






When Decentralization Works for Community Development: The Role of Scale, Capacity, and Institutional Conditions in Local Governance



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Abstract: Decentralization is often justified on the grounds that local governments are closer to citizens and therefore better able to respond to local needs. Yet, much of the existing literature has approached decentralization mainly in terms of administrative performance and service delivery, leaving its implications for community development less clearly understood. This study revisits the issue by bringing together empirical findings from a wide range of contexts. Rather than asking whether decentralization performs better than centralization in general terms, attention is directed to the conditions under which it makes a difference at the community level. The evidence points to a pattern that is far from uniform. Where local authorities operate with sufficient resources, administrative competence, and room for decision-making, decentralization tends to support more responsive and locally grounded forms of service provision. In contrast, where these conditions are weak, especially in smaller or under-resourced jurisdictions, similar arrangements often produce uneven access, limited participation, and fragile outcomes. Taken together, the findings suggest that decentralization cannot be treated as a universally beneficial reform. Its contribution depends on how responsibilities are matched with local capacity, how different scales of governance are organized, and whether institutional arrangements allow communities to exercise meaningful influence over local affairs.

Keywords: Decentralization; Community development; Local governance; Community participation; Governance scale; Institutional capacity; Territorial inequality; Community resilience

1. Introduction

Decentralization has remained a dominant theme in public policy and governance debates for more than four decades. Its most influential justification is the “local proximity” argument, which states that devolving authority and service responsibilities to local governments allows public institutions to respond more quickly and appropriately to the needs of citizens because they are closer to the communities they serve (Ehdaie, 1994; Smoke, 2019; Suwunwijitr & Tasawiwatkul, 2021). This logic has strongly shaped academic scholarship and policy reform across developed and developing countries, where decentralization is frequently promoted as a pathway to more responsive, democratic, and context-sensitive governance.

In much of the existing literature, however, decentralization is evaluated primarily through the lenses of administrative performance, fiscal efficiency, or service delivery effectiveness. These are important concerns; however, they do not fully capture the broader aims of community development. A community development perspective requires a wider evaluative framework, one that asks not only whether decentralization lowers costs or improves administrative responsiveness, but also whether it expands equitable access to services, strengthens local participation, supports inclusion, builds local capacity, enhances resilience, and protects community voice in decision-making processes. In other words, the issue is not merely whether the government is closer, but whether that proximity translates into meaningful improvements in community well-being and place-based development.

This broader lens is especially important because the empirical record on decentralization is far less uniform than the conventional proximity narrative suggests. Some studies have reported positive outcomes. Espasa et al. (2017), for example, found that decentralization in Spain was associated with greater public satisfaction with education and healthcare services. In Kenya, Mwangi et al. (2023) showed that fiscal decentralization improved access to local public services, while Dwicaksono & Fox (2018) found evidence that decentralization can improve responsiveness to local health needs in several developing-country contexts. In Thailand, some education functions managed by local governments performed more effectively than those administered by central or regional authorities (Jemsittiparsert et al., 2016a; Jemsittiparsert et al., 2016b) also reported that. These findings suggest that decentralization can support community development when local institutions are sufficiently empowered and capable of responding to local circumstances.

However, wider evidence also shows that decentralization does not automatically produce better outcomes for communities. Its effects are often uneven, conditional, and territorially differentiated. Abimbola et al. (2019), in their realist synthesis of health sector decentralization, concluded that decentralization produces mixed effects on equity, efficiency, and resilience, depending on the surrounding institutional context. Likewise, Setiawan et al. (2022) found that variations in local government capacity significantly shape the quality of public service delivery, while studies in Thailand have highlighted recurring challenges related to authority, finance, personnel, oversight, and citizen participation (Chaiyon, 2014; Maneesri, 2021). These findings indicate that decentralization should not be treated as a uniformly beneficial institutional reform. In many cases, local proximity may exist without sufficient fiscal resources, technical competence, managerial capability, or decision space. Under such conditions, communities may experience decentralization not as empowerment, but as uneven provision, limited inclusion, and persistent vulnerability.

This problem points to an important gap in the literature. Much decentralization scholarship still asks whether decentralization performs better than centralization, often using efficiency or administrative effectiveness as the principal benchmark. This framing is too narrow for community development research. A more relevant question is: under what institutional and territorial conditions does decentralization improve community development outcomes? Addressing this question requires attention not only to efficiency, but also to equitable service access, inclusion across places and populations, local capacity formation, democratic participation, community resilience, and the ability of citizens to exercise voice over decisions that affect their everyday lives. Such a perspective also makes visible a central tension in decentralization reform: institutional arrangements that improve efficiency through scale may simultaneously weaken participation, local identity, and accountability if they increase the distance between governing institutions and communities.

It is within this debate that the issue of “optimal size” becomes analytically important. The size of local government organizations affects their fiscal base, technical expertise, bargaining power, and administrative capacity, all of which shape whether decentralization can deliver meaningful benefits at the community level (Blank & Niaounakis, 2021; Blesse & Baskaran, 2016). Local units that are too small may struggle to provide reliable services, coordinate across sectors, attract qualified personnel, or respond to crises, thereby undermining both service quality and territorial equity. At the same time, larger units or municipal consolidation may generate economies of scale while reducing opportunities for participation, political efficacy, and local accountability (Bel et al., 2018; Strandberg et al., 2021). For community development, the relevant issue is not simply whether local government is small or large, but whether institutional scale is aligned with the kinds of services being delivered and with the democratic and social capacities needed to sustain inclusive local development.

In the Thai context, this question is highly relevant. Public debate has often framed decentralization as the antidote to centralization and a route toward democracy and justice (Pridi Banomyong Institute, 2021; Siamrath Online, 2019; Tanchai, 2017; Thansettakij, 2022). While such claims are normatively compelling, they risk overstating the benefits of decentralization if they are not grounded in the institutional and territorial conditions under which communities experience service provision. In practice, localities differ substantially in terms of population size, fiscal resources, administrative capability, and social conditions. A community development perspective therefore requires moving beyond generalized claims in favor of closer government and toward a more differentiated understanding of which forms of decentralization work, for whom, in what places, and under what conditions.

Accordingly, this study reframes the decentralization debate by synthesizing empirical research through a community development lens. Rather than asking only whether decentralization is more effective than centralization, this study investigates the conditions under which decentralization contributes to equitable and meaningful community outcomes. Specifically, it has three objectives: first, to examine the extent to which decentralization improves community development outcomes, such as equitable service access, responsiveness, participation, and local inclusion; second, to analyze how institutional and territorial factors—especially local capacity, fiscal resources, decision space, and optimal size—shape these outcomes; and third, to identify how decentralization can fail when local governments are too small, under-resourced, or poorly supported, thereby generating inequality, low-quality services, and weak community voice. Methodologically, this study employs a systematic literature review of empirical studies published between 2001 and 2025 across a range of developed

and developing contexts. By doing so, it aims to contribute to a more grounded understanding of decentralization, not merely as a state reform, but as a question of how governance arrangements can either enable or constrain community development.

2. Decentralization and Community Development: From Proximity to Capability

Decentralization is commonly justified by the idea of local proximity: the assumption that local government organizations, because they are closer to citizens, are better able to understand community needs and respond more quickly and appropriately than central or regional authorities (Dick-Sago, 2020; Ehdaie, 1994; Smoke, 2019; Suwunwijitr & Tasawiwatkul, 2021; Verdier et al., 2022). This argument has been highly influential in both scholarship and policy reform because it links decentralization to responsiveness, democracy, and service improvement. However, from a community development perspective, proximity alone is too narrow a foundation for evaluating governance reform. Community development is concerned not only with whether services are delivered efficiently, but also with whether local institutional arrangements strengthen participation, expand inclusion, build local capability, reduce territorial inequality, and support the long-term well-being of communities. Therefore, this study adopts a broader theoretical lens. Rather than treating decentralization merely as the transfer of authority for service delivery, it views decentralization as a governance arrangement whose value depends on its contribution to community outcomes. From this perspective, the relevant question is not whether local governments perform better than central governments, but whether decentralization creates conditions in which communities can access services more equitably, participate more meaningfully in local decision-making, strengthen their collective capacities, and respond more effectively to local risks and changing circumstances. This shift is important because the empirical literature repeatedly shows that decentralization does not produce uniform effects. Its outcomes vary according to fiscal resources, decision space, institutional capability, and the territorial scale at which services are organized (Abimbola et al., 2019; Dwicaksono & Fox, 2018; Setiawan et al., 2022; Wang et al., 2024).

The first layer of this framework is participatory governance. Decentralization is often normatively associated with democracy because local institutions are expected to be more accessible and accountable to citizens. In principle, a smaller political distance can increase opportunities for public voice, deliberation, and responsiveness. This expectation is visible in Thai decentralization discourse, where decentralization is linked to democracy and justice (Tanchai, 2017), but it is also reflected in wider debates on local accountability and citizen participation (Chaiyon, 2014; Maneesri, 2021). However, participatory governance cannot be assumed merely because authority is devolved. Empirical evidence suggests that participation depends on whether local governments possess meaningful authority, administrative competence, and institutional openness. Where decentralization occurs without real decision space, local governments may remain implementers of central directives rather than arenas for democratic problem-solving (Faguet, 2016). Thus, participation is not just a procedural ideal in this study; it is treated as a substantive condition for community development.

The second layer is community empowerment. In this article, empowerment is understood as the extent to which local communities gain practical influence over the priorities, design, and adaptation of public services that affect their daily lives. Decentralization can support empowerment when local governments are able to tailor decisions to local needs and when citizens can shape those decisions through ongoing interactions with local institutions. Evidence from Kenya and Indonesia suggests that local governments with adequate fiscal authority and institutional capability can respond more effectively to geographically and socially diverse local needs (Mwangi et al., 2023; Setiawan et al., 2022). Similarly, Espasa et al. (2017) found improved public satisfaction with decentralized services in Spain, indicating that decentralization can generate more welfare-enhancing outcomes when governance capacity and institutional design align. However, empowerment weakens when local authorities lack resources, technical expertise, or administrative autonomy. In such cases, decentralization may increase expectations without improving local problem-solving capacity.

The third layer is social inclusion and place-based development. A community development perspective requires attention to who benefits from decentralization and whether territorial differences are reduced or deepened. Locality matters because communities differ in geography, population, fiscal base, infrastructure, and social composition. Setiawan et al. (2022) show that local governments can be more responsive to geographical, cultural, and economic diversity than broader regional administrations, supporting the place-based argument for decentralization. At the same time, the literature also warns that decentralization can worsen inequality when functions are transferred without regard to uneven local capacity. Rodríguez-Pose & Ezcurra (2010) show that blanket decentralization may exacerbate regional disparities, while Rodríguez-Pose & Vidal-Bover (2024) demonstrate that unfunded mandates can weaken local performance when fiscal resources do not follow devolved responsibilities. Accordingly, decentralization contributes to community development only when institutional design actively addresses uneven territorial capacity rather than assuming that all localities can perform the same functions under the same conditions.

The fourth layer is community resilience. Community development is not only about routine service delivery;

it is also about whether local institutions can cope with shocks, vulnerabilities, and structural pressures. This is particularly relevant for small or fragile localities. Abimbola et al. (2019) explicitly show that decentralization has implications not only for efficiency and equity, but also for resilience. Evidence from Brazil further illustrates that small municipalities often face heightened vulnerability in health management and disaster contexts because of limited capacity and weak institutional buffers (Pinafo et al., 2020; Ribeiro et al., 2022). In this sense, resilience should be treated as a core community outcome. A decentralized system that is formally local but practically fragile may leave communities more exposed, not less, to crises. Therefore, resilience in this study refers to the ability of local governance arrangements to sustain service provision, absorb shocks, and protect vulnerable populations under conditions of fiscal, environmental, and institutional stress.

The fifth layer is the co-production of services. Although the manuscript is not primarily a co-production study, a community development reading of decentralization requires recognition that effective local services are not produced by the government alone. They are shaped through interactions between public institutions and residents, including local knowledge, citizen feedback, user experience, informal monitoring, and public trust. This dimension is implicit in studies showing that decentralized services improve when they are responsive to local contexts and public preferences (Espasa et al., 2017; Mwangi et al., 2023; Setiawan et al., 2022). It is also visible in the literature on local democracy, where distance from citizens can weaken participation, accountability, and trust after large-scale mergers (Strandberg et al., 2021). In this article, co-production is understood pragmatically as the contribution of community voice and local knowledge to the functioning of decentralized services. The closer the relationship between institutions and communities, the greater the potential for such co-production, but only if local governments retain the capacity and authority to act on community input.

Table 1. Decentralization and community development outcomes across selected service contexts

Country/ Context	Service Area	Observed Community Outcome	Institutional Conditions Shaping the Outcome	Reference
Spain	Education and public health	Decentralization was associated with higher public satisfaction, suggesting a stronger responsiveness to citizens' needs and better perceived service quality.	Regional capacity and participatory responsiveness supported positive community-facing outcomes.	Espasa et al. (2017)
Kenya	Public health and infrastructure	Fiscal decentralization improved access to local services, especially infrastructure and primary healthcare, indicating stronger local responsiveness to community priorities. Local governments with sufficient capacity delivered services that were more responsive to geographical, cultural, and economic diversity, thereby improving the fit between services and local conditions.	Adequate local fiscal authority and budget allocation capacity enable service adaptation to local needs.	Mwangi et al. (2023)
Indonesia	Education	Local governments with sufficient capacity delivered services that were more responsive to geographical, cultural, and economic diversity, thereby improving the fit between services and local conditions.	Analytical, operational, and political capacity at the local level shapes the quality of community outcomes.	Setiawan et al. (2022)
China	Basic public services	High fiscal decentralization did not strengthen basic community services; in some cases, service provision weakened because local priorities shifted away from welfare needs.	Local government competition for economic growth has redirected resources toward commercial infrastructure rather than basic public services.	Wang et al. (2024)
Fiji	Public health	Decentralization did not generate meaningful improvements in local service adaptation or community benefits.	The lack of a real decision space meant that local governments implemented central directives without effective local discretion.	Faguet (2016)
Thailand	Basic public services	Local authorities struggled to effectively address community needs despite high service burdens, indicating weak community outcomes under strained local conditions.	Oversized service burdens, undocumented population pressures, and insufficient local fiscal support limited the effectiveness of the response.	Akahat (2019)

These five dimensions shift the analytical focus of decentralization from proximity alone to capability. Proximity remains important; however, it is insufficient. The reviewed literature consistently indicates that local governments can convert proximity into better outcomes only when they also possess adequate finance, technical expertise, managerial capacity, and meaningful authority (Abimbola et al., 2019; Dwicaksono & Fox, 2018; Setiawan et al., 2022). Therefore, decentralization must be evaluated not as an abstract institutional preference for “the local,” but as a conditional governance arrangement. In some contexts, the local scale enables participation, responsiveness, and community ownership. In others, especially where local units are too small or under-resourced, decentralization can produce weak services, limited inclusion, and persistent vulnerability.

This argument leads directly to the importance of scale. From a community development standpoint, the issue of size is not merely technical or financial. It is relational and territorial. Local units must be large enough to secure resources, expertise, and organizational sustainability, but not so distant that they erode participation, accountability, and community voice. Fiscal federalism and economies of scale remain central to this debate because they explain why some services require larger institutional arrangements to be delivered effectively (Blank & Niaounakis, 2021; Blesse & Baskaran, 2016; Boadway & Shah, 2009). However, once the analysis is viewed through a community development lens, scale must be assessed in relation to social inclusion, democratic participation, local resilience, and place-based responsiveness. The relevant question is therefore not whether larger or smaller local governments are inherently superior, but under what institutional and territorial conditions particular scales of governance can support equitable and participatory community development. Accordingly, this study uses decentralization, local capability, and scale as the core elements of its theoretical framework, but interprets them through community development outcomes. The framework assumes that decentralization is most likely to support community development when five conditions are jointly present: meaningful participation in local decision-making, empowerment through real local influence over priorities, social inclusion across places and populations, resilience in the face of shocks and vulnerabilities, and forms of service co-production that connect institutional action with community knowledge. Where these conditions are weak, decentralization may still relocate authority, but it does not necessarily strengthen communities.

To clarify how these conditions shape real-world outcomes, Table 1 synthesizes the empirical evidence in terms of community development consequences across different service contexts. Rather than asking only whether decentralization was administratively effective, the table shows whether it improved service access, responsiveness, inclusion, and community well-being under specific institutional conditions.

As Table 1 shows, decentralization does not generate uniform benefits across settings. Positive community outcomes are more likely where local governments possess meaningful decision-making authority, sufficient fiscal and administrative capacity, and the ability to adapt services to local needs. In contrast, where local institutions are under-resourced or constrained, decentralization may produce weak or uneven outcomes despite formal proximity to citizens.

Figure 1 illustrates how decentralization affects community development through mediating mechanisms, such as participation, empowerment, inclusion, resilience, and co-production, with outcomes shaped by the governance scale, local capacity, service type, and intergovernmental support.

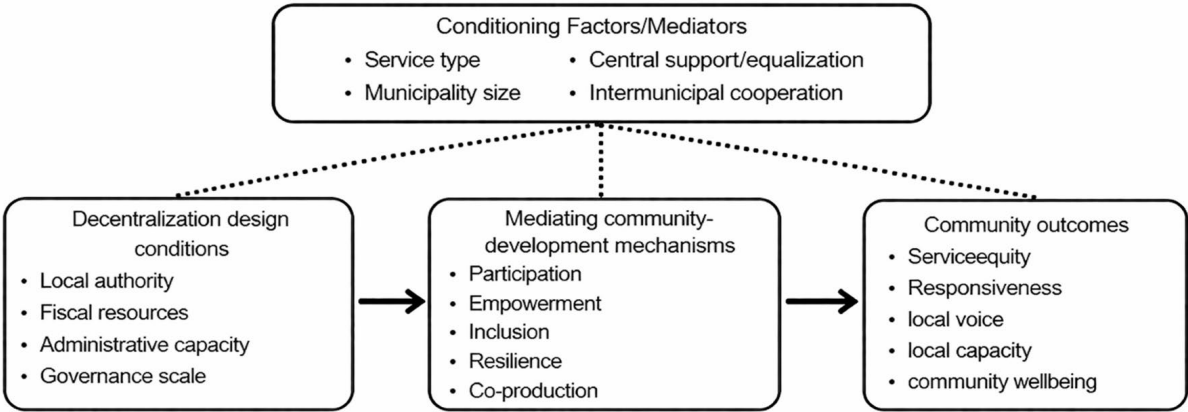


Figure 1. Conceptual framework of conditional decentralization and community development outcomes

3. Scale, Participation, and Community Outcomes

The question of scale is central to understanding when decentralization supports community development and when it does not. In much of the decentralization literature, scale is discussed mainly through the lens of fiscal federalism and economies of scale, with an emphasis on how larger jurisdictions can spread fixed costs, strengthen

bargaining power, and improve administrative efficiency (Blank & Niaounakis, 2021; Blesse & Baskaran, 2016). These concerns are important; however, from a community development perspective, scale must be evaluated more broadly. The relevant issue is not only whether a larger or smaller local unit can deliver services at lower costs, but whether its scale allows communities to access services equitably, participate in decision-making, influence local priorities, and sustain place-based development over time.

This broader perspective matters because decentralization is often justified by the promise of local proximity. Smaller and more localized jurisdictions are assumed to be more responsive because they are closer to residents and, therefore, better able to recognize local needs and social diversity (Dick-Sagoie, 2020; Ehdaie, 1994; Smoke, 2019; Verdier et al., 2022). In principle, this closeness can support participation, strengthen accountability, and enable service designs that reflect local knowledge. Studies from Spain, Kenya, and Indonesia suggest that decentralization can indeed improve responsiveness and service access when local institutions have sufficient capacity and decision space (Espasa et al., 2017; Mwangi et al., 2023; Setiawan et al., 2022). These findings indicate that community outcomes improve not only because the government is local but because local institutions are able to convert proximity into practical responsiveness.

By contrast, proximity without capability can produce weak outcomes. The literature reviewed in this study shows that decentralization becomes fragile when local governments are too small, under-resourced, or administratively constrained. Locality may increase access to citizens; however, it does not automatically provide the finance, technical expertise, infrastructure, or organizational capability required for complex service delivery (Abimbola et al., 2019; Dwicaksono & Fox, 2018; Setiawan et al., 2022). Scale becomes decisive in such cases. Some services require a level of organizational size that can support specialization, investment, and continuity. Without that scale, decentralization may preserve local presence while failing to deliver meaningful improvements in people's lives.

Empirical studies across sectors demonstrate that the relationship between scale and outcomes differs by service type. In the healthcare sector, Giancotti et al. (2017) show that hospitals achieve optimal efficiency within a particular range, whereas facilities that are too small face high costs and weak specialization. In the education sector, McMillen (2004) similarly suggests that very small administrative units may struggle to secure qualified personnel, educational technology, and adequate infrastructure. For water and sanitation, Molinos-Senante & Maziotis (2021) find clearer evidence that larger systems benefit from economies of scale and scope because of their heavy infrastructure requirements. These findings matter for community development because they show that the quality, accessibility, and sustainability of essential services are partly shaped by the territorial and institutional scale at which they are organized. However, the community development implications of scale extend beyond efficiency. Larger local units may improve service capacity while simultaneously increasing the distance between institutions and residents. When this occurs, participation may weaken, local priorities may become less visible, and trust may decline. This tension is particularly visible in debates on municipal amalgamation. Although larger units may improve financial efficiency or enable broader service coordination, they can also reduce political efficacy, narrow opportunities for voice, and weaken the sense of local ownership over public decisions (Deeod & Chamruspanth, 2023; Strandberg et al., 2021). For community development, this is a real trade-off: a governance structure may become more efficient while becoming less participatory.

The issue, then, is not whether small or large jurisdictions are inherently better. Rather, different scales support different kinds of community outcomes. Smaller units may be more appropriate for services that depend heavily on local knowledge, daily contact, or community identity, such as local cultural activities, neighborhood maintenance, or other community-facing services. Larger units may be more suitable for technically complex or capital-intensive services, such as tertiary healthcare, public utilities, and transport systems (Bel et al., 2018; Blank & Niaounakis, 2021). A community development perspective therefore rejects a one-size-fits-all model. It requires matching institutional scale to service characteristics while preserving the channels through which communities can participate, express needs, and shape local priorities. Viewed in this way, scale becomes a mediating condition between decentralization and community outcomes. Where the scale is aligned with service demands and accompanied by meaningful authority, adequate finance, and participatory mechanisms, decentralization can strengthen equitable access, local capacity, and responsiveness. Where the scale is inappropriate, decentralization may produce shallow localism: institutions remain formally local, but communities experience unequal access, weak services, and limited influence over decisions that affect them. The next section examines this problem more directly by focusing on what happens when localities are too small to sustain inclusion, resilience, and effective service provision.

These cross-sector differences become clearer when the evidence is organized by service type and governance scale. Table 2 shows that the question of size is not merely technical; different services require different combinations of population scale, infrastructure, expertise, and administrative capability, and these requirements shape both service sustainability and the quality of community outcomes.

As Table 2 indicates, no single scale is optimal for all public functions. Some services benefit from broader institutional arrangements because of their technical complexity and infrastructure demands, whereas others require closer territorial embeddedness to preserve responsiveness and community voice. This reinforces the

argument that decentralization should be designed in a differentiated manner, with a governance scale matched to both service characteristics and community development needs.

Table 2. Service scale, participation, and community outcome implications across public service types

Service Type	Indicative Governance Scale/ Population Range	Capability and Resource Requirements	Implications for Participation and Community Outcomes	Empirical Evidence
Tertiary hospitals	More than 200,000	Specialized personnel, advanced technology, and large-scale infrastructure investments are required to sustain quality and cost efficiency.	Larger scales can improve treatment quality and continuity of care; however, governance arrangements should still protect community access and accountability.	Giancotti et al. (2017)
Primary education	5,000–15,000	Qualified teachers, educational technology, and adequate administrative infrastructure are required to maintain service quality.	Appropriately sized education systems can support better learning environments while remaining sufficiently close to reflect the local social and community conditions.	McMillen (2004)
Water supply and sanitation	More than 50,000	High-cost infrastructure, technical maintenance, and long-term financial sustainability require a broader service scale.	Larger systems can improve the affordability and continuity of essential services; however, community needs must still be represented in service planning. A moderate scale may improve service reliability while allowing local governments to remain sufficiently connected to residents' safety concerns.	Molinos-Senante & Maziotis (2021)
Public safety	20,000–100,000	Specialized training, equipment, and operational coordination are required to maintain an effective service provision.	An adequate scale can reduce service burdens and improve environmental conditions; however, excessively large arrangements may weaken local responsiveness if participation channels are poor.	Blesse & Baskaran (2016)
Waste management	30,000–80,000	Waste-processing technology, operational scale, and bargaining power with providers are important for effective delivery.		Bel et al. (2018)

4. When Small Localities Struggle: Implications for Equity, Inclusion, and Local Resilience

The literature reviewed in this study shows that excessively small localities face structural disadvantages that extend beyond higher service costs. Small local governments often struggle not only with efficiency but also with equity, inclusion, institutional capability, and resilience. This is a crucial point for community development. If decentralization assigns responsibilities to local units that lack the capacity to carry them out, the burden of institutional weakness is ultimately borne by communities themselves through poorer services, reduced protection, and uneven access to public goods.

Evidence from Brazil clearly illustrates this problem. Pinafo et al. (2020) showed that small municipalities face acute managerial and service-delivery difficulties, especially in public health. Even when they receive comparatively high per capita support, they often lack specialized personnel, adequate infrastructure, and bargaining power in dealing with service providers. However, these weaknesses are not merely technical in nature. They shape whether communities can obtain timely and reliable care, whether local institutions can coordinate across sectors, and whether vulnerable populations are protected during periods of stress. Related studies in Brazil also show that small localities face heightened vulnerability in wider crisis settings, including public health emergencies and disaster risk contexts (de Souza et al., 2020; Ribeiro et al., 2022). This suggests that the challenge of small scale is not only one of cost inefficiency, but also of reduced local resilience.

A similar pattern appears in South Africa, where small municipalities have long been associated with limited administrative and financial capacity. Studies by Cameron (2002), Elhiraika (2007), Nkuna & Nemutanzhela (2012) and Siddle (2011) point to persistent difficulties in maintaining service delivery, infrastructure, and financial management in small local authorities. These difficulties affect basic services that are foundational to community well-being, including water provision, roads, and waste management. When local institutions cannot sustain these services effectively, the result is not only weak governance performance but also territorial exclusion, because residents in smaller or poorer areas face inferior service conditions compared with those in larger and better-

resourced jurisdictions.

Quantitative analyses reinforce this pattern. Research in the United States and Japan indicates that higher density and larger municipal scale are often associated with lower per-capita spending in a range of service areas, including waste management, sewerage, water supply, and some forms of infrastructure (Carruthers & Ulfarsson, 2003; Mattson, 2021; Miyauchi & Setoguchi, 2023). These findings do not mean that larger size is always better. Rather, they show that there are real cost penalties for fragmentation in some services. From a community development perspective, these penalties matter because they reduce the resources available for inclusive and sustainable service provision. Communities in small localities may therefore face a double disadvantage: they need public services just as urgently, but the institutional scale available to provide those services is less capable and more expensive.

The practical consequences of these scale differences are summarized in Table 3, which compares the burdens faced by municipalities of different sizes in essential service areas. The table highlights that smaller municipalities often face not only higher per-unit costs but also heavier capacity constraints that can undermine equitable provision, service continuity, and local resilience.

Table 3. Municipal size, service burden, and risks to equitable community provision

Service Type	Small Municipalities (<20,000): Cost/Capacity Burden	Medium Municipalities (50,000–100,000): Comparative Position	Large Municipalities (>200,000): Comparative Position	Community Development Implication	Country/Source
Per capita healthcare	180–220 USD/person/year; high service burden, limited access to specialized personnel and equipment	110–140; more manageable service costs and stronger operational capacity	95–120; lower cost burden and stronger service specialization	Small localities face higher healthcare burdens and weaker capabilities, increasing the risk of unequal access and fragile local health resilience.	Brazil (Pinafo et al., 2020)
Waste management	120–150 USD/ton; higher unit costs and weaker bargaining capacity	75–90; more stable operating costs	60–80; lowest comparative burden	Fragmented small-scale systems can reduce environmental service quality and place poorer communities at a disadvantage in basic service access.	USA (Mattson, 2021)
Infrastructure	250–350 USD/person/year; high operating burden and weaker financial management capacity	150–200; improved cost balance and administrative feasibility	120–180; stronger scale advantages	Small municipalities face greater difficulty in sustaining infrastructure equitably, which can widen territorial disparities in local development conditions.	South Africa (Cameron, 2002)
Water supply	1.5–2.2 USD/cubic meter; highest cost burden for essential utility provision	0.9–1.3; more sustainable cost structure	0.7–1.1; most efficient comparative range	Higher costs in small systems can undermine equitable access to basic utilities and weaken the long-term sustainability of community well-being.	Chile (Molinos-Senante & Maziotis, 2021)

As Table 3 demonstrates, smaller localities are frequently exposed to a double disadvantage: they face higher costs and capacity burdens while also having weaker access to specialized personnel, infrastructure, and bargaining power. In terms of community development, this means that residents in smaller jurisdictions may experience more fragile access to healthcare, utilities, infrastructure, and other basic services, increasing the risk of territorial inequality and institutional vulnerability.

The same problem appears in service quality. Drew et al. (2016) show that smaller jurisdictions often have difficulty attracting and retaining qualified personnel. Practically, this affects whether communities can access stable and competent services, especially in sectors where continuity and expertise matter. Small localities may be able to maintain a formal service presence, but not necessarily a service of equal quality. Therefore, this distinction is important. Community development is not merely served by the existence of local institutions; it depends on whether these institutions can deliver substantive benefits in ways that are reliable, inclusive, and responsive.

Another major implication of undersized decentralization is inequality. Rodríguez-Pose & Ezcurra (2010) demonstrate that blanket decentralization can exacerbate regional disparities when local capacities are uneven, whereas Rodríguez-Pose & Vidal-Bover (2024) show that decentralization becomes particularly problematic when

functions are devolved without adequate financial support. Under such conditions, wealthier or larger jurisdictions are able to convert devolved authority into improved services and investment, whereas poorer and smaller jurisdictions remain trapped in low-capacity equilibria. This is not simply an intergovernmental design problem. It is a community development problem because it creates unequal citizenship in practice: where one lives increasingly determines the quality of services, opportunities, and institutional support one receives. For these reasons, the failure of small localities should not be read as proof that local democracy is unimportant or that community-level governance should simply be scaled up indiscriminately. The more defensible lesson is that local voice without sufficient institutional backing is fragile. Small communities may retain proximity and identity, but without resources, staffing, and intergovernmental support, they may struggle to convert those strengths into equitable outcomes. The challenge, therefore, is not to abandon the local, but to design governance arrangements that preserve community voice while reducing the vulnerabilities associated with excessively small scales.

5. Toward Scale-Sensitive Community Development Governance

The evidence synthesized in this study points toward a clear conclusion: decentralization contributes to community development only under specific institutional and territorial conditions. Local proximity can support responsiveness, participation, and adaptation to local needs, but only when it is combined with adequate capability. Conversely, economies of scale can improve service sustainability and efficiency, but they do not automatically strengthen community voice or democratic legitimacy. A community development approach therefore requires moving beyond the false choice between small local democracy and large-scale efficiency. A more useful task is to design governance arrangements that connect scale, participation, inclusion, and capability in a differentiated manner.

This implies a shift from uniform decentralization to scale-sensitive decentralization. The first principle of such an approach is that public functions should not be allocated identically to all local governments, regardless of their size and capacity. The evidence presented in this manuscript strongly supports a conditional or differentiated model in which responsibilities are matched to local institutional capability and the technical characteristics of the service in question (Blank & Niaounakis, 2021; Boadway & Shah, 2009; Krueathep, 2020). Basic community-facing services that depend heavily on local knowledge and everyday responsiveness can remain closer to local communities. More complex services that require high specialization, expensive infrastructure, or large operational systems may need to be organized at broader scales. In this way, decentralization becomes more realistic and equitable.

The second principle is that weak localities should not be treated as failures to be ignored, but as communities requiring structured support. Equalization and central support mechanisms are, therefore, essential components of community development governance. When fiscal resources do not follow devolved functions, decentralization can deepen territorial inequality rather than reduce it (Rodríguez-Pose & Vidal-Bover, 2024). The response should not be to remove all local authorities from weaker areas by default, but to create institutional arrangements that strengthen their ability to govern effectively. Technical assistance, targeted grants, shared service mechanisms, and long-term capacity building are all consistent with this logic. The importance of such support is also reflected in discussions of municipal reform and local fiscal equalization in comparative settings (Moisio, 2012).

The third principle is that intermunicipal cooperation deserves greater emphasis than it currently receives in conventional decentralization debates. Cooperation across local governments can allow communities to retain local identity and voice while pooling resources for services that benefit from a larger scale. This option is especially important in contexts where full municipal mergers may be politically sensitive or democratically costly. Bel et al. (2018) show that alternatives to simple privatization or cost-cutting should be taken seriously in local government reform, and the broader findings in this study support cooperation as one such alternative. In community development terms, intermunicipal arrangements can help reconcile two objectives that are often framed as incompatible: preserving local embeddedness while improving service capability.

The fourth principle is that participation must remain central, even when the scale is increased. The empirical literature on mergers and restructuring shows that financial improvements may come at the cost of declines in trust, participation, and political efficacy if institutional redesign is pursued as a purely technical exercise (Strandberg et al., 2021). For this reason, scale-sensitive community development governance must include participatory safeguards. Restructuring decisions should involve community consultation, transparent criteria, and mechanisms that preserve local voice after reorganization. Without such safeguards, reforms may improve administrative indicators while weakening the democratic foundations that make local development meaningful and legitimate.

These arguments support a reinterpretation of the manuscript's central claim. It is not enough to say that "appropriate size matters." The stronger conclusion is that the appropriate scale matters because it shapes whether decentralization can generate equitable, participatory, and resilient community outcomes. Scale is not only an economic variable; it is also a social and political condition that affects inclusion, voice, and place-based well-being. A community development journal audience will expect a broader interpretation, and the evidence in this manuscript is already strong enough to support it. Finally, this perspective opens a more productive direction for

future research. The key question is no longer simply whether weak localities should receive more or less power. The better question is how governance systems can distribute authority, resources, and responsibilities in ways that protect community voice while ensuring that communities are not penalized for being small, remote, or institutionally fragile. Future studies should therefore examine not only the efficiency effects of decentralization and mergers but also their consequences for participation, territorial inclusion, local resilience, and the lived quality of community development across different places.

Author Contributions

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Data Availability

Not applicable.

Conflicts of Interest

The authors declare no conflict of interest.

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