



**Multi-level governance: the  
importance of the institutional  
framework for regional  
development.  
The experience of  
OECD Countries**

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## Overview

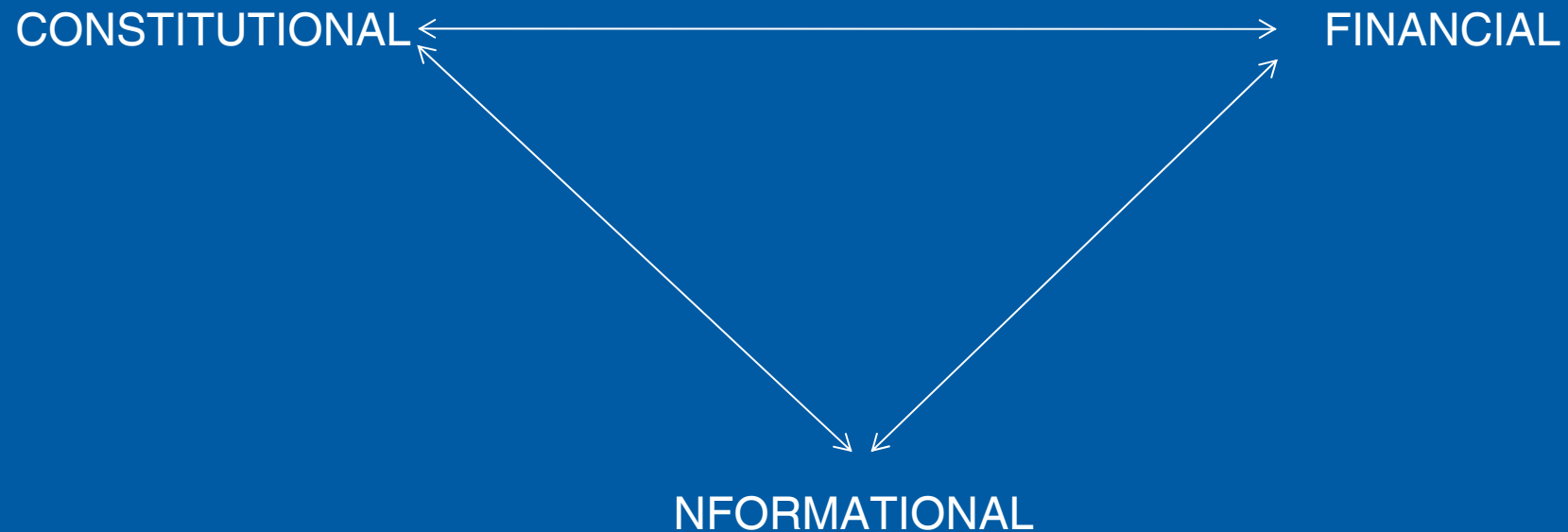
**This presentation will answer the following questions**

1. What do we mean by multi-level governance relations?
2. Multi-level governance and regional development
3. The experience of OECD countries
4. In what contexts does the OECD address multi-level governance?
5. What trends have we observed?
6. What challenges are faced and what key issues are emerging?
7. Where can you access additional information and examples?

# 1. What do we mean by “multi-level governance relations”?

- Multi-level governance refers to :
  - The exercise of authority and the various dimensions of relations between central (CG) and elected sub-central levels of government (SCG)
- It covers the following dimensions:
  - The institutional framework (e.g. levels of government, allocation of responsibilities and governance structures)
  - Central-sub central fiscal relations (e.g. SCG expenditures, SCG revenues, fiscal equalisation, and other financial issues)
  - Vertical and horizontal co-ordination mechanisms and incentives among actors
  - Accountability (e.g. CG oversight/monitoring of SCGs and sub-national service delivery, sub-central self-monitoring, accountability to citizens )

# 1. What do we mean by “multi-level governance relations”?



Focus on the informational aspect:

a better governance system is a system where decisions are taken on the basis of an optimal flow of information between the parties

# 1. What do we mean by “multi-level governance relations”?

## Contractual approach to multi-level governance

Transactional  Relational contracting

**Transactional:** The respective duties of the parties can be stated in advance and all co-ordination problems are defined *ex ante*

**Relational:** The parties commit to co-operate *ex post* and design a “governance mechanism” *ex post*

Depending on:

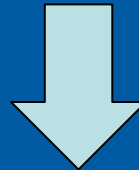
1. the relative expertise of the parties;
2. the complexity of the policy domain;
3. the degrees of inter-dependence among the parties;
4. the enforcement context.

## 2. Multi-level governance and regional development

1. In most countries regional development is a shared responsibility between CG and SCG: ex ante co-ordination among level of government needed (transactional contracts)

And

2. Regional development is a very complex issue: a mix of various policy areas: innovation, social policy, infrastructure etc. (this would suggest the need to use relational types of contracts).



Assess framework agreements with care in order to determine which elements can be managed through transactional contracts and which should remain relational

## 2. The experience of 2 OECD Countries

### FRANCE:

A STRONG UNITARY STATE in which the logic of contracting is to manage policies in the framework of a decentralisation policy in which the CG remains an essential partner of SCG

Decentralisation in two stages:

1980: **Contracts de Plan Etat-Régions**, CPER (Increased role of prefects: decentralisation and deconcentration; regional planning: whole economic activities of the regions ; enforcement context: administrative judges)

2003 (Act II) and **Contrats de Projects Etats-Régions** (2007), based on projects designed by the regions themselves.

The contents of contracts was narrowed to: 1. competitiveness and attractiveness of territories, 2. promoting sustainable development, 3. ensuring social and economic territorial development.

## 2. The experience of 2 OECD Countries

### ITALY:

The logic is to **empower SCG**, transferring responsibilities so as to train and make them more accountable.

**Intesa Istituzionale di Programma**, IIP (Institutional Understanding on the Programme), operationalised by the **Accordo di Programma Quadro**, APQ (Framework Agreement on the Programme).

APQ: 1. Actions, 2. Agents, 3. Financial coverage, 4. Monitoring and evaluation, 5. Commitments and 6. Conciliation or Conflict Resolution procedures.

Decentralisation is a relatively recent progress:

need for capacity building at the SCG level



### 3. In what contexts does the OECD address multi-level governance?

- Fiscal relations
  - The OECD Network on Fiscal Relations Across Levels of Government
- Regional economic development
  - GOV's Regional Competitiveness and Governance Division
- Regulatory quality at different levels of government
  - GOV's Regulatory Division
- Public administration in general
  - GOV's "horizontal" project on multi-level governance addressing:
    - Human resource management
    - E-government
    - Fiscal relations
    - Regulatory quality

## 4. What trends have we observed?

- In many countries there has been a trend toward decentralisation and delegation to sub-national governments
  - However, central governments remain concerned about sub-central efficiency and effectiveness
  - In some cases... we have observed a re-centralisation of functions
- SC spending as a percent of total government spending varies widely across countries, from < 6 % to more than 50%
  - Overall, this share increased slightly from 1985 to 2005, in part reflecting assignment of new responsibilities to SCGs
- Trade-offs are attached to decentralisation, often linked to efficiency in public spending, equity and stability.
  - Solutions are country-specific and linked to political and institutional arrangements.

## 5.1 What challenges are faced and what key issues are emerging?

### Challenges include:

- Identifying mechanisms and incentives to facilitate co-ordination and dialogue among levels of government
- Ensuring sufficient sub-national revenues to meet expenditure responsibilities
- Identifying the right mix of intergovernmental transfers, and balancing transfers with own revenue
- Closing the information gap that often exists between the central and sub-central levels of government

## 5.2 What challenges are faced and what key issues are emerging?

### Emerging issues:

- Ensuring sufficient sub-national public administration capacity
  - Human resource capacity, financial management, capacity to deliver a range of services
- Institutionalising learning and evolution of multi-level governance arrangements
  - Viewing relations between levels of government as dynamic and building opportunity for collective learning, adjustment, and improvement

## 6. Where can you access additional information and examples?

- **OECD website:** Info by topic, by country, or by directorate; [www.oecd.org](http://www.oecd.org)
- **SourceOECD:** An subscription-based online library of statistical databases, books and periodicals; [www.sourceoecd.org](http://www.sourceoecd.org)
- **OECD Online Bookshop:** [www.oecd.org/bookshop](http://www.oecd.org/bookshop)
- **Statistics** available at: [www.OECD.Stat](http://www.OECD.Stat)
- **OECD Observer:** The OECD magazine; <http://www.oecdobserver.org/>
- **GOV experts:**
  - Report on Civil Service and Administrative Reform and Multi-level governance in Russia: [nick.malyshev@oecd.org](mailto:nick.malyshev@oecd.org), [gabriella.meloni@oecd.org](mailto:gabriella.meloni@oecd.org)
  - Multi-level governance: [claire.charbit@oecd.org](mailto:claire.charbit@oecd.org)
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