DECENTRALIZATION AND THE OPTIMAL SIZE PERSPECTIVE: A CHALLENGE TO THE "LOCAL IS CLOSER-RESPONDS BETTER" DISCOURSE UNDER RESOURCE CONSTRAINTS AND ECONOMIES OF SCALE

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ABSTRACT

Decentralization has been a dominant policy discourse globally, largely driven by the 'proximity hypothesis' which posits that local governments are inherently more efficient and responsive. However, empirical evidence presents a complex and often contradictory picture, challenging the universality of this assumption. This paper, employing a systematic literature synthesis, argues that the 'optimal size' of local government is a critical, yet frequently underestimated, determinant of successful decentralization. We demonstrate how economies of scale significantly influence the efficiency and cost-effectiveness of various public services, from healthcare and education to infrastructure. Small, sub-optimal municipalities frequently face 'double jeopardy'-high per-capita costs coupled with sub-standard service quality due to resource constraints and lack of specialized expertise. While municipal amalgamation offers a solution to achieve optimal size and efficiency, it often creates tension with local democracy and accountability. We advocate for a nuanced approach to decentralization, emphasizing 'conditional' or 'differentiated' models that consider service type, local capacity, and economies of scale. Key recommendations include central support mechanisms, inter-municipal cooperation, and strategic, context-sensitive amalgamation, moving beyond a simplistic 'one-size-fits-all' paradigm to foster truly effective and sustainable local governance.

Keywords: Decentralization, Optimal Size, Economies of Scale, Local Government, Public Services

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