

# **Territorial re-scaling of governance for improved rural and regional development?**

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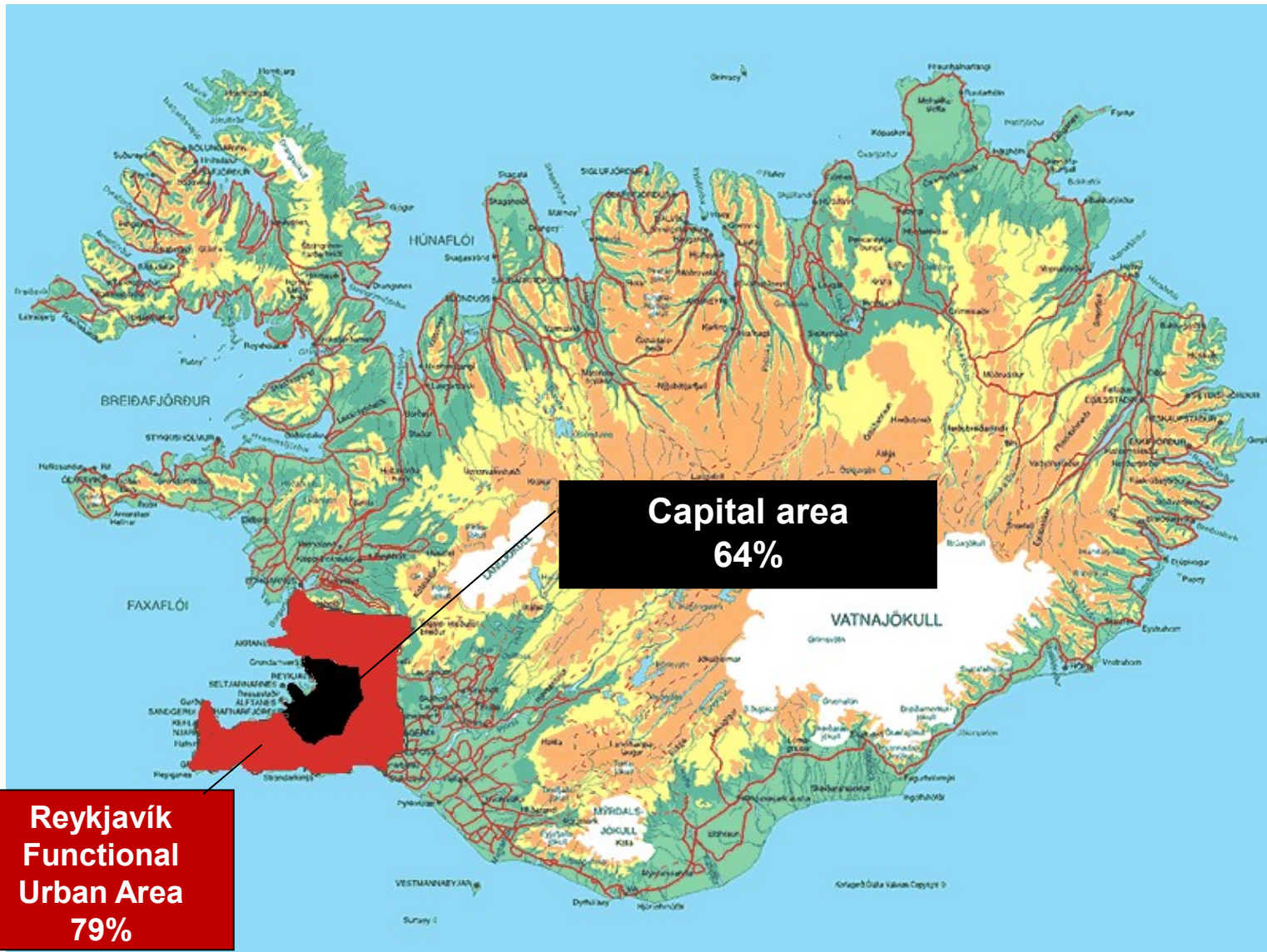
# Structure

- Regional development in Iceland since 1990
- Development of the municipal sector
- Problems of small and remote municipalities
- Capacity to
  - Provide services
    - Voluntary and mandatory
  - To maintain and develop modern times living conditions
    - What do people want?
- Premises for
  - Fjölbreytt economic life
- How to reinforce the municipal level?
  - Amalgamations
    - Results from them
    - European comparison
  - IMC
    - Results from them
    - How extensive?
  - A third level?
    - Pros and cons

# Iceland – some development facts

- Population of 360.000
- Very diverse regions
  - Strong growth around the capital Reykjavík
  - Fishing, fish processing and agriculture historically dominating in other regions
    - These regions have had negative development – in the economy and therefore had shrinking population
- 64 percent live in Reykjavík and neighboring towns. Rest (36%), (129.000), lives along the coast in smaller towns, villages or in the sparsely populated agricultural communities.

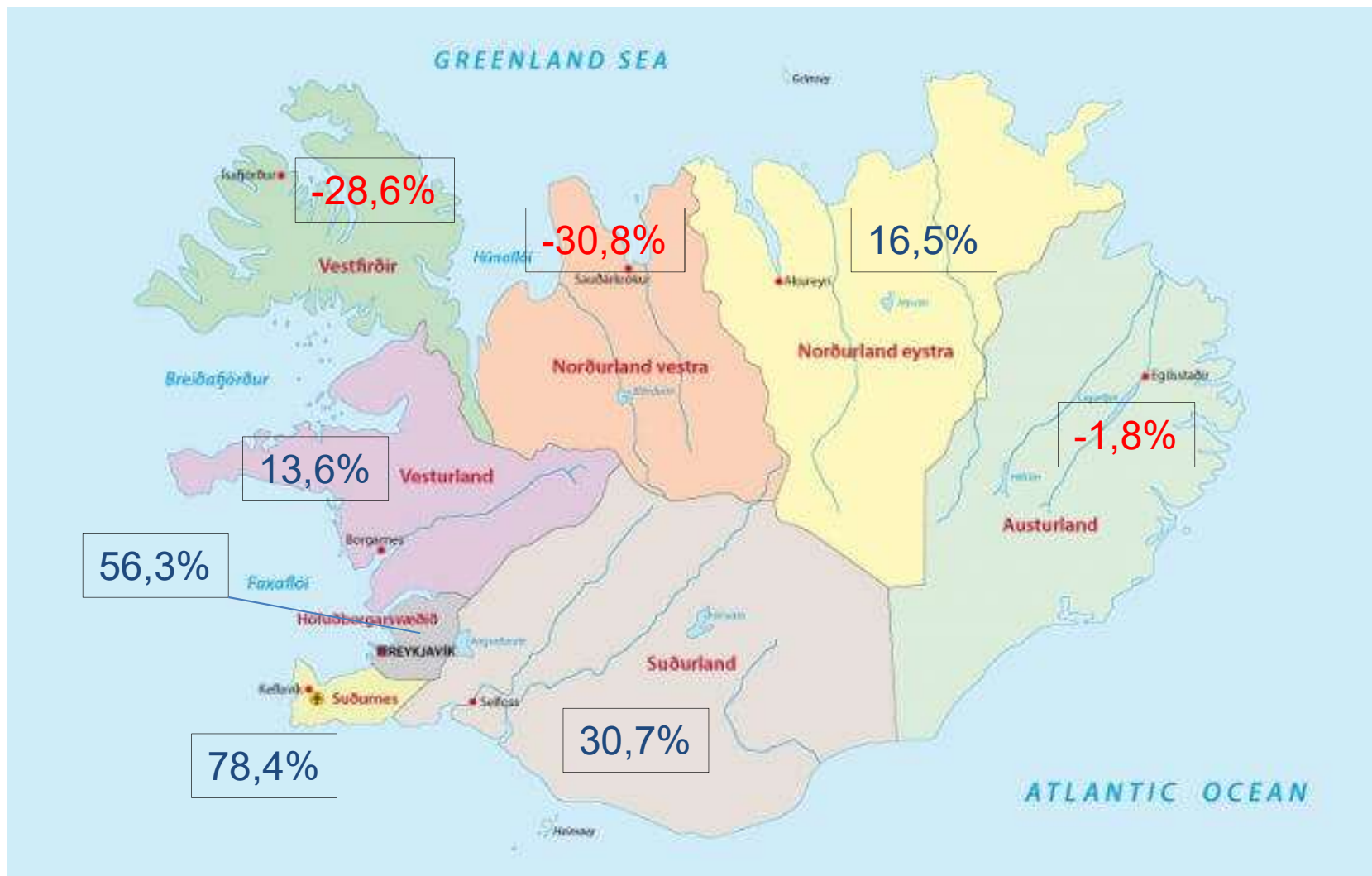
# Concentrated residency



# Regional development in Iceland

- Challenges to rural and regional development in Iceland have been many in the last 30 years or so.
- Capital area around Reykjavík - significant population growth
- A big part of the country has had population decline and problems with economic development.

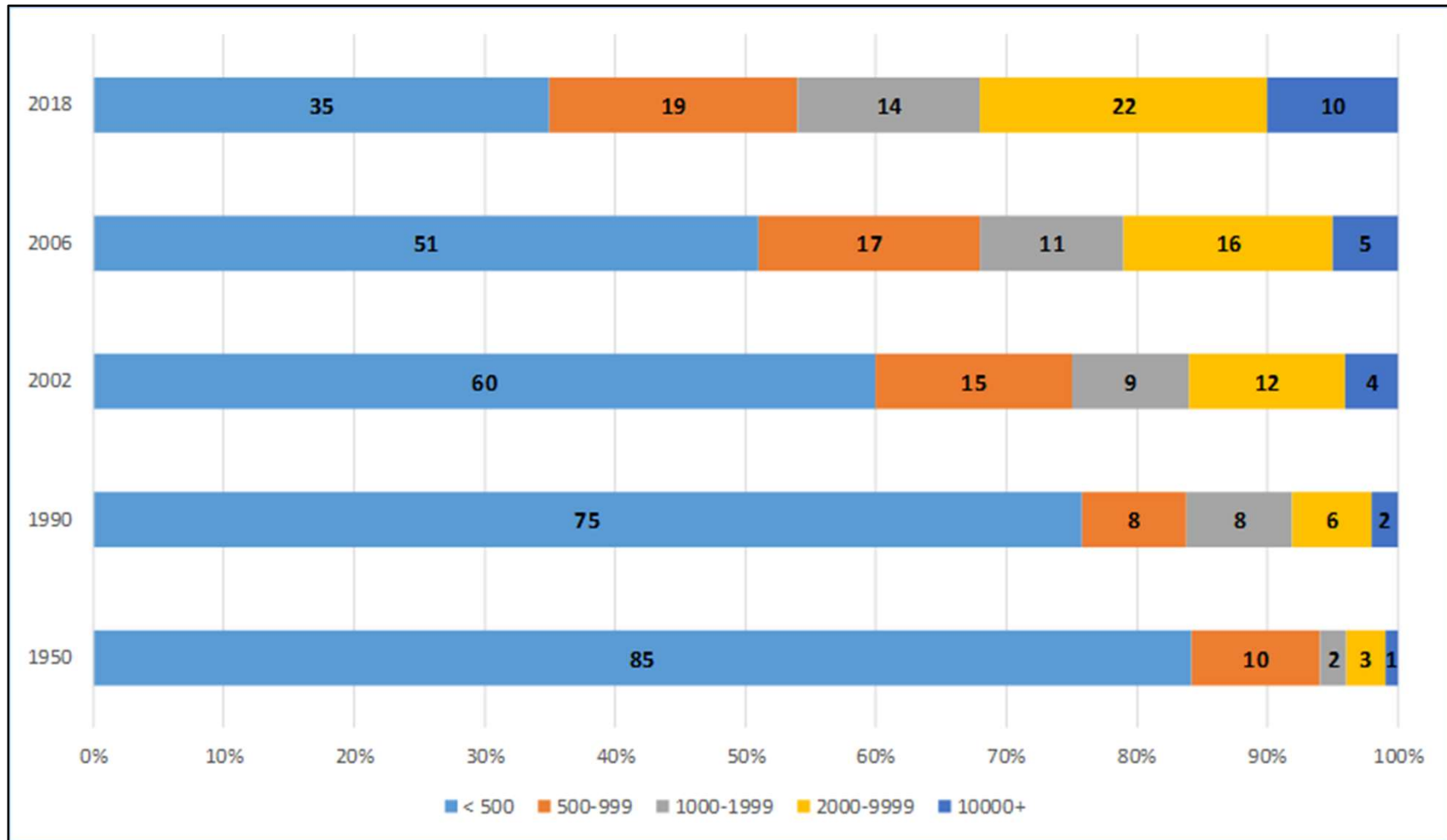
# Population development in Icelandic regions 1990-2019



# The municipal structure as an explanation

- The great fragmentation of the local government system
  - Population of almost 350,000 and 72 municipalities, an average population of 4,900 - median size of an Icelandic municipality is 880.
  - Fragmentation is a fact
- Changes in the last decades...

# Municipalities in Iceland in different size-categories 1950 - 2018





# The municipal sector in Iceland

- Weak municipalities – in Nordic context
- Local level share in public expenditure: 30%
- Anyway....quite comprehensive supply of municipal services, by themselves, in cooperation between them or with the state.
- The biggest tasks:
  - **Primary school, kindergartens and music schools**
  - **Social services**

# The problems of the small and peripheral municipalities

- One sided economic life – fish and agriculture
  - In addition....rationalisation of these industries
  - Low income in agriculture (sheepfarmers)
    - Tourism as help
  - Instabile income in the fishing sector
  - = Depopulation
- The smaller ones get big problems in running and providing services
  - Primary schools
  - Kindergartens
  - More and more demands on modern services
  - More demands on administration – which are difficult for municipalities with few in administration
  - Capacity to create living conditions that live up to 21<sup>st</sup> century standards is limited.

# MUNICIPAL REFORM HISTORY

- Territorial reforms
  - Nationwide referenda (185/196) 1993
    - Reduction by 3
    - Further reduction in following years through initiatives from the municipalities (incitements from
  - Nationwide referenda (66/92) 2005
    - Reduction by 3
  - Reduction was mainly in 1994 - 2002
    - Primarily by initiatives from the municipalities
  - Reduction since 1993 (63%)

# MUNICIPAL REFORM HISTORY

- Functional reforms
  - Transfer of responsibilities from the state
    - Primary school 1996
    - Handicap services 2011
- Inter-municipal cooperation
  - Interest increased after the second amalgamation referendum 2005
  - Transfer of handicap services partly led to compulsory cooperation

# How to solve the problems

- Re-scaling?
  - municipal amalgamations
  - inter-municipal cooperation
- The question is if municipal amalgamations or inter-municipal cooperation have been successful means in this struggle against negative development.

# Why amalgamate?

## Arguments and motives

<u>Motives</u>
Efficiency - Economies of scale
Professional capacity
Service capacity
Capacity for economic development
Capacity to adapt and change
Autonomy with more tasks
Avoid loss of autonomy through cooperation projects

*(Eythórsson 2014)*

# Impact of amalgamations

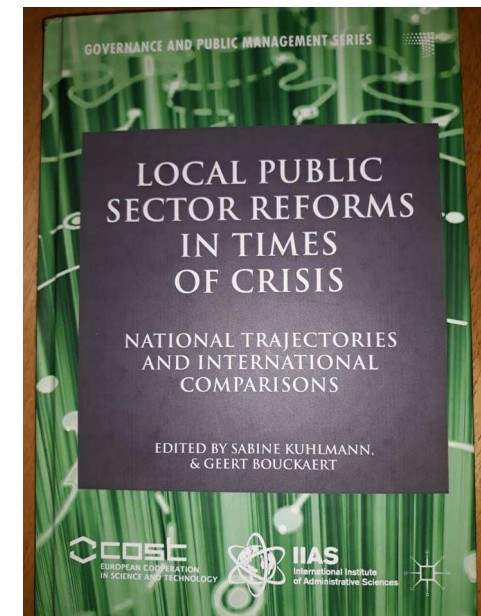
- Eythórsson & Jóhannesson (2002) evaluated the impact of 7 amalgamations by 37 in 1994-1998.
- **Improved services** and often **lower costs**
- The savings went often **to improve and equalize services – and make the living conditions better**
- Karlsson (2015) found that average costs are lowered with amalgamations. (*International Journal of Regional Development Vol 2, No 1 (2015) p. 17-38*)

# Impact of amalgamations

*Steiner, Kaiser, Eypórsson (2016)* in a study on 11 European countries pointed at:

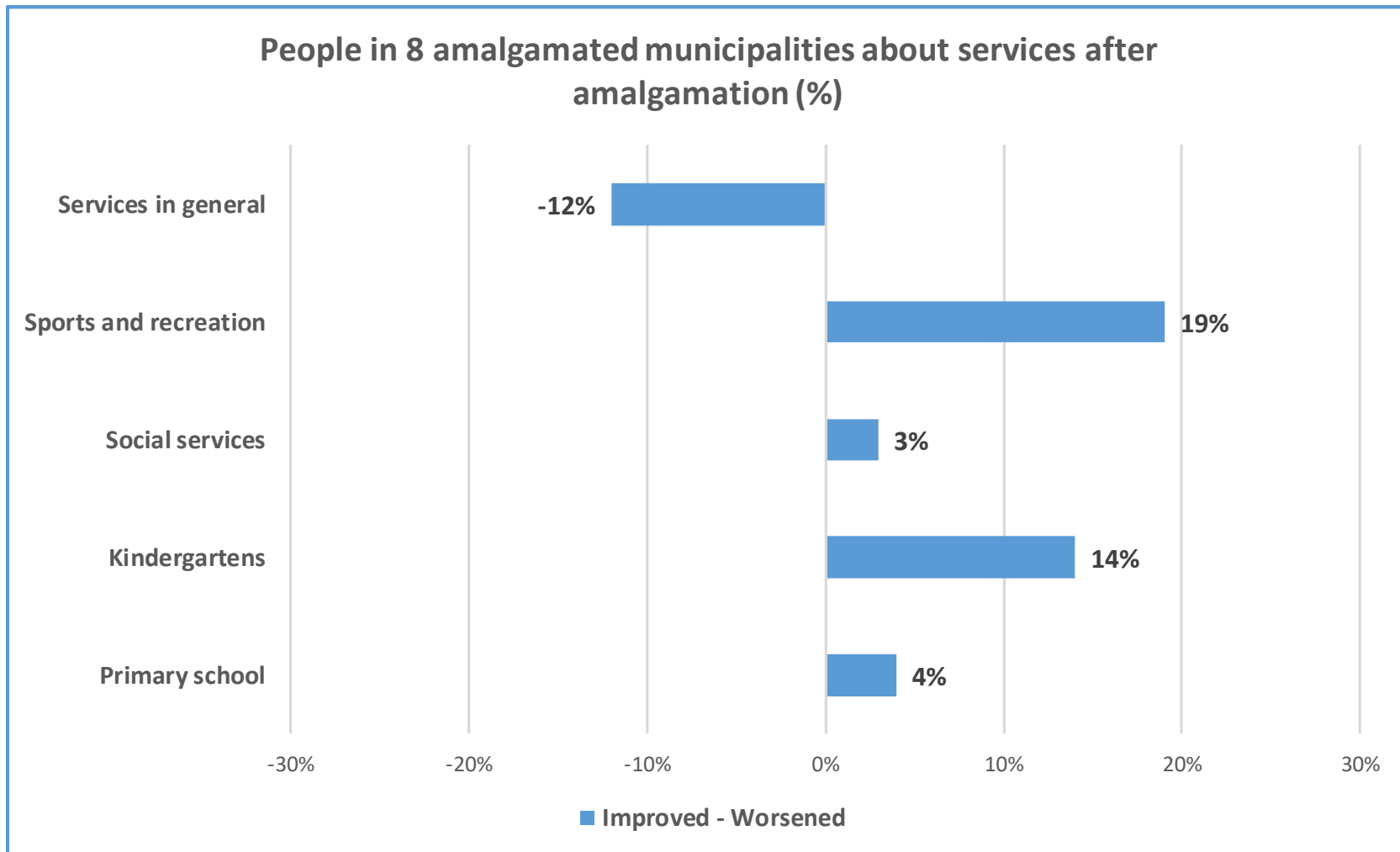
Most important impacts of amalgamations were:

- Improved services
- Lower costs





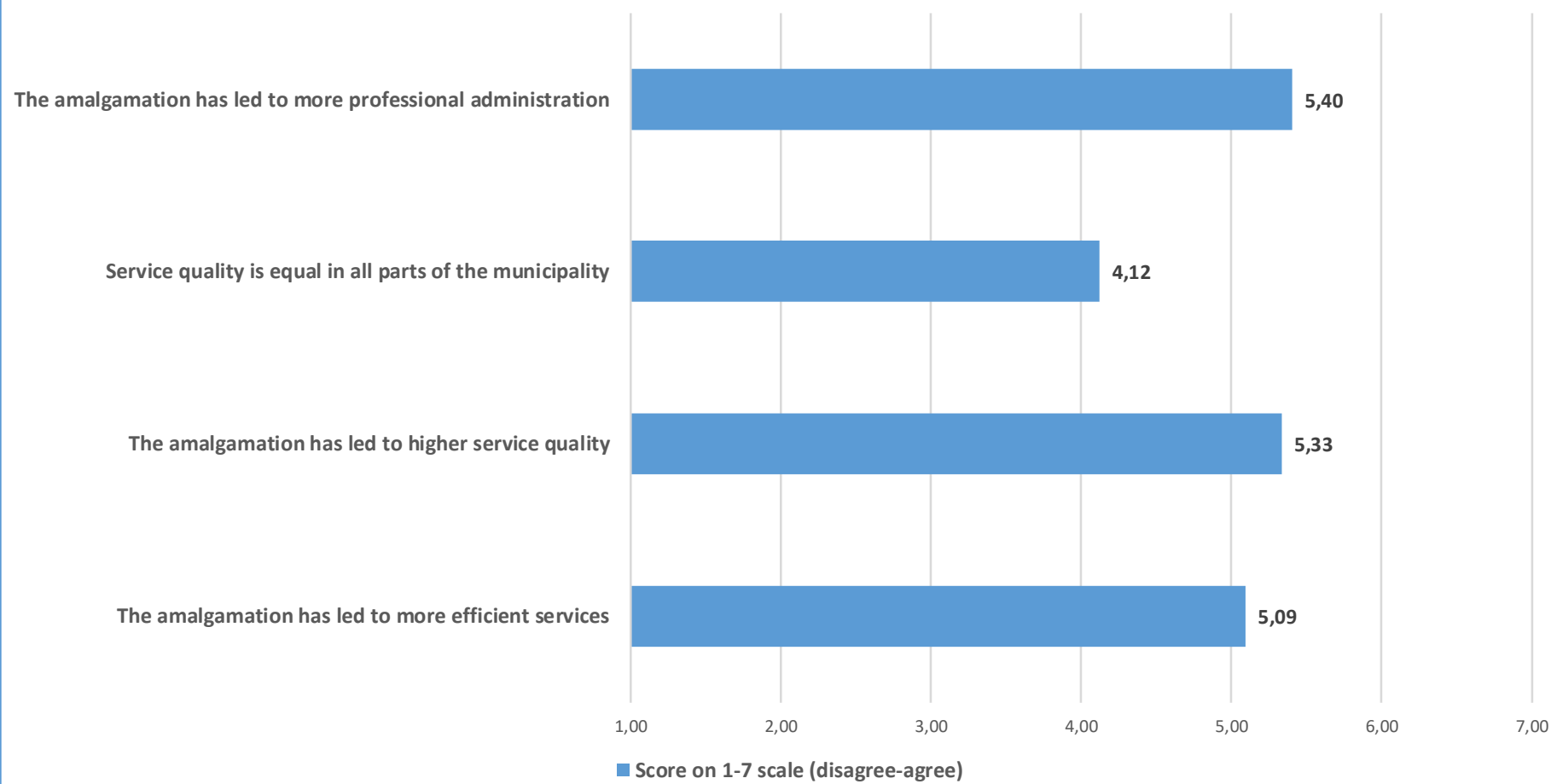
# Citizen surveys on services (2013)



Balance score

# Local leaders survey (2015)

## Local leaders on the impact of the amalgamation in their municipality



# Impact of amalgamations?

- Positive impact on:
  - Service capacity
  - Administrative capacity
  - Economy of scale – lowering costs
  - Efficiency
  - Economic development
  - Living conditions in general

# Inter-municipal cooperation as means to improve?

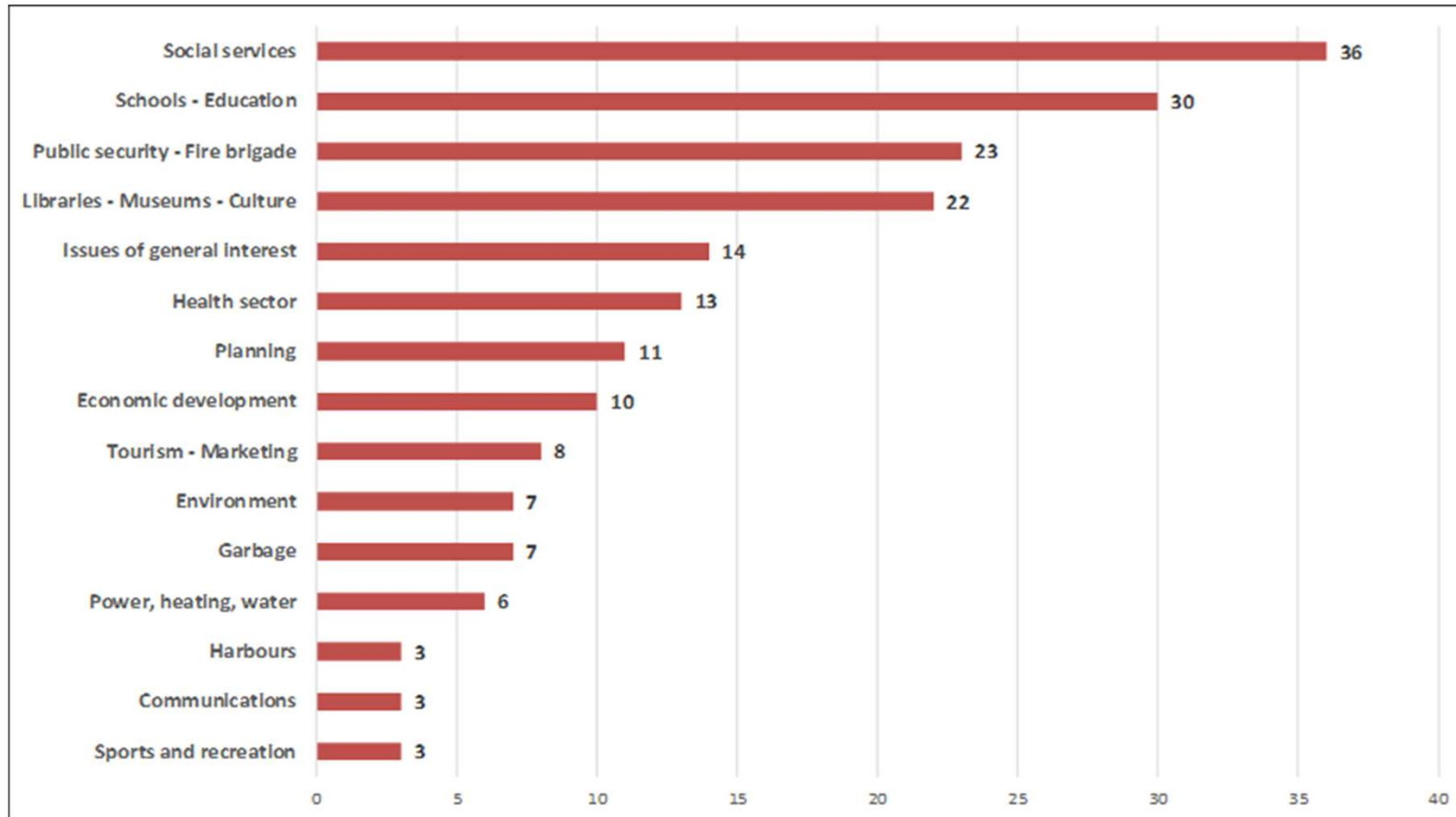
- Often believed to be a solution to problems of capacity, efficiency and costs...without amalgamating
- Solving the problems of smallness without going through a difficult process of merging
- What evidence?

# IMC in Iceland

**Table 1.** Inter-municipal cooperation arrangements in Iceland 2016. Mean frequency of arrangements and range by population size of municipalities.

Population	Mean	Median	Range	N
500 and less	14.3	15.0	5 - 22	26
501-1000	14.0	15.0	8 - 21	15
1001-2500	14.3	14.0	9 - 22	15
2501-10000	11.8	11.0	6 - 21	12
> 10000	10.5	8.5	7 - 17	6
All	13.5	14.0	5 - 22	74

# IMC in Iceland



**Figure 2.** Inter-municipal cooperation in Iceland 2016 by tasks (N).

# Inter-municipal cooperation?

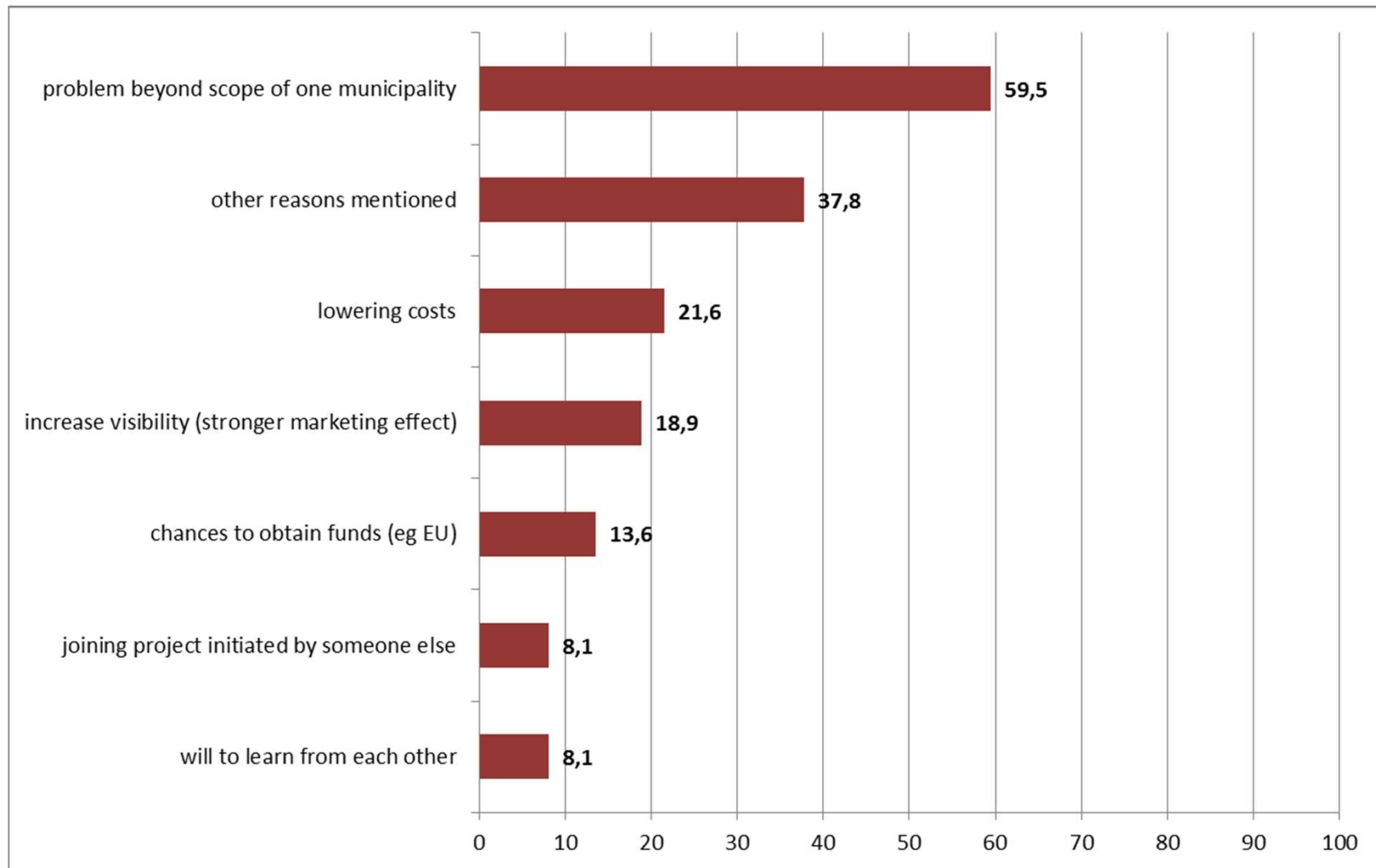
- European research evidence:
  - Strong and widespread consideration behind entering inter-municipal cooperation arrangements:*
  - To gain economy of scale for the municipalities involved.*
- This has also to do with gains in service quality, service capacity and administrative capacity.
- Several studies have pointed these out as strong drivers behind municipalities entering inter-municipal cooperation arrangements
  - Eythórsson 2018, Teles & Swianiewicz 2018, Wiberg and Limani 2015, Jacobsen 2014, Swianiewicz 2011, Baldersheim & Rose 2010, Hulst & van Montfort 2007, Lundtorp & Weber 2001.*

# Inter-municipal cooperation?

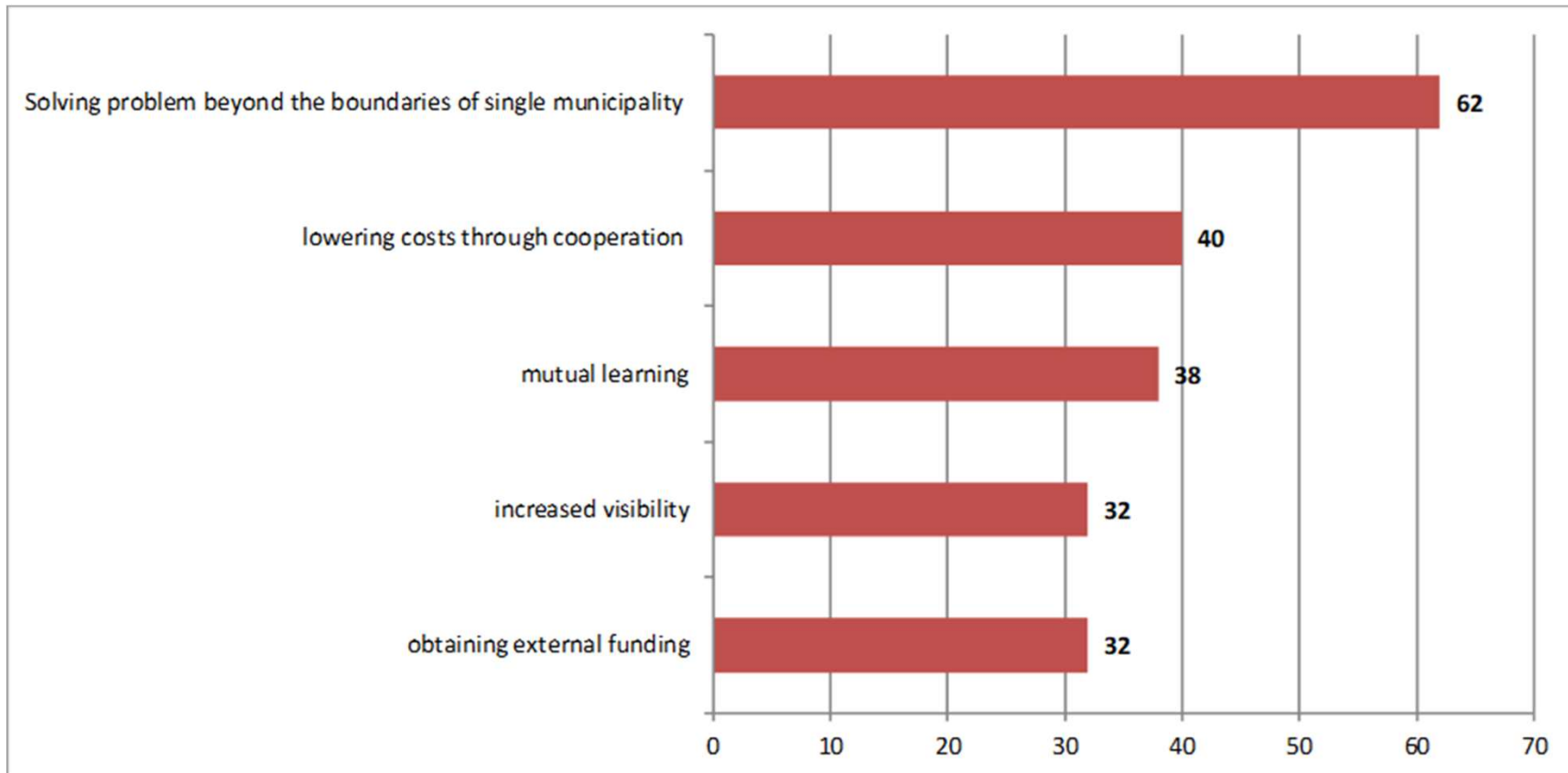
- Survey among directors of 50 IMC entities in 2015
- The biggest and most comprehensive + with information on the web
  - Handicap services, culture, garbage, fire brigade, regional federations of municipalities, regional economic development centres*
- Web-survey 75% response rate



# Reasons behind establishing the Association?



# Perceived effects of the IMC



# Impact of inter-municipal cooperation?

- Positive impact on:
  - Service capacity
  - Administrative capacity
  - Economy of scale – lowering costs
  - Efficiency
  - Economic development
  - Living conditions in general

# Disadvantages of the territorial arrangements

- Amalgamations
  - Centralization
  - Democratic deficits
- Inter-municipal cooperation
  - Unclear political accountability
  - Inefficiency
  - Complications with overview

# Positive impact and regional development?

- Citizen survey on preferences in living conditions (Karlsson & Eythórsson 2009)
- Family related factor strongest of all as most important if one should move to another place:
  - Primary school
  - Kindergartens
  - Good conditions for bringing up children
  - Secondary schools in the area
  - Sports and recreation

# Positive impact and regional development?

- These services are mostly the responsibility of municipalities
- Highly prioritised by people
- Municipality with capacity to provide these services is therefore important for keeping people!
- Conclusion: If amalgamations and IMCs contribute to more service capacity – they are important for regional development