

Executive summary

Alentejo, a sparsely-populated region in mid-south Portugal, has among the fastest decline in population and highest ageing rate across large OECD regions. This is expected to continue in the coming decades, putting pressure on local finances, which are already under severe strain because of the pandemic. The costs needed to provide good quality services in places with smaller and more dispersed populations are higher due to their smaller economies of scale and scope, higher transportation costs, and greater difficulties in attracting service professionals. Exacerbating this are important gaps in Alentejo's broadband infrastructure and digital skills, especially in its rural areas, creating bottlenecks for public authorities looking to deliver some public services digitally. Alentejo is not alone, many other OECD regions face similar challenges, and, like Alentejo, they will need to develop forward looking policy responses that can embrace the opportunities provided by digitalisation, as well as other innovative solutions, including through better coordination across levels of administration that can help overcome policy silos. Focusing on education, this study provides valuable lessons for regions and all levels of government experiencing decentralisation and facing demographic challenges.

Portugal's multi-level governance system is undergoing important structural changes in particular with the 2019 decentralisation framework that transfers additional responsibilities to municipalities. This transfer creates an opportunity for local governments to reorganise the provision of public services, such as school transport services, which recently became a municipal responsibility. However, these transfers have not always been accompanied by sufficient and adequate funding to handle the new responsibilities. In addition, in some cases, the transfers have resulted in inconsistencies. For example, while school closures remain a central government responsibility, municipalities now have to bear the higher students' travel costs related to the consolidation process. To enhance the ongoing decentralisation process it will be important to ensure that municipalities – not only in Alentejo but across Portugal – have sufficient and adequate resources to manage new tasks, avoiding underfunded mandates. In addition, better encouraging inter-municipal or inter-parish co-operation through fiscal incentives would allow Alentejo to better align service provision and local needs, enabling municipalities and parishes to find common solutions to the challenges brought by disperse, declining and ageing populations. This could help ensure that municipalities and inter-municipal bodies are able to properly and sustainably finance service provision and provide access to quality services. In parallel, to move forward with Portugal's regionalisation reforms, Alentejo could serve as a pilot experience of regional governance to foster territorial cohesion and regional development.

The provision of educational services in Alentejo is challenged by the national policy that closes and consolidates schools, coupled with the already long distances to schools. In sparsely populated areas, long travel distances can negatively affect student learning experiences and give rise to equity concerns. The consolidation policy particularly affects small rural municipalities and/or lagging regions with lower education quality, higher distances, and smaller school systems, and thus requires tailored strategies to ensure access to and good quality of education services. The simultaneous challenge of decreased demand for education services in the region as a whole, and the long-standing difficulties in attracting qualified teachers to rural areas, underscores the importance of nimble and adaptive policies. Downscaling the number of teachers in certain parts of the region, while at the same time making the rural regions more

attractive as a place to live and work is not easy. As several teachers are deployed in rural areas by central decision-making rather than by choice, policies should encourage geographical mobility through incentives to help strengthen the quality of education in rural regions. The Alentejo region also needs to strengthen the use of digital infrastructure to bring opportunities to remote areas and improve the quality of services and lower their costs. Further digitalisation of public services – including the improvement of existing transport on demand IT services in Alentejo – and alternative solutions, such as encouraging student accommodation, might help to overcome school transportation challenges.

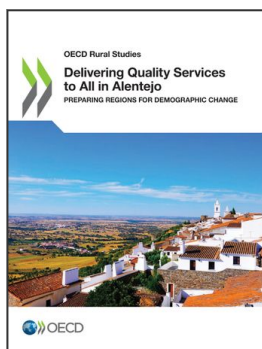
This study includes four chapters. Chapter 1 summarises the main assessments of the study and recommendations of Chapters 3 and 4 (listed in Table 1). Chapter 2 highlights the demographic and digital connectivity trends framing service delivery in Alentejo. Chapter 3 discusses multi-level governance and financing challenges for service provision in Alentejo. Finally, Chapter 4 analyses challenges to balance quality, cost and distance to education services in Alentejo.

Table 1. Key recommendations

Chapter	Recommendation	Who
Multi-level governance and subnational finance for service provision (Chapter 3)	Further pursuing decentralisation and regionalisation reforms to better align service provision and local need <ol style="list-style-type: none"> 1. Accompany the transfer of competences to municipalities with the transfer of sufficient and adequate financial resources to cover the administrative costs associated with the management of new tasks. 2. Pilot a new model of regional governance in Alentejo a way that coincides with NUTS2 to better align demographics trends with public services and better understand the differentiated needs of large and smaller municipalities. 	National government, CCDR-A
	Strengthening cross-jurisdiction cooperation is necessary to make sure the planning and delivery of services are done at the right scale <ol style="list-style-type: none"> 3. Encourage IMCs through financial incentives by, for example, directing more transfers to IMCs, instead of to municipalities, particularly with respect to public services with important externalities. 4. Encourage peer-learning build on already successful IMCs mechanisms in the region (or in other regions in Portugal) and adopt a strategy to actively promote them. 5. Foster cooperation among parishes to enable them to effectively perform their tasks and deliver local services to residents. 6. Promote peer-learning experiences among regions that face similar challenges (i.e., shrinking and ageing population). 7. Identify municipalities or groups of municipalities pertaining to the same functional area that could benefit the most from scaling-up the provision of services. 	National government, CCDR-A, Municipalities
	Adjusting fiscal arrangements to ensure municipalities can properly finance service provision and adapt to demographic trends <ol style="list-style-type: none"> 8. Strengthen the municipal own revenue base in a gradual manner, for example, by increasing the leverage that municipalities have on to tax rates (i.e. on the Property Tax and the Surcharge Tax), and the proportion of the personal income tax that stays with municipalities. 9. Guarantee financial means of IMCs to particularly benefit small municipalities that have less capacity to raise own revenues, for example, by increasing the amount of transfers to enlarge the role of IMCs 	National government

Forward-looking planning for the provision of basic education (Chapter 4)	<p>Taking into account the effects of demographic change is necessary to bridge the quality and access gaps and improve the restructuring and planning of the school network</p> <ol style="list-style-type: none"> 10. Design a specific strategy to bridge quality and access gaps in lagging and remote rural municipalities 11. Use educational charters – a municipal strategic planning instrument aimed at reorganising the network of educational and pedagogical facilities – to coordinate actions among neighbouring municipalities 12. Encourage multi-level cooperation towards innovative models including service co-location, and plan strategically the location of new schools based on future demand projections 	National government, CCDR-A, Municipalities
	<p>Achieving better quality education also requires improving the geographic mobility of teachers while increasing within school efficiency</p> <ol style="list-style-type: none"> 13. Revise the national model of teaching recruitment to include the participation of municipalities and regional authorities in the process 14. Enhance geographic mobility of teachers 	National government
	<p>Increased efforts are needed to bridge the digital divide and enhance the digitalisation of public services to overcome the challenges of school transport</p> <ol style="list-style-type: none"> 15. Further develop transport on demand solutions 16. Increase cooperation between municipalities for the provision of transport 17. Create a committee of volunteer teachers at the regional level to support teachers from rural communities with the most difficulties in their adaptation and training process 18. Support networks bringing together employees from digital sectors and teachers 	National government, CCDR-A, Municipalities, Inter-municipalities, School clusters
	<p>Establishing a strategy for student accommodation could contribute to solve the challenges of school transport</p> <ol style="list-style-type: none"> 19. Support the accommodation of students over 16 years of age during school days 20. Restructure the network of student residences in order to better match supply with demand efficiently 	National government, CCDR-A, Municipalities

Note: The table includes the recommended timing for the implementation of each action and the level of government or organisations responsible for taking action.



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