

Gran Sasso Science Institute

Department of Social Sciences

Cycle XXXIII

**UNITED WE STAND, DIVIDED WE FALL?
UNPACKING INTER-MUNICIPAL
COOPERATION IN ITALY**

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Abstract

GSSI - Social Sciences
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Over the past 30 years, Inter-municipal cooperation (IMC) has increased and addressed certain regional governance vacuums, especially in areas characterised by high municipal fragmentation. Subsequently, the global financial crisis (GFC) worsened the fiscal conditions of municipalities, pushing them to adopt new cost reduction strategies. IMC policies prescribe coordinated actions that may lead to more efficient use of resources due to economies of scale and scope and thanks to coherent territorial action, particularly capable of tackling scale-related service delivery weaknesses.

This thesis will focus on IMC in Italy, more specifically on the case of Municipal Unions (MUs), which constitute the most institutionalized form of cooperation among municipalities available in the country. The thesis is structured as a collection of three self-contained but interconnected papers.

The general introduction (Chapter 1) describes the concept of IMC, the roles and influences of public policies in tackling municipal fragmentation, as well as the main reforms that have affected local governments in Italy over the past 30 years. Chapter 2 frames the topic within the multi-level governance framework and explores the phenomenon by merging different data sources, in order to provide an

overall picture of the implementation of MUs in the country. The results reveal a fragmentation in regional terms and heterogeneity of MUs across the country, on the basis of which I will propose a research agenda. By adopting a financial perspective, Chapter 3 analyses the fiscal balances of the MUs, which became available for the first time in 2017, and provides a typology of MUs according to their financial activity and evidence of the importance of municipal financial health and functional integration for the financial sustainability of IMC. This chapter sheds light on the functional prerequisite that impacts the financial sustainability of supra-municipal entities that live of derived finance, which existing literature on IMC has not yet considered. Next, Chapter 4 adopts a sociological perspective based on the concept of mechanism, in order to study – through a multiple-case analysis of MUs – the IMC in a specific area of the Piedmont region (namely the Asti and Cuneo provinces). Despite the different implementation outcomes, patterns emerged from the interviews and collected data, which allowed me to extrapolate five horizontal coordinating mechanisms present in the interactions between the municipalities involved in the joint effort. The chapter concludes by saying that, although traces of all five mechanisms are present in IMC, coordination can only be enhanced if the interactions between mechanisms are accurately balanced out over time. Finally, Chapter 5 addresses the main challenges for the research presented in this thesis and the main challenges for IMC in Italy, summarizes the findings, links them together, addresses any limitations and proposes future directions of investigation.

The novelty of this thesis lies in various elements: it explores an understudied phenomenon in Italy; it is the first study to consider the financial activity of MUs in the entire national context; it contributes to the debate on IMC by addressing a key functional prerequisite, namely the sustainability of a new tier of government that lives of derived finance and offers indications to measure the financial activity of supra-municipal entities. Furthermore, it considers the viewpoint of the main actors in the daily activity of IMC (the involved mayors) in an attempt to identify the coordinating mechanisms that favour coordination among municipalities and shed light on their interactions.

KEYWORDS: Inter-municipal cooperation (IMC); Municipal Fragmentation; Local Governments; Financial Health; Mechanisms.

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Chapter 1

Introduction

1.1 Inter-municipal cooperation (IMC)

The municipality, in addition to being the first elected level of government that interacts with citizens, is called to perform functions, and provide services essential to the life of the community and its development. The efficient organization of the “municipal machine” is reflected in the territory of reference, in the quality of life, in the services citizens can rely on and – on a larger scale – in the public intervention capacity of the entire country. From this premise derives the opportunity, if not the need, to strengthen the capacity of municipal administrations to manage administrative complexities and promote processes of associated management of municipal functions.

The topic I will examine in this thesis is that of inter-municipal cooperation. Local government cooperation and coalitions have become a popular strategy to tackle municipal fragmentation internationally (Hulst & van Montfort 2007; Teles & Swianiewicz, 2018). The undersize of the local authorities often implies inefficiency in the management of administrative functions and the production and provision of services. The reasons behind the necessity to rationalize municipalities are essentially the observation that small municipalities are limited in most cases to carrying out only essential functions and are not in a position to provide many services.

Accordingly, small municipalities in rural areas across the globe use IMC to provide services to citizens and manage public functions, attempting to enhance economies of scale to reduce expenses for individual municipalities and increase their scope (Bel & Warner, 2015).

One of the most general definitions of IMC has been provided by the Council of Europe: IMC is about two or more municipalities institutionalizing their common structural and operating features to achieve coherent policies for their combined territories, through the joint management of matters considered of general interest to all the participants (Deffigier, 2007). Thus, the definition is wide enough to include many different types of cooperation: formal or informal, single or multi-purpose, based on public or private law, bilateral or multilateral.

In general terms, IMC institutions may have varied roles, such as service delivery, policy-making, information consolidation, touristic promotion and environmental protection. According to the specific national/regional legislative framework, they may have very different features. However, in general terms, the problems addressed by IMC are related to uncoordinated municipal policies and issues faced by small municipalities due to their suboptimal size, such as insufficient staff and resources.

Furthermore, another important influence of IMC has been the rescaling of public competencies that occurred in previous decades, clearly formalized in the European Union by the principle of Subsidiarity. This implies that there should be a decentralized organization of responsibilities, which never entrusts to a larger unit what could be better achieved by a smaller one (Spiker, 1991)

The “hollowing-out of the State” (Rhodes, 1996) was part of neoliberal government trends where states up-scaled governance by delegating regulatory tasks to higher levels of governance such as the European Union, the World Bank and the World Trade Organization (WTO); they simultaneously down-scaled governance to

“local” practices and arrangements. The shift from government to governance has allowed scholars to investigate new administrative strategies for dealing with public issues, which are characterised by the creation and exploitation of networks of multiple – both public and private – actors (Le Galès, 1998), new forms of collaboration and the negotiation of the decision-making process (Goldsmith & Eggers, 2004; Allmendinger & Haughton, 2009; Bezes & Le Lidec, 2016).

IMC represented a logical institutional tool to apply this change of powers while still having a regional focus. These same global and regional institutions have played an important role in incentivizing the use of local cooperation in regional intervention. Often, IMC is presented in reports and policy papers as an innovative governance solution to current challenges faced by municipalities. Thus, we are witnessing a growth of cooperative arrangements as a means and as an element of innovation for local governance; consequently, investments in this area are increasing almost everywhere in the EU (Teles & Swianiewicz, 2018). Inter-local cooperation becomes relevant within the heterogeneity of institutional arrangements, administrative traditions, roles of the actors involved, democratic aspects and dissimilar competencies and achievements in each case.

Until recently, inter-municipal cooperation theory was dominated by the rational choice school (see Feiock 2007; Tavares & Feiock, 2017). The main reason behind this academic interest was the need to explain why IMC emerges in some contexts and not in others and its main determinants. Scholars tended to focus on the characteristics of cooperation, and most particularly on the costs associated with cooperation and on the collective good. Ostrom (2005) has observed that the rational choice school can be divided into first- and second-generation scholars. The main distinction between the two groups lies in the fact that the second-generation scholars acknowledge the important role that contextual factors play, and they consider the assumptions of perfect information and the concepts of costs/benefits more critically than the first-generation scholars (Ostrom, 2005; Vanberg, 2002; Feiock, 2007). The main factors considered relevant in fostering cooperation are: geographical densities of local governments; the number of potential participants;

the possibility of joint gains from cooperation; the degree of power asymmetry; the cooperation costs; the distribution of benefits; the impact on local autonomy; the presence or absence of selective incentives and government involvement. In sum, we could distinguish between the local geography, the issue subject, and the contextual factors.

Why, then, the need for a dedicated study of cooperation amongst municipalities when both the transition from government to governance and its impact on public services and management have been extensively examined by other scholars? This is because, even though existing literature is relevant, especially the regionalist literature on IMC generally focuses on descriptive cases making only a tentative comparison between different countries, it focuses on broader governance arrangements across city-regions often in the context of analysing the evolution of specific projects (e.g., Hulst & van Montfort, 2007; Teles & Swianiewicz, 2018), it follows a different approach, and it adopts multiple strategies of dealing with scale and efficiency (Baldersheim & Rose, 2010). Specific cases (Agranoff, 2009) or two-country comparisons are also common. Furthermore, a part of these studies seems to suggest that IMC often does not meet the objectives it was created for; the reality of facts seems to challenge the rationale that sustains this policy. What we do not know yet is why IMC sometimes does not work in practice. Indeed, within the existing literature on this topic, only partial attempts to capture the whole picture have been made (Teles & Swianiewicz, 2018); it has mainly investigated drivers and outcomes of cooperation, without giving enough attention to its functioning.

One can point out several reasons for this lack of a coherent, expanding research agenda. The first one is an apparent incapacity or, at least, a difficulty to deal with municipal cooperation's main problem: its diversity (Teles, 2016). However, the differences that discourage a broader and comprehensive analysis of this kind of cooperation are also a result of its different rationales across countries (having voluntary origins or being centrally enforced), scopes and motivations, and the perceived costs and benefits amongst the involved agents.

However, *governing through cooperation* has nowadays become one of the main challenges for municipalities in Europe (Bell & Warner, 2015). In fact, cooperation is not a simple matter of choosing partners and engaging with these, but it entails a complex negotiation as well as dedicated institutional arrangements for sharing and delivering common services and collective goods. Furthermore, it is prone to failure (Vitale, 2010). Thus, academia can play a relevant role not only in describing and explaining IMC but also in providing practical reasoning and evidence to make IMC more effective in achieving valued purposes. Indeed, both the increasing incidence of the phenomenon and the lack of systematized research about the conditions for implementing successfully IMC are important justifications for the need for a new research agenda on this topic (Teles & Swianiewicz, 2018).

Since the thesis will focus on the Italian case of IMC, I will adopt a sharp definition, that implies the creation of a second-tier government (Allers & de Greef, 2018). This type of second tier of local government, whose governing bodies are elected by the member municipalities, represents the most institutionalized form; it allows a deeper and broader interaction between municipalities than in the case of other inter-municipal arrangements, such as consortia or contractual arrangements (Fedele & Moini, 2006). Hence, the new inter-municipal entity substitutes the municipalities in the provision of certain functions and services, acting as a wholly new local government. Accordingly, this study focuses only on Municipal Unions (MUs) in Italy, which were first introduced in the 1990s and then reinforced.

In the next section, I will outline some of the specificities of the Italian case by adopting a historical-institutional perspective. In particular, I will discuss structural changes that occurred in the national legal framework over the last decades, the Municipal Unions' main legislative phases, and their functioning in order to explain the context in which Municipal Unions operate.

1.2 The Italian legislative framework

Besides the creation of the regions in 1970, Italy's institutional structure remained unchanged ever since the Unification of Italy and up to the 1990s, when it moved – together with most Western countries – towards processes of decentralization and devolution. Thus, local and subnational authorities (the regions, first and foremost) were considerably strengthened and experienced many changes in inter-governmental dynamics. This was the phase of Italian quasi-federalism (Lippi & Tsekos, 2018). It was enacted by Law 142/1990, which declared the autonomy of municipalities and provinces and proclaimed – for the first time – the creation of the MUs. The law places local administrations in a network of autonomous public powers, which also includes the regions, universities, chambers of commerce, schools, independent authorities, and thus constitutes a significant piece of a different fabric of the organization of national public powers, based less on the hierarchical principle and more on those of autonomy and polycentrism (Vesperini, 2010).

Initially, MUs were considered an interim step towards the merging of municipalities. In fact, the national law imposed the suppression of MUs and a merger after a ten-year period. The final aim was to reduce the number of municipalities. However, the forced merger was a constraint that local governments did not accept: the resistance of municipalities resulted in the failure of the measure (Vandelli, 2014).

Other important interventions in the 1990s were the increase in revenue autonomy of local governments, the direct election of the mayor and the President of the Province (1993), administrative decentralization and the increased role of the Regions (1997). Then, in 1999, a second legislative phase for the MUs gradually eliminated the compulsoriness of mergers. Thus, the new MU model was more focused on management functions and mainly guided by the principle of adequacy and efficiency, rather than by the principle of administration levels reduction, as in

the previous phase. Hence, the MUs started to increase significantly.

Another important step towards decentralization was the enactment of Law 328/2000, whereby the principle of Subsidiarity entered into the Italian Constitution. It established that "the planning and organization of the integrated system of social interventions and services are the responsibility of local authorities, regions and the State, according to the principles of subsidiarity, cooperation, effectiveness, efficiency and cost-effectiveness, homogeneity, financial and asset coverage, responsibility and uniqueness of administration, organizational and regulatory autonomy of local authorities" (Art. 3). This implied increased autonomy at the local level, a growth that normally intertwines with the development of contractual regimes (Bobbio, 2000).

Subsequently, the amendment of Title V of the Constitution in 2001 guaranteed the autonomy of the Regions in the financial and organizational fields, also with regards to a series of competencies that were not declared to be a function of the State – the main area that became a regional competency was health care. Through Article 117, the new legislation affirmed the need to define the *essential levels of services* (LEP) in order to provide for the allocation of the financial resources necessary to implement and guarantee them; such coverage should be borne by both the subjects providing the relevant services and by the State itself for equalization purposes. However, to date, this has not yet been defined by the national legislator, and the actual equalizing allocation of resources to municipalities is mainly based on historical expenditures (SOSE, 2020).

Next, the years of the global financial crisis represented a shock for local governments and the tightness of the “administrative machine”. Thus, between 2008 and 2014, several legislative measures profoundly changed the Italian local government structure (Bolgherini, 2015). In 2011, after the European Central Bank had openly suggested that the Italian government implement a series of actions aimed at abolishing or merging certain intermediate administrative levels, thus, the provinces became the “scapegoat” within the public debate (Baccetti, 2014).

Successive governments¹ have, on several occasions, addressed the issue of a revision, or even suppression, of the Provinces, but the point of arrival was the approval of Law 56/2014, known also as the Delrio Law. Its objective was for the State to be based on only two territorial levels of direct representation of their respective communities: the regions and the municipalities, the latter accompanied by a vast area represented by the Metropolitan Cities and the MUs (Bolgherini, 2015).

However, the rejection of the confirmatory referendum of 2016 left the situation partially unresolved. Compared to the past, the Provinces nowadays have weakened competencies, their main role is that of directing and coordinating the municipalities' activities, but with limited management functions and resources (Salvato, 2014; Baccetti, 2014).

Conversely, MUs were strongly incentivized within the same legislation; they have, in fact, remained the only form of structured inter-municipal arrangement that is still explicitly supported, especially financially. Indeed, the 2008 Finance Act required the regions to revise their respective Mountain Communities, with the consequence that these communities were reduced in number, lost all forms of state funding and were, in many cases, turned into *MUs of mountain municipalities* (*Unioni di Comuni Montani*). On the other hand, the *consortia* of functions – another “classic” form of IMC – have also been abolished.

At the same time, the Delrio Law regulated that small municipalities under 5,000 inhabitants should have compulsory associated management through MU (or *convenzione*),² for the exercise of fundamental functions.³ As noted, over time

¹ Berlusconi IV, Monti, Letta and Renzi.

² The *Convenzione* (D.L. 267/2000) is an inter-municipal arrangement between local governments for the associated management of functions. Generally, it helps one small municipality to rely on a bigger one. Municipalities make the arrangement on a voluntary basis, establishing the ends, duration, consulting procedures and financial relations. It can be considered a preliminary step towards the creation of an MU. However, no up-to-date official data about conventions is available at a provincial, regional or national level.

³ The fundamental functions are: a) general administrative organization, financial management, accounting and control; b) organization of municipal public services of general interest; c) cadastre; d)

various measures have followed one another up, often overlapping each other, with heavy stop-and-go effects for local authorities (Bolgherini, 2015).

Considering their scope of activity, the recent reforms transformed a voluntary conferral of functions and services by the municipalities into a real mandatory transfer, even if the municipalities remained formally the holders and therefore co-managed the functions themselves. This strengthened the role of MUs within the intermediate level arena. However, some years later, the Constitutional Court's sentence n. 33/2019 stated that the provision forcing municipalities with less than 5,000 inhabitants to manage fundamental functions in an associated way was unconstitutional if it did not allow the municipalities to demonstrate that, in that specific form, there were no economies of scale or improvements in the delivery of public goods to the populations. According to the Court, the obligation that was being imposed on municipalities suffered excessive rigidity, because it should also have been applied to all those cases where: a) there are no neighbouring municipalities that are equally obliged; b) there is only one neighbouring municipality that is obliged, but the achievement of the minimum demographic limit involves other municipalities not in a situation of proximity; c) the geographical location of the municipalities' boundaries (e.g., because they are mountainous and characterised by particular anthropic factors, territorial dispersion and isolation) does not allow the regulatory objectives to be achieved.

Hence, nowadays there is much pressure for a further national intervention in order to make IMC a voluntary instrument in the hands of local administrators, and not a mandatory imposition (Camera dei deputati, 2019).

According to the current legislation, the MU's structure is conceived to take decisions on behalf of the member municipalities, which somewhat restricts the local authorities' autonomy (Fedele & Moini, 2006; Bolgherini, 2015). The MU is a second level institution, which must receive the human and instrumental resources

urban planning at municipal and supra-municipal level; e) civil protection; f) waste collection and disposal; g) social services; h) school building; i) municipal police.

relating to the transferred tasks from the member municipalities, while the MU's organs are appointed by the administrators in charge of the associated municipalities. The president is elected among the mayors, the council by components of the single administrations, and the advisors are chosen by the municipalities' councils, without new or increased charges for public finance; indeed, they may not receive any form of remuneration (Vandelli, 2014). Thus, the main actors involved in the decision-making process are the mayors, who come to the table as delegates representing their municipality and who form a "pooled" authority system. When an MU is created it is necessary to define the organizational model that is most functional for a centralization of the back office for the transferred functions and to redefine the organization of the member municipalities based on residual functions and front-office work. The MU structure can exercise competencies that have been delegated by municipalities, which are generally compulsory competencies laid down by law. However, inter-municipal cooperation activities are not confined to these tasks and can also be present in other fields of local activity. In doing so, they exercise a possible innovative approach, which comprehends a transborder and upscaled catchment area (*ibidem*).

The rationale to create such dual structures is twofold. For one, the preservation of the historically grown small-size local governments is meant to retain them as an arena and haven for local democracy and local identity. Second, the new layer of inter-municipal bodies is designed to, besides providing operational support to their member municipalities, institutionalize local-level actor cooperation and coordination. (Wollmann, 2010)

1.3 Thesis Structure

The thesis is titled *United we stand, divided we fall? Unpacking Inter-municipal cooperation in Italy* and consists of a papers collection. It is composed of three central chapters, each presenting a different approach and discussing a different aspect of an overall harmonious research project.

The entire thesis follows a structure that is developed around the concept of inter-municipal cooperation. The interaction and cooperation of local-level actors are conceived as being premised on two organizational logics, that is, on the territoriality-based general-purpose elected local government form and on institutionalized functionality-based multi-purpose non-elected inter-municipal cooperation.

All three central chapters (chapters 2, 3 and 4) are internally coherent and represent independent papers. Once they are put together, the underlining project – aimed not only at studying IMC but also at generating insights for policy-makers – will emerge. Connected by a common focus on IMC in Italy, the three chapters present different studies, with different aims, frameworks, and methods. Nonetheless, the chapters are interconnected as they all explore different areas and facets of the same phenomenon, thus, the overall analytical approach of the research can be considered to be based on a mixed-method.

More specifically, Chapter 2 links inter-municipal cooperation in Italy to Multi-Level Governance theory. It follows a descriptive, exploratory, and proactive logic aimed at reconstructing the complex picture of the MUs in the Country and at looking for common patterns, trade-offs or different elements among them. Hence, through the creation of a specific database of Municipal Unions, the chapter shows how Municipal Unions are distributed in the country, whether they harmonize with the health district borders, and provides a typology based on the internal governance

structure. The chapter introduces the theme by looking at the implementation of MUs in Italy and its main specificities. This chapter is, chronologically, the first I have written during my PhD, with the purpose of exploring an understudied phenomenon and proposing a research agenda for the topic.

Chapter 3 is co-authored with Prof. Emanuele Padovani. In addition to the use of interviews with privileged actors (i.e., accountants and practitioners) in order to understand the key variables to address the phenomenon, this chapter applies mainly quantitative analysis to investigate the financial conditions of MUs.⁴ More specifically, it seeks to fill a gap in the literature on IMC, concerning the link between a municipality's financial health and that of the supra-municipal entity formed under IMC. Accordingly, it does not investigate the building of IMC by analysing its determinants, it focuses on the financial sustainability of IMC, thus on the main precondition for having a stable supra-municipal entity. Moreover, by analysing only the MUs financial reports for the first fiscal year available (2017)⁵, it has been possible to detect which MUs were not active as they did not report any financial activity, then we classified the active ones according to the level of functional integration reached by the member municipalities and the level of not collected grants.

Finally, Chapter 4 has been the most difficult to be realized. The original plan was different from the one presented here. It originated during my six-months internship at the ANCI study centre in 2019. The idea was to conduct a comparison between the two Italian regions with the highest municipal fragmentation: Piedmont and Lombardy. Accordingly, I created and tested a questionnaire – approved by ANCI

⁴ The decision to co-author the article was taken when my advisor Tommaso Vitale put me in touch with Professor Emanuele Padovani during my visiting fellowship in Paris at Sciences Po, CEE. In fact, Padovani collaborates with different prestigious public institutions that have allowed him to gather data related to the balances of the municipalities and of the MUs, which have become available for the first time in 2017. Although our academic backgrounds are different, they have allowed us to contribute in different ways to the various sections. Overall, the paper has been addressed by both of us in an almost never-ending process of consultation and constructive discussion.

⁵ This resulted in the impossibility to conduct a longitudinal analysis of the phenomenon, instead, it was decided to apply an OLS and quantile regression to the entire population of MUs in the Country.

– to be sent to all the municipalities involved in the two regions (see the questionnaire in Appendix B, a further description of it will be presented in the last chapter). However, at that point, the global pandemic broke out and the lock-down affected my research plans. We realized that the mayors would no longer be available to fill in a questionnaire during the management of the emergency. Thus, with mayors playing an important role in managing the emergence, my advisors and I decided to modify the action plan by postponing the survey to a more propitious moment (even though it was ready to be sent) and proceeding in a more targeted manner, by seeking a viable alternative during the pandemic. I, therefore, decided to apply a sociological perspective to a multiple case study in order to analyse the horizontal coordination among municipalities in Piedmont, more specifically to understand why MUs do not work always smoothly. The selection of cases was based on the range of values of the integration level between municipalities and the classifications presented in the previous chapters; since the MU's internal structure could impact the dynamics between municipalities and that the legislation was mainly meant for small municipalities, I decided to select MUs that were composed of a certain number of municipalities in an area characterised by very high municipal fragmentation. I had easy and privileged access to these thanks also to some practitioners and mayors I knew personally and who worked as brokers and gatekeepers (Dente, 2011).

Tab. 1.1. The overall research approach

Chapter	Research questions	Data	Method	Main literature
Second	How IMC has been implemented in Italy? (legislation, distribution, harmonization, structures)	Semi-structured interviews (8) Secondary data	Discourse and documental analysis	Multi-level governance
Third	Does the financial health of the municipalities have an impact on the financial sustainability of IMC?	Semi-structured interviews (10) Secondary data (Istat, Comuniverso) Financial Reports (Bureau van Dijk)	Mainly quantitative (OLS, quantile regression)	Public administration management
Fourth	Why sometimes IMC does not work in practice?	Semi-structured interviews (35) Secondary data	Discourse analysis (multiple case selection)	Social mechanisms

To sum up, the second chapter places IMC in the framework of multilevel governance within global processes of devolution and decentralization, through interviews and the creation of a specific dataset introduces the theme by focusing on the main characteristics of IMC implementation in Italy and propose a research agenda; the third article adopts a financial perspective and draws on the public administration management literature. This chapter makes extensive use of the term sustainability intended as the precondition for organizations to operate, in direct contrast to the concept of financial distress. It aims to focus on the main components of financial sustainability of the supra-municipal entities and investigates whether the financial health of member municipalities impacts IMC.

The fourth one adopts an inductive sociological approach based on the interaction of mechanisms by studying multiple cases to explain why MUs may have coordination issues that prevent full harmonious associated management by municipalities. Therefore, it makes abundantly use of the concept of horizontal coordination understood as an active accomplishment between organizations. To investigate these interactions different sociological themes will be considered, from the concept of individual and inter-organizational trust to the concept of institutional leadership.

To conclude, this thesis follows a linear structure despite being composed of separate, internally coherent papers. Chapter 2 introduces the topic by looking at the Italian case of Municipal Unions, focusing on their distribution, structures and characteristics; Chapter 3 focuses on the financial management of IMC by looking at the financial conditions of the municipalities involved and addresses the MUs' sustainability; Chapter 4 analyses the horizontal dimension of coordination among municipalities by applying a qualitative method to address the interactions of mechanisms that favour or hinder the daily activity and surviving of IMC.

The chapters that form the thesis have already been submitted to international journals: currently, one has been published, one has been accepted for publication and one has been submitted and is waiting for a response from the journal. More

specifically, Chapter 2, titled *Inter-municipal cooperation in Italy. Analysis and an opening research agenda for the Municipal Unions case*, has been published by *AIS. Journal of Sociology* in 2018. Chapter 3, titled *Does municipal fiscal distress hinder inter-municipal cooperation? The Italian case*, has been currently accepted and will be published by the *Journal of Public Budgeting, Accounting, & Financial Management* (an online version is already available on the Journal website), Chapter 4, titled *Together Alone: Unravelling the Coordinating Mechanisms in Inter-municipal Cooperation*, has recently been submitted to *Territories, Governance, Politics*.

Before proceeding, I must warn readers that because the thesis is structured as a collection of papers and GSSI requirements imply that each one should be designed as an article that meets international publication standards (approximately 8,000-10,000 words and should include title, abstract, keywords, introduction, literature review, methodology, results, discussion, conclusions and list of references), some common elements - such as the definition of IMC, the basic functions for which municipalities are responsible, the specificities of the Italian context - will be proposed and presented separately (and often differently) in each of the three central chapters.

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Chapter 2

Inter-municipal cooperation in Italy. Analysis and an opening research agenda for the Municipal Unions case

Abstract

In Italy, inter-municipal cooperation (IMC) has been increasingly adopted to tackle issues of territorial scale and cost reduction. Implementing policies involves different tiers of government, defined as inter-governmental relations. This study aims to offer a single, detailed picture of the phenomenon of Municipal Unions (MUs). Though there are many calls to reshape administrative boundaries, little is known about how these unions are distributed and their internal governance structure. The results of the analysis outline the fragmentation of the situation in regional terms and the heterogeneous implementation of MUs across the country, with the need for further study of the phenomenon.

Keywords: inter-municipal cooperation, multi-level governance, Municipal Unions, institutionalization, inter-governmental relations

2.1 Introduction

Over the past 70 years, European countries have dealt with problems of regional or local governance and institutional collective action in different ways, both across space and over time. Thus, since the 1950s, local governments in Western European countries have played an important role in the provision of public services. Over the last decades, growing economies of scale, more demanding publics, globalization, and European integration have put local governments under pressure to produce higher-value public services at lower costs.

Furthermore, the global financial crisis (2007-2008) has been a crucial point within European countries equilibria in general, as well as at the local level. The consequent spending review process aimed at limiting expenditure has shown how controlling and streamlining public spending are strictly connected to processes of administrative levels rationalization (Bolgherini, 2015). Thus, in order to fulfil the EU fiscal discipline on public finance requirements imposed by central governments to local governments, municipalities have to reduce their expenditures (Bell & Warner, 2016).

Therefore, municipalities, especially the small ones, could find it difficult to meet the demands of standard levels of local public goods while reducing their expenditure. Their territorial scale more than often is too small to provide a high standard level of public services efficiently (Hulst & van Montfort, 2007). One of the strategies that local governments, especially the smaller municipalities, apply to face this difficult task is inter-municipal cooperation (IMC). Examples of sectors where it can be fundamental are: waste disposal, social (security) services, environmental protection, public health and education.

The paper attempts to bring existing empirical data about several perspectives and different approaches into one articulated description of trends and practices of IMC

in Italy, with a special focus on the case of Municipal Unions (MUs). To do so, in the first part of the paper I will frame the topic into the *multilevel governance model* (hereafter MLG). Secondly, I will present the MUs and their legislative phases. Then, I will provide some aggregated regional analysis of MUs and a possible typology of MUs based on the internal governance structure. Finally, I will discuss in the conclusions the results of the analysis and some theoretical open questions. The expository logic of the paper will follow three dimensions (descriptive, exploratory and proactive) aimed at reconstructing the complex picture of the MUs in the Country and at looking for common patterns, trade-offs or different elements among them, which can help disclose some theoretical gaps and in the study of the phenomenon here proposed.

Different sources have been used to create a dataset for contributing to the topic. It is important to specify that an official national census of MUs does not exist; only a database managed by ANCI⁶ (Comuniverso) presents a picture of the phenomenon at the consultation moment. This has led to examining a broad set of sources.⁷ Furthermore, I have conducted 8 semi-structured interviews of at least one hour each to institutional privileged agents of MUs to better define and understand the political dynamics behind the process of MUs creation.

⁶ National Association of Italian Municipalities.

⁷ Besides the Comuniverso's database, I have examined various annual versions of Guida Normativa all'Amministrazione Locale and Atlante dei Piccoli Comuni (ANCI), many reports, dossiers (Cittalia, Camera dei Deputati, Senato della repubblica, ISTAT, SOSE). Other pieces of information have been obtained from the managers of the Regional Offices of Local Self-Government. Moreover, I have collected many regional and national deliberations and laws. Further verifications occurred by consulting MUs deliberations and statutes. In some rare case I have used press news.

2.2 The theoretical framework: decentralization and multilevel governance

The proliferation of governmental level is a common issue for both EU and USA. The form of centralization typical of the industrial age no longer fits our post-modern societies and economies. This is due to a scale mismatch, since «the nation-state (*has become*) too small for the big problems of life and too big for the small problems» (Bell, 1988: B3).

The increasing number of governmental levels involved in public policies and the complex relations between them have been well-known research objects for more than fifty years (Anderson, 1960; Wright, 1974). During this time and until the economic crisis (2007-2008) major changes occurred, mainly concerning the increasingly participatory nature of decision-making processes and the loss of centrality of national governments. Within the EU, the so-called MLG model displays both these trends, being based on “non-hierarchical exchanges between institutions at the transnational, national, regional and local levels” (Peters & Pierre, 2001: 131).

Therefore, the definition and the implementation of policies involve different tiers of the political systems and face two major issues. Firstly, defining what level of government should be responsible for each function. Secondly, the relationship among governmental levels, defined as “inter-governmental relations” (Anderson, 1960).

The restructuring of governmental responsibilities has followed two opposite and simultaneous trends: globalization and devolution (Kettl, 2000). However, decentralization is only one side of the “hollowing out of the State” (Rhodes, 1994) process and one of the possible answers to the “where” problem of policymaking

(Lazer & Mayer-Schoenberger, 2001). Nevertheless, the handing over of tasks from the national governments to the lower levels has been taking place everywhere in the world for many decades. The growing popularity of devolution, along with consistent variations in scope and timing, has allowed scholars to examine both its determinants and its impacts (Dente, 1985; Bobbio, 2002; Bifulco, 2005; Vitale, 2007; Palumbo, 2011; Palier, 2013). One of the major arguments supporting decentralization is that lower governmental levels are able to respond more efficiently to the specific and changing needs of local communities (Weissert, 2011). On the other hand, central governments have been often blamed for applying standard solutions to heterogeneous problems. Indeed, in the EU, this perspective is affirmed through the principle of *subsidiarity*,⁸ which states that there should be a decentralized organization of responsibilities that never entrusts to a larger unit what can be better achieved by a smaller one (Spicker, 1991).

But what are the consequences of decentralization? Obviously, the practical effects are in many cases difficult to evaluate, highly variable and often controversial (Treisman, 2007; Weissert, 2011). However, when devolution and subsidiarity benefit from a high degree of institutionalization, such as in the case of the EU, they can gain a strong symbolic value. The local level can be simply (or even simplistically) identified as the best level to deal with public policies. Local governance, therefore, can be increasingly associated (often in a prescriptive way) with participation, democracy, efficiency, proximity, and flexibility (Della Porta, 2002; Fischer *et al.*, 2007).

Thus, IMC can be described as a specific form of local governance adopted by municipalities. Hulst & van Montfort (2007) defined it as a form of institutionalized interaction between municipalities concerning a common task or goal that does not result in a completely independent agency or corporation. Generally, it represents

⁸ In the European Charter of Local Self-Government (1985) the European Council asserts that public responsibilities should be exercised preferably by the authorities closest to the citizens, a higher level is considered only when coordination or discharge of duties is impossible or less efficient at the level immediately below.

the joint provision of public services in order to overcome production-related obstacles and meet the rising expectations of citizens. Joint planning and policy coordination should allow incorporating mutual interdependencies between neighbouring municipalities and enhancing the quality and efficacy of local policies. From this viewpoint, it can be considered both a political resource and a useful strategy for greater efficiency in administrative activity (*ibidem*).

2.3 The Municipal Unions

Nowadays, a Municipal Union is a juridical entity constituted by two or more municipalities for the joint management of functions or services. However, it is neither an entity constitutionally necessary,⁹ nor a territorial institution constitutive of the Italian Republic (Vandelli 2014); it is a second-level institution. This means that the citizens do not elect directly the organs of the Municipal Union; these are appointed by the administrators in charge of the associated municipalities. The president is elected among the mayors, the council by components of the executive of the single administrations and the advisors are chosen by the councils of the municipalities. To understand the context in which the MUs were put into being it is necessary to take a step back on some Italian specificities. Italy is essentially formed of small and extremely small municipalities. Around 24.1% of them have less than 1,000 inhabitants and 5,539 municipalities, 69.60%, have less than 5,000 inhabitants. There is a greater distribution of small municipalities in Northern Italy (Lombardy and Piedmont alone include more than 1,000 small municipalities) (*Tab. 1*). Italian municipal fragmentation is an old issue in the Country's history. In 1861,

⁹ Corte Costituzionale, June 16th 2009, n. 237.

the year of the Country unification, the number of municipalities was 7,720.¹⁰ From that year on, the number started increasing (*Fig. 1*).

TABLE 1 – SMALL MUNICIPALITIES PER REGION

Region	Municipalities		
	Total of municipalities	Municipalities <5,000	%
Valle d'Aosta	74	73	98.65
Molise	136	125	91.91
Piedmont	1,197	1,062	88.72
Trentino-Alto Adige	292	253	86.64
Sardinia	377	314	83.29
Abruzzo	305	249	81.64
Calabria	404	318	78.71
Liguria	234	183	78.21
Basilicata	131	102	77.86
Marche	229	163	71.18
Friuli-Venezia Giulia	215	153	71.16
Lombardy	1,516	1,047	69.06
Lazio	378	252	66.67
Umbria	92	60	65.22
Campania	550	338	61.45
Sicily	390	206	52.82
Veneto	571	297	52.01
Tuscany	274	120	43.8
Emilia-Romagna	331	138	41.69
Apulia	258	86	33.33
Italy	7,954	5,539	69.64

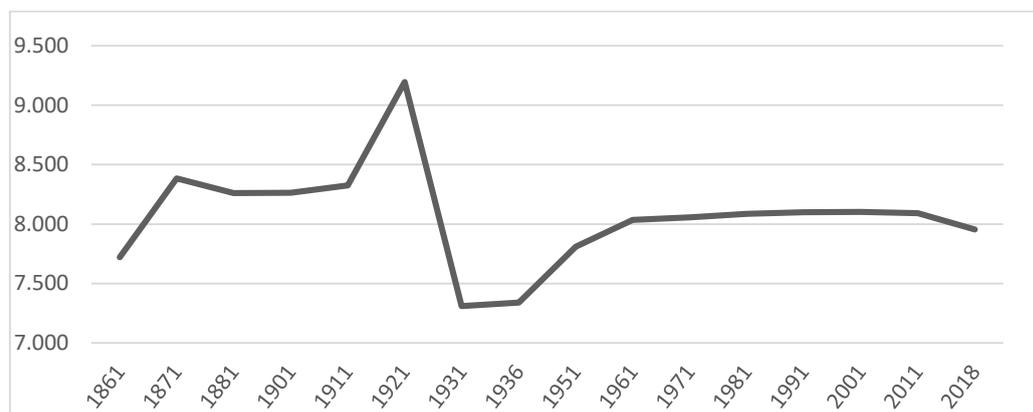
Source: Ancitel on Istat Data (2017)

The municipal fragmentation has been a topic of public debate for almost the entire history of the Country. From the period leading to Italian Unification (1815-1871) two different approaches arose (Rotelli, 2003; Fedele & Moini, 2006); the first one, initially promoted by the «federalist» Carlo Cattaneo, was supporting municipal proliferation in order to guarantee self-government of the local communities. The second one, advocated by the “republican” Giuseppe Mazzini, was promoting better efficiency through merging and municipal amalgamation. The recent national debate about the number of municipalities has reintroduced those two positions

¹⁰ In 1861 the national territory did not include Friuli-Venezia Giulia, Lazio, Trentino-Alto Adige, and Veneto.

almost in the same light. The one that advocates for the “municipalist” approach against the one that believes more local efficiency comes through fewer municipalities.

Fig. 1 – Variation in the number of municipalities in Italy (1861-2017)¹¹



Source: author’s elaboration on ISTAT data

The first attempt to systematize the associative form of MUs in Italy cooperation occurred in 1990⁷. This first phase well incarnated Mazzini’s approach to fragmentation. The first attempt to systematize the associative form of MUs in Italy cooperation occurred in 1990¹². This first phase well incarnated Mazzini’s approach to fragmentation. Indeed, this phase was characterised by two elements:¹³ a specific demographical threshold and a temporary nature. It was considered an interim step towards municipalities merging. As a matter of fact, the national law imposed the suppression of the Municipal Union and the merge after a ten years’ period. The final aim was to reduce the number of municipalities. The law defined only a minimum necessary model of MUs. However, the forced merge was a constraint that local governments did not overcome; the resistance of municipalities caused

¹¹ Note: During the fascist dictatorship, a great deal of effort was put in fighting the municipal fragmentation by suppressing and merging many small municipalities. In 1931, the total number was 7,311. After Mussolini’s defeat, the suppressed municipalities were reinstated and after 1947 the general trend saw a new slow increase. From 1990, the trend slightly decreased thanks to some municipal merges.

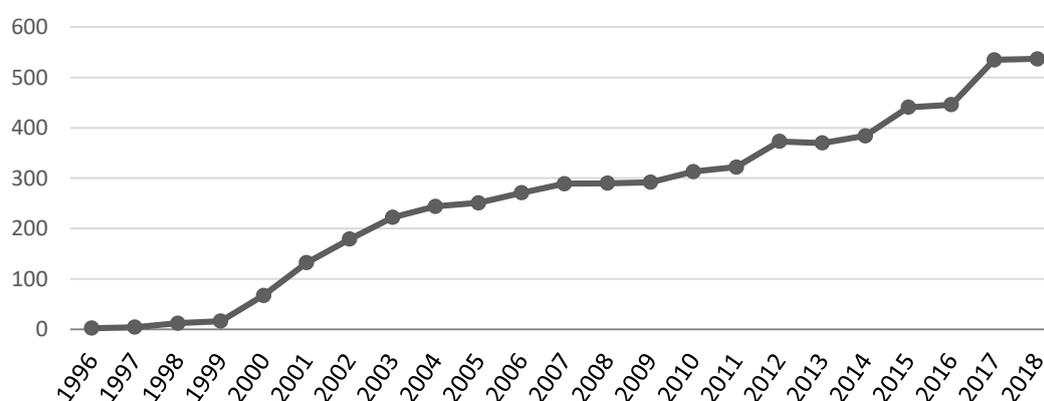
¹² D.L. 142/1990

¹³ Art. 27

the failure of the measure and in 9 years only 16 Municipal Unions were created. The number of MUs started to increase significantly only in 1999 when the second legislative phase began¹⁴ (Fig. 2 and Fig. 3) eliminating the compulsoriness of merging. Thus, the new model of MU was more aimed at function management and it was mainly guided by the principle of adequacy and efficiency rather than the principle of administration levels reduction (Gasparri, 2017).

Starting 2010, the third legislative phase¹⁵ imposed on small municipalities (smaller than 5,000 or 3,000 inhabitants for municipalities of MCs) to begin to have associated management for all the fundamental functions. Regions would have had to define the optimal and homogeneous territorial dimensions from the associated management. Other national legislations¹⁶ were enacted providing little fixes and redefining the fundamental functions of municipalities¹⁷. Thus, a statutory autonomy reduction occurred, and the organs' discipline of the MU was determined at the State level.

Fig. 2 – Number of Municipal Unions per year



Source: author's elaboration on Comuniverso's Data

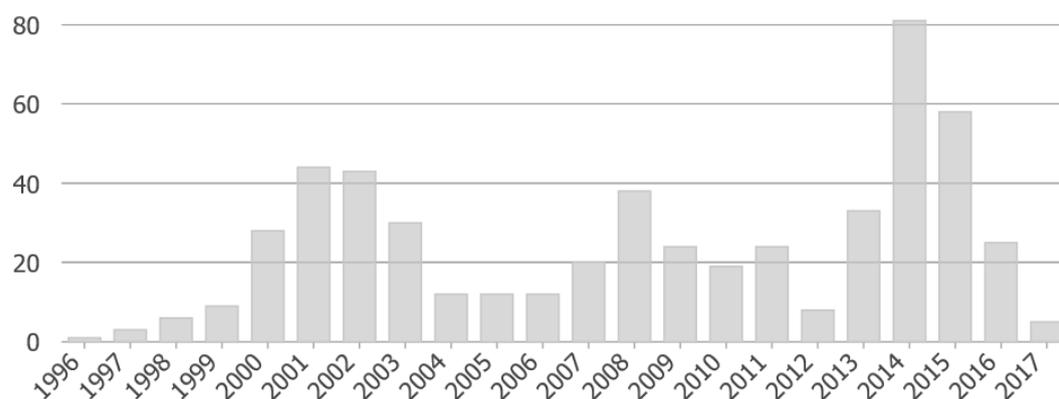
¹⁴ With the enactment of the "Bassanini law" and the subsequent D.L.112/ 1998, with the changing of Title V of the Constitution and with the "Testo Unico" of the year 2000 concerning the local authorities, the so-called administrative decentralization processes began.

¹⁵ Which started with D.L. 78/2010.

¹⁶ D.L. 98/2011, D.L. 138/2011, d.l 95/2012.

¹⁷ Which are: a) general administrative organization, financial management, accounting, and control; b) organization of municipal public services of general interest; c) cadastre; d) urban planning at municipal and supra-municipal level; e) civil protection; f) waste collection and disposal; g) social services; h) school building; i) municipal police.

Fig. 3 –Number of Municipal Unions per year of creation



Source: author's elaboration on Comuninverso's Data

Finally, in 2014, the D.L. 56/2014 (“legge Delrio”) deeply reformed the system of local entities across the board,¹⁸ emptying the provinces of most of their functions, pushing regions to create incentives toward the joint provision of services at the local level and MUs creation.

The aim was a better administrative integration and cost reduction.¹⁹ To sum up, if the first phase better incarnates the Mazzini’s approach to fragmentation, the “Legge Delrio” seems to establish some sort of equilibrium between the “federalist” and the “municipalist” approaches. On one hand, it preserves the cultural characteristics of the single municipalities and avoids forced merging; on the other hand, it acts on socio-economical features, forcing the smallest municipalities to activate a sort of functional-administrative amalgamation through municipal nets of local self-government/ management (Bolgherini & Dallara, 2016).

Notwithstanding the legislations have given a central role to MUs, the implementation has not been consequent (Piazza, 2017). From the reform, most of the regions still have to issue regional laws and the majority of municipalities that should gather into MUs have not done it, also due to the many national extensions

¹⁸ For a better comprehension of the effects of reform, see ISSIRFA-CNR (2018)

¹⁹ Art.1 subsection 131.

requested by ANCI.²⁰ Today, out of 5,539 municipalities that should gather into MUs, only 1,172 have fulfilled the requirements arising from the legislation (21.1%).

2.4 Aggregated Regional analysis of Municipal Unions

In this section, I will focus on aggregated data at the regional level in order to provide elements for carrying forward the analysis of the Municipal Unions and to highlight patterns and discrepancies amongst Italian regions. MUs are a phenomenon that mainly involves small municipalities; 72.5% of the involved municipalities do not exceed 5,000 inhabitants and 32.5% do not exceed 1,000 inhabitants. 291 MUs, 54%, have at least one involved municipality with less than 1,000 inhabitants. The majority of municipalities associated with MUs are in the central-northern regions (Table 2), with a significant number in Sardinia and Sicily as well.

60% of MUs are in the north, 11.59% in the centre, 13.08% in the south and 15.33% in the islands. The regions with the highest number of MUs are: Piedmont, Lombardy, Sicily, Veneto, Emilia Romagna, and Sardinia. Except for Emilia-Romagna, all other regions have a percentage of small municipalities within the region greater than 50%.

²⁰ D.L. 210/2015, D.L. 244/2016, D.L. 205/2017.

Table. 2 – Municipal Unions per region

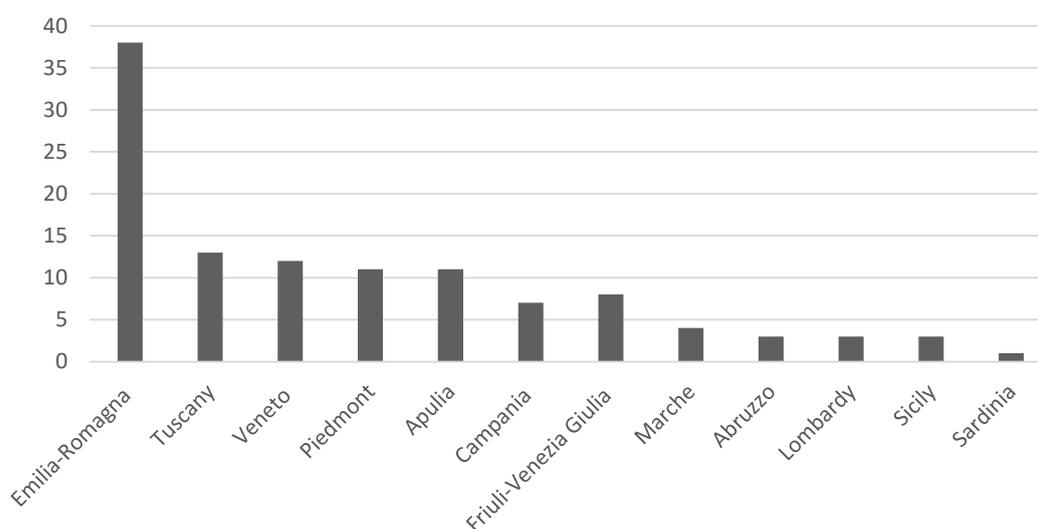
<i>Region</i>	<i>Total number of Municipalities</i>	<i>Number of Unions</i>	<i>Municipalities in Unions</i>	<i>Average number of municipalities per union</i>	<i>Propension to associate</i>
<i>Valle d’Aosta</i>	74	8	73	9.13	98.65
<i>Emilia-Romagna</i>	331	42	270	6.43	81.57
<i>Sardinia</i>	377	36	281	7.81	74.54
<i>Friuli-Venezia Giulia</i>	215	19	146	7.68	67.91
<i>Piedmont</i>	1,197	108	778	7.2	65
<i>Marche</i>	229	19	120	6.32	52.4
<i>Tuscany</i>	274	22	139	6.32	50.73
<i>Liguria</i>	234	23	110	4.78	47.01
<i>Sicily</i>	390	47	174	3.7	44.62
<i>Apulia</i>	258	23	113	4.91	43.8
<i>Veneto</i>	571	43	225	5.23	39.4
<i>Molise</i>	136	8	52	6.5	38.24
<i>Lazio</i>	378	20	101	5.05	26.72
<i>Abruzzo</i>	305	11	68	6.18	22.3
<i>Lombardy</i>	1,516	80	277	3.46	18.27
<i>Campania</i>	550	15	90	6	16.36
<i>Calabria</i>	404	10	53	5.3	13.12
<i>Basilicata</i>	131	2	16	8	12.21
<i>Umbria</i>	92	1	8	8	8.7
<i>Italy</i>	7,954	537	3,094	5.76	38.9

Source: author’s elaboration on Ancitel’s data (2018)

If we consider the propensity for association (the ratio between the number of municipalities and the total number of municipalities in the region, multiplied by 100), a much-differentiated picture emerges. Valle d’Aosta has the highest average number of municipalities involved and the highest ratio of the propensity to associate because the region intervened to regroup 73 municipalities into 8 Unités des Communes. The smallest MUs for the average number of municipalities are in Sicily.

Emilia-Romagna has more than 81% of its municipalities belonging to MUs and around 54% of the total population lives in MUs. Furthermore, at the national level, only 3.7%, corresponding to 114 municipalities of the MUs, has more than 15,000 inhabitants. The majority of them are in Emilia-Romagna (Fig. 4).

Fig. 4 – Distribution of the largest municipalities belonging to Municipal Unions

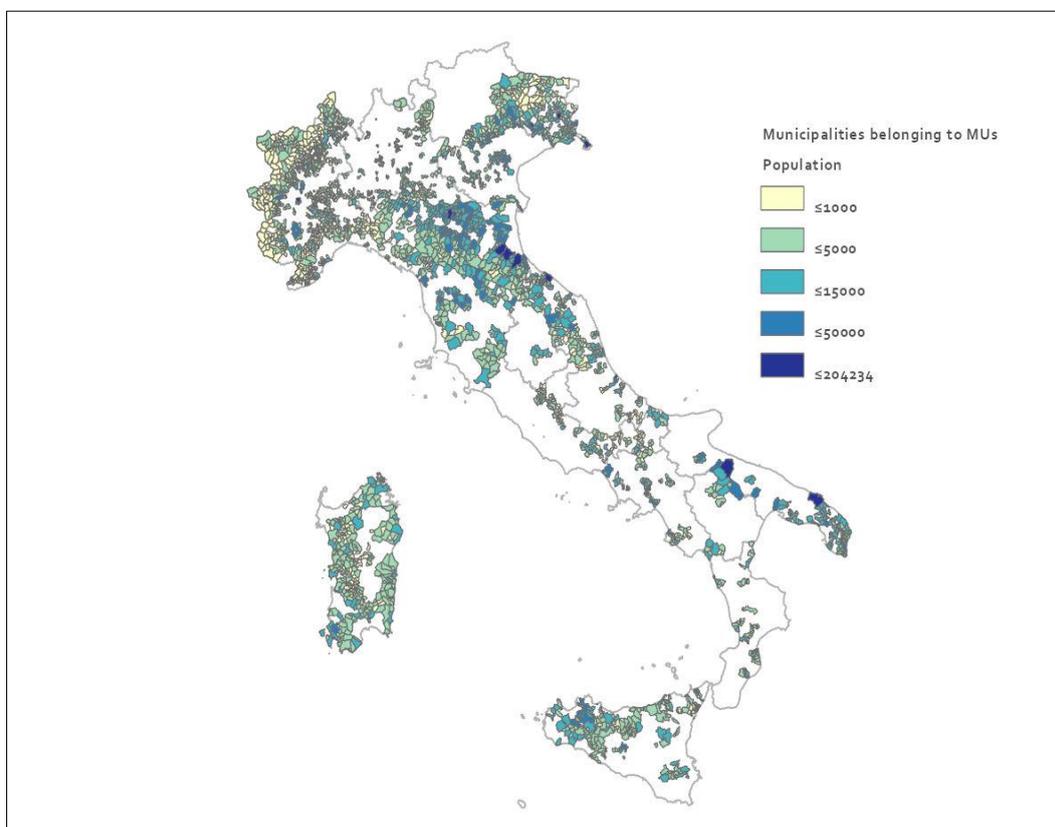


Source: author's elaboration on Ancitel's data (2018)

For the following analysis, I will not consider Friuli-Venezia Giulia and Trentino Alto-Adige.²¹ It is evident how two elements influence the associative path: the intensity of the regional reforms of territorial reorder, and the pre-existing experiences of «aggregative cultures» at the regional level. Indeed, MUs depend on national legislation, which defines the guidelines but gives Regions a wide range of responsibilities, such as providing incentives and promoting an institutional harmonization.

²¹ Friuli-Venezia Giulia follows a different legislation on MUs, all the provincial capitals are included in their borders, while Trentino Alto-Adige one has mostly all the municipalities associated in Mountain Communities (98.29%).

Fig. 5 – Municipalities belonging to Municipal Unions per population



Source: author's elaboration

The regional intervention in this field took 3 main directions (De Donno, 2015) (Table 3). Firstly, the Mountain Communities reorder, operated by suppression (Umbria and Molise) or by the transformation in MUs (Abruzzo, Marche, Piedmont, Emilia-Romagna, and Liguria). Secondly, some regions have set a different minimum demographic threshold for the new MUs constitutions and have given the municipalities the possibility to delegate some fundamental functions' management to the region.

Thirdly, some regions have implemented an incentives program specifically for the MUs (Abruzzo, Emilia-Romagna, Tuscany, Piedmont, and Apulia).

Table 3 – Normative differences amongst Municipal Unions in seven Italian regions (2017)

Region	Primacy of the MUs over other forms of inter-municipal cooperation	Different Demographic Threshold	Possibility of regional associated functions	Specific Incentives to MUs	Regional Law
Emilia Romagna	Yes	Yes (10,000)	Yes	Yes	L.r. 21/2012
Lazio	In transition	Yes (15,000)	No	In transition	L.r. 105/2016
Lombardy	No	No	No	No	L.r. 22/2011
Piedmont	Yes	Yes (by area)	No	Yes	L.r. 28/2012
Apulia	No	No	Yes	Yes	L.r. 34/2014
Tuscany	Yes	Yes (10,000 and at least 3 municipalities)	No	Yes	L.r. 68/2011
Veneto	No	No	No	No	L.r. 18/2012

Source: Poleis (2017)

However, data about municipal participation in MUs do not express much about the specific characteristics of these local authorities. In this regard, Marotta (2015) takes into account some other indicators that can give further insight into the peculiarities of MUs. He uses the average financial activity to measure the “vitality” of the MUs in service provision. The author relies on the idea that a MU can be considered ‘substantive’ when it has one-third of the spending of the involved municipalities’ spending. Below this threshold MUs are not capable to achieve their defined mission, i.e. the associated management of functions and services.

Only five regions spend more than 2 million Euro, Emilia-Romagna emerges as the most “substantive” region with tremendous spending (8,051,029) compared to Apulia (528,444) and Sicily (101,976), which appear as cosmetic entities. Then he analyses the territorial homogeneity through an average firmness index and an average time-travelling index, which appear as fundamentally coherent and

inversely proportional. The most compact MUs are situated in Emilia- Romagna, Veneto, Sardinia and Apulia.

However, there are ways to reconstruct other forms of homogeneity besides the territorial one. For example, if we focus on health services provision at the territorial level, the Health Districts are the basic units. They are composed of some municipalities and belong to a certain Local Health Unit (*Azienda Sanitaria Locale*).

Table 4 – Municipal Unions belonging to the same health district per region

Region	Number of Unions	Unions belonging to the same health district	%	Property 1*
Emilia-Romagna	42	42	100	100
Molise	8	8	100	100
Valle d'Aosta	8	8	100	100
Liguria	23	21	91,3	96,1
Lombardy	80	73	91,2	97,3
Tuscany	22	19	86,4	96
Veneto	43	37	86	96,8
Marche	19	16	84,2	94,1
Abruzzo	11	9	81,8	94,5
Calabria	10	8	80	96
Lazio	20	16	80	95,6
Piedmont	108	78	72,2	91,6
Sardinia	36	25	69,4	89,9
Sicily	47	31	66	87,1
Basilicata	2	1	50	78,5
Apulia	23	11	47,8	82,2
Campania	15	7	46,6	86,4
Umbria	1	0	0	62

Property 1*= average regional percentage of municipalities being in the same MU and the same Health District.

Source: author's elaboration

Health Districts represent a functional subdivision of municipalities for health service provision in order to have an efficient and effective scale (d.l 299/1999). If a MU's territory fits into a health district, it is assumable that the MU has a higher degree of homogeneity in respect to a MU of which its municipalities belong to different health districts.

Emilia-Romagna, Valle d'Aosta and Molise have a perfect match with the health district's borders; this can mean that the process of institutional harmonization has been well implemented. High percentages can be found in Abruzzo (81.8%), Marche (84.2%) Veneto (86%), Tuscany (86.4%), Lombardy (91.2%), and Liguria (91.3%). The worst percentages belong to Umbria (1 active MU), Campania, Apulia, Basilicata (2 existing MUs), Sicily and Sardinia.

With *property 1*, I calculated the average regional percentage of municipalities being in the same MU and the same Health District. In this case, the percentage values increase since they are calculated focusing at the municipal level, but the list order slightly differs from the previous one focusing on percentages calculated at the MU level.

Besides the perfect match of Molise, Emilia-Romagna and Valle d'Aosta, the highest percentages are in Lazio (95.6% of municipalities belonging to the same Union belong to the same Health District as well), Calabria (96%), Tuscany (96%), Liguria (96.1%), and Lombardy (97.3%). The lowest values are in the same previous regions, only Campania and Basilicata switch their positions.

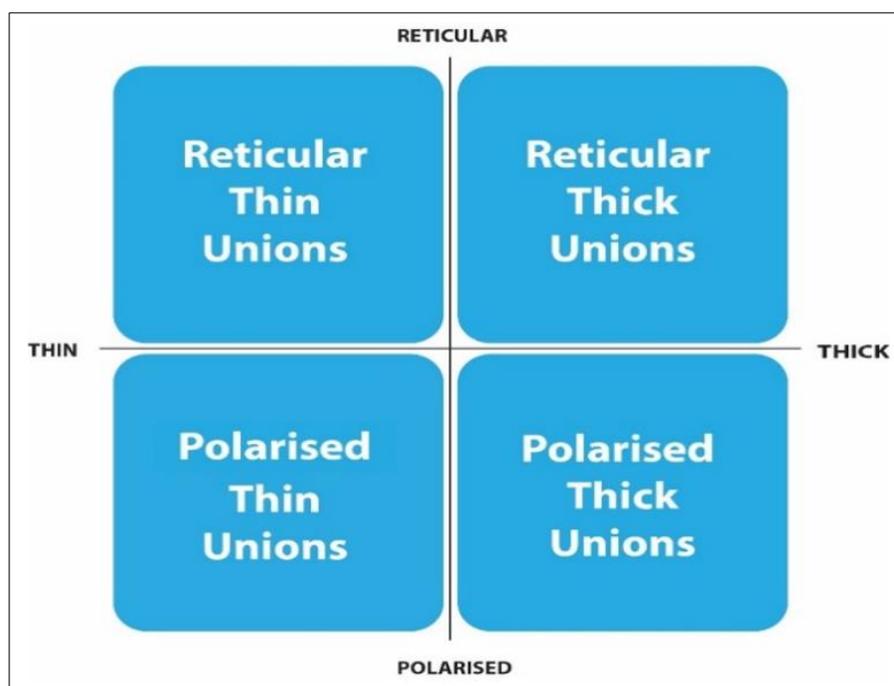
2.5 Typology of Municipal Unions

Another important classification can come from focusing on the internal governance structure. In a study about IMC in Piedmont (Poggi *et al.*, 2010), the authors distinguish between *polarised MUs* and *reticular MUs*. The first ones are characterised by having a municipality with a bigger size than the other involved municipalities, which acquire a sort of natural primacy and leadership in the MU. The second ones do not have a primal municipality, thus a more equal network among the actors is shaped. They assume the MUs with a natural internal leadership could rely more on an organising centre (on political terms and for the administrative structure capacity) which lowers the transaction costs of collaboration, while *reticular MUs* would have higher collaborative costs due to the nature of the interactive process in reaching a convergence of decisions or an internal leadership.

The possible risk for *polarised MUs* would be the one regarding the number of minor municipalities; a high number of small municipalities can influence the inclination to arise centrifugal forces caused by the perception of being squeezed by the major municipality. Using Hirschman's terminology (1970), in this situation, the Exit would be more likely to occur than Loyalty, especially if there is no possibility to express the Voice. I propose to distinguish four types of Unions crossing these two variables (Fig. 6): *Reticular Thin Unions*, *Polarised Thin Unions*, *Reticular Thick Unions*, and *Polarised Thick Unions*.

Thin and *Thick* loom a distinction based on the number of municipalities participating in the MU.

Fig. 6 – Types of Municipal Unions based on the internal governance structure



Source: author's elaboration

Similar to Poggi *et al.* (2010), I considered *polarised Unions* those in where there is at least one municipality with a population of more than 5,000 inhabitants and in which the biggest municipality has a population which at least doubles the population of the second most populated municipality. To some extent, the threshold of 5,000 would not necessarily imply the centrality and the primacy of one municipality over the others, but data confirm that generally in the polarised unions the mayor of the biggest municipality is the one who has been elected as president of the MU, as well as the venue is set in that municipality. Furthermore, it is important to consider that in regions like Piedmont only 10.7% of municipalities overcome that population. Indeed, I considered *reticular* all the MUs that do not fulfil these requirements. Secondly, I distinguish between *thick* and *thin* Unions considering as threshold the median number of municipalities per MU (5), if a Union is composed of more than five municipalities is *thick*, otherwise is *thin*. The regional distribution of the four types of Union shows (*Table 5*) that, generally, *reticular* unions are more (77.98%) than the polarised ones.

As in the previous case, if we focus on the regional distribution of the types a great heterogeneity is displayed. At the same time, the basic assumption of the functioning of MUs under which small municipalities should rely on a bigger municipality seems partially to be put aside since the majority comprehends small municipalities.

Table 5 – Regional distribution of types of Municipal Unions

Region	Reticular Thin Unions	Polarised Thin Unions	Reticular Thick Unions	Polarised Thick Unions
Abruzzo	36.36%	-	36.36%	27.27%
Basilicata	-	-	50%	50%
Calabria	60%	-	40%	-
Campania	33.33%	13%	40%	13%
Emilia-Romagna	26.10%	14.28%	40.47%	19%
Lazio	60%	10%	30%	-
Liguria	65.3%	4.3%	30.4%	-
Lombardy	73.75%	13.75%	11.25%	1.25%
Marche	26.32%	21.05%	47.37%	5.26%
Molise	50%	-	50%	-
Piedmont	47.2%	4.6%	37.1%	11.1%
Apulia	45.4%	22.7%	31.8%	-
Sardinia	25%	11.2%	44.4%	19.4%
Sicily	55.32%	34.04%	6.38%	4.26%
Tuscany	31.82%	22.72%	36.36%	9.1%
Umbria	-	-	100%	-
Valle D'Aosta	25%	-	75%	-
Veneto	42.85%	19.05%	23.81%	14.29%
Italy	47.38%	13.34%	30.56%	8.72%

Source: author's elaboration

2.6 Discussion and Future Research

In this section, I would like to stress some points of discussion and outline some possible research questions, which would be useful for filling some theoretical gaps regarding the phenomenon, discussed in these pages.

From the previous analysis, we can infer the MUs phenomenon in Italy is characterised by great heterogeneity on a national level. On one hand, there are regions where MUs are not very present (Umbria, Basilicata, Calabria, and Campania), with a small size or substantially not active (Sicily, and Apulia). On the other hand, there are regions where MUs appear to have a greater distribution and a higher degree of homogeneity (Marche, Tuscany, Piedmont, and Sardinia).

Finally, Emilia-Romagna appears as the region which has implemented it better, active in services provision and the local governance dynamics. The region appears a particular well underway case where the process of institutionalization and harmonization of the MUs has been highly implemented. The cause may be rooted in its virtuous political legacies and pioneering regional reforms of IMC (Baldini *et al.*, 2009; Casula, 2014), which has played a forerunner role in rationalizing the functions' management for small municipalities even before the national reforms occurred (Baldini *et al.*, 2009).

The Italian institutional MUs setting, especially in the last legislative phases, appear as an induced top-down form of cooperation that proposes a sort of local administrative amalgamation to reduce costs and increase the efficiency in service delivery in order to face Italian endemic municipal fragmentation. In this regard, it is interesting to notice that the analysis in many EU countries focusing on the economic results of IMC does not confirm clearly the assumption of related financial gains. Indeed, many quantitative studies have tried to verify the financial efficiency of joint service provision promoted by IMC (Bodkin & Conklin, 1971;

Ermini & Salvucci 2007; Garrone *et al.*, 2013; Bell & Warner, 2016; Soukopová & Vaceková, 2018 Ferraresi *et al.*, 2018). Their findings are often conflicting, but the indeterminateness of empirical pieces of evidence of economies of scale and their effects on MUs can be originated by different factors. Firstly, there is a problem connected to the use of the local public spending as a proxy to measure efficiency. Actually, the administrative accounting discretion and the organizational structure of local governments can influence how local balances are fulfilled. Moreover, different joint functions differ in their nature; highly capital-intensive services can reduce their cost if the number of municipalities increases. On the other hand, labour-intensive services could show diseconomies of scale due to the increase in the size of the MU. Finally, the quality and the number of services can affect both the costs and the definition of efficiency.

Furthermore, as shown by Fedele and Moini in a study on the different forms of IMC in Italy (2006), MUs are a form of *cooperation through rules*, where the goal is to achieve economies of scale and administrative efficiencies, and the processes are limited to the organizational and managerial dimensions. At the same time, MUs can bring, as a side effect, opportunities to local governments to formulate policies, even though the national legislation does not forecast it explicitly (for example in 2014, the MU *Bassa Romagna* elaborated a Strategic Plan of Development through a participatory process opened to local stakeholders). They require coordination as well as the sharing of objectives and solutions. Here is how the *cooperation through networks* is displayed in its possibility to open a new space of politics and, as for the Territorial Pacts case, to create a space for debating and working together (Cersosimo & Wolleb, 2001) which eventually, through certain conditions²², could lead to social capital creation (Ramella, 2010).

As some privileged actors affirmed, another aspect related to MUs participation can be relevant in political terms: the possibility to acquire a stronger capacity of Voice, to become a greater representation of local interests in respect to the Region. It can

²² The concertation factor, the leadership factor, the continuity factor (Ramella, 2010).

influence both the participation and the will to gather into a network of municipalities.

This political aspect could induce a further reflection on the nature of MUs. They are second-level authorities, a supra-municipal emanation, in which the leader and the council are not elected by the citizens. The arising question is whether and to what extent joint decisions have democratic legitimacy, and to what extent what the MU decides can negatively influence the autonomy of the single municipality, intended as the capacity of a municipality to exercise its powers in the areas under its direct jurisdiction fully.

Another important dimension that is worth considering is that geography matters; it defines the possible participants to the game since municipal governments are territorially fixed. This limits the number and characteristics of potential actors in local cooperation and may affect the compatibility of actors pursuing collective action, thus it would be reasonable to assume that their density and the geographical relationship may affect the cooperation outcomes. The fixed nature of municipalities implies that historical patterns of interaction may play an important role in shaping (dis)incentives for cooperation. It also increases the risk that potential partners may try to strategically control flows of information or perceptions of local issues to affect outcomes (Feiock, 2007). This reflection suggests a further point to investigate: to what extent cooperative legacies, such as the one deriving from Territorial Pacts, could influence the MUs' creation and dynamics? To what extent individual trust influences inter-organisational trust?

In the last paragraph, I proposed a taxonomy of types of MUs based on the internal governance structure. This is helpful to outline how the MUs implementation has slightly differed from the National legislator's prevision to make small municipalities rely on a bigger municipality in order to increase their efficiency; indeed, often a MU comprises a plethora of small municipalities without a primal recognisable administrative core. Hence, cooperation implies the ability to coordinate the aggregation of diverging interests (Frischtak, 1994) by gathering

relevant policy and organizational tools (Teles, 2016), but it also requires the ability to coordinate decision-making (Perkmann, 2007) and to maintain consensus over time (Frischtak, 1994). Considering that even in the most egalitarian and network-shaped processes, the actors do not have the same amount of power (Agranoff & McGuire, 2003), the establishment of convergence among actors, events and strategies are quite necessary to avoid chaos, free-rider behaviours and to obtain collective goals. These represent costs for the involved actors, which may be balanced by other incentives. This opens up other possible research questions: what is the optimal size to guarantee a fruitful governance process in both MUs creation and management? Does it differ in contexts of no pre-existing experience of cooperation? Which are the characteristics of MUs and their agents that lower more political transaction costs both in a horizontal (interaction amongst municipalities) and vertical (interaction with the region) sense? What are the coordinating mechanisms active in favouring coordination among the involved municipalities?

Moreover, considering that Agranoff (2004) found the power within the network to be divided among agency managers, technical experts, and staff members. These individuals may bring to the networks not only their agency's resource-based power but also their willingness to make the network succeed. Hence, in the Italian context, what are the main promoters in fostering the functioning dynamics in municipalities? What is the role of human capital/technical knowledge of the municipal internal resources in fostering the process?

This also becomes more meaningful if we consider the use of *Convenzioni*²³ against the spread of MUs. In 2002, 85% of municipalities with less than 10,000 inhabitants had *convenzioni* (Spagnuolo, 2003), while in 2012, 76.7% did (ANCITEL, 2012). Indeed, the greater diffusion of *convenzioni* between municipalities compare to

²³ *Convenzione* (D.L. 267/2000) is a tool of local governments for associated management of functions and no juridical entity is originated. Generally, it helps one small municipality to rely on a bigger one. Municipalities make an arrangement on voluntary basis establishing the ends, the duration, the consulting procedures, the financial relations. It has been considered a preliminary step towards MUs creation (Fedele & Moini, 2006). No current official data about conventions is available at a provincial, regional, or national level.

MUs seems to confirm Olson's idea (1965) which states collective action is more likely to occur in contexts characterised by a smaller group of involved actors unless the presence of some form of selective incentives and/or (threat of) coercion applied by some existing authority or institution. As some privilege actors confirmed, many times MUs are created in order, on the one hand, to increase their possibility of spending by accessing the regional incentives, on the other hand, municipalities can be convinced by a certain degree of moral suasion of the region to start the process of creation.

2.7 Conclusions

The analysis carried out in this paper, albeit very partial, reveals a quite complex picture of cooperation networks across the Country. The distribution of MUs appears unequal amongst regions, and the regional differences and specificities appear to be many. The last national legislation modifying the MUs nature make them emerge as a fundamental functional tool for service delivery, and for rationalising the intermediate level of government through promoting a form of local governance guided by the principle of *subsidiarity*.

The Italian case of IMC here depicted seems to benefit from a high degree of institutionalization, however, the assumption that connects it to a higher degree of participation, democracy, efficiency, proximity, and flexibility (Della Porta, 2002; Fischer *et al.*, 2007) does not appear as straightforward. Considering the annual extension since 2010, the fact that many regions have not finalized yet the legislation regarding the MUs, no unified databases exist, and no external evaluation of performance is provided, the (mandatory) implementation seems still far from being achieved.

However, the possible socio-political and analytical aspects involved in the phenomenon and the missing points pinpointed in the last section of the paper suggest that the topic seems to require further in-depth examinations and analysis, in a context of a non-stereotyped and practice-oriented view of the MLG model.

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Chapter 3

Does municipal fiscal distress hinder inter-municipal cooperation? The Italian case

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Abstract

Inter-municipal cooperation (IMC) has been increasingly adopted worldwide to tackle issues of size and cost reduction in the provision of public services. Although the determinants of cooperation among municipalities have been widely investigated in the prior literature, little is known about the link between a municipality's financial health and that of the supra-municipal entity formed under IMC. This study fills this research gap by analysing the case of municipal unions (MUs) in Italy. A quantitative approach has been used, applying OLS and quantile regression on financial information and other variables of municipalities and their MUs. The study finds that the most important condition of operation for IMC, that is, financial sustainability, is directly linked to the financial health of member municipalities and the functional integration reached with the supra-municipal entity. The study analyses all MUs in Italy, focusing on the factors affecting their financial sustainability. In doing so, it sheds light on the factors that influence the financial sustainability of second-tier governments, which rely on external funding.

Keywords: Inter-municipal cooperation, financial health, local governments

3.1 Introduction

Historically, industrial countries have consisted of a large number of small, sometimes very small, municipalities. Some countries in Northern Europe – for example, Sweden, Denmark, Belgium, the Netherlands, the United Kingdom – have adopted a policy of mergers to reduce the number of municipalities. Others, such as Italy, France, Switzerland, Spain, and the United States still maintain a fragmented municipal structure (Fedele & Moini, 2006; Bobbio, 2015). Municipalities are the level of government closest to citizens and therefore important for public service provision, which has prompted several studies considering the rationalization of municipalities, both in terms of size and function (Agranoff, 2004; Garrone, Grilli, & Rousseau, 2013; Tavares & Feiock, 2018; Bel & Warner, 2015; Bolgherini, Casula, & Marotta, 2018; Teles & Swianiewicz, 2018). This paper examines a particular aspect of municipal rationalization, that is, the impact of municipalities' financial health on the financial sustainability of inter-municipal cooperation (IMC).

IMC is a form of institutionalised interaction between municipalities relating to a common task or goal. It can be defined as generating and maintaining collaboration between municipalities in terms of governance arrangements and institutions (Hulst & van Montfort, 2007). In this study, we specifically discuss the circumstances in which a second-tier local government is created (Allers & de Greef, 2019). Hence, the new inter-municipal entity substitutes the municipalities as a new local government in the provision of certain functions and services. IMC is a widespread phenomenon in the European Union, consistent with the emergence of open horizontal and vertical networks of inter-and intra-sectoral conditions, like the French, German, Spanish, and other EU cases show (Teles & Swianiewicz, 2018). Its purpose is mostly aimed at organizational aggregation for small and very small municipalities to strengthen their effectiveness and efficiency without resorting to

forced amalgamations (Midiri, 2002). These entities have different names and are structured differently depending on the relevant domestic institutional frameworks. Nevertheless, they share the same setting, where participants of the IMC fund and own the new administrative body, transferring the right to provide some of their public services as well as the collection of some revenues. This study focuses on municipal unions (MUs) in Italy, that were introduced in the 1990s and escalated after the Global Financial Crisis (GFC) in 2008 to tackle the costs of public administration at the local level (Bolgherini, 2015; Bolgherini & Dallara, 2016; Lippi & Tsekos, 2018).

Most prior empirical studies have focused on the determinants of IMC, especially the rational-choice school (Feiock, 2007; Oakerson, 2004; Steinacker, 2004; Post, 2004). In particular, the relevant factors in favour of IMC appear to be: the size of municipalities, number of participants, joint gains, power asymmetry, cooperation costs, selective incentives, government involvement, trust, and norms of reciprocity (Brasington 1999; Carr, Gerber, & Lupher, 2007; Ostrom 1990). However, previous studies neglect the financial dimension, that is, the commitment to financial support from the member municipalities to the IMC. Thus, this study considers the level of the active functioning of IMC entities in terms of expenditure and whether there is a commitment to financial support from the member municipalities to the inter-municipal body, which has significant implications for the financial sustainability of MUs. We seek to understand whether there is a financial health effect from municipalities that hinders the financial sustainability of IMC. Our research question is: does the financial health of external funders, that is, the municipalities, have an impact on the financial sustainability of an IMC entity as a specific type of separate local government organization?

This research question is of particular interest since IMC entities are separate, supra-municipal entities, and thus should be considered as a vehicle for small municipalities to resolve inefficiencies and increase their performance by devolving some of their responsibilities (Savas, 1987). In terms of financial management, IMC entities may rationalize costs, collect revenue, manage debt, and so on for their

municipal members with the aim to foster financial sustainability. One of the main reasons for municipalities engaging in IMC is financial distress (Norgaard, 1996). Yet, successful cooperation is more likely when municipal members are in a sound financial position (Steiner, 2003). Hence, our aim is to establish whether and to what extent IMC can incorporate the range of financial health or otherwise experienced by municipal members to gain financial sustainability as a precondition of success.

We analyse Italian MUs based on their financial activity, using municipal and MUs' administrative data from the financial reports of the last fiscal year available (2017). We measure MU relevance in terms of expenditure managed at the MU level out of the total expenditures within the member municipalities. Financial sustainability is measured by using the ratio between revenues and expenditure but then assessed by focusing on municipalities' financial engagement.

3.2 Literature review

3.2.1 The role of IMCs in local finance

Macro-processes, such as globalization and Europeanization, which have paved the way for an “unravelling” of the state (Hooghe & Marks, 2003), have also prompted national reforms reconfiguring administrative boundaries that include a transfer of resources and powers from upper to lower tiers of government (Peters & Pierre, 2001; Denters & Rose, 2005; Kuhlmann, 2010). This entails a vertical and horizontal shift of competencies and power (Goldsmith & Eggers, 2004; Hooghe & Marks, 2009) with a subsequent progressive devolution of competencies and practices toward local governments – and from them to IMCs – in terms of planning and services provision (Rivolin & Faludi, 2005).

Accordingly, IMC aims to address the challenges of suboptimal municipal size and fragmentation via a different means from amalgamations to achieve greater administrative efficiency at the local level (Hertzog, 2010), thus fostering financial sustainability. IMC is considered a more flexible way to achieve upscaling than amalgamations (Dollery, Byrnes, & Crase, 2007; Feiock & Scholz, 2009) because it overcomes commonly faced challenges, such as opposition to the loss of autonomy from the local population and policymakers (Mello & Lago-Penas, 2013). While the transfer of functions from municipalities to an IMC entity also means a loss of sovereignty, autonomy, and decision-making independence because the municipal decisions will depend on decisions made at the higher level of the IMC entity. It has the benefit of providing greater homogeneity in the delivery of services with better access, familiar procedures, and no changed costs for citizens. This process is somewhat parallel to that seen in the relationship between the EU and its member states in which there has been a partial transfer of sovereignty from the latter to the former (Mitrany, 1975).

In terms of financial impact, the 2008 GFC was the trigger for debate and reform (Pollit & Bouckaert, 2017) of municipal cooperation in the EU, particularly in those Mediterranean countries where austerity policies have been introduced (Morlino & Raniolo, 2017). Spending cuts and austerity measures have been combined with pro-growth measures (such as economic liberalization) and radical streamlining of the state apparatus (Lippi & Tsekos, 2018; Cepiku, Marchese, & Mastrodascio, 2020). The crisis negatively affected the transfers that municipalities (especially small ones) receive from the state (Cepiku, Mussari, & Giordano, 2016; Ladner, 2017), which has also jeopardized the viability of the welfare system (Gamble, 2016; Pollit & Bouckaert, 2017). However, as highlighted by Bobbio (2015), the autonomy and functioning of local governments depend to a large extent on their financial resources, both in terms of quantity and decision-making ability. The main rationale for developing IMC under austerity is that the decrease in revenues associated with diminished transfers from upper levels of government and lower tax revenues requires cost-saving measures (Raudla & Tavares, 2018) that can be achieved by exploiting new economies of scale (Aldag & Warner, 2018).

Similar to external entities within outsourcing and corporatization settings, IMC entities may thus be speculatively used to transfer debt and expenditures so as to improve the appearance of municipal finances (Cuadrado-Ballesteros *et al.*, 2013). In reality, municipalities may tend toward the *status quo* (Overmans & Noordegraaf, 2014). All in all, previous studies suggest that IMC stems from the need to decrease local public expenditure, and thus to increase the financial health of member municipalities (Cuadrado-Ballesteros *et al.*, 2013). Nevertheless, evidence suggests that cost savings may not always happen (Allers & de Greef, 2019). Furthermore, as external entities IMCs may be used by member municipalities to transfer their financial difficulties, with the result of increasing the level of inefficiency, as another layer of government with its coordination needs is created, no financial sustainability improvement is achieved, and, in case of financial distress, the problems are spread to other member municipalities of the IMC.

3.2.2 Municipal financial health as the IMC's financial sustainability factor: the missing link

Financial sustainability can be considered as a precondition for organizations to operate and is the positive side of financial health, in direct contrast to the concept of financial distress (Gardini & Grossi, 2018). Financial health in local governments has received much attention in previous studies, but several labels (fiscal or financial health, fiscal or financial condition, financial position, fiscal or financial sustainability, fiscal stress or distress, fiscal or financial crisis) and definitions exist (Cabaleiro *et al.*, 2013). It ranges from the simple notion of ability to meet financial obligations (e.g. Carmeli & Cohen, 2001; Wang *et al.*, 2007) to wider conceptualizations that include acceptable levels of taxation (Lin & Raman, 1998)

and services (Jones & Walker, 2007; Zafra-Gomez *et al.*, 2009), and short-term and long-term perspectives (Kloha *et al.*, 2005).

Groves *et al.* (2003) have developed four dimensions of financial health.

1. Cash solvency — a local government's liquidity and effective cash management, and its ability to pay current liabilities.
2. Budget solvency — a government's ability to generate sufficient revenues to fund its current or desired service levels.
3. Long-run solvency — the impact of existing long-term obligations on future resources.
4. Service-level solvency — the ability of the government to provide services required by its citizens.

The prior literature focuses on the metrics and determinants of the financial health of local governments, ranging from a set of purely financial indicators (Wang *et al.*, 2007; Rivenbark *et al.*, 2010) to indicators of financial conditions, social and economic characteristics, and quality of services provided, that include both internal and external factors (Zafra-Gómez *et al.*, 2009; Maher *et al.*, 2020). Regardless, revenue-generating capacity or financial autonomy has one of the strongest impacts on local governments' financial health and thus sustainability (e.g. Jones & Walker, 2007). CICA (2009) developed the concept of financial vulnerability as part of a threefold approach that includes flexibility (the capacity of adaptation to external changes) and sustainability (the ability to maintain existing services while covering obligations without increasing indebtedness and taxation levels). In this context, financial vulnerability is seen as “the extent to which the organization depends on resources beyond its own control or influence” (Cabaleiro *et al.*, 2013, p.733). Chapman (1988) argued that local governments face more risk when they rely on grant revenues because they are more uncertain about their revenue inflows since funding decisions are made by other entities.

Similarly, an IMC entity's financial sustainability is considered more vulnerable since its revenues largely depend on other governments' transfers (Padovani *et al.*,

2021). Certain supra-national institutions have claimed that the financing of IMC is a key factor in its success (Council of Europe, 2010). Indeed, IMC revenues essentially come from grants generated by municipal members (Teles & Swianiewicz, 2018). In the case of decreasing grant incomes for municipalities, IMC entities either must decrease their expenditures or over time face negative financial impacts. Considering that local governments adjust expenditures related to service provision more quickly for upward than for downward changes (Cohen, Karatzimas, & Naoum, 2017), a phenomenon known as “cost stickiness” behaviour (Anderson, Banker, & Janakiraman, 2003), it is very likely that a decrease in grants will end in financial distress. Vice versa, grant increases may result in higher expenditure.

Two studies on IMC highlighted how municipalities undergoing financial stress conduct operations to outsource public services and/or engage in cooperation with other municipalities (Mohr *et al.*, 2010; Gómez *et al.* 2014). However, no studies addressed the relationship in the opposite direction, that is, the implications for the financial sustainability of an IMC entity in relation to member municipalities’ financial health. The previous literature has proved that external factors such as demography, service demands, consumer behaviour, economic changes, population income, unemployment rate, and geographical location have an impact on the financial sustainability of local governments (Gardini & Grossi, 2018), but no studies have considered the financial conditions of funding governments. We focus on this phenomenon, as it is the precondition for effective IMC implementation. Indeed, a municipality in financial distress may not transfer adequate resources to its IMC entity, which in turn may experience one of the four consequences of financial health outlined above. Failing to agreed grants to the IMC entity in the case of financial distress is not the only possibility, as a municipality may have the following further options: (a) prioritize the IMC entity over other creditors (e.g. municipal employees and service providers); (b) leverage on debt (e.g. via short-term bank facilities) and therefore worsen its financial health; or (c) improve its own financial condition (e.g. increasing revenues, reducing costs, etc.). Hence, municipalities have different options to fulfil the payment of transfers to their IMC

entity, and the decision to eventually share their financial difficulties with the IMC entity is a specific course of action they may deliberately choose to adopt.

3.3 The case of Municipal Unions in Italy

In Italy, municipalities engage in a series of “fundamental functions”²⁴ over which the state has exclusive legislative power (Vandelli, 2014). There are about 8,000 municipalities in Italy, of which a quarter have fewer than 1,000 inhabitants and more than two-thirds have fewer than 5,000. For historical reasons, the size of municipal governments varies considerably from one region to another. During the period 2012 to 2017 about 200 municipalities experienced bankruptcy. In 2019, 1,400 municipalities, of which 800 have fewer than 5,000 inhabitants (i.e., 40% of the total amount of small municipalities), experienced cash solvency difficulties and therefore can be considered as suffering from poor financial health (Raffer & Padovani, 2019).

In the last 30 years, the Italian Government has been promoting both amalgamation and IMC because many small municipalities were not sustainable and supra-municipal bodies have been created to cope with functions that small municipalities could not perform alone (Poggi *et al.*, 2010). However, mergers are rare, so we focus on IMC, introduced by Law 142/1990, allowing municipalities to transfer

²⁴ These functions are: a) general administrative organization, financial management, accounting, and control; b) organization of municipal public services of general interest; c) cadastre; d) urban planning at municipal and supra-municipal level; e) civil protection; f) waste collection and disposal; g) social services; h) school buildings; i) municipal police.

their decision-making powers in relation to expenditure to a MU (Unione di Comuni).

Italy is characterised by a fragmented pattern of municipalities and MUs have been used to overcome inefficiencies and to foster joint action through the creation of a new government body (Giacomini, Sancino, & Simonetto, 2018) that is a particular type of second-level institution (i.e., its governing bodies are not elected by citizens) adopted as a predominant form of IMC in Italy, to which municipalities delegate their activities (generally these are legally required activities), as well as add new tasks, thus providing possible innovative approaches (Vandelli, 2014). Municipalities provide the human and administrative resources relating to the transferred tasks while the internal structures and responsibilities of the MU are allocated by the municipalities' administrators. The president is elected from amongst the mayors, the council by the executives of the municipal members, and the advisors chosen by the councils of the municipalities. When a MU is created, it is necessary to define the organizational model for centralizing the back office for the functions transferred and for functions and front office work that remain with the municipalities. Sanctions from the Italian Government only occur in the case of corruption or poor fiscal management but have rarely been applied. Hence, it can be assumed that municipalities are aware that sanctions for mismanagement are unlikely.

Since 1990, three different waves of MU-related reforms have been introduced with the aim of fostering efficiency and effectiveness (Gasparri, 2017; Bocchino, 2018). It is important to highlight that the third legislative phase was instigated as part of post-GFC austerity measures (Lippi & Tsekos, 2018) and imposed aggregated management of the key functions of small municipalities, that is, those with a population of fewer than 5000 inhabitants. It must be noted that some studies have found that politicians may have introduced cooperation for political reasons rather than with a goal of efficiency and effectiveness (Mussari & Ruggiero, 2017).

3.4 Methodology

We used official information published online on a centralised, publicly available database on municipalities and their MUs (Comuniverso). For the financial side, we have used the municipalities' and MUs' administrative data from the financial reports of the last fiscal year available (2017), which is accessible in the AIDA PA database, by Bureau van Dijk – A Moody's Analytics Company to identify MUs with expenditures used to provide services to citizens, labelled "active MUs". Socio-graphic and socio-economic data were derived by aggregating municipal information available from the Italian National Statistical Institute (ISTAT). Thus, a database of active MUs was created by dropping the MUs considered "existing" by Comuniverso, but with no financial activity, labelled "inactive MUs".

We developed an Expenditure Centralization (EC) index to evaluate the level of functional integration with the MU²⁵. This is relevant as it may explain a different level of financial commitment by the member municipalities, that is, they may be more committed where they delegate more resources. EC is computed as the ratio between a MU's current expenditure and the sum of the member municipalities' current expenditure, in order to measure how much municipalities rely on the MU for their activities.

In order to assess the financial health of MUs, we have adopted some of the financial indexes used in the literature to measure the financial health of local governments, covering the dimensions of cash solvency and budget solvency by Groves *et al.* (2003). We did not take into consideration long-run solvency, as MUs generally do not have capital expenditures and thus have limited or no debt burden, nor service-level solvency, as it cannot be measured with the available information. The Current Balance (CB) ratio is one of the most important and generally accepted

²⁵ Data that distinguishes in concrete terms which specific services MUs manage and provide is not available.

financial condition indexes (Levine, Justice, & Scorsone, 2013). This ratio is computed by dividing current revenues by current expenditures plus debt repayments; if it is below 1, current expenditures and debt repayments are not fully covered by regular inflows of financial resources, breaking the so-called “golden rule”. The prior literature suggests that this index is particularly relevant to assess financial risk for investors (Martell, 2008; Bastida *et al.*, 2014; Pinna, 2015).

The Revenues Dependency (RD) index is the ratio between current grants, mainly received by member municipalities, and the sum of current revenues collected by the MUs. The literature suggests that local governments with higher tax receipts are perceived by the market as having greater financial health, as a financially autonomous local government is held responsible for its own resources (Chapman, 1988; Martell, 2008; Bastida *et al.*, 2014). In the case of MUs, revenues come mainly from municipal members’ grants, therefore this index is useful to ascertain the level of dependency on their municipalities.

We also use the Credit Index (CI), which identifies the ratio between accounts receivable of current grants and accrued current grants. Considering that most current revenues derive from grants, the higher this index, the lower the level of liquidity and its connected cash solvency. This last dimension is considered a major dimension of financial distress by several authors (Downing, 1991; Alijarde & López, 2001; Cohen, Costanzo & Manes-Rossi, 2017), but in this study, it also represents the “financial link” between MUs and their member municipalities. In fact, one may argue that this index also measures the level of loyalty of a municipality to its MU: the higher this index, the lower the level of loyalty. For computational purposes, the CI index has been normalized into the Not Collected Grants index (NCG) showing the ratio between accounts receivable of current grants and accrued current grants plus accounts receivable of current grants. The NCG does not measure the levels of savings each municipality achieves from IMC as the level of grants — together with the level of expenditures and services to be provided by the IMC entity — is established by municipalities within the IMC executive body. Rather, it determines the level of municipalities' compliance to

predetermined financing levels (Table 1).

Table 1 – Summary of financial indices

Name	Abbreviation	Computation	References
<i>Expenditure Centralization</i>	EC	MU's current expenditure/ Sum of the member municipalities' current expenditures	Own Computation
<i>Current Balance</i>	CB	MU's current revenues/ MU's current expenditure	Capeci, 1994; Pinna, 2015
<i>Revenues Dependency</i>	RD	MU's current revenues/ MU's current revenues from member municipalities	Chapman, 1988; Martell, 2008
<i>Credit Index</i>	CI	MU's accounts receivable of current grants/ MU's accrued current grants	Berne & Schramm, 1986
<i>Not Collected Grants</i>	NCG	MU's accounts receivable of current grants/ (MU's accrued current grants + MU's accounts receivable of current grants)	Own computation based on CI

Then, in order to test whether the financial health of the municipalities influences their financial engagement in the MU and its sustainability, we performed a multiple linear regression (OLS), with standard errors robust to heteroscedasticity having as the dependent variable the NCG and as the main independent variable the municipalities' financial health.

Financial health is measured using the “Financial Health Score” (“*rating finanziario*”). This is a composite indicator available in the Italian local governments' financial information database AIDA PA, based on the national database of audited financial reports available at the Ministry of the Interior and Ministry of Economics and Finance. It is based on ten indicators that reflect the most relevant dimensions of the financial conditions of local governments: long-term solvency, budgetary solvency, and short-term solvency (Hendrick, 2011; Jacob & Hendrick, 2012). These ten indicators were selected for their capability to measure the most important aspects of financial distress determinants considered by the Court of Auditors, the Italian audit body on local governments, and where they are also considered by laws and regulations, for example, to impose debt limits. They are measured for each municipality then transformed into a score where 1 is

no financial distress and 11 is high financial distress. These scores are then averaged using specific weights that reflect the importance of each indicator, then normalized into a 1–11 score. The result is a composite indicator that assesses the level of financial condition or the level of financial distress. This indicator is currently and permanently used by banks, financial institutions, and public sector providers to assess the level of financial risk of Italian municipalities.

The MU's municipalities Financial Health (FH) index was constructed by using the MU member municipalities mean of the Rating Score from which the standard deviation is subtracted and divided by the maximum distance the score ranges (10).²⁶

Other regressors included in the model are: the EC index, which can be considered a proxy to measure the municipal financial commitment to the MU and the functional integration reached by the MU; the internal polarisation of the MU, a dummy variable that considers MUs in which there is at least one municipality with a population of more than 5,000 inhabitants and in which the biggest municipality has a population at least double that of the second most populated municipality (Poggi *et al.*, 2010); sea access, a dummy variable that considers whether there is at least one coastal municipality, since this affects the needs of the MU in terms of seasonality of local services (i.e., trash collection, transportation, roads and traffic, police, etc.) and a different citizen profile due to the effect of tourism; the number of member municipalities, as a higher number of municipalities may generate more complexity for decision making and, thus, lower financial commitment from municipalities (Poggi *et al.*, 2010), or a higher level of commitment as a higher number of municipalities could provide access to a greater range of competences able to be accessed by a single municipality. Socio-graphic, socio-economic, and regional controls are also used in the model since they have proven to be determinants of financial sustainability in local governments (Capalbo

²⁶ In order to validate it we ran another regression having as basic unities the municipalities and using the Rating Score as an independent variable; the results go in the same direction as the results presented in the next paragraph.

& Grossi, 2014; Sargiacomo, 2016). As spatial controls we included the MU's size, average altitude, and rural nature (and index computed as the average ratio between scattered houses and urban area houses for each municipality); as sociographic controls the population living in each MU and the MU's age and its squared value because it is assumed that the IMC's implementation is an incremental process, in which municipalities start working on certain areas and gradually increase the scope of intervention. As economic controls we used the MU's average per capita Gross Income (GI_{pe}) and the Gini Index; finally, then we controlled for possible regional effects, through a categorical variable of regional dummies (Reg), as the 20 Italian regions play a regulatory role in IMCs, including MUs.

We adopt the following variables:

- (1) Y_{NCG} the dependent variable, where NCG means *not collected grants*.
- (2) X_{FH} the main independent variable, where FH means *financial health*.
- (3) X_{EC} the independent variable, where EC means *expenditure centralization*.
- (4) X_P the dichotomic independent variable, where P means *polarisation*.
- (5) X_{AS} the dichotomic independent variable, where AS means *access to the sea*.
- (6) N_M the independent variable, where M represents the *number of municipalities*.

For *spatial, sociographic, financial and regional controls* we adopt the following variables.

As spatial controls:

- (1) S MU's size.
- (2) Ru Rurality index.
- (3) Al the MU's average altitude.

As sociographic controls:

- (4) P the population living in the MU.
- (5) A the MU's age.

As economic-financial controls:

- (6) GI_{pe} the average per capita Gross Income.
- (7) Gi the average Gini index.

As regional controls:

- (8) Reg the regional dummies

We use the Ordinary Least Squares (OLS) with standard error — s — robust to heteroscedasticity as our multiple linear regression model. Hence, our dependent variable Y_{NCG} is given by:

$$Y_{NCG} = A_{NCG} + \beta_{FH}X_{FH} + \beta_{EC}X_{EC} + \beta_P X_P + \beta_{AS}X_{AS} + \beta_M N_M + \beta_S S + \beta_{Ru}Ru + \beta_{Al}Al + \beta_P P + \beta_{AA} + \beta_{AA2} + \beta_{1,G}GI_{pe} + \beta_{2,G}Gi + \beta_R R_{eg} + s$$

We then tested the effect of the independent variables by running a quantile regression as a robustness check of the OLS model. This is because the dependent

variable is not normally distributed, but is slightly skewed to the left, thus, we wanted to check whether nonlinear relationships with the predictors were present. Indeed, quantile regression allows us to consider the impact of a covariate on the entire distribution of Y, not merely its conditional mean. Indeed, the dependent variable's 25th, 50th, and 75th quantiles are modelled to test for differential effects of the independent variables. The quantile regression estimates the model with bootstrap standard errors, retaining the assumption of independent errors but relaxing the assumption of identically distributed errors; thus, they are analogous to robust standard errors in OLS (Wooldridge, 2010). The proposed model passed the post-estimation diagnostic of multicollinearity (variance inflation factor) and model specification (Ramsey test and Linktest).

Table 2 – Summary statistics

<i>Variable</i>	<i>Obs</i>	<i>Mean</i>	<i>Std. Dev.</i>	<i>Min</i>	<i>Max</i>	<i>Source</i>
<i>NCG</i>	392	0.312	0.177	0	1	AIDA PA
<i>FH</i>	393	6.271	2.043	1	10.61	AIDA PA
<i>Population</i>	393	21883	28742.23	482	235000	ISTAT
<i>Age</i>	393	7.224	5.563	0	21	AIDA PA
<i>Age_sq</i>	393	83.051	93.834	0	441	AIDA PA
<i>No. municipalities</i>	393	5.601	3.903	2	35	COMUNIVERSO
<i>EC</i>	393	0.274	0.356	0	3.481	AIDA PA
<i>Size</i>	393	200.235	204.019	7.58	1261.77	ISTAT
<i>Altitude</i>	393	320.507	261.179	2.83	1623.66	ISTAT
<i>Rurality</i>	393	0.180	0.148	0	1	ISTAT
<i>Gipe</i>	393	13898.4	2399.079	6914.21	20093.06	ISTAT
<i>Gini</i>	393	0.186	0.015	0.143	0.27	ISTAT

Table 2 describes the variables used in the OLS model, while Table 3 is a correlation matrix of the same variables in the model. Numbers are Pearson correlation's coefficients from -1 to 1 , with a strong correlation when closer to 1 .

Table 3 - Pearson Correlation of the OLS model variables

Variables	NCG	FH	EC	N. of municipalities	MU's size	Altitude	Rurality	MU's Population	Age	GIpe	GINI
NCG	1										
FH	-0.5357*	1									
EC	-0.1928*	0.1743*	1								
No. of municipalities	-0.0331	0.0736*	-0.2477*	1							
MU's size	0.0609*	-0.0715*	-0.2300*	0.5504*	1						
Altitude	0.0884*	-0.0563*	-0.1306*	0.2651*	0.2802*	1					
Rurality	0.1099*	-0.0919*	0.0252	0.1299*	0.0512*	0.0263	1				
MU's Population	-0.0378*	0.0183	-0.1741*	0.2607*	0.4113*	-0.2549*	-0.0501*	1			
Age	0.2456*	-0.1786*	0.1728*	-0.1632*	-0.1985*	-0.2007*	-0.0606*	-0.0519*	1		
GIpe	-0.3949*	0.4730*	0.2121*	-0.0361*	-0.1548*	-0.0874*	0.0772*	0.1014*	-0.2974*	1	
GINI	0.1281*	-0.1774*	-0.0226	-0.0755*	0.0450*	0.0069	0.1971*	0.1345*	0.1088*	-0.1470*	1

* $p < 0.05$

Besides some obvious correlations, as between the number of municipalities and the MU's population, the correlation between the Financial Health and NCG displays the strongest and most significant value (-0.536^*). In the following section, we will test the results of the Pearson correlation shown in Table 3.

3.5 Data and overview of the Italian Case

It is important to highlight that the only database available for MUs (Comuniverso) presents a picture of the phenomenon at a point in time (2018). This makes it difficult to identify whether MUs are actually functioning or are inactive. Table 4 shows a synopsis of the dataset. The first column presents the number of total municipalities in each region, the first macro-column provides the number of MUs

and member municipalities and the average number of municipalities according to Comuniverso, while the second macro-column displays the same information according to our final database and the last column highlights the percentage of inactive MUs.

Table 4 - Overview of Municipal Unions

Region	Municipalities	Official DB ²⁷			Amended Db			% of inactive MUs
		MUs	Municipalities in MUs	Average municipalities per MU	MUs	Municipalities in MUs	Average municipalities per MU	
Abruzzo	305	11	68	6.18	5	28	5.6	54.54
Apulia	258	23	113	4.91	15	67	4.47	34.78
Basilicata	131	2	16	8	1	6	6	50.00
Calabria	404	10	53	5.3	4	22	5.5	60.00
Campania	550	15	90	6	4	26	6.5	73.33
Emilia-Romagna	331	42	270	6.43	40	240	6	4.76
Friuli-Venezia Giulia	215	19	146	7.68	16	132	8.25	15.79
Lazio	378	20	101	5.05	13	67	5.15	35
Liguria	234	23	110	4.78	13	52	4	43.48
Lombardy	1,516	80	277	3.46	74	243	3.28	7.50
Marche	229	19	120	6.32	19	105	5.53	0.00
Molise	136	8	52	6.5	3	16	5.33	62.50
Piedmont	1,197	108	778	7.2	94	656	6.98	12.96
Sardinia	377	36	281	7.81	21	163	7.76	41.67
Sicily	390	47	174	3.7	13	59	4.54	72.34
Trentino-South Tyrol	292	0	0	0	1	5	5	-
Tuscany	274	22	139	6.32	21	117	5.57	4.54
Umbria	92	1	8	8	2	16	8	-100

²⁷ Comuniverso's DB.

<i>Veneto</i>	571	43	225	5.23	34	181	5.32	20.93
<i>Italy</i>	7,880	529	3,021	5.70	393	2,201	5.73	27.45

Source: Authors' adoption of Comuniverso's Data.

The decrease in the number of MUs displayed in the last column of Table 4 is because we decided to consider as active MUs those fulfilling the requirements of Madia law, that is, having given evidence of activity by providing financial reports to the central government. For those considered to be not active we cross-checked their activity by looking at: (a) their deliberations and those of their municipalities; (b) their statutes; (c) regional reports when available; (d) local newspapers and web scraping to look for any evidence of those MUs being active. The results highlight that in some regional jurisdictions, such as Campania, Calabria, and Sicily, some “existing MUs” have, for example, not elected their MUs councils or, in the worst cases, no evidence of activity has been found. We think it is safe to assume these MUs were created to receive the first *ad hoc* incentive provided by the regional government but have never been active.

We focus on the active MUs, of which there are 393, involving 2,201 municipalities. As shown in Table 4 the total current expenditure of the MU is 5.58 times smaller than that of their municipalities. This is because, firstly, generally MUs manage the “fundamental functions”, while municipalities’ activities include other services, and secondly, as the third column of Table 4 suggests, Expenditure Centralization shows very low values ratios. This implies that generally, municipalities rely only partially on MUs for their activities, indeed, 20 MUs reached a ratio greater than or equal to 1, representing 5.08%.

Table 5 - Descriptive statistics about financial management (mean, 5th, 25th, 50th, 75th, 95th percentiles)

<i>MUs' Current Expenditure</i>	<i>Member Municipalities' Current Expenditure</i>	<i>Expenditure Centralization (EC)</i>	<i>Current Balance (CB)</i>	<i>Revenue Dependency (RD)</i>	<i>Credit Index (CI)</i>	<i>Not Collected Grants (NCG)</i>
Tot= 1,263,879,466	Tot= 7,057,325,521	-	-	-	-	-
Mean= 3.215,978	Mean= 3,212,224	Mean= 0.27	Mean= 1.09	Mean= 0.82	Mean= 0.60	Mean= 0.31
5th= 66,151	5th= 222,849	5th= 0.00	5th= 0.88	5th= 0.35	5th= 0.04	5th= 0.04
25th= 311,109	25th= 662,682	25th= 0.05	25th= 1.00	25th= 0.74	25th= 0.23	25th= 0.19
50th = 1,360,732	50th = 1,406,487	50th = 0.14	50th = 1.04	50th= 0.89	50th= 0.41	50th= 0.29
75th= 3,570,620	75th= 3,161,904	75th= 0.33	75th= 1.12	75th= 0.97	75th= 0.71	75th= 0.42
95th= 13,865,230	95th= 10,391,817	95th= 1.01	95th= 1.49	95th= 0.99	95th= 1.59	95th= 0.61
Obs= 393	Obs= 2,201	Obs= 393	Obs= 393	Obs= 393	Obs= 393	Obs= 393

Source: authors' elaboration

The Current Balance (CB) ratio suggests that 80.81% of MUs have a current balance ratio equal to or higher than 1 and only 11.19% have a ratio below 0.98, therefore it would seem that the vast majority of MUs can be described as having good budget solvency. As shown in Table 5, the mean of the Revenues Dependency (RD) index is 0.82, and the median is even higher (0.89). This means MUs' activity mainly depends on financial transfers from member municipalities. The Current Balance (CB) ratio considers accrued revenues, which may not be *de facto* deposited by municipalities. Municipalities may choose not to deposit their contribution to MUs' expenditures because they do not consider the MU legitimate, or may fail to do in cases of financial distress in the municipality. Therefore, a Credit Index (CI) of 0.6 (the median) means that a MU has 60% of uncollected annual current grants; a CI above 1 means that a MU has credits for uncollected current grants that are even higher than annual current grants. 54 MUs have ratios equal to or higher than 1, while only 5.8 % of MUs collect at least 95% of all receivables (accrued grants plus previous years accounts receivable of current grants). On average (last column in Table 5) MUs do not collect around 30% of

expected revenues from member municipalities, determining the increase in short term liabilities. This raises the problem of cash solvency as an important aspect of financial health (Levine *et al.*, 2013) for several Italian MUs, therefore undermining the effectiveness of IMC policies in these contexts. We used NCG – normalization of the CI – as a proxy for financial health for MUs as the correlation between the CI and the short-term liabilities is significant (Pearson correlation = 0.6420*). In fact, account receivables, which compose the CI, have an impact on accounts payables, that is, short term liabilities, thus determining cash solvency capacity (Benoy & Hendrick, 2013). Moreover, CI, and thus NCG, can also be interpreted as a measure of overall municipal members' commitment to the MU. It can be considered that municipal members have a high commitment to MU if they pay the MU in a timely fashion.

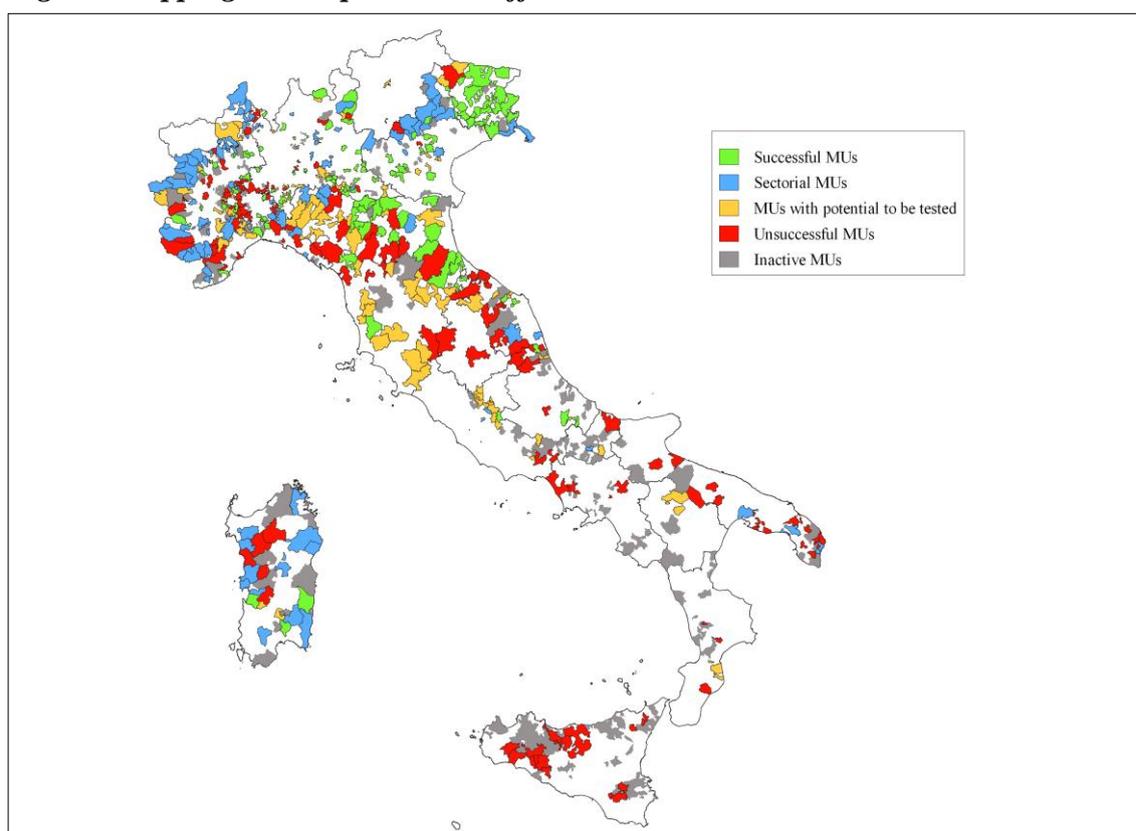
In order to provide a better overview of the MUs in the country, we have classified them by crossing the Expenditure Centralization (EC) and Credit Index (CI), distinguishing four types of active MUs, with a fifth category, inactive MUs:

1. *successful*, those where there is high centralization of expenditure and municipalities spend resources continuously; if there is political consensus, these are the MUs most likely to merge;
2. *sectorial*, those where municipalities spend resources continuously, but there is a tendency to focus on only a few areas of activity as expenditures are centralised below the median;
3. *with potential to be tested*, those where there is a high degree of centralization of expenditure but where either (i) the municipalities do not recognize the authority/importance of the MU to pay the necessary resources on a continuous basis, or (ii) they have financial difficulties that make it impossible for the resources to be actually paid out;
4. *unsuccessful*, those characterised by low centralization of expenditure and municipalities spend resources intermittently accumulating delays that can

generate financial difficulties in the MUs; this is the case with the highest possibility of failure, unsuccessful MUs (113) and inactive (144) MUs represent a total of 257 out of 537 MUs, the 47%.

5. *inactive*, those considered active by Comuniverso but that our activity check revealed to be not active.

Fig. 1 – Mapping Municipal Unions effectiveness



Source: authors' elaboration

Figure 1 shows a regional pattern, with successful and sectorial MUs concentrated in Northern regions: Friuli-Venezia Giulia has the highest concentration of successful MUs, while several MUs in Veneto and Piedmont are sectorial. Inactive MUs are scattered throughout the nation, with a certain concentration in Central-Southern regions, even though small inactive MUs are also present in Piedmont, Veneto, and Liguria. Unsuccessful MUs are rare in Veneto, Lombardy, and Tuscany. This may be the consequence of the administrative coordination of local governments by regional governments that also have legislative power on these matters.

3.6 Analysis

We tested whether the financial health of member municipalities influences the MU's capacity to collect expected revenues, and thus its financial sustainability. NCG was used as the dependent variable to test the hypothesis. Table 6 reports the results for the OLS and the quantile regressions.

In substantive terms, the OLS model shows that keeping constant the other variables, as the Financial Health increases by 1 score point, the NCG decreases by -0.025 . The significant negative correlation ($p < 0.01$) implies that increasing the financial health of the member municipalities has a positive effect on the capacity of the MU to collect the expected revenue. Moreover, the negative correlation with EC suggests the payment of expected income is connected to the level of functional integration with the MU; the higher municipal commitment to the MU the more likely members will pay. Indeed, as the EC increases by 1 score point, the NCG decreases by -0.046 .

If we focus on the values regarding the number of participants, the MU polarisation appears to not be significant with respect to the NCG of the MU, while the sea access is significant. This seems to suggest the non-payment is explained more by municipalities' financial health and by the level of municipalities' financial commitment to the MUs for service delivery (EC) rather than by strong territorial leadership (polarisation), and by the number of municipalities involved. Moreover, if a certain area (access to the sea) is popular with tourists would seem to play a role. This may be because coastal municipalities feature a different citizen profile that includes more tourists, which may incentivize municipalities to provide financial resources to MUs to support the economical activity of tourism. This correlation deserves further analysis.

Table 6 reports also the results for the 25th, 50th, and 75th quantiles, estimating whether the independent variables have a differential influence. After these model extensions are implemented, financial health appears to have almost uniform effects, always significant at $p < 0.01$ and the EC almost always significant ($p < 0.1$ at the 50th quantile and $p < 0.05$ at the 75th quantile), whereas other variables appear to be not significant. Thus, we can conclude that the financial conditions of municipalities and their functional integration play a key role in the financial sustainability of MUs.

Table 6 - OLS and quantile regression results

	OLS	Quantile Regression		
		Quantile 0.25	Quantile 0.5	Quantile 0.75
<i>Financial Health</i>	-0.025*** (0.004)	-0.025*** (0.005)	-0.031*** (0.005)	-0.025*** (0.008)
<i>Expenditure Centralization</i>	-0.046** (0.018)	0.019 (0.015)	-0.037* (0.019)	-0.058** (0.027)
<i>Polarisation</i>	-0.012 (0.018)	-0.003 (0.022)	0.008 (0.026)	-0.002 (0.030)
<i>Access to sea (dummy)</i>	-0.107*** (0.029)	-0.103* (0.057)	-0.47 (0.019)	-0.053** (0.024)
<i>No. municipalities</i>	-0.000 (0.002)	-0.001 (0.002)	-0.001 (0.004)	0.001 (0.005)
<i>Spatial Controls (Size, altitude, rurality)</i>	Yes	Yes	Yes	Yes
<i>SocioGraphic Controls (Pop., MU's age, age_sq)</i>	Yes	Yes	Yes	Yes
<i>Economic Controls (GIp and GINI)</i>	Yes	Yes	Yes	Yes
<i>Regional Controls</i>	Yes	Yes	Yes	Yes
<i>Cons.</i>	0.512*** (0.134)	0.335*** (0.193)	0.514*** (0.166)	0.606*** (0.205)
<i>Obs</i>	393	393	393	393
<i>Pseudo R-squared</i>	-	0.3182	0.3471	0.3579
<i>R-squared</i>	0.505	-	-	-

Standard errors are in parenthesis. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

3.7 Discussion

IMC has been introduced in Italy, through MUs, to foster efficiency by cutting public administration costs and provide a higher level of municipal services than would be otherwise possible in small municipalities. However, cash solvency, the most important financial health dimension for MUs, is already in danger because revenues are not received from member municipalities. On average the Credit Index is very high (.41), suggesting that municipalities tend not to deposit the sums agreed within the MU governing bodies. The analysis highlights that the financial sustainability of an MU is affected by three main factors: whether the territory can be categorised as a tourist destination, the functional integration of municipal members with their MU, and the financial health of municipal members. First, tourism may influence the behaviour of municipalities because tourism plays a pivotal role in municipal policies in Italy (Regio, 2018). This highlights that when there is a specific and highly sensitive interest, municipalities have an incentive to be financially committed to the MU.

The second factor suggests the more municipalities commit to the MU in financial terms, the more likely the MU receives expected revenues. In turn, the more the MU integrates and is trusted by municipalities in financial terms, the more municipalities depend on it, and the more likely they will provide funds promptly.

Third, specific to our research question, the MU's capacity to collect the expected incoming grants or the municipal members' willingness to pay the expected outgoing grants — which is the basis for the MU's financial sustainability — seems to be strictly linked to municipalities' financial conditions. This suggests that the MU may be not considered as a supra-municipal entity where municipalities cooperate to achieve a joint goal, but a purely external entity used to decentralize problems. This is consistent with the work of Cuadrado-Ballesteros (2013), who investigated decentralization strategies and found that municipalities may

speculatively use external entities to transfer their financial difficulties. In other words, MUs act as a sort of financial buffer. Municipalities in financial difficulties are likely to adopt a free-riding behaviour, that is, they will not provide the resources to the MU that they are expected to provide, instead of leveraging the debt or improving their own financial conditions. This might be explained by a pattern of “passing the buck” behaviour, aimed at limiting or avoiding municipalities’ responsibility for their financial health and passing this responsibility to another entity. This can be interpreted as a blame avoidance strategy (Hood, 2011), that forces others to make politically costly choices (Jacquot & Vitale, 2014) and minimizes losses, even at the expense of obtaining potentially greater benefits (Weaver, 1986). If the non-payment causes financial problems for the MU, then these difficulties are shared with other municipalities who must take up the responsibility of providing the shared tasks, personnel, and expenditure and potentially provide a lesser service across all municipal members.

The financial sustainability of an MU is not affected by non-financial features such as the number of municipalities involved and by the presence of a “naturally leader” municipality (polarisation). Even though specific types of internal leadership (Cepiku & Mastrodascio, 2020) and the number of participants may play a key role in shaping the transaction costs connected to IMC practice and bargaining (Poggi *et. al*, 2010). Our results suggest that the preconditions of MU activity, that is MU’ financial sustainability, are municipalities’ sound financial health and the devolution of higher rates of expenditure to MUs. Only after these preconditions are reached, do other internal and external factors play a role in determining the outcomes of the joint activity carried out through IMC.

This research also finds that other factors usually presented by the literature on general local governments’ financial health are not influential for entities that mainly base their activity on derived finance. This is an interesting implication, as it demonstrates that second-tier local governments, with revenues represented by grants, have different financial behaviour that is highly conditioned by the financial patterns of their funders.

3.8 Conclusions

This study fills a gap in the literature, namely the relationship between local governments' financial health and the financial sustainability of IMC entities. The quantitative analysis provides evidence of the influence of municipal financial conditions on IMCs.

Generally, national governments promote IMC as an alternative to amalgamation for reducing expenditure and increasing efficiency in the provision of public services to citizens. However, whether the financial conditions of municipalities and their financial commitment to the IMC plays a role in supporting or hindering the sustainability of the IMC entities created has not been widely considered. Yet it is an important question as the consequences of non-payment of grants from member municipalities are serious, such as a reduction of services to citizens and a spreading of financial repercussions to other member municipalities that likely increase their costs and have other staffing and organizational impacts, and in extreme cases may cause the IMC to fail.

We find that the implementation of an IMC aimed at increasing the efficiency and effectiveness of small local governments cannot be simply created by decree, without recognizing, addressing, and solving the underlying asymmetries between municipalities, especially in terms of their different financial conditions. Furthermore, IMC entities need a clear functional integration with respect to the devolution of financial resources by municipalities. Our study highlights that these aspects represent necessary preconditions for the success of IMC as they guarantee financial commitment by municipalities and therefore financial sustainability.

Our findings have practical implications for different government levels, both in Italy and in other countries adopting IMC. We recommend the following, with the first four focused on financial health and the latter four on functional integration.

1. Policymakers that create an IMC entity intending to improve the performance of municipalities should address any municipal financial distress first, to avoid financial distress simply being transferred to IMC entities in the future.
2. National intervention should be established to promote financial equalization strategies and financial support to weak municipalities or setting a specific grant fund to be distributed to an IMC entity based on the payment gap by municipalities, to guarantee IMC entity's financial sustainability and improve municipal finances at the same time.
3. National policymakers should consider providing a compulsory doubtful account provision in proportion to the level of the financial health of municipal members that makes evident during budgeting that a certain amount of revenue may not be paid on time, so as to reduce expenditure and thus the probability of a shortfall between actual revenues and expenditures, and consequent financial difficulties.
4. Clearer national or regional controls and policies should be developed to detect malfeasance and financial misbehaviour by municipalities.
5. A set of rules should be developed by national policymakers that incentivize centralizing municipal services to IMCs to establish a minimum standard level of resources based on best practice or specific thresholds to guarantee a minimum level of financial commitment.
6. IMC performance thresholds should be recognized only when reliable and comprehensive information is available about IMC performance; indeed, the creation of a system of indicators for IMC entities should be considered.
7. Local policymakers should consider devolving more financial (and therefore policy) powers to IMC entities or consider their dismissal in cases where the levels of expenditure centralization are minimal and thus represents IMC adoption that is self-interested.
8. The mandatory nature of IMC for small municipalities may be overcome by the national legislator to avoid the adoption of the model simply for

funding purposes (regional incentive), where the decision to devolve resources to the IMC is not possible.

These recommendations may be particularly relevant in the case of municipalities in financial distress, in order to avoid the spreading of financial difficulties across municipal members. This is because, as Swianiewicz (2011) argues, IMC is not only a means to strengthen municipalities: it requires some initial strength to be developed successfully. Thus, having sound municipal financial conditions as well as reaching adequate functional integration are the pillars of IMC successful implementation.

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Chapter 4

Together Alone: Unravelling the Coordinating Mechanisms of Inter-municipal Cooperation

Abstract

Ever since the use of public networks by local governments has increased, questions have arisen about how to make them stable and successful. Scholars have traditionally addressed this issue in different ways, shedding light mainly on the determinants of cooperation. This article reflects on the mechanisms that characterise inter-municipal cooperation (IMC) in the process of building and maintaining coordination among municipalities for the joint delivery of municipal services. Data were collected from a multiple case study that focused on Municipal Unions in Piedmont, Italy. The results show that five mechanisms can – in various ways – contribute to the coordination of a system that is exposed to fragmentation and instability. The case study demonstrates that although traces of all five mechanisms are present in IMC, coordination can only be enhanced if the interactions between mechanisms are accurately balanced out over time.

Keywords: Inter-municipal cooperation, coordination, local governments, mechanisms

4.1 Introduction

Over the last decades, European local governments have been involved in a complex and fast-changing cycle of reforms (Bouckaert & Kuhlmann, 2016). In Italy, municipalities are the smallest territorial units: they constitute the first tier of government. They are often too small or lack sufficient resources to undertake all the functions they are required to carry out. Indeed, the same fundamental functions are attributed to all municipalities, from the smallest to the largest ones. Consequently, this uniformity ends up impacting negatively on quality standards and on the citizens' ability to access and benefit from public services (Morelli, 2018), to the detriment of the principles of differentiation, adequacy and subsidiarity (Renna, 2012). There is wide agreement on the fact that most of the problems that involve public administration can only be addressed through the joint actions of multiple actors (Schwab *et al.*, 2017). The concepts of multi-level and network governance both underline the need for local governments to interact with other levels of government and within their own boundaries if they are to create coalitions of governments working together for common and agreed-upon purposes (Teles & Swianiewicz, 2018). Accordingly, in the past 30 years, inter-municipal cooperation (IMC) has been adopted to address the challenges of suboptimal municipal size and territorial amalgamation (Hertzog, 2010). Whenever there is a relationship between two or more organizations, their activities require some form of coordination. Using an inductive approach, this article defines and discusses five mechanisms – and their interactions – that can promote or inhibit coordination among municipalities.

The article is structured as follows: the first section introduces the issue of coordination, highlights its importance in IMC and discusses the theoretical concept of mechanism. The analysed case study – characterised by high fragmentation and internal tensions that affect the existence and agency of the IMC entities – is

presented in the second section. The third section focuses on the case selection and method, whereas the main coordinating mechanisms are analysed in the fourth section, followed by a discussion of the interactions between mechanisms. In the final section, I will summarize the findings and offer recommendations for future research.

4.2 Inter-municipal cooperation and coordinating mechanisms

4.2.1 *IMC: advantages, difficulties, and the need for coordination*

Over the past 30 years, the capacity of local governments to provide an adequate level of service has been questioned. Consequently, they have been forced to engage in the joint delivery of public services through IMC, especially when coping with dilemmas of territorial scale (Silva *et al.*, 2018). Indeed, the suboptimal size of many municipalities often implies inefficiency in the management of administrative functions and the delivery of services (Bianco, 2010). Municipal fragmentation is particularly relevant in Italy: almost 70% of the municipalities contain less than 5,000 inhabitants, and they often fail to perform two-thirds of the functions they are responsible for (ISTAT, 2018). In essence, IMC is a local scale of cross-border cooperation (Arieli, 2019). It implies two or more – generally small – neighbouring municipalities working together to create new benefits for both, which would remain unavailable through unilateral action (Hulst & van Montfort, 2007). Thus, municipalities renounce certain areas of competence, autonomy, and decision-making independence in favour of a new standing organization. To a certain extent,

the latter substitutes the municipalities with regard to the tasks they transfer to it in exchange for greater homogeneity of services in the territory, their procedures and the costs for users (Teles & Swianiewicz, 2018). The scholarly literature on collaboration identifies some common motives for IMC (Gazley, 2008; Feiock & Scholz, 2009; Pollitt, 2010; Feiock, 2013; Bel & Warner, 2015; Trapani, 2017); these include municipal fragmentation, resource dependencies and rationing, service delivery improvement and the reduction of negative external impacts caused by uncoordinated actions. Furthermore, IMC has been considered a functional substitute for mergers, as it is capable of overcoming the opposition voiced by local citizens and policy-makers (Mello & Lago-Penas, 2013).

However, IMC also implies several costs for each partner municipality, and it can be difficult to manage (Della Santa, 1996). It requires effort, financial contributions and the sharing of resources (e.g., staff, land, machines, buildings, etc.). Research on IMC has identified several frequent impediments to collaboration, most of which consist of different types of transaction costs (Hawkins, 2009; Carr & Hawkins, 2013). These can cause procedural, organizational, and political complications (Visser, 2002), such as internal and external resistance, variations in policy procedures and preferences, changes in policy and institutional contexts, administrative arrangements and differences in strategic visions (Agranoff & McGuire, 2003). Hence, along with a redefinition of decision-making processes, governance and strategies, the multiplication of actors highlight the fact that coordination is crucial in the public administration's activity (Merelman, 1988; Powell, 2007; Øverbye *et al.*, 2010). In its absence, network governance – and therefore IMC – may fail, as Jessop (1998, 2003) reminds us. However, while the concepts of trust and social capital have been widely adopted (Putnam, 1993), relatively little research has specifically examined the challenges of coordinating mechanisms in a public inter-organizational context (Cummings *et al.*, 2013); its actual implementation often seems far from having achieved the expected results that had motivated its adoption (Peters, 2018).

Indeed, understanding how political actors engage in fragmented policy areas is

extremely important, particularly when the use of finite public goods is at stake (Feiock & Scholz, 2009), when the possibilities for choosing collaborative partners are limited and when the breakdown of collaborative relationships can rapidly spiral down into forms of inefficiency (Berardo, 2009).

4.2.2 *Coordination and Mechanisms*

In IMC, coordination is extremely important for setting priorities and getting the organizations to work together smoothly and effectively (Hedström & Swedberg, 1999). Indeed, programmes that are explicitly structured to be carried out through the joint action of two or more governments are particularly prone to problems and obstacles in the implementation stage, given that agencies have different objectives, interests and clienteles; in sum, they may view the same issues from different perspectives (Wolman, 1981). Consequently, mixtures of cooperation and conflict are common (Williamson, 1985). Coordinating is, then, an active accomplishment between actors, which is also potentially subject to exogenous and endogenous changes (Feldman, 2000). Prior studies have primarily focused on identifying interdependencies and coordinating mechanisms in theory, before validating them through empirical work (Nova & Gonzalez, 2016). Furthermore, existing research on coordination has mainly covered the use and impact of individual aspects, as in the case of trust in individual relations. To fill this gap, I will adopt the theoretical concept of mechanism, which will allow me to investigate the main exchanges between the actors (Tilly, 2001).

The concept harks back to Robert Merton's mechanism-based explanations (1968). In his seminal work, Merton defines social mechanisms as processes with designated consequences for designated parts of the social structure. Merton's

functionalism is based on the subjective dimension of actions. However, his definition does not imply any determinism (Martire, 2009). Similarly, McAdam, Tarrow and Tilly (2001) have interpreted social mechanisms as a delimited class of events that alter relations among specified sets of elements in an identical or closely similar way over a variety of situations. Although mechanisms have a uniform and immediate consequences, their aggregate, cumulative and longer-term effects vary considerably depending on initial conditions and interaction with other mechanisms (Tilly, 2001). Hence, a mechanism is not about “nuts and bolts” but about “cogs and wheels” (Elster, 1989). Explanations select salient features of episodes, or significant differences between episodes, and investigate them by identifying robust mechanisms of relatively general scope within those episodes (Elster, 1989; Coleman, 1990; Bunge, 1997; Hedström & Swedberg, 1998). Following Tilly (2001), mechanisms can be cognitive (i.e., involving changes in perception, consciousness or intention), relational (i.e., involving shifts in connections among social units) or environmental (i.e., involving alterations in the surroundings of social units). Hence, the mechanism of every major social change is a combination of mechanisms that are coupled together and can also operate at multiple scales. Some occur much more frequently at one scale; for example, commitment occurs at an individual scale and produces collective action at an inter-organizational scale. All unifactorial – and in particular, monocausal – explanations are, then, at best partial (Bunge, 1997).

Accordingly, this study seeks to provide insight into the micro-processes involved in the cooperation among municipalities in IMC. More specifically, it aims at outlining the mechanisms that determine whether horizontal coordination between municipalities is promoted or prevented. The results suggest that coordination cannot be achieved solely by relying on a single mechanism: an accurate balance of interactions is needed.

4.3 The Piedmont case of IMC: fallibilities and frictions

In Italy, IMC is a public law and multi-purpose model with a legal personality, namely the Municipal Unions (MUs). These were introduced in 1990, and we may identify three phases of legislation they have been subjected to.²⁸ The MU is a second level institution that receives the resources related to the transferred tasks from the municipalities. Its structure is conceived as a “pooled” authority system (Fedele & Moini, 2006; Bolgherini, 2015): the president is elected among the mayors, the council is composed of the councillors of the single administrations, and the advisors are chosen by the councils of the various municipalities. The involved mayors do not receive indemnities in addition to those they are entitled to as administrators of their municipalities (Vandelli, 2014).

The Piedmont region is characterised by a marked municipal fragmentation. It consists of 1,187 municipalities, 88% of which are small (<5,000 inhabitants) and 50% are very small (<1,000 inhabitants) municipalities. 29% of the population lives in small municipalities, against a national average of around 16%. The Region addressed the associated management of municipal functions in 2012 (Law 11/2012), which anticipates the current national legislative framework (Law 56/2014).²⁹ Law 11/2012 establishes the mandatory option between an MU and a “*Convenzione*”,³⁰ two aggregative instruments for small and very small municipalities, and the adoption of the Charter of Associative Forms of Piedmont, which functions as a register of the MUs. Nowadays, 107 MUs are recognized (56

²⁸ For a review of MU legislation see Vandelli (2014).

²⁹ For an in-depth analysis of the so-called “Delrio law” and how it reformed the system of local entities across the board, see ISSIRFA-CNR (2018).

³⁰ The *Convenzione* (D.L. 267/2000) is an inter-municipal arrangement between local governments for the associated management of functions. Generally, it helps one small municipality to rely on a bigger one. Municipalities make the arrangement on a voluntary basis, establishing the ends, duration, consulting procedures and financial relations. It can be considered a preliminary step towards the creation of an MU. However, no up-to-date official data about conventions is available at a provincial, regional, or national level.

of which regard mountainous areas), involving 67% of the total municipalities and 65% of the surface area, although the latter is inhabited by only 25% of the population. In the last Charter, only 45 MUs demonstrated their actual activity and thus managed to receive regional funds.

Their geometry has continued to change ever since they have been created, both in number and in their internal articulation. Although since 2016 the Charter has remained substantially stable in terms of the number of MUs, an overall reduction of 19 municipalities has occurred. The continuous deferral of the obligation of associated management³¹ and a sentence of the Constitutional Court have created uncertainty,³² a widespread culture of non-compliance with national provisions, and a clear slowdown in the creation of new MUs (Presidenza del Consiglio dei Ministri, 2016; Camera dei Deputati, 2019). Furthermore, municipalities often “regret” the decision to create or enter an MU as soon as difficulties emerge (IRES, 2018). An overall distribution in “leopard spot” is outlined, marking an evident imbalance between small and large MUs as well as a considerable discrepancy between MUs that exercise the totality of functions (only five) and municipalities adopting the *convenzione* for most of the functions, but also recognized MUs that are not able to start their activity.³³ Thus, shared constructions of local development strategies are rare, whereas land management, construction and urban planning remain competencies managed by individual municipalities, despite the obvious interdependencies (Consiglio Regionale del Piemonte, 2013; IRES, 2018).

³¹ D.L. 192/2014, D.L. 210/2015, D.L. 244/2016, D.L. 205/2017, D.L. 135/2018.

³² The Constitutional Court stated that the provision forcing municipalities with less than 5,000 inhabitants to manage fundamental functions in an associated form is unconstitutional when it does not allow the municipalities to demonstrate that – in this form – there are no economies of scale or improvements in the delivery of public goods for the reference populations (sent. 33/2019). According to the Court, the obligation imposed on municipalities suffers excessive rigidity because it should also be applied to all those cases where: a) there are no neighbouring municipalities that are equally obliged; b) there is only one co-obliged neighbouring municipality, but the achievement of the minimum demographic limit requires the involvement of other municipalities not in a situation of proximity; c) the geographical boundaries of the municipalities (e.g., when they are mountainous and characterised by particular anthropic factors, territorial dispersion and isolation) do not allow for the regulatory objectives to be achieved.

³³ The most frequently adopted fundamental functions in 2018 were: civil protection (79), municipal police (64), cadastre (57), school building and school transportation (49).

4.4 Case selection and method

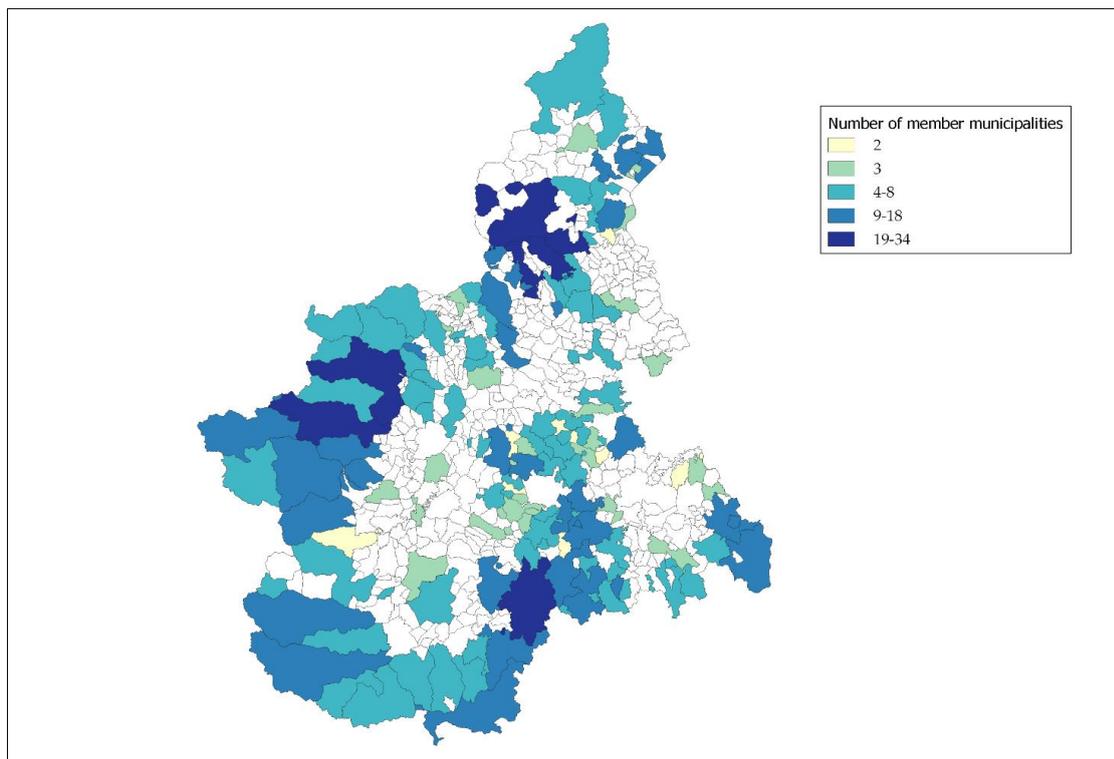
The chosen case study (Piedmont) can be considered essential (Yin, 2003) for an understanding of the dynamics related to intergovernmental relations at the local level,³⁴ and for an accurate elaboration of the coordination mechanisms, for the following reasons:

1. Piedmont has the highest number of small municipalities involved in MUs across the country.
2. Since the adoption of MUs, Piedmont has been among those regions that are characterised by the highest number of MUs. This allows us to study the consequences of the transition towards a new institutional framework.
3. The process involves a high number of actors. As stated by Scharpf (1997, p. 70), “[as] the number of affected parties increases [...] negotiated solutions incur exponentially rising and eventually prohibitive transaction costs.”
4. The outcome of the process remains unsatisfactory (Stroscio, 2015; IRES, 2018).

I have chosen a multiple case study as the research method. The selection of cases took place on the range of values of the dependent variable (Seawright & Gerring, 2008). The level of integration between municipalities in an MU is the dependent variable of the study, and it is measured through a proxy: the regional funds received for the results achieved in the associated management. Furthermore, since the internal structure of the MU could impact the dynamics between municipalities, I decided to select MUs composed of three to eight municipalities, avoiding dyads and situations with MUs being composed of several municipalities.

³⁴ In Yin’s terms, the case is an “embedded single case” since it focuses on a single process that involves several local units within a common regional context.

Fig. 1 - Municipal Unions in Piedmont per number of member municipalities



Source: author's elaboration of Comuniverso data (2019)

I also avoided selecting MUs with a strong internal polarisation, as defined by Poggi *et al.* (2010), namely the presence of a municipality that doubles the number of inhabitants of the second-most populous municipality of the MU. Thus, I gave preference to MUs in the area of non-mountainous Piedmont with the highest percentage of small municipalities (belonging to the Asti and Cuneo provinces), since legislation is specifically aimed at small municipalities.

The case study is based on 35 semi-structured interviews with mayors involved in MUs (N23), with practitioners and auditors (N6), with practitioners of the regional office of local autonomies (N2), and with representatives of ANCI (Italian association of municipalities), ANCPI (Italian association of small municipalities) and UNCEM (Italian association of mountain municipalities) (N4). It also draws on secondary data, namely statutes, regional reports, and regional and national

deliberations. Additionally, I also interviewed mayors of MUs that have ceased to exist in the same area (N6), in order to gain a better understanding of the contentious politics behind the failure of IMC. Nevertheless, the selected cases will not be mentioned and described here because some of the respondents explicitly requested that their interview, as well as the name of their municipality, be treated anonymously in the present article.

The interviews, which lasted on average one hour and a half, were recorded and transcribed verbatim. Participants were asked to recount their experience of municipal cooperation, as well as the main (dis)advantages of and difficulties in IMC (see APPENDIX C for the interviews guide). The analysis presented in this article is grounded both in theory and in empirical work. One important methodological issue that I must highlight is that I gathered empirical data in an open-minded and inductive way, without naming coordinating mechanisms during the interviews. In doing so I was able to test and evaluate the mechanisms and confront these with empirical data that were not gathered using this same framework.

4.5 Findings: the coordinating mechanisms

As Jarzabkowski *et al.* (2012) have observed, mechanisms generally do not arise before coordination but are mainly constituted through coordination. This section focuses on the main findings of the analysis. In the next paragraphs, I will present the mechanisms that have emerged as relevant: those based on trust, sanctions, financial transfers, capacity and leadership. Their interactions will be analysed in the Discussion.

Trust-based mechanism. The actors' willingness to cooperate, investing energy and resources and sacrificing at least part of their own needs, depends on the extent to which objectives are shared and the MU's legitimacy is recognized. The respondents considered the component of trust as necessary, especially when undertaking onerous efforts whose benefits can only be assessed after a certain period. Trust in intergovernmental relations has been widely studied; many scholars emphasize the necessity of a trusting relationship for successful collaborations (Gray, 1985; Das & Teng, 1998; Huxham *et al.*, 2000; McGuire, 2006; Huxham & Vangen, 2013). In network governance, where power is almost always asymmetrically distributed (especially in terms of poured resources), sufficient levels of trust are a lubricant for collaborative transactions and a soft control mechanism for managing power relationships (Das & Teng, 1998; Oliver, 1997; Ring, 1997; Vangen & Huxham, 2003). Moreover, trust has been considered key in ensuring adherence to agreed rules (Lyon, 2006); in promoting understanding for the interests, needs and values of others (Ring & Van de Ven, 1992; Thomson & Perry, 2006); and in improving performance (Child, 2001). When contingencies arise, such as unexpected costs not directly covered by the contract or unanticipated design changes, high levels of inter-organizational trust enable the partners to address these contingencies without resorting to legal action. By contrast, lack of trust or a failure to maintain it can result in a series of problems in collaboration, such as insufficient commitment, strategies of manipulation and dishonest communication (Ansell & Gash, 2008). When there is trust, the likelihood of blockades and stagnations of decision-making processes decrease as member municipalities do not fear unexpected strategies from their counterparts. When collaboration is marked by slow progress and a failure to achieve goals collaborative advantage lacks; consequently, the trust may be disrupted and the network may even collapse. As emerges from the words of a mayor while he describes the failure of a MU:

In the beginning, I joined the MU because the mayor of [name of a neighbouring municipality], who was also the president, asked me to. We have known each other for a long time and I care about him because he is my brother-in-law. It's not that we did any cost/benefit analysis, we threw ourselves

into the void because I trusted him, but then delays and inefficiencies prevailed within the MU, not enough attention was paid to staff and the statute was written with a certain light-heartedness, and so after a while, we dissolved the MU.

Indeed, an overabundance of trust can also be dangerous, as Granovetter (1985) suggested. Relying too much on trust may result in the abuse of vulnerability, justify non-accountability, enable corruption and offer an opportunity for malfeasance. Hence, it is also important that participants avoid trusting their partners too “blindly” in order to produce constructive criticism and extra quality control, but also to identify conflicting organizational agendas of their counterparts and defend themselves against these accordingly. Although participants in the network seek to achieve their individual organization’s goals as well as shared, collective goals, individual interests in the network may impact the MU’s actions in ways that benefit singular municipalities more than the collectivity (Hiclin *et al.*, 2008). As one mayor affirmed:

You must never let your guard down too much with your partners; you must be vigilant that no one takes advantage of it.

A certain degree of distrust is, then, considered functional when there are reasons to believe that other parties may be acting like free-riders. However, the experience also confirmed the central role of individual actors in bringing organizations together and in overcoming the rigidity of past relationships and inter-organizational distrust, as the following words of another mayor demonstrate:

We had already tried to do things with that municipality in the past, but they had always gone wrong. Then once, while talking to a regional practitioner, he told us that the new administration was definitely different from the previous one, that they had made a half organizational revolution. The new mayor had been a FIAT manager for many years, the mayor of [name of a neighbouring municipality], and I talked to him, he made a good impression and so we decided to try to run some services together, and it went very well in the end.

Thus, even in the presence of “institutional” distrust, the personal credit that some individuals enjoy can trigger mechanisms of trust and commitment. In one specific case, the trust in a high-powered person influenced the decision to try and overcome

existing problems with a neighbouring municipality; the credit given to the new mayor represented the final leverage for change. This suggests that although inter-organizational trust may appear as an important condition for relational exchange between municipalities, interpersonal trust must also be considered; at the same time, research that examines trust solely at the individual level may be missing important effects of inter-organizational trust on inter-organizational relations. However, the fragility of individual and inter-organizational trust in preserving the sustainability of IMC frequently emerges when local elections are held. Thus, elections may place a new subject at the head of a municipality, who may not support the choices of its predecessor and disrupt an inter-municipal balance that has been created over time.³⁵

Sanction-based mechanism. As various authors have noted, having a central actor capable of monitoring the behaviour of others and imposing sanctions (if necessary) can help achieve coordination (Hallerberg *et al.*, 2009; Raudla *et al.*, 2015). Nonetheless, in Italy, the only sanctions prescribed by national law are left to the intervention of the local prefect, in substitution of the MU's organs in case of criminal liability, among other things. Yet, in the Piedmont region prefects have never intervened, possibly municipalities know they will not be sanctioned for their misbehaviour in MUs (except in the case of criminal liability).

In Piedmont, IMC is characterised by a high degree of instability. Municipalities often decide to leave an MU for a variety of reasons: because of divergences with other members, new mayors not being committed to the cause, context-dependent difficulties in negotiation phases, short-term advantages being ignored. Nevertheless, if one or more municipalities leave the MU this may have a negative impact in terms of the recalibration of the delivery of a certain service, of the necessary resources, or of the offices and equipment provided, with the risk that the

³⁵ As the following words of the president of ANCI Piemonte demonstrate: “*I have followed and supported the birth of many MUs; for one of them it took us almost 10 years to get them to manage practically every service and municipal function, delegating everything to the MU. Now there have been elections and the new mayors have announced that from next January the MU will disappear*”.

MU malfunctions or is dissolved. Unfortunately, state legislators have not developed any instruments to dissuade municipalities from leaving an MU.

However, in the two best-performing MUs of the selected cases, municipalities have decided to add a statutory clause that prescribes a sanction in case of a municipality's exit. More specifically, if a municipality decides to leave it must pay the MU the equivalent of what it would have paid in the following year, based on the MU's estimated budget. The reason behind this sanction is that those wishing to exit are dissuaded from taking such a decision; the difficulties that might result from an exit are thus counterbalanced. This allowed the two municipalities to have a solid and stable number of members, reaching the associated management of all fundamental functions as well as other non-mandatory services. As one mayor observed:

We were fooled once, we amended the Statute, and now whoever leaves the MU has to pay, and this greatly discourages the exit or the threat of exit... It's a big job to fix everything after one municipality leaves. For it is not fair for someone to come and go as he wishes. It's an economic problem: it leaves you with a mess of things to do, to recalibrate everything.

This course of action suggests that some municipalities feel that current legislation lacks a deterrent effect that may discourage a municipality's exit. They have overcome the issue by enforcing a new rule, through a bottom-up initiative, aimed at the MU's self-protection. In other words, the necessity to make an exit more difficult to achieve encourages more commitment among the municipalities that participate in the IMC initiative.

Financial exchange-based mechanism. Two main financial transfers occur in IMC: the first has a top-down nature, and consists of a national and regional incentive programme (vertical transfer); the second is based on revenues paid by the municipalities for the MU's activity (horizontal transfer). The first interlocal transfer implies that the actors cooperate based on direct financial incentives, which make it advantageous for them to accept the instances of coordination and – at least partially – renounce their autonomy. The possibility to increase average revenues

is interpreted as an opportunity to deliver better and/or more services in the presence of an endemic lack of resources for municipalities, which has also been worsened by the global financial crisis (Lippi & Tsekos, 2018; Bolgherini, 2015). As explained by an MU president:

Being inside the MU means trying to agree, to decide together, to be administrators and not politicians. Then you stay inside the MU also and above all because it gives you more money. The economic aspect is there. If you want to manage well you must have money, and the MU is an opportunity to receive a bit more money.

This confession tells us that such logic can be extremely effective, and it is often strongly desired by the actors, as the following passage from another interview to a mayor confirms:

If there were no incentives then there would be no MUs, no medium or large municipality would take over the management with others if there was no possibility of gaining more revenues. If tomorrow the government would take away the incentives, most of the MUs would die in a short time.

Incentives are seen as the main leverage to join an MU and as the only way to achieve effective delivery of services. Even though incentives for cooperation are aimed at accelerating the creation of IMC, incentives alone do not guarantee its successful implementation (Dornelles, 2018).

The second type of interlocal transfer is based on the revenues a municipality receives from other local governments, either as funds to guarantee services on their behalf or as grants to finance the MU (Parks & Oakerson, 2000). These reimbursements are contractual payments, whereby a municipality or the MU is compensated by other local administrations for the extension of their services. In addition to these incentives, the MU's activity mainly depends on financial transfers from member municipalities.³⁶ However, the accrued revenues may not be de facto deposited by municipalities in case of financial difficulties (Bocchino & Padovani,

³⁶ An average of 76.8% of the MU's financial resources comes from current transfers of member municipalities (Bocchino & Padovani, forthcoming).

forthcoming). This could undermine the financial sustainability of the MUs and lead to their dissolution, with the additional risk of municipalities that are not in financial difficulty being infected. Hence, a paradoxical dynamic emerges: while the policy is particularly aimed at small municipalities, which have the highest degree of financial problems (Lippi & Tsekos, 2018), these are also the kind of municipalities that are less likely able to pay the MU, thus undermining its survival and damaging other municipalities. In this regard, it is important to underline that, in Italy, municipalities have stricter financial constraints than MUs have; this means that a mayor could protect the health of his municipal budgets more than he could that of the MU. This can be interpreted as a sort of blame-avoidance strategy (Hood, 2011), that is, deflecting blame by forcing others to make expensive political choices (Jacquot & Vitale, 2014) to minimize the concentrated losses, even if at the expense of obtaining potentially greater benefits (Weaver, 1986). In the words of two privileged actors:

It often happens that we “round amounts off” in the budgets of local authorities, using the MUs as containers in which to pour the problems of the main bodies [the municipalities], then after a certain period, the MU may of course dissolve. (Interview with an MU accounting officer)

If a municipality has terrible financial health it will probably exploit the MU until it can no longer provide anything; it postpones its problems and tries to avoid political blame. (Interview with an MU president)

In sum, vertical transfer in the form of financial incentives can be interpreted as key for counterbalancing the difficulties of starting an IMC experience and for pushing municipalities to work together (Poggi *et al.*, 2010); horizontal transfer in the form of paid revenues is, instead, crucial for maintaining an adequate level of service, a financially sustainable MU and a stable governance network, where administrators can be satisfied with the commitment of the other municipality.

Capacity-based mechanism. Staff transfer is an essential condition for the success and functioning of an MU (Baldini *et al.*, 2009). In the case of a complete transfer,³⁷

³⁷ The complete transfer is a rather rare option because there is still no national trade union agreement

the municipal employees in charge of certain services and functions become employees of the MU. Next, there are the – more common – intermediate forms, which are managed through the “*comando*”.³⁸ The latter transfers employees to the MU, where they start working for a certain percentage of their working hours (usually corresponding to the number of hours needed to perform the tasks related to the transferred functions), remaining dependent on the municipality of origin for the rest of their time. However, public employees who carry out IMC are not an undifferentiated labour resource; some do a better job than others. Staff morale, training and competence are all important factors that may contribute to a programme’s success or failure (Wolman, 1981). The day-to-day outputs (e.g., strong shared goals, engagement with a variety of local actors, an adequate understanding of procedures) characterize positive implementation practices. Dedicated expertise, indeed, plays a prominent role (Agranoff, 2003). MUs have to fulfil tasks that the municipalities are unable to assume or to perform efficiently and effectively in the absence of professional and skilled staff.

Simply transferring staff to an MU and expecting different results when municipal performance is scarce, because of poorly trained and unmotivated employees, is a sign of ingenuity. Where an IMC entity can recruit, train and support its employees, MUs may have a better chance of employing the right staff for the right job. For example, each MU case began its course in a vacuum when it came to preparing statutes, foundation documents, mid- and short-term programmes. This is because the preparation of such documents is a novelty for the MUs, as no textbook exists, the required expertise often lacks and “there is little knowledge of which policy levers to pull” (Exworthy & Powell, 2004, p. 11). Next, each MU service has a dedicated employee, who is provided by a municipality. This entails a prior decision made inside the MU’s organs to decide how to divide the tasks. The human resources potentially involved in the process must be managed before the beginning

for MU employees. In the case a MU ceased to exist it would not be clear which municipality would absorb those staff units.

³⁸ The “*comando*” is a legal disposition that allows a civil servant holding an office in a public administration to be temporarily assigned to serve in another administration or other public body.

of the implementation process, in order to make the project acceptable and possible. The MU's organs technical conclusions and advice are essential to avoid work overload, whereas a scarce preparation for the assigned task can hinder the outcomes and the survival of the cooperation if municipalities realize they could obtain better results if they acted alone.

However, strategies can be developed to increase performance. For example, if the employee responsible for drawing up budgets on behalf of the municipalities is not capable or fast enough, he or she may lead member municipalities to miss their financial deadlines, which might generate frictions. Nevertheless, the municipalities that hold the conferred tasks could decide to train their employees, hire an additional staff unit from another municipality or subcontract part of the work to an external agency.

Furthermore, as the organization undertakes more significant changes, managers and employees must have a clear understanding of how their work is contributing to the accomplishment of the organization's goal (Kotter, 1996). Several interviewees reported the need to persuade their employees to adapt to the MU's aims. Especially small municipalities have few employees, often with poor professional skills and little training, which may hinder the technical feasibility of the project (Wolman, 1981). They have a lukewarm motivation towards the new tasks: IMC will prove an additional workload on top of existing responsibilities. Training municipal employees, explaining the benefits of IMC and the project's new procedures are critical issues. Finally, preparing a pertinent structure for the staff members who will manage the IMC entity enhances the probability of success.

As the practitioner in charge of the Piedmont Region's Local Autonomies office affirmed:

It is of fundamental importance not to underestimate the issue of personnel. Many MUs, especially at the beginning, have failed, being dissolved or split into mini MUs because of staff issues. Maybe one municipality put a person in the MU who was too unmotivated or not able and fast enough to follow the bureaucratic practices of the other municipalities and the MU, and then the other

municipalities understood that they achieved better results on their own. Or maybe staff workload was increased without increasing their service allowances...the point is that if employees decide to oppose, it is a huge mess for the MU. If staff do not work well, the MU cannot work well. While what a mayor will do is to try to provide the appropriate tools and put his or her employees in a position that they can operate at their best. For example, training courses are needed in this area.

Or in the words of an MU president:

I saw what happened before the MU. Before, my wretched single staff member had to do everything in the municipal offices; now, instead, she manages the tributes for all the municipalities and knows everything about them and is very good. We have set a specific workload to optimise her work, as in every municipality, we've invested in training, she's done courses. Let's say that we're stretched at the staff level, but had we been alone, we would have died.

These words testify to the fact that staff capacity building allows – especially in small municipalities – for a better division of tasks and specialization of competencies, which leads to stronger coordination among the member municipalities. All the best performers of the selected cases decided to enhance their staff capabilities by using part of the regional incentives they had received.

Leadership-based mechanism. In IMC, we can distinguish between a *micro* and a *meso* dimension of leadership. The first characterizes the mayor in terms of a local government leader. As already mentioned, the mayor plays a crucial role in the decision-making process; the mayor turnover may change relations with existing collaborative partners, jeopardizing the continuation of cooperation (Lee & Lee, 2020) and inter-organizational trust. A very important aspect of this leadership is that of being responsible for staff capacity building.

The second dimension refers to the coordination among municipalities. Scholarly literature views leadership in networks as a process aimed at building trust, mutual understanding and negotiating joint goals (Huxham & Vangen, 2003). It is variously labelled as integrative leadership, collaborative leadership, network leadership or inter-organizational leadership (Connelly, 2007; Sun & Anderson, 2012; Vangen & Huxham, 2003). The largest local government – whose leadership

seems natural to the other members – frequently takes the lead: for example, when a centrally located town cooperates with surrounding rural units. On other occasions, leadership may arise from the activity or charisma of a local politician, rather than from the “natural features” of the local government unit. Either way, leadership based on negotiation skills and accepted by other players is often an important factor of success. In a MU, the most important and specific task of the president and mayors is to constantly build and maintain the partners’ confidence. The latter must be convinced that they are not “losing out” through IMC, to the benefit of other municipalities. The studied cases suggest that a key stimulus for municipalities to engage in IMC is to have a presidency that sees IMC as an opportunity and uses its influence, conviction and commitment to bring other municipalities over to the same side. Such leadership takes the time to explain the benefits to other participants, to acknowledge the partners’ different interests and to seek solutions to the faced challenges. As an MU president reported:

The role of the president is similar to that of a minister without a portfolio. It's not that he can force the other mayors ... you can do little! Your job is to spend time trying to get the mayors to agree and to make them understand the advantage of being together. The point is not that you try to avoid a fight. That will always happen because everyone always wants to draw water to their own mill. The point is to make sure that we fight less and that we reach a compromise for the good of all.

When a president takes an active interest, not only by acting as the pivot but also by collaboratively mobilizing others, defining the objective, outlining the advantages of cooperation to the other participants, creating opportunities for dialogue and interaction, proposing solutions and ways to reach goals through conflict managing strategies, persistence and persuasiveness, only then does he become an *institutional leader* (Barbera, 2001). This person, indeed, helps the actors to reformulate their interests in a perspective that breaks away from reactivity and a short-term approach, instead of moving towards medium- and long-term planning (*ibidem*). In doing so, leadership not only cascades throughout the network but also emerges in social interactions (Stacey, 2010). This complex vision of leadership complements traditional top-down coordination since the legal framework does not explicitly allow for coercion by the MU president or by the

regional authority.

4.6 Discussion: interaction of mechanisms

In the previous section, I have presented the mechanisms based on trust, sanction, exchange, capacity-building and leadership separately. It must be stressed, though, that we are facing an analytical distinction: in reality, different mechanisms are at work at the same time and therefore interact with each other.

While the trust-based mechanism is important in helping coordination and overcoming resistance, it is subject to contextual contingencies. It may be more or less present at the beginning of the MU's activity, but it is mainly an element that is influenced by the practice of coordination and by the obtained results. In other words, it is more a consequence than a cause. Good results of associated management can increase the available levels of trust towards other municipalities and the MU, triggering a potential virtuous circle capable of broadening the areas and purposes of IMC.

When the risk – or threat – of leaving the MU was present, the deficiency of inter-organizational trust led actors to exercise power as a substitute mechanism to coordinate their actions with others by introducing an internal sanction. A similar intervention can make the internal structure more stable, preserving the associative path by avoiding difficult organizational readjustments or counterbalancing them, with the consequent increase of inter-organizational trust.

The vertical exchange in the form of incentives proved to accelerate and promote IMC. To be effective, incentives must be adequately commensurate to counterbalance the efforts needed (Poggi *et al.*, 2010). However, a lack of resources

is the main limitation of this type of coordination; the evolution of national funding casts a heavy shadow over the sustainability of this mechanism alone.

The horizontal exchange, if disregarded by any of the parties involved, creates the conditions for an exposition to the risk of failure and – at least – of organizational recalibration, with the consequent reduction of inter-organizational trust. In this scenario, an intervention in the redistribution of resources may be needed, as well as a delinquency fund from which the MU could draw finances to cover the decrease in revenues or provide disincentives to dissuade municipalities from behaving like free-riders. Additionally, it should be emphasized that the national and regional legislator could urge the prefectural authorities to intervene by applying the power of substitution that the law already grants them, but which has thus far rarely been applied in the Country.

Staff, then, is a key aspect of IMC. Their work surely influences inter-organizational trust. Good results may be obtained if municipalities provide trained and capable staff and the MU's overall workload is divided properly and functionally. While such functional division depends on the decisions of the involved mayors, and hence on their leadership, the staff capacity building needed for IMC depends both on the municipalities' internal leadership and on the vertical financial exchange from upper levels, which can provide further financial resources for training, hiring and sub-contracting when needed.

Here, then, the leadership of the municipality direct to the MU connects to the internal leadership of the MU. Indeed, the president may act as an institutional leader, capable of mobilizing other mayors, enacting a positive influence on inter-organizational trust. However, the president's approach towards the MU's leadership mainly depends on the commitment to the "cause" of IMC. In this regard, it is important to remember that all members of the MU's organs participate in the MU without any remuneration. Offering some level of reimbursement might reveal an important factor in assessing and enhancing the necessary commitment from the mayors for the continuous consultation that they must carry out to keep the MU

going, in addition to their ordinary workload (Vandelli, 1997).

Taking up Tilly's (2001) distinction, we may consider the trust-based mechanism a mechanism that is structured within a certain environment and acts on a cognitive level, but with an impact on relationships, both individual and inter-organizational. The sanction-based mechanism mainly has a relational nature, which originates from the introduction of a rule capable of limiting the municipalities' space of action. The financial exchange-based mechanism has an environmental nature when it takes the form of direct economic incentives, and is mainly relational when regarding revenues from municipalities, even if its consequences may cause an environmental change of the structure involved in IMC. The capacity-based mechanism is environmental in the modification of the management of services to be delivered and dependent on regional incentives, while it is relational in the division of labour connected to it and cognitive in the changes in perception, consciousness and intention of the staff. Finally, the leadership-based mechanism acts on a cognitive level and produces effects at the relational and environmental level.

4.7 Conclusions

In this article I have conducted a multiple case analysis in order to study coordination in an IMC context, focusing on the Piedmont region. My contribution to this area of research is twofold: it focuses on coalitions among local authorities instead of just cooperating actors, and it uses an inductive approach to investigate the interactions of the main mechanisms active in an IMC context.³⁹ I found five

³⁹ However, the mechanisms proposed here do not exhaust the field, and they must not be considered as working only in the context of IMC, as they can be relevant and studied in all those situations where different coalitions of public organizations cooperate, although the interactions may produce varying outcomes if the contextual conditions are different (Beach & Pedersen, 2013).

mechanisms to be relevant to the coordination of a system exposed to fragmentation and instability. Although they act at the cognitive, relational or environmental level, and consequently also at different scales, the case study underlines the fact that, on their own, none of these can ensure efficient and lasting coordination between the actors. Thus, coordination may be enhanced through a more accurate balancing out of the mechanisms over time. However, to avoid negative interaction between some of them, a legislative and/or prefectural intervention seems necessary in order to overcome – at least partially – the underlying asymmetries between municipalities in terms of resources and financial conditions.⁴⁰ Indeed, these asymmetries often prevent municipalities from looking towards the future, from building medium- to long-term visions marked by intentionality and resulting from ideas and strategies local governments may share and develop in an upscaled and broader territory.

The case offers two potential explanations for inefficacy: 1) the interaction between mechanisms used across time; and (2) the impact of the specific local, institutional and organizational environment. Coordination in IMC may therefore be considered as an embedded and path-dependent process, where input factors affect processes that in turn affects outputs/outcomes.

The network relations and identities within MUs are not static but co-evolve over time, with the involved members interpreting contextual factors and policy feedbacks in a process that is, in turn, mediated through the network structure. This suggests also that positive experiences early in cooperation may function as “small wins” that create a sense of early success, and in turn increase the probability of later success (Quinn, 1980) – a positive, self-reinforcing circle (Masuch, 1985). Thus, the dynamics of cooperation among municipalities appear as processual but also socially, relationally, and contextually situated. Hence, IMC is not just about an emerging constellation of projects and task-based ties, but about the increasing potential to coordinate these ties in the light of past experiences and in the shadow

⁴⁰ It is also necessary to get municipalities back on track after the Constitutional Court’s sentence.

of future directions.

Nevertheless, the mechanisms presented here are not characteristic of IMC alone; rather, they may be present in those situations in which a public meta-organization is created and coordination is required. The interactions of the mechanisms will likely vary in different contexts or with different types of structures. Thus, this study presents some limitations that need to be addressed in future research. First, given that it focuses on a single region, more comparative research is required. Second, having focused mainly on the coordinating mechanisms used in the horizontal interaction of municipalities, the vertical connections among MUs and higher levels of government still need to be addressed. Thirdly, while I considered networks that are similar in structure, further studies should focus on MUs composed of dyads and a large multitude of municipalities, as the mechanisms might act in different ways: group identification may be especially weak in larger groups, which – in contrast to smaller groups – require more analysis of the members' motivations and the coordination of their tasks (Cummings *et al.*, 2013).

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Chapter 5

Conclusions

5.1 Summary of the Thesis

The following section is dedicated to the topics that have been addressed in each of the three papers; by organizing the findings in consecutive order, it is easier to understand the connections between the papers and their implications for the overall project. This thesis had multiple aims. It was primarily designed to explore a phenomenon that has so far received little attention, and which in Italy is characterised by a scarcity of official data, despite the relevance of municipal fragmentation. Moreover, it was intended to investigate three different aspects of the phenomenon, namely, how IMC has been adopted and structured, the preconditions needed for having sustainable supra-municipal entities, and how mechanisms are active and interact in favouring or preventing horizontal coordination among municipalities.

More specifically, the second chapter linked IMC to Multi-Level Governance theory (MLG). MLG describes the dispersion of power away from central states and towards other levels of government and actors (Hooghe & Marks, 2003; Piattoni, 2010), which leads towards a system of continuous negotiation among nested governments (Marks 1993). Since an official national census of MUs does not exist, I next used different sources to create a dataset capable of contributing to

research on the topic. Subsequently, I considered the three legislative phases related to MUs and examined how they are distributed in the country, and how they harmonize with the health district's borders. Finally, I presented a typology based on the internal governance structure. My analysis shows that MU's implementation differed from the national legislator's prevision to make small municipalities rely on a bigger municipality to increase their efficiency. The results offer a quite complex picture of cooperation networks across the country. The distribution of MUs appears unequal amongst regions, albeit reproducing some national cleavages, and the regional differences and specificities appear to be many in structuring IMC in the Country.

In the third chapter, co-authored with Prof. Emanuele Padovani, we shifted our attention to the financial analysis of MUs. This was only possible after the enactment of the Madia Law (which made it formally compulsory to send the Municipal Unions' financial reports to the central government in a standard format). Accordingly, this paper is the first in the field to analyse the complete number of active MUs in the Country. Indeed, prior studies on the Italian case have focused exclusively on single regions, often using samples. The integration of the database with the balance sheets has made it possible to identify the Municipal Unions that are formally recognized, but not active, from those that are truly active. The financial analysis permitted us to distinguish between MUs according to their Expenditure Centralization (EC), which measures the level of commitment with the MU, and their Credit Index (CI), which measure the level of not collected grants by member municipalities. This study, then, fills another gap in existing literature, namely concerning the implications of municipal financial health in the relationship between municipalities and their IMC entity. We found that the functional integration and the financial health of external funders – namely the municipalities – are the main pre-conditions for having sustainable Municipal Unions. This entails that the policy-makers that create an IMC entity intending to improve the performance of municipalities should address any form of municipal financial distress first, to avoid financial distress being transferred to IMC entities in the future. This adds a further external factor impacting on the financial sustainability

of local governments that live off derived finance, not considered by prior literature on IMC. The results show worrying and paradoxical signs in managerial and political terms. A policy aimed at enforcing weak – and especially small municipalities, is likely to be hindered especially by those municipalities. Indeed, the financial difficulties – which are particularly common in small municipalities – hamper the financial sustainability of the MUs.

The third paper was originally meant to address differently the theme, indeed, it was intended to collect new data through a survey drawn up and tested in accordance with ANCI (see the questionnaire in Appendix B) to develop a Governance Capacity (GC) index through a modification of the one proposed by Silva *et al.* (2018). The detection units would have been the municipalities involved in IMC and the operationalization of the GC would have comprehended 6 different dimensions: the scope of cooperation, the efficiency, the nature of the institutional structures, the democracy and accountability, the stability, the adaptation. Instead of focusing on only the economic perspective, this operationalisation would have been more interested in the individual action of players, representing also a further step in unpacking the conceptual framework of GC into dimensions that can be measured systematically and reproduced in different contexts. However, the Covid-19 pandemic impacted negatively on the feasibility of conducting the survey, and a new paper was developed instead. Through the analysis of a multiple case study in the Piedmont region, I adopted an inductive sociological approach based on the concept of mechanisms, to investigate the horizontal coordination of municipalities in an IMC setting and to better understand whether and how it is possible to overcome scale-related issues and path-dependent dynamics at the micro-level.

The limitations imposed by the management of the pandemic forced us to select more easily accessible cases in the same geographical area, however, the cases were selected according to relevant characteristics to make them homogeneous and comparable (especially regarding the internal governance structure), and on the basis of the funding received from the Regional Authority for the associated management. Furthermore, the selection comprises the main two types of MUs in

Italy and Piedmont as well, namely Reticular Thick and Reticular Thin Unions (which represents around 77% of MUs in Italy), and all the four types presented in the third chapter.

The interviews allowed to break down implementation practices and issues into identifiable components and then analyse relevant patterns, which brought to identify five mechanisms that favour and hinder horizontal coordination: these are based on trust, sanction, exchange, capacity and leadership. The results show that only an accurate balance of their interaction over time can favour coordination between municipalities.

5.1 Bridging the papers' findings

The collection of papers allows for three approaches to the topic, with different research questions, and specific outcomes for each. This section aims to connect these findings by articulating a concluding discussion of the thesis research.

The second chapter aimed to answer some basic questions about the phenomenon: the hows, the whats, and the wheres of IMC implementation in Italy. Through the creation of a database of MUs in the country, the legislative phases and the actual distribution of MUs are considered. A clear heterogeneity in the legislative and factual intervention of the Regions is thus found, which is manifested also in the distribution of MUs (much adopted in the northern regions, less in the central ones, as in the central, but less active in the Southern ones) and in the harmonization with the Health Districts. It concludes that the current implementation has not met the premises for which the legislation was enacted. Next, MUs were classified according to their governance structures (number of member municipalities and presence of a “naturally leader” municipality) distinguishing *Reticular Thin Unions*, *Polarised Thin Unions*, *Reticular Thick Unions*, and *Polarised Thick Unions*, the results show that the national government's expectation of making small

municipalities rely on larger municipalities must be set aside. Indeed, generally, MUs are formed by a plethora of small municipalities without a central-leader municipality. Indeed, polarised MUs are not common, and even completely absent in 4 regions, while the reticular MUs appear as being the majority at the national level (around 77%) and in almost every region. This can be explained by the morphology of the country, which abounds in small municipalities especially in the north, by the formal obligation of associated management for small municipalities present at the time, and by the process of conversion of the Mountain Communities occurred with the enactment of the Delrio law.⁴¹ Consequently, the main results reported in the chapter would lead to a macro-regional model that overlaps with the macro-regional distribution of MUs in the country: few and not very active MUs in the South, a medium distribution in the Centre, except for Emilia-Romagna and Tuscany which show higher rates, and a much greater distribution in the Northern regions.

The third chapter was guided by the questions: are the IMC entities sustainable? Is there a connection between municipalities' financial health and MUs? What are the main financial dimensions for a supra-municipal entity that lives of derived finance? Hence, the co-author and I found that the main problem for the MUs' finances is collecting the accrued revenues by the member municipalities. The non-payment results being explained by the level of commitment the municipalities have with the MU and by their financial health. The level of financial commitment (the expenditure centralization index) and the non-payment (the credit index) allowed us to propose a further classification of MUs. Accordingly, they are distinguished as *successful MUs*, where there is high centralization of expenditure and municipalities spend resources continuously; *sectorial MUs*, where municipalities spend resources continuously, but there is a tendency to focus on only a few areas of activity; *MUs with potential to be tested*, where there is a high degree of centralization of expenditure but where the resources are not actually paid out;

⁴¹ As reported in the third and fourth chapters.

unsuccessful MUs, those characterised by low centralization of expenditure and where municipalities spend resources intermittently accumulating delays that can generate financial difficulties in the MUs; *inactive MUs*, those that did not report any financial activity. Besides the fact that in 2017 the *unsuccessful* and *inactive* were 47% of the total existing MUs, quite surprisingly, all the types of MUs classified in the second chapter were present also in the classification proposed in the third chapter. In other words, the financial dimension of (un)success is transversal to all the types of MUs' governance structures. Hence, financial sustainability is a necessary prerequisite for all MUs, from the smallest to the largest, from the polarised to the reticular ones. Even though Southern regions display, generally, few and not very effective or active MUs, during the study it was discovered that many MUs in other regions dissolved and reformed with other members, ceased to exist, or showed signs of volatility.

Thus, the fourth chapter - through a multiple case study of reticular MUs in Piedmont - tries to answer, why, when a MU is formed, it does not always function smoothly. By focusing on the involved actors' perspectives, 5 main mechanisms active in affecting the horizontal coordination in IMC were found; these are based on trust, sanctions, financial transfers, staff capacity and leadership. The case selection was intended to be adherent to the classifications proposed in the previous article and to the limitations imposed by the anti-COVID measures as well, thus the cases were selected among reticular MUs (both thick and thin) and the types classified in the third chapter in the provinces of Asti and Cuneo. The qualitative methodology used in this chapter brought to the fore a significant implication: the importance of the internal and external factors in influencing the mechanisms of coordination in IMC. Hence, collective action does not remain unchanged over time and the mechanisms of the arenas in which it unfolds influence it in depth. Consequently, the positive balance of interactions between the mechanisms has been found to play a key role in the life of the MUs. Entering these mechanisms gave the possibility to focus on the causal processes that transcend individual cases and allow for systematic comparison. Nevertheless, the results are generalizable only to a certain extent since only reticular MUs (both thick and thin) have been

considered. It is likely to be assumed that the interactions may be different for cases composed of only two municipalities or for those cases in which a municipality naturally takes a lead because of its structural features (polarised MU), thus having a higher functional role and responsibility than municipalities in reticular Mus.

Hence, while the single municipalities associate themselves above all because they gain a new access opportunity to dedicated financial resources and to acquire new possibilities in planning and governing the territory, breaking up requires that all partners agree on a division of property and debt. There are no general rules for this, however, the consequences of a leaving or discontent municipality may vary according to the internal governance structure and further research is needed to enlarge the findings on the interactions.

To conclude, the three central chapters of this thesis intersect with each other to enrich the discussion around the research topic. If the second chapter introduces the theme, focuses on the composition of the MUs and how they have been adopted in the country, the third one considers - through an analysis of financial flows - the functional prerequisites for an implementation capable of influencing the territories of the municipalities that adopt it. Ultimately, the fourth focuses on the perceptions of the actors involved in the associated management and investigates why MUs' survival may be impervious in their daily activity.

As the very last point of this section, I will try to answer the question proposed in the title of the thesis. Small municipalities, as a result of the measures following the Global Financial Crisis, find themselves operating with increasing difficulty in financing their spending and with greater budgetary constraints, which affects the quality and the number of services offered to their citizens. This leads to unequal access depending on where people live. IMC offers the possibility of (eventually) overcoming these difficulties by enhancing economies of scale and scope, but this comes at a cost in terms of municipal autonomy and discretion of the administrators in charge in the different municipalities. A certain level of delegation of functions and the maintenance of constant and correct payments to the supra-municipal entity

seem required to ensure the sustainability of the new supra-municipal entity. While the first is necessary to make the municipalities committed to the MU, thus making the cost of the exit higher, the second is necessary to make the entity capable of managing the tasks properly. In other words, the IMC becomes an advantageous option when it succeeds in having a certain strength in making the MU a truly operative entity and capable of impacting the territory of reference. If these premises are not met, the risk of failure and consequent spread of problems to other municipalities is likely to be realized. Moreover, to make the MU a stable and long-surviving entity many other factors and dimensions are at stake. Indeed, these factors influence the coordinating mechanisms active in IMC. The point is to balance them and to avoid negative interactions. IMC will not remove the weaknesses that are already present in a municipality, but it may help in solving some issues. The almost paradoxical consequence is that while MUs can strengthen municipalities, MUs still need an initial strength by the municipalities to develop properly. Any municipality participating in IMC should first “clean out its own stable”, especially in financial terms, rather than expect the IMC to do it for them. IMC is not a panacea for a weak municipality. Weak municipalities may need cooperation, but weakness is one of the main and definitive obstacles to enter into a process of substantial cooperation. Thus, in order not to fall, municipalities should stay strongly together. Indeed, the functional commitment with the MU coupled with sound financial health, as well as the willingness and ability of administrators to overcome any structural and/or contingent issues are important elements necessary to make the MU a truly supra-municipal body able to act as a new vast-area polity. If otherwise, municipalities choose a cover adoption of IMC, then the risk to impact negatively on the MU and other municipalities arise and no advantages emerge (besides maybe receiving some limited incentives by the Region).

Accordingly, drawing from what emerged in the thesis, the associated management through IMC is not a “piece of cake”, and it may work especially when: the management choices of the transferred functions are effectively shared; the municipalities pay promptly what was agreed upon, services are maintained or

improved; the value produced exceeds the costs incurred; citizens are satisfied with the services offered; municipal staff perceives going to the MU as an opportunity; larger and smaller municipalities perceive fairness in the distribution of costs and benefits; trust between administrators is strengthened and the leadership of the MUs helps the actors to reformulate their interests in a perspective that breaks away from reactivity and a short-term approach and moves towards medium- and long-term planning; administrators receive consensus among their citizens. On the other hand, it may not work because of: an instrumental use of the MU only to get contributions; the formal (on paper) and not substantial transfer of functions to the MU, which creates managerial overlaps; the failure of the conveniences for which the associated management was decided: increased costs, worsening of services, citizens' complaints; the dissatisfaction for the division of tasks, costs, benefits among municipalities; the change of administrators following the vote; the inability of public servants to manage properly the network; the transfer of "critical" personnel to the MU.

5.2 Limitations and further directions of research

Specific limitations – both structural and surmountable – of the contributions presented in this thesis are contextually discussed in the related chapters. Nevertheless, I will provide the reader with a brief overview in this section.

The first set of limitations regards the availability of data and information. The availability of data has probably been one of the most urgent concerns of my study. No national, official database exists about MUs; the creation of a database by merging different data sources has therefore been a key issue. Furthermore, only

after the enactment of the Madia Law in 2015, MUs started to report their financial activity in a uniform way, which allowed me to focus on their financial balances. However, much relevant information is not yet accessible. Indeed, the financial balances of the MUs report their activities according to a subdivision that does not correspond to a subdivision based on fundamental functions. Consequently, we still cannot know exactly what MUs do based on their financial reports; we can only know the general scope of their activities. Moreover, the interviews with practitioners, mayors and accountants revealed that budgets are sometimes calculated with a sort of “creativity” that partially limits the reliability of the subdivision of the related expenditure.

Accordingly, it is very difficult to understand whether a pure public good or a quasi-public good has been created by the joint activity simply by looking at financial reports. For example, territorial marketing (for touristic purposes) is a pure public good in the context of institutional collective action. Regardless of the levels of contribution of each of the municipalities involved, none of them (not even those who have not contributed) will be excluded from the outcomes. A quasi-public good affects only on participating municipalities, as with the joint management of waste removal. Having access to general data instead of more specific data limits the scope and perspectives of the analysis that can be carried out.

Some may also argue that a consistent number of studies have framed IMC and mergers together. I decided not to address the topic of amalgamation in this thesis for several reasons: the many differences this distinction entails in legal and managerial terms; the small number of mergers that have occurred in Italy; and the scarce likelihood that IMC works as a middle way towards voluntary, bottom-up amalgamation in Italy. Indeed, the failure of the MU’s first legislative phase demonstrates that as long as IMC depends on local political actors consciously making decisions on MUs, the only possible way to drastically reduce the municipalities depends on a national authoritative intervention.

In Chapter 3, the co-author and I analysed the financial activity of MUs. However,

the data we used only related to the activities of 2017, the only one available at that time. Being aware of the limitation that this entails and given that the data will be available for several years, I suggest that this type of investigation be replicated with a longitudinal perspective in the future in order to test the results.

Conversely, in Chapter 4 I focused on the coordinating mechanisms that can be found in the horizontal interaction of municipalities. This perspective is part of a broader story since the vertical connections among MUs and higher levels of government play an important role and still need to be addressed from a deeper, multi-level governance perspective. Future work is required to examine the influence of inter-institutional partnerships, both at the political and managerial level, on the ability of inter-municipal structures or entities to participate in policy arenas with higher levels of government or with those of more local nature, as in the case of MUs created in metropolitan cities which have not been considered in the chapter.

Moreover, I considered networks with similar participant numbers and structures so as to make them comparable, but further research must be conducted to explore the impact, for example, of size and trust on the relationship between network structures and mechanisms. Likewise, I think that more attention should be paid to the MUs that are composed of dyads and large multitudes of municipalities, as we may assume that the mechanisms presented here could act in different ways. Another limitation derives from the specificities of the sub-regional area I focused on, as the historical legacies of the political subcultures present in a certain space in time can help explain (at least in part) the municipalities' associative choices (Casula, 2017).

Furthermore, the distinction I propose may be questioned, and different perspectives can be applied in future research. For example, incentives may be considered in two, theoretically, different ways: as exogenous variables, or from a more structural perspective, as parts of the institutional arrangement within each joint action that takes place (Barbera, 2001). This may be relevant as the tendency

of municipalities to adapt their associative choices based on the existing regional incentive structure has been noted (Casula, 2017). More attention should be given to the regional and sub-regional specificities within which new inter-municipal practices nowadays tend to be articulated, as well as to the characteristics of the demographic and geomorphological context within which the respective regional actors rule. Accordingly, more qualitative studies that adopt a comparative perspective should be conducted if we are to obtain a broader range of results.

In sum, this thesis has the merit of filling certain gaps in the academic literature on IMC in Europe. It reinforces the relevance and urgency of IMC and contributes to research on this topic. IMC is a growing and widespread occurrence in Europe, given that it is one of the most diverse, and heterogeneous means of local governance. The fuzzy definition this entails, and the research complexity it introduces, should be considered an incentive for further research in this field. The papers proposed here suggest that there is still much to be explored in terms of cooperation at the local level.

5.3 Research challenges

The starting point of my research was that of identifying gaps in IMC research – this was the first endeavour and the first challenge for each paper. Starting with international IMC academic literature and identifying where the information was located was not a straight-forward task, as IMC is embedded in different literature subjects (such as decentralization, multi-level governance, city-networks, etc.) and is studied from different perspectives (i.e., juridical, financial, political); it has ambiguous terminology and definitions; it applies a huge variety of models, and it is highly dependent on regional contexts. Indeed, as Swianiewicz & Teles (2018)

have stated, one of the greatest challenges for studying IMC is its heterogeneity, and this applies also to the research paths it entails. Furthermore, Italian IMC literature offered its own set of challenges, as only a few scholars have worked on the subject and very few studies have been conducted. Generally, the focus is on specific case studies, and some regions have received much more attention than others. Moreover, only very few regions have produced institutional documents on the topic regularly, which also implies a very heterogeneous interest by the regional governments in Italy.

Having determined the gaps in research, the next step was to structure a research project able to address those gaps in the Italian case: this involved exploring the Italian IMC in descriptive terms since a national official database is not available; analysing their financial activity and sustainability, and focusing attention on the main mechanisms that may favour or hinder IMC through their interaction over time.

Next, I faced specific operative challenges in each paper, especially Chapters 3 and 4. Since the idea of focusing on the financial activity of MUs came at a very early stage in my PhD, I sought to obtain an internship at the ANCI study centre, mainly in the hope of gaining privileged access to information. However, ANCI has never collected that kind of data. Because of this, I proceeded by creating a survey aimed at investigating the phenomenon in other terms. More specifically, the questionnaire (see Appendix B) was aimed at filling some information lacks in available aggregate data and focusing also on mayors' perspectives on MUs in order to produce a study on the governance capacity of the municipalities involved in IMC. Accordingly, specific questions on staff, joint-management, offices and buildings, leadership, facilitators and promoters, motivations, perceived (dis)advantages and outcomes, vertical connections with the Regional government were posed and tested with some mayors. However, an impediment to this research path was just behind the corner: the crisis related to Covid-19 and the consequent necessity to modify the research project to embark on a viable path. Indeed, the response rate of mayors would have been extremely low due to the public health emergency, hence,

my advisors and I decided to modify the data collection and to adopt the perspective actually proposed in Chapter 4. Thus, while I have managed to overcome the issue of financial data thanks to Prof. Emanuele Padovani, the project related to the survey in collaboration with ANCI has not expired; it has only been postponed to a more propitious moment in the future.

5.4 The challenges for IMC in Italy

The pandemic has brought about profound changes, providing researchers with fascinating material to study in the social sphere as well, as many scholars have highlighted (Else, 2020; Burlina & Rodriguez-Pose, 2020). We are witnessing a moment in which states, and Italy in particular, recognize the importance of municipalities in managing the global emergency locally, as the virus containment measures enacted over the last months demonstrate. If the virus is an accelerator of social processes, the challenge is to understand how the associated management of municipal functions, the financing of municipalities' expenditure and the integration of policies in the territories have to be developed and constituted to better respond to the new challenges local government are facing.

Aside from the global emergency, we have been experiencing in the last months, during the conduction of the research a series of critical issues emerged. It would be important for national and regional politics to improve the discipline currently in force, specifically concerning the following aspects.

The compulsory nature of the associated management of functions through MUs for small municipalities revealed its limits since current legislation does not consider the concrete geography and distribution of small municipalities in the

territories, as the sentence of the Constitutional Court stated. Furthermore, it revealed its weaknesses, being procrastinated each year ever since its enactment in the *Milleproroghe* decree.⁴² Furthermore, the scarce possibility of coercive intervention by higher levels or bodies contributed to creating uncertainty throughout the process, a widespread culture of non-compliance with national provisions, and a clear slowdown in the creation of MUs (Presidenza del Consiglio dei Ministri, 2016; Camera dei Deputati, 2019).

Moreover, the cycle of reforms related to IMC seems to have been scarcely accompanied by interventions, at a design level, aimed at overcoming possible organizational issues to smooth out the asymmetries of power that the actors involved bear. Indeed, especially during the interviews, several problems emerged concerning municipal staff and the need to support and accompany the decision-making process and concerning the creation and activities of MUs investing in the technical skills necessary to implement them. The hiring and fiscal constraints of small municipalities make them less efficient in terms of employee capacity; specific training or more resources to be spent on staff empowerment seems necessary, especially in those areas where no large municipalities are present. However, in between the structural constraints and the managerial issues related to IMC a political/public policy space is present, that is, where many political factors – from the goodwill of administrators to political party adherence – may play a role, thus making implementation differently possible (or not). Many interpretations and viewpoints can be adopted to approach the theme, but what is important to highlight is the fact that this space also comprises a logic that follows two distinct rationales. The first is that of a mayor who is democratically legitimized by his citizens, and who therefore adopts a vision aimed at protecting and putting the needs of his municipality first. The second rationale leads to the adoption of a wide-area – hence longer-term – vision, which therefore makes compromises with other municipalities

⁴² This is a decree-law by the Council of Ministers, aimed at resolving urgent provisions by the end of the current year, for example by postponing the entry into force of regulatory provisions or by extending the effectiveness of expiring laws.

acceptable, even to the detriment – in the short term – of specific interests, to produce better outcomes for a larger territory. This research promotes an interactionist approach to deal with this almost paradoxical duality of the local policy-making and agency in IMC.

Finally, another important point – in light of what has been expressed in this thesis – is related to the need to define evaluation indicators to measure the quality, quantity and effectiveness of the associated management. This is necessary in order to distribute the economic incentives not wildly but in a tailored way to the MUs that respond to real objectives of rationalization and simplification of administrative action: in other words, to the real degree of associated management achieved. The distribution of economic incentives based on the MU's quality, through measurable indicators, is intended as a further lever to push municipalities towards a substantial adherence to the objectives of rationalization and efficiency of public offices.

All these aspects suggest that there is a need to improve the informational environment related to IMC with consequences for the quality of the policy-making process in this area.

5.5 General Conclusions

Cooperation among municipalities is a living and dynamic, ever-changing process, constantly created and recreated by its participants, which can be enforced or hindered, exploited or disrupted. It is much more than a mere coalition-building (Stoker, 2006) or an institutional makeover. IMC, when well-activated, reflects a profound reorganization of structures, institutions, roles, competencies, borders, and scale at the local level (Teles, 2016).

As I have explained in the Introduction and in the central chapters, IMC in Italy is

part of a broader international scenario of territorial reforms, aimed both at the public streamlining (under neoliberal and austerity pressures) and downsizing of responsibilities, functions, the management and provision of services. Bob Jessop (2003) argues that the process of decentralizing reforms – although the states may have become less hierarchical – does not necessarily exclude a continuing and central political role for national states in setting the ground rules and context within which governance, and consequently IMC, takes place. This means that the activities of self-regulating networks are nearly always negotiated in the shadow of a higher-level hierarchy, where the State threatens – explicitly or implicitly – to impose binding rules or laws. Cooperation among local governments is therefore not a straightforward process and, even if resources are readily available (and they may not always be so), solutions to the implementation of cooperation are not obvious, as many difficulties, stop-and-goes, and failures emerge. Ambiguity in terms of policy, goals, beliefs, rules, and visions can create difficult conditions under which new coalitions must achieve implementation. Powerful actors can gain the upper hand in ambiguous conditions, forcing the interpretation of goals, rules, procedures and so on, towards their own interests. IMC budgets may be affected by internal conflicts, such as a member not paying, but also by exogenous factors. When municipalities feel threatened, their tendency is usually to focus on their individual municipal challenges, at the expense of the IMC entity and other municipalities. Unambiguous rules, sufficient incentives, strong collaborative leadership, trust, the right staff in the right place – all help the acceleration and results of IMC, but alone they do not guarantee success. This can only be achieved by balancing them out accurately and promptly, since different dimensions are involved in IMC, from the cognitive to the financial one.

This thesis has sought to shed light on some of these dimensions by focusing on three different aspects and adopting three different perspectives. The work presented here aims to translate such ideas not only into an academic contribution; the whole research seeks to positively impact the real world of politics and policies. This aim is maintained in all three papers, which contribute to delineate issues that often seem to necessitate national and local political intervention.

Indeed, in a contemporary, interconnected, and dynamic society, how – and which – reforms are designed to have an enormous impact on governments, regions, communities, and people. Policy-makers often assume that what worked somewhere can work everywhere. This “bandwagon effect” has recently been criticized (Greenfield, 2013; Semi, 2015) because, instead of addressing the specific issues of territories, it presents a singular recipe to be applied to all possible cases. This means that applying the same territorial reform in different contexts may produce a wide range of different outputs. More specifically, the implementation of an IMC setting for the enhancement of the activity of small local governments cannot simply be created by decree, without recognizing, addressing and (at least partially) solving the underlying asymmetries between territories, especially those regarding the different financial conditions that municipalities may have to deal with. When designing a territorial reform, the specificities of the context and of the actors for which the policy is designed must play a central role; more place-sensitive territorial policies are probably needed in this field (Rodríguez-Pose & Wilkie, 2017).

In my opinion, inter-municipal cooperation may, indeed, be more than just an instrument for providing services, or an attractive policy that offers an alternative to amalgamation. It can also do more than overcoming externalities, harmonizing policies, and coordinating collective actions. It has the potential to enlarge the territories’ perspective. Inter-municipal cooperation brings political actors and municipalities together to build a collective supra-municipal identity and can consequently empower territories to develop innovative approaches to their own challenges and development. Local governments have been regarded as passive policy-takers and implementers for a long time. Especially in the current scenario, where Provinces have been deprived of their original functions and resources to guide and support sub-regional territories, by working together, municipalities can become the architects of vast-area strategies, help shape their collective and individual destinies and potentially develop the capacity to negotiate the policies that affect them most with senior levels of government (Nelles, 2010).

My research, finally, suggests that citizens receive different service standards – thus enjoying different degrees of rights – according to the area they live in, to the detriment of the principle of equity. In this regard, I believe that the real change we need is not a matter of cost reduction of public administration or allocation of responsibilities. It is about permanently defining the essential levels of performance public administrations must provide (LEP), i.e., the identification of the civil and social rights that the entire citizenship must be guaranteed throughout the national territory and, consequently, the standard outcomes public administrations have to provide.

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APPENDIX A

Other activities carried out during the PhD.

The work presented here is not comprehensive of all the activities and studies I have performed during my PhD period at GSSI about IMC. Specifically, together again with Prof. Emanuele Padovani, we have produced in 2019 an updating note for the annual report of the CNEL (National Council for the Economy and Labour) about Municipal Unions in Italy and their role in the delivery of services. We have produced an internal report for the Region Emilia-Romagna about the Municipal Unions in the Region. Next, I have written one long and one short book review on IMC; the first one has been published in *Partecipazione e Conflitto* in November 2018 and concerns the book titled *Intermunicipal Cooperation in Europe. Institutions and Governance* edited by Teles & Swianiewicz (2018), the second one concerns the book titled *Il nuovo associazionismo intercomunale. Sfide e risposte delle culture politiche locali* by Casula (2017) on IMC in Veneto and Emilia-Romagna and it has been published in *Italian Political Science Review* (by Cambridge University Press) in July 2019.

Moreover, still in 2019, I have co-authored a paper titled *Are you ready to move? A study on Individuals' Propensity towards Spatial Mobility*, written in collaboration with a GSSI colleague (Dr Federico Fantechi) and a connected contribution for a comparative (comparison between Italy and Argentina) special issue in the journal *Visioni LatinoAmericane* (soon to be published in 2021 by FrancoAngeli). These two studies have been conducted thanks to Professor Emeritus Alberto Marradi, who provided a very dense and rich database, which has been created in over 20 years of research in the two countries.

The contributions presented here have been kept out of the thesis to highlight the homogeneity of the 3 papers composing the thesis.

APPENDIX B

Questionario sull'esperienza in Unione di Comuni

**Benvenuta/o alla compilazione del questionario per valutare
l'esperienza in Unione di Comuni.**

P1 Nome del suo Comune: _____

P2 Nome dell'Unione: _____

P3 In che anno il suo Comune ha aderito all'Unione? _____

P4 Selezionare le funzioni fondamentali delegate dal suo Comune all'Unione:

(cerchiare tutti i campi interessati)

1. Organizzazione generale dell'amministrazione, gestione finanziaria e contabile e controllo
2. Organizzazione dei servizi pubblici di interesse generale di ambito comunale, ivi compresi i servizi di trasporto pubblico comunale
3. Catasto, a eccezione delle funzioni mantenute allo Stato dalla normativa vigente
4. La pianificazione urbanistica ed edilizia di ambito comunale nonché la partecipazione alla pianificazione territoriale di livello sovracomunale
5. Attività, in ambito comunale, di pianificazione, di protezione civile e di coordinamento dei primi soccorsi

6. L'organizzazione e la gestione dei servizi di raccolta, smaltimento e recupero dei rifiuti urbani e la riscossione dei relativi tributi
7. Progettazione e gestione del sistema locale dei servizi sociali
8. Edilizia scolastica, organizzazione e gestione dei servizi scolastici
9. Polizia municipale e polizia amministrativa locale
10. Tenuta dei registri di stato civile e di popolazione e compiti in materia di servizi anagrafici nonché in materia di servizi elettorali nell'esercizio delle funzioni di competenza statale
11. Servizi in materia di statistica

P5 Il suo comune ha affidato la gestione di ulteriori servizi all'Unione? Se sì, quali? (cerchiare tutti i campi interessati)

1. Turismo
2. Sport
3. Viabilità
4. Sviluppo
5. Centrale Unica di Committenza
6. Funzioni paesaggistiche
7. Difensore Civico
8. URP
9. SUAP/SUE
10. Altro, specificare _____

P6 Se presenti, selezionare le funzioni fondamentali gestite dal suo Comune tramite Convenzione con altro/altri Comuni: (cerchiare tutti i campi interessati)

1. Organizzazione generale dell'amministrazione, gestione finanziaria e contabile e controllo
2. Organizzazione dei servizi pubblici di interesse generale di ambito comunale, ivi compresi i servizi di trasporto pubblico comunale
3. Catasto, a eccezione delle funzioni mantenute allo Stato dalla normativa vigente

4. La pianificazione urbanistica ed edilizia di ambito comunale nonché la partecipazione alla pianificazione territoriale di livello sovracomunale
5. Attività, in ambito comunale, di pianificazione, di protezione civile e di coordinamento dei primi soccorsi
6. L'organizzazione e la gestione dei servizi di raccolta, smaltimento e recupero dei rifiuti urbani e la riscossione dei relativi tributi;
7. Progettazione e gestione del sistema locale dei servizi sociali
8. Edilizia scolastica, organizzazione e gestione dei servizi scolastici;
9. Polizia municipale e polizia amministrativa locale
10. Tenuta dei registri di stato civile e di popolazione e compiti in materia di servizi anagrafici nonché in materia di servizi elettorali nell'esercizio delle funzioni di competenza statale
11. Servizi in materia di statistica

P7 Quanti dipendenti prestano servizio per l'Unione? _____

P8 Quanti dipendenti dell'Unione sono in comando? _____

P9 Quanti dipendenti del suo Comune prestano servizio in comando presso l'Unione? _____

P10 Dove è collocata la sede dell'Unione?

1. In un ufficio/ stanza/ edificio di proprietà dell'Unione
2. In un ufficio/ stanza/ edificio di proprietà del Comune più grande dell'Unione
3. In un ufficio/ stanza/ edificio di proprietà di uno dei Comuni coinvolti, non il più grande
4. In un ufficio/ stanza/ edificio di proprietà di un soggetto terzo, specificare _____
5. Cambia a seconda della presidenza dell'Unione

P11 Dove sono collocati gli uffici competenti dei diversi servizi gestiti

dall'Unione?

1. Nella sede dell'Unione
2. Dislocati tra la sede e i locali di un altro Comune dell'Unione
3. Sparsi tra i vari Comuni dell'Unione

P12 L'unione ha un sito web?

1. Sì
2. No

P13 Viene aggiornato con continuità?

1. Sì
2. No

P14 Quali sono state le motivazioni principali che hanno spinto a entrare nell'Unione? (scegliere al massimo 3 risposte)

1. Per risolvere problematiche che travalicavano i confini comunali
2. Per abbassare i costi di alcuni servizi
3. Per accedere a forme di finanziamento (esempio: incentivi regionali, bandi dell'EU...)
4. Per imparare dalle esperienze di altri Comuni
5. Per il desiderio di acquisire maggiore visibilità (marketing territoriale)
6. Per il desiderio di acquisire maggiore rilevanza/ forza nelle concertazioni con la Regione
7. Per la volontà di aggregarsi ad un percorso cooperativo preesistente valutato virtuoso
8. Per rafforzare la governance locale
9. Per adempiere all'obbligatorietà normativa data la dimensione del Comune
10. Per evitare difficoltà finanziarie di uno o più enti partecipanti all'Unione
11. Altro, specificare _____

P15 Ad oggi, quali sono le motivazioni che spingono a mantenere funzionante

l'Unione? (Scegliere al massimo 3 risposte)

1. Per risolvere problematiche che travalicavano i confini comunali
2. Per abbassare i costi di alcuni servizi
3. Per accedere a forme di finanziamento (esempio: incentivi regionali, bandi dell'EU, ecc...)
4. Per imparare dalle esperienze di altri Comuni
5. Per il desiderio di acquisire maggiore visibilità (marketing territoriale)
6. Per il desiderio di acquisire maggiore rilevanza/ forza nelle concertazioni con la Regione
7. Per la volontà di aggregarsi ad un percorso cooperativo preesistente valutato virtuoso
8. Per rafforzare la governance locale
9. Per adempiere all'obbligatorietà normativa data la dimensione del Comune
10. Per evitare difficoltà finanziarie di uno o più enti partecipanti all'Unione
11. Indietro non si torna, sarebbe vissuta come una sconfitta politica, anche se sarebbe meglio sciogliere l'Unione
12. Altro, specificare _____

P16 Chi è stato l'iniziatore/ promotore principale dell'Unione? (se necessario, anche più di una risposta)

1. Un sindaco, o un gruppo di sindaci
2. Un consigliere comunale, o un gruppo di consiglieri comunali (anche di uno o più Comuni)
3. Uno o più impiegati comunali, specificare il ruolo _____
4. Uno o più cittadini
5. Associazione o ente del terzo settore
6. Imprenditore/i locale
7. Personale regionale (es. Ufficio regionale alle autonomie locali)

8. Personale provinciale
 9. Altre persone/ istituzioni, specificare _____
 99. Non so, non ricordo

P17 Quanto la scelta dei partner dell'ente è stata influenzata da ciascuno dei seguenti fattori: (Cerchiare 1= Per nulla, 2= Poco, 3= Abbastanza, 4= Molto, 5= Moltissimo, 99= Non so)

Il livello di omogeneità politica presente tra i sindaci dei Comuni associati.	1	2	3	4	5	99
Le caratteristiche del sistema regionale/ nazionale di finanziamento ed incentivi per le Unioni.	1	2	3	4	5	99
Una precedente esperienza associativa.	1	2	3	4	5	99
Essere parte di una comunità territoriale (es. fare parte della stessa vallata).	1	2	3	4	5	99
Conoscenza diretta di un politico/funziionario di un altro Comune.	1	2	3	4	5	99
Indicazioni da parte della Regione o di uno dei suoi uffici.	1	2	3	4	5	99
Indicazioni da parte di altri enti (es. ANCI, UNCEM, ecc.).	1	2	3	4	5	99

P18 Come valuta l'attività dei membri individuali dell'Unione? (Cerchiare una sola risposta)

1. Tutti i Comuni membri partecipano in egual misura
2. Alcuni Comuni partecipano più attivamente di altri
3. Un solo Comune funge da motore trainante delle attività dell'Unione
4. L'Unione non ha membri realmente attivi

P19 Quanto è d'accordo con ciascuna delle seguenti affermazioni? (Cerchiare 1= Fortemente in disaccordo, 2= In disaccordo, 3= Neutrale, 4= D'accordo, 5= Fortemente d'accordo, 99= Non so)

La maggior parte delle decisioni vengono prese velocemente ed efficientemente	1	2	3	4	5	99
Con meno partecipanti si velocizzerebbe il processo decisionale e concertativo	1	2	3	4	5	99
I Comuni più grandi tendono avere maggiore influenza	1	2	3	4	5	99
I Comuni guidati da leader carismatici o molto preparati hanno più influenza	1	2	3	4	5	99
Il partecipare all'Unione ha rafforzato i rapporti fiduciari con gli altri sindaci/ Comuni	1	2	3	4	5	99
Tutti i Comuni traggono eguale beneficio dal partecipare all'Unione	1	2	3	4	5	99
I <i>benefits</i> della partecipazione per i singoli Comuni sono commisurati al contributo e all'impegno dato dai singoli Comuni	1	2	3	4	5	99
Per la maggior parte dei Comuni coinvolti la partecipazione all'Unione è di rilevanza marginale	1	2	3	4	5	99
I risultati della partecipazione all'Unione sono chiaramente visibili e facili da valutare	1	2	3	4	5	99
Grazie all'Unione, ora, i Comuni hanno iniziato a cooperare anche in altre aree.	1	2	3	4	5	99

P20 Relativamente all'Unione, quanto spesso ha contatti con: (1= Mai, 2= Meno di una volta al mese, 3= Almeno una volta al mese, 4= Almeno una volta a settimana, 5= Quasi tutti i giorni, 99= Non so)

Altri sindaci dell'Unione	1	2	3	4	5	99
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Presidente dell'Unione	1	2	3	4	5	99
Consiglieri comunali di altri Comuni	1	2	3	4	5	99
Segreteria comunale	1	2	3	4	5	99
Segreteria dell'Unione	1	2	3	4	5	99
Uffici provinciali	1	2	3	4	5	99
Ufficio regionale alle autonomie locali	1	2	3	4	5	99
Governo centrale	1	2	3	4	5	99

P21 Qual è il metodo principale con cui i cittadini vengono informati delle attività dell'Unione? (cerchiare al massimo 3 risposte)

1. Tramite il sito web dell'Unione
2. Tramite report/ informazioni pubblicate sui siti dei singoli Comuni
3. Incontri informativi dei politici locali con la cittadinanza
4. Incontri informativi degli impiegati dell'Unione con i residenti
5. Tramite informazioni pubblicate sulla stampa locale o altri media
6. I cittadini non vengono informati delle attività dell'Unione
7. Altri metodi, specificare _____
99. Non saprei

P22 Come valuta l'interesse dei seguenti gruppi nelle attività dell'Unione? (1= Nessun interesse, 2= Scarso interesse, 3= Medio, 4= Moderato interesse, 5= Forte interesse, 99= Non so)

Cittadini	1	2	3	4	5	99
Associazioni, cooperative sociali e altri enti del terzo settore	1	2	3	4	5	99
Imprese	1	2	3	4	5	99
Consiglieri comunali	1	2	3	4	5	99

P23 Quali sono i risultati effettivi della gestione dell'Unione? (scegliere al massimo 3 risposte)

1. Risolvere problematiche che travalicano i confini del singolo Comune
2. Abbassamento dei costi attraverso la cooperazione volta a creare economie di scala
3. Maggiori fondi ottenuti
4. Apprendimento reciproco dettato dalle esperienze di altri Comuni
5. Acquisizione di maggiore visibilità e rappresentatività dell'area e dei Comuni coinvolti
6. Maggiore capacità di implementare/ adempiere le linee guida regionali o statali
7. Rafforzamento del sistema di governance locale
8. Nessuno
9. Risultati peggiori in termini di spesa e qualità rispetto a quelli ottenibili operando come singolo Comune
10. Altro, specificare_____

P24 Rispetto a quando è stata creata l'Unione, col tempo sono aumentate le attività o aree di cooperazione? (cerchiare una sola risposta)

1. Sì
2. No, sono le stesse
3. No, sono diminuite
4. Non so
5. Altro, specificare_____

P25 Nei prossimi 2/3 anni pensa che il suo Comune espanderà la cooperazione a nuove aree? (cerchiare al massimo 2 risposte)

1. Sì, tramite Unione

2. Sì, tramite Convenzione
3. No
99. Non so

P26 Rispetto a quando è stata creata l'Unione, nuovi Comuni si sono uniti?

1. Sì
2. No

P26B Se sì, quanti? _____

27 Rispetto a quando è stata creata l'Unione, alcuni Comuni hanno lasciato l'Unione?

1. Sì
2. No

P27B Se sì, quanti? _____

P28 È mai successo che un Comune esterno all'Unione chiedesse di entrare, ma che la richiesta venisse negata?

1. Sì
2. No

P29 È mai successo che l'Unione desiderasse includere un altro Comune, ma che quello abbia rigettato l'offerta?

1. Sì
2. No

P30 Se il Comune fa parte di un'Unione da prima del 2007, reputa che la crisi economica abbia influenzato la cooperazione tramite Unione? (Cerchiare una risposta)

1. Sì, l'Unione è uno strumento che permette di erogare servizi e gestire funzioni ad un costo inferiore
 2. Sì, l'Unione è uno strumento che permette di erogare servizi e gestire funzioni con maggiore qualità
 3. Sì, grazie alla possibilità di accedere ad ulteriori incentivi/ finanziamenti *ad hoc*
 4. No
 5. Sì, ma negativamente. La crisi economica ha impedito che si allargassero gli spazi di cooperazione tramite Unione
 6. Altro, specificare _____
99. Non so

P31 Come giudica il ruolo dell'ufficio regionale alle autonomie locali, soprattutto nelle fasi iniziali di implementazione delle attività dell'Unione?
(Cerchiare)

Molto Negativo	Negativo	Né positivo né negativo	Positivo	Molto positivo	Non so
1	2	3	4	5	99

P32 Ha riscontrato da parte di uno o più Comuni delle difficoltà nel versare all'Unione ciò che spetterebbe pagare per la gestione ed erogazione dei servizi?

1. Sì
 2. No
 3. Altro, specificare _____
99. Non so

P33 Se sì, a suo avviso, da cosa potrebbero dipendere?

1. Difficoltà di natura amministrativa/gestionale
2. Difficoltà di natura politica tra Comuni
3. Difficoltà finanziarie del Comune

99. Altro, specificare _____

100. Non so

P34 Qual è il suo giudizio complessivo a proposito dell'Unione: (cerchiare)

Molto Negativo	Negativo	Né positivo né negativo	Positivo	Molto positivo	Non so
1	2	3	4	5	99

Grazie per aver partecipato a questa ricerca!

APPENDIX C

Interviews guide

Main themes addressed in the interviews

- Creation of the MU and its functioning (scope, subdivision of tasks, personnel, future perspectives)
- Main advantages and disadvantages related to IMC
- How the bargaining phase is structured and its limitations
- The role of the president in the MU
- Presence of side effects related to IMC
- Main problems occurred related to IMC
- Role of the regional government in promoting IMC
- The problems and disadvantages faced by small municipalities
- The impact of IMC on those issues.

