



**OECD METROPOLITAN REGIONS: WHAT ROLE FOR THE CENTRAL
GOVERNMENTS?**

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Introduction

The interdependency of national economic performance and that of major metropolitan areas is often suggested as one of the main reasons why central governments are led to focus more attention on the fate of their agglomerations. Productivity levels are generally higher in metropolitan areas and the increased trade and capital flows give rise to increased flows of people, goods, capital, services and ideas. The advantage of the geographical proximity of enterprises and people contributes to productivity gains and create an excellent environment for innovation and knowledge exchange. In many OECD countries, metropolitan regions produce a larger percentage of the national GDP than their representative population percentage.

While the links between levels of urbanization and per capita income now go without saying, it is more difficult to identify the causal relationship, i.e. whether it is urbanization that brings growth or growth which brings urbanisation (Freire and Polèse, 2003). There are two observations that can be suggested to justify government intervention in metropolitan regions. The first concerns the presence of negative external factors connected with urbanisation (inequalities in social cohesion, urban sprawl, pollution, declining infrastructure, etc.). These external factors can at a certain stage be an obstacle to a city's competitiveness.

The second reason to justify government intervention is related to the very concept of competitiveness. One of the principal conclusions of the OECD Territorial Development Policy Meeting in Martigny in July 2003¹ was that the drivers of economic growth are regional. In other words, regional competitiveness is the *engine* of economic growth. Among the factors which can enhance regional competitiveness we have local public goods which can be used to exploit existing comparative advantages. It also includes both physical (transport, telecommunications) and intangible infrastructure (creation of networks, trade forums, stimulation of bunches of enterprises, etc.). However the market alone can not always provide these local goods. The absence of such common goods may even lead to agglomeration diseconomies. The existence of an efficient government framework has also been identified as a critical factor in the implementation of policies and strategies.

Government intervention in cities has thus far been confined to “remedial” actions and “proactive” actions, all against an international background of deficit reduction and financial stability where one must do “better” with “less”. It is in this context that the OECD Member countries are progressively reconsidering their interventions. Traditional urban policies aimed at combating urban sprawl, declining neighbourhoods, and concentrations of social and environmental problems, are being supplemented by proactive policies in support of regional competitiveness. The objective is not only to address a problem, but also to strengthen the region's growth potential based on its comparative advantages. Although the general trend is towards decentralisation of financial resources and powers, and a disengagement of the State, the urban question is becoming a priority once again (or at least attract renewed interest) in the political agenda of many central governments, including those in federal countries where their prerogatives in this domain are very limited. Drawing on the knowledge accumulated in various OECD studies on cities, especially a number of case studies in the *Territorial Review* series at metropolitan level², this note will attempt to approach the urban question from the

1 . www.oecd.org/gov/territorialpolicies/hlm03

2 . See annex 1.

central government point of view, focussing chiefly on the way in which the metropolitan dimension is taken into account.

The first section will attempt to identify the main trends in urban policy in the OECD Member countries. This is challenging due to the extensive implicit impact of macro-economic and sectoral policies on cities. Central governments must rethink their mode of organisation and intervention to accommodate the multi-sectoral nature of urban development. In the second section we shall see that the state has played the lead role in most of the reforms of metropolitan governance. Institutional fragmentation and the lack of coordination between different jurisdictions within metropolitan regions have caused a number of dysfunctions (urban sprawl, disparities in taxation, spatial polarization, and difficulty in implementing an economic development strategy). The third section focuses on new forms of vertical collaboration, including experiments with partnerships and contracts. Here we see that the state's mediation role is more effective when it employs incentives, both to promote certain policies and to encourage inter-municipal collaboration. The fourth section addresses urban finance, an issue that is largely unexplored. The question of fiscal relations between different levels of government requires further analysis to identify new mechanisms that meet the specific needs of cities.

1/ Principal trends in urban policies.

The concept of urban policy is in itself difficult to *define*. All forms of government policy directly or indirectly influence urban development. Central administrations (which in this analysis encompass states and provinces of federations) are responsible for sectoral policies, which have an enormous direct and indirect impact on standards of living in cities. One example of this can be seen with housing programmes. The living conditions or stimuli associated with them largely determine the density and patterns of urban growth which, in turn, determine the efficiency of current and future energy consumption in cities. In the same vein, national fiscal and financial policies have influence on urban regions as well. In some countries, the sectoral and financial/budgetary policies pursued by the national government tend to favour rural rather than urban regions. Thus, even against a background of decentralisation, central authorities and their related administrations come up against the difficulty of evaluating and directing the direct or indirect impact of their policies and programmes on cities.

One can, however, distinguish explicit urban policies pursued by central government when they are specifically targeted at cities (Van den Berg 1998). Sometimes the distinction between rural or regional policies becomes blurred, in particular when the urban policy also applies to small towns in rural areas. An explicit urban policy requires a process of selection and classification which seldom occurs in OECD countries. The *Regional Centres Programme*, cornerstone of Finland's urban policy, demonstrates this approach as it targets some 35 small and medium-sized towns throughout the country, including remote and sparsely populated areas (OECD, forthcoming *b*). Sweden mainly focuses its interventions on cities located in regions of an intermediate or rural type thus favouring and maintaining polycentric urban development.

The importance attributed to the urban issues differs from one country to another, typically based on the level of urbanisation. Highly rural countries tend to focus their efforts on rural regions sometimes to the detriment of urban development. Certain OECD countries that have taken longer to urbanize, such as Canada and Finland, have more recently demonstrated a growing interest in urban areas. The level of local autonomy also influences the degree of intervention by central government. This can be seen in the Nordic countries which have a high level of decentralisation, both in terms of spending and resources at the municipal level.

The *objectives* of national urban policy also differ from one country to another. They are a function of the specific issues that cities confront. This difference can be seen in the approach of cities

in the process of industrial restructuring versus that of agglomerations with strong growth. Certain countries, like the United Kingdom, the United States and France are faced with more pronounced spatial segregation problems within cities which require actions targeted at certain districts, rarely found in Nordic countries. Korea and Japan, two unitary countries with a strong centralist tradition, have to deal with problems of congestion and urban sprawl which require specific focus on spatial improvements and infrastructure.

While the various objectives address different questions, they nevertheless tend to focus on strengthening competitiveness, concentrate on social and environmental problems or improving infrastructure to manage urban sprawl. Finland's urban policy is built on innovation involving actions which target universities and research centres. To tackle decline in urban centres, the United Kingdom have alternated between local economic development initiatives and social actions (Parkinson, 2004). The approach to the urban issue in Japan was designed to address the major challenges set by intense geographical concentration, urban sprawl and the rising cost of land (OECD, 2000).

It is becoming ever more apparent that these different objectives cannot be treated in isolation. In light of the experiences of the major OECD agglomerations, it seems that economic growth at the metropolitan level depends on economic interdependencies as well as other factors such as social cohesion and the physical environment. Areas which are isolated from the economy and labour market of the metropolitan region are in a sense handicapping the competitiveness of the region as a whole and compromising the achievement of the collective goals. Competitiveness is only one contributing factor to improving quality of life and social cohesion, however without a competitive urban economy, it is difficult to raise living standards and improve the environment.

In terms of impact, national urban policies are often applied at different *territorial levels*. They often target local government authorities because there is no representation at the metropolitan level. The choice of the lowest territorial level – communes or municipalities – is justified when implementing certain local policies such as those for distressed areas (“Politique de la Ville” in France, the European Union “URBAN”, “Better Cities” in Australia and “City Challenges and “Single Regeneration Budget” in the United Kingdom)(OECD 1998). Certain policies, for example, with a more regional dimension such as economic development policies are implemented at a level close to the metropolitan regional function, like regions. More recently, some countries have also been trying to develop approaches which target the metropolitan level directly, such as France with the new approach developed by the Delegation for spatial planning and regional affairs (“*Délégation à l'Aménagement du Territoire et à l'Action Régionale*” - DATAR) or the Swiss Confederation with the launch of new policy for agglomerations. Even when policies are pursued at different levels, developing an integrated strategy remains crucial, but it is often a secondary concern.

In all these cases, no obvious *distinction* exists between *spatial* policies specific to cities and/or metropolitan regions and *sectoral* policies. Housing, transport, local development, environment or economic infrastructure policies all have an impact on urban areas, even when they do not explicitly target urban areas. As such, any urban policy ought logically to incorporate these different dimensions. One of the OECD's recommendations regarding urban development is a need to operate a multi-sectoral policy avoiding juxtapositions of sectoral policies and taking into account the possible interdependencies between those policies (OECD, 2001*d*). In practice, this is very difficult and, thus is one of the main challenges for governments. To achieve this objective, governments must identify national sectoral policies which are not explicitly included in a defined urban policy and which have an impact on cities.

By virtue of its multi-sectoral dimensions, implementing an urban/metropolitan policy requires a central process of coordination and integration of national sectoral policies between the various

ministries. Several experiments in creating inter-ministerial bodies have been employed in OECD countries, but it is still difficult to evaluate their effectiveness in relation to the assigned objectives. Initially, Ireland entrusted these functions to the Office of the Prime Minister to give them political weight and Denmark created an urban commission comprised of key ministers. In the United Kingdom, various agencies and ministries are responsible for urban policy, but it is the Office of the Deputy Prime Minister³ which is the leader on the issue, responsible for inter-ministerial coordination. The Netherlands appointed a Secretary of State for Urban Affairs. France instituted an inter-ministerial delegation for cities (“Délégation Interministerielle à la Ville” – DIV⁴) to coordinate its actions, notably in the field of city housing, while DATAR⁵ is responsible for inter-ministerial coordination of major decisions on infrastructure and regional economic development and has responsibilities for the metropolitan regions. The interface between the decisions and actions of these two inter-ministerial bodies, however, is not very effective on the ground.

In federal countries, intermediate levels of government, whose responsibilities are comparable to the national government of unitary countries, are in charge of urban development and make changes in the structure of their own government. Yet, there is a growing interest in the urban issue emerging from the federal government as well. In Canada, for example, the Federal Government, which abolished the Ministry of Urban Affairs in the 1970s, has created a Secretariat for cities under the aegis of the Prime Minister. This secretariat is working to put forward a federal strategy for urban regions. In Switzerland, the Confederation has just launched a policy for agglomerations (OECD 2002c and the Swiss Federal Council, 2001). In Spain, a country which can be regarded as a quasi-federation with a very strong regional level government, the central government is now interested in the urban issue and a law on big cities was passed in November 2003 giving them a special regime (Rodriguez Alvarez, 2004). Nevertheless, this law concerns existing administrative bodies, overlooking the metropolitan dimension.

2/ Central government’s role in reform of metropolitan governance

Intervention of higher levels of government in cities is not confined to the implementation of sectoral or spatial policies (urban/metropolitan). Central governments are also heavily involved in the institutional architecture of metropolitan regions. Any modification of the administrative framework and any process of decentralisation is initiated or conducted under the aegis of the central state. Whether in the case of merging municipalities, creating sectoral or multi-sectoral coordinating bodies or even metropolitan governments, rarely have the reforms of metropolitan governance emanated from purely local initiatives in the OECD countries (Annex 2). The state has played a leadership role either by imposing or by encouraging reform, in the conviction that the emergence of metropolitan authorities is necessary to promote the growth of cities and thus national growth.

Centrally instituted metropolitan governance reforms are typically implemented through a *national law* which legitimises the process. The law may be restrictive. Indeed, in certain countries, institutional reforms have been imposed unilaterally by central governments. In Korea, for example, the territorial framework was modified to reflect the growing degree of urbanisation in the country (OECD, 2001c). In 1995, metropolitan cities were granted the same status as the provinces from which they were detached. The municipality mergers in the provinces of Quebec and Ontario in Canada are another example of state imposed reform (OECD 2002a).

3 . <http://www.odpm.gov.uk/>

4 . www.ville.gouv.fr/

5 . www.datar.gouv.fr/

The law may be optional, as in Italy with the 1990 law which provides for the creation of metropolitan cities (*Città Metropolitana*) or in France with the law allowing for the creation of urban communities or agglomeration communities, supra-municipal authorities to which certain powers (mandatory and optional) have been transferred. Generally, in the absence of any form of incentive, the laws rarely lead to any concrete reform in practice. The French experiment has worked better than the Italian proposal because the related laws involved fiscal incentives for inter-municipal collaboration. The central government promotes voluntary cooperation by offering participating municipalities an incentive grant, in addition to their existing block grants entitlements. One of the conditions however is that the municipalities accept to adopt a unique business tax system within the area (the business tax is the main local tax in France).

In general, national laws which institute or encourage the creation of a metropolitan authority are universal and inflexible in that they envisage only one single framework for metropolitan governance. They apply identically to all urban areas irrespective of their differentiating characteristics. Often only demographic criteria are taken into account, with minimal differences to the status or structure. In certain cases, institutions are created on an *ad hoc* basis, *i.e.* a specific law establishes a metropolitan institution without there being a nationwide policy for metropolitan areas. In Portugal, a law was passed allowing the creation of metropolitan authorities only for the cities of Porto and Lisbon. In all cases, higher governments maintain a solid grip on the management of the new bodies.

In certain cases, instead of creating new metropolitan-wide institutions, central governments have sometimes adopted new solutions that rely on pre-existing institutions ensuring *de facto* the informal governance of a metropolitan area. For instance, the metropolitan area of Madrid in Spain is located within the regional level called the *Comunidad Autónoma de Madrid* (Rodríguez Alvarez, 2002) that was established as part of Spain's federal system government after the death of Franco and operates as a regional level of government along with the other *Autonomías* of Spain.

In other cases, the national government decides to restructure its administrative and technical machinery at the sub-national level. Central governments in France, Italy, the Netherlands, or the German *Länder* and Canadian provinces have a decentralised structure at the regional level, but examples of bodies that are responsible for the entire functional metropolitan region are rare. Sometimes it is just coincidental as is the case of London, Paris Ile-de-France or Madrid. One can nevertheless point to the case of the Netherlands where the Dutch Government is reorganising its decentralised authority in the metropolitan region of *Ranstad* (Rotterdam, Amsterdam, Utrecht, and The Hague).

The various experiments with metropolitan reform show clearly that the central state has played a dominant role in the reform process. However, central government sometimes overlooks institutional solutions as a means to address the needs of metropolitan areas. In the United Kingdom, for example, the metropolitan county councils were abolished by the Thatcher Government in 1986. Local government was invited to engage in various forms of inter-municipal collaboration on a voluntary basis to provide public services at the metropolitan level by relying on public-private partnerships. With the exception of London, the Blair Government is now seeking to rely on the regional level to develop a more entrepreneurial approach to urban development. In the United States, apart from certain experiments such as the Portland Metropolitan Council, we see the emergence of a series of hybrid solutions to meet the need for economies of scale and overflow effects. These solutions are adapted to the existing political and administrative structure (special districts, sectoral cooperation agencies, etc.) and are based on the type of public goods. Yet all these different voluntary cooperation arrangements only accentuate the functional fragmentation of metropolitan areas. We should nevertheless note the existence of the regional councils with which the majority of metropolitan areas are endowed. These are not structures *per se* but more accurately metropolitan forums for the

negotiation of major investment projects and the elaboration of a strategic regional vision (Collin, Léveillé and Poitras, 2002). The United States Federal Government which has no explicit prerogatives on urban questions nevertheless allocates funds directly to regional councils under its city infrastructure policy.

Even in countries which have carried out significant institutional reforms leading to the creation of a new metropolitan structure, the central government remains hostile to a strong metropolitan level. This is particularly apparent in countries with a limited number of large metropolitan areas that concentrate a high share of the national wealth and population. The presence of one or more metropolitan areas is a political threat to the central state impeding its ability to guarantee balance territorial development. Thus even in the case of the most advanced metropolitan governance models, such as supra-municipal multi-sectoral or metropolitan governments, the institutional, political and fiscal weight tends to be limited when compared with other levels of government. This trend can be seen in the most advanced metropolitan governance models such as Stuttgart, London or Montreal (see annex 2).

Furthermore, in countries with strong local autonomy, the central state often comes up against the hostility of intermediate or local levels which take a dim view of the emergence of a new structure which would imply the loss of power and resources. The failure of referendums proposing the creation of a single municipality by merging the communes of Rotterdam and Amsterdam can be attributed to powerful resistance by the existing municipalities. Finally, by supporting the emergence of a strong metropolitan level federal countries would become the preferred interlocutor for municipalities in a context where states/provinces strongly defend their authorities over municipalities. Overall, the motives of national government are complex and varied, which often lead in directions and in actions that are at times contradictory.

3/ The new tools of vertical collaboration.

Apart from institutional reforms, one of the principal modes of action of central government in cities is policy implementation. In many countries, intergovernmental negotiation and collaboration have progressively replaced the interventionist approach which prevailed as long as the principles of subsidiarity found an echo and new local and regional actors were emerging, including the non-governmental sector which is also involved in defining and implementing local policies. Against this background, the question of intergovernmental collaboration becomes crucial in ensuring the effectiveness of policies implemented at different levels of government. Such policies may, indeed, give rise to duplication and interfere unintentionally with each other, retarding rather than stimulating urban development.

To improve vertical collaboration, central governments have progressively revised their mode of relationship into a less unilateral and a more supple form of interaction based on a partnership/contract approach with local governments.

Urban partnerships have been widely used in two areas: to attack the multi-faceted problems of “distressed” urban areas and to redevelop urban brownfield sites. Whether this new relationship constituted an *ad hoc* arrangement or an element of a long-term strategy, partnerships have stemmed from various rationales to: create synergy effects on the partners, spread the risks of a project among several actors, gain additional financial resources, reduce open conflict and create a consensual policy climate.

Now, it is increasingly agreed that such partnerships should be part of a more comprehensive process, *i.e.* included in a multi-sectoral and metropolitan area-wide contract that should meet the following criteria:

- Involve a multi-sectoral, integrated approach (public-public and public-private) to achieve desired outcomes (for example, more sustainable forms of urban development, regeneration of urban brownfields or distressed urban areas) and be handled at the metropolitan level even if they encompass neighbourhood or city-based partnerships.
- Result from a negotiated planning process among different levels of government.
- Promote participation via incentives.
- Require a structured round of negotiations, with clear objectives, a precise calendar, and with monitoring and assessment components.
- Establish a binding commitment and pluri-annual implementation.
- Tailor to local needs.

This type of tool would be better suited to a multi-sectoral contractual approach. The ***contract*** formula would allow government mechanisms to be adapted to local characteristics and replace traditional hierarchical relationships with contracts based on negotiation and a learning process. These mechanisms ensure a degree of sustainability of cooperation since they are pluri-annual. Several OECD countries use this type of mechanism for implementing their regional policy. State-region planning contracts in France or territorial pacts and programme contracts in Italy allow the central government to integrate the requirements of government action in the pool of knowledge and skills at sub-national government level (Box 1).

Box 1. Two examples of contractual mechanisms supporting regional development

In France, the origin of contracts goes back to July 1982 with the inception of the “State-region planning contracts”. These contracts were implemented in successive phases and serve as the foundation for multi-level coordination of regional development issues. In this framework, each of the partners enters into agreements concerning the nature and financing of different programmed operations. The central state is represented by the prefect who has a broad mandate for negotiation within the regions, and serves as the “lead” level of government for policies associated with territorial economic development. Certain critics consider this mechanism an instrument for decentralisation of the state, rather than a genuine partnership.

In Italy, the contractual mechanisms are based on various instruments. Since 1998 “Negotiated programmes”, aimed at developing a common vision of economic development, included “territorial pacts”, concluded between central and local government. Regional financing also relies, for innovative districts, on “programme contracts”. The need to adjust the “legal” geographical boundaries of districts (as identified by administrations) to the economic level of local development has led to innovation at the institutional level. Today, the “multi-sectoral districts” of Emilia Romagna or the “meta districts” of Lombardy can be contractual partners with regions that share in their growth.

Source: OECD 2004a.

Some countries adopt this approach specifically to urban development. By concluding multi-level urban partnerships, both central and local governments have agreed on a list of common tasks and on sharing the responsibility of fulfilling them. France has introduced agglomeration contracts which the state signs with the region and the agglomeration community, an inter-municipal structure created on a voluntary basis (Box 2). In Canada, the federal government has set up the Urban Development

Agreements (UDA) in the Western provinces, which are innovative partnerships that improve the co-ordination of activities among the federal, provincial and municipal governments by addressing issues unique to each city. UDAs have proven to be successful mechanisms, bringing stakeholders together and insuring that duplication of effort is minimised. However these agreements are subject to limitations because they remain unfunded.

Box 8. Contractual arrangement in urban areas: the agglomeration contracts in France

Municipal organisation in France is characterised by fragmentation which has led municipalities to develop pools of certain services. This form of collaboration has always been practised on a voluntary basis and is regarded by some as an effective alternative to grouping local authorities (Mévellec, 2002). In the late 1990s the government decided to recognise the concept of agglomeration to clarify the institutional framework and accommodate the proliferation of agreements and actors. In addition, the government established a legal framework which allowed inter-municipal and inter-governmental relations in urban areas to be based on contracts.

With the introduction of three laws (law on spatial planning and sustainable development or LOADDT, law on strengthening and simplifying inter-municipal cooperation, and law on urban solidarity and development or SRU), the government developed a mechanism to encourage the voluntary implementation of public policies on a regional and contractual basis: agglomeration contracts. This is a bottom-up method based on “one territory – one project – one contract”, which is proving increasingly successful and contributing to agglomeration-based governance.

The **agglomeration contract** procedure brings together the central government, the region and the *communauté d'agglomération* (a public inter-municipal cooperation body for urban areas of over 50 000 inhabitants grouped around a central city with at least 15 000 inhabitants) or the *communauté urbaine* (a public inter-municipal cooperation institution for urban areas with over 500 000 inhabitants). The county council (conseil général) can be associated with the signature of the contract, in particular for questions related to social policies. The central government puts forward its views regarding the goals and strategic direction for the agglomeration. This procedure involves several stages:

The agglomeration project: the basic document that contains a diagnosis of the functioning of the agglomeration. It identifies the issues, provides development policy options and an indication of the support areas for these choices as well as the policies and measures to implement these choices, with a phased timetable and identification of priorities. The project must focus on regional development (economic, social and human development) rather than infrastructure development and improvement. The project must be based on dialogue with the municipalities and the main actors in the area. The dialogue must be organised to strengthen the impact of the project and the collective essence of the contract by mobilising non-public actors for implementation.

The development board: represents a variety of economic, social, cultural and association groups and must be consulted during the preparation of the project and on final delivery of the project prior to signature of the contract. They can also be associated with the drafting of the contract.

The agglomeration contract: the financial and programme document on the implementation of the project which identifies the partners, projects, pluri-annual financing and contractors.

The regional coherence plan (SCOT): this document is a spatial projection of the agglomeration project which translates the project decisions into urban planning law.

There are also **city contracts** between the central and local governments which commit each of the partners and third parties, such as low-cost housing and transport companies, to implement actions to improve the daily lives of the inhabitants of problem districts (rehabilitation of housing, maintenance of public spaces). Some programmes may also be implemented at the municipal level or by a group of municipalities to improve access to jobs, prevention and security. It is envisaged beyond 2007, agglomeration contracts and city contracts will be merged into a single procedure in the interests of simplicity and consistency.

Source : OECD Territorial Review of Champagne-Ardenne, 2002.

There are few examples of the application of the principle of multi-sectoral contracts at the metropolitan level. Yet the creation of metropolitan authorities has had an impact on the central government's urban planning decisions. Institutionalisation – even though light – has led central governments to adapt their policy-making to a new territorial and operating backdrop and calls for deeper thinking on the integration of policies. There are a number of cases where partnerships and contracts have been concluded with the new recently created metropolitan authorities, though largely as *ad hoc* sectoral partnerships.

Some countries have begun to introduce or contemplate the introduction of contractual procedures at metropolitan level. While city contracts are valuable in their ability to raise efficiency of the public sector by involving more actors in service delivery and easing the financial pressure on the city, there is also a valuable rationale for developing a metropolitan contract. A metropolitan-wide scope would cover items such as social housing or infrastructure improvement currently embraced by the city contract. A contract covering the entire metro area would allow policy makers to increase policy coherence across the functional area and avoid costs and benefits from a city contract spilling over to the suburban areas.

Conscious that agglomeration contracts, which commit urban communities and agglomeration communities whose areas are smaller than the functional metropolitan region, France has just launched a call for projects to establish metropolitan contracts (DATAR 2004). The Swiss Confederation is also introducing an agglomeration policy which would better integrate large city problems in sectoral policies in particular by encouraging project implementation through policy incentives entitled the Model Projects (Box 3). The Economic and Social Committee of the European Union, responsible for preparing policy recommendations, envisages the creation of a community programme METROPOLITAN. This would be along the same lines as the URBAN Programme⁶, which addresses the integration of city districts in difficulty (European Economic and Social Council, 2004).

Box 3. Contractual tools used at the metropolitan level: metropolitan contracts in France and model projects in Switzerland

The French model of agglomeration contracts has its limitations in that sometimes a number of communes in the functional region are separate from the inter-communal bodies of urban communities and agglomeration communities. The French Government, through the DATAR therefore decided to create metropolitan contracts. This initiative is to take place in three phases: phase 1: a call for projects aimed at supporting engineering for better metropolitan cooperation; phase 2: a metropolitan project prepared by the communities; phase 3: a metropolitan contract starting in 2006 will apply to highly formative activities.

Eligible metropolitan areas include those with a minimum of 500,000 inhabitants, and with at least one urban area of over 200,000 inhabitants and several medium-sized towns. The partnership's initial aim is to coordinate inter-municipal affairs of a similar nature, knowing that, for the time being, only intangible actions are eligible. Approximately fifteen metropolitan areas will be selected to apply for projects.

The metropolitan contracts will start in 2006. Eligibility will be limited to projects defined by the metropolitan areas and that include targeted actions with a strong multiplier effect. They will have to include actions which nurture and expand the development of the metropolitan areas: economic development, access to infrastructure, research, higher education, cultural development, etc. Particular attention will be paid to poles of competitiveness, especially on actions which allow the development of synergies between the private sector, research and universities. Metropolitan contracts could also be incorporated in the future generation of state-region planning contracts.

Up to the mid-1990s, metropolitan areas were absent from the Swiss Confederation's major policies. The concept of "urban policy" was virtually unknown. Areas benefiting from regional aid were primarily rural. The only exception was with areas in economic difficulty which included a few urban areas but mainly old industrial regions based on provisions of the deprived

6 . http://europa.eu.int/comm/regional_policy/themes/urban_en.htm

regions law. Sectoral policies only took metropolitan areas marginally into account by providing small federal subsidies to promote regional public transport in urban areas.

It was the general economic crisis in the first half of the 1990s which caused the financial difficulties of cities, instigating political action at the federal level. The amendment to the Constitution in 2001 opened the door to urban policies. The new Article 50, by stating that the Confederation “*shall take into consideration the particular situation of cities, urban agglomerations*” extended the Confederation’s scope of action to agglomerations. On conclusion of the preliminary work on metropolitan areas, the Government defined four priorities for an urban strategy: 1) taking into account the challenges of agglomerations in developing federal sectoral policies; 2) greater vertical cooperation between the three levels of government with shared responsibility for the provision of public services; 3) greater horizontal cooperation for the supply of services in all metropolitan areas; and 4) integration of Swiss cities in the network of European cities.

In 2001, a “Tripartite Conference for the Agglomerations” gathering together the three levels of government (federal, cantonal and municipal) was set up to encourage vertical cooperation in areas affecting metropolitan areas. An agglomerations policy network composed of representatives of the federal offices concerned was given responsibility for the technical coordination of the various sectoral actions, under the aegis of the Federal Office of Territorial Development (ARE) and the Secretariat of the Economy (SECO). In order to encourage inter-municipal cooperation initiatives, model projects were put in place with the Confederation providing technical and financial support. In the medium term, it is planned to add a legal framework for a pluri-annual programme.

Source: DATAR 2004, OECD 2002c and Swiss Federal Council (2001)

4/ Urban finance

Finally, while *decentralisation* and intergovernmental *fiscal* relations have affected all regions, they had had a significant impact on urban areas. Local government (and, where they exist, metropolitan authorities) face tougher and tougher budgetary constraints. Massive investment is required to enable metropolitan regions to be competitive in the global economy. In many countries decentralisation of the responsibility for spending is not always matched by decentralisation of sources of financing. In certain countries this has given rise to a problem of “unfunded mandates”, where higher levels of government require lower levels to incur certain expenditures without providing the means of financing needed to pay for these expenditures. This is a recurrent and controversial issue within OECD member countries.

The process of institutional change underway in many metropolitan areas is often detached from the reform of urban public finance. The question of urban finance is most often addressed in a national context without any distinction between local authorities (urban or rural). Rare indeed are examples of asymmetric decentralisation which introduce provisions based on the type of municipality. There are interesting avenues that could be explored here. If municipalities are only responsible for financing “hard” services (roads, public transport, sewage treatment and waste disposal) the property tax seems appropriate, however if these municipalities are also responsible for “soft” services (income support, affordable housing) income taxes must be used (Bird, 2004). Though responsibilities are defined uniformly across the country, the financing required for these types of expenditure varies significantly from one type of region to another.

Moreover, apart from the type of tax assigned to local government, central government can have an impact on cities through fiscal arrangements. Equalisation and tax-base sharing mechanisms must take into account the fiscal disparities and territorial spillovers within metropolitan regions. Purely fiscal measures have been the preferred approach in many OECD countries as they do not require changes in the existing administrative structure. Equalisation mechanisms have often been supported because they insure cost sharing for public services that benefit the whole metropolitan area, reduce location changes motivated by differing tax bases and enable all municipalities to fund basic public services.

Equalisation mechanisms are generally applied in a national context and applicable to the municipal system as a whole with the aim of reducing fiscal disparities between local authorities. Depending on the criteria which determine the equalisation formula, the beneficiaries are small towns with few inhabitants or large agglomerations. Some national equalisation systems take into account the criteria of higher expenditure by municipalities. For example, the national government of Sweden implements an equalisation programme that includes three different elements: transfers by programme area, equalisation payments between municipalities and governmental subsidies to municipalities with high expenditure needs (such as a high rate of poverty).⁷ The current reform of the financial equalisation system in Switzerland also envisages the introduction of a fund reflecting “socio-demographic charges” which would recognize that cantons may have to bear costs beyond their control. The fund would allow for assistance to cantons whose taxpayers require public services, for example in the areas of social welfare or education, disproportionately above the average. The equalisation of costs operated through the fund will thus benefit cantons with a large urban population. A Council of Europe report on the situation in cities and their suburbs also proposes developing equalisation systems in order to correct social and economic imbalances within metropolitan areas (Council of Europe 1996).

There are few examples of schemes for intra-metropolitan sharing of revenues. In 1979 the Stockholm the County Council adopted a special equalisation scheme to reduce social imbalances within the region. The objective was to improve the economic position of municipalities with a low tax base, by balancing economic conditions between the municipalities in the county. The scheme supplements the national system. The factors which determine the level of subsidies include, among other things, the tax base, social security costs and the proportion of immigrants. Another similar example comes from the United States. In Minnesota, a portion of the property tax in the twin cities area of Minneapolis-St. Paul is allocated to a special fund from which distributions are made based on relative fiscal capacity (Box 4).⁸ In Korea, there is also an intra-metropolitan equalisation programme making metropolitan cities with provincial status responsible for revenue sharing (OECD, forthcoming a). In France, the introduction of a law on an urban solidarity grants (*Loi d'une dotation de solidarité urbaine*) complements the national equalisation system by means of a system of metropolitan-level distribution in the Île-de France region, with the aim of countering the growing polarisation between the east and west of the metropolitan area. The grant is based on need and mainly calculated on the basis of housing subsidies.

Box 4. Tax base sharing in Pittsburgh and in the Twin Cities Metropolitan Region

The **Pittsburgh** agglomeration is one of the most fragmented American metropolitan agglomerations (418 local governments, including 412 municipalities). The alternative to a Metropolitan-wide government type of body was introduced in 1994 as a special purpose district that covers the entire region with mandates supporting and financing regional assets. Allegheny County has been authorized by the state of Pennsylvania to levy a 1% sales tax in order to fund the activities of the District and to provide funds to the county and municipalities. The purpose

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- 7. First, income is equalised through a system in which municipalities and counties with a tax base higher than the national average pay, and those with lower tax bases receive. Meanwhile, equalisation payments even out costs that are due to differences in needs and in production conditions, and compensate municipalities with heavy service demands for the additional costs that they face in providing public services. Finally, municipalities with budgetary problems receive governmental subsidies on a per-capita basis.
 - 8. The relative fiscal capacity index is the ratio of average fiscal capacity in the region and the community's fiscal capacity.

of this mechanism is to provide additional funds to local municipalities so that they can reduce their property tax rates and their reliance on the property tax.

The allocation of sales tax revenues reserves 25% for the county and another 25% for municipalities that were required to reduce other taxes, mainly the property tax, during the first year. As a result the county and municipalities have to use 25% of any increase of revenues for regional-wide assets or to further reduce the property tax burden of their tax payers. The other 50% of the tax revenues goes to the District and is distributed to civic, cultural and recreational entities⁹.

The revenue sharing formula among municipalities is an innovative mechanism that allows the central city of Pittsburgh to lighten the property tax burden of its taxpayers and to lower its expenditures. The grant allocation formula takes into account the population, fiscal potential of jurisdictions as well as the fiscal burden of its taxpayers. The tax revenue sharing program resulted in a reduction in the property tax burden for all property taxpayers of Allegheny County, including those of the central city, but at the same time, increased the sales tax burden. Revenues became more diversified (Collin, 1999).

Since 1975 an unusual Minnesota law has stipulated that a portion of the commercial/industrial tax base in each community within the **Minneapolis-St. Paul (Twin Cities)** metropolitan area be shared. Using 1971 as the base year, each community is required to contribute 40% annually of the ensuing growth in its commercial and industrial (C/I) tax base to a metro-wide pool from which distributions are made based on relative fiscal capacity. C/I property includes all businesses, offices, stores, warehouses, factories, gas stations, parking ramps, as well as public utility property and vacant land that are zoned for commercial or industrial use. Properties in tax increment financing districts and the Minneapolis-St. Paul International Airport are excluded from this tax. The provision has two purposes:

To improve equity in the distribution of fiscal resources. Tax-base sharing reduces the imbalance between some communities' public service needs and financial resources. The uneven distribution of commercial and industrial properties is thought to be a major cause of imbalance. Communities with low tax bases must impose higher tax rates to deliver the same services as communities with larger tax bases. Consequently, the higher tax rates render the communities less attractive for businesses. Communities then compete by offering special concessions to attract businesses, presuming that these businesses will contribute more in taxes than they require in services. Tax base sharing spreads the benefits of regional development (*i.e.* large shopping centres, sports stadiums, freeway interchanges).

To promote regional planning. Communities may be willing to accept low tax yield regional facilities (*e.g.* parks) if they are to share the benefits of other communities' commercial development. By reducing competition for development, urban sprawl is discouraged, thus reducing the cost of providing regional services such as sewage and transportation.

Distribution from a common tax pool is determined by multiplying each community's share of the metropolitan population by a relative fiscal capacity index, the ratio of average fiscal capacity in the region and the community's fiscal capacity. This means that communities with below-average fiscal capacity have an index greater than 1, while communities with above-average fiscal capacity have an index less than 1. A community with average fiscal capacity will receive a distributive share of the pool equal to its proportion of the entire area's population. Low capacity communities receive shares greater than their share of area population (net recipients) whereas high capacity communities receive shares smaller than their share of area population (net contributors).

The advantages of tax-base equalization are that public services that are consumed by residents in the entire metropolitan area also share in the costs, that firms and people will be less likely to move from one area of the metropolitan area to another for purely tax reasons, and that all municipalities are put on a more even footing to pay for public services. The disadvantages are that tax-base equalization grants, like all grants, might be allocated based more on political than economic reasons. Municipalities also have less of an incentive to develop since the wealthier they get the less they

9. (www.radworkshere.org).

receive in grants, and by separating the costs and benefits of local public services it may be more difficult for citizens to make informed public decisions.

The state also acts directly on municipal finances and indirectly on metropolitan authorities through grants. Apart from general grants, the use of conditional grants allows the central authorities to influence policy objectives and encourage inter-municipal cooperation. This is precisely the rationale behind the application of agglomeration contracts in France. These are typically matched grants whose objective is to internalise external factors and promote common objectives such as international competitiveness.

Finally, decentralising responsibilities to local and metropolitan government requires sufficient local capacity to accomplish the new tasks. This problem is all the more acute when the process of decentralisation is rapid and the new local and metropolitan authorities have to manage large budgets and deliver the required services and pre-defined programmes (countries of Eastern Europe, Korea and Japan). There are various mechanisms for sharing knowledge (training and exchange of personnel, seminars on government responsibilities, etc) though few comparative studies have been produced on that aspect or on the application of the new public management principles at local level.

ANNEX 1. THE WORK OF THE OCED ON URBAN REGIONS

The OECD has been working on regional development issues for several decades. Since 1979 the OECD Member countries have been sharing their experience and identifying exemplary practices in the development of urban areas in difficulty, improvement of urban governance, consolidation of the urban economy and identification of policies to reduce the environmental impact of cities and metropolitan areas.

In response to the need to study and extend innovative territorial development strategies and policies, a Territorial Development Policy Committee (TDPC) was formed in 1999 together with a working group on urban areas. These two bodies, composed of high level representatives of ministries with responsibility in this area, meet twice a year to define the work programme and discuss various experiences in the area. These bodies have identified two main themes for reflection around which the OECD should centre its work programme on urban questions: competitiveness and governance.

After several years spent preparing a conceptual framework, the OECD embarked on a series of territorial, national and regional reviews¹⁰: Each country or region analysed is the subject of a comparative analysis with other regions or countries facing similar challenges. Territorial reviews have been conducted on the following metropolitan regions: Helsinki (Finland), Vienna/Bratislava (Austria/Slovak Republic), Öresund (the cross-border region of Copenhagen - Denmark/Malmö - Sweden), Melbourne (Australia); Mexico City (Mexico), Busan (Korea), Athens (Greece), Montreal (Canada). Reviews are currently underway for Seoul (Korea), Stockholm (Sweden), Newcastle (United Kingdom) and Istanbul (Turkey). Many of the test regions have allowed comparison with other regions studied.

The results of the territorial reviews are then used in a synthesis analysis of policy experiences in metropolitan regions.

The OECD also holds workshops and seminars on different themes related to metropolitan regions (*e.g.* Sevilla Conference on Competitive Cities, Workshop on urban finances, etc...)

Website of the Territorial Review and Governance Division: www.oecd.org/gov

10. In global terms, the territorial review is an audit of structural and territorial policies. It includes an examination of the efforts made by public authorities to combat economic and social disparities between regions and initiatives to improve their comparative advantages and economic potential. The review analyses the distribution of responsibilities and resources among the various levels of government and the most appropriate forms of government, focussing in particular on the various mechanisms of decentralisation and/or delegation. The audit is carried out by mission from the Secretariat accompanied by representatives of the review countries and international experts who draw on their knowledge of other national experience to add depth to the evaluation and formulate useful recommendations as a guide to policy. Since 1999, the Territorial Development Service (TDS) has carried out several national reviews in different types of country (small or large, centralised or federal, advanced economies or in transition). These countries included Korea, Italy, Hungary, Canada, Switzerland, Mexico and the Czech Republic (reviews of France, Finland and Japan are in progress).

Direct link to work on urban regions: www.oecd.org/gov/urbandevelopment

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ANNEX 2: THE PRINCIPAL MODELS OF METROPOLITAN GOVERNANCE IN THE OECD COUNTRIES

While there is a need for area-wide structures which enjoy legal capacity and greater authority, it is clear that a uniform model for universal application is not appropriate even within a country. In many metropolitan regions there are no or very few coordinating mechanisms and as such competition between municipalities prevails. The status quo is an option which rarely yields positive results. Relying on the assumption of mobile citizens, competition between jurisdictions may provide incentives for governments to raise public sector efficiency. However, experiences in some European or North American cities show that fiscal competition leads to declining or less cost-efficient services and a wasteful rivalry between areas.

In this context, there is a strong interest to develop an adequate formula that will respond to metropolitan challenges now visible everywhere. The discussion of how to better manage metropolitan areas revolves principally around a spectrum of institutional models that range from relatively “heavy” to relatively “light” in terms of the scope of the reform they imply. At the relatively heavy end we have the functional models whereby governance structures are re-shaped to fit or to approximate to the functional economic area of the metropolitan region (metropolitan government, amalgamation). At the light end we have formal and informal co-ordination instruments (sectoral or multi-sectoral agencies). What follows is a proposed, non-exhaustive typology whereby the different options are not mutually exclusive and metropolitan regions combine several options.

The metropolitan government

The functional model of metropolitan government has some basic characteristics. First, it is based on governance at a functional economic area level. Second, it assumes some decision-making power at the regional level distinct and autonomous from either central, large regional or local government. Third, it is built around cross-sectoral competencies (*i.e.*, not restricted to a specific sector or service) and competence in areas that have a metropolitan logic, such as transport, investment promotion, water supply, etc. The metropolitan governance model assumes some logical predominance of functional area provision of goods and services over provision according to administrative boundaries. This assumption is based on arguments about the economies of scale (in terms of procurement, maintenance, operation, etc.) generated by larger, unified service delivery areas, better equalisation of costs across the entire metropolitan region (thereby reducing polarisation pressures), and more effective strategic planning and integration of sectoral policies. The metropolitan model also holds out the promise of increasing the political power of the metropolitan region, vis-à-vis the central government and internationally. Among the most well-known metropolitan governments are the Greater London Authority and the Stuttgart Regional Association (Box 4).

Box 4. Metropolitan governmental authorities: the Stuttgart Regional Association and the Greater London Authority

Founded in 1994 the **Stuttgart Regional Association** represents 179 municipalities or five counties covering the metropolitan area of Stuttgart in the German Land (province) of Baden-Württemberg with around 2.6 million people and a surface area of approximately 3 600 square kilometres. The legal framework of the association was established through a provincial law passed in 1993. The association’s assembly is directly elected through a

general ballot. The association's main responsibilities are regional spatial planning, transport infrastructure and operation, and regional economic development.

The association is funded by municipal contributions (54%) and intergovernmental conditional grants from the Land of Baden-Württemberg (46%). The municipal funds consist of a general contribution (11%) and an earmarked contribution for public transport (35%). Both contributions are negotiated annually and then split between the municipalities according to tax raising capacity and structural factors. The association has no taxing power and does not levy user fees. These powers remain within the exclusive authority of either the municipalities or the Land. Most expenditure (88% of the associations' budget of around EUR 140 million) goes to funding regional express trains and the regional transport body that manages buses and tramways.

After the Greater London Council was abolished in 1986, a new **Greater London Authority** (GLA) was established in 2000. Unlike any previous local or regional government in the UK, it is made up of a directly elected Mayor – the Mayor of London who is elected by a single constituency of 7.3 million people – and a separately elected Assembly – the London Assembly. When fully staffed, there will be about 490 staff to help the Mayor and Assembly in their duties.

There is a clear separation of powers within the GLA between the Mayor, whose executive role requires making decisions on behalf of the GLA, and the Assembly which has a scrutiny role and is responsible for appointing GLA staff. The Mayor is London's spokesman and leads the preparation of statutory strategies on transport, spatial development, economic development and the environment. S/he also sets budgets for the GLA, Transport for London, the London Development Agency, the Metropolitan Police and London's fire services. The Assembly scrutinises the Mayor's activities, questioning the Mayor about her/his decisions. The Assembly is also able to investigate other issues of importance to Londoners, publish its findings and recommendations and make proposals to the Mayor.

The GLA's competencies include a number of existing government programmes such as police, fire, transport and economic development. These four key functional responsibilities are in the hands of boards: Metropolitan Police Authority, London Fire and Emergency Planning Authority, Transport for London and London Development Agency. Other functions include environment, culture, media and sport, public health and inward investment. The GLA has no taxing power. Its budget amounted to GBP 4.7 billion budget in 2002-2003, and most of the cost of the GLA itself is met by central government grant, with a small contribution from London council taxpayers.

The counter-argument to the metropolitan model is that it dampens competition and public choice. Local governments compete to provide the mix of services demanded by residents at an appropriate price, and that if they fail to do this, these residents will, and should, move to other jurisdictions. Another argument against the metropolitan model is that there is no such thing as an independent functional region; rather there are numerous functional regions within any given area depending on the activity. A related argument is that metropolitan government is unnecessary from the perspective of public service provision because there are many other means by which to achieve economies of scale (many of them involving production and provision of public services by the private sector).

Amalgamation of municipalities

One option, surely the most radical one, has been the amalgamation, *i.e.* the mergers of municipalities. Amalgamations are promoted on the grounds that a bigger metropolitan government would improve the competitiveness of the metropolitan area. With amalgamation, higher-level of governments try to overcome the combined pressure of metropolitan fiscal fragmentation, in some cases off-loading certain responsibilities and limited powers to the municipal level. Another objective is to re-balance population growth and patterns of social structure within metropolitan areas. Pro-amalgamations contend that this formula can reduce duplication, produce economies of scale and scope for service provision, improve accountability, enable a more equitable sharing of the burden of taxation, and contribute to improved spatial planning capacity.

These arguments have been advanced by policy makers in Canada and have led to the merger of a number of municipalities into large metropolitan areas (Halifax in 1996, Toronto in 1998, and Montreal in 2002). As these amalgamations took place relatively recently, it is premature to thoroughly assess their real impact. One positive aspect that can already be seen is that amalgamation has helped to increase awareness of urban problems within upper levels of government and increased the city's visibility nationally and internationally. Still, the results obtained so far appear mixed. Cost reduction or quality increases cannot yet be detected, a task made more difficult by persistent transitional cost increases. The main problem is that they have limited support from all the hitherto independent urban or suburban municipalities. Cost reduction or quality increases cannot yet be detected. Moreover, while the amalgamation process could probably lead to reduced fiscal competition and less social segregation along geographical boundaries, many of the objectives could have been achieved through voluntary inter-municipal collaboration on functional grounds. Moreover, few merged cities actually cover the entire metropolitan region. As mentioned previously, it is difficult to achieve a perfect match between functional and administrative boundaries simply because functional areas evolve constantly in time and space. In Korea, a new territorial framework was established in the wake of decentralisation that gave metropolitan regions the same status as provinces. This new metropolitan regional tier has been built by merging suburban municipalities with the core centre. However, the extent of urban sprawl in Korea is such that simply enlarging the perimeter of the metropolitan city by annexing neighbourhood communities is no longer a sustainable policy (OECD 2001c and OECD forthcoming a).

In general, amalgamation is rarely an option that can be easily implemented, especially in urban areas. The main problem is that in the long-run it appears to reduce the influence of the citizen at the municipal level. Moreover, the forced amalgamations in Canada were made possible because municipal governments have no constitutional status. Their existence is derived from provincial legislatures that have exclusive control over municipal institutions. As a result, a municipality is a “creature” of the provincial government and the structure of its institutions as well as the scope of its responsibilities are determined by provincial legislation. In Helsinki–Finland, public authorities now are engaging in reform on their metropolitan governance. For problems where interdependence is high, such as immigration, economic development and housing, the lack of cooperation between the municipalities threatens the competitiveness of the whole metropolitan region. The proposal for the amalgamation of the four main municipalities of the area was rejected though, as it runs directly counter to the country’s strong tradition of local autonomy (OCDE 2003a).

Creation of a metropolitan agency

Agencies devoted to a single public service are a mechanism to increase co-ordination and take advantage of scale economies in public service delivery without necessarily requiring amalgamation. Public transport and urban planning for example are likely to be under the domain of this type of authorities due to their metropolitan scope. In the case of transport, three main organisation models can be found in OECD metropolitan regions. The metropolitan authority can be a service operator only (Philadelphia), both service operator and manager (Athens and Madrid) or a co-ordinating body with several operators (London and Copenhagen). In terms of revenue resources, fare receipts generally account for a substantial part of the revenues of transport management authorities. They can also receive contributions from member municipalities, either on a voluntary or compulsory basis. Some transport authorities rely on commercial development opportunities as a complementary source of revenues, such as advertisement on trams, metros and buses, as is the case for the South Eastern Pennsylvania Transportation Authority (SEPTA) of Philadelphia which operates public transportation networks through its three branches¹¹. Others are funded by passenger revenue, Deed of Assumption

11. For further details, see www.septa.org

receipts and a Special Rail Grant, like the Strathclyde passenger transport Executive in the Glasgow metropolitan that operates the subway network. The main disadvantages of a single-purpose agency are that it raises the problem of co-ordination between the several sectoral agencies and increases the risk of constituencies emerging to defend sectoral interests.

Beyond a single-purpose sectoral agency, the advantages of metropolitan co-ordinating and planning bodies are that they take into account the overall metropolitan area, can deliver economies of scale in specific policy areas, can equalise the sharing of service costs across the metropolitan region and allow for a more harmonious distribution of resources. Metropolitan bodies perform a wide range of functions such as planning and co-ordination, and sometimes delivery of public services (Box 7). Some authorities are composed of directly elected officials while others are appointed. In addition to grants from upper-level government, some can levy their own taxes. A main issue for the multi-sectoral metropolitan agency is their popular legitimacy in particular when the institution takes on increasing responsibilities and fiscal revenues.

Box 7. Metropolitan co-ordination and planning in the Montreal Metropolitan Region

The amalgamation of the municipalities in Montreal gave birth to the New City of Montreal whose boundaries still does not coincide with the functional area as defined by commuting and regional clusters patterns. Thus, a new regional body called the *Montreal Metropolitan Community* (CMM) was created by the government of Quebec in 2000 to handle responsibilities in areas of spatial planning, economic development, housing and transport, environment and waste disposal. It has a planning and co-ordinating role with executive functions left to lower tiers. It is funded by the member municipalities (75%) and the provinces (25%) and is managed by a Board of Directors represented by the mayors of the several municipalities belonging to the Montreal Metropolitan Region. Its budget (around CAD 70 millions) is essentially funded by contributions from member municipalities (roughly 75%) and grants from the provincial government (roughly 25%). The members municipalities have agreed to share half of the increase in total municipal property tax revenue with the CMM, which has also the possibility to impose tipping fees on new development of property.

Other examples include the *Metro Council of Portland* (Oregon, US) that receives 14% of its USD 200 million budget by levying a property tax. However, more than 50% of its budget comes from fees and charges levied on metropolitan-wide operated firms (solid waste disposal plan, the zoo, the Convention Center, the Expos Center and the Portland Center for art performances)¹².

Source: OECD 2003d

12. See www.metro-region.org

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