation, to organizational design and, finally, outcomes of cooperation. These different empirical evidences and theoretical approaches present inter-municipal cooperation as an alternative to privatization, as an instrument of service delivery or policy implementation, and as a democratic entity. Also the diverse theoretical approaches to the motivations for cooperation are evident: from the economic efficiency rational of the political economy model, to the decision sharing perspective that results from the network theory; from the public choice argument where the option for diverse scales of service provision is available, to the role of the political benefits emerging from cooperation, as identified in the collective action theory.

Nevertheless, we have also identified a consistent number of arguments presenting the disadvantages of inter-municipal cooperation, such as their weak ability to delve into regional issues, its governance complexity, lack of transparency, accountability problems and policy-making costs (Haveri, 2003). Sörensen (2007) also points out that, based on rational choice theory assumptions and showing empirical data to support this, inter-municipal cooperation is not an efficient way of service production. Other authors, such as Warner et al., suggest that efficiency is – precisely - not the only criteria, and other reasons should be taken into consideration to explain this up-scaling phenomenon and, particularly, its main downsides, such
as the costs of public control and the impact on citizen engagement. Additionally, we have a number of studies dealing with decision-making in inter-municipal collaboration settings, which usually reveal various deficiencies in this form of organization.

An additional weakness results from the democratic aspects of such arrangements. Democracy seems, according to Hall et al. 2009, to be a neglected aspect of inter-municipal networks. This may be a question of scientific field approach, and research interest on the topic. For welfare policy scholars as well as scholars interested in economic or urban policy, networks are first and foremost instruments to fulfill certain goals related to policy implementation. Political science is, on the other hand, more focused on the institutional structures, and hence more prone to ask, how are these networks functioning, and how are they related to the existing democratic institutions. The answer to these questions is usually critical. Inter-municipal networks are not particularly democratic, and suffer from lack of transparency and accountability.

In summary, this is undoubtedly a research topic asking for further analysis. Cooperation between local authorities has become a common practice in Europe. This presents several problems: those resulting from divergent arguments, in favor of inter-municipal arrangements or against it; and those emerging from its diversity in practice, given its scope, motivations, institutional design and scale. It also brings about relevant theoretical debates.

Only one obvious conclusion is possible: inter-municipal cooperation is a form of institutional arrangement that can bring benefits, but also suffers from a number of potential weaknesses. The benefits seem to concentrate around a number of issues: economies of scale, enhanced opportunities to tackle wider social or economic problems, and dividing costs between the involved participants. The disadvantages are argued to mostly deal with difficulties in reaching consensus in such an organization, and democratic and political control costs. Finally, it also seems that cooperation is better in particular circumstances, especially when compared with privatization, where political control aspects should be taken into consideration, or when compared to amalgamation, where political engagement and community identity costs are at stake.
References


