Intermunicipal Cooperation and Regional Governance in Europe: An Institutional Collective Action Framework

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Abstract

Over the past 60 years, European countries dealt with problems of regional governance and institutional collective action in very different ways, both across space and over time. The common theme to this diversity is the debate between supporters of local government mergers to expand the capacity and efficiency in service provision and those favouring local government autonomy and self-determination to protect democracy and responsiveness to citizens. The significant amount of scholarly contributions to this lively debate between amalgamations/mergers and fragmentation contrasts with the scarcity of theoretical attention and empirical assessment of decentralized self-organizing mechanisms for regional governance in Europe. Even though they constitute viable alternatives to consolidation, voluntary solutions to institutional collective action dilemmas have been largely ignored by European scholars.

This paper describes the Institutional Collective Action (ICA) framework and its application to the study of collaborative mechanisms in metropolitan areas by drawing on examples of the tools of regional governance for solving ICA dilemmas in the European context. Collaborative tools are presented as ideal types and classified according to two dimensions: the type of integration mechanism (political authority, contracts or social embeddedness) and the degree of institutional scope (narrow, intermediate or complex). We survey the literature on the use of collaboration mechanisms in Europe and place them in the appropriate cells of this two dimensional matrix. Next, we discuss a set of theoretical propositions rooted in historical, cultural, and institutional differences to explain the variation in the adoption of collaborative mechanisms by Northern vs. Southern as well as Eastern vs. Western European countries. The paper concludes by advancing a research agenda using the ICA framework for the study of decentralized regional governance in Europe.

Keywords: Institutional Collective Action, Intermunicipal cooperation; Decentralized regional governance, Collaborative mechanisms, Intergovernmental relations

JEL Classification: H70, R5

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An Institutional Collective Action (ICA) dilemma is a situation in which two or more municipalities in a region or metropolitan area make individual decisions leading to a collective outcome less valued than the one that would be obtained if they acted together (Feiock 2007, 2013). There are multiple examples of these dilemmas. Two municipalities coordinating to provide solid waste collection services to their residents, the decision to locate a wastewater treatment facility in a metro area or managing a watershed shared by several jurisdictions are just a few illustrations of the kind of collective action dilemmas faced by municipalities.

Over the past 60 years, European countries dealt with problems of regional governance and institutional collective action in very different ways, both across space and over time. The common theme to this diversity is the debate between supporters of local government consolidation to expand the capacity and efficiency in service provision and those favouring local government autonomy and self-determination to protect democracy and responsiveness to citizens. The amount of scholarly contributions to this lively debate contrasts with the scarcity of theoretical attention and empirical assessment of self-organizing solutions for regional governance in Europe. Although viable alternatives to consolidation, voluntary solutions to institutional collective action dilemmas have been largely ignored by European scholars.

This work introduces the Institutional Collective Action (ICA) framework to European audiences. What are the main differences between the context of these phenomena in the U.S. and Europe? What are the characteristics of regional governance in Europe? What factors explain the choice between different mechanisms of cooperation between municipalities in Europe? The ICA is employed to frame policy choices for solving ICA dilemmas by presenting and discussing the transaction costs and collaboration risks associated with the trade-offs between local government amalgamation and decentralized governance solutions.¹

¹ The paper uses the terms "regional governance" and "inter-municipal collaboration" interchangeably to denote all voluntary solutions to collective action dilemmas at supra-municipal level.
The nature of the problems faced by local governments in Europe is essentially the same as in the US. However, the response to institutional collective action dilemmas over the past 60 years has been remarkably different. For example, whereas consolidation in metropolitan areas is a relatively rare event in the US, many Western European countries have successfully engaged in large-scale territorial reforms. Typically, these boundary changes were mandated by the national governments or at least framed by national legislation. In contrast, in Central and Eastern Europe, the large majority of the so-called transitional countries fragmented their local government structures during the 1990s to promote local democracy as a reaction to territorial consolidations imposed under former communist regimes (Swianiewicz, 2010).

As a general rule, the search for increased capacity, economies of scale, and efficiency has led to mergers of local government units, whereas the promotion of democracy, legitimacy, and responsiveness produced smaller units and more fragmented local government systems (Swianiewicz, 2010; Koprí, 2012). However, in consolidation and fragmentation reforms, the debate concerning decentralized voluntary regional governance has been conspicuously absent. Even though voluntary cooperation has been implemented (France and Finland) or suggested (Hungary, Czech Republic, and Slovakia) as an alternative way to implement functional decentralization, self-organizing regional governance is usually regarded as uncommon and problematic. Swianiewicz writes:

“Among the involved actors, trust is necessary for the voluntary cooperation to function effectively (and as we know from social capital literature, trust is a scarce resource in most of Central and Eastern European countries). It is very telling that wherever we find good and plentiful examples of cooperation, they have been supported by a strong set of incentives provided by the national or European policies. The nature of these incentives is such that sometimes it is open to debate as to whether cooperation is still bottom-up and voluntary or rather imposed by external actors. It has been so in France and Finland, the two European cases most often quoted as positive examples of intermunicipal cooperation.” (2010: 14)

The author is primarily referring to intermunicipal cooperation, but the discussion of regional governance in Europe is largely dominated by a top-down perspective. Even when
central governments wish to promote bottom-up, voluntary solutions, they still set up the criteria to be followed in amalgamations and intervene by imposing boundary changes when voluntary solutions fail to deliver.¹

The integration of the debate concerning local government consolidation and fragmentation in Europe with self-organizing regional governance alternatives is still lacking, despite recent efforts addressing this issue (Hulst and van Monfort, 2007; Swianiewicz, 2010). Our work contributes to fill in this gap in the literature by presenting the Institutional Collective Action framework for understanding self-organizing regional governance alternatives and by providing examples of these voluntary solutions for organizing service delivery in the European context.

This paper is organized in five sections. Following this introduction, the first section describes the nature of the problems addressed by the ICA framework. The second section discusses two criteria – the degree of institutional scope and the type of integration mechanism – employed to classify the regional governance instruments to solve ICA dilemmas. Next, we discuss how the nature and degree of transaction costs associated with community characteristics and the collaboration risks derived from the ICA dilemma faced by local authorities influence the choice and adoption of ICA mechanisms. In the fourth section, we apply the ICA framework to Europe by providing examples of the tools of regional governance in the European context. The paper concludes by advancing an ICA research agenda for Europe.

**Regional Governance and Institutional Collective Action**

Some of the factors that help explain the success and failure of territorial reforms in Europe over the past 60 years also contribute to explain the differences in the adoption of self-organizing solutions for collective action dilemmas across European countries. In certain countries or societies it was possible to dilute local boundaries to the point of merger between municipalities and accomplish large-scale territorial changes, whereas in others local boundaries
still represent a strong obstacle to both amalgamations and cooperation. The ICA framework provides a three-fold contribution: 1) to understand the variety of ICA dilemmas in regional governance; 2) the policy instruments adopted to overcome these dilemmas; 3) the consequences of these instruments and their effectiveness in dealing with complex ICA dilemmas.

The Nature of the Problem

Recent work in the European setting highlights the problem of scale as the driver of inter-municipal cooperation (Hulst et al., 2009), but neglects horizontal ICA dilemmas associated with the fragmentation of authority such as the management of common-pool resources, positive and negative externalities, and free-riding in the service delivery of public goods. A horizontal ICA dilemma occurs when the fragmentation of authority at the regional level generates either decisions by independent authorities that affect unconsenting third parties or local governments that are too small to produce services they wish to provide. In the presence of a collective action dilemma, if each local authority pursues its self-interest based on short-term interests, the collective outcome will be inefficient (Feiock, 2007, 2013).

However, there is a trade-off between ceding power to a regional authority to achieve benefits for the community and forego these benefits to avoid losing control over local policy results. In order to overcome the ICA dilemma, local government officials must “consider the expected regional benefits and costs of the policy, the expected local benefits and costs, and how those compare to the likely political costs associated with delegating power to the region.” (Gerber and Gibson, 2009). For example, the transfer of powers and responsibilities for service provision to a metropolitan government, an association of municipalities or an intermunicipal company may produce economies of scale and improve technical efficiency, but it also generates loss of control of that service by the municipalities, at least to some extent.
The ICA is a comprehensive framework that contributes to explain how local governments in fragmented metropolitan settings can address the provision of local public goods, externalities, and common-pool resource issues using decentralized governance solutions. The incentives to voluntary cooperation vary depending on the nature of the problems to be handled, the geographic configuration of local governments, the size of the group involved in the solution, the availability of public entrepreneurs to promote the solution, and the statutory framework for local government cooperation (Feiock and Carr, 2001; Post, 2004; Feiock, 2004, 2007, 2009). One of the challenges in extending the framework to a European context is to account for how different national institutional contexts structure the configuration and the preferences of the actors, the selection of the tasks for collective action, and the arrangements available to solve collective action dilemmas (Andersen and Pierre, 2010; Feiock 2007, 2009; Hulst et al., 2009).

The ICA framework provides a deeper understanding of the choices involved in the pursuit of technical and allocative efficiency. Technical or productive efficiency is achieved either by obtaining the greatest output for a fixed amount of resources or by getting a given amount of output for a minimal amount of inputs. Allocative efficiency increases when more individuals receive the type and level of service they prefer. In Europe, the rational design of regional governance systems in the second half of the 20th century favoured large-scale mergers on the grounds of technical efficiency. Mergers allowed municipalities to lower the cost per unit of output (economies of scale) and the average cost of producing more than one product or service (economies of scope). The significant gains in technical efficiency allowed by mass-scale mergers were seen as decisive in the context of the expansion of the welfare state, fast pace urbanization, and functional decentralization.

However, large-scale mergers sacrifice allocative efficiency because merged governments are less able to adjust service provision to local preferences (Dowding and Feiock, 2012). To overcome this drawback, collaborative arrangements developed in more recent years to accommodate preference diversity at the local level. Their great advantage is that they can be
tailored to each good or service and adapted to each particular context, thereby avoiding irreversible solutions such as fusions/mergers. The ICA framework is a tool that clarifies the trade-offs between technical and allocative efficiency, encompasses the variable geometry of regional governance across Europe, and helps understand the motivations for the choices of alternative governance arrangements.

**The ICA Framework: Integration Mechanisms and Institutional Scope**

The ICA framework conceptualizes regional governance arrangements according to the type of integration of decision-making and the degree of institutional scope. This section presents a taxonomy of governance arrangements to solve collective action dilemmas in horizontally fragmented settings.

The vertical axis on Figure 1 shows the different degrees of institutional scope of the solutions of regional governance to address ICA dilemmas. The institutional scope varies according to the number of local authorities and the number of tasks involved (Shrestha and Feiock, 2009; Feiock, 2013). The cells of the first line include solutions involving only a few local authorities and a narrow policy focus. Informal networks, bilateral contracts, and municipal companies are examples of such instruments. Governance arrangements of broader scope involve a large number of actors and cover multiple policy functions. City-regions, single-purpose municipal associations and intermunicipal companies have intermediate institutional scope, whereas social networks, multi-purpose municipal associations, and regional entities are complex and large institutional scope solutions. When the regional governance instrument adopted has a narrow scope, decision making costs tend to be low; these costs increase substantially as the number of players and the number of tasks involved also increases.

The horizontal axis in figure 1 displays the four mechanisms to integrate decision-making: Network embeddedness, contractual agreements, delegated authority, and imposed authority (Feiock, 2013). The first three types are decentralized governance mechanisms
involving self-organization by local government units in order to overcome horizontal collective action dilemmas. Network embeddedness mechanisms rely on norms of trust, reciprocity, and reputation resulting from long-term interaction between local actors to elicit credible commitments from the institutional actors involved in the exchange. The autonomy of each local government unit is not threatened, since these solutions are informal type and lowered impact on the structure of local units.

**Figure 1: Integration Mechanisms and Transaction Costs**

<table>
<thead>
<tr>
<th>Decision Costs</th>
<th>Embeddedness</th>
<th>Contracts</th>
<th>Delegated Authority</th>
<th>Imposed Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Encompassing Complex Collective</td>
<td>- - -</td>
<td>Autonomy Costs</td>
<td>+ + +</td>
<td></td>
</tr>
<tr>
<td>Intermediate Multilateral</td>
<td>Reduced Transaction Costs</td>
<td></td>
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<tr>
<td>Narrow Single Purpose Bilateral</td>
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Source: Adapted from Feiock (2013)

Contractual agreements represent an increase in formalization for solving ICA dilemmas. Contracts are voluntary in nature and can be adopted in many situations involving externalities as long as the transaction costs involved in designing, negotiating, and enforcing the agreement are kept low (Coase, 1960). Both bilateral and multilateral contracts can include exit provisions to avoid the perception of loss of autonomy by the parties that could prevent an agreement from being reached. Contracts produce savings on start-up costs and do not require the establishment of a system of governance as in the creation of joint organizations (Hulst et al., 2009).

Under delegated authority, the local government units agree to set up a standing organization to which they delegate functional authority to perform certain activities on behalf
of the local governments. This is the most organizationally integrated form of cooperation as it entails the integration of activities formerly carried out individually by municipalities into a new organization (Hulst et al., 2009). The loss of autonomy involved in the delegation of authority depends on the type of property and governance structure adopted by the newly created organization.

Imposed authority is a centralized solution designed by a higher level authority to direct the actions of local units and internalize ICA dilemmas (Feiock, 2013). Municipal mergers and the consolidation of several general-purpose local governments into a single metropolitan area government are examples of centralized mechanisms employed to forcefully solve collective action dilemmas. Unlike the other three types of integration mechanisms, imposed authority is not based on the endogenous development and maintenance of self-organizing institutions, but rather the result of exogenous pressures to adopt consolidated solutions, which ultimately entail the end of the local unit as an autonomous entity.

The ICA Framework: Transaction Costs and Collaboration Risk

The choice of governance mechanisms to overcome ICA dilemmas depends upon the transaction costs faced by local authorities pursuing joint collective outcomes. On one hand, these transaction costs result from community characteristics and institutional settings. These costs include the incentives and/or limits to intergovernmental agreements defined in the constitutional-legal framework and in local level institutions and rules, preference homogeneity within the community and between communities regarding these agreements, and the interaction between different types of intergovernmental solutions adopted by the communities. On the other hand, transaction costs also vary according to the collaboration risks posed by the ICA dilemmas themselves: coordination problems entail information costs, division problems involve bargaining and negotiation costs, and defection risks require enforcement provisions and costs. Local officials decide between alternative mechanisms to overcome ICA dilemmas.
based on the rule that mechanisms with lower decision costs are used to solve ICA dilemmas
with lower transaction costs (Feiock and Scholz, 2010). This section elaborates on the
transaction costs and collaboration risks involved in setting up regional governance solutions to
overcome ICA dilemmas.

Constitutional-Legal Framework

The national legal framework affects the economic and political transaction costs of the
adoption of ICA mechanisms. Collaboration decisions are largely conditioned by upper level
rules that become the constitutional set up within which self-governance is organized and
exercised (Parks and Oakerson, 1989). When interlocal cooperation faces constraints imposed
by national legislation, other solutions, including full-scale mergers, may become more
attractive from a benefit-cost perspective. Hulst and van Monfort (2007) provide evidence that
many European countries, including Finland, Germany, and The Netherlands, resist vertical
intergovernmental agreements to avoid the preemption of self-organizing solutions. In contrast,
legislation that facilitates self-organizing regional governance reduces the transaction costs of
cooperation.

In general, this argument refers to state traditions and culture embedded in the
constitutional-legal framework of a country. Like administrative reforms, territorial reforms are
largely the product of cultural values and state traditions (Loughlin and Peters, 1997; Ross,
1997). Scandinavian countries are frequently described as having decentralized political
organization, consensual policy-making, and organicist state-society relations (Loughlin and
Peters 1997: 46). These features facilitate both processes of territorial mergers and voluntary
solutions to dilemmas of ICA. In contrast, countries in the Napoleonic tradition are
characterized by long standing local government boundaries, where parochial interests dominate
local politics. These countries have witnessed the reproduction of legalistic behaviours
conducive to the reinforcement of existing parochial attitudes and political boundaries in the
long run. In addition, state-society relations are seen as antagonistic, which also does not fuel the persistence of trust relations among actors.

As a result of these state traditions, vertical intergovernmental relations have taken a different path, both a product of history and democracy. In some countries, the absence of democracy facilitated the minimization of the role of local governments by national governments, demonstrated by heavy financial dependency and appointment of local level officials. When democracy was re-established, local autonomy and complete control over municipal boundaries were so fundamental to advocates of decentralization, that any attempts at merging municipalities or even forcing inter-municipal cooperation was seen as politically unfeasible or undesirable. Even in countries where democracy prevailed for a long period, such as France or Italy, similar trends occurred as a result of excessive centralization, because local actors resisted the interference of the central government in local politics and territorial organization.

Finally, the degree of functional and territorial decentralization is shaped by the constitutional-legal tradition of a country and operationalized through policies and administrative practices. Because task decentralization varies according to the constitutional-legal traditions of different countries in Europe, the choice of mechanisms for regional governance also reflects the variations in the constitutional-legal framework. For example, inter-municipal cooperation in Scandinavian countries is focused on solving complex problems (wicked problems) and improving the legitimacy of redistributive policies adopted and implemented by the municipalities. In contrast, the Southern Europe cluster is mainly focused on infrastructure and public utilities (Bel et al, 2013; Haveri et al., 2009; Citroni et al, 2013). Thus, the choice of instruments for intermunicipal collaboration reflects the functional responsibilities and powers assigned to local governments by the constitutional-legal framework.
Proposition 1: The constitutional-legal framework influences the choice of regional governance instruments to face institutional collective action dilemmas.

Local Institutions and Preferences

Local government preferences for cooperation are not homogeneous. They vary according to a country’s history, culture, and traditions in which they are embedded. Countries where local governments display weak horizontal ties expressed in local autonomy, local networks, and the involvement of civil society organizations will be able to adopt more complex self-organizing governance mechanisms (Granovetter, 1983; Hall et al., 2009). Interlocal cooperation is compromised when local government actors are embedded in networks characterized by close-knit relationships because they will be unable to mobilize effectively for collective action across multiple municipal boundaries. The result will be a fragmented local government system in which ICA is much more difficult to accomplish. The greater and more diversified connectivity allowed by weak ties improves the ability of local governments to solve collective action dilemmas using horizontal networks, thereby reducing their dependence on upper level governments to do so (Crenson, 1978; Granovetter, 1983; Shami, 2012).

The internal organization of communities in Southern Europe is largely based on social ties that have persisted well into the 20th century. The prevalence of hierarchical networks of various kinds has precluded the rise of both state authority and interlocal cooperation. Several examples fit this pattern, including patron-client relations (caciquismo) in Portugal and the mafia (Cosa nostra) in Italy. These strong ties created closely-knit communities but were the least effective ways to accomplish large-scale mobilization for collective action, because the clients had limited, if any, exit options out of the hierarchical network (Shami, 2012).

In contrast, communities where business-professional ties are pervasive should be better able to overcome ICA dilemmas through self-organizing mechanisms, because these weak ties operate as bridges between communities (Breiger and Pattison cited by Granovetter, 1983).
Scandinavian countries reunite pre-conditions for many weak ties to bridge across municipalities. Shared values, decentralized political organization, consensual policy-making, and organicist state-society relations influence both large-scale territorial reforms and interlocal cooperation and make this context much more prone to achieve ICA than countries with other state traditions.

Proposition 2: Local political institutions characterized by weak ties lead to the adoption of regional governance instruments of all types.

Proposition 3: Local political institutions characterized by strong ties lead to the adoption of regional governance instruments based on formalization.

Community Homogeneity

Local elected officials are involved in principal-agent relationships, since they represent their citizens in the decision to participate in self-organizing mechanisms for regional governance. Their efforts to overcome collective action problems may be dampened by the heterogeneity of the preferences and goals of local constituencies (Feiock, 2007). Homogeneity within each jurisdiction reduces the transaction costs involved in the design, negotiation, and implementation of cooperative agreements with other municipalities, essentially because the number of internal veto-players with diverging preferences is minimized (Tsebelis, 2002). Agency costs increase significantly whenever officials face internal pressures such as administrative resistance, interest group opposition, and racial diversity (Feiock, Steinacker, and Park, 2009). In contrast, homogeneity within municipalities lessens agency costs for local officials to aggregate diverse preferences among residents (Kwon, Feiock, and Bae, 2012).

Proposition 4: Homogeneity of preferences within the community facilitates the adoption of regional governance instruments.
Preference Homogeneity between Communities

The ICA framework stresses that heterogeneity between neighbouring municipalities associated with social, demographic, racial, and income inequalities diminishes the likelihood of successful collaboration (Feiock, 2007). The larger these differences, the less likely it is that two communities will engage in cooperation. As an example, large differences in median income erect significant barriers to cooperation, because the benefits of cooperation will appear less appealing for the wealthier community. The financial status of prospective partners has an analogous effect.

In contrast, homogeneity decreases the transaction costs of intergovernmental agreements by emphasizing common interests and preferences among local governments. Theory predicts that cooperation will be achieved if local governments are racially and economically homogeneous, because this eschews the idea that community self-interest and preferences might be hurt as a result of collaboration (Feiock, 2007; Post, 2004). The same reasoning applies to demographic features. Two small neighbouring communities with similar population size and density will find it in their best interest to cooperate, not only because they are more likely to share personal, professional, and recreational activities (Post, 2004), but also because they will be able to take advantage of scale economies. Demographic homogeneity also contributes to minimize political and economic power asymmetries between jurisdictions, thereby facilitating the distribution of gains derived from cooperation (Feiock, 2007). Empirical work in the Orlando Metropolitan Area confirms this homophily hypothesis finding that similar jurisdictions in geographic location and economic status tend to establish informal networks for economic development (Lee, Feiock, and Lee, 2012).

Furthermore, cultural models of interlocal relations have stressed the role of similar political cultures in establishing dynamic patterns of cooperation. James Visser (2002) argues that shared cultural manifestations conveyed by community values, leadership capabilities and styles, the political benefits of appearing to be cooperative, and the protection of local decision-
making autonomy and control can influence the decision to cooperate in local settings. Both in the U.S. and Europe, regional governments are perceived as threats to local autonomy, and efforts to establish formal commitments at the regional or metropolitan level are frequently faced with strong opposition (Basolo, 2003; Laamanen and Haveri, 2003; Norris, 2001). In contrast, Paul Kantor (2006) finds that for income homogeneous areas in The Netherlands – Randstad Holland and Amsterdam Metro – cooperation can hardly be regarded as successful, and local fragmentation is the rule. This suggests that some of the factors usually associated with successful cooperation are country specific.

**Proposition 5: Homogeneity of preferences between communities facilitates the adoption of regional governance instruments.**

**Interaction between Mechanisms**

Regional governance solutions to ICA dilemmas are not adopted in isolation, independent from one another. Pre-existing integration mechanisms and institutional scope associated with one arrangement can influence the adoption and success of new arrangements. For example, multilateral contractual agreements can reinforce prior informal ties between collaborating municipalities. Network embeddedness breeds trust and credible commitments that reduce the transaction costs and increase the efficiency involved in the design, negotiation, and enforcement of a formal agreement (Thurner, 2010; Kwon, Feiock, and Bae, 2012). Using a sample of Georgia cities, Shrestha and Feiock (2011) find that above average transaction costs decrease cooperation, but relational embeddedness mitigates transaction risks and significantly increases interlocal cooperation. Similarly, successful bilateral contracts for service delivery can be transformed into a network of regional multilateral agreements for the same service. Conversely, the level of activity of a regional level organization influences the likelihood of collaborative exchanges between their members (Feiock, 2013).
Another obvious source of interaction between regional governance mechanisms is derived from a possible crowding out or substitution effect caused by solutions imposed by central authorities (Brooks, 2000; Lubell et al., 2002; Kwon et al., 2012). Centralized solutions may substitute self-organizing governance, particularly when the constitutional-legal framework and the historic and cultural settings are adverse to voluntary collaboration efforts by local authorities. This argument suggests that the understanding of collective action dilemmas requires an integrated analysis of the role and possible trade-offs between centralized and decentralized governance alternatives.

*Proposition 6: The interaction between regional governance instruments generates substitution effects and/or multiplier effects in the adoption of new instruments.*

**Collaboration Risks**

Transaction costs theory can be extremely helpful to predict the types of collaboration mechanisms that will be adopted to address service delivery diversity resulting from functional decentralization. According to this literature, goods and services vary according to the degree of asset specificity and the level of service measurability (Williamson, 1981, 1996; Brown and Potoski, 2003, 2005; Carr et al., 2009). Asset specificity is associated with specific investments and specialized skills that are difficult to redeploy to alternative uses in the production of public services. Service measurability refers to how difficult it is to evaluate service quantities and qualities and monitor agent performance.

Hiring highly specific assets and monitoring highly complex services increases the transaction costs of the exchange and collaboration risks. These are compounded by the increase in the number of actors involved in the transaction. We argue that ICA dilemmas with these

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2 The investment in recycling collection equipment is difficult to redeploy to a use different than the one initially intended.
characteristics can be addressed using collaboration mechanisms which are based on different forms of integration of decision-making. Asset specificity may require a high degree of formalization in order to integrate decision-making under a single authority, either imposed or delegated. In contrast, complex activities and/or intangible assets are less amenable to formalization and regional governance mechanisms requiring social embeddedness are probably the best way to address ICA dilemmas involving services with these characteristics.

Evidence of past empirical literature suggests frequent formal contracting with other public organizations, in order to avoid the potential for opportunistic behavior by private sector companies (Lamothe, Lamothe, and Feiock, 2008; Feiock and Jang, 2009). Presumably, this is due to fundamental differences in terms of values and congruence of objectives between the public, private, and nonprofit sectors. Efficiencies associated with contracting with private companies are limited by the potential opportunistic behavior on the part of for-profit companies, especially in the case of labor-intensive services (Ferris and Graddy, 1986; Lamothe, Lamothe, and Feiock, 2008; Feiock and Jang, 2009). Incentives for opportunism are less prevalent in the public and nonprofit sectors, where resources are reinvested in organizational activities or revert to organizational budgets. So when outsourcing is considered for reasons of efficiency, the use of partnerships with other public or third sector actors is more likely.

Based on these arguments, we see that collaboration risks are transaction costs specifically associated with the type of ICA dilemma. Dilemmas entailing higher collaboration risks are less likely to generate successful regional governance agreements. Collaboration risks are higher for ICA dilemmas involving conflicts over goals not only because actors need to agree on the division of benefits and costs but also because of potential defection from the agreement. ICA dilemmas involve less collaboration risks if the actors share a common set of goals and the problem is simply one of coordination on how to reach those goals.
Coordination problems arise when local governments find it in their best interest to act together, but fail to do so due to information asymmetries. There is agreement over the goals, but the lack of information is an obstacle to coordination. If there is a problem of insufficient information in accomplishing interjurisdictional activities, the solution is obvious: provide more information. Central actors in regional networks contribute to information dissemination in the network that can facilitate coordination in joint activities and reduce information asymmetry problems. Information access and frequent communication should be the major concern in defining who is involved, the appropriate roles of the actors, and when and how particular activities should be undertaken (Feiock and Scholz, 2010).

Division problems occur when local government officials agree on general goals, but not on the allocation of benefits and costs. For example, Hatley’s (2010) case analysis of an effort by five suburban communities in the Detroit metropolitan area to create a single multijurisdictional fire and emergency medical services authority to replace their individual fire departments illustrates how individual goals of costs savings may increase transaction costs to the point that the effort to share services is abandoned. City administrators expected to reap long-run savings from the fire authority, but most elected officials expected short-run cost savings. This example illustrates how the definition of who receives what benefits and who bears what costs may involve extensive negotiations and complicates the process of reaching an agreement over the adoption of an ICA mechanism (Heckathorn and Maser, 1987). Information reliability is crucial to assess contributions from individual participants and facilitate the allocation of benefits and costs in the regional governance agreement.

Defection problems derive from the potential opportunistic behaviour by rational actors to defect on contract provisions. Enforcement costs increase as each party has to monitor compliance by other parties and all parties involved can either fulfil or renege on the agreement. As the incentives for defection increase, so do the enforcement costs incurred to prevent it (Heckathorn and Maser, 1987). The standard argument suggests that in order to avoid defection, more formal, integrative and encompassing mechanisms are required. However, Feiock (2013)
argues that credible commitments between contracting parties can still be reached in informal settings as highly embedded collaboration networks reduce collaboration risk.

*Proposition 7: The characteristics of goods and services and the profile of the ICA dilemma generate different patterns of collaboration risk that influence the choice of the regional governance instruments to be adopted.*

**Mechanism Choice based on Transaction Costs and Collaboration Risk**

The previous subsections discuss how the nature and degree of transaction costs associated with community characteristics and the collaboration risks derived from the ICA dilemma faced by local authorities influence the choice and adoption of ICA mechanisms. The decision rule takes into account the expected net benefits derived from the adoption of an ICA mechanism and the degree of risk of failing to achieve joint action. In more detail,

“The net benefits reflect the difference between the transaction costs of adopting and continuing to participate in a particular mechanism and the expected gains as determined by its effectiveness in mitigating the dilemma for participants. Costs capture the current value of all current and future transaction costs, and the gain represents the current value of all benefits provided by membership in the mechanism. Risk in the underlying ICA reflects the risks of not being able to coordinate on a course of action (incoordination); not being able to agree to a division of costs despite agreeing on the action (division); or risk that once action is agreed upon others may renege or free ride (defection) (Feiock, 2013: 408).

Next, we compare two mechanisms with different features. Mechanism A is characterized by a narrow institutional scope and a type of integration based on network embeddedness (lower left cell on figure 1). In contrast, mechanism B is a more encompassing and complex solution, based on formal integration, either through a contractual agreement or delegated authority (upper level cells on figure 1).

Figure 2 displays a graphical explanation of the choice process. The horizontal axis displays the level of risk associated with the collaboration decision for solving a particular ICA.
dilemma. The vertical axis shows the expected gains net of transaction costs in solving the dilemma. The scale is standardized in order to allow for comparisons across dilemmas. The net gains are divided by the current value of the highest attainable gain from the resolution of the dilemma. The gains represent the efficiency of the mechanism in terms of the proportion of the optimal resolution that is achievable for a given level of risk (Feiock, 2013: 409).

**Figure 2: Mechanism Choice and Collaboration Risk**

Mechanism A involves low transaction costs and produces large net gains in addressing ICA dilemmas with low degree of risk, such as a problem of coordination between two neighboring jurisdictions. For ICA dilemmas entailing increased collaboration risks, this mechanism becomes inefficient. In order to deal with the additional risk, further provisions have to be added that will significantly increase transaction costs. Mechanism B is much more costly to design and seems inappropriate for situations involving a low degree of collaboration risk. Instead, this mechanism brings added value for situations involving a higher level of risk, such
as situations where division problems and defection are more likely. Finally, for situations involving a high degree of collaboration risk, neither mechanism will be adopted as the transaction costs involved in setting up the agreement exceed the expected gains from collaboration. Under these circumstances, no self-organizing voluntary solution is likely to emerge and the collective action problem will either remain unaddressed or hierarchically imposed solution will prevail.

ICA Mechanisms: An Application to Regional Governance in Europe

The previous section provided a detailed explanation of the Institutional Collective Action framework as a tool to understand the nature of ICA dilemmas faced by local authorities and the transaction costs associated with the choice of the regional governance mechanisms to overcome these dilemmas. Now we employ the ICA framework to the European setting by reviewing empirical work that contributes to the study and practice of regional governance. The goal is to identify examples of mechanisms for integrating ICA dilemmas and place them in the context of the ICA framework.

Mechanisms for Integrating ICA Problems: Network Embeddedness

Theories of social embeddedness suggest that intergovernmental relationships are embedded in larger social, political, and economic structures (Granovetter, 1985; Feiock, 2013). The geographical immobility and proximity between local government units creates opportunities for the establishment of dense tightly-clustered network relationships that promote social capital, breed trust and reciprocity, and minimize opportunism (Gulati, 1995; Berardo and Scholz, 2010). The presence of these elements in regional contexts explains the development of successful self-organizing solutions to collective action dilemmas. Social embeddedness helps to mitigate opportunism because long-term interaction builds reputation among potential partners and prevents untrustworthy behaviour.
Prior studies have shown that the difficulty in establishing ties of trust and cooperation among strangers is prevalent in specific parts of Europe. This suggests different attitudes towards self-organizing solutions, because, in order to engage in collective action, individuals need to share meanings and a common identity. Banfield (1958) proposed the term amoral familism to describe the difficulty of southern Italians to trust and cooperate with individuals outside one’s immediate family. Putnam’s argument that democratic innovations tend to occur where there is a strong tradition of civic participation (Putnam 1993; Ross 1997), underlines the fact that sharing common culture and political traits is fundamental to accomplish collective action goals. Putnam’s idea can also be extended to argue that voluntary solutions are highly dependent upon the willingness of individuals and officials in neighbouring jurisdictions to trust each other and cooperate, sacrificing autonomy and learning to live and share a new, wider territory. The main obstacle to collective action comes in the form of shared meanings that occur among people who also have a common name and identity which signals distinctions between the group and outsiders (Ross 1997: 45). Hence, the propensity towards voluntary solutions for collective action varies according to the views of others in neighbouring communities and to how wide this gap is.

The nature of the civil society can be decisive in reaching self-organizing solutions. This places a special emphasis upon the territorial community as a “space for social interaction within which politics has its place” (Keating 1997: 37). The rational form of territorial identity suggested by Putnam (1993) combines individual and collective forms of rationality and contributes to explain the decision to cooperate as more than the sum of costs and benefits accruing to individuals and groups (Keating 1997: 38). Civic identity is a key factor for successful cooperation, since it allows communities to overcome sectary views of group membership and barriers to collective action to promote collective goals, future investments, and delayed gratification. In the absence of formal and informal institutions linking the aforementioned forms of rationality, failure in voluntary solutions is the inevitable outcome, because the individual form of rationality will prevail over collective action.
In the European context, informal cooperation and trust are less relevant and most cooperation is organized through explicit rules defined in formal agreements. Formalization does not imply lower autonomy levels, because rules can specify exit conditions (Bel and Warner 2013), but it does entail a different emphasis in the choice of governance mechanisms. Social embeddedness is still crucial in formal institutions and successful cooperation to overcome collective action dilemmas, but purely informal collaboration based in trust and reciprocity is rare. Even in the rare situations where formal contracting is absent, we can find written protocols, joint statements, and the like, to indicate the parties’ commitment to collaboration. Haveri et al. (2009) report the formation of informal collaborating groups and working groups with deliberative goals in municipalities in Finland and Norway.

Oakerson’s argument is that polycentrism favors more open governance structures because it provides a set of opportunities for interaction between governmental and non-governmental actors that is able to generate benefits for the region as a whole (Oakerson, 2004). The greater this “civic space”, the more likely it is that regions are able to generate decentralized governance solutions and diverse self-organizing mechanisms. This expectation suggests that fragmented metropolitan areas have better conditions for the appearance of multiplex service networks and other self-organizing systems based on social embeddedness.

City-regions in The Netherlands are voluntary networks constituted for the purpose of regional governance in several policy domains, including urban planning, transportation, economic development, and social and cultural policies. Initially, this type of collaboration took advantage of a favourable legal framework defined by the national government formally assigning task responsibilities and financial incentives to regional governance initiatives. Even though this legal framework is no longer in place and the national government now sees regional collaboration as a needless governmental layer, municipalities maintain collaboration agreements in these less institutionalized, more informal, governance structures. ICA dilemmas in the Dutch context motivate municipalities to accept their interdependence and to foster negotiation and trust as key drivers of their joint efforts (Metze and Levelt, 2012). Similarly, the
city-region of Jyväskylä (Finland) is well-known for the collaborative relations established between municipalities as a result of ‘the network city’ discourse developed by elected officials and municipal managers since the mid-1990s. The creation and development of this vision for the city-region produced a network of public and private organizations working together, sharing principles and values, fully committed to growth-oriented development and the provision of welfare services (Haveri et al., 2009). Social welfare networks in Portugal involve up to 100 partners in all sectors and all levels of government. They primarily address poverty, social exclusion, homelessness, among other social welfare issues. Lisbon’s social welfare network involves 331 partner organizations, including the municipal government, subcity governments (parishes), other public sector organizations, nonprofit organizations, nongovernmental organizations (NGOs), private foundations, among many others (http://www.redesocial-lisboa.pt/). Participation in these networks is voluntary and they can be seen as multiplex, self-organizing systems or working groups. Social embeddedness seems to be the norm as participants do not back out of the network in spite of the absence of formal or hierarchical controls. Norms of reciprocity, trust, and reputation are the glue that binds participants to the network as most organizations are interconnected through collaboration protocols rather than legal contracts.

Mechanisms for Integrating ICA Problems: Contracts

Contracts link local government units through formal voluntary agreements for solving collective action dilemmas. Contracts can be bilateral, multilateral or defined by statute. One of the major distinctive features of contracts is that they contemplate exit provisions that are usually less demanding than more formal mechanisms for solving ICA dilemmas, such as those involving delegated or imposed authority. However, unlike credible commitments resulting from social embeddedness, contracts stipulate legal obligations for the signing parties.
In the US, Councils of Governments (COG) are regional organizations set up to promote collective and multi-policy goals among local actors. COGs share information, promote economic development, and manage regional transportation policy. Structure and responsibilities are defined by statute and based on a framework provided by federal and state laws (Lindstrom, 1998).

In Europe, there are several examples of associations of municipalities that resemble American COGs. They are voluntary in nature, but formalized by agreements that comply with the legislative framework adopted by federal, national, and/or regional governments. In general, any local government can join an association of municipalities, but usually prior ties and contiguity are required. The agreements also set up entry and exit requirements. Typically, these associations are narrow in scope providing services within a single policy area, including water supply, solid waste systems, and economic development, among many others.

The communautés in France are single-purpose organizations run by representatives of the local executives and have the power to tax (West, 2007). French municipalities remain functionally weak and small, in large part due to the cumul de mandats that allows the council elected mayors to hold influential posts in national politics (Swianiewicz, 2010). Given this scenario, inter-local contracts are crucial for the delivery of public services and to cope with operational and policy co-ordination problems (Wollmann, 2004b). Loi 99-586, July 12, 1999, also known as Loi Chevènement introduced a simplified framework for intermunicipal cooperation with three types of communautés: communautés de communes (rural communes), communautés d’agglomération (above 50,000 residents), and communautés urbaines (minimum of 450,000 residents). Recent legislation replaced the communautés urbaines by the métropole (minimum of 500,000 residents) and introduced direct universal suffrage for communautés above 3,500 residents starting in 2014 (only 10% of the total number of communautés) (Loi 2010-1563, December 16; see also Wollmann, 2010). The practice of cooperation for over half a century led to its institutionalization. The French example highlights how informal norms of cooperation have become imprinted in France’s local government DNA and eventually support
other, more formal mechanisms of cooperation. Under this scenario, the degree of openness to amalgamations is minimal.

Municipal associations in Italy are temporary partnerships for joint delivery of front- and back-office services (Fedele and Moini, 2007). They are formal partnership agreements that require much less political commitment than alternative forms, such as mergers. Municipal associations were partly responsible for the reduction in the number of other second-level intermunicipal entities covering small communes (consortia, associations, and districts). Other forms of intermunicipal cooperation include municipal social and subsidized housing institutions, municipal nursing homes, and municipal companies for tourism development (Citroni et al., 2013: 216).

Municipal associations in Portugal are not allowed to levy taxes and their ability to incur public debt is relevant for the total limits imposed upon local governments by national legislation. Debt limits include both debt contracted by each local government and by the associations to which it belongs. As debt incurred at the association level reduces the amount that can be undertaken at the government level, elected officials are faced with a dilemma. Participation may produce cost savings, freeing more resources to be invested at the local level; however, investing in collaboration also means that fewer resources will be available to promote local economic development. The dynamics of these associations is really diverse. Some are extremely active, but narrow in focus, dealing with a single policy issue, while others exist only on paper and are inactive in terms of service delivery (Tavares, 2010).

In Switzerland, intermunicipal cooperation is common among all types of municipalities, but more frequent in small, weakly performing municipalities (Steiner, 2003). More interesting, the author reports that joint activity in volunteer associations plays a key role in the establishment of intermunicipal cooperation and municipal mergers. Here, social interaction breeds norms of trust and reciprocity among individuals from different communities that is later used as the glue that helps reinforce and solidify formal arrangements between communities.
In sum, interlocal agreements in Europe take the form of municipal associations with diverse institutional scopes. These voluntary associations are primarily created for service delivery purposes and local signatories are bound by the joint agreement as well as the legal framework established by upper level governments. Much less is known regarding bilateral contracts between local authorities, justifying a closer scrutiny of these arrangements by European scholars.

*Mechanisms for Integrating ICA Problems: Delegated Authority*

Delegated authority mechanisms are also formal in nature, but emerge as solutions from local actors’ willingness to delegate power to an authority or district that acts independently (Feiock, 2013). In the US, the most common example of delegated authority is the formation of special districts as independent, limited-purpose governments to provide services to areas larger than a single local government. Typically, special districts are run by an elected or appointed board independent of the parent government(s) that created it (Foster, 1997). They are also fiscally and financially autonomous having the power to tax, collect fees, or issue debt.

In Europe, typical special districts do not have the power to tax and resemble American public authorities, a particular form of special district that has independent corporate status and derives revenues from fees, charges, and borrowing (Gulick, 1947; Frant, 1996, 1997; Horn, 1995). This is the case of municipal corporations in Italy (Cambini et al., 2011; Grossi and Reichard, 2008), Sweden (Monti and Amna, 2000), Germany (Grossi and Reichard, 2008), and Portugal (Cruz and Marques, 2011; Tavares and Camões, 2007; 2010). Municipal corporations are run by an executive board appointed by their parent government, because the local authority is the majoritarian, sometimes even the only, shareholder.²

Municipal corporations provide services in a single policy area and for a single local government.³ However, intermunicipal corporations are also a common format, when several local governments delegate service delivery responsibilities to jointly owned firms. Again, these
arrangements have independent corporate status and the majority or entirety of shares is retained by the parent local governments. They are proposed by the municipal executives and approved by all deliberative bodies of all municipalities involved (Rodrigues et al., 2012). There are several examples of these types of arrangements in Europe, including Norway (Sørensen, 2008), Italy (Citroni et al., 2013), and Portugal (Tavares and Camões, 2007; Rodrigues et al., 2012). The Italian case is particularly unique in that the proportion of municipalities involved in intermunicipal corporations is much larger than the proportion involved in intermunicipal associations, and the companies are widespread across almost all sectors of activity (environmental services, water and sanitation, energy supply, transportation, education, research and development, and advisory and promotional services being the most common) (Citroni, 2013). Intermunicipal corporations in Portugal are financed by the constituting municipal governments to deal with a single or a few policies. Solid waste, recycling, and environmental management is the most frequent policy issue. These contracts involve the delegation of authority from the municipal association to the intermunicipal company or to a private company that is outsourced to do the actual solid waste collection.4

Regional authorities are the most complex form of governance mechanism involving delegated authority. They are broad in both functional and geographic scope and entail a significant loss of authority by the government units that propose their creation. Unlike special districts or public authorities, these are general purpose governments established at the regional or metropolitan level. In the US, regional planning transportation agencies attempting to coordinate land-use and transportation planning in multicounty regions are examples of these collaborative institutions.

The creation of regional authorities is relatively rare in Europe. Independent Regional Waterboards in The Netherlands date back to the 13th century and were set up to manage the water that was being retained to prevent flooding and serve for agricultural purposes. Local bodies were initially created to accomplish these goals, but later delegated their authority to these regional governments (De Boer and Bressers, 2011). The Waterboards are “democratic
institutions governed according to the interest-taxation representation principle in which groups paying for their ‘services’ are represented and have to work together in the board. (…) In 1955 there were 2480 Waterboards spread across the country, though through amalgamation actions they have been reduced to a total of 25.” (De Boer and Bressers, 2011: 16).

_Mechanisms for Integrating ICA Problems: Imposed Authority_

During the post-war years, functional responsibilities assumed by many European national governments increased substantially, largely motivated by a faith in the miracles of professional planning, effective co-ordination, and large bureaucracies. In face of this work overload, many national governments were faced with a structural obstacle of transferring service provision responsibilities to local authorities. Many municipalities and communes had been involved in a minimal number service functions, covered small geographical areas, and were characterized by part-time local officials and staff. The increase in the number of local government functions due to both the welfare state growth and rising urbanization pressures led to a set of territorial reforms by rational planning and design (Wollmann, 2004a). The assumption was that larger size produces economies of scale by reducing the costs of service provision (Kjellberg 1988; Wollmann, 2000) and improves the ability to provide a large number of services through more professional planning staff, full-time committed politicians, and a larger pool of financial resources (Bennett, 1989; Boyne, 1996). Austria, Germany, the Netherlands, Belgium, Finland, Denmark, Sweden, and Great Britain experienced sharp increases in the number of services provided to their citizens at the local level and, some of them, particularly the Scandinavian countries, have engaged in radical decentralization in their commitment to the welfare state (Premfors, 1998).

The pace and timing of urbanization created several new demands on local infrastructure, particularly in terms of water supply, sewage and garbage disposal, road maintenance, mass
public transportation, housing, and urban-rural clashes. Municipalities in many countries were simply too small to cope with these mounting pressures and horizontal fragmentation became a liability and an obstacle to overcoming spillover effects across territorial boundary lines (Plunkett, 1973; Brans, 1992). This was especially true for spatially indivisible services (public libraries, health care units, pollution control programs, etc.), since fragmentation generates positive externalities and leads to the underprovision of these types of services due to free-riding incentives (Boyne 1992). Each municipality expects their neighbour(s) to invest in these services, but none of them wishes to bear the full costs of these decisions.

Welfare state and urbanization pressures varied across space and over time and they were met with different cultural and institutional responses, largely constrained by tremendous path dependencies. This explanation strongly points to the role of political and cultural values in territorial reforms, arguing that amalgamations are compatible with some political systems and traditions but not with others. In the case of territorial reforms substantive correlations among cultural traits can reflect diffusion and borrowing rather than functional association (Ross 1997: 62). The territorial reforms described in this section also show that territorial fragmentation in Europe is often regarded as a problem and consolidation as a first-order solution (Swianiewicz, 2010).

Faced with excessive fragmentation, most European countries adopted consolidation of municipalities as a solution. Table 1 shows the territorial reforms in Western Europe over a period of 57 years (1950-2007). The absolute differences in the number of municipalities (fourth column) indicate huge changes. There were countries that reduced their number of municipalities by about two thousand or more in this time span (Belgium, France, Germany, and Sweden). The next column shows the percentage change in the number of municipalities. Some countries changed – in fact, reduced the number of local governments – by more than 60% (Belgium, Denmark, Germany, Sweden, and United Kingdom). Other countries remained largely unchanged (Greece, Portugal) with the countetrend case of Italy that increased slightly.
These territorial reforms are an example of imposed centralized authority to solve horizontal collective action dilemmas. Although the amalgamation processes varied from country to country, there are a few common traits (Swianiewicz, 2010: 20): 1) A set of criteria defined by the national government (municipal size being the most common); 2) Reorganization proposals by local governments; 3) Top-down imposed decisions when bottom-up proposals failed to comply with criteria; 4) Diverse tools of participation provided to citizens (local referenda, public consultations, and open public debate), with either dismal results or with the outcomes being ignored by the national authorities.

Table 1 – Amalgamations in Europe (1950-2007)

<table>
<thead>
<tr>
<th>Country</th>
<th># 1950</th>
<th># 2007</th>
<th>Δ #</th>
<th>Δ %</th>
<th>Total Area (km2)</th>
<th>Mean 1950 (km2)</th>
<th>Mean 2007 (km2)</th>
<th>Mean Population (2007)</th>
</tr>
</thead>
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<tr>
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<td>3999</td>
<td>2358</td>
<td>-1641</td>
<td>-41.04</td>
<td>83,857</td>
<td>20.97</td>
<td>35.56</td>
<td>3560</td>
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<td>2669</td>
<td>589</td>
<td>-2080</td>
<td>-77.93</td>
<td>30,528</td>
<td>11.44</td>
<td>51.20</td>
<td>17898</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>1389</td>
<td>264</td>
<td>-1125</td>
<td>-80.99</td>
<td>110,994</td>
<td>79.91</td>
<td>420.43</td>
<td>27896</td>
</tr>
<tr>
<td>Czech Rep.</td>
<td>11459</td>
<td>6244</td>
<td>-5215</td>
<td>-45.51</td>
<td>78,866</td>
<td>6.88</td>
<td>12.63</td>
<td>1641</td>
</tr>
<tr>
<td>Denmark</td>
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<td>98</td>
<td>-1289</td>
<td>-92.93</td>
<td>43,093</td>
<td>31.07</td>
<td>439.72</td>
<td>55582</td>
</tr>
<tr>
<td>Finland</td>
<td>547</td>
<td>416</td>
<td>-131</td>
<td>-23.95</td>
<td>338,145</td>
<td>618.18</td>
<td>812.85</td>
<td>12685</td>
</tr>
<tr>
<td>France</td>
<td>38814</td>
<td>36783</td>
<td>-2031</td>
<td>-5.23</td>
<td>551,602</td>
<td>14.21</td>
<td>15.00</td>
<td>1636</td>
</tr>
<tr>
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<td>12340</td>
<td>-11932</td>
<td>-49.16</td>
<td>248,709</td>
<td>10.25</td>
<td>20.15</td>
<td>6681</td>
</tr>
<tr>
<td>Greece c</td>
<td>5959</td>
<td>1033</td>
<td>-4926</td>
<td>-82.66</td>
<td>131,957</td>
<td>22.14</td>
<td>127.74</td>
<td>10443</td>
</tr>
<tr>
<td>Hungary</td>
<td>3032</td>
<td>3152</td>
<td>+120</td>
<td>+3.96</td>
<td>93,030</td>
<td>30.68</td>
<td>29.51</td>
<td>3153</td>
</tr>
<tr>
<td>Iceland a</td>
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<td>124</td>
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<td>-45.85</td>
<td>102,950</td>
<td>449.56</td>
<td>830.24</td>
<td>2577</td>
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<tr>
<td>Italy</td>
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<td>8101</td>
<td>320</td>
<td>4.11</td>
<td>301,277</td>
<td>38.72</td>
<td>37.19</td>
<td>7035</td>
</tr>
<tr>
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<td>87</td>
<td>60</td>
<td>-27</td>
<td>-31.03</td>
<td>65,200</td>
<td>749.43</td>
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<td>Luxemburg</td>
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<td>20.52</td>
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<td>41,864</td>
<td>41.25</td>
<td>103.88</td>
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<tr>
<td>Norway</td>
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<td>431</td>
<td>-313</td>
<td>-42.07</td>
<td>386,963</td>
<td>520.11</td>
<td>897.83</td>
<td>10861</td>
</tr>
<tr>
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<td>+0.02</td>
<td>92,072</td>
<td>303.87</td>
<td>298.94</td>
<td>35491</td>
</tr>
<tr>
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<td>3427</td>
<td>3029</td>
<td>-398</td>
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<td>14.31</td>
<td>16.19</td>
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<tr>
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<td>371</td>
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<td>-43.40</td>
<td>20,273</td>
<td>54.64</td>
<td>96.54</td>
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</tr>
<tr>
<td>Spain</td>
<td>9214</td>
<td>8111</td>
<td>-1103</td>
<td>-11.97</td>
<td>504,782</td>
<td>54.78</td>
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<tr>
<td>Sweden</td>
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<td>-1991</td>
<td>-87.29</td>
<td>449,964</td>
<td>197.27</td>
<td>1551.6</td>
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<tr>
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<td>+413.54</td>
<td>783,562</td>
<td>1247.71</td>
<td>242.96</td>
<td>16560</td>
</tr>
</tbody>
</table>

Source: Council of Europe (1995); Council of Europe (2008)

a 75 since January 1, 2013
b Shire Districts
c 325 since January 1, 2011
Despite the large number of reforms promoting the amalgamation of local governments in Europe, not all countries were affected by this movement. Countries characterized by pragmatic political alliances, consensual political culture, common law, and historically fluid municipal boundaries became a fertile ground for the expansion and dramatic reshaping of local boundaries. Local government boundaries changed not only because they were not able to survive a changing environment, but also because institutionalized democratic rules contain the appropriate incentives to experiment or take the risk of deviating from past behaviour and reveal a new equilibrium (Greif and Laitin, 2004).

Furthermore, consensual political culture favours participation and vertical intergovernmental relations characterized by cooperation across levels of government, fluid functional responsibilities, and extensive networking between actors. Cooperative and picket fence federalism have been used to describe this sharing of functional responsibilities (Wright 1988), but the concept of multi-level governance is more encompassing and accurate in depicting the actual system of intergovernmental relations. Actors operating within this institutional setting are less likely to offer resistance to territorial consolidation because change constitutes a part of the way the system works. Scandinavian countries are frequently described as having decentralized political organization, consensual policy-making, and organicist state-society relations (Loughlin and Peters, 1997: 46). These features facilitated the process of redrawing boundaries, since they assure more openness to institutional change by national and local actors. Decentralization reforms promoted the delegation of functions from the national to the regional and local levels and resulted in the widespread adoption of municipal mergers. The complex nature of the collective action dilemmas faced by local authorities justified the adoption of an ICA mechanism (amalgamations) involving high transaction costs, but more appropriate to the high degree of collaboration risk faced by local units.

In contrast, countries in the Napoleonic tradition remained heavily centralized and resisted the decentralization of the responsibility for the delivery of goods and services to subnational levels of governments. Characterized by long standing local government
boundaries, where parochial interests dominate local politics, these countries witnessed the reproduction of legalistic behaviours conducive to the reinforcement of existing parochial attitudes and political boundaries. In addition, state-society relations are seen as antagonistic, which also does not fuel trust relations among actors. In this tradition, vertical intergovernmental relations assumed a different pattern, both a product of history and democracy. In some countries, the absence of democracy facilitated the minimization of the role of local governments by national governments, demonstrated by heavy financial dependency and appointment of local level officials. When democracy was re-established, local autonomy and complete control over municipal boundaries were so fundamental for advocates of decentralization, that any attempt at amalgamation was seen as politically unfeasible or undesirable. Even in some countries where democracy prevailed for a longer period, such as France, similar trends occurred as a result of excessive centralization, because local actors resist central government encroachment in local level organization and policy.

The absence of massive territorial reforms in France, Switzerland, Italy, Portugal, and, to a certain extent, Spain suggests that other alternative mechanisms have been in use over the past few decades to address horizontal collective action dilemmas. Intermunicipal cooperation and privatization of local services are frequently mentioned as alternate responses to territorial amalgamations in France (Hertzog, 2010) and Spain (Bel, Fageda, and Mur, 2013), but for a long period after World War II, the existence of centralized authority and the prevalence of local autonomy crowded out voluntary self-organizing mechanisms. More recently, there are examples of mechanisms entailing imposed authority for integrating ICA dilemmas that avoid full-fledged mergers, but involve hierarchically based solutions. In Spain and France, upper levels of government provide financial and technical support for services involving shared competencies by all levels of governments. The consorcios (Spain) and the syndicats mixtes (France) are vertical cooperation arrangements set up to address the provision of services in a single policy area (water management or public transportation, for example) (Bel and Warner, 2013; Hulst et al., 2009). In Portugal, Metropolitan Transportation Authorities (MTA) are
regional bodies responsible for the coordination of planning, transportation, and mass transit decisions across multiple local governments. Although fairly broad in functional scope, MTAs are not voluntary in nature and their creation by the national parliament results in an effective loss of authority by the municipalities that comprise the metropolitan areas of Lisbon and Porto. The majority of members in their general council and executive board are appointed by the national government and only a minority is appointed by the executive board (Junta) of the Metropolitan Area Government. The absence of significant decentralization movements in these countries also explains the lack of consideration given to municipal mergers as a solution to ICA dilemmas. Because the nature of the ICA problems was much less complex, most dilemmas were addressed using less cumbersome mechanisms, both less formalized in nature and narrow in scope.

**An ICA Research Agenda for Europe**

The Institutional Collective Action framework provides an approach to understand the variable geometry of regional governance in Europe. The preference for formal and hierarchical solutions is a dominant feature in the European setting that still puzzles American scholars seeking to comprehend the choice of governance arrangements to address specific ICA dilemmas. In this paper we suggest that the variation in the constitutional-legal framework, local institutions and preferences, homophily within and between communities, and the interaction between possible governance mechanisms affects the transaction costs faced by local authorities attempting to establish collaborative agreements. While some of these factors are common to the US and European settings, institutional diversity resulting from historical, cultural, and constitutional-legal factors explains most of the variation across countries in Europe.

The diversity in governance mechanisms is strongly emphasized in the last section of the paper and synthesized in Table 2. This Table includes examples drawn from the empirical literature on collaborative regional governance in Europe that fit the basic classification criteria.
defined by the ICA framework: the type of integration mechanism (horizontal axis) and the
degree of institutional scope (vertical axis). These governance arrangements are employed in
different countries across Europe to improve coordination between local authorities seeking to
accomplish common goals and provide solutions to conflicts between jurisdictions over
negative externalities.

Table 2: Mechanisms for Integrating ICA dilemmas in Europe

<table>
<thead>
<tr>
<th>Encompassing Complex Collective</th>
<th>Social Welfare Networks</th>
<th>Multi-Purpose Municipal Associations</th>
<th>Independent Regional Waterboards</th>
<th>Municipal Mergers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intermediate Multilateral</td>
<td>City-regions/Network cities</td>
<td>Single-Purpose Municipal Associations</td>
<td>Intermunicipal Corporations</td>
<td>Metropolitan Transportation Authorities</td>
</tr>
<tr>
<td>Narrow Single Issue Bilateral</td>
<td>Working Groups</td>
<td>Bilateral Contracts</td>
<td>Municipal Corporations</td>
<td>Consorcios and Syndicats Mixtes</td>
</tr>
<tr>
<td>Embeddedness</td>
<td>Contracts</td>
<td>Delegated Authority</td>
<td>Imposed Authority</td>
<td></td>
</tr>
</tbody>
</table>

The main goal of this paper was to develop a strong theoretical understanding of the
factors affecting the choice of different governance mechanisms for mitigating a plethora of
ICA dilemmas. The next step is to develop a research agenda along two distinct albeit
complementary empirical paths. The first goal should be to convert the propositions suggested
in the previous sections into testable hypotheses regarding the factors contributing to the
adoption of specific ICA instruments. This includes empirically assessing the delicate balance
between the persistence of inefficient collective outcomes due to inaction, the loss of some
autonomy due to the adoption of voluntary mechanisms or abdicating it completely in favour of
a hierarchically imposed solution. Empirical research based on testing hypotheses derived from
the ICA propositions begins to take its first steps in Europe and the first study of its kind,
specifically dealing with cooperation in local administration services (human resources,
accounting and finance departments), was conducted in the Land of Hessen in Germany
The aim is to develop comparative studies in several European countries in order to contribute to the consolidation of ICA as a theoretical framework beyond what was initially developed in the American context.

The second path should focus on the actual performance outcomes and how incentives, third-party enforcement, and social capital and network embeddedness can improve the performance of these mechanisms to mitigate ICA dilemmas.

References


2 Municipal corporations may change property status and become public-private (mixed) firms (Bel and Fageda, 2010; Cruz and Marques, 2012) or completely private. For example, while municipal corporations still provide public utilities services in many municipalities in Portugal, this is no longer the case in Germany, where they became private firms subjected to market competition (Wollmann, 2004b).

3 Typically each corporation is oriented towards a single policy area, including water supply, wastewater management, transportation, environmental services, cultural and sports activities, among many others.

4 The territory of Continental Portugal is covered by two types of solid waste/recycling management systems: 11 intermunicipal systems and 12 multimunicipal systems. Multimunicipal systems are not voluntary in nature. They also involve more than one municipality, but the delegation of authority is made directly by the national government to a private company.

5 The MTAs provide a sharp contrast with their U.S. counterparts, the Metropolitan Planning Organizations (MPOs), a regional governance model responsible for implementing U.S. federal transportation policy. The main division in the governing boards of MPOs is between the policy preferences of elected officials and those of appointed public managers (Gerber and Gibson, 2009), whereas the two groups of policy preferences in MTAs are members appointed by the national government and members appointed by the metropolitan governments of Lisbon and Porto.