

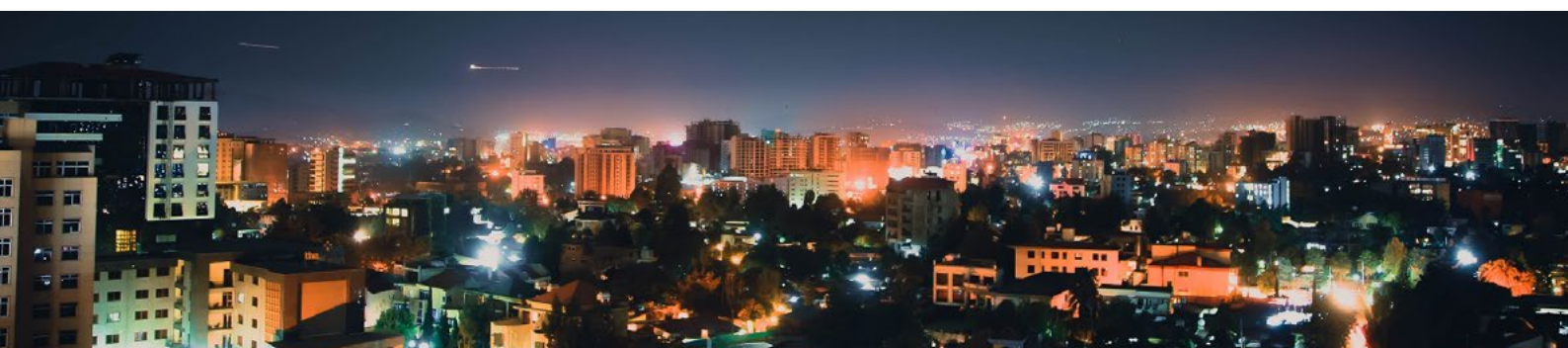
LoGov White Paper

How can local governments cope with changing urban-rural relations?

edited by

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Preface

What is the impact of increasing population movements from the countryside to cities and towns on the provision of local public services? How can urban and rural local governments cope? How do they finance these services in times of urbanization? Does the merging of smaller local governments really entail efficiency gains and how do other solutions like inter-municipal cooperation fare in comparison? How can citizens effectively participate in decision-making in both urban and rural municipalities?

These are only some of the questions that the **LoGov project** seeks to answer. What they all have in common is their growing urgency as a result of fundamental demographic changes. The phenomenon of urbanization sparked the emergence of metropolitan areas, on the one hand, and the depopulation of rural areas, on the other. According to World Bank data, between 1960 and 2017, the share of rural population worldwide fell from 67% to 45%. This brings along a wide variety of social challenges such as ageing rural populations and causes political challenges such as increasing disparities between local authorities in terms of their political leverage and financial resources.

These trends inevitably entail lasting changes in the interplay between urban and rural areas, which prompted us to launch the LoGov project. It has been our ambition to research and disseminate local government practices that enable municipalities to better cope with the impact of changing urban-rural relations in five major areas:

- Local responsibilities and public services
- Local financial arrangements
- Structure of local government
- Intergovernmental relations of local governments
- Citizen participation in local governance

This **White Paper** draws on the wealth of experiences and insights of 18 LoGov partners from six continents and different professional backgrounds such as academia, policy advice and local government associations. With its problem-oriented approach, it is targeted especially though not exclusively at local government practitioners. The White Paper presents in text boxes 30 practices from around the world regarding particularly topical issues within the five above-mentioned areas of local government, ranging from local public transport and housing to local tax revenue, inter-municipal cooperation in rural areas, metropolitan governance, the role of local government associations and citizen participation in local planning and budgeting. Still, this is only a small fraction of the research conducted within LoGov. Further project outputs freely available online are our 15 Country Reports, 5 Research Area Reports and 3 edited books.



Further Project Outputs

LoGov Research Area Reports

Burgi, Martin, Kössler, Karl, & Morandell, Theresia (2023). Local Responsibilities and Public Services. Zenodo. <https://doi.org/10.5281/zenodo.10105189>

Velasco Caballero, Francisco, Kössler, Karl, & Morandell, Theresia (2023). Local Financial Arrangements. Zenodo. <https://doi.org/10.5281/zenodo.10105556>

Belser, Eva Maria, Kössler, Karl, & Morandell, Theresia (2023). Structure of Local Government. Zenodo. <https://doi.org/10.5281/zenodo.10105799>

Stafa, Elton, Kössler, Karl, & Morandell, Theresia (2023). Intergovernmental Relations of Local Government. Zenodo. <https://doi.org/10.5281/zenodo.10405102>

Schläppi, Erika, Kössler, Karl, & Morandell, Theresia (2023). People's Participation in Local Decision-Making. Zenodo. <https://doi.org/10.5281/zenodo.10405109>

LoGov Country Reports

Ayele, Zemelak (2021). Local Government in Ethiopia Responses to Urban-Rural Challenges. Zenodo. <https://doi.org/10.5281/zenodo.5718658>

Burgi, Martin, Hagen, Lisa, & Lieb, Nicole (2021). Local Government in Germany. Responses to Urban-Rural Challenges. Zenodo. <https://doi.org/10.5281/zenodo.5718933>

De Visser, Jaap, & Maziwisa, Michelle R. (2021). Local Government in South Africa. Responses to Urban-Rural Challenges. Zenodo. <https://doi.org/10.5281/zenodo.5733411>

Felder, Flavien, Belser, Eva-Maria, Schläppi, Erika, & Bishop, Kelly (2021). Local Government in Switzerland. Responses to Urban-Rural Challenges. Zenodo. <https://doi.org/10.5281/zenodo.5734450>

Girbu, Viorel (2021). Local Government in Moldova Responses to Urban-Rural Challenges. Zenodo. <https://doi.org/10.5281/zenodo.5728382>



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Harding, Andrew (2021). Local Government in Malaysia. Responses to Urban-Rural Challenges. Zenodo. <https://doi.org/10.5281/zenodo.5722556>

Horak, Martin (2021). Local Government in Canada. Responses to Urban-Rural Challenges. Zenodo. <https://doi.org/10.5281/zenodo.5725842>

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LoGov Edited Books

Velasco Caballero, Francisco, Burgi, Martin & Kössler, Karl (forthcoming in 2025). **Municipal tasks and financing: An urban-rural perspective**. Palgrave Macmillan

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Kössler, Karl & Belser, Eva Maria (forthcoming in 2025). **Local government structure and intergovernmental relations: An urban-rural perspective.** Palgrave Macmillan

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18. Comparative Conclusions

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1. Local Responsibilities and Public Services

Jelena Janevska

Local governments worldwide are increasingly facing complex challenges driven by demographic changes, rapid urbanization, and rural depopulation. These trends exert varying pressures on urban and rural areas, highlighting the [urban-rural divide](#) and necessitating differentiated policy responses. Urban areas, particularly those in economically strong regions, often witness population growth and an influx of businesses, bolstering their economic vitality. In contrast, rural areas typically experience population decline, characterized by an aging demographic and a diminishing workforce. Despite the allure of affordable housing and proximity to nature, which draws some individuals to suburban and rural regions, these areas frequently suffer from inadequate infrastructure and public services. [Transportation, in particular, is a notable deficiency.](#)

Local governments, being the closest level of governance to citizens, are tasked with addressing these challenges by providing essential public services. These services span a wide range of sectors, including housing, communal services, public transportation, land use planning, education, social services, and digitalization. The local public services expand and diversify in times of crisis, such as the recent global COVID-19 pandemic.

Despite the competences of local governments originating from the national legislations and following the principle of subsidiarity, the variability in the size and capabilities of local governments complicates the allocation of responsibilities. Larger urban governments tend to operate more efficiently due to economies of scale, often benefiting from more professional administrations and greater resource availability. Conversely, smaller rural governments may struggle with limited resources and capacity, posing challenges for the effective delivery of public services. Legislators must carefully consider these disparities when assigning tasks to local governments, ensuring that each government has the requisite capacity to fulfill its responsibilities effectively.

In response to the challenges reflected above, the provision of public services by local governments is undergoing [significant transformation](#). Traditionally, the local public services were directly provided by local authorities through [municipally owned corporations](#). Over the years, there has been a growing trend towards privatization and the use of [public-private partnerships](#). The primary objective is to transfer adequate risk from the local government to the private sector, reduce costs and enhance efficiency by leveraging private sector expertise and innovation. Still, the outcomes of privatization have been mixed. While some initiatives have succeeded in reducing costs and improving service quality, others have led to challenges such as governance issues and the misalignment of public and private sector goals. These challenges have become particularly evident in the aftermath of the global financial crisis,



which exposed the risks associated with deregulation and the privatization of essential public services.

Furthermore, privatization can exacerbate governance challenges, particularly in larger cities with complex corporate structures involving numerous municipal holdings. These intricate arrangements can result in conflicts of interest and inefficiencies, complicating the management of public services. Smaller communities, with their limited administrative capacities, may find it especially difficult to navigate these complexities.

The examples below demonstrate that intermunicipal cooperation in service provision can be one of the solutions for smaller and rural local governments, enabling them to combine their capacities and resources. This collaborative approach offers practical solutions for services that might otherwise be too costly, complex, or inefficient to manage independently.

Given these considerations, local governments must carefully evaluate their options when deciding on the organizational structures for public service delivery. Key factors to consider include the relevance of the service to political objectives, cost-effectiveness, and the local government's capacity to manage the service-related contracts. A thorough analysis of production and transaction costs associated with different organizational forms is essential to determine the most effective approach.

In conclusion, the evolving responsibilities of local governments, driven by the urban-rural divide and the increasing complexity of public service provision, necessitate innovative approaches to governance and service delivery. Whether through direct provision, outsourcing, or partnerships, local governments must continuously adapt to ensure the effective and efficient delivery of public services that meet the diverse needs of their citizens.

Housing

Housing is a complex issue and a local government competence that significantly varies between countries and municipalities, influenced by national and local socio-economic contexts. The rural and urban local governments face unique challenges that require tailored approaches to address housing needs effectively.

Urban local governments, due to a population influx, face severe shortages of affordable housing. Despite a wide range of social housing strategies, there is a consensus that public housing provision is inadequate. An example of this is the Public-Private Partnership in Turin, which was criticized for its limited contribution to social housing—only 20% of the units were reserved for low-income families. This situation highlights the difficulty of meeting the growing demand for affordable housing in urban areas, where population density and economic pressures exacerbate the shortage. [Affordability](#) is particularly crucial during periods of inflation, when housing costs are rising significantly faster than incomes.



On the other hand, rural local governments are grappling with different housing issues, primarily related to declining populations. These municipalities focus on maintaining an attractive living environment to prevent further population loss. Strategies include preserving the quality of individual buildings, providing essential infrastructure, and enhancing cultural offerings. Another challenge for rural local governments is managing vacant buildings, which can become a blight on the community if left unaddressed. Therefore, housing strategies in rural areas must focus not only on attracting new residents but also on maintaining and improving the existing living conditions to retain the current population.

One of the critical points raised is the lack of differentiation in housing policy across different regions. Policies tend to focus heavily on growth regions, often overlooking the unique challenges faced by rural areas. For instance, in rural communities, innovative approaches like providing affordable apartments to young people in exchange for volunteering services for the elderly could have a significant positive impact. This type of initiative not only addresses the housing needs of young people but also fosters community engagement and support for vulnerable populations. The housing issue is not confined to one aspect of governance but is a transversal topic that intersects with various aspects of local government operations, such as financing housing projects, inter-municipal cooperation and intergovernmental coordination in the view of multilevel governance.



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Austria: How to ensure affordable, yet smart housing?

The City of Vienna is one of the most famous global best-practice examples for ensuring affordable housing over more than a century, by implementing a [social housing policy](#), which enabled homes for 43% of the city's population.

Housing has started as a public responsibility and over the years increased the involvement of other actors. Today, municipal housing units are managed through [Wiener Wohnen](#), an enterprise of the City of Vienna. The city offers different subsidies for the construction of affordable housing units to:

- *Limited or non-profit housing cooperatives*: they are granted significant tax advantages and must re-invest any excess capital in affordable housing units.
- *Commercial developers*: receive subsidies for the construction of new units and obliged to rent part of the units until they repay the received subsidies, typically 10-15 years.
- *Tenants*: receive subsidies for refurbishment and rent subsidies, if eligible.

Vienna pays big attention to the environmental impact of its housing investments. The new constructions being built on municipal land or with public subsidies are initiated through [public competitions](#), aiming to promote sustainable, environment-friendly, and innovative housing.

Because of the challenges of the social housing sector, associated with [shortage of affordable housing units](#), increased rent levels, growing construction costs due to the inflation, but also the [high standards](#), as well as the increased involvement of the private sector, Vienna's best practice needs to be considered for replication with several important lessons.

First, segregation of citizens. The municipal and subsidized housing units that are older and located in less central areas of the city are inhabited by lower income households, while middle to upper income households inhabit the more modern or centrally located municipal and subsidized housing units. This is partially due to the financial contribution needed for purchasing or renting subsidized housing units set by limited-profit cooperatives, while there is no such barrier to accessing municipal housing units, which are assigned through waiting lists.

Second, although subletting a municipal or cooperative flat is explicitly forbidden by tenancy agreements and can lead to termination, subletting individual rooms is allowed. As a result, properties are being sublet, which distorts the market and limits the intended influence of the social housing policies.

Third, public expenses for social housing in Vienna have steadily decreased, while costs for subsidized housing projects have risen due to quality and sustainability standards, making them less accessible to low-income households. In response, the City of Vienna resumed direct construction of municipal housing in 2015. Since 2020, about 3,700 new municipal flats, including compact and affordable "SMART" units, have been implemented. These units are offered at the same rent levels as existing municipal and subsidized housing, with no upfront capital required.



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Italy: How to join public and private interest to address housing challenges?

Italy's housing market is largely dominated by homeownership, with only 20% of households renting. However, 66% of Italians aged 18 to 34 live with their parents, highlighting a need for more public housing. Efforts are underway, with municipalities and private entities exploring innovative solutions, including public-private partnerships.

[In Turin](#), two abandoned buildings were revitalized through such a partnership. The project transformed the buildings into a multi-purpose facility with 182 flats, 470 beds, and various services, a home of 3,000 people. Most units are rented to students, with 22% allocated for subsidized social housing.

There are few lessons from this example. First, public-private partnerships help alleviate municipal pressure during economic crises. Second, the model depends on private investment and market profitability. In Turin, the project's success hinged on energy-efficient upgrades and student rents, with only 22% of units for social housing. Third, this model may not suit economically weaker or rural areas, as private investors might be deterred by higher risks and lower returns. The success of the Turin project was partly due to the unique involvement of local officials with extensive experience and connections, which facilitated smoother implementation.



Public Transport

Efficient public transportation systems play a crucial role in ensuring equitable access to essential public services, including education, healthcare, and cultural opportunities, particularly for vulnerable populations such as children and the elderly. These groups often rely heavily on public transport due to limited access to private vehicles, making the availability and efficiency of such systems critical for their daily lives.

The impact of public transportation extends beyond mere convenience. By reducing the reliance on private vehicles, well-designed public transport networks significantly mitigate urban traffic congestion, which is a major contributor to air pollution. For illustration, traffic is currently the most emitting sector in Austria with a share of 46% of total CO₂ emissions, but only in Vienna automobile transportation has declined in favor of public transport and cycling. The decreased emission of pollutants such as carbon monoxide, nitrogen oxides, and particulate matter from fewer vehicles on the road not only improves air quality but also contributes to broader public health outcomes by lowering the incidence of respiratory and cardiovascular diseases associated with poor air quality.

Additionally, the reduction in traffic jams through efficient public transport systems can lead to substantial economic benefits. Less time spent in traffic translates to increased productivity, reduced fuel consumption, and lower stress levels among commuters, all of which contribute to a more sustainable urban environment.

However, the provision of public transport is not without challenges, both in urban and rural local governments. The mobility behavior within these areas varies significantly depending on the size and characteristics of the municipality. Rural areas often suffer from insufficient transport connections, due to low population density, remoteness, lack of infrastructure and economic viability, leading to a reduced mobility or high reliance on individual car use. For instance, in Poland, private entrepreneurs cut unprofitable rural routes, leading to an increased purchase of used, inexpensive cars. This resulted in areas with 3,500 residents owning 3,000 cars, raising significant concerns about pollution.

On the other hand, urban areas and metropolitan regions are facing intensified population inflows and pressure on public sector infrastructure, challenging them to organize a cohesive transport network across administrative boundaries to manage the strong flow of commuters. This challenge is compounded by the need for coordination among multiple actors, including various governmental levels and private sector stakeholders, making the implementation of an efficient public transport system at the local level a complex task.

Moreover, what works in one area may not be the best solution for another. A good illustration of this is the 'A Re Yeng' system of [bus rapid transit](#) in the City of Tshwane, South Africa. While this system greatly improved connectivity in South African cities and suburbs, it did not extend



beyond city limits, leaving rural communities excluded—a significant challenge that the City of Tshwane failed to solve with this solution.

In summary, efficient public transport is a cornerstone of sustainable development, with far-reaching implications for social equity, environmental sustainability, and economic efficiency. Addressing the challenges of implementing and maintaining such systems, particularly in the context of diverse regional needs and financial constraints, is essential for creating inclusive and resilient communities.



Image by Hans on Pixabay

Switzerland: How can agglomerations support sustainable public transport?

In response to the growing pressure on the transport infrastructure in urban areas and the need to connect them with more remote areas, the Swiss federal government has invested over CHF 8 billion in agglomeration projects through its [Agglomeration Transport Program](#) since 2006. The program aims to promote coherent planning of transport and urban development across municipal, cantonal, and national boundaries. This includes expanding transport services where necessary to support sustainable urban development. In 2017, the fund for national roads and agglomeration traffic called FORTA has been established.



AggloFribourg, originally formed as a supra-communal institution and since 2020 restructured into an [intermunicipal association](#), addresses regional concerns such as spatial planning, mobility, environmental protection, and cultural promotion. [AggloFribourg](#) has been very active in improving urban transport and has recently formally restructured to improve its effectiveness and serve rural areas better.

AggloFribourg's proposal for the Fourth Program of Agglomeration for 2024-2028 includes a CHF 140 million investment in 100 infrastructure projects, primarily centered on direct public transport amongst municipalities to alleviate congestion, enhancing existing road networks and promoting sustainable transport, encouraging a modal shift from private cars to public transport and soft mobility.

However, AggloFribourg has faced criticism that might be important to be considered by other agglomerations focused on public transport. First, the proposed measures should be more ambitious and provide faster progress. Second, cycling and walking paths should not be neglected compared to other transport measures. Third, the involvement of rural municipalities is key, as they face the biggest connectivity challenges.



Image by Mircea Iancu on Pixabay



Canada: What role does governance play in transit systems?

Over the past two decades, Canadian provincial and federal governments invested significantly in rapid transit infrastructure in the country's largest cities, to compensate for the infrastructure shortfalls of the 1980s and 1990s, when rapid urban growth outpaced transit development due to local fiscal constraints and decline in intergovernmental transfers. This raised important challenges related to the governance of transit infrastructure and the decision-making on what, where and how to build.

International experience suggests that successful large-scale urban transit development requires a coordinating institution to lead systematic planning and implementation across metropolitan areas. However, neither Toronto nor Vancouver had such institutions in the late 1990s. Toronto had a fragmented governance structure, with the City of Toronto and several two-tier regional governments governing the suburban areas. The city's rapid transit infrastructure was limited to two subway lines built in the 1960s and a provincially owned commuter rail system. Conversely, Vancouver had a multi-functional metropolitan authority, Metro Vancouver, which managed several regional services but did not oversee public transit.

In response to the need for coordinated transit development, both Ontario and British Columbia created regional transit agencies in the late 1990s and early 2000s. Toronto's [Metrolinx](#), established in 2005, took over the suburban commuter rail system and has since spent approximately CAD 27 billion on transit infrastructure, funded primarily by the provincial government. However, Metrolinx does not control municipal transit systems, leading to coordination challenges and a lack of completed projects in Toronto's core, where congestion is most severe.

In contrast, Vancouver's [TransLink](#), created in 1998, is institutionally stronger. It operates all transit in the region, has access to local revenue sources (including a share of the gas and property taxes), and is governed by a council of mayors from area municipalities. Despite facing local opposition to expanding its revenue sources, TransLink has successfully completed three urban rail lines and has two more under development, with 70% of its CAD 10 billion in capital investment coming from intergovernmental funds.

These examples point out at several important considerations. First, the differing effectiveness highlights the importance of institutional design and local context in transit development. Second, the culture of regional collaboration in land use planning allows systematic transit development. Third, success depends on the agency's control over infrastructure, revenue sources, and the broader metropolitan context that supports regional planning and political compromise.

Digitalization and Public Services

The local governments worldwide advanced their digitalization efforts during the Covid-19 pandemic, attempting to remotely provide the necessary information and some of the local public services. As the trend of e-governance continues, local governments play an important



role in [digitalization and digital transformation](#). This process does not come without challenges. It emphasizes the digital divide between the rural and urban areas. The gap between these areas is not merely about access to internet and new technologies, but also about the ability of local populations to use and benefit from these technologies effectively.

One of the primary issues in rural local governments is the lack of infrastructure that supports access to new technologies. Many rural areas still struggle with inadequate broadband internet, insufficient mobile network coverage, and limited access to modern technological tools. This infrastructural gap hinders the ability of residents in rural areas to participate fully in the digital economy, access online education and healthcare services, or engage with e-governance platforms. Local governments in these areas must prioritize the development and enhancement of digital infrastructure, often working in collaboration with higher levels of government and private sector partners to ensure that rural communities are not left behind.

However, the challenge of digitalization goes beyond infrastructure. Even when new technologies are introduced, there remains a significant gap in the ability of local populations, particularly in rural areas, to effectively use these technologies. This is where local governments must step in to provide training and education that can empower residents to make full use of digital tools. Training programs, workshops, and community initiatives can help bridge the knowledge gap, ensuring that citizens are not only consumers of technology but are also equipped to leverage it for personal, professional, and community development, spurred by [innovation](#).

For urban local governments, while the infrastructure may be more developed, the challenge often lies in ensuring that all segments of the population can access and benefit from digitalization. Urban areas, although generally better connected, may still have marginalized communities that lack access to digital tools or the skills to use them. Local governments in these areas must address issues of digital equity, ensuring that programs and policies are inclusive and accessible to all residents. This might include initiatives such as providing free Wi-Fi in public spaces, creating digital literacy programs targeted at disadvantaged groups, or developing platforms that facilitate easy access to government services online.

Moreover, local governments have a critical role in fostering innovation and encouraging the use of technology to improve governance and service delivery. This involves not only adopting e-governance platforms that streamline administrative processes but also engaging with citizens through digital channels to increase transparency, participation, and accountability. By using technology to enhance communication with residents, local governments can better understand and respond to the needs of their communities.

In conclusion, the role of local governments in addressing digitalization is multifaceted, encompassing the development of infrastructure, the promotion of digital literacy, and the implementation of inclusive and innovative policies. By focusing on both access to and appropriation of new technologies, local governments can help reduce the digital divide, ensuring that all residents, regardless of their location or socio-economic status, can



participate fully in the digital age. This approach not only supports individual empowerment but also contributes to the overall economic and social development of communities.



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Argentina: How to link digital infrastructure development and digital inclusion?

The Province of [Córdoba Connectivity Plan](#) is a public policy initiative that integrates infrastructure development with digital inclusion, aiming to foster local and social development through increased [internet connectivity](#).

[Córdoba](#), with 427 local governments, has a significantly higher degree of administrative fragmentation than other provinces in Argentina. This fragmentation, along with varying socioeconomic indicators and geographic diversity, has resulted in inequalities in access to digital resources across the province. While 69.5% of households in Córdoba have broadband access, many of the remaining households rely solely on mobile connections, and rural or peripheral areas often miss out on opportunities available to more urban regions.

The plan's primary objectives are to expand the connectivity infrastructure—integrating it with national and provincial networks—and to promote digital literacy. To optimize resource allocation, the government utilized existing gas pipeline infrastructure to lay the fiber optic network, demonstrating an innovative approach to interconnecting public policies for greater efficiency.



The Córdoba Connectivity Plan serves as a model of how infrastructure development can be effectively linked with digital inclusion efforts to address territorial inequalities and promote inclusive growth in the digital age.

First, the plan included extensive infrastructure investments that have led to the creation of a fiber optic network spanning over 2,300 kilometers. This network connects all provincial hospitals, more than 3,000 schools, over 200 open spaces, and more than 300 public agencies across Córdoba.

Second, the plan has established Citizen Connection Spaces, offering free internet access in various public areas, particularly benefiting rural and peripheral regions.

Third, the plan included strengthening digital skills, especially among vulnerable populations, through training programs and events such as hackathons. These initiatives are conducted in partnership with universities, civil society organizations, and tech entrepreneurs.

The impact of the Córdoba Connectivity Plan has been significant, with over 65,000 individuals participating in digital literacy programs. The ongoing challenge is to further enhance these training efforts to empower citizens not only to adopt existing technologies but also to contribute to technological innovation and development within their local communities, thereby participating more fully in the growing digital economy.



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Spain: How can rural areas offer smart local public services?

Rural areas make up 85% of Spain's territory, encompassing 6,678 municipalities, but only 20% of the population. This disparity highlights the growing divide between urban and rural local governments, with rural areas facing significant challenges like depopulation and an ageing population. [Castilla y León](#), one of the largest regions in the European Union, is particularly affected by these issues. In 2017, the rural population in this region was 37% of the total population, but this number has been rapidly declining, with a 14.3% drop in the last 20 years. Additionally, 23.3% of the region's population is aged 65 or older, nearly five points above the national average.

In response, Castilla y León, along with its nine provinces, launched the "Smart Rural Territory" project to improve public service delivery in rural areas using [smart technologies](#) typically reserved for urban areas, in line with the vision of "[smart villages](#)". Since 2007, the region has been developing a Network of Digital Municipalities, coordinating and assisting local governments in implementing ICT for public services.

The "Smart Rural Territory" project involves the creation of a common software platform to coordinate and intelligently manage services like waste collection, water management, and street lighting, using smart sensors. The project aims to enhance public service management effectiveness and transparency by providing real-time data to better tailor services to local needs. In addition to improving service delivery, the project seeks to improve the quality of life in rural areas, retain the rural population, and create new business opportunities that could attract more people to these areas.

Although the project is still in progress, making it difficult to fully assess its social and economic impacts, it holds promise for cost savings and new business opportunities in rural areas. The project however sends a few important messages. First, it sets the technological preconditions for successful digitalization, by deploying Narrow Band IoT, a low-power wireless communication technology. Second, it focuses on smart technologies to intelligently manage important local public services, that will not only improve the quality of services, but also bring important savings. Third, the common software platform is a good example of interterritorial cooperation.



2. Local Financial Arrangements

Elton Stafa

Local financial arrangements determine how municipalities fund their services, engage with their communities, and fulfill their responsibilities. From this perspective they play a pivotal role in local development, fiscal autonomy and local democracy. Across the globe, [municipalities share similar sources of revenue](#), including: taxes, fees and charges, transfers from higher levels of government, and, in some cases, borrowing and more innovative forms of public or private credit and partnerships. However, the relative importance of these revenue streams can vary significantly across countries depending on the degree of decentralization, the division of functional responsibilities across levels of government, the size and location of local governments, and the socio-economic context. At the global level, grants and transfers represent more than half (51.5%) of revenue of subnational governments, followed by taxes (31.5%), user charges and fees (10.3%) and property income.

Grants and transfers are the primary source of subnational government revenue in a large majority of countries around the world. The role of transfers in municipal finance can be divided into [two broad functions](#): ensuring financial sufficiency and achieving equalization. Financial sufficiency transfers aim to guarantee that municipalities have enough resources to meet their operational needs and fulfill mandated responsibilities. Equalization transfers, on the other hand, seek to level the playing field by redistributing resources to address disparities between wealthier and less affluent municipalities. [This distinction is particularly relevant in the context of the European Charter of Local Self-Government](#), which mandates member states to implement financial equalization measures to correct inequalities in the distribution of financial resources.

Tax revenue accounts for 31.5% of subnational revenue and 2.9% of GDP. In many countries, tax revenues come mainly from either the property tax or a commercial tax, complemented by other less relevant local taxes. Alongside local taxes, *user charges and special fees* [have become increasingly significant in local government finance](#). These charges are levied for specific services such as water supply, waste management, and public transportation.

Access to *borrowing* allows municipalities to fund large-scale projects and investments, although this option is often restricted by national or regional regulations (except for some large cities with greater ability to access credit). Municipalities across the globe face growing demand for public infrastructure and services. This demand outpaces the increase in the traditional revenue sources. The shortfall has driven municipalities to seek innovative funding solutions to ensure balanced territorial development, particularly in the face of rising costs and constraints on public budgets. One significant approach has been the increased reliance on Public-Private Partnerships (PPPs), which allow municipalities to leverage private sector investment for infrastructure projects. PPPs have become increasingly significant as they



enable local governments to leverage private investment and expertise for infrastructure projects, thereby sharing financial risks and benefiting from private sector efficiencies. However, the success of PPPs can vary, and they may [not always deliver the anticipated results](#).

In Europe, the *European Union* has been a vital partner in supporting its member states through the *European Structural and Investment Funds* (ESIF). These funds are instrumental in financing infrastructure and services that bridge the urban-rural divide, promoting cohesion across regions. The ESIF provides substantial grants that allow municipalities to undertake large-scale projects that would otherwise be unfeasible due to financial constraints. By focusing on projects that enhance connectivity, social infrastructure, and economic development, the EU aims to foster balanced territorial development, ensuring that both urban and rural areas can thrive. This support is crucial in addressing the disparities that traditional revenue sources alone cannot resolve.

In summary, effective local government finance systems are multifaceted and must address the diverse needs and challenges faced by municipalities. From managing urban-rural disparities to implementing fair user fees and leveraging PPPs, local finance mechanisms reflect the intricate interplay of economic, demographic, and political factors. Understanding these dynamics is essential for crafting equitable and effective policies that support the financial health and service delivery capabilities of local governments.

Intergovernmental Transfers and Equalization to Bridge the Urban-Rural Divide

Intergovernmental transfers play a crucial role in ensuring that local governments can provide quality public services, foster equity, and support local development. These transfers help balance financial resources across different levels of government, creating a more equitable and functional system of governance. However, one significant challenge in local government finance is addressing the disparity between urban and rural municipalities, which face distinct service costs and revenue-raising capabilities. The European Charter of Local Self-Government highlights the importance of supporting financially weaker municipalities, especially those with higher spending needs and lower revenue-generating abilities.

Countries employ various strategies to achieve financial equalization, combining vertical transfers (from central or regional governments) and horizontal transfers (between municipalities). Vertical transfers may incorporate criteria to address demographic and geographic challenges, such as rural dispersion, ageing populations and higher service costs to achieve a leveling effect. Horizontal transfers, which directly redistribute resources from wealthier to poorer municipalities, inherently aim to balance financial capacity.



Despite these mechanisms, not all vertical transfers effectively achieve a leveling function. For example, Spain's financial transfer system, which allocates funds primarily based on population, fiscal effort and fiscal capacity, often fails to adequately support rural municipalities facing challenges like depopulation, ageing, and dispersion. In other cases, intergovernmental transfers derive from shared tax revenues collected within the local government's constituency as in Croatia, Argentina, India, or Poland. In all these cases, the main vertical transfers have limited levelling functions. In most of these countries though, there are also additional types of transfers in place that aim at equalization of service costs or fiscal capacity or a combination of these, such as the Fiscal Equalization Fund of Croatia, described in the case study. The equalizing transfers can come directly from the central government or state level, or from other higher subnational tiers of government such as provinces or regions.

When it comes to horizontal equalization, the practice shows that it can be administered either by a supra-municipal authority or directly between municipalities. For instance, Italy's Fund of Municipal Solidarity redistributes property tax revenues to balance fiscal disparities, while in Switzerland, the Cantons of Vaud and Fribourg manage horizontal equalization systems with caps to prevent excessive redistribution and encourage fiscal responsibility among less affluent municipalities. These mechanisms aim to ensure that all municipalities can provide essential services despite differences in their revenue bases.

Ultimately, the financial equalization mechanisms employed by different countries reflect their unique organizational set-up, priorities, and challenges. In addition to systems supporting financially weaker municipalities, there are also cases of transfers that acknowledge the positive externalities that larger cities generate, which can sometimes unintentionally strengthen the financial position of urban centers.



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Croatia: How is the fiscal equalization fund helping to bridge the urban-rural divide?

The [Fiscal Equalization Fund in Croatia](#) stands as a pivotal mechanism in bridging the economic and social divides between urban and rural local governments (RLGs). As rural areas face increasing depopulation due to limited economic opportunities, quality education, and social infrastructure, the need for a financing system that accounts for the fiscal capacities of different regions has become more pressing than ever. This case study explores how the Croatian government has responded to these challenges through a targeted fiscal equalization approach.

Before the introduction of the Fiscal Equalization Fund, the fiscal landscape in Croatia was highly uneven. Rural local governments, already grappling with depopulation, faced a stark difference in their ability to provide public services compared to their urban counterparts. The fiscal capacity disparity was glaring, with a 1:29 ratio in rural areas versus a 1:6 ratio in urban areas. This inequality led to a vicious cycle where underfunded RLGs were unable to maintain essential services, prompting residents to relocate to more prosperous areas, further exacerbating the decline in the rural tax base.

Conversely, the influx of taxpayers to urban centers placed immense pressure on communal and traffic infrastructure, health, and education facilities, and distorted real estate markets. This migration strained urban resources and hindered the ability of these areas to maintain a high quality of life for their residents. The challenge was clear: to create a system that could alleviate the fiscal disparities while fostering balanced regional development.



In response to these challenges, the Croatian government, in collaboration with research institutions, academia, and local government associations, restructured the fiscal equalization mechanism in 2017. This restructuring led to the introduction of a simplified Personal Income Tax (PIT) redistribution model and the creation of a non-earmarked Fiscal Equalization Fund.

Under this new system, local governments receive 60% of the PIT collected within their jurisdiction, with an additional 17% allocated to the Fiscal Equalization Fund. The Fund automatically redistributes these revenues daily, ensuring that all local governments, regardless of size or fiscal capacity, have the resources needed to provide essential public services. The allocation of funds is based on a formula that considers the type of local government (urban or rural) and its historical fiscal capacity relative to national averages.

The impact of the Fiscal Equalization Fund has been significant. In its first year of operation, fiscal disparities between rural and urban areas were markedly reduced—from a 1:29.1 to a 1:6.8 ratio in rural municipalities and from a 1:6 to a 1:3.2 ratio in urban areas. While these results are promising, further research is necessary to fully understand the long-term effects of the system on economic development, demographic trends, and social infrastructure.

Moreover, the success of the Fiscal Equalization Fund can be attributed to its focus on fiscal capacities rather than a one-size-fits-all solution. By allowing local governments the autonomy to set their spending priorities, the system has empowered them to address their unique challenges more effectively.

Croatia's Fiscal Equalization Fund is a critical step towards achieving balanced regional development. By addressing fiscal disparities and providing local governments with the resources needed to sustain public services, the Fund plays a vital role in countering rural depopulation and alleviating urban pressures. As the system continues to evolve, it will be essential to monitor its long-term impact and ensure that it remains responsive to the changing needs of both urban and rural communities.



Image by Pietro De Grandi on Unsplash

Italy: Enhancing the inter-municipal equalization mechanism in the Province of Trento

In Italy, there are three main types of local governments: first-tier local governments (*comuni*), metropolitan cities (*città metropolitane*), and provinces (*province*). Provinces act as intermediary bodies between regions and municipalities, primarily coordinating policies and public services. The Autonomous Province of Trento includes 166 municipalities, mainly located in mountainous areas with sparse flat valleys, leading to a significant disparity in population distribution. Population density ranges from 789 to just 6 inhabitants per square kilometer, creating a stark divide between the few urban municipalities and the many rural ones in terms of both revenues and expenditures.

To address these imbalances, an [inter-municipal equalization fund](#) was established to ensure a comparable level of services throughout the province. The general rules for the fund allocation are set by Provincial Law, with detailed regulations agreed upon annually between the province and local entities.

This system aims to balance service quality and ensure equitable resource distribution across the province's diverse geographical and economic landscape. Until 2020, the fund was distributed based on a standardized level of expenditure assessed for each municipality, considering factors such as cost differentials in service delivery, fiscal capacity disparities, actual revenues versus standard values, types of services delivered and provincial policy implications. The equalization fund serves dual purposes of vertical and horizontal equalization. For example, in the 2019



agreement, the province funded over 80% of the fund, while municipalities contributed up to 20% of their revenues.

In 2020, the Autonomous Province of Trento introduced a revised equalization system to address financial disparities among its municipalities. The new system focuses on adjusting financial support based on standardized expenditure levels and municipalities' revenue capacities, prompted by a 2017 analysis showing some municipalities with fewer than 15,000 residents had consistently negative or unstable current balances.

The 2020 agreement revised distribution criteria to enhance accuracy in financial support. Standard expenditures are now calculated using an econometric model that considers population size, demographics (such as the share of population aged 1 to 5 years and over 65 years, and population density), and geographical factors (altitude and area). Municipalities' fiscal capacities are assessed by comparing actual tax revenues against standardized benchmarks based on demographic dynamics, the number of tourists, businesses, houses, and taxable income. Transfers are adjusted to ensure municipalities with lower revenues receive adequate support while still encouraging local revenue generation.

The new equalization model, implemented gradually with full adoption by 2024, marks a significant shift from the 2018 system. Though it is too early to assess its full impact, the model demonstrates a political commitment to valuing even the smallest municipalities and maintaining local public services close to citizens, contrasting with previous administrations that favored municipal mergers and inter-municipal cooperation. The updated system enhances the fairness of financial distribution by more accurately reflecting the varied needs and revenue capacities of municipalities. It aims to reduce long-standing disparities and provide a more stable financial base for smaller and economically weaker municipalities, thus promoting balanced regional development throughout the province.

Local Government Tax Revenues

Local government tax revenues are a critical component of subnational finance, accounting for [31.5% of subnational revenue and 2.9% of GDP globally](#). However, significant disparities exist between urban and rural areas. Urban municipalities generally enjoy a stronger financial base due to higher economic activity and real estate values, enabling them to generate more substantial revenue from taxes and fees. These cities are also better positioned to access credit for capital investments. In contrast, rural (and smaller) municipalities generally depend more on transfers from regional or central governments, as their limited fiscal and financial capacity provide less revenue from local taxes and fees.

Rural local governments face significant challenges in collecting tax revenues due to their inherent technical, organizational, and economic limitations. Smaller municipalities often struggle with the complexities of managing, auditing, and collecting local taxes, which are crucial for their financial stability. In Spain, these challenges have led many rural municipalities



to delegate their tax-related functions to upper-tier local bodies, such as provinces, as indicated in the case study from Spain.

[Property tax is a cornerstone of local taxation worldwide](#), constituting up to 34.1% of local tax revenue. Despite its importance, property tax remains underutilized in many countries, especially in developing regions, due to challenges in its administration and collection. To harness this significant revenue source more effectively, numerous countries are reforming their property tax systems. Even in developed economies, reforms to property tax systems are ongoing to maximize this revenue source, although in many cases, there is huge public pressure in higher levels of government to limit the tax increase. The case study from Canada shows that in Ontario, property taxation is central to local government finance, but the reliance on this revenue source has led to fiscal challenges, particularly in rural municipalities with lower property values.

User fees and charges also play a significant role in financing local governments, although their share of GDP and subnational revenues varies widely across the globe. Fees and charges offer a direct link between service consumption and payment by users, promoting accountability and transparency. However, these fees are often criticized for their potential regressive impact and the complexity of their implementation, requiring a careful balance between cost recovery and equity. Effective design of user fees requires a thorough understanding of service costs and a transparent approach to setting rates, ensuring that they do not disproportionately burden lower-income individuals.



Image by Frank Eiffert on Unsplash

Spain: How do small municipalities overcome tax management challenges by delegating collection to higher authorities?

In Spain, municipalities, particularly smaller rural ones, face significant challenges in managing, auditing, and collecting local taxes. These challenges stem from the technical, organizational, and economic limitations inherent in smaller municipalities. To address these issues, many municipalities [delegate their tax-related functions to upper-tier local bodies such as provinces](#). This case study examines the practice of delegating tax competences to autonomous public bodies (OAPs) created by provinces, focusing on the efficiency, effectiveness, and potential inequalities in this system.

OAPs are specialized entities established by provinces to manage, collect, and audit taxes on behalf of municipalities that choose to delegate these functions. Municipalities can delegate all or specific tax-related responsibilities to an OAP, with the scope and content of the delegation defined by formal agreements. While municipalities retain the autonomy to manage their taxes, delegating these tasks to OAPs helps alleviate the technical and organizational burdens they face, particularly in rural areas. The territorial scope of OAPs covers the entire province, allowing them to manage taxes across multiple municipalities, which can lead to more efficient and effective tax collection. In return for their services, OAPs charge municipalities a percentage of the taxes collected. Additionally, OAPs may provide municipalities with down payments for expected tax collections, which can be particularly useful for local taxes like the Local Property Tax and Local Trade Tax.



As of 2015, 25 out of 50 Spanish provinces had established OAPs, and approximately 4,373 out of 8,131 municipalities had delegated some tax-related functions to these bodies. The delegation system has proven advantageous in several ways. Firstly, it has led to significant improvements in tax collection, particularly for small municipalities that lack the resources to manage these functions independently. Secondly, the broader territorial scope of OAPs compared to individual municipalities has facilitated more consistent and effective tax management.

However, the delegation system is not without its challenges. The effectiveness of OAPs can vary significantly depending on the size and needs of the municipalities they serve. For instance, in the province of Barcelona, the OAP has managed tax collection for both small rural municipalities and larger urban ones. The delegation agreements with small municipalities have generally been effective, but those with larger municipalities, such as Barcelona City Council, have sometimes strained the OAP's resources, leading to inefficiencies and even the cancellation of certain delegations.

In summary, delegating tax competences to OAPs has proven to be an effective strategy for addressing the challenges faced by small and rural municipalities in Spain. By centralizing tax management functions at the provincial level, OAPs help ensure more efficient and effective tax collection, particularly for municipalities with limited resources. However, the delegation system must be carefully managed to avoid overburdening OAPs, especially when serving large municipalities. In general, while smaller municipalities benefit from delegating a wide range of tax functions, larger municipalities may find it more effective to delegate only specific tasks, such as tax collection, to ensure the sustainability and efficiency of the system.

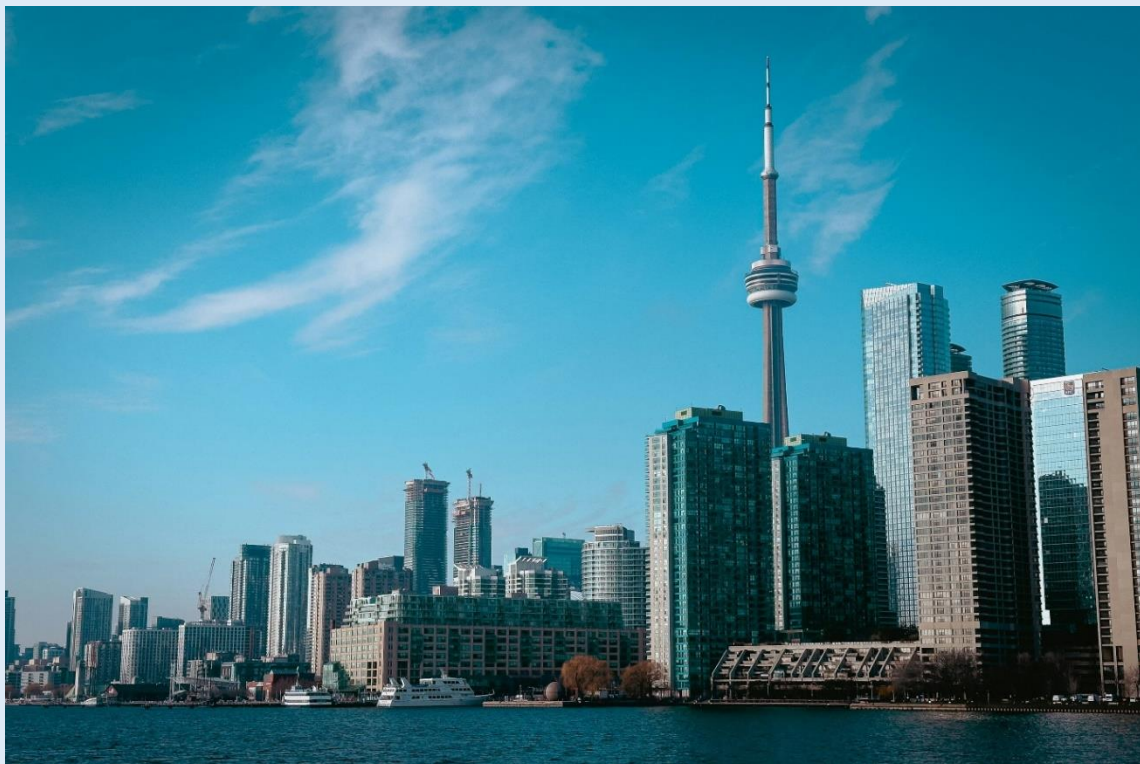


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Canada: How do Ontario's property taxes and provincial transfers shape local government finances?

Property taxation plays a crucial role in funding local governments in Ontario, Canada. While Ontario municipalities are less dependent on property taxes compared to the national average (around 40% of all local government revenues), they face unique challenges due to provincial mandates requiring them to deliver a range of social services. This case study examines the [fiscal capacity issues caused by heavy reliance on property taxes in Ontario's rural and urban areas](#), as well as the re-emergence of provincial funding transfers to address these challenges.

In Ontario, many rural municipalities have been economically and demographically stagnant, reflected in lower property values compared to urban areas. Despite amalgamations in the late 1990s, rural municipalities remain small, with limited tax bases, constraining their fiscal capacity. This results in a lag in service provision compared to urban counterparts. Urban areas, on the other hand, face a different set of challenges. While their assessment bases are healthy and growing, the visibility of property taxes creates political pressure to limit increases, constraining the revenue growth necessary to fund expanding urban needs, such as infrastructure and affordable housing.

To address the fiscal challenges of rural municipalities, the Ontario government introduced the Community Reinvestment Fund in 1998, later renamed the Ontario Municipal Partnership Fund (OMPF) in 2005. This program provides unconditional transfers aimed at fiscal equalization, particularly benefiting small, assessment-poor municipalities. Distributing approximately CAD 500



million annually, the OMPF takes into account population, economic variables, and property values. Although this program significantly aids small rural municipalities, it constitutes a minority of overall provincial transfers and is spread thinly across many municipalities, with its future uncertain due to yearly budget allocations.

In urban areas, the provincial government has increasingly supported major capital infrastructure projects through conditional transfers, particularly in public transit. This support emerged partly due to local lobbying and the federal government's capital infrastructure funding programs requiring matching funds. While these investments have led to significant infrastructure development, they have also faced high transaction costs and delays due to the need for multi-level political approval.

Toronto, Ontario's largest municipality, successfully lobbied for the authority to levy new taxes, including a vehicle registration tax and a land transfer tax, through stand-alone legislation passed in 2008. While the land transfer tax has remained a significant revenue source, the vehicle registration tax faced intense political resistance and was repealed in 2011. This case illustrates the challenges of diversifying local revenue sources, even when granted by the provincial government.

In conclusion, Ontario's reliance on property taxes has led to distinct fiscal challenges in rural and urban municipalities, prompting varied provincial responses. While programs like the OMPF have provided crucial support to rural areas, their limitations and uncertainty highlight the need for more sustainable solutions. In urban areas, capital infrastructure funding has driven development but at the cost of high transaction complexities, since the projects require concurrent political approval at multiple levels of government. The case of Toronto underscores the difficulties municipalities face in adopting new revenue sources, suggesting that diversification of local revenues, while necessary, may be challenging to implement effectively.

Financing Balanced Local Territorial Development

In the European Union, local governments are crucial for implementing policies that address diverse regional needs and promote balanced development. To support these efforts, the EU provides significant financial backing through its Structural and Investment Funds (ESIF). These funds are designed to alleviate regional disparities, support infrastructure development, and foster economic and social cohesion across the continent.

The EU's financial assistance is pivotal in bridging the gap between urban and rural areas. Urban local governments often face high demands for infrastructure and services due to growing populations, while rural areas grapple with challenges related to depopulation and limited resources. ESIF aims to address these imbalances by directing resources to both urban and rural projects, thereby enhancing regional integration and development.



While EU funds are instrumental in initiating and sustaining local projects, their effectiveness can be constrained by factors such as complex distribution mechanisms and the need for sustained national co-financing. Effective utilization of these funds requires careful coordination between EU policies and national strategies to ensure long-term benefits and equitable growth throughout the EU.

Public-Private Partnerships (PPPs) have emerged as a transformative tool for local governments seeking to develop and manage infrastructure projects by leveraging on private investment. This collaborative model is increasingly favored for its potential to balance cost efficiency with effective project execution. By combining public authority resources with private sector expertise and investment, PPPs offer a viable solution for undertaking complex and capital-intensive projects, particularly in infrastructure development.

PPPs are used across various sectors, but they have been notably effective in education and road construction, where they address both the financial and operational demands of such projects. In many countries municipalities have employed PPPs to develop essential community infrastructure. This model allows them to undertake significant projects that might otherwise be beyond their financial and administrative capacity.

The essence of a PPP lies in its contractual framework, which enables public and private entities to share responsibilities and risks. Unlike traditional procurement processes, PPPs involve private companies in the entire lifecycle of a project—from financing and construction to maintenance. This integrated approach not only mitigates the financial burden on LGs but also ensures that projects benefit from private sector efficiency and innovation.

While PPPs offer substantial advantages, including reduced immediate financial strain on local budgets and enhanced project management, they are not a panacea. The success of a PPP depends on careful planning, clear risk allocation, and effective management. As such, municipalities must conduct thorough pre-assessments to determine whether a PPP is the most efficient and viable approach for their specific needs. This exploration into PPPs highlights their role as a crucial strategy for local infrastructure development, reflecting a growing trend towards innovative and collaborative solutions in public service delivery.



Image by Jürgen Polle on Pixabay

Austria: How do Austrian local governments bridge urban-rural gaps through the EU Structural Funds?

Austria's approach to local government finance has long grappled with the challenge of balancing resources between urban and rural areas. Urban local governments (ULGs) face pressures from rapid population growth and the need for extensive infrastructure, while rural local governments (RLGs) contend with issues like depopulation and reduced economic activity. The allocation of funds to address these disparate needs is a complex task, complicated by an intricate system of subsidies and transfers. The European Structural and Investment Funds (ESIF) have emerged as a critical tool in addressing these challenges, aiming to [promote equity and development across Austria's diverse regions](#).

During the EU funding period from 2014 to 2020, Austria received substantial support through the ESIF programs, amounting to €4.92 billion, complemented by €5.74 billion in national co-financing. The allocation of these funds was heavily skewed towards the European Agricultural Fund for Rural Development (EAFRD), which received 72.5% of the total, followed by the European Regional Development Fund (ERDF) at 20%, and the European Social Fund (ESF) at 8.2%. The European Maritime and Fisheries Fund (EMFF) accounted for less than 1% of the funding, making it the smallest contributor.

The ESIF played a pivotal role in supporting both innovative urban initiatives and regional development projects across Austria. The funding significantly reduced spatial disparities, with the



highest per capita funding intensity observed in peripheral rural areas. This distribution indicates that RLGs have benefited more from ESIF compared to ULGs, largely due to the focus of the individual funds and programs.

The ESIF's role extends beyond just financial support; it has facilitated multi-level governance approaches, fostering collaboration between ULGs and their surrounding rural areas. Programs like the Austrian "Investment in Growth and Jobs" have bolstered urban-regional cooperation, such as the collaboration between the City of Villach and its rural surroundings through LEADER resources from the EAFRD. Additionally, cross-border initiatives, such as those in the Lienz Valley with Bruneck in South Tyrol, have been supported by EU's Interreg programs, highlighting the role of EU funding in enhancing regional and cross-border cooperation.

Despite these benefits, challenges remain in leveraging EU funds effectively. The complexity of funding structures, multiple funding authorities, and a lack of long-term sustainability have hindered the ability to fully utilize EU resources. For instance, the funding available for ULGs has been limited, particularly in areas like sustainable urban development, while the EAFRD predominantly supports smaller RLGs. The 2018 Styrian Regional Development Law illustrates an effort to address these challenges by integrating EU funds into regional development strategies and promoting inter-municipal cooperation. This law provides €12 million annually for regional projects, which can also serve as co-financing for EU-funded initiatives.

In summary, EU funding has become increasingly significant in Austria's regional policy, contributing to both urban and rural development. While RLGs have historically benefitted more from the distribution of ESIF, recent shifts towards supporting functional areas and cooperative regional governance suggest that ULGs will see greater benefits in the future. However, to fully capitalize on these opportunities, ongoing improvements in the management and integration of EU funds are needed. The Austrian Association of Cities and Towns and the Austrian Conference on Spatial Planning (ÖROK) highlight the need for enhanced regional resource potentials and more effective use of funding to address the urban-rural divide sustainably.



Image by torstensimon on Pixabay

Germany: The dynamics of building infrastructure through public-private partnerships in Bavaria

Public-Private Partnerships (PPPs) have become an integral part of infrastructure development in Germany, with local governments leveraging this model to manage cost-intensive and complex projects efficiently. In Bavaria, PPPs have been utilized extensively to address both urban and rural infrastructure needs, including educational facilities, public swimming pools, and sports complexes. In other German Länder, LGs also realize projects such as the handling of sewage and waste facilities under a PPP model. This case study delves into the use of PPPs in Bavaria, highlighting their benefits, challenges, and specific applications within the region.

The PPP model in Bavaria is employed to combine public oversight with private sector efficiency. Under this model, local governments collaborate with private entities to finance, build, and sometimes operate infrastructure projects. The goal is to minimize public debt while ensuring high-quality and cost-effective project execution. In Bavaria, PPPs predominantly follow the availability-based model, where the government bears the risk of project utilization. This approach is particularly suited for projects that serve the public without direct user fees, such as schools and roads.

Bavarian municipalities, both urban and rural, have used PPPs to construct new school buildings. For example, the city of Nuremberg and towns like Poing and Kirchseeon have partnered with private firms to develop modern educational infrastructure. This approach allows for the rapid construction of school facilities without the immediate financial burden on municipal budgets.



PPPs have also been employed for the development of public pools and sports facilities. Ingolstadt and Sonthofen are notable examples where local governments have partnered with private entities to create state-of-the-art recreational facilities. These projects are financed and operated by private partners, with the government overseeing compliance and quality standards.

Despite their advantages, PPPs in Bavaria face several challenges:

Complex Contractual Relationships: The contractual arrangements in PPPs can be intricate, involving detailed risk-sharing agreements and long-term commitments. This complexity can lead to increased transaction costs and administrative burdens, particularly for smaller municipalities.

Risk Allocation: In Bavaria, most PPPs utilize the availability model, where the government assumes the risk of utilization. This model can be advantageous in ensuring cost-efficiency but may also lead to higher costs if the anticipated usage does not materialize as expected.

Financial Implications: While PPPs can alleviate immediate financial pressures by deferring construction costs, they do not eliminate the financial obligations. Local governments must be prepared for long-term payments and ensure that the overall cost remains manageable.

In conclusion, Public-Private Partnerships have proven to be a valuable tool for infrastructure development in Bavaria, offering a means to undertake significant projects with enhanced efficiency and reduced initial costs. By leveraging the expertise and resources of private partners, Bavarian municipalities have successfully implemented various projects, from schools to recreational facilities. However, the complexity of PPP arrangements and the need for careful risk management and financial planning are crucial to their success. As Bavaria continues to explore this model, it remains essential to balance the benefits of private sector involvement with the public interest to ensure sustainable and effective project outcomes.



3. Structure of Local Government

Karl Kössler

When policymakers are faced with choices about the structure of local government in their country, the existing demographic reality is their natural point of departure. Accordingly, they must consider settlement patterns and how people are distributed between urban and rural areas.

These areas have been traditionally regarded as clearly distinct, based on presumably objective criteria like population density, differences in land use, primary economic sectors, central or peripheral location, and typical landscapes. Today's reality, however, is more complex. This is because major developments like industrialization or transport and communication technologies have blurred the divide between urban and rural areas. In other words, ["a clear-cut visual divide is simply gone"](#) and hybrid areas have emerged. In fact, former rural areas in the urban fringe (also called urban hinterland or "rurban" areas) today often have both urban and rural characteristics. But even among territories that are still clearly rural, a differentiation is needed between more accessible and remote areas. The former are characterized by [better \(infrastructure\) connections to cities and are therefore more similar to urban areas than to remote rural ones](#). Compared to the latter, municipalities in accessible rural areas are usually not confronted with the twin problems of depopulation and an ageing population. Therefore, they are much [better off concerning economic development and employment](#).

As there is therefore a broad spectrum in between the "purely urban" of metropolitan areas and the "purely rural" of remote rural areas, municipalities situated anywhere on this scale need a local government structure that takes their diverse situations into due consideration. This diversity has many aspects and is related, for instance, to demography (population size, social capital, etc.), economic development and fiscal means (e.g. diversification of the local economy, attractiveness for investments, natural resources, etc.) and political weight (e.g. their function as an (urban) center within the region or country). All these determinants influence the extent to which municipalities are able to respond, alone, to the challenges they face. The factors also indicate which reforms to the local government structure would be beneficial.

As for such reforms, they have been typically guided by three different strategies: to reshape, to support, or to link local authorities. A first one, which often seems to policymakers most natural and straightforward, is to enforce or incentivize amalgamations or splits of municipalities (*reshaping* local governments). The rationale is to change boundaries so that the size of the municipality matches the size of the challenges that it faces. Secondly, these challenges can be met by establishing umbrella entities such as districts, counties, etc. or special purpose agencies (e.g. water supply, housing) for assistance to (especially small) municipalities (*supporting* local governments). Thirdly, a viable strategy for structural reform



can be to establish a legal and political framework for formal inter-municipal cooperation or to encourage such collaboration in an informal manner (*linking* local governments).

Mergers and Splits of Local Governments

When it comes to the issue of (re)drawing municipal boundaries, either by merging or splitting local authorities, there is one basic question to bear in mind: What is the [appropriate size of a municipality](#) to ensure a good fit between the scale of local problems and the scale of local government tasked with responding to them? In practice, however, this question is not the only determinant of local boundary changes because the latter often follow political considerations rather than a theoretical blueprint of territorial reform.

From a global comparative perspective, it is important to be aware of the stark [variations of the number and size of local governments between continents, as well as between countries](#) within them. The average population size globally of 56,000 says little given that local governments in Africa and Asia-Pacific are generally larger than their counterparts in Europe, Eurasia and North America and that municipalities in Indonesia have on average more than half a million inhabitants, while those in the Czech Republic have less than 2,000. Yet, these figures are still of some importance. The number and size of the municipalities, i.e. the degree of local government fragmentation, influences the most probable type of boundary reforms: the ones leading to smaller local government units (splits) and the ones resulting in larger units (mergers). In this light, it is hardly surprising that talk of a veritable “merger mania” has in recent decades emerged with regard to both [North America](#) and [Europe](#). By contrast, splits of local governments are more common in countries on other continents such as [Ethiopia](#), even though they have also occurred in a few European countries like [Poland](#).

As for the dynamics of local boundary changes, in many countries they are not driven by municipalities themselves but are determined in a top-down manner by the national or, if it exists, the subnational government. Then, they may have different instruments of coercion at their disposal which fall somewhere on the broad spectrum between forced and completely voluntary boundary changes. In the countries which have ratified Article 5 of the European Charter of Local Self-Government, for example, amalgamations may only be implemented in case of “prior consultation” of the municipalities concerned. However, this procedural requirement does not mean that local consent is mandatory, as is the case in some Swiss cantons where an affirmative vote in a [local referendum is a constitutional prerequisite](#). Another widespread tool that stops short of enforcing boundary reforms against the will of municipalities but may still influence the attitude of the latter are financial incentives. Sometimes called “[marriage bonuses](#)” in the case of mergers, such [incentives are difficult to shrug off especially for small rural municipalities with often scarce fiscal resources](#). Their consent is then rather bought by higher government levels as drivers of territorial reforms rather truly voluntary. Another issue is that these financial subsidies may incentivize



municipalities to get together but cannot make them sustainable in the long run, as the persistent [lack of resources of some Italian local governments even after mergers demonstrates](#).

The reasons why governments sometimes invest significant political and financial capital in local boundary reforms are manifold. Evidently, they depend on whether mergers or splits of local governments are at stake and the preceding degree of local government fragmentation. This is because arguments are all about the above-mentioned appropriate size of a municipality. Typical reasons for making local governments smaller include the aim to create conditions more conducive to small-scale citizen participation, to guarantee service delivery closer to people in rural areas, and to accommodate claims of local communities about their [distinct historical identities, which are particularly strong in rural areas](#) (e.g. in [Ethiopia](#)). Arguments in favor of increasing the size of municipalities usually revolve around more efficiency and the cost savings that this should entail. More specifically, [bigger local governments are expected to have several advantages](#): to reap economies of scale, to have higher administrative capacities through staff specialization and training, and to better stimulate economic growth through lower interest rates. A post-merger evaluation in the Austrian Land of Styria, for instance, identified [positive effects regarding the quality of the local administration and public service delivery](#). Yet, in other cases there after amalgamations often little evidence of efficiency gain and even [scale economies, arguably the most intuitive advantage of bigger size, can only be expected for capital-intensive public services with high fixed costs \(e.g. local infrastructure\) but not for labor-intensive services in crucial areas like education and welfare](#).



Image by James Wheeler on Pixabay

Canada: Forced municipal mergers in Ontario and their aftermath

As the structure of local government is in Canada a provincial prerogative, there are significant differences within the country. Consequently, it is only possible to focus on the situation in single provinces, in this case the situation in Ontario. When a recession set in during the 1990s, a conservative provincial government embarked on a major reform of local government in the name of efficiency and cost reduction. Between 1995 and 2002, it [drastically reduced the number of municipalities in Ontario from 850 to 444](#). Interestingly enough, these mergers were carried out in a top-down manner with hardly any consultation in both rural and urban areas. In fact, particularly controversial amalgamations were the ones giving rise to the new City of Toronto, a municipality with almost three million inhabitants.

While observers [contested in the Toronto case that “merger mania” actually achieved the stated objective of cost savings](#), such [efficiency gains of forced municipal mergers are similarly doubtful in Ontario’s rural areas](#). It is even claimed that amalgamations had a tendency to boost costs due to upward pressure on labor costs for municipal employees in merged local governments and demands to level up public service to the standard of the most generously serviced pre-merger municipality. A particularly critical situation concerned the [amalgamation of rural areas with nearby small and medium sized towns which local government experts assessed differently](#). Some highlighted the benefit of in these cases of enhanced fiscal capacity to improve critical infrastructure, while others emphasized the problem of reconciling divergent policy priorities of the pre-existing towns and rural municipalities (e.g. in the new [Municipality of Chatham-Kent](#)).



Lessons from the aftermath of the 1990s mergers in Ontario seem as important as those from the reform itself, especially regarding the political weight of rural and suburban local municipalities when it comes to mergers. Today, the City of Toronto comprises with roughly three million inhabitants only less than a half of the population of what is defined as the census metropolitan area (CMA). Still, the forced merging of the suburban municipalities with the city would be impossible politically because the sizeable electorate in these areas is crucial for any provincial (and national) election. While the [provincial government was thus prompted by the electoral weight of suburban areas to find metropolitan governance tools other than mergers](#), it has been inactive concerning structural reforms in the case of rural areas due to the *lack of such weight*. As a result, [Ontario's rural municipalities have resorted to bottom-up initiatives of inter-municipal cooperation \(IMC\)](#). To overcome individual capacity limits, they agreed on a range of joint initiatives (e.g. a broadband network throughout rural south-western Ontario) and meet regularly to exchange experiences and assess opportunities for shared services.

Overall, the case of forced municipal amalgamations in Ontario provides several interesting lessons in comparative terms. First, the reform of the late-1990s was triggered by an external shock to which policymakers responded with mergers as an intuitively straightforward and quick cost-cutting measure that is also to sell to voters. This aligns with the experience from other countries, especially in Southern Europe, in the wake of the 2007–2008 global financial crisis. Secondly, analyses have established little evidence of cost savings so that the often-voiced intuition that a simple reduction in the number of municipalities achieves efficiency gains might be wrong. Thirdly, through their lesser electoral weight, rural municipalities have less bargaining power when it comes to decisions about the local government structure than the counterparts in suburban areas. Fourthly, the provincial government's neglect of rural areas regarding structural reforms has not only bred intergovernmental distrust, but also self-reliance of local authorities. In the absence of top-down reforms, the latter started bottom-up initiatives of IMC so that they [actually succeeded "not because of existing \[local government\] structures, but despite them"](#).



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Albania: A case of comprehensive reorganization of the local government structure

In 2014, Albania carried out a wholesale territorial and administrative reform (TAR) of its local government structure by drastically reducing the number of municipalities from 373 to just 61. Moreover, it abolished the previous differentiation into urban and rural local governments and harmonized the new municipalities in terms of their size. The guiding principle was thereby that each new local government unit should form a distinct “functional area”, defined as a space with intensive interaction between its inhabitants and the capacity to provide appropriate public services. The idea was to organize rural parts of each of these units around an urban center so that typically 5 to 6 pre-existing urban and rural local government have been merged into one.

As in many other cases, the rationale behind the TAR was linked to efficiency and cost savings. The reform was sparked by the belief that the fragmentation of local governments had held the country back since its emergence from communist rule in 1992 with regard to local public services and development. In particular, the government espoused the view that local budgets spent too much on salaries and administrative costs and that the drastic amalgamations would free up these financial resources to be then re-invested in local services and investments. While several years after the reform there is not clear evidence of cost savings, the [focus itself on mostly financial considerations has been criticized](#).

Another controversial issue concerned the way in which the TAR was implemented. The process was steered by an ad hoc parliamentary committee together with the Minister of State for Local



Issues and thus dominated by national government institutions. Their leading role was beyond doubt despite the involvement of 12 regional working groups, research institutions and civil society organizations. Even at the national level no broad consensus was built across party lines, as the TAR was eventually approved only by the votes of MPs from the ruling coalition. The [opposition was not against the mergers themselves](#) but regarded unclear responsibilities and inadequate financial resources as the primary challenges for local governments which should be tackled before amalgamations.

Besides the limited involvement of other political actors, the national government was, however, required by the Constitution to ensure some participation of local populations, since Article 108 stipulates that boundaries may not be changed “without first hearing the opinion of the inhabitants.” To comply with this provision an initial proposal to create between 39 and 47 new local governments was subjected to a public consultation process with stakeholders to gather the views of representatives of local government, civil society and businesses and of local communities through an opinion poll involving 16,000 citizens. While there was a change after this consultation process to the definitive territorial map with 61 municipalities, the opposition considered the process too short to be effective and challenged it (unsuccessfully) before the Constitutional Court.

Even if the TAR is a rather recently adopted reform, it offers several important lessons. First, the radical move to eliminate the distinct categories of urban and rural local governments to make way for new units of similar size based on “functional areas” raised certain expectations concerning service delivery. Several years after the reform, however, it remained unclear whether these expectations will be met, as a [survey in 2020 still identified a stark urban-rural divide regarding the availability to public services](#). Secondly, the narrow focus on cost savings is arguably incompatible with expectations to at the same time improve local service provision. Indeed, the latter sometimes conflicts with a reduction of costs (for salaries of those providing services). Thirdly, it is evident that the [Albanian Government passed the TAR following a top-down approach](#). This is reflected in a procedure that ensured the dominance of the national parliament and executive and in the fact that the whole adoption of the TAR was completed in just nine months. Whether this lack of broad consensus and participation will be detrimental to the reforms long-term prospects remains to be seen.

Inter-municipal Cooperation in Rural Areas

Several countries, where amalgamations have not brought the expected results or not been contemplated at all, resorted to inter-municipal cooperation (IMC). Indeed, this option is sometimes promoted as a [“soft” alternative to amalgamation](#), as it similarly aims to benefit from efficiency gains and cost savings through economies of scale concerning public service delivery but at the same time preserve municipal autonomy. As the argument of IMC advocates goes, it first enables – unlike mergers – the flexibility that some local services are provided by a single local government *on its own* and others *jointly* with their mostly (neighboring)



counterparts. Secondly, IMC leaves it to municipalities themselves to decide which services are provided alone and in cooperation, something they are arguably best placed to do because of their knowledge of local circumstances. Obviously, they only have this freedom of choice if IMC is voluntary and not prescribed by a national and/or subnational government.

Indeed, the voluntary or compulsory nature is one of the dimensions to categorize and understand the immensely diverse institutional frameworks of IMC that has accompanied its [rise globally, but especially in Europe](#). As in the above-mentioned case of mergers, voluntariness is rather a matter of degree. Sometimes, like in the case of a [Croatian island, collaboration is completely voluntary without too many incentives required](#), while it is [“strongly” encouraged in other cases, like that of an Italian province, through financial subsidies](#). Examples of municipalities being forced to engage in IMC are quite rare but do exist especially for single functions. In [Austria, for instance, it is mandatory to set up special-purpose associations of municipalities \(Gemeindeverbände\)](#) for some tasks such as waste management.

The degree of voluntariness is also intrinsically linked with another dimension of IMC, i.e. the extent to which it is formalized. Whereas completely voluntary collaboration is sometimes informal, there is in general a vast array of legal forms that IMC may rely on. These range from instruments of public law like inter-municipal agreements, consortia or special-purpose associations of municipalities to private law tools such as foundations and joint public enterprises. An inherent issue of formal IMC institutions is the degree to which they are democratically legitimated and accountable to the electorate and elected bodies of the municipalities involved. Most often the latter merely appoint representatives to IMC institutions which may undermine municipal autonomy.

As mentioned above, efficiency gains and cost savings have been the central aim of IMC and this has led to its [application especially in areas with high potential of scale economies](#) (e.g. school transport, water collection and waste management, tourism and economic development more generally). However, such [collaboration has also pursued other objectives](#) like the enhanced quality, availability and equity of local services, the sharing of risks or pooling of expertise. A key question is then whether these goals are actually achieved. According to empirical research, [cost savings seem to be clearest](#) regarding the above-mentioned areas with high potential of scale economies and, more generally, for smaller municipalities. But to what extent, for example, the [additional cost triggered by the more complex governance structure through IMC bodies](#) again reduces the financial benefits of collaboration is still an understudied question.

All these issues pertaining to real efficiency gains also impact on whether policymakers regard IMC as a viable “soft” alternative to mergers. While they have been [portrayed as such at least since the 1970s](#), the two instruments do not exclude each other. In some countries, amalgamations and IMC have been employed simultaneously as complementary tools for reforms of the local government structure. In other cases, there has been a shift in focus from one tool to the other. The government of the Austrian Land of Styria, for instance, came to



[regard IMC as insufficient and moved to almost halve the number of municipalities](#) through a mix of voluntary and forced mergers. In arguably more countries, however, a shift in focus occurred in the opposition direction, as disillusionment with the benefits of amalgamations sparked renewed interest in IMC. This holds true for the cases of Australia and Italy.



Image by Pixabay

Australia: Moving from mergers to inter-municipal cooperation

Australia was for a long time a country where drastic territorial reforms through mergers enjoyed a certain popularity among policymakers. With the local government structure being beyond the realm of the national government, it was up to the states to carry out these reforms. In the 1990s, the Government of Victoria removed all local governments existing at the time to then draw the boundaries of new (bigger) ones, and Queensland similarly halved the number of its local authorities during the 2000s. Yet, in the latter case, the fact that some of the new units were de-merged already foreshadowed a mounting discontent with amalgamations. Today, it is increasingly acknowledged that “[d]espite advanced financial modelling and optimistic projections, there is currently [no Australian evidence to support the claims that larger local governments are necessarily more efficient](#)”.

As in other countries, such a sentiment has given rise to a shift in focus to IMC as viable alternative. The latter could thereby build on some traditions such as the Regional Organisations of Councils



which have existed in the state of New South Wales since the 1980s and bring together (usually neighboring) local government councils on a voluntary basis. While these organizations may operate as associations, companies or rather informally to combine advocacy and service delivery, 2018 witnessed in the same state the emergence of more formalized IMC called Joint Organisations (JOs). While this is still a form of voluntary collaboration, the JOs are governed by legislation and supported by state funds. It is clear from how these organizations are regulated that they are intended to serve local governments in rural territories, since the Greater Sydney area was deliberately excluded. In fact, the recent years have seen JOs becoming increasingly popular.

The most typical shared services are in the areas of road maintenance, environmental protection, procurement, asset management and human resources. An interesting example is cooperation regarding library services where cities with several 100,000 inhabitants sometimes work together with very small rural local governments in their vicinity which enables the latter access to services that would be unviable for them alone. Among all local services, [waste management is a particular common are of IMC](#), not least in the vast rural environments across the country.

Overall, even though Australia has embarked on a path towards increased IMC in more and more areas of local public services, its formalization is still rather low compared to other countries. Collaboration is mostly ad hoc and small in scale and sometimes also fraught with problems. Yet, it can be expected that both the forms of cooperation and the range of partners involved (perhaps including businesses and civil society) will become more diverse, thereby also increasing the interest in more structured approaches to IMC.

Although in the Australian case, IMC has only rather recently experienced a surge in popularity, the example already offers at this stage some interesting insights. First, it was both political experience and scientific evidence which have led in several Australian states to growing disenchantment with amalgamations as default strategy to enhance the efficiency of local public service delivery. Secondly, newly introduced forms of IMC have tended to be more structured but are still voluntary. Yet, coercion does not appear to be necessary because especially rural local governments see tangible benefits in collaboration. Thirdly, IMC is focused on public services that promise to offer particularly significant economies of scale such as waste management and the number of these shared services is expected to continue to grow in the near future.



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Italy: Growing inter-municipal cooperation with a variety of instruments and regional differentiation

In Italy, IMC had existed for a longer period but experienced particular attention in 1990 when a seminal law attempted to organize and regulate various forms of collaboration. While so-called consortia, i.e. fully-fledged local entities with an assembly and a management board, have been used to a rather limited extent, two other instruments are still today highly popular.

Conventions are agreements between two or more municipalities for joint services and especially common local policing, school services, social welfare and the administrative tasks of the municipal secretariat. It is a flexible tool insofar as it can be closed with fixed member municipalities or open for others to join later. Moreover, it is informal since it does not have its own institutions. One municipality is usually appointed as coordinator. This contrasts with the more formalized unions of municipalities which have their own institutions and by-laws. Unions of municipalities have proved useful, particularly for large-scale cooperation rather than single functions or small municipalities.

It is important to emphasize that since 2010 consortia and unions of municipalities have been used in Italy not only as instruments of voluntary cooperation which is linked to the interplay between IMC and mergers. For a long time, [the national government had long seen the unions of municipalities as merely a preliminary stage to amalgamations](#) and only in 1999 removed the obligation of the former to become one single municipality ten years after their founding. Thus,



the unions of municipalities became an instrument in its own right and began to flourish as an alternative to mergers. In this light and under the impression of the 2007-2008 financial crisis, became even more widespread through [the obligation in 2010 of municipalities with less than 5,000 inhabitants to jointly provide basic services, either through conventions or unions of municipalities](#).

While the latter are generally on the rise, the spread of this form of IMC across Italian regions varies significantly. This is because some of them strongly encourage cooperation through unions of municipalities and others treat them the same as conventions by promoting both instruments. An example of [giving preference to unions of municipalities is the Emilia-Romagna region, the first region passing legislation on IMC](#), which clearly favored this more formalized associative type of collaboration over the mere joint provision of single services. The region's proactive approach entailed that 43 unions of municipalities were soon created involving almost 90% of Emilia-Romagna's local governments. Importantly, the regional government encouraged this form of collaboration through contributions from its "Territorial Reorganization Program 2018-2020", facilitated the coordination between the unions of vastly different size through a regional observatory and monitored effectiveness, differentiating between mature, developing, and new unions. Empirical studies have demonstrated that [the total per-capita spending of local governments involved in unions of municipalities is 5% lower than of those who are not](#).

Overall, the example of how IMC in Italy developed in recent decades offers several important lessons. First, instruments of collaboration emerged from the shadow of mergers, as they came to be seen as a genuine alternative to amalgamations for dealing with the country's many small municipalities. Secondly, the legal framework offered several different tools so that local government practice eventually decided which ones worked better and thus eventually endured. Thirdly, Italy's regionalism enabled significant variation within the country. Some regions nudged their municipalities towards a specific form of IMC, as Emilia-Romagna did regarding unions of municipalities, not only through financial aid but also further support like coordination and monitoring.

The Governance of Metropolitan Areas

The fast and constant growth of metropolitan areas is one of the primary political challenges of our time. When thinking about the structure of local government, one needs to bear in mind that recent decades have [been "characterized by population growth and parallel urbanization in which city areas physically overflowed the jurisdictional limits of their original human settlements"](#).

Today, metropolitan areas, defined as [coherent territories with a large urban core and a socially and economically integrated periphery](#), benefit from specific advantages but also have to cope with specific challenges, which make the way in which they are governed critically important for any country. As for their advantages, these areas play in globalized world ["the role of nodal points where human activities concentrate"](#), having interdependent commercial



relationships with each other as both strong partners and competitors. Moreover, metropolises are also regarded [as facilitators of innovation](#) which is arguably linked to their ability to [attract the “creative class”](#). What gives them a economic edge, is their potential as agglomerations to exploit [economies of scale and benefits of proximity](#) resulting from a critical mass of territorially concentrated people and companies, especially regarding high value-added services and research-intensive sectors requiring a large highly educated workforce. [Specific challenges](#), by contrast, include environmental degradation, congestion, sharp inequalities, and issues concerning the usage of urban space like gentrification, segregation and unaffordable housing.

All these advantages and challenges raise the key question of whether and how the governance of these shall adapt to this new reality of metropolitan growth. Some countries have already done so. South Africa, for instance, introduced a distinct category of local governments, i.e. *metropolitan* municipalities, for the governance of its eight major urban areas, each with populations of nearly one million inhabitants or more. While such institutionalization does not exist in Switzerland, there is at least a Tripartite Agglomeration Conference, which brings together the national, cantonal, and municipal governments, in an effort to coordinate their action, especially the five officially designated metropolitan areas. From a comparative perspective, the scenario that [metropolitan areas are fragmented](#) into numerous small local governments still seems to be prevalent, perhaps because this makes it easier for national and/or subnational governments to dominate through a strategy of “divide and rule”. Their fear seems to be that a unified metropolitan government strengthens mayors so much that they become rivals for higher levels of government. This finding is confirmed by [another study which claims that one-tier metropolitan governments are rather exceptional cases](#). If the boundaries of metropolises as economic and social spaces are not matched by institutional boundaries, some sort of cooperation between fragmented local governments is required regarding the coordination of public services and the sharing of costs.

As interesting as different governance models themselves, is the fact that metropolitan governance keeps changing in many cases which seems to reflect a constant search for more appropriate solutions. Indeed, processes of (re)decentralization appear to be almost as widespread as the typically efficiency-induced amalgamation of fragmented local governments in metropolitan areas. For example, the forced merger in 2002 of the 28 municipalities on Montreal Island following the motto “One island, one city” sparked such opposition, especially from suburbs with anglophone majorities, that 15 municipalities were re-established on the island. Mexico City has similarly struggled for a long time to find the right model of metropolitan governance. As far back as in 1928, the initially autonomous municipalities of the area were transformed into mere delegations of an amalgamated local government which lacked elected institutions. While de-amalgamation was considered during a reform in 2016, the delegations were instead “upgraded” into 16 boroughs elected councils and mayors. In contrast to these two cases of partial re-decentralization, Delhi went into the opposite direction. The Municipal Corporation of Delhi was trifurcated into North, South and East Delhi



corporations in 2012 with the aim to increase efficiency, only to be merged again a decade with reference to financial and administrative constraints. These examples illustrate that metropolitan governance has been the subject of repeated reforms and is therefore a salient issue.



Image by Dominick Vietor on Pixabay

Spain: From sectoral cooperation to more institutionalized metropolitan governance

In Spain, incisive top-down reforms regarding metropolitan governance have been quite scarce. One rare example is the national government's decision in the immediate aftermath of World War II to annex thirteen surrounding municipalities to Madrid which resulted in a tenfold multiplication of the capital's territory. Today, the Institute of Statistics recognizes the existence of 73 functional urban areas, but there is no country-wide legislation attempting to harmonize metropolitan governance. This lack has led to a significant [variety of approaches for different metropolis](#), a state of affairs bemoaned by some as [“metropolitan misgovernment” \(desgobierno metropolitano\)](#).

Granted, there is a legal framework to establish what the Local Government Act adopted by the national parliament calls “metropolitan areas”. These areas must be set up and regulated by the autonomous communities, i.e. Spain's regional governments. The latter thereby have significant leeway, since the national law prescribes little more than that the creation of metropolitan areas should improve the joint planning of services and infrastructure and ensure the representation of all municipalities involved. But the point is that almost no autonomous communities used this possibility provided by the law and instead chose to meet the above-mentioned [needs of inter-](#)



[municipal coordination through other tools](#) such as agreements, joint public or public-private enterprises, consortia, sectoral plans (e.g. for mobility or waste management), etc.

The Metropolitan Area of Barcelona (AMB), which is based on the provisions of the Local Government Act, therefore remains an outlier. When the Parliament of Catalonia established this metro government in 2010, interestingly at a time of heightened secessionist tensions, it could build on some historical precursors. In 1974, during the last years of the Franco dictatorship, the Metropolitan Corporation of Barcelona was established, only to be abolished in 1987 with its public services being transferred to Catalonia's regional government. The latter then set up agencies for specific services such as Metropolitan Entity of Transport and the Metropolitan Entity of Hydraulic Services. But as these sectoral institutions came to be regarded as insufficient for effective coordination, the regional parliament moved to establish the AMB 2010.

In contrast to its precursor this new metropolitan area has a broader range of functions which encompasses, for instance, urban planning, transportation, environmental protection, and economic development. However, most of these responsibilities are shared with the member municipalities so that prior agreement is usually required. Whereas this preserves municipal autonomy, it raises challenges for policies and services of metropolitan interest rather than exclusively local interest. In addition, also AMB funds to implement its initiatives depend – despite a metropolitan tax – largely on transfers from the municipalities so that the latter constantly scrutinize whether the benefits really outweigh the financial cost.

As for the AMB's institutions, the Metropolitan Council with currently 90 members acts as the main deliberative body. While each municipality has at least one councilors and bigger ones several, 25 seats are reserved for the City of Barcelona. Each mayor of a member municipality sits automatically on the council and possible additional representatives are chosen based on the success of political parties in the municipal elections. Another central institution is the Council of Mayors because it can propose actions to the Metropolitan Council and appoints, with the latter's support, the President of the AMB who then nominates a Governing Board. As a presidential candidate needs the backing of mayors from municipalities that represent at least two-thirds of the metropolitan population, the mayor of the City of Barcelona wields veto power. So far, however, Barcelona's mayor him-/herself has always been appointed President.

There are several things that are remarkable about the AMB. First, it reflected a move from merely sectoral institutions, deemed insufficient, to a more institutionalized form of metropolitan governance. Secondly, however, this institutionalization, which is stronger than in any other case of metropolitan governance in Spain, still leaves the AMB as a second-level entity without directly elected bodies. Its operation is therefore quite similar to that of an [inter-municipal coordination body, which sometimes have legitimacy issues](#). Thirdly, the prevalence of functions shared with the municipalities and the AMB's financial dependence further demonstrate that metropolitan governance has been strengthened, but only in a rather cautious manner and not much to the detriment of the municipalities involved.

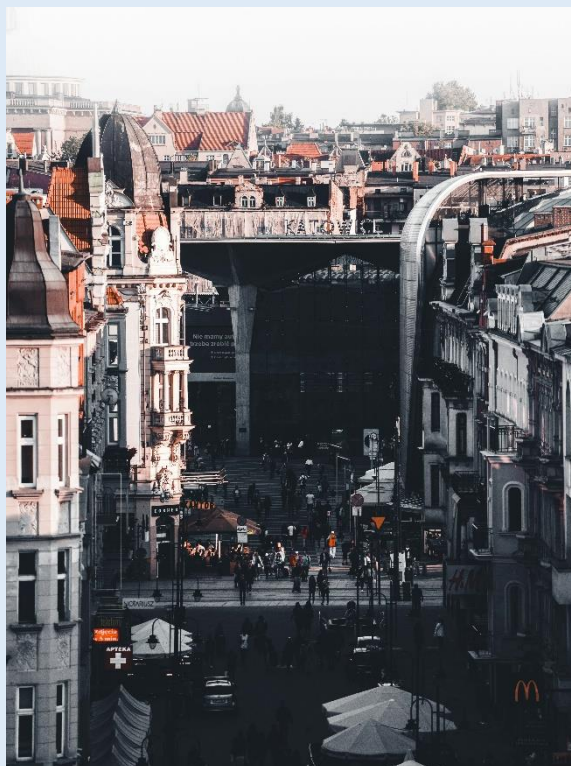


Image by Sebastian Bednarek on Unsplash

Poland: Governing a polycentric metropolitan area

Similar to Spain, there is in the Polish case one first example of institutionalized metropolitan governance that is attentively observed by other local governments and can also provide insights beyond this national context. While the country's territorial reform in 1999 neglected the issue, subsequent years similarly witnessed the failure of top-down initiatives, among other things because of disagreement on what constitutes a "metropolis". It was only in 2017 that the Polish Parliament passed a law to establish the metropolitan union "Upper Silesian and Zagłębie Metropolis" (USZM) within the Silesian Voivodeship. In this case the [metropolitan character](#) was beyond doubt, as the union comprises a polycentric agglomeration which goes back to the metallurgy and coal mining industries of the 19th century and is today home to 2.3 million people, approximately half of the voivodeship's entire population.

The above-mentioned parliamentary act outlined several mandatory features of USZM, among them the existence of strong functional interactions, a coherent territory in spatial terms and a minimum number of two million inhabitants. Interestingly, it also set forth a procedure that required the consultation of the populations of the municipalities to be involved in the USZM. While views could be submitted by post, dedicated boxes at municipal offices or online, only 12,500 inhabitants voiced their opinion with 90% being in favor of their local government's inclusion. Although the consultation was not binding, all 41 municipal councils eventually opted for the metropolitan union. A regulation issued by Poland's Council of Ministers further required opinions from the regional assembly of the Silesian Voivodeship and the Voivode, i.e. the



representative of the Polish government in the region. As for the institutions of the USZM, each member municipality is represented by the head of the local executive, or someone delegated by them in the assembly of the metropolitan union as main decision-making body. A five-member management board is elected in a secret ballot and tasked with carrying out executive functions.

In comparative perspective, the USZM offers several interesting insights that might be worth to be considered in other cases. First, the polycentric nature of the metropolitan areas, which is rooted in the territory's 19th-century economic conditions, seems to have facilitated the establishment and working of the new governance structure. This becomes clearer against the background of the experience with metropolitan institution in Warsaw. In 2002, several neighboring municipalities of the capital were transformed into districts (auxiliary units) of Warsaw so that a population of 1.7 million came under a uniform local government regime. However, the functional area of the capital is still bigger and comprises 39 municipalities with another 1 million inhabitants. Yet, there [was hardly any effective collaboration within this area until the encouragement through the EU Integrated Territorial Investment \(ITI\) program](#). This former lack of cooperation was attributed to the absence of financial incentives, but also to fears of smaller local governments of being dominated by Warsaw, which well illustrates the complexities of a monocentric metropolitan areas. Secondly, in the case of the USZM collaboration did not have to be built from scratch. Indeed, a voluntary inter-municipal structure called "Upper Silesian Metropolitan Union" had been in place since 2007 and it is claimed that this [pre-existing bottom-up initiative actually laid the foundations for the top-down creation of the USZM](#). Thirdly, despite having been established in a top-down manner, the USZM was accompanied by processes of consultation. However, it is also true that these policymakers such as the legislative and executive branch of the regional government and municipalities primarily got involved in these processes rather than the local population of the metropolitan area, only 0.5% of which (12,500 people) participated and cast their votes.



4. Intergovernmental Relations of Local Government

Elton Stafa

Intergovernmental relations (IGR) refer to all the processes, mechanisms and institutions in place in a given country through which the various levels of government interact and relate with one another to exercise government power and achieve common or concurrent policy purposes. IGR are the “lifeblood” of any state premised on formal rules which introduce a vertical distribution of responsibilities. The nature and intensity of IGR vary widely depending on factors like the political and legal framework, government structure, and socio-economic context. IGR can be vertical or horizontal and are characterized by both formal as well as informal structures, institutions and processes. It is important to recognize that formal mechanisms are not the sole means of intergovernmental relations (IGR), and at times, they may not even be the most influential. In practice, they can sometimes “carry little weight in the multilevel policy decision process”. In this context, there is a significant difference between urban and rural municipalities, as the world's major metropolitan cities are increasingly influential in policymaking at both the national and international levels. Within this complex landscape, this White Paper focuses on three critical aspects of IGR that stand out: the formal and informal nature of intergovernmental relations; the pivotal role of local government associations (LGAs); and the influence which capital cities and urban local governments exert over IGR.

Firstly, intergovernmental conferences, committees, and commissions are central to IGR, serving as platforms where different levels of government—national, regional, and local—convene to discuss, negotiate, and coordinate policies. These bodies are designed to serve as formal forums that facilitate communication and cooperation across governmental tiers, ensuring that local governments can voice their concerns and contribute to national and regional policymaking. For instance, in countries like Italy, Poland, and Spain, formal bodies such as the Joint Commission of the Government and Territorial Self-Government or the Conference of the State, Cities, and Local Autonomies provide institutionalized channels for dialogue. However, while these forums are crucial for maintaining structured IGR, their effectiveness often hinges on the balance of power among participants and the extent to which the opinions of local governments are considered by higher authorities. There is frequently a predominance of the executive branch.

Secondly, LGAs play a pivotal role in intergovernmental dialogue, acting as the collective voice of local governments in their interactions with national and regional authorities. The national associations, often encompassing both urban and rural local governments, are vital for advocating local interests, fostering consensus, and ensuring that local governments have a seat at the policymaking table. LGAs can be organized also at the subnational level or simply by the typology or the common interest of its constituting entities. LGAs’ effectiveness depends on their internal organization, the strength of their membership base, and their ability



to represent (a diverse range of) local government interests. In countries with well-established LGAs, such as the Spanish National Federation of Municipalities and Provinces (FEMP) or the Swiss Association of Municipalities, these bodies not only advocate for local governments but also contribute to shaping national policies that affect local governance.

Lastly, capital cities and urban local governments often dominate IGR due to their political and economic influence. Larger urban centers typically have more resources, greater administrative capacity, and closer ties to national governments, which allows them to exert disproportionate influence in intergovernmental negotiations. This dominance can skew IGR in favor of urban priorities, often at the expense of rural or smaller local governments. The imbalance is further exacerbated by the fact that urban governments are frequently better represented in LGAs and intergovernmental forums, leading to concerns about equitable representation and the need for mechanisms that ensure a more balanced approach to IGR.

In conclusion, the effectiveness of IGR is shaped by the structures of formal intergovernmental bodies, the advocacy role of LGAs, and the power dynamics between urban and rural local governments. Addressing the challenges within these areas is crucial for fostering a more inclusive and balanced system of intergovernmental relations that truly reflect the diverse needs and priorities of all levels of government.

The Role of Local Authorities in Intergovernmental Conferences

The traditional view of IGR emphasizes formal rules and structures, often focusing on how different government levels interact within legally defined frameworks. However, the literature on local governance has expanded this perspective by introducing the concept of "institutional software," which includes skills, symbols, and relationships that shape governance beyond the formal rules. This shift in perspective reflects a broader understanding of local governance as a complex interplay between formal and informal institutional forces.

Formalized IGR, such as the Conference of the State, Cities and Local Autonomies in Italy or the Joint Commission of the Government and Territorial Self-Government in Poland, provide structured platforms where representatives from local, regional, and national levels regularly or occasionally meet to discuss policies and address challenges affecting local authorities. The involvement of Local Government Associations (LGAs) in these forums is significant, as they often serve as direct members, ensuring that local governments have a voice in shaping national and regional policies. These conferences and committees typically function in an advisory capacity, offering non-binding opinions, and they often include provisions to ensure balanced representation, including the inclusion of smaller or rural local governments. This balanced representation is critical for ensuring that diverse local perspectives are considered



in national or regional policymaking, thereby reinforcing the connection between national governments and local authorities.

The effectiveness of these intergovernmental bodies, however, depends on various factors. Firstly, these conferences must provide a balanced representation of different levels of government, ensuring that local authorities, including both urban and rural municipalities, have a meaningful voice in discussions. This is crucial for addressing the varied needs and challenges faced by local governments across different regions. Other critical factors are the agenda-setting power and the consultative nature of these conferences. In most cases, the higher levels of government chair these intergovernmental bodies and therefore they have [major control over the discussion topics](#). While the consultative function allows for dialogue and coordination, the non-binding nature of the agreements and opinions produced by these conferences often limits their impact. Moreover, the lack of mechanisms to follow up or verify compliance with agreed-upon decisions weakens the effectiveness of these bodies, as national governments may choose to ignore local input, especially on major policy issues. To enhance effectiveness, it is essential for these conferences to focus not only on technical matters but also on broader policy challenges, ensuring that local governments are engaged in meaningful and impactful ways. Furthermore, the dual existence of formal and informal consultation mechanisms can complicate the process, as informal channels, such as party politics, may overshadow formal structures, challenging the ability of these bodies to represent all local governments effectively. Informal interactions, which may be driven by personal relationships, party politics, or other non-legal factors, can also play a significant role in shaping IGR, sometimes overshadowing formal mechanisms.

The duality of formal and informal nature highlights the complexity of IGR and the need to understand the various factors that influence the role of local authorities within this framework.



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Italy: The inclusion of local governments in the multilevel conference system of intergovernmental relations

Italy's multilevel governance structure includes two formal intergovernmental conferences designed to facilitate the inclusion of local governments in national decision-making processes: the Conference of the State, Cities, and Local Autonomies (CSCLA) and the Unified Conference. Established by a decree in 1996 and reformed in 1997, these conferences provide essential platforms where representatives from the national, regional, and local levels of government can discuss policies and address the challenges faced by local institutions.

The CSCLA is unique as it allows for regular interaction between local authorities and the national government. This conference is complemented by the Unified Conference, which integrates the CSCLA with the Conference of the State, Regions, and Autonomous Provinces, thus bringing together three tiers of government. These conferences are the only formal institutions in Italy where local governments have a consistent platform to engage with higher levels of government on issues that directly impact them.

The CSCLA is composed of representatives from both national and local governments. The conference is chaired by the Italian Prime Minister or, by delegation, the Interior Minister or the Minister for Regional Affairs. National government representatives include the Ministers of Finance, Economy, Infrastructure, and Health. Local governments are represented by the President of the National Association of Italian Municipalities (ANCI), the President of the Union



of Italian Provinces (UPI), 14 mayors appointed by ANCI, and six provincial presidents appointed by UPI. A deliberate effort is made to balance representation between urban and rural areas, with the requirement that five of the 14 mayors must represent metropolitan cities.

The CSCLA typically meets once a month, although it is legally required to convene at least once every three months. The Prime Minister, the President of ANCI, and the President of UPI have the authority to call meetings as necessary. The CSCLA's primary functions include coordinating state-local relations, discussing policy impacts on local governments, and examining issues related to the organization and delivery of public services.

The Unified Conference, which brings together the CSCLA and regional representatives, has a similar consultative role but extends its scope to draft laws, legislative decrees, and other acts of common interest to regions and local authorities. While the conference provides opinions on key issues such as the stability pact and finance laws, its recommendations are not binding, limiting its influence on actual policy decisions.

Despite its importance, the Italian multilevel conference system faces several challenges. A significant criticism is the imbalance in decision-making power, with local authorities having a relatively limited role compared to the national government. The Prime Minister's control over the agenda and the non-binding nature of conference decisions further diminishes the impact of local governments in these forums.

Moreover, the system is criticized for often focusing on minor technical issues rather than major policy debates. This has led to local authorities feeling sidelined, especially when their input is ignored by the national government. The absence of a mechanism to enforce compliance with agreed decisions exacerbates this issue, as national authorities can easily disregard the outcomes of these conferences.

The Covid-19 pandemic highlighted the system's limitations but also demonstrated its potential, as the national government began to take the conference system more seriously. However, the pandemic also underscored the difficulty local governments face in speaking with a unified voice, particularly due to the dominance of metropolitan cities within the CSCLA. This has led to a situation where the diverse perspectives of smaller municipalities, especially those from rural areas, are often overshadowed.

Italy's multilevel conference system plays a crucial role in fostering intergovernmental relations and giving local governments a voice in national decision-making. However, its effectiveness is hindered by power imbalances, the non-binding nature of its decisions, and the lack of enforcement mechanisms. For the system to fully realize its potential, there must be stronger integration between formal and informal channels of intergovernmental relations, and efforts must be made to ensure that the voices of smaller municipalities are adequately represented and heard.



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Poland: How does Poland's Joint Commission of the Government and Territorial Self-Government facilitate intergovernmental dialogue?

Poland's governance structure is characterized by a unitary state model, where legislative power is centralized in the Polish Parliament, while the executive power is shared between the central government and local governments. Local governments in Poland operate independently within the executive framework, fulfilling tasks that serve their communities, subject to legal supervision by state authorities. To ensure effective collaboration between these two distinct levels of government, the Joint Commission of the Government and Territorial Self-Government (Komisja Wspólna Rządu i Samorządu Terytorialnego) was established in 1993. This case study explores the significance, structure, and impact of this commission on intergovernmental relations in Poland.

The Joint Commission was created as a response to the need for formalized dialogue between the central government and local government representatives, following Poland's ratification of the European Charter of Local Self-Government. The Charter emphasizes the importance of local governments having a say in matters that directly affect them. Since its establishment, the Joint Commission has evolved into a crucial forum for intergovernmental cooperation, ensuring that local governments have a platform to influence national policy and defend their interests.

The commission's significance lies in its role as a mediator between the state and local governments. It serves as an instrument for dialogue, reflecting the principle of cooperation embedded in Poland's Constitution. This principle is crucial for the functioning of a multi-level



governance structure, where diverse public authorities work together for the common good. The commission embodies this cooperation by providing a structured environment for addressing issues that impact both the central government and local governments.

The Joint Commission comprises 12 representatives from both the central and local governments. The central government is represented by the Minister of General Government and 11 other members appointed by the Prime Minister. Local governments are represented by two members from each of the six major national local government organizations, which include the Union of Polish Metropolises, the Union of Small Polish Towns, the Association of Rural Communes of the Republic of Poland; the Association of Polish Cities; the Association of Polish Powiats; the Association of Voivodeships the Republic of Poland. These organizations represent a wide range of local interests, from urban metropolises to rural communes. It is important to also highlight that the establishment of these organizations was a bottom-up process and independent of central authority.

The commission's internal organization reflects the need to address the diverse interests of different local government units. It has established 12 problem teams (thematic areas), each focusing on specific areas such as rural development, agriculture, metropolitan areas, and urban development. These teams work closely with experts to ensure that their discussions are informed by the latest research and best practices. The commission's main task is to address issues related to the functioning of local governments and the state's policy towards them, including matters related to the European Union and international organizations.

The Joint Commission has become a permanent fixture in Poland's institutional system, with its role enshrined in law. It has the legal right to participate in consultations on legislation affecting local governments, making it a critical player in shaping national policy. The commission also prepares expert opinions and serves as a forum for discussions on local government rights.

The effectiveness of the commission is largely determined by the activity and involvement of the local government representatives. Organizations like the Union of Polish Metropolises and the Association of Rural Municipalities play a pivotal role in raising issues and driving discussions. While some tensions exist between urban and rural interests, the commission provides a platform for these differences to be negotiated and reconciled.

In conclusion, the Joint Commission of the Government and Territorial Self-Government in Poland is a vital institution that facilitates cooperation between the central and local governments. It ensures that local governments have a voice in national policymaking and contributes to the overall stability and effectiveness of Poland's governance system?

The Role of Local Government Associations

Local Government Associations (LGAs) play a pivotal role in intergovernmental relations, serving as the primary voice for local authorities in their interactions with other levels of government. These associations are uniquely positioned to represent the diverse interests of



their members—ranging from urban to rural municipalities—while navigating the complexities of policymaking processes. LGAs are not just another interest group; they are [hybrid organizations](#) that embody both governmental and advocacy functions. Their core mission is to represent local concerns at the national or regional level, a task that becomes increasingly challenging given the heterogeneity of local interests based on territorial and political environments and socioeconomic conditions.

The representation of such a wide spectrum of interests is a fundamental challenge for LGAs. On one hand, they must advocate for the collective needs of their members while managing often divergent interests based on geographical, socioeconomic, and political factors. This balancing act can be particularly daunting given the varied priorities of urban and rural local governments. For instance, urban municipalities might prioritize infrastructure development and economic growth, while rural areas might focus on agricultural support and rural development.

To manage this diversity, LGAs must be well-structured internally and employ a multifaceted approach through a combination of comprehensive political representation, consensus-building, tailored advocacy, and strategic focus on common challenges. Successful LGAs establish specialized commissions and working groups that focus on specific issues pertinent to different types of municipalities. These approaches are very important to fostering a consensus among member local governments through regular consultations and collaborative forums. This approach helps in creating a more balanced advocacy strategy and increases the likelihood of achieving favorable outcomes in intergovernmental negotiations.

Another approach to balancing the divergent interests of various local governments is through the establishment of multiple LGAs, each representing different types of municipalities. In Europe, it is common to have separate LGAs for cities and for other municipalities, ensuring that the distinct needs and priorities of each group are effectively addressed. Additionally, some types of local authorities have created specialized interest bodies to advocate for their specific needs and priorities, further refining the representation and advocacy process within the broader framework of local governance.

The case studies from Spain and Switzerland illustrated below highlight the importance of maintaining a robust organizational structure and leveraging internal expertise. The Spanish LGA's use of thematic commissions and the Bernese LGA emphasis on consensus-building are examples of how LGAs can effectively navigate the complexities of diverse interests. These practices not only improve internal cohesion but also strengthen the LGAs' capacity to influence policymaking and represent their members' interests effectively.

In conclusion, the role of LGAs in intergovernmental relations is both critical and complex. They must balance the diverse interests of their members while navigating a political landscape where their influence is often limited by the power of higher levels of government. Nevertheless, through effective internal organization and strategic advocacy, LGAs can



significantly impact policymaking, ensuring that local governments have a voice in the decisions that affect their communities.



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Spain: How does the Spanish Federation of Municipalities and Provinces harmonize urban and rural priorities?

The [Spanish Federation of Municipalities and Provinces](#) (FEMP) plays a critical role in facilitating intergovernmental dialogue in Spain. As the largest national association of local entities, encompassing 90% of Spain's municipalities, FEMP serves as the primary voice representing local governments in discussions with the state and regional authorities. This case study explores FEMP's role in aggregating local interests, mediating between different levels of government, and addressing the challenges arising from Spain's decentralized political system.

In Spain, local autonomy is constitutionally recognized, but the competences of municipalities are largely determined by state and regional laws. This top-down configuration influences both horizontal cooperation among municipalities and vertical cooperation between municipalities and higher levels of government. Vertical IGRs are particularly significant, as they involve coordination and cooperation across state, regional, and local levels, often through formal mechanisms such as the National Commission of Local Administration (CNAL) and the Committee for Local Issues (CSAL). These bodies serve as consultative platforms where FEMP engages in dialogue with the state and autonomous communities. The CNAL, for instance, is tasked with issuing non-binding reports on laws and regulations affecting local government, making it a crucial venue for FEMP to influence national legislation.

FEMP's role as a coordinator of local interests is multifaceted. At the national level, FEMP represents local entities in the CNAL, where it participates in consultations on laws and regulations



affecting local governments. Although CNAL's decisions are non-binding, FEMP's involvement ensures that local perspectives are considered in state-level decision-making.

FEMP's ability to aggregate diverse local interests and present a unified position is crucial in these intergovernmental platforms, where decisions are often adopted by a simple majority. FEMP manages the diverse priorities of its members through a combination of political representation, consensus-building, tailored advocacy, and strategic focus on common challenges. FEMP's *internal governance* is significantly influenced by party affiliation, which shapes the formation and functioning of its main organs, such as the Territorial Council. This council consists of representatives elected based on political party lines. While this structure prioritizes partisan dynamics, it also allows for flexibility, enabling territorial concerns to sometimes take precedence, especially on issues like rural depopulation or economic disparities.

Secondly, to further integrate local interests, FEMP has adopted a *territorial and sectoral representation* by establishing various sectoral commissions and working groups that address a wide range of issues beyond traditional local government competencies. These commissions enable FEMP to coordinate and advocate for local interests on national issues, such as the digital agenda or the demographic challenges facing rural areas. FEMP employs a *consensus-driven approach* to decision-making, where conflicting priorities are addressed through extensive deliberation and negotiation within its commissions and governing bodies. FEMP's agenda-setting process is designed to be flexible, allowing FEMP to prioritize issues that have broad support among its members. In its advocacy work, FEMP balances the urban and rural interest, by advocating for policies that address the specific needs of both groups, ensuring that neither is disproportionately favored.

FEMP's role in intergovernmental dialogue in Spain is pivotal, yet complex. While it effectively coordinates local interests and represents municipalities in national and regional discussions, the fragmentation of local interests and the varying priorities of regional associations pose ongoing challenges. Nonetheless, FEMP's strategies for aggregating interests and fostering cooperation have established it as a key player in Spain's intergovernmental relations, ensuring that local governments have a voice in the governance of the country.



Image by Staatskanzlei des Kantons Bern

Switzerland: How does the Association of Bernese Municipalities shape cantonal policy and defend local autonomy through unity in diversity?

The [Association of Bernese Municipalities](#) (ABM) has played a crucial role in representing the interests of municipalities within the Canton of Bern for nearly 70 years. In a country where the cantonal level mainly frames and significantly influences municipal operations, the ABM ensures that the voices of both urban and rural municipalities are heard in cantonal decision-making processes. This case study explores the structure and functioning of the ABM, the challenges it faces, and how it effectively manages these challenges.

The ABM is pivotal in advocating for municipal interests in the Cantonal Parliament and government of Bern. It actively participates in the drafting of laws, regulations, policies and implementing processes that affect municipalities, ensuring that local concerns are considered. The municipalities which are members of the association are often represented by local politicians with ties to the cantonal political scene, enhance its ability to influence decisions. In 2019 alone, the ABM participated in approximately 40 consultations on various issues, from local security to environmental policies, highlighting its proactive role in shaping cantonal policies.

The ABM is an organization regulated by private law, funded entirely by membership fees, with 98% of Bernese municipalities as members. The association's governance is designed to reflect the



diversity of its membership. Its board is carefully balanced in terms of political parties, regional representation, gender, urban and rural areas, and the two official languages of the canton. The board also includes representatives from the association of municipal managers, to make sure that professional knowhow and operational needs and practical concerns are reflected. This structure ensures that the ABM can legitimately represent a wide range of municipal interests and concerns while maintaining political neutrality.

The ABM's approach is one of constructive engagement rather than confrontation. It avoids taking sides in regional political debates or conflicts among municipalities, focusing instead on building consensus and finding solutions that benefit all its members. This approach is guided by constitutional principles such as subsidiarity, fiscal equivalence, accountability, and financial equalization.

One of the primary challenges for the ABM is balancing the diverse and sometimes conflicting interests of its member municipalities. Urban and rural municipalities, for example, often have different priorities and approaches, as do German-speaking and French-speaking communities. To address these challenges, the ABM has adopted a policy of political neutrality, ensuring that it does not become a tool for any particular political agenda. This neutrality has helped the association maintain its credibility and effectiveness as a representative body.

Another challenge is the need to maintain strong relationships with cantonal authorities while advocating for greater municipal autonomy. The ABM has responded by investing in partnership relations and building trust with cantonal counterparts. It collaborates closely with supervisory bodies to develop municipal laws and regulations that align with cantonal frameworks, ensuring that its advocacy is both effective and cooperative. The strong representation of mayors in the cantonal parliament and the possibility of vetoing cantonal decisions by a referendum provide the association with important lobbying tools – and power.

The Association of Bernese Municipalities is a model of how a municipal association can successfully navigate the complexities of intergovernmental relations. By balancing diverse interests, maintaining political neutrality, and fostering strong relationships with cantonal authorities, the ABM has become a powerful voice for municipalities in Bern. Its success demonstrates the importance of careful organizational design, strategic engagement, and adherence to principles that prioritize the collective good over individual interests.

The Distinct Roles and Impacts of Urban and Rural Municipalities in Intergovernmental Relations

Intergovernmental relations serve as the backbone of governance, shaping the interactions and collaborations between various levels of government. These relationships, characterized by both vertical and horizontal dimensions, are essential for understanding how local governments—both urban and rural—navigate and influence the broader governance



landscape. The distinct roles and impacts of urban and rural municipalities in IGR reflect their unique challenges, opportunities, and contributions to policymaking and service delivery.

Urban municipalities, often characterized by larger population, political power and greater economic activity, wield considerable influence in intergovernmental interactions. Their significant economic contributions and complex service demands necessitate a robust engagement with national and regional governments. Urban municipalities frequently participate in IGR through various formal mechanisms, such as national and regional conferences, and associations like the Spanish National Federation of Municipalities and Provinces (FEMP) or the Association of Cities in Ethiopia. These platforms enable them to advocate for policies that address urban-specific issues, such as infrastructure development, economic growth, and social services. Conversely, the City of Toronto's decision to operate independently from the Association of Municipalities of Ontario in 2005 highlights how a major city can influence provincial-municipal dynamics. The case study of Toronto illustrates how urban municipalities, due to their economic and strategic importance, can leverage their influence to secure tailored arrangements, thereby impacting broader intergovernmental frameworks.

Conversely, rural municipalities, which face different sets of challenges due to lower population densities and more dispersed settlements, experience distinct impacts in IGR. Their needs often include access to basic services, economic support, and infrastructure development tailored to less densely populated areas. Rural municipalities tend to collaborate more horizontally with neighboring municipalities to pool resources and address common issues, as evidenced by initiatives like Austria's INKOBA project or Switzerland's regional conferences. These forms of cooperation help bridge the gaps between urban and rural areas, promoting more balanced development and service delivery.

The role of Local Government Associations (LGAs) is crucial in representing the interests of both urban and rural municipalities. LGAs, such as the Bernese Association of Municipalities in Switzerland or Italy's Council of Local Authorities, act as intermediaries between local governments and higher levels of government, advocating for policies that reflect the diverse needs of their members. However, the influence of larger urban municipalities within these associations can sometimes overshadow the voices of smaller or rural counterparts. This imbalance underscores the importance of ensuring equitable representation and addressing the specific needs of all municipalities.

In conclusion, the distinct roles and impacts of urban and rural municipalities in intergovernmental relations highlight the necessity of a nuanced approach to governance. Understanding these differences is essential for fostering effective and equitable governance structures that can address the diverse needs of all local governments, ensuring that both urban and rural areas can contribute to and benefit from the broader governance framework.



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Canada: The City of Toronto's impact on intergovernmental relations in Ontario

In Canada, intergovernmental relations are primarily driven by the constitutional authority that provincial governments hold over local governments. This has led to a predominantly provincial-municipal focus in these relations, with the federal government playing a limited role, primarily through infrastructure funding. The City of Toronto, Canada's largest municipality, has significantly influenced the nature of these relations, particularly in Ontario. This case study examines how Toronto's distinct approach to intergovernmental relations has impacted the broader provincial-municipal dynamic in Ontario.

Ontario's approach to provincial-municipal relations has historically been characterized by a top-down structure, with the provincial government exerting considerable control over local governments. The province has imposed periodic structural reorganizations, reallocated responsibilities, and standardized policies across municipalities. Given this centralized control, municipal input into provincial policymaking has traditionally been limited, with collective action through organizations like the Association of Municipalities of Ontario (AMO) serving as the primary avenue for municipalities to influence provincial decisions.

Toronto's departure from AMO in 2005 marked a significant shift in its approach to intergovernmental relations. Dissatisfied with being one voice among 444 municipalities and having distinct needs that were not adequately addressed within the AMO framework, Toronto chose to represent itself independently in dealings with the provincial government. This decision



was driven by the city's unique challenges, such as higher social service costs and significant infrastructure needs, which required a more tailored approach than what was available through collective representation.

One of Toronto's early successes in this independent strategy was the negotiation of the City of Toronto Act in 2007. This legislation granted Toronto greater autonomy by removing it from the jurisdiction of the Municipal Act, which applies to all other municipalities in Ontario. The City of Toronto Act provided the city with expanded powers and resources, including new taxing powers, allowing it to address its specific challenges more effectively. This move not only underscored Toronto's distinct status within Ontario but also set a precedent for other municipalities considering a similar approach.

Toronto's decision to operate independently from AMO had ripple effects across Ontario's municipal landscape. The city's withdrawal prompted a crisis within AMO, leading to internal reforms that ultimately strengthened the organization's ability to represent municipal interests at the provincial level. This highlights how Toronto's actions have indirectly benefited other municipalities by forcing AMO to become a more effective advocate for local governments.

However, Toronto's independent approach has also revealed some limitations. While the city has successfully negotiated distinct agreements with the provincial and federal governments on various issues, its independent status has not been advantageous in addressing regional challenges. The lack of coordination between Toronto and the surrounding 24 municipalities, which collectively house around 3.5 million people, has led to deepening divisions on regional policy priorities, particularly in areas like transportation and planning. Additionally, Toronto's intergovernmental relations have been destabilized by the city's unstable political leadership, which has hampered long-term collaboration on major transportation infrastructure projects.

Toronto's strategy of independently managing its intergovernmental relations has had mixed outcomes. While it has enabled the city to secure unique legislative and financial arrangements that address its specific needs, it has also highlighted the challenges of operating outside a collective framework, particularly in addressing regional issues. The case of Toronto underscores the complexities of intergovernmental relations in Ontario and the delicate balance between autonomy and collaboration in achieving effective governance.



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Austria: Horizontal Cooperation Among Small Municipalities to Promote Economic Development

The INKOBAs initiative, established in 2001 by the Land Upper Austria, represents a strategic approach to inter-municipal cooperation aimed at stimulating economic development in peripheral regions. The program enables small and medium-sized municipalities to collaborate in creating and promoting business parks and settlement areas. This case study explores how INKOBAs horizontal cooperation impacts intergovernmental relations and addresses the challenges faced by smaller local governments.

Small municipalities often struggle to attract businesses due to limited resources and infrastructure capabilities. The INKOBAs initiative addresses these challenges by fostering cooperation among municipalities to jointly develop business locations. By pooling resources, municipalities can overcome individual limitations and enhance their attractiveness to companies, thus bridging the gap between smaller and larger municipalities and reducing competition.

The INKOBAs model emphasizes the importance of horizontal cooperation, where multiple municipalities form a *Gemeindeverband* (municipal association) to collectively manage business site development. This approach not only facilitates the sharing of financial and infrastructural



burdens but also strengthens the negotiating position of participating municipalities in their interactions with higher levels of government and businesses.

INKOBA operates through various *Gemeindeverbände*, where municipalities collaborate to prepare and market business locations. Each participating municipality shares the costs of site preparation and infrastructure development, as well as the revenues from municipal taxes generated by businesses. This shared responsibility and revenue model promotes equitable distribution of benefits and burdens among the involved municipalities.

Business Upper Austria, the business agency of the Land, plays a crucial role in supporting INKOBA initiatives. It provides financial incentives, technical assistance, and strategic guidance to ensure the successful development of business parks. The agency's involvement reflects a combination of bottom-up and top-down processes, with the Land providing subsidies and oversight while municipalities execute the local development projects.

INKOBA's Impact on Intergovernmental Relations:

- **Enhanced Collaboration:** INKOBA fosters collaboration among municipalities, reducing competitive pressures and promoting a unified approach to regional development. This cooperative model helps align the interests of various local governments and enhances their collective influence in intergovernmental dialogues with the Land.
- **Resource Pooling:** By pooling resources, smaller municipalities can develop business locations that would be unfeasible individually. This not only improves the overall attractiveness of the region but also demonstrates the value of horizontal cooperation in managing shared resources and infrastructure.
- **Strengthened Negotiating Position:** The collaborative nature of INKOBA projects strengthens the negotiating position of participating municipalities. With combined efforts, they can present a more compelling case to businesses and higher-level governments, resulting in better support and investment for their regions.
- **Equitable Distribution of Benefits:** The shared financial model ensures that all participating municipalities benefit from increased business activity and tax revenues. This equitable distribution helps mitigate disparities between urban and rural areas, promoting balanced regional development.
- **Institutional Support:** The involvement of Business Upper Austria and the Land in managing and supporting INKOBA projects highlights the importance of institutional support in successful horizontal cooperation. This support not only provides necessary resources but also ensures that the cooperative model is effective and sustainable.

Despite its successes, the INKOBA initiative faces challenges. The establishment of a *Gemeindeverband* requires significant coordination and consensus among municipalities, which can be time-consuming and complex. Additionally, competitive pressures may still arise if municipalities independently develop business sites, potentially undermining the collaborative efforts.



Furthermore, while INKOBA projects benefit both urban and rural municipalities, ensuring that all participants are equally satisfied, and that the distribution of benefits is fair requires ongoing dialogue and negotiation.

The INKOBA initiative exemplifies how horizontal cooperation among small municipalities can effectively address common challenges and enhance regional development. By pooling resources and collaborating on business site development, municipalities can achieve collective benefits, strengthen their negotiating positions, and improve intergovernmental relations. The INKOBA model demonstrates the potential of inter-municipal cooperation to bridge regional disparities and promote balanced growth across diverse local governments.



5. Citizen Participation in Local Governance

Karl Kössler

Disenchantment with representative government as the only form of democracy has become a widespread phenomenon. Therefore, many countries, and some international institutions, are searching to identify complementary forms of citizen participation which strengthen their democratic systems. As one observer pointed out, [“\[i\]nstitutions as diverse as the World Bank, the United Nations, Brazil’s leftist Workers’ Party, and India’s Communist Party currently promote the adoption of participatory institutions”](#). Importantly, “citizens” eligible to participate are in many cases not only people belonging to the formal category of passport-holders with the right to vote — some participatory processes also involve, for instance, foreign residents or minors.

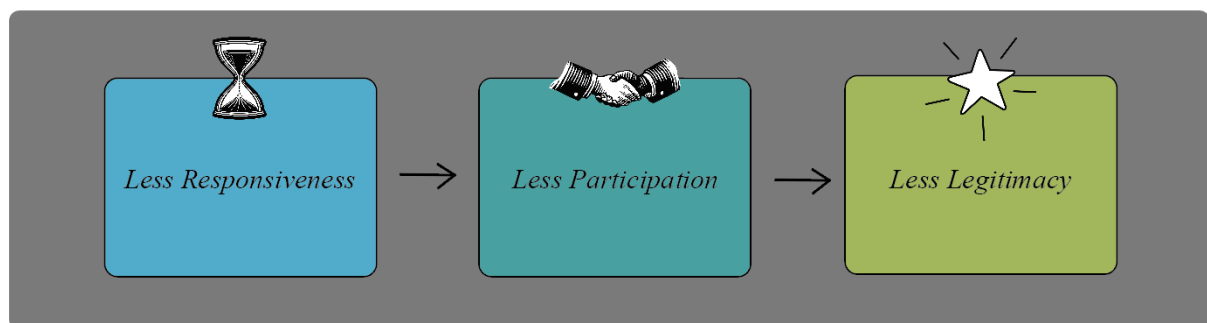
Given the immense diversity of processes, it is perhaps most appropriate to rely on a classic and widely recognized minimum definition of citizen participation. In 1969, Sherry Arnstein emphasized that citizen participation must mean real citizen power to affect the outcome of decision-making. Considering the differentiated scope of this power, her famous [ladder of citizen participation](#) had eight rungs from “manipulation” to full “citizen control”. If a nominal “participatory” tool lacks such “real citizen power” completely, this would lead to an “empty and frustrating process for the powerless”. To prevent such a situation of [“participatory frustration”](#), it is suggested that policymakers do not raise excessively high expectations among citizens which could be easily disappointed. Instead, they should focus on the best possible design of the processes and should, especially, avoid an abrupt discontinuation of participatory tools.

Citizen participation is thus assumed to have real power to influence decisions, but the actual impact of these tools is a crucial question. Early studies of citizen participation have mostly , asserting that increased citizen participation would also increase the inclusiveness of decision-making, the transparency of governance, and the presence of civic skills like debating public issues, or the strength of civic virtues like interest in political life. Additionally, studies have claimed that citizen participation increases the social capital that society can leverage and the legitimacy of both the process and outcome of political decision-making. More recent assessments of the impact of participatory processes, however, have been more skeptical. Part of this skepticism comes from the fact that such processes often lack real diversity, since they are dominated by well-educated people with sufficient time, resources, and confidence who are already active in politics or in civil society. This imbalance has been blamed for nurturing [“diploma democracy”](#), which excludes already marginalized groups and favors those with formal educational credentials. A civic virtue like interest in political life is actually often [a precondition for participation rather than a consequence](#). This lack of representativeness of (local) contributions may challenge the legitimacy and inclusive nature of the participatory processes and outcomes. Another challenge is the linkages to, and possible tensions with,



elected (local) bodies which claim to represent the public interest and aspire to balance the diversity of local interests.

In addition, the increase in legitimacy depends on whether citizens trust that their voices are taken seriously and that politicians act on the outcome of a participatory process. A lack of responsiveness will only further diminish the incentive for people to participate, and a decline in local participation will, in turn, reduce the legitimacy benefit (see the figure below). This brings us back to the aforementioned claim by Arnstein that real participation must mean *effective* influence on the outcome of a decision. If processes lack real citizen empowerment and are controlled in a top-down manner by authorities, these “invited spaces” are not attractive which often entails a tendency of people resorting to *ad hoc* informal channels to make their voices heard (“invented spaces”). Such channels, like protest marches, pickets, sit-ins or flash mobs are not *per se* a bad thing but there remains, as experience from countries such as South Africa shows, a certain risk that participation in invented spaces turns violent.



Participation in Local Planning and Development

Decisions about local development and planning directly shape the environment that people live in. So, it seems only fair that they should have a say in the matter. However, since World War II, spatial planning has been seen as primarily a rational process where experts present proposals and politicians choose among them. This blueprint planning worked on the premise that these two groups involved in the decision-making process should identify what *they* regarded as the needs and preferences of citizens instead of asking citizens themselves. It was only in the 1960s that a [“democratization of planning”](#) with [more collaborative processes](#) was sparked by a mobilization of civil society and scholars with a social justice focus such as Arnstein’s above-mentioned “ladder of citizen participation” and Lefebvre’s [“right to the city”](#) for *all* its inhabitants.

Local development and planning do not only involve the interests of local residents but also concern more general interests of (local, regional or national) economic development, public



infrastructure, or protection of the environment. The question remains which interests will prevail in the local planning processes – and who will take the final decisions. To be sure, participatory processes do not always mean that citizens are truly empowered. Participation in urban planning in Spain, for instance, arguably serves as an instrument for protecting landowners’ interests rather than those of the public at large. However, a general trend towards [more “consensus-oriented” processes](#) involving several actors is undeniable and [“community participation”](#) is seen as a key feature that distinguishes the modern concept of *spatial* planning from traditional *land-use* planning. [Local development is an even broader notion](#) than planning and includes, unlike in an older conception, a transformation of both the local economy and its society. In an attempt to improve living conditions, local stakeholders cooperate with external actors to ensure that local human and financial resources are used in an efficient and sustainable manner.

As with any participatory process, those concerning local planning and development are shaped decisively by their response to the [how, who and why questions](#). As for the first question, the format of the processes will depend on the purpose of the process, and it can be formal or informal, be carried out with varying frequency, etc. Regarding the actors involved, there are differences in the rules for the delimitation of the circle of participants. Participation in spatial planning in Germany, for example, includes a statutory process which is open to the general public, including even people not living in the planning area and non-citizens without voting rights. However, a petition for a referendum on the initiation or termination of a planning process, a complementary instrument, is limited to citizens of the municipality. While the aims of participation can be manifold, such as enhancing the evidence-base for the acceptance of planning decisions and thus facilitating their implementation, assessing local needs and concerns to better respond to them, or tapping into the knowledge of local stakeholders in addition to the expertise of professionals, leading observers have also acknowledged that there is often skepticism on [whether these goals are really achieved](#). A critical perspective is therefore needed on what really works and what does not.



Image by Labsus

Italy: How to realize shared administration of local common goods?

A key question for any local community is how common goods are managed. “Common goods” are resources which are irrespective of formal ownership [freely accessible to all members of society](#). Examples of these goods range from physical structures like public squares, green areas and buildings to immaterial ones such as digital apps. Three years after a referendum against the privatization of water infrastructure had [galvanized commitment to common goods](#), the City of Bologna adopted in 2014 a prototype regulation [elaborated together with researchers from the association Labsus](#) (*Laboratorio per la sussidiarietà*) and other local governments followed suit.

These regulations have since then worked as a very useful legal framework for a shared administration of common goods that involves local authorities and citizens, either individually or collectively through civil society organizations. It is then by means of so-called collaborations pacts that this shared administration is concretely brought to life in four stages: (1) the proposal of an action of general interest; (2) the detailed co-design of the initiative by citizens and the local government; (3) the signing of the collaboration pact; (4) the monitoring phase, which typically foresees a committee for dispute resolution mechanism composed of three members (nominated, respectively, by the local government, the citizens and together).

There are several things that are remarkable about the shared administration of common goods in Italy. The first is the fast spread of local regulations on this issue across the country within only a decade. While thousands of collaboration pacts have been signed, their number differs



considerable from municipality to municipality. However, as [more than 300 local governments have passed regulations in only a decade](#), the legal framework is there and citizens or local authorities *can* use it. Secondly, the model of shared administration has proven to be highly adaptable to different contexts. It was adopted by the metropolitan city of Milan with more than three million inhabitants, and also by small municipalities in the mountains (e.g. Ala) and on Islands (e.g. Giglio) with a population of only a few thousand. Thirdly, while there is not yet a specific law on the shared administration at the national level, there are such [acts of legislation in six regions](#). The [annual reports](#) on developments since 2015 suggest that this genuinely local initiative can develop a broader bottom-up dynamic.



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Spain: How can people participate in rural local development policy?

When the EU recognized that a new approach was needed to promote local development in Europe's rural areas, it launched the LEADER initiative in 1991. Cooperation between actors from



civil society and local authorities within mandatory Local Action Groups (LAGs) was supposed to underpin the decentralized design and management of EU-funded projects concerning the creation of local infrastructures, businesses, services, etc. With a [total of 284](#) Spain is among the countries with the highest number of LAGs.

These groups are set up through a public call for proposals by Spain's regions, i.e. the autonomous communities, and require an application from municipalities. Once established, however, the LAGs become a matter of joint action with the general assembly, the main decision-making body, operating based on majority voting. The assembly is composed of public sector representatives from each municipality associated with the LAG and higher-level governments, on the one hand, and people from the private sphere, on the other. The most numerous and powerful [private members are typically from](#) the economic sector (e.g. companies and agricultural cooperatives), others from special interest groups (e.g. women's or youth associations) or the educational sector. While the number of members ranges from less than ten to more than 150, there is an obligation to have among them not more than 50% from the public sphere, which is, however, [not complied with in each case](#).

Despite these occasional issues with balanced representation, the LAGs can be assessed positively for several reasons. First, they have spread widely across the country, covering 87% of Spain's municipalities, 89% of its territory and 27% of its population. This data also suggests that, despite LEADER's extension in 2014 to urban areas under the new designation community-led local development (CLLD), there is still a focus on rural territories. Secondly, there is more and more evidence that that the LAGs are in these territories the [driving force behind very real economic development](#) which enhances the resilience of local governments on the countryside. Thirdly, the participation of local communities in rural development represents a significant turnaround compared to the traditional top-down approach of Spain's central government. While it cannot be denied that the LAGs are incentive-driven and probably would not exist without them being a condition for EU funds, they have taken root. Today, through joint decisions on the design and management rural development projects, they are among the most impactful participatory processes in Spain.

Participatory Budgeting

It is undeniable that participatory budgeting (PB) has developed into one of the most popular forms of citizen participation. Its diffusion across the globe was probably not imaginable when PB was [invented in 1989 in the Brazilian city of Porto Alegre](#). Typically, the original version and its emulations have in common that they are at their core about a collective deliberation *and* decision about the allocation of a portion of a public budget. This usually involves [several stages](#) of information, consultation, evaluation and prioritization of proposed projects and, eventually, accountability with local governments being obliged *vis-à-vis* their populations to track the progress in implementing the projects. Yet, the worldwide trend towards participation in local budgeting and adaptation to different contexts has also given rise to



certain practices that are beyond this definition of PB. In North Macedonia’s municipalities, for instance, there are four types of community forums with one of these being the budget forums. But unlike PB in the above-mentioned strict sense, these do not involve a *decision* about how to spend a certain portion of funds but *consultation* about the local budget as a whole. This is similar to the South African case presented below.

While the global spread of PB has entailed a considerable diversification, there is arguably still much common ground when it comes to the [aims pursued](#): (1) “voice” by giving citizens a space to articulate their preferences; (2) “vote” through decision-making power in addition to mere deliberation (at least for PB in the above-mentioned strict sense); (3) “social justice” because resources are redistributed to marginalized lower-income groups (at least for the original Brazilian conception of PB and other countries of the Global South such as post-apartheid South Africa); (4) “oversight” because local government spending becomes more transparent. These aims can form a standard for policymakers and researchers to assess concrete practices of PB and comparative studies in this regard has indeed mushroomed, leading even to a [“World Atlas of Participatory Budgeting”](#).



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South Africa: Participation in local budgeting to achieve social justice and development?

In South Africa, the [local population must be involved in the budget process](#) because the country’s constitution requires local governments to structure this process “to give priority to the basic



needs of the community” and “encourage the involvement of communities and community organizations in the matters of local government”. The requirement of public participation pertains to all four stages of the budget cycle, that is the budget’s formulation, its approval, implementation and audit. Yet, such involvement is [typically focused on the approval phase](#) which some observers regard as too late because it is not about shaping the budget from the outset but rather about amending an already formulated draft.

Once the annual budget is tabled in a municipal council in a session that is open to the public, the local community must be invited to submit written or oral comments. These views are gathered through ward committees composed of one ward councilor and ten non-councilors plus, at times, *imbizos*, institutions based on traditional elders’ councils, and then relayed back to the municipal council. The main points of the draft budget must also be placed on a notice board at offices of the municipality to facilitate further comment. Whereas South African judges have ruled that the obligation to involve the public goes beyond formalities to require meaningful engagement and effective participation, some issues remain. For example, the municipal council must consider people’s views and the mayor must have an opportunity to respond to them. But a revision of the draft is only done on condition that this is necessary. Another issue is that the very technical [budget language is not easy to comprehend](#) and those that do are more likely to come from the educational elites whose interests and comments may not represent those of the local community as a whole.

Still, there are several things which South Africa’s case of participation in local budgeting highly interesting in comparison with other countries. A first one is the very inclusive definition of “local community” which comprises beyond residents also non-residents making use of local services and even NGOs operating in the municipality. Moreover, the motto of inclusiveness is reflected in the in the need to give special consideration to disadvantaged groups, among them illiterate people. Secondly, in contrast to PB in the above-mentioned strict sense, involvement relates to the entire draft budget, including not only [spending but also the revenue side](#). Indeed, participation covers both the determination of spending priorities based on existing revenue and the issue of how to raise additional revenue. Thirdly, this South African practice serves beyond other aims like transparency, accountability, effective financial management and trust in local institutions especially the goal of fostering development and social justice through a [more equitable distribution of resources](#). In this regard, it is therefore in line with the original spirit of PB in Porto Alegre.



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Poland: How to employ participatory budgeting in urban and rural municipalities?

Involving the local population in a municipality's budgeting process is something rather new in the Polish case. The first experiment with such participation was carried out in the City of Sopot in 2011, while a [national legal framework for all local governments on so-called "civic budgets"](#) followed seven years later. Even though the civic budget is not limited to cities but has largely remained an urban phenomenon. In addition, an act was passed in 2009 on a "village fund" which introduced participatory budgeting specifically in rural and urban-rural areas, making Poland the [first European country to enact national legislation on participatory budgeting](#).

Both types of participatory budgeting work in quite different ways. In the case of the civic budget there is the possibility to divide the funds into lots that cover the whole municipality and others that only concern parts of it. Given the wider territorial scope and greater number of people involved, the voting for proposed projects is typically online so that participation of younger digitally skilled people is arguably higher, and their projects are more likely to be approved. As for the village fund, eligible projects may never cover the entire municipality since [financial means are reserved for a sołectwo](#) which is an auxiliary unit of a rural or urban-rural municipality. Once the municipal council decided to create a village fund, the *sołectwo* can make a request for the financing of a clearly defined project (e.g. a new playground or pavement) from, which is formulated in a meeting of the residents of this municipal sub-unit. The council of the [municipality](#)



[may decline the request](#), if the project is not within its competences, does not comply with its development strategy or fails to improve living conditions.

Apart from the fact that Poland has two parallel schemes of participatory budgeting at the local level, there are several outstanding features. First, this kind of participation in cities emerged as bottom-up citizen-led initiative, as the first such process in 2011 was inspired by an informal group of people called the Sopot Development Initiative. By contrast, the village fund's creation was characterized by a top-down dynamics, since it came into being with an act passed by the Polish parliament establishing a uniform procedure throughout the country. Secondly, national legislation obliging some municipalities to have civic budgets and introducing financial incentives for the village funds have had the combined effect of popularizing participatory budgeting. In fact, about 70% of local governments in Poland have some form of it. A comparison in 2019 revealed that Poland was with 1,860 the [European country with the highest number of processes of participatory budgeting](#). The law of 2018 made civic budgets [mandatory in all 66 cities with county rights](#). While the decision whether to establish a village fund is voluntary and up to the municipal council, there are still financial incentives which arguably contributed to the diffusion of these funds by convincing the council and mobilizing *sołectwo* residents. Thirdly, the Polish experiments with participatory are remarkable because they rely on different models of financing. In the case of civic budgets, cities with county rights are obliged to subject to this procedure at least 0.5% of the municipality's spending with all means available coming exclusively from their own funds. By contrast, the village fund is based on a logic of co-financing, as the national government contributes a financial bonus for the municipalities initiating such a process. With poorer municipalities receiving a higher bonus, the financing model aims at diminishing territorial inequality.

Digital Participation

As the digital revolution dramatically changed many aspects of life since the late 20th century, the political sphere has not remained unaffected. Notions such as “virtual democracy”, “e-democracy” and “digital democracy” were introduced to capture the ambition of strengthening democracy through information and communication technology (ICT) by involving citizens in political decisions and making government more transparent, responsive and legitimate than with offline participation alone. Like the involvement of people in person, instruments of digital participation can afford quite different levels of involvement. They can seek “only” transparency (e.g. platforms making government data more easily accessible), advocacy (e.g. through petitions), consultation or even co-production with citizens and local authorities engaging in joint decision-making.

Importantly, digital participation should not be limited to so-called “invited spaces” which are, as defined above, provided and often to some extent controlled by (local) governments. Simply by facilitating the emergence of online publics for the exchange of views and mobilization without territorial boundaries, the digital revolution also encouraged the [ad hoc creation by](#)



[citizens of “invented spaces” online](#). Examples are flash mobs and shit storms, phenomena that often (but not exclusively) occur when “invited spaces”, whether online or offline, provide insufficient opportunities for participation. Yet, digital participation is [not merely “a technical fix ... to break particular limits of time, place and size”](#), but a distinct mode of participation that also has its own very specific challenges.

One of them is certainly to strike a balance with the involvement of people face-to-face. It is probably not desirable for the former to completely replace the latter, even less so because digital participation has sometimes been misused as a “cheap” instrument to avoid more cumbersome involvement of people face-to-face. The two modes of participation are thus better seen as complementary, and the local government level with its smaller scale in terms of population seems to be the ideal place to combine them. A second challenge is to invent or customize processes of digital participation. A simple transfer of traditional participatory processes to the virtual sphere does not seem to work. At least this appears to be the case with several efforts to shift participatory budgeting online which resulted in a drastic reduction in deliberative quality and in the process turning into little more than an [“electronic suggestion box”](#). To ensure sufficient quality of deliberation online is indeed a third challenge. While there was initially an expectation that the Internet would facilitate deliberation across communities and therefore make decision-making [“less parochial”](#), some claim that [in the virtual space self-affirmation](#) in aggressive dialogues or pure monologues tends to trump real deliberation based on respect and reflexivity. A fourth challenge relates to a lack of diversity among participants which can be caused, additionally, by other factors than the general ones for involvement offline mentioned above such as education, time resources, etc. Specific factors concerning online participation are inequalities in terms of Internet access and, increasingly, digital skills and motivation. Importantly for policymakers, the latter two exclusionary factors do not only depend on citizens themselves because the conscious design of easy-to-use applications require less skills and may enhance citizens motivation to actively engage.



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Spain: How to employ digital participatory platforms as a versatile tool?

Digital participatory platforms (DPP) appear to have become particularly popular with local governments. These are web-based or software-driven spaces which are not exceedingly difficult to maintain, even for municipalities with limited technical capacities. At the same time, they may be very user-friendly and versatile tools, as they can be used for rather specific issues or as general-purpose tools for citizens' involvement. Indeed, the applications of digital participatory platforms have ranged from online surveys and crowdsourcing initiatives to virtual town halls. A primary example of such versatility is the [platform *Decide Madrid*](#).

When this platform was set up in 2015 based on the [open-source software *Consul*](#), it was [designed as a "one-stop shop"](#) aimed at fostering transparency, open government and e-participation. Once people are registered, there is the opportunity to of direct and individual participation in four areas: (1) to engage in debate forums on topics of their interest; (2) to launch proposals and seek support for them; (3) to decide about the spending of a part of the city's funds through participatory budgeting; (4) to be involved in collaborative legislation regarding citizen initiatives for new regulations reaching a certain threshold of votes or draft regulations shared by the City Council.

To be sure, the decade-long experience with *Decide Madrid* has revealed some challenges such as decreasing interest, unequal participation depending on people's age or ideology, as well as concerns about the security of the platform.



Yet, the platform has several remarkable features. First, it can claim to have accomplished its above-mentioned aims to a significant degree. Transparency is achieved by sharing the draft regulations, etc. with the people registered so that they learn about them. The other goals, that is open government and e-participation, are at least partly realized, even if it is hard to establish concerning draft regulations to what extent the City Council is, [beyond the obligation to consider people's comments, actually influenced](#). Anyway, there is the potential for people to be involved in a high number of public decisions in which people have been involved through consultation and even co-creation, so far more than 1,000. Secondly, [the number of people registered](#) is with 421,211 quite remarkable. Although this amounts to 13% of Madrid's population so that the City Council's aim that all citizens use the platform is not yet reached, this is already a significant number which raises the issue of how to aggregate the views of so many individuals and make them interact. Thirdly, Decide Madrid has had a significant impact as a model for digital participatory platforms worldwide, as its software [CONSUL](#) is currently [used by local governments in 35 countries on different continents](#). Therefore, it can be regarded together with Barcelona's Decidim, which is the basis, for example, for the [ParteciPA](#) used by many local governments, as a particularly popular software.



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Austria: How to devise a comprehensive strategy of open government?

Open government ultimately aims to achieve more legitimacy of public decision-making through the comprehensive involvement of stakeholders and focuses on [three interrelated phases](#). The first stage is data transparency, the second participation and the third collaboration. While transparency forms a basis for participation, collaboration initiatives may result in the production of new data which is again published in transparent way on a data portal. Vienna started an open government initiative in 2011 by launching an open data portal and publishing an [Open Government Implementation Model](#) which emphasized the three phases mentioned above.

Since then, new datasets have been published on [Vienna's portal for open government data](#) in quarterly "phases". This also involves events at which datasets are presented by the public administration, giving stakeholders an opportunity to ask questions and suggest changes. What immediately followed the launch of the city's initiative were workshops with three different groups of stakeholders, namely politicians, businesses and citizens, which pursued the aim to prepare [Austria's first Open Government Data Conference in 2011](#). Moreover, stakeholders have also been involved continuously in other ways. Vienna created a [digital platform](#) based on the [software *discuto*](#) which enables users to be involved in participatory projects and enter a dialogue with the local administration, for example also to suggest new datasets. Another way of giving people a voice regarding open government and beyond is the [app "Sag's Wien" \("Tell it to Vienna"\)](#). With this tool, they can report malfunctions and concerns in a direct manner.

The quite broad open government initiative launched by Vienna has several features that are distinctive and outstanding. First, the city served as a laboratory to try and test which sparked similar initiatives by others. Specifically, the ["Cooperation OGD Austria"](#) was founded, including Vienna and other local governments, the *Länder* and the national government, as well as private actors. This collaboration aims at shaping the future of open government data in Austria and received the UN Public Service Award in 2014 in the category "Improving the delivery of public services". Another way Vienna triggered emulation was the publication of the above-mentioned Open Government Implementation Model which served as a practical guide for other authorities. Secondly, the broader open government movement sparked by the capital city shows that such initiatives must not be a domain of larger urban municipalities. To be sure, they typically have more data to publish and more financial and technical capacities to do so. However, the [list of Austrian institutions adhering to open data principles](#) also includes, for instance, a small municipality like Engerwitzdorf with a population of roughly 8,000 which publishes more datasets than regional capitals with several 100,000 inhabitants. Thirdly, the case of Vienna teaches the important lesson that a comprehensive open government strategy must go beyond merely publishing data on a portal. It demonstrated how the continuous participation of stakeholders through events in-person and online, as well as social media is key, if such a strategy shall be sustainable.



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