

# Perspectives of Local Government Amalgamations in a Transition Society: the Case of Estonia

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## Abstract

This article analyses the general institutional preconditions and restraints of a successful local government amalgamation policy in Estonia from a Central and Eastern European perspective. We start by re-examining and re-synthesising the dynamics of capacity-scale problems during the post-communist transition. On this basis, we analyse the patterns and models of local governance and amalgamations in the sparsely populated countries with already large municipalities, developing the possibilities and barriers to achieve economy of scale and economy of scope. The article addresses key factors of local governance and amalgamations, first of all their relations *vis-à-vis* the citizens and the civil society. The vicious circle of a clan pattern of local government and citizen estrangement can be broken when the existing practice of municipality amalgamation will be changed. The mediating role of the central government or citizens' peak organisations must become central in the amalgamation process, because they can neutralise the traditional corporatist values of local elites at negotiations and promote the new structural profile of a municipality based on the values of democratic governance.

**Keywords:** Local autonomy, amalgamations of municipalities, cooperation of municipalities, civil society, empowerment.

## Introduction

This article will focus on the study of general institutional preconditions and obstacles to the success of amalgamation policies in transition countries like Estonia and Latvia, and, hence, will attempt to define the means of an effective increase of local government capacity.

## Emergence of capacity-scale problems during the post-communist transition

The new democratic legal framework of local governance in Estonia was created in 1989 before the regular elections of 'local soviets', *i.e.* within the framework of the old system. The reform gave priority to the values of a *protective democracy* (Held 1998) to retain maximal autonomy as a guarantee against the intervention of central authorities. The local government was conceived of primarily as the alternative democratic structure and power actor to the central government that was then still under the control of a communist elites. This was a specific stance of many post-communist countries, where the local government reforms were launched by popular political initiatives: by popular fronts, local government unions and other new democratic associations (Kjellberg *et al.* 1996). As a result, very small local government units were created in many of the CEE's new democracies, especially in the Czech and Slovak Republics and in Hungary, but also in Estonia and Latvia.

There were some general issues in reforming the local government in Estonia and in other CEE countries, which increased the controversy of size vs. capacity in this region.

The first debates arose over the *number and priority of tiers* in the sub-national government and its specific solution. New political elites insisted on creating or restoring new municipal institutions, and on devolving powers and resources to the municipal level. The powerful coalition of reform-minded administrative elites at the national and sub-national level insisted on the concentration of powers and resources primarily – at least during the initial period of transition – at the level of former Soviet administrative regions that more or less coincided with the historical borders of Estonian counties. They did not deny the necessity of a municipal tier, but did not believe that municipalities could be viable self-governing entities in the near future because the major resources of the sub-national government were located at county centres.

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The compromise of these two political visions resulted in the creation of two tiers of local government in 1989. The reform program presumed the step-by-step transfer of certain tasks and resources from county government to the municipal level. This was obviously the most effective way for capacity building from the ground up at the municipal level. But what was actually at stake?

In the Soviet system, the local soviets as the municipal level had few powers. The delivery of the main local services was delegated to collective farms in rural areas. This restored the old (pre-1918 republic) pattern of local government in Estonia that was once operated by the main economic structure (manors), which actually held the public authority at the primary level of government. Also, in towns and cities a considerable part of the local services – heating, childcare, housing, etc. – were often delegated to state enterprises. Directors of those farms and enterprises, together with the regional administrative elites, were formed through the *nomenklatura* institute rather than as an integrated whole. They acquired substantial power and resources in the local life, especially during the weakening of the top-down control of the institutions of planned economy in the second half of the 1980s.

Hence, the issue of reorganisation at the municipal level became a very important political issue not only in Estonia. In Hungary, Czechoslovakia and Latvia the new political elites initiated profound reforms of municipality structures, whereas in Lithuania and Poland with reform communists conducting local government reforms, the county level became the main tier of sub-national government. In Poland, the reform of the municipal level was carried out at the end of the 1990s.

After new political elites gained a majority in the Parliament and formed a right-wing coalition, the second tier of local government was abolished also in Estonia in 1993. In Latvia, these attempts did not succeed during the 1990s. So during the first period of transition, in the countries where new political elites determined the local government reform, priority was given to the development of new democratic structures and issues of the capacity of sub-national government were largely neglected.

There were some devices aimed at reducing the capacity deficit in shaping local government institutions in Estonia. In the beginning of the 1990s, the new status of municipality was to be granted only after the local council had prepared and defended the mid-term development strategy of a local government unit at a special committee of the Supreme Soviet Council of Estonia. The development strategy was to become the core of policy making in Estonian municipalities, which doubtless increased their effectiveness.

The second issue was the definition of municipal vs. community borders (see Table 1). In contrast to most of the European countries, Estonia's primary level administrative territorial division did not rely on the structure of parishes, but evolved spontaneously from the territorial patterns of old manors. The establishment of collective farms in 1949 destroyed new community networks of the dispersed family farms and created new centres of production and communication. The rivalry between those new centres over scarce resources started, and more or less strong (up to the present time) new corporatist (community) identities were formed based on the collective farms.

After the reform in 1989, the boundaries of new municipalities were not based on the existing community lines of collective farms, but coincided largely with the formal and previously rather marginal boundaries of local soviets. So the logic of the municipality borders and the logic of community structures did not fit after the 1990s reforms either. Hence, and this is our specific hypothesis, the community did not become the organic basis for democratic institution building in Estonia. Local communities remained rather closed and intact *vis-à-vis* the new authorities, whereas the latter built up specific sources of authority and legitimacy, based *de facto* on old, Soviet time formal administrative-territorial patterns at the municipal level. For this reason, there were considerable restraints in the development of local democracy as a source of specific capacities at the local level.

**Table 1.** Changes in the number of municipalities in Estonia in the 20<sup>th</sup> century

Year and event	Number of municipalities
Before the 1937 parish reform	365
After the 1937 parish reform	248
After the formation of local soviets in 1950.	641
1955 Number of local soviets	320
After the municipality reform of 1989	256
By 2007	227

Source: [www.estonica.org](http://www.estonica.org)

The third, more specifically an Estonian issue, that largely determined the latter context for inter-municipal cooperation, was the cooperation between county and municipal authorities in devolving resources from the former to the latter.

In one group of counties, the transfer of resources to municipalities and the assistance of county specialists in composing the development plans were rather smooth and municipalities soon became capable of self-governance and got the municipality status. In other counties, the administration was reluctant to cooperate in delegating its authority and resources to municipalities. A large proportion of municipalities in these regions could not acquire the municipal status for a long time. After Estonia restored independence in 1991, these local authorities were formally granted the municipality status *in corpore* without any real proof of their capacity. Today, in these counties we can see less willingness and/or ability on the part of the municipalities in regional cooperation and also a lower number of mergers.

In sum, the democratic renewal at the local level was fast, but this installed different controversies that started to cause an increasing capacity (but, in fact, also democracy) deficit at the local level.

## Policy and practice of amalgamation in Estonia

In Estonia since 1996, there have been 49 municipalities (19%) out of the original total of 256 that have decided to form joint local administrations. As a result, there were 227 local government units in Estonia by 2008, since some mergers included several municipalities.

Already a year after the Local Government Act in 1993, the *Riigikogu* (the Parliament) adopted in 1994 a general act on the Support to Amalgamation of Local Government Units, and in 1995 they adopted the Act on the Administrative Division of Estonian Territory, which provided rules and mechanisms for amalgamations. The last law on the 'support of amalgamation of local government units' was adopted in 2004.

Leemans (1970) differentiates three main models of amalgamations. Firstly, *annexation* as the extension of the territory of the core area at the expense of small surrounding territories (municipalities). Second, the *merger* as the classical amalgamation of two or more neighbouring municipalities, aimed at reaching economy of scale. The third is the *reorganisation* of the local government that departs from new economic or social considerations and entails the substantial reorganisation of municipal structures. Brans (1992) defined the two main sources of such reorganisation: (a) the expansion of welfare services that are most suitable for delegating and delivering at the local level, and (b) the de-urbanisation of traditional cities in developed countries that needed the rearrangement of the fiscal management area. In Estonia we can add a third variable - (c) the depopulation of rural areas.

There have been 20 amalgamations since 1996. 12 have been formal mergers of towns and boroughs with the surrounding municipality and five with two or three surrounding municipalities. In two cases, a part of the territory of a new municipality was split off and merged with other neighbouring municipalities, which did not merge into the new unit. In one case, the change of the county borders was necessary. Three amalgamations were the mergers of two neighbouring municipalities into one larger one. There have not been any complete reorganisations in Estonia yet.

The amalgamations of local government units have been considered a voluntary process from the start in 1994. The ideology of Estonian local governance and the existing legislation does not enable compulsory amalgamation. Step-by-step, the sophisticated legal and management mechanisms of amalgamations were elaborated by the government, among them the compensation of the direct costs of this process. In 1997, the government program of local government reorganisation included a voluntary transition period and a period of compulsory amalgamations.

In 1999, the new government took a very active stance and triggered the process of compulsory and overwhelming amalgamations. The initial plan was to merge some counties into larger regions. But a bit later, the government expected to draw on the support of county governors - then still very powerful local actors - in pacifying the possible opposition of municipalities to these mergers. A very impressive reform proposal was developed by 2001. The process of planning the redesign was made as bottom-up as possible in this situation. For this reason, the majority of the autonomous community leaders initially accepted the idea of reorganisation.

The central authorities did not have a clear idea about the exact number and configurations of the new units and - even in case of top-down reform - the administrative-territorial redesign was not supplemented with the redistribution of responsibilities and resources to municipalities. The redesign became politicised and more top-down, which resulted in the opposition of most municipalities and counties to the concrete formula of amalgamations. Just before the final decision to launch

the reorganisation in 2001, the Reform Party, the liberal partner of the governing coalition, did not agree on amalgamation. The territorial reform failed. In the following years, voluntary amalgamation continued in small numbers.

There is comprehensive study of the outcomes of the early amalgamations (Geomedia 2001). The main conclusions of this study are presented in Table 2.

**Table 2. Strengths and weaknesses of amalgamation of local government units in Estonia (1996-1999)**

Strength	Weakness
More balanced multi-centre territorial structure	Emergence of internal periphery
More professional civil service and council staff	Increase of bureaucratic government style
More specialization of civil service	Weaker contacts between officials and citizens
Some decrease of administration expenditures	Decrease of investments
Increase of quality office supplies and work environment	Many issues and difficulties were not foreseen and previous agreements were broken
Increase of the role of council in decision making	General dissatisfaction of officials
Increase of the proportion of own revenues in the budget	Decrease of government support fund, general revenue per capita
Some effect of economy of scale in communal services	

Source: Geodata 2001

This study confirms the main strengths and weaknesses of amalgamation practices known in Europe (Schaap 2007). The authors of the study did not see a meaningful effect in economy of scale or an increase of resources as a result of amalgamation. The affluence of communities was increasing only as a result of general economic growth. The main effect came from the economy of scope: from the professionalisation of the local administration and council. But these effects were neutralised by the increase of distance between officials and citizens, which was also noted by Boyne (1992) in analysing scale effects in US.

The authors further demonstrated that the purely political variables may harm the success of amalgamation. After the elections, the political pattern of a council changes and the coalition that prepared the amalgamation can find itself in opposition, whereas the new coalition often does not find itself bound by pre-merger agreements. The study also revealed the increase of the role of professional and strategic decision making – *i.e.* its institutionalisation – at the local level, which could, however, result in the decrease of direct everyday contacts between the authorities and the citizens. Even more serious is the issue of the ‘emergence of local peripheries and their decline in comparison with the municipality centre. This process is especially fast in municipalities where local community is weakly organised or where depopulation is extensive.’ (Geomedia 2001: 41)

## **Institutional and contextual variables of amalgamation**

### **Consequences of enlargement of the territory**

Usually the capacity of a municipality is measured by the size of its population. But in Estonia and Latvia (like in other Northern European countries) the local government is based not on a single and well-concentrated community (town, borough), but on more extensive territory (Table 2).

In Estonia, the mean area of a municipality is almost 15.7 times larger than in the Czech Republic and 6.7 times larger than in Hungary. At the same time, the density of the population is about 4.5-5 times lower than in those Visegrád countries. Hence, the mergers of neighbouring municipalities in the Visegrád area do not considerably increase the distance between citizens *vis-à-vis* the authorities and the services. The reverse is valid in Estonia and Latvia. The amalgamations make the area of a municipality much more extensive (see Table 3) and it becomes comparable with the mean area of a German *Kreis* (600-800 km<sup>2</sup>). This will considerably increase the costs of communication and accessibility of services in Estonia and Latvia. The increase of territory is moderate only in cases where larger towns are merging with their surrounding areas.

**Table 3.** Size of local government units in selected new EU member states

Country	Number of municipalities	Mean number of inhabitants	Municipalities below 1000 inhabitants (%)	Density of population per mean density of inhabitants in km <sup>2</sup>	Mean area of municipality (km <sup>2</sup> )
Estonia	227	4,117	15.4	20.7	199
Czech Republic	6,230	1,482	79.8	116.7	12.7
Hungary	3,127	2,657	54.8	89.2	29.8
Slovakia	2,875	1,722	68.4	100.7	17.1
Latvia	118	12,869	0	23.5	547.4

Source: calculated by authors on the basis of Horvath 2000; government websites of respective countries. The population of the capital city is excluded.

Thus, the study of the municipalities of Western Estonia (CBC report 2006) proved that 42.4 % of services must be strongly and 15.8% rather preferably delivered at the primary community level and from a close distance (CBC report 2006). The extensive territory and the small population density of Estonian and Latvian municipalities are seriously restraining the expected economic gains of amalgamation. So the first set of restraints in fostering amalgamation in a similar demographic-geographical context would be the increase of transaction costs of services because of the longer distance of service provision and the increase of distance between the inhabitants and local authorities.

However, the reduction of service provision efficiency with the increase of size could be much smaller in those communities where the provision of major services has already been delegated to autonomous bodies or contracted out/privatised in a competitive environment. In that case, the amalgamation of municipalities could mean only the concentration of *authority and administration*, whereas the municipality administration itself offers a very limited number of purely administrative services such as, for instance, issuing building permits or birth certificates. But as our recent study revealed, the delegation of services is rather underdeveloped in small municipalities (Praxis 2009).

**Table 4.** Size of municipalities after the amalgamation of local government units in Estonia in 2005

Amalgamation type, new unit	Size km <sup>2</sup>	Population of new municipality	Density of population, persons per km <sup>2</sup>
Merger of town with surrounding area and remote areas (Türi municipality)	600	11,256	18.8
Merger of rural areas (Kuusalu municipality)	708	6,878	9.7
Merger of rural areas (Saarde municipality)	707	5,016	7.1
Merger of rural areas (Suure-Jaani municipality)	746	6,200	8.3
Merger of rural areas (Väike-Maarja municipality)	457	5,418	11.9
Merger with surrounding area (Jõhvi municipality)	130	13,459	103
Merger with surrounding area and remote areas, reorganisation (Tapa municipality)	263	9,115	35
Merger with surrounding area (Tamsalu municipality)	214	4,471	20.8
Merger of rural areas (Märjamaa municipality)	874	7,401	8.5

Source: ETF survey 2008

The concentration of administration would have some negative outcomes *per se*, such as a more bureaucratic style of governance (Geomedia 2001, Jorgensen 2007). But there have also been important benefits from the economy of scope, like more equal treatment, more professional and specialised staff, improvements in office supply, which could considerably improve the communication tools between citizens and authorities, etc. Besides, the decentralisation of services is more effective if the local authorities have developed strategic and policymaking roles and are focusing on these.

Some institutional configurations of local democracy (for instance, the cabinet model in Estonia and the committee model in Latvia) provide more support to local strategic decision making and to the increased control capacity, whereas the classical continental council-mayor model does not (Hansen 2001, Sootla & Grau 2005). So in Estonia, the geographical restraints to amalgamation would to some extent be softened by the institutional factors (council-mayor balance), whereas in continental countries the remoteness of authorities could be a very decisive argument against the amalgamations because of the lower strategic and steering capacity of the local council.

Similarly, the amalgamations are not in and of themselves a source of the weakening of democracy and participation because of the great distance or the increase of anonymity. The lower number of voters per councillor may make the relations between citizens and authorities less informal and frequent, but the actual influence of citizens on local authorities in case of larger constituencies and more formalised relations may not decrease, but on the contrary – it can increase considerably (Rose 2002, Larsen 2002). This was confirmed also by our analysis (Indicators of Local Democracy 2003).

**Table 5.** Influence of citizens on local government decisions depending on the size of the municipality (mean on a 7 point scale, where 1 means 'no influence' and 7 'very strong influence')

Number of habitants	Estonia		Latvia		Hungary		Poland	
	Resid	NGO	Resid	NGO	Resid	NGO	Resid	NGO
Less than 1,000	3.1	2.1	4.28	1.87	3.46	1.8	3.59	2.41
2,000 – 5,000	3.4	3.08	4.9	3.3	3.4	3.3	4.2	2.74

Q: *Generally speaking, how much is the influence of the following persons and bodies on the decisions of your local government? (a) Those local residents who are most interested in the issue, (b) Civil organisations like associations and foundations*

Source: Indicators of Local Democracy 2003. Local Government Survey Latvian 2001, Hungary 2001, Slovakian LGS 2001, Poland 2003, Estonian LGS 2003

So, the decrease of the citizens' activism and participation may be more intensive in small communities, where possibilities of involvement in social life are also much more scarce. And vice versa, the remoteness from active local patronage and a stronger institutionalisation of politics (Sootla & Saarts 2005) would be a better ground for the empowerment and enlargement of the basis for institutionalised forms of participation and impact on local decisions.

Very close and frequent contacts between citizens and councillors and the *delegate role* of the councillor (Svara 2002, Rao 1998) – characteristic for the council-manager model of governance – do not inevitably ensure a better input and feedback from the citizens. Chandler (2001) assured that the delegate role can be conducive to therapeutic democracy, which is aimed primarily not at better feedback and participation, but towards the increase of the political legitimacy of authorities. An increase in the voter-councillor rate and the physical remoteness of the authorities could have negative political consequences in the case of council-mayor configurations and a delegate type of representation.

A better institutionalisation of party politics using the *cabinet model* can weaken the everyday contacts between authorities and citizens. However, at the same time it fosters the institutionalisation of a civil society that enables the public to have a different and sometimes even stronger influence on local government decision making, compared to those who have frequent contacts with closely located authorities (Sootla & Saarts 2005). In the latter case, citizens could promote their individual and particular issues and the individual non-partisan councillor had less power in influencing the administration's policy implementation.

The last set of variables that weaken the impact of geographical context are the development of the NGO level of civil society. We emphasised the importance of the strength of non-governmental civil society organisations that could assist or even substitute the public authorities in service provision through contracting. Local civic society could produce community cohesion and identity and foster the local self-organising capacity. Our CBC report from 2006, as well as the 2001 Geomedia report brought forth evidence of the *emergence of local peripheries* in Estonia after the amalgamation and enlargement of the territory in cases where civil society and local identities were weakly developed. The enlargement of the number of communities in a single municipality with strong identities would,

on the contrary, foster the pluralism and balance of local interests in local policy making.

So the links between size, access to services and effective representativeness are complex. This makes further amalgamations in Estonia and Latvia feasible and possible.

## The models of autonomy and perspectives of amalgamations

The perspectives of amalgamations depend largely on the patterns of local politics and relations between civil society and the authorities, which are linked to the general understanding and practices of local autonomy in different municipalities. Vanberg (1997) differentiated between two value patterns of local autonomy or subsidiarity in democratic societies – libertarian and communitarian. These patterns draw on different ideologies of power and authority and the value of decentralisation is interpreted rather differently. First, we would like to further differentiate between the traditional communitarian and modern communitarian – democratic governance – patterns to catch changes in local developments in Northern Europe as a result of amalgamation processes. Second, we expect the widespread existence of a third – guardian or clan – model and practice of local autonomy. Hence, we would like to demonstrate how different patterns of local autonomy are influencing the perspectives of amalgamations.

Within the framework of the *libertarian pattern*, citizens and authorities consider the value of institutional autonomy in instrumental terms: autonomy is a tool for the better (more efficient) satisfaction of the needs of local residents in local public services. The decentralisation of authority is considered to be a tool of dispersion of public authority to make its market powers of supply comparable to or equal with the market powers of demand (control) by citizens. In case the community does not provide services effectively enough, the citizens can 'vote with their legs' (exit) or the inefficient municipality could be annexed by another municipality or by the second tier of self-government. So local government must compete with other communities in attracting taxpayers to increase their revenue base and to achieve economy of scale. This competition does hinder voluntary amalgamations and the compulsory annexations may prevail instead.

In the framework of the pattern of *democratic governance*, it is expected that decentralising authority and getting it as close as possible to the citizens can make it easier for the inhabitants to govern themselves and enable them to develop the social and intellectual capacities necessary for contributing to local government. The strength and efficiency of local institutions depend on the development of the actual capacity through the active participation of inhabitants, *i.e.* strengthening the voice of ordinary citizens, not only elites and not only at regular elections. Parties and party politics also play an important role, but instead of a libertarian pattern of zero-sum party competition, the consensual, deliberative decision style dominates and communities are prone to solve their capacity problems through cooperation between neighbouring communities as well as with higher tiers of government. Amalgamation would be considered to be the institutionalisation of already developed de facto cooperation networks and the re-division of tasks and roles through cooperation.

The guardian (clan) pattern of local autonomy values autonomy *per se* against interventions from above and competition from neighbours. In these communities, the core of the local elite governs and the inhabitants have trusted them with the management of local community affairs. Both the elite and the inhabitants value the established integrity of the community and do not value party competition and political solutions. These hierarchical relations draw on the traditional respect towards elites and on clientele relations in representation. These communities make a very clear differentiation between 'us' and 'them' and try to preserve the traditional community atmosphere. Strong leadership is complemented by the ability of local elites to lobby at the level of central authorities, to 'pork barrel' and, therefore, compete with other communities over centrally distributed resources. Elites in these communities do not tolerate much civil society initiatives that could contest their leadership, but are very active in initiating instrumental reliance on different autonomous actors. Amalgamations in the clan type of institutional patterns are treated as not preferable solution of capacity. If the amalgamation is the compulsory merger, the concentration of the new authority in the new and remote centre would destroy the integrity of the municipality's social space. Here the remoteness of new authorities would double the problems because the mechanisms of delegation to the lower level would be underdeveloped and mistrust in the new authorities could be extremely strong.

## A study of the perspectives of amalgamations in Estonia

Our own recent studies analysed the institutional context and the possible variables of an action environment to the perspectives of amalgamations. The first was the study 'Analysis of capacity of local governments in Lääne and Hiiu counties and development of scenarios for inter-municipal cooperation' (2005-2006, PHARE CBC project). The second was 'The Organizational analysis of centralization of government field offices' (Sootla & Sillaste 2006) and the third – 'Local authorities and citizens participation' (2006-2008), at the Estonian Research Foundation.

### Relations between the government and the civil society

Firstly, we proved in those studies the increasing but still rather weak development and organisation of civil society in Estonian rural communities. Mainly three types of non-governmental organisations (NGOs) are booming (CBC report 2006, Praxis 2009). The first type are NGOs that are developed by the local authorities themselves, primarily because of grant benefits, for the resolution of different management and economic ends that cannot be done via market mechanisms (as foundations), and because of the possibilities to involve external actors and resources, including cooperation with other municipalities. The second types of NGOs are established by professionals in larger towns and cities or regions for the provision of specific professional services. They are often competing for the resources with the local administration and specialists. The third are NGOs that organise hobby and leisure time activities, the grassroots self-organising action groups.

The development of NGOs as pressure or activity groups to influence local authorities and to supplement public service delivery is relatively rare in smaller communities in Estonia. Civil society development is restrained considerably because of the co-existence of very different identities that are inherited from the past (traditional village life values) and that emerged among the new generation after the fast development of a liberal market economy (commodification) and the post-modern social networks and values. The latter identities have a much larger scope, are much more diverse and dynamic. There is vast room for developing the strength and capacity of local communities.

Second, we found that the political profile as well as the institutional context for participation is far from homogenous in the different Estonian municipalities. The majority rule that there must be a council-mayor (and cabinet) pattern of government has been established in 64.4% of the municipalities and there was a two-thirds majority in 36.9% of the municipalities after the 2005 elections in Estonia (Table 6). In smaller communities, this trend is even more pronounced: in as many as 78.6% of municipalities, the majority rule was established.

**Table 6.** Electoral success of the winning party in communities of different sizes at the 2005 elections, %

Per cent of votes for winning party	The size of municipality			Total
	Up to 1500	1501-3000	More than 3000	
49,9 and less	21.4	35.3	52.1	35.5
50 – 65,9	28.6	29.4	24.7	27.6
66 and more	50.0	35.3	23.3	36.9
Total	100	100	100	100

Source: calculations based on the National Electoral Committee website data <http://www.vvk.ee/kovindex.html>

The pattern of conventional pluralist (liberal or governance type) politics that is conducive to active participation and party competition is still developing slowly in Estonia. It faces numerous restraints and controversies that are common for early stages of democratic development: the dispersion of resources, adversarial competition, politicisation of officials, etc. (ETF survey 2008).

Estonian rural municipalities still overwhelmingly function according to the elitist-clan pattern, where an integrated local elite is able to obtain a stable and overwhelming majority at elections. These governments tend to remain in office longer and rely on a more stable and professional body of officials; they tend to be more successful in pork barrel politics and in attracting central government support funds. Participation in these municipalities may be even higher compared to municipalities

with a pluralist political profile, but it is often a 'guided from the top' kind of participation. Local resources in these municipalities are often more accessible to those non-profit organisations that are established by the initiative of, and often chaired by, local elites.

The third pattern found in Estonia is similar to a liberal one, but here the parties – even as branches of national parties – and party competition emerge as a result of the competition of different territorial communities (villages) in the council and the government. Thus, it is actually more similar to the elitist-clan model, where the representation of interests of villages (vs. parties, groups) is also considerably higher than at conventional pluralist pattern of politics. When representatives of one of the village communities obtain a majority at the council, the local authority tends to be biased towards the interests of this area (community), including more support to its civic initiatives and NGOs. Therefore, local policies foster geographical cleavages in the municipality as a whole, but not party political control over the executive. Many of these internal cleavages have their origins in the Soviet or even earlier times, providing a kind of evidence of the survival of corporatist patterns of life. Besides, as a rule this group of municipalities demonstrated lower administrative and strategic decision-making capacity in comparison with the clan and traditional pluralist community policy. Thus, they cannot develop the appropriate steering and control devices in case the services are contracted out to civil society organisations.

### Images and problems of capacity building

Our study (CBC report 2006) focused on the analysis of 193 tasks, which are assigned to Estonian municipalities by Estonian laws. Higher local officials estimated that it is within the capacity of their municipalities to manage these tasks. Overall, from all tasks assigned, local authorities had some capacity problems with 15% and no capacity in case of 2.7%.

But the capacity issue appeared to be much more complicated than the 'yes-no' answers indicated. Firstly, from all tasks assigned 23.8% were defined as irrelevant to the particular community. The majority of them were actually not relevant (appropriate only to towns or rural areas). But often times local communities did not recognise their actual responsibilities in environment protection, public transportation, protecting children's rights, development, etc.

Secondly, the three largest towns in the region with the highest actual resource potential were the most pessimistic about their capacity, whereas the municipalities with very scarce resources and/or those obviously having a clan type of institutional setting were much more optimistic about their capacity. The capacity issues and quality of services were assessed much more optimistically, but less adequately in small rural communities (Boyne 1992). Thus, citizens overestimate the capacity of their communities and will inevitably assess the results of amalgamations more critically.

Thirdly, the capacity gap was mainly linked to the lack of financial resources and considerably less to human resources and professionalism. Very rarely was the capacity gap linked with the managerial tasks or the capacity. The assessment of capacity depends largely on the interpretation of capacity criteria by local leaders.

Our study also revealed that frequently the economy of scale and scope could not be the tool for solving the capacity gap at the local level. The concentration was seen as a legitimate solution of capacity problems only for 25% of the tasks (in case of some acknowledged capacity problems) and for 21% of the tasks (in case of extreme lack of capacity). Respondents were definitively against the concentration of 47% of services in case of some capacity gap and 51% in case of extreme shortage of resources, i.e. the concentration of tasks as the tool for capacity building has a rather limited scope of application in terms of legitimacy.

**Table 7.** The feasibility of concentration by sectors (% of tasks (N= 193) in 15 municipalities)

Favourable possibilities to achieve economy of scale & scope	%	The service must be delivered as close as possible to citizens	%
Transportation	34	Social care and services	51
Communal services	31	Planning	39
Planning activities	31	Education	38
Education	20	Housing	36

Source: CBC report 2006

The local leaders were more optimistic about the possibility to solve the capacity issues through various forms of cooperation.

We also established that possessing sufficient capacity/resources in a certain area does not exclude the possibility of cooperation. But currently the economic mechanism of bilateral cooperation in service provision creates losses for the service provider, usually for the towns. Therefore, the towns are much less interested in the cooperation than their neighbouring municipalities, who are to an extent the free-rider users of their services. In case of the shortage of resources, a considerable part of the tasks were managed through cooperation or were considered to be worth providing through cooperation between municipalities. Nevertheless, cooperation was not seen as the tool for the solution of capacity problems in a considerable proportion of the tasks in which the capacity gap was acknowledged. Evidently the combination of tools (delegation plus cooperation) would better enable to achieve the expected results of capacity building.

**Table 8.** Perspectives of cooperation dependent on capacity of local government units (% of tasks (N= 193) in 15 municipalities)

Availability of resources	Cooperation developed or possible	Cooperation not developed and not possible
Resources available	34.9	35.8
Shortage of resources	42.6	26.0
No resources	35.7	34.5

Source: CBC report 2006

## Preconditions of effective voluntary amalgamations

### Development of civil society through empowerment

We revealed that a part of the tasks of the local government *cannot be concentrated* further on the demand side, because this would result in the reduction of its quality (closeness to service receiver, feedback, etc.). The provision of many of these services – social work for the elderly, children, and family assistance – is already over-concentrated in Estonia because the territory of municipalities is usually rather large.

On the supply side, the development of competitive markets of services in the sparsely populated areas with limited and reducing demand will not be a realistic perspective. The civil society organisations that promote community development ends are still rare and have insufficient capacity to take over considerable service provision tasks (Praxis 2009). Besides that the local authorities do not trust self-organised initiatives and sometimes with good reason. In this context, the amalgamation – except probably in the case of classical annexations – would result in a fast decline in supply and demand feedback of certain services. This would foster a further depopulation of municipal space and produce a circle of decline. Simple amalgamations of rural municipalities, which result in the emergence of a very large municipal territory, could create serious problems, especially in municipalities with *guardian type* institutional patterns, where almost all activities are mediated by the community leadership. The abolition of that kind of a strong centre in the course of a merger would result in a profound decline in the already existing local service and management structures, as well as the emergence of large peripheries.

To break this closed circle, the efforts must be focused on the fast and profound structuring of civil society. The traditional framework of participation and organising citizens, in the sense of involving citizens in the governance, does not ensure the use the participation as a tool for the devolution of services (Jackson 2001, Taylor 2003, see also Dryzek & Holmes 2000). This logic of participation has left the majority of people intact. Community leaders are complaining about the very low interest of inhabitants in the local administration. They remain passive even in the issues directly concerning their interests. If the community leaders focus too narrowly on the development of the third sector organisations, it could even increase the distance between active and ordinary citizens and actually decrease participation (Williams 2004). Besides, the institutionalisation of the existing corporatist networks would support traditional identities, but not the forms of societal integration that might become the basis of modern self-governance activities.

The more feasible development of overall societal capacity in transition societies does not involve the strengthening of the traditional forms of participation, but the development of modern *political capital*: the social capacities and incentives in the self-governance of ordinary and currently incapable citizens. The key process in the development of political capital is *empowerment* as the process of transforming individuals into citizens (Sorensen 1997: 557): 'creating ability of each individual to internalize a holistic perspective on societal governance and to develop their social and intellectual capacities'.

A supplementary empowerment of ordinary citizens is needed to improve access (Taylor 2003, Fung 2003). The highly valuable mode of involvement starts with empowerment and a learning stage that is absent in the well-known Arnstein ladder (Arnstein 1969, Jackson 2001). This could be first the development of sometimes rather simple individual societal skills (expression, reading, communication), orientations (dignity, self-reliance) and psychological capacities (incentives) (Fung 2003). Otherwise the majority of citizens remain inactive and indifferent in community affairs and the resources for the development of civil society soon become exhausted.

As we proved, the existing basic models of local governance do not support this process of 'enhancement of citizenship'. Besides, an excessively narrow focus on service provision efficiency shadows the other strategic dimensions of community capacity building. Local leaders must considerably revise their image of 'capacity' and 'capital' to be able to see the expenditures into human and political capital as higher order investments in comparison to investments into buildings. In transition countries, the preparation for the delegation of service provision to the civil society, as well as organising it, is an obligatory precondition for the successful concentration of authority through amalgamation.

### Perspectives of enhancing the scale of service provision

Our studies also revealed an extensive need for the enhancement of the scale of a considerable number of services. One part of these is the infrastructure (roads, water sewage, refuse collection, etc.) and the investments that are made the responsibility of local authorities in the absence of a county tier of self-government.

The other segment of tasks contains the 'soft' services for special and/or smaller target groups, aimed at increasing their quality of life and/or competitiveness in the community life and the labour market. Improvement in instrumental service provision can also foster the political capital necessary for extended participation. For instance, there is a dire need for special training for the disabled, the supplementary education of youth (professional level of sports, arts, etc.), in-service training for professional staff (teachers, social care employees, etc.).

Furthermore, there are development, management and counsel activities that need much more professional knowledge and consistent development strategies where even central agencies have capacity problems. Also, contracting out complex services or services to big companies may become a specialised task for a highly professional concentrated agency at the regional level. These tasks were not at the forefront in the 1990s, when the main challenge was to satisfy the basic needs of community existence. But currently general capacity building at the local level depends heavily on the ability to implement these 'soft' tasks.

The optimal scale for the implementation of such tasks is *as a rule larger* than the area and capacity even of the new merged communities. Hence, amalgamations cannot overcome the weakness of the municipality level in Estonia. In the absence of a second tier of government, the most frequent ways to increase the scale of service provision have been the different forms of *cooperation*. There are numerous joint organisations or networks of municipalities for the different kind of services without amalgamations. Sometimes their area exceeds the county borders, *i.e.* cooperation needs are wider than the existing jurisdictions.

There are significant regional differences in the development of the joint governing/ service delivery organisations. Numerous joint private law companies of refuse collection and storage, water sewage, public transportation, or NGOs that manage regional sport and youth events, elderly care centres have been established. In some regions, the *Regional Charter* is adopted, in which all actors in the region publicly take the responsibility of managing some regional services.

Two core municipal joint institutions have been established in all the counties: the unions of municipalities (NGOs) and regional development centres. A union of municipalities can take on mainly the coordination, but not the management of services with its tiny administrative staff. The regional development centres have proved more effective in regional capacity building. The absence (Slovakia,

Estonia) or weakness (Latvia, Hungary, Poland) of a second tier of local self-government as well as the reduction of the autonomy of regional government offices has been characteristic to the majority of new EU member states.

In the absence of a second tier of government, the local authorities are forced to cooperate in a bottom-up way and to form quasi-jurisdictions of management and decision-making for the regional services. Instead of building traditional hierarchies, network structures have been developed.

The partnership networks of single-purpose organisations can make the decision-making much slower and controversial, turning the coordination of regional policy into a very complex task (Rodriques Alvares 2007). It is also difficult to predict how such an institutional pattern would influence the mobility of political elites. Nevertheless, this enforced institutional solution might not only supplement the need for amalgamations, but the extension of cooperation may foster or be the preparatory stage of a well justified amalgamation in the future.

## General conclusions

In this article, we analysed the general institutional preconditions and restraints of a successful amalgamation policy on the basis of the case of Estonia, relating it to the more general Central and Eastern European background. After discussing the patterns and models of local governance and amalgamations, it is clear that the sparsely populated countries with already large local government units should be very careful in what exactly is possible to achieve with amalgamations, both in terms of economy of scale and economy of scope.

An even more important issue involves the patterns of governance and especially their relations *vis-à-vis* the citizens and the civil society. On the one hand, the amalgamations of municipalities could be seen as a tool for the development of more balanced and cooperative government-civil society relations that can widen the space of political competition and diminish the particularistic-informal connections in local politics. On the other hand, the specific institutional context of the development of civil society is rather inconducive to the delegation of public tasks to civil society actors.

From this point of view, Estonia is not yet ready for extensive amalgamations, but must pass the stage of civil society capacity building, which is restrained by the dominant political context in municipalities. The existing practice of completely bottom-up amalgamation that is used in Estonia can either reproduce the elitist-clan type of government and/or the lead to the extensive emergence of internal peripheries in new larger municipalities. Different forms of cooperation can soften the instrumental problems of service delivery, but not provide the complete scenario necessary for future development.

Our latest conclusion is that this vicious circle can be opened when the existing practice of municipality amalgamation will be changed. The mediating role of the central government or citizens' peak organisations (for instance employers associations) must become central in the amalgamation process, because they can neutralise the traditional corporatist values of local elites at negotiations and at the formation of a new structural profile of a municipality (Sootla & Kattai 2009).

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