

**The Institutional Collective Action Framework:
An Application to Regional Governance in Taiwan**

Ssu-Hsien Chen
Assistant Professor
Department of Public Affairs, University of Taipei

Abstract

The rapid development and urbanization of Taiwan has produced scale, spillover and other dilemmas of fragmented authority that challenge efforts to address problems at a metropolitan or regional level. Taiwan municipalities have dealt with regional governance and institutional collective actions both across space and over time through the manners of consolidation. This paper describes the Institutional Collective Action (ICA) framework and its application to the study of collaborative mechanisms in metropolitan areas by drawing on examples of the tools of regional governance for solving ICA dilemmas in the Taiwan context. The author focuses specific attention on the role of policy network in integrating decisions in metropolitan areas.

Key words: metropolitan governance, institutional collective actions, municipal consolidations, Taiwan local municipalities.

I. Context and Rule in use

Taiwan has experienced rapid changes in economic and social development since 1970s. Agricultural based economics was replaced by industrial systems, and the support- demand chains were shifted from closed, isolated, self-sufficient organizations to open, mobile, frequent- exchanged networks. Social pluralism and value diversity increase demands for government's capacity carrying out integration of national-wide resources (Peng, 2004). A large-scale government reform thus is urged. A powerful central government as well as consolidated local governments (authorities) is expected to competently cope with complex public problems and overlapping public issues. The *Additional Articles of the Constitution of the Republic of China* at 21th July 1997, made governmental restructuring legal and applicable (Government Information Office, 2003), and the *Local Government Act* amended at 3rd February 2010, provided legal basis for local consolidation, annexation, boundary adjustment, collaboration and such institutional collective decisions among Taiwan municipalities. The following table represents current rule-in-use for Taiwan institutional collective actions (ICA).

Table: Rules-in-use for Taiwan ICA—the *Local Government Act* amended at 3rd Feb 2010

<i>Boundary adjustment, consolidation and annexation</i>
Article 7-1: "In line with the requirements of reasonable national land planning and balanced development of the different regions, <u>the Ministry of the Interior</u> , in planning to change counties /cities into special municipalities or merge counties /cities with other special municipalities or counties / cities into a special municipality, shall first formulate plans for such changes and consult with the governments of the relevant special municipalities and counties / cities, and then submit the plan to <u>the Executive Yuan</u> for approval. Where a county / city is to be changed into a special municipality, the county / city

government may formulate a plan for such change for approval by the county / city council. Thereafter, the plan shall be submitted by the Ministry of the Interior to the Executive Yuan for approval.

Where a county / city is to be merged with other special municipalities or counties / cities into a special municipality, the governments of the relevant special municipalities and counties / cities may jointly formulate a plan for such merger for approval by the councils of the special municipalities and counties / cities.

Thereafter, the plan shall be submitted by the Ministry of the Interior to the Executive Yuan for approval.

The Executive Yuan, upon receipt of such plans from the Ministry of the Interior, shall make a determination within six months.

The Ministry of the Interior shall, within thirty (30) days from the day after it has received the official letter of approval from the Executive Yuan, announce the plan for such changes and announce the timetable for such changes through public notice.”

Interlocal collaboration

Article 24-1: “To handle self-government matters that involve other special municipalities, counties/cities, or townships/cities, facilitate the use of resources within the region, or to improve the well-being of the residents in the region, a special municipality, county/city, or township/city may, together with other special municipalities, counties/cities, or townships/cities, establish organizations for regional collaboration, enter into agreements or other administrative agreements, or use other methods of collaboration, and report such activities to their common higher-level competent authority for recordation.

For matters in the preceding paragraph that involve the authority of the relevant special municipality councils, county/city councils, township/city councils, approval from the relevant special municipality councils, county/city councils, township/city councils shall be required.

For matters in the first paragraph that involve a transfer of jurisdiction or adjustments to the scopes of jurisdiction, the special municipality, county/city, or township/city shall formulate (promulgate) and amend the relevant self-government laws and regulations.

In relation to construction plans proposed by a special municipality, county/city, or township/city that involves different regions or the regional collaboration indicated in paragraph 1, the common higher-level competent authority shall provide priority financial assistance or other necessary assistance.”

Interlocal agreements and administrative contracts

Article 24-2: ” When a special municipality, county/city, or township/city enters into administrative agreements with other special municipalities, counties/cities, or townships/cities in accordance with subparagraph 1 of the preceding paragraph, the following shall be clearly indicated in the agreement based on the nature of the matter in question:

- I. The organizations and agencies that are parties to the administrative agreement.
- II. The scope and methods of collaboration.
- III. The basis for the allocation of expenses.
- IV. The period of collaboration.
- V. The preconditions for the agreement to take effect and the time when the agreement will start to take effect.

VI. The methods of handling breach of agreement. VII. Other issues relevant to the rights and obligations of the parties.”
<i>Third party enforcement</i>
Article 24-3: “The special municipality, county/city, or township/city shall fulfill its obligations in accordance with the agreement. In the event of disputes, the issue may be reported to <u>the common higher-level competent authority</u> for resolution or may be handled in accordance with the judicial process.”

Source: Taiwan Ministry of Justice, Laws & Regulations Database, Retrieved January 22, 2014, from <http://law.moj.gov.tw/Eng/LawClass/LawAll.aspx?PCode=A0040003>

The *Local Government Act* specifies the procedures of boundary adjustment, interlocal collaboration, consolidation/annextation, bilateral/multilateral agreements and interlocal contracts. The role of higher-level competent authority is emphasized during the transactions, as a result of centralization. In case of defection or opportunism, a third party could involve in the bilateral or multilateral relationships and coordinate or enforce the agreements. A common higher-level competent authority (the Ministry of the Interior/the Executive Yuan, as well) could ignite the collective works or preserve the rights of approval. In addition, the higher-level authorities are expected to monitor the collective actions and to make sure the compliance of collective decisions. In empirical, the current integration mechanisms focus most on consolidation that imposes centralized authorities to effectively and efficiently solve horizontal collective action dilemmas.

II. Current Integration Mechanisms—Consolidation

In December 25th 2010, several Taiwan small cities were merged into counties and consolidated to metropolitan special municipalities based on the implementation of a national spatial planning. The purpose of this plan is to create regional metropolis, promote regional well-being, and to balance economic development of the north, middle and south Taiwan (Hsiao, Lin & Pai, 2012). The number of “special

municipalities”, thus, increases from two to five by 2010 (and to six by 2014). But the total number of “municipalities” decreases from 330 to 226 by 2010 (and to 214 by 2014, see the following table). The anticipated function of special municipalities is to create or maintain metropolitan development in the regions, thereafter could guarantee regional finance health. Metropolises take the form of amalgamations of counties and regional small cities. To enhance regional governance capacity, a mandatory operation imposes authorities to solve horizontal ICA dilemmas. Taipei county becomes New Taipei City as a consequence of amalgamation of 29 small cities and townships. (Taipei metropolis consists of two special municipalities—Taipei city and New Taipei city.) Taichung city/ metropolis consists of 22 original townships and county-administrative cities. Tainan city/ metropolis was 32 small cities and townships, and Kaohsiung city/ metropolis was 28 before. Taoyuan county has 12 county-administrative municipalities now but in 2014 will become 1—Taoyuan city.

Table: Amalgamations in Taiwan (1993~2013)

Special municipalities/ Metropolitan areas	# Municip. Before 2010	# Municip. After 2010	△ Municip.	% Change Municip.	Density 1993 /per km ²	Density 2013 /per km ²
Taipei City	1	1	0	0	9761.77	9884.18
Taipei County (New Taipei City)	29	1	-28	-96.55%	1570.05	1926.82
Taipei Metropolis	30	2	-28	-93.33%	2527.95	2857.31
Taoyuan City/ Metropolis	13	13	0	0	1186.11	1674.12
(In the end of 2014)		1	-12	-92.31%		
Taichung City/	22	1	-21	-95.45%	978.76	1219.77

Metropolis						
Tainan City/ Metropolis	32	1	-31	-96.88%	802.82	859.26
Kaohsiung City/ Metropolis	28	1	-27	-96.43%	873.02	943.09
Taiwan Total	330	226	-104	-31.52%	580.27	645.81
In the end of 2014		214	-116	35.15%		

Source: the author. Adapted from Taiwan Ministry of the Interior, Department of Statistics, Retrieved January 13, 2014, from <http://www.moi.gov.tw/stat/month.aspx>

It is a large-scale administrative movement. Decrease rates of municipality numbers within a single metropolitan area are as high as 92.31%~96.88%. The original townships and county-administrative cities become districts which are under fiscal and administrative control of special municipality governments. District chief administrators are responsible for district affairs, and are authorized and appointed by special municipality mayors. The original representatives of county-administrative city/townships become advisors on the district's administrative affairs (*Local Government Act, Article 58 & 58-1*). But such advisors have no legal power to check and balance the distinct executive systems. They have no power to monitor but merely have the rights to give suggestions and communicate with the executives. Street-level representatives, thus, no longer exist. Regional governance is operated by a powerful special municipality authority to coordinate cross-boundary service provision works on economic development, transportation, education systems, pollution control, specific policy networks, and so forth.

The consolidation processed by a top-down manner. The Ministry of the Interior undertakes the county-city consolidation plans, seems to consult with the local governments, and then submits the plans to the Executive Yuan for approval

according to the *Local Government Act, Article 7-1*. Local governments, representatives and citizens do not have the power to “decide” whether to consolidate or not, but merely have the opportunities to express their opinion. That means, the central government has the power to determine or adjust the institutional collective actions but the local one only has the right to communicate with the higher-level authority (Shi, 2010). The central government made the national spatial plans and “implemented” county-city consolidations. It controls whether, when and how to carry on the consolidation works.

The integration mechanism of consolidation is emphasized to solve horizontal collective action dilemmas. The imposed authorities are expected to promote effectiveness and efficiency, and to create a sound vision of city future. However, scholars criticize that it would be rather a “policy marketing” than an actual administrative reform (Yeh, Cheng and Wu, 2011). The purpose of doing this is to make the centralized authority legally lead the cross-jurisdiction executive systems, and to gain people’s trust of the government’s willingness of reform. In fact, “there is no significant effect on the improvement of governance” (p. 1155). Even though citizens’ recognition of city vision is promoted, the overall citizen satisfaction declines. Urban construction, administrative efficiency and traffic problems do not have a significant improvement. Specifically, citizens perceive that service provision to individuals seems to have less priority given by the “symbolic” administrative reform (Yeh, Cheng and Wu, 2011).

III. ICA dilemmas and Transaction Costs

The Taiwan's cases of integration mechanism take the form of imposed authority onto the regions. The top-down controlled, county-city consolidation may face high collaborative risks among the institutional collective actions. Due to the absence of local consensus, the risks of incoordination, unfair division and defection sharpen the ICA dilemmas and thus transaction costs increase. In many policy arenas, the centralized decisions cannot respond to specific local preference, and, inevitably, coordination problems arise. When the coordinative effort requires wide range activities, more local actors involve in the action arenas and higher distributive problems may emerge. Taiwan's local actors (such as the original representatives in townships and county-administrative cities) may seek the channels to keep touch with the central actors through formal or informal contractual networks, and try to affect the distributive decisions. But after the 2010 consolidations, local representatives lost their political power and no longer legally represent citizen preference. Big central but small local produces incoordination problems because, without local councils, no one can formally reflect local interests and respond to citizen demands. The actual operation of coordination may simply look at the central concerns regardless local specific preference.

Steinacker (2004) indicates that when local entities have shared goals and expect to obtain mutual benefits from the collective actions, they may suffer division problems because of the potentials of disadvantages. How to divide and distribute the gains become big issues. Fairness is the essential concerns when there are multiple equilibria of the distribution of benefits and costs. Nevertheless, everyone's perception of fairness varies. Transaction costs emerge from repeated negotiation and

deliberation process. In Taiwan’s cases, the first controversial argument emerges from the distribution of fiscal grants in the special municipality level. It is a fiscal allocation problem that one may claim unfairness when they do not get enough money for local infrastructure but have to carry equal burden on tax income responsibility.

Taiwan’s local governments can obtain three kinds of fiscal grants from the central government— categorical-conditional grants, block-unconditional grants and revenue sharing/tax sharing (Shi, 2010). Division problems emerge from the revenue sharing formulas in two levels—the first is the revenue sharing among the five special municipalities; the second is the distribution to districts under the special municipality governments (see the following figure).

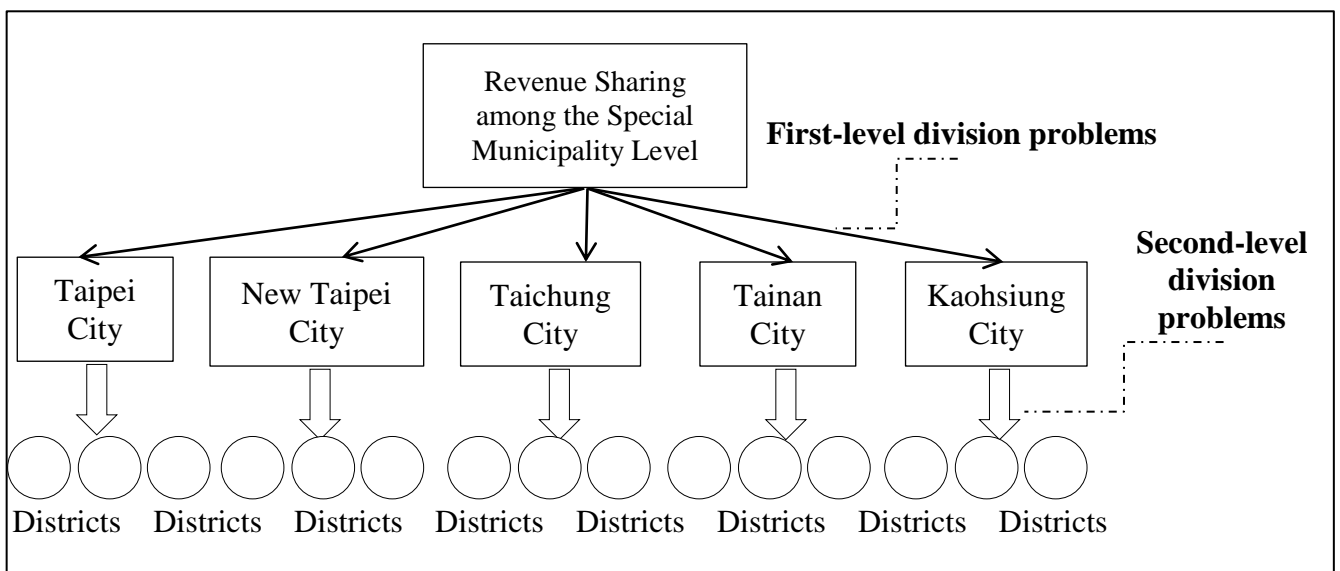


Figure: The Two-Level Division Problems in Taiwan

Note: Taoyuan County will become a special municipality in 2014 and will be involving in the first-level division problems.

Source: The Author

The five cities have equal positions as special municipalities but their population vary from 1,883,208 (Tainan city) to 3,954,929 (New Taipei city) in 2013. Given the population diversity, it is hard to say fairness if the five share equal revenue

income; the first-level division problems thus emerge. Similar division problems occur in the district levels. The districts are original county-administrative cities/townships, and they should have the fiscal allocation formula from the county governments. But now it is the special municipality responsibility that allocates resource to the subordinate districts. The perception of fairness becomes essential tasks that the city governments undertake to balance district development in regional jurisdictions.

Defection risks arise when the parties encounter conflict interests. Local governments may act opportunistically in order to enter an advantaged context. Especially when facing information asymmetry, actors would rather betray the collaborative arrangement and leave the other side worse off to create a sound future of actions. Taiwan adoption of imposed authority to coordinate local ICA could superficially solve the defection problems. Under the legal controls of the higher-level authority, the local should comply with the collaborative decisions and enforce the agreements on ICA. The imposed authority may deter short-term risk problems among the local ICA. However, in long-term perspectives local actors still seek mechanisms to create an advantaged situation. The imposed authorities could not permanently solve defection problems resulted from fragmentation, diversity and complexity.

Transaction costs address ICA dilemmas with information, bargaining and enforcement costs across the collective actions, and the loss of autonomy of the individual actors (Feiock, 2013). Taiwan's county-city consolidation results in the loss of autonomy of local governments which may superficially overcome incoordination, unfair division and defection problems, but in a long term it may not

reduce information, bargaining and enforcement costs. The top-down decisions of coordination, division and collective agreements ignore local diversity thus the local actors still seek the mechanisms to enhance their individual interests. The consolidations encompass complex collective issues. In the situation that the local does not have formal mechanisms to reflect their actual need and preference, they would finally decide to deviate from the collective decisions. The following figure displays the diagonal dimension of Taiwan’s integration mechanism and transaction costs. The vertical axis describes the institutional scopes from narrow to comprehensive, and the horizontal axis addresses the types of integration mechanism. Taiwan’s county-city consolidations belong to the cell of imposed authority, and involve in encompassing complex collective issues in the jurisdictions. In long-term perspectives the consolidations of New Taipei city, Taoyuan city, Taichung city, Tainan city, and Kaohsiung city would suffer high transaction costs to deal with the ICA dilemmas in the regions.

Encompassing Complex Collective				Highest Consolidation: New Taipei City, Taoyuan, Taichung, Tainan, and Kaohsiung metropolises
Intermediate Multilateral				
Narrow Single Issue Bilateral	Lowest			
	Embeddedness	Contracts	Delegated Authority	Imposed Authority

Figure: Taiwan’s Cases of Integration Mechanisms and Transaction Costs
Source: The Authors

IV. An ICA Research Agenda for Taiwan Interlocal Collaboration

The purpose of this paper is to develop theoretical frameworks to analyze institutional choices of local government collective actions. Several ICA research agenda would be designed to test the hypotheses that 1) address the factors to select the collective action tools such as imposed authority, delegated authority and contracts; the research asks the question: why not select A but B tool; 2) measure the problems emerging from the local ICA Dilemmas such as the risks of incoordination, division and defection problems; the research asks the question: to what extent the problems affect local governance capacity; 3) measure the transaction costs resulted from the ICA dilemmas such as information, bargaining and enforcement costs; the research asks the questions: to what degree the transaction costs emerge; 4) describe the social networks or channels that local actors seek to affect the centralized decisions on local collective actions; the research asks the question: how the local preference be taken into account by the centralized authority; 5) measure the policy outcomes of the 2010 county-city consolidations such as government performance and citizen satisfaction; the research asks the question: to what degree the integration mechanism enhances or damages government effectiveness and efficiency.

Reference

- Feiock, Richard C. 2013. The Institutional Collective Action Framework. *Policy Studies Journal* 41(3): 397-425.
- Government Information Office (Republic of China). 2003. *Taiwan Yearbook 2003*, Kwang Hwa Publishing, Inc. (USA).
- Peng, Wen-Shien. 2004. The Adjustment of Taiwan's Administrative Systems. *The Chinese Public Administration Review* 14(1): 1-26.
- Hsiao, Hong-Wei, Chien-Yuan Lin & Jen-Te Pai. (2012). A Discussion about the New Task & Vision of Cross-Regional Integration & Governance after the Operation of Five Special Municipalities: The View of National Spatial Planning. *Journal of Public Administration* 42: 139-154.
- Shi, Zheng-Feng. (2010). Problems of the Five Special Municipalities Administrative Reform. Paper presented at the Conference of Administrative Reform of the Five Special Municipalities and Taiwan Development. Taipei, Taiwan. September 19.
- Steinacker, Annette. (2004). Game-Theoretic Models of Metropolitan Cooperation. In Richard Feiock ed., *Metropolitan Governance: Conflict, Competition, and Cooperation*. Washington, DC: Georgetown University Press: 46-66.
- Taiwan Ministry of Justice. (2014). Laws & Regulations Database of the Republic of China, Retrieved January 22, 2014, from <http://law.moj.gov.tw/Eng/LawClass/LawAll.aspx?PCode=A0040003>
- Taiwan Ministry of the Interior, Department of Statistics, Database, Retrieved January 13, 2014, from <http://www.moi.gov.tw/stat/month.aspx>

Yeh, Ching-Chia, Chih-Ming Cheng, and Jih-hwa Wu. (2011). The Research of City-County Consolidation and People Intentions—an Empirical Study on the Cases of Tainan. *Energy Procedia* 16(2012): 1155-1161.