

# **THE REFORM OF THE LOCAL ADMINISTRATION IN SPAIN**

## **IN TERMS OF POPULATION**

Manuel Octavio Del Campo Villares

University of the Coruna. Coruna. Spain

Francisco Jesús Ferreiro Seoane

University of Santiago of Compostela. Santiago of Compostela. Spain

### **ABSTRACT**

Spanish Local Corporations are playing an increasingly important role in the provision of public services without reducing their function of consolidation and structuring of the current sociopolitical system. This reality implies an increase in their need of financial funds without new compensation resources. Also, there is a certain tendency to loose population in many counties along with a greater organic and territorial dispersion that accelerates their financial weakening. This makes necessary to find management alternatives ensuring the appropriate provision of local public services and thus the Local Corporation reform becomes an alternative.

In this context, the present paper approaches the analysis and the results based upon a territorial balance criterion on the population and its distribution, aiming ultimately to design an indicator able to measure the need of the Spanish's local government structure according to its population and the size of its municipalities. This indicator might measure the regional impact to any variation both in the distribution of its population and in the number of municipalities.

### **KEY WORDS**

Public Administration, Citizen, Public Finances, Public Service and Administrative Reform.

#### **1. Introduction.**

In a socioeconomic situation as complex as the one we live in, marked by a deep economic crisis, budgetary containment and a review of many of the principles that govern our society, the financial adjustment of the agents that integrate the Spanish Public Sector becomes both a necessity and a priority. This context of seeking alternatives to achieve the necessary balance of public accounts that has pressured Local Government to obtain new forms of management capable of addressing the challenges of such a scenario is the framework in which our work stands.

Without this balance it is impossible to guarantee the delivery in time of the common public services to the citizens' daily lives: water supply, street lighting, refuse collection, public safety and town planning... all of them are municipal responsibilities. However, the current crisis has shown that in many cases is not enough to act just on the items that integrate the revenue and expenditure, included in the public budget but must go beyond and address the issue of efficiency and viability of the local administrative structure.

Therefore, if we want to ensure fiscal stability of local finances, it is necessary to refine the model of public service provision, under the objective to find a flexible and sustainable public system. To do this, we introduce the study of the local government reform as an alternative to

public spending cuts and also have the advantage of not acting directly on the so called welfare state.

Paying attention to the purpose of our work, *the local administrative reform as an alternative for obtaining a balance in local government finance and efficiency in the provision of local public services*, we have structured this paper following three points: the first point presents the structure of the Spanish public sector in order to identify where and what to restructure and the evolution of the pursued activity and procedural forms followed by Local Government in Spain, providing the foundation for the Administration's reform. The second point shows the financial situation of the Spanish Local Treasury contextualized within the current socio-economic scenario of crisis and severe deficits. After that, in a third entry, we address and quantify two of the usual administrative areas when treating any territorial administration reform: its dependent Administration and the micro size of many of the municipalities, both of them put in relation to the population of each Autonomous Community (AC, CCAA in Spanish). Finally we conclude the general assessment on the possibility that the local government reform might be a valid alternative to restructure its finances and enables it to maintain its level of public provision.

## 2. Bases, structure and policy framework of the Local Public Sector in Spain.

The economic activity in Spain is exercised under the framework of a social market economy established in the Spanish Constitution (art. 3), which also recognizes the entrepreneurial freedom besides the involvement of public authorities in ensuring the exercise and defense of productivity. Thus, Public initiative is explicitly recognized (art. 128 of the Spanish Constitution) in the economic activity as a whole, even reserving the right to control, intervene resources, production levels and essential attributed services if the public interest advises it.

Table 1 shows all the agents that belong to the Spanish Public Sector, each one is classified according to two criteria: First the territorial scope: central, regional and local level and 2nd its functionality, administrative or business. Therefore, and based on the functions set by the constitutional precept, the areas of public intervention are many. It's easy to fall into the temptation to equate Public Administration and Public Sector, however, and as we have seen the public sector not only manages but also carries out productive, commercial, industrial and financial activities. Thus, the provision of public goods and services extends beyond the administrative or management action, which by extension raises the need for public funding to unsustainable levels, especially for those levels of government with limited sources of income such as the Local Authorities (CL).

Table 1  
*Structure of the Public Sector in Spain.*

|   | Classification  | Function  |
|---|---|---|
| <b>Public Administrative Sector or Public Administrations</b> | <ul style="list-style-type: none"> <li>• Central Administration: Estate</li> <li>• Regional Government: Autonomous Community (AC, or CCAA in Spanish)</li> <li>• Administration or Local Corporation: Provinces and Municipalities, (CL)</li> </ul> | To Produce difficult merchandizing services oriented to the community and to redistribute income and national wealth operations |

Table 1 (continued)

*Structure of the Public Sector in Spain.*

|   |  |   |
|---|--|---|
| <p><b>Public Business Sector or Public Business</b></p> | <ul style="list-style-type: none"> <li>• <b>Autonomous Commercial, Industrial and Financial State-dependent Bodies, CCAA or CL</b></li> <li>• <b>Public Entities dependent on the state, CCAA or CL</b></li> <li>• <b>Public Companies dependent on the state, CCAA or CL</b></li> </ul> | <p><b>To Produce goods and services not intended for commercial sale. To collect, process and distribute financial deposits. Transform individual risk into collective risks.</b></p> |
|---|--|---|

*Note.* Source: Ministry of Public Administration, European System of Accounts (ESA) and own elaboration.

After identifying the structure of the Spanish Public Sector, both the municipalities and basic local administration has experienced many changes in two senses:

- As to the range of services provided;
- The volume of financial, physical and human managed resources.

The common issue in both cases is their constant and progressive expansion facing a situation where the State is the director of the public activity and appears sometimes as an organization much too big and heavy when addressing daily public services such as street lighting, street cleaning or civil protection, but at the same time are too small to address the major problems that the globalized modern society is facing (De la Merced, 1997). This reality is manifested by both its distance from the public demand and its loss of power in supranational spaces.

In this context, the local governments of our democracy have been forced to deal with a myriad of citizen coexistence deficits that must be addressed in order to structure and facilitate social cohesion (Ramió, 2009 and Rodríguez, 2011). It is in this role as structuring instrument (Article 137 of the Constitution) where the Local Corporations (CL) assumed an increasingly important role, highlighted by the need of new costly facilities, infrastructures and services, which implies increasing their financial need. Moreover, the growth of municipal activity was reinforced by other factors (De la Mora, 1997; Garces et al, 2008; and Del Campo and Ferreiro, 2012):

- a. The growth and modernization of the country made municipal governments to want to equate their competences to the ones of the most advanced surrounding countries.
- b. The democratic system demands more closeness between Administrations and administered, and in this sense the municipal authority acts not only as an ultimate Administration but assuming improper powers given its closeness.
- c. The initial "interest" of municipal governments to meet public demand caused a chain reaction in the level of demand of the citizen, creating a circular process of growth for the demand for new municipal utilities.

As a consequence of this all, due to the administrative level of the municipalities, closest to the citizenship, these end up intervening in all walks of life, from being a civic regulator agent to a service provider. However, despite all the process of change and growth of local activity in Spain, its impact on methods, management and organizational forms used by the closest Administration to the citizen has been little (De la Mora, 1997; Ramió, 2009 and Rodríguez, 2011). Thus local government in Spain has a pending modernization process at the organizational,

technical and cultural levels, which will have to provide the way out of that situation defined as "perpetual financial failure against an overwhelming attention of functions and services". Modernization can be undertaken following two channels:

1- The introduction of habitual technologies of management of the private sector in the area of the Administration, moving from the administrative norm to the facility management and public services.

2 – The provision by the private sector of certain public services: The indirect management of public services or to privatize its management rather than its provision, which means to transferred to the private sector the provision of the service or final materialization of the service.

Regarding the first point, the introduction of management techniques from the private sector rightly adapted could be applied to (Ramió, 2009 and Bel, 2011):

- a. An advanced service offer preceded by a broad and deep knowledge of the use, needs and expectations of citizens on local services.
- b. Marketing and promotion of the local services offered.
- c. Internal management, with short integration of the information systems, work systems or implanted procedures.

In relation to the introduction of the private sector in providing public services, even though Local Administration has begun to use indirect management formulas, such procedures must be refined and rigorously selected in order to avoid dissatisfaction, which is quite frequent. It is a preliminary step to distinguish between what the Public Finance Institute names provision of public goods and services and the servicing of the same ones. The debate regarding management modernization of the essential common services falls mainly behind this distinction (Bel, 2011; Del Campo and Ferreiro, 2012). Thus, whereas Provision refers to ownership, i.e., public guarantee as to partial or universal coverage of the service, Servicing refers to the ways and procedures by which the provision is carried out.

However, although the outsourcing is an option to improve the quality and efficiency of some public services sometimes it has been used to overlook another solution, " To improve the functioning of the public organizations themselves " (Ramió, 2009), i.e., the introduction of private management techniques in the administration without affecting the provision or use of public services. Nevertheless The common line widely followed by most municipalities has been to shift the responsibility for the service from the public to the private sector without meaning that the local government would stop reserving the right to control and regulate the activity / service.

### **3. The finances of local Treasuries: the local public deficit in a crisis environment.**

Due to the current socio-economic situation as well as the context of international reference (Europe), the need to modernize, adjust and apply new management methods by the Territorial Administration faces an added problem, the situation of economic and social extreme urgency as well as the sharply criticized capacity and performance of certain public institutions which basic

aim becomes to balance Public Treasuries finances necessary to ensure their payment commitments.

For this reason, there is a need as well as an obligation to rethink the budgetary policy from our CL without undermining fundamental pillars like the efficiency in municipal management or the financial responsibility share as well as local jurisdiction, ensuring both the provision of municipal services and the social cohesion. To do this, following the orthodoxy of financial activity, there are three ways to achieve the budgetary equilibrium (Cabannes, 1999):

- a) To redefine municipal competences, competence via.
- b) An austerity and efficiency management policy, budget via.
- c) To reform the financing system, financial via.

With regard to via a) *or competence via*, there are issues to be addressed (De la Merced, 1997): Inventory of skills, to redefine the role of the parallel Administration, to foster inter-municipal cooperation and revalue based on its evolution on the provision of local services. In short, to allocate responsibilities by issues and size taking into consideration these key variables: population, their geographical contiguity or dispersion in urban areas to facilitate their connection in a network (Bel, 2011).

It is important at this point, to mention two features that define the distribution of local competencies: its scope and lack of accuracy, which carries strong dispersions in quantity, quality, costs and services rendered (Álvarez et al, 1998). The article 25.1 of the Basic Law of the Local Government reinforces this lack of definition pointing out that in the management of their interests the municipalities can promote all activity and provide public services helping to meet citizens' needs and aspirations.

And it is precisely this lack of definition of the competences managed by municipalities which caused a growth in the local public expenditure and also its debt to an irresponsible maximum level. There are too many examples throughout the Spanish territory: airports, stations, conference and exhibitions centers abound without enough population to use them.

With regard to via b) *of austerity and budgetary rigor*, implies the need to establish a set of goals by the Administration: to promote public procurement through competitive public auctions, apply cost-benefit criteria, seek alternative financing programs in collaboration with the private sector, to increase the level of fiscal co-responsibility, reduce tax fraud and fulfill payment obligations (Álvarez et al, 1998).

With regard to the scheme to finance, via c) *or financial via*, tax measures have to be taken as part of a structural approach and a comprehensive fiscal and budgetary policy (Bosch and Solé-Ollé, 2012). This tributary model will have to be oriented at the same time subject to the characteristics of simplicity, fairness, and neutrality in line with the tax systems of the international setting of reference.

However, the temporal context of crises in which we are in and having to rethink some the principles that characterize our society requires something more than to comply with the financial

orthodoxy. Placing ourselves in the need of analyze and rethink about the performance of up to now immovable pillars of our socioeconomic structure, as well as the political-administrative and organizational ones that together define the current organizational structure (Bosch and Solé-Ollé, 2011; Rodriguez, 2011) to which we must add as an impact factor the Greek example, with the radical restructuring of its local administration, eliminating two-thirds of their municipalities<sup>1</sup> and the urgent and general search of mechanisms that lead to rationalize the government structures in the interest of a more appropriate system that facilitates a adequate management for the territorial modernity and our local governments' financial capacity, based upon the questioning of the current municipal structure or the way to coordinate the local and regional political levels (Moisio, 2011; Rodriguez, 2011).

It is very common, in periods of crisis or financial insufficiency that the political class opts for easily applicable and quick impact measures such as reducing public investment, reduce public employee's salaries or linear cuts in current spending. All of them are measures with a rapid knock-on effect on lowering the level of public expenditure but at the same time allows to support untouchable institutions and bodies which it could be possible to do without. (Bosch and Solé-Ollé, 2011).

However, we must also say that these periods of crisis and social change, when the urgency to find solutions to these situations prevail, are perfect to address solutions otherwise unthinkable in quieter scenarios, like the introduction of new management techniques, outsourcing or privatization of services. Also, the new scenario puts on the table a new alternative unaddressed until now: to analyze the viability of the territorial structure of our Administration<sup>2</sup>. It's in this line where the reform of the local administration of maximum proximity to the citizen appears as a relevant alternative in reducing the cost of the public provision.

It must be said as well that the design of the current Spanish Local Administration dates back to the nineteenth century, a fact that increases the difficulty to adjust the local administrative structure to the new environmental demands: new urban, demographic and labor designs, which also face an increasingly complex institutional architecture, where the gap between the municipal structure and the local geography evolution is increasing (Sanchis, 1999; Rodriguez, 2011), being greater the distance observed on the territorial level between:

- The rural municipalities, where the micro-municipal structure dominates, installed in a state of unprecedented demographic crisis which is intertwined with a host of deficiencies.

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<sup>1</sup> The rule reduces from 1034 to 355 municipalities, which will suppose a saving on the indebted public accounts of 1,185 million euros / year. The objective of administrative reform is to create more capable municipalities on the basis of a larger population, at least 10,000 people and can provide better services to citizens. Along the same lines but on a smaller scale there are cases located in Italy and Portugal.

<sup>2</sup> To Restructure local governments encompasses merger of municipalities, the strengthening cooperation between local authorities, the re-foundation of supra-municipal governments, metropolitan cooperation and the role of the regions and municipal consortiums.

- In contrast, we find the expansion of urban areas beyond its territorial limits, its influence and scope of activity extends through a growing geographical area, while the local financial management and control mechanisms are just designed to act on their municipal political-administrative ambit.

Consequently, a fourth via joins these three traditional areas in the study of the financial activity equilibrium to ensure the provision of public services and citizen's attention, while funder-plaintiff-user of public activities: *Streamlining and downsizing the structure of our Administration, with a strong emphasis on the case of the Local Corporations.*

Many reasons can be argued tackling the restructure of the Local Corporations, their financial and budgetary insufficiency, the need to introduce and rationalize management procedures, lack of important services to ensure a minimum quality of life or the worsening of budget deficits due to the downturn of their revenue collection capability dependent of the construction industry. Therefore, following we show a study which main focus is to carry out an analysis on the suitability of the current peripheral structure of the Spanish Local Administration, considering the population as the reference variable (Sanchez et al, 2006; Guy, 2011) on each of its Autonomous Communities. For that purpose and following the literature about the reorganization of the Local Administrative structures, this study follows two broad approaches (Bel, 2011; Moisiso, 2011; Rodriguez, 2011).

- The first one is based on an organic representation, where Public Institutions are considered to have failed to adapt to the needs of the society in which they are located; henceforth they should carry out a deep transformation, seeking wider forms of competence through fusion, aggregation or removal of administrations. Studies on the optimal municipal size have shown those issues such as population's size or its dispersion, offer significant economies of scale and density, thus fostering the fusion of municipal jurisdictions.

- The second one is based on the respect for the prevailing administrative structure as the legitimate source of the democratic system, therefore advocates the structure of the existing public service, proposing as a solution supra-municipal cooperation formulas. Taking this approach, the most common experiences are: privatization of public services to achieve economies of scale in the production which is specified in a service provision contract between the government and the company supplying the service, and faced with the privatization that acts on the production of the service, inter-municipal cooperation acts over the jurisdiction of the service provider, assigning to a public authority a greater volume of output or a concentration higher than what might be expected to attribute to the different municipalities separately.

#### **4. Complexity of Territorial Administration in Spain.**

##### **4.1. Organic Autonomy: the parallel administration.**

When we look at the administrative level, we will begin analyzing those administrative units with less power and independence both in function and budget. Thus the Spanish public structure, is set under the shade of a wide range of heterogeneous bodies and institutions with very different

sizes, and where their distribution and number is shown in table 2, where we will find these entities and autonomous commercial, industrialists and financiers organisms sorted by region and are related to the population at 1/1/2012 (Sanchez et al, 2006; Del Campo and Ferreiro, 2012).

We must stop at this point before and continuing to highlight the limitation of the proposed investigation due to the fact that this is only approached on the basis of the population variable. While it is true that the population is the key variable, all local development process involves three dimensions<sup>3</sup> (Sanchis, 1999), being one of them the social one, defined by the number of people satisfied by the public provision. However, many other variables are involved when adapting and improving the local administrative structure (Garces et al, 2008; Rodriguez, 2011): the population pyramid, aging, population density, scattered settlement or local sectorial structure.

Our focal interest, therefore, is to highlight the interest and convenience on the study of the complexity and heterogeneity of peripheral Spanish Public Sector in per-capita terms. To do this, we use the regional administrative complexity index,  $ICA_{ca}$ <sup>4</sup> or "département d'agglomeration" in the French case, (Sanchez et al, 2006; Guy, 2011; Del Campo and Ferreiro, 2012), which is included in the equation n°-1, which also can be applied to any scale of territorial public administration<sup>5</sup>, and at the same time that it grows in value it represents a greater administrative complexity.

$$ICA_{ca} = ((N^{\circ} OAEP_{ca} / Pop_{ca}) * 10.000) / ((N^{\circ} OAEP_E / Pop_E) * 10.000) [1]$$

Retrieved the previous index, this is corrected through the percent difference between the number of Autonomous Organisms and Public Entities (OAEP in Spanish) available to each autonomous community compared to the total in Spain in per-capita terms (10,000 inhab.), which is shown in Table 2 in the column  $DIF\%_{ca-e}$ . The difference will be added to  $ICA_{ca}$  if the percentage exceeds the national average or subtracted if below average, obtaining this way an aggregate measure of the total administrative complexity each CCAA  $\rightarrow ICAT_{ca}$ <sup>6</sup>, total administrative complexity index by autonomous community, and included in the equation n°-2, where a higher value is a synonym of a greater administrative structure.

<sup>3</sup> Dimensions contained in a local development process : 1st economic, based on criteria of profitability and efficiency, 2nd political-administrative referring to control, design and public management, and social 3rd group of people subject of public service care.

<sup>4</sup> It Measures the degree of subdivision of each region parallel Administration based on their population, and where: OAEP = Number Autonomous Organisms and Public Entities, Pop. = Population, E = Spain, ca = CCAA.

<sup>5</sup> The Territorial Administration's internal complexity of any CCAA may be due to its own administrative structure as well as a local administrative level, lower than regional,. Therefore it is possible to identify with the administrative complexity index applied to each administrative level which has a greater bureaucratization at source. These indexes also are shown in Table 2:

Regional administrative complexity index ( $ICAA_{ca}$ ) or "communautés d'agglomeration":

$$[1.a] ICAA_{ca} = ((N^{\circ}OAEP_{ca} / Pop_{ca}) * 10,000) / ((N^{\circ}OAEP_E / POP_E) * 10,000)$$

Local administrative complexity index ( $ICAL_{ca}$ ) or "municipalité d'agglomeration":

$$[1.b] ICAL_{ca} = ((N^{\circ}OAEP_{ca} / Pop_{ca}) * 10,000) / ((N^{\circ}OAEP_E / POP_E) * 10,000)$$

<sup>6</sup> The total administrative complexity index ( $ICAT_{ca}$ ), measures the complexity of each AC's parallel administration, corrected by the size of its population compared to the total population of Spain.

$$ICAT_{ca} = ICA_{ca} + ((\% (N^{\circ} OE_{p_{ca}}/Pop_{ca}) - (\% (N^{\circ} OE_{p_E}/Pop_E))) [2]$$

Table 2

*Organic Complexity ICA, ICAL and ICAT s / Population (10,000).*

| CCAA                        | Pop.<br>1/1/2012  | OAEP<br>CCAA | OAEP<br>CL   | Total<br>OAEP | ICAA <sub>ca</sub> | ICAL <sub>ca</sub> | ICA <sub>ca</sub> | DIF% <sub>ca-e</sub> | ICAT <sub>ca</sub> |
|-----------------------------|-------------------|--------------|--------------|---------------|--------------------|--------------------|-------------------|----------------------|--------------------|
| <b>Andalusía</b>            | 8.424.102         | 15           | 261          | 276           | 0,457              | 0,861              | 0,821             | -0,071               | 0,750              |
| <b>Aragón</b>               | 1.346.293         | 5            | 78           | 83            | 0,953              | 1,809              | 1,545             | 0,217                | 1,763**            |
| <b>Asturias</b>             | 1.081.487         | 14           | 39           | 53            | 3,320              | 1,002              | 1,228             | 0,091                | 1,319*             |
| <b>Balearic<br/>Islands</b> | 1.113.114         | 9            | 35           | 44            | 2,074              | 0,873              | 0,991             | -0,004               | 0,987              |
| <b>Canary<br/>Islands</b>   | 2.126.769         | 10           | 63           | 73            | 1,208              | 0,823              | 0,860             | -0,056               | 0,804              |
| <b>Cantabria</b>            | 593.121           | 6            | 3            | 9             | 2,594              | 0,140              | 0,380             | -0,247               | 0,133              |
| <b>Cas. Manche</b>          | 2.558.463         | 3            | 65           | 68            | 0,301              | 0,706              | 0,666             | -0,133               | 0,533              |
| <b>Cas. &amp; León</b>      | 2.115.334         | 3            | 44           | 47            | 0,364              | 0,578              | 0,557             | -0,177               | 0,380              |
| <b>Catalonia</b>            | 7.539.618         | 48           | 563          | 611           | 1,833              | 2,074              | 2,031             | 0,411                | 2,442***           |
| <b>Com. Valen.</b>          | 5.117.190         | 15           | 134          | 149           | 0,752              | 0,727              | 0,730             | -0,108               | 0,622              |
| <b>Extremadura</b>          | 1.109.367         | 4            | 33           | 37            | 0,925              | 0,826              | 0,836             | -0,065               | 0,770              |
| <b>Galicia</b>              | 2.795.422         | 12           | 67           | 79            | 1,101              | 0,666              | 0,708             | -0,116               | 0,592              |
| <b>Madrid</b>               | 6.489.680         | 15           | 67           | 82            | 0,593              | 0,287              | 0,317             | -0,273               | 0,044              |
| <b>Murcia</b>               | 1.470.069         | 8            | 45           | 53            | 1,396              | 0,850              | 0,904             | -0,038               | 0,865              |
| <b>Navarre</b>              | 642.051           | 6            | 52           | 58            | 2,397              | 2,250              | 2,264             | 0,504                | 2,768***           |
| <b>Basque<br/>Country</b>   | 2.184.606         | 10           | 143          | 153           | 1,174              | 1,818              | 1,755             | 0,301                | 2,057***           |
| <b>Rioja</b>                | 322.955           | 1            |              | 1             | 0,794              | 0,00               | 0,078             | -0,368               | -0,290             |
| <b>Total</b>                | <b>47.190.493</b> | <b>184</b>   | <b>1.699</b> | <b>1.883</b>  | <b>1,000</b>       | <b>1,000</b>       | <b>1,000</b>      | <b>0,000</b>         | <b>1,000</b>       |

Note: \*\*\* maximum organic complexity value \*\* high organic complexity value \* significant organic complexity value.

Source: National Statistics Institute (INE), statistics series of the Ministry for Public Administration and own elaboration.

We can observe from the results obtained how several autonomous communities show an unsustainable degree of bureaucratization in terms of the number of dependent Autonomous Organisms in terms of per-capita basis, to take action in this matter would give them a considerable administrative savings margin, as in the case of Navarra , Catalonia, Basque Country, Aragon and Asturias. On the opposite side are Rioja, Cantabria, Madrid and Castile and Leon, each of them revealing a reduced administrative complexity in terms of population.

Thus, on the basis of the data obtained and even before addressing the restructuring of the Local Administration (municipalities diminution), many Spanish autonomous communities reveal the not insignificant margin of potential Organisms and Autonomous Entities to eliminate, and, on the other hand, a good number of them have a laxative or at least doubtful functionality and significance. It's just not their number (1,883) already high, but also the appreciable turndown margin given their activity, pointing out the case of organisms aimed at attending the needs of

organizations such as culture, leisure and sports, less prioritized (non-basic and easy to delegate services) compared with other Spanish constitutionally essential ones: health, education, housing and social care and therefore easier reduction in a state of financial urgently.

#### 4.2. Complexity and municipal dispersion Spain: a measure for reform

If earlier we were analyzing the local structure in terms of Organisms and Autonomous Entities, following the same methodology used in the previous section, we will be taking a closer look into the structure of local government, i.e., the number and size of the Spanish municipalities as well as its geo-population dispersion.

Firstly, in order to measure this dispersion, we define what call the dispersion index ( $IDM_{ca}$ ), included in the equation n°-3, it will measure the level of dispersion of the population of each autonomous community according to its municipal size. As its value increases, the dispersion of its population distributed by municipalities will also be greater, so a considerable number of micro-local terms are still predominant.

$$IDM_{ca} = ((N^{\circ} Mun_{ca}/Pop_{ca}) * 10.000) / ((N^{\circ} Mun_E /Pop_E) * 10.000) [3]$$

Again, The  $IDM_{ca}$  will be subject to correction by the percentage difference between the proportion of municipalities per capita (10,000 inhab.) by CCAA and this percentage at a national level compared to the same proportion nationally (% DifMun<sub>ca-e</sub>). And that, It will be added when it exceeds the national average and should be subtracted if it is below the average, obtaining a new measure of total municipal dispersion by region →  $IDMT_{ca}$ <sup>7</sup>, total municipal dispersion index by region, and shown in equation N°.-4.

$$IDMT_{ca} = IDM_{ca} + ((\%(N^{\circ} Mun_{ca}/Pop_{ca}) - (\%(N^{\circ} Mun_E/Pop_E))) [4]$$

Considering together<sup>8</sup> the total administrative complexity index ( $ICAT_{ca}$ ) Table 2, and the total municipal dispersion ( $IDMT_{ca}$ ) Table 3, we obtain the maximum administrative complexity index ( $IMAXCAT_{ca}$ ), which is presented in equation n°-5, and whose values for each region are listed in the last column of Table 3, which will serve as a reference when we have to identify and quantify the opportunity of restructuring in key population. This global index measures the level of bureaucratization's rotation (parallel Administration size) of each region in relation to its local dispersion (number of municipalities).

$$IMAXCAT_{ca} = ICAT_{ca} * IDMT_{ca} [5]$$

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<sup>7</sup> The total municipal dispersion index ( $IDMT_{ca}$ ) measures the dispersion of the population of each CCAA by municipalities corrected by the number of municipalities in each CCAA to the total of municipalities of Spain, and where:  $ICM_{ca}$  = municipal Dispersion Index by CCAA,  $N^{\circ}$ . Mun = Number of Municipalities, Pop. = Population, E = Spain, CCAA = Autonomous Community (AC).

<sup>8</sup> Merging in this way the complexity of the parallel administration of the Territorial Treasuries with the diversity of Spanish municipalities in terms of population.

Table 3

*Municipal distribution and Municipal Complexity Index by region (s/10.000 pop.).*

| CCAA              | Pop.<br>1/1/2012  | Mun.<br>≤<br>1.000<br>pop | Mun.<br>≤<br>5.000<br>pop | Mun.<br>≤<br>20.000<br>pop | Mun.<br>><br>20.000<br>pop | Total<br>Mun. | IDMca        | DIFMun<br>% <sub>ca-e</sub> | IDMTca       | IMAXCATca |
|-------------------|-------------------|---------------------------|---------------------------|----------------------------|----------------------------|---------------|--------------|-----------------------------|--------------|-----------|
| Andalusía         | 8.424.102         | 195                       | 314                       | 181                        | 81                         | 771           | 0,532        | -0,805                      | -0,272       | -0,204    |
| Aragón            | 1.346.293         | 620                       | 86                        | 21                         | 4                          | 731           | 3,157        | 3,710                       | 6,867***     | 12,103*** |
| Asturias          | 1.081.487         | 17                        | 30                        | 24                         | 7                          | 78            | 0,419        | -0,999                      | -0,579       | -0,764    |
| Balearics         | 1.113.114         | 6                         | 21                        | 28                         | 12                         | 67            | 0,350        | -1,118                      | -0,768       | -0,758    |
| Canary<br>Islands | 2.126.769         | 1                         | 25                        | 37                         | 25                         | 88            | 0,241        | -1,306                      | -1,065       | -0,857    |
| Cantabria         | 593.121           | 31                        | 51                        | 15                         | 5                          | 102           | 1,000        | 0,000                       | 1,000        | 0,133     |
| Cas. Manche       | 2.558.463         | 1.985                     | 205                       | 61                         | 15                         | 2.248         | 5,109        | 7,067                       | 12,178***    | 6,486***  |
| Cas. & León       | 2.115.334         | 624                       | 219                       | 43                         | 15                         | 919           | 2,528        | 2,625                       | 5,151***     | 1,957*    |
| Catalonia         | 7.539.618         | 482                       | 255                       | 147                        | 63                         | 947           | 0,730        | -0,464                      | 0,267        | 0,651     |
| Com. Valen.       | 5.117.190         | 218                       | 168                       | 93                         | 63                         | 542           | 0,616        | -0,661                      | -0,045       | -0,028    |
| Extremadura       | 1.109.367         | 204                       | 143                       | 31                         | 7                          | 385           | 2,018        | 1,751                       | 3,769**      | 2,903*    |
| Galicia           | 2.795.422         | 23                        | 179                       | 91                         | 22                         | 315           | 0,655        | -0,593                      | 0,062        | 0,037     |
| Madrid            | 6.489.680         | 47                        | 53                        | 46                         | 33                         | 179           | 0,160        | -1,444                      | -1,284       | -0,056    |
| Murcia            | 1.470.069         | 2                         | 7                         | 19                         | 17                         | 45            | 0,178        | -1,414                      | -1,236       | -1,069    |
| Navarre           | 642.051           | 186                       | 64                        | 19                         | 3                          | 272           | 2,463        | 2,517                       | 4,980**      | 13,786*** |
| Basque<br>Country | 2.184.606         | 101                       | 81                        | 51                         | 18                         | 251           | 0,668        | -0,571                      | 0,097        | 0,200     |
| Rioja             | 322.955           | 144                       | 21                        | 7                          | 2                          | 174           | 3,133        | 3,668                       | 6,801***     | -1,97     |
| <b>Total</b>      | <b>47.190.493</b> | <b>4.886</b>              | <b>1.922</b>              | <b>914</b>                 | <b>394</b>                 | <b>8116</b>   | <b>1,000</b> | <b>0,000</b>                | <b>1,000</b> |           |
| <b>% s.Total</b>  |                   | <b>60,20</b>              | <b>23,68</b>              | <b>11,26</b>               | <b>4,86</b>                |               |              |                             |              |           |

Note: \*\*\* maximum dispersion value, high dispersion value \*\*, \* significant dispersion value.

Source: INE and own calculations.

In the case of the complexity derived from the dependent Administration (Table 2) we saw how the most developed CCAA were those that showed a greater weight in terms of per-capita with regard to the number of Organizations and Dependent Entities: Catalonia, Navarra and the Basque Country. In the case of the municipal dispersion, the center of Spain with less developed regions, highly aged and with high migration levels, the ones that show a greater local density, proliferating the number of municipalities with a small settlement, as in the case of Castilla la Mancha, 12.18; Aragon, 6.87; Rioja, Castilla y Leon 6.80 and 5.15, followed by Navarra at a considerable distance.

On analyzing the global data (IMAXCAT), taking into account the complexity of dependent Administration (ICAT) and the local dispersion (IDMT), we see that communities such as Navarra, Aragon and Castilla La Mancha with 13.79; 12.10 and 6.49 respectively have the highest

global administrative bureaucracy, thus the urgency shown to reform the Local Government, followed by Extremadura and Castilla León at a considerable distance. It's interesting to see using the IMAXCAT Castilla La Mancha, region with a higher local dispersion (IDMT greater) falls into third place. This is due to the fact that its parallel administration (reduced ICAT) is not particularly large. Catalonia is on the opposite situation with a highly complex parallel Administration, it's minor local dispersion assigns a value of 0.65 IMAXCAT terms when his ICAT was the second highest 2.44.

As we can see, taking as the reference the population's variable, the room for maneuver when it comes to local administrative simplification is not only substantial in terms of reducing the number of Autonomous Organisms but also in the number of municipalities. We can see communities such as Castilla La Mancha, Aragon, Rioja, Castilla y Leon and Navarra, which more than double the state average's number of municipalities.

What's more, Table 3 also shows the percentage distribution of municipalities, based on its population size where we can how the main characteristic of the Spanish municipal treasuries is its micro size, with 83.9% of municipalities with less than 5,000 inhabitants and 60.2% with less than 1,000 inhabitants. This makes both the economic base and financial capacity of most municipalities inexistent, failing to undertake the provision of new services or improve on the already provided (Álvarez *et al*, 1998; Rodriguez, 2004), which means that their only way out are the debt and the transfer of funds from higher levels of the public administration.

Continuing with the issue of the local smallholding, we can't forget that along the same lines both the International Monetary Fund and the European Union have forced Greece and Portugal to simplify their local map, considering it an essential and non-negotiable measure. More important still, Spanish municipalities have as average just over half the population of Greece.

For all this reasons we provide based on three hypotheses a simulation in Table 4, of the number of municipalities that would disappear by merging with other boundaries. Of course, the elimination of the municipalities that are under the considered minimum level of population may lead to a newer municipality and may not necessarily be absorbed by a greater one, same way eliminating municipalities lead to a reduction of the Dependent Organisms. Therefore, even when the figures should be seen just as an interesting approach, the results still show an undeniable interest, being established the following hypotheses<sup>9</sup>:

- Minimum Hypothesis: elimination of municipalities with fewer than 1,000 inhabitants.
- Hypothesis Media: elimination of municipalities with less than 5,000 inhabitants.
- Maximum Hypothesis: elimination of municipalities with fewer than 10,000 inhabitants.

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<sup>9</sup> The maximum hypothesis coincides with the set for Greece, while the average hypothesis is the most appealed when tackling of local government's restructuring in Spain, being the minimum hypothesis the essential the one that cuts out those clearly unfeasible municipalities.

Table 4

*Hypothesis of municipal distribution per CCAA under various criteria of simplification.*

| CCAA           | Total Mun. (31/12/12) | DISAPPEAR AS A<br>MAXIMUM |              |              | MAINTAIN A<br>MINIMUM |              |            | IMAXCAT |        |        |
|----------------|-----------------------|---------------------------|--------------|--------------|-----------------------|--------------|------------|---------|--------|--------|
|                |                       | H.Min                     | H.Med        | H.Max        | H.Min                 | H.Med        | H.Max      | H.Min   | H.Med  | H.Max  |
| Andalusía      | 771                   | 194                       | 510          | 619          | 577                   | 261          | 152        | 0,746   | 0,858  | 0,854  |
| Aragón         | 731                   | 620                       | 706          | 717          | 111                   | 25           | 14         | 2,357   | 1,012  | 1,037  |
| Asturias       | 78                    | 16                        | 47           | 57           | 62                    | 31           | 21         | 0,950   | 1,369  | 1,634  |
| Balearics      | 67                    | 6                         | 27           | 44           | 61                    | 40           | 23         | 0,650   | 1,345  | 1,311  |
| Canary Islands | 88                    | 1                         | 24           | 46           | 87                    | 64           | 42         | 0,255   | 0,887  | 1,016  |
| Cantabria      | 102                   | 31                        | 82           | 91           | 71                    | 20           | 11         | 0,299   | 0,169  | 0,156  |
| Cas. Manche    | 2.248                 | 1.981                     | 2.190        | 2.224        | 267                   | 58           | 24         | 0,999   | 0,406  | 0,275  |
| Cas. & León    | 919                   | 623                       | 842          | 880          | 296                   | 77           | 39         | 1,044   | 0,529  | 0,444  |
| Catalonia      | 947                   | 481                       | 737          | 826          | 466                   | 210          | 121        | 2,028   | 2,443  | 2,432  |
| Com. Valen.    | 542                   | 215                       | 383          | 441          | 327                   | 159          | 101        | 0,548   | 0,714  | 0,785  |
| Extremadura    | 385                   | 204                       | 347          | 371          | 181                   | 38           | 14         | 2,556   | 0,997  | 0,577  |
| Galicia        | 315                   | 22                        | 202          | 256          | 293                   | 113          | 59         | 1,116   | 0,934  | 0,805  |
| Madrid         | 179                   | 47                        | 99           | 130          | 132                   | 80           | 49         | -0,008  | 0,013  | 0,017  |
| Murcia         | 45                    | 2                         | 9            | 14           | 43                    | 36           | 31         | 0,027   | 0,732  | 1,176  |
| Navarre        | 272                   | 186                       | 250          | 262          | 86                    | 22           | 10         | 7,201   | 3,584  | 2,663  |
| Basque Country | 251                   | 101                       | 182          | 208          | 150                   | 69           | 43         | 2,054   | 2,410  | 2,587  |
| Rioja          | 174                   | 143                       | 165          | 170          | 31                    | 9            | 4          | -0,485  | -0,291 | -0,213 |
| <b>Total</b>   | <b>8.116</b>          | <b>4.873</b>              | <b>6.802</b> | <b>7.356</b> | <b>3.243</b>          | <b>1.314</b> | <b>760</b> |         |        |        |

*Note.* Source: INE and own calculations.

The results allow us to see where to act to reform Local Administration: upon the number of municipalities or upon the number of Dependent Organisms. So as we see, if restricted to the low hypothesis there still are several regions with a high overall administrative complexity: Navarra, Extremadura, Aragon, Basque Country and Catalonia, while is also seen how the complexity of Castilla La Mancha, Extremadura and Castilla & León is eliminated by simply removing those municipalities with fewer than 1,000 inhabitants. If we increase the level of restriction of set hypothesis (average and maximum), we see reduced the number of communities with maximum administrative complexity and, above all, that concentrates in the same Regions: Navarra, Basque Country and Catalonia.

Moreover, and in order to determine the inter-territorial balance achieved under each of the hypothesis made we have collected a number of indicators, presented in Table 5. We see how the gains in terms of reducing the overall administrative complexity is higher just by the minimum hypothesis, the Pearson coefficient (CP) is drops by 78% while the coefficient of Aperture (CA) increases more than 100%. The gain is highest with the middle hypothesis, where the CP drops more than 90% while the CA increased by 136%. The step between the average and maximum hypothesis barely accounts for an improvement; this makes us conclude that the elimination of

municipalities with fewer than 1,000 inhabitants is essential and non-negotiable and that the base size of the resulting municipalities should be around 5,000 inhabitants.

Table 5  
Spatial dispersion indicators.

| CCAA                                  | Current Distribution | Minimum Hypothesis | Hypothesis Media | Maximum Hypothesis |
|---------------------------------------|----------------------|--------------------|------------------|--------------------|
| <b>Absolute Path</b>                  | 16,428               | 7,874              | 3,875            | 2,876              |
| <b>Relative Path</b>                  | 8,583                | 5,992              | 3,635            | 2,784              |
| <b>Pearson Coefficient (PC or CP)</b> | 10,325               | 2,186              | 0,830            | 0,690              |
| <b>Opening Coefficient (OC or CA)</b> | 5,218                | 10,700             | 12,316           | 12,502             |

*Note.* Source: Own elaboration.

The opportunity to undertake major adjustments on the structure and composition of Local Administration is more than considerable, especially due to its **further** depopulation and extreme delegation of powers to agencies under non-basic character.

## 5. Conclusions

Local Corporations have experienced an extraordinary growth in both its core activity and in the allocation of new competences whether its own or delegated, a situation that contrasts with its organizational structure and management, almost unchanged. This has led to both an adequacy and financial mismatch in the relation to the environment in which this level administrative acts.

It is therefore necessary to rationalize and restructure the operational framework for our Local Administration to adapt to a new economic, political and social reality in which need and reinforcement must be used in combination to provide the basic services together with the socioeconomic globalization. This is compounded by the fact that the new economic reality that local corporations must get adapted to stand on a profound crisis and recession context that translates into these local government institution increasing failure of resources and a highest expenditure.

This situation results in the need and requirement by the public sector to reduce its overall current, investor and structural spending. Along with it, the search for new sources of funding endowed with the adequate revenue collection that does not condition the necessary efficiency and equity in the most needed public services provision. However, the performance of the classic mechanisms of financial activity, public income and expenditure, are not the only alternative to balance the accounts of the Public Administrations. One of them is restructuring the Local Administration given its characteristics of heterogeneity, dispersion and size.

To this end, the Local Administration can act on two functional levels: its Organisms and dependent Autonomous Entities and in the own composition of the Local Administration, reducing the number of municipalities, being these a special frame at the time of restructuring the Administration by number and size through partnerships, municipal mergers or institutional arrangements.

Analyzed the composition and distribution by autonomous communities on their local area, the possibilities of reducing local government are many:

- In the case of the 1,883 Entities and Autonomous Organisms, with an average of nearly 100 per Region. The regions with a greater margin of reduction are Catalonia, Navarra and Basque Country.
- Meanwhile the number of municipalities is 8,116 and there is an average of over 400 per community. There are several communities where more than three quarters of its municipalities do not reach the 1,000 inhabitants so this should lead to their reduction as in the case of Aragon, Castilla La Mancha and La Rioja.

Consequently and just taking as a reference the population variable, there are several Regions where the possibilities of local restructuring are maximum as in the case of Aragon, Catalonia, and two Castilles, Extremadura, Navarra and Basque Country. The depopulation of large number of municipalities in Spain eliminates the proper financial capacity of more than 60% of municipalities that do not reach the 1,000 inhabitants, while only 5% of the municipalities in Spain reached city status.

Finally, a reflection is needed beyond the observed quantitative factor to which we ought to add a qualitative factor and how gradually exerts a substantial influence in defense of a Local Administration's efficient restructuring, until recently, hardly noticeable such as the newly conception of public action, where the efficacy and efficiency about their daily business go beyond a rhetorical theory to a practical reality. In this regard there are two factors contributing to foster the restructuring of Local Administration: 1st the growing public's perception of the cost of public activity, and 2<sup>nd</sup> the awareness of the public accountability. Those who govern don't it with their money, forcing public governments not only to justify in what they spend their budget but also they have to provide a positive outcome.

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