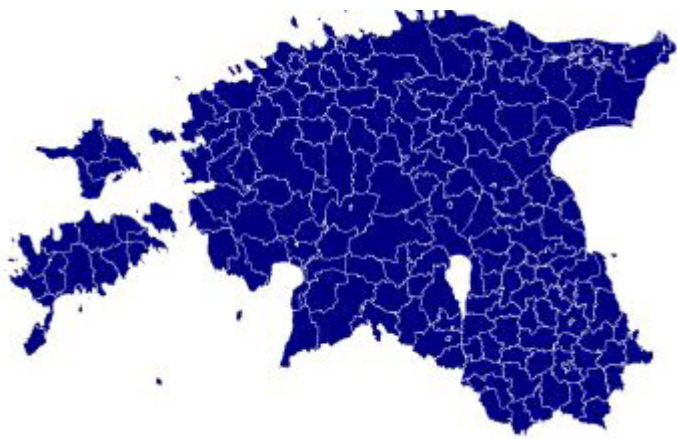




Structural reform - a road to success?



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Synopsis

Territorial and administrative structures in the local and regional level are currently in focus all over Europe due to the ongoing modernisation of public sector.

In this M.Sc. thesis Estonian and Danish structural reforms are analyzed from spatial planning perspective. Problems with local government in Estonia are similar to those in Western Europe where questions about quality, efficiency and administrative capacity have emerged. Estonian territorial administration is very fragmented inefficient and local governments have serious difficulties with spatial planning. Although, there has been done several unsuccessful reform attempts already a decade, changes in Estonia are difficult to achieve.

Danish `avant garde` structural reform is studied to get knowledge and inspiration from, where the reform was implemented very fast creating more professional and efficient governance. Estonia can learn by several ways from the process and outcome of reform in Denmark. Municipalities size and local democracy issues are also discussed in relation to the consolidation. Finally the new model is created and recommendations are given to improve Estonian administrative-territorial structures considering findings from Danish case and theoretical discussion.

Preface

This thesis has been prepared during the 10th semester of the study programme Urban Planning and Management in the Department of Development and Planning at Aalborg University.

This report consists of seven chapters and all tables and figures used in the report are numbered in relation to the chapter in which they are presented.

The 15th edition of Chicago manual style is used as referencing method in this report. In this format, a source used in the thesis is acknowledged by the last name of the author, followed by the year of publication, place of publication and the publisher. In cases where a reference source is by three or more authors or editors, the first author or editor's last name is stated and followed by "et al."

The report includes five appendices with interview transcripts.

I would like to thank all my interviewees: Jan Peter Nielsen (Aalborg Municipality), Kaare Hjorth (Herning Municipality), Jüri Lass (Estonian Ministry of Internal Affairs), Koit Kelder (Keila Municipality) and Helle Witt (Danish Ministry of Environment) for the helpfulness and kindness. Also I would like to thank my supervisor Jørgen Møller for giving advice and support throughout making of this project.

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1. Introduction and Methodology

1.1 Introduction

Local government plays a constructive role in a society, as an agent of change and development. Excellent delivery of public services is a priority in many governments. The territorial and administrative structures in the local and regional level are currently in focus all over Europe as the modernisation of public sector is ongoing process.

Estonia is a small country, where economic and human resources are very limited. The system of local government was re-established in the beginning of the 1990s and the organisation has been basically effective until now. Problems with local government are similar to those in Western Europe where questions about quality, efficiency and administrative capacity have emerged. The territorial-administrative reform has raised broad and politically hard questions – about the relationship between the state and territorial self-government, the division of powers and responsibilities between territorial tiers and drawing new territorial boundaries.

Current Estonian territorial administration is considered very fragmented and inefficient. There are revenue disparities among municipalities and too many low populated municipalities, which are not fiscally viable and administratively capable. Estonia is at the cross-roads – how to improve its territorial and administrative structures for better government. Spatial planning is in careen and with reforming structures, planning should be reformed as well. Reorganization has proved always and everywhere extremely difficult to achieve and it is the same in Estonia, where discussions and debates about the reform began already a decade ago and have been done several unsuccessful reform attempts. Change has been difficult to achieve in Estonia so far. The issue of structural reform comes cyclically to the agenda and politicians are afraid to take any steps, being afraid to loose their power base. It hasn't been a local government initiative to improve planning and service provision as well. A process of amalgamating a number of smaller local governments into one municipality is very passive. The voice of defenders, who advocate the fragmentation has been louder than the voice of consolidationists, who wish to merge small local governments into larger units. There is need for efficiency and effective service production and delivery while maintaining strong local autonomy and democratic accountability.

One possibility to learn and get inspiration from is looking at another countries experience. In this project Danish structural reform is looked at. Nordic administrative model is usually associated with

strong local autonomy and local democracy. Danish reform has been branded as 'avant-garde' in its nature. Denmark had quite fast introduction and implementation of a new local government reform, a successful decentralisation policy with only two actors- local and central. The intention was to make a more efficient and professional governance, with the slogan: "Simple and effective public sector" with the goal - competitive regions and efficient municipalities.

Final impacts can not be investigated yet but it can be seen as move towards a less regionalized, more localized model with more tasks appropriated to the municipalities.

Both cases chosen are significant and special as Estonian situation should be improved and Denmark was the first country who has delivered the changes.

1.2 Initial question

The focus of this project is on structural reform and therefore the initial question can be asked:

How can structural reform and changes to the administrative and territorial structures as a complex phenomenon be understood?

Through this my aim is to gain understanding in connection with structural reform and changes to the administrative-territorial structures.

1.3 Structure of the thesis

In this section an overview of the research is given. The research is divided into seven chapters (see also figure 1.1):

Chapter 1. Introduction and methodology

In this chapter, initial question is asked and research methodology is explained.

Chapter 2. Literature review

In this chapter theoretical review is given to the analysis. The nature of structural reform is clarified, followed by discussion about the causes and paradoxes of reform. Then redrawing municipal boundaries will be explained and then goals, the process and the importance to town planning is viewed. Finally municipalities' size and also democracy issues will be discussed.

Chapter 3. Research question

In this chapter the research question is posed with the sub questions guiding the research

Chapter 4. Introduction to analysis

In this chapter, overview of Estonian and Danish administrative structures and planning systems is given.

Chapter 5. Estonian case analysis

In this chapter, Estonian structural reform is observed. The process of voluntary consolidation, reform initiatives and planning problems and alternatives are viewed.

Chapter 6. Danish case analysis

In this chapter, Danish recent reform is observed. Driving forces and reform process is viewed. Finally Danish reform is evaluated by looking closer at the planning professionalism, abolishment of spatial regional planning and local democracy issues.

Chapter 7. Synthesis and recommendations

This chapter draws cross-case conclusions, firstly by summarizing lessons learned through Danish case, then analysing size and democracy issues. Finally a new model for Estonian administrative and territorial structures is presented.

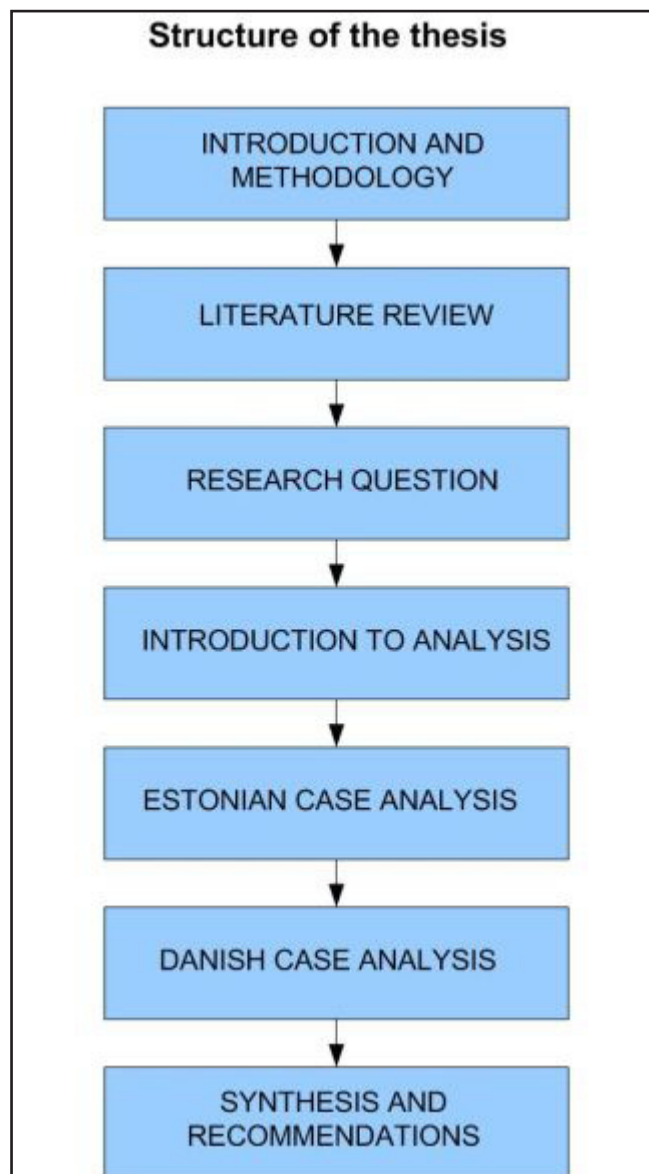


Figure 1.1. Structure of the thesis.

1.4 Methodology

This section presents methodology, describing how the thesis achieves the aims of the research.

1.4.1 Resources and working condition

The 10th semester research project has very limited time frame, which is set strictly for four and a half months (in this case from 24. September 2007 - 11. February 2008) to make a research.

Three limitations can be pointed out:

1. Due to capacious material and complex phenomena of study, extra time would have been improved the research.
2. Researchers own limited financial resources did cut the number of interviews taken in Denmark and Estonia.
3. Researchers moderate language skills, which were not at the level that it would have been possible to read relevant academic debates and literature in Danish.

1.4.2 Case study research

Case study research is an important form of social science inquiry. Case studies have been long time one of the most common methods of conducting research for practice oriented fields as public policy, -administration and urban planning. As a strategy, it covers design, data collection techniques and analysis. Therefore this method is frequently used also as mode of thesis research. Case study investigates real-life events in their natural settings. The goal is to practice sound research while capturing both – a phenomenon and its context. One of the strengths of the case study is that this method enables scientist to address “how” and “why” questions about real life events, using a broad variety of empirical tools, like direct observations, interviews and reviews of documents (Yin 2004). It benefits from the prior development of theoretical propositions to guide data collection and analysis. (Yin 2003b)

The method is appropriate when researcher wants to define topics broadly, to cover complex conditions and rely on multiple sources of evidence (Yin 2003a) Case studies have been associated with process and outcome evaluation.

Therefore case study method is helping to design case study, collect, analyse and present data fairly also during this research.

Multiple-case study

Relying on single cases is not the only way of doing case study research; it includes also multiple case studies. The same study may contain more than single case and if that occurs, it is called multiple case study. Multiple case designs have some advantages and disadvantages comparing to single case. Firstly, the evidence from multiple cases is considered more compelling and overall study more robust. Secondly, the analytical benefits having more than one case may be substantial as analytic conclusions will be more powerful. Although to conduct a multiple case study requires extensive resources and time beyond a single researcher. (Yin 2003b)

The current research is a “two-case” case study – looking at Estonian and Danish structural reform. These two significant cases have been ambitiously selected for the research with the purpose to achieve contribution to the improvements in the practise.

1.4.3 Data collection methods

Evidence for case studies can be collected from six sources: documentation, archival records, interviews, direct observation, participant observation and physical artefacts (Yin 2003b).

In this case study research the following methods will be used:

- **Documents** – administrative proposals, strategies, reports, newspaper clippings.
A number of reform strategies, concepts, reports, laws, national plans and other relevant documents were studied during this research.
- **Archival records** – including maps and charts, survey data from state statistics from ministries and other organizations sources.
- **Interviews** as one of the most important source of case study information, where human affairs are interpreted through the eyes of well informed interviewees who can provide important insight into a situation. Interviews give vital knowledge about the subject, important facts which are in the shade and these contribute to the analysis. In this research 5 qualitative semi-structured interviews were taken, which were also audio recorded (two interviews were taken in Estonia and three in Denmark).

An important principle of data collection is multiple sources of evidence (data triangulation) allowing investigator to address broader range of issues, which makes case study more convincing and accurate.

1.4.4 Data analysis

Analysing the case study data is least developed and very difficult aspect of doing case studies and depends much of the investigators style. But relying to general strategies is preferred.

In this research relying on theoretical propositions strategy – which shapes the data collection and analytic strategies, will be used. Answers to how and why questions are useful to guide case study analysis. (Yin 2003b)

An analytical technique in this research is a cross-case synthesis – which applies to the multiple case studies, aggregating findings across individual studies. Estonian and Danish reform processes are critically and individually observed first which are later synthesised. The current research includes also time series analysis –looking at events over time (chronology).

2. Literature review

The purpose of this chapter is to present relevant literature concerning the topic, showing how the existing research leads to my own research and defining precisely the unit of analysis. Placing my case study in an appropriate research literature helps getting knowledge and understanding about the topic. It is important to understand contextual conditions for my phenomena of study. The theoretical frame will be guiding data collection and research design, which is fundamental for completing successful case study. (Yin 2003) My initial question was asked as - *How can structural reform and changes to the administrative and territorial structures as a complex phenomenon be understood?*

First of all, the nature of structural reform is clarified, followed by discussion about the causes and paradoxes of structural reform. Then redrawing municipal boundaries will be explained and then the goals, process and the importance to town planning is viewed. Finally municipalities' size and also democracy issues will be discussed.

2.1 Structural reform

Structural-administrative reform is currently high agenda in many countries. Firstly, it should be clear what those two words mean. In this case, structural reform is a change to the external relationships between councils including boundary changes and amalgamation of councils, cooperative service provision, major resource sharing initiatives and joint service delivery. Gerald E. Caiden defines administrative reform as – induced systemic improvement of public sector operational performance (Caiden, 1990). Word “reform” has itself a positive connotative meaning and through simply promising to reform may be enough politically to motivate change. There are concepts and ideas that have informed and justified changes but ideas guiding reform are not necessarily always compatible. Therefore future reformers should be careful about the origin of any reforms adopted.

Governments face internal and external challenges, sometimes reform is stimulated by a shortage of

financial resources, sometimes it is brought on by a change in political power, or it may be forced by citizen demand. In many cases more than one of these reasons work to push forward government reform (Peters 2001).

Administrative reform is a common trend in Nordic and Baltic region – including Denmark, Sweden, Norway, Finland, Iceland, Estonia and Latvia. But only in Denmark, the reform has implemented so far, which makes it interesting for getting inspiration from (Peters 2001).

2.1.1 The nature of structural reform

The political and administrative structures at the local and regional levels are currently the subject of debate. The modernisation of the public sector is an ongoing process, as democracy is an open ended project and the values and norms that are included in democracy can change over time (Olsen 1997). Public administration isn't an easy task, concern over the structure and design of organizations has traditionally dominated the study of public administration. Governments are continuously adjusting their structures and organisational methods in response to societal change. Intent to improve public administration, public policy and governance are the goals that can never be perfectly fulfilled, but which could be constantly assessed and improved. A debate on the modernisation of the public sector and the current issue of administrative structural reform is inherent in the nature of the public sector. Restructuring problems emerge as a result of changes in the economic, physical, and social environments of municipalities. People's demands regarding public services have changed from concern for basic needs to a maximization of the quality of life. (Peters, 2001)

Policy phenomena

Vincent Wright distinguishes eight policy phenomena when speaking about reforms. First phenomenon is called 'Policy panacea' in this case, reform is seen as a universal remedy, reducing the role of state and improving organisational initiative, efficiency. The second feature is called 'Policy fashion and policy diffusion' - where public sector reforms are fashion and every self respecting government can not ignore it and policy diffusion is brought by international officials. Third one is called 'policy linkage' meaning that administrative reform is linked to a wider liberalisation and deregulation. Phenomena called 'Policy slippage' are ambitions, programmes and actual impact and programmes having a gap in between. Fifths phenomenon is 'policy reversal' - meaning radical changes of existing policies because of variety of reasons. Sixth is called 'policy dilemma' - as reformers main dilemma can be public studies which emphasize that reforms must attract the agreement of the groups most affected. In the case of 'Policy contradiction' conflicting goals and rationalisation between programmes exist. The eighth phenomena is 'policy perversity' - meaning unpredictable and unwelcome consequences of the reform. (Wright, 1997)

Wright identifies also five types of administrative reform in Europe and these are: continuous adjustment, responses to specific political crisis, pragmatic structural change reform its own cause

and comprehensive programmes. (Wright, 1997)

2.2 Causes of reform

Reforms have justified on a number of grounds, few have a single cause. Very important factors affecting administration is the scarcity of resources available to public sector and the political nature. But it is not just the state of economy that makes administration difficult. It becomes more important for those in government to manage their operations effectively. There is a simple need to get out maximum from each krone of public money and salaries of civil servants are rising fast at the same time (Peters 2001).

The necessity and rationale for reforms are hard to ignore. Financial and budgetary constraints threatened economic growth and the provision of welfare and social security in many democratic countries. Reorganizations are due to make government better and cost less. (Barlow et al 2004)

Market has been the dominant idea for changes adopted. Public sector could be more efficient and effective, more like the private sector.

The efficiency and effectiveness debates and how they impact on the question of the 'ideal' size of administrative, functional and political units for service delivery in a system where accountability is maintained, are common. William Niskanen has argued that bureau managers within government could be aggressive entrepreneurs who attempt to maximize their own utilities. (Peters 2001) "Working better" may differ from government to government. Basic idea is that government is able to overcome unsatisfied and distrust of its citizens. Government must become more efficient and effective in the process of making and implementing policy. At the same time it should be more transparent they make decisions. If local governments are small and fragmented, services might need to be catered to within wider geographical areas. (Meligrana 2004)

Trends in local government reform are shaped by several elements. Such as global 'mega-trends', which would lead to an international assimilation of challenges and reform approaches; new and changing problems facing local governments, which have manifested themselves in the shift from public management to governance as dominant part of reform discussions and speciality of local government systems that shape the actual reform agendas. European policies have also an impact on administrative adjustments in individual countries. National administrative systems are both influencing and being influenced by European policies. European adaptation pressure could be the necessary condition for domestic change (Knill 2001). "New Public Management" has been one of the most important conceptual bases for government reforms (Kudo 2004).

Reforms reveal differences and particularities depending on the national and local context they are applied to, even though they might be labelled with the same terms and concepts. Mostly reforms are not foreseeable and not to be explained by analysing and referring to the past. Reform trends will aim

at improving existing systems instead of reshaping the current structures and systems. Performance measurement and modern management information systems are likely to accompany redistribution and devolution of tasks and responsibilities across levels of government and sectors. (Proeller 2006) There are also symbolic benefits of reform. For politicians these benefits consist as being seen to be doing something. Announcing reforms, criticizing old system, promising improved service for the future - all these activities help to attract attention to the politicians.

General reasons of the structural reform can be summarized:

- **Cost and efficiency** - One of the main justifications adopting reform is that government costs too much
- **Quality** – government services are often perceived to be of poor quality. It is analysed through performance measurements
- **Structure** – one of the most common reasons is the desire to get the structure of the government right, referred as reorganization
- **Transparency and accountability** – need for improved governing transparency
- **Politics** – it's useful to make some attempt to demonstrate that something is being done to control bureaucracy
- **Regional disparities** in economic development and different share of population
- **Municipal size requirements** for the effective performance
- **Ageing population** - extensive service needs
- EU policies

2.3 Paradoxes of structural reform

Structural reforms is a complex phenomenon. According to Wright there are at least seven key paradoxes with governance reform:

1. The most reforms are undertaken in countries with the most efficient governance, which seem to need the reform the least.
2. Many reforms are based on private sector management praxis models, which are known to be unstable and not necessarily best suited for the public sector.
3. High level civil servants (committed and interested individuals) are often behind the governance reform.
4. Many reforms are justified on the bases of the cost cuts (to be achieved as consequence), most reforms have the opposite effect.
5. The ambition of reform is in most cases connected to transparency and improved

accountability, but in some cases the outcomes can lead to more complex models with less transparency and marginal impacts on accountability.

6. Most of the reforms are justified with the ambition of achieving more efficiency in the system, but this goal is often not achieved.
7. Those behind the reform are often driven by the aim to reduce the 'role of the state' or to 'decentralise' Many reforms have their roots in debates and disagreements at the national level and also require a state power or central government willing to implement the reforms. (Wright 1997)

2.4 Redrawing municipal boundaries

Boundaries are both: inclusionary and exclusionary. Drawing boundaries defines a sense of commonality, a form of political community and having recognition to the differences that distinguish those inside from those outside the boundary. Linked with the concept of territoriality, boundaries define the limits of those spaces considered important for social, cultural, political, or economic reasons. (Storey 2001)

Boundaries abound all around space, mostly de facto boundaries, marking a urban neighbourhood from another. Some are given legal status, de jure, of which the most important is the political boundary. Territory provides the ground space for everyday practice, but it is also an important component of self-identity. In the hierarchy of political organization, the links between territory, identity, and political life are strongest at the level of the nation. Territoriality becomes a means of claiming ownership. Boundaries, having social construction are not drawn randomly on the map, their delimitation is defined by spaces that have social meaning and collectivity. Local political boundaries haven't been historically stable, being changeable over time. The practice of local boundary reform has also examples to demonstrate about restructuring resistance. (Meligrana 2004)

Local government boundaries are under pressure for reform all over the Europe. Changing the area of the government seems to be a common and ongoing problem confronting many nations and no one is immune from local government boundary problems. The phenomenon has a global dimension. Local governments must govern territories with the increasing economic, environmental, social, and regional demands of an urbanizing world. The consolidation issues periodically arrive and disappear from the political agenda in western democracies. The outcome has been determined by theoretical ideas and certain interests in local and central government level. (Keating 1995)

Changing municipal boundaries implies that the size or alignment of current municipalities is not optimal from the point of view of governance, the economy, the service delivery functions, the

administrative facility, and the responsiveness of the local governments to the global changes. Amalgamation reduces the number of politicians whom the senior government has to deal with and who can consider reducing the size of government and its cost to taxpayers. Eliminating local politicians may reduce the amount of criticism directed to a senior government by different political party. Boundary changes can influence also voters in the municipality to favour a particular party. Generally speaking, people with a beneficial view of government will support consolidation. Other will tend to favour small scale, fragmented local governments. (Skaburskis, 2004)

As an alternative to amalgamation is an approach wherein several local governments cooperate in joint production is also being developed. Many fear that such municipal joint production will result in a loss of accountability. Large savings are realized from tendering functions to the private sector. (Shah 2006)

2.4.1 Goals of boundary change

An emerging trend is the use of local government boundary reform as an instrument to realize national economic and political targets. Reforms to local government territories are sometimes associated with important changes to country's economic and political framework. Therefore local government boundary reform can be seen to service national economic and political targets.

Summary of goals for boundary restructuring plans:

Viability and autonomy goals

- internalize externalities
- global competition
- inter-municipal coordination
- dispute resolution

Political objectives

- division of power
- local power, locally responsible governments
- local capacity to govern
- unilateral decision-making capability
- stimulation of political debate
- stimulation of viewpoints beyond self-interest

Functionalist goals

- capture of scale economies

- locally responsive decision making
- reduction of free-rider problems
- promotion of socially desirable redistribution
- social mix objectives
- environmental considerations

Administrative goals

- Financial solvency
- Financial independence and responsibility
- Adequate and stable tax base and growth elasticity
- broad range of functions and instruments
- distinction of intergovernmental responsibilities
- effective intergovernmental relations
- promote executives accountability
- streamline organizational structures

Process goals

- preserve degree of local autonomy
- preserve flexibility of the restructuring process
- effect gradual change
- guided change with clear objectives
- opportunity for local participation
- recognize the uniqueness of the problem environment
- promote intergovernmental cooperation

(Skaburskis 2004)

2.4.2 Importance from spatial planning perspective

The importance of metropolitan area planning and region-wide coordination of policies is increasing. Unplanned city growth and increases the spread of cities seen to spoil the environmental attributes needed. The problems of the post-modern cities require region-wide planning. Sprawl, growth management and jobs-housing balance are at the top of planners' minds. Planners work may be eased by changing old structures of local governments. (Keating, 1995)

Local government restructure plans are seen as necessary if the urban region nation wants to maintain its competitive status in a world of footloose international corporations.

Cities can no longer be seen as they are stucked into the regions, but cities are not just parts of a larger

geographic unit but also parts of international urban systems that function independently of their national context (Lever 1997). The changes have increased competition between cities, and such competition affects their policies on and approaches toward economic development (Short and Kim 1999). Rusk suggests that elastic cities, those that can adjust their boundaries and local governments, can best defend their market shares of growth and bring prosperity to their residents (Rusk, 1998). If the central municipalities cannot expand their boundaries, the region will lose market share and its place with social, economic consequences, with faster urban sprawl, and with segregated housing markets. Therefore central cities should adjust their land and fiscal resources to maintain their economies.

2.4.3 A good process of boundary change

Redrawing local political boundaries has been given little attention by researchers so far. Theory is also weak in explaining and understanding procedures for redrawing local government boundaries. Officials have few theories and “good practices” to help them in their boundary decisions. Boundary reform procedures are established because there are real or perceived problems with the existing territorial forms of local government. (Meligrana 2004)

Ronan Paddison has developed 3 important propositions that should contribute making a boundary change a better process and can be taken into consideration also in Estonian reform process to avoid problems and get a good result:

Proposition 1: Local government restructuring should profoundly address local preferences and needs.

Boundary determination and restructuring should be a balance between central and local interests and preferences. Whether reform is accepted as necessary, a main objective of local government should be that it is capable of properly addressing local preferences and needs. Rational suggestion is that local governments should be smaller rather than larger. But a full assessment would need to consider issues of finance, including taxation and equity to lower the divisions of the municipality between richer and poorer.

Proposition 2: Local government boundary revision should be a fair, transparent and accessible process.

Territorial reorganization has always outcomes with winners and losers. Local government boundary reform is politically controversial, and the stakes of either maintaining the status quo or redrawing the map along preferred lines are high. The procedures used to determine boundary revision can easily become a source of conflict. The meanings of local preferences (how boundaries should be redrawn) are often problematic and there is a need for transparency in decision-making procedures.

Consistent throughout the decision-making process is that power inequalities privilege some interests over others.

Proposition 3: Boundary reform should not be wholly decided by either central or local political elites.

Central and local political elites - elected representatives of both levels are key actors in the process of local boundary reform. For local elites - revision clearly threatens their power base, implications that might also affect politicians being re-elected. For the centre, revision may be necessary to the achievement of some other national policy. Both centre and locality have their own agendas in favouring reform but neither should be allowed to get dominance, a position that might seem to be less obvious applied to the local rather than the centre. Central imposition of boundary reform and prioritizing its interests can ignore local opposition. But boundary changes should not be wholly a matter of local concern, especially of local elites. Political interests tend to dominate how the reform process is conducted and its territorial outcomes. They should not override the wider public interest of boundary changes. Changes require also a transformation in the mindsets of elites and also the winning of political legitimacy. (Paddison, 2004)

5.5 The right size of municipalities?

The optimal size of local authorities is expected to change over time with changes in the preference and need for public goods and environmental regulation, with the increasing complexity of urban systems, and with changes in the cost of and need for commuting. The first great movement to consolidation in the contemporary era took place in the 1960 and 1970s and now it is back on political agenda. (Keating, 1995). Nowadays the internet affects views of community and the need to find satisfaction in any particular local area. Increases in the size of local firms and changes in the structure of the local economy are also factors that determine the optimum size of local government.

But still, the issue of municipal size is very complex. The “right” size of municipal unit depends on local circumstances and observers value judgements. It includes matters of ideology and interest.

The optimal size of a municipality also depends on the functions that the government is to serve, the social characteristics of the area, the nature of the local economy, the size and interests of surrounding municipalities, the local residents view of themselves as a community, and the nature of the existing local government. (Keating, 1995)

From a production point of view, municipalities are as production units where the production function and economies of scale are important factors. In this case municipalities have to be large enough to minimise average costs and ensuring efficient exploitation. A belief in academic literature is that economies of scale play a minor role and not high economic gains are made by consolidating

small municipalities. Still, amalgamations have taken place in all the Scandinavia. There seems to be a strong pressure to establish larger municipal units – is it policy fashion? (Christoffersen and Larsen 2007) Research in Denmark and Finland shows that when small and big municipalities are amalgamated, increased local total spending is likely to result, despite savings on administrative expenditure (Moisio and Uusitalo 2003). It might be caused because of the more advanced and additional functions municipality has to serve.

From another angle, fragmentation can do harm by increasing the differences between people, distorting their perceptions of one another, and reducing the potential for integration, growth, and equity. It can cause class differences to develop within the disparate groups' fears and myths.

Michael Keating distinguishes four important issues of principle when speaking about consolidation and these are: efficiency, democracy, distribution and development. These issues have also dominated the debate around consolidation. First is the issue of efficiency – meaning which scale of structure could produce most service with smallest cost. Secondly the issue of democracy – which structures can best secure citizen control over government and accountability. Thirdly the issue of development – meaning that which structures are best equipped promoting economic development. The fourth issue is distribution – questioning which structures could result most equitable distribution of taxes and services. (Keating, 1995)

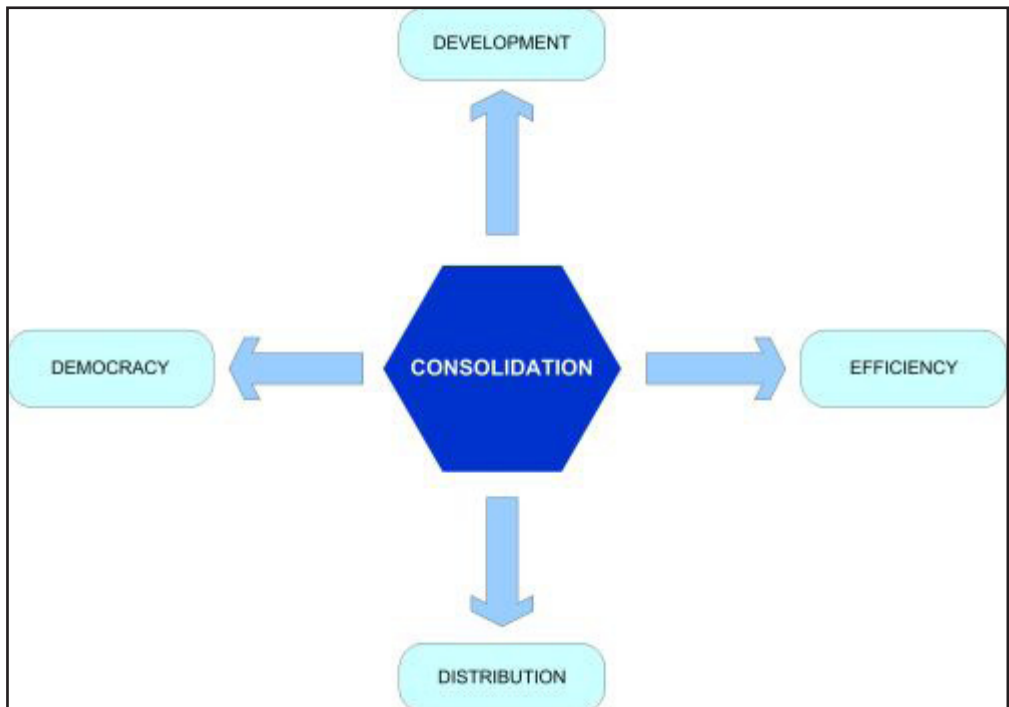


Figure 2.1. Issues of principle when speaking about consolidation

2.6 Size and democracy – is democracy related to size?

Preservation of community identity and values is often raised by smaller municipalities facing amalgamation threats (Preston 2001). In ancient Greece according to Aristotele, the city-states should be large enough to be self-sufficient but small enough that everybody knew each other and could gather for speeches, which is not the case nowadays any more as times have changed. (Dahl and Tufte 1973). Proximity and autonomous task performance were seen as preconditions for democracy, determining the weighting is not easy. But from another angle, is a small size a virtue? Less proximity will be counterbalanced by greater municipal autonomy therefore overall local democracy would not weaken. At the same time, service performance could be also better in larger units than in small ones. (Larsen 2002). The correlation between municipal size and democracy variables are exponential, rather than linear (Dahl and Tufte 1973).

In a large municipality it is again more difficult to represent everybody's interests as it is easier for small municipalities to adapt to the citizens needs and wishes. And for participatory democracy, proximity is vital. Higher participation leads to greater interest and knowledge. Participatory democrats are very critical about merging (Larsen 2002).

Public participation is an important assumption when speaking about proximity. Analyses made in Denmark show that public participation is higher in small municipalities, but size does not affect all forms of participation. For example, if it's larger municipality, there's lower elections turnout and direct contact between citizens and municipal officers (Larsen 2002). However, municipal size does not have noticeable effect on the citizens' interest of local politics or view to the local democracy. The empirical evidence in also Central and Eastern Europe shows that citizens in smaller municipalities feel closer to the councillors but in larger ones, from another hand, there are more candidates and greater civil society engagement is higher in bigger municipalities (Swianiewicz, 2002). Recent research in Hungary, Poland and Romania found that there is less effective citizen participation in very small municipalities than in larger centres, which could be explained by the high dependence of small municipalities from central government (Pop, 2005) From democratic elite perspective, it is even positive that the participation is lower – it gives the elite to opportunity to implement rational measures.

Empirical evidence from Switzerland suggests that municipal size is important if participation is concerned. Municipalities in Switzerland are particularly small; half of them are under 1000 inhabitants and direct democracy has a long tradition in Switzerland. Studies show that attendance and electoral participation are much higher in smaller municipalities and size effects are especially strong in low size units. Explanations found from political economy and social psychology claim that smaller units offer stronger incentives to participate, there is a higher identification with municipal matters and social control. Participation is considered as a social duty by its residents in smaller municipalities. But Ladner emphasizes also that one must be careful with generalization because some size effects

exist only in the very low size brackets. (Ladner, 2002)

Wetterberg has also suggested that a decrease to a fewer local authorities would weaken the democratic role of local government because fewer local units lead to fewer elected council members, which means that fewer people then would be taking part in politics (Wetterberg, 1997). So critiques say that rethinking the administrative-territorial organisation has profound political significance on local democracy and local autonomy, which is in some cases considered as important negative effect.

In an ideal system the citizen effectiveness and system capacity should be both maximized. Relationship between size and accessibility is considerably complex. The negative effect of the bigger size of municipalities is not very clear yet. One of important discussions about the relationship between size and democracy claims that size is only one of many factors which have an impact on the operation of a democratic system. History, culture and other factors are also very important (Dahl and Tufte, 1973).

2.7 Conclusion

The public sector is in the ongoing process of modernisation. Government structures, processes and organisational methods are continuously adjusted. Restructuring emerge as a result of changes in the economic, physical, and social environments of municipalities. Reorganizations are often due to make government better and cost less.

Territory provides the ground space for everyday practice and it has social meaning and collectivity. Local political boundaries are also being changed over time, in the situation of increasing economic, environmental, social, and regional demands. Boundary determination and restructuring should be a balance between central and local interests and preferences. The process should be transparent and accessible. Boundary reform should not be wholly decided by either central or local political elites. The optimal size of municipalities changes over time with changing in the preference and need for public goods and environmental regulation and transport. The “right” size of municipal unit depends also largely on local circumstances and observers value judgements. The problems of the post-modern cities require region-wide planning and therefore planners work may be eased by changing old structures of local governments.

A local democracy concerns are rising along with creating bigger municipalities. Relationship between size and democracy is clearly complex. There are many opposite doubts and evidence about how size affects democracy. But the fact is that small size is not always a virtue. In an ideal system the citizen effectiveness and system capacity should be both maximized.

Structural-administrative reform can be understood as systemic improvement of public sector, which is already inherent its nature and caused by internal and external challenges.

3. Research question

The purpose of this chapter is to define precisely research question and determine analytical framework for analysis.

This study focuses on contemporary phenomenon – structural reform within its real-life context. It has been the burning question in both countries – Estonia and Denmark although it is not decided and implemented yet in Estonia, but where debates began earlier than in Denmark.

3.1 The Research question

Through literature review an answer to the initial question – *How can structural reform and changes to the administrative and territorial structures as a complex phenomenon be understood?* was achieved.

A more precise question for this research is asked:

How can administrative and territorial structures be improved in Estonia from spatial planning perspective, learning from Danish structural reform?

As this research relies on theoretical propositions strategy and an analytical technique is a cross-case synthesis, answers to how and why questions, as variables, are guiding the case study analysis.

The following more precise questions will be asked creating analytical frame:

Estonian case analysis

- *Why reforming spatial planning and new geographical structures for the public sector are vital in Estonia?*
- *How can Estonian municipalities manage with spatial planning?*

- *How can the process towards reform characterized so far?*
- *What would happen with spatial planning after structural reform in Estonia?*

Danish case analysis

- *How has Denmark achieved fast implementation of structural reform?*
- *How can the process and results be characterized in Denmark?*
- *How have spatial planning policies changed?*
- *How can general effects and impact of Danish structural reform characterized?*
- *How can spatial planning and local democracy be characterised after reform?*

Cross case

- *How can Danish reform be a good example for Estonian reform – which lessons to learn?*
- *Why does the size of the municipality and democracy matter considering the changes?*
- *What changes in administrative and territorial structures can be recommended in Estonia from spatial planning perspective?*
- *How can the ideal administrative-structural model for Estonia be characterized?*

4. Introduction to the analysis

In this chapter, introduction to the analysis will be presented. Firstly, an overview of Estonian administrative structures will be given with comparative approach to Denmark and after that planning system of these countries are introduced for understanding the context of the analysis.

4.1. Estonian administrative structure

On European scale, Estonia - country in the north-eastern corner of Europe, is a small (45 200 km²), sparsely populated and peripheral country. After depressing Soviet occupation, a new system of local government was introduced in 1994, which was the result of years restructuring and reforming. At the same year, the European Charter of Local Self-Government was ratified. Estonia is a member of European Union since 2004.

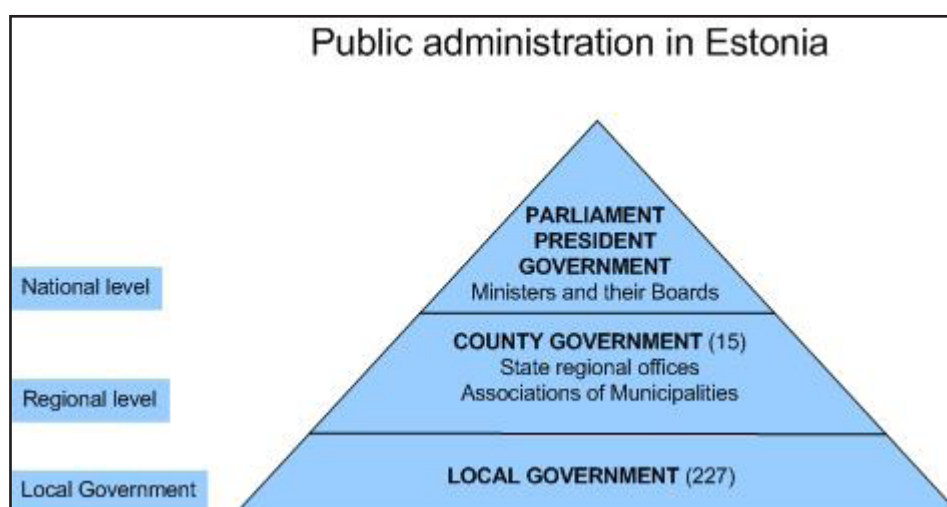


Figure 4.1. Public administration in Estonia

The country is divided into 15 counties (maakond) (see figure 4.1 and 4.2), which do not have elected representative bodies. A regional administration has been on county level already historically and it has its own identity. Counties are responsible for co-ordination of state functions and legal control over municipalities in the county's territory. County Governors are appointed by the central government after the municipalities have accepted the nomination of the governor. Estonia has a single tier system of local government. There are currently 227 municipalities in Estonia (vald) rural and (linn) urban municipalities.

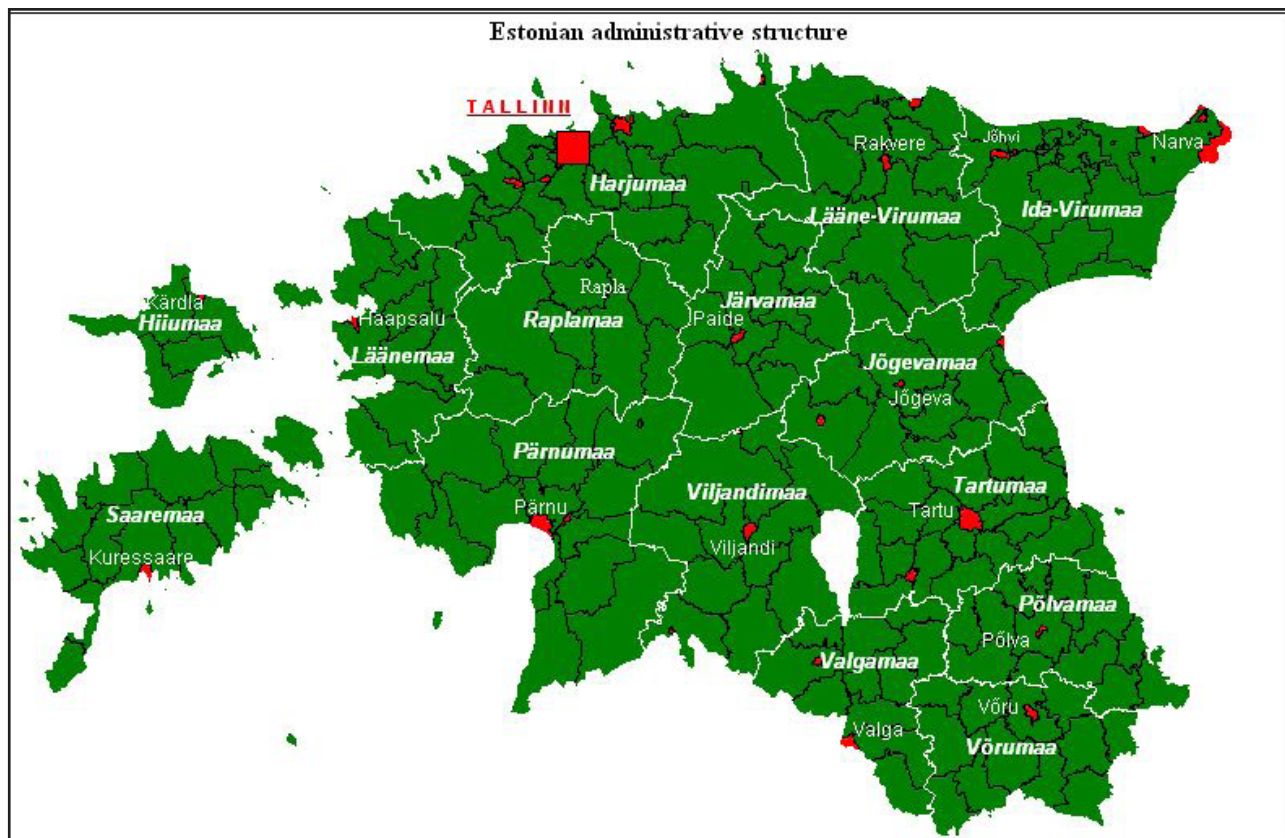


Figure 4.2. Estonian administrative structure

To speak about Estonian population structure – it is not balanced and equally spread between the counties, like it almost is in Denmark. Population density in Estonia varies from 10 inhabitants per square kilometre in Hiiu County to 121 in Harju County and the average density in Estonia is 31 (see table 4.1). Denmark's country area is similar (42 000 km²) to Estonian one, but it is about four times more densely populated and it has more equable population structure, average being 126 inhabitants per square kilometre (see table 4.2). Before the restructuring in 2007, Denmark had similarly county level, with 12 'Amter' and 271 municipalities in total, which now have replaced with 5 regions and 98 municipalities.

Table 4.1. Population, area and density by counties in Estonia (2007). (Statistics Estonia)

	Population	Area, (km ²)	Population density (in/km ²)
TOTAL ESTONIA	1 342 409	43 432	31
Harju county	522 147	4333	121
Hiiu county	10 168	1023	10
Ida-Viru county	171 748	3364	51
Jogeva county	37 108	2604	14
Jarva county	36 328	2460	15
Laane county	27 713	2383	12
Laane-Viru county	67 560	3628	19
Polva county	31 387	2165	15
Parnu county	88 727	4807	19
Rapla county	36 743	2980	12
Saare county	34 978	2922	12
Tartu county	149 001	2993	50
Valga county	34 455	2044	17
Viljandi county	56 075	3422	16
Voru county	38 271	2305	17

Table 4.2. Population, area and density in Denmark by regions (2007). (Statistics Denmark)

	Population	Area, km ²	Pop. density in/km ²
DENMARK TOTAL	5 447 084	43 098	126
Greater Copenhagen	1 636 749	2 561	639
North Zealand	441 318	1 453	304
Bornholm	43 135	589	73
East Zealand	232 200	808	288
West- and South Zealand	583 918	6 466	90
Funen	480 616	3 486	138
South Jutland	709 201	8 720	81
East Jutland	804 878	5 907	136
West Jutland	422 550	7 217	59
North Jutland	576 972	7 933	73

The size of municipalities in Estonia is relatively small, if to look at the number of inhabitants. 2/3 of the local authorities are under 3000 inhabitants, (see table 4.3). The biggest local authority is capital Tallinn with 401 000 and smallest island Piiresaaire with 94 inhabitants. (Estonian Ministry of Internal Affairs, 2007) Local government system is considered to be ineffective because of a large number of local governments, municipalities are economically and politically weak and do not have the capacity to carry out all tasks of democratic self government. Municipalities main source of income in Estonia is the income tax of its residents (income tax rate in 2007 was 22%) and local authorities receive 11,9 % of this.

Denmark has one of the most decentralised systems of public administration in Europe. Local authorities administer more than a half of the total public expenditure (Møller 2001). The primary

revenue of the local authorities in Denmark comes also from income and real property tax, but it differs significantly which is over 50% of the total income tax. The level of the local tax varies from municipality to municipality. In addition, the local authorities receive an annual block grant from the Government (KL, 2008).

Table 4.3. The size of Estonian local authorities.

Population	Municipalities
0 - 1000	35
1001 - 1500	49
1501 - 2000	34
2001 - 3000	34
3001 - 4000	15
4001 - 5000	16
5001 - 7500	20
7501 - 10 000	7
10 001 - 50 000	14
50 001 - 100 000	2
100 001 -	1
Total	227

Estonian municipalities handle tasks that can best be dealt with locally thanks to the close contact with the daily life of the citizens. Main functions are similar to those in Nordic countries (see Figure 4.3). To compare the responsibilities, Danish municipalities have more municipal tasks than Estonian municipalities, these additional responsibilities include: integration of refugees and immigrants, job activation and employment projects for non-insured unemployed persons, environmental measures, emergency services and also broader spatial planning spectrum.



Figure 4.3. Responsibilities of local authorities in Estonia

Rationality behind creation of larger municipalities in Denmark has been to improve their ability to handle the increasing number of municipal tasks. The municipalities have taken over a number of new activities, among other things environmental control, adult education, employment policies and specialised social services.

4.2. Spatial planning in Estonia

4.2.1 Planning Background

To understand Estonian current situation in spatial planning, a brief look to the history is also vital. Systematic planning of cities in Estonia began before the First World War when urbanisation and changes in economic life were taking place. The first contemporary approach to a city's long term spatial planning in Estonia took place in 1913 when a comprehensive plan competition was held for Greater-Tallinn. The majority of planning efforts were focused on detailed planning. 1918-1940 was the period of Estonia's first independence, when quite many architectural competitions were held for planning and building new complete housing complexes. The occupation years 1940-1991, planning was carried out according to the rules of Soviet Union. There was no Planning Act in the Soviet Union but there were rules providing instructions for preparation of plans. Mainly densely populated areas were planned - the general plans of towns, projects for rural settlements, projects for industrial zones, enterprises and projects of detailed plans were prepared. Regional and plans for the whole Estonian territory were also prepared in the end of Soviet era, but which never influenced the development of the actual settlement. Plans were prepared centrally and carried out by the State Institutes for Design and Engineering. Local authorities were only implementers of the confirmed plans and had little say in the development. Local governments as defined by the western world did not exist. During the Soviet times, the state was the owner of the land and planning documents were kept in secrecy. But the level of the plans is considered fairly good and balanced of that time, comparable to the level of planning in other European countries. (COMMIN 2006)

Estonia became independent on August 20th, 1991 but the preparations for the modern Planning and Building Act began already some years earlier. The Planning and Building Act came into force in July 1995 and remained in effect without major changes for more than 7 years. The ground principles of the Act were based on European Regional/Spatial Planning Charter. During the preparation, the planning experience of other countries was also studied.

Estonian National Spatial Plan is adopted in 2000 and county plans in all counties from 1998 – 2002. A number of comprehensive plans have also adopted. In 2003, two separate acts: the Planning Act and the Building Act came into force. (COMMIN 2006)

4.2.2 The planning system

The planning system in Estonia is hierarchical, meaning that a less general plan should be compliant with the more general plan in order to ensure the continuity of spatial development (see Figure 4.4). But during the preparation of a less general plan, it is easy to amend the more general plan which is more general by one level. Inappropriate decisions can be avoided by thorough consideration and wider involvement of public in the consideration process.



Figure 4.3. Hierarchical planning system.

Planning Act regulates the relations between the state, local governments and other persons in the preparation of plans. The purpose of the act is to ensure conditions which take into account the needs and interests of the widest possible range of members of society for balanced, sustainable spatial development, spatial planning, land use and building. (COMMIN 2006)

Principles of planning

- Planning activities are public - public disclosure is mandatory in order to ensure the involvement of all interested persons and the information should be provided timely in the process of planning.
- The preparation of detailed plans is mandatory - for areas located in cities and towns and for existing or planned, clearly delimited built-up parts of small towns and villages.
- Land use provisions, building provisions and restrictions arising from law may be established for immovable property on the basis of an adopted detailed plan where preparation of a detailed plan is mandatory and on the basis of an adopted comprehensive plan where preparation of a detailed plan is not mandatory. (Estonian Planning Act, 2003)

There are four types of plans in the Estonian planning system: national spatial plan, county plan, comprehensive plan (of a rural municipality or a city) and detailed plan:

1) **National spatial plan** is prepared with the aim of defining the prospective development of the territory of the state and the settlement systems located therein in a generalised and strategic manner. Administration and supervision of planning activities is within the competence of the Ministry of the Interior. Current “Estonia 2010” national plan was adopted in 2000.

2) **County plan** is prepared with the aim of defining the prospective development of the territory of a county in a generalised manner and determining the conditions for the development of settlement systems and the location of the principal infrastructure facilities. Administration and supervision of planning activities is within the competence of the county governor.

3) **Comprehensive plan** is prepared with the aim of determining the general directions in and conditions for the development of the territory of a rural municipality or city, and setting out the bases for the preparation of detailed plans for areas and in the cases where detailed planning is mandatory and for the establishment of land use provisions and building provisions for areas where detailed planning is not mandatory. Administration and supervision of planning activities is within the competence of the local government.

4) **Detailed plan** is prepared with the aim of establishing land use provisions and building provisions for cities and towns and for other areas and in other cases where detailed planning is mandatory. (Estonian Planning Act, 2003) Mapping out what is permitted and not. Every detailed plan in Estonia is going through state supervision in county government before adopting.

4.3 Spatial planning in Denmark

Denmark has simple planning system with strongly decentralized division of tasks (see Figure 4.5). The Danish Planning Act was changed in 2005 in connection with a reform of the local government structure.



Figure 4.5. Danish planning system.

Types of plans in Denmark:

1.) National planning reports, overviews of national interests in municipal planning, national planning directives – creating a comprehensive framework for regional spatial development planning and municipal planning. National planning report is submitted by the Minister for the Environment after every Parliament election.

The overview of national interests in municipal planning is published by the Minister after every 4 years, in the form of legislation, action plans, sector plans, national planning decisions and agreements between public authorities. Through planning directives, the Government may promote specific projects and a certain direction of development. Rules on national planning were introduced in 1974.

2.) Regional spatial development plans - a vision for the region, which is a new type of strategic plan that captures the overall spatial development of the region and is closely linked with the business development strategy prepared by the regional economic growth forums. It describes a desired future spatial development for nature and the environment, recreation, business, tourism, employment, education and culture. It is basically a collective project. Regional councils publish a plan proposal

during the first half of the 4-year regional and local election period while municipalities prepare their strategies for municipal planning (see Danish regions from Figure 4.6).

3.) Municipal plan, strategy - objectives and strategy for development in local government, comprises a framework for the detailed local plans. Denmark's municipalities have great responsibility for planning in towns and in the countryside. In the first half of the 4-year local election period, municipality adopts a political strategy for planning and decides how to revise the municipal plan (adopted from 2000).

4.) Local plan - establishes rules on how land may be developed and used. A local plan is required if substantial changes are proposed to the existing environment. Denmark is divided into urban zones, summer cottage areas and rural zones from 1970. The rural zones include the countryside and many villages. The purpose of the provisions on rural zones is to prevent uncontrolled development in the countryside and to protect landscapes. (Ministry of the Environment, 2007)

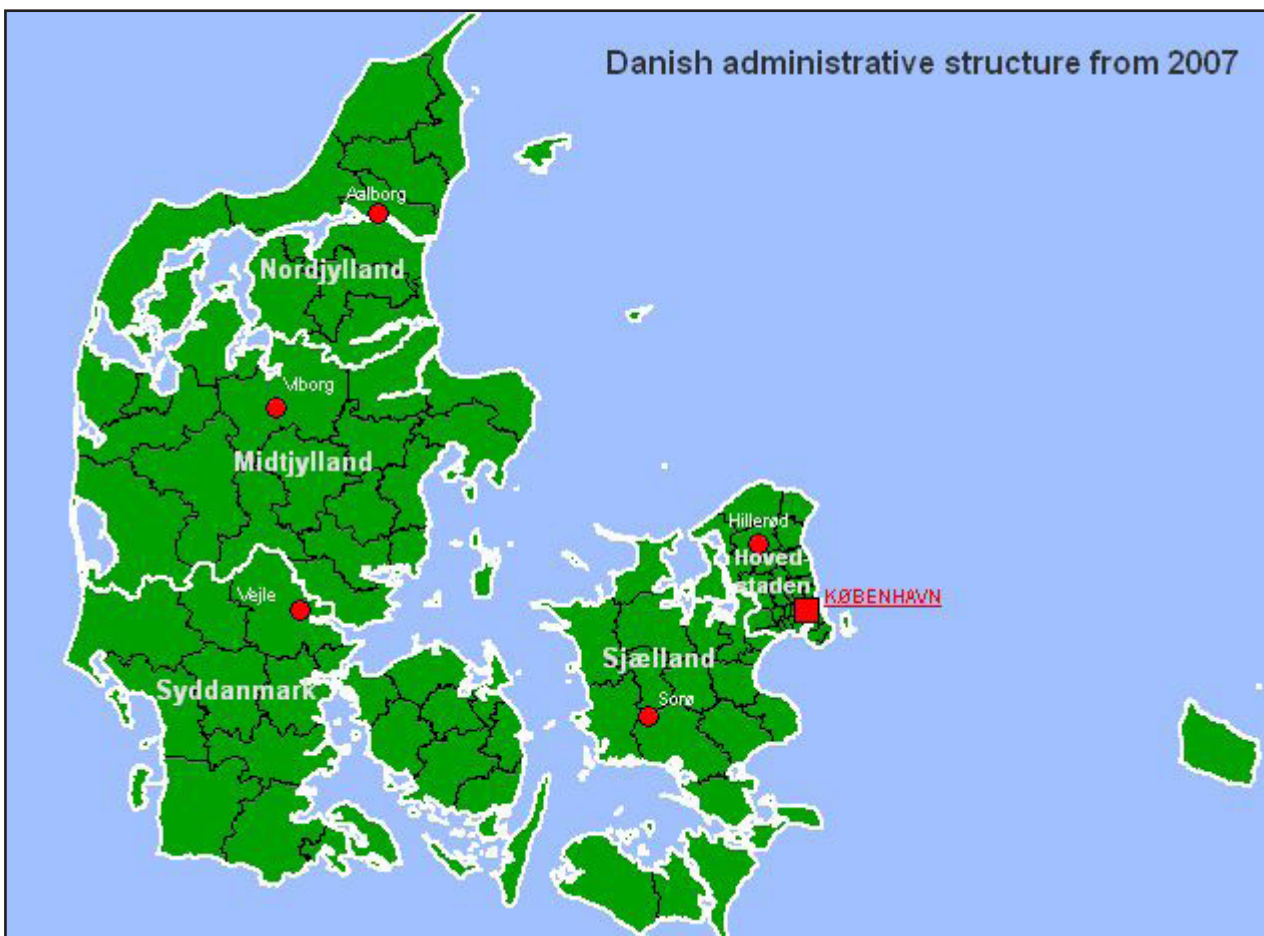


Figure 4.6. Danish administrative structure

4.4. Conclusion

Estonia has administratively fragmented local government system, with very small municipalities which needs to be changed to make it more effective and economically strong to carry out all municipal tasks with good quality. Denmark has lately gone through the process of change and targeted to improve its structures and planning system. Although Estonia and Denmark have different historical background, population structure and also different level of planning culture, differences are not significant. To make a comparison between planning systems of these two countries, Estonian and Danish system (before 2007) were quite similar but after the reform significantly different. The main characteristic of physical planning in both countries was the principle of framework control – a plan at one level should comply with the plans at higher level, which is only partly preserved now in Denmark. In both countries existed state, county, municipal and detailed planning, but in new Danish planning system, a regional spatial planning level is abolished. Planning culture in Denmark is more developed than in Estonia as there is longer planning experience and traditions.

Contemporary Estonia also needs to consider trends in other Western European countries. It could be inspiring and useful to look at Danish experience of the structural reform and ask - can similar changes to administrative structures and planning system apply in Estonia?

5. Administrative-territorial reform in Estonia

More than ten years there have been attempts to create an administrative-territorial model so that the services of local governments would improve and citizens be more satisfied. Mainly, due to political reasons, it has failed so far. For more than a decade, local and international experts have convinced government, with no purpose.

It is argued that the municipal tasks can be carried out in a more rational and satisfactory way if the number of municipalities is amalgamated from the present 227. Municipalities tend to have limited financial and administrative capacity to fulfil their current tasks, including spatial planning. In many cases fragmented geography and weak infrastructure are other barriers for fulfilling the current municipal tasks. Amalgamation is expected to improve the municipal services, mainly due to a more specialised municipal staff, which will be better skilled in providing the right services for special segments of the population. Attitude hasn't been positive to reform by local and regional level so far.

5.1 The process of voluntary consolidation in Estonia

The first voluntary amalgamation took place in 1996 in Parnu county, where the stimulation for amalgamation was municipality's 2 million krone debt, which was paid by the government after the consolidation. Next consolidation took place in 1998 and an extra bonus was paid to the new municipality. In 1999 there were 6 consolidations (12 units) and the bonus sums were not very stimulating for other municipalities. After a brake, in 2002 there were 5 consolidations (11 units), while the bonus money had risen a little (being maximum ca. 1 500 000 ddk for a new municipal unit). The biggest number of consolidations took place in 2005 8 consolidations (from 22 units). After 2005 there hasn't been any consolidations any more, meaning that the bonus sums were not stimulating and local politicians preferred also to keep their political positions. There were 227 local governments in 2005, including 33 towns and 194 rural municipalities as today. During the period (1996-2007) 49 municipalities were fully consolidated to 21 new local authorities. (Estonian Ministry of Internal Affairs, 2008) There are three peaks of the Figure 5.1 - the years 1999, 2002 and 2005

which are also the years of local government elections. The process of voluntary consolidations has been very slow and can not be considered as successful process. Those municipalities who mutually benefit, tend to consolidate, meaning stronger municipalities with each other and weak municipalities stay alone (Lass, 2007). Forced consolidation should have been used instead, with certain minimum requirements.

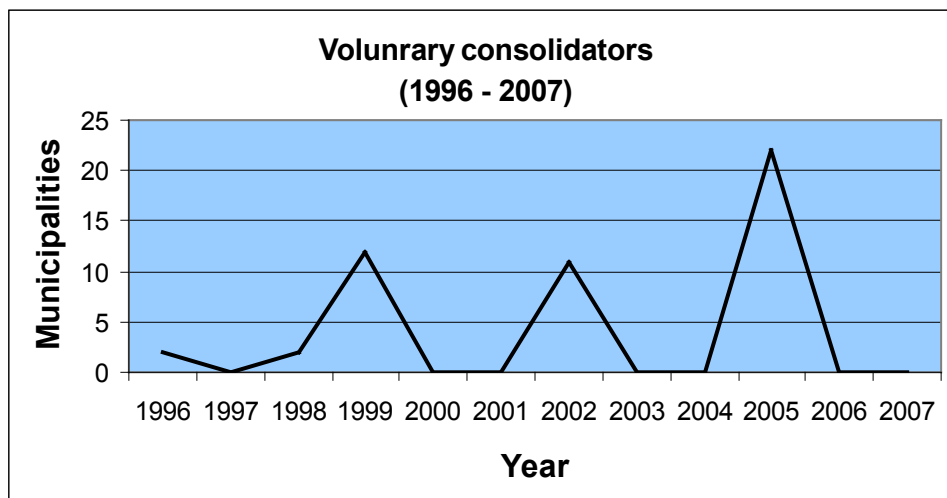


Figure 5.1. Voluntary consolidators.

5.2 Reform initiatives

Discussions around the local government territorial reform in Estonia started already in 1997. Three particular time periods can be distinguished as there have been three attempts to conduct the reform during the last decade:

5.2.1 First attempt (1997-1999)

Debates began in the media and in Parliament in 1997 for a cheaper and less complicated system of local government. In June 1997 Government established expert commission of administrative reform led by minister of Regional affairs Peep Aru. The task of the commission was to create a Concept for development of Public Administration by 1998. In February 1999 concept “The basis of developing public administration” was approved by government. The document stated that territorial structures in the local and regional level should be regulated, taking into account our history but also experiences of other countries (§ 3.1, 3.2). It is stressed that for delivering high quality public services, the number of municipalities will be optimized and administrative cost should be cut down (§ 3.6). Voluntary consolidation period was set until 2002. Reducing the number of county governments was also in the agenda. The Associations of Local Authorities were planned to get a strategic and spatial planning responsibilities from county governments (§ 5.2.3). But at the same year shortly after elections new government did withdraw the concept and so did end the first attempt for administrative

reform. (Ministry of Internal Affairs, 1999) It shows us that already in 1999 there was understanding that territorial structures are not optimal any more and changes should be made. During this period, international advice was also received:

Advice from Denmark

Within the bilateral programme between the Estonian Ministry of Internal Affairs and the Danish Ministry of Interior, the National Association of Local Authorities in Denmark NALAD (Holger Pyndt, Michael Ballegaard and Kenneth Kristiansen) supported the territorial reform process by investigating possibilities for amalgamation in three groups of municipalities and delivery of a number of papers, training activities and seminars in 1998. (Estonian Ministry of Internal Affairs 1998).

According to the (NALAD) report municipalities perceived the main advantages of a territorial reform as:

- Improved economic and administrative efficiency
- Improved municipal planning and management
- Rational, consistent and coherent planning of the municipal development
- Possibility of the urban centres to expand beyond the present borders
- Possibility to make and attract larger investments
- Improved quality of the municipal services to the citizens

As the main disadvantages of a territorial reform from municipalities' point of view were:

- Concentration of the municipal services and private investments to the largest town
- Loss of local institutions such as schools, libraries and primary health clinics in the remote areas of a new enlarged municipality
- Loss of jobs in the municipal administration
- Fear among the inhabitants of the remote areas that the distance to the political centre will grow and the politicians will be less sensitive to their interests

Most of the chosen municipalities involved in the survey have recognised the need to improve the economic and administrative efficiency of the municipalities in order to carry out the municipal tasks satisfactorily in the future. Though, they all stress the many disadvantages and practical obstacles in the amalgamation process, most of the respondents also agree that amalgamation may be one way to achieve the required improvement of the economic and administrative efficiency of the

municipalities. This shows us that already a decade ago municipalities admitted weaknesses of the system and advantages of territorial reform. But if it comes to change, municipalities' politics and political self interests come into the play.

Danish experts considered the question of territorial reform in Estonia within the existing context. Experts found that there exist four options for the future of the municipalities in the pilot investigation areas and the remaining Estonian municipalities. The options and recommendations were:

Four options of territorial reform

Status quo. The structure and tasks of the municipalities remain basically unchanged.

Inter-municipal co-operation. The inter-municipal co-operation is extended to cover most of the municipal tasks which can be solved with improved administrative and economic efficiency or with a higher quality by inter municipal co-operation than by the individual municipalities.

Voluntary amalgamation. Two or more municipalities decide to amalgamate either directly or after a period of extended inter municipal co-operation.

Forced amalgamation. The state decides on amalgamation of the present municipalities administratively. (NALAD 1998)

The three first options for territorial reform were weak options and as also time has shown, the right decision for Estonian decision makers to have done was the last option – forced amalgamation as voluntary amalgamation has not worked well in any country so far and it is hard for politicians to take such a radical decision.

5.2.2 The second attempt (1999-2001)

After forming new government, the process started again and a new commission was formed to work on administrative reform. 1999-2000 a study of income basis of municipalities was conducted. By 2001 “Strategy of Local Government Administrative Reform” was adopted, but was not realised again due to political confrontations (Lass, 2007). The new strategy aimed creating an administrative system where would be balance between the principle of independent decision making and scale effect. According to the plan, 40-110 local governments should have been formed (§5.1). An important criterion was 3500 residents for a minimum population of local government (4500 in close to a town) (§2.1). In general, this option is similar to borders of historical parishes. It is also argued that existing counties are too small and not integral from the viewpoint of the national regional administration and County local governments will get a legal status and tasks, which are not connected to state supervision, from county government. A county government had to become an organisational centre of fields

managed by ministries. When government asked 225 municipalities opinion about consolidation then majority- 52 % of them were against for restructuring. (Ministry of Internal affairs, 2001)

This period was special because the reform strategy was already more precise in terms of the consolidation conditions for population. But the creation of county local governments would make the public sector more complicated, which was not a good idea as public sector should cost less and be more effective.

5.2.3 The third attempt (2002-2005)

Started in 2002 with new government, and new concept “Concept of regional administration reform” was produced in 2003 (The State Chancellery, 2007). The idea was to create a new institution – “Land council” with the purpose to providing better services and ensuring a sustainable development (strategies, projects, plans) in the whole county. Members to Land council would have been chosen from municipalities and the land council will appoint county governor. Association of Local government tasks and all county government tasks except state supervision tasks would have been part of new County Government. Functions which local authorities were not able to serve were going to the county’s tasks. State functions would be the task of new Regional administration units, which would not be optimal to locate in every county centre. (Ministry of Internal affairs 2003) Once again, political consensus was not achieved to deliver the changes stated in the new concept.

In June 2004, “Law of favouring local government consolidation” (KOÜS) was adopted which purpose was to favour local government consolidations. According to the law, all municipalities who are consolidating before 2010 will receive additional bonus from the central government.

This period was special because of the idea of creating new administrative regions and at the same time strengthening the county level, which does not seem a good idea as it would not be efficient solution increasing the size of public sector.

5.2.4 Discussion

During the last decade, while the idea of changing administrative and territorial structures has been on the agenda, local governments initiatives to improve the situation has been very modest. The voluntary consolidation as a mechanism hasn’t worked as hoped - so called municipal amalgamation in self-regulating method. Estonian Prime Minister Ansip has shown his attitude to the reform by saying: “If there is a big love ones should get married,” meaning that he supports still the idea of voluntary consolidation. Governments’ initiatives to improve the situation have ended with political controversies and politicians have not able to find consensus. It means that all local and international expert advice hasn’t been heard. All these three attempts had the common ideal – to increase administrative capacity of the municipalities, improve public services. The weakness of last concept is that it does not include reform in local government level, maintaining the fragmented structures.

Estonian Government still hasn't decided the question by 2008. *"Politicians are afraid of the two words – administrative reform and at the moment most of parties have no political will"* (Lass, 2007). Probably Estonian Government is not showing new initiative for reform at the moment because no political party dares to make a decision which might be unpopular and decrease the number of their supporters. Therefore political parties and municipalities own narrow interests are still dominating. A reform will require a major effort from politicians and employees in municipalities, counties and the state but also consensus of these stakeholders.

Lass believes that: *"It would become a serious obstacle to development in the future if we stay with those very small municipalities and the importance of county governments is decreasing."*

Koit Kelder from Keila rural municipality says that reform does not create negative feelings but it should be aforesought and logical. He agrees also that it has been very cyclically on central political agenda and discussions tend to die away – therefore it is hard to take central governments ideas seriously. Local politicians do not have also a political will and do not take the initiative. But he agrees that consolidation with Keila urban municipality would improve issues around social and education affairs, as the administration of rural municipality is located already in the urban municipality (see Figure 5.2) and the number of employees would not decrease much either.

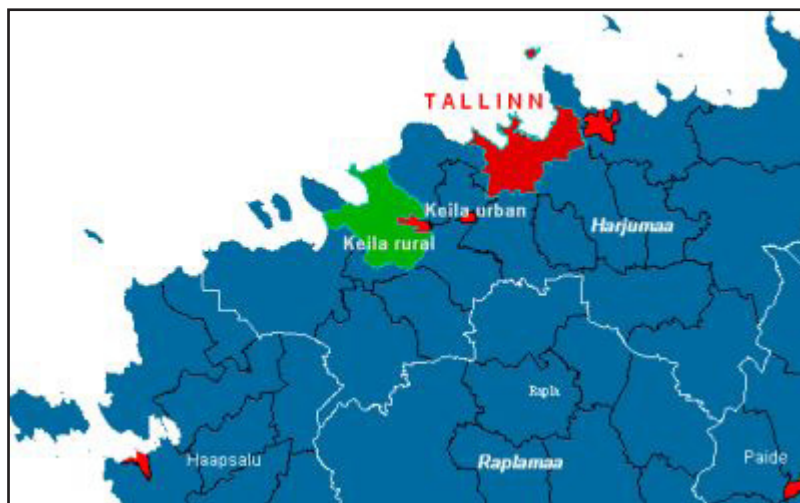


Figure 5.2. Keila rural municipality.

In the case of consolidation, municipality does not have to use private consultants for making a municipal plan. Kelder sees only few disadvantages for consolidation, as he points out the threat that less attention will go to peripheries. (Kelder, 2007)

It shows that municipalities do not necessarily afraid of restructuring, but the problems lie in the politics.

5.3. A call for change

5.3.1 Planning problems in Estonia

Estonian has a young and thin planning culture so far because of short period of democratic and contemporary planning experience. There are significant problems with detailed plans and four main problems can be pointed out:

- 1) Municipalities tend to violate the planning law - while assembling detailed plans, the requirements of publishing plans and general rules of procedures are not fulfilled. In some cases not even making a detailed plan where it is required.
- 2) Towns are often giving the assembling and financing detailed plans to the private investors which decrease the role of the town as planning the town as a whole.
- 3) Detailed plans are composed for very small plots, often to single grounds, not taking into account the neighbourhood and entirety of the town.
- 4) Municipalities lack specialists for working with planning and architecture to steer spatial development.

These first three problems have caused the diktat of the investors and low planning capability. (Estonian Ministry of Internal Affairs, 2007) High administrative cost in municipalities and limited budget is not enabling to hire specific experts like planners. Co-operation between municipalities to hire planner together is also rare. Another important issue is the level of current planners' professionalism in Estonian municipalities. Many planners in Estonia are architects, land surveyors, land management specialists or some other field specialists. Universities unfortunately do not educate specifically town planners yet in Estonia. To bring an example - in Tallinn there are about 30 planners working only and consultancies are often used instead.

Using consultancies is very common trend among municipalities for making municipal plan. Keila rural municipality (with 4300 inhabitants) is among many others, who choose to give this important task to private companies, giving away power to do it in a best way. It is important to take into account all interested parties, as consultancies might not be objective and no expert knows the municipality and its development needs. The process of composing a municipal plan should be teamwork and participation is vital. If public is roped in to deliberative process it could result less problems and conflicts with detailed plans afterwards. These suggestions are highly promoted also by Estonian Ministry of Internal Affairs planning department, which is doing a relatively good job in its also very limited human (only 6 employees) and fiscal resource conditions steering national spatial planning.

Jüri Lass from the Ministry of Internal affairs agrees: *“It is true – local governments in Estonia don’t have enough competent planners and there should definitely be a planning unit at local authority”* He agrees also that at least half of Estonian municipalities, if not more, are really small local authorities, where there often are only few detailed plans and about ten building permissions per year. But he points out three advantages that small municipalities have from his personal point of view, according to which he does not consider the current situation very bad:

Firstly, small municipalities have more time for dealing with spatial planning and therefore some are doing it very carefully.

Secondly, there are much less intended planning mistakes (law violation etc) made than in bigger towns.

Thirdly he addresses the issue of community identity and participation, as the community power over planning is stronger in smaller municipalities and it is easier to get people to participate in not only while making municipal plan but in continuous developing process of municipality. Through this, a public control mechanism is created. Big towns are anonymous and citizens’ influence to planning processes is much weaker. He is convinced that biggest problems are in big towns where there is high building press and where business, power and money are intertwined. Local authority doesn’t want intentionally to hire enough competent planners. *‘We are doing it like we want anyway’* attitude is not uncommon. *“There is still a banal understanding in big towns that development equals building and one can not understand that towns primary task is to create a liveable environment”* So developers tend to dictate the creation of new spaces and municipalities lack will and good mechanisms to steer it. (Lass, 2007)

In relation to the first advantage Lass pointed out I have to agree with Danish planners who consider that if there are only few plans coming out from planning office, it means that the quality of the plans is also lower as planners do not have much empirical experience. Second and third advantage he pointed out is unfortunately the reality at the current Estonian situation, but which can be improved. It is the responsibility of county government to see those intended mistakes and bigger municipalities can use different new methods to attract citizens for participation. Citizen participation depends also on the citizens’ interest and activism (see Figure 5.3) but of course it is easier work with public participation in the municipality where the population is smaller. People in Estonia should clearly take more actively part in planning hearings and debate.

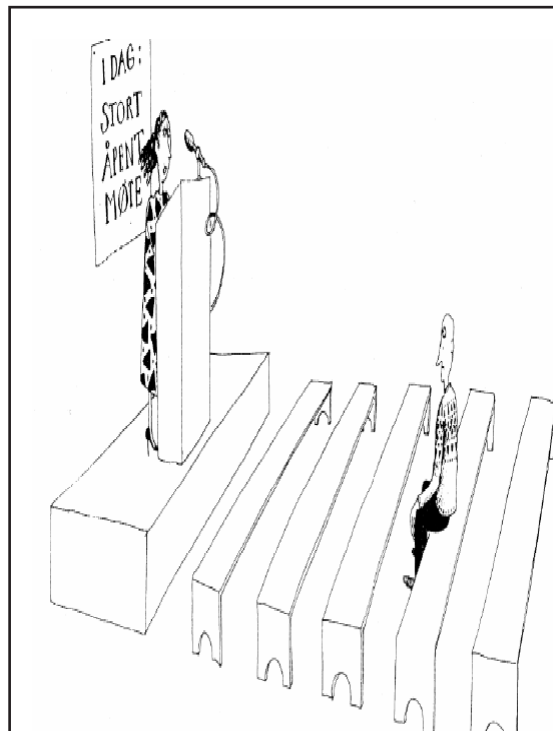


Figure 5.3. Citizens activeness in public participation

Estonian Chancellor of Justice has also pointed out that the purpose of spatial planning is creating a sustainable and balanced environment. Local government should be a functioning organism not just land, forest and people chaotically put together. Finding the balance between efficiency-quality and local democracy in Estonia is a great challenge.

These problems show again the low level of planning culture that Estonia has by now, where public participation is considered as barrier not as an opportunity, just a paragraph in the law they have to follow. It shows also that planning offices also in bigger towns are understaffed not only in small municipalities. The difference between number of planners in Tallinn and Helsinki is about ten times, meaning that in Aalborg municipality and Tallinn there are almost the same number of planners, although Tallinn is the capital and has twice larger population than Aalborg. But still, these problems are insuperable and the situation can be improved.

As far as Estonian planning culture is low, it is not reasonable to abolish the state supervision over municipalities planning activities, which is done through 15 county governments. It means that every detailed plan should be approved by county level before it is adopted, accordance to law is checked and other problems solved, which is helping municipalities. This kind of state supervision is abolished in all Nordic countries as their planning culture is advanced.

Kelder points out that social infrastructure in Keila municipality can not follow the development activities, there are problems with kindergartens and schools. There also are problems with inter-municipal plans and municipalities' don't have enough resources, for example infrastructure, gas pipe projects etc. "*County Government should be more active making cross-municipal thematic plans*" Kelder says. (Kelder, 2007) It shows that county level is weak and need also change.

Lass considers that state administration is sectorial administration and county level is intersectorial

administration being together to have a balanced development and the fact that state supervision and development functions are in one place, sharing competence creating synergy. But county governments have been weakened from the beginning of the independence period and it has less responsibilities. Lass do afraid that if there were 5 new regions, the service accessibility would decrease, but it would be possible to set sector functions to 5 regions in Estonia. He suggests that we should seriously consider the borders of historical Estonia (before II world war) as some counties are artificial which don't have a strong centre to work as an engine of development. Other county centres are taking away the power from weak counties. But in current situation counties have some advantages – it enables to give planning tasks from the government without Parliaments participation and having county plans and thematic plans as good development framework and activities than in other Baltic countries. Counties have been also one of the engines of local development. The minister of Regional Affairs had an idea of taking development functions from county government and keeping only the state supervision function would decrease the importance of counties and strengthens the Association of Local Authorities. (Lass, 2007)

The idea of reducing county governments is very reasonable because stronger county centres are already now attracting people from weaker counties and the development would be also more balanced after optimization (see Figure 5.2. where weak counties – Hiiu, Rapla, Jõgeva, Põlva are missing) If creating new regions, the service accessibility should not weaken much, as there are not many functions citizens daily need from counties. But dividing all responsibilities between state and municipality would be more difficult in current Estonian situation.



Figure 5.4. Estonian counties before II World War (1918-1940)

5.3.2. Adopted Municipal plan as an indicator

Adopted Municipal plan can be one of the indicators, showing municipality's competence and attitude to spatial planning and the general viability of the local authority. Ministry of Internal Affairs has gathered information about planning situation by October 2007 from every municipality in Estonia. From 228 municipalities in Estonia, only 127 municipalities had adopted their municipal plan by the end of 2007, being only a little more than a half of the municipalities. It means that after 17 years of independence, 101 local authorities still doesn't have a municipal plan of which 82 are in the process of assembling it, 16 have finished it but not yet adopted and 3 municipalities haven't even started assembling it, including the fourth largest town in Estonia. It can be seen from the figure 5.3 that the situation is better in the northern parts of Estonia than it is in the southern parts of Estonia. Municipalities geographically closer to the capital and central government are in front of the others. The problem of the bigger municipalities in the centre of Estonia might be the previous consolidation and creation of a new plan. The situation is worst in the smaller municipalities in south-eastern part of Estonia in Jõgeva, Tartu, Põlva and Võru counties. Strange is the situation also in bigger county centres like Viljandi, Rakvere and Võru which also still don't have a plan adopted. An important question emerges – why they still haven't adopted municipal plan?

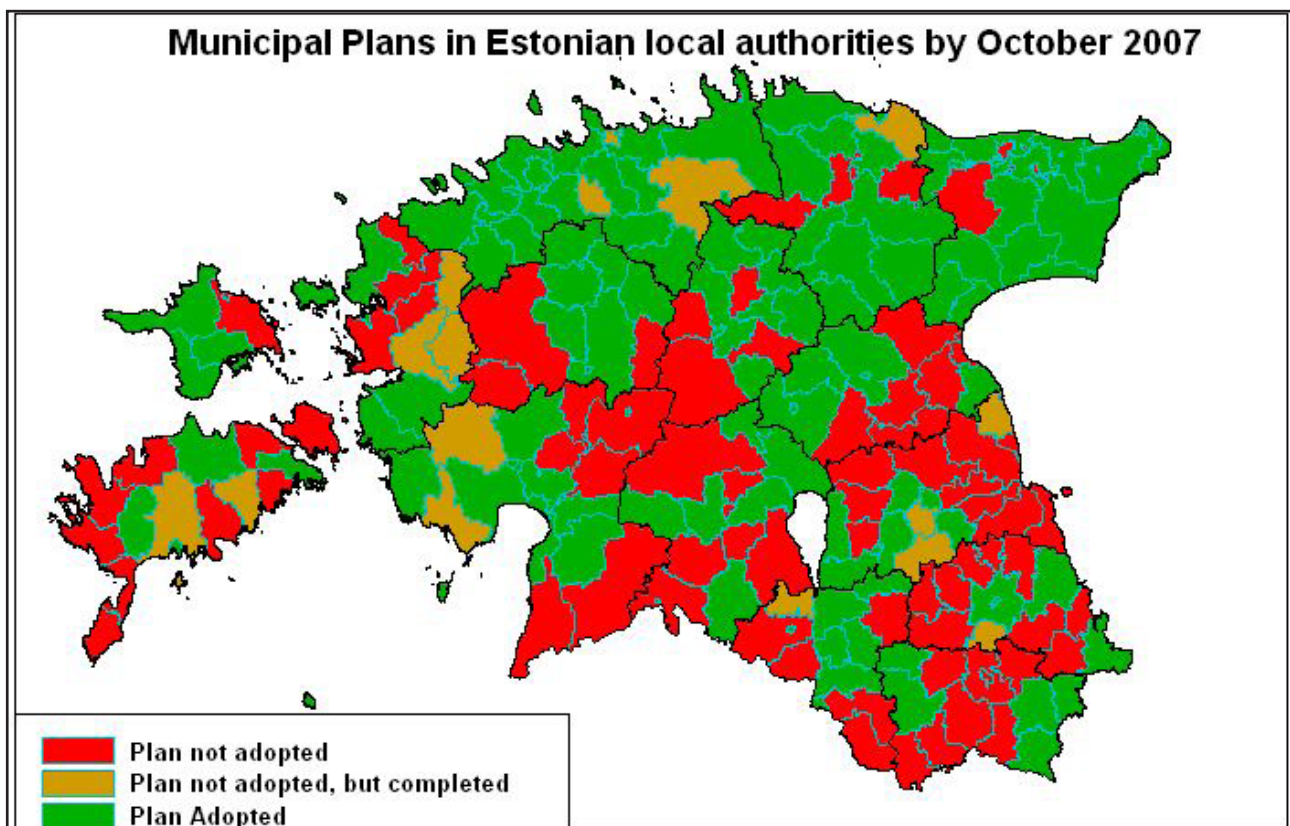


Figure 5.3. Municipal plans in Estonian local authorities

Municipalities excused for not having municipal plan adopted yet because of:

- Shortage of finances
- Understaffed planning offices
- Problems finding a planner
- Little interest for development activities in the municipality
- Arguments about quality of the plan
- Conflict of interests
- Problems with consultancies
- Consolidations – some municipalities think that they are amalgamated anyway, why to waste money and effort for doing a plan any more. (Ministry of Internal Affairs, 2007)

Some municipalities don't have even deadline set for municipal plan. These reasons show again that municipalities are weak. When deciding forced amalgamation, this indicator should be definitely considered. If municipality is not capable of doing municipal plan by itself, then amalgamation with other municipality is inevitable. Mr Lass from planning department can also name three common reasons why municipalities do not have plans: firstly, small municipalities don't have much development going on, and they think that there is nothing to plan, but can not understand that they should plan also the stagnation, which is even more complicated. Secondly, there is no political will for doing a municipal plan, even in bigger municipalities. Thirdly he points out the strategic environment impact assessment process which is hindering and has increased the costs as it's used to control municipalities' decisions and it is a separate process. But composing a plan is not the only problem, it shows that there is a problem with the attitude and the way of thinking to spatial planning as well - not only the adoption of municipal plan is important, but also the continuous process of developing it. As Lass comments it "*Many municipalities grasp the idea of Municipal plan as an obligation and when it's done, they can hang it to the wall for next 10 years.*"

But is the consolidation the only solution to solve the problems of weak municipalities?

5.3.3 Alternatives to the reform

There are also other ways to solve the problems than consolidation and creating bigger municipalities. Alternatives include:

- Using Associations of Local Governments help and resources
- Increasing local governments revenue, as they receive only 11, 9 % of the income tax
- State subsidies, mechanisms and programmes
- Municipal co-operation – towards hiring together experts
- Placing responsibilities to the upper level of government – decrease the importance of municipal fragmentation.
- Mechanism which forces municipality to have a planner. Analogical mechanism is used in Finland where municipalities which are bigger than 6000 inhabitants are obliged to have a planner-architect. Most of smaller municipalities there are co-operating with neighbours for hiring a planner and which is subsidized by Government. There are some thoughts at the ministry's planning department towards creating a planning unit to the Association of Local Authorities or subsidising hiring the planners, but still no political decision has made.

To conclude the alternatives – these are quite weak and not sustainable solutions due to that most of the alternatives require additional and special resources from central government, without improving the current situation. But it is the question of resources, meaning that if there should be given more resources, other sectors will have less and somebody has to suffer anyway. Changing administrative and territorial structures would be the best solution.

5.3.3 Conclusion

Many Estonian municipalities have shortage of finances which has caused problems in many sectors of local government, including spatial planning. Spatial planning as a whole is not integral, planning law is not followed correctly, many municipalities still don't have municipal plans, to steer the development and there are a shortage of professional planners with understaffed offices and problems with the attitude to planning. These spatial planning problems indicate that spatial planning is in careen and changes are needed to ensure better and more professional planning, spatial and economic development. Estonian administrative-territorial structures are not optimal and not able to address properly local needs. But which changes and what recommendations can precisely be given to improve the current situation in Estonia?

In the next chapter Danish structural reform studied with the intention to get inspiration and new knowledge about the ways similar problems are solved.

6. Structural reform in Denmark

It is important and interesting to know which are the developments in public administration in other countries and learn from each other. Danish case is the first this type structural change and this makes it especially interesting to look at. Denmark is in the end of a fast journey of reform, started in October 2002, although initial debates and are dating back to 1998. These were the most radical changes in the geography of public administration and changing the functional responsibility for spatial and physical planning in Denmark, over 30 years.

6.1 The drivers for change in Denmark

Over 30 years more responsibilities have been transferred from the state to municipalities, aiming that tasks should be solved at the lowest possible level (Møller 2001). Due to increased tasks for municipalities and demands from citizens, change in the population structure and limited public finances, Danish politicians recognised that the hour has come for change (Boye 2004). The existing division of labour across the three-tier system of government was not cost effective any more and the degree of professionalism in public administration could have been increased.

Minister of planning, Connie Hedegaard, has claimed that the goal of the Government was to recast Denmark into a leading participant in the global information society and national planning had an important task to contribute realising that goal. It demanded changes of the way Danish territory was used. Danish land use was still reflecting their industrial past. *“We really need to adjust the territorial structure of our country to new times of competition from an ever more globalized production”* she has said. It was her intention to promote the change of Danish geography. (Knudsen 2005a)

One of the important reasons was also the continuous transfer of national tasks to the local level. Government reduced the need for municipal partnerships because of the lack of transparency and democratic control, simplifying and creating more effective public administration.

The bureaucratised spatial and physical planning system was to be abolished, with the goal to involve citizens, companies and other stakeholders in the planning process. An argument in favour of structural

reform was put forward by the Confederation of Danish Industry which in 2002 argued that there ought to be fewer municipalities and counties in Denmark since they are inefficient and costly. Several researches have studied the optimal municipal size in Denmark: Indenrigsministeriet (2000) and Møller et.al (2001) came up with the result of 18-25.000 inhabitants for municipality Houlberg (2000) with 30-35.000 and Finansieringsudvalget (2004) 35-45.000. It was clear that the previous municipalities with the average about 19 000 inhabitants were too small.

6.1.1. Reform principles

Initial reform discussions are dating back to the end of 1990s but the decision to change came few years later. Committee of Public Tasks (Opgavekommissionen) formulated four general principles in accordance with the European Union's declaration on the principle of subsidiarity in 1998:

1. Public tasks are undertaken as close to the citizens as possible
2. Economic and professional sustainability - carrying out public tasks must take place as economically and professionally as possible
3. Directly elected public authorities provide public goods
4. Economic responsibility and the competence to make decisions are always connected

These principles by Committee of Public Tasks were employed in order to pursue the following objectives:

- The division of tasks must ease the citizens' ability to influence the public system
- The tasks must be carried out by authorities closest to the citizens – by municipalities
- Tasks which are part of the same complex of tasks must be carried out by one authority
- Efficiency and quality of problem solution are the main criteria for the location of tasks
- The division of tasks across the three-tier system must facilitate transparent coherence between tasks at the individual level of the system (Gjerding 2005).

6.2 Reform process (2002 – 2007)

Danish Government established Commission on Administrative Structure in October 2002. In January 2004, the Commission on Administrative Structure concluded that a reform of the structure of the public sector was required. The commission of administrative structure (Strukturkommissionen)

proposed initially 6 'models' for the reorganisation of the governmental structure (see Figure 6.1)

Three-tier models, all levels headed by elected politicians:

- **Unchanged division of labour** with larger counties and municipalities
(Minimum of 20 000 inhabitants in municipalities)
- **"Broad county-model"** counties are strengthened by decentralising more tasks from the state level
- **"Broad municipality-model"** tasks of the counties are reduced and municipalities have more tasks transferred from the state and the counties

Three-tier models, politicians are elected directly at the state and municipal levels, but indirectly at the regional level:

- **"Municipal-regional-model"** municipalities have more tasks to fulfil and counties have reduced responsibilities, led by regional councils where the councillors are selected by the politicians in the municipal counties
- **"Party-regional-model"** municipalities have more tasks to fulfil and counties have reduced responsibilities, led by regional councils where the councillors are selected by the parties represented in the municipal counties

Two-tier model with elected politicians:

- **"State model"** all tasks are carried out by state or the municipalities.

(Jørgensen, 2004)

	Nuværende arbejdsdeling	Uændrede opgaver	Bred amtsmodel	Regioner med smal opgaveportefølje			Statsmodel
				Bred kommunemodell	Kommunevalgform	Parti- valgform	
Stat							
Amt/region	13-3	7-8	7-8	4-6	3-5	3-5	
Kommune		> 20.000 indbg.	> 20.000 indbg.	> 30.000 indbg.	> 30.000 indbg.	> 30.000 indbg.	> 30.000 indbg.

Figure 6.1. Overview of the considered models (Strukturkommissionen)

It is important to point out that after the Commission on Administrative Structure published the recommendations, a public hearing was held, where everyone was invited to express their opinion. Almost 500 organisations, counties, municipalities, associations and individuals used this opportunity.

In April 2004 the government presented its proposal for a reform "The new Denmark – a simple public sector close to the citizen" based on the analyses of the Commission on Administrative Structure and also on the hearing of the recommendation. During the autumn of 2004 50 draft acts were prepared, which were submitted for a public hearing in December 2004 and resulted 2300 responses. Debate took place in the spring of 2005 in the Parliament where ministries answered more than 1700 questions from committees regarding the acts and during final voting about half of the acts was approved, including Planning Act.

During the short period of political and professional reform debate, spatial planning was often on the agenda. Maintaining the former comprehensive regional planning was advocated by many people and others argued for simplifying planning and increasing the competence of the municipalities (Østergård).

Reforming Planning Act

- **Municipal plan** became the most important type of spatial plan and municipalities have a key role in planning. It contains: 1) objectives for development and land use both in urban areas and in the countryside; 2) guidelines for the topics previously governed by the regional plans; 3) framework for local plans.

- **Regional spatial development plans** are prepared by Regional council as a new strategic tool for spatial development in the administrative regions. It describes the desired future spatial development and action the regional council will take to follow up the regional spatial development plan. The regional council can promote the implementation of the regional spatial development plan by providing financial support to municipalities for projects.
- **State** has a more active role in ensuring overall national planning considerations in the more decentralized planning process. Before each regional and municipal election, the Minister for the Environment prepares an overview of the national interests in municipal planning, including a description of the restrictions from other sectors. The previous monitoring of municipal planning by the county councils and the Greater Copenhagen Authority will be transferred to the state. The Minister for the Environment has the right to veto regional spatial development plans, municipal plans and local plans that are not in accordance with overall national interests (provisions for the coastal zone, overall water resource planning, Natura 2000 planning, national infrastructure projects and retail trade.) The Minister for the Environment has to prepare national planning directives as major electricity, natural gas and transport projects, planning for wind turbines and retail trade. Municipalities planning will be monitored in three Environmental centres: in Aarhus, Odense and Roskilde. (Østergård, 2006)

Minister of the Environment has responsibility for producing a national planning directive establishing overall spatial planning principles for the municipalities in Greater Copenhagen – which was based on the public comments to the draft act.

After the adoption, the preparations were made in the state, counties and municipalities to implement the new geographic division and distribution of tasks. Tasks had to be organised within the new authorities, buildings and materials must be transferred and thousands of public employees will have new employers. However, only a minority of these people had to move physically to another work place.

During the autumn of 2004 negotiations regarding mergers of municipalities took place all over the country. Some municipalities were large enough to continue independently. Nevertheless, several of these municipalities chose to merge with one or more neighbouring municipalities. By January 2005 all the municipalities in Denmark had submitted their feedback to the Ministry of the Interior and Health. Only four of the 271 municipalities did not meet the requirements in the Agreement on a Structural Reform. In March 2005 a broad political agreement was achieved in Parliament on the new map of Denmark. The parties accepted most of the requests submitted regarding the new municipalities. Due to strong citizen requests, local referendums were held in 24 of the municipalities regarding consolidation. In June 2005 the new map of Denmark with 98 municipalities was completed. New map was created from 65 merged municipalities, 33 unchanged municipalities (7 of these less

than 20,000 entered into binding partnerships) and 11 municipalities were divided as a result of local referendums.

In order to ensure proper preparation of the merger of municipalities, the district councils elected in the merged municipalities as a result of the local government election on 15 November 2005 acted as integration committees in 2006. The same principles applied to the new regions, the newly elected regional councils acted as preparation committees in 2006 with the responsibility of preparing establishment of the new regions. (Ministry of the Interior and Health, 2005)

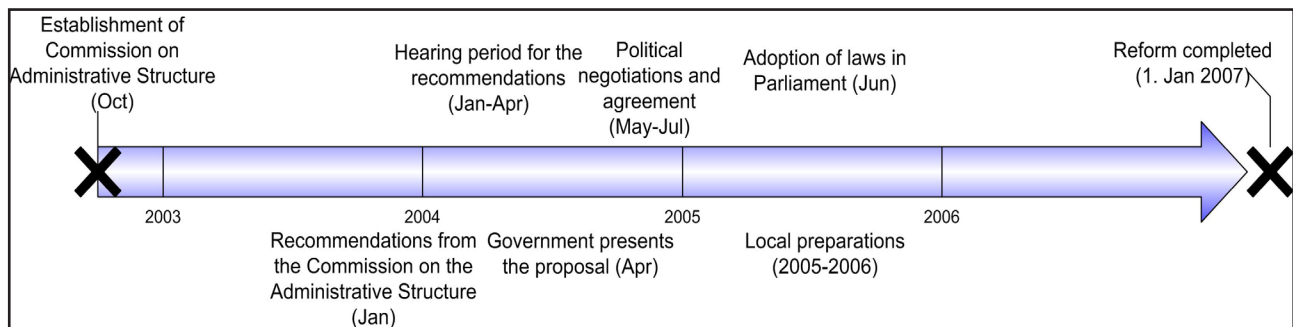


Figure 6.2. Timeline of the reform

A minimum size for the new municipalities was set at 20 000 inhabitants and suggested target 30 000. Municipalities with less than 20 000 inhabitants merged into new, larger municipalities. Alternatively, they had an opportunity to enter into a binding partnership with neighbouring municipalities which was not preferred. In such case they had to be based on a population of at least 30 000 inhabitants. Most important factor during the negotiations was minimal population target and good personal relations between politicians. Special conditions were for island municipalities who were given the option to enter into a binding partnership with a municipality on the mainland.



Figure 6.3. Changes in Danish municipal structure. (Nordregio)

6.2 New geographical structure for the Danish public sector - a success story?

Danish reform motto can be called as “A simplified and efficient public sector.” Danish Government chose the combination between broad municipal and state model. This resulted reforming radically division of responsibility in the planning act. It led Denmark to an administrative structure with

larger and more powerful municipalities, new and less powerful regional authorities, and stronger national control over the local governments including municipal planning and over local service delivery. Municipalities with a concentration of public tasks become citizens' primary entry to the public sector.

If to look at how Vincent Wrights categorized the types of administrative reform by policy phenomena then it can be called a continuous adjustment but not a policy fashion in Denmark.

Municipalities after the reform are considerably larger than before the reform. Before the reform 206 municipalities had less than 20,000 inhabitants, but after the reform only 7 municipalities remain under that. The average population in municipalities increases from under 20,000 inhabitants before the reform to about 55,000 inhabitants after the reform. In terms of land the reform resulted in the average size of municipalities from 159 square kilometres before the reform to an average of 440 square kilometres after the reform. The five new regions will be created with between 0.6 and 1.6 million inhabitants (Ministry of Internal Affairs, 2006)

Helle Witt from the Ministry of Environment brings out that it wasn't the state who said which municipalities should consolidate together with, but it was based on local discussions and negotiations. Second issue she brings out is that there were several referendums during the reform where local people decided joining municipality, it resulted also divided the old municipality and resulted more functional and cultural new boundaries. Thirdly she emphasises the steering of the process which is also very important, having the precise schedule, structure and deadlines. These three issues are very important to keep in mind and take as good example when conducting reform in Estonia.

Speaking about the new map of Denmark - it has still size differences, for example in greater Copenhagen region the situation is unchanged, where changes to the boundaries may occur within next years. (Witt, 2007)

One of the weaknesses of the process is pointed out that geographical factors such as catchment areas, hinterlands and commuting patterns were not considered enough only demographic factors and political relations were the major source of decision during the amalgamation (Jorgensen & Vagnby 2005). One can't find many examples of this weakness, but one of them could be Ikast-Brande municipality (see Figure 6.4), considering the shape of the municipality which catches the eye very easily from the new map of Denmark. In this case, the consideration of geographical factors is questionable, as the new municipality does not have distinctive centre (it has three small towns in different parts) and there are bigger towns next to the municipality. But one can also say that citizens have elected the politicians and they should know what citizens prefer.



Figure 6.4. Ikast-Brande municipality

Nielsen from Aalborg municipality claims that the reform hasn't been fully thought through and brings a parallel from 1970s reform where it was considered 10 years before conducting it. Building a consensus on political level takes long time and same process begins again how to develop the new municipality. Politicians from former municipalities are thinking more about their own local area and not for wellbeing of the whole municipality, which is hopefully expected to change in time. (Nielsen, 2007) Nielsen, Hjorth and Witt all bring out that the process was fast, but they do not agree all that it was a disadvantage.

If to look at the consolidation in Aalborg municipality then its new boundaries are reflecting the labour map and residents are attracted towards Aalborg. Aalborg municipality was big enough before, but it was open to negotiations with smaller municipalities which resulted three small municipalities (Hals, Sejlflod and Nibe) being now part of Danish 3rd biggest municipality with around 190 000 inhabitants. The same was in Herning, where three smaller municipalities (Aulum-Haderup, Trehøje and Aaskov) did consolidate and Herning being the 12th largest municipality with around 83 000 inhabitants (see figure 6.5). (Nielsen, Hjorth, Witt, 2007) In Estonian context, bigger municipalities are not interested of consolidation with smaller and weaker municipalities. It seems municipalities in Denmark did think also to the common good while the reform which should be learnt of.

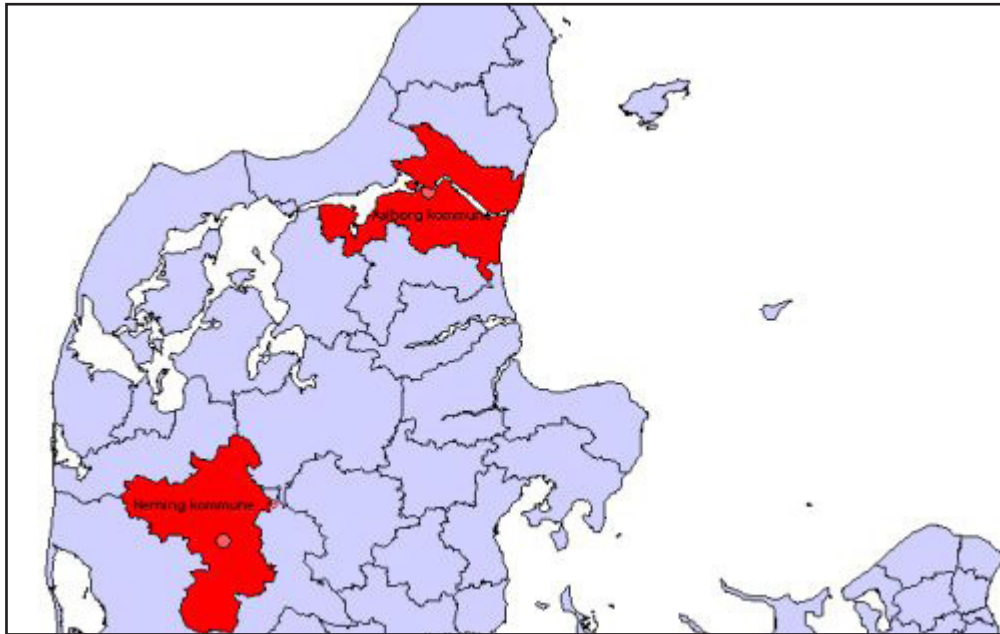


Figure 6.5. Aalborg and Herning municipality

In order to ensure the development possibilities also in the more peripheral areas new equalization system was set up. Equalisation account will redirect funds from the Eastern parts of Denmark in general and the capital region to the Western parts of the country.

6.2.1. Better and more professional planning

It is a challenge for the new municipalities to implement the spatial planning for the new municipality and include new topics in municipal planning at the same time developing and testing new forms of cooperation. The national and municipal levels are given more authority and they get new planning objectives. *The new system should work well as the Ministry has secured the national interests and proper spatial planning* (Witt, 2007).

New municipalities differ concerning staff and competence but the level of professionalism in general is expected to rise. There will be less emphasis on the old master plans and more focus on a problem oriented planning style where interaction between physical and economic planning comes to the front (Knudsen 2005c). Increased size of municipalities enables municipalities to deal more complex and additional tasks. Municipal planning offices include planners from consolidated units and county governments, therefore creating a more professional and skilled planning offices, resulting better specialisation and teamwork (Jorgensen & Vagnby 2005).

Many small municipalities had a very small technical capability before and it was hard to get the right skills to deal with spatial planning, as many planners in Denmark are over middle age and universities do not educate so many planners. Now having bigger municipalities there are possibilities to have

different and broad competence and skills (Witt, 2007).

Jan Nielsen agrees that spatial planning will be definitely more professional in those small municipalities which consolidated with Aalborg. They have a big responsibility now to integrate municipal plan covering bigger territory, compromise policies and ideas. There is a strong planning team in Aalborg (total 25 planners), which is put together from old planning offices and they do not use any consultancies for making a Municipal plan. (Nielsen, 2007)

Kaare Hjorth admits that in relation to greater planning the reform was important as planning is improving in those smaller municipalities which consolidated with Herning as there are more professional experts doing it (total 19 planners). He points out that following the planning law has been also the problem previously in those small municipalities and the quality of planning was very moderate. He emphasizes that municipality is still in the process of change, where employees are figuring out what these changes mean. (Hjorth, 2007)

The service accessibility should improve, as there is one door and many doors for citizen meaning that in the former municipality centres they have local citizen service offices. Citizens can fill in forms via internet which are handled centrally, so it would be easier in the future to apply special permissions for building for example. (Nielsen, 2007) The evidence shows clearly that planning has improved towards professional sustainability after the reform in Denmark.

Dialogue is now the key challenge for the planners in the municipalities, new regions and in the state where everybody is working together in the situation of global competition. The Planning Act has defined dialog as a tool now (Nielsen 2006).

The municipalities will have the option of objecting to the planning in neighbouring municipality and in Greater Copenhagen the municipalities also have the option of objecting to the planning of any other municipality in Greater Copenhagen (Witt, 2006).

The problems of post-modern cities require region wide planning to avoid sprawl, not proper growth management.

6.2.2 Abolishment of spatial regional planning

The transfer of spatial regional planning to the new municipalities is a radical change. The abolition of second tier of government – Amt level in Danish local government may be seen as a consequence of the trend of the transformation from conventional local government to contemporary governance. The framework control principle is partly preserved and restructured, where National planning authority ensure that overall interests are considered in the planning process, and state supervises regional and municipal level through a number of new branches of central government offices. Municipalities are obliged to follow general regional indications in their planning process only, but guidelines for the development are managed by municipalities themselves.

The power and autonomy in new regional level is very limited - regions have to establish only the overall regional strategic development plans, overall visions and maps, not precise location of development. At the same time, previous regional plans are maintained and transferred, giving them a

status of national planning directive until 2010. Practically only national authority – local branches of spatial department, can veto a municipal plan. (Jorgensen & Vagnby 2005) Theoretically, opportunity to veto is also by Regional level, but as it is very general level, it is very complicated.

Regional economic growth forums are one of the most important regional agencies influencing the spatial development of the administrative regions. It requires dialogue between the regional economic growth forums and the regional councils. Of course it is a complex process with many conflicting interests to create a consensus on the spatial development of the new administrative region, aiming to create five strong administrative regions in Denmark in the face of global competition (Nielsen, 2006). According to Jes Vestergaard, there are no whips or grenades in the planning toolbox any longer. Planning activities will have to use carrots as the main tool of operation. Regions have to rely on dialogue and discussions to spur on cooperation between municipalities and across the various sectors (Knudsen 2005b).

Hjort finds the new structure more logic and positive and says it's a big responsibility and municipalities are still trying to figure out what does it mean for them for having additional tasks from region. As municipalities have more room to decide and there is no political county level any more. But says that still state has to keep an eye on municipalities there is a clear cut between state and municipality. He is quite critical about the new regional development plans: "*I think it might become a 'hot air' they are doing*" and he is afraid that it focuses only the eastern part of Jutland and Århus only. Hjort points out that it is positive to not have a county plan in between, which was influenced by politics. (Hjort, 2007) In Estonian context, there is no political council in the county government as only the governor is set by the central government and should be approved by municipalities.

Jan Nielsen believes the opposite about the abolition of counties and claims that regional planning will suffer from this change. "*These 11 municipalities in North Jutland are thinking only about themselves*" and is afraid that no one thinks about the region in the future, especially in the north Denmark which is far from the capital. He considers regional body no competences and no obligation to follow the development plan and predicts of disappearing the regional level. He points out also that in some smaller municipalities there could be lack of special experts who were working at the county government before and now are split between municipalities, but every municipality was not lucky and did not get the expert. Nielsen suggests more radical reform that 14 municipalities with local departments should have been made (see Figure 6.6) (Nielsen, 2007). The similar model was once suggested also in Estonia by minister of regional affairs that instead of 15 counties there should be 15 municipalities only, but it did not find many supporters. In this case, there might emerge problems of local democracy and accessibility.



Figure 6.6. The idea of 14 municipalities.

Júri Lass also thinks that abolishing county level was a weakness of the Danish reform, because there are bigger parts of territory which needs to be planned together (Lass, 2007) Witt admits that the previous system of regional spatial planning was working well. Although some municipalities thought that regional planning was too restrictive but it wasn't the argument to remove the level. *“It was quite difficult to make all the changes to the system, dividing the responsibilities to the municipal and national level.”* (Witt, 2007)

It is claimed that the new instruments by the new Planning Act should meet the challenges but vital is that the actors fulfil the responsibility they have been delegated. Many aspects of the spatial planning culture have to be changed. Municipal councils and their planners must be aware that they now have bigger responsibility for the quality and content of land-use planning in town and country. The previous situation in which municipalities had broad autonomy for urban development and retail trade within regional plans is over. Planning strategies place the major planning issues on the agenda and this contributes to motivating the councillors and giving them ownership in the municipal planning. Thinking in the first generation of municipal planning strategies will not be very inter-municipal or regional in scope which needs to be worked on in the cooperation related to the next generation of municipal planning strategies.

The future municipal planning strategies will be used to improve the coordination with national planning, the regional spatial development plans and the planning in neighbouring municipalities, as it is an place to describe the municipality' vision and activity in relation to the regional and national spatial development strategies. The municipal planning strategies can be developed into an important tool for cooperation and dialogue with citizens, neighbouring municipalities, the regional council and the state about the development of the municipality. (Østergård 2006)

The issue about abolishing the regional spatial planning remains to be a controversial one. It is too early to say is it going to be a success or abyss, but local planners have serious concerns about the new system. Several years are needed to establish the new spatial planning structure.

6.2.2. Local democracy and identity

Better participation and citizen control?

Arguments against structural reform were based around democracy issues and the fact that the number of local political representatives was reduced. With the municipalities reducing from 271 to 98 the total number of council members was reduced from 4597 to 2520 and the number of regional council members from 357 to 205. The distance to the city hall also increased for some citizens. (Ministry of Internal Affairs, 2006)

The governments' central goal of the local government reform was to strengthen local democracy in Denmark. The concerns about democracy issues were opposed by the fact that more political decisions are made locally - more tasks will be located to the municipalities and that local politicians will have more responsibility. Municipalities were suggested to expand democracy so that the citizens can be more actively involved in the decisions by finding new ways to involve citizens to local decisions. (Ministry of Internal Affairs, 2006) Kaare Hjort agrees and says that there is really a big focus in the administration on public participation and local people are orientated to bigger towns which do not change.

Jan Nielsen brings a good example here as in Aalborg municipality a democratic solution was made by creating a new committee (Committee for Sustainability and Health) which was introduced to bring citizens voice to the municipality and to work with different groups in society. He points also out that referendums were held in small municipalities who consolidated with Aalborg who mostly did agree to consolidate. Nielsen reminds that during the reform in 1970 there were also some people against consolidations, but believes that these issues will be gone after a decade. Actually there might be an opposite effect - finding self identity again as he says that: "*Hals is more Hals today than it was before, same with Nibe.*" (Nielsen, 2007)

A clearer distribution of responsibility may also contribute to strengthening local democracy, meaning who is responsible for which tasks. This will increase transparency and thereby the citizens' ability to hold an eye on politicians.

Helle Witt has the same understanding that participation should not be a victim due to the reform. She says that there are special rules for participation in spatial planning and municipalities constantly develop new methods how to attract people to participate and believes that identity and culture will change in time (Witt, 2007). People themselves are creating the identity not the structures.

The issue of democracy has also been discussed in terms of the lack of political debate concerning the structural reform. The argument was that the citizens were not sufficiently involved in the discussions, still most agree that the debate was short, but struggling.

Conclusion

Danish structural reform – the process and outcome, can in many aspects be considered as a good example for other countries are considering the reform. It is not easy to answer the question and say that the reform has been a complete success story from spatial planning perspective considering the abolishment of the spatial regional planning, but professional sustainability has definitely improved in spatial planning.

The years to come will provide us how the targets were achieved and what the implications of the governance change are - the regional growth, balance, competitiveness, equalisation and justice. Lessons useful to learn for Estonia are presented in the next chapter.

7. Synthesis

This research investigated subject of structural reform in two countries – Estonia and Denmark. The aim of this chapter is to draw cross-case conclusions, make recommendations and answering the research question: *How can administrative and territorial structures be improved in Estonia from spatial planning perspective, learning from Danish structural reform?*

7.1. Lessons learned from Denmark

Administrative and territorial structures were changed radically in Denmark with changing the bureaucratised spatial and physical planning system, with the goal to involve citizens, companies and other stakeholders in the planning process and to bring the country into leading participants in the global information society. Estonia can follow the example of the process of structural reform in Denmark, aiming to create a liveable environment in the whole country of Estonia taking Danish slogan – ‘a simple and effective public sector’ as a guide.

Economic sustainability

When creating new administrative and territorial structures, the principle of economic sustainability should be followed – public tasks should be carried as economically and professionally as possible.

The reform process

The process of reform can be learnt of – as it should be similarly fast, compact, structured and well planned as in Denmark. Danish politicians discussed the subject with the wider public being transparent and accessible process. Politicians were trying to explain the changes through hearings and argument it. In this way, government will win public support. Mr. Lass points out that the biggest achievement in case of Danish reform was that public consensus which is needed for conducting a

reform.

There should be done sector reports before reform – transport, health care, education and every sector bringing out problems of the existing system of municipalities.

'Voluntary-forced' consolidation

Consolidation technique can be learnt from Danish experience. There was a certain limit set by central government for the population number but consolidation itself was a voluntary and locally anchored process ('stick and carrot' method).

Local referendums were made to make more functional and cultural boundaries through asking citizens opinion. Purely voluntary process has not worked in Estonia so far, therefore, there should be a limits set beforehand and then let local authorities to decide who to consolidate with.

Better planning

More professional and better equipped planning offices should be created which enable to deal with complex tasks and therefore improving the overall professional sustainability.

Dialogue can be a useful tool in the planning process.

Planning strategies should be created regularly – placing the main planning issues to agenda

Local democracy is strengthened by forming new citizen committees

Politics

Estonian politicians should learn from their Danish colleagues - if there are strong arguments for the reform then the hour has come for change. Political parties in Denmark did not loose their voters after the 2007 elections because of the implementation of reform, which is still being significantly afraid in Estonia. Estonian politicians should also look farther, away from their own political interests. In the case of consolidations, they are too much afraid of loosing the position in the municipality. The number of politicians in local governments should be reduced also in Estonia.

Abolishing county level planning

The impacts are not quite clear yet and planners in Denmark have doubts about the rationality of abolishing regional spatial planning. There should be careful with abolishing a level, without finding a better solution.

7.2. The size of municipalities. Is bigger better?

Changing boundaries usually implies that the size of current municipalities is not optimal. The 'optimal' size changes over time depending on developments in society and citizens needs. The optimal size of a municipality also depends on the functions that the government is to serve, the social characteristics

of the area, the nature of the local economy, the size and interests of surrounding municipalities, the local residents view of themselves as a community, and the nature of the existing local government. (Keating, 1995)

Current situation where more than 50% of Estonian municipalities are under 2000 inhabitants is neither sustainable nor effective. From the spatial planning perspective, very small municipalities are weak as many small municipalities haven't even completed the Municipal plan yet and have understaffed planning offices and problems finding educated specialists.

Small municipalities don't have resources for ensuring satisfying social infrastructure. The situation where citizens should go to another municipality to get public service is not normal.

In 2000 University of Tartu and Estonian Mission of World Bank organised analyse "Revenue base analysis of the local governments" which showed that Estonian local government is capable to offer services in full range if the local government size is 6000 inhabitants and higher, and the minimal was set to 3500. The other important evidence is Estonian National Auditor General report, who has also pointed out that only 10% of local governments can manage with delivering its functions according to the National Audit Office visits to local governments and the audits made. (National Audit Office 2007) (Estonian Parliament, 2008) Based on different analyses the number of jobs in rural areas decreases and traditional production sector will continue falling in the next few years. Most of the new jobs are created in the service sector and larger urban centres, one could predict a concentration of jobs in the growth centres. One of the sub-objectives of the national regional policy measures is improving to meet the basic needs of the people everywhere in Estonia, towards balancing the settlement system and regional development. Achievement of this objective requires ensuring better quality of the living environment and higher level of well-being (§6.2.1. Ministry of Internal Affairs, 2004) It can not be achieved with the same small municipalities.

It is a matter of choices – do people want 'local democracy' or development and better service in the municipality. Rusk (1998) suggests that elastic cities can best defend their market and bring prosperity to residents.

Jüri Lass advocates the existence of smaller municipalities: "*Small municipalities have more advantages than disadvantages and the process of consolidation should go hand in hand with the process of democratization of public community.*" He points out the threat that in current Estonian development phase it would decrease more public participation as the power would be more distant from citizens. This opinion can be agreed only partly, as currently there is no evidence that in newly consolidated municipalities in Estonia the participation has really degreased.

Lass draws an attention that in Estonian context it is relevant to speak also about the geographical size of the municipality. The average municipality size is currently about 180 km² in Estonia. "*It is not so relevant to speak about the population size than it is its territory, which should be so big that the local authority functions as an integral community*" Lass emphasises that there are municipalities

with barriers inside and that kind of consolidation is not wise and should be avoided. (Lass, 2007)
It is true, as Estonia is sparsely populated and about 70 % of the country is forest and swamps; we have to look also the land area while consolidating, otherwise the distances would be too long for getting public service.

Kelder says that Keila municipality with its 4300 inhabitants will manage, if state level problems are solved. *It is important to maintain the local life in small municipalities.* (Kelder, 2007)

“I think that to a certain limit, consolidation is vital, municipalities with under 1000 inhabitants definitely will not survive” He points out that such municipalities with population between 500 – 1500 would be useful to consolidate, but admits that there is no political decision (Lass, 2007).

There have been made geographical analyses which considered old parishes, landscape and other natural barriers, resulting that Estonia should have about 130-140 reasonable sized municipalities instead of current 227 (Lass, 2007). In the situation of fragmentation, services have to be centralized already to wider geographical areas.

It can be agreed that to a certain limit, the consolidation in Estonia is really vital, but it should be much more than 1500 inhabitants, as the revenue analysis indicated 3500-6000 inhabitants minimum for a municipality to manage all tasks it has given.

The economy of scale

Debates around the economies of scale are controversial. Research in Denmark and Finland show that when small and big municipalities are amalgamated, increased total spending is likely to result in the municipality, despite savings on administrative expenditure (Moisio and Uusitalo 2003). Opposite evidence of municipalities' economies of scale is from Bornholm where the mayor of the new municipality, an amalgamation of 5 municipalities in 2003, reports clear savings. However, most of these savings have been used to improve quality. Pettersson-Lidbom and Wiklund also found that the larger the local council is the smaller expenditures tend to be (Pettersson-Lidbom and Wiklund, 2002). Byrnes has claimed that there is a great deal of uncertainty about whether economies of scale exist in local government service provision. Blom-Hansen managed to compile data including also some of the decentralised administrative employees and found diseconomies of scale. He explains that large municipalities decentralise administration more than small municipalities. *“It will be ill advised to make economies of scale a deciding argument for amalgamation reforms.”* Municipal effort and will to improve efficiency should become more important than economies of scale. (Lotz, 2006)

Evidence from Denmark shows that economies of scale exists after consolidating, although there are also opposite findings.

7.2.1 “Small is good, but bigger is better”

Achieving an objective of bringing decision making very close to citizens does so at a cost (Alam

and Nickson 2006). Nowadays, in modern information society, where internet is widely used and distances are decreasing, the consolidation of very small municipalities is vital.

Advantages of consolidation can be summarized:

- More integral development
- Bigger budget and possibility for larger development projects, possibility for bigger EU projects for the whole region
- Better qualified public servants and higher local government capability
- Better public transport – within a bigger territory
- Larger units of government are better able to provide economic development and land use planning which require co-ordination over a relatively large area.
- Pooling together both - labour and monetary resources which is positive effect for attracting new investments
- Equity between municipalities would increase and potential for integration
- Broader range of services with better quality
- Stronger local power to govern
- Equity between municipalities because fragmentation creates possibility for differences
- City area planning is improved

7.3. Local democracy and identity

Local political boundaries haven't been stable during the history, being changed over time. Drawing boundaries defines a sense of commonality and the issue is often raised by small municipalities. Territory is an important component of self identity, but it does not mean that this identity can not change in time, as the whole society changes constantly. Conducting a reform does not necessarily destroy the characteristic that boundaries are socially constructed and will not be drawn randomly to the map during the reform. Local negotiations, referendums help to achieve the best result. Small municipalities should look at the positive things which are emerging after consolidation.

Evidence shows that the size does not affect every kind of participation and very small municipalities there is even less effective participation (Swianiewicz, 2002). Ladner (2002) emphasises that size effects exist only in low size brackets. Dahl and Dufer (1973) claim also that size is only one of the many factors which have an impact on the democratic system.

With the consolidation in Estonia, changes are needed also needed to the planning culture and people's way of thinking. Planning culture is a dynamic as it is affected by surrounding environment – it means, Estonian low planning culture can be also improved. In an ideal system the citizen effectiveness and system capacity would be both maximized.

In Estonian case, larger scale structures could be more democratic, since they can get greater powers

and functional competence, therefore giving more local control over issues.

7.4. Recommendations

Modernization of public sector is ongoing process, changing with the changes in society. Estonia has to adjust the structures in response its needs and to improve public administration and spatial planning. Administrative-territorial changes are vital in Estonia not because many other countries are having it (Policy fashion) but because there serious problems which can be solved through reforming (Policy pancea and linkage) being a continuous adjustment type of reform. In current Estonian situation where there is lack of resources, innovative solutions should be considered – by reducing the size of government and reviewing the existing division of labour. There is a need to start getting maximum from public money otherwise it will continue to threat countries economic growth – therefore making government better and cost less. Danish experience of reforming public sector should be used.

7.4.1 A new model of administrative and territorial structures for Estonia

Model as an ideal is always dual – firstly it's a target, which is aimed to achieve and secondly, it is personal, as it is created by certain person. Estonian administrative and territorial structures need a new model, it is vital. Voluntary amalgamation hasn't worked well enough, for 10 years. Keeping `status quo` situation would be a constraint to development and would leave spatial planning to careen. The ideal model would be creating an administrative system where would be balance between the principle of independent decision making and scale effect.

A new model of administrative and territorial structures (`white scenario`) should be a combined between two tier broad municipality level and state level (see figure 7.1):

- 1) County government administrations should be abolished.**
- 2) 5 new regions should be created for centres of sector administration. Regional centres are responsible also for state supervision over planning activities.**
- 3) Based on former 9 county borders, local Associations of local governments will have the responsibility to steer the development, create strategies and spatial plans for the area.**
- 4) Municipalities' minimal size should be set for 4500 for rural municipalities and 6000 inhabitants near towns to ensure the economic and professional sustainability.**

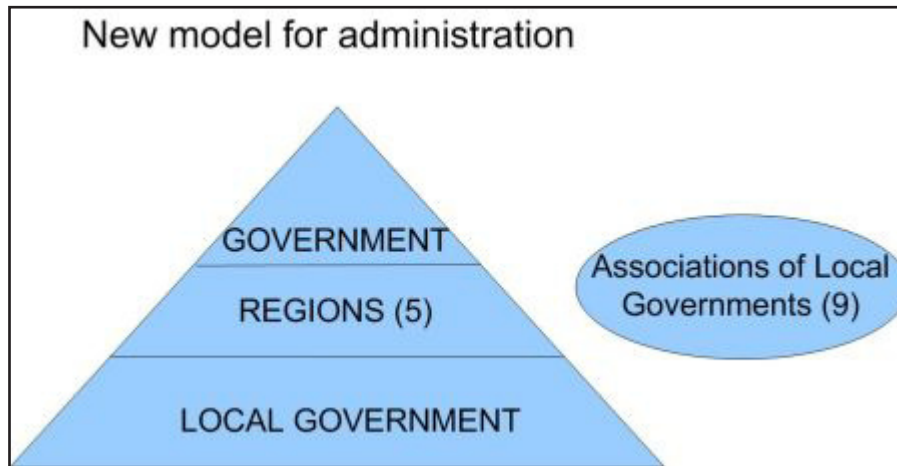


Figure 7.1. New model for administration

Rationality behind creating administrative regions is that most state sector offices are arranged already by 4-5 regions in biggest towns (see Figure 7.2). County governments' responsibilities have been weakened continuously and politicians' attitude to county governments has already resulted in staff turnover in county governments. Abolishment of county administrations will result in the cut of expenses which can be used to develop and plan counties properly. Instead of having a county governor, there can be four planning experts hired for the same money. An existing division of labour across the system of government is no longer optimal.

New Associations of Local Governments are based on the only 9 counties as the existing county borders are artificial and every county does not have a strong centre as a development engine. One of the recommenders of 9 counties in Estonia, as it was before the II world war, has been a former county governor Helir-Valdor Seeder. Giving a spatial planning responsibility to the Associations of Local Governments, spatial planning would not be a victim after the reform as the development framework and development activities are maintained. It introduces also more communicative planning between municipalities and dialog. The idea of transferring the planning activities from the counties was promoted also in the 1999 reform concept but without abolishing county administrations.

Recommendations concerning spatial planning:

- All municipalities are obliged to have a planning unit
- Municipal plan should be made by municipality
- New methods used for public participation should be used
- Town and its surrounding municipality should be one municipality, due to close connection and to improve planning

Concerning the new population limits to the municipalities, island municipalities should get special conditions for consolidating, as it was in Denmark. The limits – 4500 and 6000 are set cautiously

taking into account also analyses made before. Ideally, rural municipalities would have similar population, without considerable differences. Referendums are promoted locally to get functionally and geographically good borders.

Ronan Paddison's suggestions for consolidation process should be followed:

- Local needs and preferences should be priority
- The process should be transparent and accessible
- The reform should not be decided wholly by either central or local politicians

My observer judgement and opinion is not based on the idea that municipalities should be production units, but what is the most important - the quality of planning, service delivery and participation should be increased. Other sector specialists have an opportunity to argue and advocate not changing the current system with bringing relevant arguments – by opening a discussion.

The key issues in consolidation – efficiency, development, democracy and distribution are also increasing through this change to the administrative and territorial structures.

The change is not difficult to achieve if politicians, bureaucrats and residents would not consider only own interests but compromise and think more broad for common good.

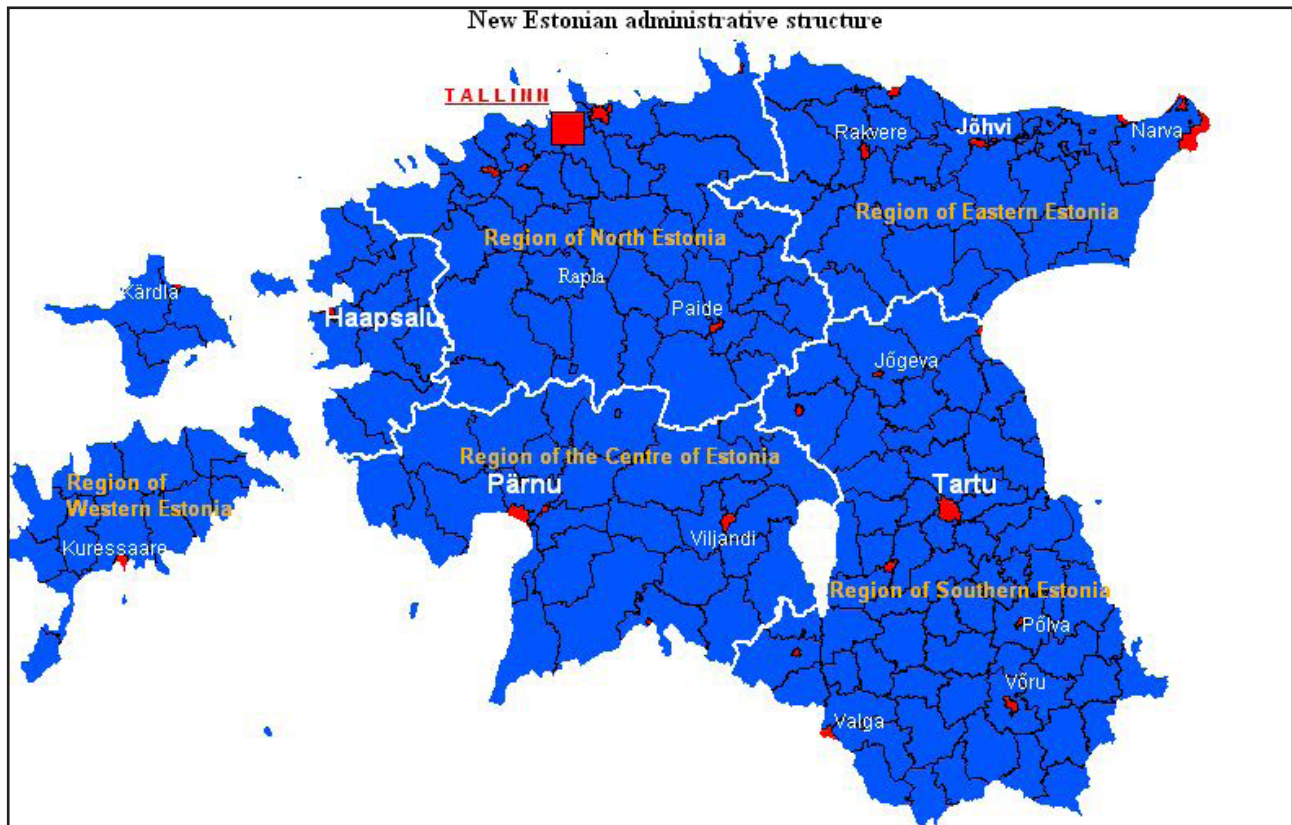


Figure 7.2. New Estonian Territorial-administrative structure

Concluding remarks

As it has been seen - consolidation and administrative territorial reforms are back in agenda. National administrative systems are influencing and being influenced by European polices. In this research cases of Denmark and Estonia were studied. The title of the project asked - structural reform - a road to success? Denmark has taken the turn and Estonia is still at the crossroad. Danish reform can be considered as success in general terms already and at current Estonian situation, the reform is the only way to success. One can say that the road to success is always under the reconstruction as times and society change and where there are ongoing improvements coming up. My suggestion at the moment to Estonia is to take the turn to the reform road and not for staying in the same place or even taking the wrong turn. I can see the light in the end of the tunnel as administrative and territorial structures can be improved to make Estonia well planned and good place to live wherever in Estonia. Time has come for a serious debate and actions. Near future will show whether Estonian politicians have will to take wise decisions and deal with this burning question or they keep overriding wider public interests. Denmark should be acknowledged for making public sector simpler and more effective, although time shows the precise influence of reform, one can not succeed without taking any risks.

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Appendix: Interviews

Appendix 1. Interview with Jan Peter Nielsen

(4.12.07 in Aalborg)

Jan Peter Nielsen works at Aalborg Kommune as a consultant of strategic planning.

1. Was there a great need for reform and new structures of territorial and administrative units in municipality? Does it have positive or negative general impact?

For Aalborg Municipality it wasn't very necessary. Before reform, Aalborg with about 165 000 inhabitants was connected to 3 municipalities: Hals, Sejflod and Nibe, each having about 10 000 inhabitants. Now, after consolidation we are about 190 000 inhabitants.

These small municipalities benefit from consolidation, because these municipalities had in many cases problems doing what they were supposed to do now it is improved and therefore general impact of the reform is positive. So the consolidation was in voluntary basis.

Now some municipalities in Shetland who did not want to amalgamate now thinking they made a mistake and are facing problems.

2. Do you think these are good spatial structures and new boundaries? Is it ideal size?

Three smaller municipalities which were amalgamated were taken to Aalborg within their previous boundaries, which were not split up (showing on the map) The funny shape in the south of Sejflods commune is because there is a natural area with few inhabitants.

Aalborg commune boundaries are reflecting the labour map, Aalborg companies are using as employees. These people inside boundaries are attracted to Aalborg, to work, culture etc.

Eastern part of new Jammerbugt municipality was also considered and negotiated to Aalborg, but finally they consolidated with Jammerbugt.

Aalborg kommune is now the third largest municipality in Denmark, after København and Århus.

What concerns of ideal size, I think we were ideal already before. The mayor said before the negotiations that we don't have to become larger, but if somebody wants to join us, they are welcome to come and discuss it. So becoming larger was due to wishes in these three small

municipalities.

3. Has spatial planning improved in new municipality and better or weaker? More professional planning offices? More simplified?

I think it will become more professional in the three small municipality, which are now part of Aalborg. They are working in Aalborg now.

We are making a plan Strategy right now due to Danish legislation. Danish politicians are elected for 4 years and in the beginning of this they have to tell people what are their visions concerning physical planning. This year goal is to integrate the municipality plan for these four old municipalities (housing, infrastructure, open spaces, green spaces, squares, countryside, and coastal areas) which is very big issue for us. So we have to harmonise, compromise and coordinate the policies and ideas.

Aalborg is the biggest town in this region and is the headline of the strategy is: capital of North Jylland. Aalborg has an important role that it has to do something also for the rest of the cities.

We have to tell to the politicians how do we develop areas, and politicians should decide it.

We are doing kommuneplan ourselves, we don't use consultants.

Small former municipalities now are looking after us what we are going to do with spatial planning.

4. What is the number planners in the municipality? Is it more than municipalities had in total before?

There are 25-30 planners in total at Aalborg municipality. The number is not very high, municipalities with the size of 30 000 have usually about 5 planners. And planners are also from three smaller municipalities.

But in the political council, 10 out of 30 are from the smaller parts of new municipality.

5. Do you think municipality is working more efficiently than before?

I think so, but, it the one part of the coin, because, especially in social areas, these small municipalities had big problems supplying people with updated social solutions. We have much more possibilities and we can give that to them also. So, before they had to spend much more money for these services. The service delivery is improved there.

6. Is it more democratic? – meaning that there is better citizen control and improved participation?

Of course, if municipality gets bigger its harder to get to the mayor. But there has been formed a new committee – a committee of sustainability and health. One of heir duties is to work with different groups of people which is a democratic solution, working with elderly, youth, sport organisations. They take a lot of hearings and meetings and bring peoples voice to the municipality.

7. Is promoting economic development more effective? More equal development and less disparities in the area?

I think its too early to say, but the head of development has always been Aalborg. So the years to come, we have to develop conditions in different locations, how we can develop our businesses. We are trying to find out and consider what are the possibilities.

8. Are there a clear division of tasks between two-tier systems?

I think it too early to say, well the reginal planning is now managed by state. We don't now yet

is state easier to handle than counties. It could be a lot harder as well. There were 14 counties, they were able to manage different ways. It must be very hard for a minister to say one thing for one municipality and a different thing to another municipality.

2010 we have written all these things from regional plans to municipal plans, we don't have to ask state permission. After that time it would be easier to tell about the division of tasks.

9. How about community identity and values after reform?

In 1970s for example, we had another reform, where there was a big fight because of consolidation of Nørresundby and Aalborg. There still is, some older people think that they should not have amalgamated. So we have to go through the same history again. The Hals is now more Hals than it was before. They are very keen to look at what we are doing. Same in Nibe. So maybe after 10-20 years we can get the same level.

10. Do you think abolishing county level was a good idea? Was it a bureaucratized system? Is regional economic and spatial development now suffering?

There is still a region now, but this region does not have any competence, which counties had. So who is doing a regional development strategy now? There is nobody doing that, so these 11 municipalities in North Jutland are becoming one region and are thinking only about themselves. No one thinks about region – especially here, in North, which is far from Copenhagen. So the regional planning will suffer from this.

I think regional level will disappear.

Former counties had more power to spatial planning.

The planning law says that we have to negotiate with neighbour municipalities, about making regional strategy, but it does not state how it should develop.

New regional body has no competence and is making regional development plan, but nobody has to follow it, as it's not a part of planning system as the former regional plan was.

The earlier regional plan is administered by state now, and we have to follow that, until 2010.

So only municipality planning is remaining and state looking at them.

11. How do you deal with a big challenge – having additional county planning responsibilities?

In some cases we have problems. In the old county, they had 2-3 special experts, for example biologists, who knew all about the water and down there. It's hard to split out these people to the municipalities, so some get the knowledge which was before counties' responsibility. In Aalborg we are so big so no problem, but in smaller municipalities it might be a problem.

12. Do you feel that central government breezes to your neck? Having strong surveillance.

We had lately a meeting with state planning people in Århus and surprisingly they were very nice and positive. They said that we are going to hear your ideas, and not going to tell you what you should do. But you should come with good arguments also.

13. Do you have a “one door” for citizens who need municipality service?

Before this reform, we did not have the one door. But now we are trying to have the one door and many doors. In Aalborg, Nibe, Hals and Sejlflod we have citizen service office. Due to the technology - internet, they can locally fill out different forms and which are handled centrally.

We are going to use internet in the future a lot more. So that you could get a permission to build a new garage a lot easier.

14. Danish administrative model is combined between broad municipal and state level. Was it good choice?

Yes, but the big question, which does not concern spatial planning, is about health care, which is now administrated within regional level. So if the region is not getting money from state, they are not able to build up the hospitals. Regions are not responsible in the same way they were before.

15. What do you think about the cooperation with new regional unit? Do they have an important role?

So far it has been good. They are still very important in connection with health care. Municipalities are paying to the hospitals now. We are interested in well managed hospitals.

16. Do you think reform was conducted on practical reasons or was there a some pressure from outside the country, f. e EU policies?

I think there were no pressure; it was a idea of minister. There has not been a big discussion. 1970 s reform was considered for 10 years before, and then implemented. Now we can feel that the reform hasn't been fully thought trough. There should have been more time for thinking how to do it. The reform process was too fast.

17. Were geographical factors, as catchment areas or commuting patterns and infrastructure considered while process besides 30 000 requirement?

The borders of natural labour market are these borders. People are so connected with Aalborg.

18. Any conflicts or resistance to the restructuring?

No conflicts. There have been referendums in these small municipalities. We know that there are small parts of these municipalities who said no to consolidation, but majority did say yes.

19. Can you point out some other problems concerning the reform?

We have been working a long time to put together the goals to develop the municipality, consensus on political level – it took many years to get this, same way of thinking. This is starting again now, building the consensus. Planning process will be thinking how to distribute development to different parts of community.

Now some politicians are critical, coming from other part of municipality, thinking of the wellbeing of their own part not of the whole. The common picture of the whole municipality takes time – 10-15 years. It will give problems to planners, because we are rushing in to these.

20. If you could do something differently concerning the reform, what would it be? Which mistakes to avoid?

A longer process indeed is important.

21. Can you say spatial planning was a winner or a loser in the structural reform?

Looking from regional level, if this regional planning disappears, I think this reform is not what we expected, because the development of this region needs to be looked upon regional level.

They should have made 14 municipalities in Denmark as there were counties and with local departments. (Draws a figure of his idea of public sector levels)

22. Could you recommend analogical reform for example to Estonia?

No, I think you should look what we did in 1970s, which was well done reform. Everything was

well considered - process but also and managing it. Social-economic goals
Due to different ideas, the reform process was different.

Appendix 2. Interview with Kaare Hjorth

(5.12.07 in Herning)

Kaare Hjorth works at Herning Kommune as a planner.

1. Was there a great need for reform and new structures of territorial and administrative units in municipality? Does it have positive or negative general impact?

There wasn't a great need in Herning, but in relation to greater planning it was important that we took in some smaller municipalities, especially because planning hasn't been according to the law in those municipalities. Priority has been to do good thing and then the laws.

We are 4 municipalities in one now, Herning took 3 small municipalities and is located in the centre as the main town. General impact is good because planning gets better if there are more professional people doing it.

It is important that with making bigger municipalities, you have to create laws which regulate their work to ensure these are working properly.

2. Has spatial planning improved in new municipality and better or weaker? More professional planning offices? More simplified?

Yes, but we are still in the process of change now. People are figuring out what do these changes mean – a little bit confusion. I think planning in this Herning office hasn't changed, but planning in these small former municipalities has improved a lot, as some of their work is really bad.

Planning is not more simplified, but that's the whole structure. Planning is never going to be simple but planners are getting better because we are bigger now.

3. Do you think these are good spatial structures and new boundaries? Is it ideal size?

The structure of municipality is always connected to historical outlay.

4. Is it more democratic? – meaning that there is better citizen control and improved participation?

There is a bigger focus in the administration that we have to bring in people.

5. Is promoting economic development more effective? More equal development and less disparities in the area?

I don't think that structural reform affects where the development goes, because it is very much based on the market. Factories and companies should be located near the infrastructure. But in relation

with housing, we have now bigger possibility to plan to different areas as we have a bigger space to operate in. We are working with co2 neutral buildings and there is bigger possibility to point out one or two small villages in the whole municipality to build in as we have more room to do this kind of specialised planning. So I think we have a better work frame.

6. Are there a clear division of tasks between two-tier systems?

That has been a lot better because the interaction between the municipality and the state is only on administrative level. So there is no politics in between any more, to change planning decisions. From planning perspective its good because better plans are coming out of there.

7. How about community identity and values after reform?

That's the local people who are orientated to cities and that will not change. That's the way we live and work today and that's why you can see small villages die.

8. How do you deal with a big challenge – having additional county planning responsibilities?

That's a big job for us. I think all municipalities are still trying to find out what that means to us. It's a good thing but we have to find out how to administer it. Also the old region plan should be in the new municipal plan and that's also a big job.

From 2010 the state planning directives should be put to the municipal plan and hopefully we don't have the old regional plan any more.

Then the state administration will control us directly and yearly state plans which are strategical and giving us more room. Still there will be a state level who can veto our decisions. This is not political any more so I predict it to be more often now.

9. Do you think abolishing county level was a good idea? Was it bureaucratized system? Is regional economic and spatial development now suffering?

I am going to say yes, now we just have to now how to get it functioning properly. It seems more logic and the municipality controls itself. But I have to say that you still need a state level who keeps an eye on municipalities to avoid mistakes.

The other neighbouring municipalities have possibility to say no to the development in our municipality. So we have to negotiate also with them. I think bigger infrastructure projects are done on state level anyway. So there will be a clear cut between municipality and state level.

10. What is the number planners in the municipality? Is it more than municipalities had in total before?

We are 4 municipality planners, then 10 local planners, 2 city development planners and 3 leaders – 19 planners in total. Herning town is about 42000 inhabitants and municipality in total 86000. We are the 12 biggest municipality by population.

11. Can planning department in the municipality manage all responsibilities it has been given?

Yes, we have more local planner now because there is lot more work to do.

12. Is there a struggle in the different levels of governance (local – regional)?

It's an odd structure in my opinion, to make a development plan for the region. I think it might become a "hot air" they are doing. Its focused only Århus and the eastern part of the region. From our point of view its not made for region, but only for eastern part of it.

13. What do you think about the cooperation with new regional unit? Do they have an important

role? Do you feel that central government breezes to your neck?

It's a lot dialog now. I don't feel its breezing to the neck because it is on administrative level. As far it is working quite well, no big problems.

14. Do you feel the system is more decentralized?

In relation to planning I think it is. But I cant mention the other fields of governance. We have only one to talk to now, not both – state and regional any more. And the dialog is only on physical level, not on political level, not as much as it was.

15. Danish administrative model is combined between broad municipal and state level. Was it good choice?

I think it was probably the only choice you had.

16. Do you think reform was conducted on practical reasons or was there a some pressure from outside the country, f. e EU policies?

It was only inside our country who decided and there was no political pressure on it. The purpose was to save some money and to improve service delivery. But I think it takes 2-5 years before it is going to save because in the beginning it costs extra, it always will.

17. What do you think about the speed of the reform process? Slow, fast?

Fast process and we wanted that Ikast municipality become a part of our municipality but Ikast refused, it did not want to be the small one in the united municipality. It has been decided on local political level, state was not in this.

18. Were there performance or impact analyses conducted before reform in the area?

There were some discussions before the reform, especially in Troje Høje where some cities were orientated to Holstebro but on political level they wanted to be part of Herning, hoping better development through this.

19. Were geographical factors, as catchment areas or commuting patterns and infrastructure considered while process besides 30 000 requirement?

Yes there were but still the main decision was made on political level and I think there were no referendums in these areas.

20. Can you point out some other problems concerning the reform?

You should make sure you know what do you want to do in state level. In this municipality, we are trying to make a local plan as fast as possible for retail planning, but in state level, they are not ready yet. So we are making the municipality plan before they give us the guidelines. Which is quite risky.

21. Can you say spatial planning was a winner or a loser in the structural reform?

I think the planning is winner – political level is disappeared – the county level I mean. Fewer politicians involved in planning than better. Political planning is not always the best solution. The result is better planning. State must create a broader frame faster.

Appendix 3. Interview with Jüri Lass

(13.12.2007 in Tallinn)

Jüri Lass is a Head of Planning Department at Estonian Ministry of the Interior.

1. How do Estonian municipalities manage with physical planning, especially small ones?

Well, widely spread myth is that they can't manage, but actually, we have, with our department experts, visited all counties for now and also visited many municipalities. The aim of these visits was to get information about local planning circumstances, helping and discussing issues with local experts, if needed, and also to get some feedback for us.

I think that at least half, if not more, of our municipalities are really small municipalities and where there are only 2-3 detailed plans and about 10 building permissions per year, so they have more time to deal with planning and these municipalities are really carefully doing it.

So one can't say these municipalities are not doing well

Actually, there are fewer mistakes, especially fewer intended mistakes to compare with big towns. From another hand, the small size of municipalities is an advantage – as community identity and the power of community over planning issues are stronger. Third big advantage is community participation, meaning that it is very easy to get people participating in planning issues and through participation it is possible to start a continuous developing process in the municipality, not only to make a local plan. In this case there will be created a public control mechanism, so considering this, I don't think that the situation of small municipalities is very bad.

My opinion is that the biggest problems are in the big towns, where business, power and money are very intertwined with each other, where local government intentionally doesn't want to employ competent professionals. If we compare Helsinki and Tallinn, in Tallinn municipality we have about 20-30 planning specialists, in Helsinki there are more than 300. The problem is that there is no political will to improve the situation. It gives more power to the chairman. Big towns are anonymous and therefore citizens' influence to the processes is very weak. Well, now there are emerged some citizen groups in different districts in Tallinn and I am an active member of local citizen union in Pirita district. Some time ago, I went to the discussion of the District Local plan, where I wanted to give some creative and constructive contribution to the plan, I was said to be quiet and not to interfere because they are doing it like they want anyway. This was actually very surprising to hear. They explained the development that if we don't build in here, we will loose those rich taxpayers to the neighbouring municipality. They are planning about 5000 new residents to Pirita, but I think, it cant be done reducing the quality of the environment and other people. So, I think in big towns, the situation is worse, where there is a high press to construction, and where still is a banal understanding that development equals building, and the purpose of the town is to provide development, meaning building. One can't understand that the purpose of the town is primarily to create a liveable environment. They think that all developers suggest are the pieces to create that liveable environment. That's the problem we have now in bigger towns. And of course, the same problem is also in those municipalities, which are located close to these big towns, where building press is big. The results of Estonian Land reform has created a situation

that there are lot of landowners who today are not interested of being a landowner, somewhere in the countryside, and their first thought is to sell that land to the developers. So the building process is chaotic, according to who wants to sell land in different parts of municipality. It means municipality is running with developers, instead of steering those wishes to build.

So there are shortcomings in planning integrity?

Its yes and no, because, we have different municipalities, in some that's done very well steering the planning activities, for example Audru municipality, near town Parnu, where is big building press and where good mechanisms were created to control that. But we have some municipalities, near big towns, where they still don't have Municipal Plan where spatial planning is chaotic and the attitude to public participation is also negative there.

So that's true – local governments don't have competent planners! Especially small municipalities, who are also not co-operating with other municipalities to hire planning specialists together. Well, we have some examples, but few in Estonia, who co-operate hiring planners to the municipality.

But we are planning to create some mechanisms to ensure the competence in the municipalities through co-operation and recruiting new planning experts.

What's the problem in those municipalities, who haven't finished the Municipal Plan yet, is there a problem of resources or something else?

I think there are three common reasons. Firstly, in small municipalities, they think that they don't have any development and there is nothing to plan, they cant understand that they should plan even the stagnation, which is even more complicated than planning intensive development. I can point out a good Municipal Plan – pilot project in Pala municipality.

Secondly, there is no political will to do it, and they ask from themselves that why do we need it? also in bigger municipalities.

Thirdly, the strategic environment impact assessment process is starting to hinder the process. It has increased the costs. In this way like the assessment is done today, its foolishness. And even municipalities can understand that.

The impact assessment is used to control municipalities' decisions and it is a separate procedure with separate results. And environmental experts in the local Environmental unit have basically right to veto over municipalities decisions.

Are you familiar with Danish reform?

Yes, I know the process quite well and I know that Danish Ministry's Planning Department was steering it. Actually I think that it was done very well there, looking at spatial planning arguments. The biggest achievement was that they achieved public consensus that they do need this kind of reform. Actually, there is one thing I cant understand speaking about Danish reform – why they abolished regional planning. There are bigger parts of territory you need to plan together not by smaller municipalities.

I have read Danish National Plan 2018, which was very well done in my opinion.

There are done different concepts of administrative reform, 2001 and 2003, are these considered?

Well, there have been done several of concepts, but these all are more or less shed off, which were not very useful.

The only thing has happened is that government is stimulating the voluntary amalgamation with some financial support.

2. Do you think there is a need for greater degree of freedom in physical development?

No, local government has a final decision, what and where to build, which is according to the Constitution, Planning Act and Building Act and of course according to Charter of European Local

Governments. There is no institution who could veto local governments decision.

In Nordic countries, there is no such supervision of planning activities like it is done in Estonian county governments, last country who abolished it was Finland in 1999. Their planning culture is so developed that they don't need it any more.

The meaning of the supervision of planning activities is primarily helping the local governments.

Definitely the supervision is vital. Probably we have to abolish it too in the future, but so far that our planning culture is so thin, we need the supervision. For example to avoid pointless court arguments because through supervision, county governments can check the accordance to law and to solve different problems.

3. Is there a need for more professional planning offices in general?

Yes, definitely, there should be a planning unit in the local government. It is not normal that Tallinn is buying in the service of consultants to make their thematic, district or city plan. There should be a strong team employed at the municipality.

When I visited Tampere municipality first time, there were about 10 employees to make a Municipal Plan, it was surprising to see them working hard, in the situation where they had just finished a Municipal plan. So, making a Municipal Plan is a continuous process and municipality should do homework to avoid skidding behind the investors. Many municipalities grasp the idea of Municipal plan as an obligation and when its ready they think that they can put it on the wall for 10 years. This way of thinking is of course wrong. It is not just drawing a map, but first of all, it is a process.

In Finland, for example, municipalities deal with those planning issues which are not written in the planning law, but are making the process faster – like creating more precise building drafts in different town districts so that the future developers would get quickly conditions for building.

This kind of work should be also more common in our municipalities. Maybe one of the best of bigger towns in Estonia is Tartu, which has a stable and competent planning team.

4. What do you think of the idea of territorial reform – is there a need for that or not?

Actually, you can solve problems in various ways. My personal opinion, which is opposite to the general political one, is that today, the small local governments have more advantages than disadvantages. Well, the size of municipalities has been increasing in European democracies. But this consolidation process is going hand in hand with the process of democratization of public community. If the community has developed enough, then the consolidation can be carried out, but if Estonia in its current development phase is starting to amalgamate those small units, then it would decrease more public participation, inevitably if the power is more distant from citizens, they trust it less and participate less.

In Finland, there is a useful mechanism, actually it is written to the law, that if the municipality is bigger than 6000 inhabitants there must be an architect-planner. And in smaller municipalities, state is subsidising hiring a planner to work within 3-4 municipalities, so that the state is paying half of the planner's salary, which is called "Alule" system. About 70 % of small municipalities in Finland are using that. Financial resources are coming from the Ministry of Environment.

Something similar to this mechanism we are also considering right now. One of two: Creating small planning units to the Association of Local Authorities or subsidising hiring common planning specialists. It is still at the level of idea, there is no decision yet.

At the moment current Minister of Regional Affairs has an idea of taking development functions from county government, and only keep the state supervision. Developing functions are directed to the Associations of Local Authorities. Personally I don't agree with these ideas.

It means that we have to force all municipalities to be a member of Association of LA, which collides

with the constitution. At the moment, there are ongoing discussions and no political consensus is reached yet with this idea.

5. Can you point out some advantages on territorial reform?

My personal opinion, relying also to the experiences of different countries, is that we need more second level local authority than we need consolidation. Second level local government is common in European countries; our municipalities have tasks which in other countries in Europe are tasks of the second level local authorities, for example dealing with health care and educational issues.

For example, two municipalities close by are building new school buildings, and maybe after 5 years there are not enough children coming to school.

At the moment we are working with thematic plan called “Social infrastructure” in Estonia which should help to get a better picture of social networks. This plan should be validated in most counties by the following spring.

6. If two small and weak neighbouring municipalities will consolidate, can they still win from this?

I think that until a certain limit, a consolidation is vital. Such municipalities with population under 1000 inhabitants definitely can not survive. But the scheme of voluntary amalgamation is not working because those who benefit from that only amalgamate – meaning that two or three stronger municipalities will consolidate and no-one wants those weak municipalities.

We have done also a geographical analyses which considers also old parishes, natural and landscape barriers. We have found out that instead of 227 municipalities, Estonia should probably have about 130-140 reasonable sized local authorities.

So what would you suggest - voluntary or forced amalgamation?

Structural reform hasn't succeeded voluntarily anywhere at least I don't know such country. Well, it was “voluntary-forced” in Denmark, like it was in Sweden, where was a scheme created, who could and should consolidate, and in Sweden municipalities had a “test-marriage” period.

If voluntarily the scheme did not work by a certain deadline, still the state forced to consolidate in Denmark and Sweden.

7. How do you see the future of small municipalities?

I think it would be useful that we don't have very small municipalities with the population 500-1500 but this is the matter of political decision at the moment, and today there is absolutely no political will to do it. Politicians have “we are not working on administrative reform” attitude and they are afraid of these two words. Politicians are considering at the moment to make a small rearrangement in administrative structure, where they are planning to give more responsibilities to the Association of Municipalities.

One serious draft of administrative reform was made 7 years ago. The reform was failed largely because of the politicians, who were afraid to loose by consolidating two municipalities, where different parties were in power.

8. What do you think of the size of municipality and what would be the ideal population size for municipality? (2001 Strategy of reform in Estonia gives as a minimum limit 3500 inhabitants.)

It is not so relevant to speak about the population size of the municipality, than its territory. This territory should be so big, as it would be able to function as an integral community, which is important.

We have also those municipalities where there are different barriers inside one municipality, and this

kind of consolidation is not also very relevant.

9. Would it be a good idea to abolish county level?

In Denmark these regions were like offices of sector management. According to the law, in Sweden, there is regional planning, but in practice, it does not exist.

I agree with a saying from one Chinese classic that: “the colour of the cat is not important so long as it catches mice.” And if to look at the scheme Estonia had during the beginning of the independence and now, where county governments have continuously weakened, and they are losing their meaning. I think that the scheme we had in the beginning was a good one, the idea was that State administration is sectorial administration and county level is inter-sectorial administration, where all is gathered together which ensures balanced development; and in our situation, where we don't have a local government in county level, its an advantage that our counties have also a development responsibilities, including county planning – so state supervision and development activities are in one place, giving competence to each other and creating a synergy. Saying that county government does not have enough mandate to compose a development documents is nonsense, because these documents get the mandate only through consensus of all interested parties – meaning consensus between county, municipality and sectorial ministries. If there is no consensus, document could have a legal status, but it is still only a paper. And in situation that the document doesn't have a legal status but there is a consensus, then it is working well and steers a county development.

But how about the idea to consolidate counties to a bigger region?

Yes, there have been some debates about that too but I don't think that we should create 4-5 new counties, it is wrong because of the service accessibility would decrease. But I think we should seriously consider the borders of our historical counties. If to look at our Rapla, Põlva or Jõgeva County, then actually they are quite artificial counties. And that's why they don't have a good centre, which would work as an engine of development. And other County centres are taking away the power from the weaker counties.

One possibility would be also creating County Local Governments, which would be today's county or the historical borders of counties. State administrative management is another issue, sector functions that County Government is fulfilling, could be in 4-5 regions.

I think the best Concept of Public sector was made during 1997. The concept from 2001 wasn't so good because the idea was to split many existing municipalities.

Is the idea of abolishing county level possible by dividing its responsibilities to the state and municipality?

No, it's not possible by this way because there are several of things you can not arrange in the local level. There should be own administration for that job. It is inevitable, only the question is that weather is it State County Government or Local Government of the County or is it the Association of Local Governments, like it is in Finland, where there is also no Local Government of the County.

There are Lääni and Maakonta Liito in Finland, and ML is basically a common enterprise, and whose purpose is to compose strategies and county plans but also steering development projects.

10. Would it be possible to encourage the reform process in Estonia?

Today, most of the political parties have no political will for administrative reform, and I don't know why. In my opinion, it would become a serious obstacle to development in the future if we stay by those small municipalities and the importance of county government is decreasing – like environmental bureaus were transferred away to the state sector office. Most state sector offices are arranged now by big regional authorities, which are only in 4-5 bigger towns in Estonia. But if this trend continues in Estonia, I think it would be a great obstruction to the development.

Current politicians think that there should not be a development activities and surveillance in the same place in county government, so the development activities should be transferred to the Associations of Local Authorities. But I cant see the conflict here. Politician's attitude to the county governments has also resulted a staff turnover in county governments.

We don't have this kind of administrative unit which is capable to use bigger financial resources, for example: which are coming from European Union. Resources which would be possible to use for local development would be lost.

In the situation, where we have very small municipalities in the periphery and politicians want to cut down the tasks of county governments – whole Estonian development would be loose. Politicians should think about how to create a liveable environment in the whole country.

11. Would you like to draw attention to something in the end of the interview?

In my opinion, having a County Government in our current situation, is a great advantage, considering the practice of county planning, thanks to the counties we have an opportunity to give tasks from the Government without Parliaments participation. It enabled us to regulate effectively and have general County Plans and Thematic Plans. Some counties are making their own thematic plans for bicycle roads, waste management etc. Thanks to this, we have a better development framework and activities than for example in Latvia or Lithuania. It has been one of the engines of local development, and if there would not have been, the situation would be worse in local areas.

Appendix 4. Interview with Koit Kelder

(17.12.2007 in Keila)

Koit Kelder is a Head of Land, Building and Environmental Department at Keila municipality.

1. How do you manage with physical planning? How many people are dealing with planning? Is there a need for more professional planning offices? Can you manage doing Local plan yourself or are you using consultancies for doing it for you?

I think we can manage well, although, Municipal Plan is made by a consultancy firm. And to speak about our employees: we have one planning specialist, one infrastructure specialist and two land management specialists. Plus we have a special Planning Commission which is gathering almost every week. In my opinion, rules are well set at the municipality, what developers can and cant.

2. Can you fulfil all services in your municipality that Local Government Act gives you? Are some tasks fulfilled in an unsatisfactory way due to limited financial and administrative

capacity?

The problems are the same as in other municipalities – the social infrastructure has not been able to follow the population increase and development activities. We have many summerhouses in our municipality which are used also for permanent living. Schools, kindergartens – these are the big issues we have right now.

3. Do you contribute to inter-municipal cooperation?

Inasmuch as we are the members of Association of Local Authorities in Harju County and also the members of Estonian Local Authorities. And if necessary, with certain problem, we co-operate with neighbouring municipalities.

4. Do you think there is a need for greater degree of freedom in physical development?

I would say, what concerns spatial planning, local municipality has the say. The other issue is about the framework control between County and Local planning. Municipalities have enough power in spatial planning. I would not say we don't need the additional responsibilities.

There are problems with doing inter municipal plans, which may include infrastructure or gas pipe line projects. The resources for these plans we have to find from the municipal budget.

5. Is there a pressure at planning office?

No, there is no big pressure at the moment. Well, so far, there was a pressure from the housing development but our policies are quite strict concerning new developments.

General transport issues are quite sharp right now in Harju County.

6. What do you think of the idea of territorial reform – is there a need for that or not?

Why it hasn't been a LG initiative to consolidate?

Well, it doesn't create negative feelings for me. If the reform would be aforethought and logical, then why not, but the idea hasn't been deliberately considered so far. It has cyclically been on political agenda. We had a twin-municipality in Denmark, and they were concerned about the decision-making process in the future, after the reform.

7. Would it be useful to amalgamate with Keila town (9500), which is inside the municipality?

Its hard to say. Definitely there are some areas in which case it would be useful and cheaper, but today we don't have political will to change the current situation.

8. Can you point out some advantages on territorial reform?

In this municipality, we haven't debated much about the reform. It is known that Keila town is a centre with catchment area. Issues around education and social affairs would be improved. The main administrative building of our municipality is located in Keila town already now.

To speak about disadvantages, then I could mention general common one - the threat that less attention will go to peripheries. To speculate and look spatially, one less possible option would be to negotiate with Paldiski Municipality about amalgamation, but the logical amalgamation would be with town of Keila. So far there haven't been even debates among politicians.

9. Which would be the ideal process of reform- voluntary, forced amalgamation?

It should be done consistently, and I am afraid, it would not be possible by voluntary basis. Of course, municipalities opinions should be considered as well.

10. How do you see the future of small municipalities?

I would say we can manage. But there are several state level problems, which should be solved, as if the small municipality should manage the Gymnasium or is it states responsibility. Today the schemes of financing the education are not the best. In other words, there's not clear division of tasks.

11. What do you think of the role of governor and county government? Is there a struggle? Would it be a good idea to abolish county level, like Denmark did lately?

At the moment I can't point out any problems with the county Government. Our Municipal Plan was adopted in 2005. Before that, and during the process of making a plan, we had many issues to debate. But county government should be more active making cross-municipal thematic plans.

The idea of minister of Regional affairs is to give development responsibilities to the Associations of Local Authorities, but the membership there is voluntary for local governments in the county and there is no legal base created so far do to it.

12. Danish administrative model is combined between broad municipal and state level. Would it be possible solution in Estonia?

I think today, the central government does not ask local authorities opinion about that. There is no pressure for us so we haven't even thought about that and it seems it is not in the agenda at the current government as it was about half a year ago.

13. Do you afraid losing administrative jobs after reform?

If we speak about the whole municipality and amalgamating with the town, then the number of employees would not be reduced much.

14. Can you point out some other important issue speaking about reform?

Actually, these debates about reform are very cyclical, so we can't tell, do politicians have a serious pans to change something or not. Usually these discussions die away with the change in the political elite. New ministers always present their plans but municipalities can't take them seriously any more because nothing changes anyway.

The important role of local government is also maintaining the local life in small municipalities. It is worth keeping it. There is no point of keeping artificially big administration, but the limit is going from somewhere, not to destroy those values. Question is where to draw a line?

Appendix 5. Interview brief with Helle Witt

(25. 01.2008 in Aalborg)

Helle Witt works at Agency for Spatial and Environmental Planning in the Ministry of the Environment.

1. Was there a great need for reform and new structures of territorial and administrative units in Denmark from spatial planning perspective?

I think the main arguments came from the other sectors so the most important argument wasn't improving spatial planning. But still there were concerns also about planning, as there were many small municipalities before, some with only 5000 inhabitants and they had a very small technical division and capability. And if you look forward, it would be very difficult, for small municipalities to have the right skills to deal with regeneration and solve problems. Planners in Denmark are usually above the middle age and we don't educate so many planners and if we look to the future, there might be a shortage of professional planners. So municipalities would have a problem to find the right people. In the small municipality, there is usually one employee for doing many kind of tasks- local planning, roads etc so its very difficult. With bigger municipalities you have the possibilities to have different and broad competence and skills.

We had regional plans before, but the system was working well, so the argument wasn't that this system does not work any more and we should change it. Municipalities used to take care of towns and villages and regions open land and countryside. Of course, some municipalities thought that regional planning was too restrictive but it wasn't the argument to remove this level.

It was quite difficult to make the changes to the system, dividing the responsibilities to the municipal and national level.

There was done a lot of work by doing sector reports before reform – planning, transport, health care, education and every sector made a report about the problems of the existing system of 271 municipalities and in the longer perspective.

2. If I am looking at the process of the reform it seems quite smooth. What do you think about the speed of the reform process? Can Estonia learn from this process?

It was very fast, compact, structured and well planned process. There was a lot to work on in the ministry at that period. I think there are things you could learn from it. For example: It wasn't the state who said which municipalities should consolidate together. Local discussions began about who should consolidate – so municipalities did decide, which was clever. There was a possibility for those municipalities who did not want to consolidate; they had to have a partnership with other municipality. Municipalities saw that they get some advantages – new responsibilities so they had to do consolidate to get it.

But I have to say that it is a strange map because some of the municipalities are very big and some are small. For example in greater Copenhagen region the situation is unchanged.

There were several referendums, where they decided to join one or another municipality so that they divided the old municipality. I think it made more functional and cultural boundaries with this process. I am sure that within the next years there will be changes to these new boundaries as well.

3. Do you think that spatial planning in former small municipalities has improved? Do you think abolishing county level was a good idea?

I think it has, but the problem is how to solve problems which cross the borders of municipalities - how to protect the countryside, landscape, nature etc, which was all that regional plan did before. So the old county plans are the directives until 2010 until municipalities have managed to add these issues to the municipal plans. I think we miss county level for planning the head structures. We tried to solve the problem by dividing the responsibilities, most for municipal level and to state level. There are now more state sector plans and the importance of municipal plan increased.

4. Efficiency versus democracy. Is public participation now decreasing?

It was one of the issues during the debates, but there are special rules for participation in spatial planning and I don't think it will be worse. Municipalities develop new methods how to attract people to participate all the time and there is much focus on it.

5. What about the 20 000 requirement for municipality size?

If you look at all of those new responsibilities, maybe it would be better to have even bigger municipalities, if to think also to other sector responsibilities, to compensate the abolishing county level.

6. Could you point out some important issues concerning the reform? Some recommendations to Estonia?

I think that making the sector reports, analysing the situation and future would be a good idea for start. The steering of the process is also very important, making the schedule, structure, deadlines.

7. Can you say spatial planning was a winner or a loser in the structural reform?

I think both, but maybe it is too early to say. The new system should work well; the Ministry has secured the national interests and proper spatial planning. Everything has changed, a new ways for cooperation should be developed and everybody should get used to their new work.

8. How about the identity after the reform?

I think the identity and culture will change in time.

