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Metropolitan Regions  
as Governance Systems

# Unpacking Metropolitan Governance for Sustainable Development

Discussion Paper

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# Preface

Urbanization is a megatrend which will significantly shape the economic, political and social transformation of societies and their spatial impacts. It is estimated that up to 70% of the global population will be living in cities by 2050. Future urban growth will almost exclusively take place in developing countries. Thereby, spatial and functional interrelations between cities, settlements and their surrounding areas are increasing and the metropolitan scale is gaining more and more relevance for integrated urban and city-regional planning, financing and implementation.

The Sector Project “Sustainable Development of Metropolitan Regions”, implemented by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ), develops action-oriented advisory services on the role of metropolitan regions as drivers for sustainable development. Within this approach, the Sector Project operates in four focus areas to address the diverse social, economic and ecologic challenges in urban agglomerations.

The four focus areas refer to:

- Metropolitan governance structures and cooperation beyond administrative boundaries / urban-rural linkages
- Integrated resource-efficient development / Urban NEXUS
- Regional economic development and innovative business regions
- Inclusive labor markets and residential centers in metropolitan regions.

This study forms part of the publication series “Sustainable Development of Metropolitan Regions” that gives conceptual guidance and recommendations for hands-on approaches for development organizations as well as partner countries in the field of sustainable development of metropolitan regions.

This joint publication “Unpacking Metropolitan Governance for Sustainable Development” is the product of a close cooperation between GIZ and UN-Habitat. Against the background of rapid urbanization, new forms of power relations between the different levels of government emerge and stronger coordination and cooperation is required. GIZ and UN-Habitat are both convinced that effective metropolitan governance is crucial for transformative development, considering social, political, economic and environmental impacts. While the subsidiarity principle is still valid and valuable, some decisions are most effectively implemented at a metropolitan level that follows the functional area. Climate change, natural disasters or economic development do not stop at administrative boundaries, hence joint action needs to be taken. Infrastructure needs can be better solved through joint forces and coordination between administrations and different stakeholders. This study shall give insights into ways metropolitan regions are governed and how it relates with the good urban governance principles.

We encourage a critical and intensive discussion about the publication through policy makers and practitioners as well as academia. The publication series shall serve as a reference point for the ongoing international discussion on transforming urbanization and therefore contribute to the Habitat III debate.

Carmen Vogt

Head of GIZ Programme

“Sustainable Development of Metropolitan Regions”

# Unpacking Metropolitan Governance for Sustainable Development

Discussion Paper

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## List of Abbreviations

|      |  |
|------|--|
| ADB  | Asian Development Bank                                       |
| DO   | Development Organization                                     |
| EU   | European Union   |
| GIZ  | Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH |
| GUGP | Good Urban Governance Principles                             |
| LG   | Local Government   |
| MG   | Metropolitan Governance                                      |
| MR   | Metropolitan Region  |
| OECD | Organization for Economic Cooperation and Development        |
| TA   | Technical Assistance   |
| UN   | United Nations   |

## Executive Summary

Continued urbanization around the world – and natural population growth – are creating larger cities, particularly in developing countries. As a result, cities are becoming spatially, functionally and economically interdependent with their surrounding settlements and rural areas, constituting metropolitan regions – each a single economy and labor market, a community with common interests and benefits of joint actions in various sectors. The defining scope for metropolitan regions are their spatial dimensions based upon the functional relationships of resource cycles, regional economic systems and formal as well as informal settlement structures. The linkages of metropolitan regions extend beyond administrative and political boundaries and usually include a number of local governments, peri-urban and rural lands as well as neighbouring cities. The economic links between the core and the periphery may become so close that one part cannot succeed without the other, and thus they are perceived and behave as a single entity. Metropolitan areas are becoming “the new normal”. As such areas emerge and grow, the need for metropolitan-level management increases.

This report is the result of a joint study by GIZ and UN-Habitat on metropolitan governance to develop a framework for future cooperation with metropolitan regions. The report summarizes key findings from current literature and field application of metropolitan governance, and provides a set of policy recommendations. It suggests options how these recommendations can be turned into practical application by governments in metropolitan regions, and how development organizations can most effectively support national or metropolitan level partners on the subject. Reference is made to the Good Urban Governance Principles (GUGP) developed by UN-Habitat in the framework of the Global Campaign on Urban Governance: (i) sustainability; (ii) equity; (iii) efficiency; (iv) transparency and accountability; and (v) civic engagement and citizenship.

The objective of a metropolitan approach for local governments is to cooperate on certain topics/ initiatives/ services, while possibly competing on others in terms of service quality and cost-effectiveness. A particular local issue usually triggers a metropolitan governance reform process – sometimes by the local authorities in the region (“bottom up”), sometimes by a higher level government (“top down”). The report analyzes such “triggers” or entry points with city examples, and provides considerations for development organizations as partners:

- Joint service delivery to save costs
- Regional land use planning and development
- Strategic planning / Integrated territorial planning
- Economic development
- Fiscal inequality (tax base differences among the local jurisdictions)
- General coordination needs of the local governments
- Specific sector or subject matter as trigger (e.g. transport, flood protection)

Although most metropolitan regions do not have well established governance arrangements for coordination and financing at that scale (Metropolis 2014), a variety of mechanisms and instruments (M&I) are being applied by cities around the world for metropolitan governance, albeit mostly in OECD countries. They are described and categorized in the report as political, institutional, financial, social, and sectorial M&I.

The factors in the table below are particularly important or constraining for development of stronger metropolitan governance (MG) arrangements.



| Enabling Factors  | Constraining Factors   |
|---|--|
| <ul style="list-style-type: none"> <li>• Laws / regulations allowing (or promoting) MG arrangements</li> <li>• Supportive higher level government(s); e.g. providing incentives.</li> <li>• Political support from all (or a critical number of) local governments in the metropolitan area, including the core one</li> <li>• Clear division of functions between levels of governments and various local governance bodies</li> <li>• Availability of reasonable institutional, administrative and/or financial capacity for any additional governance arrangements</li> <li>• Success stories in concrete coordination of management of services/infrastructure</li> </ul> | <ul style="list-style-type: none"> <li>• Laws / regulations discouraging, limiting, or prohibiting MG arrangements</li> <li>• Discouraging higher level government (e.g. due to different agendas)</li> <li>• Parochialism and governance fragmentation (lack of local support)</li> <li>• Reluctance of richest local governments and their constituencies to engage and share, sub-delegate decisions/powers to metropolitan arrangements</li> <li>• Uncertainty about “who is responsible for what”; overlapping expenditure responsibilities;</li> <li>• Limited institutional, administrative and/or financial capacity at local level</li> </ul> |

Many governance approaches exist, as no one size fits all. A typology of institutional arrangements, each with advantages, disadvantages and city examples, is presented.

#### Classification of Institutional Arrangements

1. Fragmented Governance – with some inter-municipal coordination (horizontal cooperation among local governments)
  - Ad hoc cooperation among local governments / Case-by-case joint initiatives
  - Committees, commissions, partnership agreements, consortium agreements, etc.
  - Contracting among local governments
2. Metropolitan / Regional Authority (sometimes called “special purpose district”)
  - Regional authorities (metropolitan council, regional planning authority, regional service delivery authority, or regional planning & service delivery authority)
3. Metropolitan or Regional Government
  - Metropolitan-level local government
  - Regional government established by the national government
4. Consolidated Local Government
  - Territorial annexation or amalgamation of local governments

Bearing in mind its highly political nature, the most appropriate governance structure for a region depends on the national as well as local context (the legal framework, local government responsibilities, the particular issues and opportunities for the area, institutional capacity and tradition, etc.). In defining such structures one needs to weigh (a) the potentials for economies of scale and service efficiency as well as the need to address spill-overs and regional disparities; versus (b) the impact on the access of citizens to their local government as well as their respective responsiveness and accountability. Both horizontal and vertical coordination (multi-level governance) is needed, and any new institutional arrangement needs to be

assigned sufficient revenue sources to fulfill its mandates on a sustainable basis. Institutional and financial arrangements may need to evolve over time, as needs and circumstances change. Yet, often politics rather than considerations on efficiency and equity determine the formation or evolution of metropolitan area governance and finance systems. Serious considerations to political context and history are crucial to understand the setting of metropolitan governance in each specific case.

Financial considerations may include agreements on tax sharing or fee harmonization; cost sharing or common budget for metropolitan-level initiatives; coordinated revenue mobilization; and mobilization of multiple funding sources for large infrastructure with area-wide benefits. In any metropolitan governance arrangement there needs to be clarity about functions and responsibilities among involved parties, particularly if new authorities or a different level of local government are introduced. If a metropolitan agency is not given any independent authority (i.e. having an advisory function only), the risk of limited effectiveness tends to exist.

Cooperation among local governments may be encouraged– or even demanded – by a regional or national government, through intergovernmental systems, legal frameworks, or specific financial incentives. However, international experience shows that a pre-requisite for effectiveness of the metropolitan level governance structure is the support and commitment of all local governments involved - independently whether formed “bottom-up” by them or “top-down” by a higher level government. Allowing individual local governments the flexibility to participate in some or all metro-level functions may be an option though, as applied in Vancouver, Canada and Bologna, Italy.

Moreover, it appears that metropolitan coordination is necessary to promote sustainable models, socially, economically and environmentally.

The study concludes with policy recommendations for local governments, policy makers as well as international development organizations and proposes options how these recommendations can be turned into practical application. Possible components of a metropolitan governance reform process are exemplified.

- Provide a legal / regulatory framework for metropolitan governance
- Create incentives for metropolitan governance advances in the country
- Select a model based on national and local circumstances
- Focus on a governance reform process initially on items with high probability of success or topics with clear inter-municipal scope or spillover effects
- Focus on the process, establish clarity on “who does what” and anticipate (and allow) the governance arrangements to evolve over time
- Strike a balance between efficiency gains and accountability / responsiveness to citizens
- Ensure strong support by the local governments as well as coherent and constructive engagements by national and provincial governments
- Ensure both horizontal (inter-municipal) and vertical (multi-level) coordination: cooperate, don't compete
- Start simple and be realistic – design arrangements with high probability of success, not failure
- Create reliable financing arrangements
- Consider all options for improved metropolitan governance: no one size fits all

# 1. Introduction

## 1.1 Background

**Metropolitan regions are becoming an increasingly important planning and development scale.** With continued urbanization around the world, cities become more economically interdependent with their surrounding settlements and hinterlands, creating metropolitan regions with a single economy and labour market, a community with common interests and benefits of joint actions in various sectors. The defining scope for metropolitan regions are its spatial dimensions based upon the functional relationships of resource cycles, regional economic systems and formal as well as informal settlement structures. The functional linkages of metropolitan regions extend beyond administrative and political boundaries and usually include a number of local governments, peri-urban and rural lands as well as neighbouring cities.<sup>1</sup> The economic links between the core and the periphery may become so close that one part cannot succeed without the other, and thus they are perceived and behave as a single entity.

These regions need to be governed at metropolitan scale with regard to some functions or subjects, since fragmentation causes foregone opportunities for service provision efficiencies; spillovers across jurisdictional boundaries do not get addressed effectively, if at all; and regional income and service level inequalities tend to fester, or even grow over time. However, most metropolitan regions – particularly in developing countries – do not have well established governance arrangements or mechanisms/ instruments for planning, coordination and financing at that scale. Governments and development organizations have traditionally mostly focused on urban development and urban governance, less so on metropolitan scale governance arrangements and development.

**This report addresses the need for new governance structures at a metropolitan level.** It is the result of a joint study by the GIZ Sector Project “Sustainable Development of Metropolitan Regions” and UN-Habitat on metropolitan governance<sup>2</sup> (MG) with the objective to develop a practice-oriented conceptual framework for future cooperation with metropolitan regions and related partners. The study looked at how and why metropolitan regions work – or not – and how effective metropolitan governance can be operationalized by application of certain institutional arrangements, mechanisms and instruments.

## 1.2 Objective of the Report

The objective of this report is to summarize key aspects of the current research and field application<sup>3</sup> on metropolitan governance, and provide policy recommendations. It also suggests how these recommendations can be turned into practical application by governments in metropolitan regions, and discusses approaches that development partners can apply to most effectively support national or

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<sup>1</sup> The terminology “metropolitan region” is used throughout this paper. It covers both the concept of (i) region interrelated with a city, networks of cities and (ii) conurbated areas or areas with continuous high densities all across the territory.

<sup>2</sup> Metropolitan governance can be defined as a set of institutions, rules, and actions that delineate policies and conditions for the life and economy of a metropolitan region.

<sup>3</sup> Within the framework of this study, three city case studies on metropolitan regions have been carried out by local consultants in collaboration with Fonds Mondial pour le Développement des Villes (FMDV): Bandung (Indonesia); Guadalajara (Mexico); and eThekweni/Durban (South Africa).

metropolitan level partners on the subject. This report consists in a discussion paper and does not intend to be guidelines for conducting a relatively fast reform on metropolitan governance. The importance and understanding of historical and time frame perspective are crucial before engaging in such processes. References are made to the following Good Urban Governance Principles (GUGP) developed by UN-Habitat during the Global Campaign on Urban Governance: (i) Sustainability; (ii) Equity; (iii) Efficiency; (iv) Transparency and Accountability; and (v) Civic Engagement and Citizenship.

### 1.3 Structure of the Report

After this introductory chapter, **Chapter 2** elaborates the need for metropolitan governance to set the context; provides a list of “ten reasons to focus on metropolitan governance”; and shows differences among global regions with regard to metropolitan governance.

**Chapter 3** provides a framework for metropolitan governance reform by describing a number of common entry points (“triggers”) for reform (in cities or at national level) and highlighting enabling factors and constraints for such reform.

A typology of institutional approaches that are (or have been) applied in regions across the world are then presented, each with their advantages and disadvantages, in **Chapter 4**.

The emphasis in **Chapter 5** is then placed on specific mechanisms and instruments (M&I) for metropolitan governance as applied in cities around the world, with indication of how they relate and tend to contribute to the mentioned GUGP.

**Chapter 6** presents a set of policy recommendations to help metropolitan regions improve/ change/ adapt their governance arrangements.

**Chapter 7** explains how the recommendations can be turned into practical application by governments in metropolitan regions, and **Chapter 8** describes approaches that development organizations can use to be most effective as supporting partners on the subject. The report concludes by summarizing generic lessons drawn from the literature review and the case studies (**Chapter 9**).

Annex A provide an example of a reform process at the local level. To reflect the great variety of metropolitan governance approaches that cities around the world are (or have been) using, about thirty metropolitan regions were selected from the literature, classified according to their institutional characteristics, and briefly described in Annex B.

## 2. Context

### 2.1 What is the problem? Why is metropolitan governance needed?

Continued urbanization around the world – and natural population growth – are creating larger cities and local economic areas, particularly in developing countries. With improved transportation and communication technology steadily advancing, people are able to commute over longer distances from villages or towns to larger urban areas, and flows of people, goods, information and capital are increasing. The economic links between the core and the periphery may become so close that one part cannot succeed without the other, and thus they are perceived and behave as a single entity. Inter-dependencies characterize the formation and emergence of a metropolitan region.

The jurisdictional boundaries of local governments tend to have a long history, but the urban growth often change an area's character over time. Therefore, a metropolitan region usually includes a number of independent local government jurisdictions. A metropolitan region may emerge or be formed either through outbound growth of a city or through a gradual expansion and integration of various settlements that at some point form an interdependent, agglomerated metropolitan area. How cities tend to grow spatially is illustrated in Box 1.<sup>4</sup>

As metropolitan areas emerge and grow, the need for metropolitan-level management increases. Metropolitan regions usually need some form of institutional arrangements – formal or informal ones – to coordinate their development or undertake some joint functions for more efficient and equitable service provision and cost sharing, in addition to efforts by each individual local government. Conurbated high-density areas usually tend to need more coordination than regions.

### 2.2 Ten Reasons to Focus on Metropolitan Governance

The main reasons why we need to pay more attention to metropolitan governance are:

**1. Urban areas are growing fast – particularly in developing countries.** Asia is by far the continent with most urban population; about 2 billion (or 50%) of the total urban population in the world (about 4 billion).<sup>5</sup> Although Africa (urban population of less than 0.5 billion) has to date been lagging in terms of urbanization, it is well on its way to becoming a predominantly urban continent. Africa's annual urban population growth averages 3.5 percent, the fastest in the world (Asia: 2.5 percent). Three of the ten fastest-growing cities in the world are in Africa (Lagos, Nigeria; Dar es Salaam, Tanzania; and Lilongwe, Malawi). It is expected that urban population will overtake the rural population in Africa by 2030. Globally, this occurred already in 2008. This puts additional stress on local governments to provide infrastructure and services, enable economic development, and address urban poverty and inequity.

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<sup>4</sup> A metropolitan area sometimes forms a corridor or a "belt" (one jurisdiction after another) that expands in one or two directions from a core city, for example, because of the topography or location of key infrastructure (such as an international airport) or a tourist attraction. The metropolitan area of Tbilisi, Georgia, for example, albeit a small metro area, is a 60 km corridor of four local governments along a valley, with Tbilisi the dominant city.

<sup>5</sup> UN Department of Economic and Social Affairs, Population Division (2014). World Urbanization Prospects.

**Box 1: How Do Cities Grow Spatially?**

Cities grow spatially in different ways. Figures 1 through 4 illustrate four types of spatial growth of a city or area. In a monocentric structure, a core city is growing outward from a central core, in more-or-less concentric circles over time, with decreasing population densities the farther one gets from the center. Sometimes the spatial extension has instead the character of sprawl, with low-density areas expanding in various directions.

A polycentric structure (figure 3) results from growth that is more a matter of integration of various areas than an outward expansion of a core area. A number of urban sub-centers may exist and grow, and over time become sufficiently close to a main city from a transport perspective, to allow significant business interaction and daily commuting. A polycentric structure tends to evolve toward a multipolar one (figure 4), which is characterized by a core city and various secondary sub-centers, with areas in-between becoming denser in population, forming contiguous urban settlements.

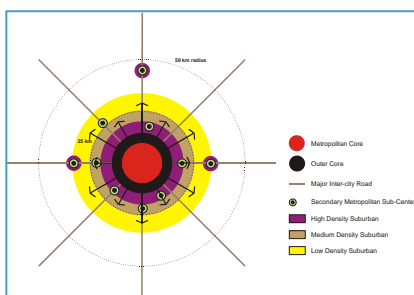


Figure 1: Monocentric Structure

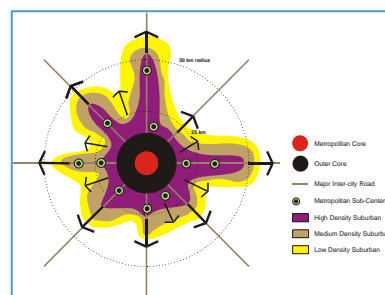


Figure 2: Sprawl

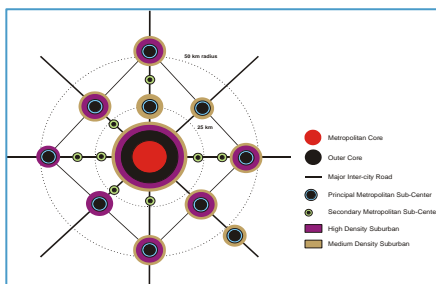


Figure 3: Polycentric Structure

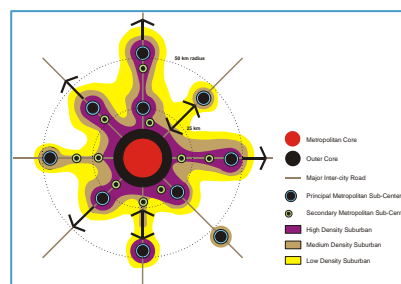


Figure 4: Multipolar Structure

Source: Chreod Ltd., Canada

2. ... **not only megacities, but secondary cities are growing rapidly as well.** Although the concept of a metropolitan region is independent of population size per se, we tend to mainly think about metropolitan governance issues in areas with more than 1 million people or so<sup>6</sup> (with some exceptions; e.g. Basel

<sup>6</sup> United Cities and Local Governments' Metropolitan Section, Metropolis ([www.metropolis.org](http://www.metropolis.org)), defines metropolitan cities as all cities with over a million inhabitants. It should be noted also the difference between the complexity of metro regions (or megacities, i.e. Mexico City) and conurbations of a dozen of local governments forming a metropolitan area (i.e. Guadalajara, Mexico).

Metropolitan Area is less than 1 million, with commuters from three countries). There are around 2,500 cities with population between 100,000 and 750,000 and many secondary cities are concerned by metropolization trends. More than 60 per cent of these are located in developing countries. Many are struggling with rapid population growth – through migration and natural growth<sup>7</sup> - poverty and job creation. Some are regional capital cities responsible for a secondary level of government, and many are major satellite cities to regional centers.<sup>8</sup>

**3. Jurisdictional boundaries tend to be stable, while the commuter and local economic areas are constantly changing.** The jurisdictional boundaries of local governments tend to have a long history, but the urban growth often change an area's character, including the parameters for effective planning, efficient service delivery, and equity. Improved transport and communication technologies create larger commuter and economic areas. Therefore, today's metropolitan regions (MRs) usually include a number of independent local government jurisdictions. Some institutions or arrangements to coordinate developments at metropolitan area-scale, or some joint functions for more efficient and equitable service provision and cost sharing, are required in addition to efforts by each individual local government.

**4. Many metropolitan areas are struggling with fragmentation, inequity, spillovers, and dysfunctional governance systems.** Provision of some public services (e.g. public transport, drainage, sewage collection, waste disposal, emergency services, etc.) are often fragmented and not addressed at the appropriate territorial level, resulting in higher costs and financing challenges for the local governments. Different parts of a metropolitan area often experience differences in the quality and level of amenities and services due to significant income inequality affecting the tax base of the respective local governments. If some areas, usually the inner city, are particularly congested, with increasing air pollution, the troubled city may need to solve what is a joint or regional problem from its own resources, without a fair contribution by the neighbors, who benefit from the positive effects of the agglomeration (free ridership issues). Water pollution or inadequate maintenance of storm drains in one area may cause health risks or flooding in another. As for police services, crime does not respect jurisdictional boundaries, so coordination is needed. Attracting tourists to a region, and make them stay longer, is better done jointly than the local governments competing on the subject.

**5. The MRs are the economic backbone of most countries, making multi-level governance (horizontal and vertical) essential.** The productivity of MRs are increasingly determining national economic growth. The world's 600 largest cities produce about 60 per cent of the world Gross Domestic Product (GDP). To capture the potential of MRs, not only horizontal coordination is required at the local level, but also vertical governance integration among the various levels of government in a country (usually local, regional/provincial and national).

**6. "Getting more for less" - Costs can be saved.** Often the rationale for inter-community coordination and collaboration simply comes down to potential cost savings. Efficiency gains can be achieved by integrated territorial planning at different scale and coordinating some – not all – service delivery; particularly where economies of scale can be achieved. Integrated strategic planning, linking spatial plans to land and infrastructure development, public finance, and long-term financial plans, is needed to ensure that resources are not wasted. Other examples are joint procurement of what all local governments need (e.g. road maintenance, fire trucks, etc.), coordinated urban planning to rationalize the location and the number

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<sup>7</sup> The annual urban population growth in Africa has in recent years been about 4%, of which about 3% caused by natural growth and 1% by rural-urban migration.

<sup>8</sup> See Brian H. Roberts: "Managing Systems of Secondary Cities - Policy Responses in International Development", Cities Alliance, 2014

of facilities of interest to all (e.g. technology park(s), sports and cultural facilities, etc.), and as already mentioned above, tourism promotion of the region rather than individually by each jurisdictional area). The benefit of integrated strategic planning is not only financial as it is a prerequisite for building more sustainable urban models. It is often one of the most difficult coordination components in countries where it is not the responsibility of upper level of government.

**7. Tradeoffs need to be addressed;** particularly fostering a collaborative culture among local jurisdictions on selective subjects (e.g. waste disposal, attracting new firms to the area) while maintaining a competitive spirit on the performance of others (service quality and cost-effectiveness). In choosing a governance structure one needs to weigh: (a) the potentials for economies of scale and service coordination efficiency, and the need to address spill-overs and regional disparities; while (b) ensuring adequate transparency, accountability and government responsiveness to the respective constituents. Last but not least, political tradeoffs reflecting various viewpoints tend to significantly influence the choice of governance arrangements.

**8. We don't have many good examples in developing countries – but in OECD countries there are many.** Cities in OECD countries have for decades been addressing issues of metropolitan governance and created various governance arrangements, coordination mechanisms, institutional arrangements, and legal frameworks (see [Annex B](#)). Although these need to be tailored to national and local conditions, the international experience to date provides useful reference material for the rapidly growing cities in developing countries to draw on.

**9. Few MRs in developing countries have sufficient capacity to address the subject of metropolitan governance comprehensively.** As outlined later in this report, metropolitan governance is a very multi-faceted subject – cross-jurisdictional, cross-sectoral, and often politically challenging to accomplish. Institutional reform needs to be carefully prepared and implemented to achieve a sustainable, equitable, and efficient MR, characterized by active citizen engagement and accountable institutions. Many cities can benefit from experience, tools and knowledge of international cooperation agencies.

**10. The subject tends to get political – objective, third-party advisory can be helpful.** Metropolitan development experience suggests that politics, rather than efficiency and equity concerns, determines (or blocks) the choice of governance structures. While spillover effects and potential cost savings may provide incentives for inter-governmental dialogue to form special arrangements among the local governments, it often takes a neutral facilitator to guide – or even catalyze – such processes. Win-win solutions need to be sought for all involved.

## 2.3 Regional Characteristics of Metropolitan Governance

International experience shows a great diversity of metropolitan models, particularly across Europe and North America (OECD 2006; Slack 2007). In East Asia, China, Japan and South Korea have consolidated metropolitan governments for their larger cities (Yang 2009). Many large cities exist in South Asia, but few effective metropolitan governance approaches have yet emerged. Well-established metropolitan development authorities exist (e.g. in Delhi and Dhaka), but these tend to focus on investment planning and land/real estate development.

Although Latin America is home to many large cities, the frameworks for metropolitan governance in São Paulo, Mexico City, Buenos Aires, and Rio de Janeiro, for example, are still not fully developed. There are also many smaller metropolitan areas confronted to the lack of clear definition in national legislations, resulting in more than 50 established metropolitan areas both in Mexico and Brazil. Nevertheless, significant developments are underway, particularly in Colombia and Brazil. Metropolitan District of Quito in Ecuador is an example of an elected metropolitan council with broad responsibilities, presided over by an elected



metropolitan mayor. A somewhat similar system exists in Caracas, albeit being weaker in practice (Rojas 2008).

Sub-Saharan Africa is rapidly urbanizing, but most cities lack effective institutions to govern at metropolitan scale. South Africa is an exception, having established eight large municipalities through amalgamations, each essentially covering their respective metropolitan area.

Where institutional arrangements at local levels are lacking or weak, the main coordination tends to be exercised by regional governments; for example, in Lagos State, Nigeria; state governments in India; and in many states of Brazil. For very large metropolitan regions which spread over two or more regions, this case calls for inter-regional coordination arrangements. In Australia, public transport and some other functions usually considered “local” are managed by the provincial governments.

## 3. A Framework for Metropolitan Governance Reform

This chapter provides a framework for metropolitan governance reform by describing a number of common entry points (“triggers”) for reform; highlighting enabling factors and constraints for such reform; and presenting examples of steps in a reform process.

### 3.1 Common Entry Points (“Triggers”)

In each case of metropolitan governance reforms, a particular local issue has usually triggered the reform process – sometimes by the authorities in the region (“bottom up”), sometimes by higher level governments (“top down”). Examples of such “triggers” or entry points are briefly described below with city examples. Considerations for a development organization as partner in each case are outlined in Chapter 8.

**Joint service delivery to save costs.** In some cases, a metropolitan body (owned by the local governments (LGs)) in the area or established by a higher level government) is formed to provide one or more services, to some or all of the local jurisdictions in the region. Cost savings are achieved due to economies of scale. It is, for example, fairly common to establish a metropolitan Transport Authority since the infrastructure investments and service network tend to cross one or more jurisdictional boundaries.

Examples:

- Vancouver (Canada): an agency initially for water supply and wastewater management; later expanded to more services.
- Bologna (Italy): local governments may participate in some or all activities of a Metropolitan Council.
- Quito (Ecuador): an elected metropolitan council with broad service responsibilities presided over by an elected metropolitan mayor.

**One dominant actor with strong capacity.** In cases where one local authority, usually the core city, is dominant – often both in terms of size and human and financial capacity - it may be to mutual benefit that they provide services to other jurisdictions in the region on a contract basis. This is a variation on the cost saving argument above.

Examples: Los Angeles County (USA).

**Regional land use planning and development.** Land management tend to be a common starting point for metropolitan level discussions, due to its fundamental role in urban planning, that the land market tends to be viewed as one in a metropolitan region, and due to the significant fiscal importance for local governments.

Examples:

- Delhi (India) and Dhaka (Bangladesh) and other South Asian cities: regional development agencies with focus on land use planning and real estate development.
- Portland (USA) applying concept of long-term growth boundary (to reduce/contain sprawl and give land developers some predictable framework for their business planning).

**Strategic planning / Integrated territorial planning and development.** Comprehensive cross-sectorial, place (area)-based approach to strategic development planning, is currently being broadly promoted,

including by EU for its members. City development strategies tend to benefit from broader regional level analysis.

Examples:

- “Growth poles” in EU countries.
- São Paulo (Brazil) with its recent Macro-metropolitan Plan.

**Economic development.** Collaboration of LGs for the purpose of stimulating economic growth and employment. Measures may vary, as the examples illustrate.

Examples:

- São Paulo, the initial broad collaborative initiative by the public and private sector, and civil society, was in response to a serious downturn in the local (mostly the automotive) industry.
- Marseille and Lyon (France); a common business tax to prevent tax competition in the area, and a metropolitan tax sharing system respectively.

**Fiscal inequality (tax base).** Although quite rare because usually addressed through the redistributive power of higher level of government, initial coordination initiative may be motivated by fiscal inequality in the region – some jurisdictions with strong tax base (in the Twin Cities: in the suburbs) and some with weak tax base (in the core city).

Examples: The Twin Cities (Minneapolis –St. Paul), USA

**General coordination needs.** In some cases, a metropolitan level council or committee, or a separate entity, is established to respond to the need for broad-based general coordination.

Examples:

- Verband der Region Stuttgart (Germany), a directly elected metropolitan entity, for public transport; tourism and regional planning; funded by the regional (Land) and local governments.
- Bologna (Italy), a metropolitan city council created by 48 local governments, and presided over by the provincial president; local governments may participate in some or all council activities.
- Metropolitan Councils are common in the USA, their decisions usually require ratification by all LG members.
- Dar es Salaam City Council (Tanzania), coordinating body formed by a number of councilors from each municipality (three) in the city; they select one of them as the City Mayor; a local authority without any land area and dependent on transfers from the national government.

**Specific sector or subject matter as “trigger”.** It is not uncommon that an issue in a specific sector or crucial common issue such as watershed management, protection of areas of high environmental value, risk reduction i.e. slopes protection, etc., requires solutions and initiatives at a metropolitan scale. See table 1 on the division of service provision responsibilities between levels of government.

Examples:

- Transport (Stuttgart)
- Disaster risk management, DRM (Rio de Janeiro)
- Air pollution (Santiago de Chile)
- Climate change mitigation and adaptation (Dhaka)

- Water resource management

A conceptual division of service provision responsibilities between local, metropolitan, and national levels of government is proposed below.<sup>9</sup>

**Table 1: Metropolitan versus Local Service Provision Responsibilities (X =Conceptual (as per “general theory”))**

| No | Function                         | Metro level* | Local Auth. | Central Gov't. | Private sector | Rationale                                      |
|----|----------------------------------|--------------|-------------|----------------|----------------|--|
| 1  | Local Economy                    |              |             |                |                |  |
|    | Strategic city dev. Planning     | X            | X           |                |                | Externalities                                  |
|    | Economic development             | X            | X           |                |                | Externalities                                  |
|    | Tourism promotion & management   | X            |             |                |                | Externalities                                  |
|    | Major markets                    | X            | X           |                |                | Externalities                                  |
|    | Informal economy                 |              | X           |                |                | Responsiveness; limited external. & redistrib. |
| 2  | Land Management                  |              |             |                |                |  |
|    | Regional land use planning       | X            |             |                |                | Externalities                                  |
|    | Local land use planning          |              | X           |                |                | Local access, responsiveness                   |
|    | Land allocation                  |              | X           |                |                | Responsiveness (although some externalities)   |
|    | Land surveying                   |              | X           |                | X              | Responsiveness (scale economy if specialized)  |
|    | Titling / provision of tenure    |              | X           |                |                | No externalities (possibly scale economies)    |
| 3  | Housing and Community Facilities |              |             |                |                |  |
|    | Housing                          |              | X           |                | X              | Responsiveness; limited external. & redistrib. |
|    | Social (low income) housing      |              | X           |                | X              | But some redistribution and some externalities |
|    | Community upgrading              |              | X           |                | X              | Local responsiveness; limited externalities    |
|    | Cultural facilities              | X            | X           |                | X              | Economies of scale vs. local                   |

<sup>9</sup> If the responsibility for a function is divided between the metropolitan level and local authorities (or central government), a risk of confusion, lack of accountability, and “finger-pointing” could exist, unless the division is made very clear and easy to understand by the citizens.

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| No | Function  | Metro level* | Local Auth. | Central Gov't. | Private sector | Rationale   |
|----|---|--------------|-------------|----------------|----------------|---|
|    |   |              |             |                |                | responsiveness  |
|    | Parks and recreation facilities                       |              | X           |                | X              | Local responsiveness                                      |
| 4  | Transport   |              | X           |                | X              | Main (arterial) roads vs. local (street) roads            |
|    | Public transit (e.g. buses)                           | X            | X           |                | X              | Externalities; economies of scale                         |
|    | Street lighting                                       |              | X           |                | X              | No (or limited) externalities                             |
|    | Street cleaning                                       |              | X           |                | X              | No externalities  |
|    | Car parking   |              | X           |                | X              | No externalities  |
| 5  | Security  |              |             | X              |                | Externalities; economies of scale                         |
|    | Police protection/security                            | X            |             | X              |                | Externalities; economies of scale                         |
|    | Traffic management                                    |              | X           |                |                | Local responsiveness                                      |
|    | Fire services/suppression & emergency/rescue services | X            | X           |                |                | Specialized services (scale economies) vs. basic services |
|    | Ambulance services                                    |              |             |                |                | Economies of scale; externalities                         |
| 6  | Water, Sanitation and Waste                           |              |             |                |                | Economies of scale  |
|    | Water supply system                                   | X            |             |                |                | Economies of scale  |
|    | Drainage/flood protection                             | X            |             |                |                | Economies of scale (externalities re. drains)             |
|    | Piped sewerage system                                 | X            |             |                |                | Economies of scale  |
|    | Solid waste collection                                |              | X           |                |                | Less economies of scale and externalities                 |
|    | Solid waste disposal                                  | X            |             |                |                | Economies of scale (e.g. landfill); externalities         |
| 7  | Education, Health, Social care                        |              |             |                |                | Primary and secondary education vs. higher education      |
|    | Education   |              | X           | X              |                | Primary and secondary education vs. higher education      |
|    | Public health   | X            |             | X              |                | Income redistrib.; economies of scale; external           |
|    | Welfare assistance                                    |              | X           |                |                | Income redistribution; externalities                      |

| No | Function                  | Metro level* | Local Auth. | Central Gov't. | Private sector | Rationale  |
|----|---------------------------|--------------|-------------|----------------|----------------|--|
|    | Child care services       |              | X           |                | X              | Responsiveness; limited externalities & redistribution |
| 8  | Power                     |              |             | X              |                |  |
| 9  | Other                     |              | X           |                |                | Local responsiveness                                   |
|    | Promotion of major events | X            |             |                |                | Externalities  |
|    | Business licensing        |              | X           |                |                | Local responsiveness; no externalities                 |
|    | Local agriculture         |              |             |                | X              | Local responsiveness; Limited externalities            |

### 3.2 Enabling Factors and Constraints for Metropolitan Governance Reform

Particularly important enabling or facilitating factors for development of stronger metropolitan governance arrangements are summarized in Table 2. The lack of them is usually constraining or limiting such initiatives. The enabling factors are essential pre-requisites for any effective metropolitan governance.

**Table 2: Enabling and Constraining Factors for Metropolitan Governance Development**

| Enabling Factors  | Constraining Factors   |
|---|--|
| <ul style="list-style-type: none"> <li>• Laws / regulations allowing (or promoting) MG arrangements</li> <li>• Supportive higher level government(s); e.g. providing incentives</li> <li>• Political support from all (or a critical number of) local governments in the metropolitan area, including the core one</li> <li>• Clear division of functions between levels of governments and various local governance bodies</li> <li>• Availability of reasonable institutional, administrative and/ or financial capacity for any additional governance arrangements</li> <li>• Success stories in concrete coordination of management of services/infrastructure</li> </ul> | <ul style="list-style-type: none"> <li>• Laws / regulations discouraging, limiting, or prohibiting MG arrangements</li> <li>• Discouraging higher level government<sup>10</sup> (e.g. due to different agendas)</li> <li>• Parochialism and governance fragmentation (lack of local support)</li> <li>• Reluctance of richest local governments and their constituencies to engage and share, sub-delegate decisions/ powers to metropolitan arrangements</li> <li>• Uncertainty about “who is responsible for what”; overlapping expenditure responsibilities</li> <li>• Limited institutional, administrative and/ or financial capacity at local level</li> </ul> |

<sup>10</sup> Although a higher level government may discourage a certain initiative proposal, they may at the same time be instrumental and/ or supportive of another one. E.g. in the case of Toronto in the late 1990s.

### 3.3 Example of a Metropolitan Governance Reform Process

The most appropriate process for a metropolitan governance reform very much depends on the particular circumstances, at the national as well as the local level. I.e. such process need to be “tailored” to some extent to the specific case. Reform is not immediate and most metropolitan arrangements mainly result on long-term local circumstances (ie. creation of the AMB in Barcelona, Spain; the differentiated systems in France, Brazil or Colombia). Urbanization can be fast but institutional changes require political and cultural consensus that takes longer time or a major political event. However, to provide some generic guidance, OECD has outlined six main steps for a successful metropolitan governance reform process. These are summarized in Box 2 below. A concrete example of a proposed metropolitan reform process is exemplified by a case description in [Annex A](#) as an additional reference point.

#### Box 2: Steps for a Successful Reform Process

**Motivate collaboration by identifying concrete metropolitan projects.** Seizing the right window of opportunity in the economic, social and political context of a given territory will help to lay the basic foundations for the reform. Broad awareness of the socio-economic benefits of metropolitan-wide collaboration will reduce resistance to the reform. A clear electoral mandate helps municipal governments to push through reforms. Kick-starting collaborative initiatives around tangible projects on key public services can help rally forces at the initial stage and progressively lead to setting a “bigger picture”. Flagship events are another potential occasion to gather momentum for metropolitan reform. Examples of such occasions are major sports events, cultural events or high-level political meetings and conferences.

**Build metropolitan ownership among key stakeholders.** Metropolitan governance reforms need one (or more) strong advocate(s) as driver of the process. A relevant personality or institution often plays a pivotal role in steering change and creating or maintaining momentum for reform. Beyond municipalities, the national government, intermediate levels of government, the private sector, civil society and universities need to be actively engaged in the reform process.

**Ensure national government support.** Leadership by the national government can be a crucial factor for the success of reforms. Even when the reform process occurs through a bottom-up process that is driven by local actors, it is unlikely that it can be successfully completed if there is no support from the national government.

**Tailor reliable sources of metropolitan financing.** The reform needs to take into account how the new governance structure can respond to the financial needs of the metropolitan region, and how to match the new governance structure’s responsibilities with corresponding financial resources. Securing an appropriate, reliable stream of funding helps to avoid unfunded mandates and facilitates effective collaboration.

**Design incentives and compensations for metropolitan compromises.** Co-operation among municipalities works best on a voluntary basis, with incentives provided by higher levels of government. This also implies implementing strategies to engage those who feel threatened by the reform and leveraging their buy-in (sometimes by compensating for their anticipated losses).

**Implement a long-term process of metropolitan monitoring and evaluation.** Solid background research and scrutiny from unbiased experts creates and sustains credibility for the reform by strengthening the evidence base. Independent expertise and research capacity are required to demonstrate the need for change and the desirability of the proposed solutions to key stakeholders.

Source: OECD (2015), *The Metropolitan Century: Understanding Urbanisation and its Consequences*, OECD Publishing, Paris.

## 4. Institutional Arrangements

Four types of institutional approaches that are (or have been) applied in metropolitan regions across the world are described in this chapter with city examples. The advantages and disadvantages of these “models” are then explained and a few cases that reflect examples of challenges to reach effective governance arrangements are described.

### 4.1 Typology of Institutional Arrangements

Most metropolitan regions do not have well established governance arrangements for coordination and financing at that scale (Metropolis 2014). The following four types of institutional approaches have been applied in some cities though, albeit mostly in OECD countries to date.

#### 4.1.1 Inter-municipal Cooperation Mechanisms (in cases of fragmented governance structure)

*Examples: Paris, France; Milan, Italy; Ruhr, Germany; Greater Toronto, Canada; Brazil (consortiums)*<sup>11</sup>

These arrangements may take the form of committees, commissions, working groups, consultative platforms, etc.; or more permanent city networks, associations, and consortiums. They can be temporary or permanent bodies for coordination; sometimes on a specific issue, topic or investment project; sometimes for more broad-based collaboration. The local governments would join forces when it clearly benefits them and their constituents, compared with acting independently.

#### 4.1.2 Metropolitan / Regional Authorities

*Examples: Vancouver; Manila; Delhi; and common in France and USA*

A regional authority is an independent legal entity; conceptually a voluntary organization established by the member local governments for planning and/or service delivery to make better use of their public resources.<sup>12</sup> Two or more local governments may associate in this way to achieve economies of scale. For example, for a transport network, jointly operate a waste disposal facility, etc. Some countries (e.g., France, Poland, and Italy) have established a separate legal framework for such arrangements.<sup>13</sup> This approach represents an administrative integration, with member governments represented on the governing board or council. Regional authorities, sometimes established as utility companies, can usually levy user charges for services provided, and/or collect from the member local governments. Some regional authorities have been given more extensive taxing powers (e.g. Vancouver).

Many variations of Regional (Metropolitan) Authorities exist. They can be distinguished in terms of being created:

1. For planning purposes only, or for planning as well as service delivery;
2. For a single sector (e.g. transport) or for multiple sectors;

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<sup>11</sup> Brazil has a separate legal framework for consortiums. This framework (a law of 2005) encourages the formation of consortiums, which in some cases can become entities somewhat similar to regional agencies. A new, stronger law is under consideration in Brazil, to make it mandatory for neighboring municipalities to form some kind of metropolitan governance arrangement.

<sup>12</sup> Such city-to-city arrangements are called “special purpose associations or districts” in the United States.

<sup>13</sup> In France called *communauté urbaine* (“urban community”) or *syndicats inter-communaux* (“syndicate”).



3. Having advisory authority only, or full decision-making powers for the sector(s) (or making decisions which need to be ratified by each local government council); and in terms of accountability,
4. With a council appointed or indirectly elected (by the member local governments), or directly elected by the residents of the area.

#### **4.1.3 Second Level Metropolitan Local Government (or a Regional Government established by a higher tier government)**

*Examples: Directly elected (e.g. Stuttgart, Germany; London, U.K.); appointed by a higher-tier government (e.g. Minneapolis-St. Paul, USA).*

The responsibilities for regional coordination, and some service delivery functions, may be vested with a separate local government. Such local governments would not necessarily be hierarchically above the other local governments in the area in terms of reporting relationships, but possibly of equal rank and legal status. For example: (a) no substantial authority over them (Dar es Salaam); (b) limited authority (Budapest); or (c) substantial authority over the area's lower-level local governments (London). They tend to be funded mainly through transfers from a national or regional government.

Metropolitan governance reforms have rarely emerged from local government initiatives only. A national or provincial government has usually initiated change by either imposing or encouraging it (OECD 2006). Although many metropolitan governments have been established by a higher-tier government, experience shows that such institution will often be weak unless they are supported by the local governments in the area with which it must work. (Slack 2007)

Second level metropolitan governments – and regional authorities as well - carry a risk that the access by residents will be negatively affected, and thereby accountability will be weakened or become unclear due to the more diverse and complex institutional structure. Therefore, in these cases, it is particularly important to make it clear to the residents “who is responsible for what”. Authority should coincide with representation; and finance should follow function (expenditure responsibilities). This means that any entity established to coordinate or provide services to a metropolitan area should ideally be represented by, and accountable to, the corresponding entire jurisdiction and receive corresponding resources. A framework for division of functions between local and metropolitan level governance is outlined below (table 3).

#### **4.1.4 Consolidated Local Government (Annexation or Amalgamation of Local Governments)**

*Examples: Cape Town, Istanbul, Toronto.*

Annexation or amalgamation can in few cases be effective to achieve efficiency and equity in public service delivery, reducing institutional complexity. Yet it tends to be politically controversial, usually requiring the active involvement of a national or a regional government. Few amalgamations have achieved coverage of an entire metropolitan area; usually because of the local political dynamics. The exceptions are the municipalities in South Africa (e.g. Cape Town's boundaries cover about 95 % of the people who live and work there). A jurisdiction that covers a large portion (or all) of the metropolitan area can facilitate equalization in the area since it would have one tax base. However, with a larger jurisdiction, the access by residents to their local government may be affected and the local accountability weakened. While cost savings usually occur through scale economies, harmonization of service and salary levels across the new local government may be standardized based on the local government with the highest level, and thereby result in higher costs (Slack 2007 re. Toronto). One-time transition costs also need to be taken into account; frequent reorganization may run the risk of disrupting local service delivery because of the time and resources required by the changes.

Table 3: Metropolitan Governance Arrangements with City example<sup>14</sup>

| Approach   | Description   | City Examples  |
|--|---|--|
| <b>1. FRAGMENTED GOVERNANCE: WITH SOME INTER-MUNICIPAL COORDINATION<br/>(horizontal cooperation among the local governments)</b>   |   |  |
| <b>(i) Case-by-case joint initiatives</b>  | Ad hoc cooperation initiatives or arrangements for specific purposes  | Frequent approach in cities without permanent arrangements   |
| <b>(ii) Committee, Association, Consortium, Consultative platforms, etc.</b>   | Temporary or permanent bodies for coordination  | Many cities in Brazil; Ruhr, Germany; Turin and Milan, Italy; Paris, France; Greater Toronto, Canada   |
| <b>(iii) Contracting among Local Governments</b>   | A local government engaging another local government for the delivery of a service that they are responsible for                | Los Angeles County, USA  |
| <b>2. METROPOLITAN / REGIONAL AUTHORITY<br/>(sometimes called special purpose district; a “bottom-up”, voluntary organization)</b> |   |  |
| <b>(i) Metropolitan Council of governments (COG)</b>   | Forum for coordinated efforts by member local governments. Decisions need endorsement of the respective local Council           | São Paulo, Brazil; Bologna, Italy; Montreal, Canada; numerous examples in the United States.   |
| <b>(ii) Planning Authority</b>   | Formal entity similar to COG to design regional strategies and/or exercise planning and policy development authority            | Many examples of advisory entities exist, but few with decision-making or implementing powers. Portland, U.S. (in the past, with decision-making power); New York City, U.S. (operated by an NGO). |
| <b>(iii) Service Delivery Authority</b>  | Public service agency/corporation/cooperative (owned by member local governments) for delivery of one or more services          | Greater Vancouver Regional Service District (GVRSD), Canada, a multiservice public corporation.  |
| <b>(iv) Planning &amp; Service Delivery Authority</b>  | Combination of (ii) & (iii), i.e. planning and delivery of one or more services (e.g. a Regional Transport or Water Authority). | Lyon and Marseille, France; Lagos Mega-City Development Authority, Nigeria; “Development agencies” in Delhi, India and Dhaka, Bangladesh.  |
| <b>3. METROPOLITAN OR REGIONAL GOVERNMENT</b>  |   |  |
| <b>(i) A higher-level metropolitan local</b>   | Separate metropolitan local government for coordination / selective functions   | Quito, Ecuador; Dar es Salaam, Tanzania; Abidjan, Cote d’Ivoire (until 2001); Barcelona, Spain;  |

<sup>14</sup> Various arrangements may exist in a metropolitan area at the same time. E.g. a second level metropolitan government, one or more authorities (for transport, water, etc.), while still some local governments may engage in inter-municipal cooperation on other specific topics.

| Approach                                 | Description   | City Examples  |
|--|---|--|
| <i>government.</i>                       |   | London, UK; Budapest, Hungary; Stuttgart, Germany; Toronto, Canada (1954–98); Portland, U.S.; Shanghai (all large Chinese cities). |
| <b>(ii) A <i>Regional Government</i></b> | Government established by a higher level government for a metropolitan area | Abidjan, Cote d'Ivoire (from 2001); Madrid, Spain; Manila, Philippines.  |

**4. CONSOLIDATED LOCAL GOVERNMENT**  
(through amalgamation of local governments or annexation of territory)

|   |   |  |
|---|---|--|
| <b>(i) <i>One jurisdiction covering metropolitan area</i></b> | One jurisdiction covering large portion (or all) of a metropolitan area | The Municipalities in South Africa; Istanbul, Turkey |
|---|---|--|

## 4.2 Assessment of the Institutional Arrangements

Advantages and disadvantages of each of the institutional arrangements are summarized in Table 4 below.

**Table 4: Advantages and Disadvantages of Metropolitan Governance Arrangements**

| Conceptual model  | Advantages  | Disadvantages   |
|---|---|---|
| <b>1. FRAGMENTED GOVERNANCE: WITH SOME INTER-MUNICIPAL COORDINATION</b><br>(horizontal cooperation among the local governments) |   |   |
| <b>(i) <i>Case-by-case joint initiatives (agreements among local authorities)</i></b>   | <ul style="list-style-type: none"> <li>Useful for areas where limited inter-dependencies exist among local governments (or for a small area with only two local governments).</li> <li>Can be an initial stage to gain experience and build trust for joint efforts among the local governments.</li> <li>Possible approach when more permanent and formal arrangements are constrained by politics or prohibited by legal frameworks.</li> </ul> | <ul style="list-style-type: none"> <li>Usually limited in scope (e.g. an event or an urgent issue).</li> <li>No commitment to address a need on a longer term basis, if that is what is needed (sustainability).</li> </ul> |
| <b>(ii) <i>Committees, commissions, working groups, consortiums, partnerships, consultative platforms, etc.</i></b>             | <ul style="list-style-type: none"> <li>Temporary or permanent bodies for coordination. (Sometimes they have character of networks rather than institutions.)</li> <li>Flexible approaches.</li> </ul>   | <ul style="list-style-type: none"> <li>Often with an advisory role only.</li> </ul>   |

| Conceptual model                                 | Advantages  | Disadvantages  |
|--|---|--|
| <b>(iii) Contracting among local governments</b> | <ul style="list-style-type: none"> <li>• One local government can specialize in a particular service or function, for the benefit of all local governments in the metropolitan area.</li> <li>• Useful when one of the local governments dominates in terms of human and financial capacity.</li> </ul> | <ul style="list-style-type: none"> <li>• The contracting local government still needs to monitor the quality and coverage of the service provision (contracting out does not mean abdicating responsibility for the service or function).</li> <li>• Risks: (i) access by residents to the service provider may be affected; and (ii) the accountability may be weakened or unclear to residents.</li> </ul> |

**2. METROPOLITAN / REGIONAL AUTHORITY**  
(sometimes called special purpose district; a “bottom-up”, voluntary organization)

|   |  |  |
|---|--|--|
| <b>(i) Metropolitan council of governments (COG) (and similar arrangements)</b>                   | <ul style="list-style-type: none"> <li>• A forum for local governments to address topics of common and regional interest, while maintaining their decision authority (if decisions require endorsement by their local councils).</li> <li>• Can provide some flexibility if members can join and exit easily.</li> </ul>   | <ul style="list-style-type: none"> <li>• Impact depends on: (a) the financial and human resources mobilized or allocated to the COG; and (b) the degree of coherence among the member local government councils regarding views on metropolitan issues.</li> </ul>   |
| <b>(ii) Regional planning authority (with or without authority to implement or enforce plans)</b> | <ul style="list-style-type: none"> <li>• Permanent focal point for metropolitan (regional) planning.</li> <li>• Specialized, metropolitan-level analytical resources (highlighting spill-overs, opportunities for scale economies, inequalities, etc.).</li> </ul>   | <ul style="list-style-type: none"> <li>• Risk of limited impact if their role is advisory only.</li> <li>• Requires significant institutional capacity and resources to be effective.</li> </ul>   |
| <b>(iii) Regional service delivery authority (as a public entity or utility company)</b>          | <ul style="list-style-type: none"> <li>• Achieving economies of scale (efficiencies) for certain services.</li> <li>• Engagement by local governments as “owners” of the authority</li> <li>• (the service provision responsibility is “delegated” to the authority)</li> <li>• If corporatized (utility company), it may facilitate a transition to the service(s) being provided by the private</li> </ul> | <ul style="list-style-type: none"> <li>• Effectiveness depends on authority to levy user charges (tariffs), collect contributions from local governments, apply precept powers, or have earmarked transfers or tax authority.</li> <li>• Risks: (i) access by residents to the service provider may be affected; and (ii) the accountability may be weakened or unclear to residents.</li> </ul> |

| Conceptual model   | Advantages   | Disadvantages  |
|--|--|--|
|  | sector or a public-private partnership (PPP) arrangement, as required.   |  |
| <i>(iv) Regional planning and service delivery authority (as a public entity or utility company)</i>                   | <ul style="list-style-type: none"> <li>Combination of the advantages for regional planning authorities and regional service delivery authorities above.</li> </ul>   | <ul style="list-style-type: none"> <li>Combination of the disadvantages for regional planning authorities and regional service delivery authorities above.</li> </ul>  |
| <b>3. METROPOLITAN OR REGIONAL GOVERNMENT</b>  |  |  |
| <i>(i) A higher-level metropolitan <u>local</u> government.</i>  | <ul style="list-style-type: none"> <li>A “permanent” government structure for certain metropolitan functions (appointed or elected directly or through lower-level local governments).</li> <li>Specialized metropolitan-level resources.</li> </ul>   | <ul style="list-style-type: none"> <li>Effectiveness tends to depend on:                             <ul style="list-style-type: none"> <li>(a) the degree of authority over the lower-level local governments; and</li> <li>(b) whether it has mainly planning functions or some service delivery functions as well.</li> </ul> </li> </ul> |
| <i>(ii) A <u>regional</u> government established by a higher-tier government (for a particular metropolitan area).</i> | <ul style="list-style-type: none"> <li>A “permanent” government structure (directly elected or appointed by a higher-tier government) for certain metropolitan functions.</li> <li>Usually resourced directly from the higher-tier government.</li> <li>Specialized metropolitan-level resources.</li> </ul> | <ul style="list-style-type: none"> <li>Risks: (i) limited connection with, and engagement by, the local governments in the area (may be mitigated with strong local government representation); (ii) access by residents may be affected; and (iii) the accountability may be weakened or unclear to residents.</li> </ul>                   |
| <b>4. CONSOLIDATED LOCAL GOVERNMENT</b><br>(through amalgamation of local governments or annexation of territory)      |  |  |
| <i>(i) One jurisdiction covering essentially the metropolitan area</i>   | <ul style="list-style-type: none"> <li>Facilitates metropolitan-level coordination</li> <li>Facilitates addressing equalization and harmonization of services within the area (one tax base)</li> </ul>  | <ul style="list-style-type: none"> <li>With a larger jurisdiction, access by residents to the local government may be affected, and local accountability may be weakened.</li> <li>Local administrative offices or sector arrangements may still be needed.</li> </ul>   |

### 4.3 Examples of Challenges for Effective Governance Arrangements

To achieve a sustainable, equitable, efficient MR with accountable and pro-citizen institutions, in principle any of the arrangements mentioned above may work well. It depends on how they are implemented and applied. However, many challenges and constraints usually need to be overcome in each case. A few specific examples of challenges in achieving effective metropolitan governance arrangements are reflected in the following cases.

#### ***Good intentions have not always translated into intended outcomes***

*Examples: Dar es Salaam, Nairobi, and Manila*

As the cases of Dar es Salaam, Tanzania and Nairobi, Kenya demonstrate (Box 3 and 4) good intentions are not enough to create functioning coordination arrangements for a metropolitan area. Lack of authority, lack of commitment among the local governments in the area, and lack of financial sources are common pitfalls. Also, any metropolitan governance body needs to earn the command and respect from the local governments it is intended to coordinate. Metropolitan areas with one dominating, core local government, present an additional challenge, to find a way to motivate both large and small local governments for joint, coordinated efforts - in other words, to find “win-win” situations.

Many factors may hinder efficient and effective metro-wide governance, as shown in the case of Metro Manila in the Philippines (Box 5). Proper allocation of powers and financing is fundamental. Authority not only to coordinate but to ensure actual metro-wide service delivery makes a metropolitan body more significant. However, active engagement by national ministries and agencies in traditional local public service provision may complicate metropolitan coordination. And, as already mentioned above, a metropolitan coordination body has to earn the command and respect from the local governments that it is intended to coordinate, particularly in strong decentralized settings.

#### ***“Both too small and too large”***

*Examples: Manila, London, and Toronto*

It has been a challenge in many cities to create governance arrangements for the whole metropolitan area. For example, Metropolitan Manila Development Authority (MMDA) covers 11 million people in 17 municipalities, but the extended urban area of Manila includes another 4 million people in 18 more local governments for which fairly close economic and commuter linkages exist as well. The Greater London Authority covers 7.5 million people, but the functional economic area southeast, has a population of 20 million. The amalgamation of six municipalities as the City of Toronto (2.5 million people) is considered too small to address issues of “the greater Toronto area” (5 million people) or to address regional spillovers related to transport and planning.

#### **Box 3: Dar es Salaam, Tanzania**

The current administrative structure in Dar es Salaam was put in place in 2000, a structure with four local authorities (three municipalities, and the Dar es Salaam City Council (DCC) for coordination). The three municipalities constitute a single economy and labour market. DCC was established through a Ministerial Order to perform a coordinating role and address issues that cut across all three municipalities. DCC members are: mayor and five councilors from each of the three municipalities, and four members of parliament for Dar es Salaam. The functions of the City Council are to:

- Coordinate the functions of the three municipal authorities regarding infrastructure.
- Prepare a city wide framework for the purpose of enhancing sustainable development.

- Promote cooperation between the City Council and the three municipal authorities.
- Deal with all matters where there is inter-dependency among the City's local authorities.
- Support and facilitate the overall functioning and performance of the local authorities.
- Maintain peace; provide security, emergency, fire and rescue services, ambulance and police.
- Promote major functions relating to protocol and ceremonies.

DCC has, however, become a weak entity, a local authority at the “same level” as the three municipalities, with no authority over them or legally based relationship with them. Few joint activities with DCC coordination has occurred. Proposals for some initiatives have not received support from all three municipal councils, sometimes due to financial contributions being required.<sup>15</sup> DCC has mostly focused on mandates other than coordination, i.e. management of the city's only landfill, a bus terminal, the main market in the city, and the collection of car parking fees on behalf of the three municipalities. These responsibilities were vested with DCC mainly to ensure that DCC would have some revenues of their own for its activities. The “security and emergency, fire and rescue services, ambulance and police” mandate has mostly been taken over by the central government. Nonetheless, a few examples of inter-municipal cooperation exist. A bridge was built jointly by two of the municipalities; and some informal collaboration occurs, e.g. one municipality borrowing some equipment from another one.

DCC did not assert its role and authority and has become perceived by the municipalities as an expensive body not adding much value. The DCC councilors tend to mainly think of their wards, not the needs or opportunities of the city as a whole. There is no requirement per se for the DCC councilors to report back to their municipal councils. It is generally considered though that a ceremonial type “Mayor” is needed as a minimum to represent the city.

Each of the three municipalities is large, both in area and population. This facilitates independent planning and service delivery (with ward and sub-ward offices), and to some extent reduces the need for formal metropolitan-wide coordination mechanisms. However, area-wide “strategic thinking”, land use planning and transport planning are considered functions which require significant coordination.

### Box 4: Nairobi, Kenya

A Ministry of Nairobi Metropolitan Development was established in 2008 by presidential decree to facilitate implementation of a growth and development strategy for the Nairobi metropolitan area, fifteen local governments at the time. The Ministry was, among other things, mandated to ensure “*preparation and enforcement of an integrated spatial growth and development strategy and actualization of strategic programmes for the provision of social, economic and infrastructural services within the region.*” It was intended to coordinate most local government functions, and promote and develop a funding framework.

While a comprehensive strategic framework had been developed for the area, and a spatial plan was defined to guide developments, in practice the ministry functioned mostly as a small additional national government funding channel for minor investments in the metropolitan area (e.g. park benches, fire trucks). The organization was seen by the local governments as just another “unit” of the national government, with limited participation or influence by them. Furthermore, the largest local government, the City of Nairobi, did not participate at all. After a new constitution was enacted in the country in 2010, with the number of ministries reduced, the Ministry of Nairobi Metropolitan Development was in 2014 incorporated in the

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<sup>15</sup> Health sector coordination has been effective though, since the Regional Medical Officer in the Regional Commissioner's office (a de-concentrated arm of the national government) usually is the same person holding the position as health officer in DCC.

Ministry of Land, Housing and Urban Development. The metropolitan area is now part of four county jurisdictions (City of Nairobi being one of them), replacing local governments in the new constitution.

**Box 5: Metro Manila, The Philippines<sup>16</sup>**

Various versions of a Metro Manila authority have existed since the 1960's. The current Metropolitan Manila Development Authority (MMDA) was established in 1995. It is a development and administrative unit under direct supervision of the president of the country. It performs planning, monitoring, and coordination functions but can do so only if it does not diminish the autonomy of local governments on local matters. Its council is formed by the 17 mayors of the area local governments, with the chair and a number of the managers appointed by the president. The MMDA is responsible for almost all traditionally local public services. It derives resources from the central government, a 5 percent contribution from the local governments, and revenues from metro service fees and fines. The MMDA has been criticized for being more of a national corporation than a fully local institution.

To date, MMDA (as its predecessors) has exercised its coordinative function more than their service delivery function. While MMDA has significant service delivery responsibilities across local boundaries, still a large part of the metro-wide services remain with national government agencies. A sizeable portion of the national budget for metro-wide services is allocated to these agencies. In contrast, funding support given to the MMDA - whether in terms of revenue raising powers or direct budget support - has never been commensurate with its expenditure assignment. The national agencies and departments, are mainly concerned with their own sectoral priorities rather than serving the broader needs of the metropolitan area per se. Consequently, MMDA is left with the difficult task to arrange sectoral programs of various national government agencies, including metro-wide services. This situation not only makes governance efforts complicated but also increases costs.

Governance of Metro Manila is challenging as the cities and municipalities that compose it have political legitimacy and significant powers and authorities relative to the MMDA. Metropolitan governance under a decentralized framework allows local government units to respond directly to priority needs of their respective constituents (some cities in Metro Manila have implemented innovative programs and projects). There is at present a perception among the local government units in Metro Manila that the MMDA is incapable of commanding respect and authority over them.

Metropolitan governance and finance in Metro Manila is comprised of this struggle between local autonomy and metro-wide coordination. While decentralization has strengthened the capacity of the local governments to deliver basic services, metro-wide coordination and long-term development planning have suffered. The MMDA is institutionally weak and lacks the political power to enforce its agenda at the local level. It is caught between its role as a national agency and a local coordinating body, and it is not empowered to hold the local governments accountable for metro-wide services. The respective responsibilities of the MMDA and the local governments are not explicitly delineated in the MMDA Charter or other regulation. In addition, MMDA lacks fiscal independence and is dependent on the national government for most of its budget. As a consequence, it is significantly understaffed, does not have the resources to carry out its mandate, and in times of national fiscal constraints its operations are hindered.

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<sup>16</sup> Carly Nasehi and Rahil Rangwala: "Structures of Metropolitan Governance and Finance: A Case Study on Manila, Philippines", Lincoln Institute of Land Policy Working Paper, 2011.



This institutional framework has encouraged the local governments to be concerned more with their immediate jurisdictions and less with the pronounced need for coordination and pooling of resources. The increased autonomy of local governments and power of local mayors have made it politically difficult to have strong metro-wide coordination. The MMDA leadership must put political and national government leaders together while at the same time make the organization earn the command and respect from the local governments it coordinates. Even though both local empowerment and metro-wide coordination are important for good governance, this case shows that achieving both is a difficult balancing act.

## 5. Mechanisms and Instruments for Metropolitan Governance

This section describes a variety of mechanisms and instruments (M&I) which have been or are being applied by cities around the world. They are categorized as follows:

- Political M&I
- Institutional M&I
- Financial M&I
- Social M&I
- Sectorial M&I

At the end of the chapter, an overview table of the described M&I is included, with references to city examples and the supported GUGP principles.

### 5.1 Political M&I

While most mechanisms and instruments are established by some form of governmental (political) decision, particularly institutional ones, those which don't fall in the other categories below, are described here.

**Legislative mentioning or framework.** Mentioning of “metropolitan region,” as a concept in a country’s constitution, or other national legislation, gives credence to the concept, and forms a base for forming institutional arrangements (depending on the actual legislative provisions). Specific legal provisions exist in France, Poland, Italy, and Brazil that encourage metropolitan level institutional arrangements.

*Supported urban governance principle: Sustainability*

**Election** (as opposed to appointment) of any body in a metropolitan governance structure – be it a commission, metropolitan council, or metropolitan mayor or government – is an instrument for representation. Direct elections would be considered a stronger measure from accountability perspective compared to indirect ones. E.g. the metropolitan mayors in London and Quito are directly elected; the president of the Barcelona Metropolitan Area (BMA) is indirectly elected by the area’s local government mayors and councilors.

*Supported urban governance principle: Transparency and Accountability.*

**Division of expenditure responsibilities (functions)** between levels of government, and related authorities, particularly between the local governments and a regional government, influence the way a region is governed. E.g. in Australia and India, many functions that are usually considered “local” (municipal) functions are carried out by the regional governments.<sup>17</sup>

A governance structure affects the accessibility by citizens, the degree of public participation in decision making, and the accountability and responsiveness of the governments. *Authority should coincide with representation.* Any entity established to coordinate subordinate localities or responsible for service delivery at a metropolitan scale, should ideally be represented by, and accountable to, the entire jurisdiction and receive corresponding resources and authority.

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<sup>17</sup> Provincial, state, and other regional governments are all referred to in this report as “regional governments”.

*Supported urban governance principle: Transparency and Accountability.*

**Concrete incentives from higher level government.** Cooperation among local governments can be enabled ("forced") by incentives from a regional or national government (e.g. to be eligible for some funding). For example, in the United States, it was for many years a prerequisite for obtaining grant funding from the federal government for transport infrastructure and wastewater investments that the local governments created a type of metropolitan planning organization (MPO) and that funding requests were supported by a regional plan for the respective sector. In EU, many regional planning councils were created following the availability of EU regional economic development grants (see OECD, 2006). Other incentives for regional coordination have been created through intergovernmental systems (e.g. the program J. Nehru National Urban Renewal Mission (JNNURM) in India), or simply as political influence/pressure (e.g. in the Netherlands for the Randstad concept).<sup>18</sup>

*Supported urban governance principles: All, depending on how the instrument is applied.*

**Government Statistics (Metropolitan Statistical Area (MSA)).** At a country level, a useful instrument on the subject is for a national statistical agency to periodically collect data (e.g. at least in conjunction with national censuses) on a metropolitan area basis. This may serve as an important benchmarking tool for cities. Example: USA<sup>19</sup>

*Supported urban governance principle: Transparency and Accountability.*

## 5.2 Institutional M&I

**A specific institutional arrangement** for metropolitan governance to address certain joint issues or services. Such arrangement may be:

- For a specific issue, purpose or sector, or for broad-based governance
- For planning and / or execution / delivery only
- Formal or informal
- Covering all or only some jurisdictions in the area

Note: various arrangements may exist in an area simultaneously for different purposes, and with different geographical / jurisdictional coverage.

Box 6 summarizes the metropolitan governance arrangements described in Chapter 4 above.

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<sup>18</sup> That may or may not create true and lasting metropolitan governance. Longer term, a universal lesson is that only institutional arrangements that are truly supported by the local governments in an area do survive (Slack 2007). E.g. when the incentives cease, the metropolitan arrangements risk fading away.

<sup>19</sup> In the United States, MSAs are defined by the Office of Management and Budget (OMB) in the Federal Government, and used by the Census Bureau and other federal government agencies for statistical purposes. A MSA is defined as a geographical region with a relatively high population density at its core and close economic ties throughout the area. Such regions are neither legally incorporated, nor are they legal administrative divisions like counties and states. As such, the precise definition of any given metropolitan area can vary with the source. A typical metropolitan area is centered on a single large city that wields substantial influence over the region (e.g., Chicago or Atlanta). However, some metropolitan areas contain more than one large city with no single municipality holding a substantially dominant position (e.g., Dallas–Fort Worth; Minneapolis–Saint Paul).

*Supported urban governance principles: While all five GUGP principles: (i) Sustainability; (ii) Equity; (iii) Efficiency; (iv) Transparency and Accountability; and (v) Civic Engagement and Citizenship, can be supported by these arrangements, it depends on how they are implemented.*

**Box 6: Classification of Institutional Arrangements<sup>20</sup>**

**1. Fragmented Governance – with some Inter-Municipal Coordination** (horizontal cooperation among the local governments)

- Ad hoc cooperation among local governments / Case-by-case joint initiatives
- Committees, commissions, partnership agreements, consortium agreements, etc.
- Contracting among local governments

**2. Metropolitan / Regional Authority**

- Regional authorities (metropolitan council, regional planning authority, service delivery authority, or regional planning & service delivery authority)

**3. Metropolitan or Regional Government**

- Metropolitan-level local government
- Regional government established by the national government

**4. Consolidated Local Government**

- Territorial annexation or amalgamation

The choice of institutional arrangements for a particular city area depend on a number of local factors; for example, the laws and regulations of the country; the division of responsibilities (functions) among government levels - and related fiscal and other relations with the higher-level governments; a strong tradition of local autonomy (e.g. in the Philippines) or not; and the revenue sources available to the local governments.

The literature generally argues that:

- Maintaining smaller local government (One-tier Fragmented Structure / Territorial polycentrism) with inter-municipal cooperation and agreements) tend to be stronger with regard to *Transparency and Accountability*, and *Civic Engagement and Citizenship*; while
- Larger municipalities, special purpose districts and a two-tier structure tend to represent stronger response to *Sustainability, Equity and Efficiency* objectives.

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<sup>20</sup> See: Robert D. Yaro, L. Nicolas. Ronderos “*International Metropolitan Governance: Typology, Case Studies and Recommendations*”, developed for Colombia Urbanization Review, Sept. 2011.

Enid Slack, Rupak Chattopadhyay (editors) “*Governance and Finance of Metropolitan Areas in Federal Systems*”, Forum of Federations, Oxford University Press, 2103.

Christian Lefevre “*Democratic Governability of Metropolitan Areas*” in Rojas, Eduardo, Cuadrado-Roura, Juan, Fernández Güell, José Miguel (Editors): “*Governing the Metropolis - Principles and Experiences*”, Inter-American Development Bank, Washington, DC, 2008.

Additional comments on institutional arrangements:

**Metropolitan Planning and Development Agency.** Some larger cities around the world have established a separate agency for planning and development, some with a narrow mandate such as land use planning and real estate development only (e.g. as in Delhi, India, and Dhaka, Bangladesh), and others with broader development mandates for the metropolitan region (e.g. earlier London Development Agency). These agencies are usually founded by either a local or national government as self-financing agencies. They may receive state or municipal land for development and sale as residential or commercial real estate.

*Supported urban governance principle: While all five principles can be supported by such agency, it depends on how they are implemented.*

**Inter-municipal Consortium,** and variations on the concept, has been a popular measure in various countries to respond to metropolitan service needs. For example, a federal law in 2005 in Brazil encourages such arrangements. While it can be a flexible model which can be tailored to the specific needs and public sector stakeholders, its effectiveness tend to dependent on the good will and commitment of those involved in each case.<sup>21</sup> It has been frequently applied in Brazil for specific sectorial projects, and sometimes for broader initiatives (Metropolis 2014).

*Supported urban governance principle: While all five principles: (i) Sustainability; (ii) Equity; (iii) Efficiency; (iv) Transparency and Accountability; and (v) Civic Engagement and Citizenship, can be supported by these arrangements, it depends on how they are implemented.*

**Active Incorporation of the Civil Society and the Private Sector.** The current arrangements in Belo Horizonte, Brazil is based on: (a) the Metropolitan Convention; (b) the Metropolitan Development Deliberative Council; and (c) Metropolitan Region Development Agency (Agencia RMBH). The Metropolitan Conference is held every two years; it is a forum for participation of the organized civil society. The Metropolitan Convention is the superior decision-making agency for particularly planning guidelines (with a qualified quorum it can veto decisions by the Deliberative Council). The Agency is the technical and executive arm of the system (Metropolis 2014).

*Supported urban governance principle: (iv) Transparency and Accountability; and (v) Civic Engagement and Citizenship.*

### 5.3 Financial M&I

The success of metropolitan-area public finances depends to a large extent on how the vertical intergovernmental relations are structured. In particular, whether metropolitan cities will be treated the same as other local governments in the country, or be given a different fiscal treatment (e.g. due to special status as national capital city or regional capital city status; having special expenditure assignment and taxing arrangements due to their size; or other special arrangements under the intergovernmental transfer system). Important is also the degree to which the actions of local governments in a metropolitan area will be more or less regulated by government ministries, and whether and how service delivery by the local governments and higher-tier governments are coordinated in the area. Fragmented local government

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<sup>21</sup> Effective inter-municipal collaboration requires what the literature on teamwork considers as basic pre-requisites: (i) a common objective; (ii) trust; and (iii) that the existence of different perspectives among the team members is considered a strength rather than a weakness.

structures in metropolitan areas are usually highly dependent on intergovernmental transfers or on spending by higher-tier governments (Bahl et al 2013).

Financial considerations are often among the prime incentives to form special metropolitan arrangements, either through a bottom-up process by the local governments or as a top-down decision by a higher-level government (provincial or national). For example, the potential for cost savings by joint initiatives (scale economies); cost sharing for area wide service provision or capital investments; or a desire to address fiscal inequality when significant tax base differences exist among the jurisdictions in the metropolitan area. Operational financial factors (operational revenues and expenditures) sometimes trigger metropolitan cooperation and influence its form, depth, and instruments.

**Cost Sharing Arrangement for Metro-wide Service Delivery.** When the local governments in the area would achieve efficiency (economies of scale) by sharing the costs of *delivering a service*, for example, a waste disposal facility or coordinated drainage system for the whole the area or a single police force, an appropriate funding mechanism will be required. Similarly, when *spillovers* (externalities) across jurisdictional borders need to be addressed (for example, in case of air or water pollution caused by neighboring industrial areas (negative spillover). A spillover can also be of a more positive nature, for example, when all the tourism attractions are located in one area, but visitors stay and spend in another area. In such case, the main revenue-generating area may need to share some of its revenues with the tourism site community to support their operations and maintenance costs and capital investments in order to sustain the benefits they have of the attractions. A third situation is when the local governments in the area have a need for a *specialized service* (for example, hazardous waste disposal), or a specialized emergency equipment, that would be most effectively addressed jointly (or by one of the local governments with all others paying for the service).

In these cases, when a public service is managed across a metropolitan area, an equitable cost-sharing arrangement is needed among the local governments - for example, for solid waste disposal, drainage network maintenance, sewerage networks and wastewater treatment, or road maintenance. Costs that can be charged based on usage, such as the volume of garbage disposed of from a settlement, should ideally be charged on that basis (such as a tipping fee paid at the landfill). However, in the case of maintenance of area-wide networks (such as roads, drains, and sewers), charges based on network size and use in different local government areas may not always be appropriate or equitable. All transport users in the area benefit from a well-integrated and maintained road network, for example. Well-maintained storm drains and sewers have sanitary benefits across the area. Some sections of a network may cost more to maintain than others because of geography, the locations of pumping stations, and so forth. Agreements need to be reached among the local constituents as to what is a reasonable and fair cost sharing arrangement (often a politically charged subject). If a service is provided by a regional authority with some taxing power, or authority to issue user charges (e.g. a water or transport utility), no separate funding from participating jurisdictions may be required.

*Supported urban governance principles: Efficiency and Equity.*

**Municipal or Metropolitan Development Fund.** A more permanent and substantial joint effort is to establish a development fund for capital investments with joint mobilization of funds from various levels of government, through borrowing (as appropriate), and sometimes supported by international agencies. Numerous developing countries (such as Georgia, India, Nepal, Tanzania and Uganda, and earlier in many Latin American countries) established national funds as part of their intergovernmental system, specifically to finance local government development projects. Such financing vehicles usually do not apply exclusively to metropolitan areas but to all urban areas or local governments in the country. However governments in metropolitan areas are often prime recipients of such funds, as loans or grants. The same concept can also be applied by and for a specific metropolitan area. The municipal level government in Shanghai, for example, is

using such a fund to support infrastructure investments (for water supply, sewerage systems, and waste management) by its suburban county government on a loan basis.

*Supported urban governance principles: Efficiency and Equity.*

**A local tax-sharing system** can be appropriate when the metropolitan area has significant income disparities among its residents, by subarea or jurisdiction, and this is considered a priority to be addressed. I.e. harmonizing revenues and expenditures across a region, can address a mismatch between social needs and the tax base, if this is the issue (for example, the local property tax). In the Twin Cities (Minneapolis and St. Paul, Minnesota, USA), a metropolitan council has expanded access to property taxes across the region to finance the area-wide services that it provides and to fund targeted transport subsidies.

*Supported urban governance principle: Equity.*

**Coordinated tax or fee policy agreements** (e.g. harmonized tax base, tax rates or tax administration principles) between the local governments can prevent tax and fee competition. The area can, for example, have a common business tax, a common property tax formula, automobile tax rate, and similar fees for various permits. For example, Marseille, France, uses a joint system for collection of a business tax, with a common tax rate to avoid tax competition in the area (this may not be appropriate if the administrative cost structures vary a lot among the jurisdictions for some reason, and full cost recovery is a principle to be applied.)

*Supported urban governance principles: Efficiency and Equity.*

**Adjustments for Tax Spillovers.** In some countries, value added tax (VAT) revenues are shared between the national and local governments. Cases in which the revenues for local governments are transferred to the jurisdiction where a business enterprise has its headquarters may distort the allocation among local governments. This may particularly affect a metropolitan area if, for example, headquarters are located in the core city but main business operations are in the suburban areas. In such cases, it is necessary that tax revenues be adjusted either by a higher government (at the transferring level) or locally at the metropolitan level. Such adjustments are applied in most large Chinese municipalities (which areas tend to approximately coincide with their metropolitan areas as defined by commuting distances or local economic linkages).

*Supported urban governance principles: Equity.*

**Collection of user charges, property taxes, and earmarked taxes** (e.g., road, payroll, or gas tax to fund transport services) can be an authority given to a metropolitan body (even authority to capture part of a revenue stream to the local governments such as the transfer from a higher government). The Greater Vancouver Regional District, Canada, applies a variety of such revenue instruments to finance its service delivery responsibilities.

*Supported urban governance principle: Efficiency.*

**Pooling financial resources** can be a useful instrument when synergy would be achieved through a joint effort by the local governments in the area, by pooling their financial or human resources for a particular purpose; for example, promotion of the area to attract firms to locate there, to be a stronger competitor for a regional or international event, to obtain a bank loan on slightly better terms, or to promote tourism and attract visitors to the area.

*Supported urban governance principle: Efficiency*

**Multi-source Infrastructure Finance** is often necessary for a particularly large investment of common interest (for example, a transport link, a sports stadium, a conference center, etc.) which none of the individual entities involved would have been able to finance or implement as a sole investor (a Municipal or Metropolitan Development Fund, mentioned above, usually tend to finance smaller or medium size investments). Funding may for example be a combination of grants from the national or regional government, joint borrowing for the project, the local government budgets, and a project-specific betterment fee from direct beneficiaries (usually real estate owners). It could include a voluntary, usually one-time tax on local businesses and landowners who would particularly benefit from the investment. Rosario (Argentina) has recently applied a variation, this by obtaining signing land through agreements with a number of land owners (Metropolis 2014).

*Supported urban governance principles: Sustainability; Efficiency.*

**Issuing Infrastructure Bonds.** In countries where legal frameworks allow bond issues at sub-national government levels, mobilization of such long-term funds for a metropolitan-scale infrastructure investment or investment program (Shanghai, China; Portland, USA) may strengthen the bond issue. Such a bond would normally be backed by either an expected revenue stream of the project itself, by a regional authority, or by some form of guarantee from the local governments in the area.

*Supported urban governance principles: Sustainability; Efficiency.*

**Private-Public Partnerships (PPP)** may be more viable and cost-effective to arrange for investments or services at a metropolitan scale, due to larger size or volume for an investor or operator; for example, in the transport, waste management, and water/ sanitation sectors. As for all PPP contracts, the risk sharing between the private and public partners need to be carefully defined. Regulations and guidelines for PPP arrangements and contracts are usually provided at the national or regional levels.<sup>22</sup> PPP at metropolitan level need clear and accountable decision-making authority as well as established capacities.

*Supported urban governance principles: Sustainability; Efficiency.*

## 5.4 Social M&I

**Public debates, roundtables, town-hall meetings, media coverage, social campaigns, etc.,** can help highlight specific needs for inter-municipal cooperation, and create common goals and constituencies.<sup>23</sup> Metropolitan identity and participatory instruments are key for ensuring adequate participation of the society in decision making processes and overview and monitoring of implementation of those decisions (Guadalajara Metropolitan Consultative Council).

*Supported urban governance principles: Civic Engagement and Citizenship; Transparency and Accountability*

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<sup>22</sup> See <http://ppp.worldbank.org/public-private-partnership/legislation-regulation/laws/ppp-and-concession-laws#examples>.

<sup>23</sup> Jen Nelles: "Comparative Metropolitan Policy – Governing beyond local boundaries in the imagined metropolis", Routledge, 2012, proposes a new theory of "civic capital", which argues that civic engagement and leadership at the regional scale can be important catalysts to metropolitan cooperation. "The extent to which the actors hold a shared image of the metropolis and engage at that scale strongly influences the degree to which local authorities will be willing and able to coordinate policies for the collective development of the region."



**Coordinated programs for poverty alleviation.** While most local needs may be addressed effectively through policies by each local jurisdiction, and not necessarily are the same,<sup>24</sup> equity and/ or efficiency arguments can sometimes be made for coordinated program efforts. For example, related to land titling (if this is administered at a local government level), urban (slum) upgrading initiatives, facilitation of “group/ community savings programs” and other local strategies to support the household enterprise sector (sustainable livelihood strategies).<sup>25</sup>

*Supported urban governance principles: Equity and Efficiency*

## 5.5 Sectorial M&I

**Benchmarking (city-to-city comparison) based on performance indicators.** Harmonization of data and indicators at metropolitan level is an important tool for coordinated metropolitan planning and policies. This can be achieved through metropolitan observatories working closely with various networks. The UN-Habitat City Prosperity Initiative aims to reinforce local capacities for cities to improve well-being and prosperity through a new monitoring tool, a policy dialogue based on a conceptual framework (the Wheel Of Prosperity) and the creation of action plans with sustainable urban solutions, to assist decision-makers to design clear policy interventions (now widely applied in Colombian and Mexican cities). An international standard ISO 37120 provides 100 indicators with standardized definitions and methodologies enabling cities to measure themselves with others. It is not intended to rank cities on their performance but to provide a framework that allows for comparative analysis. An example of creative use of local data for planning is described in Box 7.

*Supported urban governance principles: (i) Sustainability; (ii) Equity; (iii) Efficiency; (iv) Transparency and Accountability; and (v) Civic Engagement and Citizenship.*

### Box 7: Use of Data in Metropolitan Planning – addressing inequality

Most cities aim to develop inclusive, affordable and livable communities within walking distance of public transit. Denver, USA uses a [Regional Equity Atlas](#) that overlays educational, income, health, and other equity metrics on the transit network to paint a picture of how transit access impacts equity. Such Atlas can be an important organizing tool to determine where, for example, bus services routes are likely to have the highest impact. Transit routes that help connect people to the places where they work are particularly important for low-income families, who heavily rely on public transport.

This interactive online tool creates maps and summaries of statistics for areas of interest in the region. The approach can be used for other topics than transit as well. The visual tools can help show mismatches and to determine, for example, areas that need fresh food stores/stands, housing, employment centers, etc. Community leaders can map their communities and simulate what impact planned developments may have, particularly if they would compare their plans with maps of what other communities have already done.<sup>26</sup>

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<sup>24</sup> In some cases, different approaches may even be an advantage, either to gain experience on “what works best” (e.g. different parking policies may be applied by different local governments; or create healthy competition (for example, on the provision of street addressing or lighting).

<sup>25</sup> See Deon Filmer and Louise Fox: “Youth Employment in Sub-Saharan Africa”, Agence Francaise de Development and the World Bank, 2014.

<sup>26</sup> <http://nationalequityatlas.org/data-in-action/denver-equity-atlas>.

Table 5: Overview of Mechanisms and Instruments

| Mechanism / Instrument  | Main characteristics   | References  | Related GUGP principles  |
|---|--|---|--|
| <b>Political M&amp;I</b>  |  |   |  |
| <i>Legislative mentioning (or framework)</i>                                | Mentioning of “metropolitan region” in a country’s constitution, or other national legislation | Brazil, France, Italy, Poland                         | <i>Sustainability</i>  |
| <i>Election of a metropolitan body (direct or indirect)</i>                 | Instrument for representation (versus appointed)   | Barcelona, London, Quito                              | <i>Transparency and Accountability</i>   |
| <i>Clear division of expenditure responsibilities</i>                       | Between levels of government, and related authorities  | Various   | <i>Transparency and Accountability</i>   |
| <i>Incentives from higher level government</i>                              | Metropolitan level planning requirement for funding  | USA, EU, France, India                                | <i>Transparency and Accountability</i>   |
| <i>Statistics</i>   | Periodic collection of data on metropolitan area basis   | USA   | <i>Transparency and Accountability;</i>  |
| <b>Institutional M&amp;I</b>  |  |   |  |
| <i>Institutional arrangement</i>  | Specifically for metropolitan governance   | Various (see table 3)                                 | <i>All five principles: Sustainability; Equity; Efficiency; Transparency and Accountability; and Civic Engagement and Citizenship, (depending on implementation and application)</i> |
| For example:  |  |   |  |
| <ul style="list-style-type: none"> <li>• Small local governments</li> </ul> | Fragmented governance with inter-municipal cooperation   | Brazil  | <i>Transparency and Accountability, and Civic Engagement and Citizenship</i>   |
| <ul style="list-style-type: none"> <li>• Large municipality</li> </ul>      | Consolidated local government  | South Africa, China                                   | <i>Sustainability, Equity and Efficiency</i>   |
| <i>Active Incorporation of Civil Society and the Private Sector</i>         | E.g. with a Metropolitan Conference (forum for participation)                                  | Belo Horizonte, Brazil                                | <i>Transparency and Accountability; and Civic Engagement and Citizenship</i>   |
| <b>Financial M&amp;I</b>  |  |   |  |
| <i>Cost Sharing Arrangement</i>   | For metro-wide service delivery  | Various   | <i>Efficiency and Equity</i>   |
| <i>Municipal or Metropolitan Development Fund</i>                           | Capital allocation vehicle   | Georgia, Lithuania, India, East Africa, South America | <i>Efficiency and Equity</i>   |
| <i>Local tax-sharing</i>  | Harmonize revenues and expenditures  | Twin Cities, USA<br>Lyon, France                      | <i>Equity</i>  |
| <i>Coordinated tax or fee policy agreements</i>                             | E.g. harmonized tax base and tax rates   | Marseille, France                                     | <i>Efficiency and Equity</i>   |

| <b>Mechanism / Instrument</b>  | <b>Main characteristics</b>  | <b>References</b>                                    | <b>Related GUGP principles</b>  |
|--|--|--|---|
| <i>Collection of user charges, property taxes, other taxes</i>               | E.g., road, payroll, or gas tax to fund transport services                   | Vancouver, Canada                                    | <i>Efficiency</i>   |
| <i>Multi-source Infrastructure Finance</i>                                   | Including funding by beneficiaries (land/business owners, etc.)              | Rosario, Argentina<br>Washington, DC                 | <i>Sustainability and Efficiency</i>                                      |
| <i>Issuing Infrastructure Bonds</i>  | Mobilization of funds for investments  | Ahmedabad, India<br>Shanghai, China<br>Portland, USA | <i>Sustainability and Efficiency</i>                                      |
| <i>Private-Public Partnerships (PPP)</i>                                     | Risk sharing   | Various  | <i>Sustainability and Efficiency</i>                                      |
| <b>Social M&amp;I</b>  |  |  |   |
| <i>Public debates, roundtables, town-hall meetings, media coverage, etc.</i> | Participatory processes  | Various  | <i>Civic Engagement and Citizenship; Transparency and Accountability</i>  |
| <i>Coordinated programs for poverty alleviation</i>                          | E.g. for land titling, urban upgrading, and group/community savings programs | East Africa  | <i>Equity and Efficiency</i>  |
| <b>Sectorial M&amp;I</b>   |  |  |   |
| <i>Benchmarking</i>  | Indicator based city-to-city comparisons                                     |  | <i>All five urban governance principles depending on how data is used</i> |

## 6. Policy Recommendations

This chapter presents policy recommendations with regard to metropolitan governance, to help metropolitan regions improve/ change/ adapt their governance arrangements.

### 6.1 Recommendations Based on International Experience

**Provide a legal / regulatory framework for metropolitan governance.** Laws and regulations which specifically allow or promote MG arrangements (such as in France, Colombia, and Poland) creates an environment conducive to reform initiatives by local or regional/provincial governments.<sup>27</sup>

Legal/regulatory provisions can also be important “change drivers”. It emphasizes the interest of a national or regional government in further cooperation among local governments in metropolitan regions.<sup>28</sup> They can be accompanied by suggested frameworks, guidelines or references to facilitate sub-national dialogues and processes.

Note: As long as the legal/ regulatory framework allows the creation of coordinating bodies or mechanisms, no new legal or regulatory provisions may need to be established however. It is important to prevent that calls for legal/ regulatory measures become part of a political delaying tactic or “excuse” for not addressing the metropolitan governance issues at hand. Practices inform and can come before law.

**Create incentives for metropolitan governance advances in the country.** Legal/ regulatory frameworks and encouragements from the national or regional level are often not sufficient to achieve concrete change. A more powerful instrument such as concrete incentives (or even directives) may be required. Strongest incentives tend to be linked to financing. “Softer” ones may be in the form of recognitions or awards based on certain criteria. A regional/ provincial or national government may for example stipulate as conditions for access to certain funds:

- That a metropolitan body exist or be established, with representation of the local governments (for broad, general coordination or for a particular sector)
- That a metropolitan-scale strategy or plan exist or be developed (broad or sector specific)
- That harmonization of certain local policies or rules is achieved among the local governments to obtain matching grants for a function (e.g. subsidy payments)
- That all local governments in the region contribute funds for an infrastructure project – e.g. according to a formula – in order to obtain a grant or loan from the higher level government.

**Select a model based on national and local circumstances.** Many governance approaches exist, each with their advantages and disadvantages. The main models and approaches used around the world (with variations of detailed design) are: (1) voluntary cooperation among local governments (inter-municipal cooperation); (2) regional authorities or special purpose districts (as bottom-up, voluntary organizations); (3) metropolitan-level governments (either as a second-level local government, or as a regional government established by a higher-tier government); and (4) a consolidated local government, through amalgamation of local jurisdictions or annexation of territory. These models were described with their advantages and disadvantages in Chapter 3 above. Consider all options for improved metropolitan governance.

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<sup>27</sup> Laws / regulations that discourage, limit, or prohibit MG arrangements (such as in Mexico) can be very debilitating.

<sup>28</sup> It can even be a pre-requisite for any advances on the subject, in case current laws or regulations prohibit the formation of any formal inter-municipal cooperation arrangements.

**“No one size fits all”.** The most appropriate (and feasible to accomplish) governance structure for a particular MR depends on the national as well as the local context (legal framework, local government responsibilities, particular issues and opportunities for the area, institutional capacity and history, culture, etc.). Different coordination arrangements will also vary according to the size (i.e. French new law has different arrangements for each of the 3 main cities and standard arrangements for smaller cities; Bogota versus other Colombian cities). Anticipate and allow institutional and financial arrangements to evolve over time, as needs and circumstances change. Key factors to consider are described in Box 8.

**Box 8: Factors to Consider when Determining a Metropolitan Arrangement**

**National context:**

- The constitution and other relevant laws and regulations of the country
- The division of responsibilities (functions) among various government levels
- The principles for the inter-governmental fiscal system (national resource allocation)
- Relations between local and higher-level governments

**Local context:**

- The size of the envisaged arrangement - megacities require different coordination arrangements than medium-size cities. For megacities or city-regions, two levels of coordination may be required.
- The system of the local administration in the country (e.g. elected or appointed local bodies; level of decentralization of authority)
- The particular current local governance structure in the MR (e.g. number of jurisdictions; complexity such as megacities spreading over provincial and/ or national boundaries, characteristics of decision –making and governance processes)
- The access by residents to their local governments and accountability mechanisms applied
- Revenue sources available to the local governments<sup>29</sup>

**Focus on the process.** The process is as important as the outcome. Metropolitan arrangements may be formed through mainly a bottom-up process by the local governments in the metropolitan area, or through a more top-down process driven by a regional or national government. For a governance arrangement to be effective and sustainable, an extensive process of stakeholder consultation is required. While the argument of cost saving arguments tend to be attractive to all, other issues such as curtailing urban sprawl, improving urban equity, and advancing region-wide economic development tend to require significant efforts to achieve broad political support.

Since any change tends to create - at least perceived, if not real - “winners and losers”, politics, rather than efficiency and equity concerns, often determines the formation or evolution of metropolitan area governance and finance systems.

Specific consideration when designing the process should include:

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<sup>29</sup> A fragmented local government structure in a metropolitan area is usually highly dependent on intergovernmental transfers or on spending by higher-tier governments, particularly in developing countries with limited local revenue sources. Metropolitan-wide governance arrangements, on the other hand, allow spillovers for many public services to be internalized and a broader range of services to be assigned to metro-level agencies. (Bahl et al 2013)

- **Start simple and design for success.** It is important that initial metropolitan coordination efforts are reasonably visible and become positive experiences to build on (have low risk of failure). The design of progressive and flexible processes is important, both in terms of projects/ items to be coordinated or jointly implemented and geographical scope. A very visible joint investment project could, for example, be a sport, cultural or other event. A reform process may initially focus on non-controversial items, e.g. a joint training program; or a public service which has obvious cooperation benefits (e.g. solid waste disposal, crime prevention, flood protection, air pollution, or regional tourism promotion).
- **Agree on resourcing.** Good intentions alone are not enough. It takes both human and financial resources to make metropolitan coordination happen. It is important to be realistic, and ensure that this does not impede action or implementation.
- **Be clear on “who does what”.** This is not only important for the directly involved in a governance arrangement or instrument, but also important to for smooth operations to publicize clearly so that the public at large would know who they can hold accountable for what.
- **Arrange adequate financing.** Before launching any new mechanism, required financing to make it successful need to be agreed among the involved parties. Significant analysis and negotiation may be required on this subject before an agreement is reached “that everyone can live with”.

**Strike a balance (“trade-off”) between efficiency gains and responsiveness and accountability.** The process also needs to weigh: (a) the potentials for economies of scale and service coordination efficiencies, and addressing spill-overs and equity disparities in the metropolitan area; versus (b) the impact on the access of citizens to their local government as well as their respective responsiveness and accountability (i.e. the extent to which governance of a local jurisdiction is “in the hands of the local population”).<sup>30</sup> New governance bodies, particularly if appointed rather than elected (e.g. a committee, a transport authority, etc.), may create a “distance” between the government and the citizens. With a second-tier metropolitan government, it is critical to ensure that the public is well informed about, and can easily distinguish what their local government and their metropolitan level government are responsible for, respectively to keep them accountable.

**Ensure both horizontal (inter-municipal) and vertical (multi-level) coordination.** To achieve sustained and over time enhanced metropolitan level governance arrangements, both a collaborative environment among the local governments, and well aligned policies and initiatives between levels of governments, are needed. This tends to have both a political and a technical dimension, requiring well established and accepted communication channels. Higher level government plans need to be consistent with local government plans and metropolitan decisions should also be reflected in local plans, based on close and iterative consultations.

**Establish clarity on “who does what” (division of functional / expenditure responsibilities).** In any metropolitan governance arrangement, there need to be clarity about functions and responsibilities (i.e. not overlapping, easy to understand, etc.); among the involved local parties as well as between levels of government; particularly if any new commission, authority or level of government is introduced. This includes clarity on what role and authority that is vested with any new committee or body (e.g. advisory or planning authority, or operational/ service delivery and revenue collection authority).

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<sup>30</sup> If (a) is main objective, a “non-political” metropolitan authority, or a metropolitan government, may be effective for selective functions. If improving residents’ access and local government responsiveness and accountability (b) is key issue, strengthen existing local governments and less formal mechanisms may be most effective.

**Create sustainable financing arrangements.** The initial objective of a metropolitan approach is for local governments to cooperate on certain topics, initiatives or services (while possibly competing on other local services, such as their quality and cost-effectiveness). Broader and more complex objective for metropolitan cooperation is the development of more efficient, equitable and sustainable urban models. Cooperative agreements need to be supported by agreed financial arrangements. This may, for example, include formula-based sharing of service expenditures, coordinated revenue mobilization (e.g. through user charges, property taxes, earmarked taxes, etc.), or joint funding (or joint mobilization of the funding) for investments.<sup>31</sup> This process may require significant analysis and negotiation since the strengths of the revenue sources – available to each local government – may differ significantly. In case of a new regional authority or metropolitan-level government, it is critical that they have access to sufficient and reliable sources of financing to fulfill its mandates on a sustainable basis.

**Ensure strong support by the local governments.** Independently of a mainly bottom-up or top-down process, it is the local constituents who will be most affected by any new governance structure. A pre-requisite for effectiveness is that the metropolitan-level structure has the support and commitment of all local governments involved. It may be an option to allow individual local governments the flexibility to participate in only some agreed metro-level functions, facilitating agreement by all. Cooperation among local governments may be encouraged by incentives – or even demanded – from a regional or national government through inter-governmental systems, legal frameworks, or specific financial incentives.<sup>32</sup> However, international experience shows that no governance arrangements become effective and sustainable unless the local governments involved are actively supporting the arrangements (Slack 2013)<sup>33</sup>.

## 6.2 Considerations Related to Good Urban Governance Principles

The section highlights some considerations for a metropolitan governance reform process related to the following Good Urban Governance Principles (GUGP) developed by UN-Habitat: *Sustainability; Equity; Efficiency; Transparency and Accountability; and Civic Engagement and Citizenship.*

**Sustainability.** When establishing arrangements for metropolitan governance, it usually is something intended to be applied for the long term (albeit not necessarily forever). Commitments by the involved local governments are critical, over time reinforced by **positive cooperation experience**. However, as a metropolitan area evolves the governance structure may also need to change in order to meet its objectives (and the good urban governance principles). More formal arrangements, such as a regional authority or a second-level metropolitan local government, tend to have more “staying power” than informal or ad hoc

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<sup>31</sup> Other examples are tax sharing agreements to prevent tax or fee competition, and harmonize revenues and expenditures across a metropolitan area; common budget for metropolitan-level initiatives/investments; and a municipal development fund at national or regional level, with multiple funding sources, to support local capital investments.

<sup>32</sup> For example, require that a metropolitan scale plan be developed to obtain government grant or loan funding.

<sup>33</sup> Experience of such weaknesses has been observed in the past in, for example, Dar es Salaam (Tanzania), Nairobi (Kenya), and Manila (The Philippines) among many others. One example of strong local government support would be Vancouver (Canada), an MR with more than twenty local governments. When one local government jurisdiction covers the whole metropolitan area – such as the eight metropolitan municipalities in South Africa – this aspect becomes less of an issue for obvious reason. Beyond South Africa, such cases are very rare though.

inter-municipal cooperation. On the other hand, they may be less flexible arrangements and more difficult to change over time as needs change.

**Equity.** Inequality in a city-region is fairly common, in terms of people's income – and thereby the tax base of the respective local government – or regarding coverage or quality of public services. It can, for example, be polarized between inner cities and growing suburban areas, with significant area mismatches regarding housing standards, social needs and property tax base. Addressing such fiscal inequity and trying to harmonize revenues and expenditures – somewhat across the region – tend to be very challenging locally due to each local government attempting to represent their constituents as best they can. Therefore, this subject is often mainly addressed through an equalization component of the country's intergovernmental fiscal transfer system. However, by highlighting common objectives of the residents in the metropolitan area (e.g. facilitating for people to get from home to work; preventing health epidemics; reducing crime; having a vibrant and efficient real estate market across the area; environmental improvements; etc.) and related area interdependencies, this may bring the local governments together to collaborate on regional planning and some service delivery, and form agreements for some revenue sharing, and pooling of funds for some capital allocation at regional level.

**Efficiency.** As important as equity concerns may be in a metropolitan region, opportunities for efficiency improvements (cost savings or decision-making processes) are more common drivers for regional cooperation (e.g. having one landfill instead of one in every local jurisdiction). Improved efficiency is often a strong incentive for inter-municipal cooperation in financially constrained environments due to opportunities for savings and related “win-win” solutions. It is also the case when a metropolitan governing council with equal representation of all participating local governments irrespectively with their population weight would make reluctant the largest one to engage, share or sub-delegate powers to the metropolitan arrangements (i.e. Guadalajara); symmetrically, the over representation of the core local government can hamper the participation of suburban ones (i.e. Medellin). An adequate governance structure should ideally address both potentials for economies of scale (e.g. coordinated service delivery, joint procurement, etc.) and find ways to address spillovers (financial and “political” externalities) across the jurisdictional borders in an effective, efficient and fair way.

**Transparency and Accountability.** Any entity being considered or established to coordinate localities or service delivery functions for a metropolitan area should be representative of, and accountable to, the residents of the entire area, and receive corresponding resources and authority (*authority should coincide with representation*). In cases of appointed members of an entity, channel for complaints, a free press, etc. would be particularly important for accountability. It is also important to ensure through transparent and clear information to stakeholders “*who is responsible for what*”, and how funding is allocated and spent. A governance structure may include multiple entities; for example, the local government, one or more inter-municipal or metropolitan level coordination bodies, a regional government, and national government units. Division of functions (and related expenditure responsibilities) need to be unambiguous (easy to understand) and not overlap. Transparency also applies to ongoing management of a region in terms of information dissemination and easy access for residents.

**Civic Engagement and Citizenship.** Metropolitan level development presents some additional challenges with regard to public participation in decision making, and related responsiveness by government units. This tend to be due to both the geographical scale of the area and the number of stakeholders, and the possible need for processes both at the individual local government level and at metropolitan scale, depending on how functions are divided - in particular where there is no direct election of metropolitan decision-makers by metropolitan constituency. The same type of instruments can usually be used at both levels though; e.g. surveys (user surveys, public opinion polls, etc.), “town hall” meetings, open council meetings, hearings, and citizen scorecards. To promote engagement, citizen groups can be encouraged to



form interest associations which may allow more thorough dialogues through representatives. Building metropolitan identity can also be done through sport and cultural event, campaigns, etc.

### 6.3 Considerations under Specific Circumstances

Considerations under some specific circumstances are commented on below.

**Weak local governments.** In cases of very weak local government capacities (human or financial) to fulfill basic local public functions, the priority of an initial development phase may be to strengthen this capacity before embarking on any comprehensive metropolitan governance reform. This does not necessarily preclude starting to address one or two topics, with particularly high potential benefits at metropolitan scale, at the same time. In case a metropolitan governance mechanism already exists, it should be explored if it would be more cost-effective to expand its mandate than creating any new bodies or mechanisms.

**One dominant local government.** In cases where one of the local governments is very dominant in terms of population, capacity, geographical area, or economic strength, it may not be unreasonable to have this local government taking the lead on any metropolitan arrangement or initiative. For example, chairing any coordination committees; hosting (and financing) a secretariat or unit for a metropolitan-level body with representatives of all local governments; being the spokesperson for the MR vis-a-vis other levels of governments, etc.<sup>34</sup>

**Need for regional/ provincial government initiatives.** In cases of extremely limited cooperation or interaction between the local governments in the MR – or similarly in case the local governments are responsible for very few functions, or have very limited autonomy – the only practical way of achieving metropolitan level coordination, may be that a regional/ provincial (or even the national government, depending on the country context) asserts its power and takes such initiatives within existing laws and regulations, and/ or takes the role of catalyst and facilitator to get local governments to come to agreements (on either an individual topic or project, or on broader mechanisms).

**Strong private sector interests.** When the private sector has a keen interest in a stronger metropolitan development focus (e.g. to strengthen an industrial cluster; to attract needed talent to the region, or to retain staff; to facilitate for employees to get from home to work; etc.), they may be mobilized as potential “driver” or catalyst of such change, e.g. through their interest organizations, through support of research entities or specific advisory studies.

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<sup>34</sup> The more common challenge though – as indicated elsewhere in the report – is that the largest LG may not see enough value for them to even participate in a metropolitan arrangement.

## 7. Application of Recommendations in a Metropolitan Region

This chapter outlines how metropolitan regions' governments can turn the policy recommendations into practical application. It suggests topics for dialogue: (i) among the local governments in the region; (ii) with the national and regional/ provincial levels of government; and (iii) with other stakeholders. For the resulting governance arrangements or instruments to be effective and sustainable, extensive stakeholder consultation is required. This includes collaborative initiatives among the local governments in the region; with other levels of government; and with other stakeholders in the region (residents, businesses, non-governmental organizations, research bodies, and other interest groups). Various trade-offs usually need to be made during the change process. To be credible, efforts are needed to ensure the process is transparent and facilitates effective civic engagement.

### 7.1 Dialogue among the Local Governments in a Region

Any metropolitan governance arrangement needs the support and commitment of all (or at least most) local governments involved to be effective. They and their constituencies are the ones most directly affected.

**Problem definition (“what”).** It is always useful to get a clear understanding and agreement on the main perceived issues and opportunities for enhanced metropolitan governance early on in a development process. See the discussion about “entry points” in Chapter 3 above and Chapter 8 below. This relates to the scope of the needs, and possibly how complex or fundamental the response may need to be (**level of ambition**).

**Assessment of options (“how”).** Some technical and financial analysis, and input (views) from local stakeholders (see Section 7.3 below), regarding response options is likely to be required before local councils would be able to productively debate the way to proceed. This should include due consideration of how good urban governance principles would be applied (i.e. Sustainability; Equity; Efficiency; Transparency and Accountability; and Civic Engagement and Citizenship). This may involve striking a balance (“trade-off”) between efficiency gains and responsiveness of the governance body.

The discussions would also address factors such as the scope to be addressed; temporary or permanent arrangements; capacity to make it happen; stages of implementation; level of flexibility in terms of participation by a local government; and questions such as:

- What institutional entity or entities (e.g. committee, consortium, authority, etc.) are envisaged?
  - Who will be responsible for what? And how will they be held accountable?
  - How would the local governments be represented and have influence on any decision with metropolitan-wide impact?
  - Would there be any appointed body? If so, how? By national or regional/ provincial entity, or by local councils? Would any electoral process be involved? If so, national government involvement will likely be critical.
- What instruments will be needed?
  - For planning, operations, monitoring & evaluation, etc.
  - For financing
  - For communication with the local governments, residents, etc.

## **7.2 Dialogue with National and Regional/ Provincial Levels of Government**

Even if a reform process would be initiated and “driven” by a national or regional/ provincial government, the items noted in Section 7.1 above would need to be addressed (in collaboration with the local governments). Beyond that, the following topics need to be discussed:

- General views and suggestions that may exist from the national or regional government levels. For example: (i) if these governments see a value in aiming for consistent approaches across their various metropolitan areas; or don't mind different approaches being used by different regions to gain experience on the subject; and (ii) views on monitoring and evaluation approach.
- Depending on the circumstances, the higher level governments may need to “convince” the local governments of the relevance and value to them of some metropolitan scale initiatives and arrangements.
- If the national and/ or regional government will be directly involved in any metropolitan coordination body, some appointments need to be made.
- To what extent, if at all, any legal/ regulatory provisions need to be changed or put in place (beyond possibly obvious and usually fairly simple ones, such as local by-laws, statutes of any new bodies, etc.). In case any legal changes are required, this needs normal due process which can be time-consuming (and may carry significant uncertainty of being passed or not).
- The commitment from national level: earmarking of national funding for metropolitan areas and related conditionality; discipline of national programmes to respect metropolitan plans.
- Review of national/ regional sectorial policies, programs and projects to what extent they, or related communication channels, may be impacted by any proposed metropolitan arrangements and should be adjusted.
- If any changes or enhancements to the current policies or frameworks for spatial planning and/ or financing of the local government level need to be (or should be) considered at the same time to ensure that such policies are well aligned across the government levels. This may include considering further incentives for continued metropolitan advances in the MR at hand and in the country.

## **7.3 Dialogue with Other Stakeholders (in the Region and beyond)**

The fact that this section is after sections 7.1 and 7.2 does not mean that the dialogues with other stakeholders in the region (resident groups, businesses, NGOs, environmental groups, research entities, etc.) should take place at a late stage. To the contrary, it should start as early as possible, for example through opinion polls, and fora for discussion and suggestions; and dialogue on the design of the process itself. As the development process for improved metropolitan governance proceeds, there may be particular situations when more concerted efforts should be made in seeking views and feedback from the local stakeholders, through various vehicles and media. It is particularly important that any cost/ benefit assessment of a change is communicated in simple and clear terms; and that any impact on residents is explained (for example, as public service users; as tax payers; as voters); and how the public will have access to any proposed new metropolitan governance bodies.

## 8. Recommendations for International Development Partners

This chapter suggests recommendations for international development organizations when engaged as partners on the subject of metropolitan governance. Development organizations (DOs) would carry on dialogues either at the national/ regional or the city/ metropolitan level (or both), and sometimes as result of a certain entry point or “trigger”. Suggested approaches are structured accordingly below. It is usually advisable, however, to carry out dialogue at both levels simultaneously to understand both top-down and bottom-up views, and ensure that coherent and reasonably sustainable results would be achieved. The recommendations are not a rigid guide or manual for DO; national and local decision-makers who are the main stakeholders of any MG reforms are also recipients of the ideas presented below.

At the global level, development organizations along with governments have important roles to play to ensure that Metropolitan Governance receives appropriate attention at the international level. The most immediate opportunities to position the topic in the international agenda are through the preparatory process of the Third UN Conference on Housing and Sustainable urban development (Habitat III, 2016) where the New Urban Agenda will be adopted. Other potential fora are the COP21 and the global dialogue process on climate change. Development organizations such as UN-Habitat and GIZ have an opportunity to “stimulate” the discussions on MG in these fora by highlighting the importance of the topic from various perspectives – such as service delivery efficiency, regional equity, and environmental protection and climate change mitigation and adaptation – share experience and case studies, and suggest normative guidelines.

At regional, national and local levels, the partner to development partners in an international cooperation engagement may be:

- a national or regional/ provincial level agency (e.g. a ministry, a government institute, a local government association, etc.); or
- an individual city (or metropolitan-level entity if such exist) at the local level;
- In both cases, partner with a local government association (national or international networks).

A cooperation engagement could take a variety of forms, from providing short-term, conceptual **advisory input** by the development partner, supporting the technical design of M&Is, to a long-term relationship with the development partner as a facilitator for a **process of metropolitan governance reform**. An engagement could also be focused on knowledge sharing, including country-to-country or city-to-city networking, on the subject; either separately or in conjunction with a short-term or long-term advisory or facilitation engagement.

### 8.1 Considerations Related to Entry Points

The focus of an initial advisory engagement may depend on what the main partner in the country (a ministry, a city administration, a local government association, a research institute, etc.) consider as their key concern or interest for addressing the topic of metropolitan governance (“trigger” for the dialogue). Key considerations for a development organization are indicated below related to each entry point described in Chapter 3 above. A DO would first need to validate that the expressed concern is a reasonably valid one. Even if it would not appear to be the highest priority for a city or cities, as viewed by the DO, it may be an advantage to start MG discussions among stakeholders on a topic on which there is limited disagreements, or for which one dedicated “champion” exists among the stakeholders. Many examples exist from OECD countries (see [Annex B](#)) where initially MG arrangements focused on one particular issue, and later evolved to broader coordination matters as experience was gained.

***Joint service delivery to save costs (due to economies of scale).***

This will require a thorough cost study, determining the current cost structure (baseline) and what the likely costs would be in a joint, region-wide arrangement (be it related to transport, water supply, waste and sewage management, etc.). This should be accompanied by a sensitivity analysis of the cost-benefit of a change, due to uncertainties involved. The more time consuming aspects, however, tend to be the determination of what kind of institutional arrangement would be most effective, its authority (mandate), governance and accountability structure, etc., and questions of sustainable and secured financing; and even more important, the support of stakeholders, both at the local level, and at regional and national government levels. This should include service users, both current ones and prospective new ones. Also, international financial institutions (IFI) are often approached to finance urban infrastructure/services projects, which sustainability would require improved or new metropolitan governance, financing or management arrangements and instruments. This could be the opportunity to open related dialogues beyond the concerned project/sector on metropolitan coordination and could appeal for enhanced international dialogues between DO and IFI on this topic.

***One dominant actor with strong capacity.***

In such cases, the challenge is usually to find elements and initiatives for cooperation that would benefit the dominant local government (often a core city), who otherwise may view cooperation with smaller, less affluent satellite local governments of no interest. Examples would be, if increased housing costs in the core city are becoming an issue, which might be mitigated by housing construction being stimulated in neighboring/ suburban areas. A dominant entity with strong human and financial capacity may “in return” offer to support the whole region with some specialized service (e.g. some procurement, advanced IT support, etc.). Again, a DO as a neutral, trusted broker may be needed to facilitate such agreements.

***Fiscal inequality in the region (due to different tax base)***

This is usually related to the need to improve service coverage in under-served areas and/ or harmonize the service quality across the region, and thereby sometimes closely related to service delivery or related cost-sharing questions<sup>35</sup>. In addition to usually being politically sensitive topics, any local tax or revenue sharing for equalization purpose tend to require higher level government decisions. The most practical approach, and sometimes the only legally feasible one, may in many countries be to revisit the distribution mechanisms (usually formula-based) in the current inter-governmental fiscal transfer system, and determine what adjustments would achieve the intended objectives of enhancing the financial capacity of low income or lagging areas. On a more limited scale, compensation arrangements may be worked out at a local level, by the richer municipalities compensating the poor ones if strong rationale and arguments can be found; for example, exploring if any “win-win” type of solution exist.

***Regional land use planning and development***

While most planning professionals are well aware of the merits of city-regional and territorial-based planning, bottlenecks tend to become apparent once plans are made and submitted for approval. Vested interests can be varied and strong, and while land use plans tend to aim for a balance of different interests, they inevitably reflect potential “winners and losers”. Land use planning is a subject that many cities do

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<sup>35</sup> It should be noted also that before reaching harmonization processes, cooperation to build capacities of weakest government is often very important as a crucial issue is related to local capacities for updating information and recovering taxes.

address at regional scale. What is often missing though, are an adequate approval process, and a system of predictable implementation and enforcement. Many well made plans have therefore ended up “on shelves” or “without teeth”. A review of the planning processes, and related dialogue and participatory mechanisms, the decision-making processes, etc. may therefore become the focus of the DO assistance and reform.

### ***Strategic Planning/ Integrated Territorial Planning and Development***

Further to land use planning (addressed above), city development strategies benefit from analysis at a broader regional scale, to capitalize on inter-dependencies and possible synergies across sectors and geographical areas, and to address spillovers across jurisdictions in a comprehensive way. Metropolitan governance considerations would be part of such a strategic planning exercise, but substantive further work on the subject is usually needed to operationalize the related recommendations from the strategy study. These recommendations are likely to relate to one or more of the other, more specific entry points outlined here.

### ***Local economic development***

Business tends to locate in urban or semi-urban areas where operating costs are low, and where they can be connected to suppliers and markets. Stimulating economic growth and employment, and attracting firms is usually best done on a city-region basis (while the reason they stay may be more influenced by the local service provision). Independently in which jurisdiction a firm would locate, residents across the area tend to benefit for jobs, including indirect effects on other businesses. This requires that the local governments in the area cooperate rather than compete for the firms. DOs may have a critical facilitating role to play in this regard. The cooperation can take the form of a “regional economic council” with participants from both the public and private sector. In a touristic area, such entity is sometimes called a “destination management organization”, for joint promotion (e.g. regional brand), setting standards across the area, etc.

### ***General coordination needs***

When the issue is a need for broad-based coordination among the local governments, the “convening” role of a DO tend to be particularly important. The task, however, is not only to facilitate for the stakeholders to identify common interests and benefits of joint or coordinated actions, but help design structures that everybody can accept and commit to. In some situations, however, participation of all local governments may not be required to achieve sufficient benefits (as the cases of Vancouver, Canada and Bologna, Italy illustrate; see [Annex B](#)). See Box 10 below for a list of basic questions for an initial dialogue about governance arrangements for a particular metropolitan area.

### ***Specific Sector or Subject Matter as Trigger***

The issue of progressive construction of metropolitan arrangements is crucial, building on existing successful practices and arrangements usually related to service or infrastructure management. The third-party could help in assessing and advertising local success stories to highlight the gains and place it within a metropolitan coordination perspective. When the focus is on a specific sector (e.g. transport, water supply, waste management) a master plan for the sector needs to be developed at a regional level, unless it already exists. While the institutional solution is often a regional sector authority or corporation, a variety of options need to be studied. For example, ownership structure; should it have an elected or appointed board? If elected, by the member local government councils or by the general electorate? What scope (e.g. planning and/ or operations; all parts of the service function or not)? What degree of authority (decision-making power) should it have (e.g. full authority regarding the sector or make decisions which need to be ratified by each member local government)? Or should it have an advisory role only?

Subjects which continue to gain significant attention are energy efficiency and climate change mitigation and adaptation. These subjects are cross-sectorial (transport, water resource management, housing, etc.) and need to be addressed at a city-regional level. They need specialized resources for analysis. Metropolitan governance matters should be addressed first after analytical work has been carried out to determine what would be best addressed at a local versus a metropolitan or even larger level.

## 8.2 Determining a Metropolitan Governance Structure

The system of the local administration in a country has a significant impact on the efficiency and equity of a regional economy. However, there is no single perfect arrangement for metropolitan governance – each has advantages and disadvantages, as outlined in Table 4 above. Bearing in mind the highly political nature of such a design, the most appropriate (and feasible to accomplish) structure for a particular area needs to be designed within both the national and the local context, taking the following factors into account.

National context:

- The constitution and other relevant laws and regulations of the country (e.g. is it a federal country or a unitary state)
- The division of responsibilities (functions) among various government levels (e.g. the degree of decentralization)
- The principles for the inter-governmental fiscal system (national resource allocation)
- Relations between local and higher-level governments

Local context:

- The current local governance structure (e.g. number of jurisdictions; elected or appointed local bodies; characteristics of decision-making and governance processes)
- Access by residents to their local governments and accountability mechanisms applied
- Revenue sources available to the local governments

## 8.3 Engagement at the National Level<sup>36</sup>

When an international development organization gets engaged at the national level on the topic of metropolitan governance – independently if the purpose of the engagement is an advisory note or more extensive process facilitation – initially a broad-based but focused description and analysis of the metropolitan context in the country<sup>37</sup> (a diagnostic/ situation analysis) and a “needs assessment” usually need to be made, or reviewed if such studies already exists. This should focus on the legislative context, main concerns and opportunities from a national perspective, initiatives to date on the subject, the profile of the MRs in the country (e.g. how many MRs; similarities/ differences – with regard to current governance

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<sup>36</sup> The same approaches are applicable to the regional level, e.g. in dialogues at the state or provincial level.

<sup>37</sup> A definition of a metropolitan area (functional / administrative) should be noted and agreed. For example, (i) the commuting area (labor market); (ii) the functional economic region; or (iii) a combination of the two (an area constituting a single economy and labor market, a community with common interests and potential for joint actions; often including a number of local government jurisdictions). “The term metropolitan area generally refers to cities with a large urban core plus adjacent urban and rural areas that are integrated socially and economically with the core.” From Enid Slack, Rupak Chattopadhuay (editors): “Governance and Finance Metropolitan of Metropolitan Areas in Federal Systems”

arrangements, issues, and opportunities – if any of them is being more “advanced” on the subject (or not); etc. It should include identification of any instruments or practical approaches that are applied on the topic of metropolitan governance. If requested to engage on such a topic by a country, the development partner is most likely already extensively engaged in cooperation on related issues, i.e., territorial management, strategic planning, etc. In most cases, the request would be for a much more specific element related to metropolitan coordination rather than for the overall policy.

Such an initial diagnostic usually needs to start with a review of the following topics:

- The need of improved metropolitan governance in selected cities
- The current legal and regulatory context for local and regional governments
- The division of functions (expenditure responsibilities) between the levels of government
- The degree of autonomy of the local governments
- The functioning of the intergovernmental fiscal transfer system
- The extent to which the capital city or city-region is – or needs to be – treated differently than other local governments. (The capital city tends to be the largest one in most countries, and sometimes operating under a particular institutional framework.)

The advisory focus may proceed on one or more of the following sub-topics among others:

- Provide support on legal, regulatory and/ or guideline matters
- How to encourage (or even provide incentives for) metropolitan management advances in the country
- Knowledge sharing and networking
- Address metropolitan governance development in one or more selected cities (as addressed in section 8.4)

**Provide legal, regulatory and/ or guideline support with regard to metropolitan governance.** Legal regulatory provisions for metropolitan governance can be important “change drivers”. It emphasizes the interest of a national or regional government in further cooperation among local governments in metropolitan regions.<sup>38</sup> However, such provisions will likely need to be complemented by some guidance or reference material for local governments to act on the new provisions on their own. Development organizations can offer valuable contributions both through legal and inter-governmental communication expertise and experience, help draft legal text and interpretations, and prepare related example of local by-laws and organizational arrangements.

In addition, material explaining the rationale for any new provisions will usually need to be developed for consultations with stakeholders, and to get sufficient political support for approvals in the appropriate government bodies. In case, a legal/ regulatory provision would stipulate any mandatory actions by local governments, further material would be required regarding implementation and enforcement details (e.g. timing, applicability, any phasing, any support to strengthen the administrative and/ or financial capacity at the local level, etc.)

**Help design incentives for metropolitan governance advances in the country.** Encouragement only from the national or regional level is often not sufficient to achieve concrete change. A more powerful instrument

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<sup>38</sup> It can even be a pre-requisite for any advances on the subject, in case current laws or regulations prohibit the formation of any formal inter-municipal cooperation arrangements.



such as concrete incentives (or even directives) may be required, as described in chapter 6.1. The strongest incentives tend to be linked to financing.

**Knowledge Sharing and Networking.** Facilitating exposure to experiences in other countries and/ or city-to-city networking on metropolitan governance could be a limited stand-alone engagement or part of any of the other types of the outlined engagements. Development organizations can support metropolitan regions to learn from each other, and convene corresponding events – as they have facilitated city-to-city networking for many years. Based on the thorough knowledge and experience on urban development in both organizations, and continued knowledge sharing – internally and with external partners – the organizations are also likely to be in demand in the future to help regions design appropriate and innovative approaches for planning, service delivery and development at metropolitan level. To effectively meet this demand, concerted efforts may be needed to sharpen the capabilities of both a specialist nucleus of staff and sectorial staff on the subject of metropolitan governance/ management, and create a network of external resources to draw on, as required.

**Box 9: Basic Questions (checklist for national level engagement)**

When requested to provide advice on the subject at a national or regional/provincial level, the dialogue should normally explore the following basic questions:

- What are the main concerns of the government with regard to the metropolitan governance (or the lack thereof) in the country? (Examples could be the fragmentation of local government action; issues regarding spatial/ land use planning; growth of informal settlements; local transport networks; etc.)
- What benefits of a reform are sought? (E.g. service delivery improvement/ efficiency; economic development; reduced area inequality or crime; etc.)
- How many cities would be the main targets for reform? Are their circumstances fairly similar or different?
- What are the “parameters” within which the government wishes that the metropolitan governance advisory or facilitation would be carried out? (Note: The development organization may obviously suggest changes to these parameters if and when they would see this appropriate.). For example:
  - Is the metropolitan governance topic part of a broader reform program or not? (E.g. decentralization or realignment of functions between levels of governments; reforms of the fiscal transfer system; part of a regional development program; etc.)
  - Are legislative changes envisaged or not?
  - Any reason to focus more on vertical coordination (between levels of government) than horizontal coordination (among local governments) or vice versa?
  - To what extent are urban – rural linkages at the forefront of the subject?
  - Any key constraints to keep in mind (to give any recommended advice, or a reform process, a reasonable chance of implementation success)? (E.g. legal constraint; political ones; human capacity constraints; etc.)
- To what extent should subject-related capacity building of relevant stakeholders be in focus (compared to efforts regarding policy recommendations, suggested changes to governance structures, mechanisms and instruments)?

## 8.4 Engagement at City/ Metropolitan Level

Independently if the purpose of an engagement is an advisory note or more extensive process facilitation, initially a broad-based but focused description and analysis of the metropolitan area (a situation analysis) and a “needs assessment” need to be carried out (similar to section 8.3 above but with a different geographical scope). This should focus on the current governance arrangements, issues, opportunities, etc., including identification of any instruments or practical approaches applied on the topic of good “metropolitan” governance.

An advisory engagement with a specific city usually need to start with an assessment (diagnostic) of what “institutional arrangement(s)” are already in place, if any (or have recently been applied), and determine to what extent they have met their objectives, have operated in a transparent way, applied participatory processes, involved the private sector, etc. It would normally include gaining understanding of the current situation with regard to:

- Legislation/ regulations (local as well as national); e.g. any restrictions or incentives for inter-municipal cooperation or arrangements.
- Policies (local as well as relevant national ones); e.g. planning policies; policy differences among the local governments in the metropolitan area.
- Mandates and institutional arrangements; e.g. any inter-municipal arrangements; how these are operating
- Main sources of finance for the local governments; e.g. own source revenues; types of transfers.
- Any projects with at least partly metropolitan area scope; e.g. spatial planning, transport, other infrastructure.
- Key plans, if any, with metropolitan area scope

In addition to obtaining basic data and understanding of how the local public services are provided, what planning processes are used, finances, vehicles for communication with the constituents, etc., it is particularly important to gain an understanding of who the main actors and stakeholders/ stakeholder groups are, their relationships, and their views on metropolitan issues and opportunities for the metropolitan area, now and during the coming years.

The continued process would be specific to the particular case in question. Any consideration of a new formal institutional arrangement, however, should be guided by an assessment of what impact such change might have on the access of citizens to the proposed advisory, planning and/ or service delivery entity, and what accountability mechanisms would be put in place. However, there is no single perfect arrangement for metropolitan governance – each has advantages and disadvantages. As mentioned earlier, the most appropriate (and feasible to accomplish) structure for a particular area needs to be designed within both the national and the local context.

Box 10 has a list of basic questions for an initial dialogue about governance arrangements for a particular metropolitan area.

### Box 10: Basic Questions (checklist for local level engagement)

When requested to provide advice for a particular city /metropolitan region, the dialogue should normally in due course explore the following basic questions:

1. What problems of a similar nature exist among the local jurisdictions in the area that need to be, or might most effectively be, addressed jointly? Examples: public transport, solid waste disposal, road maintenance, and drainage.

2. What opportunities would exist for the local governments to be stronger (e.g. financially), or more effective or efficient, by acting jointly? Examples of such opportunities may include city branding, attracting foreign direct investment (FDI), tourism promotion, and some procurements.
3. Could the local authorities save public resources (gain efficiency) by managing some service delivery jointly rather than individually, for example, through economies of scale, coordination, and so forth?
4. Could the problems and opportunities be addressed by a metropolitan agency or not? If yes, would such an agency be established and directed by the local governments, or by a higher-tier government? If not, why not (what are the constraints)? Would creating it require a lengthy legislative or regulatory process? If so, is it worth it?
5. If a regional development agency already exist for certain functions, could their mandate be expanded to address some of the issues, or not? What would be the pros and cons?
6. Would the identified problems and opportunities be better addressed through a higher level metropolitan-level local government or a regional government?
7. Would amalgamation of some or all of the local governments in the area (or expansion of some jurisdictions) be an option to consider?
8. How can it be ensured that the access by the citizens to the government, and the government responsiveness and accountability, would not be weakened?
9. Should inequality (in income or service provision) among the local government jurisdictions be addressed by the national government (e.g. equalization element in the transfer system), or as a metropolitan issue by the local governments themselves as well, acting jointly?
10. How could cost sharing within the metropolitan area be made fair with regard to spillovers (externalities) across jurisdictions (e.g. air pollution, people living and paying taxes in one jurisdiction but working in another)? Should it be addressed by national government via the transfer system, or as metropolitan issue by the local governments themselves, acting jointly?

## 9. Conclusions

**Metropolitan areas are becoming “The New Normal.”** With continued urbanization around the world, cities become more economically interdependent with their surrounding settlements and hinterlands, creating metropolitan regions. Hence, the need for cooperation and coordination increases and governance mechanisms at a metropolitan level for some sectors are required. However, most metropolitan regions do not have well established governance arrangements for coordinating and financing actions at that scale (FMDV 2014). Cooperation among local governments may be encouraged by incentives – or even demanded – from a regional or national government through intergovernmental systems, legal frameworks, or specific financial incentives, but international experience shows that no governance arrangements become effective unless the local governments involved are actively supporting the arrangements (Slack 2013).

**Many governance approaches exist**, each with its pros and cons. Main models and approaches are: voluntary cooperation among local governments; regional authorities or special purpose districts (as bottom-up, voluntary organizations); metropolitan-level governments (either as a second-level local government, or as a regional government established by a higher-tier government); and consolidating local government through amalgamation or annexation of territory.

**No one size fits all.** The most appropriate governance structure depends on the national as well as local context (the legal framework, local government responsibilities, the particular issues and opportunities for the area, institutional capacity and tradition, etc.). It may be formed through a bottom-up process by the local governments in the metropolitan area, or as a top-down decision by a regional or national government. Both horizontal and vertical coordination (multi-level governance) is needed. Metropolitan arrangements normally result from both top-down and bottom-up processes. Institutional and financial arrangements may need to evolve over time though, as needs and circumstances change. Politics, rather than efficiency and equity, often determines the formation or evolution of metropolitan area governance and finance systems. Limiting urban sprawl, improving urban equity, and advancing economic development tend to require significant efforts to build political consensus.

**Tailored financing arrangements are needed.** Examples of financial considerations in regional cooperation include tax sharing agreements to prevent tax and fee competition, and to harmonize revenues and expenditures across the metropolitan area; cost sharing or a common budget for metropolitan-level initiatives, investments and services; coordinated revenue mobilization through user charges, property taxes, earmarked taxes, and so forth; and mobilization of multiple funding sources for large infrastructure with area-wide benefits. A municipal development fund at the national or regional level, with multiple funding sources, is sometimes used to support local capital investments.

**Cooperate, don’t compete.** This is the objective of a metropolitan approach for local governments: to cooperate on certain topics, initiatives or services (while possibly competing on other services in terms of service quality and cost-effectiveness). Cooperative agreements may include joint revenue mobilization, sharing service expenditures, and joint funding of investments.

**Determining a structure is crucial.** As mentioned above, determining the most appropriate institutional arrangement for a particular city area depend on a number of local factors; for example, the laws and regulations of the country; the division of responsibilities (functions) among government levels - and related fiscal and other relations with the higher-level governments; a strong tradition of local autonomy (e.g. in the Philippines) or not; and the revenue sources available to the local governments. In defining a governance structure one needs to weigh (a) the potentials for economies of scale and service coordination efficiency and the need to address area spill-overs and disparities, versus (b) the impact on residents’ access to their government and its responsiveness and accountability.

**Division of functions.** In any metropolitan governance arrangement, there need to be clarity about functions and responsibilities among involved parties (not overlapping, easy to understand), particularly if new authorities or a different level of local government is introduced. In addition, a risk of limited effectiveness tends to exist if a metropolitan agency has no independent authority (i.e. having an advisory function only).

**Clear and reliable sources of funding.** In order for a regional authority or metropolitan-level government to fulfill its functions, it is critical that it is assigned sufficient revenue sources to fulfill its mandates on a sustainable basis.

**Local government commitment.** A pre-requisite for effectiveness is that the metropolitan-level structure have the support and commitment of all local governments involved – independently if formed “bottom-up” by them or “top-down” by a higher level government. Depending on the circumstances, allowing individual local governments the flexibility to participate in some or all metro-level functions may also be an option.

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# Annex

## Annex A: Example of a Reform Process at the Local Level

This annex exemplifies a few possible components of a metropolitan reform process, that need to be related to a deep understanding of the political economy of the territorial and national dynamics.

### A.1 Immediate Strategy – Dialogues at the Local Level

**Clarify roles and responsibilities for metropolitan planning and management.** It is usually useful to start a dialogue on metropolitan management and planning by clarifying the roles and responsibilities at central, regional (and possibly metropolitan) and local levels within the existing governance structure. For example, a ministry may be expected to have overall oversight, high-level policy-making and support functions; there may be a regional authority or institute with responsibilities as a regional/ metropolitan planning agency, regulatory agency, facilitating body for metropolitan coordination, and promoter of strategic land development and infrastructure projects. Local authorities are usually responsible for local planning, service delivery and urban management functions. This situation analysis will also be a baseline for comparison with any later recommendations for change, and what needs to be addressed to make that change happen.

**Identify High-Potential Entry Point.** During consultations, identify a few possible initial metropolitan initiatives that can be championed (e.g. by nation, regional or any, or all, of local governments; the private sector; or civil society through the media, NGOs etc.) to show tangible and reasonably quick results. This can, for example, be related to one of the main entry points described in the report; or to prepare (or update) a MR development strategy and plan, establish a repository (hopefully open) of metropolitan geospatial data and information, a metropolitan initiative for a sports facility, a flood management program, or any other area which require enhanced coordination at the metropolitan level.

If no particular entry point is highlighted by the partner institution, one can be identified during a consultative process based on the following criteria: (a) urgency of intervention and socio-economic benefits; (b) consensus among local authorities about a priority activity (which may have potential for quick and visible results on the ground based on the common interest); and (c) general rationale for the metropolitan-level interventions.

### A.2 Medium-term transition – Incremental Steps for Governance Improvement

**Development Plan.** If no long term (strategic) development plan exist for the area (or for the largest urban area), such initiative is likely a useful early step. If a plan does exist, updating may still be needed based on current circumstances.

**An Agreed Platform.** For any agreed initial initiatives or road map, try to reach consensus as part of the consultations on the following: (i) an integrated approach among institutions and sectors as appropriate (although implementations may be divided among various entities); (ii) a partnership between the government and the private sector; (iii) involvement of local communities; and (iv) strong coordination mechanisms among stakeholders, particularly the interested parties at the metropolitan level, but also with other levels of government. These are common conditions for the success of any metropolitan initiatives.

**Advisory Notes.** Advisory notes on specific topics can be prepared to outline policy directions and action plans to implement each metropolitan initiative. For example, for a specific function such as flood management, it could include: (i) mainstream flood management considerations, including risks, into any metropolitan planning processes and infrastructure investments; (ii) coordinate flood management initiatives implemented by local authorities and central agencies; and (iii) arrange technical assistance and capacity building for the local authorities on the topic. In spatial planning, particular attention may need to be paid to urban expansion needs at the fringe, while protecting high-productivity agricultural land and open spaces.

**Technical Assistance on MG.** In most cases, a metropolitan-level technical assistance (TA) program for local authorities is needed on a set of subjects (e.g. infrastructure planning, financing, service delivery, O&M, etc.). Given the challenges of providing technical assistance in a highly fragmented governance structure, TA should initially be targeted where the needs are highest (both in terms of “recipients”, such as rapidly urbanizing rural local bodies; and “on what”, for example, spatial planning, public information, etc.).

**Incentives.** Appropriate incentives, possibly including incentive-based financing mechanisms, to enhance metropolitan planning and management can be powerful. For example, incentives for local planning efforts should be consistent with a metropolitan level plan, and earmarked funds for implementation of specific metropolitan initiatives.

### **A.3 Longer-term strategy – Change Program**

**Process Design.** For the longer term, a comprehensive process tends to be required to guide institutional change over time for improved metropolitan governance. It is not uncommon that such process will need to be adapted to domestic electoral cycles. The process should include evaluation of models of metropolitan governance, their strengths and weaknesses and applicability to the particular context longer term (including the future role of the central and regional governments). Stakeholders (including higher level governments) need to be informed and engaged. Once a reform program is designed and approved (e.g. by the local governments in the area or a higher level authority, depending on the specific context), an “operational manual” (developed with input from government, business and community leaders) can be issued that specifies procedures and guidelines for design and implementation of individual mechanisms and instruments.

**Short-term Achievements.** In parallel with this longer-term change process, some limited immediate initiatives can also be started to complement the broader metropolitan-level change. Some short-term successes are important to maintain the motivation and support for the change process. Just to mention one example, a demand-driven, competitive grant facility – open to all local government bodies in the MR (and possibly private entities as well) – for particular types of local initiatives (e.g. urban renewal; facilitation of income-generating activities for household enterprises /informal economy; heritage or environmental awareness). To ensure its effectiveness and legitimacy, such facility could be based on principles, such as being: (i) demand driven (e.g. with requirement of matching funds); (ii) competitive (ranked on pre-defined selection criteria); (iii) transparent; (iv) being based on government partnerships with the private sector; etc.



## Annex B: Example Metropolitan Regions – Key Characteristics

The examples are categorized according to the following basic typology:

1. Fragmented Governance (with some Inter-municipal Cooperation)
2. Metropolitan / Regional Authority
3. Second Level Metropolitan Local Government
4. Regional Government (established by a higher tier government)
5. Consolidated Local Government

| Metropolitan area  | Key Metropolitan Governance Characteristics  |
|--|--|
| <b>SUB-SAHARAN AFRICA</b>  |  |
| <p><b>Abidjan, Côte d'Ivoire (Abidjan District)</b></p>                        | <p><b>Example of a Second Level Local Government replaced by a Regional Government by presidential ordinance.</b> Abidjan is the former capital and the largest city in Côte d'Ivoire. It has a polycentric structure, originally with ten towns (<i>communes</i>) divided by lagoons, with no predominant core city or city center. The current metropolitan area consists of 13 municipalities with a population of about 6 million. It has a high level of industrialization. Abidjan became a municipality in 1956, and has gone through a number of institutional changes since then. The current metropolitan structure - the Abidjan District, which replaced the former name City of Abidjan in 2001 - emerged through the following three stages.</p>   |
| <p><i>Second Level Metropolitan Local Government</i></p>                       | <p><b>Stage 1.</b> Reforms in 1978 restored <i>commune</i>, or local government, status to the major cities in Côte d'Ivoire. At the time, Abidjan had 10 local governments, differing in size and ability to raise their own funds, each with an elected mayor and set of councilors. At the same time, a higher-level, metropolitan local government, the City of Abidjan, was established, with a council composed of the City mayor and four councilors from each of the local governments. The mayor of the City was indirectly elected by the ten mayors. The major functions of this metropolitan government were waste disposal, public lighting, sanitation, traffic regulation, maintenance of roads, parks, and cemeteries, and town planning. The local governments in the area were responsible for markets, allocation of plots for public purposes, maintenance of primary schools and clinics (but not school or health policy, or the supervision and payment of staff), and operating social centers. They were to share responsibility with other government levels for pollution and hygiene. Private sector companies managed solid waste removal, electricity, and water. This system functioned for more than 20 years, but the national government interfered in the local governments carrying out inspection of construction sites and the issuance of driver licenses. In addition, the City had little influence over its finances. National government collected the property taxes and remitted them to the local governments, which then paid (often delayed) a fixed portion to the higher-level City of Abidjan. (Stren 2007)</p> |
| <p><i>Regional Government</i></p>  | <p><b>Stage 2.</b> In 2001, the City of Abidjan was replaced by a regional (“district”) government of Abidjan, with a district council. The post of mayor of Abidjan was replaced by a district governor appointed by the president of the country. This became a higher-tier regional government, above the original ten local governments. Three large suburban jurisdictions (local governments) and some rural areas were added. Urban planning is a key district-level function. Service delivery is constrained by limited local resources. After an attempted military coup in 2002, security increasingly became a priority.</p>   |
| <p><i>Regional Government</i></p>  | <p><b>Stage 3.</b> In September 2012 (after a presidential election) the District of Abidjan was dissolved by a presidential ordinance and replaced by a <i>governorate</i> (an executive body) under the direct control of the national government.</p>   |
| <p><b>Cape Town, South Africa</b><br/><i>Consolidated Local Government</i></p> | <p><b>Example of a large municipality which area corresponds to its metropolitan area (its functional economic area and regional labor market).</b> Cape Town had a two-level metropolitan structure in the 1990s and became one amalgamated municipality in 1998 by consolidating a number of local governments. The 1996 interim constitution in South Africa allowed for three types of local governments: (i) metropolitan, (ii) urban, and (iii) rural. The constitution also provided for three categories of municipalities. However, a subsequent study recommended a single-level metropolitan government system for the country, with each municipality to cover its metropolitan</p>  |

| Metropolitan area   | Key Metropolitan Governance Characteristics  |
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|   | <p>area; to redress inequalities, promote strategic land use planning, coordinate infrastructure investments, and develop a citywide framework for economic and social development. It was thought that this would prevent the local governments from competing for investment in an uncoordinated way. In 1998, eight such large one-level (amalgamated) municipalities were created by the Municipal Demarcation Board of South Africa. The City of Cape Town, with a population of about 3.5 million, represents one of these metropolitan governments. It has an area of 2,455 km<sup>2</sup>, encompassing 95 percent of the people who live and work in the metropolitan area. To facilitate access by residents to the city administration, eight sub-district offices exist across the municipality. <a href="http://www.capetown.gov.za">www.capetown.gov.za</a></p>  |
| <p><b>Dar es Salaam, Tanzania</b></p> <p><i>Fragmented Governance (with some Inter-municipal Cooperation through a metropolitan city council)</i></p> | <p><b>Example of a separate metropolitan level City Council for coordination ... but will very limited authority.</b> Dar es Salaam has a population of about 4 million (approximately 10 percent of the country's population). Its population grows by more than 4 percent per year, being one of the fastest-growing cities in the world. The current local government system in Dar es Salaam was established in 2000. The metropolitan area consists of three municipalities of fairly similar population size, with their respective mayors and councils, plus a coordinating Dar es Salaam City Council (DCC).</p> <p>As a separate local government, the DCC is made up of six councilors from each of the three municipalities, plus a few representatives of the national government. This council elects a mayor among them as the City Mayor. The DCC is responsible for coordination among the three municipalities and for a few specific functions, such as management of the city's landfill, its main market, and main bus terminal. DCC does not have jurisdiction over any land, or any authority or direct decision-making power over the other three local governments in the city. This has limited its ability to influence the city's development with an integrated approach.</p> <p>The DCC depends almost exclusively on transfers from the national government (i.e. has almost no own source revenues). The three municipalities collect own-source revenues through development levies, agricultural leases, city service levies, land rent, licenses, and fees. Property tax is also part of local governments' revenue, but a national tax authority collects and redistributes the revenues. The three local governments in Dar es Salaam are still highly dependent on intergovernmental transfers, particularly for their capital investments (as in most developing countries).</p> <p>The area of Dar es Salaam is also an administrative region of the country, with the regional administration being an arm of the national government. An appointed regional commissioner coexists with the three Dar es Salaam municipalities and the DCC, responsible for the same geographical area as the representative of the national government.</p> |
| <p><b>Lagos, Nigeria</b></p> <p><i>Regional Authority (for transport)</i></p> <p><i>Regional Government</i></p>                                       | <p><b>Example of a Transport Authority, with other metropolitan-level coordination functions carried out by the regional government (Lagos State).</b> Lagos State is divided into five <a href="#">Administrative Divisions</a>, with a total of 20 local governments. 16 of these comprise the Lagos Metropolitan Area (each local government is divided into a few lower administrative units, Local Council Development Areas). Sectorial units in the Lagos State government coordinate most functions across the local governments. For the transport function, it created in 2002 the <i>Lagos Metropolitan Area Transport Authority (LAMATA)</i> by a State law, to coordinate transport policies, programs and actions of all agencies at different tiers of government. LAMATA is a semi-autonomous corporate body with an independent board responsible for formulation, coordination and implementation of urban transport policies and programs in the Lagos metropolitan area. It took over the functions and responsibilities previously assumed by Lagos State Government transport-related ministries, departments, and agencies. LAMATA provides a strategic planning platform to address the transport needs of the metropolis and coordinate activities of different executing agencies. The Authority has the overall responsibility for transport planning, policies, investments and coordination in the Lagos metropolitan area. The law grants LAMATA powers to levy and collect user charges for its services and to collect other tariffs, fees and road taxes as authorized by the governor of the state. The law was strengthened in 2007 to include planning and regulatory functions across various modes of transport, including authorities to collect and levy transport road user charges, establish a related Transport Fund, and prepare plans for development and management of an integrated multimode public transport system.</p>   |
| <p><b>MIDDLE EAST &amp; NORTH AFRICA</b></p> <p><b>Cairo, Egypt</b></p>   | <p><b>Example of a highly centralized governance framework.</b> Greater Cairo (one of seven regions of the country) includes three governorates, with no formal, operating mechanism for their</p>   |

| Metropolitan area  | Key Metropolitan Governance Characteristics  |
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| <i>Fragmented Governance</i>   | coordination (except a nation-wide Governor Council which meets periodically). Although regional agencies exist for transport and waste management, most decision-making on regional and local matters are highly centralized in national government ministries (local governments are very weak financially). A law on the capital city is under early preparation.   |
| <b>Istanbul, Turkey</b><br><i>Consolidated Local Government</i>  | <b>Example of annexation of territory.</b> Istanbul's administrative boundaries were expanded in 2004 to include areas previously governed by the central government, increasing its area from 1,830 km <sup>2</sup> to 5,340 km <sup>2</sup> , an almost triple size (Turan 2011).  |
| <b>LATIN AMERICA</b>   |  |
| <b>Bogota, Colombia</b><br><br><i>Metropolitan Authority</i><br><i>("Metro Council")</i>                               | <b>Example of a metropolitan area highly dominated by the central city.</b> The unofficial metropolitan area of Bogota would include the capital district of Bogota (a special district) and a number of surrounding municipalities; total population around 8 million. The Capital District is divided into 20 localities, each governed by directly elected administrative board of no fewer than seven members. The principal mayor of Bogota designates local mayors (who report to him/her) from candidates nominated by the respective administrative boards. The mayor of Bogota also chairs a metropolitan council, composed of the mayor, one representative of the neighboring municipalities, one representative of the capital district council, one mayor from a neighboring municipality - selected by the governor of the administrative region (called department) - and one additional member designated by the governor. These arrangements are legitimized by a law from 1994. (Rojas 2008)   |
| <b>Mexico City, Mexico</b><br><b>Zona Metropolitana del Valle de Mexico (ZMVM)</b><br><br><i>Fragmented Governance</i> | <b>Example of jurisdictional complexity; governance addressed by various commissions subject-by-subject.</b> The Mexico City Metropolitan Area is very large (9,560 km <sup>2</sup> ), a conglomerate of municipal and state jurisdictions with more than 20 million people. The governance is mainly by forming collective bodies (commissions) and establishing bilateral agreements among jurisdictions. The area is composed of the Federal District (with 16 <a href="#">boroughs</a> ) and 41 <a href="#">municipalities</a> located in the states <a href="#">Mexico</a> and <a href="#">Hidalgo</a> . However, it is commonly referred to as the Metropolitan Area of the Valley of Mexico (Zona Metropolitana del Valle de México/ZMVM), an <a href="#">agglomeration</a> with 18 additional municipalities. It is surrounded by highland areas which separate it from other metropolitan areas, the biggest being Puebla, Toluca, and Cuernavaca-Cuautla, which together have a population of about 6 million.<br><br>The area is characterized by legal, political, and fiscal complexities which has caused unintended consequences by the transfer system in the past. Fiscal decentralization policies in the 1990s unintentionally made worse the fiscal disparities of the ZMVM. Despite intended redistribution of the transfer system, increased fiscal disparities occurred for three primary reasons: (1) an indirect negative effect of the transfers on local fiscal efforts, including the collection of property taxes; (2) uneven distribution of services and infrastructure in the metropolitan area; and (3) the existence of differing governance structures in the various jurisdictions within the zone. Legal and political complexities made it difficult to mitigate the problems. The situation has since improved though. (Raich 2008) |
| <b>Santiago de Chile, Chile</b><br><i>Regional Government (with superintendent for Santiago Metro Region)</i>          | <b>Exemplifies characteristics of arrangement in a <a href="#">unitary state</a>.</b><br><br>Since 2005, designation of regions (15), provinces (54), and communes (346) are part of constitutional law in Chile. State agencies exist to promote the strengthening of the regionalization, equitable development between the regions, provinces and communes. The regional governments are headed by superintendents (intendente), appointed by the President of the Republic, each with a Regional Council. Provinces are headed by a Governor, also appointed by the president, and are advised by a Provincial Economic and Social Council. The Santiago Province is an exception, with no provincial governorate; the position corresponds to the superintendent of the Santiago Metropolitan Region.<br><br>Santiago Metropolitan Region is Chile's smallest region by area (the only landlocked one), but the most populated one (more than 6 million) and most densely populated region. The Greater Santiago metropolitan area covers 37 communes (of a total of 52 communes in the Region) and extends into four <a href="#">provinces</a> of the Region (the majority lays within <a href="#">Santiago Province</a> ). Greater Santiago lacks a metropolitan government for its administration, which is currently distributed between the regional government (See above) and state agencies.  |

| Metropolitan area   | Key Metropolitan Governance Characteristics  |
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| <p><b>Sao Paulo, Brazil</b></p> <p><i>Fragmented Governance with Inter-municipal Consortium of the Greater ABC Region</i></p> | <p><b>Example of pragmatic Consortium with active engagement by business and civil society in regional problem solving.</b> Brazil's 1988 constitution increased the autonomy of local governments and delegated responsibility for designing metropolitan structures to the state (regional) legislatures. The São Paulo metropolitan region includes the City of São Paulo and 38 surrounding municipalities, with a total population of about 18 million. The São Paulo ABC* Region (Agência de Desenvolvimento Econômico do Grande ABC) is a flexible, pragmatic approach to regional problem solving but not a government structure. It is a body of state and local governments, with active engagement by civil society and the private sector, particularly for economic development of the metropolitan area. Although there is no institution of metropolitan governance per se for the area, there is an Inter-municipal Consortium of the Greater ABC Region (Consórcio Intermunicipal Grande ABC), which comprises seven cities with about 2.5 million people. These municipalities created the consortium in 1990 to focus primarily on coordinating policies that had spillover effects across municipal boundaries. Issues that the local governments faced forged a regional identity to help local leaders and politicians address economic decline through a number of initiatives.</p> <p>The purpose of the Consortium is to promote economic development of the region through consensus and to implement innovative public policies. Although the engagement of concerned mayors weakened in the mid-1990s, the local community undertook several initiatives, including creating a <i>Forum for Issues of Citizenship</i>, an umbrella nongovernmental organization with more than 100 NGOs as members with an emphasis on regional issues. In 1997 a Chamber of the Greater ABC Region was created as a forum for strategic planning, with participation from civil society, the public sector and local businesses and labor unions. One of the most important results of the regional planning process through this Chamber was the creation of the Regional Development Agency (RDA) in 1998, with a board of directors composed of private sector members (a controlling 51 percent) and the Inter-municipal Consortium (49 percent). The RDA is now considered the legal branch of the Consortium and can sign agreements with external agencies and receive financial resources. Since 1997, many agreements on economic, social, and territorial development have been signed. The RDA is an example of a flexible and pragmatic approach in solving metropolitan problems. Pilot projects have built trust among the participants over time. <i>Source:</i> <a href="http://www.agenciagabc.com.br">www.agenciagabc.com.br</a></p> <p>* <i>The name of ABC region refers to three smaller cities bordering São Paulo, <a href="#">Santo André</a>, <a href="#">São Bernardo do Campo</a>, and <a href="#">São Caetano do Sul</a>.</i></p> |
| <p><b>Quito, Ecuador</b></p> <p><i>Second Level Metropolitan Local Government (Metropolitan District of Quito (MDQ))</i></p>  | <p><b>Example of metropolitan level local government with directly elected mayor.</b> The Metropolitan District of Quito (MDQ) was created in 1993 by law as a second level local government (population about 2.5 million). At the lower level, there are 61 zones and parishes. MDQ has a special status as the national capital, with directly elected mayor. The Council (15 members) has strategic responsibilities for economic development, land use, environmental planning, and transportation. It also oversees metropolitan companies for water supply, solid waste management, health, and education services. Financially, MDQ depends on transfers from the national government but also has its own resource base (taxes and special contributions).</p>  |
| <p><b>EAST AND SOUTH ASIA</b></p>   |  |
| <p><b>Dhaka, Bangladesh</b></p> <p><i>Regional Authority (Dhaka Capital Development Authority)</i></p>                        | <p><b>Example of a Development Agency, mainly focused on spatial planning, and land/ real estate matters.</b> The Greater Dhaka area consists of a Dhaka City Corporation and five municipalities (including Dhaka itself), with an estimated population of 15 million people. Its population is anticipated to grow by 3 percent to 4 percent annually. The main metropolitan area governance entity is the Dhaka Capital Development Authority (local name, Rajdhani Unnayan Kartripakkha, or RAJUK) which was established in 1987 to develop, improve, extend, and manage the city and the peripheral areas through a process of proper development planning and development control. RAJUK addresses issues related to development policies, real estate projects, and related controls, and is also engaged in land acquisitions and sales. The national government of Bangladesh appoints the chairman and five other full-time members to govern the RAJUK. <a href="http://www.rajukdhaka.gov.bd">www.rajukdhaka.gov.bd</a></p>  |

| Metropolitan area   | Key Metropolitan Governance Characteristics  |
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| <p><b>Manila, The Philippines</b></p> <p><i>Regional Authority (Metropolitan Manila Development Authority (MMDA))</i></p> | <p><b>Example of a Metro Authority with long tradition, broad local representation, with most of management appointed by the president of the country.</b> Manila has a long history of various metropolitan-level entities. Metro Manila has about 11 million people and includes 17 municipalities. The extended urban area includes another 4 million people in 18 more local governments. The country has a long history of autonomous local governments’ resisting control from higher tiers, and people have strong loyalties to their local government units. Nevertheless most of the metropolitan-level entities that have existed in Manila were established and appointed by the national government.</p> <p><b>Stage 1.</b> In the 1960s, the mayors of Manila and the neighboring municipalities created a league to address pressing growth issues in the region. However, since membership in the league was voluntary, it was unable to coordinate long-term development effectively. In 1975, a Metro Manila Commission (MMC) was formed, following a referendum, to create a single metropolitan area by integrating four cities and 13 municipalities. Under the MMC, all metropolitan legislative and executive authority was vested in a small governing body appointed by the president of the country. The role of the MMC was executive and policy making, and to provide services common to the metropolitan area. The local governments contributed 20 percent of their annual revenues to the MMC.</p> <p><b>Stage 2.</b> Popular support for the MMC declined, and in 1990 a new president replaced it with the Metro Manila Authority (MMA). MMA was responsible for basic urban services, including land use planning, traffic management, public safety, urban renewal, and waste management. It was governed by a metropolitan council composed of the mayors of the 17 local governments in the area and headed by a chair indirectly elected by the members every six months. It continued to collect revenues from the local government units, but the amount was reduced to 15 percent of local governments’ annual revenues.</p> <p><b>Stage 3.</b> In 1995, MMA was replaced by the Metropolitan Manila Development Authority (MMDA). The MMDA is a development and administrative unit under the direct supervision of the president of the country. It performs planning, monitoring, and coordination functions but can only do so if it does not diminish the autonomy of local governments on local matters. Its council is still dominated by the 17 mayors of the area local governments, but the chair and a number of the managers are appointed by the president. (The MMDA has therefore sometimes been criticized for being more of a national corporation than a fully local institution.) The MMDA is responsible for almost all traditionally local public services. It derives resources from the central government, a 5 percent contribution from the local governments, and revenues from metropolitan service fees and fines. <a href="http://www.mmda.gov.ph">www.mmda.gov.ph</a></p> |
| <p><b>New Delhi, India</b></p> <p><i>Regional Authority (Delhi Development Authority)</i></p>                             | <p><b>Example of a Development Agency, mainly focused on spatial planning, and land/ real estate matters.</b> The metropolitan area of Delhi is nine districts of (NCT) and four major satellite cities outside the NCT (belonging to two different states) with various development and service authorities, mainly for the NCT area. The National Capital Territory of Delhi (NCT) is the metropolitan agglomeration around Delhi. The metropolitan area is home to more than 22 million people and includes four major satellite cities outside the NCT (belonging to two different states). NCT is divided into nine revenue districts, which are further subdivided into 27 tehsils (lower-level local governments).</p> <p>Delhi has been under the effective control of the national government since 1953. Because it is defined as a “Union Territory,” the financial transfers provided to the states in India are not available to Delhi. Therefore, Delhi receives discretionary grants instead of a share of national taxes. The main metropolitan-level institution is the Delhi Development Authority (DDA), formed in 1957 to provide and secure the development of Delhi according to approved plans. The responsibilities of the DDA include preparing master plans, designing and investing in housing, land acquisition and development, greening, sports, biodiversity, urban heritage, constructing highway overpasses, sports facilities, and biodiversity parks. For example, DDA played a major role in developing sport, housing, and transport facilities for the Commonwealth Games 2011. The DDA is a relatively small organization within the overall Delhi budget, but it plays a significant role in land development and construction of public infrastructure.</p> <p><a href="http://www.delhi.gov.in">www.delhi.gov.in</a></p>   |
| <p><b>Shanghai, China</b></p> <p><i>Consolidated Local Government</i></p>   | <p><b>Example of a municipal area corresponding to its metropolitan area. In spite of this, political economy tradition and culture may still present coordination challenges.</b> All large cities in China operate under the same governance model, in which the municipal jurisdiction includes both urban and large rural areas. Shanghai (like all larger cities in China) is an example of one municipal</p>   |

## Metropolitan area

## Key Metropolitan Governance Characteristics

government's jurisdiction essentially covering its entire metropolitan area (commuter area; functional economic area). Chinese cities have a two-level local government structure, a municipal government with a number of subordinated districts (usually forming part of the core city) and county governments (which tend to be less densely populated, and also by tradition somewhat more independently governed than districts).

The Municipality of Shanghai has nine districts as part of its core city, seven semi-urban suburban districts (the suburban areas in most other cities tend to be more rural and thereby counties), and one mostly rural county. Shanghai is one of four municipalities in China which reports directly to the national government, i.e. treated as a province, and has corresponding powers. However, despite the fact that a Chinese municipal government covers its entire metropolitan area with this two-level local governance system, coordination and financial allocations can still be challenging. While the urban districts of the core city tend to have well-coordinated services (transport, water and sewerage networks, etc.), coordination with the suburban local governments, county governments in particular, is often difficult due to them being more independently governed by tradition. Political economy legacy and culture influence how an area is managed in practice. In the China case, a higher-level municipal government tends not to interfere in detail with how subordinated lower governments run their affairs, thereby creating similar coordination challenges due to fragmentation as in many other parts of the world.

## OCEANIA

## Melbourne

*Regional Government*

**Example of a Regional (State) government providing most, traditionally local, services such as public transport, policing, and education.** The metropolitan area of Melbourne is generally considered to include 26 cities and five "counties". Local councils provide the functions such as [urban planning](#) and [waste management](#). Most other government services are provided by the State government (similar to Sydney below).

## Sydney

*Regional Government*

**Example of a Regional (State) government providing most, traditionally local, services such as public transport, policing, and education.** The City of Sydney is divided into 38 [local government areas](#) (similar to [London's](#) boroughs). It is led by an elected Council, and a [Lord Mayor](#). The 38 local areas have also elected Councils which are responsible for functions delegated to them by the regional (provincial) government ([New South Wales Government](#)), as per a Local Government Act of 1989; mainly to foster development in the local area, and provide local services such as waste collection and recycling, libraries, parks, sporting facilities; represent and promote the interests of residents, support organizations that target the local community, and attract commerce, tourism, and industry. However, public sector activities such as main roads, traffic control, public transport, policing, education, and major infrastructure projects are controlled by the New South Wales Government.

EUROPE AND  
CENTRAL ASIA

## Barcelona, Spain

*Metropolitan Authority ("Metro Council"; Barcelona Metropolitan Area (BMA))*

**Example of a local equalization mechanism and shared finances within a metropolitan area.** Barcelona has 43% of the population of Catalonia and generates more than half of its GDP.\* In 2010, the area created an inter-municipal level organization - the Barcelona Metropolitan Area (BMA) - with focus on local economic development, territorial cohesion, and provision of area-wide infrastructures and services. The BMA is made up of 36 municipalities. It seeks to optimize territorial management and its economic development, to deal with the possibility of crisis and address global competition. A Metropolitan Council is made up of the mayors and councilors elected from each municipality, and a supervisory body for public policies. The Council appoints the BMA president, and adopts agreements and regulations. The Catalanian parliament laid the foundations for the new institution by a law, giving it certain authority. It was built on a consensus among various political and social stakeholders in the metropolitan region about the need for a new, common governance structure. The law was approved unanimously by the Parliament of Catalonia. This followed many decades of various other metropolitan bodies with mixed results and political support (including an Urban Planning Commission, and a Metropolitan Corporation).

The BMA replaced three metropolitan institutions with distinct functions and different numbers of member municipalities (a water and waste management service for 33 municipalities; a transport entity with 18 member municipalities; and an agency with 36 members to implement an old metropolitan development plan from). The BMA has taken over the functions of land-use planning and transportation, waste management, water supply and social housing, and has additional authority in urban planning, territorial and social cohesion, economic development, and territorial organization. Some additional municipal functions are also shared and/ or delegated to

## Metropolitan area

## Key Metropolitan Governance Characteristics

the BMA to increase territorial coherency and investment performance. It aims to optimize resource and investment management, capacity building and territorial governance broadly, and implement a socially responsible, shared and inter-connected metropolitan strategy, as well as advance its international reputation.

In terms of municipal finances, the existence of the BMA has made it possible to mobilize more resources and implement projects on a metropolitan scale. The 36 member municipalities play a crucial role in financing the BMA administration. BMA has a budget in 2014 of €606 million, mainly obtained from: (i) transfers from within the region (45%, of which more than half from the member municipalities); and (ii) taxes (about 40%) established by the BMA for water and waste management and supplement to the property tax among others. Strong political backing from the main actors of the metropolitan area proved critical in establishing and continuing the BMA. Local economic development and territorial solidarity are at the center of the metropolitan initiative. The BMA allocates a significant share of its budget to capacity building and cooperation among the member administrations. The distribution of the area's resources is based on objectives of better social and territorial cohesion, distributed with benefits for the whole area in mind.

A 2012-15 Investment Plan establishes an active tax sharing policy for equalization purpose, with funding based on the population of each municipality, and a specific budget allocated to the municipalities with a lower socio-economic level than the average in the BMA. An Economic Activity and Quality of Life Stimulation Plan was designed to help economic recovery, job creation and to improve quality of life. It includes support in each municipality for: (i) housing; (ii) building rehabilitations; (iii) neighborhood and infrastructure improvement; and (iv) economic competitiveness (including infrastructures rehabilitation in industrial zones, leveraging private investments). The aim is to revitalize the metropolitan area as a whole, and strengthen Barcelona's position with regard to international cooperation, influence and attractiveness.

The BMA is a technically-oriented administrative body, with an organizational and decision-making approach based on dialogue, and limited hierarchy. BMA involves the municipal authorities and the area's other stakeholders in a flexible and coordinated way in crafting metropolitan policies through consensus and cooperation. Various levels of government pool some of their competencies and resources for metropolitan purposes. Performance data is collected at metropolitan scale. While, as a fairly new institution, its strength and credibility has yet to be proven, the BMA has the prospect of being an effective, coherent entity for integrated territorial development. Continued political support from the local member governments will be critical to maintain a culture of cooperation and participation by diverse metropolitan stakeholders.

Source: FMDV: "Resolutions Europe: Local innovations to finance cities and regions", 2014; and (Slack, Chattopadhyay, 2013).

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| <p><b>Bologna, Italy</b></p> <p><i>Metropolitan Authority ("Metro Council")</i></p>   | <p><b>Example of a flexible arrangement for local governments to benefit from metropolitan-level collaboration.</b> Metropolitan governance for the greater Bologna area was established on a voluntary basis in 1994, when 48 local governments and the province of Bologna signed a "metropolitan city accord" and creating a Metropolitan Council composed of all the mayors in the area, presided over by the provincial president. Each local government is free to withdraw at any time and may participate in all or only some of the council's activities. This has proved to be a flexible, low-risk approach for the local governments, which now has lasted for some 20 years.</p>  |
| <p><b>Budapest, Hungary</b></p> <p><i>Second Level Metropolitan Local Government (without authority over first level local governments)</i></p> | <p><b>Example of a Metropolitan-level Local Government in a capital city.</b> Budapest is a case of a Metropolitan-level local government with broad functions. The city has a population of 1.7 million (2011), close to 20 percent of the country's population. The governance includes the municipality of Budapest ("the city") and 23 district governments, all equal in rank and legal status. Both the city and the districts are local governments, not subordinated to one another, and each with specific duties and powers, as per the Act on Local Governments and the Act on the Capital City.</p> <p>The local government system of Budapest is unique in Hungary – as is not uncommon for capital cities to various extent, not only due to their size but also to their particular role and cost structure (other examples are London, Manila, Mexico City, and Santiago de Chile), Although the city is handled as a special case, the district governments have broad mandates. The municipality of Budapest, with an elected mayor and a 33-member general assembly, provides maintenance and supervision of hospitals and polyclinics, art and public culture institutions, children's and youth homes, secondary schools and dormitories, social homes providing specialized care, and markets and market halls. The public utilities (public transport, water supply, etc.) of the city operate as</p> |

| Metropolitan area  | Key Metropolitan Governance Characteristics   |
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|  | <p>municipal companies.</p> <p>A legal amendment in 1994, however, gave the general assembly of the city supremacy in important matters of regulation and in revenue sharing and city planning. Regarding the sharing of certain revenues from the national budget and local revenues, the influence of the districts was reduced to voicing their opinions, whereas previously consent of the district mayors was required. In city planning, the city became the primary regulatory authority (previously the districts could question the general plan). In 1997, the city received additional authority over the development and protection of the built environment. The metropolitan area and the somewhat larger commuter area are being distinguished for planning purposes.</p> <p>Source: Horváth and Peteri 2003</p>   |
| <p><b>London, U.K.</b></p> <p><i>Second Level<br/>Metropolitan Local<br/>Government<br/>Governance by the<br/>National Government</i></p> <p><i>Second Level<br/>Metropolitan Local<br/>Government</i></p> | <p><b>Example of national government influence and decision-making (including through finance), with an evolution from a two-level system to a one-level system, and back to a two-level system.</b> Greater London, U.K. has a population of more than 7 million, and has since 2000 elected members of the Greater London Authority (GLA), a citywide government with a directly elected mayor and assembly. It covers an area of 32 local authorities (“boroughs”), which have independent mayors and councils. Functions assigned to the boroughs include housing, education, social and health services, and responsibility as local planning authorities. The GLA is a higher-level strategic authority to promote sustainable development and define strategy. Its main responsibilities are transport, police, economic development planning, fire and emergency planning, land use planning, culture, and environment and health; it also coordinates London-wide events. London arrived at this current structure through the following stages.</p> <p><b>Stage 1.</b> From 1964 to 1986, London was governed by a two-level structure comprising the Greater London Council and 32 local governments, each with its own mayor and council.</p> <p><b>Stage 2.</b> In 1986, the Greater London Council was abolished and London’s governance instead became a direct responsibility of central government ministers, coordinated by a subcommittee headed by a junior minister for London, using agreements and ad hoc arrangements for regional planning. In 1994, the Government Office for London (GOL) was established to allow the central government to act as a strategic authority, coordinating all entities related to London.</p> <p><b>Stage 3.</b> In 1999 the new Greater London Authority (GLA) was created, comprising 32 local governments and the Corporation of London. The GLA is led by an elected assembly and chaired by the directly elected lord mayor of London. He has the power to direct a “subordinated” local government to reject (but may not direct it to approve) a large development initiative. The GLA has little fiscal autonomy; more than 80% of both GLA’s and the local government revenues are from central government transfers (grants). Other revenues include a local property tax and user charges.</p> <p>Three functions are separate from the GLA Assembly but accountable to it through the lord mayor of London:</p> <ul style="list-style-type: none"> <li>• Transport for London is responsible for roads, buses, trains, the subway system, traffic lights, and the regulation of taxis. The mayor appoints a commissioner, chairs the board, and appoints 15 nonexecutive members.</li> <li>• The Metropolitan Police Authority has 23 members, of which 12 are assembly members, and six are independent Londoners.</li> <li>• The London Fire and Emergency Planning Authority is responsible for fire and emergency services. The mayor appoints its chair. There are 17 members, of whom nine are from the GLA and eight are nominated by the association of London local governments.</li> </ul> <p>The London Development Agency (LDA) was abolished in 2012 by the UK government; its functions are now part of GLA. It had previously been a separate agency accountable to the GLA assembly, through the lord mayor, for coordinating economic development. It worked in partnership with industry and the public and voluntary sectors. During that time the mayor appointed a 17-member board and the chief executive of the LDA.</p> <p>Source: <a href="http://www.london.gov.uk">www.london.gov.uk</a> <a href="http://www.lda.gov.uk">www.lda.gov.uk</a></p> <p><b>Example of a planning and service authority with a metropolitan tax sharing system, established</b></p> |
| <p><b>Lyon, France</b></p>   |   |



| Metropolitan area   | Key Metropolitan Governance Characteristics  |
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| Metropolitan Authority (Grand Lyon)   | <p><b>by a large number of small local governments under a national legal framework.</b></p> <p>The average area and populations of French local governments (<i>communes</i>) are small by international standards. They therefore make extensive use of cooperative arrangements for service provision. France has particular legal frameworks for inter-municipal cooperation (<i>syndicats intercommunaux; communauté urbaine</i>). The <i>syndicats</i> are similar to cooperatives or federations of local governments to carry out one or more functions. A local government may be involved in several <i>syndicats</i>.</p> <p>The Grand Lyon metropolitan government is a <i>communauté urbaine</i> (“urban community”, or UC) established in 1969 (three years after approval of the related national law). It was established bottom up, based on the needs and interests of the participating municipalities. Through the UC, the governments not only coordinate economic development, land use, and some service provision, but also (since 1999) share the tax base. Part of the local tax revenues of each <i>commune</i> is allocated to a common budget for metropolitan-level initiatives and expenditures. In addition, the business tax is governed by Grand Lyon UC, while property and housing taxes are administered by the respective municipality. Grand Lyon’s main sources of revenues are user charges and the business tax (a tax earmarked for particular expenditures).</p> <p>The UC council is made up of representatives from the member cities/ towns in proportion to their population. As of 2002, after the creation of “conferences of mayors”, the member towns discuss in smaller groups their problems and expectations for submission to the UC. For example, through this consultative process Grand Lyon established an innovative zoning of its territory into nine subzones. Urban transportation services are managed by a separate authority, partly financed by a grant from Grand Lyon. Since 2000, the area of Grand Lyon has gradually expanded through annexation of adjacent towns. Although the City of Lyon has only about half a million inhabitants, Grand Lyon contains 58 municipalities with about 1.4 million people. An even larger “metropolitan” area (Grand Lyon plus three nearby areas) consists of 139 municipalities with a total population of two million. <a href="http://www.grandlyon.com">www.grandlyon.com</a></p> |
| Marseille, France<br><br>Metropolitan Authority (Communauté Urbaine de Marseille)                       | <p><b>Example of agreement on a common business tax to prevent tax competition among the local governments in the area.</b></p> <p>Communauté Urbaine of Marseille (CUM) is an example of a transition from voluntary cooperation among local governments to a regional planning and service delivery authority. The municipalities of Marseille, Marignane, and Saint Victoire created a public corporation in 1992 that focused on a few road and traffic projects. In 2000, 17 cities joined the consortium, and they established the Communauté Urbaine of Marseille, a metropolitan organization governed by the mayors and councilors of the municipalities. It is now responsible for regional economic development, transportation, land use, housing, crime prevention, waste disposal, and environmental policies. It collects a common tax on business and thereby eliminates tax competition among the municipalities. It also achieves more cost-effective tax collection than if each local government collected the tax in its jurisdiction. As the Marseilles example shows, a local government may be responsible for a service or a task, in this case collecting a tax, without necessarily having to execute the task themselves. <a href="http://www.marseille-provence.com">www.marseille-provence.com</a></p>   |
| Randstad, The Netherlands<br><br>Fragmented Governance (with some informal Inter-municipal Cooperation) | <p><b>Example of the necessity for a higher level government, in some cases, to ensure that critical metropolitan area coordination takes place.</b> The Randstad is a <a href="#">conurbation</a> in the <a href="#">Netherlands</a> that consists of the four largest Dutch cities — <a href="#">Amsterdam</a>, <a href="#">Rotterdam</a>, <a href="#">The Hague</a>, and <a href="#">Utrecht</a> — and surrounding areas. With a population of more than 7 million, it is one of the largest conurbations in <a href="#">Europe</a>. It covers an area of close to 8,000 km<sup>2</sup>. The Randstad has had a history of strong competition among cities, particularly the two main cities of Rotterdam and Amsterdam. However, the national government has been instrumental in promoting collaboration on certain priority subjects for the area through financial incentives and political influence. Local planners are sometimes referring to the Randstad as the “Deltametropool” consisting of two large metropolitan areas. <a href="http://www.randstadregion.eu">www.randstadregion.eu</a></p>  |
| Stuttgart, Germany<br><br>Metropolitan Authority  | <p><b>Example of a second-level metropolitan entity.</b> The Verband Stuttgart Region (Stuttgart regional association) was created by the Baden-Württemberg state government by law in 1993. The <i>Verband</i> is a directly elected, metropolitan-level entity composed of 179 local governments including the City of Stuttgart. Its main responsibility is now serving as a public transport authority for the area, but it is also engaged in tourism and regional planning. The governance structure has no authority to tax or levy user charges. Its funding is derived about equally from local government contributions and from intergovernmental grants from the state of Baden-</p>   |

| Metropolitan area   | Key Metropolitan Governance Characteristics   |
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|   | Württemberg government. <a href="http://www.region-stuttgart.org">www.region-stuttgart.org</a> ; <a href="http://www.region-stuttgart.de/en">www.region-stuttgart.de/en</a>   |
| <b>Tbilisi, Georgia</b><br><i>Fragmented Governance (with some Inter-municipal Cooperation)</i>   | <b>Example of a metropolitan area as a “corridor” of a few municipalities.</b><br><br>One dominating city (the capital of the country) and a few smaller, less-affluent local governments east and west of the city. Metropolitan initiatives limited to a few case-by-case coordination efforts to date, on transport and tourism development.   |
| <b>USA &amp; CANADA</b>   |   |
| <b>Los Angeles County, U.S.</b><br><i>Fragmented Governance (with some Inter-municipal Cooperation)</i>   | <b>Example of contracting between cities:</b> The Los Angeles County government, by far the largest local government in the metropolitan area, provides services for a fee to numerous smaller local governments in the area under individual contracts; cost-effective for all involved.   |
| <b>Montreal, Canada</b><br><br><i>Metropolitan Authority (Metropolitan Montreal Community (MMC))</i>  | <b>Example of amalgamation (and de-amalgamation); the influence of a regional government; and a local entity between the municipal level and the regional government level.</b><br><br>In 2000, the provincial government of Quebec created the <u>Metropolitan Montreal Community (MMC)</u> ( <i>Communauté Métropolitaine de Montréal (CMM)</i> ), a metropolitan coordinating body for the greater Montreal area. The MMC board is composed of representatives of the member municipalities. MMC is in charge of planning, funding, and coordinating public transport, waste management, economic development, and social housing. It is headed by an appointed president (currently the mayor of Montreal) and covers an area with population of about 3.5 million. Its budget is mainly funded by contributions from the member municipalities and some grants from the provincial government.<br><br>Until 2001, the island of Montreal was divided into the city of Montreal proper, and 27 independent municipalities. These formed the Montreal Urban Community (MUC) ( <i>Communauté Urbaine de Montréal</i> ), a regional government that included all municipalities located on the <a href="#">Island of Montreal</a> , and a few more, from 1970 through 2001.<br><br>In January 2002, the 27 independent municipalities of the island of Montreal were merged with the city of Montreal. This merger was part of a larger provincial reorganization across Quebec. It was felt that larger municipalities would be more efficient. However, following a change of government in early <a href="#">2004</a> , and a referendum later that year, 15 of those municipalities became independent municipalities again in January 2006. However, a new municipal structure, an <a href="#">urban agglomeration</a> council (replacing the previous MUC) was imposed as part of the de-merger process, which meant that de-merged suburbs continued to be tied to the city of Montreal for provision of certain municipal services.<br><br>The merged city of Montreal was divided into 27 boroughs (“arrondissements”) in charge of local administration, while the body above them was responsible for matters such as economic development and transport. In most areas the arrondissements did not correspond to the former municipalities, cutting across the territory of the former municipalities. The entity now comprises the pre-merger city of Montreal plus 12 of the previously independent municipalities. The island of Montreal is only one component of the Montreal Metropolitan Community (MMC) though, in charge of planning, coordinating, and financing economic development, public transportation, garbage collection, etc., across the metropolitan area of Montreal. In 2011, MMC had a population of 3.8 million. The president of the Montreal Metropolitan Community is the mayor of Montreal. <a href="http://en.wikipedia.org/wiki/2002%E2%80%9306_municipal_reorganization_of_Montreal">http://en.wikipedia.org/wiki/2002%E2%80%9306_municipal_reorganization_of_Montreal</a> |
| <b>New York City</b><br><br><i>Various Metropolitan Authorities (e.g. for transport, housing, port)</i><br><br><i>Regional Plan Association (an NGO) for planning</i> | <b>Example of metropolitan research and planning done by a NGO.</b><br><br>New York City is part of a metropolitan area for which most regional planning is done by a non-governmental organization (NGO) – Regional Plan Association (RPA), serving the New York–New Jersey–Connecticut Metropolitan Region, the largest urban region in the United States, comprising 31 counties. It is an independent metropolitan policy, research, and advocacy group – a nongovernmental organization supported and partly funded by the municipalities. RPA has three state committees, composed of business leaders, experts, and opinion makers who provide strategic advice to the association’s three regional offices. Guided by the state committees, these offices ensure on-the-ground presence for the organization in New Jersey, Connecticut and on Long Island. They have a critical part in the research, planning, and advocacy for projects in their   |

| Metropolitan area  | Key Metropolitan Governance Characteristics   |
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|  | <p>respective areas. Projects include, for example, environmental protection (watershed and green area development); public transport concepts including reviews of the functionality and development of light rail and other systems; highways; and a comprehensive plan for coordinated airport development. <a href="http://www.rpa.org">www.rpa.org</a></p>   |
| <p><b>Portland, U.S.</b></p> <p><i>Metropolitan Authority (Metro Council)</i></p>  | <p><b>Example of a Metro Council (directly elected region-wide) with advanced land policies and authority to collect taxes and issue Metro bonds.</b> Portland has an elected regional authority called the Portland Metropolitan Service District (“Portland Metro”), created by the Oregon state legislature in 1977. It is an authority that gained the support and respect of the local governments in the area based on its focus on land use regulation and management. It was originally a consolidation of a regional planning council, a metropolitan service council responsible for solid waste disposal, and the administration of a regional zoo. Already in 1973 a state law established an <a href="#">urban growth boundary</a> limiting large-scale development in Portland to prevent excessive sprawl. It limited access to utilities such as sewerage, water, and telecommunications, as well as coverage by the fire and police departments and schools. Originally this law mandated that the city must maintain enough land within its boundary to provide for an estimated 20 years of growth. However, in 2007 the law was altered to require planning for an estimated 50 years of growth within the boundary, as well as protection of nearby farms and rural land. The land use statute has a tool for regional development, and the long-term urban growth boundary has created a certain degree of predictability for private sector real estate developers in their business planning. The growth boundary, along with efforts by the city to create economic development zones, has also led to the development of a large core city area, a large number of mid- and high-rise developments, and an overall increase in housing and business density.</p> <p>An important feature of the mentioned law is that Portland Metro may levy property and sales taxes, and issue Metro bonds to finance its investment programs. They also receive state and federal grants, and collect user charges for facilities that the council operates (a solid waste disposal facility, a zoo, and convention, arts, and expo centers).</p> <p>In 1990 Portland Metro was given added responsibilities for various facilities (a stadium and an exhibition center) and soon after, several regional parks, cemeteries, and marine facilities. It was later elevated by the state government of Oregon to an elected, second level metropolitan government. Portland Metro now serves nearly 1.5 million people. Its boundary covers three counties, the City of Portland, and 24 other smaller cities. It is governed by a directly elected <a href="#">Metro Council</a>; a president, elected region-wide, and six councilors who are elected by district every four years. A <a href="#">Metro Auditor</a> is also elected region-wide. The local governments of the area have created a coordinating group which develops joint recommendations to the Metro Council. Local governments are also represented on a regional planning advisory committee.</p> <p><a href="http://www.oregonmetro.gov/regional-leadership/what-metro">www.oregonmetro.gov/regional-leadership/what-metro</a></p> |
| <p><b>Twin Cities, U.S.</b></p> <p><i>Metropolitan Authority (Twin Cities Metropolitan Government)</i></p> <p><i>Regional Government</i></p> | <p><b>Example of an institutional mechanism and tax sharing system which originated in the need to address fiscal inequality in the region.</b> The Minneapolis-St. Paul metropolitan area had to respond to increasing polarization between decaying inner cities and their rapidly growing suburbs (urban sprawl), a spatial mismatch between affordable housing and available jobs. This caused serious traffic congestion, and the two low-income core cities provided daytime services to a large working population who did pay their taxes in the richer suburbs where they lived. At the same time, the suburban local governments had to respond to continuous need for expensive infrastructure in new residential areas due to the sprawl. Significant mismatches existed between the social needs and the property tax base among the local jurisdictions.</p> <p>This fiscal inequality and the need to harmonize revenues and expenditures across the region was strong enough to cause the creation of a regionally tax sharing system and it also brought the local governments together to collaborate on regional planning and service delivery. This initial voluntary organization and cooperation in the early 1970s later grew into a regional planning and service delivery authority to minimize service quality differences among the jurisdictions. It evolved into a regional government authorized by the state government of Minnesota. It is now established as a public (state-owned) corporation. It still receives a portion of property taxes from the region to cover its service provision costs. <a href="http://www.metrocouncil.org">www.metrocouncil.org</a></p>  |

## Metropolitan area

## Key Metropolitan Governance Characteristics

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| <b>Toronto, Canada</b>  | <p><b>Example of regional (provincial) government influence and decision-making, with an evolution from a one-level to a two-level system, and back to a one-level system. Amalgamation of local governments (common tax base) after extensive involvement of the regional government.</b> On metropolitan matters, it is quite common that a higher tier government plays a significant role, not only from a fiscal transfer perspective (as in London, UK; see above) but to ensure that arrangements exist for reasonable coordination of public services and area-wide development. The transformations in Toronto were driven to a great extent by the desire to increase the effectiveness of urban development and service delivery, including harmonization of service levels across the area. Each time a regional authority was disbanded, something else soon took its place. The provincial government played an important role in the evolution.</p> <p>Toronto operated as 13 independent municipalities until 1953, when a two-level system, with an elected metro Toronto government and six additional independent local municipalities, was established. After operating under that two-level system for more than 40 years, during a period of exploding population and economic growth, the seven municipalities were merged in 1995 into one, single-level local government, the City of Toronto, with a current population of about 2.5 million. With its surrounding urban municipalities, the metropolitan area has about 5 million people. The evolution of Toronto's institutional arrangements illustrates how institutional arrangements may change as a city's circumstances change.</p> |
| <i>Fragmented Governance</i>                                    | <p><b>Stage 1.</b> In the early 1950s, with growing service demands on suburban local governments with limited resources, but with a core City of Toronto that had a solid financial base (a strong property, commercial, and industrial tax base), the political boundaries no longer reflected the socioeconomic realities. At the time, each municipality acted independently with respect to transportation, land use, and housing.</p>  |
| <i>Second Level Metropolitan Local Government</i>               | <p><b>Stage 2.</b> In 1954, a <u>Metropolitan Toronto (Metro)</u> was formed by provincial legislation, as a metropolitan-level government for the City of Toronto and 12 suburban local governments. The purpose was to (a) redistribute the wealth of the city to the suburbs, so that they could provide infrastructure; (b) coordinate land use and transportation; and (c) maintain local governments' responsiveness to local needs. The Metro's initial responsibilities were planning, borrowing, property assessment, public transit, roads, and administration of justice. The suburban local governments were responsible for fire protection, garbage collection and disposal, licensing and inspection, local power distribution, policing, public health, general welfare, recreation and community services, and the collection of taxes. Responsibilities were shared for parks, planning, roads and traffic control, water supply, and sewage disposal. Costs were shared based on the property tax base. Over time, responsibilities changed. Metro took over police, social assistance, traffic control, licensing, conservation, waste disposal, and ambulance services. In 1967, the number of municipalities was reduced from 13 to six. Property assessment and administration of justice became provincial responsibilities in 1970.</p>   |
| <i>Metropolitan Authority (Office for Greater Toronto Area)</i> | <p><b>Stage 3.</b> The structure was successful in meeting its objectives of providing infrastructure in the suburbs, maintaining a vibrant core city, and pooling revenues over the whole metropolitan area. However, in the 1970s needs changed as a result of growth outside the Metro area. Between 1971 and 1975, the provincial government created four regional governments around Metro, and in 1988 it established the <u>Office of the Greater Toronto Area (OGTA)</u> to encourage Metro and the four regions around it to coordinate their waste disposal, regional transport, land use, and infrastructure planning. A forum of the greater Toronto area mayors and the chairs of the regional governments focused on economic development and the marketing of the area.</p>   |
| <i>Consolidated Local Government</i>                            | <p><b>Stage 4.</b> The current <u>City of Toronto</u> was formed in 1998 by provincial legislation. The Metro government and six lower-level local governments were amalgamated to create a single-level government. A <u>Greater Toronto Services Board (GTSB)</u> was created shortly thereafter to oversee regional transit as a separate level of governance for this function. The GTSB was governed by elected representatives from each local government, with limited powers to coordinate decision making among the member local governments. It was abolished in 2001. In 2006, the provincial government instead created the <u>Greater Toronto Transportation Authority (GTTA)</u> to coordinate transportation, the most critical function in need of coordination.</p>   |

Source: Slack 2007

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| Metropolitan area  | Key Metropolitan Governance Characteristics  |
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| <p><b>Vancouver, Canada</b></p> <p><i>Metropolitan Authority (Greater Vancouver Regional District (GVRD))</i></p>                | <p><b>Example of a public corporation that: (i) is owned by the member local governments; (ii) provides a number of services for its members (on demand); and (iii) has access to a variety of funding sources, including user charges; share of property tax; and annual contributions from the member local governments.</b> Metro Vancouver / Greater Vancouver Regional Service District (GVDR) is a flexible, demand-driven metropolitan organization, providing different services to member municipalities through individual agreements. GVRD was established already in 1965. It started as an organization responsible for regional planning, and took over the functions of previous separate metropolitan agencies for sewerage service, water supply, health and hospitals, and business development. Functions of managing affordable housing, regional parks, air quality, and emergency response were added later. All local governments do not provide all these services through GVRD. The organization also provides human resource management services to some municipalities on a contract basis. It does not have particularly strong land use planning powers though.</p> <p>GVRD is now a public corporation with a board composed of representatives of the 18 member local governments (the owners). It was initially established by the provincial government but has evolved into a corporation owned and governed by the member municipalities. It finances most of its services through user charges, a share of the property tax, and annual contributions from the member local governments. <a href="http://www.metrovancouver.org">www.metrovancouver.org</a></p>  |
| <p><b>Washington, D.C., U.S.</b></p> <p><i>Metropolitan Authority (Metropolitan Washington Council of Governments (COG))</i></p> | <p><b>Example of a “bottom up” approach, forming a Metro Council with the decision-making power maintained at the local government level.</b></p> <p>Metropolitan councils of governments represent a <u>bottom-up approach</u>, common in the United States. It is so frequently applied that a few national associations of councils of governments (COG) also exist*. It is a type of regional authority approach, but with limited independent decision-making authority so as not to undermine the accountability of each individual member local government.</p> <p>The Metropolitan Washington Council of Governments (COG) was formed in 1957, and is composed of 21 local governments surrounding Washington, D.C., covering an area of 7,733 km<sup>2</sup>, with a population of about 4.5 million. It is an independent, non-profit association financed by contributions from the participating local governments, federal and state grants, service contracts, and donations from foundations or the private sector. The COG provides a focus for action and develops responses to issues of regional significance in the greater Washington, D.C., area. Its mission is to enhance the quality of life and competitive advantages of the region by providing a forum for consensus building and policy making; implementing intergovernmental policies, plans, and programs; and supporting the region as source of expert information. The COG has committees on transportation, the environment, health and human services, housing and planning, cooperative purchasing, and publications, reflecting its scope and the common goals of its 21 members.</p> <p>The COG produces document such as a recent “Region Forward—A Comprehensive Guide for Regional Planning and Measuring Progress in the 21st Century”, a planning guide for environment, housing, transportation, and other regional priorities. It is a <u>voluntary agreement</u> that requests area governments to pledge to advance the goals articulated in the document to their best effort. It accepts the differences among the cities and counties but also inter-connections across the region. The targets and indicators set to measure progress judge the region as a whole rather than measuring individual jurisdictions. Measuring such things as regional green space, affordable housing units, school graduation rates, and financial performance, using targets and indicators, will help to determine if the region as a whole is heading in the right direction.</p> <p>COG policies are set by the local governments through a board of directors. Most COG decisions require endorsement by the respective local government councils. For inter-municipal transport infrastructure (such as the main road network) the Washington COG has some independent decision-making authority based on one vote per member.</p> <p>* <a href="#">The National Association of Regional Councils and the Association of Metropolitan Planning Organizations.</a></p> |

See [www.abag.ca.gov/abag/other\\_gov/rcg.html](http://www.abag.ca.gov/abag/other_gov/rcg.html), which includes links to all COGs in the United States.

