



## Bradley Loewen: Municipal amalgamation or innovation?

[*Estonian: Omavalitsuste liitmine või innovatsioon?*]

Published in Postimees, 29 May 2016 (online), 30 May 2016 (print).

Estonia is often praised amongst former socialist countries and internationally as the small country that got things right and did it quickly. Nevertheless, despite executing a fast transition, public administration reform has been a lagging issue over the past 20 years. Compared to its reputation for

economic transformation and innovation, Estonia's governance structures are less interesting. This is why the current municipal amalgamation process is intriguing to a foreigner studying regional policy, like me. I research policy innovation and regional polarization in Central and Eastern Europe as part of a multinational EU-funded research project ([www.regpol2.eu](http://www.regpol2.eu)). While regional inequalities have recently increased by leaps and bounds, surprisingly little has been achieved in policy reforms to combat this issue. Today, discussions around municipal amalgamation are nearing a peak in Estonia, which could have an unexplored impact on regional inequalities.

Decades of research into decentralization, including topics such as the optimal municipal size or division of responsibilities between different levels of government, has given us few empirical lessons. Decentralization is generally associated with decreased regional inequalities in large, developed economies with strong accountability mechanisms, while central states can help to manage inequalities through redistribution. Moreover, the appropriate level of decentralization often comes down to a trade-off between maintaining an acceptable level of municipal autonomy and achieving efficiencies. In addition, some countries decentralize certain functions – those that lower levels of government or the private sector can easily deliver – and choose to keep others centralized, when greater institutional capacity or professional 'know-how' can be provided centrally.

The perception of decentralization in a country can be relative. I hear Estonians lament high centralization in Tallinn, but due to its small size, population and settlement pattern, Estonia already has more in common with an autonomous sub-region than a large centralized state. Budget figures may be highly centralized, but the central government still rests extremely close to the people due to social networks (where 'everyone knows everyone') and proximity to the capital (compare with Canada or Australia, for example). Considering the desired outcomes, it doesn't get much more decentralized than this, so it is worth rethinking the autonomy argument against amalgamation and considering, instead, new ways of enhancing local autonomy while pursuing efficiencies that can benefit peripheries.

These 'new ways' could be thought of as policy innovations. The current voluntary amalgamation framework has the potential to build goodwill that could carry the parties through tougher ideological debates such as finance, economic development and regional inequalities. Forced amalgamations could destroy such goodwill. Nevertheless, amalgamation will not lead to the policy innovations that municipalities need to address their pressing issues, which may be one reason why so few municipalities have taken part so far. Moreover, innovations may come to address the arguments used for amalgamation in the first place, for example, by enabling cooperation and resource pooling, or achieving scale economies, without complicated legal procedures and restructuring. The extension of e-governance to other areas of public administration has been offered as one innovation.

Amalgamation sticks to the status quo of public administration and may not solve the need for innovation or increased adaptability and flexibility in the future. As municipalities face more frequent and pronounced social, economic and environmental changes that exacerbate regional inequalities, they need new tools to provide services while managing these changes. The simplicity and grace of the small Estonian state creates a rare opportunity to rethink territorial scales, service provision and the role of public administration through innovation. Indeed, the innovation culture is already nurtured in the private sector. Focusing the debate on amalgamation could, so far, be a distraction from innovating in public administration.