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# Governance of Large Metropolitan Areas in Federal Countries

Presentation to EI 8 Foro Internacional Desde lo Local

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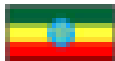
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# Forum of Federations

- Learning organization set up by the Canadian government in 1999
- Internationalized with nine partner governments since 2005:



- Mandate to promote intergovernmental learning on federalism by bringing together practitioners and academics
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# Background and Context for the Project

- Emergence of metropolitan regions as an important layer in multi-level federations.
- Forum asked by Chief Minister of Delhi to provide a comparative overview governance structures and financing arrangements of capital cities in 2007.
  - Result: Volume looking at 11 federal capitals
- In 2009, Australian federal government asked for assistance in understanding how commonwealth federations govern their cities.
  - Result: Two reports looking at governance and finance in 5 countries

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# Recurring Issues

- Mismatch between political and economic boundaries
- Appropriate governance and financing required to redress major two challenges that impact the 'livability' and therefore the vitality of metropolitan areas for the future:
  - Maintaining quality of life
  - Building 'inclusive' cities
- Proper integration and coordination of any large metropolitan area is hampered by the fact that they are usually treated no differently from any other municipality, regardless of their size or the function that they must perform.

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# Why cities matter?

- Economic engines
- The rapid growth in the urban population has created serious challenges for cities around the world:
  - air and water pollution
  - transportation gridlock
  - deteriorating infrastructure
  - violence and crime
  - income polarization

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How do you coordinate service delivery and infrastructure when there are many different local governments in a metropolitan area?

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# Outline of Presentation

- Why does governance matter?
- How do you balance regional and local interests?
- Models of metropolitan governance
- Examples from nine federal countries
- Are metropolitan areas treated differently?
- What role do state and federal governments play?
- Final observations

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# Why does governance matter?

- Institutions of metropolitan governance are important because they affect decisions about:
  - quantity and quality of services
  - efficiency with which services are delivered
  - whether costs are shared throughout the metropolitan area in a fair and efficient way
  - citizen access to government
  - government accountability to citizens



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# Why does governance matter?

- Metropolitan governance matters for service delivery:
    - Transportation: Need to coordinate transportation across municipal boundaries; need to ensure access to employment and services; need to coordinate transportation and regional land use
    - Water: Need to determine where treatment facilities will be located
    - Solid waste: Need to determine where garbage disposal sites will be located
    - Policing: Need to fight crime across municipal boundaries
    - Social services, health and education: Need to decide on level of expenditures and how to share costs
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# Balancing regional and local interests: Criteria to evaluate governance models

- Efficiency
  - Ability to achieve economies of scale
  - Ability to reduce negative spillovers (externalities) across local boundaries
- Equity: ability to share costs and benefits of services fairly across the metropolitan area
- Accessibility and accountability for decision-making
- Local responsiveness/competition

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# Models of Metropolitan Governance

- One-tier government model (fragmented local governments)
- One-tier government model (consolidated local governments)
- Two-tier government model
- Voluntary cooperation (incl. special purpose districts, inter-municipal cooperation)
- Strong state/provincial government role

# Examples from Nine Federal Countries

| Country       | Metropolitan Area                   | Governance Model   |
|---------------|-------------------------------------|--|
| Australia     | South East Queensland<br>(Brisbane) | Strong state government role   |
|               | Perth                               | Strong state government role; fragmented local governments   |
| Brazil        | Belo Horizonte                      | Voluntary cooperation; state government in charge of shared functions; inter-municipal cooperation |
|               | São Paulo                           | Special purpose districts; state role  |
| Canada        | Toronto                             | One-tier consolidated  |
|               | Vancouver                           | Two-tier   |
| Germany       | Central Germany                     | Voluntary cooperation  |
|               | Hamburg                             | Voluntary cooperation  |
| India         | Hyderabad                           | Amalgamation; special purpose agencies   |
|               | Mumbai                              | Special purpose agencies   |
| South Africa  | Gauteng city region                 | 3 metros; limited inter-municipal cooperation  |
|               | Cape Town                           | One-tier consolidated  |
| Spain         | Barcelona                           | Two-tier   |
|               | Madrid                              | Two-tier   |
| Switzerland   | Geneva                              | Purpose-oriented intergovernmental cooperation   |
|               | Zurich                              | Purpose-oriented intergovernmental cooperation   |
| United States | Louisville                          | Consolidated one-tier  |
|               | Los Angeles                         | Fragmented one-tier  |

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# One-tier Model (Fragmented)

- Advantages:
    - Local autonomy and responsiveness
    - Competition to provide more efficient services
  - Disadvantages:
    - Inability to address spillovers across municipal boundaries
    - Lack of coordination of services, planning and economic development across municipal boundaries
    - Cost of services not shared equitably across the metropolitan area
    - Functional separation creates tensions e.g. between workplace and residential communities
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# One-tier Model (Consolidated)

- Advantages:
  - Economies of scale
  - Redistribution between rich and poor areas
  - Coordination of service delivery
  - More local influence with national policy makers
  - More unified actions for urban problems that do not respect political boundaries e.g. floods, epidemics, crime, and environmental pollution
- Disadvantages:
  - Threat to local autonomy, responsiveness, and citizen engagement
  - City-region may be too big to be acceptable political/administrative unit

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# Two-Tier Model

- Advantages:
  - Upper tier provides services that are region-wide, generate economies of scale, involve redistribution, and display externalities
  - Lower tiers provide services with local benefits and greater access and accountability
- Disadvantages:
  - Costs may be higher because of waste and duplication
  - Two tier may be less transparent and more confusing for citizens

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# Voluntary Cooperation – Single-Purpose Bodies

## ■ Advantages:

- ❑ Special bodies are easy to create politically; easy to disband
- ❑ Maintains local autonomy
- ❑ Can achieve economies of scale
- ❑ Can address spillovers on a service by service basis

## ■ Disadvantages:

- ❑ No tradeoffs between different types of expenditure
  - ❑ Problems of accountability
  - ❑ Redistribution is not automatic
  - ❑ No region-wide coordination
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# Voluntary Cooperation – Multi-Purpose Bodies

- Advantages:
  - Wide range of functions
  - Can achieve economies of scale
  - Address spillovers
  - Preserve local autonomy
  - Could be step towards more formal governance
  
- Disadvantages:
  - Lack of accountability

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# Are metropolitan areas treated differently than other urban and rural areas?

- Generally not, with some exceptions:
  - City-state status (e.g. Hamburg)
  - Additional taxing powers (e.g. Toronto, some US cities)
  - Special intergovernmental transfers (e.g. cities in Brazil, South Africa, Switzerland)

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# State/Provincial Role

- State/provincial governments generally have jurisdiction over cities and metropolitan areas
    - Create or eliminate municipalities (need local approval in Brazil)
    - Determine expenditure responsibilities and revenue tools
    - Deliver some local services (e.g. Australia)
    - Grant special status (e.g. Toronto)
    - State-local tensions where large local governments have large budgets
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# Federal Role

- Federal government increasingly interested in cities as engines of economic growth (e.g. Switzerland, Brazil, Australia, India)
- Federal funding to cities especially for infrastructure (e.g. Switzerland, Brazil, Australia)
- Federal influence over regional cooperation through spending (e.g. United States transportation funding)

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# Final Observations

- An effective system of governance for the entire metropolitan region is needed to ensure that services are delivered efficiently and costs are shared fairly
- Voluntary cooperation is the most popular regional governance structure— does it provide the regional foundation for metropolitan issues?
- If there is a regional government structure, need community or neighborhood councils to engage citizens and encourage participatory democracy

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# Final Observations

- Metropolitan areas need fiscal autonomy
  - Role for state government – coordinate service delivery; ensure fair sharing of costs across region; ensure sufficient resources
  - Role for federal government – resources directed to making metropolitan areas internationally competitive
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