

*Original Paper*

## Improving Local Government Efficiency, Systems and Approaches: A Global Review

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Received: August 27, 2018      Accepted: September 14, 2018      Online Published: November 9, 2018

doi:10.22158/wjssr.v5n4p305

URL: <http://dx.doi.org/10.22158/wjssr.v5n4p305>

### **Abstract**

*There is a quite huge body of existing literature both in form of theoretical and empirical evidence on local government administrative efficiency and fiscal sustainability in various studies, discussions and presentations. This literature review is based on the extensive data available on the varied alternative systems strengthening the local government governance, and the theoretical analysis. This paper is concerned with a question of the several systems presented, which is the best in enhancing the functional productivity and economic support of provincial Governments. Therefore, this paper seeks to evaluate the arguments advanced by proponents of decentralization, devolution, consolidations, mergers, cooperate arrangements or shared service arrangements. The analysis used the thematic reviews of literature that are organized around a topic or issue related to alternative systems of local government in 4 main parts; first describing local government structure and case for decentralization; second part for the case of other alternative models; third approaches to other alternatives, fourth new local government framework and fifth the summary and conclusion of the review.*

### **Keywords**

*local government, decentralization, consolidation, shared services and efficiency*

## 1. Local Governments Systems

Most national governments have structural reforms, they create local governments that comprise of a large number of small authorities in form of states, provincial units, districts, local councils, municipal units and others basically to attain administrative efficiency and fiscal management of local governments. This is echoed by Feld, Kirchgässner, and Schaltegger (2011) that these rehabilitations have involved metropolitan amalgamations, exceptional community collaborations, refined government resolution structures, and the inauguration of contemporary public management processes.

Linder (1999) argued that, Intermunicipal cooperation and metropolitan amalgamations improve financial power and cost-effectiveness, yet also they usher to incapacitate the representative lawfulness at the local level. However, many contend that the local governments are authorized and tasked to perform a number of functions as highlighted by Steiner (2003) to include the core tasks such as teaching throughout the mandatory period of education, the societal and medical care structures, public utilities and solid waste management, building and construction, municipal law enforcement, the permitting of rights that belong to an individual by the virtue of citizenship and inner institution of the secular sovereignty, monetary matters and district management. This is further mentioned by Dollery and Johnson (2005) that there are significant distinctions in the arrangement of authority allocated to municipal counties in various Nations and regional management structures differ extremely in titles of management composition, political party, policy making, legislative, administrative values, and the forces in motion underneath of center and municipal relationships.

In addition, Dollery and Akimov (2008) noticed that, in contrast, some municipal councils deliver a compound arrangement of goods and services, i.e., teaching, medical care and societal facilities like housing, especially in the developed background, other local structures, especially in Australia and New Zealand, center considerably on extra barely “right to possess property”, i.e., roads, sewage and water. While local governments have much in common, it is their diversity that challenges universal prescriptions. Success often depends on how central governments manage to act systematically and comprehensively while still dealing with the unique situation of individual local governments (Martin, Mayer, & Mayneris, 2011).

For example in (Dollery, Grant, & Akimov, 2010) quoting Johnson in his remarks that, “majority of advancing and intermediate nations of Eastern and Middle Europe and the previous Soviet Union, with extensively diverse partisan alignments and financial centers, are trying out with local government system of administration”. Lastly, important reallocations of official power to municipal councils have been undertaken in states as assorted as Chile (Letelier & Sáez, 2006), South Africa (Heymans, 2006), Indonesia (Eckardt & Shah, 2006) and as under developed as Uganda (Lubanga, 1996).

Additionally, the deliberation of well-organized provincial resources (services) delivery and independent “local feeling”, it is significant to acknowledge that devolution must similarly be viewed along as a

transparent glass of a wider partisan or politics and economics standpoint. By way of illustration, Bennett (1990) perceived that devolution is “a theory which is most important to set off a fundamental transformation in statutory, economic, and other arrangements in numerous states”. He further recognized three major meanings connected to devolution: (a) a change in tasks at the lower level from central supervision to administrative district structures of state (i.e., Government, provincial and county); (b) a change from State to non-government domains of power; and (c) “a combination of State improvement and forces of demand and supply motivation is desired in the arrangement to arouse “societal interactions to facilitate an exchange in the developments”. Nevertheless, it is obvious that he discovers no room for a clear ecological measurement of devolution. To end with, Oates (1972) has two well-known devolution propositions confirmed overwhelmingly that, the well-organized service delivery through governments necessitates a selection of logical choice among all available options to be completed by the forces of State “nearer” to the societies who utilize the facilities, on condition that the nature of space dissimilarity is in flavor and preference happens.

## **2. Basis for Alternatives of Local Governance**

The need for financial sustainability and improved operational efficiency of local governments coupled with political, social and economic changes have raised an appetite to adapt the best alternative methods of service delivery of local governments. Societal and financial fluctuations (i.e., petitions by the people for improved quality and a financial collapse at the start of the 1990s have resulted into a condition in which, firstly, the responsibilities of the local power have developed additional difficulties and secondly the economic capital is deteriorating at the matching neck to neck (Steiner, 2003).

To this in effect, a lot of academic work has emerged on various optional representations of district governance accustomed to meet the varied circumstances, and most of the architects of these models labored to provide supporting rationale. State regimes frequently trust that productivity can be enhanced through merging current district constituents into sizeable provincial establishments. For example Sorensen (2006) argues that bigger establishments can utilize economies of scale and scope; because they have a more resilient financial foundation and higher maximum power to deal with additional or extra responsibilities yet the small units are “unviable” to deal with key demands because they lack maximum power to deliver many expert public services, this argument was supported by (Dollery & Akimov, 2008; Dollery & Crase, 2004).

Furthermore, for example in (Dollery, 2008), economies of scale in local infrastructure plan, result into improved negotiable authority; lower costs of delivery; choose the best alternative, and avails specialist data on procurement and scheme provision thus cost reduction. The improved bargaining and buying power, increases on the efficiencies at every level of the scheme.

However, this argument of improved economies of scale is not without certain amount of criticism even

among its ardent supporters like Dollery and Fleming (2006), that in general, employment concentrated, client-positioned services, such as community rangers, health inspectors, etc., make insufficient scale economies since they are individualistic natural world. This explains the fact that the higher the demand for the services, the more likely there will be an increment in number of employees. In contrast, “businesses that require a large sum of money (capital-intensive), like solid waste management, sewage disposal and domestic water supply, typically produce important economies of scale, because same cost of fixed assets can be used to serve a bigger number of residents. Similarly, changes in the structure of local government create externalities. For example, supposing one division rejects to amalgamate with the adjacent division. This affects cost efficiency of both divisions (economies of scale), and service delivery owing to absence of “financial equality” (Olson, 1969), and may result into reduction in tax rivalry leading to higher taxes in all divisions. Even worse, “scale diseconomies can arise when expansion of the border of a division makes it more problematic to be able to accomplish its activities”. Besides, “supervision difficulties naturally multiply when merger disrupts, the close relations amongst small divisions and their residents” (Dollery, 2008).

Alongside this, they also highlighted the reason for Economies of scope, and referred to them as, financial rewards that come from delivering a comprehensive variety of goods and facilities (services) in a same business, i.e., a local government. Specifically, economies of scope emerge once the charge of making an assumed number of facilities in the same institution is lesser than the charge of those facilities made by many of expert institutions. In addition, the provincial council’s ability is another disagreement occasionally put forward in the Australian deliberation on mergers, i.e., bigger assemblies have a tendency to own better ranks of managerial and other knowledge, in portion owing to the circumstance that the scope licenses the implementation of expert services that cannot be got easily by small scope districts (Dollery, 2008).

Sorensen (2006) also came in support of this, with dispensing of a portion of federal tax revenue to central and local governments to assist in meeting their statutory needs, meaning that electorates and local managers in a district have to balance the available funds and what is anticipated from the combined districts. Principally, if a district has a greater rank of returns hence a possible collaborator, it will relax to amalgamate. The measure of the amount of money that is being earned per individual in a certain district and the damage would be higher if big-revenue districts with few voters amalgamates with a small-revenue district which has a bigger populace. Additionally, developments in producing optimum results for the expenditure (economical) are the main reasons for amalgamations. Ability to do work well and produce good results (efficiency advancement) can be great, but should be below the predictable return damage for some districts. In that, inappropriately explained resource usage and ownership (property rights) will weaken motivations to amalgamate.

### *2.1 Approaches to Alternative Systems*

This theoretical analysis of the literature review concerned with the alternative systems of local government identified three approaches used in determining the systems. These include; forced structural reforms, voluntary approach and binding alliances. As much as all studies centred largely on financial sustainability for local governments and diverse techniques of raising the functional efficiency of provincial governments, without exclusion, all contributors agreed that constitutional transformation in appearance of involuntary mergers had failed to meet the expectations. For example, the presence of constructive and obstructive consequence of an economic activity that is experienced by unrelated third parties, does not automatically suggest that a powerful state must force a provincial arrangements (Inman & Rubinfeld, 1994). Backing the Coase-theorem (Coase, 1960), if resource usage and ownership (property rights) are effectively explained and implementable, and expenses incurred when buying or selling securities would be little, devolution understanding will guide to a most favorable district, provincial or county arrangements. Dollery (2008) also maintained that local governments are reluctant to amalgamate owing to absence of an interpreted and explained resource usage, ownership (property rights), and that National government is powerless on contributing an acceptable dedication. Consequently, the anticipation for optional amalgamation are hence slender (Dixit & Londregan, 1996). In response to this, the study (Sørensen, 2006) indicated that in 1995, the categorization nominated in contradiction of compulsory amalgamations, and existing strategy strives to use financial inducements to encourage optional amalgamations. Upcoming states have repeated the song for a rearrangement of provincial supervision, and the statute has lately remained re-examined to bring momentum into operation, to a limited extent, less has occurred. The uncomplicated request of the Crase-theorem suggests one clarification: resource usage and ownership (property rights) are not satisfactorily described, promises are not trustworthy and agreements are not obedient. Furthermore, it must be stressed that these remaining balance after spending less money than was planned does not take into description of the costs that are not directly accountable to cost purpose of involuntary merger, i.e., the surge redundancy, lesser financial action and a damage of resource, which many times at short interval impedes the actual presence of lesser societies (Dollery & Crase, 2004)

Furthermore, Rausch (2012) indicated that the central government reviewed the exceptional Law on Municipal amalgamation in 1995 to provide for a period of voluntary mergers that were to be completed by March 2005 and as the period came to a close the mergers were finalized and the legal adjustments completed, the total number of municipalities throughout Japan lessened from 3,229 in 1999 to 1,788 by 2008.

### 3. Models/Theories to Justify Integration

An ordinary disagreement progressed by supporters of Australian indigenous council consolidation projects is that “sizeable is economical” required among other things is the existing considerable and proportionate saving in costs gained by an increased level of production (economies of scale) in local committee resource delivery through compulsory amalgamation operation. A familiar conclusion that “sizeable is economical” devolution has support from below by laying a solid foundation to all these formational and technical alteration project, built mainly on the reputed proposal that sizeable scale economies happened in indigenous council resource delivery (Dollery, Byrnes, & Crase, 2008).

Public Choice Considerations is also put into account as it occasionally declared on premise of public choice theory that considerable complexity is elaborate in supervising bigger districts. People who are liable to pay rates, i.e., the electorates, cannot simply obtain the essential material to judge which councils are delivering “well worth the money spent on it”. On the contrary, smaller councils have repeatedly reduced multiplex processes with a better standard of clearness and therefore additional responsiveness to investigation by consumers of public utility. Besides, people who are liable to pay rates are very probable to individual interaction with voted members of the council. If smaller districts are really a theme to nearer and further knowledgeable exploration, then it can be projected formerly that they might encounter a lot of community force to provide indigenous public resources and goods more effectively (Bailey, 1999; Boyne, 1998).

A foundation from the public choice theory is in favour of smaller units of government to deliver services effectively, and it was also discussed by (Tiebout, 1956) who argued that greater fragmentation of government into smaller units increases competitive pressure. Instead, it makes sense to propose that competitively contracting out of corporate services directly to a private sector provider will yield a progressive effect on performance, as a competitive setting energies mean greater efficiency (Savas, 2000).

In the same line, Steiner (2003) used the performance capability of a municipality argument to say that, it might be conclusive regardless inter municipal cooperation and municipal amalgamations are executed to solve local problems. He further noted that it can be anticipated that districts which display extremely incapacitated production data will choose Inter municipal Cooperation and metropolitan amalgamation. Unique to someone to express a disaster proposition: the preliminary argument is a government structure that is essentially aggressive to transformation. The methods respond merely after there is no additional alternative, due to their arrangements, they are not in a setting to accomplish the accrued responsibilities. This guides the hypothesis that merely the greatest acute influences can be a source of local governments to collaborate with new municipalities. Norgaard expresses the “discrepancy in forces that produce change” and the “outside disturbances and ecological forces” that cause change (Norgaard, 1996). Numerous pointers can tip to an incapacitated production potential: a big amount of arrears, overdrawn

accounts and difficulties connected to assignment actuality.

This proposition could be compared to an opposite proposition: a working method. If improvements are contemplated to solve challenges-explaining policies, we can conclude that they are executed especially in those conditions in which they are required to supply, as an evaluation of unquestionable societal and governmental capital are obtainable (Wagschal, 1999). Inside the territory of these perspectives, the governmental players (“government operatives”, organizations to gain power) are assigned a vital part. An authoritative, continuous organisation encourages transformations; governmental action in situations which further action is blocked to stop them. Norgaard expresses at this point “deliberate players” (Norgaard, 1996).

A development positioned amidst the two utmost propositions would be the conditional method, i.e., transformations cannot be conditioned to obtain procedures that have been deliberate. Uncertain occasions that start a group of similar people to arise and contribute to reorganizations, which are attainable to cause social change at the local level.

The initiation sometimes is called the “set off occasions”, for example, complimentary workforce groups. An extended period of service by the accountable individuals in their particular workplaces can guide to additional fundamental ups and downs than a frequent onward scrabble, subsequently “age groups” can be bounced and the development through which persons obtain the information, social skills, and worth to follow to the standards and the responsibilities required for incorporation into the society of a descendant may be less widely guaranteed (Steiner, 2003).

### *3.1 Alternatives of Local Government Service Delivery Methods*

This analysis also contemplated possible techniques of raising to more desirable working productivity of municipal councils. For example, Steiner (2003) maintains that in order to be able to answer the contemporary provocation, diverse indigenous establishments have established rehabilitated schemes in the previous local movements, few and far between years. These transformations comprise of the escalation of joint provision of public services between municipalities (inter municipal cooperation, IMC) and metropolitan amalgamations.

The joint provision of public services between municipalities should be agreed upon by all parties as the satisfaction of a community municipal duty by a single district, two or additional districts together or by another outsourced entity, in accordance with the duty satisfaction concurrently distributes not less than two metropolises and the engaging metropolises to join straight or incidentally (Arn, 1994). The provisions differ from a lawfully no binding force interchange of belief to a lawfully organized collaboration, or a collaboration mandated by superior order of government (Friederich, 1997).

It is further noted that substitute representations to mergers, mainly regional organization councils (Marshall, Dollery, & Witherby, 2003) and effective municipal councils (Dollery & Johnson, 2005), ought be investigated to supplement the suggested merger order of events. In exceptional, regional

organizing councils, constructed on optional positioning, may not only apprehend any advantages that can proceed from the linkage of service provision and arrangement of smooth operations, as effectively as encouraging the inner being of collaboration among very near municipalities, but as well keep away from the unavoidable resentment and cost of mandatory merger.

In addition, this review identified that a shared service delivery system bears certain characteristics; (Dollery, 2008) reflecting on the Queensland Local Government Association (LGAQ)—Classification Systems and Profession Agreements of 2007 position away its capital divide and shared service alignment where they identified five dissimilar shared service agendas; Compensation cover to Local Government entities in Queensland, Local government collective control and management of lawful accountability exposures, municipal capital works on service provision, buying local, and the Queensland cooperation Category. Steiner (2003) asserted also that when a municipal amalgamation happens, one or additional cities come to an end of existence. The required characteristic of an amalgamation is the total submission of self-government (autonomy) by one or diverse municipalities. All the metropolitan assignment are satisfied by the recent district.

### *3.2 Mergers/Association's Outcome*

On the evaluation of different alternative models' performance and outcomes, the analysis noted a number of successes and advantages as well as problems associated with any of the systems. It was noted in (Dollery et al., 2008) for instance that the Local Government workcare prior to its establishment in 1998, the average worker's money in exchange for goods or services ratio compensated by Queensland councils was 3.64 per cent of wages (LGAQ, 2007) but the average rate charged for the financial year 2006-2007 was 1.65%. Total estimated wages in 2006-2007 for workcare representative was \$1,031,282,274. The Local government workcare agenda consequently perceived standard protest costs and protest time span drop seriously beneath strategy broad midpoints.

They further indicate during same period of time, municipal capital workers in charge of service provision delivered amenities to about forty local councils, whether independently, or as share of territorial forecast, for example the provision of a system of sewers and waste water treatment plant, the delivery of cultural and tourism facilities, Central Business District capital establishment, and the rehabilitate of local airstrips. The entire assessment of the forecast addressed until now it totals to a very large indefinite number of dollars, i.e., a \$90 million South East Queensland water project, reality attempted by eighteen South East Queensland indigenous committees and the State Government. In reference, after a comprehensive analysis of proof on shared services in English local government, Tomkinson (2007) noticed that a "union of councils running jointly to provide great amounts of procurement opening" can generate "a proportionate saving in costs gained by an increased level of production (economies of scale) by pursuing additional long-lasting and well-made alliance to bigger providers".



Similarly, (Dollery & Akimov, 2008), the committee asserted that advantage of council merging were comprised of four parts: a proportionate saving in costs gained by an increased level of production (Economies of scale); additional well-organized municipal capital works service provision; extra proficient workforce; and better monetary authority and principles of application. In support of this, Steiner (2003) echoed with amalgamation, the complementary adaptation of supply to demand can be well controlled. Moreover, there are assignments, i.e., in a community of different modes used for movement, they extend beyond the customary limitations of a district. Further dominance of IMC, is that, it refrain from a replication of amenities. To sum up, the belief is that, the sooner local councils execute their responsibility more effectively the nearer the supporters of services and prompt payers are compatible, e.g., the handful the “overflow” or be forced out of the service area (Frey, 1997; De Spindler, 1998)

For Steiner (2003), patronage of a municipal amalgamation, it is argued that quality of production strengthens since bigger municipalities can provide amenities that to a certain extent surpass the production limitation of the formerly lesser and smaller districts. Besides, the achievement of duty suits additional experts. Amalgamation reduces costs since smaller municipalities could best use revenue to balance. Previous to the amalgamation, i.e., almost all the necessary positions were overfilled by personnel who were redundant. For popular explanations, supplementary disagreement for merging were given by Dafflon (1998) from then until now, smaller municipalities are inclined to face trouble stuffing their government offices, the likelihood for interviewing and evaluating were enhanced. Additionally, the quality of the positions was increased. Suppose that bigger municipalities have additional experts’ coached employees at their allocation then they would have extra productive and well organized sideways of potential resolution making, and amalgamated municipalities would normally modify their quality of production to the degree of the municipality prior to the elevated quality.

On the other hand, the analysis has not been one sided in terms of the outcomes of alternative forms hence the presentation of negative consequences of mergers. For example in his functioning proposition—that IMC and amalgamation are predominantly universal in lesser or small municipalities, (Steiner, 2003) is not causing controversy. Consequently, different writers assert that in adding to a proportionate saving in costs gained by an increased level of production (“economies of scale”), there is also an “increase in marginal cost when output is increased (“diseconomies of scale”). As a regulation, no cutting on employees happens subsequent to a merger (Ruff, 1984), and a proportionate saving in costs gained by an increased level of production (economies of scale) occur—at finest—in the practical amenities (Hermann, 1999). Further, workforce costs are greater in bigger cities than in small ones since the workforce carry bigger accountability or liability and respectively greater pay.

Aimed at popular explanations, a disagreement opposed to amalgamation is furnished: the governmental involvement of the public is larger in lesser or small municipalities than in bigger ones, and also the

affection of being owned by (Linder, 1999) echoing the consequence proposition: IMC and municipal amalgamation reinforce financial success and productivity, but they pilot to an incapacitated representative legalization or group action (Steiner, 2003).

### *3.3 Factors Affecting the Success*

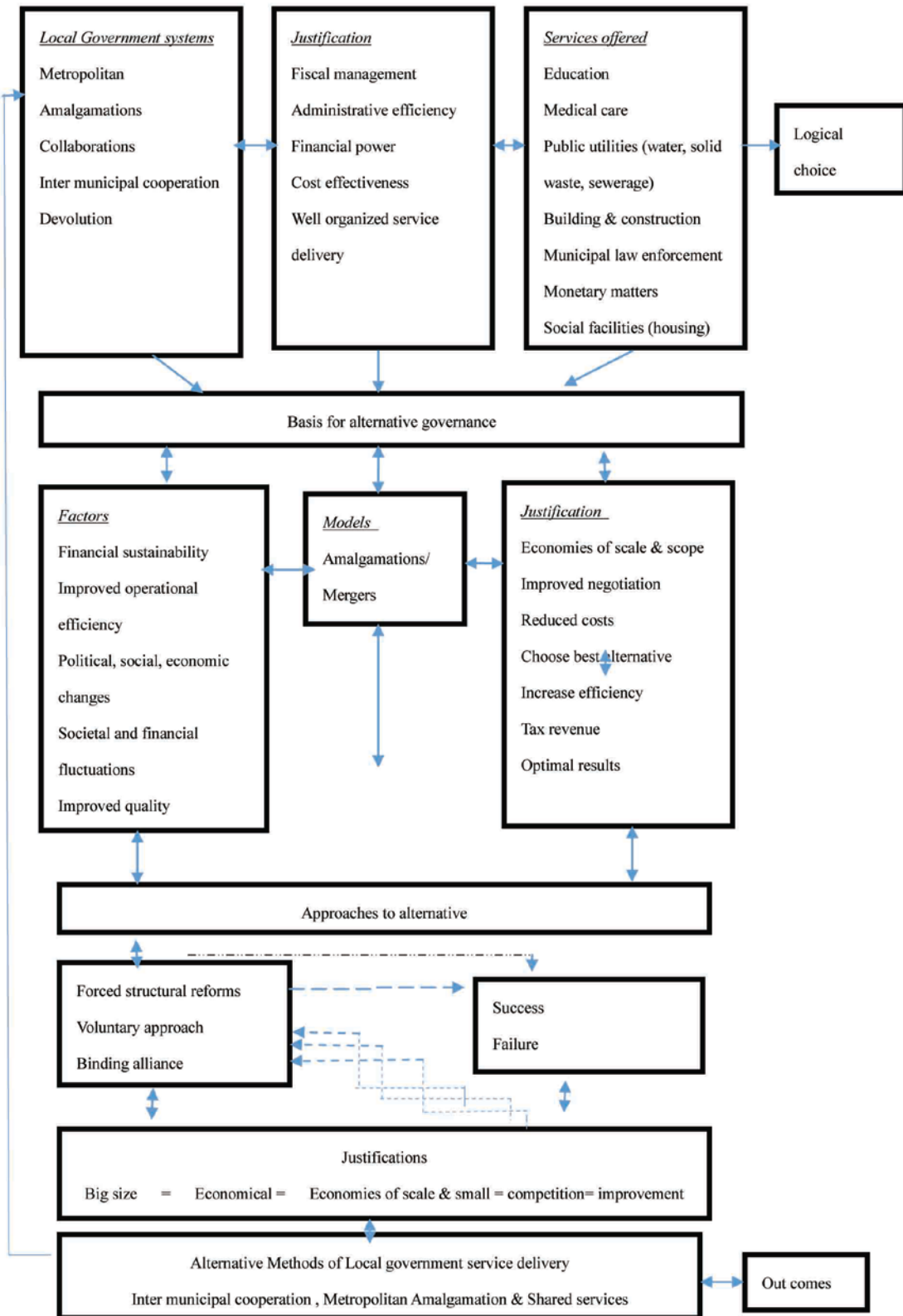
Amidst additional likelihood, constitutional amendments drop underneath the highlight. Generally, nearly worldwide agreement was outstretched that obligatory council amalgamations failed to meet their prediction and the supplementary categories of constitutional rehabilitation provided higher financial reaps (Dollery, Wallis, & Crase, 2007). By distinction, shared service positioning were appreciated as contributing to a significant guarantee. In his submission, Sørensen (2006) indicated a sequence of governmental economics and administration representations have a direct governmental and financial attraction to smash up and amalgamate. A lot of this speculation is instinctive (Alesina & Spolaore, 1997; Bolton, Roland, & Spolaore, 1996). Districts additionally have a potential to integrate when amalgamation yields considerable productive achievement, similar revenue strength, and once electorates in the linked constituents take comparable governmental inclinations.

Providence of metropolitan and Instinctive Borderline was another success factor highlighted in (Dollery & Crase, 2004) basing on an original allegedly-financial disagreement forwarded in the available New South Wales discussion on municipal merger relaxes on the hypothesis that financial, ecological and additional mostly unnamed benefits flow from an arrangement of district, municipal, county, cities and local government borderline with instinctive borders.

Different scholars including Brunckhorst and others (Brunckhorst, Coop, & Reeve, 2004) outlined three “theories” for “sketching borderlines that unbeatably mirror the societal purpose of provincial populations also the environmental purposes of the country side land”. To begin with, “the district ought to detain the location, i.e., the communal investment, the country side region that is of considerable scrutiny to the province, district, county or indigenous inhabitants”. Furthermore, “the district exploits and detains the highest resemblances of ecological countryside, which mirrors solid ground, utilizes, coordination of environmental capital, water supply, etc.”. Ultimately, legal power borders stressed on these reasons need to have potential of “actuality proportionate increase and proportionate reduction for amalgamation and additional types of service provision and administration”.

## **4. Framework for Local Government Systems**

The framework shows for a typical local government systems, with justifications for choices taken by different countries, services offered, factors advanced for alternation from one system to another, the common model applied, alternative approaches and the current proposed alternative.



**Figure 1. Framework for Local Government Systems**

## 5. Concluded Remarks

Intermunicipal cooperation and metropolitan amalgamations improve financial power and cost-effectiveness, yet also they usher to incapacitate the representative lawfulness at the local level. There are significant distinctions in the arrangement of authority allocated to municipal counties in various Nations and regional management structures differ extremely in titles of management composition, political party, policy making, legislative, administrative values, and the forces in motion underneath of center and municipal relationships.

In spite of their distinction, municipals provide a number of services that differ from country to country although majority focus on the core services that include the core tasks such as teaching throughout the mandatory period of education, the societal and medical care structures, public utilities and solid waste management, building and construction, municipal law enforcement, the permitting of rights that belong to an individual by the virtue of citizenship and inner institution of the secular sovereignty, monetary matters and district management. Success of any Local government often depends on how central governments manage to act systematically and comprehensively while still dealing with the unique situation of individual local governments.

There are various reasons for different alternatives of local government structures and services include Societal and financial fluctuations. Big is better because bigger establishments can utilize economies of scale and scope; because they have a more resilient financial foundation and higher maximum power to deal with additional or extra responsibilities yet the small units are “unviable” to deal with key demands because they lack maximum power to deliver many expert public services.

Different local governments offer different services given the nature, structure, finances and services that require a large sum of money (capital-intensive), like solid waste management, sewage disposal and domestic water supply, typically produce important economies of scale, because same cost of fixed assets can be used to serve a bigger number of residents. Similarly, changes in the structure of local government create externalities. Local governments should be mindful of the “scale diseconomies can arise when expansion of the border of a division makes it more problematic to be able to accomplish its activities”. Hence expert services cannot be got easily by small scope districts and this argument is based on economies of scale.

The developments in producing optimum results for the expenditure (economical) are the main reasons for amalgamations. Ability to do work well and produce good results (efficiency advancement) can be great, but should be below the predictable return damage for some districts. In that, inappropriately explained resource usage and ownership (property rights) will weaken motivations to amalgamate.

Therefore, the current developments in field of study are collaborative methodologies to solving political, social and economic problems to improve service delivery throughout the world. Nevertheless, taking into consideration the scarce experimental works on shared services, thoughtfulness must be

applied when choosing of districts purposely chosen for shared service provision, with a significance on “back office” undertakings and procurement selection. Well-judged local government strategy producers must accordingly uninterrupted continue with their awareness to various approaches of increasing economic level of balance in Ugandan local government.

Lastly, since there is no methodological associations that exist among size and financial productivity in local government, determined councils ought to be chosen for reorganization on the foundation of the present production reasonably than present size. Placed separately, successful small municipalities ought to be left undamaged and incompetent lesser (smaller) councils recognized and then be combined (amalgamated).

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