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TRENDS IN MULTI-LEVEL GOVERNANCE

Decentralisation, Recentralisation, Experimentation and
Making it all Work

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Presentation outline

- **Trends in subnational growth, structures and responsibilities**
- **What is driving these trends**
 - Decentralisation
 - Asymmetric arrangements
- **The evolving role of central governments and quality partnerships**



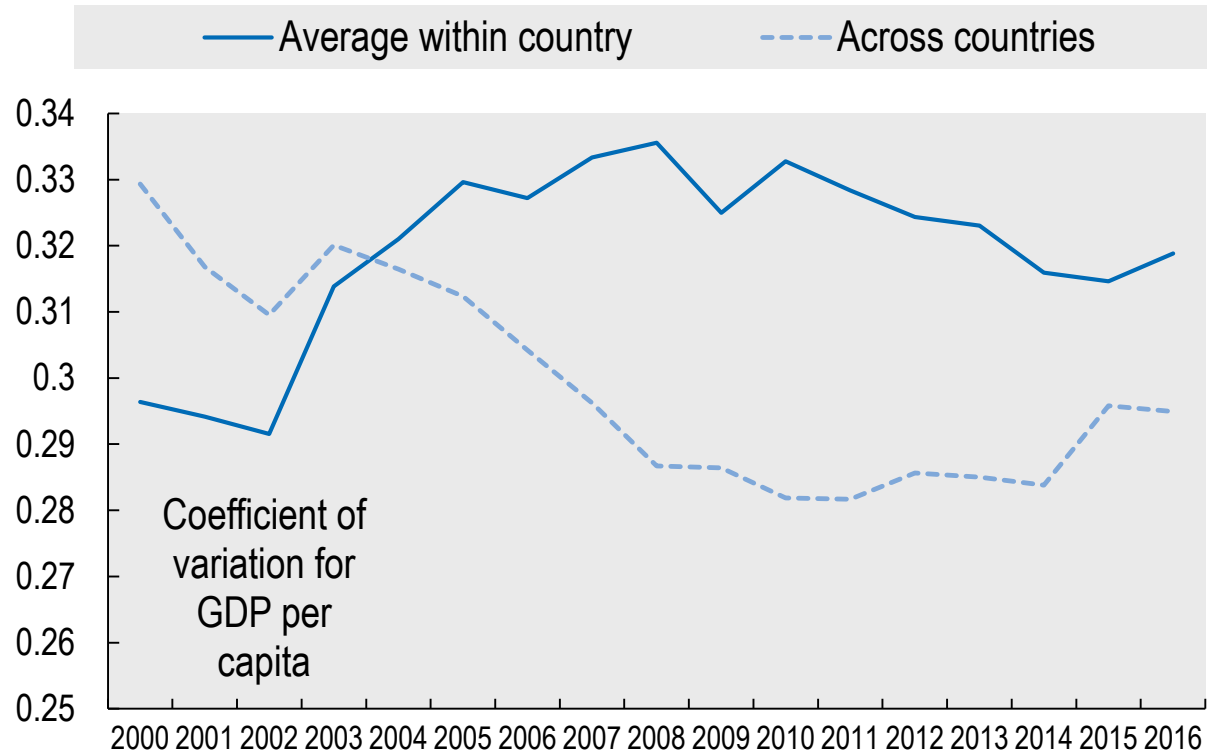
TRENDS IN SUBNATIONAL GROWTH, STRUCTURES AND RESPONSIBILITIES



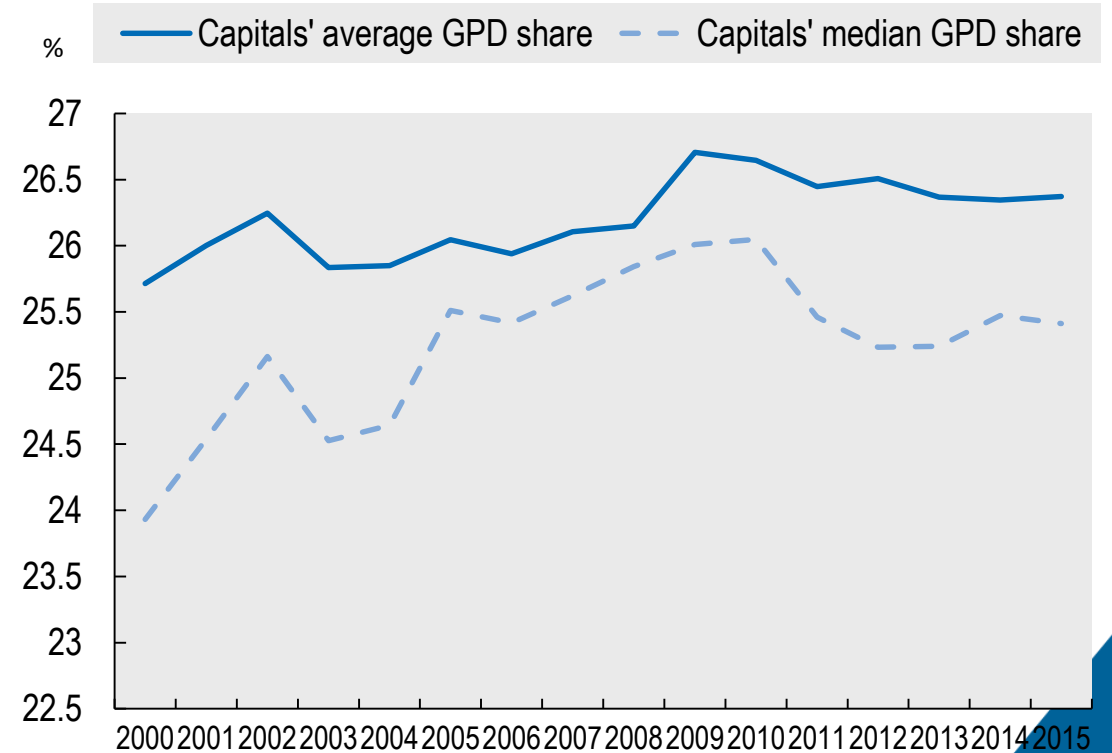
Economic activity is becoming increasingly concentrated

Across OECD regions, disparities in GDP per capita are **larger within countries** than across countries. Following the crisis, **disparities across countries are rising again.**

However, there is an **increasing concentration of economic activity** within OECD countries. **Capital** regions contribute more than **25%** to the country GDP and their share is rising.



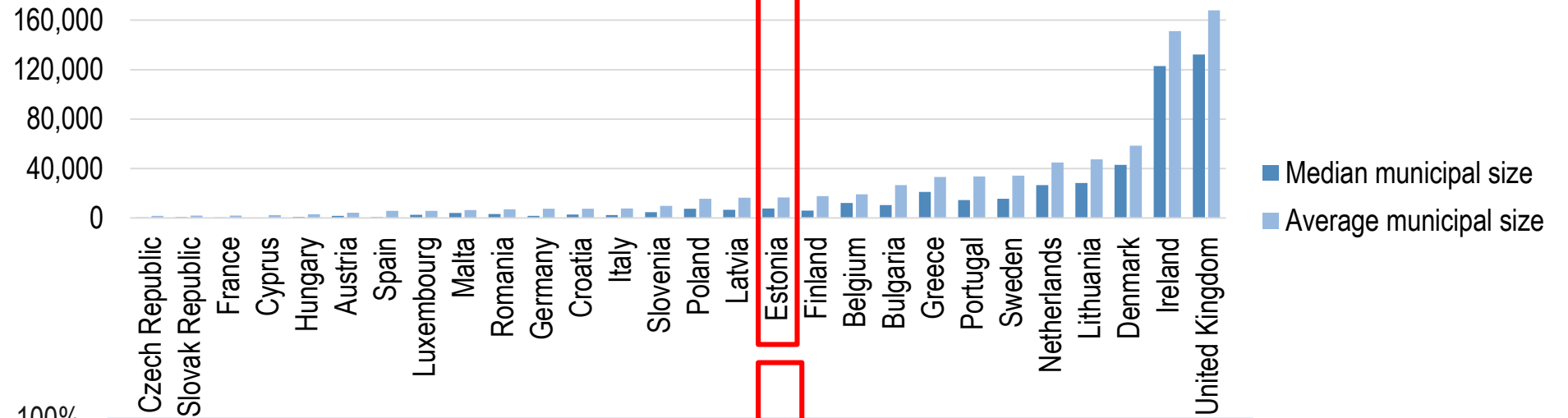
OECD (forthcoming): Regions and cities at a Glance 2019



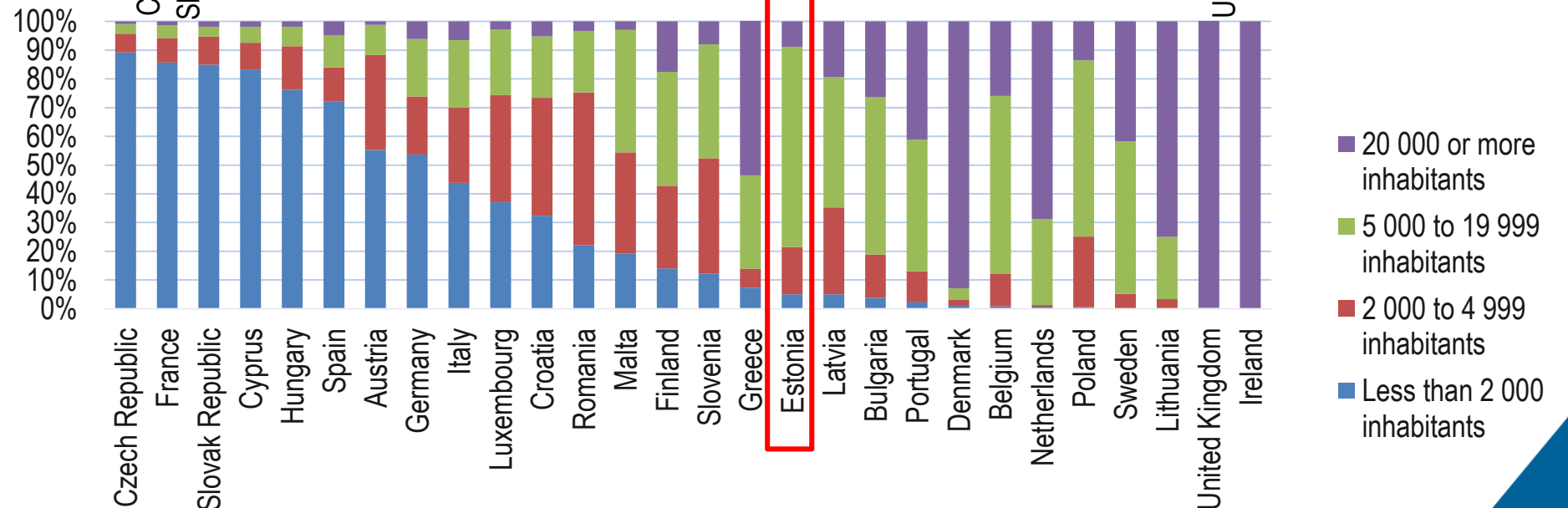


Municipalities are highly diverse and often fragmented...

Average and
median municipal
size (# of
inhabitants)



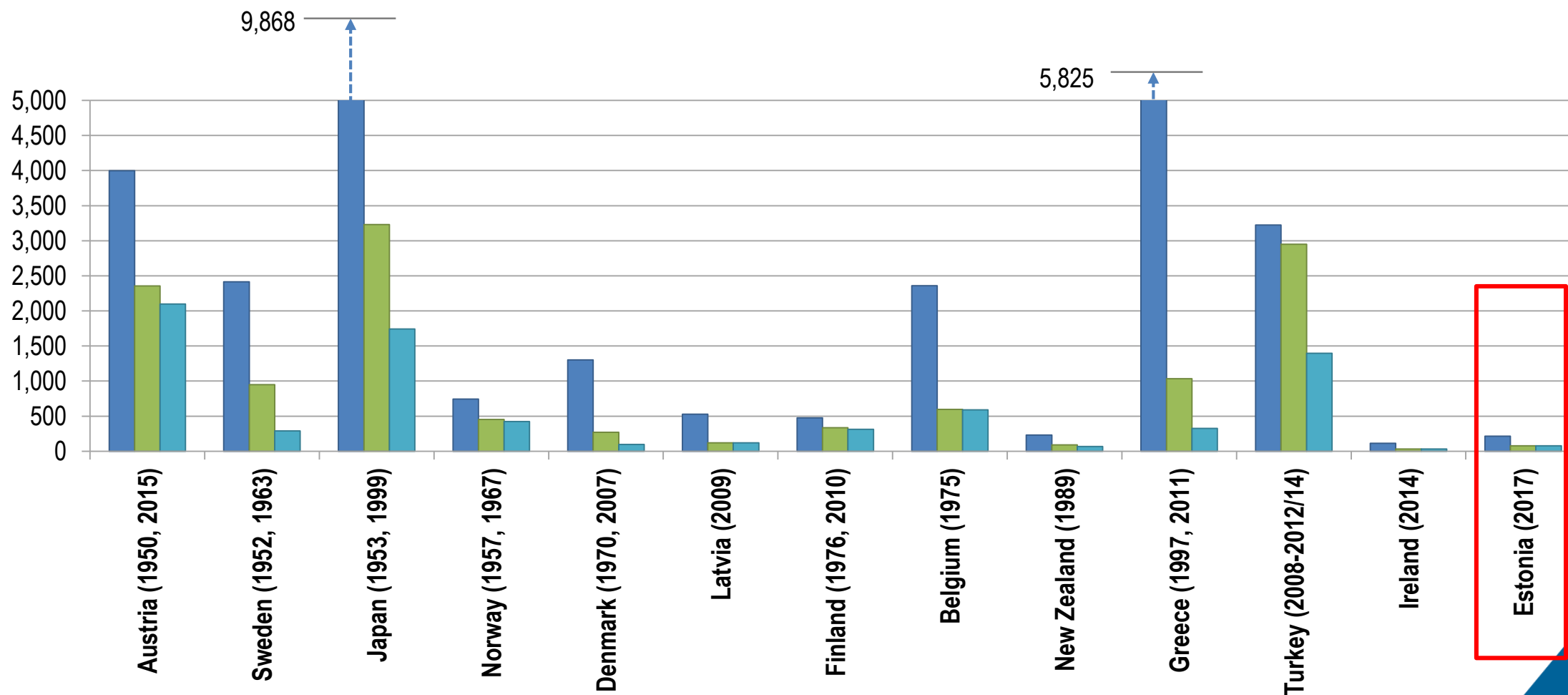
Municipalities by
population size
class





...to manage this: inter-municipal co-operation, mergers...

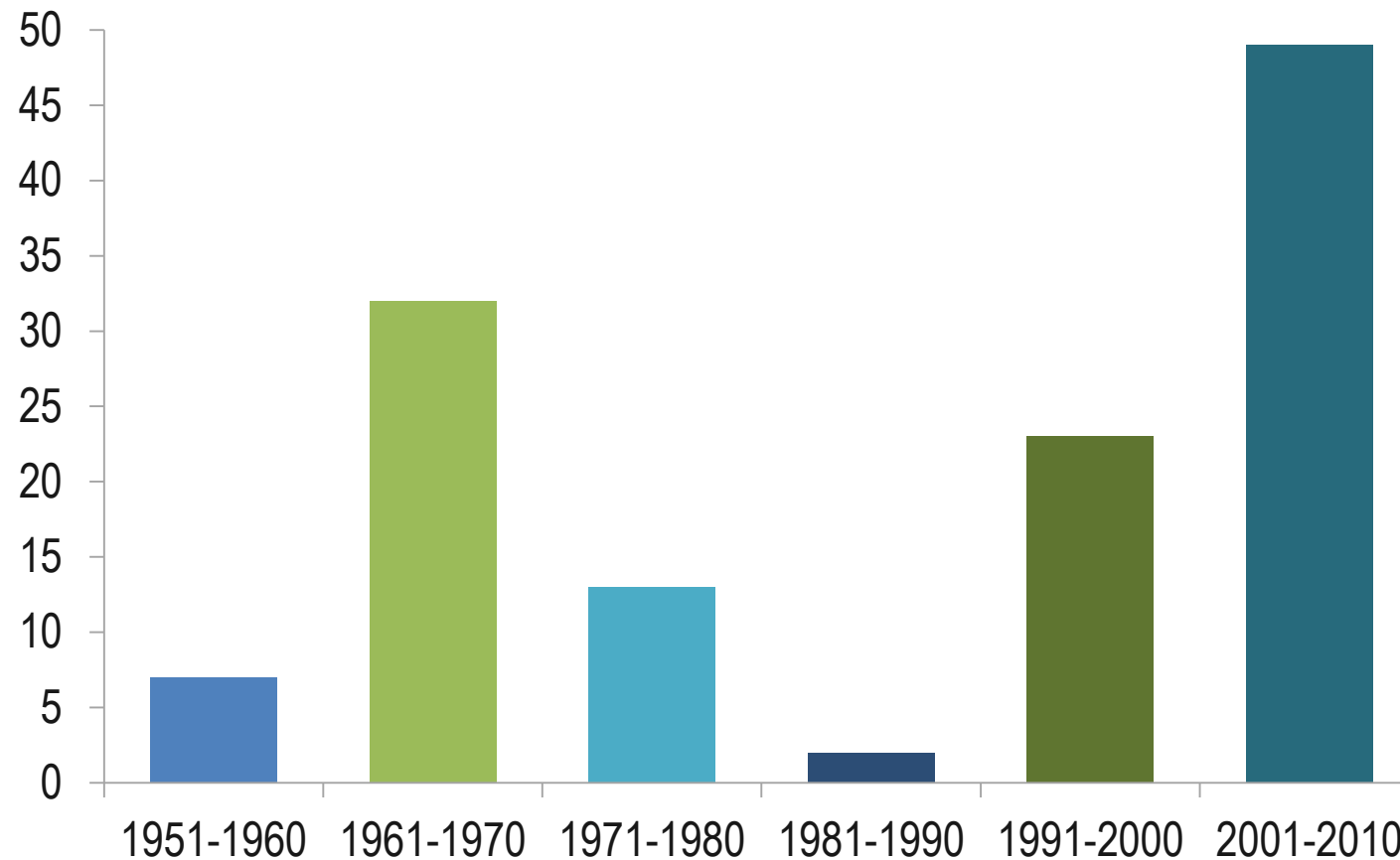
■ Number of municipalities before the reform ■ Number of municipalities after the reform ■ Number of municipalities in 2017-2018





...and a growing number of metropolitan areas

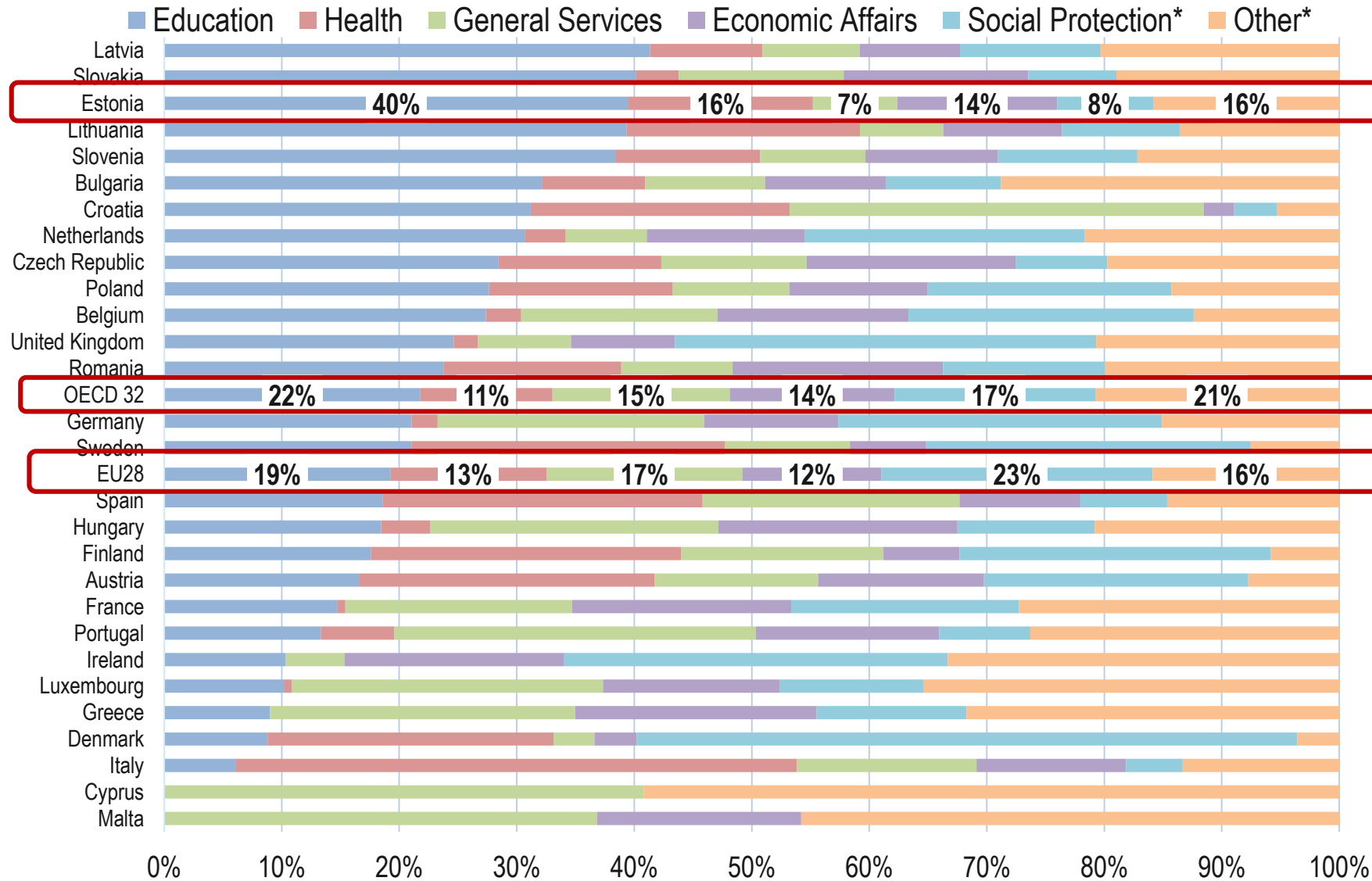
Number of metropolitan bodies created/reformed by decade



15 new metro
structures
created
between
2011 and
2013



Subnational governments are key spenders and investors, but...

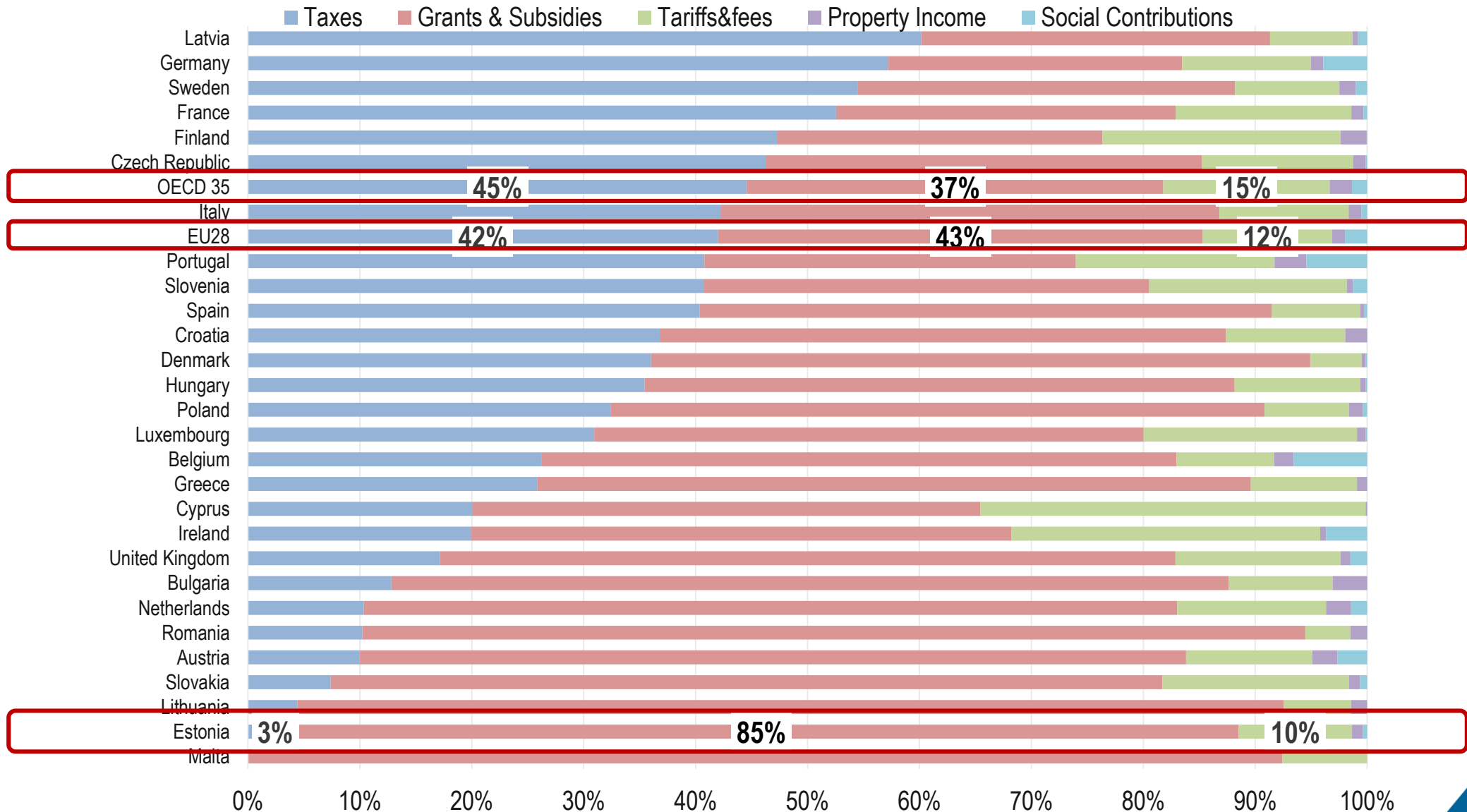


* Other: Defence; Public order and safety; Housing and community amenities; Recreation, culture and religion; Environment.

Subnational Governments: Responsible for **57%** of public investment (**62%** in federal countries) on average



Spending and investment capacity comes mostly from tax revenue

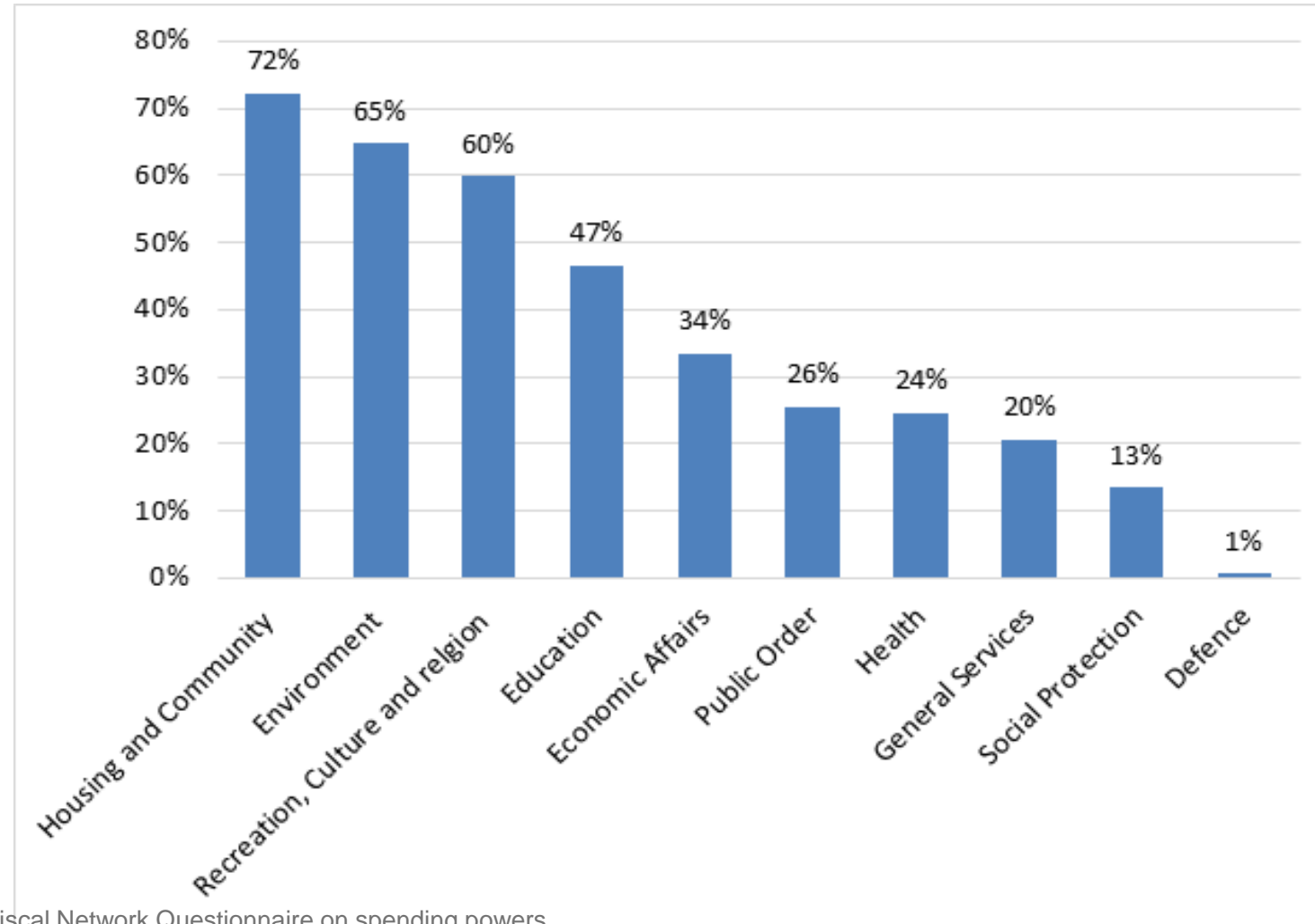


OECD(2018), Subnational Governments in OECD countries: Key data



Most responsibilities are shared among levels of government...

Proportion of decisions where more than one government level is involved (%).



Source: OECD (2018) Fiscal Network Questionnaire on spending powers



...including among subnational tiers

Regional Level

- Secondary/higher education and VET/professional
- Spatial planning
- Regional economic development/innovation
- Health (secondary; hospitals)
- Social affairs (employment services, training, inclusion...)
- Regional roads and transport
- Culture, heritage, tourism
- Environmental protection
- Social housing
- Public order and safety
- Local government supervision (federal)

Intermediate Level

- Assistance towards small municipalities
- Responsibilities delegated by regional or central government
- Secondary or specialized education
- Supra-municipal social and youth welfare
- Waste collection and treatment
- Secondary roads and public transport
- Environment

Municipal/Local Level

- Education (nursery, pre-elementary, primary)
- Urban planning and management
- Local utility networks (water, sewage, waste....)
- Local roads and city public transport
- Social affairs (support for family, children, elderly, disabled, poverty...)
- Primary and preventative healthcare
- Recreation (sport) and culture
- Public order and safety (muni police, fire)
- Local economic development, tourism, trade affairs
- Environment (green areas)
- Social housing
- Administrative and permit services

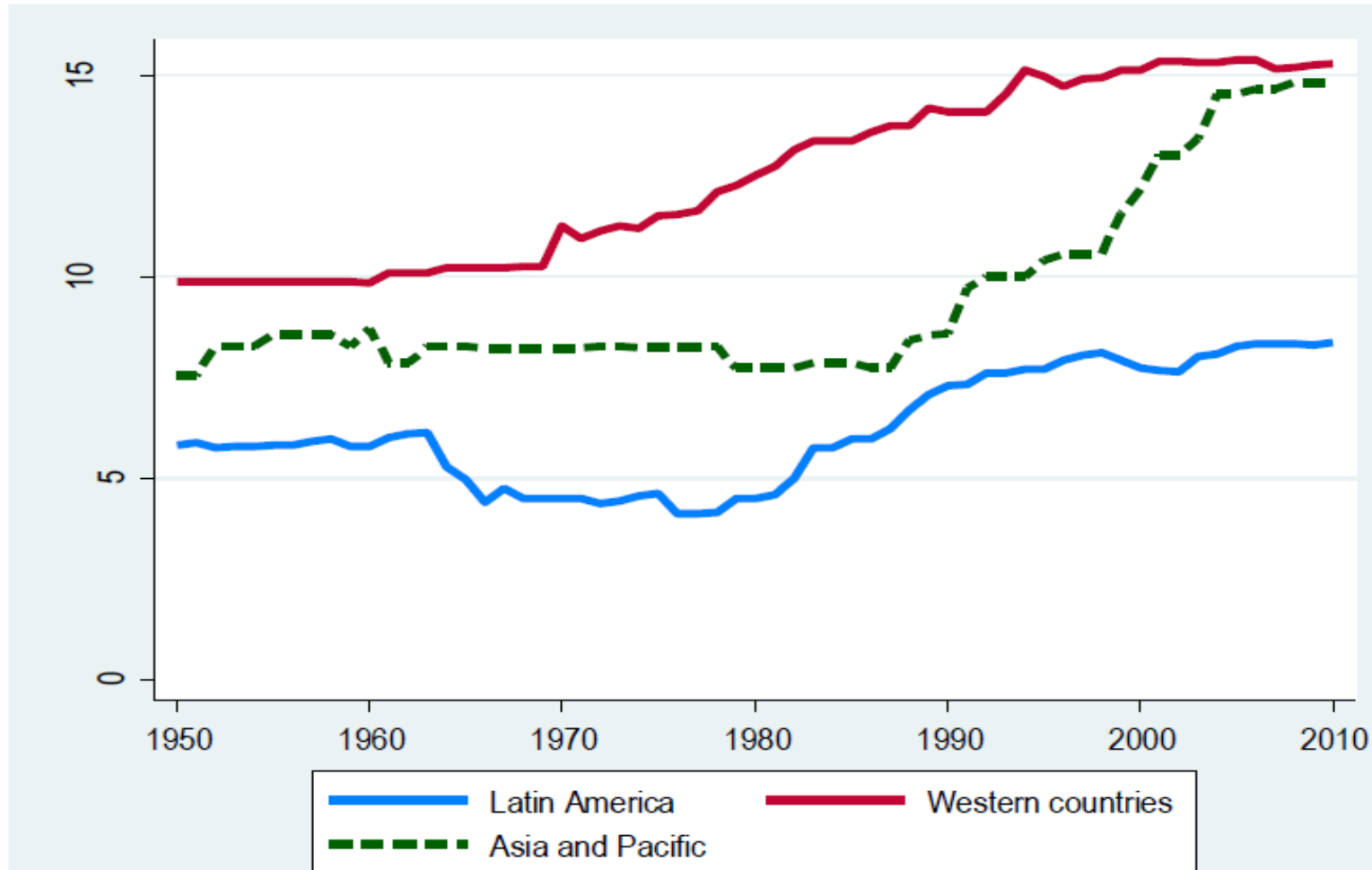


WHAT IS DRIVING THESE TRENDS



Trends: rising decentralisation

Increase role of regions around the world: Regional Authority Index



Source: Hooghe et al (2016) Measuring Regional Authority

The Regional Authority Index measures the authority of regional governments in 81 democracies or quasi-democracies on an annual basis over the period 1950-2010



Why do countries decentralise?

Benefits

- **Allocative efficiency.** Subnational governments often hold valuable information on local demands and conditions, which enables them to tailor public service provision to meet residents' needs.
- **While country statistics do not allow for causal conclusions,** measures such as GDP, public investments in physical and human capital and education outcomes show a positive correlation with decentralisation.
- **Revenue decentralisation** (i.e. the fact that SNGs rely on their own source revenue) appears to be more strongly associated with income gains than spending decentralisation.
- **Recent empirical evidence also indicates that revenue decentralisation could be associated with smaller regional economic disparities.**
- In addition, empirical research results show that decentralisation can be conducive to **lower corruption, greater citizen engagement and political stability.**
- Useful platform for **experimenting** with public policies

Challenges

- **Lack of clarity** in the assignment of responsibilities
- Lack of sufficient administrative, technical or strategic **capacities**
- Loss of certain **economies of scale** and fragmentation of public policies
- Fiscal dimension: very often the weak or even missing link of decentralisation.
- Lack of **coordination** and alignment

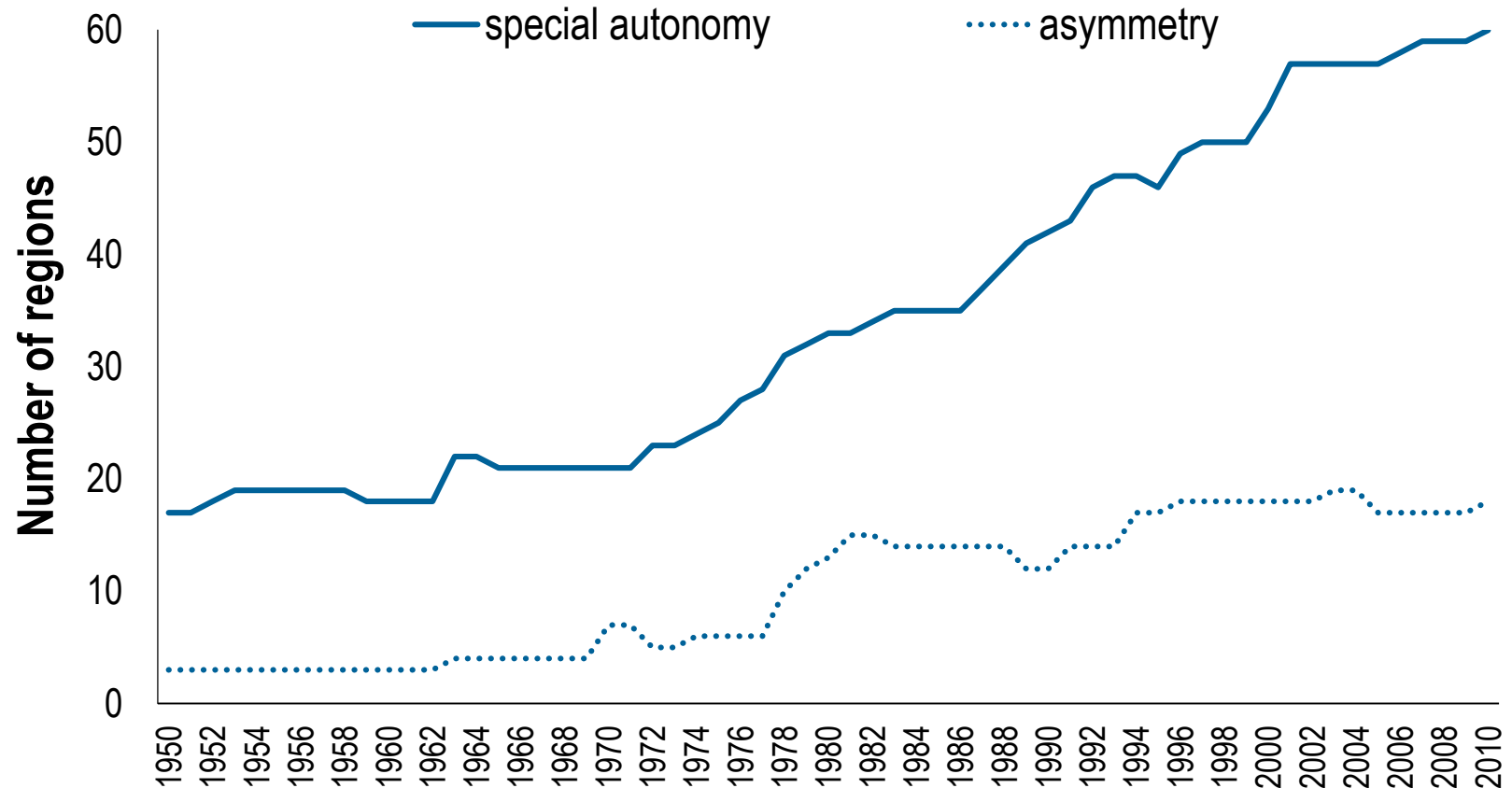


Trends: more asymmetric arrangements

Greater convergence between **unitary** and **federal** countries in terms of more differentiated governance at the subnational level

Administrative and fiscal asymmetric decentralization have increased the most

Rising trends in asymmetric governance arrangements as measured by the Regional Authority Index (81 countries)



Source: Regional Authority Index in Schakel (2018)



Changing motivations: capacity, scale, experimentation

The initial motivations for asymmetry tended to be mostly political and identical



New motivations today:

- A need to address **capacity challenges**: institutional and fiscal frameworks tailored to local capacities
- Recognising the specificity of metropolitan areas
- Addressing the issue of scale
- Experimenting through learning-by-doing and testing new approaches



Benefits and risks of asymmetric decentralisation

Benefits

- Accommodate diverse preferences for autonomy across regions
- Adapting the institutional and fiscal frameworks to the capacities of subnational governments
- Experimenting
- Sequencing decentralisation
- Providing the enabling institutional environment to design territorial development strategies more targeted to local needs
- Tailoring solutions for special challenges

Risks

- Increased disparities
- Lack of accountability and transparency
- Complexity and coordination costs
- Lack of clarity for citizens
- Secession and autonomy



10 Guidelines for policy-makers



1. Clarify the responsibilities assigned to different government levels



2. Ensure that all responsibilities are sufficiently funded



3. Strengthen subnational fiscal autonomy to enhance accountability



4. Support subnational capacity building



5. Build adequate coordination mechanisms across levels of government



6. Support cross-jurisdictional cooperation



7. Strengthen innovative and experimental governance, and promote citizens' engagement



8. Allow and make the most of asymmetric decentralisation arrangements



9. Consistently improve transparency, enhance data collection and strengthen performance monitoring



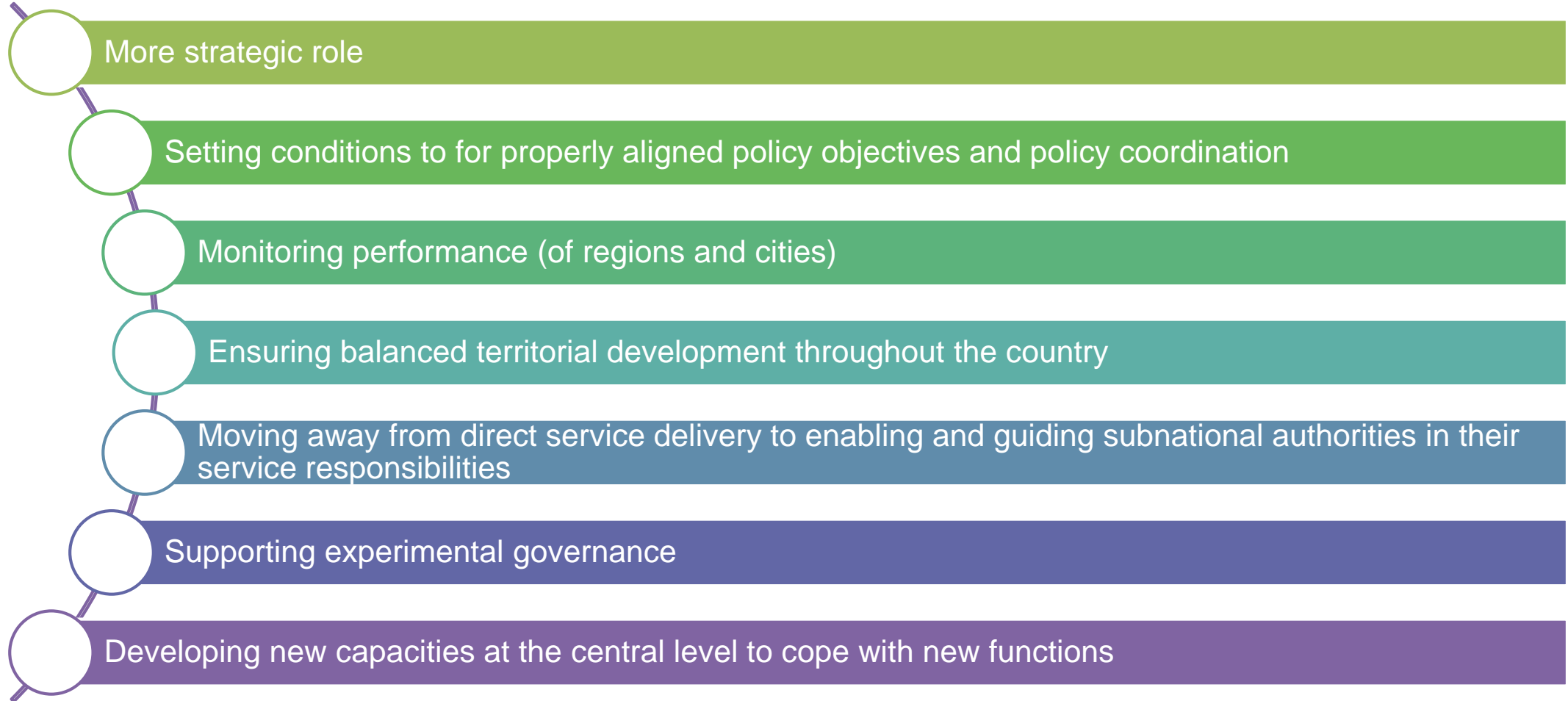
10. Strengthen fiscal equalisation systems and national regional development policies to reduce territorial disparities



THE EVOLVING ROLE OF NATIONAL GOVERNMENTS AND QUALITY PARTNERSHIPS



The evolving role of the national governments





Quality partnerships for successful co-ordination

PITFALLS TO AVOID	POTENTIAL SOLUTIONS
<ul style="list-style-type: none">● Undervalue dialogue and co-operation tools● Focus on formal arrangements without taking care of their real effectiveness and motivation of actors● Ignore that developing strong, trusting, and cooperative relationships is a virtuous circle that starts with practice● Underestimate the role of informal dialogues and social networks that favour cooperative relations	<ul style="list-style-type: none">● Some mutually dependent conditions that can facilitate an effective dialogue: simplicity of information and feedback, transparency, of rules; transversal engagement, credibility, ownership● Use formal instruments (like contracts) to build trust between parties● Avoid unilateral decisions without consultation● Find the right balance between top-down and bottom-up approaches



Conclusions

- Subnational governments are **key economic and social partners**
 - *Service* responsibilities are shared
 - *Taxes* are major sources of revenue
 - Subnational *investment* is significant but overall investment levels are declining
- **Greater scale and greater autonomy** is a dominant subnational territorial trend
- **Decentralisation and experimentation** are characterising multi-level governance systems
- **Successful partnerships rest on building capacity at all levels and ensuring quality relationships**



Thank You

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