OECD Multi-level Governance Studies

Regional Governance in OECD Countries

TRENDS, TYPOLOGY AND TOOLS

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Foreword

The increasing role of regions (i.e. entities immediately below the national level in federal and unitary countries including elected regional governments, co-operation structures at regional level and statistical and planning regions) in investment and service delivery is among the most important multi-level governance reform of the past 50 years. This trend, seen across the OECD and Europe, as well as in Asia, the Americas and to a lesser extent Africa, has taken place in parallel with approaches that increasingly mainstream a territorial approach into policy making at the national and subnational levels

This report provides a comprehensive overview of the regional governance reforms that federal and unitary countries have increasingly adopted over the past 50 years. The report also presents a typology of regional governance models across OECD countries to provide policy makers with a synthesis of the main characteristics of various regional governance arrangements, including the institutional setting, the distribution of responsibilities and funding of regional governance structures. The report also assesses the tools that countries may have at hand to effectively manage the growing complexity of their multi-level governance systems and shared responsibilities.

The information included in this report is mainly drawn from recent OECD multi-level governance reviews, Multi-level Governance Reforms: An Overview of OECD Country Experiences (OECD, 2017[1]), Making Decentralisation Work: A Handbook for Policy Makers (OECD, 2019[2]), the OECD Regional Development Policy Paper, "Asymmetric Decentralisation: Trends, Challenges and Policy Implications" (Allain-Dupré, Chatry and Moisio, 2020[3]), the multi-level governance studies of Portugal, Bulgaria and Wales (OECD, 2020[4]; OECD, 2021[5]; OECD, 2020[6]), the third edition of the World Observatory on Subnational Government Finance and Investment and the REGOFI report (Pilot Database on Regional Government Finance and Investment: Key findings) (OECD, 2020[7]). It also draws information from the OECD COVID-19 note "The Territorial Impact of COVID-19: Managing the Crisis across Levels of Government" in May 2021, as well as from the Regional Recovery Platform, released in October of the same year.

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Abbreviations and acronyms

CEEC	Central and Eastern European country
EU	European Union
GDP	Gross domestic product
ICT	Information and communication technology
NPM	New Public Management
NRM	Natural Resource Management (Australia)
RAI	Regional Authority Index
RAP	Administrative and Planning Regions (Colombia)
RCI	Regional Competitiveness Index
RDA	Regional development agency
RDC	Regional development council
SDG	Sustainable Development Goal
SME	Small and medium-sized enterprise
SPA	Special provincial administration

Executive summary

Key findings

Over the past 50 years, federal and unitary countries have increasingly adopted or deepened regional governance reforms, especially in the OECD and Europe, but also in Asia, America and to a lesser extent Africa. The Regional Authority Index, which measures the degree of power of regional governments, shows that 67% of countries experienced a net increase in the degree of regional authority over the period 1970-2018, whereas only 10% experienced a decline. A first wave of reforms took place between the 1970s and 1990s, characterised by the creation or strengthening of an autonomous regional level (e.g. France, Italy, Spain, the United Kingdom), especially in Central and Eastern European countries. After the 2008 financial crisis, some countries created new self-governing regions (e.g. Greece), some merged existing ones (e.g. France, Norway) while others undertook institutional reforms, including the transfer of new responsibilities and fiscal powers to the regional level (e.g. Belgium). Today, several other OECD and European Union countries are undertaking (e.g. Chile, Finland) or debating (e.g. Bulgaria, Portugal, Romania) regional governance reforms.

Federal and unitary countries are increasingly adopting asymmetric regional governance arrangements, i.e. providing different political, administrative or fiscal powers to governments at the same subnational level. In some cases, countries adopt asymmetric arrangements to allocate more responsibilities to regions with greater capacities – often as pilot exercises. In others, the asymmetry reflects different statuses for territories with a strong history or identity (e.g. Sicily in Italy, Basque Country in Spain, Wales in the United Kingdom) or to peripheral territories such as outermost regions, islands and outlying regions (e.g. Madeira and Azores in Portugal, Corsica in France,). Asymmetric regional governance can also be used to promote the special rights of indigenous peoples (e.g. Colombia). In recent years, asymmetric arrangements are also increasingly used to recognise the specificities of metropolitan areas and city-regions, in particular in large cities and capital districts (e.g. France, Italy, the Republic of Türkiye).

There are different drivers behind regional governance reforms, and countries often pursue several objectives when undertaking them. The different drivers include:

- **Adoption of a place-based regional development policy** to address regional inequalities. Regions are in a privileged position to co-ordinate various sectoral policies, build on local assets and knowledge, and facilitate dialogue across levels of government and stakeholders including businesses and civil society. This means acknowledging the active role that regions play in policy design giving them the flexibility and resources to achieve these goals. Regional governments with adequate funding and human capacities can also facilitate the provision of services and infrastructure of regional interest because they operate on a larger scale than municipalities.
- **Preserve historical, cultural, ethnic or linguistic specificities** or to improve the autonomy of regions with indigenous populations. Institutional systems with strong regions may be better equipped to sustain cultural diversity and the expression of regional identities.”.

- **Increase the efficiency of the multi-level governance system** by clarifying or redefining responsibilities across levels of government to reduce overlaps or policy fragmentation, in contexts where regional responsibilities and functions are shared with another institutional government level.
- **Strengthening democracy** by establishing a regional level with directly elected bodies, enhancing transparency and accountability at the regional level.

The degree of devolved responsibilities is very diverse across regions in terms of geography, demographic size, institutional settings and responsibilities. In federal countries, state governments stand out for their high level of spending, representing 35.2% of total public spending, compared to 8.7% in unitary countries. To reflect this diversity and, at the same time, identify common characteristics in terms of governance, institutions, responsibilities and funding**, this report identifies a typology of regional governance models that groups the different models used across OECD countries into four categories** as follows**:**

1. **Regions with legislative powers**: their main characteristic is the attribution of legislative power to a regional assembly. They have large responsibilities, whose content is defined and guaranteed by the Constitution, or similar instrument. In federal and quasi-federal countries, the federated states (or regions) have, in most cases, their own constitution (Canada is an exception), parliament and government. Regions with legislative powers also exist in unitary countries, in particular those that have asymmetric regional governance arrangements (e.g. Finland, Portugal).
2. **Decentralised regional governments:** self-governing legal entities in unitary countries or quasi-federal countries with elected bodies. They have some autonomy over their spending decisions. They have access to various sources of funding, including grants and subsidies, tax revenues, user charges and fees. They may also have access to borrowing. There is no one dominant model of funding.
3. **Co-operative regions**: arise from the co-operation of existing local authorities, at the regional level, with legal status. While limited, their tasks often include regional development and spatial planning, EU funds management, among other tasks with clear region-wide benefits. Usually, they have their own budget funded by contributions from municipalities and central government transfers.
4. **Planning or statistical regions:** units established by central government to plan at and/or provide statistics at the regional level. In general, they have few powers. In some rare cases, they have a legal status with their own administration and budget

Key messages

Regional governance reforms and increasing regional authority require efficient multi-level governance instruments. In a context of shared responsibilities, coordination across and among levels of government is crucial to overcome policy inconsistencies, projects working at cross purposes or inefficient resource allocation. The regional level is in a strategic position at the intersection of national, intermediate and local levels of government, to promote and facilitate vertical co-ordination to produce outcomes that are aligned and sufficiently clear for all levels of government. Countries can rely on a number of instruments for this purpose, such as contractual agreements or inter-governmental committees. These tools also help build ownership and trust. Cross-regional co-operation is also important - regions need to collaborate not only to manage joint policy competences and invest at the relevant scale, but also to exchange experiences and expertise or advocate for common interests. Cross-border co-operation is also necessary in certain contexts to align regional development objectives and find joint solutions to collective cross-border problems, ranging from infrastructure to labour market and climate change issues and regulations.

Regional governance reforms are also an opportunity for developing strategic capacity, in particular in regional development planning and implementation. Regional governance reforms are by themselves a capacity-building process in which all stakeholders can gradually learn how to take on more responsibilities. Strengthening policy monitoring and evaluation capacities is particularly important for the success of regional governance reforms and the implementation of regional development policies. Well-developed, outcome-oriented performance measurement systems also contribute to the success of regional development policies. In parallel, regional governance reforms need to be accompanied by the right tools to ensure stakeholder participation. Citizens and business engagement is important for improving the quality of policies, increasing accountability and strengthening trust in governments.

1 Assessment and recommendations

This chapter presents a brief overview of the main findings of the report, including the most recent trends on regional governance reforms and their drivers. It includes a typology of regional governance models across OECD countries to help illustrate and shed light on the different types of regional governance models used around the world, their main objectives, and the main challenges they represent. The chapter also provides a brief overview of key recommendations needed for effective regional governance, including instruments that facilitate vertical co-operation across levels of government and interregional co-operation, monitoring and evaluation processes and tools for stakeholder engagement.

Countries are increasingly adopting regional governance reforms

The role of regional governments in OECD and European Union (EU) countries has increased over the last five decades. . Since 1970, regionalisation – or the process of transferring power from the central government to the regions either by creating new regions or by strengthening or merging existing ones – has risen in many countries. The 2021 Regional Authority Index (RAI), for example, shows that 67% of countries experienced a net increase in the degree of regional authority over the period 1970-2018, whereas regional authority was unchanged in 23% and declined in only 10%. On average, the index increased the most in the Asia and Pacific region and the least in Latin America, where many countries have no regional governments. Over the same period, the average RAI score for OECD countries increased considerably: the average index value increased from 21.1 to 29.7 for OECD federal countries and from 4.2 to 10.2 for OECD unitary countries.

In the last fifty years, there have been different waves of regional governance reforms. A first wave of reforms took place between the 1970s and 1990s, when OECD countries undertook important regional governance reforms characterised by the creation or strengthening of an autonomous regional level. This was the case, for example, in France, Italy, Spain and the United Kingdom. A second wave of regional governance reforms took place after the 2008 crisis characterised by the creation of a new self-governing regional level (e.g. Greece) or the upscaling of existing regions (e.g. France, Norway). In parallel, a number of institutional reforms also took place, including the transfer of new responsibilities and fiscal powers to the regional level (e.g. Belgium) and the strengthening of regional governance bodies (e.g. Iceland, Ireland). Today, there are important ongoing regional governance reforms and debates across OECD countries**.** Some countries have recently created an elected regional level (e.g. Chile in 2021, Finland forthcoming in 2022) or are improving regional governance mechanisms (e.g. Greece, Lithuania). Discussions on developing a regional level are still ongoing in some countries (e.g. Bulgaria, Portugal mainland, Romania). Several countries are also reflecting on how to improve regional governance bodies, in particular for EU Cohesion Policy (e.g. Bulgaria, Latvia, Lithuania).

As was the case in the aftermath of the 2008 financial crisis, **the COVID-19 pandemic may also trigger longer term reforms to strengthen the regional level**. In several countries, the need to consolidate public finances after the 2008 financial crisis, became a driver and a major objective of multi-level governance reforms to streamline territorial organisation and optimise public spending. The same signals have been seen in the aftermath of the pandemic. In some countries, the pandemic triggered adjustments to regional governance systems and the way in which responsibilities are assigned across levels of government. Some countries opted for a temporary centralisation by adopting state-of-emergency laws that give central or federal governments the right to take over some subnational responsibilities (e.g. Slovenia, Spain, Switzerland). In other cases, countries decided to decentralise some additional powers to subnational governments in health and social protection areas, at least temporarily (e.g. United Kingdom). In the years to come, governments at all levels need to be more resilient to better cope with uncertainty and unexpected crises. This is crucial for the COVID-19 recovery, but also for addressing other global challenges such as the green transition. The current period is thus an opportunity for countries to rethink and re-adjust multi-level governance models. . The question here is not whether countries need to further decentralise or centralise, but what re-adjustments are needed to make policy-making more efficient.

Federal and unitary countries are increasingly adopting asymmetric regional governance arrangements. The RAI shows that between 1970 and 2010, two-thirds of countries adopted asymmetric arrangements, i.e. provided different political, administrative or fiscal powers to governments at the same subnational level (regional, intermediate or municipal). These asymmetric arrangements can be used for different purposes. In some cases, countries adopt asymmetric arrangements to give more responsibilities to regions with greater capacities; in others, it aims at recognising a different status for territories with a strong history/identity (e.g. Italy, Spain, the United Kingdom) or to peripheral territories such as outermost regions, islands and outlying regions (e.g. Finland, France, Portugal). Asymmetric regional governance can also be used to promote the special right of indigenous peoples to manage their own territory (e.g. Colombia). In recent years, asymmetric arrangements are increasingly being used to recognise the specificities of metropolitan areas and city-regions, in particular in large cities and capital districts.

The drivers of regional governance reforms are multiple and countries often pursue several objectives when undertaking these reforms:

- In certain cases, countries carry out regional governance reforms to **preserve historical, cultural, ethnic or linguistic specificities.** It is often argued that institutional systems with strong regions are more likely than any other form of organisation to sustain cultural diversity and the expression of regional identities. Cultural or historical motives for regional governance reforms are also often strongly associated with political reasons as granting autonomy to regional entities may ensure more political stability. However, these need to be carefully managed as there may also be a risk of weakening the integrity of states. In countries with indigenous populations, regional governance reforms can be driven by the will to improve the autonomy of regions with indigenous populations.
- Regional governance reforms can also result from a **readjustment of the overall multi-level governance system.** Decentralisation or centralisation reforms that redefine the responsibilities of local governments, may have an impact on the role of regions and the way they interact and co-ordinate with different levels of government. In this sense, the objective of a regional governance reform may be clarifying regional responsibilities to reduce overlaps and policy fragmentation in contexts where regional responsibilities are shared with another government level.
- **Strengthening democracy** can also be an important driver of regional governance reforms. The creation of a regional level directly elected body can enhance local democracy, transparency and accountability.
- Regional governance reforms can also respond to the increasing **adoption of place-based policies** to enhance competitiveness in all types of regions, tailor policies to each regional context and reduce regional inequalities. Indeed, much of the knowledge needed to design and implement a policy for a region is embedded in the region itself. Place-based development policies require a set of competences, many of which are best found at the regional level. Regions have a strong capacity to build on local assets and knowledge, and to include a diverse stakeholder base in the process. They can also mobilise business and civil society stakeholders, with whom they are in close contact regularly, and involve them in the design of regional development policies. They are also well-placed to support urban-rural linkages and cooperation. This allows regional governments to devise comprehensive regional development strategies, which integrate, for instance, environmental aspects as well as economic and health considerations. At the same time, regions may take better advantage of and target regional comparative advantages than the national level; this is also true in countries with high levels of administrative fragmentation at the local level.
- Related to the design and implementation of place-based policies, **achieving economies of scale in public service provision and infrastructure** may be a strong incentive to conduct regional governance reforms. Regional governments with adequate funding and human capacities can facilitate the provision of services and infrastructure of regional interest because they operate on a larger scale than municipalities. For public goods with strong local/regional externalities, the regional level has better local knowledge than the national government and can better match service and infrastructure delivery with functional areas. At the same time, an effective regional level can foster co-operation among municipalities and ensure better co-ordination between the municipal and central levels in service delivery and investment.

A typology of regional governance models

While many regions have been given increased powers in recent decades, levels of devolution are diverse in terms of geography, demographic size, institutional settings and responsibilities. In federal countries, for example, state governments stand out for their high level of spending, representing 35.2% of total public spending, compared to 8.7% in unitary countries. The differences in terms of responsibilities are also reflected in diverse institutional settings. Regional governance can take different forms in both federal and unitary countries and several forms of regional governance can co-exist within a country. A country can also successively feature different types of regional governance to respond to dynamic challenges and contexts. There is no "optimum" model of regional governance for any country; how each regional governance system works depends on the country context, but also on the instruments put in place to enable the system to function effectively.

To reflect this diversity and, at the same time, identify common characteristics in terms of governance, institutions, responsibilities and funding**, this report identifies a typology of regional governance models** (core regional governance models) **that groups the different models used across OECD countries into four categories** as follows**:**

1. **Regions with legislative power** in unitary, quasi-federal or federal countries, are characterised by several distinguishing aspects, including the attribution of legislative power to a regional assembly and therefore a high level of political autonomy. Regions with legislative powers have large responsibilities, whose content is defined and guaranteed by the Constitution, or at least by a constitutional-type text. In federal and quasi-federal countries, the federated states (or regions) have, in most cases, their own constitution (Canada is an exception), parliament and government. Regions with legislative powers also exist in unitary countries, in particular those that have asymmetric regional governance arrangements (e.g. Finland, Portugal). The executive and deliberative bodies of these regions are elected by direct universal suffrage. Unlike decentralised regional governments, these regions have their own regional parliaments that exercise primary or secondary legislative powers.
2. **Decentralised regional governance** is a model in unitary countries or quasi-federal countries where the region has elected bodies, at a higher level than local authorities. Decentralised regions, or elected regional governments, are the most widespread form of regional governance in the OECD and the EU. Decentralised regional governments are legal entities with their own autonomous budget, assets, administration and decision-making power. They have some autonomy over their spending decisions and have access to various sources of funding, including grants and subsidies, tax revenues, user charges and fees. They may also have access to borrowing. There is no one dominant model of funding. The governance structure of decentralised regions is based on a directly elected deliberative body (regional assembly or council) and an executive body, which can be elected by the regional council by and from among its members or by direct universal suffrage. Contrary to regions with legislative powers, decentralised regions have no normative power.
3. **Co-operative regions or regional associations of municipalities** are another form of regional governance that arises from the co-operation of existing local authorities**.** This is particularly the case of countries where local authorities have competences and functions that can be more effectively managed at a larger regional scale. Creating co-operative regions involves either extending the attributions and scope of action of local governments within this co-operative structure, or institutionalising their co-operation within a wider framework. Co-operative regions have legal status, and their creation requires the agreement from member municipalities. In general, they have regional councils made up of members elected by municipalities and a cabinet/office to run their activities. The responsibilities of co-operative regions are usually limited. Their tasks often include regional development and spatial planning, EU funds management and

some other tasks with clear region-wide benefits. Usually, co-operative regions have their own budget, generally funded by contributions from municipalities and through central government transfers.

4. **Planning or statistical regions** that are territorial units established by the central government to plan at the regional scale and/or provide statistics at the regional level that may enlighten the planning process. They are created through the administrative reorganisation of central government authorities and are included in the central administration as deconcentrated entities. In general, these bodies have few powers; regional policies remain closely controlled by the central level. In some cases, these types of regions do not have a legal personality, and consequently, they do not have their own administration or budget. However, they may have representative bodies, such as an executive or a deliberative body, often called regional development councils. In some rare cases these types of regions can have the legal status of regional deconcentrated state administration. Accordingly, they benefit from their own administration and their own budget, composed primarily of transfers from the central government.

In parallel with the core regional governance model, **several countries have established regional bodies or governance tools that may co-exist with the main administration exercising the executive and deliberative powers** at the regional level. In some countries, for example, there are representatives of the central level at the regional level, even in decentralised regional governance models. Several countries have also put in place Regional Development Agencies (RDAs) to promote and strengthen regional development policy. In general, these agencies work in parallel and in co-ordination with regional governments. Metropolitan governance bodies are also a governance tool that co-exists with the core regional governance model within countries; these bodies usually either replace regional governments in certain areas – having broader competences than regional governance structures – or work in parallel with regional governments as they cover a different territorial area.

Multi-level governance instruments that enable sound regional governance

Regional governance reforms and increasing regional authority mean a more complex multi-level governance system that require effective instruments to manage relationships in a shared responsibility environment. For a successful implementation of regional governance reforms, countries need to adopt specific instruments to make the multi-level governance structure work well. And this is true in all contexts, independently of which type of regional governance model a country has chosen. Multi-level governance instruments – which can be more or less binding, flexible and formal – generally serve two purposes: 1) to co-ordinate public policies and investment among levels of governments and stakeholders; and 2) to reinforce capacity for designing and implementing policy and investment at all levels.

Ensuring vertical co-operation and co-ordination across levels of government

The regional level has a strategic position, at the intersection of the national and local levels of government to enable co-ordination across levels of government. Regional governance reforms may pursue the objective of improving the interaction and co-ordination with local levels to achieve outcomes that are aligned and sufficiently clear for all actors. In the current context, co-ordination among levels of governments – regardless of whether they operate in centralised or decentralised contexts – is also key for regions to become levers for the social and economic recovery, in particular when tackling issues of regional importance (e.g. employment, economic development, transport and health). Indeed, a co-ordinated regional approach to recovery can enable maximising the resources available to support regional economies, optimise the impact of aid packages and increase accountability. However, this co-ordination does not happen spontaneously and is even more challenging for type 3 and type 4 regions. The existence of central representatives at the regional level may facilitate this coordination – however it is not always the case. If co-ordination is not encouraged from the central level, a siloed approach to policy-making might be mirrored at the regional level. To facilitate this coordination, countries need to adopt specific instruments to enable vertical coordination and with this, develop strong, trusting and co-operative relationship among sectors and levels.

The use of formal contractual arrangements for vertical coordination may bring a series of benefits for policy making, including fostering long-term regional development policy making and building trust. Contracting or deal-making approaches – in particular for countries that have type 3 and type 4 regions- can favour information sharing and mutual understanding in how to address a common policy priority, while at the same time reduce transaction costs for implementing a policy. In particular, contractual agreements can clarify “grey areas” where responsibility for action or outcomes is not clearly established. By defining the mutual obligations of parties and agreeing on authority, respective duties and enforcement mechanisms, contracts can help manage joint, unclear, or overlapping responsibilities in a multi-level context. Contracting approaches can also generate trust between public actors for their future endeavours. Both central and subnational governments may also seek to innovate in particular areas, building new capacities and new approaches to policy making. Contracts may facilitate the establishment of a long-term perspective on regional development policy making. To ensure their effectiveness, there some key elements to consider in the contract design. For example, despite the importance of providing stable arrangements over the long term, contracts must remain relatively flexible to enable the financing of new regional projects over time and facilitate the reallocation of funds if necessary. Introducing citizen engagement mechanisms, for example such as public consultation and participatory financing mechanisms, throughout the duration of the contract can increase transparency regarding the use of investment funds.

Inter-governmental bodies can also be important instruments for designing and implementing regional governance reforms and aligning interests and priorities. Inter-governmental bodies provide regional and other subnational actors with the opportunity to share perspectives and experiences; understand the needs and problems of other levels of government; negotiate with each other; and obtain help in the design, implementation and monitoring of policies or reforms. From the central government’s perspective, inter-governmental and dialogue bodies can also serve to establish a clear and transparent priority-setting process, and provide high-level guidance, co-ordination and discussion of matters related to regional development. Inter-governmental bodies can be particularly useful to design and implement regional governance reforms. Inter-governmental bodies can take different forms, such as a dedicated permanent policy exchange, conferences or councils. They can be *ad hoc* or permanent, consultative or assume co-ordinating functions. These bodies can be more or less formal, regular, and with or without decision-making authority. To reach their potential, inter-governmental bodies need to be built on solid and reliable territorial data. In countries where there are not any public databases on regional statistics, these bodies can contribute to enhancing the quality and reliability of such data. To this end, inter-governmental committees may include sub-committees on fiscal issues, and governments at all levels can promote the creation of regional statistics databases.

An increasing need for national and international co-operation across regions

Regions need to collaborate to manage joint policy competences, to invest at the relevant scale and avoid cross-purpose investments, to build capacities, among others. As administrative boundaries do not necessarily match functional areas, joint planning and joint actions are often required to reach a relevant scale, both for planning, investing and delivering services. At the regional level, this is typically the case for physical infrastructure investments where the most efficient scale often exceeds the administrative boundaries of individual regions – and in some cases goes beyond frontiers. Cooperation between regions, in particular for type 3 and type 4 regions, is often more challenging for “strategic” investments where they might find themselves competing to secure public facilities, to attract intergovernmental grants, or to attract private investment and qualified persons. Overcoming some of the challenges relating to regions' administrative boundaries requires the capacity to see and seize the opportunities, while garnering the necessary political support.

The need for interregional co-operation -national and international- was evident when the COVID-19 pandemic hit. Externalities linked to the coronavirus were so high that no single jurisdiction was able to manage these on its own. Coordination across regions was essential to avoid disjointed or contradictory responses, which posed a collective risk to a country's population. In federal systems, there may be limited incentive for cross-jurisdiction cooperation (e.g. sharing equipment, skilled personnel, etc.) if supporting a neighbour jeopardises one's own ability to adequately respond to a crisis situation. In this sense, the role of national governments is essential in minimising coordination failures and ensuring a coherent approach. The crisis also revealed the importance of cross-border co-operation, as in general – and at least in the first phase of the crisis management – countries conducted uncoordinated border closures and unilateral measures. In a survey conducted by the OECD and the European Committee of the Regions, the lack of cross-border co-ordination was identified as the strongest co-ordination issue. Many regions put in place specific measures to support horizontal and cross-border cooperation. In Belgium, for example, federal authorities and federated entities agreed on more intensive coordination in the overall distribution of personal protective equipment to the care sector. In the EU, associations and institutions of regional and local governments involved in cross-borders cooperation joined forces to propose a "European Cross-border Citizen's Alliance".

Co-operation across regions, in the form of city networks or megaregions, may also help tap the benefits of agglomeration economies while minimising its costs. Greater connectivity between cities that are economically complementary but spatially too remote from each other to "cluster" physically can allow them to "borrow" agglomeration economies while minimising the costs of large cities. If, for example, two similar sized cities become highly connected through a well-developed transport network, this can mimic a doubling in population size by reducing transport and communication costs, ensuring faster and cheaper access to product markets, and enlarging and diversifying labour pools. These city networks can take the form of megaregions – two or more regions that collaborate to form a new larger economic scale that encompasses a polycentric grouping of cities and their hinterlands. This grouping of regions provides an opportunity to achieve much greater efficiency and economies of scale through greater coordination and joint infrastructure planning.

Countries may opt for different forms of inter-regional cooperation:

- The most common form of interregional co-operation at the national level are **associations of regions that aim to advance a regional agenda** or join forces to make the "voice of regions" stronger.
- **At the cross-border level, regions are also increasingly collaborating, sharing experiences and advocating in the form of thematic networks or multi-purposes bodies.** Regions can collaborate internationally to share expertise and join forces in the framework of international thematic co-operation frameworks, for example focused on research and policy implementation on climate issues, food and agriculture.

Strengthening capacities at the regional level

Regional governance reforms are also an opportunity for developing strategic capacity, in particular on regional development planning and implementation. The lack of sufficient technical or strategic capacities at the regional level is one of the most important challenges – and in some cases one of the most important barriers – to undertaking regional governance reforms. However, a key component of these reforms is the capacity building process that should emerge: depending on the objectives of the reform, focusing on building strategic capacities (i.e. the ability to set strategic goals for social, political and economic outcomes) and ensuring the administrative and institutional capacity to realise those goals is a fundamental part of the reform itself. At the same time, regional governance reforms are by themselves a capacity-building process in which all stakeholders can gradually learn how to take on more responsibilities.

To ensure successful regional governance reforms, strengthening policy monitoring and evaluation processes is fundamental, especially when reforms aim at enhancing regional competitiveness or implementing place-based policies. While regional governments are gaining importance within general government policies and budgets, and are being allocated new responsibilities, they need to be able to monitor their performance to be accountable for the responsibilities that are assigned to them in all cases, independently of their degree of decentralisation. Well-developed, outcome-oriented performance measurement systems also contribute to the success of regional development policies and investment by measuring and monitoring the effectiveness of policy and spending, be it by national or subnational level authorities. Monitoring and evaluation mechanisms should be based on clear, robust and measurable indicators. These indicators should ideally be designed ahead of the policy-making process and in a participatory manner, involving all regional stakeholders, including civil society and the private sector. They should be harmonised based on formal/standardised guidance documents produced by the central government. For appropriate monitoring and evaluation processes, it is also crucial to develop adequate regional data and information at the right territorial scale.

Digital tools can also support monitoring and evaluation in a number of ways. Information and communication technology (ICT) and most recent technological changes have multiplied the opportunities for regions to improve the ways they communicate and involve citizens (e.g. e-democracy and ICT-based participation). The use of these tools is particularly relevant for type 3 or type 4 regions which have been democratically elected. Digital tools may also help regions provide public services (e-government), manage public resources in a more efficient manner (e.g. for tax collection), improve staff capacity and management and adopt new public management models. It can be particularly useful to realise territorial forecasting, allowing the different actors of a territory to identify the challenges and the different possible futures.

Tools for engaging private stakeholders and civil society also need to be developed at the regional level to ensure the success of regional governance reforms and place-based policies. Multi-level dialogue fora are a mechanism frequently used for co-ordinating regional development and investment priorities across stakeholders. These fora are platforms that bring together a combination of national and subnational public, private and third-sector actors in a regular, formalised manner. Their objective is to facilitate the participation and consultation of the different stakeholders concerned by a given policy sector so as to reap the benefits from their ground knowledge and expertise and to overcome potential opposition to reform. Citizens and business engagement is important for improving the quality of policies, increasing accountability and strengthening trust in governments.

2 Understanding regional governance in OECD countries

This chapter provides some key definitions for analysing regional governance systems and reforms across OECD countries and beyond. Based on characteristics common across countries, the chapter gives an understanding of what a region is and the different regional governance models that exist across and within countries. The chapter also describes the three main types of regional governance reforms – institutional, territorial and public management reforms – adopted by countries in the last 50 years.

Introduction

Regional governments in OECD and European Union (EU) countries are key economic actors: regional public expenditure accounted for 7.6% of gross domestic product and nearly 19% of public expenditure in 2016.[1] Regional public expenditure is most relevant in transport and social protection, but also in sectors such as education and economic development. The role of regions today in providing services and investment is the result of regional governance reform processes that countries have been increasingly adopting. Since 1970, regionalisation – or the process of transferring power from the central government to the regions either by creating new regions or by strengthening or merging existing ones – has risen in many countries. The 2021 Regional Authority Index, for example, shows that 67% of countries experienced a net increase in the degree of regional authority over the period 1970-2018.[2] This process, however, does not follow a linear path, and the rationale behind these reforms differs from country to country and over time. Some countries have pursued regionalisation reforms – across the entire country or for certain specific territories – to strengthen democracy and regional cultures; others have pursued regionalisation to reinforce regional economies and competitiveness, to facilitate place-based investments, or simply to achieve economies of scale in the provision of public services. In other cases, countries have opted for decreasing the responsibilities of regions by centralising them or decentralising them to local levels.

The COVID-19 pandemic has further revealed the important but uneven role of regions in policy making. In some countries, regional governments have been at the forefront of responding to the health and economic crisis. At the same time, the impact of the crisis has been uneven across regions. The reasons for this include the fiscal health of regional governments, regional demographic features and regional economies.

With the key role that regions are adopting, it is crucial to take a step back, better understand regional governance arrangements and how to ensure that these arrangements effectively serve their purposes: reducing regional inequalities, improving service delivery, better serving citizens' needs. What are the key facts of regional governance? What are the main drivers of regional governance reforms? Is there a way of systematising and comparing regional governance structures across countries? What are the enabling factors that make regional governance function well?

This report, which builds on recent work produced by the OECD Multi-level Governance and Regional Development Division,[3] attempts to bring some responses to these questions. To do so, this chapter provides some key definitions and describes what this report considers to be a region and what regional governance is as well as. After setting this common ground, the second part of the chapter describes the three main types of regional governance reforms.

Setting a common ground to understand regional governance

What is a region? Common characteristics to assess regional governance

To analyse regional governance systems and reforms, it is crucial to set the ground and have a common understanding of what a region is. This is a challenging task, as the definition will depend, to some extent, on each country's context. There are, however, certain common characteristics and delineations that allow setting the scene to properly assess regional governance.

There are many ways to identify a region within a country: a region may correspond to an area defined by geographical features or economic functions, a statistical area, a planning level, an electoral district, or an administrative entity. It can be self-governing or represent the central level, among other factors. In this report, the term "region" encompasses all the entities immediately below the national level in federal countries (i.e. federated states) and in unitary countries (with two or three tiers of subnational governments), including elected regional governments, co-operation structures at the regional level, but also pure statistical and planning regions, which, in general, are under the administration of a representative of the central state (deconcentrated entities). Accordingly, regionalisation is the process of creating new regions or strengthening existing ones, regardless of their form. This generally occurs through the transfer of responsibilities from the local or central level towards the regional level. This transfer is also usually combined with attributing some fiscal powers to the regional level (OECD, 2020[1]).

In **federal countries**, where regions generally have more powers than in unitary countries, the regional level takes the form of the federated state or provincial governments. Sovereignty is shared between the federal (central) government and the federated states which, in most cases, have their own constitution (Canada is an exception), parliament and government. The self-governing status of the states or provinces may not be altered by unilateral decision of the federal government. In addition, state governments, not the federal government, have authority over the local authorities of which they are composed. Spain and the United Kingdom are particular cases in the typology of countries. Although Spain is constitutionally a unitary state, it can be considered to be a "quasi-federal" country, with powerful autonomous communities. Autonomous communities have, however, less room for manoeuvre than states and provinces in federations, in particular when it comes to governing provinces and municipalities[4] (OECD, 2021[2]). In the United Kingdom, while the country is unitary, the devolved nations have various degrees of autonomy and power, and some have authority over the local councils under their jurisdictions.

In **unitary countries**, the regional level may take the form of provinces, counties or regions. As in other subnational governments, regions in unitary countries are governed by the central government, which exercises an ultimately supreme power. This central power, however, does not preclude the existence of regional and local governments, which may be elected directly by the population, and may have some political and administrative autonomy. Some unitary countries even recognise autonomous regions that have more powers than the other regions because of geographical, historical, cultural or linguistic reasons (e.g. Finland, France and Portugal). Whereas in federal countries state governments have authority over local governments, in most unitary states, there is no hierarchical link between regions and other local governments. There are some exceptions, however. In Romania, for example, while counties and local councils have no hierarchical link in principle, in practice counties co-ordinate the activities of communal, town and municipality councils. In the Netherlands, provinces are in charge of the administrative and financial supervision of municipalities and water boards, and they play a key role in vertical co-ordination (OECD, 2020[3]).

In addition to these elected entities, the regional level may also encompass non-elected decision-making bodies, with or without their own budget, endowed with responsibilities in regional development and other regional competences. This is the case, for example, of planning regions, deconcentrated regional authorities, but also of thematic decision-making bodies, such as regional economic councils, local economic partnerships, etc. Chapter 4 provides a detailed typology of regional governance systems.

Regional governance encompasses a broad range of realities in federal and unitary countries

Based on the OECD definition of public governance (OECD, 2020[4]), regional governance refers to the formal and informal arrangements that determine how public decisions are taken and how public actions are carried out at the regional level. Similarly, the EU defines regional governance as the rules, procedures and practices used by institutions at the regional level (Widuto, 2018[5]).

Regional governance models are diverse and dynamic across and within countries. Regional governance can take different forms in both federal and unitary countries; there is no single model and federalism itself is not a form of regional governance (OECD, 2020[1]). At the same time, several forms of regional governance can co-exist within a country; an asymmetric regional governance system within a country may respond to historical, geographic and cultural issues, but also to capacity issues. Regional governance systems can also continuously evolve to better adapt to dynamic contexts. A country can successively feature different types of regional governance to respond to dynamic challenges and contexts. France, for example, implemented a purely administrative regionalisation from the 1960s before the current decentralised regional governance system was introduced at the beginning of the 1980s. There is no "optimum" model of regional governance for any country; how each regional governance system works depends on the country context, but also on the instruments put in place to enable the system to function effectively (see Chapter 5).

The three main types of regional governance reforms

Countries across the OECD and the EU are increasingly adopting regional governance reforms. Most of them increase regional power. These reforms have taken three main forms:

1. **Institutional reforms:** i.e. the reorganisation of powers and responsibilities across levels of government through decentralisation or recentralisation processes. Institutional reforms consist of creating a new regional level (elected or not) or modifying the responsibilities and resources of existing regional entities. The rationale behind the creation of new regional bodies or the redefinition of their responsibilities and resources may be political, socio-cultural or economic and, in many cases, a combination of these. Institutional reforms are often decentralisation reforms. There were institutional regional governance reforms in several federal or unitary countries in the 1990s – Belgium, the Czech Republic, France, Greece, Italy, Poland, the Slovak Republic, Spain and the United Kingdom – that created or reinstated an elected regional level. A more recent example is Malta. Once this level of government was established, further reforms have tended to increasingly delegate more powers to the regional level or strengthen their institutional capacity. These changes have been associated with reforms of subnational finance systems, to provide adequate fiscal capacities to bear these additional powers and responsibilities. However, in some instances, institutional reforms result in a recentralisation process, for example in Hungary in 2012 and Ireland in 2014 (OECD, 2019[6]).
2. **Territorial reforms:** i.e. the reorganisation of territorial structures, by "rescaling" administrative boundaries to find an appropriate scale to design and implement policies. Most of the time, the rescaling is done through mergers. In many countries, the administrative boundaries of regional entities were based on historical settlement patterns established many decades or centuries ago, when the fastest means of transport was by horse, and have not been significantly revised since then. This is the case in countries like Austria, Japan, the Netherlands, Norway, Sweden and Switzerland. These boundaries are now often outdated and do not reflect demographic changes, socio-economic relations or functional areas. This disconnect from the realities of today has motivated several regional remodellings to reach greater critical mass, such as in Norway where, since 1 January 2020, 11 larger regions have replaced the former 18 counties with the intent to strengthen the regions as functional units and to provide more coherent housing and labour market policies.
3. **Public management reforms:** i.e. the reorganisation of administrative and executive processes at the regional level, as well as between the regional level and other levels of government. Inspired in particular by the "New Public Management" (NPM) and post-NPM currents, public management reforms focus on enhancing effectiveness, efficiency, quality, openness and transparency, accountability, citizen participation, and co-ordination. They encompass a large diversity of initiatives and programmes in the fields of human resources management, financial management, organisational management, optimisation of administrative processes and e-government, quality management and performance assessment, open government and citizen participation at the subnational level, etc. Several

significant reforms of this type have recently taken place, for example in Ireland (2014), the Netherlands and New Zealand (OECD, 2017[7]).

Territorial, institutional and public management reforms often go hand-in-hand. Institutional reform can be partly driven by a territorial reform (and vice versa), as an increasing number of tasks transferred to subnational governments may put pressure on increasing their size and capacity so that they can cope with these additional responsibilities. "Pure" territorial reforms are very rare. Most often, they are carried out jointly with institutional and public management reforms, such as in Norway, where new responsibilities have been decentralised to the new larger regions. By contrast, institutional reforms may be conducted without modifying regional boundaries, except when they consist of creating an entirely new regional level. It is also important to note that regionalisation reforms tend to have an impact on the functioning of other levels of government, both on decentralised and deconcentrated entities (OECD, 2020[3]).

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Notes

[1] Based on the *Regional Government Finance and Investment Database*, which includes a sample of 24 countries (OECD, 2020[3]).

[2] OECD calculations based on the latest Regional Authority Index data set available at: https://cadmus.eui.eu/handle/1814/70298.

[3] The information included in this report mainly draws from recent OECD multi-level governance reviews: *Multi-level Governance Reforms: An Overview of OECD Country Experiences* (OECD, 2017[7]), *Making Decentralisation Work: A Handbook for Policy Makers* (OECD, 2019[6]); the *OECD Regional Development Policy Paper*, "Asymmetric decentralisation: Trends, challenges and policy implications" (Allain-Dupré, Chatry and Moisio, 2020[10]); the multi-level governance studies of Portugal, Bulgaria and Wales (OECD, 2021[11]; 2020[13]; 2020[1]); and the Pilot Database on Regional Government Finance and Investment: Key Findings report (OECD, 2020[3]). It also draws information from the OECD COVID-19 note "The territorial impact of COVID-19: Managing the crisis across levels of government" in May 2021 (OECD, 2021[9]), as well as from the Regional Recovery Platform, released in October of the same year.

[4] With the exception of the Basque Country and Navarra.

3 Regional governance reforms: Trends and drivers

This chapter provides an overview of the main trends in regional governance reforms, including the rise of regional authority, as defined by the Regional Authority Index, as well as the upscaling of subnational governance and asymmetric governance arrangements. The chapter then focuses on the role that regions play in the COVID-19 crisis management and recovery. The chapter also presents the main drivers of regional governance reforms and provides some key data illustrating the current role that elected and decentralised regional governments across OECD countries play today.

Introduction

In recent decades, federal and unitary countries have been increasingly adopting or deepening regional governance reforms, especially in the OECD and Europe, but also in Asia, America and to a lesser extent Africa (OECD/UCLG, 2019[1]). This trend has occurred in parallel with an increased awareness of the importance of adopting regional development policies, or at least embedding policy making with a regional or territorial approach. OECD countries now widely agree that it is important to move from a traditional sector-specific approach focused on subsidising lagging regions towards a place-based regional development policy based on regional ecosystems that promotes long-term, sustainable and inclusive growth while addressing regional inequalities.

This change in how regional policies are designed has meant adapting the multi-level governance system – in a vast majority of cases, reinforcing the regional level has been the answer to enable this multi-sector, whole-of-government and co-ordinated policy making. The regional government can be strengthened by decentralising responsibilities that were previously in the hands of the central level, or at the expense of lower levels of governments to increase the scale of public service provision while still securing the benefits from decentralised decision making. While decentralising responsibilities at the local or regional levels is often associated with a more efficient provision of local public goods and services and a better match between policies and citizens' preferences, there are concerns about whether all regions will gain from more autonomy. However, recent empirical evidence based on the analysis of taxing powers, spending autonomy and the vertical fiscal imbalance suggests that a balanced fiscal structure, where local spending is mainly financed by local taxation, reduces regional disparities by providing an incentive to better use local resources and implement policies that favour economic development (OECD, 2021[2]).

Moving towards a place-based and integrated approach for regional policy is crucial for dealing with increasing regional inequalities within countries, especially in the aftermath of the COVID-19 crisis. For several European Union (EU) and OECD countries, continuous acute territorial disparities can have a destructive/detrimental impact on living standards and the socio-economic growth of the country. It is crucial now to achieve a significant shift in the attitude, views and perspectives towards regional development by further moving towards a place-based and integrated approach for regional policy for post-2020. This is all the more true in the face of the COVID-19 pandemic, which besides putting the spotlight on regional inequalities, has revealed once again the need of providing a place-based, co-ordinated response to the crisis and its recovery. Place-based policies are all the more important not only in light of the technological, demographic and environmental megatrends, but also to counterbalance growing public discontent with the economic, social and political status quo in many regions.

Trends in regional governance: A global perspective

Regional authority is increasing around the world

The Regional Authority Index (RAI), which measures the degree of power of regional governments in 96 countries in Asia, Europe and the Americas since 1970 (Box 3.1), **shows that regional authority is increasing in various parts of the world**. The RAI provides more complete and comprehensive information on the real degree of power of regional authorities than spending indicators, which are usually used to assess the degree of decentralisation The RAI shows that out of 96 countries, 64 experienced a net increase in the degree of regional authority over the period 1970-2018, whereas only 10 experienced a decline. In only 22 countries has regional authority remained unchanged. On average, this index increased the most for the Asia and Pacific region (from 5.2 in 1950 to 11.7 in 2018), driven by a significant increase in regional authority in Bangladesh, India, Nepal, New Zealand, Pakistan and Singapore.

Box 3.1. The Regional Authority Index

The Regional Authority Index (RAI) is a measure of the authority of regional governments in 96 democracies or quasi-democracies. The sample consists of all OECD countries, all European Union (EU) member states, 12 countries in Europe beyond the EU, all Latin American countries, and 25 countries in Southeast Asia and the Pacific. The index has been calculated on an annual basis for all countries over the period 1950-2018.

The RAI assesses regional authority according to two main concepts: 1) self-rule, i.e. the authority exercised by a regional government over those who live in the region; and 2) shared-rule, i.e. the authority exercised by a regional government in the country as a whole. The index is calculated based on ten dimensions: institutional depth, policy scope, fiscal autonomy, borrowing autonomy, representation, law-making, executive control, fiscal control, borrowing control and constitutional reform. Primary sources (constitutions, legislation) are triangulated with secondary literature and consultation with country experts to achieve reliable and valid estimates.

The RAI has proven to have solid convergent content validity and has been used as a measurement for regionalisation and multi-dimensional decentralisation.

Source: Hooghe et al. (2016[3]).

This increase is less significant in Latin America, where many countries do not have regional governments in place (e.g. the Bahamas, Barbados, Belize, Guyana, Jamaica, Suriname). In Europe, the average RAI went from 9.3 in 1950 to 12.5 in 2005 and down to 11.5 in 2018, due partly to the integration of new countries with a low degree of regional authority in the country sample (e.g. Estonia and Kosovo) (Schakel et al., 2018[4]) (Figure 3.1).

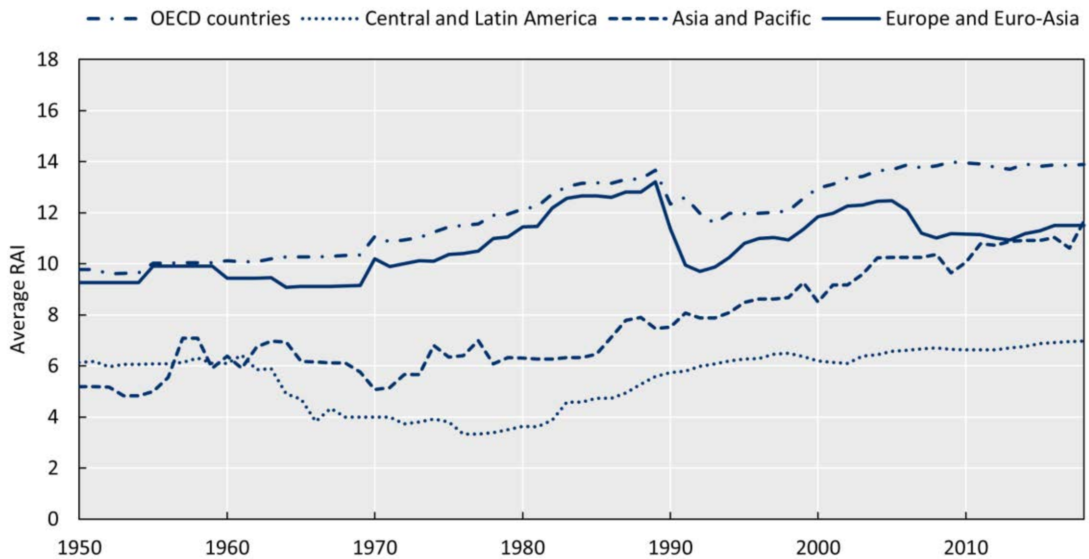
Regional governance reforms: A focus on OECD and EU countries[1]

Regional governance has evolved significantly in OECD and EU countries over the past 50 years. The average RAI score for OECD countries has increased considerably over the past 50 years: between 1970 and 2018, the average index value increased from 21.1 to 29.7 for OECD federal countries and from 4.2 to 10.2 for OECD unitary countries (Schakel et al., 2018[4]). Regional governance reforms have been carried out to varying degrees, and, when observing the trends, it is possible to distinguish different waves of reforms: a first wave occurred in the 1980s and 1990s and a second wave took place following the 2008 economic crisis. Currently, several countries are implementing or debating regional governance reforms – debates that have been either stopped or reinforced by the COVID-19 crisis.

Waves of regional governance reforms

In the 1980s and 1990s, OECD countries undertook important regional governance reforms, characterised by the creation or strengthening of an autonomous regional level. This was the case, for example, in France, Italy, Spain and the United Kingdom. In parallel, in Central and Eastern European countries, the regional level was reinstated or created when subnational autonomy was re-established. The creation of regional governance structures, in particular in Central and Eastern European countries, resulted, among others, from the need to design and implement regional development policies and access EU funds (Box 3.2). To implement EU Cohesion Policy, countries such as Bulgaria and Latvia created planning regions; others such as the Czech Republic, Hungary, Poland and the Slovak Republic opted for the creation (or reinstalment) of elected regional authorities. In some cases, planning regions coexist with elected regions within the same country (sometimes at different geographic scales).

Figure 3.1 Evolution of the Regional Authority Index in various world regions, 1950-2018



Notes: Data are average Regional Authority Index scores for the following countries: "Central and Latin America" includes: Argentina, the Bahamas, Barbaros, Belize, the Plurinational State of Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, the Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Suriname, Trinidad and Tobago, Uruguay, and the Bolivarian Republic of Venezuela. "Asia and Pacific" includes: Australia, Bangladesh, Bhutan, Brunei, Cambodia, the People's Republic of China, India, Indonesia, Japan, Korea, Lao People's Democratic Republic, Malaysia, Mongolia, Myanmar, Nepal, New Zealand, Pakistan, Papua New Guinea, the Philippines, Singapore, Sri Lanka, Chinese Taipei, Thailand, Timor-Leste and Viet Nam. "Europe and Euro-Asia" includes: Albania, Austria, Belgium, Bulgaria, Bosnia and Herzegovina, Croatia, Cyprus,* the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Kosovo,** Latvia, Lithuania, Luxembourg, Malta, Montenegro, the Netherlands, North Macedonia, Norway, Poland, Portugal, Romania, the Russian Federation, Serbia, the Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Ukraine, the United Kingdom. "OECD countries" include the 38 OECD member countries.
* Note by the Republic of Türkiye: The information in this document with reference to "Cyprus" relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Türkiye recognises the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of the United Nations, Türkiye shall preserve its position concerning the "Cyprus issue". Note by all the European Union Member States of the OECD and the European Union: The Republic of Cyprus is recognised by all members of the United Nations with the exception of Türkiye. The information in this document relates to the area under the effective control of the Government of the Republic of Cyprus.
** This designation is without prejudice to positions on status, and is in line with United Nations Security Council Resolution 1244/99 and the Advisory Opinion of the International Court of Justice on Kosovo's declaration of independence.
Source: Author's elaboration based on Schakel et al. (2018[4]); Hooghe et al. (2016[3]).

A second wave of regional governance reforms took place after the 2008 crisis. This wave was characterised by the creation of a new self-governing regional level (e.g. in Greece in 2011 with the Kallikratis reform). This second wave also includes the upscaling of existing regions; examples of this are France,[2] where 22 regions were merged into 13 in mainland France in 2015, and Norway, where the number of regions was reduced from 18 to 11 in 2020, to strengthen the regions as functional units. In parallel, a number of institutional reforms also took place, including the transfer of new responsibilities and fiscal powers to the regional level (Belgium, the Netherlands) and the strengthening of regional governance bodies (Iceland and Ireland).

Box 3.2. The impact of European Union accession on regional governance reforms in Central and Eastern European countries

The prospect of joinging the European Union (EU) has had an impact on the transformation of subnational governance systems in Central and Eastern European Countries (CEECs). This transformation was led by the need to both modernise public sector management and adopt EU regional policy. Although the EU did not promote a particular model of subnational governance, accession to the EU has had an impact on local and regional governance, resulting in some convergence in multi-level governance systems and the implementation of common principles.

In all CEECs, the decentralisation reforms that have been conducted have been strongly influenced by EU standards: restoring democratic institutions at the municipal level; the development of local governance and financing systems; improving public services to comply with EU requirements; setting up regional governance; and building EU statistical standards for administrative units (Nomenclature of Territorial Units for Statistics, NUTS). The strong link between decentralisation, regional development, and EU Structural and Cohesion Policy explains why the regionalisation process was so strong in several CEECs that were planning to join the EU. It led several countries to enact regional governance reforms, leading to the creation of planning regions, regional development bodies or self-governing regions to access and/or manage European Regional Development Fund investments.

Source: OECD (2021[2]).

In most cases, and throughout the period under review, regional governance reform processes have been conducted in a "top-down" manner, often under the impulse of the European Union for Southern European countries, or driven by the decision of the national government to shift part of its responsibilities downwards (OECD, 2019[5]). However, there are also a few examples of bottom-up regional governance reforms. These reforms are usually implemented incrementally, starting with pilots with one or several jurisdictions. This has been the case in Sweden, where the regional reform was promoted by the "top" but left the "bottom" to decide. Unlike many countries, the Swedish government did not impose a single regional governance model to all counties; it experimented with "pilot regions" and permitted heterogeneity, for a temporary period, across regions in terms of governance bodies and regional responsibilities. This approach towards regional governance has created scope for learning, fine-tuning the reform and fostering consensus throughout successive governments (Box 3.3).

Today, there are important ongoing regional governance reforms and debates across the OECD and the EU. Some countries have recently created an elected regional level (e.g. Chile in 2021, Finland forthcoming in 2022) or are improving regional governance mechanisms (Greece – Kleisthenis reform of 2018, Lithuania – Law on Regional Development in 2020). Discussions on developing a regional level are still ongoing in Bulgaria, Portugal and Romania. In Portugal, debates concerning decentralisation reforms come and go on the policy agenda with two main objectives: 1) fostering decentralisation by assigning more tasks to municipalities and inter-municipal associations; and 2) strengthening regional-level governance. In Romania, a General Strategy for Decentralisation 2015-16 was drafted to transfer new responsibilities and assets to subnational governments and create new autonomous regions. It was rejected as such by the Constitutional Court, but a new decentralisation and regionalisation project is being implemented based on a new General Strategy for Decentralisation. In Bulgaria, one of the four objectives of the new 2016-2025 Decentralisation Strategy is to increase the role and capacity of regional institutions for the implementation of co-ordinated policy for regional development through adequate powers, responsibilities and resources. This could lead to the creation of deconcentrated institutions at the regional level, and possibly pave the way for the second level of self-governance to emerge in the longer term

(OECD, 2021[6]). Finally, several countries are reflecting on how to improve regional governance bodies, in particular for EU Cohesion Policy (e.g. Bulgaria, Latvia, Lithuania).

Box 3.3. Swedish plans for reforming the regions and assigning regional development responsibilities

In Sweden, there are currently 21 regions with elected regional councils, which have traditionally been responsible for health and social services. Since 2019, the 21 regions have all been devolved additional responsibilities for regional development. This is the result of numerous attempts to reform the regional structure and its tasks, based on an experimental, asymmetric, gradual and bottom-up process.

The process started in 1997-98, when Sweden launched a reform to transfer regional development responsibility from the county administrative boards (central government agencies) to self-governing counties. However, it was decided not to impose a single model on the counties but to instead allow different regionalisation options. As a result of the voluntary process, an asymmetric model for regional development was adopted between 1996 and 2015. In four counties, the county administrative board continued to be responsible for regional development issues. In ten counties, the responsibility was assigned to the directly elected county council. In seven counties, it was decided that an inter-municipal co-operation agency be created specifically for regional development.

In 2002, a second wave of reforms started with the Parliamentary Act that made it possible for counties, if all local municipalities agreed, to form regional co-ordination bodies (indirectly elected bodies) to co-ordinate regional development. In 2007, the "pilot region" model was extended, to provide pilot regions with more responsibilities, and in particular for regional development. In 2019, the central government decided to put an end to asymmetric regionalisation and provide all 21 counties with the same governing bodies (directly elected councils). They are now called regions.

Sources: OECD (2020[7]); Nordregio (2020[8]).

Countries beyond the OECD and the EU are also currently discussing or implementing regional governance reforms. Morocco, for example, is currently implementing a regionalisation process (under the appellation "advanced regionalisation", or "*regionalisation avancée*"), which puts regions at the centre of the implementation of territorial development policies. Before that, the 2011 Constitution introduced direct elections for regional councils, which used to be appointed by central authorities. Regions have also recently been introduced in Mauritania (2018), along with institutional consultation mechanisms such as regional health committees and regional development committees. In Ghana, six new regions were created in 2017, after a vote by popular referendum, in addition to the ten pre-existing ones. The creation of regional co-ordinating councils, which act as deconcentrated entities, aims to better respond to citizens' needs and to accelerate the country's socio-economic development (Ghanaian Ministry of Regional Reorganisation and Development, 2020[9]). Similar regionalisation debates are ongoing in Georgia, where the debates are closely linked to the future of regional development in the country (OECD/UCLG, 2019[1]).

In parallel with the increasing importance of the regional level of government, some reforms have gone in the other direction, by limiting regional powers. In some countries, regionalisation projects have been abandoned, postponed or rejected by the population via referendum (Portugal in 1998, England in 2004, Slovenia in 2008), or more recently because of political blockages during the discussion of reforms in parliament (in the Netherlands in 2014 and Sweden in 2017). In some countries, there was also a decrease in regional authority (e.g. Denmark and Hungary). This decrease can be a direct consequence of a recentralisation of powers and responsibilities at the central level. A decrease in the role of regions can also be the result of an increase in the responsibilities of local governments. While several countries are going through a crisis of confidence in institutions, there is a call for stronger municipalities, which is the tier of government the closest to citizens, compared to regions and intermediary tiers of subnational government. Central governments may choose to revise the allocation of responsibilities to increase accountability and trust of their citizens, by diminishing the competences of the regional level and strengthening the municipal level, as it was the case, for example, in Estonia in 2019 (Estonian Ministry of Finance, 2019[10]; OECD, 2019[5]).

Establishing new modes of regional governance is a complex process that needs to be built over time. Plans to reform the regional level are being discussed in many countries, but they have not yet been translated into significant concrete achievements due to a lack of consensus on the best option for the future. This is the case for instance in Bulgaria, Portugal and the United Kingdom. For such developments to succeed, an implementation strategy is necessary to identify the steps for the successful execution of a regionalisation reform.

COVID-19 aftermath: A new wave of regional governance reforms?

The COVID-19 crisis has clearly shown the need for clarity, efficiency and accountability in the way countries are governed. In some countries, the pandemic triggered adjustments to regional governance systems and the way in which responsibilities are assigned across levels of government. Some countries have opted for a temporary centralisation by adopting state-of-emergency laws that give central or federal governments the right to take over some subnational responsibilities. This is the case of Slovenia and Switzerland, for example, where the crisis led to recentralisation measures, temporarily recentralising health management in early 2020 due to the emergency and magnitude of the COVID-19 crisis. Spain also recentralised competences of the autonomous regions following the announcement of a state of emergency in March 2020. In contrast, other countries have decided to decentralise some additional powers to subnational governments in health and social protection areas, at least temporarily. The United Kingdom is one example, having devolved power to the nations.

As was the case in the aftermath of the 2009 economic crisis, **the COVID-19 pandemic may also trigger longer term reforms to strengthen the regional level**. The crisis as well as the recovery efforts have shown that relying on an efficient regional level may help countries to cope with the varied impacts of the crisis and provide adequate policy responses for the economic recovery of territories. This is why several countries are reassessing the regional level or adequating how responsibilities and revenues are assigned across levels of government to make all levels more resilient and effective to act in times of crisis. Costa Rica, for example, enacted the Regional Development Law in 2021 to strengthen inter-regional co-operation and address interregional and intra-regional gaps that were striking after the crisis. The crisis could also result in future regional governance reforms (for example in Bulgaria and France), including regional fiscal reforms (e.g. Spain) and equalisation mechanisms. At the same time, the postponement of reforms is also directly attributable to the COVID-19 crisis. In France, negotiations over the next generation of state-regions contracts (2021-27) was also delayed due to the COVID-19 crisis, which were finally launched in early 2022.

The crisis has made it evident that, in the years to come, governments at all levels need to be more resilient to better cope with uncertainty and unexpected crises. This is crucial for the COVID-19 recovery, but also for overcoming other global challenges such as the green transition. The current period is thus an opportunity for countries to rethink decentralisation models in the medium and long term and, in particular, the role that regions play in public policy making and investment.

Upscaling subnational governance: Asymmetric regional governance and metropolitan governance structures

Countries are increasingly adopting asymmetric regional governance arrangements

The RAI shows that between 1950 and 2010, two-thirds of countries included in this study adopted asymmetric arrangements, i.e. provided different political, administrative or fiscal powers to governments at the same subnational level (regional, intermediate or municipal) (Schakel et al., 2018[4]). These asymmetric arrangements can be used for different purposes. In some cases, countries adopt asymmetric arrangements to give more responsibilities to regions with greater capacities, such as in Germany; in others, it aims at recognising a different status for territories with a strong history/identity (e.g. Italy, Spain, the United Kingdom) or to peripheral territories such as outermost regions, islands and outlying regions (e.g. Finland, France, Portugal). Asymmetric regional governance can also be used to promote the special right of indigenous peoples to manage their own territory, as is the case in Colombia.

Asymmetric regional governance appears more "natural" in federations, although we can distinguish between highly asymmetric federal systems (Belgium, Canada, India, the Russian Federation, Spain), and more symmetric federations (Australia, Austria, Germany, Switzerland, the United States). Belgium, for instance, has a highly asymmetric system, with a regional level composed of six federated entities, divided between three regions and three language communities that cut across regions. Regions and communities have distinct responsibilities and fiscal powers, the latter enjoying less tax revenue compared to the regions. Still, even the most "symmetric federations" have elements of asymmetry (e.g. the United States) or are developing some new ones. In Germany, for example, all *Länder* initially enjoyed the same degree of legislative power and the same responsibilities, but in 2006, the Federalism Reform I introduced opt-outs for the *Länder* in six policy areas (including higher education and environmental protection). This right to stray from federal legislation is an innovative instrument for the *Länder,* introducing a degree of asymmetry into German federalism (OECD/UCLG, 2019[1]).

While symmetry is often one of the leading principles of unitary states, some unitary countries are also introducing elements of asymmetry. Often asymmetry in unitary countries responds to a need to empower regions with greater capacities. This is the case of Sweden, for example, which experimented with asymmetric regionalisation arrangements between 1997 and 2019 as a means of testing new allocations of powers to the regions in an incremental way (OECD, 2019[5]; 2020[11]). In unitary countries, it also happens to introduce asymmetry to recognise a different status for territories with a strong history or identity. This is the case, for instance, in the United Kingdom and Italy. In the United Kingdom, three different types of regional governance currently exist. In Italy, 5 out of 20 regions have been attributed special constitutional status with broad legislative powers and considerable financial autonomy. In other cases, countries give specific status to peripheral territories, such as outermost regions, islands and outlying regions (Finland, France, Portugal); or promote the special right of indigenous people to manage their own territory (Colombia).

Beyond the OECD and the EU, in many countries in Africa, Asia and Latin America, regional governance reforms are also implemented asymmetrically. In the Philippines, in 2019, a single region was assigned an elected regional government, the Bangsamoro Autonomous Region of Muslim Mindanao. The regionalisation process was part of a peace agreement that ended with providing the region with a specific legislative framework and political autonomy from the central government. In Jordan, asymmetric regional governance led to the creation of the Aqaba Special Economic Zone, a regional hub established in 2001 by the central government to enhance economic activity. The zone is governed under the authority of the Aqaba Special Economic Zone Authority (OECD/UCLG, 2019[1]).

Asymmetric arrangements are increasingly being used for metropolitan governance

In recent years, asymmetric arrangements are increasingly being used to recognise the specificities of metropolitan areas and city-regions, in particular in large cities and capital districts (OECD, 2019[12]). The growth of metropolitan governance structures coincides with a wide acknowledgement of the benefits of urbanisation and agglomeration economies for economic and social development. The RAI shows that the number of metropolitan governance authorities increased fourfold between 1970 and 2018, from 38 metropolitan governance authorities (concentrated in 15 countries worldwide) in 1970 to 99 authorities in 2000 (in 39 countries) and 165 in 2018 (in 42 countries). The latest RAI data show that metropolitan and urban governments are a recent phenomenon that many countries introduced in the 2000s. Metropolitan and urban governments that were introduced before the 2000s were often “pilots” in specific areas of a country and did not last longer than 20-30 years (European Commission et al., 2018[13]).

Some recent examples of metropolitan governance reforms include the 2013 French Law on Metropolitan Areas, which contemplates differentiated governance for Paris, Lyon and Aix-Marseille. In Italy, a 2014 reform ended two decades of gridlock over metropolitan governance reform and created the legal structure for the introduction of differentiated governance in ten major metropolitan areas – Rome, Turin, Milan, Venice, Genoa, Bologna, Florence, Bari, Naples and Reggio Calabria – and four additional cities in special regions – Palermo, Messina and Catania in Sicily, as well as Cagliari in Sardinia (Allain-Dupré, 2018[14]). These metropolitan cities took over the competencies of provinces, and were given additional responsibilities for local police services, roads, transport, and spatial and urban planning. In the Republic of Türkiye, in 2012, the boundaries of metropolitan municipalities were expanded to their corresponding provincial boundaries and the number of metropolitan municipalities was expanded from 16 to 30 (OECD/UCLG, 2019[1]).

The key role of regions in the COVID-19 crisis and recovery[3]

Regions have taken crucial measures to manage the COVID-19 crisis

The impact of the COVID-19 crisis has been different across OECD regions. The impact of the crisis varies according to a region’s degree of urbanisation and development, the regional density, and the degree to which it depends on tourism, among others. Social and economic impacts also vary across regions depending on the prevalence of elderly and disabled people, children, homeless people, migrants and other vulnerable populations. Regions have also been strongly affected by the economic downturn following the closure of businesses and quarantine measures. Some impacts can also be attributable to the unforeseen nature of this crisis. There is evidence that in most countries, regions were not prepared for the COVID-19 crisis, either because they did not all have crisis management plans for pandemics or because they lacked basic equipment such as masks, due to several years of reduced public expenditure and investment in healthcare/hospitals (OECD, 2020[15]).

Regions have developed policy responses in key sectors strongly impacted by the crisis, including health emergency measures, social welfare, and support to small and medium-sized enterprises. In the health sector, their interventions range from mask mandates, school and restaurant closures, lockdowns, testing and tracing to vaccination roll-outs. Regions are also ideally located to communicate to regional actors and citizens rapidly and transparently. In Switzerland, for example, some cantons developed their own communication hotlines, at minimal costs, in order to be more reactive and inform in real-time the canton’s population of rapidly changing measures (Congress of Local and Regional Authorities, 2020[16]). To manage the crisis’ impact in the short and medium term, state and regional governments also took actions focusing mainly on small and medium-sized enterprises, the self-employed, and informal workers in sectors highly affected by the pandemic (e.g. tourism, trade, restaurants, etc.).

Connexions have also occurred between regions of different countries, pooling resources and knowledge from various environments, enabling more ambitious approaches to the recovery. This is the case of the EU Interregional Recovery Plan, which aims to transform the tourism ecosystem in Europe while building recovery.

In federated countries, states have also played a key role in providing financial support to local governments. States have also pledged assistance to municipalities within their jurisdictions to help them cope with reduced revenues and increased pressure on their expenditure. These initiatives aim to enable municipalities to maintain (and sometimes scale-up) the delivery of services and infrastructures during and after the pandemic, and to allow them to use their cash reserves and to borrow thanks to more flexible fiscal rules.

Moving forward: Adopting place-based recovery strategies

Regions are in a privileged position to develop place-based policy responses for the economic recovery of their territory. The post-COVID economic recovery requires an ambitious territorial approach that involves both central and subnational governments. Because they have a wider range of responsibilities and autonomy, federated states and provinces, elected regional governments, and to some extent regional associations of municipalities have been at the initiative of most crisis management and recovery measures, with variations depending on the country. Compared with other levels of government, regions have a strong capacity to build on local assets and knowledge, and to include a diverse stakeholder base in the process. They can also mobilise business and civil society stakeholders, with whom they are in close contact regularly, and involve them in the design of recovery strategies. This allows regional governments to devise comprehensive recovery strategies, which integrate, for instance, environmental aspects as well as economic and health considerations. Developing place-based recovery plans brings a number of benefits:

- First, such recovery plans enable assessing the social and economic shocks on local and regional economies. This allows allocating adequate financial support and public investment to mitigate the recessionary effects of health measures on economic activity and subnational finance in each area (European Committee of the Regions, 2020[17]).
- Second, such strategies allow identifying investment opportunities from the bottom, from the people who need them the most in the territories.
- Third, it enables engaging subnational governments quickly, and in a co-ordinated manner, to undertake and supervise such investment projects.
- Finally, involving regional governments in national recovery packages is also a way to give them incentives and to orient their own recovery policies and packages towards the same goals. Regions can be encouraged to align their priority sectors with the top priorities of national/regional infrastructure recovery plans, which often have a green growth component.

Adopting a place-based approach to the COVID-19 recovery requires fine-tuning the multi-level governance system, including regional governance structures. This means acknowledging the active role that regions can play in the recovery and giving them the flexibility and the resources to achieve these goals. This requires tailored regional strategies and high levels of co-ordination across levels of government and stakeholders (OECD, 2020[11]). This approach has been promoted by the EU through its amendments to the system of EU Structural Funds in the framework of the EU Recovery Package. As part of its Recovery Plan, the EU adopted measures to ensure additional flexibility in the use of Structural Funds. Through the Coronavirus Response Investment Initiative Plus, member states can transfer money between different funds to meet their needs. Resources can be redirected to the most affected regions, thanks to a suspension of the conditions on which regions are entitled to funding (OECD, 2021[18]).

Main drivers of regional governance reforms

The drivers of regional governance reforms are multiple and countries often pursue several objectives when undertaking these reforms. First, countries may pursue regional governance reforms for political or socio-cultural reasons; in this case, regions are set to affirm the identity and the particular status of a territory. Regional governance reforms may also be driven by economic motivations, and the aim of enhancing competitiveness and regional growth.

Preserve cultural, historical or ethnic specificities

In certain cases, countries carry out regional governance reforms to preserve historical, cultural, ethnic or linguistic specificities. It is often argued that institutional systems with strong regions are more likely than any other form of organisation to sustain cultural diversity and the expression of regional identities, to which individuals appear more attached as a backlash to the standardised lifestyles resulting from globalised markets and economies (OECD, 2020[7]). Such cultural or historical reasons are also often strongly associated with political reasons. Indeed, in some cases the rationale behind regional governance reforms is that granting autonomy to regional entities may also ensure more political stability and prevent the disintegration of the "nation-state" in countries where regional claims undermine national unity (OECD, 2020[7]). Depending on the severity of cultural conflicts, specific regional and linguistic features can, however, be protected without necessarily establishing regions and preserve the integrity of the state (OECD, 2020[7]). In countries with indigenous populations, regional governance reforms can be driven by the will to improve the autonomy of regions with indigenous populations, as recognition of multiculturalism, and devolution of responsibilities to indigenous groups or settlements to improve their ability for self-determination (OECD, 2019[12]).

Cultural, historical, ethnic or linguistic reasons are behind several regional governance reforms. In Belgium, for example, Flemish nationalism was the main driver of the constitutional evolution that took place in the country from the 1970s. Identity features also contributed to shaping Spain's three autonomous communities. In the United Kingdom, specific regional features led to the devolution of power to Scotland and Wales. In Wales, for example, a significant share of the population speaks a regional language. In Portugal, the regionalisation of the Azores and Madeira Islands was motivated by their strong history and identity. In Italy, cultural and political motivations have not led to the creation of regions per se, but the regional system partially preserves some of the pre-unification identities. While no regional languages exist apart from Francophone and Germanophone minorities in the north, regionalism has, however, emerged as a political movement, and political forces with regional roots have arisen and been consolidated in the past decades (OECD, 2020[7]; Martial, 2015[19]).

To reap all the benefits of regional governance reforms driven solely by political and cultural motives, reforms need to be conducted comprehensively. When undertaking such a regional governance reform process, it is important to examine, beyond the peculiarities of regional identities, the regional needs and capacities related to economic development, spatial planning, and, at the same time, design adequate administrative and fiscal arrangements (see Chapter 5).

Increase the efficiency of the multi-level governance system and enhance democracy

Regional governance reforms can also result from a readjustment of the overall multi-level governance system. Municipal reorganisations (e.g. mergers or inter-municipal co-operation), or decentralisation or centralisation reforms that redefine the responsibilities of local governments, may have an impact on the role of regions and the way they interact and co-ordinate with the different levels of government. In this sense, the objective of a regional governance reform may be clarifying regional responsibilities to reduce overlaps and policy fragmentation in contexts where regional responsibilities and functions (regulating, operating, financing and reporting) are shared with another institutional government level.

Strengthening democracy can also be an important driver of regional governance reforms. The creation of a regional level with directly elected bodies can enhance local democracy, transparency and accountability at the regional level, especially if the creation of a regional level with elected regional bodies is accompanied by decentralisation at the local level. Indeed, political decentralisation involves the distribution of decision making and enforcement powers according to the subsidiarity principle, between different tiers of government, with different objectives and often to strengthen democracy. Thus, how regional (and local) administrators are selected (elected or not) is critical. This is why, for example, ensuring a properly functioning democracy is at the core of the Council of Europe's work. The European Committee on Local and Regional Democracy and the Congress of Local and Regional Authorities of the Council of Europe provide member states (regardless of their internal structure) with a "reference framework for regional democracy" to help them with their institutional development.

Increase competitiveness and well-being

Regional governance reforms can also be driven by economic reasons, to leverage the growth potential of all places. When enhancing regional competitiveness and attractiveness, countries can boost aggregate productivity, and, thereby, well-being and inclusion (Box 3.4). Regions tend to take better advantage of and target regional comparative advantages than the national level or fragmented local governments. By putting forward regional assets, regions can be more competitive to attract resources for development, both private and public investments, at the international or European level. This is true in large regions benefiting from agglomeration economies, but also in smaller areas. The argument for greater regional competitiveness is all the more important in a globalised world, where regions have emerged as competitors in a global race for economic growth. They must compete to access international sources of funding for development, for instance through EU competitive funding programmes, or to attract multinational firms. This is why improving the competitiveness of all regions has become a key priority in OECD countries. In a survey for the 2016 *OECD Regional Outlook*, ensuring the contribution of all regions for national performance was ranked as being of "high/very high importance" by the vast majority of reporting countries (28 out of 33).

To improve regional productivity, Wales (United Kingdom) has decided to delegate more decision-making responsibilities to the regional level regarding investment decisions. This is part of the country's Economic Action Plan "Prosperity for All", which promotes inclusive growth based on "supercharged industries of the future and productive regions" (Welsh Government, 2019[20]). In parallel to the delegation of responsibilities, the Welsh government has also appointed chief regional officers, whose role is to supervise investment prioritisation and align investment planning between the central and regional levels (OECD, 2020[11]). Regional competitiveness is also at the centre of Switzerland's New Regional Policy. The New Regional Policy, introduced in 2008 and renewed in 2016 for a second eight-year period, encourages an endogenous "growth-oriented" approach emphasising open markets, export capacity and competitiveness at the regional level, with a focus on innovation and tourism. The three pillars of the New Regional Policy address: 1) increasing the economic strengths and competitiveness of regions (85% of total funding); 2) co-operation and synergies between the New Regional Policy and sectoral policies (5-10% of total funding); and 3) capacity building in the knowledge system of regional policy (5-10% of total funding) (OECD, 2016[21]).

Box 3.4. Regional competitiveness and inclusion: The EU Regional Competitiveness Index

The EU Regional Competitiveness Index (RCI) provides a comparable measure of competitiveness of all NUTS 2 regions in the European Union. It is composed of 11 pillars that describe the different aspects of competitiveness and are classified into 3 groups: basic, efficiency and innovation. The basic group includes five pillars: 1) institutions; 2) macroeconomic stability; 3) infrastructures; 4) health; and 5) basic education. These represent the key basic drivers of all types of economies and constitute the set of factors enabling regional competitiveness.

Beyond the measure of gross domestic product (GDP), the index encompasses a set of broader factors enabling "regional competitiveness", including societal well-being and long-term regional potential. The RCI was designed to enable a region to compare itself to others, to find regions with a similar level of competitiveness, and to identify regions it could learn from to increase its regional economic performance and well-being.

The latest RCI data also show that regions with higher levels of competitiveness tend to have lower levels of income inequality, and on the contrary, regions with lower competitiveness tend to have a more uneven distribution of income.

Source: Annoni and Dijkstra (2019[22]).

Adopting place-based policies and reducing regional inequalities

While enhancing competitiveness in all types of regions, regional governance reforms may be particularly relevant to adopt place-based policies and thereby, reduce regional inequalities. It has been widely documented that while differences in economic growth between countries have decreased in recent years, those within countries have not. Thus, as discussed in the previous section, two tendencies go hand in hand: increasing the adoption of place-based policies to promote long-term, sustainable and inclusive growth and resilient societies, and increasing the adoption of regional governance reforms to enable and facilitate these place-based policies. Indeed, place-based development policies require two main sets of competences that are best found at the regional level:

- First, **co-ordinate various sectoral policies**: the wide range of functions that are typically devolved to regions give them the ability to favour synergies across sectoral policies that are relevant to economic growth and well-being (e.g. infrastructure, transport, innovation, education, housing, energy, labour market, etc.). This cross-sectoral approach enables them to develop more effective growth strategies. This is why regional entities in some countries play a significant role in strategic planning and regional development. Regional governments can, for example, prevent the over-fragmentation of projects (for instance those related to EU funds), align infrastructure across local boundaries and prevent local jurisdictions from pursuing mutually detrimental policies. Regions may also have more resources to implement effective regional development strategies and more integrated territorial planning, and to develop tools to monitor regional policies (Box 3.5) (OECD, 2019[23]).
- Second, **facilitate dialogue and co-ordination between the central/federal, regional/state and local governments, as well as with the private sector and citizens**: independent of their form, regional governance models can act as "natural" brokers between the central and subnational governments and channel central and local demands. They can have a privileged position to foster co-operation among various economic stakeholders, from within and outside the region, from the public and private spheres, and at all levels of government. They are also better placed to overcome purely local interests and permeate policy decision making with a broader regional perspective.

Regions can also take a proactive role in supporting cross-jurisdictional co-operation, acting as regional integrators, in particular regarding weaker and rural local governments (see below).

Box 3.5. The rise of regional development policies

Regional development policies emerged in the 1950s and 1960s as a response to growing social and economic inequalities across and within countries, following the rapid industrialisation and urbanisation that took place in OECD countries and across the globe. These inequalities were exacerbated by the successive economic shocks in the 1970s and 1980s, which had differentiated impacts on territories and regions. This generated rising discontent among the population in most disadvantaged areas.

In addition, the emergence of regions as global competitors in a globalised world, as described above, accentuated the disparities between highly productive and lagging regions. Ensuring that the benefits of growth are spread widely requires a strong focus on greater convergence of regions in terms of income and well-being. Regional development policies, and place-based approaches to policy making, can help achieve these objectives over the medium and long terms, through regional investment aid and infrastructure support, and policy interventions heavily targeting designated geographical areas.

Source: OECD (2020[24]).

Regional governance reforms driven by regional development objectives can take several forms, depending on each country's stage of decentralisation and level of development of regional institutions. For example, in Central and Eastern European countries, the need to design and implement regional development policies and access EU funds has led to the creation of specific regional governance structures (see Box 3.2). In Bulgaria and Latvia, regional development councils have been instituted as the executive branch of planning regions. The planning regions essentially play a role in the conduit of regional planning and programming linked to EU funds, with no administrative structures (see Chapter 3). Their secretariat is generally carried out at the central level, through its deconcentrated regional units. In other countries, the implementation of place-based regional development has led to the creation of specific agencies to help administer regional development policy and EU funds (e.g. Italy and Portugal). In Greece, the 2011 Kallikratis reform led to the creation of a decentralised regional level of 13 full self-governing regions. These new regions were devolved new responsibilities in the area of regional planning and development, transferred from the state regional administrations (OECD/UCLG, 2019[1]).

Regional governance reforms may be also conducted to counteract the excessive concentration of activities in the capital city. In France, the first signs of regionalisation emerged to offset the very high concentration of political and economic powers in the Paris region, which was at the expense of the growth of other regions. In Australia, the federal government together with the Regional Australia Institute has launched a campaign to promote the regions as an attractive alternative to capital city living, with opportunities for a more affordable lifestyle and a better work-life balance (Regional Australia Institute, 2020[25]). In Japan, the regional development strategy focuses on depopulation and regional revitalisation, and reorganising the system of cities, building on connections and complementarities, in particular between large metropolises and lower tier cities as a potential for the economy. In Korea, addressing the regional imbalance between Seoul and surrounding regions is at the core of the forthcoming regional development strategy, which aims to develop mega regional corporations to improve the attractiveness of regions outside of Seoul.

Achieving economies of scale for public service delivery and infrastructure

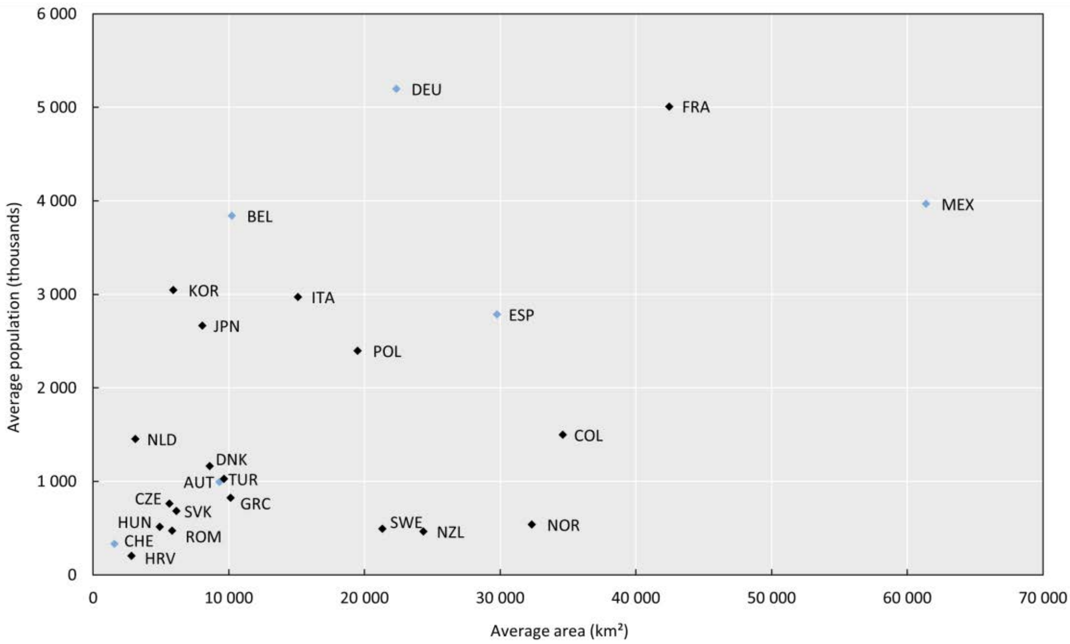
Related to the design and implementation of place-based policies, **achieving economies of scale in public service provision and infrastructure may be a strong incentive to conduct regional governance reforms**. Regional governments with adequate funding and human capacities can facilitate the provision of services and infrastructure of regional interest because they operate on a larger scale than municipalities. For public goods with strong local/regional externalities, the regional level has better local knowledge than the national government and can better match service and infrastructure delivery with functional areas. At the same time, an effective regional level can foster co-operation among municipalities and ensure better co-ordination between the municipal and central levels in service delivery and investment. For example, regional governments can provide incentives to municipalities to mutualise the provision of public services through fiscal equalisation mechanisms. The need to achieve economies of scale – considering, if possible, the functional area – can also be obtained through metropolitan governance reforms encompassing a specific territory of several municipalities and local governments, and competencies in very specific sectors.

The relevance and diversity of regional governments: Key data

While the regional level has gained importance in decentralised countries over the past decades, this level remains very diverse. As shown in Figure 3.2, decentralised regions and federated states are very diverse in terms of geography and demographic size, even across federal countries. Large countries tend to have more layers of autonomous intermediate government, e.g. federal countries. But many countries with a relatively modest size have also introduced or strengthened a regional level in recent decades (e.g. Eastern European countries, Greece). There is no linear relationship between the size and the degree of authority of regions: Switzerland, for example, has very small regions – 26 cantons – but they are very powerful.

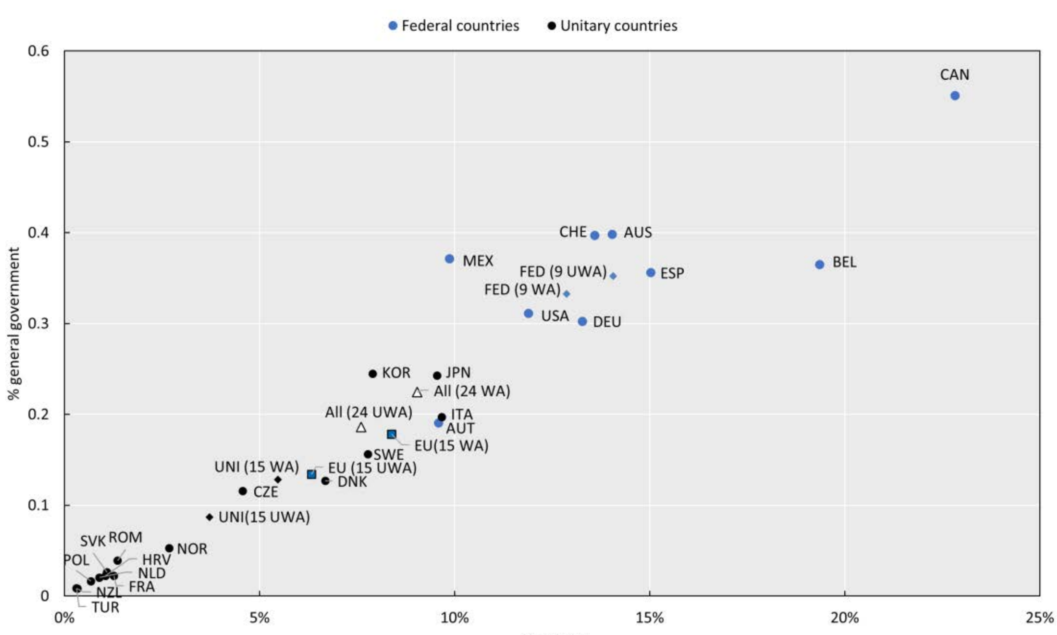
Decentralised regions in the OECD and the EU are significant economic actors, in charge of extensive spending responsibilities.[4] According to the *Regional Government Finance and Investment Database Database*, regional governments play a significant role in public expenditure, accounting for 7.6% of GDP and nearly 19% of public expenditure in 2016 (based on a sample of 24 countries, including 9 federal countries) (OECD, 2020[26]). They represented 41% of subnational government expenditure (the remainder was composed of municipal and intermediate governments' expenditure). These averages must, however, be viewed from the perspective of the great differences between federal and unitary countries, as well as across countries. State governments in federal countries stand out by their high level of spending (with the exception of Austria and Mexico). These ratios are the highest in Canada, where provincial spending represented 22.8% of GDP and 55.1% of total public expenditure in 2016. On the other hand, regional government spending in unitary countries stood at 3.7% of GDP and 8.7% of public spending in 2016 on average. New Zealand, Poland, Croatia, France and the Netherlands ranked the lowest on both ratios.

Figure 3.2. The demographic and geographic size of elected regional governments, 2020



Notes: Australia, Canada and the United States are not shown on the graph because of the large average size of state governments. Australia: 967 650 km² and 3,170 million inhabitants; Canada: 768 000 km² and 2,890 million inhabitants; the United States: in 2020, around 197 000 km² and 6,570 million inhabitants. In Türkiye, average regional sizes include the special administration provinces and the provincial metropolitan cities. The average regional size in France does not include the five overseas regions.
Source: OECD (2021[27]).

Figure 3.3. Regional government expenditure as a percentage of GDP and of total public expenditure in OECD and European Union countries, 2016



Notes: UWA: unweighted average; WA: weighted average. Data for Japan are for 2015. Data for Japan from 2015 were used to calculate the 2016 average.
Source: OECD (2020[28]).

Regional governments also play an important role in public investment, a key component of regional development and economic growth. They accounted for 22.4% of total public investment and 0.7% of GDP on average in 2016. In federal countries only, state governments carry out a large share of investment projects, accounting for around 35.6% of total public investment in 2016, which is three times higher than the unweighted average of unitary countries (10.6%) (OECD, 2020[28]).

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Notes

[1] See Annex C for a complete overview of regional governance reforms in OECD and EU countries since 1980.

[2] Law NOTRe in 2015.

[3] See Annex D for a complete overview of measures taken by regions to manage the COVID-19 pandemic and recovery.

[4] Regional finance data only reflect the regional finance of decentralised regional governments in unitary countries and states of federal countries.

4 Towards a typology of regional governance

This chapter presents an innovative typology of regional governance models across OECD countries. The typology is based on the different regional governance models adopted by OECD countries, grouping them into four different categories: 1) planning or statistical regions; 2) co-operative regions; 3) decentralised regional government; and 4) regions with legislative powers. This categorisation helps understand the different types of regional governance around the world, their main objectives, the main gaps the models attempt to solve and the main challenges they represent. The chapter then presents other bodies and governance tools that may exist at the regional level, such as representatives of the central administration at the regional level, regional development agencies and metropolitan governance bodies.

Introduction

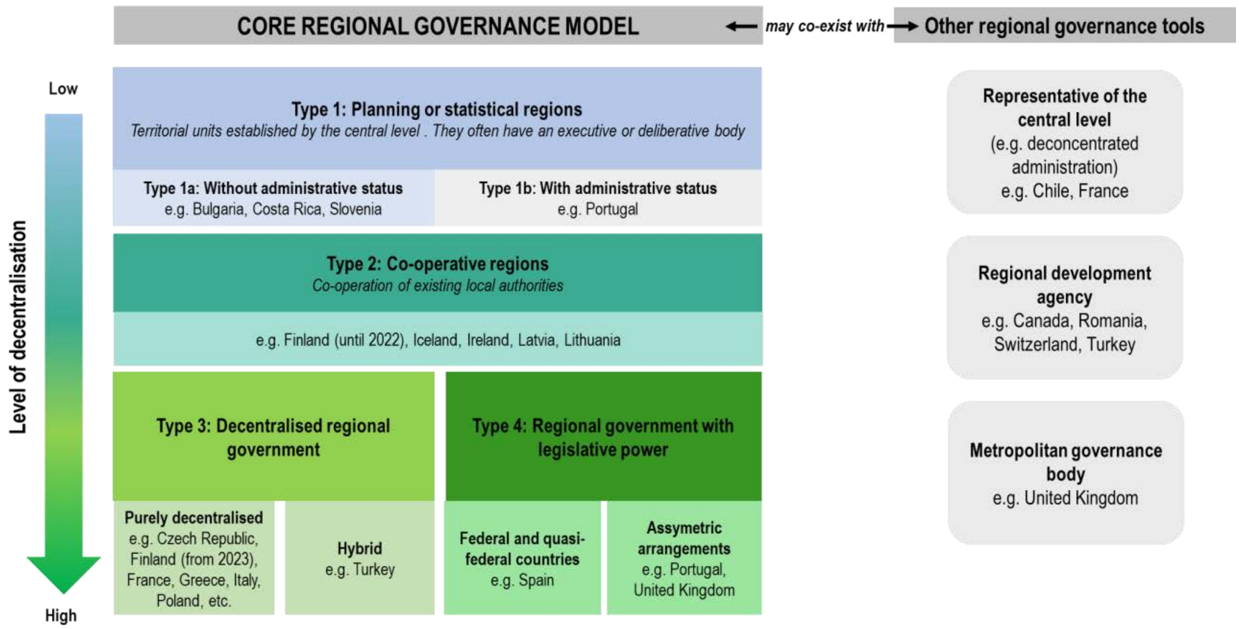
There is a broad spectrum of regional governance models across OECD countries, and often, different models co-exist within the same country. They vary from softer to harder forms, from mono-sectoral to multi-sectoral models. The forms that regional governance takes in a country not only depend on the objectives that they were meant to achieve but also on numerous country-specific factors, such as the extent of national integration, the conception of the state accepted by society and political elites, and, of course, the political situation.

Based on the different models adopted by OECD countries and beyond, this chapter suggests a typology of regional governance by grouping the different governance models into four categories.[1] This categorisation may help understand the different types of regional governance around the world, their main objectives, the main gaps the models attempt to solve and the main challenges they represent. The regional governance models are categorised based on four dimensions:

1. **Institutions**: what are the institutions responsible for administering the perimeter of the region and its mandate? Regional institutions can be more or less costly to implement, both in terms of administrative costs and in terms of political acceptance by citizens and other levels of subnational government.
2. **Governance**: what is the governing body? The choice of the governing body for each regional governance model depends on the degree of autonomy and accountability endowed to each regional body.
3. **Responsibilities:**[2] what are the main responsibilities of the different regional governance structures? Empowering regions (of any form) with adequate responsibilities can allow them to act effectively on their regional development and growth, and create stronger and more resilient territories. Allocating the right responsibilities to the regional level is, however, a delicate process, given that this process can be ascribed to several factors (e.g. the form of the state, the degree of decentralisation, the number of subnational government layers, the existence of a state territorial administration at regional level, etc.). Regional responsibilities may vary across regional governments within the same country as a result of asymmetric regionalisation.
4. **Funding**: how is the regional governance structure funded? The way in which regional governance structures are financed also determines the regional layer’s degree of autonomy.

For reasons of simplification and coherence, this categorisation applies to the prevailing, main or core governance model at the regional level. For each of the four categories, the core regional governance model may co-exist with other institutions or governance structures at the regional level, such as central representatives at the regional level responsible, for example, for security issues, or regional development bodies whose main purpose is to define and co-ordinate regional development issues.

Figure 4.1. Regional governance models in the OECD and European Union



Note: The examples of the four models outlined in the figure represent a snapshot taken at a moment in time, as regional arrangements are not static and are constantly evolving.

Planning or statistical regions

Main characteristics

Planning or statistical regions are territorial units established by the central government to plan at the regional scale and/or provide statistics at the regional level that may enlighten the planning process. They are created through the administrative reorganisation of central government authorities and are included in the central administration as deconcentrated entities. In general, these bodies have few powers and their main objective is to serve as a platform for discussion; regional policies remain closely controlled by the central level.

In some cases, these types of regions do not have a legal personality, and consequently, they do not have their own administration or budget. However, they may have representative bodies, such as an executive or a deliberative body, often called regional development councils (RDCs). These bodies are typically *ad hoc* or not permanent or but they usually meet several times a year. In some cases, they have a collegial structure that allows local authorities (i.e. representatives from local governments and social and economic partners) to be involved in regional issues. These representatives are not elected, but appointed by the central government. Some of these types of regions can have the legal status of regional deconcentrated state administration. Accordingly, they benefit from their own administration and their own budget, composed primarily of transfers from the central government. In the European Union (EU), and, under certain conditions, they also receive and manage EU funds. In general, they also have deliberative and executive bodies, but in contrast with those without a legal status, these bodies are often permanent. These regions are responsible for co-ordinating the deconcentrated arms of sectoral ministries at the regional level.

Planning or statistical regions are most often found in countries with only one level of subnational self-government (at the local level). This is the case of Bulgaria, Costa Rica and Lithuania, for example. In fact, the existence of planning, statistical or development regions often corresponds to situations where municipalities and local authorities are large and have an important space for action to deal with local issues (OECD, 2020[1]). Slovenia is another example, with certain specificities. While Slovenian development regions do not have administrative authority, co-ordination of regional development policies is ensured by a network of different regional organisations, including regional councils (also called councils of mayors), RDCs and regional development agencies (RDAs). Planning regions also exist in countries with a two-tier system, such as Romania, where the 8 planning regions co-exist with 42 counties (among which the capital city of Bucharest) at the regional level.

The creation of statistical/planning regions can, in some countries, be a first step towards the creation of self-governed regional governance bodies. In France, for example, the deconcentration of the central state was the first step towards the current system. “Economic programme regions” were first created in 1954 and transformed in 1959 into “districts for regional action”. They were replaced in 1963 by 21 “administrative regions” and “regional economic development commissions”. At the same time, 21 “regional prefects” were established to represent the central government in the region. The underlying rationale remained centralisation, and economic development was led by the state. After a first failed referendum, aimed at creating elected regions in 1969, the Decentralisation Act of 2 March 1982 eventually gave the French regions the statute of fully fledged regional governments, providing them with additional responsibilities. This has been also the case in Chile, where between 1992 and 2021 regions where headed by an intendent, appointed by the president. This deconcentrated model was transformed into a mixed one in 2014; the intendent appointed by the president was the head of the region and worked together with a regional council elected democratically. Since 2021, there are self-governed regional governments in Chile with both the governor and the regional council elected by popular vote. In the EU, the creation of deconcentrated regions, with or without legal status, is often a response to the implementation requirements of EU accession. Bulgaria, for instance, is in the process of moving from planning regions to another level of decentralisation, although this process remains long and complex (Box 4.1).

Country examples

- In **Lithuania,** until 2010, the county governor’s administrations acted as deconcentrated entities of central government. In 2010, the post of county governor and the county governor’s administration were abolished and their functions were redistributed among the municipalities and the central government. Counties remained as administrative units and ten RDCs, which were created in the counties in 2000, remained as independent collegial bodies composed of the mayors of all the municipalities belonging to that particular county, delegates from local councils, and an authorised person appointed from the government or governmental institution. RDCs also have been considered a tool for co-operation within and across the regions. The Department of Regional Development of the Ministry of Interior acted as the secretariat of the RDCs. Since 2017, representatives of social and economic partners, appointed by the government or an institution authorised by it, are also included in the RDCs, and they must represent at least one-third of the members of each council. However, until 2020, the RDCs’ administrative capacities and functions were limited, and were mainly concentrated on regional development planning; identifying lagging areas and development programmes for these areas as well as regional socio-economic development projects; and distributing some of the EU Structural Funds. Therefore, in 2020, the parliament adopted an amendment to the Law on Regional Development, making RDCs legal entities and extending their powers, relevant to the further creation of self-governing regions. RDCs became supra-municipal institutions with enhanced prerogatives to implement national regional policy in their territories (they were partially transferred some powers in regional development investment planning from ministries), and to promote inter-municipal co-operation (OECD, 2021[2])

Box 4.1. Regionalisation in Bulgaria: From planning regions to a place-based and integrated approach for regional development policy

Bulgaria has not always been without elected regions, in addition to its municipal level. In fact, in 1879 the first democratic Constitution, called Tarnovo, established 3 administrative levels: 23 districts, 84 counties and municipalities, and 2 of them – municipalities and districts – provided for self-government. In 1947, the new Constitution established a system of Soviet-type councils, with "local bodies of state power", reaffirmed in the 1971 Constitution. The administrative divisions included districts, counties and municipalities. Counties were abolished in 1959, and the 28 districts were merged into 9 larger regions in 1987.

The 1991 Constitution, and the subsequent Law on Local Government and Local Administration, established a two-tier model, with municipalities defined as the basic level of self-government, and the possibility of creating other levels of self-government by law. The regional level, as defined in the Constitution, was deconcentrated, not decentralised.

In 1999, the level of the 28 districts was re-established as deconcentrated units. They took the name of "regions" (*oblast*). The same year, the 1999 Act on Regional Development established regional development councils, led by regional governors and comprising municipal representatives, whose role is to advise on regional development issues.

In 2001, the Government Program indicated that it was necessary to conduct "a public discussion on … the establishment of a second level of self-government in accordance with the requirements for our European integration". Reinforcing existing regional bodies has been under discussion since then without any real progress.

For 2021-27, Bulgarian regional policy is evolving towards a more integrated and place-based approach. The objective is to create vital, economically strong and sustainable regions as a response to adverse demographic trends and deepening interregional and intraregional disparities. To support this strategy, the OECD published a report in 2020, commissioned by the Ministry of Regional Development and Public Works, on *Decentralisation and Regionalisation in Bulgaria: Towards Balanced Regional Development*, which explores avenues for regionalisation in Bulgaria.

Source: OECD (2021[3]).

- In **Slovenia**, although the Constitution provides for the creation of self-governing regions by law (Article 143), the numerous attempts at creating elected regions have failed successively until now. To manage regional development and EU funds, the Act on the Promotion of Harmonious Regional Development establishes a system of 12 "development regions" corresponding to NUTS 3 units, with no administrative authority. Several types of co-ordination bodies have been instituted to ensure co-ordination at the "regional" level (defined as NUTS 3 statistical regions) of regional development policy:
  - Twelve RDCs, which include representatives of municipalities, business associations, social partners and non-governmental organisations. They were created as a form of public-private partnership for regional development.
  - Twelve regional councils, which bring together all mayors in a given region. They approve the most important documents, i.e. the regional development programmes and agreements for regional development.

  - Twelve RDAs that are in charge of preparing, co-ordinating, monitoring and evaluating the regional development programmes, regional development agreements and regional projects. RDAs are public institutions since 2011 and serve as administrative, professional and technical agencies to support the functioning of the RDCs and regional councils (Slovenian Ministry of Economic Development and Technology, 2020[4]).

  Since 2014, two development councils of the cohesion regions corresponding to Eastern and Western Slovenia (NUTS 2 level) have also been established. The current trend is to encourage inter-municipal co-operation as a mechanism for more effective and efficient local services and as an intermediate step towards political regionalisation (OECD, 2021[3]).

- The main example of a deconcentrated region with administrative status is found in **Portugal**. In 2003, Portugal established five "commissions of co-ordination and regional development" (CCDR) at NUTS 2 level (Alentejo, Algarve, Centre, Lisbon and Tagus Valley, North). Although CCDRs are deconcentrated services of the central administration, they have administrative and financial autonomy from the central government.

  The organisational structure of the CCDRs is quite complex and comprises a president assisted by two vice-presidents, an administrative board, a single controller, a supervisory commission, an inter-sectoral co-ordination council and a regional council. None of these bodies is directly elected, and the president of the CCDR is appointed by the Portuguese government from a list of three names drawn up by an independent recruitment and selection commission, following a competitive application for a period of three years. The CCDRs play an important role in the design and delivery of regional policy, carrying out important missions in the areas of environment, land and town planning and the development and implementation of the regional strategy. One of their biggest missions has been to manage regional operational programmes of European Structural and Investment Funds on mainland Portugal for the 2014-2020 programming period (OECD, 2020[1]). There is currently a debate in Portugal to reinforce the role of the CCDRs, by granting them more autonomy and more powers together with more accountability.

  The creation of planning regions with administrative status was chosen as a suitable option in Portugal because municipalities have always been against setting up "decentralised regions" (which would have been territorial authorities), which they perceive as a threat to their autonomy (Nunes Silva and Buček, 2016[5]). Portuguese municipalities are relatively large in size and small in number. They fear that regional authorities will make them less autonomous, despite guarantees set out in the Constitution. In contrast, the establishment of planning regions was broadly accepted, and municipalities have become accustomed to working with the territorial departments of the state and have developed co-operation with them (OECD, 2020[1]).

Table 4.1. Main characteristics, benefits and challenges of statistical/planning regions

Domains	Main characteristics	Benefits	Challenges	Good practices
Institutions	– Deconcentrated power – appointed deconcentrated representatives from the central level. – Deconcentrated regions may or may not have legal status, and their own administration and budget.	– Easy to establish in constrained legal and constitutional settings. – Well-adapted in small countries with low need of regional representativeness. – Broad acceptance of the newly created regions from other level of governments, which do not feel threatened in their autonomy (e.g. municipal).	– Low citizens' accountability. – No autonomy from the central government.	– Provide planning regions with a legal personality, with their own budget and administration.

Domains	Main characteristics	Benefits	Challenges	Good practices
Governance	– Deconcentrated regions often have an executive or deliberative body appointed by the central level. These bodies can be permanent or meet on an *ad hoc* basis. – They usually co-exist with other regional institutions in charge of regional development policies (e.g. regional development agencies).	– Municipalities and local authorities are strong and have important space for action.	– When governing bodies are non-permanent, it might create low stability and continuity with high turnover. – Risks of overlap between the state deconcentrated administration and the planning/statistical regions.	– Promote the creation of permanent executive or deliberative organs. – Ensure a balanced representation of local governments and central government representatives in the governing bodies. – Include a broad range of representatives from municipalities and civil society in governing bodies and other executive organs.
Responsibilities	– Functions limited to spatial planning, regional development. – For EU countries, management of EU Structural Funds.	– Deconcentrated regions are valuable to central governments to promote regional economic development, mobilising local authorities and economic organisations.	– Limited administrative capacities and functions. – Competences are often restrained to implementing the central government's strategy for regional economic development, and the distribution of some EU Structural Funds. – Low capacity and autonomy of statistical/planning regions to develop place-based regional development strategies, and to implement policies adapted to local contexts.	– Explore how deconcentrated regions' responsibilities could be extended in spatial planning, regional development and the management of EU funds (including project selection, funding, implementation and monitoring). – Ensure that the responsibilities of deconcentrated entities are clear, especially when they co-exist with other institutions, such as regional development agencies.
Funding	– Delegated budget from the central government, or funded exclusively through grants and subsidies. – EU funds under certain conditions.		– No own budget for planning regions without administrative status. – Mismatch between the limited delegated budget and regional needs.	– Ensure adequate skilled staff and modern tools for planning regions to exercise their competences (e.g. efficient IT system, performance indicators). – Fund planning regions through stable, predictable transfers to enable them to plan over the medium to long term.

Co-operative regions

Main characteristics

Co-operative regions or regional associations of municipalities are another form of regional governance that arises from the co-operation of existing local authorities. This is particularly the case of countries where local authorities have competences and functions that can be more effectively managed at a larger regional scale. Creating co-operative regions involves either extending the attributions and scope of action of local governments within this co-operative structure, or institutionalising their co-operation within a wider framework (OECD, 2020[1]). Associations of municipalities at the regional level need to be distinguished from other common forms of inter-municipal co-operation, which refer to two or more municipalities working together, on a voluntary or compulsory base, for a more efficient provision of services, investment projects and/or planning purposes. In the same spirit, co-operative regions are different from associations of local governments that pursue political and representative purposes.

Regional associations of municipalities have legal status, and their creation requires the agreement from member municipalities. Across the OECD and the EU, regional associations of municipalities have different organisations, responsibilities and funding systems, depending on the country. In general, co-operative regions have regional councils made up of members elected by municipalities and a cabinet/office to run their activities. In this sense, the creation of co-operative regions tends to preserve the rights and authority of local authorities grouped together. There are, however, some examples where regional associations are endowed with strong institutions and sufficiently broad jurisdictions (e.g. Finland, Latvia) (OECD, 2020[1]).

The responsibilities of co-operative regions are usually limited. Their tasks often include regional development and spatial planning, EU funds management and some other tasks with clear region-wide benefita, such as environmental protection or roads. Regional associations can also carry out tasks that are delegated by their members (e.g. waste collection or management of school offices). This is especially the case for capital-intensive public services (e.g. utility systems such as water, waste and energy), which often require a certain minimum size for efficient service delivery. In this case, municipalities provide joint services and share the costs associated with the delivery of the service at the regional scale. As such, regional co-operation enables both greater economies of scale and tailoring services to local needs. Regional co-operation can also include joint efforts on the revenue side, although this is less common than expenditure co-operation.

Usually, co-operative regions have their own budget, generally funded by contributions from municipalities and through central government transfers. Still, reliance on contributions from municipalities can be insufficient in contexts where the financial capacity of local authorities is already limited. These challenges may become even more accentuated in light of the COVID-19 pandemic, which has had an important impact on subnational fiscal and financial health. This is why it is important to complement municipal contributions with transfers from the central level. The central government can allocate funding to regional associations based on several criteria: population, unemployment, municipal tax base, distance from the capital and service provision, etc. Funding can come from various ministries. In some cases, regional associations can access other sources of funding, such as EU funding and competitive funding for specific projects (OECD, 2020[6]).

Regional associations of municipalities can appear to be an attractive option compared with other models (e.g. the creation of decentralised regions) **because they are relatively straightforward to establish and involve a "minimal" government restructuring.** This is why co-operative regionalisation can be seen as an alternative to full regionalisation, but also as an intermediate stage towards full regionalisation, such as in Finland and Latvia. Wales, in the United Kingdom, is currently considering moving forward with regional co-operation through the creation of corporate joint committees (Box 4.2).

Box 4.2. Proposed corporate joint committees in Wales

In Wales, the Local Government and Election (Wales) Bill proposes establishing corporate joint committees (CJCs) as a formal inter-municipal co-operative mechanism with a regional footprint. The aim of this process is to support local authorities in economic development planning and policy implementation, to streamline existing collaboration arrangements, and to provide clarity and consistency in the sharing of regional responsibilities. CJCs should provide a mechanism for consistent regional working and collaboration with a clear framework for governing collaborative arrangements, setting clear expectations in those areas where regional-level collaboration is important. It also seeks to reinforce the ability of local authorities to work at a regional scale.

There are two possible paths for establishing CJCs. Via the first path, local authorities can voluntarily establish a CJC for delivering on any policy or service area as long as they have made a formal application to the relevant Welsh ministers, have respected the requirements governing a CJC's establishment and Welsh ministers have agreed to make the regulations establishing a specific CJC. The second path allows Welsh ministers to establish a CJC to undertake functions in relation to any (or all) of the following four areas, all of which contribute to building and maintaining regional growth, inclusiveness and attractiveness: 1) economic development; 2) strategic planning for the development and use of land; 3) transport; and 4) education.

Regulations would enable CJCs to establish sub-committees; acquire, appropriate or dispose of property; and hold and manage funds, including borrowing or lending, providing or receiving financial assistance, and charging fees. General CJC financing would come from the constituent local authorities. CJCs would also be able to employ and remunerate support staff. Eventually, the ability of the local authorities to jointly carry out their tasks through the CJCs will depend on their fiscal, administrative and institutional capacities.

Source: OECD (2020[6]).

Country examples

- In **Finland**, until recently, 20 regional councils covered the entire territory in the form of regional associations of municipalities. Legally, the regional councils were based on the Act of 1994 on Regional Development. A regional council was the region's statutory joint municipal authority, and every local authority had to be a member of a regional council. The members of regional councils were indirectly elected by members of the municipal councils. Each council (excluding Åland) had an assembly and a cabinet. The Finnish regional councils were municipal co-operative organs with rather limited tasks. Their two main functions, as laid down by law, were regional development and spatial planning. The councils were also the regions' key international actors and were largely responsible for the EU Structural Fund programmes and their implementation. This organisation has changed following a health and social service reform that created 21 elected regions that have replaced these councils (with the exception of the capital city Helsinki, which has maintained a special status). The first county elections were held on 23 January 2022, and the regions will be responsible, starting in 2023, for all health and social services as well as rescue services (OECD, 2020[1]; Sote-uudistus, 2021[7]).
- In **Ireland**, there are three regional assemblies, created in January 2015 as part of the Local Government Reform Act 2014 (they replaced the previous eight regional authorities and two regional assemblies). A regional assembly is made up of members of the local authorities that compose the region. The assemblies aim to co-ordinate and support strategic planning and

sustainable development and to promote effectiveness in local government and public services. In practice, their main function is to draw up "regional spatial and economic strategies". Their other functions include oversight and statutory observations on city and county development plans and variations, managing regional operational programmes' and monitoring committees' funds, supporting the Committee of the Regions and Irish Regions Office in Brussels, promoting co-ordination – between EU/national/regional and local governance, and developing knowledge through research and evidence-based activities for implementation and monitoring (OECD, 2020[6]; 2021[3]).

- In **Iceland**, there are six regional associations of municipalities with a legal basis. Created in 2011, they ensure co-operation and co-ordination between local governments at the regional level on many topics. They also serve as a central government deconcentrated body. Since 2015, regional associations are in charge of preparing and implementing regional development plans for their regions, in addition to special tasks delegated from municipalities (e.g. waste collection and management of school offices). Iceland's regional associations of municipalities develop their regional action plans in consultative fora (one per region), bringing together stakeholders from the private sector, cultural organisations, academia and others. The associations are supervised by a Steering Committee on Regional Issues, formed by all ministries, together with associations of local authorities. The Steering Committee on Regional Issues provides a direct link between the central government and the municipalities and guides them in the preparation of the regional plans. To enhance the country's regional development policy, the government introduced contracts of regional plans to support decentralised funding to regional associations of municipalities. Accordingly, the eight regions' regional plans of action are financed through eight regional plan-of-action contracts (OECD/UCLG, 2019[8]; Hilmarsdóttir, 2019[9]; Council of Europe, 2017[10]).
- In **Latvia**, the members of regional development councils, which are part of the organisational structure of planning regions, are indirectly elected by municipal representatives, acting therefore as a co-operative structure or "inter-municipal co-operation" bodies. These regional development councils (decision-making bodies) work alongside two other bodies: the planning region administration (executive body) and the co-operation committee, which ensures the co-operation of the region with the different ministries. Regional development councils elect their chair and executive director (head of the administration of the planning region). A new round of territorial reforms began in 2019, based on the "Conceptual paper on new administrative territorial division", putting the future of the planning regions up for discussion. In fact, the reform envisages merging the current 119 municipalities to create 39-42 local governments (354 municipalities and 7 state-cities). This reform, if adopted, will have a significant impact on the planning regions. According to the "Regional Policy Guidelines 2021-27" published in November 2019, the Government Action Plan acknowledges the necessity to introduce a regional government level. In this perspective, the Ministry of Regional Development prepared the conceptual report that analyses the role of regions in reducing territorial disparities and favouring regional competitiveness and proposes possible regional governance models (Congress of Local and Regional Authorities, 2020[11]).
- In **Lithuania**, the amendment to the Law on Regional Development in 2020 established RDCs as legal entities and extended their powers on the creation of self-governing regions. The RDCs are mainly platforms for inter-municipal co-operation at the regional level, and can be set up through an agreement between municipalities. The body of the RDC is the general meeting of participants, the governing bodies are the panel (composed of the mayors and members of the municipal councils) and the administrative director of the RDC representing the region. Their main competences include: planning and co-ordinating the implementation of the national regional policy in their respective region; encouraging the social and economic development of the region and the sustainable development of urbanised territories; decreasing social and economic disparities within

and across regions; and encouraging co-operation among municipalities to increase the efficiency of public services provision.

Table 4.2. Main characteristics, benefits and challenges of co-operative regions

Domains	Main characteristics	Benefits	Challenges	Good practices
Institutions	– Co-operation of existing local authorities with legal status. – Their creation requires agreement from member municipalities. – They have different responsibilities and organisational and funding systems depending on the country.	– Minimal government restructuring and low administrative costs. – Legal status arises through agreement among the member municipalities.	– Adding a new hierarchical layer may increase administration and monitoring costs.	– Potentially reconsider the existence of other regional bodies to avoid overlap.
Governance	– In general, they have regional councils made up of members elected by municipalities and a cabinet/office to run the activities. – The creation of co-operative regions tends to preserve the rights and authority of local authorities grouped together.	– Regional associations of municipalities reflect the voices of municipalities and local interests. – Strengthen cohesion among municipalities. – Enhance policy learning across municipalities and among stakeholders.	– Democracy deficit, as regional associations are sometimes governed by representatives that are nominated by the member municipalities. – Limited accountability and transparency of local decision making.	– Set up at least a partial system of direct election of regional representatives among the membership, to enhance accountability.
Responsibilities	– Usually limited. – Tasks often include regional development and spatial planning, EU funds management, and some other tasks with clear region-wide benefits, such as environmental protection or roads.	– Increased service delivery efficiency. – Enhanced capacity to develop place-based, differentiated regional development strategies, to help bring forward regional interests.	– Tasks of regional associations are often limited to regional development, spatial planning and EU funds management. – The member municipalities engaged in the co-operation have less power to affect the services than if the service was provided by their own organisation.	– Clarify the roles, responsibilities and activities of the regional association compared with the role of other regional bodies. – Promote functions of mediation and co-ordination between the various regional actors and stakeholders. – Successful policy making requires the ability of local authorities to co-operate among themselves, with other regions and with deconcentrated agencies.
Funding	– They usually have their own budget, generally funded by contributions from municipalities and through central government transfers.	– Regional associations of municipalities have their own budget, generally funded by municipal member contributions. – They can also receive user fees from services rendered, central government transfers and EU funding.	– Additional financial burden for municipalities in times of austerity. – Risk of low monitoring of the regional pool funding by each individual municipality.	– Provide regional associations, when possible, with a certain degree of tax autonomy to match their funding needs and responsibilities, and provide incentives for regional development policies. – Build a relationship of trust between the central government and the associations by establishing clear funding rules (grants).

Decentralised regional governments

Main characteristics

Decentralised regional governance is a model in unitary countries or quasi-federal countries[3] where the region has elected bodies, at a higher level than local authorities. Decentralised regions, or elected regional governments, are the most widespread form of regional governance in the OECD and the EU. In this type of regional governance, regional governments are legal entities with their own budget, assets, administration and decision-making power. The governance structure of decentralised regions is based on a directly elected deliberative body (regional assembly or council) and an executive body, which can be elected by the regional council by and from among its members (the Czech Republic, Denmark, France, New Zealand, Norway, Poland, Sweden) or by direct universal suffrage (Croatia since 2009, Greece since 2011, Italy, Japan, Korea, Romania since 2008, the Slovak Republic) (OECD, 2021[3]). The direct election of regional councils is, indeed, a key characteristic of decentralised regions. Although this type of region modifies the territorial organisation, it comes under the constitutional order of the unitary state.

In some countries, decentralised regional governments' boundaries correspond to the statistical Territorial Level 2 (i.e. TL2 in the OECD classification; NUTS 2 in the European Union). In other countries, the regional government level corresponds to the statistical Territorial Level 3. In other cases, they can coincide with either Territorial Level 2 or 3 – this is the case of New Zealand, for example, where regional councils belong either to TL2 or TL3, depending on their size (OECD, 2020[12]). In some cases decentralised regional governments have dual status as a municipality and a regional government, carrying out both municipal and regional responsibilities. This is particularly the case of capital cities, e.g. Oslo in Norway; Bucharest in Romania; Vienna in Austria; the German city-states of Berlin, Bremen and Hamburg; Zagreb in Croatia; and Prague in the Czech Republic.

Contrary to regions with legislative powers, decentralised regions have no normative power and are regulated by national law. Regions are overseen by a statute subject to a vote by the national parliament, although drawn up by the regional assembly, and not by a constitution like federal states. While multiple forms of institutional co-operation between the national level and regional governments exist, regional governments do not participate in the exercise of national legislative power through their own representation. In addition, decentralised regional governance includes measures to protect the autonomy of local authorities; in France, for example, territorial authorities are prohibited from having control over each other.

Decentralised regional governments are self-governing units with a certain degree of revenue-generating power and autonomy over their spending decisions. Their sources of revenue may arise from a diverse pool of sources, including tax revenues, both own-source and shared (either with the central government and/or with other levels of government); grants from the central government; user charges and fees; property income; etc. In most cases, they can also access external resources through loans and bonds issuance.

Concerning their responsibilities, decentralised regional governments have a "general competence" (even if their responsibilities can be strictly defined) **as opposed to "special-purpose subnational governments"**, which have specific single or multiple functions (e.g. regional transport districts, water boards or sanitation districts, etc.). They also carry out significant responsibilities in investment in infrastructure of regional significance (e.g. transport). The responsibilities and functions of decentralised regional governments are broader than those of co-operative regions, but vary widely across countries. In a vast majority of cases, responsibilities are shared with another level of government (central or local) or another government institution at the same level; truly exclusive competences are rare. Some tasks can also be delegated by the central government to the regions. In several countries, decentralised regional governments have few powers, responsibilities and revenues (e.g. Croatia, Greece, Hungary, Poland, the Slovak Republic).

In the EU, the model of decentralised regions generally allows for transferring more tasks concerning the management of EU funds to regional governments. In several EU countries, decentralisation policies have resulted in transferring large responsibilities concerning EU fund management to the regions. In Poland, for example, since 2007, regions are fully responsible for a large share of European cohesion funds and thus regional bodies are the Managing Authorities (Mas) of the EU structural funds. In France, since the 2014 law on the modernisation of the territorial public action and affirmation of the metropolises, regions are in charge of managing EU funds for regional development (European Structural and Investment Funds, ESIF). This transfer of responsibility has led the regions to develop new functions such as steering, co-ordination, support, monitoring and auditing. However, the management of EU funds is not always a function of decentralised regions. In several countries, despite the existence of decentralised regions, there is still a centralised approach to regional development and EU funds management. This is particularly the case in countries having small decentralised regions (NUTS 3) (OECD, 2021[13]).

Country examples

- Since the late 2000s, the **Chilean** government has pursued important decentralisation and regionalisation reforms. At the regional level, the deliberative power is in the hands of a regional council, whose members have been directly elected every four years since 2014. In 2018, the regional governance model that had been in place since 1992 was transformed into a "mixed" regional system (both deconcentrated and decentralised). Since 2021, there is a full self-government system, with direct election of the regional executive (governors) by popular vote every four years. In parallel, in 2018 the process began of transferring responsibilities from the national government to the new self-governing regions on land-use planning, economic and social development, and culture. The Inter-ministerial Committee of Decentralisation supports and advises the President of the Republic on the competences to be transferred, which can result from presidential initiative or upon request from the regional government. Still, together with the new elected governors, a presidential delegate represents the central level in each of the 16 regions and is responsible for public security, emergencies and co-ordinating public services. The ministerial regional secretaries (SEREMIS) are also deconcentrated entities representing each ministry at the regional level.
- The **Czech Republic**'s Constitutional Act of 1997 establishes the creation of "high-level territorial authorities" provided for in the Constitution, in the form of 13 regions and the capital, Prague, placed at the same level. A devolved state administration could be maintained in the regions, but the district offices would be abolished.
- **France** is a good example of self-governing decentralised regions. The decentralised regions were created in application of the Act of 2 March 1982, and the first regional elections took place in 1986. In 2015, following the Law on the Delimitation of Regions, regional and departmental elections, and the merger of regions that followed, the number of regions decreased from 27 to 18 (including 5 outermost regions located in the French overseas territories, with a special status). French regions benefit from the principle of free administration by local authorities, which was initially consecrated by the Constitution for municipalities, departments and overseas territories. Regional elections are held in direct universal suffrage using proportional representation lists. The principle of free administration is not in itself a regulatory power, except in the case of express legislation; nor does it involve the exercise of any legislative power. In fact, due to their jurisdictions, the regions wield less normative power than the *départements*, and municipalities in particular. The regions cannot exercise or arrogate any authority over other local authorities on their territory.

- **Poland** also has a form of decentralised regions. In 1999, Poland established 16 self-governing regions (*voivodeships*) to replace the 49 regional bodies that had existed since 1975, but that did not function properly. The 16 regions are part of a three-tier subnational system, along with municipalities at the local level and counties at the intermediate level. The creation of *voivodeships* was permitted by the Constitution, in the framework of a growing decentralisation process taking place in Poland.
- **Japan** has 47 prefectures at the regional level. The current system of prefectures was created by the Meiji government in 1871 with the abolition of the Han system. The current number of prefectures has remained unchanged since 1888. Prefectures have their own assembly, with directly elected members. They are headed by governors, also directly elected by the population. Among unitary countries, Japanese prefectures perceive a relatively high share of tax revenues, well above federated states in federal countries such as Australia, Belgium and Mexico. In parallel, they are also particularly strong public investors.

Table 4.3. Main characteristics, benefits and challenges of decentralised regional governments

	Main characteristics	Benefits	Challenges	Good practices
Institutions	– In unitary countries, the region has an elected authority at a higher level than local authorities. – They do not have any normative power; they are regulated by national law.	– High level of regional autonomy.	– This form of regional governance reform is more difficult to implement on a constitutional level. – Political opposition.	Experimental regional governance, conducted in a few pilot areas, is a good practice to transition part or an entire territory towards decentralised regionalisation.
Governance	– Assembly or council and an executive body, which can be elected by the regional council by and from among its members or by direct universal suffrage.	– Greater accountability and legitimacy in the co-ordination of regional economic development and public service provision.	– Multi-level governance challenges arise with the existence of a new elected level of government. – The asymmetrical arrangements can lead to claims for the generalisation of regional organisation, based on the same principles, usually with narrower autonomy.	– Ensure strong co-ordination across various levels of government and regular dialogue between the regional level and the central and local levels of government. – Strong transparency and accountability of regional bodies towards other levels, civil society and other stakeholders.
Responsibilities	– "General competence" as opposed to "special-purpose subnational governments".	– Regions have greater jurisdictions and more room for maneuver to lead comprehensive regional development policies, benefit from economies of scale, and generate redistribution.	– The sharing of responsibilities between regions and other levels may lead to overlaps and inconsistency of public policies. – – Risks of growing disparities across regional governments, based on their size, location and resources.	– Clarify responsibilities and apply the principle of subsidiarity to devolve the most adequate competences to the regional level. – Strengthen capacities at the regional level to implement these policies. – Develop a national regional development strategy that takes into account regional and local needs, while ensuring equitable development between the various regions (pay particular attention to the most disadvantaged regions).
Funding	– Degree of revenue-generating power and autonomy over their spending decisions. – Sources of revenue may arise from a diverse pool of sources, including tax revenues, both own-source and shared; grants from the central government; user charges and fees; property income, etc. – In most cases, they can also access external resources through loans and issuing bonds.	– Regions have access to more diversified funding sources (tax revenue, central government and EU funding, subsidies, user charges and fees, income from assets). – Capacity to borrow and access external financing to carry out public investment.	– Risk of mismatch between responsibilities devolved to regional governments and their limited financial capacities. – Too broad fiscal autonomy may lead to indebtedness of regional governments.	– Necessity to establish a clear fiscal framework at the national level, including fiscal rules on debt, and enhance the monitoring role of the central government. – Approach fiscal decentralisation by balancing revenue and expenditure needs, and set up adequate funding mechanisms through grants and tax sharing. – Develop equalisation mechanisms at the regional level to ensure equity between the wealthiest and most disadvantaged areas.

Regions with legislative powers

Main characteristics

Regions with legislative powers, in unitary, quasi-federal or federal countries, are characterised by several distinguishing aspects, including the attribution of legislative power to a regional assembly and therefore a high level of political autonomy. Regions with legislative powers have large responsibilities, whose content is defined and guaranteed by the Constitution, or at least by a constitutional-type text (except in the United Kingdom, where the parliament's sovereignty prevails). These types of regions are found in the nine OECD federal and quasi-federal countries, as well as in unitary countries that have autonomous regions – Finland, Portugal and the United Kingdom. The executive and deliberative bodies of these regions are elected by direct universal suffrage. Unlike decentralised regional governments, these regions have their own regional parliaments that exercise primary or secondary legislative powers.

In federal and quasi-federal countries, the federated states (or regions) have, in most cases, their own constitution (Canada is an exception), **parliament and government** (OECD, 2020[12]). The self-governing status of the states may not be altered by a unilateral decision of the federal government. Powers and responsibilities are assigned to the federal and state governments, either by the provision of a constitution or by judicial interpretation. In all OECD federal countries except Spain (a quasi-federal country), local governments are governed by the states, not by the federal government. In general, federated states have extensive responsibilities in key areas including education, social protection, economic development, transport, environment, housing, public order (regional police), civil protection, etc.

In unitary countries, asymmetric arrangements allow for having regions with legislative powers. In Finland, Portugal and the United Kingdom, there are also regions with legislative powers that arise from asymmetric forms of regional governance. In these unitary countries, the creation of regions with legislative powers resulted from the recognition of specific ethnic, historical, cultural and linguistic factors, in the name of which greater autonomy is granted to the regions in question. These specific features define their identity.

Whereas regional governments with legislative powers have a high degree of autonomy, it is common to find interregional co-operating bodies to facilitate dialogue among the various states and regions (e.g. Council for the Federation in Australia). These bodies also act as representatives for the states and provinces towards the central government, and are dedicated to facilitating broad policy co-operation mandates between states and federal territories in a variety of sectors (dialogue and co-operation bodies are further detailed in Chapter 5).

Country examples

- **Australia**'s federal system is enshrined in the Commonwealth Constitution. The regional level is composed of six federated states and two self-governing territories. Each state has its own constitution, laws and a bicameral parliament with directly elected representatives (except for the state of Queensland which only has one chamber). State governments are headed by a premier, in general the party leader of the state parliament's lower house, appointed as such by the governor, himself appointed by the Queen. The Northern Territory and Australian Capital Territory have a different governance structure, each headed by a chief minister and an appointed administrator, and each having a unicameral parliament. Local governments in Australia depend entirely on state governments, which each have their own local government acts and are governed by state legislation.
- **Mexico** is divided into 32 states at the regional level. Mexico City, previously considered a Federal District, became the 32nd state of the federation in 2016. Each state has its own constitution and Congress, composed of deputies elected by universal suffrage. States can enact their own laws,

as long as they do not contradict the national Constitution. They also have their own judiciary branch. Provisions regarding municipal autonomy are enshrined in the national Constitution and are detailed in each state's constitution, to which municipalities belong. Horizontal co-ordination between the states occurs through the National Conference of Governors. There are also several councils dedicated to vertical co-ordination, involving representatives of the central government and the states (e.g. health council, education council, etc.).

- **Portugal**, a unitary country, has two autonomous regions, Azores and Madeira – also recognised as the outermost regions at the European Union level – with a specific status and legislative power. Their legislative assembly is composed of members elected by direct universal suffrage, while the president of the regional government is appointed by the representative of the republic according to the results of the elections to the legislative assembly. They benefit from extensive legislative powers and define their own policy, except in the field of foreign policy and defence and internal security (European Committee of the Regions, 2020[14]).
- In **Finland**, the self-governing region of Åland has a parliament elected every four years that appoints the regional Åland government. Parliament passes laws in areas relating to the internal affairs of the region and exercises its own budgetary power (Finnish Ministry of Foreign Affairs, 2020[15]).
- In the **United Kingdom**, administrative devolution took place in 1999, when Northern Ireland, Scotland and Wales got their own elected assembly and government. The powers and responsibilities of the three devolved bodies vary in nature and scope, as each devolution act was established independently. The devolved institutions in Scotland and Wales have subsequently evolved and taken on greater powers, whereas the process has been more precarious in Northern Ireland, with devolution suspended several times over the 20th century. The Constitution or national law confers the regions with a more or less extensive partial jurisdiction towards the local authorities in their territories, which includes at least some control of local authorities; in Scotland, devolution is almost total in this sense.

Table 4.4. Main characteristics, benefits and challenges of regions with legislative powers

	Main characteristics	Benefits	Challenges	Good practices
Institutions	– Attribution of legislative power to a regional assembly and therefore a high level of political autonomy. – In most cases, they have their own constitution (Canada is an exception), parliament and government. – Asymmetric arrangements in unitary countries.	– High level of regional autonomy.	– This form of regional governance reform is more difficult to implement on a constitutional level. – Political opposition.	– Experimental regional governance, conducted in a few pilot areas, is a good practice to transition part or an entire territory towards 63eneralizatio 63eneralization63.
Governance	– Regional assembly with legislative power (primary or secondary). – Executive and deliberative bodies are elected by direct universal suffrage.	– Greater accountability and legitimacy in the co-ordination of regional economic development and public service provision. – Asymmetrical arrangements lead to better recognition of specific ethnic, cultural and linguistic factors.	– Multi-level governance challenges arise with the existence of a new elected level of government. – The asymmetrical arrangements can lead to claims for the 63eneralization of regional organisation based on the same principles, usually with less autonomy.	– Ensure strong co-ordination across various levels of government, and regular dialogue between the regional level and the central and local levels of government. – Strong transparency and accountability of regional bodies towards other levels, civil society and other stakeholders.

	Main characteristics	Benefits	Challenges	Good practices
Responsibilities	– Wide-ranging responsibilities, whose content is defined and guaranteed by the Constitution, or at least by a constitutional-type text.	– Regions have more jurisdiction and room for maneuver to lead comprehensive regional development policies, benefit from economies of scale, and generate redistribution.	– The sharing of responsibilities between regions and other levels may lead to overlaps and inconsistency of public policies. – Risks of growing disparities across regional governments, based on their size, location and resources.	– Clarify responsibilities and apply the principle of subsidiarity to devolve the most adequate competences to the regional level. – Strengthen capacities at the regional level to implement these policies. – Develop a national regional development strategy that takes into account regional and local needs, while ensuring equitable development between the various regions (pay particular attention to the most disadvantaged regions).
Funding	– Degree of revenue-generating power and autonomy over their spending decisions. – Sources of revenue may arise from a diverse pool of sources, including tax revenues, both own-source and shared; grants from the central government; user charges and fees; property income, etc. – They can also access external resources through loans and issuing bonds.	– Regions have access to more diversified funding sources (tax revenue, central government and EU funding; subsidies; user charges and fees; income from assets). – Capacity to borrow and access external financing to carry out public investment.	– Risk of mismatch between responsibilities devolved to regional governments and their limited financial capacities. – Too broad fiscal autonomy may lead to indebtedness of regional governments.	– Necessity to establish a clear fiscal framework at the national level, including fiscal rules on debt, and enhance the monitoring role of the central government. – Approach fiscal decentralisation by balancing revenue and expenditure needs, and set up adequate funding mechanisms through grants and tax sharing. – Develop equalisation mechanisms at the regional level to ensure equity between the wealthiest and most disadvantaged areas.

Other bodies and governance tools at the regional level

In parallel with the core regional governance model, several countries have established regional bodies or governance tools that may co-exist with the main administration exercising the executive and deliberative powers at the regional level. In some countries, for example, there are representatives of the central level at the regional level, even in decentralised regional governance models. Several countries have also put in place RDAs to promote and strengthen regional development policy. In general, these agencies work in parallel and in co-ordination with regional governments. Metropolitan governance bodies are also a governance tool that co-exists with the core regional governance model within countries; these bodies usually either replace regional governments in certain areas – having broader competences than regional governance structures – or work in parallel with regional governments as they cover a different territorial area.

Representatives of the central administration at the regional level

In several countries with decentralised regional governance structures, there are deconcentrated central authorities at the regional level. The deconcentrated authorities are subordinate to the central government or of organisations that, although endowed with a degree of legal autonomy, constitute instruments of its action placed under its control. Depending on the country, the balance of power among the decentralised region and the deconcentrated authority varies. In Sweden, deconcentrated central government regional units and regional governments with elected self-government and fiscal autonomy operate side by side. In France, the deconcentration tends to focus on sovereign functions of the state (security, financial and legal controls) whereas in the Polish case, regional deconcentration remains much more influential in the implementation of territorial policies and strategies. In Chile, since 2021, there is a presidential delegate whose main responsibilities are related to security and legal controls.

Regional development agencies

RDAs can support countries in the design and implementation of regional development policies and investments "on the ground". The core idea behind the "agency model" is to have a certain degree of separateness from the central or regional government, i.e. separate certain functions from a given public ministry or department by transferring them to a different legal entity at the regional level. RDAs have a key role in regional governance, tasked with the co-ordination of regional development processes. They offer an alternative or a complement to the core regional governance arrangement, contribute to the design and implementation of national development programmes, and help co-ordinate public investment for regional development. Regional development agencies can take a number of forms and serve diverse functions (OECD, 2016[16]; 2020[6]):

- as a network to organise national interventions for regional development within a decentralised context (e.g. Canada)
- to build capacity at the regional level in a centralised country context, and to provide administrative and technical support (e.g. Slovenia and the Republic of Türkiye)
- to help national and subnational actors capitalise on complementary actions across policy sectors in a given region (e.g. Finland)
- to support entrepreneurs and small and medium-sized enterprises, promote innovation and cluster development, and attract investment, acting also as a one-stop shop for firms to obtain information on programmes and support in accessing funding for projects (e.g. Chile, Ireland, New Zealand and Scotland)
- to ensure that policy makers have the evidence necessary to take informed decisions on a wide variety of topics that influence regional development and investment, and to work with regional partners to advance development objectives (e.g. France).

The legal status of RDAs also varies across OECD countries, be they federal or unitary, centralised or decentralised, with or without elected bodies. For instance, RDAs in Switzerland are organised either as public sector corporations (e.g. "regions" in the Canton of Grisons or "regional conferences" in the Canton of Bern), as stock corporations (e.g. Region Oberwallis AG), or as associations. Most RDAs are organised as associations (e.g. Romania). They may have an "exclusive" membership, consisting entirely of public entities (usually municipalities), or an "inclusive" membership, comprising both public and private entities (e.g. interest groups, local businesses, local inhabitants and guests). RDAs with an exclusive membership often involve private actors by appointing them as advisers to the board or inviting them to participate in working groups. However, regardless of whether they have formal membership or not, private actors largely remain providers of ideas and input (Willi and Pütz, 2018[17]).

In countries with statistical/planning regions, it is common to find RDAs that play the role of administrative, professional and technical agencies that support the work of the regional development councils and other regional bodies. In the EU, the creation of RDAs – or structures of a similar purpose – has been driven by the EU accession process, notably for countries in Eastern Europe without elected regional governments. Lithuania is an example where the implementation of spatial planning and regional development policy was carried out by an appointed governor at the level of higher administrative units (i.e. county). Three RDAs were created, respectively for Kaunas, Klaipeda and Utena, to support the local authorities in attracting investments, project development and management. Still, RDAs' authorities are not elected and, therefore, they are not a substitute to the role that a regional government can play for regional planning and economic development. RDAs and similar entities can, however, sustain the development and strengthening of regional governments, through capacity building, in particular in sectors such as public-private partnerships, designing and prioritising investment projects, and monitoring and evaluation of regional investment.

Most RDAs are regionally managed, i.e. RDAs created by and reporting to a regional government. These RDAs are owned at least partially by regional governments, and sometimes local authorities, associations of municipalities or other public entities (the Czech Republic's RDAs, Korea's economic region development committees). On the other hand, a few OECD countries have nationally led RDA networks to support regional development (e.g. Türkiye). These agencies, in general, incorporate both central and local governments' representatives in the governing bodies. National RDAs mays exist in countries where regional governments do not exist, or when they do not have sufficient human and financial capacities

National and regional RDAs may also co-exist in the same country. Canada, a federal and highly decentralised country, has a well-developed network of six national RDAs to help organise national interventions for regional development. The responsibility for the six RDAs falls under the sole jurisdiction of the Ministry of Economic Development (a shift with the past approach, when various regional ministers were assigned responsibility for each of the six agencies across the country). In parallel, Canadian provinces have their own RDAs that co-exist with the national network. In Australia, the national network Regional Development Australia was created in 2012. It operates through a network of 52 RDA committees, made up of local elected officials, business and community groups. The national network aims to identify local investment priorities, attract catalytic investment and co-ordinate the Regional City Deals process.

In general, RDAs have a different governance structure (in terms of hierarchical relations, responsibilities of leaders, use of governing/management boards), **as well as greater management autonomy** (via mechanisms such as performance contracts, multi-year budgeting, etc.) **than deconcentrated central government authorities, making them more efficient and effective** (OECD, 2015[18]). One advantage of RDAs is their ability to foster greater understanding and stronger working relationships between national and subnational actors, and across policy sectors. Due to their separate legal status, RDAs are better able to engage with the private sector in numerous ways, notably regarding financial instruments. They can also help generate international ties and expand markets for businesses of all sizes.

The creation of RDAs often responds to the ambition of creating greater accountability in regional development. RDAs may be required to set up performance evaluation indicators, and to have clear accountability processes. Even when RDAs are accountable directly to a region, they are still part of a complex governance landscape involving multiple levels of government, and sometimes the private sector. A survey in Europe noted that 40% of surveyed RDAs had funding sponsorship from other levels of government beyond the region, and therefore may be also accountable to a public-private board (Danson, Halkier and Damborg, 2017[19]). As non-democratically elected bodies, it is crucial that RDAs are transparent and fully accountable, regarding both financial transactions and policy implementation, to remain legitimate.

Country examples

- The **Canadian** RDAs are part of the federal government's Innovation and Skills Plan and are dedicated to advancing and diversifying their regional economies and ensuring that the communities therein thrive. These agencies have also served to address economic challenges in their regions by providing tailored programmes, services, knowledge and expertise. This includes building on regional and local economic assets and strengths; supporting business growth, productivity and innovation; helping small and medium-sized enterprises effectively compete globally; providing adjustment assistance in response to economic downturns and crises; and supporting communities. Each of the six RDAs brings a regional policy perspective to advance the national agenda by providing regional economic intelligence to support national decision making; contributing to federal-regional co-ordination and co-operative relationships with other levels of government, community and research institutions, and other stakeholders; and supporting national priorities. RDAs work collaboratively with each other and with the provincial and local development agencies in their territories to ensure national co-ordination and a maximum of efficiency. They represent Canada on territorial development matters and in developing or renewing national programmes or services delivered at a regional level.
- **Romania** has a network of eight RDAs, which operate at the regional level alongside eight development regions, created for statistical purposes for the supervision of regional development and of the management of EU funds. The RDAs were created on a voluntary basis and are responsible for co-ordinating regional development for each region. The Regional Development in Romania Act (No. 315/2004) establishes the institutional framework for regional development policy in Romania (OECD/UCLG, 2019[20]).
- **Türkiye** established a national network of 26 RDAs in 2006, based on Law No. 5449. Türkiye has no regions as such, and therefore the RDAs form the NUTS 2 level, that has been used as the regional planning unit for preparing regional plans and strategies. RDAs have a participatory approach to encourage public-private dialogue. Currently, all 26 NUTS 2 regions have their own regional development plans prepared by development agencies and local stakeholders for the 2014-23 period. These plans are important in tailoring policy and implementation to local needs and circumstances. They also highlight regional situations that may need national-level intervention (OECD/UCLG, 2019[20]).

Metropolitan governance bodies

OECD countries are increasingly adopting metropolitan governance arrangements to address administrative and territorial fragmentation and to foster economic and inclusive growth. OECD empirical research has shown that for a given population size, a metropolitan area with twice the number of municipalities is associated with around 6% lower productivity. This effect is mitigated by almost half when there is a metropolitan-level governance body established (Ahrend, Gamper and Schumann, 2014[21]). An OECD study provides statistical evidence showing that, on average, more administratively fragmented metropolitan areas have a higher spatial segregation of households by income (OECD, 2016[22]).

There are different forms of co-operation arrangements in metropolitan areas, ranging from soft (dialogue platforms/informal/soft co-ordination) **to the more "stringent" in institutional terms** (supra-municipal body, metropolitan cities). While there is no "one-size fits all" model but rather a range of models that vary based on territorial and institutional contexts, more integrated and strategic forms of inter-municipal co-operation structures are needed for these areas to cope with metropolitan issues. Some elements are essential to ensure effective metropolitan governance, including political representation, geographic boundaries that match the boundaries of the economic region (functional area), clear assignment of expenditure responsibilities and revenue sources, and decision-making power, including some fiscal autonomy (OECD, 2021[2]).

Box 4.3. Experimentation, asymmetry and deal-making approach: Some international examples

- **France, an example of an asymmetric approach and metropolitan contracts:** To manage its functional urban areas, France has developed three forms of inter-municipal co-operation: metropolises (*métropoles*) for functional urban areas with more than 400 000 inhabitants (21 as of 1 January 2019), "urban communities" for those with 250 000-400 000 inhabitants (13 *communautés urbaines*) and "agglomeration communities" for those with 50 000-250 000 inhabitants (223 *communautés d'agglomération*). Within the metropolis category, introduced by the 2014 Law for the Modernisation of Territorial Public Action and the Affirmation of Metropolitan Areas, there is an additional differentiation between the three largest metropolitan areas (Aix-Marseille-Provence, Lyon and Paris, which have already had special status since the 1982 PLM Law) and the others (common law statute). Finally, Aix-Marseille-Provence, Lyon and Paris also have different *ad hoc* governance structures – i.e. different organisation, responsibilities and resources. In 2016, the government launched a new form of contract, the state-metropolis pacts, which aim to empower the new metropoles and support urban innovation at the metropolitan scale through financial partnering in some key investments. Their main objective is to consolidate the future position of metropoles in the institutional landscape.
- **The Devolution Deals in the United Kingdom:** Since 2010, the United Kingdom has developed a comprehensive policy on devolution and local economic growth. Government interventions to support economic growth are being pursued at different scales (cities, functional urban areas, regions, pan-regions) to ensure that all parts of the country benefit from sustainable economic growth. Devolution Deals build on the previous City Deals to cover city regions, as well as local authorities in both urban and rural areas, to improve policy co-ordination between cities and their regions. Devolution Deals mostly involve the devolution of powers and governance changes (an elected city-region mayor). They are agreements (contracts of usually ten years or more) signed between the government and "combined authorities" at the city-region level and are bottom-up proposals focused on leveraging investment for locally determined priorities. In England, for example, deals focus on driving economic growth, providing for the decentralisation of powers over skills and transport policy, the creation of a "single pot" to support local investment, and the ability to raise additional revenue through financial instruments such as a mayoral precept.
- **Experimenting with metropolitan governance in Chile:** The programme Pilot Project for the Establishment of Planning and Co-ordination Capacities for Metropolitan Areas was launched in 2015 and carried out in four Chilean regions, which were selected as pilots to demonstrate and address the different morphological, functional and population differences present in Chile's emerging metropolitan areas (La Serena-Coquimbo in the Coquimbo Region, Greater Santiago in the Metropolitan Region, Greater Concepción in the BioBío Region and Puerto Mont-Puerto Varas in the Los Lagos Region). Among the competencies were carried out by the "the metropolitan regional government" awere preparing a metropolitan urban transport master plan; elaborating an inter-municipal investment plan of infrastructure; and operating the collection, transport and treatment of solid waste and traffic regulation of urban roads. The metropolitan regional government was advised by a committee of mayors, representing the municipalities making up the metropolitan area.

Sources: OECD (2021[2]); https://www.local.gov.uk/our-support/safer-and-more-sustainable-communities/devolution-hub/devolution-explained.

Some countries have opted for contractual arrangements specifically targeting metropolitan areas. The United Kingdom has an interesting model where urban areas are governed through "tailored arrangements" between national and "combined" local authorities, called "Devolution Deals". This approach has been replicated in other OECD countries (OECD, 2020[23]). For example, Australia adopted the City Deal approach in 2019 and 9 other City Deals have since been agreed upon to be operational over a 10-20 year period (Box 4.3).

In some cases, there is an important resistance to metropolitan governance reforms, which sometimes comes from regional governments. Although progress towards more institutionalised and integrated metropolitan governance has been observed in numerous EU and OECD countries, it has not been without difficulty. In Italy, for example, regional governments originally opposed the strengthening of metropolitan governments, because regions saw this development as weakening their position (Conti and Vetritto, 2018[24]). To counterbalance this opposition, metropolitan cities were subordinated to the regional administrations, in the sense that they depend upon them for funding (Boggero, 2016[25]). Similarly, in Canada, the provinces decide on the tasks and financing of metropolitan governments. For example, the provincial government of Ontario has largely taken over responsibility for transport and land-use planning for the Greater Toronto Area (Slack and Bird, 2010[26]). Indeed, most metropolitan governance reforms in the OECD have triggered, and still do, intense political debates and controversies as they hinge on the specific national and municipal history as well as cultural and socio-institutional frameworks. Various factors explain strong resistance to metropolitan governance reforms: strong local identities and antagonisms; vested interests of politicians and residents; a lack of trust between municipalities which have "historically competed over residents, enterprises and jobs"; opposition from regional governments (regions) which tend to compete with metropolitan bodies; local financing systems; and potential costs of reforms (OECD, 2017[27]; 2021[2]).

How to manage the relationship between metropolitan governance bodies and regional governance structures remains a key challenge. With rising metropolitan bodies, an important question is how the relationship between regional governance structures, metropolitan governments, and other entities such as city-regions and regional bodies should be arranged to ensure that they can co-exist in a co-ordinated manner to foster greater economic outcomes. It has been observed that metropolitan governments and regions tend to have overlapping responsibilities, jurisdictions and functions (Box 4.4). In other cases, their differentiated attributions may create some problems and competing interests; in Hungary, cities with county rights (in charge of the responsibilities of the county within their area) are allowed to borrow with prior approval by the central government, whereas counties have no borrowing autonomy (OECD, 2019[28]). Adopting the adequate multi-level governance tool is thus crucial when parallel regional governance bodies co-exist (see Chapter 5).

Box 4.4. Risks of overlapping responsibilities between metropolitan governments and regions

Metropolitan governments have several characteristics that make them similar to regions, thus creating difficulties to clearly identify regional and metropolitan authorities' responsibilities and jurisdictions. Metropolitan areas are usually major commercial centres, as well as important "engines" of innovation and economic growth. According to the Brookings Institution, the 300 largest metro economies in the world account for almost half of global output (Bouchet et al., 2018[29]). Metropolitan cities also serve as regional hubs for people living in surrounding communities who come to work, shop and use public services that are not available in their own communities. In general, metropolitan regions end up as the smallest regions of each country in terms of area, while they are the most populated (Vienna, German city-states, Zagreb, Bucharest, Budapest, Prague, Oslo, etc.).

The Regional Authority Index defines metropolitan and urban governments the same way as a regional government, which means that:

- It is an intermediate tier of government between the local, municipal tier and national government. A sub-metropolitan or sub-urban tier can consist of councils or assemblies established in city districts or in the member municipalities.
- It is a multi-purpose, not single- or specific-purpose, government.
- It legally exercises competencies and is not a collaboration purely based on a voluntary basis. This means that the competencies of metropolitan and city governments are laid down in legislation, either in a specific law or a chapter in a local/regional government law.
- It has an average population size of 150 000 or more across units.

As a result, the responsibilities attributed to metropolitan areas – including infrastructure and planning tasks, public transport, environment, and spatial planning, as well as services targeted at local business – are closer to those of the regions than of other levels of government, which may trigger risks of overlapping responsibilities and functions.

Sources: Bouchet et al. (2018[30]); OECD (2020[1]; 2019[28]); Hooghe et al. (2016[31]).

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Notes

[1] See Annex A for a complete overview of regional governance structures in OECD and EU countries.

[2] See Annex B for a complete overview of responsibilities of regional governments.

[3] Spain, for example, is a quasi-federal country where regions do have legislative power. Still, regions are overseen by a statute subject to a vote by the national parliament, although drawn up by the regional assembly, and not by a constitution like federal states.

5 Multi-level governance tools: Enabling sound regional governance

This chapter presents multi-level governance tools that allow all levels of government to function more effectively and efficiently and manage relationships in a shared responsibility environment. The use of a place-based approach to regional development in a context of shared responsibilities requires a management architecture that combines a set of results-oriented multi-level governance instruments. This chapter focuses on instruments that facilitate vertical co-operation across levels of government as well as interregional co-operation. It also emphasises the need to develop strategic capacities, especially for monitoring and evaluation. Finally, it provides some tools for stakeholder concertation and participation to ensure the success of place-based policies.

Introduction

Growing regional governance reforms and increasing regional authority mean a more complex system of multi-level governance in which all levels of government work. Adopting effective instruments and tools that allow all levels to function more effectively and efficiently and manage relationships in a shared responsibility environment is thus of utmost importance. And this is true in all contexts, independently of which type of regional governance model a country has chosen. Multi-level governance instruments – which can be more or less binding, flexible and formal – generally serve two purposes: 1) to co-ordinate public policies and investments among levels of governments and stakeholders; and 2) to reinforce capacity for designing and implementing policy and investment at all levels.

To design and implement place-based regional development policies and ultimately reap positive regional development outcomes across all regions, countries need to adopt sound multi-level governance instruments and establish effective co-ordination mechanisms across levels of government. Making the most of regional governance models is particularly crucial in the current context of a growing “geography of discontent” and increasing divides between territories, in particular between places that feel left behind by globalisation and technological change and those which have seized the opportunities offered by these megatrends. Good governance is indeed associated with higher levels of productivity and catching-up dynamics and can help promote strategies for inclusive growth. Governance arrangements are also crucial to increase the impact of regional development policies in regions and cities.

The use of an integrated place-based approach to regional development in a context of shared responsibilities requires a management architecture that combines a set of results-oriented multi-level governance instruments. OECD countries have resorted to different sets of mechanisms that allow and facilitate better governance of regional development policies. Different mechanisms can serve multiple and complementary objectives; determining which of them to use and combine will strongly depend on the country’s political and cultural context, the capacities of national and subnational governments, the degree of path dependency of existent policies, and the objectives pursued, among others. In the end, it is a suitable combination of different mechanisms that will help countries to improve the institutional environment and the way in which the public budget is spent and invested.

Ensuring vertical co-operation and co-ordination across levels of government

In a multi-level governance context, the regional level has a strategic position, at the intersection of the national, intermediate and local levels of government, which are mutually dependent on each other for achieving their policy goals. Regardless of the institutional context, the regional level has a strategic position and as such plays a key role in ensuring and enabling vertical co-ordination and developing a strong, trusting and co-operative relationship among sectors and levels of government.

Promoting vertical co-ordination, co-operation and dialogue between different levels of government allows producing outcomes that are aligned and sufficiently clear for all actors. Countries can rely on a number of instruments to ensure that policies and investment decisions are well co-ordinated across levels of governments: contractual agreements, co-financing arrangements, conditionalities, formal participation channels and inter-governmental committees. These tools help to build ownership, trust and a sense of fairness (OECD, 2018[1]).

The COVID-19 pandemic has shed light on the need to strengthen vertical co-ordination mechanisms across OECD countries. Vertical co-operation between regional and other levels of government is important not only to meet the immediate needs that arise from the pandemic but also to ensure future capacity to do so, through coherent recovery strategies and sustained public investment. Effective co-ordination across levels of government may help each level have sufficient space and powers to recover. Co-ordination with other levels of governments – regardless of whether they operate in centralised or decentralised contexts – is key for regions to become levers for the social and economic recovery, in particular when tackling issues of regional importance (e.g. employment, economic development, transport and health).

A co-ordinated regional approach to recovery can enable maximising the resources available to support regional economies, optimise the impact of aid packages and increase accountability. As the pandemic unfolded, several support schemes for businesses, households and lower levels of government were designed at different levels of government, with varying degrees of effectiveness. Co-ordination is crucial to ensure even access to financial relief to support investment and guarantee that the funding benefits all. Through participatory regional taskforces or joint regional committees, decision makers from the top are more likely to design policies that integrate the needs of subnational governments, citizens, and local and regional businesses. This will increase accountability, and therefore the acceptance of potential reforms and recovery plans. At the same time, it can lay the foundations for more solid and mature relationships across levels of government, and between governments and citizens.

Deal-making and contractual arrangements

The use of formal contractual arrangements, such as contracts, deals or agreements, can help ensure efficiency in decision making and policy making by strengthening vertical co-ordination and building trust between national, regional and local governments. Contracting or deal-making approaches can favour information sharing and mutual understanding in how to address a common policy priority, while at the same time reduce transaction costs for implementing a policy. In particular, contractual agreements can clarify "grey areas" where responsibility for action or outcomes is not clearly established. In a multi-level context, responsibilities for each level of government or institution can sometimes be shared, unclear or even overlap. By defining the mutual obligations of parties and agreeing on authority, respective duties and enforcement mechanisms, contracts can help manage joint, unclear or overlapping responsibilities in a multi-level context.

Contracts across levels of governments may bring a series of benefits for policy making, including fostering long-term regional development policy making and building trust. Contracting approaches can also generate trust between public actors for their future endeavours. Both central and subnational governments may also seek to innovate in particular areas, building new capacities and new approaches to policy making. In these cases, a contract is a tool for collective learning (OECD, 2018[1]). Through this, contracts may facilitate the establishment of a long-term perspective on regional development policy making. Indeed, while in the past the focus of contracts was mainly on delegating functions through earmarked funds to specific programmes and purposes, there is an increasing effort to provide incentives upfront so as to spend funds toward desired and agreed-upon goals and to monitor achievements after the funds are spent.

To achieve its objectives, a contract between levels of government must encompass some key elements:

- address information asymmetries transparently and with interaction between levels of government
- identify a common target
- clearly define the contributions of each party, ensuring the possibility for each party to be accountable for its own contribution
- specify indicators for assessing the implementation of the agreed tasks
- put in place an enforcement mechanism for making the commitment credible (internal, external or by a third party).

Box 5.1. Contracts across levels of governments: Managing flexibility and stability for regional development policies

In times of fiscal constraint and uncertainty, governments need to balance long-term regional development policies seeking to provide certainty for the public and private sectors with the need to adapt these policies to new priorities and innovation. Contracts across levels of government, if defined properly, can help all levels of government respond to these challenges.

Contracts across levels of government can be defined broadly as any arrangement that reorganises the rights and duties of governments, other than by way of the Constitution. They define mutual obligations of parties, which must agree on authority (the assignment of decision rights), respective duties and enforcement mechanisms.

It is possible to distinguish three types of contracts fulfilling different objectives:

- Empowerment contracts can help subnational authorities during the early stages of decentralisation to develop new capacities and gain greater autonomy in dealing with regional development policies.
- In delegation contracts, the central government delegates the implementation of specific tasks to a subnational government capable of fulfilling those tasks. Delegation is based on the assumption that regional and local actors are better positioned to implement national policies at the local level. Often such contracts are used with the assumption that they will also lead to greater efficiency in public spending.
- Policy-sharing contracts see the central and subnational governments co-operating to fulfil certain tasks.

In the context of regional development, contracts can be adapted to the needs of different regions. The key point is to specify the regional development priorities to be addressed by contracts, which can be supported by a careful assessment of the needs and opportunities of each level of government.

Source: OECD (2018[1]).

The use of contractual arrangements can also bring a series of challenges for all levels of governments; the design of the contract is thus a key element for its success. Contract arrangements can generate administrative burdens for regional structures, making access to financing too complex and discouraging. Contracts can also create some inertia, making it difficult to adapt to emerging needs that cannot be foreseen in advance. It is also important to address accountability, transparency and scrutiny challenges that surround these arrangements. To overcome these challenges, there are some key lessons to take into account when designing contacts – lessons based on years of experiences in different countries and a well-developed theoretical approach to contractual arrangements. For example, despite the importance of providing stable arrangements over the long term, contracts must remain relatively flexible to enable the financing of new regional projects over time and facilitate the reallocation of funds if necessary (OECD, 2020[2]). At the same time, introducing citizen engagement mechanisms, for example such as public consultation and participatory financing mechanisms, throughout the duration of the contract can increase transparency regarding the use of investment funds (O'Brien and Pike, 2018[3]). An additional benefit of greater transparency is valuable public support for local projects.

Countries are increasingly making use of contractual arrangements for regional development policy delivery. In the European Union (EU), Cohesion Policy is delivered through programmes that are, in fact, several different contractual relationships of different natures. These long-term programmes in EU Cohesion Policy provide stability, which is seen as a major advantage. In France, contracts between the

French central government and its regions (*contrats de plan état-region*) serve as a key planning, governance and co-ordination instrument in regional development policy. Iceland also makes extensive use of contracts between the national government and its regions to strengthen the capacities of its regional associations and devolve them more and more responsibilities over time. The model of contracts and formal arrangements between a region and a state are also common in the context of city-regions. This is, for instance, the case of City Deals in Australia, the Netherlands and the United Kingdom (Box 5.2).

Box 5.2. Contracts across levels of government: The cases of France, Iceland and the United Kingdom

France: State-region contracts, City Contracts and Recovery and Ecological Transition Contracts

France has a long history of contractual arrangements linked to the decentralisation of specific tasks to regions, departments and, to some extent, municipalities. State-region contracts, launched in 1984, initially aimed at building regional capacity through a long process of negotiation between subnational governments and the central government's deconcentrated bodies. These contracts established the objectives, implementation and funding modalities for specific tasks. They can also have an incidence on financial transfers from the central level to the subnational one. France is now in its sixth generation of state-region contracts, and through this process, regions have developed extended capacities and responsibilities in terms of economic development, employment and vocational training, including larger budgets and the involvement of new actors (e.g. academics, civil society).

Urban policy has generally been focused on renewal in deprived neighbourhoods in cities of all sizes. It is formalised through city contracts (*contrats de ville*) concerning urban, social and economic development, in particular to address the devaluation of certain areas and urban and social segregation. These are annexed to state-region contracts and mainly passed between the state and the agglomerations, which allows pooling the actions of different communes.

State-metropolis pacts were launched in 2016 to empower and support investment in metropolitan areas; between 2016 and 2018, 485 contracts for rural development were signed to revitalise rural areas through initiatives in social cohesion, economic attractiveness, access to public services, mobility solutions, access to digital technologies, and the ecological and energy transition.

In 2020, France introduced Recovery and Ecological Transition Contracts for inter-municipal cooperation bodies (*Contrat de relance et de transition écologique* - CRTE). These contracts last from 2020 to 2026 and provide a framework for the territorialisation and coordination of a range of public policies that as a whole contribute to the challenges of territorial cohesion and the ecological transition. The priorities of the contract are defined locally and agreed upon with the State. IMCs can access funding for the projects in the contracts from a variety of sources including the Local Investment Support Grant (DSIL), EU funds, State government ministries implicated in the contract, and the private sector

Iceland: Regional-level plans

Since 2013, Iceland has used successive five-year contracts between its regions and the national government to ensure the financing and implementation of the regional-level plans. For example, the Northwest Region has signed three consecutive contracts with the Ministry of Transport and Local Authorities and the Ministry of Education and Culture to support the implementation of its regional plan, which emphasises regional development and innovation, culture, environmental issues, and education and population. These contracts ensure funding against clear and measurable success indicators established by the region. The Northwest Region's experience is that this approach has helped increase trust on behalf of the government. Over time, the region has fewer rules to abide by, an increased allowance for administrative costs and no more constraints on the distribution of funding between priority projects and competitive funds. In addition, more autonomy has been granted on who is appointed to competitive fund distribution committees. There is also now the possibility for other ministries to be part of the contract. Trust has also increased on the side of the regions, as has capacity. There has been a visible increase in the degree of decentralisation on the part of the national government. Building on experience from the past, regions are developing increasingly stronger plans. For example, the Northwest Region's 2020-24 contract has received support from expert consultants, the costs of which were paid by the Ministry of Transport and Local Authorities. The plan has a stronger local focus than in the past thanks to the greater degree of autonomy, and measurability is considered to be better.

Scotland (United Kingdom): City Deals

In Scotland (and more broadly in the United Kingdom), City Deals correspond to tripartite agreements between the UK central government, the devolved government of Scotland and a number of local authorities from neighbouring areas in Scotland. For instance, in the case of the Glasgow City Deal, the ultimate decision-making body, the Glasgow City Region Cabinet, is made up of the leaders of the eight member authorities. Meetings are held every eight weeks and papers are made available to the public. The City Deal is set out according to an Assurance Framework. This document, to be reviewed annually, sets out the governance structures and arrangements for the City Deal Programme; how business cases will progress, be evaluated and agreed upon, and how the funding mechanisms will work. Funding for projects comes from the UK government, the Scottish government and, whenever possible, EU funds. The total amount contracted is paid over a 20-year period and unlocked partially every 5 years, depending on the delivery of agreed outputs and outcomes.

Sources: (Charbit and Romano, 2017[4]); OECD (2019[5]); O'Brien and Pike (2018[3]).

Inter-governmental bodies

Inter-governmental bodies can be important assets for designing and implementing regional governance reforms and aligning interests and priorities for regional development across levels of government (OECD, 2017[6]). Inter-governmental bodies provide regional and other subnational actors with the opportunity to share perspectives and experiences; understand the needs and problems of other levels of government; negotiate with each other; and obtain help in the design, implementation and monitoring of policies or reforms. From the central government's perspective, inter-governmental and dialogue bodies can also serve to establish a clear and transparent priority-setting process, and provide high-level guidance, co-ordination and discussion of matters related to regional development. Inter-governmental bodies can be particularly useful to design and implement regional governance reforms (Box 5.3).

Inter-governmental bodies or co-ordination tools to ensure policy alignment can take different forms, such as a dedicated permanent policy exchange, conferences or councils. They can be *ad hoc* or permanent, consultative or assume co-ordinating functions. These bodies can be more or less formal, regular, and with or without decision-making authority. Inter-governmental committees are generally chaired by the prime minister and bring together the presidents or heads of states and regional governments, as well as presidents of local government associations (OECD, 2017[7]). Involving lower levels of government in policy making is important to ensure that subnational priorities are considered and that all stakeholders are on-board to contribute to the successful policy implementation. This involves the sharing of simple and credible information transparently and continuously between the various levels.

Developing data at the right scale and ensuring a cross-sectoral approach are key for the success of inter-governmental co-ordination bodies. To reach their potential, inter-governmental bodies need to be built on solid and reliable territorial data. In countries where there are not any public databases on regional statistics, these bodies can contribute to enhancing the quality and reliability of such data. To this end, inter-governmental committees may include sub-committees on fiscal issues, and governments at all levels can promote the creation of regional statistics databases (e.g. Spain) (OECD, 2019[5]). It is also important to adopt a cross-cutting approach to regional development that takes into account a wide range of sectors. The advantage of having interlocutors from different levels of government interact must not be at the expense of an overall vision of regional development and the attractiveness of the territories.

Box 5.3. *Ad hoc* inter-governmental bodies to design and implement regional governance reforms

Regional governance reforms need a multi-stakeholder approach – not only to gather all the relevant perspectives, but also to ensure ownership and buy-in by all the parties that will be impacted by the reform. This is why a key recommendation of several OECD country studies is to establish a "decentralisation or multi-level governance reform committee" involving key ministers, subnational governments' associations, business and citizens' associations, universities, etc. to accompany the design and implementation of the decentralisation reform. Setting up such a committee could help to increase legitimacy, better anchor the decentralisation agenda within the national reform programme and foster its sustainability.

Such types of *ad hoc* and temporary commissions can be more or less independent, depending on their composition, administrative dependence and operational means (secretariat and staff, budget, communication). They may have more legitimacy and impact if they are directly connected to a high level of government (presidency, prime minister, parliament). These fora may involve experts and different stakeholders from civil society and the public and private sectors.

This practice has already been employed by several countries. It is a well-developed method in Nordic countries such as Denmark and Finland, as well as in other countries such as Japan.:

- In **Denmark,** the Commission on Administrative Structure, appointed by the government in 2002, performed a critical review of the Danish governance system. The commission played a major role in reform processes. It was established to provide a technical analysis of decision making regarding changes in public sector tasks. Its tasks were to assess the "advantages and disadvantages of alternative models for the organisation of the public sector". The commission accomplished its work in 2003 and released recommendations in January 2004, proposing six different administrative models.
- In **Finland**, working groups in charge of drafting the recent reform measures included members from the two coalition government parties and opposition parties as well as members from the Finnish Association of Local and Regional Governments. This led to a large political support base in favour of the reform despite a change in government during the reform process itself.
- In **Japan**, committees were in charge of drafting and monitoring the successive decentralisation reforms. The first committee, the "Decentralisation Promotion Committee", was appointed in 1995. Although it was not independent from the central government Ag, committee members were typically from the private sector, local government, academia, etc., not politicians, which helped to build legitimacy. The committee was charged with drafting recommendations for the reform, to be submitted to the Prime Minister. The committee was empowered with the ability to conduct investigations and deliberations, and could request information from both local and

national authorities. The committee published an interim report and decentralisation promotion plans. These recommendations were discussed with the central government, underwent some alterations, but were implemented within the Omnibus Decentralisation Law. Thereafter, new committees were created to design and implement new reform steps in 2001 and 2007 (the Trinity Reform and the 2nd Decentralisation Promotion Reform). In 2010, a Local Administration and Finance Examination Council was created to examine the review of the Local Autonomy Law. A bill creating a dialogue forum between the central government and local associations was also adopted in 2011.

Source: OECD (2017[8]).

Taking advantage of interregional co-operation opportunities

An increasing need for national and international co-operation across regions

Cross-jurisdiction co-operation at the regional level appears as important and relevant as it is for local governments – especially after the COVID-19 pandemic. The challenges that inter-municipal co-operation schemes aim to address can be also found at the regional scale: regions need to collaborate not only to manage joint policy competences, but also to minimise the overlap of responsibilities, invest at the relevant scale and avoid cross-purpose investments, among others. The need for interregional co-operation was evident when the COVID-19 pandemic hit. Externalities linked to the coronavirus were so high that no single jurisdiction was able to manage these on its own. Co-ordination across regions appeared essential to avoid disjointed or contradictory responses, and with this, avoid putting the population at collective risk. Horizontal co-operation between regions is thus as important as vertical co-operation, particularly in decentralised and federal countries, which may have more differentiated approaches across territories. This is why together with the rise of regional governance reforms, regions are also increasingly adopting co-operation arrangements, be it for advocacy purposes, to share experiences or address common challenges.

The COVID-19 crisis has made evident the need to strengthen interregional co-operation, not only nationally but also across borders. The COVID-19 crisis also revealed the importance of cross-border co-operation, as in general – and at least in the first phase of the crisis management – countries conducted uncoordinated border closures and unilateral measures. In a survey conducted by the OECD and the European Committee of the Regions, the lack of cross-border co-ordination was identified as the strongest co-ordination issue. Around one-third of respondents reported that cross-border co-operation between subnational governments was broadly ineffective or non-existent, while only 22% found such co-operation effective or very effective (OECD-CoR, 2020[9]). However, several cross-border co-operation mechanisms did function well through the crisis and, arguably, allowed for increased resilience and paved the way for reinforced co-operation (e.g. cross-border task force created in the Euregion Meuse-Rhine, the Tyrol-South Tyrol-Trentino Euroregion) (European Committee of the Regions, 2020[10]; OECD, 2021[11]).

Co-operation across regions, in the form of city networks or megaregions, may also help tap the benefits of agglomeration economies while minimising its costs. Greater connectivity between cities that are economically complementary but spatially too remote from each other to “cluster” physically can allow them to “borrow” agglomeration economies while minimising the costs of large cities. If, for example, two similar sized cities become highly connected through a well-developed transport network, this can mimic a doubling in population size by reducing transport and communication costs, ensuring faster and cheaper access to product markets, and enlarging and diversifying labour pools. Such city networks can sometimes expand to “megaregions”. This new larger economic scale encompasses a polycentric grouping of cities and their hinterlands that are connected through transport infrastructure, economic linkages, topography, an environmental system, or a shared culture and history, which together shape a common interest for this wider territory. This search for borrowed agglomeration economies is an increasingly relevant factor for the competitiveness and attractiveness of cities and territories in Europe. This is the case, for example, of Western Scandinavia, where the capital of Norway and the second- and third-largest cities of Sweden are located in relative proximity to each other and form a potential megaregion (OECD, 2018[12]).

Different forms of interregional co-operation

At the national level, regions usually join forces for advocacy purposes. The most common form of interregional co-operation is those that aim to advance a regional agenda or join forces to make the "voice of regions" stronger. This is the case, for example, in France, where the Association of Regions (*Association des Régions de France*) was set up by the presidents of the regional councils in 1998 to raise the voice of the regions *vis-à-vis* French authorities and European institutions, and organise consultations and exchanges of good practices among regions, among others. In the United States, the National Governors Association is a political organisation founded in 1908 grouping the governors of the 55 states, territories and commonwealths.

At the cross-border level, regions are also increasingly collaborating, sharing experiences and advocating in the form of thematic networks or multi-purposes bodies. Regions can collaborate internationally to share expertise and join forces in the framework of international thematic co-operation frameworks, for example focused on climate issues, food and agriculture. Regions4, for example, represents 41 regional governments from 21 countries on 4 continents. Established in 2002 as the "Network of Regional Governments for Sustainable Development", it promotes collaboration in the fields of climate change, biodiversity and sustainable development. Regions4 is officially recognised before several entities of the United Nations system (the United Nations Framework Convention on Climate Change, the Convention on Biological Diversity, the United Nations Department of Economic and Social Affairs, the United Nations Environment Programme, and the United Nations Development Programme) and is also involved in EU initiatives. The Scandinavian Arena is another example of co-operation between cities and regions. This alliance, through a political steering group, encourages discussions on matters of common interest especially for rail infrastructure development and better integrated transport planning between Denmark, Norway and Sweden within a broader development vision. In the same vein, regions have also increasingly joined institutional and multi-purpose bodies, such as associations of regional governments (e.g. the Assembly of European Regions and the United Cities and Local Governments Forum of Regions) and inter-governmental bodies as consultative organisations (for example the European Union Committee of Regions and Cities and the Regional Chamber of the Congress of Local and Regional Authorities).

National and international regional co-operation is necessary in certain contexts to adopt co-ordinated regional development strategies and create together a more competitive territory. Interregional co-operation in some cases allows planning and investing at the relevant scale. It also allows finding joint solutions to collective cross-border problems, ranging from infrastructure to the labour market and climate change issues and regulations. In this sense, cross-regional co-operation is also a key for recovery efforts, as they help avoid a fragmented approach to public investment recovery strategies. This is why, for example, the EU has been working to facilitate and promote interregional co-operation through macro-regional strategies and specific instruments for several years. Co-funded by the European Regional Development Fund, the five successive series of Interreg have profoundly shaped cross-border collaboration in the EU (Box 5.4). Interregional (or macro-regional) co-operation is thus now widely used by regions to make the most of international funding opportunities, in particular from the European Regional Development Fund and the Cohesion Fund. It is also promoted to find quicker and more effective solutions to local and regional issues through peer-to-peer exchanges. Interregional co-operation is widely used in Nordic countries and in the Balkans (e.g. Danube region, Adriatic-Ionian, Alpine regions, Visegrad Four).

This approach was also recently taken by Colombia, where the Pact for Decentralisation (Law 1962/2019) led to the strengthening of Administrative and Planning Regions (RAP), already referred to in the Constitution. The RAP is an associative scheme to promote co-operation between regions. The reform aimed at articulating the nation's development model with the local governments' agenda and reducing existing disparities between regions. In 2022, RAPs became formal macro-regional entities with their own legal status, autonomy and their own assets, although they do not form an electoral constituency. RAPs are financed with resources from their constituent subnational governments and central government transfers. There are currently five RAPs: Central, Pacific, Caribbean, Eje Cafetero and Amazonia.

Box 5.4. Interreg collaboration: Some examples

Interreg is one of the key instruments of the European Union (EU) supporting co-operation across borders through project funding. It aims to jointly tackle common challenges and find shared solutions in fields such as health, environment, research, education, transport, sustainable energy and more. Some interesting examples of successful Interreg projects include:

- The **STRING Network**, set up in 1999, brings together six partners (Region Skåne in Sweden; the Capital Region of Denmark, Region Zealand and the city of Copenhagen in Denmark; the city of Hamburg and the Land of SchleswigHolstein in Germany). It was initiated as an Interreg A project with a focus on establishing a new fixed link between Denmark and Germany. This aim materialised in 2008 with the signature of a treaty between Denmark and Germany concerning the construction of the Fehmarn Belt link. A permanent STRING Secretariat was established in 2011 and promotes collaboration in the field of infrastructure, tourism and culture, science and development, green growth, and addressing cross-border barriers more generally. The STRING network is currently gaining further momentum and discussions are underway concerning its enlargement.
- The **Scandinavian Arena**, formed in 2000, was an initiative of the Swedish Ministry of Foreign Affairs and started as a political collaboration between representatives from Denmark, Norway and Sweden. It later acted as the political steering group for the Interreg "Scandinavian 8 Million City" project, which investigated the potential benefits of establishing a high-speed railway connection between Oslo, Gothenburg and Copenhagen (for a more detailed discussion, see OECD (2018[12])). Since the project ended, the Scandinavian Arena has remained, but has lost much of its initial momentum.
- The primary Interreg programme that promotes cross-border collaboration in Western Scandinavia is the **Öresund-Kattegat-Skagerrak programme (ÖKS),** which includes Western Scandinavia as well as Buskerud, Vestfold, Telemark, Aust-Agder and Vest-Agder in Norway, and the regions of Hovedstaden, Sjælland, Midtjylland and Nordjylland in Denmark. The programme has existed since Interreg IV (2007-13). In the period 2007-13, the ÖKS programme supported about 125 cross-border projects, which brought together around 400 partners from Denmark, Norway and Sweden (mainly universities, regions and large municipalities). The projects were supported with a total budget of EUR 120 million and focused on: increased sustainable economic growth; physical planning and organisational interlinked regions; and increased daily integration. The ÖKS programme was renewed for the period 2014-20. As of June 2017, more than 250 participants had taken part in one of the 31 projects related with green economy, innovation, employment and transport.

Sources: https://interreg.eu/about-interreg; OECD (2018[12]).

Strengthening subnational capacities: Capabilities, data, monitoring, evaluation and other strategic tools

Regional governance reforms are an opportunity for developing strategic capacity, in particular on regional development planning and implementation. As networks of relationships become more intertwined – which is the case with increasing regional governance reforms – the ability to pinpoint and meet the demand for necessary skills and abilities, as well as the institutional capacity of administrative staff, becomes harder. The lack of sufficient technical or strategic capacities at the regional level is one of the most important challenges – and in some cases one of the most important barriers – to undertaking regional governance reforms. The lack of capacities has been raised by some stakeholders as one of the reasons for slowing down regional governance reforms. However, when undertaking regional governance reforms, a key component is capacity building: depending on the objectives of the reform, focusing on building strategic capacities (i.e. the ability to set strategic goals for social, political and economic outcomes) and ensuring the administrative and institutional capacity to realise those goals is a fundamental part of the reform itself. In addition, regional governance reforms are by themselves a capacity-building process in which all stakeholders can gradually learn how to manage greater responsibilities. Building the adequate strategic, administrative and institutional capacities takes time and needs a long-term commitment from central and subnational governments.

Reinforcing monitoring and evaluation processes at the regional level

As one of the key purposes of conducting regional governance reforms is the need to enhance regional competitiveness, strengthening policy monitoring and evaluation processes is fundamental. Monitoring and evaluation regional policies is important both at the regional and central government levels. While regional governments are gaining importance within general government policies and budgets, and are being allocated new responsibilities, they need to be able to monitor their performance to be accountable for the responsibilities that are assigned to them. Well-developed, outcome-oriented performance measurement systems also contribute to the success of regional development policies and investment by measuring and monitoring the effectiveness of policy and spending, be it by national or subnational level authorities (Mizell, 2008[13]). Monitoring regional policies is also important at the national level for assessing regions' contribution to regional development potential, and measuring statistical and fiscal regional disparities. It can also enhance the accountability of regional governments towards citizens and private stakeholders.

Monitoring and evaluation mechanisms should be based on clear, robust and measurable indicators. These indicators should ideally be designed ahead of the policy-making and investment process, during the design and planning steps, following a consultative and participatory process that involves all regional stakeholders, including civil society and the private sector. They should be harmonised based on formal/standardised guidance documents produced by the central government. When developed collaboratively with regional actors for their design, implementation and use, and carefully coupled with specific incentive mechanisms and realistic targets, evaluation indicators can promote capacity development and good management practices, encourage performance improvements, and improve transparency and accountability at all levels of government (OECD, 2009[14]; Mizell, 2008[13]).

For appropriate monitoring and evaluation processes, it is crucial to develop adequate regional data and information. The development of and access to data at the regional scale represent a major challenge for countries. However, there are interesting initiatives that have brought positive results in this regard. Portugal, for example, has developed the Composite Index of Regional Development, published by Statistics Portugal on an annual basis since 2009 to serve as a tool for monitoring regional disparities. Colombia has recently made considerable efforts to create systematic guidance and online databases on regional statistics to facilitate reforms. A good example of this is the recently launched TerriData database, which comprises data on demographics, education, health, public services, public finances and security for the departments and the municipalities. The OECD Centre for Entrepreneurship, SMEs, Regions and Cities has also developed several regional databases that help regions and cities within the OECD to develop, implement and monitor their progress in terms of recovery from the COVID-19 crisis, well-being or to achieve the Sustainable Development Goals (Box 5.5).

Box 5.5. The OECD's work on developing regional indicators

For the three projects detailed below, the OECD classifies regions as the first administrative tier of subnational government (also labelled Territorial Level 2 or TL2). This classification is used by national statistical offices to collect information and in many countries represents the framework for implementing regional policies.

The Regional Recovery Platform

The OECD Regional Recovery Platform was prepared to better understand the spatial impact of the COVID-19 crisis and to support governments in the design and implementation of place-based interventions. Given the heterogeneous impact of the crisis, the recovery process will not be the same for all regions. Differentiated regional impacts call for territorialised policy responses, so there is a strong need for evidence to understand the impact of the crisis and to assess the progress of the recovery.

This OECD Regional Recovery Platform compiles both existing and new data prepared by the OECD to provide a more complete picture of the impact of the crisis on regions. New data have been collected to document the impact of the crisis, for example on vaccination rates and employment. The data are presented in an interactive format, using the PowerBI tool, and can be easily accessed and downloaded.

Measuring regional well-being

The OECD Regional Well-Being interactive website allows measuring well-being in one of the 395 OECD regions and comparing it with other regions. Users can also visualise regions from other countries with a similar combination of well-being outcomes.

Well-being is measured based on regional indicators that have been developed to cover 11 topics central to the quality of our lives: income, jobs, housing, health, access to services, environment, education, safety, civic engagement and governance, community, and life satisfaction. One or two indicators have been selected for each topic. For each topic, a score on a scale of 0-10 is attributed to the region, based on one or more indicators. This method has been developed to compare regions across countries. A higher score indicates better performance in a topic relative to all the other regions.

Territorial Approach to the Sustainable Development Goals

The OECD has developed a tool to measure progress towards the Sustainable Development Goals (SDGs) in more than 600 regions and 600 cities in OECD and partner countries. This initiative is part of an ambitious programme to support cities and regions to develop, implement and monitor strategies to achieve the SDGs.

The methodology consisted of identifying which SDG targets are the most relevant at the subnational scale. In the context of OECD countries, 105 out of the 169 SDG targets have been identified as very relevant for regions and cities. Then, the OECD gathered a set of 135 indicators that were identified as relevant for monitoring the SDG targets. These indicators were gathered from several existing databases, including: the OECD Regional and Metropolitan Databases, Eurostat, the Joint Research

Centre and specific large international databases of microdata such as the Gallup World Poll. See OECD (2020[15]) for the complete methodology for measuring the distance to the SDGs.

In the framework of this initiative, a few pilot cities and regions have been selected to carry out a deeper analysis of the potential that the SDGs offer to reshape sustainable development policies from the ground up. Pilot regions include the province of Cordoba in Argentina, the region of Flanders in Belgium, the county of Viken in Norway, the state of Parana in Brazil and the Region of Southern Denmark in Denmark.

Sources: OECD (2018[16]; 2020[15]; 2021[17]).

Monitoring and evaluation is useful to ensure an appropriate allocation of staff at the regional level. This depends to a large extent on the staff selection process, and the types of evaluations that are conducted to assess staff performance and contributions. It is recommended to ensure open, competitive hiring and merit-based promotion to meet these goals. Particular attention must be paid to developing skills in public investment and infrastructure project implementation, including knowledge of financing mechanisms and multi-year programming. These capacities are unevenly distributed among the territories. Regional bodies' human resource departments must therefore monitor the hiring of new staff, make need assessments when appropriate and propose appropriate trainings (OECD, 2020[18]).

Digital tools can also support monitoring and evaluation in many ways. Information and communication technology (ICT) and most recent technological changes (blockchain, robotics) have multiplied the opportunities for subnational governments to improve the ways they communicate and involve citizens (e.g. e-democracy and ICT-based participation). Digital tools also help governments provide public services (e-government), manage public resources more efficiently (e.g. for collecting tax), improve staff capacity and management, and adopt new public management models. It can be particularly useful to realise territorial forecasting at a supra-municipal scale, allowing the different actors of a territory to identify the challenges and the different possible futures. Finally, digital tools can improve the relationships between the central and subnational governments, facilitating the shift towards more decentralised governance practices (OECD, 2020[18]).

Ensuring stakeholder engagement and participation

Tools for concertation and participation of private stakeholders and civil society also need to be developed at the regional level to ensure the success of place-based policies. Multi-level dialogue fora are a mechanism frequently used for co-ordinating regional development and investment priorities across stakeholders. These fora are platforms that bring together a combination of national and subnational public, private and third-sector actors in a regular, formalised manner (OECD, 2018[19]). Their objective is to facilitate the participation and consultation of the different stakeholders concerned by a given policy sector so as to reap the benefits from their ground knowledge and expertise and to overcome potential opposition to reform. Citizen and business engagement is important for improving the quality of projects and increasing accountability and trust in governments. Multi-stakeholder platforms are particularly relevant at the regional level, as regional governments are in charge of responsibilities closely related to the economic and social fabric of the territory, with a direct impact on economic and private stakeholders. For instance, public consultation is particularly important when implementing place-based investments, which are the result of a complex network of interactions between regional, central and local governments and public and private stakeholders.

The formats of multi-stakeholder platforms vary by country, sector and objective. They can be designed at the national or regional level, depending on the regional governance model. The types of stakeholders involved also varies based on the competences that are devolved to the regional level: in countries where regions are in charge of economic development and vocational training, it is important to involve representations from workers' unions and chambers of commerce. Other members may include representatives from the academic sector, students' unions or associations.

Regardless of the regional governance model, several countries have deployed multi-stakeholder platforms which appear successful. In Latvia, where regional development is mostly deconcentrated, there is a regional development co-ordination council that involves private sector stakeholders as well as representatives from the Employers' Confederation of Latvia and the Latvian Chamber of Commerce and Industry. In the Netherlands, where regional governance is more decentralised, many urban regions have set up "economic boards", which consist of a triple-helix co-operation between subnational governments, research institutes (including universities) and the private sector. Economic boards generally aim to spur a region's development by stimulating innovation and connecting this to the regional job market, development of economically strong sectors in a region and its knowledge hubs (OECD, 2017[20]). In Poland, where different local cultures have to co-exist due to the fact that they previously belonged to different supranational powers (the German empire for its western part, the Russian empire for its central and eastern part, and the Austrian empire for its southern one), all local stakeholders were invited to take part in the debates preceding the regionalisation reforms, marking an important period of deep democratic debate. Sweden has established a national multi-level, multi-stakeholder forum to support its regional development agenda, and some Swedish regions, such as Örebro County, have created similar bodies as well (Box 5.6).

Box 5.6. Sweden Forum for Sustainable Growth and Regional Attractiveness

The Forum for Sustainable Growth and Regional Attractiveness facilitates and maintains a continuous dialogue among a wide and diverse array of stakeholders (e.g. central government, central government agencies, regional governments, municipalities, third-sector actors and the private sector). The forum is part of the implementation of Sweden's National Strategy 2015-2020. It is considered an important tool for multi-level governance and to support national and regional level policy development through dialogue and co-operation. It is divided into two groups: one that promotes dialogue between national and regional level politicians, and one that fosters dialogue between national and regional level civil servants (director level).

There are also networks and working groups associated with the forum, such as an "Analysis Group", that brings together 16 state agencies. The forum is led by the state secretary responsible for regional growth policy and participants are regional leaders and civil servants with regional development responsibilities in their portfolios; there are about 50 regular participants at the political level. Additional participants, such as ministers, state secretaries and directors within state agencies, can be invited on an *ad hoc* basis, depending on the topics on the agenda. The forum can serve as a "regional lens" or "prism" through which to consider diverse sector initiatives, e.g. in housing, innovation and transport.

Source: OECD (2020[2]).

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Annex A. Regional governance structures in OECD and EU countries

Table A.1. Regional governance structures in OECD and EU countries

	# of SNG layers	# of elected regions	Detailed names and Territorial Units for Statistics	Decentralised regions	Deconcentrated state territorial administration	Other regional governance bodies
Federal and quasi-federal countries						
Australia	2	8	6 states and 2 federal territories – TL2	Australia's federal system is enshrined in the Commonwealth Constitution. Each state has its own constitution, parliament, government and laws. State governments are headed by a premier, in general the party leader of the state parliament's lower house. The Northern Territory and Australian Capital Territory have a different governance structure.		The national network Regional Development Australia was created in 2012. It operates through a network of 52 regional development agency (RDA) committees, made up of local elected officials, business and community groups. There are 56 Natural Resource Management (NRM) regional organisations across Australia. The NRM boundaries were agreed to by the Australian and state/territory governments in the 2000s. These regional bodies are responsible for regional natural resource management planning, prioritising regional-level investments, co-ordinating actions at the landscape scale, getting community ownership in decision making and reporting on progress. The governance arrangements of NRM regional bodies differ across the states and territories: they may be based on existing advisory committees (Western Australia) or created following the identification of the National Assessment Program regional areas (Queensland and the Australian Capital Territory) (Parliament of Australia, 2020[1]).

Austria	2	9	9 states (*bundeslander*) including Vienna – TL2	Each Austrian province has its own provincial parliament and its own constitution, and their autonomy is guaranteed by Article 2 of the Federal Constitutional Law. The provincial government, headed by a governor, is elected by the *Land*. Vienna, the capital city, has a special statute as both a municipality and a federal state. Co-operation between *Länder* are facilitated by the Land Governors Conferences (Landeshauptleutekonferenzen), which are supported by a permanent liaison office of the *Länder* set up in 1951 (Verbindungsstelle der BundesLänder). They also gather during informal preparatory meetings at a technical level (Landesamts- direktorenkonferenz).	Under the *Land* level, district administrations provide deconcentrated administration for both the federal and the *Land* governments. The district commissioner is appointed by the *Land*.	Regional management offices have been providing advice on an integrated approach for regional policy at regional and sub-regional levels since Austria joined the European Union in 1995. They are regional development associations with municipalities as their main members, but most of the financial resources come from the *Länder* and are co-financed by EU Structural Funds in some cases. Regional Management Austria was established in 2001 as a network of 25 regional management offices (OECD, 2010[2]).
Belgium	3	6	3 regions (*régions, gewesten*) and 3 communities (*communautés, gemeenschappen*) – TL2	The federal system has been established throughout six constitutional reforms since 1970. The last 6th reform of the State (in effect since 2014) transferred additional responsibilities to regions and communities in several areas and increased regions' own-source tax resources. The six federated entities at the regional level have five separate legislatures and five governments. The Flemish Region and Community are combined into one Flemish federated entity. Regional legislatures elect the regional governments, which in turn elect a president.		The 6th State Reform enshrined the creation of a metropolitan community of Brussels, with the aim of enhancing dialogue between the various levels of powers on interregional matters.
Canada	2	13	10 autonomous provinces and 3 territories – TL2	Canada is an exception among federal countries as the provinces and territories have their own legislative assembly, but do not have their own constitutions. Provinces receive their power and authority from the 1867 Constitution, whereas territories have powers delegated to them by the Parliament of Canada. The premier is the head of government of a province and territory. The permier is usually the head of the party with the most seats at the assembly. Each province also has its own representative of the Crown, the lieutenant governor (called commissioner in the territories).		Six RDAs implement federal priorities in Canada, covering the entire country, part of the country's Innovation, Science and Economic Development portfolio. The RDAs develop regional growth strategies with an all-of-government approach (federal/ provincial/territorial) for their respective regions (Government of Canada, 2020[3]).

Germany	3	16	16 states (*Länder*) – TL2	The states each have their own constitution, which must comply with the principles of the Basic Law, as well as autonomous legislative (parliament), judicial and executive bodies headed by a minister-president of the region, who chairs the government. The system differs in the city-states of Berlin, Bremen and Hamburg.		In most *Länder*, specific regional bodies exist for regional planning, in the form of regional associations (FIS, 2020[4]).
Mexico	2	32	32 states (*estados*) – TL2	Mexican states are defined in the Constitution as being free, sovereign, autonomous and independent. Each state has its own constitution and judiciary bodies and can enact its own laws in line with the national Constitution. States have a unicameral legislature. The state governor (except for Mexico City, which has a head of government) is the head of the executive branch. Mexico City, previously considered a Federal District, became the 32nd state of the federation in January 2016.		In the 2001-2006 National Development Plan, the 32 Mexican states were grouped into 5 meso-regions, with the aim to increase collaboration across states. Most of them encountered difficulties, and only the South-Southeast meso-region went further in terms of acting regionally (Viesti, 2015[5]).
Spain (quasi-federal)	3	17	17 autonomous communities (*comunidades autonomas*) – TL2	Spain is a quasi-federal country. Each autonomous community has a specific statute, which can be reformed independently. The two “foral” autonomous communities of Basque Country and Navarra distinguish themselves with more fiscal autonomy than the other regions. The deliberative bodies of the autonomous communities are regional assemblies which have devolved legislative powers. Each assembly elects a president from among its members who chairs the regional government council for a four-year term.	General delegates represent the deconcentrated central government administration at the regional level. The provincial level also has a deconcentrated territorial administration composed of sub-delegates.	
Switzerland	2	26	26 states (*canton, kanton, cantone*) – TL3	The Constitution defines the federation and establishes the autonomy and sovereignty of the cantons. The cantons each have their own constitution, parliament, government and courts.		Switzerland is divided into seven large regions (*Grandes regions*), for statistical purposes only.

United States	3	50	50 states – TL2	The 1787 Constitution and Bill of Rights developed concepts of federalism based on the dual sovereignty of the federal government and the states. All powers not specifically attributed to the federal level remain with the states. Every state (except Nebraska) has a bicameral legislature, made up of an upper and a lower house. Each state is headed by a governor, who is directly elected. The federal capital, the District of Columbia, is neither a state nor territory, and is governed by a mayor and council, with oversight from Congress.		There are numerous types of elected special-purpose subnational governments in charge of providing governmental services, sometimes at the scale of several municipalities. The main ones, recognised by the Census Bureau, are school districts and special district governments such as transport districts, fire districts, water districts, etc. (there were around 51 000 such entities in 2016). They are governed by a board, with members either elected by the public or appointed by the states, counties, municipalities or townships forming the special district.
Unitary countries						
Bulgaria	**1**	–	–	**–**	Twenty-eight districts (*oblast*), represent the state deconcentrated government at the regional level. They are headed by a district governor, appointed by the Council of Ministers. *Oblast* development councils include one representative of the municipal council of each *obshtina* and a delegated representative of the national organisations of employers and employees. They are chaired by the governor.	There are six planning regions in Bulgaria, which are essentially conduits for regional planning and programming linked to EU funds, with no administrative structures. Regional development councils (RDCs) constitute their executive branch. They are composed of appointed representatives of municipalities and labour organisations. The secretariat of each region is carried out by the Ministry of Regional Development and Public Works at the central level, through its deconcentrated regional units. There are also RDAs established across the country, e.g. Varna Economic Development Agency, in the form of non-profit, non-governmental associations.
Chile	2	16	16 regions (*regiones*) – TL2	Administrative regions in Chile became self-governing entities with the introduction of Law No. 20.990 of January 2017, and the first regional elections of governors took place in November 2021. The deliberative power is in the hands of a regional council, whose members (from 14 to 34 depending on the population) have been directly elected, every four years, since 2014.		

Colombia	2	33	32 departments (*departamentos*) and the Capital District of Bogotá – TL2	Colombian departments are very diverse in terms of population size and area, ranging from 33 150 inhabitants (Vaupés in Colombian Amazon) to 5.75 million inhabitants in Antioquia and 8.26 million inhabitants in the Capital District of Bogotá, while the average size was 1.22 million inhabitants (excluding the Capital District of Bogotá). Departments have the power to establish municipal districts and to review the acts of the municipal governments to determine their constitutionality. Bogotá is subdivided into 20 localities (*localidades*), each with its own local administrative board of at least 7 members and a local mayor appointed by the superior mayor from a list submitted by the local administrative board. Acute disparities across regions and urban areas persist despite the significant resources Colombia invests to promote regional development, in particular regarding access to infrastructure.		The Colombian Constitution sets the framework for the creation of administrative or planning regions that can result from the merger of several departments (OECD, 2019[6]).
Costa Rica	1	–	–	–	Costa Rica is divided into six planning regions for administrative purposes (Brunca, Central, Chorotega, Huetar Caribe, Huetar Norte and Central Pacific regions). Each is administered by an RDC formed by representatives of the central government, and advised by regional institutional	Since the approval of the Regional Development Law (No. 22.363) in 2021, the RDCs are transitioning to become RDAs.

					committees.	
Croatia	2	21	20 counties (*zupanije*) and the capital city of Zagreb (*grad*) – TL3	Counties were re-established in 1992 as self-government units with a lot of autonomy. Counties are governed by county assemblies, composed of members elected by direct universal suffrage. County governors, directly elected since 2009, represent the counties' executive branch. The number of regions includes the city of Zagreb, which has a special status with the competences of both a town and a county (separate from the surrounding Zagreb County).	There is a state territorial administration at the county level, represented by a state administration office. Its head is appointed by the government.	
Czech Republic	2	14	13 regions (*krai*) + Prague – TL3	Regional governments were established in 1997, but they have only been recognised as autonomous entities since 2000 (Regional Act). Each region has a regional assembly with members elected by direct universal suffrage. The regional committee is the executive body and is composed of the president, vice-presidents and other members elected by and from within the regional assembly for four years. It is assisted by a regional authority, which is headed by a director. Prague, the capital city, has dual status as both a region and a municipality and only has one assembly and one board.	The former state territorial administration, made up of districts (*okres*), was replaced in January 2003 by municipalities with extended competences. However, the old districts still exist as territorial units and remain as seats of some of the offices, especially courts, police and archives (NUV, n.d.[7]).	There are RDAs with various governance structures. For instance, the RDA of the Liberec Region is, since 2017, fully owned by the Liberec regional government (Regional Development Agency of Liberec, n.d.[8]). On the other hand, the RDA of South Moravia is governed by the South Moravian Region, the Association of Municipalities and Towns of South Moravia, and the Regional Chamber of Commerce of South Moravia (Regional Development Agency of South Moravia, n.d.[9]).
Denmark	2	5	5 regions (*regioner*) – TL2	The 5 new regions were established in 2007 following the abolition of the former 14 counties, as part of an important local government reform. They are ruled by the Regional Government Act. Members of the regional councils are elected for four years during general regional elections, with a chairperson as its head.	In 2013, a new reform of the state territorial administration established one central office in Åbenra and eight regional representations. It is managed by one central state administration director and several	

					subordinate vice directors.	

Estonia	1	–	–	–	The former 15 county governments, which were deconcentrated administrative subdivisions, were abolished in 2018. A new Department of Regional Administration was established in the Ministry of Finance, which overtook part of the functions of county governments.	
Finland	1	1	1 autonomous county of Aland – TL2/TL3	Aland Island has its own parliament and government.	There is a regional level of deconcentrated state administration, which is composed of six regional state administrative agencies.	In Finland, 20 regional councils have been established, over the entire territory, in application of the Act of 1994 on Regional Development. They are federations of municipalities created by the unanimous agreement of the municipalities that comprise them. Their members are indirectly elected by the members of the municipal councils. Their role is limited to regional development and spatial planning, as well as the management of EU Structural Funds. Finland also has 15 ELY centres (centres for economic development, transport and the environment), which constitute a form of cross-sectoral decentralised national action to support regional competitiveness, well-being and sustainable development in each region. They therefore cover a wide range of issues from business and industry support (including labour force and skills), transport and infrastructure to the environment/natural resources (Finnish Ministry of Economic Affairs and Employment, n.d.[10]).

France	3	18	18 regions (*régions*) – TL2	Regions were created as self-governing regions in 1986. Since 1 January 2016, the 22 mainland regions have merged to form 13 new regions. France also has five outermost regions. Regions have their own deliberative assemblies (regional councils) that are directly elected. The president of the regional council is elected by its regional councillors from among its own ranks to exercise the executive power.	The prefects (*préfets*) are appointed by the President of the Republic and represent the state within the departments and regions.	In France, regional economic development agencies bring together local economic players to put in place strategies and actions adapted to each territory.
Greece	2	13	13 regions (*peripheria*) – TL2	In June 2010, the Kallikratis reform merged the 54 prefectures to create 13 full self-governing regions with new responsibilities. Each region has a regional council and a head of the region elected by universal suffrage.	The central government has seven deconcentrated administrations at the territorial level. It is led by a general secretary appointed by the Ministry of the Interior.	There are a number of RDAs in Greece (e.g. the Development Agency of Karditsa S.A.). Their missions include technical support to local authorities, co-operatives, and small and medium-sized enterprises, and co-ordination of development programmes of organisations engaged in planning and technical support to implement programmes financed by both national and EU funds (ANKA, n.d.[11]).
Hungary	2	20	19 counties (*megyék*) and Budapest – TL3	Restored in 1990, the regional level is organised in 19 counties and Budapest which has a special status similar to that of a county. Counties are governed by councils composed of directly elected representatives. County councils are led by a council president, elected from amongst its members.		There are currently nine RDCs, two of which are compulsory (in priority regions) and seven which were created on a voluntary basis. Members of the councils include county presidents and one representative from each county assembly. In addition, representatives from the Chamber of Commerce, the head of the county government office, the state chief architect, businesses and non-governmental organisations may participate in the meetings. RDCs of priority regions also include representatives from the central government and receive funding from the central government budget (Perger, 2018[12]).

Iceland	1	–	–	–		Six regional associations of municipalities were established in 2011 with a legal basis. They ensure co-operation and co-ordination between local governments at the regional level in many areas. They also serve as a central government deconcentrated body. Since 2015, regional associations are in charge of preparing and implementing regional development plans for their regions, in line with Iceland 2020 policy. In some cases, the regional associations have also been entrusted with special tasks from municipalities (e.g. waste collection and management of school offices).
Italy	2	20	20 regions (*regioni*) – TL2	Among the 20 Italian regions, 15 have ordinary status (RSO) and 5 have a special status (RSS). These five regions were created in 1948 and granted special status, including legislative and financial autonomy given their cultural and socio-geographical specificities. The RSOs were established in the early 1970s. Regions are composed of a regional council and a regional president. Both are elected for a five-year term by direct universal suffrage. The regional president chairs the regional executive committee, which is the executive body of the region.		There are two kinds of regional agencies in Italy: Health agencies, which are regional public bodies with a separate legal identity but supervised by the regions; and regional agencies for the protection of the environment (e.g. ARPA Lombardia) (ARPA, n.d.[13]). Each region also has RDAs which support territorial development, business creation and development, and provide technical assistance to the regional government.
Ireland	1	–	–	–		There are three regional assemblies, created in January 2015 as part of the Local Government Reform Act 2014 (they replaced the previous eight regional authorities and two regional assemblies). Their members are nominated by their constituent local authorities from among their elected councillors and are indirectly elected. The regional assemblies are intended to foster co-ordination and co-operation between local authorities, and ensure the management of EU funds.

Japan	2	47	47 prefectures (*todofuken*) – TL3	The current system of prefectures was created by the Meiji government in 1871 with the abolition of the *han* system. The current number of prefectures dates from 1888. It consists of one metropolitan district (Tokyo), two urban prefectures (Kyoto and Osaka), one district (Hokkaidō) and rural prefectures. Prefectures have their own assembly, with directly elected members. They are headed by governors (*chiji*), also directly elected by the population.		Each prefecture has a prefectural city planning council to investigate and deliberate matters related to city planning. The members, appointed by the regional government, are composed of academic experts, members of parliament, representatives of relevant administrative agencies and citizens' representatives.
Korea	2	17	17 regional entities of various forms – TL3	The regional level comprises several regional entities: eight provinces (*do*), one special governing province (Jeju), six metropolitan cities (*gwangyeoksi*), Seoul Metropolitan City and Sejong special self-governing city. All regional entities are composed of an executive body (governor for province, mayor for metropolitan city) and a local council, as a legislative body. Councillors, governors and mayors are elected by direct popular vote.		In the framework of the Special Act on Balanced National Development, in April 2009, the metropolises and provinces were regrouped into seven economic regions (the Capital Region, Chungcheong Region, Honam Region, Daegyeong Region, Dongnam Region, Gangwon Region and Jeju Region). Economic regions have been drawn up with consideration of the regions' economic and industrial structure, historical continuity, and cultural homogeneity. This scheme is designed to improve regional competitiveness via interaction and co-operation among smaller, individual regions. Economic regional development committees have been established in each economic region for implementing the policy and programmes for the economic regions. They are composed of 15 members, including the governors of the different provinces and representatives from the business sectors (OECD, 2012[14]; Presidential Committee on Regional Development, n.d.[15]).

Latvia	1	–	–			In 2009, the 26 districts (self-governing entities) were abolished and replaced by 5 planning regions. These are self-governing entities with indirectly elected regional councils and are funded from the central government budget. The regional councils are made up of municipal representatives, acting as "inter-municipal co-operation" bodies created for the purpose of co-ordinating spatial planning, economic development, public transport, and managing investment programmes (including EU funds). Each regional development council elects its chair and executive director (head of the administration of the planning region). Planning regions act under the supervision of the Ministry of Regional Development and Local Government per Regional Development Law and the Territorial Development Planning Law but are not subordinated to the central government (OECD, 2021[16])
Lithuania	1	–	–			In 2010, the former deconcentrated counties lost their functions, to remain as territorial statistical units only. On 11 June 2020, the Parliament of the Republic of Lithuania adopted the amendment to the Law on Regional Development. The law established RDCs as legal entities in the country. An RDC can be established through an agreement between municipalities, making them platforms for regional inter-municipal co-operation. The body of an RDC is the general meeting of participants, and the governing bodies are the panel (composed of the mayors and members of the municipal councils) and the administrative director of the RDC.

Netherlands	2	12	12 provinces (*provincies*) – TL2	Predating the 1848 Constitution, provinces have deliberative assemblies elected by direct universal suffrage. Provincial councils elect members of their own executive councils, which are collegial boards, each headed by King's commissioners, appointed by a royal decree based on the recommendations of local councils. In 2002 and 2003, the clear-cut separation of powers between the deliberative assemblies and executive councils was set, which strengthened the regional administration system.	There are several deconcentrated central government agencies established at the regional level (regional labour market offices, regional police services or regional healthcare services).	The regional level in the Netherlands also includes Dutch water authorities (*waterschappen*), which are decentralised and financially self-sufficient public authorities with responsibilities in the water management sector. The Netherlands has several RDAs (e.g. East Netherlands Development Agency [Oost NV]), which may encompass several provinces. Shareholders may include regional, local and the central government. (East Netherlands Development Agency, n.d.[17]).
New Zealand	2	11	11 regional councils – TL2/TL3	The current territorial organisation dates back to a significant territorial reform led in 1989 to consolidate and reduce disparities across regional and local entities. Regional councils are elected by the population to represent their communities for three-year terms. They are headed by a chair, who is elected by regional councillors from among their own ranks. Besides the 11 regional councils, there are 6 regions by territorial authorities (city or district councils) which also perform the functions of regional councils (e.g. Auckland city, Tasman District Council, Nelson City Council, etc.).		Other regional organisations in New Zealand include RDAs and chambers of commerce (NZ Entrepreneurs, n.d.[18]).
Norway	2	19	18 counties (*fylker*) + Oslo* – TL3	Counties, and their predecessors (*Amts*), are the oldest administrative units in Norway, dating from the 1660s. The current number dates from 1970. The city of Oslo has the status of a municipality and of a county. In 2020, the number of regions was reduced to 11 larger regions. Each county has a county council elected by universal suffrage and an executive committee composed of members designated by and from within the county council. They are headed by a county mayor elected by the county council among the members of the executive committee. In some counties, the county council elects a county government supported by the majority of the councillors.	The central government has a deconcentrated administration at territorial level: the county governor (*fylkesman*) who acts as the representative of the central government at the regional and local levels.	

Poland	3	16	16 regions (*wojeództwo*) – TL2	Polish regions were established in 1999 to replace the 49 former regional units that had existed since 1 July 1975 (but that did not have any functioning regional government bodies). Regions are led by a regional council composed of members elected by direct universal suffrage, together with a regional executive board, headed by a marshal.	Poland has a deconcentrated state territorial administration based on 16 prefectures managed by a governor, who is appointed by the prime minister, who is also in charge of supervising local governments.	RDAs were established to promote the development of their respective regions. These agencies co-operate with the Polish Agency for Enterprise Development and are the implementation and financing institutions of the national European Regional Development Fund programmes.
Portugal	1	2	2 autonomous regions (*regiões autónomas*) – TL2	Azores and Madeira have a specific status and legislative power. They are also recognised as the outermost regions at the EU level. The legislative assembly is composed of members elected by direct universal suffrage. The president co-presides over the regional government for the same period.		Portugal is divided into five mainland regions. In these five mainland regions, five commissions for regional co-ordination and development have been established to co-ordinate the different sectoral interventions of the central government in each region and manage regionalised EU funds. A few RDAs exist in Portugal at the NUTS 2 level (e.g. ADRAT – Development Association of the Alto Tâmega Region), under the supervision of the regional co-ordination and development commission. These commissions act essentially as managing authorities for public funding and regulations.
Romania	2	42	41 counties (*judete*) + Bucharest** – TL3	Counties have existed since the 15th century, with many changes over the centuries. Bucharest has a special dual status (municipality and county). Counties have directly elected county councils. Since 2008, the president heads the county council and is elected by direct universal suffrage. In Bucharest Municipality, there is a General Council of Bucharest Municipality as well as a general mayor of the capital.	A prefect is appointed by the central government in each county as a representative of the government at the subnational level.	There are eight planning regions in Romania, created for statistical purposes, supervising regional development and managing EU funds. They are administered by RDCs composed of the presidents of county councils. RDAs are the executive bodies of the RDCs of these planning regions.

Slovak Republic	2	8	8 regions (*samosprávne kraje*) – TL3	Regional governments (also referred to as higher territorial units) were established in 2001 via the Act on Self-governing Regions. The legislative and decision-making body is the regional council, composed of members elected by direct universal suffrage. It is chaired by a president also directly elected by direct universal suffrage.	Approximately 79 district offices make up the state deconcentrated territorial administration.	There are 34 regional development agencies distributed across the country (OECD, 2019[6]).
Slovenia	1	–	–	–	The country is divided into 58 administrative districts representing the state at the territorial level in charge of supervising municipalities.	Regionalisation reforms have been discussed for a long time as the Constitution provides for the establishment of self-governing regions by law (Article 143). The 1999 Promotion of Balanced Regional Development Act created 12 development regions (statistical TL3 regions), headed by regional councils gathering the mayors of all the municipalities within the region. In addition, 12 RDCs were established, comprising representatives of municipalities, non-governmental organisations and business entities. In 2001, a network of 12 RDAs was also created to implement EU Structural and Cohesion Programmes. They ensure administrative, technical and expert tasks for the RDCs in accordance with the Act on the Promotion of Comparative Regional Development. Finally, in the framework of the 2014-2020 EU Programming period, Slovenia was divided into two cohesion regions (TL2) corresponding to Eastern and Western Slovenia (NUTS 2 level), each with their own RDC (OECD, 2021[19]).

Sweden	2	21	21 county counties/regions (*landsting*), including Gotland Island – TL3	Counties were established by the Constitution in 1634, and their number has remained almost the same over the centuries. There has been a gradual, experimental and asymmetric regionalisation process in Sweden since 1996. With the last regional reform, effective since 2019, all counties have the same governance structure, including Gotland Island, a municipality with county responsibilities. They are now called regions. They are governed by councils that are directly elected.	County administrative boards are led by county governors appointed by the central government. In addition to a co-ordinating function, the county administrative boards have service responsibilities, including managing EU funding and monitoring county councils and municipalities.	
Türkiye	2	81	51 special provincial administrations (SPAs) and 30 metropolitan municipalities (MMs) – TL3	With the 2012 metropolitan reform effective in 2014, 14 new metropolitan municipalities were established and the number of metropolitan municipalities increased to 30. Special provincial administrations (SPAs) in those 30 provinces were abolished. The deliberative body of the SPAs is the provincial council, composed of members elected by direct universal suffrage. It is headed by a president, elected by and among the members of the council. Each SPA has a provincial executive committee composed of ten members for one year. Five members are elected by the provincial council while the other five are appointed by the governor, who is appointed by and represents the central government. MMs have a two-layer structure: the metropolitan municipality and its constituent district municipalities.	There are deconcentrated state entities at the provincial level, managed by governors appointed by the central government. These governors maintain a major role as the heads of the executive committee of the SPAs.	There is a national network of 26 development agencies established by the central goverment based on Law No. 5449 of 2006. These 26 development agencies are located in each of the 26 NUTS 2 regions. The agencies incorporate both central and local government representatives in the governing bodies, including governors, mayors, provincial general assembly presidents, and presidents of chambers of commerce and industry.

United Kingdom	3	3	3 devolved nations (Scotland, Wales and Northern Ireland) (no regional level in England) – TL2	Administrative devolution took place in 1999, when Northern Ireland, Scotland and Wales got their own elected assembly and government. The powers and responsibilities of the three devolved bodies vary in nature and scope, as each devolution act was arranged independently. The devolved institutions in Scotland and Wales have subsequently evolved and taken on greater powers, whereas the process has been more precarious in Northern Ireland, with devolution suspended several times over the course of the 20th century.		RDAs were abolished in the United Kingdom in 2012. They were replaced by smaller scale partnerships between local authorities and businesses, called local enterprise partnerships.

* Oslo is at the same time both a municipality and a county. Oslo carries out both municipal and regional responsibilities. However, Oslo is not included in the regional government accounts. As a result, fiscal indicators for the regional level are underestimated. On the other hand, including Oslo would also overestimate regional accounts, as it would include transactions related to the municipal activities of Oslo as a city.

** Bucharest has a special dual status of municipality and county but is not included in the regional accounts. As a result, fiscal indicators for the regional level are underestimated.

Note: SNG: subnational government.

Annex B. Table of responsibilities of regional governments

Table B.1. Responsibilities of regional governments

Federal and quasi-federal countries	
Australia	• Supervision of local governments • Police and emergency services • Railways and public transport (road, rail, bus, etc.) • Agriculture • Environment, waste disposal and sewerage • Community services such as gas services; district heating; electricity; water supply; zoning legislation • Healthcare; hospitals • Sports and recreation • Planning and delivering early childhood education; pre-school; primary school; secondary, vocational and technical school • Social welfare: planning and delivering early childhood care
Austria	• Supervision of municipal affairs; building regulations • Police and emergency services • Transport, traffic regulation; energy distribution; agriculture • Environmental protection • Spatial regional planning; urban development • Health administration; hospitals • Sports and leisure • Primary, general lower-secondary and part-time vocational schools • Social assistance, family policy (youth protection and welfare)
Belgium	• *Responsibilities differ between regions and communities* • Supervision of provincial and municipal law and local utility companies; research, development and innovation • Water policy; transport (except the national railway company); external trade; energy; agriculture and fisheries; economic policy; employment • Environment policy; nature conservation • Urban policy and spatial planning; public works and infrastructure; public housing • Sanitary education and preventive medicine • Cultural amenities • Education and training • Minor aspects of social security (regions), social welfare (communities); youth protection; immigrant assistance services
Canada	• Civil status register; criminal justice • State police; regional firefighting services • Road; transport; agriculture; tourism; gas services; electricity • Natural resources preservation; soil and groundwater protection; climate protection; sewerage • Housing; regional planning • Primary care; hospitals • Museums; religious facilities • Education • Family welfare; welfare homes; social security

Germany	• Internal administration, including salaries and benefits of all public employees (exclusive), justice (concurrent) • Local government (exclusive) • Police (exclusive) • Regional economic development • Labour and economic law (concurrent) • Environment (concurrent) • Housing and community amenities (concurrent) • Health (concurrent) • Culture (exclusive) • Education, including universities (exclusive) • Social welfare (concurrent)
Mexico	• Supervision of municipal affairs • State public order and safety (state and special police) • Roads; regional transport and transit; some airports; agriculture, rural development and tourism (shared); economic affairs and industrial policies (shared) • Environmental protection (shared); national parks (shared) • Spatial planning; water management and co-financing of water infrastructure (shared) • Healthcare: organisation and operation of healthcare services for the uninsured population; primary care for the rural and urban poor; health services; administration and maintenance of hospitals for primary care; preventive and reproductive care • Public libraries • Primary and secondary education (shared); state universities; adult education programmes; indigenous and special education • Poverty alleviation and social protection (shared)
Spain (quasi-federal)	• Supervision of municipal and provincial levels (shared with the central government) • Public order • Regional and rural development • Fisheries, hunting, aquaculture, agriculture and forestry; regional tourism; regional railway and road networks; regional transport; ports and airports not engaged in commercial activities • Environmental protection; urban planning; housing; health • Museums; libraries; music conservatories of regional interest; cultural heritage; promotion of culture and of the regional language (when relevant) • Education and universities (shared) • Social welfare; social services (shared)
Switzerland	• Internal administration; justice • Civil defence; security and police; emergency and rescue services • Regional development (shared); regional traffic (shared) • Environmental protection (shared); flood protection (shared) • Spatial planning; public works; building regulations • Hospitals; nursing homes; health prevention and promotion • Culture; education; universities • Social policy; family benefits; maternity; unemployment assistance
United States	• Civil registries; state criminal law; prisons; issuing licences • Organisation and control over local governments • State police; motor vehicle regulation • State economic development; intra-state commerce; highways; railways; airports; energy • Environmental protection; state parks • Water resources management; zoning law • Health • Higher education • Income support (cash and in-kind, particularly healthcare for the poor through Medicaid)

Unitary countries	
Colombia	• Insuing passports • Risk and disaster management • Rural development; regional policies; regional territorial planning; traffic management • Environmental protection • Co-ordination and co-financing of water schemes • Public health; services for the uninsured poor population; operation of hospital networks • Management of teacher and administrative personnel in basic and primary education
Croatia	• Regional administration; issuing construction and renting permits (except in large towns) • Economic development; transport and traffic infrastructures; maintenance of county and local roads • Regional and urban planning • Healthcare (including secondary care, all general hospitals and most specialist hospitals) • Social and cultural institutions • Secondary education • Social welfare (cash benefits); childcare
Czech Republic	• Regional administration • Fire safety; crime prevention • Road network; regional public transport; tourism; regional economic development and cohesion • Protection of fauna and flora • Planning (approval of planning and zoning documents) • Establishment and management of regional hospitals; nursing homes; monitoring the quality of care of private healthcare providers; emergency services; long-term care institutions; facilities for disabled adults and children • Sport; upper secondary education • Youth and social services
Denmark	• General administration; public buildings and facilities • Action against soil pollution • Regional development plans and regional growth strategies; rebalancing action on behalf of the peripheral zones and rural areas • Public health (hospitals, psychiatric services, health insurance, primary healthcare and specialised medicine); outpatient medicine • Support services for the disabled
France	• Internal administration • Regional spatial planning; regional transport plans; regional train lines; school and inter-urban transport; civil airports; non-autonomous harbours • Economic development (aid schemes to small and medium-sized enterprises, innovation, internationalisation), R&D; management of EU funds • Environmental protection planning; regional parks and preservation areas; energy saving; water protection • Housing subsidies; cultural heritage and monuments; museums; artistic training • High schools (building and technical staff); vocational training and apprenticeship; job training programmes; support to universities and R&D
Greece	• Regional administration • Civil protection and emergency services • Planning/programming and regional development • Agriculture/livestock and fisheries; employment; trade; tourism; roads, transport and communications; special transport services; support to local enterprises; energy and industry; tourism • Natural resources; environmental protection • Public works; urbanism • Culture and sports • Education
Hungary	• Co-ordination (regarding municipal service provision) • Regional development • Rural development • Land-use planning

Italy	• Regional administration; relations with provinces, metropolitan cities and municipalities; management of EU funds • International and EU relations; research and innovation; regional transport; civil ports and airports; communications; energy; regional land; agriculture; banks and credit institutions; tourism; employment • Environmental protection; housing • Health, through public healthcare agencies (construction and maintenance of hospitals, medical equipment, drugs, medical staff management, etc.) • Sports; cultural activities; education • Complementary social welfare
Japan	• Communication and co-ordination related to municipalities; police • Economic development; public infrastructure; prefectural roads; national highways, harbours; agriculture; employment • Forest and river conservation; environmental protection • Public housing; public health centres • Upper secondary schools • Social assistance policies
Korea	• Management of public properties and facilities • Environment • Housing • Culture • Education • Social welfare
Netherlands	• Supervision of municipalities and regional water authorities • Provincial roads; regional public transport (bus, regional trains); inland water transport and infrastructure; regional development agencies; regional promotion and co-ordination of touristic local policies • Environmental protection plans and policies; water (groundwater plans and regulation); energy and climate; renewable energy; air quality; soil protection and cleaning; noise; production and transport of hazardous materials; supervision of municipal environmental policies; nature areas; spatial planning • Financial support of cultural activities; protection of cultural heritage; provincial museums • Social housing grants
New Zealand	• Civil defence in case of emergency • Regional transport (including public transport); harbours; regional land management • Water quality; contaminant discharge and coastal management, river and lake management; flood and drainage control; environmental protection; resource management; air quality; pest control • Regional parks and public spaces • Water networks management
Norway	• General administration • Public transport; trade and industrial policy • Environmental protection • Regional development (planning and business development) • Dental health • Libraries; museums; sports facilities • Upper secondary education • Dental care
Poland	• Internal administration; management of EU funds • Defence; public order • Regional economic development; employment and labour market policy; regional roads; public transport including regional rail transport (since 2009); consumer rights protection • Environmental protection; waste management (since 2009); spatial development; water management; land improvement; hydropower facilities; modernisation of rural areas • Health promotion; regional hospitals (specialised services, secondary referral level hospitals); medical emergency and ambulance services • Regional cultural institutions; some secondary and vocational schools; post-secondary schools; teacher training colleges • Regional social policy centres; social welfare and family policy; social exclusion; disabled; childcare; elderly care
Romania	• Management of local airports; county roads; country infrastructure network (shared) • Public health units (primary and secondary healthcare) • Cultural institutions • Special education (shared) • Child and disability allowances; social services and specialised services for victims of domestic violence; the elderly and the disabled (shared); medical and social assistance (shared)

Slovak Republic	• Internal administration; international and transregional co-operation; civil defence (in co-operation with state bodies) • Roads, railways; regional economic development • Secondary hospitals; management of non-state healthcare (psychiatric hospitals and dental services) • Regional cultural amenities • Secondary, professional, art and vocational schools; construction and maintenance of buildings; payments to teachers on behalf of the state • Homes for children
Sweden	• General administration • Public transport (via a regional public transport authority); regional development; tourism (optional) • Healthcare and medical services; primary care; hospitals; ambulatory care; dental care • Cultural institutions
Türkiye	• Internal administration • Emergency assistance and rescue • Industry and trade; roads; agriculture (reforestation, irrigation); tourism • Environmental planning and protection; social protection; prevention of erosion; sewerage; solid waste; supporting forest villages and reforestation; parks and gardens; water; land development • Health centres; health posts, mainly in rural areas; maternal and child health and family planning centres; tuberculosis dispensaries; hospitals • Culture and artwork • Social service assistance

Annex C. Overview of regional reforms in OECD and EU countries since 1980

Table C.1. Overview of regional reforms in OECD and EU countries since 1980

	Main regional reforms
Belgium	• 2001: Revision of the Constitution Special Act. Lambermont Agreement providing regions with more tax autonomy and regulatory powers. • 2014: Transfer of additional responsibilities to regions (labour market policies, mobility and justice) and communities (family allowance, long-term care and healthcare); fiscal reform providing regions with more own-source tax resources.
Chile	• 1992: Adoption of an organic constitutional law creating a "mixed" regional government system with both deconcentrated and decentralised components, i.e. a regional executive (intendant) appointed by the President of the Republic and a regional council indirectly elected by the municipal councillors. • 2009: New push towards decentralisation, especially through the constitutional reform establishing direct election by citizens of regional councillors, creating a democratically elected body to manage regional development (the first direct elections took place in 2013 and regional councillors took office on March 2014). • 2017: Law No. 20.990 of January 2017 created fully self-governing regions. The first regional elections of governors took place in May 2021.
Colombia	• 1991: The Constitution defines the country as a unitary and decentralised republic, and affirms the principle of self-governance and autonomy to departments and municipalities. The regional level is composed of 32 departments and the Capital District of Bogotá. Governors (departments) and the superior mayor (Bogotá) are directly elected. • 2019: The Pact for Decentralisation strengthened the Administrative and Planning Regions (RAP), already referred to in the Constitution. The RAP is an associative scheme to promote co-operation between regions.
Costa Rica	• 2021: The Regional Development Law (No. 22.363) established the creation of a Regional Development Fund (FONADER), strengthened multi-level governance and citizens' participation at the regional level through the creation of a Regional Development Observatory.
Croatia	• 1992: Reinstatement of counties as self-government units with a lot of autonomy. • 2009: Direct election of county governors.
Czech Republic	• 1997: Creation of the 14 self-governing regions (Act 347/1997). However, they were recognised as autonomous entities only in 2000 with Regional Act No. 129/2000. • 2000-02: Transfer of responsibilities to the new regional tier: secondary education, regional roads, economic development and planning, health. The Local Finance Act 243/2000 defines the regional financing system based on tax sharing.
Denmark	• 2007: Abolition of the 14 counties which were replaced by 5 new regions. Their main responsibility is healthcare (management of the hospital system). Other responsibilities are advising the municipalities on spatial planning and regional development and organising regional public transport and road subsidies, in co-operation with the municipalities. The 15 county prefectures (state administration) were transformed into 5 regional prefectures. • 2019: The political agreement to abolish the current elected five regions did not materialise with the change in government.
Finland	• 2019: The regionalisation project, that had been in the works since 2015 to be effective in January 2019, was abandoned in April 2019 due to political disputes that led to the resignation of the government. • 2021: enactment of a reform for the creation of 21 regions across the territory (excluding the capital city of Helsinki, which will have a special status). The first county elections were held on 23 January 2022.

France	• 1982-83: Act I of decentralisation: the creation of self-governing regions, with responsibilities to manage spatial planning, economic development, education (high schools) and vocational training. • 1986: First regional elections by direct universal suffrage. • 1988: Law specifying the regional economic development functions. • 2002: New transfers of responsibilities to the regions, including regional passenger rail transport. • 2003-04: Act II of decentralisation: recognition of regions by the Constitution; consolidation of regional responsibilities; right to experiment with several other responsibilities, e.g. heritage protection, seaports and aerodromes, environment (air quality and regional nature reserves), EU Structural Funds. • 2010: Territorial reform weakened the fiscal autonomy of the regions (loss of taxation power). • 2014: Regional mergers reducing the number of regions from 26 to 17 (of which 12 in mainland France, along with Corsica and 4 overseas regions) by the Law on the Delimitation of the Regions (enacted in 2015). • 2015: Act III of decentralisation (NOTRe Law): clarification and strengthening of regional responsibilities in the areas of economic development, territorial planning, environmental protection, vocational training. • 2018: Regions receive a share of the value-added tax. • 2021: The 3DS bill "decentralisation, differentiation, deconcentration and simplification" includes several measures aimed at strengthening regional responsibilities, for example in the health and public employment sectors.
Germany	• 2006: Clarification of responsibilities between the *Länder* and the federal government: reduction in the number of concurrent responsibilities, reduction of areas subject to Bundesrat veto; additional competencies allocated to the *Länder* regarding economic activities and trade, education, universities, environmental protection, crime punishment, staff management; possibility for the *Länder* to opt-out in six policy areas, introducing a degree of asymmetry into German federalism. • 2009: New financial arrangements concerning the system of transfers; introduction of the debt brake.
Greece	• 2010: Kallikratis reform creates 13 full self-governing regions with new responsibilities in the areas of regional planning and development, including EU Structural Funds (transferred from the state regional administrations – prefectures). • 2018: Kleisthenis reform (Law 4555/2018) touches upon various issues concerning regional governments, including the electoral system, regional councils and the allocation of responsibilities across levels of government.
Hungary	• 1990: Act of Local Government restored the autonomy of counties. • 2011-12: Recentralisation process through the new 2012 Fundamental Law and the 2011 Cardinal Law on Local Governments. Counties lost several major competencies (healthcare including hospitals, social initiatives and secondary education) to be mainly in charge of regional and territorial development.
Ireland	• 2014: Abolition of the eight regional authorities (based at NUTS 3 level) by the local government reform. Their functions are transferred to three regional assemblies (established at NUTS 2 level).
Italy	• 1997: Bassanini Laws: implementation of the subsidiarity principle: all functions are transferred to the regions (and local authorities) except those listed in Law No. 59, which remain with the state. • 2001: Constitutional reform: regions (together with the provinces and municipalities) are enshrined in the Constitution as autonomous governments and placed on the same level as the central government. • 2006: Rejection by a national referendum of the constitutional reform to transform Italy into a quasi-federal county. • 2009: Fiscal federalism law aimed at increasing fiscal autonomy at the regional level. • 2014: Indirect impact of Law No. 56/2014 on the regional level (this law abolished the provinces and established the metropolitan cities). • 2016: Rejection by referendum of the constitutional reform that aimed at clarifying the allocation of responsibilities between the central government and ordinary regions (abolition of "concurrent competencies" and recentralisation of several responsibilities, e.g. transport, labour, public finance and taxation).
Latvia	• 2009: Abolition of the 26 districts (self-governing entities) replaced by 5 planning regions (not as self-governing entities). • 2019: publication of the "Conceptual Paper on New Administrative Territorial Division" and "Regional Policy Guidelines 2021-27", which acknowledges the necessity of introducing a regional government level (Action 225.1 of the Government Action Plan). • 2020: Law on Administrative Territories and Populated Areas.
Lithuania	• 2000: Creation of ten regional development councils as a collegial body within the counties. • 2010: Abolition of the post of county governor and the county governor's administration. • 2020: Amendment to the Law on Regional Development. The law established regional development councils as legal entities in the country.
Mexico	• 1992: Devolution of basic education to the states. • 1996: Devolution of healthcare to the states. • 1998: Reform of the National System of Fiscal Co-ordination. • 2007: Additional powers given to the states.

Netherlands	• 2002: Act of "dualisation", separating composition, functions and powers of the deliberative council and the executive. • 2007-13: Decentralisation programmes transferred new responsibilities to provinces (cultural and archaeology heritage, spatial planning, economic development, provincial archives, nature policy and protection of threatened species, innovation policy). • 2014: Rejection by the parliament of a reform abolishing the provinces.
Norway	• 2002: Recentralisation of the responsibility for hospitals from the counties to the central government in the framework of the national healthcare reform. • 2003: New tasks granted to counties: spatial planning, regional development and innovation policy. • 2010: New tasks granted to counties: public roads, cultural activities, management of marine resources, operation of vocational schools and environmental protection. • 2020: Abolition of the 18 counties which were replaced by 11 larger regions, with new tasks such as the administration of national road networks. Other tasks and instruments will be allocated so that they become "stronger regional community developers": cultural heritage protection, integration (immigrants), broadband development, fishing ports, research and innovation, business development, agriculture and forestry, climate and environment, integration (immigrants), public health.
Poland	• 1999: Creation of 16 self-governing regions (together with that of the intermediate level of counties), with responsibilities for tasks of "regional importance" (determined by law), mainly regional economic development, regional roads, spatial development but also healthcare, higher education and labour market policies. • 2007: Increased role of regions in regional policy, being fully responsible for 25% of EU Cohesion Funds (currently almost 60%). • 2009: New tasks transferred to regions: regional rail transport, waste and water management, and environmental protection.
Portugal	• Regions are enshrined in the 1976 Constitution but were not created. Only the islands of Azores and Madeira were granted special status as autonomous regions. • 1998: Rejection by referendum of the draft bill creating eight self-governing regions. • Since then, different scenarios for regionalisation have been discussed.
Romania	• Current counties, in existence since the 15th century, were established in 1968. They have been reinforced by several decentralisation processes after the 1991 Constitution: 2001 Local Public Administration Act; 2006 Framework Law on Decentralisation. • 1998: Creation of eight development regions at NUTS 2 level, in parallel to the counties, to co-ordinate regional development, but they do not have an administrative status. • 2008: Direct election of the president of the county councils. • A debate on creating larger regions has been ongoing since the end of the 1990s.
Slovak Republic	• 2001: Creation of eight self-governing regions (also referred to as higher territorial units), with responsibilities for secondary, professional and vocational education; social welfare; regional roads; public transport; regional economic development; and territorial planning. • 2003-06: Decentralisation process confirmed by the Project of Further Decentralisation of Public Government. • 2005: Reform of the regional government fiscal framework (Act on Local Financing).
Slovenia	• 1990-2000s: Discussions on regionalisation reforms (the Constitution provides for the establishment of self-governing regions by law). Several attempts and bills were prepared but never materialised. • 2008: Rejection by referendum of the draft bill creating 13 regions; however, voter turnout was low (10.9%). • 2009: Appointment by the prime minister of a Strategic Council for Regionalisation and Decentralisation; preparation of a new bill creating six regions, but the project was abandoned in 2011 due to disagreements about the number, size, competencies and financing of the regions.
Spain	• 2000: Decentralisation of education to autonomous communities. • 2002: Decentralisation of health to autonomous communities. • 2006: Reform of autonomous statutes depending on autonomous communities. • 2009: Reform of the financing of autonomous communities (Law 22/2009).
Sweden	• 1997-2007: Experimentation of asymmetric regionalisation. No single model of regionalisation imposed but instead different options available in terms of political representation (directly and indirectly elected) and responsibilities. • 2007: Report of the Committee on Public Sector Responsibilities, promoting the extension of the "pilot region" model providing counties with more responsibilities. Since 2007, Sweden has further extended the transfer of regional development competencies to county councils. • 2017: Attempt to reduce the number of counties from 21 to 6, which ultimately failed. • 2019: End of the gradual, experimental and asymmetric regionalisation process in Sweden carried out since 1997. All counties have the same governance structure (directly elected councils), including Gotland Island, a municipality with county responsibilities. There are now called "regions".
Türkiye	• 2005: Transformation of the 81 special provincial administrations (SPAs) into self-governing entities, with more powers. However, a dual decentralised/deconcentrated system remains in place, as provincial governors still have a major role as the head of the SPAs' executive committee. • 200: the first Regional Development Agencies were established in TR31 (İzmir) and TR62 (Adana, Mersin) NUTS II

	regions. As of 2008 and 2009, remaining 24 Development Agencies have been officially established and Development Agencies were activated in all 26 NUTS-2 regions • 2012: The boundaries of metropolitan municipalities were expanded to their corresponding provincial boundaries and the number of metropolitan municipalities was expanding from 16 to 30.
United Kingdom	• 1998: Devolution process creating three devolved nations in Northern Ireland, Scotland and Wales with a directly elected “national assembly”/parliament and their own government and major competencies transferred to them. It created an asymmetric decentralisation across devolved nations (they do not have the same powers) and with England (no regional governments). • 2004: Regionalisation process in England suspended in 2004 following the rejection of a referendum held in the North East England. • 2007: Devolution restored in Northern Ireland. • 2010: Extension of the powers of the Welsh Assembly after the 2010 referendum. • 2012: Extension of the powers of the Scottish Parliament by the Scotland Act 2012 (possibility to raise own taxes and introduction of a range of measures to strengthen the devolved administration in Scotland). • 2017: Devolution of further powers to the Welsh government (Wales Act 2017). • 2021: The levelling-up agenda may have implications on the regionalisation process.

Source: Authors’ elaboration based on OECD (2019[20]); OECD/UCLG (2019[21]; forthcoming[22]).

Annex D. Regional initiatives to manage the COVID-19 pandemic and recovery

Table D.1. Examples of measures taken by state and regional governments to manage the COVID-19 crisis and recovery

Regional measures related to mitigating the health-impact of the pandemic	
Specific restrictions	In **Spain**, autonomous communities could take their own decisions relative to the duration of curfew, perimeter closures, opening hours of bars and restaurants, among others.
	In the **United States**, the federated states were in charge of regulations regarding the mandatory use of masks, business opening hours, stay at home policy within their state jurisdiction.
Vaccination	In the **United States** and **United Kingdom**, states and devolved nations have some autonomy to decide how they allocate vaccination doses across places.
	In **Argentina**, the vaccine distribution criterion was established in consensus with the provinces, according to the target population defined in the provincial operational plans.
	In **Australia**, as per the COVID-19 Vaccination Policy, state and territory governments are responsible for developing their own COVID-19 vaccination jurisdictional implementation plans: this includes selecting the workforce and vaccination sites and enforcing safety, ethical and reporting regulations.
	In **Germany**, the *Länder* define the vaccination centres' locations and number, and finance them jointly with the statutory health insurance funds.
	In **Spain**, the Interterritorial Council of the National Health System, which reunites the health councillors of the autonomous communities and cities and the Minister of Health, has prepared and is co-ordinating the national vaccination strategy.
Use of digital tools to track the pandemic	In **Argentina**, the province of Santa Cruz established a Telegram channel ("Saber para prevenir") on which citizens can access official material and announcements. The government of Buenos Aires, for its part, offers on its information platforms the possibility of getting details about the "DetectAr" tracking system and the geolocation of its service points.
	In **Brazil**, the state government of Rio do Janeiro developed the "Painel Coronavirus COVID-19" in which citizens can follow the evolution of cases, check the map for risk areas, access open data files, and get information on regulations and service provision.
	In **Italy,** several regions developed different digital solutions for tracking and containing infection based on the analysis of movements and gatherings generated by anonymous data. For example, the Lazio Region created a portal for reporting gatherings called "Unique Alert System", and launched "Lazio DrCovid", an app that provides secure bidirectional text-audio communications via smartphone between the citizen and their doctor. Citizen health status is monitored in regions like Lombardy, which created the "LOM Alert" app. Piedmont designed the "COVID-19 Piedmont Region Platform" for the Regional Crisis Management Unit to track and monitor all activities concerning patients with COVID-19. Puglia and Tuscany also have regional web platforms that support assistance, care and monitoring of patients from a distance.
	In **Mexico**, the majority of the federal entities have activated contingent phone numbers to assist and inform on a continual basis about COVID-19.
	In **Canada**, the province of Ontario developed its own website where businesses can directly indicate their ability to furnish emergency products (e.g. ventilators, masks, etc.), submit innovative solutions to fight COVID-19 by supporting virtual mental health services, or submit a proposal for other products or services that could help the population.
Regional measures taken to set up regional recovery funds	
	In **France**, regions have set up funds that can be either targeted to the tourist sector, cultural sector, or more broadly to small and medium-sized enterprises (SMEs). These regional funds are complementary to the national fund set up jointly by the French government and the regions. The Pays de la Loire Region created a Territorial Resilience Fund (Fonds Territorial Résilience). The Hauts-de-France Region created COVID Relance Funds targeted at SMEs. The Grand Est Region has set up a platform called "To Be Stronger Grand Est" (Plus Forts Grand Est) to help connect between around 50 innovative local companies with communities, associations and healthcare establishments to identify innovative products and services that could help overcome the crisis.

	In **Greece**, the Thessaly regional government provides a support package of EUR 160 million (through the Thessaly NSRF 2014-2020) to support local companies manage the impact of the COVID-19 crisis. This package includes EUR 80 million through the programme "Reinvest and Invest in Thessaly", EUR 50 million for employees of companies that closed and EUR 30 million as a non-repayable subsidy to strengthen the working capital of small businesses affected by the COVID-19 pandemic.
	In the **United Kingdom,** Wales set up an Economic Resilience Fund whose third phase also includes a Lockdown Business Fund which will be delivered by local authorities to eligible small businesses impacted by the crisis. In Scotland, the Scottish government has involved local authorities in the recovery strategy through the creation of two funds totalling GBP 4 million: the City Centres Recovery Fund and the Regional Recovery Fund. Cities and regional bodies can apply to each of these funds by submitting proposals focused on recovery planning, local job creation, accelerating the delivery of City Region and Growth Deal investment, and developing regional recovery plans.
Regional measures taken to support place-based investment	
Aligning regional investment with national recovery objectives	In **Canada**, the funds from the Regional Relief and Recovery Fund, a federal initiative, are channelled to the different localities through the national network of six regional development agencies. Regional development agencies can also work together with regional stakeholders to identify adequate investment projects for the COVID-19 recovery, and advocate for central government or external funding.
	In **Australia**, the AUD 1 billion COVID-19 Relief and Recovery Fund supports regions, communities and industry sectors that have been the hardest hit by the COVID-19 crisis. This initiative has already provided AUD 100 million to fund regional recovery partnerships, which will co-ordinate investments with other levels of government to support recovery and growth in ten regions.
	In **Korea**, most of the 17 regional governments have established their own New Deal plans and submitted project proposals, which align the national-level Korean New Deal, announced in July 2020. The New Deal is built around three main pillars: a Green New Deal, a Digital New Deal and a Regionally Balanced New Deal, whose aims are to strengthen the employment and social safety net, increase resilience towards economic uncertainties, and correct uneven development between urban and rural areas.
	In **New Zealand,** the Nelson Regional Development Agency has made economic recovery its top priority, adapting its three-year economic strategy adequately. The country's regional development agencies are also members of the regional economic taskforces that have been created to collaborate and provide a voice for the region in talking to the central government. The Nelson Regional Development Agency has developed a strategy in "three-month sprints", to be able to adapt and redeploy resources if the economic situation deteriorated further, and to integrate new projects.
Supporting local public investment	In **France**, some regions decided to provide municipalities and inter-municipal authorities with exceptional regional aid to finance local public investment: in the Pays de la Loire Region, the regional government has increased its support to local governments from EUR 182 million to EUR 232 million.
	In **Belgium**, the Flemish Minister for Mobility and Public Works announced EUR 2.2 billion in mobility investments for 924 different projects in 2020. The objective is to provide a social and economic boost to the road and hydraulic engineering sector, but also to the entire economy, as part of the COVID-19 recovery. The priorities are road safety, waterways and rail systems, public transport (hybrid buses, trams, e-bus charging systems), and climate and noise measures, including switching from lighting to LED, installing functional plants and noise barriers, tree control, etc.
	In **Germany,** several federal states (Bavaria, Baden-Wuerttemberg, Hesse, North-Rhine Westphalia, Saxony-Anhalt and Saxony) announced comprehensive packages that include measures to support infrastructure investment. In addition, many *Laӊder* provide additional support to municipal finances for investments, which are hit by lower tax revenues and higher countercyclical expenditure in connection with the COVID pandemic.
	In **Italy**, the Lombardy Region has introduced a three-year investment plan worth EUR 3 billion. EUR 400 million is earmarked for local authorities and EUR 2.6 billion targets support for the local economy (including EUR 400 million for strategic investments).
Regional measures taken to support the business and social environment	
Support to SMEs and the business environment	In **Austria**, all nine states set up aid packages for SMEs that complement and expand the measures taken by the federal government. These include non-repayable grants (Burgenland to cover fixed costs and rental costs, Tyrol's hardship fund, Vienna, Upper Austria), guarantees and bridge loans to support the liquidity of SMEs (Burgenland, Styria, Vorarlberg, Vienna, Upper Austria), deferrals of states taxes and waiving interest (Carinthia, Salzburg), coverage of consultancy costs for SMEs that need support to apply for federal support measures (Carinthia), coverage of infrastructure costs to switch to telework (Styria new "Telearbeit!Offensive" support programme), and digitisation of SMEs (Tyrol). In addition, Upper Austria and Lower Austria have developed start-up support packages consisting of a special consulting service by the regional start-up consulting and support council "tech2b Inkubator" (Upper Austria) and the Chamber of Commerce (Lower Austria).
	In **Belgium**, the Brussels Capital, Wallonia and Flanders regional governments adopted several measures for SMEs, such as non-repayable subsidies for companies that have to close during the lockdown, tax deferrals (Brussels, Flanders) and waiver of utility payments (e.g. energy bills) (Flanders, Wallonia), guarantees on bank loans and easier access to credit, and prohibition of evictions (Flanders).

	In **Canada**, provinces have developed their own support programmes for SMEs. For example, the provincial government of British Columbia launched income supports, tax relief and funding for people, businesses and services in response to the COVID-19 pandemic. As a next step, it has developed an Economic Recovery Plan, called "StrongerBC", which focuses on supporting businesses, among other objectives.
	In **Mexico**, 26 of the country's 32 federative entities designed fiscal measures to help companies and vulnerable populations face the economic impact of COVID-19 mitigation measures. Mexico City launched the "Integral Program of Contingent Support and Economic Reactivation to Address the COVID-19 Pandemic in Mexico City".
	In **France**, joint action was taken between national and regional governments to manage the crisis as part of the new Economic Council États-Régions established in December 2019. This included regional task forces that incorporate development banks (BPI) to accelerate support measures for businesses. In addition, regional governments unlocked EUR 250 million (in addition to EUR 750 million allocated by the state) to participate in the National Solidarity Fund for artisans, retailers and small businesses.
	In **Italy**, many regions have adopted specific measures to support their SMEs, which are divided into six policy macro-areas: 1) facilitating access to bank credit and reducing related costs; 2) public financing; 3) simplified procedures; 4) labour and welfare; 5) tax relief; and 6) planning and budgeting.
	In **Japan,** prefectures set up a loan system for SMEs that have fallen into financial difficulty.
Social measures to the vulnerable population	In **Canada**, provinces have been establishing emergency funding through family and community support services.
	In **Australia,** state and territory governments announced fiscal stimulus packages amounting to AUD 11.5 billion (0.6% of GDP), which include cash payments to vulnerable households.
	In **Korea**, the central and regional governments plan to consider access to medical service a critical element in the National Minimum Standards for Living Infrastructure, so that medical services will not be neglected in lagging regions.
Regional measures taken to support local governments	
Direct support to subnational finance	In **Belgium**, regional governments announced support measures for local finance. The Walloon Region provided EUR 21 million in financial aid to the municipalities and provinces under its jurisdiction in 2021. This aims to compensate for the decrease of several local taxes and fees in 2020, particularly those affecting the restaurant, entertainment and tourism sectors. In Flanders, the Flemish government adopted several measures in 2020 to support municipalities, including: a EUR 15 million grant for poverty reduction as a result of the COVID-19 pandemic; an EUR 87 million emergency fund to support local authorities in the culture, youth and sport sectors; a fund to stimulate sustainable mobility (e.g. local improvements for walking and cycling); and various subsidies for infrastructure and the operation of a vaccination centre.
	In **Germany**, the federal and state governments have agreed upon an aid package to support cities and municipalities during the COVID-19 crisis and maintain municipalities' investment capacity in the coming years. According to this aid package, the federal government covers half of the municipalities' local business tax losses for 2020 and the *Länder* cover the other half. This federal support comes on top of support provided by the *Länder* to the local governments.
	In **Norway**, in the framework of financial support from the central government to local governments, the Minister of Local Government and Modernization has asked the county governors to map the situation in the municipalities in their county to identify which municipalities have had particularly high costs as a result of the pandemic to determine which municipalities will receive the funds.
	In **Spain**, autonomous communities have developed support schemes for the municipalities within their jurisdictions. The Catalan government developed a funding stream to cover local administrations' expenditures related to COVID-19. Andalusia unveiled an Exceptional Financial Collaboration Programme, dedicated to local entities with a population equal to or less than 1 500 inhabitants, with the aim to reinforce and guarantee the provision of public services during the crisis.
	In the **United Kingdom**, in England, the UK government delivered financial support to local councils of up to GBP 10 billion. Measures also include the extension of the Sales, Fees and Charges income support scheme. This scheme aimed to compensate local councils for losses generated by service delivery, up to 75% of the claimed loss, including a 5% deductible rate. In Wales, support measures consisted mainly in increasing current transfers from the Welsh government to local authorities by 3.8% in 2021-22. The Scottish government, for its part, set up a GBP 30 million Discretionary Fund, which is distributed as a one-off grant to each local authority to help them provide additional support for businesses in their area. This fund seeks to empower local authorities to direct additional financial support to the business community, where they consider this to be specifically necessary, based on the distinct characteristics of their local economies.
Adapting fiscal rules	In **Belgium**, Wallonia's municipalities were allowed to increase their budget deficit in 2020 and to use their reserves or to borrow to boost local economic recovery.
	In **Germany**, the *Länder* have decided to loosen the fiscal rules applied to municipalities by suspending the balanced budget rule and the duty for cutback measures as well as spending freezes. In addition, regulation for short-term credit has been eased.

Source: OECD (2021[23]).

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OECD Multi-level Governance Studies

Regional Governance in OECD Countries

TRENDS, TYPOLOGY AND TOOLS

In recent decades, federal and unitary countries have increasingly adopted or deepened regional governance reforms, especially in the OECD and Europe, but also in Asia, America and to a lesser extent Africa. Approximately two-thirds of countries around the world have increased the power of regions over the last 50 years. This trend has happened in parallel with countries increasingly embedding a territorial approach into policy-making at the national and subnational levels. This process, however, does not follow a linear path. The rationale behind regional governance reforms differs from country to country, and over time, leading to a broad spectrum of governance models with varying institutional and financing arrangements. Taking stock of these trends, this report provides key data on regional governance reforms and their drivers, with a focus on the role of regions in the COVID-19 crisis response. The report also presents an innovative typology of regional governance models across OECD countries and the multi-level governance instruments that enable sound regional governance and help ensure these arrangements effectively serve their purpose.

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