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UNCOUPLING INTER-MUNICIPAL COOPERATION CAPACITY: LITHUANIAN MUNICIPALITIES' EFFORTS TO SUSTAIN SERVICES PROVISION

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ABSTRACT

Despite the absence of the long-term tradition of inter-municipal cooperation in Lithuania, the country represents a compelling case of cooperative solutions which are mostly focused on public services delivery design imposed by the central government. The article provides theoretical and empirical insights on the inter-municipal cooperative capacities and their scope in the case of Lithuania, with reference to the size of the municipality. The results reveal that the large size municipalities are more likely to benefit from collaborative arrangements in comparison to small size municipalities which have less institutional ability for collaboration. In this respect, the external influences imposed by the central authorities' agenda on implementing economy of scale principles and strong municipal service delivery regulations is extremely important for understanding the municipal efforts for collaboration.

KEYWORDS

Inter-municipal cooperation, service provision, size of municipalities, local governance

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INTRODUCTION

There is much evidence that inter-municipal cooperation is a prevalent phenomenon in European countries.¹ Cooperation as a coordination mechanism is not a new approach in countries with fragmented administrative territorial units and tendencies for amalgamations. In small countries with a single-tier local government system, a number of factors that limits municipal cooperation, including institutional framework, legal constraints, and administrative culture, are essential. The scope, motivations, and side-effects of inter-municipal cooperation have hardly been a subject in small-size countries like Lithuania, where the research is underdeveloped. A few exceptions of national research on sector-related public services problems and municipal services privatization options are available to grasp the issue of inter-municipal cooperation.² The main results reveal the complexity of public services delivery, applying different services implementation models in Lithuanian municipalities.

Lithuania could be ascribed to the group of countries with a limited practice of inter-municipal cooperation. The specificity of self-governance administrative system and strong tendencies in centralized service provision within only a few sporadic institutionalized networks for inter-municipal cooperation in municipal service provision are characteristic for Lithuania as an example of a single-tier self-government structure. From the historical perspective, there have been only limited cases in service delivery which involved neighbouring municipalities. On the other side, the legal framework and characteristics of the administrative system also play an important role as the determinants for cooperation. Despite the differences in size, all municipalities have the same responsibilities, institutional structure, and competences. Institutional relations between Lithuanian municipalities and central government institutions are characterized by continuous tensions followed by political initiatives for an even more extensive scope of centralization and territorial consolidation. The low level of financial autonomy of municipalities and limited discretion in delivering public services contradicts the objectives of local self-

¹ Rudie Hulst and Andre Van Montfort, "Inter-municipal cooperation: A widespread phenomenon"; in: Rudie Hulst and Andre Van Montfort, eds., *Inter-Municipal Cooperation in Europe* (Netherlands: Springer, 2007).

² Remigijus Civinskas and Jaroslav Dvorak, "Viešųjų paslaugų teikimo centrų steigimo galimybės Lietuvoje" (The Opportunities of Establishment the Public Services Centers in Lithuania), *Tiltai* 57(4) (2011); Agota Raišienė, "Tarporganizacinės sąveikos turinys Lietuvos vietos savivaldos praktikų požiūriu" (Inter-organizational Relations in Lithuanian Self-governance Practice), *Jurisprudencija* 106(4) (2008); Marius Urvikis, *Vietos savivaldos institucijų organizuojamų viešųjų paslaugų sistemos tobulinimas* (Improvement of the System of Public Services Organized by Local Self-government Institutions), Doctoral dissertation (Vilnius: Mykolas Romeris university, 2016), 78-83.

government and the promotion of local democracy processes.³ During the last decade, municipalities have been fronting strong challenges to cope with economic and demographic changes, limited political and financial autonomy, tight budgets and debt constraints. The municipalities try to find solutions for a more efficient way to deliver municipal services.

This article aims to provide insights about the inter-municipal cooperative capacities and scope in Lithuania. We focus on the inter-municipal cooperation drivers, motives, and variety of stakeholders involved in cooperative arrangements in different size municipalities. We concentrate on the questions, what are the main motives and drivers for inter-municipal cooperation from multiple local governance actors and other stakeholders, how the rationality of municipal governance capacity is understood, and which resources for using inter-municipal cooperation capacity are shared in different size municipalities. Our first theoretical argument is partly based on a network approach, which refers to the governance idea as a polycentric system, in contrast to the monocentric system of government regulation and the multicentric system of competitive market regulation. This form is characterized by an unlimited number of independent participants who have different goals but united by the common goals of public interest.⁴ In favour of inter-municipal cooperation, the network approach emphasizes the resources, and decision sharing perspective also based on informal incentives, communication, shared social norms and trust⁵. Nevertheless, the second argument of the paper is partly inspired by the Hulst and van Montfort (2012)⁶ study on inter-municipal cooperation forms in several European countries which reflects on the importance of institutional context on the specificity of inter-municipal institutional arrangements. The state regulations and policies influence the degree of organizational cooperation and capacities by disposing of formal decision-making powers.⁷

The first section of the paper discusses the national tradition for inter-municipal cooperation arrangements mostly based on sectoral services delivery mechanisms. Secondly, we introduce the dimensions for the index of inter-municipal cooperative capacities for large and small municipalities based on the

³ See, for instance, Local autonomy index data, Andreas Ladner, Nicolas Keuffer, and Harald Baldersheim, "Measuring local autonomy in 39 countries (1990–2014)," *Regional & Federal Studies* Vol. 26, No. 3 (2016): 333-334 // DOI: 10.1080/13597566.2016.1214911.

⁴ Renate Mayntz, "Modernization and the logic of interorganizational networks," *Knowledge and Policy* Vol. 6, No. 1 (1993).

⁵ Richard C. Feiock, Jill Tao, and Linda Johnson, "Institutional collective action: Social capital and the formation of regional partnerships"; in: Richard C. Feiock, ed., *Metropolitan governance: Conflict, competition, and cooperation* (Washington: Georgetown University Press, 2004).

⁶ Rudie Hulst and Andre van Montfort, "Institutional features of inter-municipal cooperation: Cooperative arrangements and their national contexts," *Public Policy and Administration* Vol. 27, No. 2 (2012) // DOI: 10.1177/0952076711403026.

⁷ *Ibid.*; Filipe Teles, *Local governance and intermunicipal cooperation* (London: Palgrave Macmillan, 2016), 16.

empirical dataset and suitable for Lithuanian context. A conceptual model for inter-municipal cooperative capacity is also discussed in the second section. The third section provides the statistical analysis results on the different inter-municipal collaborative capacities dimensions. The paper ends with a discussion and proposals for further research.

1. SUPPRESSION OF COOPERATION FORMS IN LITHUANIA: SECTORAL DIVERSITY AND LIMITED CAPACITIES

Currently there are 60 municipalities in Lithuania which are relatively large regarding population size compared to the other European countries. The average size of the population comprises 47,456 thousand inhabitants in 2017 in a single municipality.⁸ The internal variation of municipality size is significant, for example, 7 percent of urban municipalities have more than 280,000 thousand inhabitants compared to 75 percent of municipalities with less than 29,000 thousand inhabitants. The smallest municipality has a population of only 3,500 thousand inhabitants.⁹ Considering the data of synthetic Local Autonomy index on European countries, the relatively high scores concerning organizational autonomy and policy scope are characteristic to Lithuanian municipalities.¹⁰ The range of functions and tasks assigned to municipalities demonstrates the broad scope of responsibilities in delivering public services, specifically, education, health care, social welfare, public transport, public utilities.

The national tradition for inter-municipal cooperation arrangements mostly focuses on the implementation of sectoral services delivery mechanisms on the municipal level. There are no special regulations that can enforce local municipalities decisions for collaborations. Following Article 5 in Local Government Law, municipalities may form inter-municipal agreements ("joint activities agreements").¹¹ The legislation which frames establishment of private companies and agencies do not constrain municipalities initiatives for collaboration by establishment joint agency or joint undertakings.¹² The activities of municipal companies are limited only by the strict regime of in-house procurement and monitoring provided by central government agencies.¹³

⁸ See Statistics Lithuania (2018) // <https://www.stat.gov.lt/en>.

⁹ *Ibid.*

¹⁰ Andreas Ladner, Nicolas Keuffer, and Harald Baldersheim *supra* note 3.

¹¹ *Law on Local Self-Government of the Republic of Lithuania*, Official Gazette, 1994, No. I-533, last amended in 2018, No. XIII-1064.

¹² *Republic of Lithuania Law on State and Municipal Enterprises*, Official Gazette, 1994, No I-722.

¹³ Virginijus Kanapinskas, Žydrūnas Plytnikas, and Agnė Tvaronavičienė, "In-house procurement exception: Threat for sustainable procedure of public procurement?" *Journal of Security & Sustainability Issues* 4(2) (2014): 157.

Referring to the Hulst and van Montfort typology on institutional inter-municipal cooperation forms we can summarize the variety of single and multi-purpose institutional arrangements in the Lithuanian context.¹⁴

Table 1. Inter-municipal cooperation forms in Lithuania.

	Networks	Formal agreements	Permanent organizations
Single-purpose	Consortiums based on the single projects (mostly funded by the EU)	Inter-municipal agreements	Municipal joint ventures (transport, public utilities, water) Regional companies (e.g. regional waste disposal companies) Public health care agencies Multi-functional social services centres
Multi-purpose	Networks of cooperation on a regional basis	Regional Councils	National association of local authorities Sectoral associations of municipal services delivery companies

Source: Hulst, van Montfort 2007; authors' elaborations.

Voluntary efforts for inter-municipal cooperation. Despite the constraints of legislation, self-governance administrative system, and contextual factors, the inter-municipal cooperation has multiplied forms in Lithuania regarding services provision system. The main drivers for integrated public service provision have been voluntary. The Lithuanian municipalities search for universal benefits in targeted public service areas. This bottom-up approach has been based on two forms of cooperative arrangements:

1) *Single purpose contracts for cooperation.* This form was used mainly between cities and smaller neighbouring municipalities on public transport provision and public health services in suburban areas on the regional basis. For instance, Klaipėda city municipality initiated the establishment of the regional transportation system in 2015-2018. The formal agreement was signed in 2011 to foster inter-municipal cooperation and exchange of good examples between two municipalities (Klaipėda and Klaipėda district municipalities). This agreement encompassed integrated public transport ticketing, management, and development of new

¹⁴ Rudie Hulst and Andre Van Montfort, *supra* note 1: 212-217.

transport routes.¹⁵ Another neighbouring municipality (Neringa municipality) is intended to join this alliance in 2018. Klaipėda city forced the other neighbouring regional municipalities to form similar agreements by introducing ecological requirements (based on the higher stages according to the EU emission for vehicle standards Euro 1) for buses services operating in Klaipėda municipality as well as in the neighbouring municipalities. Nonetheless, three municipalities (Palanga, Kretinga, Šilalė) are opposing the offers and even challenging (Palanga municipality case) them by legal means. The main contra arguments are the domination of Klaipėda city municipality decision-making power, dominance in inter-municipal collaboration network and high level of institutionalization. Klaipėda municipality has a vision that operational management of regional transport system will be in the hands of its public enterprise.¹⁶ The provided case gives reasonable evidence that local government authorities face challenges to balance the interests between competition, consolidation, and cooperation. Secondly, it indicates that inter-municipal cooperative agreements require a political balance of benefits, clearly-defined roles and power balance between smaller and bigger municipalities (balance of power relations). This case also illustrates the difficulties for establishing voluntary, bottom-up inter-local agreements between municipalities to upscale municipal services.

There is another example of inter-municipal cooperative practices between Lithuanian municipalities in health services provision. The reform started in 2011 mostly stipulated by the public health services consolidation agenda and was centrally-planned. The municipalities consolidated their resources for a provision of new services delegated by central government with financial support. 33 municipalities have established public health agencies; among them, 24 in total have made cooperative arrangements for a service provision.¹⁷ This form of cooperation has been gently imposed and coordinated by central government authorities — specifically, the Ministry of Healthcare. The healthcare service provision at the local level has been very complicated due to rapid demographic decline, changing nature of healthcare services demand, altering social stratification and other factors. In the last two years, the Lithuanian municipalities arranged new agreements for personal healthcare provision. For example, the two neighbouring municipalities of Kalvarijos and Lazdijai made a formal agreement for the joint operation for solving public health-care service accessibility and quality assurance problems. This cooperative decision has also been pushed by central

¹⁵ Agreement by Klaipėda city municipality administration, 2014.

¹⁶ Klaipėda city municipality information, 2017.

¹⁷ Audrius Ščeponavičius, *Visuomenės sveikatos priežiūros aktualijos savivaldybėse* (Public Health Services Problems in Municipalities) (Ministry of Health Care of the Republic of Lithuania, 2012).

government institutional reform in health service aimed at dissolution or reorganization of local hospitals. This example of inter-organizational alliances could be interpreted as a political alternative to imposed reform recipe and possible drastic measures planned by the central government.

2) *Establishment of joint undertakings/venture or agencies.* There are a few cases which represent the establishment of joint ventures. Municipal joint ventures incorporate municipal interests to implement a scale economy and efficiency arguments. According to national data in 2017, there were at least 264 municipal undertakings (controlled by municipality) in Lithuania.¹⁸ "Undertakings controlled by a municipality" means municipal undertakings operating pursuant to the Law on State and Municipal Undertakings, companies with share capital and private limited companies the shares of which, giving more than half of the votes at a general meeting of shareholders, belong to a municipality by the right of ownership, as well as undertakings in which a municipality may appoint more than half of the members of the administration, management or supervisory services of the undertaking.¹⁹ There are from 1 to 14 municipal undertakings operating in one municipality. The most commonly occurring number of such enterprises in a single municipality is 3 or 4 enterprises. The municipal companies provide various services. The range of services and activities differs in every municipality. Most of municipalities offer water supply service (in 55 out of 60 municipalities) or heating services (in 47 out of 60 municipalities) through municipal undertakings.²⁰ A municipal undertaking controlled by a municipal administration may bear the legal form of a joint stock company, private limited company or municipal enterprise. In Lithuania, even 85 percent of the companies controlled by municipal local administrations are private limited companies, among them 98 percent operates in water supply sector, 93 percent in waste management.²¹

According to the Legislation on State and Municipal Enterprises (1994, No. I-722), the municipality exercises the rights and duties of the owner of the municipal enterprise via a municipal administration institution.²² A relatively high number (75 percent) of municipal undertakings have one owner, i.e., are controlled by a single municipality. Another 22 percent of municipal undertakings had more than one municipality involved in management as having more than 50 percent of shares.

¹⁸ Lithuanian Free Market Institute, "What Municipal Enterprises are doing?" Report (2018) // https://www.lfri.lt/wp-content/uploads/2018/01/PB-savivaldybi-----mon--s_20180118.pdf.

¹⁹ *Law on Local Self-Government of the Republic of Lithuania*, *supra* note 11.

²⁰ Lithuanian Free Market Institute, *supra* note 18.

²¹ *Ibid.*

²² *Republic of Lithuania Law on State and Municipal Enterprises*, *supra* note 12.

Only 3 percent of municipal undertakings are controlled by a group of several municipalities, every one of them possesses less than 50 percent of share.²³

Centrally-imposed partnerships. The partnership practice, organizational integration, and collaborative arrangements are very limited and fragmented. It mainly targets public transport, tourism, culture, and education services. Another essential set of factors which explain the national context for integrating cooperative initiatives is external funding schemes provided and planned by central government authorities. A crucial role for inter-connection of municipalities is dedicated to the EU Structural Funds support and EEE grants. The financial support for local or regional investment projects defines the requirements for networking and partnership. These project-based platforms are “connecting municipalities” for continuous partnerships and have compulsory character. Important platforms for cooperation are various regional councils (tourism, regional policy-making) and voluntary-established Association of Local Authorities in Lithuania.

Lithuanian inter-municipal cooperation has centrally imposed partnerships in two fields: 1) waste management; 2) EU structural support for investment planning and coordination on the regional level. However, this compulsory cooperation was driven by the EU territorial cohesion policies. The changes were determined by central government interests to control local actors in promoting the centrally-planned regional development agenda. One of the best cases is a waste disposal mechanism which imposes inter-municipal entities for joint coordination and management. The establishment of regional waste disposal management schemes was strongly driven by the EU structural funds planning agenda.

2. INTER-MUNICIPAL COOPERATIVE INTENTIONS: THE THEORETICAL FRAMEWORK AND DATA

Having laid down the basic characteristics of the institutionalized inter-municipal cooperation forms based on public services delivery in Lithuania, we refer to the initial question of the cooperative capacities. The scale of inter-municipal cooperation depends not only on interests and motives by single actors involved in network, but as well on structural (or macro level) determinants, i.e. legal framework, institutional features/model, local government tasks, important public policy issues, amalgamation or regionalisation, growing state regulation, legalistic culture, etc.²⁴ The number of previous studies demonstrates that the extent of

²³ Lithuanian Free Market Institute, *supra* note 18.

²⁴ Jostein Askim, Jan E.Klausen, Irene S. Vabo, and Karl Bjurstrøm, “What Causes Municipal Amalgamation Reform? Rational Explanations Meet Western European Experiences 2004-13”; in: Gerhard Bouckaert and Sabine Kuhlmann, eds. *Local Public Sector Reforms in Times of Crisis* (London:

inter-municipal cooperation efforts and initiatives depend on different conditions, starting from institutional context and administrative culture and ending with intrinsic and extrinsic drivers such as power relationship, external influence of the third-party interventions, organizational profile, expected outcomes.²⁵ However, the other studies reveal the negative tendencies which minimize or even restrict the cooperative efforts in different countries. The main determinants that minimize use of inter-municipal cooperation are related to 1) level of centralization (or other features of institutional context, i.e., single-tier local government, 2) limited devolution and discretion of local institutions;²⁶ 3) low level of local government fragmentation (or high level of territorial consolidation); 4) high level of state regulations and legalistic culture (legalistic values and tradition in state).²⁷ Thus, it could be assumed that the need for inter-municipal cooperation is minimal in high centralized government systems with minimal fragmentations of tasks and responsibilities and legalistic administrative culture. However, the empirical evidence does not always support this assumption.²⁸ The comparative research provides evidence that the combination of negative elements could become obstacles to the introduction or development of newly-emerged inter-municipal cooperation practices.²⁹ This argument gives evidence, which only in-depth case research can reveal the interaction of negative determinants for cooperation capacities in individual countries context.

As noted in the previous sections, Lithuania is considered a highly consolidated local government structure with a relatively small number of municipalities. The long-term state tradition of encouraging top-down initiatives for public services implementation shapes the motives and scope of local municipalities to establish the independent cooperation forms. Nevertheless, the inter-municipal

Palgrave Macmillan, 2016); Gretar Thor Eythórsson, Pekka Kettunen, Jan E. Klausen, and Siv Sandberg, "Reasons for Inter-municipal Cooperation: A Comparative Analysis of Finland, Iceland and Norway"; in: Filipe Teles and Pawel Swianiewicz, eds. *Inter-Municipal Cooperation in Europe* (London: Palgrave Macmillan, 2018).

²⁵ For a more detailed overview see Rudie Hulst and Andre Van Montfort, *supra* note 1: 8–16; Filipe Teles, *supra* note 7, 15–21.

²⁶ M. Jefferey Sellers and Anders Lidström, "Decentralization, local government, and the welfare state," *Governance* Vol. 20, No. 4 (2007): 610–611 // DOI: 10.1111/j.1468-0491.2007.00374.x; J. Michael Goldsmith and Edward C. Page, "Introduction"; in: J. Michael Goldsmith and Edward C. Page, eds., *Changing government relations in Europe: from localism to intergovernmentalism*, Vol. 67 (London: Routledge, 2010); F. Antonio Tavares and Richard C. Feiock, "Applying an institutional collective action framework to investigate intermunicipal cooperation in Europe," *Perspectives on Public Management and Governance* Vol. 1, No. 4 (2018): 300 // DOI:10.1093/ppmgov/gvx014.

²⁷ Rudie Hulst and Andre van Montfort, *supra* note 6: 212–224.

²⁸ Gretar Thor Eythórsson, Pekka Kettunen, Jan E. Klausen, and Siv Sandberg, *supra* note 24; Jochen Franzke, Daniel Klimovský, and Uroš Pinterič. "Does inter-municipal cooperation lead to territorial consolidation? A comparative analysis of selected European cases in times of crisis": 84; in: Gerhard Bouckaert and Sabine Kuhlmann, eds., *Local Public Sector Reforms in Times of Crisis* (Palgrave Macmillan: London, 2016).

²⁹ Rudie Hulst and Andre van Montfort, *supra* note 6: 224–227; Pawel Swianiewicz and Filipe Teles, "Inter-municipal Cooperation Diversity, Evolution and Future Research Agenda": 343; in: Filipe Teles and Pawel Swianiewicz, eds., *Inter-Municipal Cooperation in Europe* (Palgrave Macmillan: London, 2018).

cooperative capacity received very little attention, except few fragmented researchers on different public services delivery arrangements on a municipal level.³⁰ There is no traditional research framework or external settings for analysing larger scale inter-municipal cooperation in Lithuanian municipalities. In most cases, inter-municipal cooperation is understood as informal networking, sharing of information and good practices.³¹ Several national studies demonstrate that Lithuanian local government actors did not have the institutional ability for cooperation regarding taking decision-making risk for establishment of inter-municipal shared service centres.³² Other researchers argue that Lithuanian municipalities lack shared administrative culture and norms based on collaborations and networking,³³ are not using organizational innovations in public service provisions. Marius Urvikis sought the answer to why inter-municipal cooperation is relatively weak in Lithuania. According to his qualitative research, there are several important barriers for partnership: 1) small amount of local self-government, business, and community actors are involved in the process; 2) different political and institutional interests; 3) lack of informal partnership.³⁴ Overall the main research demonstrates a lack of mutual interests and rationally-based need for inter-municipal cooperation.³⁵

Contributing to the research on the inter-municipal cooperation capacities, first, we did an operationalization of our theoretical assumption by introducing the set of dimensions for constructing an inter-municipal cooperative intentions capacity index for municipalities. In this article we measure the cooperative capacity which symbolizes the municipal efforts to bring together necessary resources, power and policy interventions. The conceptual model summarizes the argument on the relationship between the characteristics of institutional context and external and internal motives to propose and maintain cooperative arrangements (Figure 1).

³⁰ Remigijus Civinskas and Eglė Laurušonytė, "Viešųjų paslaugų tobulinimas: Jungtinių paslaugų centrų steigimas" (Modernization of the Public Services: Establishment of the Shared Public services Centers), *Management* 20(1) (2012).

³¹ Marius Urvikis, *supra* note 2, 190-193.

³² Remigijus Civinskas and Jaroslav Dvorak, *supra* note 2: 90.

³³ Agota Raišienė, *supra* note 2: 58.

³⁴ Marius Urvikis, *supra* note 2: 190-193.

³⁵ *Ibid.*; Remigijus Civinskas and Jaroslav Dvorak: *supra* note 2, 90.

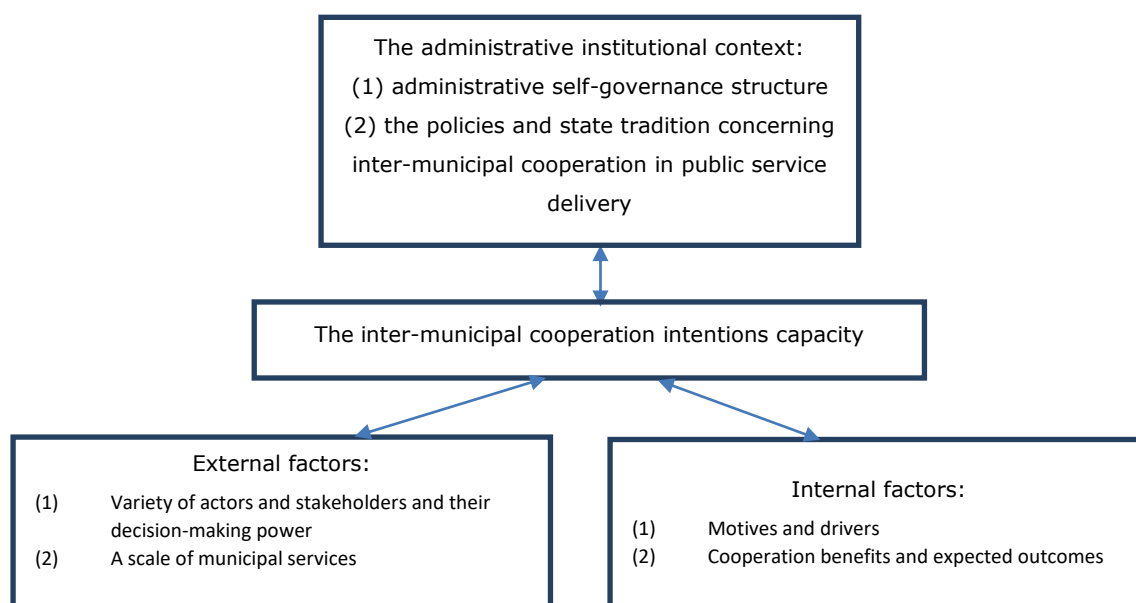


Figure 1. Conceptual model for inter-municipal cooperative capacity.
 Source: Hulst, van Montfort 2007; Feiock, 2007; Silva, et al., 2018; authors' elaborations.

The theoretical framework to analyse inter-municipal cooperative capacity consists of three groups of variables: features of institutional context, external (variety of actors and stakeholders and their decision-making power in establishing cooperation, a scale of municipal services) and internal factors (drivers and perceived cooperation benefits). The specificity of administrative institutional context regarding municipal cooperative arrangements has been addressed in several studies, providing particular focus on administrative culture and the social norms which shapes the relations between public and private sector and different government tiers as well.³⁶ The legislation and political agenda also define the constraints and opportunities for municipal cooperation by introducing the dominant narrative to increase or, in some cases, reduce the collaborative efforts. The detailed contextual discourse is presented in the previous sections. This article focuses on survey results from municipal actors and stakeholders which directly represent municipal cooperation capacities. Another critical question is how to assess empirically the inter-municipal cooperative capacity. A recent study by Silva,

³⁶ Rudie Hulst and Andre Van Montfort, *supra* note 1: 224-227; A. James Visser, "Understanding local government cooperation in urban regions: toward a cultural model of interlocal relations," *The American Review of Public Administration* Vol. 32, No. 1 (2002) // DOI: 10.1177/0275074002032001003; C. Richard Feiock, "Rational choice and regional governance," *Journal of Urban Affairs* Vol. 29, No. 1 (2007) // DOI: 10.1111/j.1467-9906.2007.00322.x; Holger Osterrieder, *Joining Forces and Resources for Sustainable Development. Cooperation among Municipalities - A Guide for Practitioners* (Bratislava: UNDP Bratislava Regional Centre, 2006).

Teles, Ferreira (2018) introduces the framework for governance capacity assessment applying the model to inter-municipal associations.³⁷ Synthetic governance capacity index dimensions incorporate the scope of cooperation, efficiency, nature of institutional structures, democracy and stability.³⁸

Regarding inter-municipal cooperation governance capacity in Lithuanian municipalities, we have made some modifications because of the minimal number of institutionally defined cooperation arrangements in a country. In our case, we rely on the two groups of external and internal factors which entail cooperative resources rather than organizational integration and intensity in inter-municipal institutions. One of the variables entails the tasks involved in inter-municipal cooperation which refers to municipal service delivery areas as a basis for cooperative capacity.³⁹ Considering cooperative benefits and expected outcomes factors we rely on Feiock's rational choice argument⁴⁰ to understand the collaborative arrangement logic based on continuous efforts and interrelation transaction costs. The variable of the influence of different groups of local actors (authorities) and stakeholders represent different modifications of power relations between a variety of collaboration actors. The intensity of interaction is closely related to horizontal and vertical power hierarchies of municipal and state stakeholders in administrative self-government system.⁴¹

Furthermore, the proposed index has significant limitations. One of them is the absence of civic capacity and social capital as proposed in Nelles proposal for governance capacity determinants.⁴² The dimension of civic capital was not observed in the survey which decreases the accurate perceptions of horizontal cooperative arrangements.

The empirical evidence comes from the online survey on inter-municipal cooperation initiatives and motives in Lithuania (implemented between January–

³⁷ Patricia Silva, Filipe Teles, and Joanna Ferreira, "Intermunicipal cooperation: The quest for governance capacity?" *International Review of Administrative Sciences* (2018): DOI: 10.1177/0020852317740411.

³⁸ *Ibid.* 625-626; L. Leila Frischtak, "Governance capacity and economic reform in developing countries," *World Bank Technical Paper* No. WTP 254 (Washington, D.C., The World Bank, 1994) // <http://documents.worldbank.org/curated/en/765591468739783001/Governance-capacity-and-economic-reform-in-developing-countries>; Jen Nelles, "Cooperation and Capacity? Exploring the Sources and Limits of City-Region Governance Partnerships," *International Journal of Urban and Regional Research* Vol. 37, No. 4 (2013): 1351 // DOI: 10.1111/j.1468-2427.2012.01112.x.

³⁹ Germa Bel, Xavier Fageda, and Melania Mur, "Why do municipalities cooperate to provide local public services? An empirical analysis," *Local Government Studies* Vol. 9, No. 3 (2013): 435-436 // DOI: 10.1080/03003930.2013.781024; Rudie Hulst, Andre Van Montfort, Arto Haveri, Jenni Airaksinen, and Josephine Kelly, "Institutional shifts in inter-municipal service delivery," *Public Organization Review* 9(3) (2009): 280; Scott Lamothe, Meeyoung Lamothe, and Richard C. Feiock, "Examining local government service delivery arrangements over time," *Urban Affairs Review* Vol. 44, No. 1 (2008): 29-31 // DOI: 10.1177/1078087408315801.

⁴⁰ Richard C. Feiock, *supra* note 36; Richard C. Feiock, Annette Steinacker, and Hyung Jun Park. "Institutional collective action and economic development joint ventures," *Public Administration Review* Vol. 69, No. 2 (2009): 256-257 // DOI: 10.1111/j.1540-6210.2008.01972.x.

⁴¹ *Ibid.*; Jen Nelles, *supra* note 38: 1351; Filipe Teles, *supra* note 7, 19-21.

⁴² Jen Nelles, *supra* note 38: 1352-1353.

May 2018). We used an online survey platform for sending the questionnaire to a purposive list of respondents. A non-probability quota sampling strategy was used to define the list of respondents in municipalities directly engaged in inter-municipal cooperation planning, engagement, and implementation. The proportion of population was constructed using a contact list of local political, administrative and community actors from 60 municipalities in total which represents the variation of responsibilities in establishing IMC.⁴³ The main aim of the survey was to reveal the scope and potential for inter-municipal cooperation and to identify the differences in coordination mechanisms used by different interest groups which are operating in the field of municipal services delivery. The main empirical questions involve the examination of internal and external bottom-up and top-down factors which: enable the process of cooperation at the municipal level; reveal the tensions or/and cooperation between the networks of local interest groups aimed at the provision of municipal services; and, assess the diversity and institutional power of different stakeholders which could enable the cooperation. The response rate was sufficient for non-probability quota sampling (21 percent) by reaching a considerable sample of 284 within 95 percentage of confidence level (excluding missing values, n=196). The sample is geographically representative, covering the range of small and large size municipalities (28,6 percent of respondents represent large municipalities with over 50.000 thousand inhabitants, 71,4 percent – small municipalities with less than 50.000 thousand inhabitants). The sample represents the statistical variance of the municipalities considering the population size in small and large local jurisdictions.

To determine the municipality size, we used the variable of the respondents' residence place. The list of municipalities was divided and recoded into two large groups as follows: respondents from municipalities with more than 50.000 thousand inhabitants was recoded as "1" (n=56), from small size municipalities with less than 50.000 thousand inhabitants was recoded as "2" (n=140). The next section discusses the main results of the measuring the inter-municipal cooperation capacity in a country.

The four dimensions for our assumption on the inter-municipal cooperative intentions' capacity index are constructed from the following survey questions. Each dimension for the index has been operationalized using factor extraction method to reduce the variables.

⁴³ The quota sample included different subgroups, such as the municipal representatives involved into planning, development and maintenance of IMC, specifically, the mayors and their substitutes (123 persons), heads of municipal administrations and their substitutes (120 persons), municipal officers responsible for the strategic planning and development (117 persons), local Council members from the committees of Economy and development (585 persons), municipal enterprises or joint ventures (209 persons) and local community representatives (190 persons), total population is 1335.

1. *Scale of municipal services* (reported answers to the question “In what areas of municipal services delivery you see the potential for inter-municipal cooperation regarding your municipality” “(using Liker scale 1 – „Not important at all”, 5- „Very important”).
2. *Strength of municipal and state actors in establishing IMC* (reported answers to the question “Regarding the experience of your municipality, evaluate the intensity of decision-making power of these actors to initiate inter-municipal cooperation” (using Likert scale from 1 – “Doesn’t have any power” to 5 “Have a lot of power”).
3. *Initiatives and drivers for cooperation* (reported answers to the question „What are the most important initiatives and drivers for inter-municipal cooperation” “(using Likert scale from 1 – „Not important at all”, 5- „Very important”).
4. *Cooperation benefits and expected outcomes* (reported answers to the question “What are the main benefits regarding inter-municipal cooperation” (using Likert scale from 1 – “Totally disagree” to 5 “Totally agree”).

An aggregated index of the inter-municipal cooperative intentions’ capacity index for different size municipalities was computed using mean scales for each of the extracted factors. The ranges for each dimension were recoded from 0 “Not important at all” (or “Totally disagree”) to 1 “Very important” (or “Totally agree”). Each of the factor item in index construction has an equal weight. The total meaning of the index is the sum of the factor sub-scores (Table 2).

Table 2. List of dimensions and factors

Dimensions		Factors	
External factors	Scale of municipal services	(1)	Economic infrastructure services
		(2)	Welfare services
		(3)	Public utility services
Strength of municipal and state actors in establishing IMC		(1)	Representative and executive bodies of municipality (mayor, administration)
		(2)	Local municipal stakeholders (business, NGO)
		(3)	Upper decision-making level (state authorities/EU)
		(4)	Local council
		(5)	Neighbourhood municipalities
Internal factors	Initiatives and drivers for cooperation	(1)	Internal efficiency and trust building
		(2)	Central state pressure
		(3)	Municipal services delivery quality
Cooperation benefits and expected outcomes		(1)	Economy of scale
		(2)	Public interest
		(3)	Internal cooperation and bottom-up effects

3. EMPIRICAL RESULTS: MEASURING AND DISCUSSING THE INTER-MUNICIPAL COOPERATION CAPACITY

The section seeks to analyse the preliminary results of different dimensions which help to outline the index of inter-municipal cooperative capacities for small and large size municipalities in Lithuania. The empirical results also help to answer the question of the rationality of municipal governance arrangements which enable the establishment of institutional partnerships. In this article, we mainly focus on municipal service delivery mechanisms which demonstrate the differences in scope and the degree of organizational integration of cooperation arrangements in different size municipalities. The institutional forms of inter-municipal cooperation are relatively fragmented in the country. Nevertheless, we follow the sociological assumption that the determination of institutional design is understood as a combination of goals and subjective preferences of actors and stakeholders actively engaged in cooperative initiatives. We assume that it is important to analyse the preferences and subjective perceptions by municipal actors and stakeholders which demonstrate the shift to more flexible forms of cooperation transgressing the institutional boundaries and state agenda on vertical inter-organizational arrangements. In this section, we estimate the importance of the different dimensions for the index of inter-municipal cooperative capacities. Additionally, we present the preliminary analysis of the index which is in the early stages of the empirical study and opens the space for academic considerations.

The first dimension implies the list of areas for cooperation mainly focusing on municipal services delivery. The descriptive statistics demonstrate the differences in evaluation in inter-municipal cooperation areas which have different characteristics and availability (Figure 2). As illustrated among the most important municipal services areas we could exclude the variables of social welfare, tourism, and culture and waste management. More than 70 percent of respondents agree with the importance of cooperative initiatives in the waste management area. However, the implication on social welfare and culture areas are mostly based on horizontal arrangements of the neighbourhood or regionally-located municipalities on the short-term project basis. The internal factors and determinants of the waste management sector were considered in numerous studies on the relationship between cost-effectiveness, minimization of transaction costs, competitive market pressure, and IMC forms.⁴⁴ In this study waste management area determines the

⁴⁴ Germa Bel, Xavier Fageda, and Melania Mur, *supra* note 39; Trevor L. Brown and Matthew Potoski, "Transaction costs and institutional explanations for government service production decisions," *Journal of Public Administration research and theory* Vol. 13, No. 4 (2003) //DOI: 10.1093/jpart/mug030; Elbert Dijkgraaf and Raymond Gradus, "Collusion in the Dutch waste collection market," *Local government*

vertical approach to integrating municipalities and upper-scale authorities, including parliament state government and state agencies. In Lithuania, the implementation of waste management services on the inter-municipal level has the strong character of centrally-planned coordination and performance management. Waste management services are the most significant example of state-driven inter-municipal cooperation where services implementation arrangements are drawn from central authorities to municipalities. Nevertheless, we should add that the institutionalization of the waste management sector in Lithuania needs further investigation beyond this paper. The descriptive statistics show that the public transport and water use are considered more autonomous municipal services areas regarding cooperative flexibility and voluntary inter-municipal initiatives. Just over 40 percent of respondents assess these indicators as important inter-municipal cooperation areas.

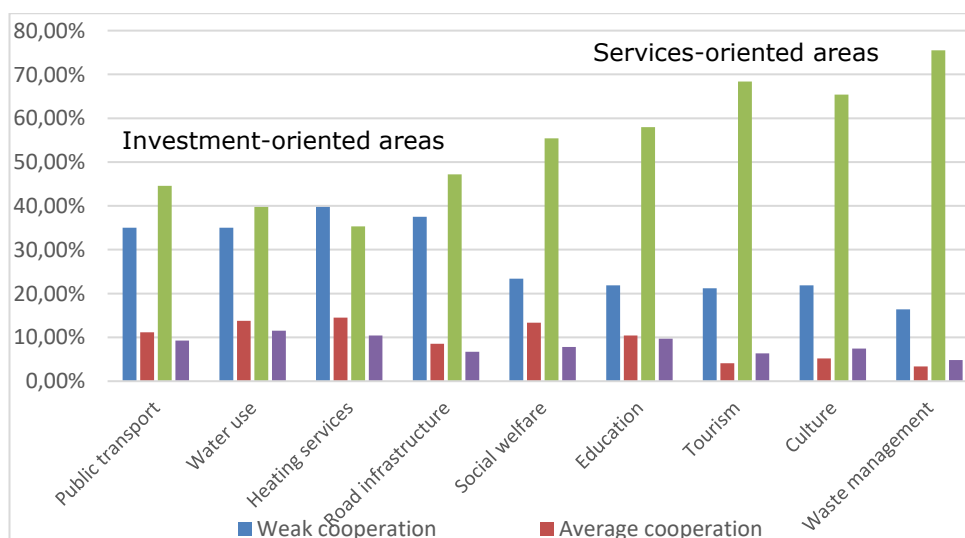


Figure 2. The intended inter-municipal cooperation areas in municipal services, percentage (n=196).

The other dimension contains the evaluation of initiatives for inter-municipal cooperation in different size municipalities. Table 4 demonstrates the aggregated items for the question on the main motivation areas of engagement to establish inter-municipal cooperation (Table 3). Most of the items include the motivation for achieving economy of scale and better efficiency both in managerial performance and inter-relations with the other municipal stakeholders. We also included items which represent the vertical centrally-coordinated arrangements necessary in

studies Vol. 33, No. 4 (2007) //DOI: 10.1080/03003930701417601; Jana Soukopová and Gabriela Vaceková, "Internal factors of intermunicipal cooperation: what matters most and why?" *Local Government Studies* Vol. 44, No. 1 (2018) //DOI: 10.1080/03003930.2017.1395739.

Lithuanian context. The internal consistency of proposed items was measured with highly acceptable reliability coefficients.

Table 3. Importance of motives for inter-municipal cooperation in municipalities (n=196), percentage

Motives for cooperation*	Level of importance	Large size urban/suburban municipality (≥50 000 inhabitants)	Small size municipality (≤50 000 inhabitants)
Factor 1- internal initiatives (cost-benefit rationality and funding resources)	High importance	55,1	59,1
	Low importance	41,9	43,9
Factor 2- central state pressure	High importance	58,9	69,3
	Low importance	41,1	30,7
Factor 3- municipal services delivery quality	High importance	51,8	54,3
	Low importance	48,2	45,7
Total		100	100

*Z- scores procedure was used to recode and standardize the variables.

In line with theoretical considerations among the most significant items, the quality of municipal services delivery, a decrease of municipal services costs and development of services infrastructure are considered as strong motivators both by respondents from small and large size municipalities. It is obvious that the cost-benefit rationality is the most acceptable for municipalities, which helps to minimize the risks and sustain the better results from the economy of scale.⁴⁵ The empirical results indicate that the focus on municipal services delivery quality is perceived as significant cooperative arrangements stimulator. The services quality indicator is a multi-purpose collective improvement which incorporates both vertical and horizontal arrangements. State authorities, specifically the Ministry of the Interior, arrange the competences and functions of municipalities, implying also the

⁴⁵ Filipe Teles, *supra* note 7, 19–24.

standards and requirements for services delivery.⁴⁶ Horizontal initiatives for municipal services delivery are mostly shaped by inter-regional boundaries and sustain strong financial imperative.

Among the above-mentioned internal motivators, the positive marketing effects and pressure of external funding (mostly deriving from the EU Structural Funds) is also significant for explaining the relationship between the collaboration initiatives and the size of municipalities. It is remarkable that the external financial schemes are extremely important for supporting the development of municipal services infrastructure in Lithuania. The municipalities are competing for the granting schemes on the cooperative basis, especially concerning areas of waste management, hard infrastructure, transport, and public utilities. In this sense, large size municipalities, preferably urban and suburban areas have more competitive advantages in building up knowledge, competencies and managerial skills. The statistical data on regional GDP and foreign investments level shows that the financial outsourcing results and bargaining power are better in large municipal jurisdictions comparing to small size municipalities.⁴⁷ The decisions to engage are also shaped by central state pressure and legal restrictions (factor 2). Nevertheless, the assessment of bureaucratic, top-down state power and constraints of legislation is considered as more important to small size municipalities compared to large ones.

The other analytical dimension of decision-making authority refers to the involvement of different municipal, state and other related stakeholders in expressing interest in cooperation arrangements. Relating to the national institutional context, cooperative arrangements should include public authorities, municipal representative bodies, private sector enterprises, and other social stakeholders, for example, local communities, business associations (Table 4).

⁴⁶ See Ministry of Internal Affairs of the Republic of Lithuania, "Municipal Customers Satisfaction Survey Methodology" (2013).

⁴⁷ See Statistics Lithuania (2018) // <https://www.stat.gov.lt/en>.

Table 4. The perceived power of authorities and agents for inter-municipal cooperation (n=196), percentage

Factors*	Level of IMC decision-making power	Large size urban/suburban municipality (≥50 000 inhabitants)	Small size municipality (≤50 000 inhabitants)
Factor 1 -Representative and executive bodies of municipality (mayor, administration)	Limited	42,9	53,6
	Enough	57,1	46,4
Factor 2- local municipal stakeholders (business, NGO)	Limited	48,2	53,6
	Enough	51,8	46,4
Factor 3- upper decision-making level (regional council, state authorities/EU)	Limited	57,1	60,7
	Enough	42,9	39,3
Factor 4-local council	Limited	42,9	45,7
	Enough	57,1	54,3
Factor 5- neighbourhood municipalities	Limited	42,9	64,3
	Enough	57,1	35,7
Total		100,0	100,0

*Z- scores procedure was used to recode and standardize the variables.

As depicted in Table 5, the statistical results do not indicate significant difference considering the perceived power of authorities and agents for inter-municipal cooperation and municipality size. Municipal representative (mayor) and executive bodies (head of municipal administration) and local councils are perceived as having the highest rankings in decision-making power in forcing cooperative initiatives in both size municipalities. The data indicates the importance of more horizontal inter-relatedness between municipal decisive bodies which provide a basis for using strategies to cope with the problem of economy of scale and efficiency. The tendency of cooperative arrangements on the horizontal level is also very strong in other European countries.⁴⁸ Nevertheless, the political interests' dimension is crucial in indicating the importance of local policy agenda which decide upon collaborative arrangements. Local politicians may refer to the problem of accountability and democratic legitimacy opening the space for citizens involvement.

⁴⁸ Rudie Hulst and Andre Van Montfort, *supra* note 1: 227–231.

Considering the influence of authorities on the vertical level, Regional development council and state government are perceived as being important decisive actors. However, the level of actors' importance is evaluated relatively low in both small and large municipalities. The first actor, namely, the Regional development council, operates as an arbitral collective-decision body which refers to regional upper-tier level. The dimension of interrelatedness between neighbouring municipalities on the regional level is also covered. Despite the abolition of 10 counties in 2010, the representative bodies of Regional Development Councils were established to represent the municipal interests on regional level aiming at financial funding allocation and political participation in regional development politics.

The state government is taking the role of coordination and establishment of specific public service provision organizations, mostly in the waste disposal area. Scale effects and marketization in the waste collection and management area are already analysed in numerous studies.⁴⁹ Central government authorities provide scale-down grants and financial schemes for municipal services delivery. A centrally imposed strategy for cooperation is relatively strong especially in countries driven by EU Structural Funds requirements, for example, waste disposal.

In contrast, referring to the perceptions of respondents, the least influential actors in inter-municipal cooperation are the other neighbouring municipalities. Thus, the border crossing effect is less important considering political representation. The participation of other political groups is not perceived as the efficient policy coordination tools in managing and driving inter-municipal cooperation.

Finally, the aggregated index of inter-municipal cooperative capacities for large and small municipalities is presented in Table 5. All indicators used for the index calculations were evenly weighted. The main limitations of the provided dimensions for the index of inter-municipal cooperative capacities include not only the statistical methods shortages but also the composition of the dimensions used. As mentioned above, Lithuania is characterized as a country with highly consolidated municipal services provision arrangements; the institutional arrangements (number of associations, organizational capacities, leadership, financial contributions) cannot be included into the sample, excluding separate

⁴⁹ Germa Bel, Xavier Fageda, and Melania Mur, "Does cooperation reduce service delivery costs? Evidence from residential solid waste services," *Journal of Public Administration Research and Theory* Vol. 24, No. 1 (2012) // DOI: 10.1093/jopart/mus059; Elbert Dijkgraaf and Raymond Gradus, *supra* note 44; Raymond Gradus, Elbert Dijkgraaf, and M. Schoute, "Is there still collusion in the Dutch waste collection market?" *Local Government Studies* Vol. 42, No. 5 (2016) // DOI: 10.1080/03003930701417601; Jana Soukopová and Gabriela Vaceková, *supra* note 44; Jana Soukopová and Daniel Klimovský, "Local Governments and Local Waste Management in the Czech Republic: Producers or Providers?", *NISPAcee Journal of Public Administration and Policy* Vol. 9, No. 2 (2016).

sectoral cases on regionally-organized waste disposal, public transport, and other public utilities. The empirical evidence measures the perceptions of the actors involved in the initiatives of inter-municipal cooperation. We assume that the preferences and evaluations of respondents are rationally-based decisions which are also shaped by institutional constraints. Secondly, the index does not measure the voluntary or compulsory forms of cooperation, including single-based contracts or long-term enterprises for municipal services delivery. The other methodological limitation is related to the measurement of municipality size. The average size of the municipality is 49,058 inhabitants. The internal variation in municipal size varies strongly from 545,280 inhabitants in the capital Vilnius city municipality to 3,097 thousand residents in the resort area of Neringa municipality.⁵⁰ We rely on the subjective perception of residence place indicator used in European ESS surveys which mostly refers to the population size-related factor of a municipality. Considering the municipality size variable one item was constructed from aggregated survey data on indicated respondents' residence place in metropolises and other cities and so-called suburban "ring" municipalities. The other size variable includes the rural municipalities with less than 50,000 inhabitants.

Table 5. Index of inter-municipal cooperative capacities for large and small municipalities (n=196)

Indicators/clusters		Large size municipalities (≥50 000 inhabitants) (28,6% (N=56))	Small size municipalities (≤50 000 inhabitants) (71,4% (N=140))
1.Scale of municipal services ^a	Economic infrastructure services	0,91	0,91
	Welfare services	0,86	0,87
	Public utilities services	0,85	0,77
	Aggregated items (x)	0,87	0,85
2.Initiatives and drivers for cooperation	Internal efficiency and trust building	0,86	0,87
	Central state pressure	0,82	0,80
	Municipal services delivery quality	0,89	0,88
	Aggregated items (x)	0,86	0,85

⁵⁰ See Statistics Lithuania (2018) // <https://www.stat.gov.lt/en>.

3.Cooperation benefits and expected outcomes ^c	Economy of scale	0,85	0,81
	Public interest	0,81	0,78
	Internal cooperation and bottom-up effects	0,81	0,81
	Aggregated items (<i>x</i>)	0,82	0,80
4.Strength of municipal/state actors in establishing IMC ^d	Representative and executive bodies of municipality (mayor, administration)	0,84	0,82
	Local municipal stakeholders (business, NGO)	0,76	0,73
	Upper decision-making level (state authorities/EU)	0,83	0,81
	Local council	0,78	0,74
	Neighborhood municipalities	0,30	0,27
	Aggregated items (<i>x</i>)	0,70	0,67
	Index of IMC capacities	3,26 ^e	3,17 ^e

^a For the *Areas of cooperation in public service delivery* indicator the recorded clusters of public services were identified using cluster analysis (Cronbach's Alpha=0,862). The range was recoded from 0 "Not important at all" to 1 "Very important".

^b For the *Initiatives for cooperation* indicator the recorded clusters of cooperation initiatives were identified using cluster analysis (Cronbach's Alpha=0,848). The range was recoded from 0 "Not important at all" to 1 "Very important".

The results indicate that the differences in inter-municipal cooperative capacities for large and small municipalities are relatively insignificant in all sub-dimensions. The dimension indicating the strength of municipal/state actors and other stakeholders in establishing cooperative arrangements is less important compared to the other aspects presented above. As discussed above, the horizontal network of civic stakeholders, specifically, local inhabitants, community organizations, local business, and neighbouring municipalities are less critical in considering cooperative capacities in both size municipalities. It is evident that these groups of agents are more visible and influential in deciding on cooperative arrangements. The central part of cooperative initiatives is based on municipal services delivery mechanisms, where the voice of citizens is not considered, except the post-evaluation of services quality and accessibility. In general, the index contributes to the theoretical assumption that large size municipalities have more cooperative capacities potential comparing to small size municipal jurisdictions. The large size municipalities can profit from their inter-institutional networking

experience and more efficient managerial capacities to negotiate with collaborative partners.

CONCLUSIONS

In this article, we suggest discussing the country cases with low inter-municipal cooperative arrangements and consolidated territorial structure. We investigate the application of the inter-municipal cooperative capacities index for different municipalities considering also the dimension of size. The case of Lithuania demonstrates an example of single-tier local government system which shapes the specificity of potential and motives for inter-municipal cooperation as an alternative for local governance arrangements. This article contributes to filling the gap in research which incorporates contextual factors and perceptions of different actors or stakeholders in cooperative arrangements. The article also opens a discussion about the role of the informal networking in inter-municipal cooperation development both in municipal service delivery and other activities. It addresses the questions of why the only limited number of municipalities start cooperation in small size countries, what kind of local actors or stakeholders have more decision-making power in fostering cooperative interests, and what the perceived role of central state authorities is.

The empirical results demonstrate the vague and fragmented bottom-up initiatives for cooperation in the political field to receive decision-making benefits from collective actions. The higher local autonomy argument is understood as a less efficient mechanism to establish and maintain inter-municipal networks. In contrast, most of the collaborative efforts are created to reduce the outcomes of territorial fragmentation and overcome the side-effects of large municipalities by implying the economies of scale argument in public services delivery. The current situation in Lithuania demonstrates that the rationally-based municipal cooperation which aims to overcome public services transaction and delivery costs are mostly stipulated by recent central government arguments of implementing more intensive scale economy. On the other hand, the argument of sporadic inter-municipal arrangements and informal cooperative solutions, especially on regional level, might also be used as a contra response to vertical regional policy design and implementation agenda. Moreover, we must add that the argument of municipal size and cooperative interests is not so strong considering the different dimensions of cooperative capacities, specifically, a scale of municipal services delivery, motives, and drivers for cooperation, expected benefits, a strength of municipal or regional actors. The index can partly explain the problematics of inter-institutional

networks for fostering cooperation between local government actors, mostly because of a limited number of mixed public-private arrangements along with the participation of several municipal actors and domination of single-purpose cooperative arrangements. We also must consider the decision-making power of a variety of local and regional actors, especially considering local community interests.

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