



**Jornada sobre Experiencias de Cooperación y
Asistencia entre Municipios**

Intergovernmental Cooperation: Challenges, Trends and International Experience

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**Barcelona
23 November 2018**

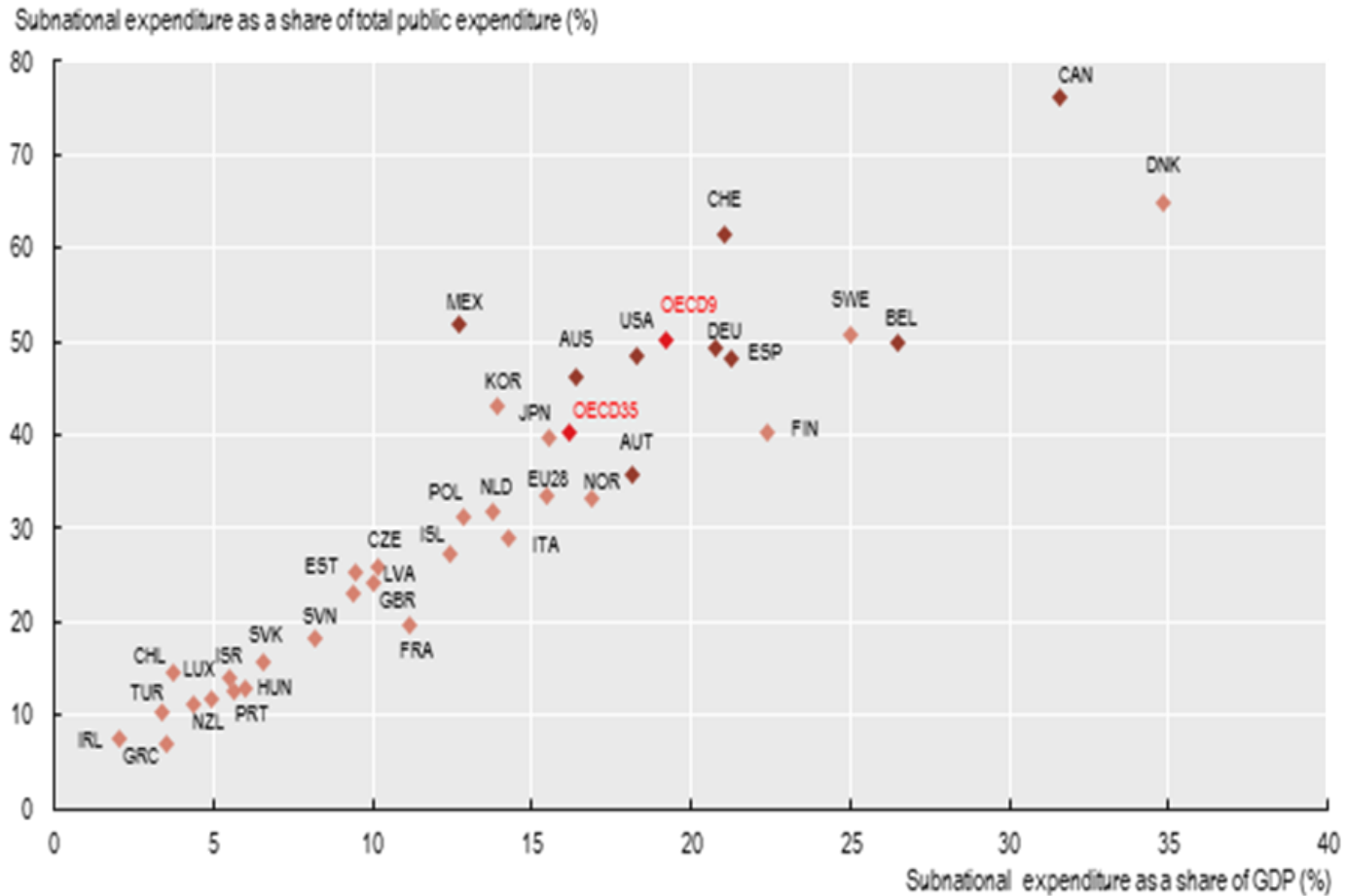


Motivation and context





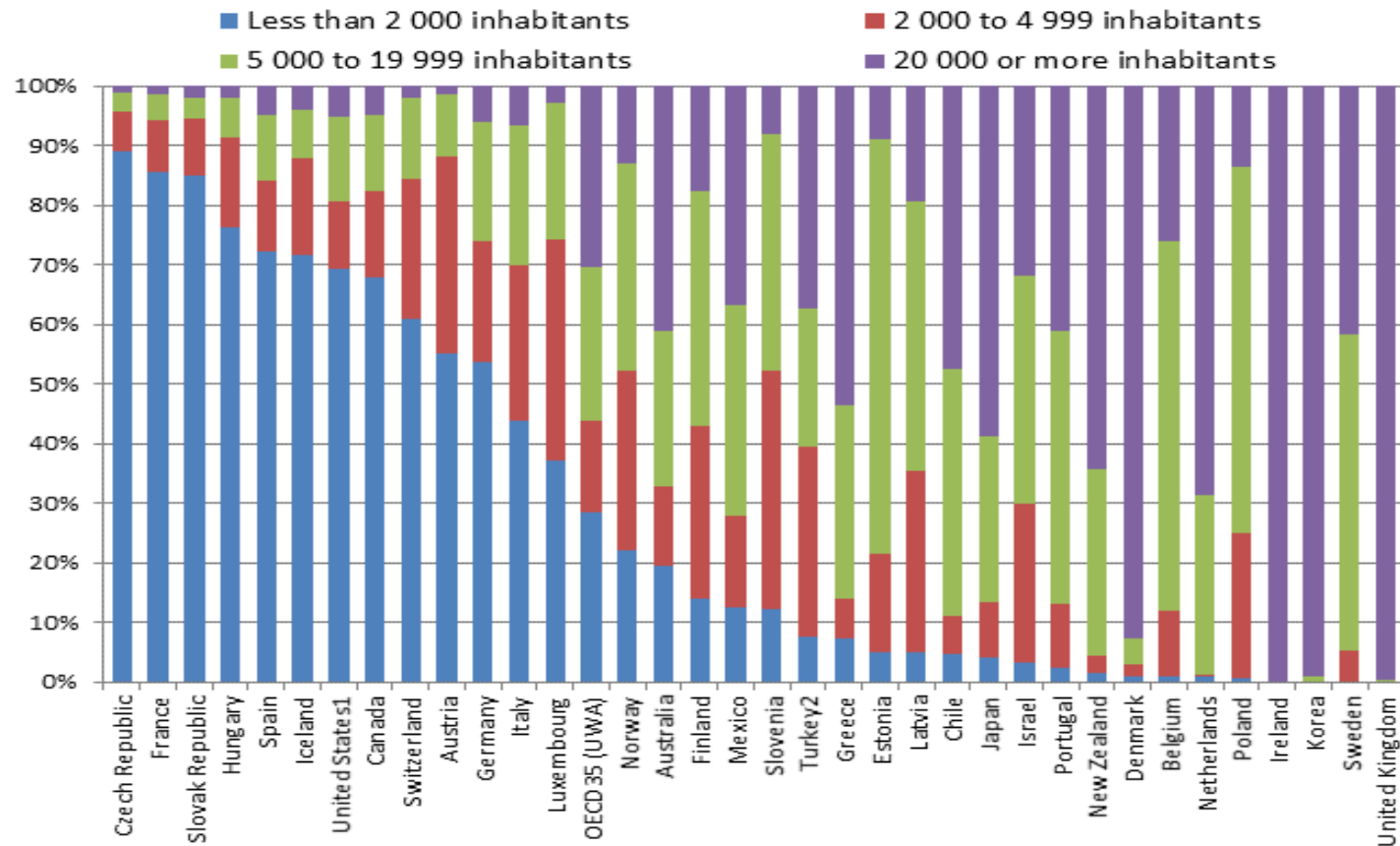
Subnational, including local, governments are key providers of goods and services



Source: OECD Subnational Structure and Finance database.



But local governments are typically small, making it hard to operate at scale

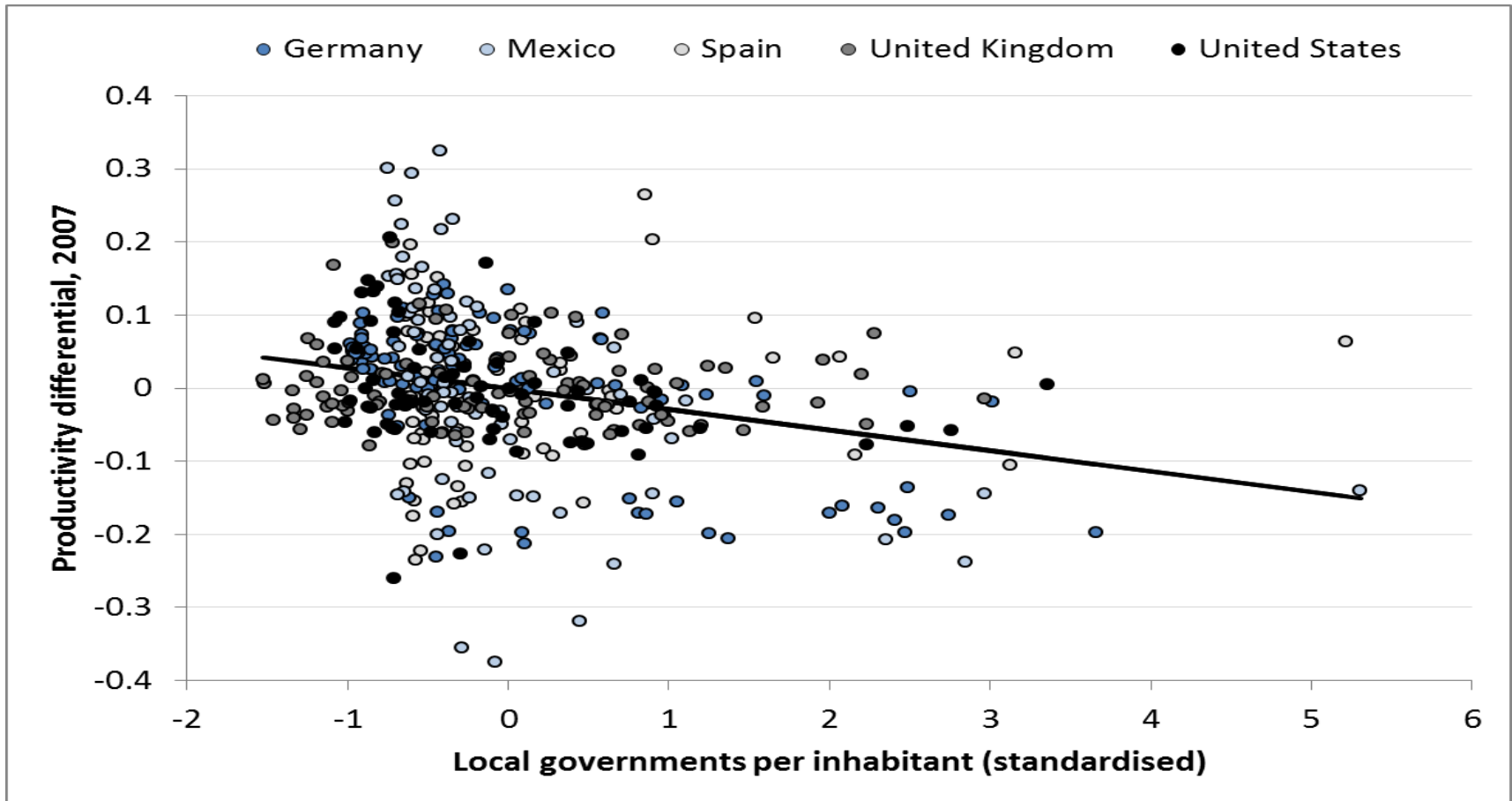


Size of local governments in OECD countries, 2016

Source: OECD Subnational Structure and Finance database.



... and fragmentation takes its toll on productivity in cities

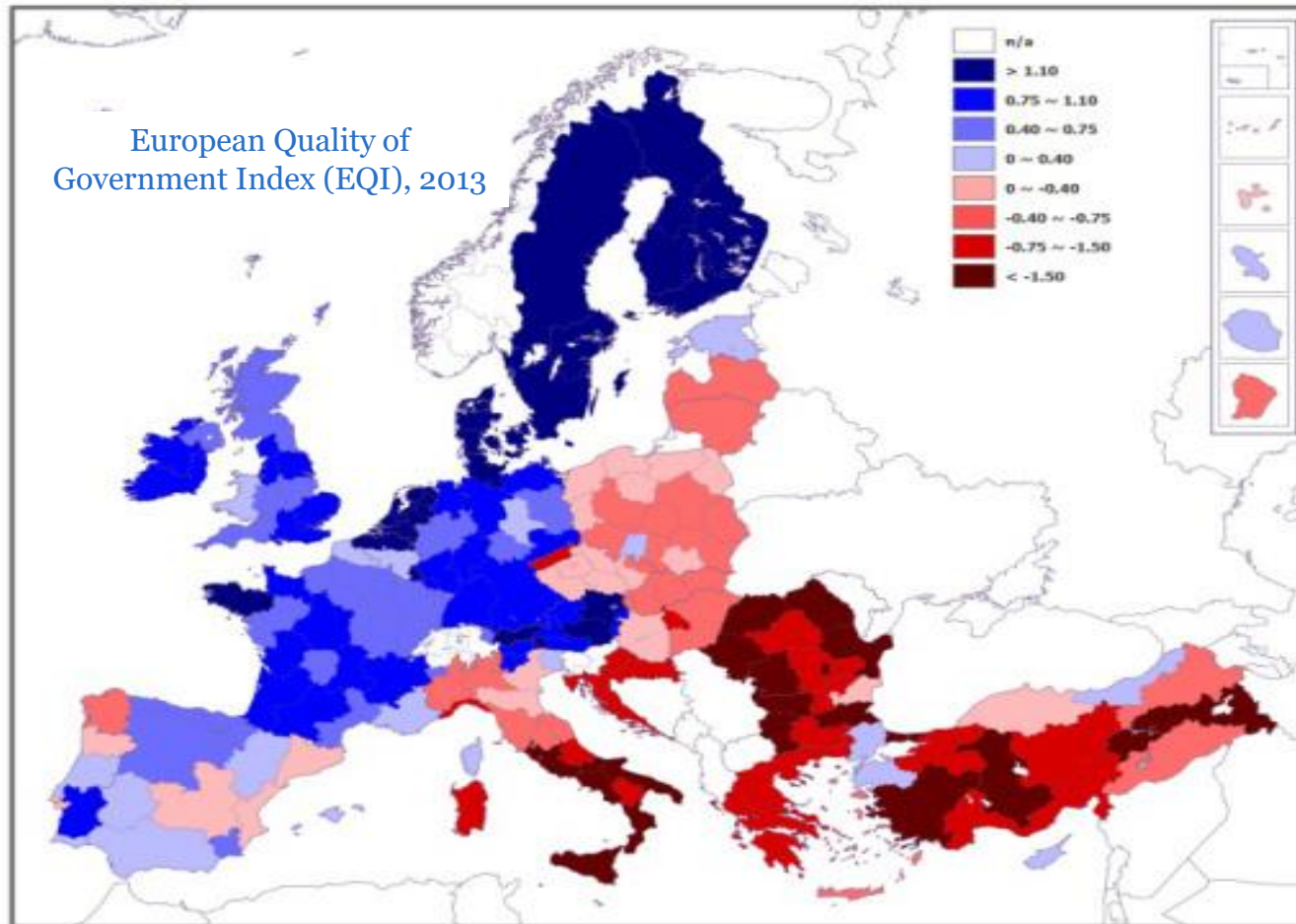


Correlation between city level productivity and administrative fragmentation

Source: Metropolitan Century, OECD.



Heterogeneity in public administration also poses challenges for cooperation



Source: Charron, Dijkstra and Lapuente (2015).



Areas and modalities for cooperation





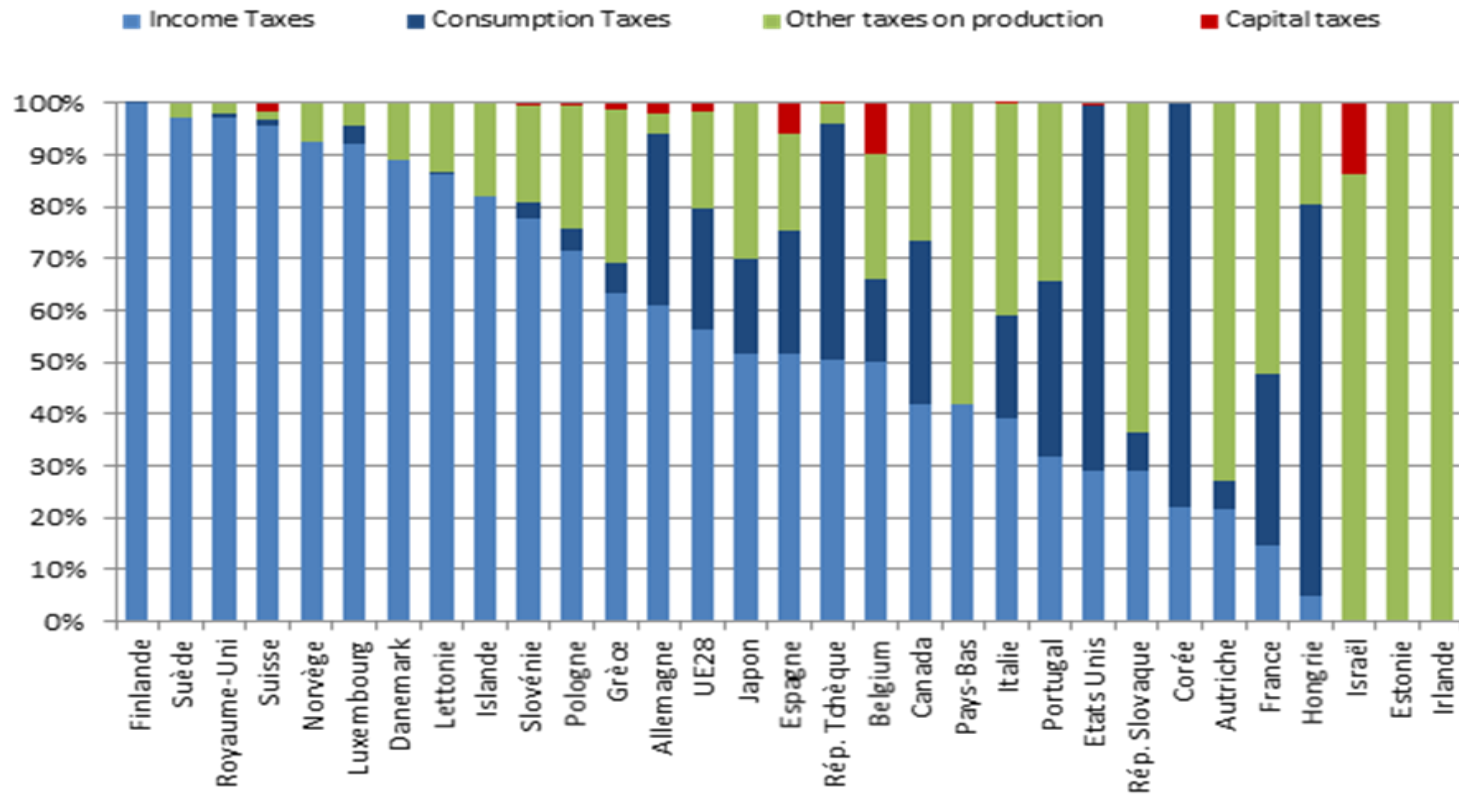
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- **Cooperation involves costs and benefits**
 - Benefits need to outweigh costs related to loss of autonomy

 - **Service delivery**
 - Scale effects and delivery costs, provision level and externalities

 - **Fiscal-financial management**
 - Automatic stabilisers, deficit bias of decentralisation, fiscal rules and prudential regulations, “internal pacts”



Local governments often rely on revenue from mobile taxes



Composition of local tax revenue, excluding social security contributions

Source: OECD Subnational Structure and Finance database.



➤ Regulatory coherence

- Cost-shifting and possible unfunded mandates (compensation possible, ex. DNK)

➤ Tax administration and reform

- Piggybacking on central government taxes (ex. AUS, CAN), exchange of info on taxpayers, sharing electronic invoices, tax returns, sharing good practices and experience
- Prevent predatory tax competition, identify win-win solutions to common challenges (ex. BRA)



➤ Insights from cooperative federalism

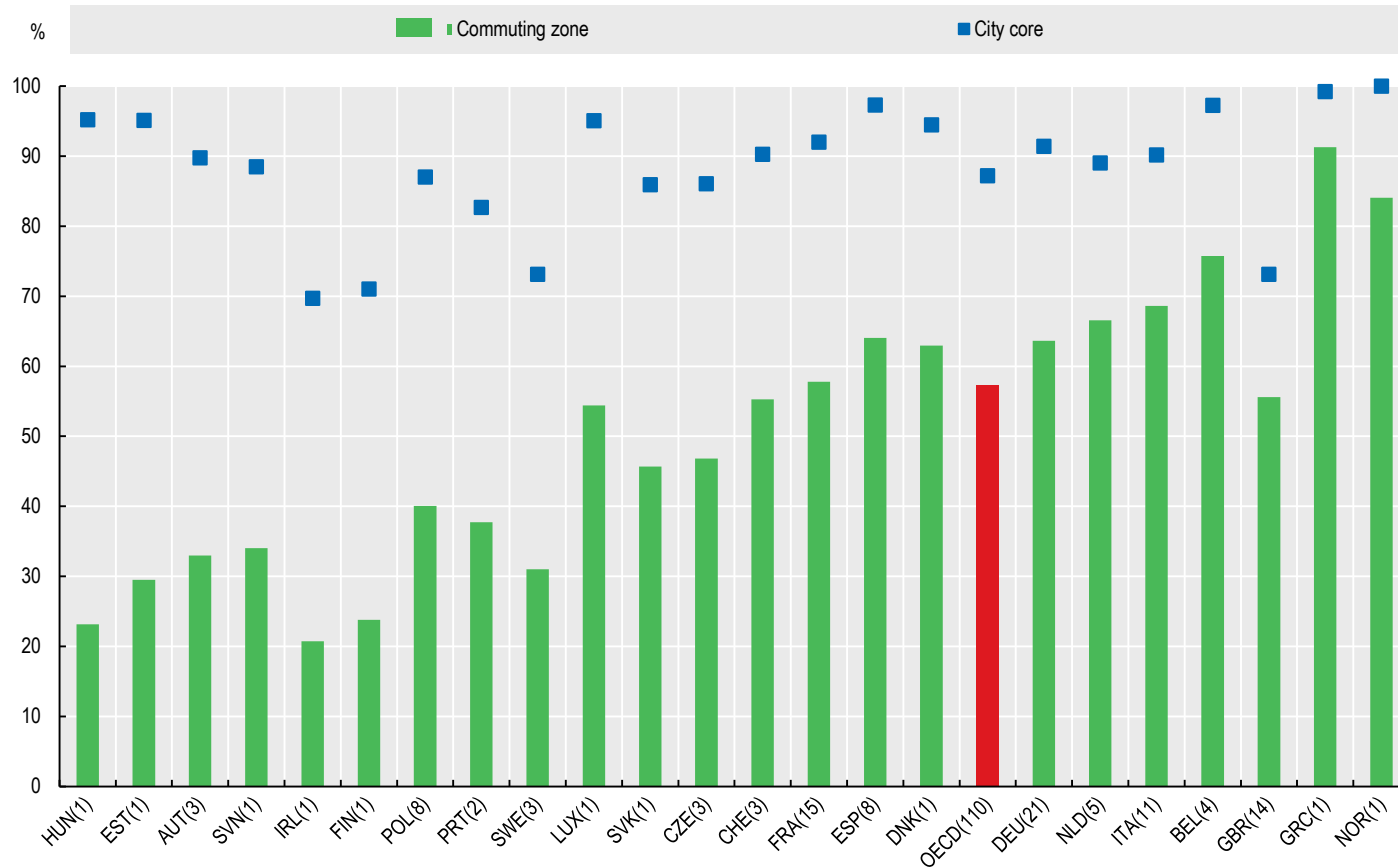
- Vertical cooperation: overlap in mandates, vertical imbalances in funding (ex. AUT, DEU)
- Horizontal cooperation: revenue autonomy (ex. CAN, SWI)

➤ Typology of cooperation

- Extreme case of consolidations/amalgamations, voluntary or involuntary (ex. since 1990s: GRE, LIT, DNK, LAT)
- Legally binding contracts, deliberative fora with no or limited executive powers (ex. BRA, CAN)
- International arrangements are possible (ex. Eurometropole, EUREGIO Rhein-Waal)
- Joint provision of services, particularly important in metro areas (ex. FRA)



Service delivery is particularly important in metro areas



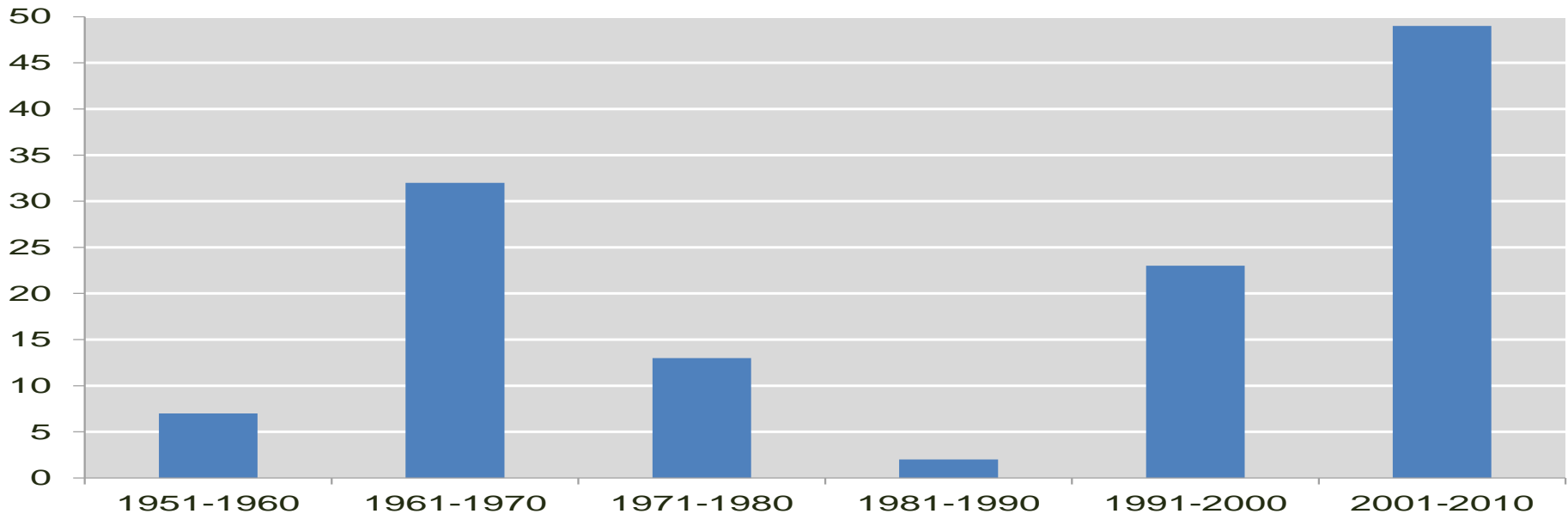
Access to health care in metro areas, share of population with access to services, 2017

Source: OECD Regions at a Glance, 2018.



Governance modalities can offset the productivity penalty related to fragmentation

Metropolitan governance bodies created or reformed in OECD countries, OECD
Governing the City



Approximately half of the productivity penalty from municipal fragmentation disappears when metro governance bodies exist and have powers



➤ Sectoral insights

- Health care: contractual arrangements often involving non-public agents (ex. ARG, AUT, BRA)
- Education: deliberative fora with key actors (ex. CAN)
- Environmental protection: standard setting and resource use (ex. AUS, BRA, NLD)
- Investment: “contratos plan” (ex. COL, FRA)
- Regional development: vertical arrangements involving central agencies (ex. CAN)

➤ Role of central government

- Scope for leadership, financial support and technical assistance
- But top-down efforts can discourage bottom-up initiatives (ex. BRA)



Emerging issues and challenges





Emerging issues and challenges

- **Population ageing**
 - Budget pressures but evolving demand for services

- **Immigration**
 - Integration challenges but also labour force gains

- **Digital transformation**
 - New opportunities within public administration and in society

- **Trust in government and institutions**
 - Local governments less affected but remain at the frontline



Thank you