

# One Size Does Not Fit All: Growing Cities and Shrinking Towns in the Spanish Local Map

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## Introduction

One of the most striking features of the Spanish local system is the varied size of municipalities and particularly the high number of very small governmental units. Indeed, 50 per cent of municipalities have less than 500 inhabitants and 1,360 have less than 100 inhabitants. However, big cities like Madrid (3.2 million inhabitants), Barcelona (1.6), Seville (0.8), ten other cities with more than 300,000 and an additional 50 cities with more than 100,000 inhabitants are also part of this diverse landscape. Some authors have referred to the Spanish local system as the 'local galaxy' (Botella, 1992) and they are right. The galaxy comprises big stars, medium planets and thousands of tiny asteroids.

Such a picture indicates that Spain has been absent from the trend of territorial consolidation reforms that started in the 1950s in Scandinavian countries and have continued through the present day. Just between 2008 and 2017, municipal territorial amalgamation has occurred in 15 European countries (Swianiewicz, 2018). Making local governments perform more functions, thereby generating economies of scale and reducing problems of free-riding, which have been the intended goals behind such reforms (Swianiewicz, 2010).

In Spain, consolidation reforms have barely been present in the national political conversation. Only few proposals have been considered but never adopted. The most recent has been in the local government reform of 2013,

where an attempt to merge municipalities was included in a first draft of the relevant statute (Navarro and Pano, 2019), but it was omitted from the final version, thus illustrating how territorial organization reforms are among the most politically difficult (Swianiewicz, 2018). On the contrary, historical inertia has defined the (non)evolution of the local map. For provinces, the number of territorial boundaries are exactly the same as they were almost two centuries ago. For municipalities, their number and territorial limits are very similar to what we could find a century ago. In 1813, there were about 12,000 villages, while the census of 1900 gave a figure of 9,214. Today the number of municipalities (1,824) is indeed lower, but not so much lower as to represent a substantial change in the local map.

The choice of no change in combination with a rigid legal system regulating local government has had its consequences, which we attempt to analyse in the present chapter. We argue that Spanish territorial diversity does not find a correspondence in a flexible legal system adapted to different realities, big and small, rural and urban. Rather, all municipalities are bound by practically the same rules set by the national government. Very similar electoral rules, functional capacities, organizational criteria and financial regulations apply to all. Further, even in the few aspects in which the system does allow for variation based on population, it does not meet the real needs of cities and towns.

To find the causes of the homogeneity of the Spanish local regime one has to go back to the Constitution of 1812, which promoted the territorial standardization of Spain as the expression of the liberal idea of equality and, related to it, the building of the nation, which implied the control of municipal government. Municipalities (*municipum* in Latin), whose existence dated back to the times of the Roman Empire, had been the first citizens' communities in Hispania. In the Middle Ages, the Crown, via special charters, granted them the status of cities or towns, as well as a certain degree of autonomy. In modern times, the rise of liberal democracy meant the submission of municipal government to the parliament (Orduña, 2005).

Interestingly, the Spanish model of decentralization does not impose this homogeneity. Under the current constitutional system, which began in 1978, there is room for flexibility. Both the state (via basic regulation) and autonomous communities (regional level of government) can diversify aspects of municipalities' functioning to adapt them to their distinctive characteristics, but they have not done so. What we find instead is the hyper-regulation of the state of local government. Under its power to pass 'basic' legislation, the central government has actually regulated local government extensively, even getting into minute detail, with a homogenizing logic. Far from ruling

that the state has exceeded its authority, the Constitutional Court has, in fact, affirmed the state's regulation of local matters.

This 'one system for all' circumstance has neither normative nor practical justification. Additionally, it produces inefficiencies and binds municipalities up in a sort of straitjacket. It particularly affects both ends of the population continuum of municipalities: big cities and small towns. In the case of big cities, the homogeneous state of affairs prevents them from developing all of their potential. The fact that, for instance, functional responsibilities are the same for all local governments with more than 50,000 inhabitants limits their capacities to develop autonomous policies in key areas for the management of the city, such as immigration and economic development. At the other end of the continuum, in the case of the small villages and also referred to functional responsibilities, the legal system forces them to assume some compulsory services that they are not able to meet.

The present chapter reflects on this structural situation, presenting its elements, pointing to the inefficiencies and examining its effects and implications. It focuses on the four dimensions of local government functioning where this homogeneity has the greatest impact: electoral, functional, organizational and financial. After presenting the characteristics of the Spanish local map and its evolution as a way to contextualize the topic, this chapter elaborates on each of these four dimensions, showing how and why one size does not fit all.

## **The Spanish municipal map**

The debate over the design and efficiency of the Spanish municipal map has been a never-ending discussion in both academic and political terms. In fact, various governments and plans have advocated a merging, or a reduction of the number, of municipalities. Attempts at amalgamation are present in the history of local government in Spain even though none of them have succeeded in restructuring the municipal map. In fact, since the Constitution of 1812, and until 2001, there have been 11 projects to amalgamate municipalities (Burgueño and Lasso de la Vega, 2002: 70). Liberal governments supported some of these, while technocrats from the Franco regime supported others, but none of them achieved any success. The limits of population proposed were also completely different: from 150–200 inhabitants in the projects of 1845 and 1903, to a minimum of 500 inhabitants in 1902, 1906 and 1960, to 2,000–2,500 in 1860 and 1975. Other reform projects of 1884, 1966 and 1971, suggested various solutions related to supra-municipal collaboration (Burgueño, 2004). In fact, the last attempt took place in 2013 in the framework of austerity programmes

promoted by European institutions. Territorial and administrative reforms have often been among the requirements of the ‘memorandums of understanding’ that have been issued by the European troika in the context of the global recession. In 2013, the Spanish government passed a reform of the Local Government Act, the first draft of which showed a clear intention to reduce the number of municipalities. However, the final version of the statute included only some vague incentives to merge entities.

Spain currently has an extremely fragmented and unevenly distributed municipal map. In 2018, there were 8,124 municipalities. As shown in [Table 5.1](#), the majority of Spanish municipalities are very small. Towns with fewer than 5,000 inhabitants represent 84 per cent of Spanish municipalities. However, most Spaniards (87 per cent) reside in towns with more than 5,000 inhabitants. The figures show a small number of densely populated areas, while the vast majority of municipalities are extremely small and are inhabited by a small percentage of the Spanish population. This phenomenon developed over decades but has recently received more public interest, including coverage in the popular press, which has created a new expression to refer to the sparsely populated municipalities: ‘empty Spain’ (del Molino, 2016).

This whole picture does not seem to change spontaneously. During the past few years, new municipalities have separated into smaller municipalities and,

**Table 5.1:** Municipalities and population in Spain, 2018

Population	Municipalities	% Municipalities	Aggregated population	% of population
0–100	1,360	16.74	78,080	0.17
101–250	1,476	18.17	244,003	0.52
251–1,000	2,159	26.58	1,137,762	2.44
1,001–2,000	877	10.80	1,245,796	2.67
2,001–5,000	953	11.73	3,005,045	6.43
5,001–10,000	543	6.68	3,804,913	8.14
10,001–20,000	351	4.32	4,946,227	10.59
20,001–50,000	260	3.20	7,688,220	16.45
50,001–100,000	82	1.01	5,884,410	12.59
More than 100,000	63	0.78	18,688,524	40.00
Total	8,124	100	46,722,980	100

Source: own elaboration from INE information, 2018.

although there are some systemic mechanisms to prevent new separations, the official registers show that every year one or two more municipalities have to be added to the general account. The combination of these factors results in a very distinctive municipal map, characterized by sharp contrasts and completely different needs. The small entities suffer from a permanent scarcity of resources, both human and financial, while the largest urban areas have to face extremely demanding challenges equipped with only the capacities and powers of regular municipalities.

## **Homogeneity of the legal framework and its consequences**

### *The electoral system*

All the aspects of the local electoral system contained in the Spanish Electoral Law (Ley 5/1985 *Orgánica del Régimen Electoral General*), and more or less the same rules apply to all municipalities. The constitutional provisions of 1978 left the model of local elections unspecified, but decision-makers did not take advantage of this capacity to act. They just copied the system for electing the members of the national lower chamber in parliament (*Congreso de los Diputados*), a system essentially based on a proportional system and closed and blocked lists. Only elections in very small municipalities (fewer than 250 inhabitants) were granted specific regulations. The result was that the same rules apply for a village of 251 inhabitants and for the 3.2 million residents in the country's largest city, Madrid. The law has been uncommonly durable. In the period of 40 years since it was passed, no relevant changes have been implemented.

The uniformity of electoral rules for municipalities with more than 251 inhabitants covers almost all elements of elections: simultaneous elections in all municipalities; direct election of councillors and indirect election of mayors; the stipulation that each municipality, regardless of population, constitutes a single electoral district; a closed list proportional representation system, utilizing the D'Hondt method for allocation of council seats; a qualifying threshold of 5 per cent of valid votes; and a fixed date to elect the mayor exactly 20 days after elections, at the first council meeting session in all municipalities. Only the number of councillors elected varies with size, ranging from seven councillors in municipalities with 251 to 1,000 residents to 25 in municipalities with between 50,000 and 100,000 residents. In the largest cities, an additional councillor is added for every 100,000 additional (ie, beyond the first 100,000) residents.<sup>1</sup>

This general system covers 65 per cent of the municipalities and 82 per cent of the population. However, as mentioned previously, municipalities with fewer than 250 inhabitants follow different rules. Two different models can be found in this group: one, based on an open assembly, for some municipalities with fewer than 100 inhabitants (those that decide to, and are allowed to, follow this system) and another, based on a majority open list system, for the rest.

The first model is based on an assembly system called *concejo abierto*. Electors choose mayors directly, and all the residents are members of an assembly that acts as the local council. Originally, the first model applied to all municipalities with fewer than 100 residents, but recent reforms have limited it and nowadays it is very uncommon. Over the past decade, many municipalities that followed the open council system changed to the open lists system. There are, however, no registers capturing how widespread open councils currently are among the smallest municipalities, though studies limited to some territories reveal that they are not widespread at all. In Catalonia, for instance, only six of the 38 municipalities with fewer than 100 inhabitants function under the open council system (Pano et al, 2018).

The second model applies to all municipalities with fewer than 250 inhabitants that do not follow the open council system. It implies the election of councillors by open lists. Each party or group of citizens submits a list of three (for municipalities with fewer than 100) or five (for municipalities with between 100 and 250) candidates. Electors pick two (in the smallest municipalities) or four candidates (in the rest) and the council is ultimately comprised of the candidates who have won the most votes.

Interesting though their effects can be, these provisions for the smallest municipalities cover a minimal part of the Spanish local reality and only two per cent of the population. The general model (municipalities with more than 250 inhabitants) is arguably more relevant for an assessment of the electoral system. Looking at the general model, the first feature to consider is the functioning of the proportional system. And, indeed, the model works efficiently with respect to proportional representation. All political options manage to get representation as long as they pass the legal threshold of five per cent of the votes. Moreover, one might argue that having just one constituency for the whole municipality – instead of the alternative first-past-the-post (FPTP) system by district – tends to favour city policies (Velasco, 2020).

Inefficiencies do not appear in all of the municipalities in this group; they appear, rather, in the cases at both ends of the continuum: the largest and the smallest municipalities. In big cities, the inefficiencies are a product of council sizes, whereas in small ones they are the result of the obligation to compete in party lists.

In big cities, councils are particularly small in comparative perspective. As was mentioned, council size grows with population. Councils in municipalities with 50,000 to 100,000 inhabitants comprise 25 councillors. However, from 100,001 inhabitants upwards, the council size increases only by one councillor for each additional 100,000 residents. Thus, the largest municipalities have disproportionately few councillors in relation to the rest. In Madrid, for instance, there is one councillor for every 56,140 inhabitants while in a municipality of 2,500 inhabitants; the ratio is one councillor for every 222 inhabitants. The result is remarkably small councils in big cities. The disproportion is even clearer when we look at other systems. From a comparative perspective, comparable European cities tend to have much larger councils, as in the case of Paris (2.2 million inhabitants and 163 representatives), Munich (1.5 million inhabitants, 80 councillors) and Warsaw (1.8 million inhabitants and 60 councillors) show.

The relatively small size of local assemblies in big cities might have implications from a democratic perspective. Studies have found that some sectors of the population – and women especially – are disadvantaged in terms of local political representation (Vershelts et al, 2013 Navarro and Sanz, 2018). Immigrants, too, are under-represented (Pérez-Nievas et al, 2020). In these circumstances, the small size of the assemblies might operate as a bottleneck, limiting the entry of newcomers into politics. This limits diversity in political institutions, impoverishing the debate and, according to theories of substantive representation; it might act as a bias for policy selection and priorities (Wangnerud, 2009). A simple reform such as increasing the size of big cities' councils might easily help in advancing inclusiveness.

At the opposite end of the continuum, the subset of small municipalities seem to be functioning suboptimally as well, albeit with a different political landscape. Data extracted from the work of Martínez Fernández (2020) show how independent lists are more numerous and successful in smaller municipalities (Table 5.2). This singular trait in electoral competition suggests a more 'personal' way of doing local politics in small spaces, where everybody knows each other's names and party logic does not apply.

But this reality is not acknowledged by the legal system, which sets the same rules for municipalities with 1 million inhabitants and 251 inhabitants: a proportional system with closed and blocked lists. The threshold of 251 inhabitants does not suit the reality or the particular needs of local entities. The 250 inhabitants limit for open lists could be increased easily, offering citizens more options for political participation.

**Table 5.2:** Independent lists in local elections in Spain (1987–2011)

	Without relevance		Relevant		Without representation		With representation		Total
	N	%	N	%	N	%	N	%	
<10,000 inhabitants	3,503	42.4	4,764	57.6	1,043	12.6	7,224	87.4	8,267
10,000–20,000 inhabitants	448	47.7	491	52.3	265	28.2	674	71.8	939
>20,000 inhabitants	926	68.8	419	31.2	751	55.8	594	44.2	1,345
Total	4,877	46.2	5,674	53.8	2,059	19.5	8,492	80.5	10,551

Source: adapted from Martínez Fernández, 2020.

### *Functions*

The Local Government Act sets the functions and activities of municipal governments. Specifically, Articles 25 to 27 (and Article 28 as well, though it is currently revoked) define the different functions and responsibilities that local entities must provide according to population size. Thus, there is a first group of services that are considered essential, which are supposed to be provided by all municipalities (regardless of population size). This first group includes street lighting, burial, waste collection, street cleaning, provision of potable water, sewage services, access to populated areas, paving and maintenance of streets and roads, and food and drink control.

The law established three additional groups of services which are compulsory, or not, depending on population size. A second group of services should be added for towns with more than 5,000 inhabitants including public parks, public libraries, public markets and waste treatment. A third group of compulsory services for cities with more than 20,000 inhabitants includes civil defence, social services, fire protection and firefighting services, municipal sport facilities and slaughterhouses. Lastly, cities with more than 50,000 inhabitants must also provide public transport and environmental protection.

In addition to this range of services, Article 28 of the Local Government Act empowered municipalities to provide other services in order to fulfil the needs of their population. By means of this general reference, municipalities displayed a variety of services beyond the established standard. For example, activities related to non-compulsory education, culture, social and elderly care, and infant care are included into this group of ‘non-compulsory’ or ‘complementary’ services. Although there is a lack of official information about the impact and spread of these activities, their cost for the municipalities



of Catalonia has been estimated to be around 27 per cent of the municipal budget (Vilalta, 2011).

The vision on this fact had always been controversial. While a part of public opinion and the political elite considered this capacity to be an expression of self-government and a manifestation of the political will of the city council linked to the principle of subsidiarity, others argued that city councils and local elites were using these activities to generate patronage networks, duplication of functions and an increase in municipal expenditure. Therefore, in 2013, Article 28 was revoked, and theoretically, municipalities must only provide services and activities that are specified by law.

In fact, the justification of the reform was based on the belief that municipalities were developing activities beyond those that had been assigned to them, which led to expenses that had to be reduced. The reform was approved in the framework of the austerity programmes related to the financial crisis (Navarro and Pano, 2019). However, according to the information we have about municipalities in Catalonia (one of the 17 autonomous communities), most municipalities did not modify the range of services they were providing (Viñas et al, 2018).

This structure of functions is designed according to the number of inhabitants of the municipality; therefore, we might conclude that it addresses the heterogeneity issue. However, the comparison between the distribution of municipalities according to the population and the pattern of functions already points to some elements.

Regarding small municipalities, the law establishes that all the municipalities must deliver the basic services. This entails that even the smallest entities must ensure the provision of these activities. As Table 5.1 shows, 60 per cent of municipalities have fewer than 1,000 inhabitants. The majority of city councils are small or very small in population, and some of them also include different populated areas or sub-municipal units (SMUs).

This small-scale municipal design might imply the existence of particular mechanisms to guarantee these activities. Nevertheless, the options are very limited and not specifically adapted to these entities. In fact, the regulation offers only two different systems, only one of which is especially conceived to address the lack of capacity of very small organizations. The most clearly defined way to compensate for this characteristic is a procedure called 'exemption'. The exemption procedure implies that entities that determine that they lack resources to provide basic services can request that upper administrations act in their stead. This is a very distinctive mechanism that only can be activated under certain conditions: the services in question can only be the most basic ones, the municipality's lack of capacity has to be provable, and a special administrative procedure must be utilized in order for the request to be authorized. The particular function/service in question is

then transferred to a higher governmental level. The exemption mechanism is, in fact, a last resort system and it is very difficult to know the extent of its use because local entities tend to find other solutions instead of utilizing it.

Another system that can compensate for the difficulties related to small size is inter-municipal cooperation (IMC). The Local Government Act includes the possibility of joint provision of public services through creating a voluntary association of municipalities. However, although IMC can be useful for aggregating resources and generating economies of scale, it should be taken into account that it does not involve any additional financial or organizational support. The structure of these entities is not easy and entails a complex administrative procedure. The obligations related to their regular operation are also arduous. These demanding conditions should be interpreted in the framework of a horizontal cooperation logic. In other words, IMC mechanisms depend strictly on the capacity of the members. Thus, it might be said that the IMC system can be especially challenging for small councils (Pano et al, 2018). The regulation does not provide funding or any other incentives to the creation and operation of IMC entities. That is to say, the value of the mechanism is based entirely on the benefits of synergy. [Table 5.3](#) offers information about cooperation entities in Catalonia, and shows that smaller municipalities tend to cooperate less frequently than larger ones.

The last support option consists of second-tier institutions and multi-level cooperation tools. Regarding second-tier institutions, we find a number of different entities. Provincial councils have functions related to municipal support. Autonomous communities can also create additional second-tier institutions. Aragon and Catalonia have created counties, which are also designed as resources for municipal support. Lastly, consortia are voluntary associations of entities that can include second-tier governments, which would also be local institutions, and also upper administrations (autonomous communities or even the state).

All these institutions are supposed to offer support to the municipal administrations, but they are not particularly designed to address the needs of the smallest towns. In fact, the aforementioned reform of the Local Government Act of 2013 tasked provincial councils with coordinating the activities of the municipalities with fewer than 20,000 inhabitants (ie, 95 per cent of the municipalities in Spain). However, the implementation of this option largely has not been carried out, possibly due to the lack of specificity. Other second-tier options, namely, the counties, seem to have been more adequate for the needs of the smallest towns (Pano et al, 2018), but they only exist in some areas. Finally, since consortia are voluntary associations their constitution and operation depend on the resources and capacities of the members.

Concerning the largest municipalities, the system does also offer some adaptation options, but it is doubtful whether these are effectively suited to

**Table 5.3:** Participation in cooperation entities by size of the municipality (N = 947)

Municipalities by size	Not included in a cooperation entity	
	Number	%
Inhabitants		
0–250	60	32.3%
251–500	36	24.7%
501–1,000	35	22.7%
1,001–2,500	29	18.6%
2,501–5,000	14	14.6%
5,001–10,000	7	8.0%
10,001–20,000	0	
20,001–50,000	0	
50,001–100,000	0	
100,001–+	0	
Total	181	19.1%

Source: adapted from Pano et al, 2018.

the peculiarities of the Spanish municipal shape. The general assignment of functions included in the law, involves only minor additional capacities. The general structure of the distribution of tasks does not really provide an adapted framework for the largest municipalities that develop additional services based on article 28 of the Local Government Act, which was revoked in the reform of 2013 precisely to prevent municipalities from carrying out activities that are not legally mandated.

In synthesis, the attribution of functions to municipalities is based on population; however, it is not properly adapted to the particular shape of the Spanish municipal system. Regarding the smallest municipalities, the law establishes a range of basic activities that are necessary, and does not offer mechanisms particularly designed for the needs of these entities. At the other end of the continuum, the largest municipalities often seek greater capacity to act, but the legal configuration does not provide a clear framework for them to do so.

### *Organizational capacity*

The self-government principle applied to organizational capacity implies that local councils can decide on the municipal structure. This has consequences in terms of both the political and the administrative structure. In general, the aspects related to organizational capacity can be adapted to the needs of the entity. These elements have more options for modifications.

In the first place, regarding the political organization, some elements are compulsory, namely the mayor and the assembly. The local government board (executive committee) is mandatory for municipalities of more than 5,000 inhabitants, and councils representing municipalities with smaller populations can also create the body with agreement of the assembly. The regulation also offers the possibility of modifying the functions and capacities of the different municipal bodies. In that sense, although Spanish mayors have always been considered presidential figures with strong powers, the law offers options for transferring their capacities and powers to other positions or municipal bodies, such as the assembly or the local government board (Pano, 2017).

The Local Government Act offers some possibilities for adapting the political architecture to the population size. Some of them are also related to the electoral system. The assembly system foreseen for the smallest municipalities (fewer than 100 inhabitants), that would imply the existence of a directly elected mayor and two chairs designated by the mayor, is a case in point. However, this system has become very rare. For the largest municipalities there would be two options. The first one is a set of articles contained in the tenth chapter of the Local Government Act and particularly addressed to the largest cities. The law also offers the possibility of special charters for the cities of Madrid and Barcelona.

The possibility of creating bodies and structures, and modifying the allocation of tasks, has been widely utilized by municipalities (Pano, 2017). Thus, this materialization of the self-government principle has proved intensively useful, and some municipalities have completely reshaped the design of their political architecture. The largest city councils are particularly active in applying these changes and adapting the legal configuration to their needs. Table 5.4 displays some information about this process for Catalan municipalities of more than 500 inhabitants. A very wide majority of municipalities of more than 5,000 inhabitants transfer tasks, while smaller municipalities seem to be more reluctant, although for them, as well, it is a very common practice.

However, this autonomy does have limits. The electoral law limits the number of councillors, and the Local Government Act limits the number of members of local government boards to a third of the total councillors of city councils. This limitation entails consequences related to the nature and operation of municipal governments. Mayoral elections require the affirmative vote of council members. Although there is not a particular statutory provision requiring them to do so, mayors and municipal governments have tended to assign functions and responsibilities to almost all the councillors in their respective groups. This implies that more than half of councillors end up acquiring governmental functions. The limitation of the number of members serving on local boards constrains the effectiveness

**Table 5.4:** Transference of tasks in Catalan municipalities of more than 500 inhabitants (term 2011–15)

Municipalities by inhabitants	Transferences of tasks		No transferences of tasks		Total
	N	%	N	%	
501–1,000	118	77.1	35	22.9	153
1,001–2,000	100	84.7	18	15.3	118
2,001–5,000	123	87.2	18	12.8	141
5,001–10,000	80	90.9	8	9.1	88
10,001–20,000	54	93.1	4	6.9	58
20,001–50,000	36	90.0	4	10.0	40
50,001–100,000	12	92.3	1	7.7	13
>100,000	9	100.00	0	0.0	9

Source: adapted from Pano, 2017.

of those boards. In light of that constraint, municipalities have tended to generate alternative mechanisms for governmental coordination, leaving the local board as a formal structure.

The executive branch members of local governments are also legislative branch council members, and they develop both positions. In the case of larger cities, some functions can be assigned to non-elected positions; however, this occurs only infrequently. In terms of the bodies' operation, members of local governments are also councillors, and at least the absolute majority of council members forms governments. Consequently, the number of members of the effective government exceeds the limitation established for the board and, at the same time, it ensures the easy adoption of decisions in the council.

The provisions of the Local Government Act for the largest cities include the constitution of SMUs. However, the regulation does not allow city councils to generate systems for the direct elections of the sub-municipal bodies, and it keeps all the aspects related to the election of the political structure under the general electoral regulation. In this context, these entities tend to become a mixture of participatory bodies and administrative decentralization.

Second, concerning the administrative organization, the regulation also offers many options to decide the structure and organizational diagram of the entity. The municipalities can enrol staff, create units, constitute entities and decide on the delivery forms of public services. From this point of view, municipalities are able to develop adapted forms and mechanisms. The difficulties that arise in this matter concern the general administrative legal framework that affects all the entities of the

public sector. The fact that both the central state and the autonomous communities can legislate regulations implies that municipalities must meet the requirements of both, which might be inordinately demanding. The result – 17 different governments and parliament regulations added to the central state general laws – is a sometimes extremely intricate system of obligations and requirements.

In general, laws related to transparency, administrative procedure, public procurement rules, recruitment of staff and budgetary procedure were conceived for the autonomous communities or for the central state structures, which creates difficulties when they are applied to municipal entities. This is particularly intense for the smallest towns that are supposed to implement this very same scheme with their reduced structures and modest budgets. This pattern can be also found in all the regulations that affect municipalities in one way or another, in the form of regulation that offers neither the largest cities nor the smallest towns sufficient autonomy because it is too rigid for the former and does not offer support or flexibility to the latter.

### *Financial system*

All municipalities are granted financial autonomy by the Constitution. Although the size of local finances is small in comparative terms (6 per cent of the GDP compared with an average of 11.1 in the European Union), local governments enjoy relatively high financial powers. They can tax their populations, most of the transfers they receive are unconditional and more than half of their total budgets come from their own resources.

Local government revenues are mainly based on taxes (52.9 per cent, higher than the European average of 38.1 per cent). The main source of local government revenue is property tax, which as an average, represents around 27 per cent of all local government funds. Transfers from the state budget to the municipalities cover a smaller part of their current income (22.2 per cent in 2015). Most of the transfers from upper levels of governments are unconditional and, among the minority of transfers that *are* conditional, most of them are grants for specific investment projects.

The structure of revenues and autonomy for spending is basically homogeneous among all municipalities, with minor specifications for very big cities. But the situation of both worlds – big and small – is notably different.

With respect to revenues they raise themselves, big cities enjoy a more privileged situation. Their financial capacity is normally high, first, because property tax produces a substantive financial return to the extent that it is levied on real state that has higher value in cities than in medium sized cities or villages. Due to this structural aspect of the tax system, big cities do not

suffer extraordinary reductions in income even during recessionary periods. By contrast, in rural municipalities the fiscal capacity is weak. For instance, real estate values in small municipalities are dwarfed by real estate values in cities, resulting in much lower property tax returns in the former. Revenues from other taxes and fees do not counterbalance this disadvantaged position.

Therefore, for small municipalities, transfers become essential. However, transfers to small municipal units do not have a special status. On the contrary, the system ends up benefiting very big cities. The basic distribution criterion for transfers is essentially population size, but certain urban municipalities receive much more funding per capita than other medium or small cities. For big cities, the system applies some correction factors in the calculation of transfers. But it does not imply the existence of a general fiscal equalization system for a more equitable distribution of financial resources to all local units (Blair, 1992). It only benefits larger municipalities under the assumption that they have higher expenditure responsibilities, such as providing services to non-residents (transport, cultural, parks, etc.)

Our analysis of the structure of income by population (Table 5.5) shows that smaller towns are more dependent than larger municipalities on transfers from other levels of government. This implies that smaller municipalities have less financial autonomy and have less capacity to fund their activity with taxes and other sources based on their own decisions.

Homogeneity in this dimension produces negative effects on the financial viability of rural municipalities and calls into question the validity of the constitutional principle of local autonomy (Velasco, 2020). The deficit of unconditional transfers to small municipalities is in some part mitigated by conditional financing by the state and the autonomous communities

**Table 5.5:** Structure of income of municipalities by population (2018)

Population	Taxes %	Property income %	Transferences %	Financial income %
≤ 5,000 inhabitants	50.1	3.4	45.1	1.3
5,001–20,000 inhabitants	58.3	1.9	37.0	2.7
20,001–50,000 inhabitants	59.2	2.0	34.9	3.9
50,001–100,000 inhabitants	63.2	2.2	30.9	3.7
100,001–500,000 inhabitants	60.1	2.8	32.4	4.7
500,001–1,000,000 inhabitants	52.4	1.4	37.4	8.8
>1,000,000 inhabitants	63.5	2.4	33.4	0.7

Source: own elaboration from data from the Spanish Ministry of Finances.

(for projects not decided by local authorities but by these other levels of government). The under-funding of small local governments is also related to the acute trend of depopulation in large parts of Spain. This demographic trend is an increasingly serious concern in the country, and addressing it has become a high priority in the central government's agenda.

Therefore, financial diversification of the transfers system – whereby the demographic criteria would not be the only criteria determining the allocation of funds – would particularly benefit small municipalities. Equalization funds would suit the Spanish reality, by taking into account criteria other than just population size, such as financial need, age (particularly high in small municipalities located in rural areas), the rural reality and the low level of revenues received from local taxes and fees.

## Conclusion

The Spanish municipal system comprises a high number of units and an extremely uneven distribution of the population. One might describe it as a universe of extremes governed by a single institutional rule. It might be said, in response, that local regulations already include some adaptations to different population thresholds. And indeed, adaptations to the population seem to be ubiquitous. However, as this chapter has shown, those adaptations are insufficient and even where they exist, the boundaries that limit them tend to impede effective municipal functioning. This state of affairs particularly affects growing cities and shrinking towns.

Electoral laws provide specific rules for small municipalities, but only for those with fewer than 250 inhabitants, ignoring that above that threshold the same political dynamics of small municipalities apply. Regulation of functional capacities and the provision of services constrains the potential of big and very big cities, preventing them from developing autonomous policies in fields in which their activity would be abundantly justified. Organizational rules are too rigid and homogeneous, and overlook the reality of small municipalities and their limited capacity to meet the exigencies of many regulations (transparency, public procurement, etc.). And the current financial system lacks an equalization system which acknowledges fiscal diversity.

The situation described does not prevent the local system from functioning. Informal practices correct some of the defects; ad hoc decisions compensate for others. This allows municipalities to navigate the formal uniformity and to succeed in meeting citizens' demands, and municipal government has been emerging as a level of government that is highly appreciated by citizens. However, as this contribution has shown, relatively straightforward reforms are possible and the fate of 'one size fits all' might ultimately be reversed.



**Note**

<sup>1</sup> And one more in case the resulting number is even.

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