

1 Why do countries decentralise?

This section provides a brief description of the main types of decentralisation. Both the key benefits and challenges of decentralisation are discussed. In addition, the chapter discusses the four main current trends in decentralisation: intermunicipal co-operation, metropolitan governance, regionalisation and asymmetric decentralisation. The chapter builds on both theoretical arguments and empirical observations concerning multilevel governance.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Note by Turkey:

The information in this document with reference to “Cyprus” relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Turkey recognises the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of the United Nations, Turkey shall preserve its position concerning the “Cyprus issue”.

Note by all the European Union Member States of the OECD and the European Union:

The Republic of Cyprus is recognised by all members of the United Nations with the exception of Turkey. The information in this document relates to the area under the effective control of the Government of the Republic of Cyprus.

This section begins by providing a brief description of the main types of decentralisation and the key benefits and challenges of decentralisation, as described in research and policy analysis on various country practices. At the end of the chapter, four main current trends in decentralisation are discussed: intermunicipal co-operation, metropolitan governance, regionalisation and asymmetric decentralisation. The chapter covers both theoretical and empirical arguments, but the emphasis is on international experiences of multilevel governance.

What is decentralisation and why do countries decentralise?

The OECD defines decentralisation as measures that transfer a range of powers, responsibilities and resources from central government to subnational governments, defined as legal entities elected by universal suffrage and having some degree of autonomy (OECD, 2019^[1]). Similar definitions are frequently used by many other international organisations, such as the Council of Europe, the European Commission, the United Nations and the World Bank (Slack, 2009^[2]; CEMR, 2013^[3]; World Bank, 2019^[4]). In a decentralised system, subnational governments are governed by political bodies (with assemblies and executive bodies) and have their own assets and administrative staff. They can raise own-source revenues, such as taxes, fees and user charges and they manage their own budget.

There can be various political, administrative and fiscal motives for decentralisation reforms. In some countries, decentralisation can be seen as a counter-reaction to previous strong centralisation and even authoritarianism (Hooghe et al., 2016^[5]). In these countries, decentralisation has been, at least partly, a way to ensure that the democratisation development will not be reversed. In other countries, decentralisation has been a method to reform the public sector, for example, in order to improve the efficiency of public services and thereby curbing the growth of government spending. Decentralisation of authority is also often expected result in more accountable and transparent public governance, lower corruption, higher political participation and policy innovation (OECD, 2019^[1]).

Main types and forms of decentralisation

Several types and subtypes of decentralisation have been recognised, such as political decentralisation, administrative decentralisation and fiscal decentralisation (Rondinelli, Nellis and Shabbir Cheema, 1983^[6]; OECD, 2019^[1]). In practice, decentralisation policies are often difficult to categorise, because all these aspects (political, administrative and fiscal) are usually present at the same time. Moreover, decentralisation can be implemented in varying strengths as assignments can be either delegated or devolved.

Political decentralisation aims, in general, to devolve political decision-making power away from the central government. It is often based on the view that over-concentration of political power has been a problem and that fragmentation of political powers enables better the checks and balances needed to ensure democratisation. Political decentralisation focuses on the institutional and political aspects of decentralisation (instead of its economic or efficiency outcomes). Political decentralisation reforms often lay the legal foundation for a system of local governance by defining the rights, responsibilities and roles of each level of government. Political decentralisation can be seen as indispensable to federalism (Galligan, 2006^[7]). The goal of political decentralisation is to strengthen the democratisation processes and to increase the participation of citizens by giving more decision-making power to citizens or their elected representatives.

Administrative decentralisation transfers operational responsibility from a higher level to a lower level of organisation. Administrative decentralisation assigns responsibility and provides budget but does not redistribute full decision-making power. Administrative decentralisation can be divided into *delegation* and *devolution* (Rondinelli, Nellis and Shabbir Cheema, 1983^[6]). Delegation shifts the responsibility of service provision from the centre to subnational level with some decision-making powers (Ahmad and Brosio, 2006^[8]). In case of delegation, the subnational governments would nevertheless be only partly fiscally autonomous because they would still be monitored and controlled by the central government. Hence, the

ultimate responsibility of the delegated service remains with the central government. Delegation is often seen as a form of “principal-agent” relationship, with central government as the principal and subnational governments as the executive agents (Dafflon, 2006^[9]).

Devolution is perhaps the strongest form of administrative decentralisation because, in this case, decision-making and funding responsibility is transferred to the elected councils of subnational governments. In case of devolved tasks, central authorities exercise only indirect control over the subnational governments. Devolved tasks are mainly funded by own revenues of subnational governments. Nevertheless, especially in the case of services with national interest, central government usually uses transfer systems to guarantee that the poorest subnational governments are also able to provide services to a national minimum standard.

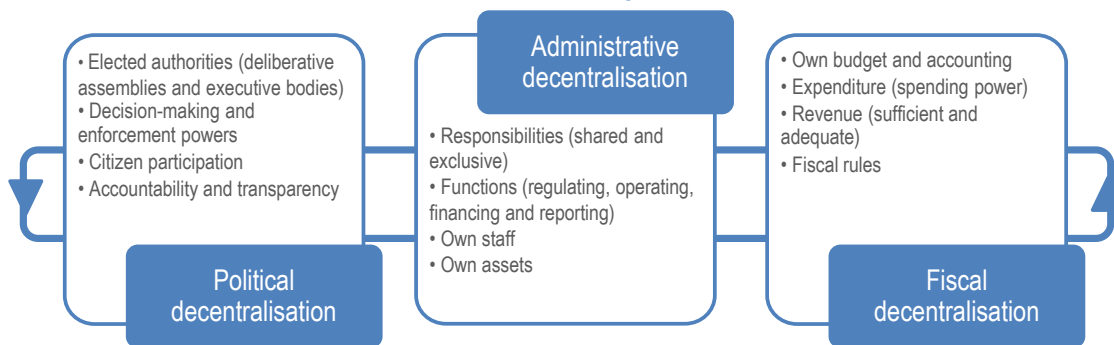
Fiscal decentralisation devolves spending and revenue responsibilities from central governments to subnational tiers of government. Fiscal decentralisation is principally concerned with the optimal division of expenditure and revenue responsibilities between levels of government. In order to implement fiscal decentralisation, the following policy decisions must at the very least be made:

- the division of spending assignments between levels of governments
- the revenue sources of central and subnational levels of government
- the degree of autonomy of each level government
- how intergovernmental transfers are financed and distributed.

In practice, decentralisation is often a mix of political, administrative and fiscal measures. The eventual result of decentralisation, therefore, depends on implementation and the way the different measures are weighted in the system. For example, even in cases where subnational governments have been granted a comparatively high degree of spending and revenue autonomy, the subnational units are often subject to some degree of central monitoring and control. This is especially the case with services that are redistributive in nature, such as education, health and social services. In the case of local public services, such as local infrastructure, local schools or waste/sewage services, there is usually less need for central government intervention.

It should also be noted that in most cases, decentralisation is not always undertaken in a balanced way. For example, spending is usually more decentralised than revenues. Also, some types of expenditures are usually decentralised more than others. In summary, decentralised governments are often complex entities, consisting of both autonomous and less autonomous capacities. All this makes it hard to distinguish the degree of decentralisation and devolution from delegation.

Deconcentration is another form of governance and should not be confused with decentralisation. Deconcentration alters the responsibilities within levels of organisation. For example, some tasks may be shifted within the central government from the ministry to central government-led offices in regions. Deconcentration is quite common practice in the European Union (EU) and the OECD. In most countries, central government has established regional offices for planning, monitoring and co-ordination purposes and for granting permits and licences. Deconcentrated central government tiers may co-exist with fiscally autonomous regional or local governments; this is the case in the Nordic countries for example. In some cases, deconcentration has been the only form of reform. This was the case in developing countries in the 1970s (Rondinelli, Nellis and Shabbir Cheema, 1983^[6]) and, later, in former communist countries (Rao, 2006^[10]).

Figure 1.1. Decentralisation, a multidimensional concept

Source: OECD (2019_[1]), *Making Decentralisation Work: A Handbook for Policy-Makers*, <https://dx.doi.org/10.1787/q2g9faa7-en>.

Fiscal federalism as a starting point for decentralisation

According to well-known fiscal federalism principles, public tasks can be divided into three groups: allocation, redistribution and stabilisation functions (Musgrave and Musgrave, 1980_[11]). According to these principles, the allocation function – i.e. public services provision – can be the responsibility of both central and subnational level of governments. The central-level responsibility is best justified when the services clearly have no specific local interest. Subnational responsibility is usually supported when the benefits of the goods or services are spatially limited. Moreover, according to the “decentralisation theorem” (Oates, 1972_[12]), the subnational government is the most suitable level to provide services and goods, unless the central government has a clear advance in provision (in the event of considerable economies of scale in the provision for example).

According to the Musgravean distinction, the redistribution and stabilisation functions are mostly central government responsibilities. In particular, the central government should be responsible for monetary and fiscal policy (Musgrave and Musgrave, 1980_[11]). In addition, central government should have the main responsibility for the redistribution function, because central government is more capable of carrying out income redistribution from the rich to the poor and establishing minimum standards of public services across regions (King, 1984_[13]).

“Pure local goods”, such as local infrastructure (streetlights, local roads), sewage, land-use planning or basic education, are usually considered best suited for subnational government provision. It is nevertheless quite common that subnational governments are at least also in some way involved in the provision of services with redistributive features. In some countries, such as the Nordic countries, even health, education and welfare services have been delegated from the centre to subnational governments. In the case of a decentralised redistribution, the central government usually retains responsibility for co-ordination and ensuring equity of citizens in different parts of the country. This can be achieved, for example, by using transfers from central to subnational governments, or with normative regulation (minimum standards), or both.

The benefits and challenges of decentralisation: A summary of the main effects

Decentralisation comes with both benefits and challenges. The main effects of decentralisation can be grouped as economic, political and administrative, as discussed in more detail in the recent OECD report *Making Decentralisation Work: A Handbook for Policymakers* (OECD, 2019_[1]). It is important to note that the effects of decentralisation largely depend on implementation. While there is a large body of literature on the direct and indirect outcomes of decentralisation, only a short summary of the main effects is presented here.

Economic outcomes

Decentralisation provides information advantages as local governments have better insights on citizens’ preferences, allowing efficient public services tailored to the population and transfers from the rich to the

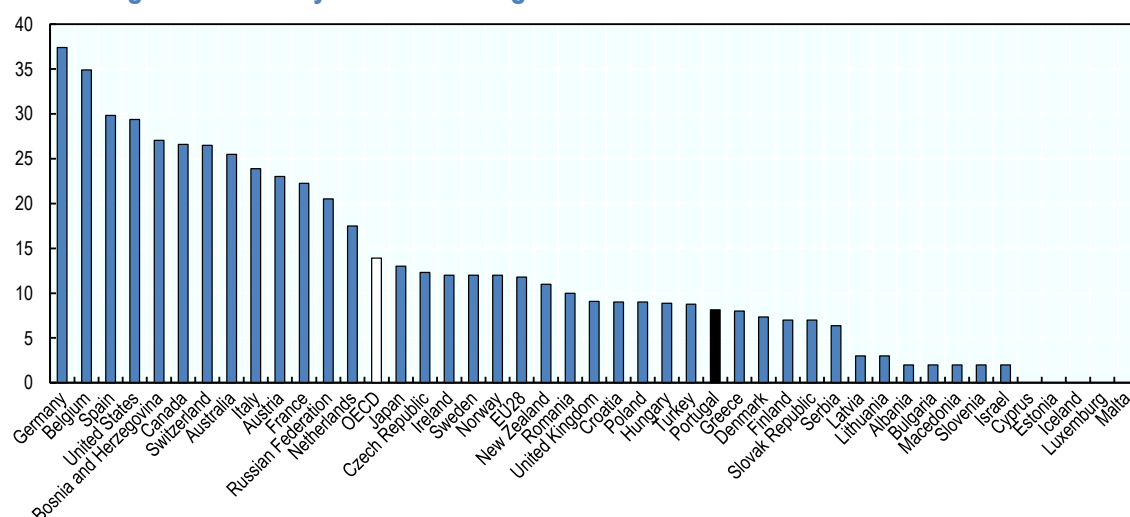
poor (Rodríguez-Pose and Tselios, 2019^[14]). Local public service provision yields allocative efficiency by adapting public service provision to the heterogeneous preferences of smaller population groups (Wallis and Oates, 1988^[15]). Especially in public service provision where the local preferences matter, the subnational governments outperform the central government in allocating public sector resources (Oates, 2005^[16]).

Decentralisation facilitates fiscal competition between jurisdictions, in particular when households are mobile between subnational governments. Decentralisation also enhances competition within municipalities and within regions. This type of “yardstick” monitoring, where voters compare the taxes and service quality in their own jurisdiction to those of neighbouring jurisdictions and punish badly performing politicians in local elections, contributes to tighter competition among local politicians. The competitive pressures formed by mobility and yardstick competition may be efficiency-enhancing. Such circumstances can also raise local officials’ accountability and result in a better match with service provision and local preferences (Ahmad and Brosio, 2006^[8]).

Decentralisation may lead to greater citizens’ engagement in local affairs, and political competition can lead to better policies and more efficient implementation of government programmes (OECD, 2019^[1]) with performance-oriented strategies driving down bribes and corruption practices (Shah, 2006^[17]; Bordignon, Colombo and Galmarini, 2008^[18]; De Mello and Barenstein, 2001^[19]). The accountability of local decision-making is best achieved if local residents have a strong incentive to evaluate the efficiency of their local administration. While there may be many motives for such monitoring, from the economic perspective, the motivation depends primarily on the financing system of locally provided public services and on information available on the service outcomes. If local residents finance a considerable share of local services by paying local taxes and user fees, they will have a strong incentive to monitor their local administration, because inefficient and corrupt administration usually means higher taxes or poorer services, or both.

Linked with the above discussion, an empirical examination of 33 OECD countries (except Chile, Mexico and South Korea) and 10 non-OECD countries suggests a positive association between regional authority and government effectiveness (Figure 1.3). It is also interesting to note that the correlation is stronger when the comparison is made between the subnational government share of general government revenues and government effectiveness (Figure 1.4).

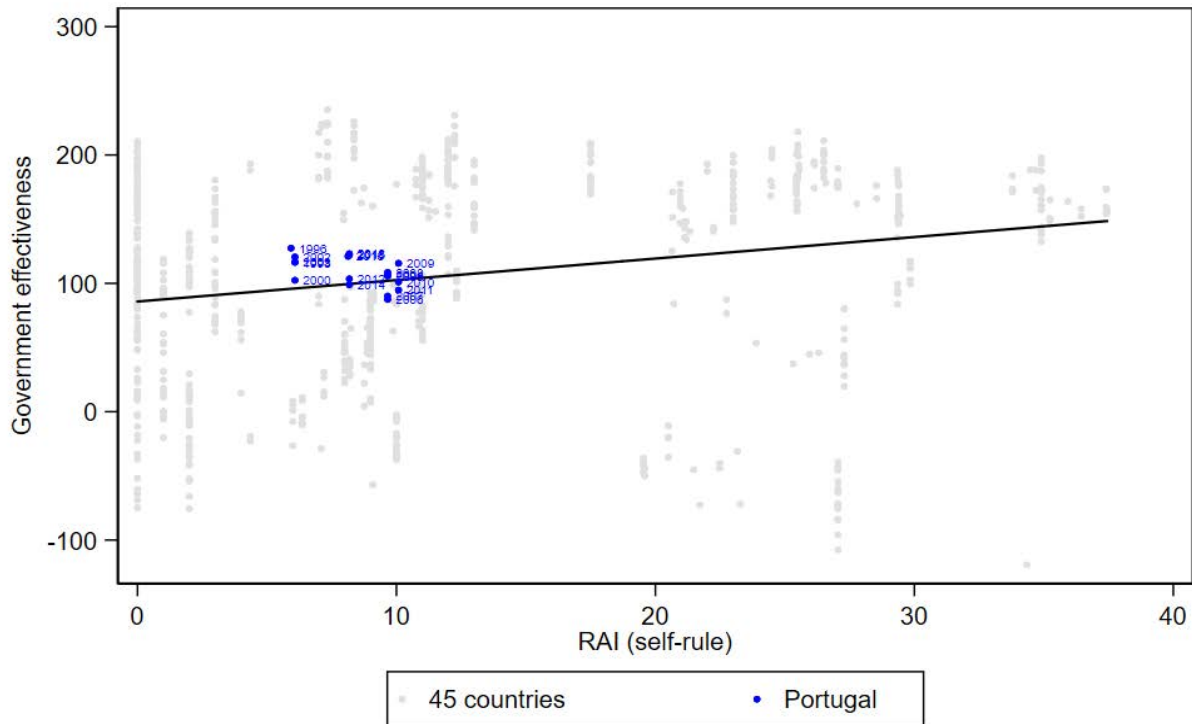
Figure 1.2. Regional Authority Index in Portugal and other OECD countries



Note: The data includes only 33 OECD countries (all except Chile, Mexico and South Korea).

Sources: Schakel, A. (2019^[20]), *Regional Authority Index (RAI)*, <https://www.arjanschakel.nl/index.php/regional-authority-index> (accessed on 15 May 2019); Marks, G. (2019^[21]), *Regional Authority*, <http://garymarks.web.unc.edu/data/regional-authority/> (accessed on 15 May 2019).

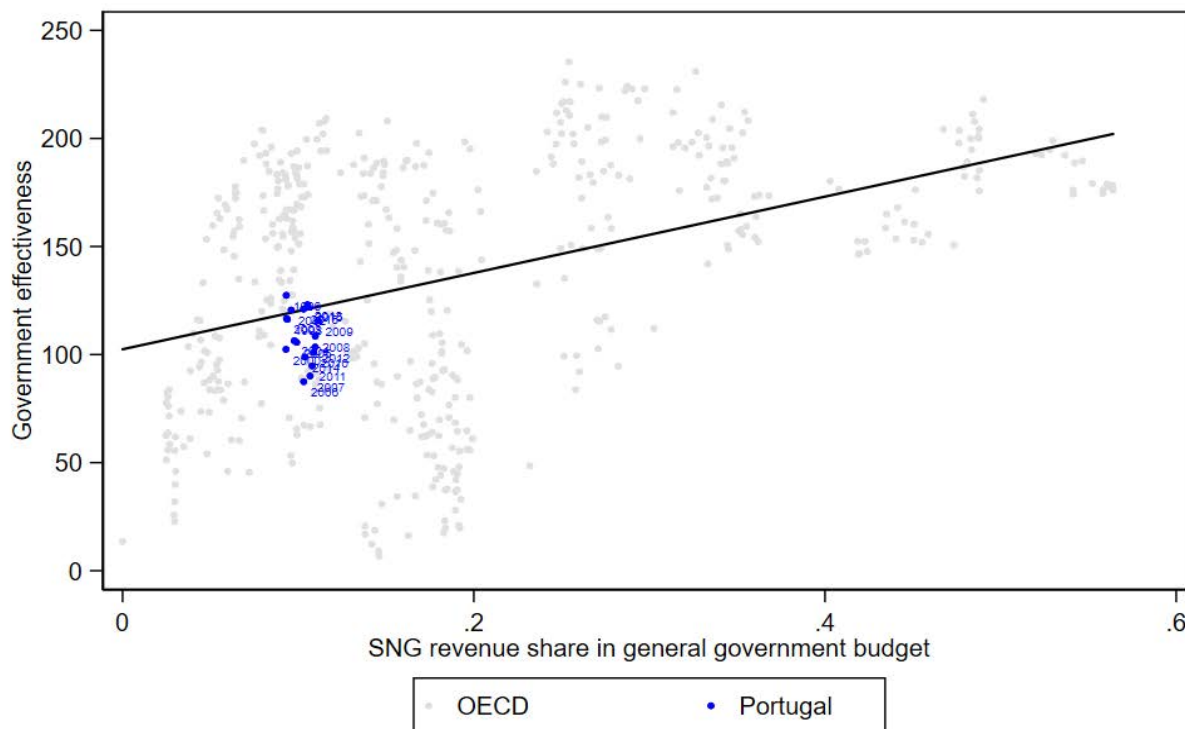
Figure 1.3 Government effectiveness and the Regional Authority Index (RAI) are positively correlated, 1995-2016



Note: The countries in the graph include 33 OECD countries (all except Chile, Mexico and South Korea) and 10 non-OECD countries, namely Albania, Bulgaria, Bosnia and Herzegovina, Cyprus*, Croatia, Malta, Montenegro, North Macedonia, Romania, Russian Federation and Serbia and cover the 1995-2016 period. The Regional Authority Index (RAI) is a measure of the authority of regional governments in 81 democracies or quasi-democracies on an annual basis over the period 1950-2010. The dataset encompasses subnational government levels with an average population of 150 000 or more. Regional authority is measured using ten dimensions: institutional depth, policy scope, fiscal autonomy, borrowing autonomy, representation, law-making, executive control, fiscal control, borrowing control and constitutional reform. A regional data set contains annual scores for regional governments or tiers and a country data set aggregates these scores to the country level (Schakel, 2019^[20]). The World Bank's Government Effectiveness (GE) index captures perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies. Estimate gives the country's score on the aggregate indicator, in units of a standard normal distribution, i.e. ranging from approximately -2.5 to 2.5 (Kaufmann and Kraay, 2018^[22]).

Sources: The sources used for the Regional Authority Index (RAI) are the Internet pages of Arjan Schakel and Gary Marks (Schakel, A. (2019^[20]), *Regional Authority Index (RAI)*, <https://www.arjanschakel.nl/index.php/regional-authority-index> [accessed on 15 May 2019]; Marks, G. (2019^[21]), *Regional Authority*, <http://garymarks.web.unc.edu/data/regional-authority/> [accessed on 15 May 2019]) and the publication on regional authority (Hooghe, L. et al. (2016^[5]), *Measuring Regional Authority: A Postfunctionalist Theory of Governance*, Oxford University Press). The source for government effectiveness is World Bank Government Effectiveness (GE) index from the Worldwide Governance Indicators (WGI) project (Kaufmann, D. and A. Kraay (2018^[22]), *Worldwide Governance Indicators*, <http://info.worldbank.org/governance/WGI/#reports> [accessed on 9 August 2018]).

Figure 1.4. Government effectiveness and revenue decentralisation are positively correlated, 1995-2016

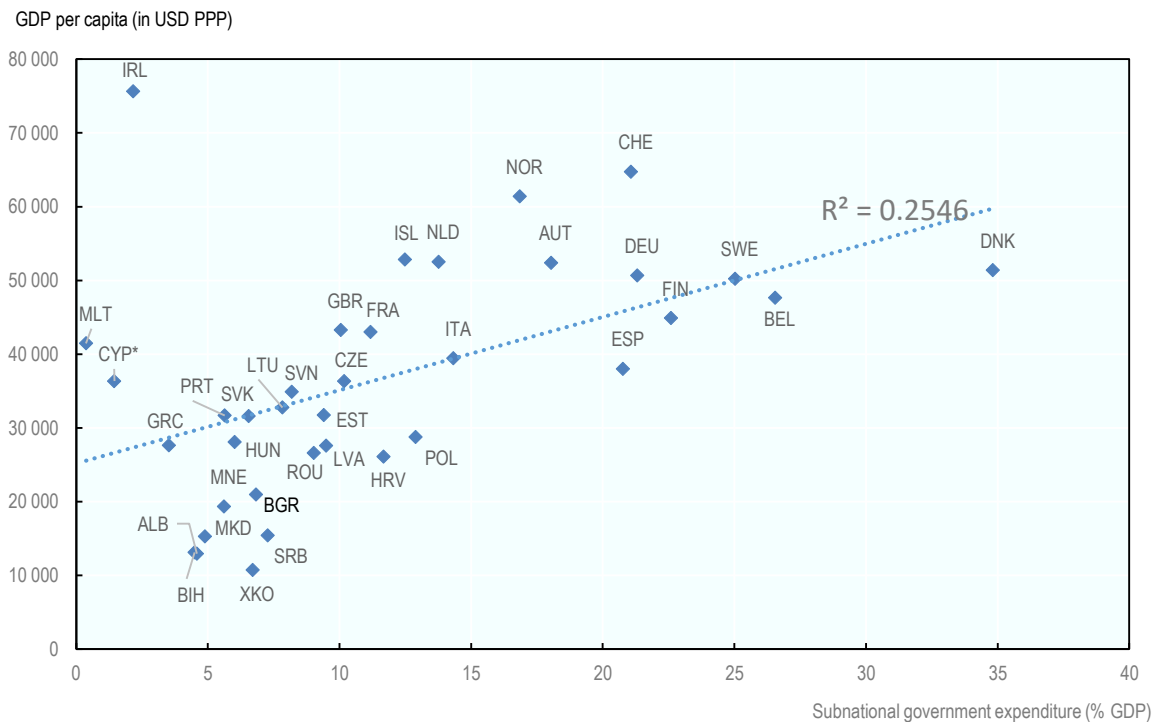


Note: The countries in the graph include 29 OECD countries except Australia, Chile, Japan, Lithuania, New Zealand, South Korea and Turkey cover the 1995-2016 period. The World Bank's Government Effectiveness (GE) index captures perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies. The subnational government share of general government revenues is based on OECD Fiscal Network data.

Source: OECD elaboration of the World Bank's data of government effectiveness and of OECD Statistics on subnational government and general government revenues.

Decentralisation may enhance growth and contribute to lower regional disparities. Although causal inference is not possible using the existing data, there is a clear association between decentralisation and gross domestic product (GDP) (Figure 1.5). It has been argued that subnational fiscal power is associated with higher economic activity through productivity and human capital improvement, for example, because investment in physical and human capital increases with decentralisation (Blöchliger, 2013^[23]). In particular, recent empirical evidence indicates that revenue decentralisation could be associated with smaller regional economic disparities and spur growth and convergence dynamics in poorer regions (Bartolini, Stossberg and Blöchliger, 2016^[24]). Regionalisation may as well correct interregional disparities and give local actors the means to implement better regional development policies, such as EU funds management in the European Union (Morgan, 2006^[25]).

Figure 1.5. Economic development and decentralisation are concomitant in OECD countries



Note: OECD countries except Luxembourg in 2016. GDP per capita and subnational governments share in general government revenue are concomitant, as revenue decentralisation from the central government to subnational governments tends to increase with GDP per capita. Source: OECD.

The OECD Fiscal Network has found that spending and tax decentralisation are conducive to growth while intergovernmental transfers are detrimental, suggesting that subnational own-source revenues should finance a considerable portion of subnational expenditures (OECD, 2016^[26]). Spending covered by own-source revenue is growth-enhancing while transfer-funded spending is growth-dampening because local governments with higher fiscal autonomy have incentives to promote economic growth to develop their tax base. While incentives for developing own-source revenues at the subnational government level contribute to regional growth policies, it should be noted that many subnational governments nevertheless need substantial central government financing to provide the services assigned to them (Shah, 2017^[27]).

Decentralisation success and impact on growth depends on the implementation scheme, the policy environment and the quality of the institutional framework. Policies limiting subnational governments' taxing power weaken decentralisation allocative efficiency (Brueckner, 2009^[28]). Fiscal reliance on a higher level of government and soft budget constraints can destabilise the national economy when the central government let local governments run large fiscal deficits and accumulate unsustainable amounts of debt before bailing them out. The social planner should monitor subnational resources and fiscal autonomy, restrict underfunded mandates and curb vertical fiscal imbalances (Rodden, Eskeland and Litvack, 2003^[29]). Moreover, the optimal public service benefit areas do not necessarily match with jurisdictions borders, resulting in inadequate scale and/or under-provision of public service. This requires either specific transfers from central government, regionalisation reforms, municipal mergers, joint municipal authorities or formal co-operation between local governments (OECD, 2019^[1]). Because public investment in infrastructure tends to increase with decentralisation, effective vertical and horizontal co-ordination mechanisms are necessary to reduce investment gaps or overlapping activities (OECD, 2016^[26]; Kappeler et al., 2013^[30]).

Administrative and political outcomes

Decentralisation can strengthen citizen participation in government by bringing governments closer to citizens and by making governments more accessible. Citizen participation is essential for the success of decentralisation as it enables subnational spending to reflect citizens' preferences and the accountability of public decision-making. Empirically, several studies have found a positive association between decentralisation and political participation both in developed and developing countries (Huther and Shah, 1998^[31]; Michelsen, Boenisch and Geys, 2014^[32]; Stoyan and Niedzwiecki, 2018^[33]). Citizen participation and empowerment has been almost a standard argument for decentralisation in many former communist countries (Regulski and Drozda, 2015^[34]) and in developing countries (Faguet, 2014^[35]; Bahl and Bird, 2018^[36]).

Decentralisation can induce the hindrance of rent-seeking and corruption in public administration (Boadway and Tremblay, 2012^[37]) as well as the expansion of experiments and policy innovation (Oates, 2008^[38]). Regarding rent-seeking and corruption, theoretically, the government size being smaller, the size of available rents is thus reduced, hence less interesting. Besides, fostered competition decreases opportunities for rent-seeking and corruption. Additionally, as lobbying becomes more locally-oriented, the monopoly power of national-level rent-seeking is reduced (Bordignon, Colombo and Galmarini, 2008^[18]). Empirically, De Mello and Barenstein (2001^[19]) show, using cross-country data, that larger subnational share of public expenditure and revenue is associated with lower corruption. It has nevertheless been argued that the impact of decentralisation on corruption depends largely on the decentralisation system. For instance, very complicated multilevel government systems with several government tiers and unclear assignments are correlated with higher probability of corruption (Fan, Lin and Treisman, 2009^[39]).

Decentralisation can foster subnational experiments and policy innovation in the context of subnational governments' reliance on own-resources financing, yardstick competition and general systematic frameworks supporting subnational governments to introduce their own programmes (Oates, 2008^[38]). Subnational experiments and policy innovation can produce information externalities for other jurisdictions as well as for the central government. Empirically it has been observed that many countries have implemented practices at the national level only after they were first innovated and implemented in the territories (Campbell and Fuhr, 2004^[40]; Oates, 2008^[38]).

Decentralisation may not always lead only to positive political and administrative outcomes. In some cases, the benefits of decentralised service delivery may primarily go to local elites, as local jurisdictions may sometimes be vulnerable to capture by predatory pressure groups, which may be able to receive a disproportionate share of spending on public goods (Bardhan, 2002^[41]). This underlines the importance of strong central government that is engaged to support decentralisation policies, the institutions of local democracy, and mechanisms of overall political accountability (Bahl and Bird, 2018^[36]).

The benefits from decentralisation can be limited in the event of inadequate design and implementation of decentralisation reforms. From this aspect, there are a number of pitfalls to avoid. In particular, the policymakers should avoid unclear assignment of responsibilities between levels of government and vague relationships between fiscally autonomous subnational governments and deconcentrated central government's administration. Unclear assignment of responsibilities can lead to costlier service delivery and democratic deficit because it is difficult for citizens to hold authorities accountable for policy shortcomings due to confusing assignments (Allain-Dupré, 2018^[42]).

Lack of subnational governments' capacity to deliver public services forms a major threat for successful implementation. This should be tackled with capacity-building programmes and equalisation transfers (OECD, 2019^[1]). It seems that subnational governments have capacity gaps, especially concerning public infrastructure investments. According to a survey of the OECD and the EU Council of Regions, "two-thirds of the subnational governments (65%) reported that the capacity to design adequate infrastructure

strategies is lacking in their city/region” and “more than half of the subnational governments (56%) reported a lack of adequate own expertise in infrastructure” (OECD, 2019^[11]).

Finally, the co-ordination of service delivery by the central government is essential, especially in the case of decentralised redistributive services provision, such as education or healthcare. The co-ordinating role of central government and the transfer of resources to poor jurisdictions are often underestimated in decentralised reforms and increase the risk of regional disparities in terms of level of quality and coverage of public services delivery (Martinez-Vasquez, 2011^[43]). A balance should be found between subnational government autonomy and degree of central government regulation, in order to secure the benefits of decentralisation with minimised regional disparities (OECD, 2019^[11]).

Decentralisation goes hand in hand with an upscale of subnational governance

Experiences from intermunicipal co-operation

The rationale, benefits and challenges of co-operation

Intermunicipal co-operation means that two or more municipalities work together to provide some specific task or several tasks. There are both voluntary and compulsory types of co-operation. In the former, the municipalities are free to establish long- or short-term co-operation and also to withdraw from co-operation. Mandatory co-operation is defined by law and compliance is monitored and sanctioned by central government.

Intermunicipal co-operation is usually understood as expenditure sharing. In this case, municipalities provide joint services and share the costs associated with the delivery of the service. Intermunicipal co-operation can also include joint efforts on the revenue side, although this is less common than expenditure co-operation (Slack, 1997^[44]).

There can be various motivations for voluntary intermunicipal co-operation, but often the rationale is simply to enable more efficient service delivery and better services for the local inhabitants. In order to reach these ultimate goals, utilising economies of scale and creating better capacity for know-how or human resources is essential.

Intermunicipal co-operation is not the only way to utilise economies of scale in municipal service delivery, however. Municipal mergers, or outsourcing service production to private companies, can also lead to bigger scale of production and cost savings. Municipal mergers can be politically difficult to accomplish, though. Besides, based on research evidence, it is not clear whether municipal mergers will automatically lead to costs savings (Blom-Hansen et al., 2016^[45]; Moisis and Uusitalo, 2013^[46]). It should also be noted that municipalities usually provide a wide variety of services and the optimal production size varies by service. Municipal mergers may then lead to economies of scale in some services but to diseconomies of scale in others.

Furthermore, outsourcing is not always a feasible alternative because of legal reasons or lack of private markets. Regions and municipalities are also in a very different position in terms of their ability to utilise private markets. Often the need to enhance economies of scale is greatest in small and remote regions and municipalities, where little suitable private provision may be available.

Compared with municipal mergers, intermunicipal co-operation seems an attractive option, especially because it is relatively straightforward to establish. Voluntary intermunicipal co-operation involves a sort of a “minimal” government restructuring and this probably explains why it has been so popular in many countries (Bird and Slack, 2007^[47]; OECD, 2019^[11]). Due to the simplicity of the arrangement, a municipality can easily engage in many different co-operative deals at the same time without high administrative costs.

Intermunicipal co-operation is also a flexible solution. As times change, co-operation can be strengthened, scaled back or ended according to the needs of co-operating partners. Joint service provision can be a gate to deeper engagement: a successful intermunicipal co-operation in one service area may lead to widened co-operation in other services, and in some cases even to a later voluntary merger.

Economies of scale undoubtedly form the major benefit of intermunicipal co-operation. Especially capital-intensive public services (e.g. utility systems such as water, waste, energy) often require a certain minimum size for efficient service delivery. In such a framework, intermunicipal co-operation can be a feasible solution because it enables both improved economies of scale and tailoring of services to local needs. Intermunicipal co-operation may also help secure local democracy because the number of elected local politicians does not diminish as a result of co-operation.

Intermunicipal co-operation is not without its challenges, however. Perhaps the main disadvantage is that an extra tier in the hierarchy is introduced. Adding hierarchical layers may increase administration and monitoring costs. Intermunicipal co-operation may also result in democracy deficit, as intermunicipal organisations are usually governed by representatives who are nominated by the member municipalities. This may reduce the accountability and transparency of local decision-making, compared with municipalities' own production (and with directly elected councils).

An important challenge of intermunicipal co-operation is also that the member municipalities engaging the co-operation inevitably have less power to affect the services than if the service was provided by their own organisation.

It has also been argued that intermunicipal co-operation may create a harmful common pool, which can lead to increased costs and inefficiency. Depending on the size of the pool, monitoring of the intermunicipal co-operative body IMC by member municipalities may be lower if a common pool creates a disincentive to do so (Allers and van Ommeren, 2016^[48]).

International examples and experiences of intermunicipal co-operation

A spectrum of practices of intermunicipal co-operation can be observed among EU and OECD countries. Three main groups of models can nevertheless be identified: i) informal voluntary agreements/contracts steered by private law; ii) legally defined and regulated voluntary co-operation steered with public or private law; and iii) mandatory co-operation steered by public law (see also Figure 1.6).

OECD countries have often chosen to start with a private law model, for example, by giving freedom for local authorities to opt for certain formulas, such as contracts, associations and commercial enterprises. The next step is a move to a public law model. The public model means that co-operation is regulated in some detail by public laws, including the contractual and financing arrangements, the type of delegated functions, the governance structure, and the supervision and control. Different degrees of regulation are usually applied for voluntary and mandatory co-operation (OECD, 2019^[11]).

The examples for informal co-operation include shared service arrangements or shared programmes in Australia, Ireland, New Zealand and the United Kingdom. Voluntary but legally structured and steered co-operation is practised in a number of countries, for example in Finland, France, the Netherlands and Sweden. Examples of compulsory co-operation with delegated functions can be found, e.g. in Finland, France, Portugal and Spain (OECD, 2017^[49]; 2019^[11]). In some countries, such as Finland, compulsory intermunicipal co-operation has been a substitute to an intermediate level of government, in specialised healthcare and regional development.

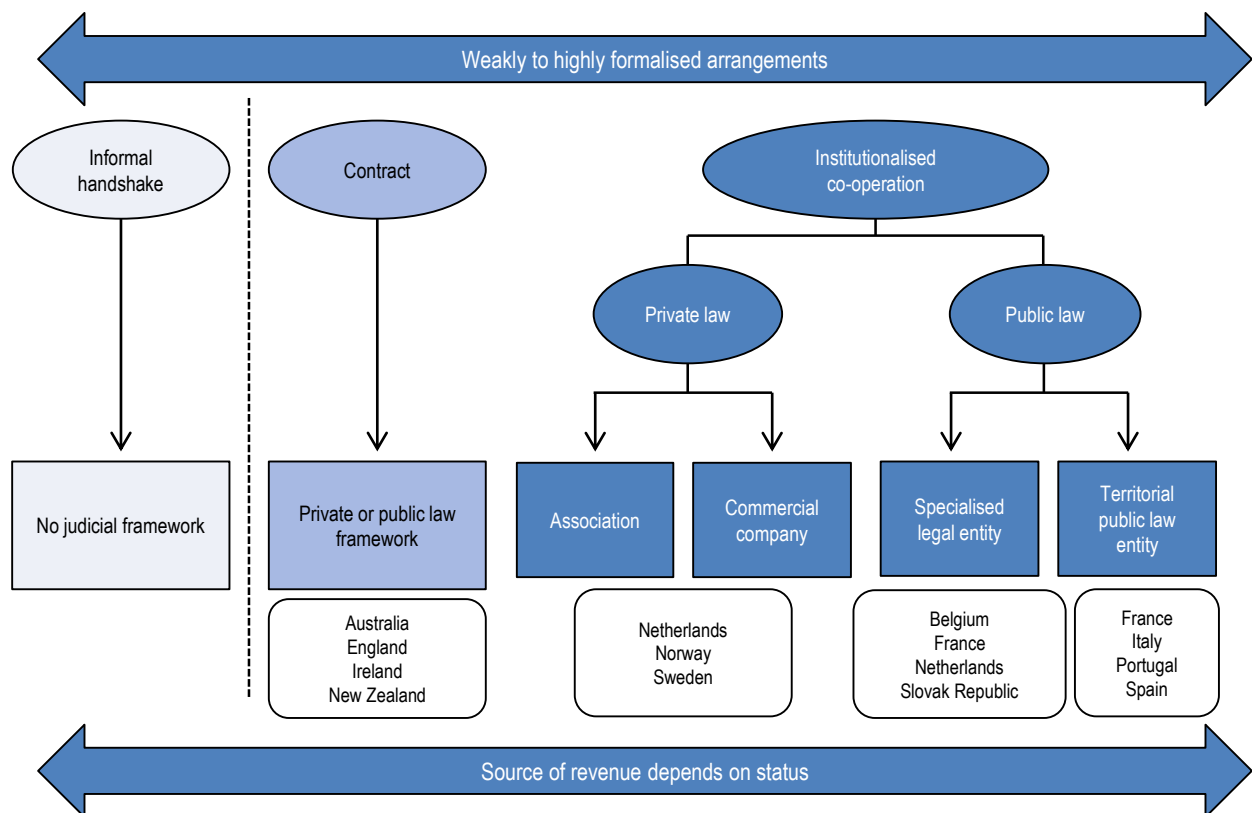
Intermunicipal co-operation is practised in many service areas, from technical issues to healthcare, education, and regional development and strategy (OECD, 2017^[49]). For example, in Germany, IMC is strongly encouraged by *Länder*, in particular for waste management, sewage, water or transport. The Czech Republic promoted voluntary municipal association and micro-regions in education, social care, health, culture, the environment and tourism. Poland introduced “territorial contracts” in 2014. The

contracts are intended to strengthen partnership and improve co-ordination of local public services (OECD, 2019^[11]).

Irrespective of the model of co-operation, the intermunicipal bodies are almost without exception managed by nominated councils and/or boards. While in principle nothing would prevent arranging elections to select the decision-makers for the intermunicipal co-operative bodies, such elections could considerably add to the administrative burden. To our knowledge, the only examples of co-operative arrangements which involve elections are the UK’s Devolution Deals. Devolution Deals are agreements which move funding, powers and responsibilities from central to local government in return for governance reform at a local level, typically through the creation of combined authorities and the institution of directly elected mayors (Green, 2018^[50]). The elected mayors are responsible for the tasks and report to both central government and local councils. The devolution deals have covered tasks such as public transport, skills and employment, health, land and housing and financing. The first Devolution Deal was announced by the British government and the Greater Manchester Combined Authority in 2014 (Sandford, 2018^[51]). By early 2018, devolution deals with 12 areas had been agreed. Three of the deals have collapsed, and two had collapsed and then been partially revived (Sandford, 2018^[51]).

Municipal co-operative organisations are usually financed by member municipality contributions and transfers from central government, but in some countries, such as France, IMCs can also collect taxes or levy user fees to pay for services.

Figure 1.6. Formats for intermunicipal co-operation



Source: (OECD, 2019^[11]).

In the Nordic countries, municipalities also co-operate in financing investments. In Denmark, Finland, Norway and Sweden, joint municipal credit institutions have been formed by the local authorities. The joint credit institutions borrow money from international financial markets and lend it to their member organisations (municipalities, counties and companies owned by local authorities). For example, the Swedish Kommuninvest was created in the 1980s in response to difficulties that the municipalities had faced in raising financing for their investments. The Swedish Kommuninvest, like other similar Nordic credit institutions, has high creditworthiness, which is based on the fact that all members are liable for Kommuninvest's obligations. Indeed, there have never been any credit losses in the operations since Kommuninvest's inception. Kommuninvest currently accounts for more than 40% of the Swedish local government sector's borrowing (Kommuninvest Sweden, 2019^[52]). In Finland, the share is even higher, at nearly 70%.

There is currently not much research evidence on the effects of voluntary intermunicipal co-operation on municipal spending or service quality (the evidence of causal relationship, in particular, is scarce or non-existent). Moreover, the results of existing studies are somewhat mixed (Allers and van Ommeren, 2016^[48]). In France, a recent study found no effect of co-operation on total spending of French municipalities (Frère, Leprince and Paty, 2014^[53]). In contrast, in Spain, small towns that co-operated incurred lower costs for their waste collection service. Co-operation also raised collection frequency and improved the quality of the service in small towns (Bel and Mur, 2009^[54]). In the Netherlands, intermunicipal associations paid higher interest rates for their loans compared with independent municipalities (Allers and van Ommeren, 2016^[48]), suggesting that co-operative arrangements were considered inefficient by creditors. In Finland, break-ups of municipal health centre federations in the 1990s increased costs as well as outputs, so the break-ups had no statistically significant effect on inefficiency (Kortelainen et al., 2019^[55]).

Metropolitan governance in the OECD and beyond

The rationale for metropolitan governance

Metropolitan areas differ from other cities and urban areas in many ways. They have exceptionally large populations which are concentrated in dense functional areas: the OECD defines large metropolitan areas as functional urban areas with a population of 1.5 million or higher. Other functional metropolitan areas are defined as urban areas with a population of between 500 000 and 1.5 million people (OECD, 2012^[56]).

Metropolitan areas are major commercial centres and, due to agglomeration economies, metropolitan cities are also important “engines” of innovation and economic growth. For example, according to the Brookings Institute, the 300 largest metropolitan economies in the world account for almost half of the global output (Bouchet et al., 2018^[57]). Metropolitan cities also serve as regional hubs for people living in surrounding communities who come to work, shop and use public services that are not available in their own communities.

The population living in metropolitan areas is usually heterogeneous compared with the rest of the country, often with a large share of in-migrants and immigrants. The demographic changes, due to ageing population and growing migration, are particularly challenging for urban form and transportation systems (Slack and Côté, 2005^[58]).

The economic recession since 2008 hit subnational public investment particularly hard, also in metropolitan areas. Public investment was used as an adjustment variable in the context of fiscal consolidation strategies put in place by countries after 2010. In the OECD countries, on average, public investment still remains below the pre-crisis level. After ten years of curbed public capital spending, the quality of existing public infrastructure has deteriorated and public infrastructure stock has started to drop in many countries (CEB, 2017^[59]). These deficiencies in infrastructure can seriously hamper productivity and socio-economic opportunities for metropolitan areas, as well as their resilience in the face of megatrends. Furthermore,

issues such as the environment, local democracy and citizen engagement need special attention in urban and in particular metropolitan areas.

The rapid population growth in metropolitan areas, together with other drivers like political and technical factors, has often resulted in urban sprawl.¹ Urban sprawl can create many challenges in metropolitan areas: higher car dependency and longer commuting distances, traffic jams, higher greenhouse gas emissions and air pollution (OECD, 2018_[60]). It also substantially increases the per-user costs of providing public services that are key for well-being, such as water, energy, sanitation and public transport. All this contributes to special spending needs in metropolitan areas compared with other subnational governments.

A well-functioning metropolitan governance is key for urban success. But the administrative borders and governance models that were designed decades ago may no longer reflect the current activities and needs in these regions (OECD, 2017_[49]). Reforming boundaries and organisational structures is nonetheless just the first step towards more efficient metropolises. For example, if the land-use policies are not intensified in metropolitan areas, the promise from agglomeration economies and human capital spillovers may be missed (Glaeser and Gottlieb, 2008_[61]).

Examples of metropolitan governance models

In order to tackle the special spending needs in metropolitan areas and to secure the role of metropolitan areas as growth engines, countries worldwide are implementing various metropolitan governance models. While each country and each metropolitan area forms a special case, four main types of governance solutions can be identified (Slack and Côté, 2005_[58]; Bird and Slack, 2007_[47]):

- one-tier fragmented government structures
- one-tier consolidated government structures
- two-tier government model
- voluntary co-operation/special-purpose districts.

The one-tier model can have two forms: a series of small fragmented municipalities in a metropolitan area, or one large consolidated municipality for the whole area (Bird and Slack, 2007_[47]). In the one-tier governance model, either one political body makes the metropolitan-wide taxing and spending decisions, or several independent municipalities in metropolitan area make their own decisions. In the latter model, there is usually one major city (or a few big cities) that dominates the development. The consolidated single-tier governments have generally been formed by merging lower-tier municipalities within the metropolitan area. Metropolitan areas in countries with a long history of local autonomy may, however, find municipal mergers difficult.

The two-tier model is usually formed by an upper-tier governing body and municipalities. The upper-tier governing body can be, for example, a regional government or special body created for the metropolitan area. Usually the idea is that the upper tier is responsible for services that provide metropolitan-/regionwide benefits, and municipalities concentrate on services that lead to local benefits. The upper tier is usually better positioned to internalise externalities, engage in redistribution and allow for economies of scale (Bird and Slack, 2007_[47]).

Voluntary co-operation was discussed at length already in the previous section. In general, at the metropolitan level, voluntary co-operation aims to achieve the benefits of the two-tier metropolitan model with less administrative arrangement and lower costs. Co-operative metropolitan governance models can be used to provide a wide selection of tasks or single-purpose services. Although the voluntary model does not include an elected area-wide government, it provides an alternative method of area-wide arrangement.

There is no evidence, however, that a single optimal governance model could be applied universally. Therefore, the governance model must be planned and adapted to local circumstances. Regardless of the model, the basic features such as political representation through direct election, clear assignment of

expenditure responsibilities and revenue sources, geographic boundaries that match boundaries of economic region (functional area), fiscal autonomy, adequate capacity and revenues that match expenditures, are essential elements for any successful metro governance.

Defining a proper metropolitan governance framework is the first step. The fiscal structure, the tasks of metropolitan structure and the financing of the services, should be built to suit the governance model. Ideally, the revenues of metropolitan governments consist of a mix of user fees, taxes and intergovernmental transfers (Slack, 2018^[62]).

It should also be emphasised that without the legitimacy of metropolitan decision-making, defined in national legislation, and clearly defined and effective authority, the metropolitan governance may enjoy only limited success. In order to solve these problems, an increasing share of countries have decided to establish a special regime for their capital cities and main metropolitan areas. Currently around two-thirds of the metropolitan areas in the OECD have a metropolitan governance body (Ahrend, Gamper and Schumann, 2014^[63]).

Some recent examples of metropolitan governance include the 2013 French Law on Metropolitan Areas which contemplated differentiated governance for Paris, Lyon and Aix-Marseille, to include governance structures with own taxing powers and the shift of competencies from regions and departments (OECD, 2015a). In France, efforts were made by the central government already during the 2000s to encourage co-operation at an urban level (spatial planning directive, La Délégation interministérielle à l'aménagement du territoire et à l'attractivité régionale, DATAR, calls for metropolitan projects). However, apart from the creation of urban communities in 1966, they had little success. The 2010 "Law on the Creation of Metropolitan Areas" has led to the creation of only one metropolis (Nice Côte d'Azur), confirming once again that regulation is not sufficient to induce reform. A new step was achieved in 2013 with the first discussions on the new law on metropolitan areas. Government adopted a new approach, based on governance solutions tailored to territorial specificities and local needs. The 2014 "MAPTAM" law, on the modernisation of public territorial action and metropolises, introduced a degree of diversification across French territories. Fourteen metropolises (more than 400 000 inhabitants) will be granted greater responsibilities than "standard" municipalities or intermunicipalities, justified by their larger size and urban nature. Among them, the three largest metropolitan areas (Paris, Lyon and Aix-Marseille-Provence which already have a specific status since the 1982 law) received ad hoc different governance structures – i.e. different organisation, responsibilities and resources.

The Métropole du Grand Lyon, operational since January 2015, has (unlike Paris and Aix-Marseille-Provence) a particular metropolitan status: it merged the responsibilities of the existing intermunicipal co-operation entity Grand Lyon and those of the *département* du Rhône, covering about 1.3 million people – the only one of its kind in France. Political representatives for the metropolis will be elected through direct suffrage from 2020 onwards. This innovative "asymmetrical" approach based on "recognising the diversity of territories within the unity of the Republic" is relatively new in France (OECD, 2017^[49]), where past policies were uniform across territories (except for overseas territories). It aims to adapt organisational structures and policies to the distinctive characteristics of territories at an appropriate scale. Another innovation is the setting up of two transitory interministerial "prefiguration" task forces for Grand Paris and Aix-Marseille-Provence. These task forces, headed by the prefect and composed of national and local civil servants and experts, prepared the reforms and then helped in the transition process. They also work to gain support from citizens, local authorities, the private sector and civil society (OECD, 2017^[49]).

Finally, the French metropolitan reform is a good illustration (at least in the cases of Grand Paris and Aix-Marseille-Provence) of resistance from local mayors, and possibly from the regional level. The implementation process is as crucial as the nature of the reform itself: the adoption of a law is not sufficient as it may not, or partly, be implemented in practice.

In Italy, a 2014 reform ended two decades of gridlock over metropolitan governance reform and created the legal structure for the introduction of differentiated governance in ten major metro areas – Rome, Turin,

Milan, Venice, Genoa, Bologna, Florence, Bari, Naples and Reggio Calabria – and four additional cities in special regions – Palermo, Messina and Catania in Sicily, as well as Cagliari in Sardinia (Allain-Dupré, 2018^[42]).

The metropolitan areas of Geneva and Zurich are based on voluntary intergovernmental co-operation. In the case of Geneva, intergovernmental co-operation extends across national borders, to local government in neighbouring France. Intergovernmental co-operation is practised in electricity, waste disposal and energy supply. Political representation is composed of delegates of the member communes (Kübler and Rochat, 2014^[64]). This approach to dealing with intermunicipal externalities is seen in Switzerland as the most pragmatic way of addressing the metropolitan challenges (Kübler and Rochat, 2014^[64]).

An important question is how the relationship between metropolitan areas and the elected regional governments should be arranged. For obvious reasons, it is essential that both the benefits of metropolitan governance and the interests of the whole region can be secured. There is, however no one answer to this question, and the practices vary from a country to another. In some cases, such as in Italy, regional level governments originally opposed the strengthening of metropolitan governments, because regions saw this development as weakening their position (Conti and Vetrutto, 2018^[65]). In Italy, the tasks of previous provinces have been transferred to metropolitan cities by the regions, and the metropolitan cities are mostly dependent on the funding of the regional governments (Boggero, 2016^[66]). Italy is not the only example in this respect, however. In Canada, all aspects of municipal government – their boundaries, their responsibilities, their taxing powers – are completely controlled by the provincial governments. Hence, in Canada, the provinces also decide on the tasks and financing of metropolitan governments. For example, the provincial government has in effect largely taken over responsibility for transportation and land-use planning for the Toronto region (Slack and Bird, 2010^[67]). The Nordic countries provide another type of example. For example, in Sweden, the distinction between municipalities and counties applies also in the case of metropolitan cities. The metropolitan area of Stockholm has no administrative function of its own, although the urban area extends into 11 municipalities in Stockholm County. By constitution, Swedish counties have their specific tasks and financing, and municipalities have their own, and the regions have no power over municipalities (or vice versa). Regional development is largely based on voluntary co-operation and dialogue between the central government, counties and municipalities (OECD, 2017^[68]).

Regionalisation: An increasing trend worldwide

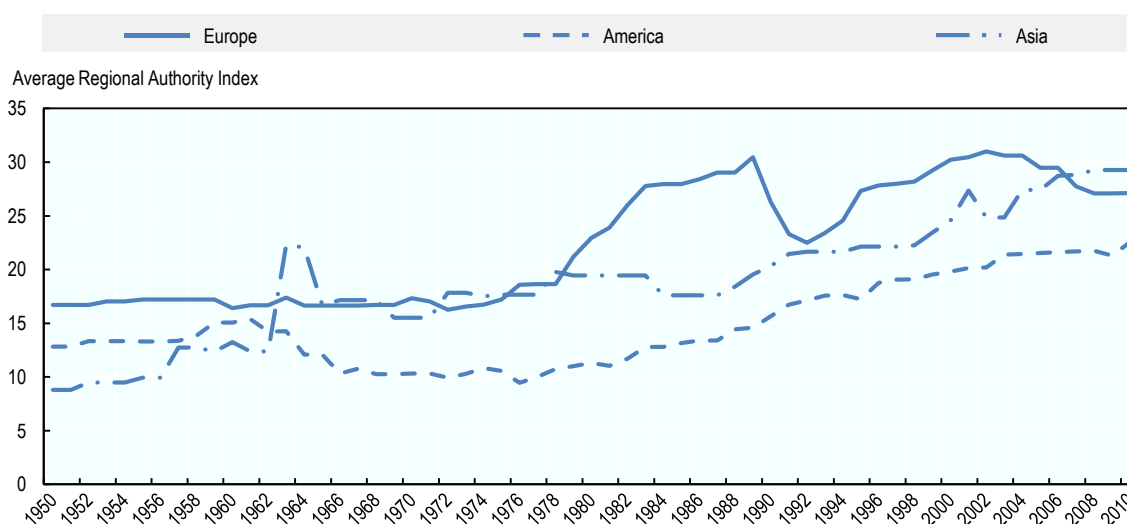
Several European countries have recently created new regions and strengthened the existing ones. Many more are currently planning such reforms. For East European countries, regionalisation has been largely in the context of EU enlargement. In other countries, strengthening existing regional governments has been popular in particular in Nordic countries, but also in France or Italy. Responsibilities such as higher education, specialised healthcare and regional public transport have been reassigned from the municipal and the central government levels to a newly created or reinforced regional level.

The regionalisation trend extends beyond Europe, as countries in Asia and America are also establishing regional level governments, at an even faster pace compared with Europe. The Regional Authority Index (RAI) measures the degree of power of intermediate governments. The RAI specifically focuses on regional government and the indicator traces regional authority across 10 dimensions in 81 countries between 1950 and 2010 (Hooghe, Marks and Schakel, 2009^[69]; Hooghe et al., 2016^[5]). The average RAI score has increased considerably during the past 50 years: in 1970, the index value was 10.3 for America, 15.5 for Asia and 17.3 for Europe. In 2010, the average RAI score increased to 22.6 in America, 29.3 in Asia and 27.1 in Europe (Figure 1.7).

Despite the general trend of increasing importance of regional government level, reforms pulling in the opposite direction have also been implemented. This has been the case, for example, in Denmark and Norway, with a reduction in the responsibilities assigned to regions, or in Hungary through recentralisation reforms (Pasquier, 2019^[70]). In Denmark, the major local government reform in 2007 reduced the number

of regions and reduced their tasks and autonomy in favour of central government and municipalities. The existence of regions has never been completely politically secured or accepted in Denmark (Blom-Hansen, 2012^[71]). Regions are not as popular among the electorate as municipalities or central government, and this lack of popular support has made it difficult for the regions to create a strong legitimacy base (Blom-Hansen, 2010^[72]). Also in Norway, the regions have suffered from legitimacy problems. In Norway, the central government took over the hospital services from regions in 2002, mainly due to equity concerns (Borge, 2010^[73]). In Estonia, the municipalities were recently strengthened by a radical merger reform and, at the same time, the regional government level was abandoned and the tasks were given to municipalities and central government agencies (Rahandusministreerium, 2019^[74]).

Figure 1.7. Regionalisation in America, Asia and Europe since 1950



Note: Shown are average Regional Authority Index scores for 29 American, 11 Asian and 41 European countries. America: Argentina, Bahamas, Barbados, Belize, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Cuba, the Dominican Republic, Ecuador, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, El Salvador, Suriname, Trinidad and Tobago, Uruguay, the United States and Venezuela. Asia: Australia, Brunei, Indonesia, Japan, Malaysia, New Zealand, the Philippines, Singapore, South Korea, Thailand and Timor-Leste. Europe: Albania, Austria, Belgium, Bulgaria, Bosnia and Herzegovina, Croatia, Cyprus*, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Kosovo, Latvia, Lithuania, Luxembourg, Malta, Montenegro, the Netherlands, Norway, Poland, Portugal, Romania, Russia, Serbia and Montenegro (until 2006), Serbia, the Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey and the United Kingdom.

Sources: Hooghe, L. et al. (2016^[5]), *Measuring Regional Authority: A Postfunctionalist Theory of Governance*, Oxford University Press; OECD (2019^[1]), *Making Decentralisation Work: A Handbook for Policy-Makers*, <https://dx.doi.org/10.1787/q2g9faa7-en>.

The main types of regionalisation and the country experiences on regionalisation reforms are discussed in more detail in below.

Asymmetric decentralisation

Yet another important trend in multilevel governance in OECD countries is asymmetric decentralisation. It is defined by the fact that the same subnational government levels have different political, administrative or fiscal powers (Congleton, 2015^[75]). Asymmetric decentralisation can take various forms. These are briefly discussed in this section.

Political asymmetric decentralisation refers to situations where some regions or subnational governments have been given political self-rule that deviates from the norm or average assignment. One common way to categorise asymmetric decentralisation has been to divide the policies into “de jure” or “de facto” arrangements (Bird and Ebel, 2006^[76]; Martinez-Vazquez, 2007^[77]). De jure asymmetric decentralisation is based on the special legal status of a certain region. In some cases, the status is outlined in the

constitution but more often asymmetric treatments are established in the ordinary law (sometimes both).² The regions with special “de jure” status often enjoy considerably broader political autonomy than other regions. Politically motivated asymmetry usually leads to administrative and fiscal asymmetry as well.

Even if subnational governments belonging to the same government tier were treated symmetrically in terms of the politico-legal system, there might still be “de facto” asymmetry in implementation. This administrative asymmetry often aims to take the different capacities of subnational governments into account. Administrative asymmetry may, for example, include sequencing a national policy so that the subnational governments that fulfil certain predetermined standards³ are given greater autonomy in spending and revenue. The rest of the subnational governments could then “grow into this role” over time.

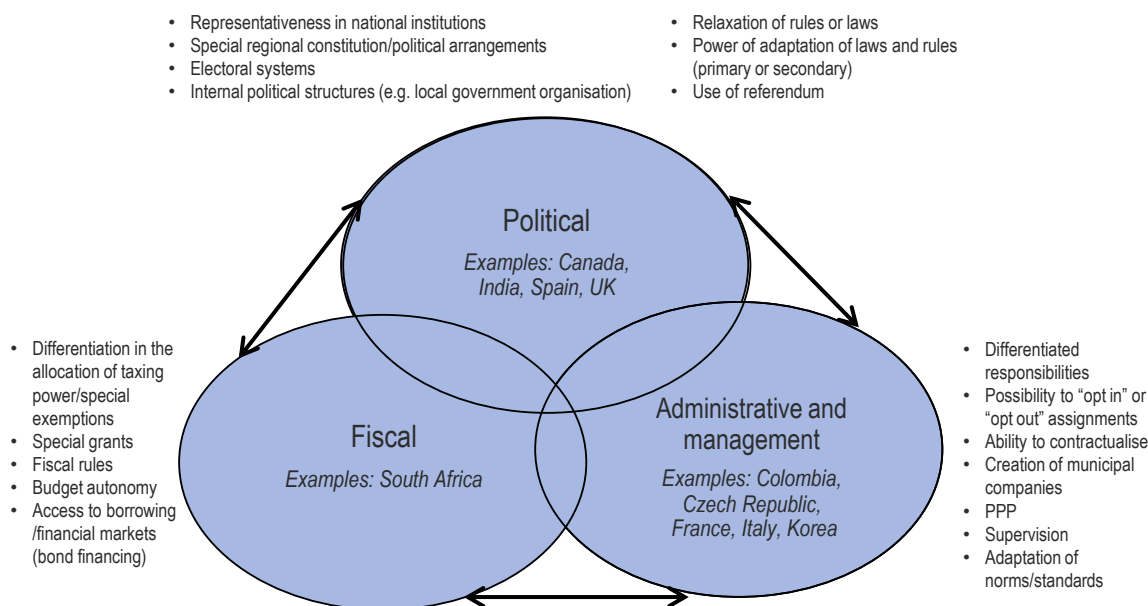
Asymmetric fiscal arrangements consist of a wide variety of measures including special spending responsibilities, revenue bases or taxation rights and additional transfers. The main forms of asymmetric fiscal decentralisation can be summarised as follows:

- *Differential spending assignments.* For example, some regions or subnational governments may be assigned tasks in specific services, which are otherwise provided by central government or higher level of subnational governments.
- *Differential revenue autonomies.* The subnational governments with more capacity may be given more tax autonomy than usual. Asymmetric autonomy could be used also for collecting user fees or selling property.
- *Differential treatment in the transfer system.* In this case, the regions with unique service needs or exceptional operating environment may justify the use of special-purpose grants or of certain criteria in formula-based grants. Specific transfers may be used as an alternative to differential revenue autonomies.
- *Differential fiscal rules.* Some subnational governments may be given more room for manoeuvre in borrowing for example. This could be the case if the subnational government has special needs for public investments and if it is capable of fulfilling its obligations.

During the last seven decades or so, asymmetric arrangements have become more common, especially among unitary countries. There is a greater convergence between unitary and federal countries in the trend toward greater differentiated governance at the subnational level (OECD, 2019^[1]). In unitary states, symmetry is often one of the basic principles of the state, motivated by equity and integration of different parts of the country, such as in Chile or France (“*une et indivisible*”). However, some unitary states have strong elements of asymmetry, in particular to recognise a different status for territories with a strong history/identity (Italy, UK) as well as peripheral territories such as outermost regions, islands, outlying regions (Finland, France). This is also the case with Portugal’s two autonomous regions, the Azores and Madeira.

Asymmetric decentralisation is increasing in unitary countries, based on new motivations – notably giving more responsibilities to regions with greater capacities. Asymmetric decentralisation is often applied at three different scales: regional (state/province), metropolitan and local. Also, in this respect, asymmetric decentralisation trends are changing: whereas during the past decades the asymmetric arrangements occurred mostly at the regional level, the present trend seems to apply asymmetric decentralisation to large cities or for selected local governments. Large cities have experienced growth in asymmetric decentralisation arrangements perhaps because the benefits of urbanisation and agglomeration economies have become more widely understood and accepted. As a result, the number of metropolitan governance authorities has increased during the past decades. Currently, around two-thirds of the metropolitan areas in the OECD have a metropolitan governance body (Ahrend, Gamper and Schumann, 2014^[63]).

Figure 1.8. Three main types of asymmetric decentralisation



Sources: OECD (2019^[11]), *Making Decentralisation Work: A Handbook for Policy-Makers*, <https://dx.doi.org/10.1787/g2g9faa7-en>; Allain-Dupré, D., Chatry and Moisiu (forthcoming^[178]), "Asymmetric decentralisation in OECD countries: Trends, challenges and policy recommendations", OECD Working Paper, OECD, Paris.

Table 1.1. Different scales of asymmetric decentralisation

Regional	Metropolitan	Local
<ul style="list-style-type: none"> • The most common form. • In 1950, around half of the countries covered by the Regional Authority Index (RAI) had some kind of differentiated governance at the regional level. • In 2010, almost two-thirds of countries in RAI had implemented asymmetric arrangements in some form. • Rising trend. • Long-term trend. 	<ul style="list-style-type: none"> • Since the 1950s: specific status for capital cities. • Since 1990s: increase in metropolitan governance to address specific challenges and capacities of metro regions. • 87 new metro structures created since 1991 compared to 14 between 1971 and 1991. 	<ul style="list-style-type: none"> • Different sets of responsibilities for different municipalities, depending on their capacities. • Municipal classifications, based on population, access to public services, budget, performance. • Urban/rural municipalities: classification may just be statistical or lead to differentiation in funding or responsibilities.

Source: OECD (2019^[11]), *Making Decentralisation Work: A Handbook for Policy-Makers*, <https://dx.doi.org/10.1787/g2g9faa7-en>.

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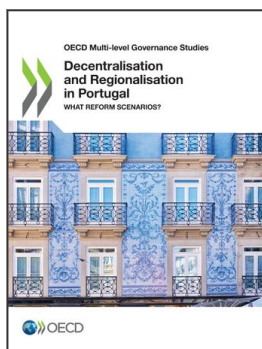
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Notes

¹ Urban sprawl can be defined as an urban development pattern characterised by low population density.

² The division of asymmetric arrangements (with legal basis) into ones that are based on constitutional status and others that are based on ordinary law is of course a simplified description of reality. In many cases, such as in Spain for example, the regions may have special status both by constitution and ordinary law.

³ Sometimes the asymmetric arrangement can be based on discretion also. This could be the case if, for example, specific rules are difficult to define or costly to administer.



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