Summary: Many cities become over time economically interdependent with their surrounding areas, constituting a single economy and labor market (a metropolitan area). Such areas are usually integrated systems of local government jurisdictions. The economic links between the core and the periphery can become so close that one part cannot succeed without the other. This paper provides a typology of the main metropolitan-level governance approaches applied internationally, with their pros and cons, and related city examples. The paper focuses on areas with more than one local government, but also includes examples where the metropolitan area essentially coincides with one local government jurisdiction. It concludes with a summary of lessons learned and suggested topics for further applied research.

Key Words: Metropolitan governance, urban management, urban systems, local government, land use and transport planning, local public service delivery.

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1 This paper is based on a module on metropolitan finance and governance in a forthcoming e-learning course “Municipal Finances: A Learning Program for Local Governments” of the World Bank Institute http://www.einstitute.worldbank.org
METROPOLITAN MANAGEMENT – APPROACHES AND IMPLICATIONS

I. INTRODUCTION

Urbanization across the world is creating larger cities and urbanized areas. In mid 2012, there were 27 megacities with over ten million people, and more than 500 urban agglomerations with over one million citizens. (Brinkoff, 2012) Many large cities have over time become more economically interdependent with their surrounding settlements, constituting a single economy and labour market, a community with common interests, a metropolitan (metro) area or region. The economic links between the core and the periphery can become so close, that one part cannot succeed without the other. The radius of such an area is often in the order of 20 to 40 kilometres, but sometimes larger, or an urban “corridor” because of the topography or location of key infrastructure. While political boundaries tend to be fairly stable, urban growth often change the character of an area. Therefore, a metropolitan area usually includes a number of local government jurisdictions.

This mismatch of political fragmentation and economic integration creates a need for metropolitan-level management; to seize opportunities for collaboration, and prevent wasteful competition between local governments. Lack of any formal or informal governance arrangements at metropolitan scale tends to create fragmentation of services (inefficiencies); “free ridership” by some jurisdictions (due to spillovers); environmental degradation; and underutilization of land with potentially higher value from a regional perspective. Properly functioning metro areas is particularly important in developing countries where urban growth is rapid and institutional structures often weak.

This paper highlights the issue and related challenges, and provides a typology of the main metropolitan-level governance approaches applied internationally, with their pros and cons, and related city examples. It concludes with a summary of lessons learned and suggests topics for further applied research.

1. How are Metropolitan Areas Formed?

Large urban areas offer large local markets with low transport costs, and facilitate scale economies and industrial diversity. Agglomeration facilitates economic growth through sharing of information, labor, and other inputs; specialization, innovation and intra-industry trade; and competition. Such areas also face challenges of infrastructure and housing shortages (often creating large unplanned settlements); traffic congestion; large informal sectors; and related governance and management challenges. (World Bank, 2010)

A metropolitan area may emerge either through an outbound growth of a city, or a gradual integration of various settlements. In a Monocentric Area, a core city is growing outwards in more or less concentric circles with decreasing population densities (e.g. Paris, Dublin). In a Polycentric Area the growth is more a matter of integration of various areas. Sub-centres grow and over time become sufficiently close to a main city from a transport perspective to allow business interaction and daily commuting (e.g. Johannesburg, Seoul).

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2This paper is based on a module on metropolitan finance and governance in a forthcoming e-learning course “Municipal Finances: A Learning Program for Local Governments” of the World Bank Institute http://www.einstitute.worldbank.org
2. The Need for Metropolitan Governance through Political Transformation

As metropolitan areas grow, there is an increasing need for coordination and joint decision-making by the area local governments, and management at a metropolitan scale of some functions and services. For example, while activities to retain businesses should normally be left to the lowest level of government, attracting new firms is usually best pursued at a regional level. Strong interdependencies also exist in tourism promotion and management. Solid waste disposal is a typical joint function for efficiency, while waste collection may be managed locally. Environmental impacts transcend jurisdictional boundaries, and inadequate maintenance of storm drains in one area can cause flooding in another (spillover effects). A framework for allocation of expenditures between a metropolitan structure and individual local governments is included as an annex.

International experience has shown that “there is not one size that fits all” due to local and national differences. (Slack, 2007) Some institutional arrangements are established “bottom up”, i.e. through initiatives and agreements among the local governments in the area; some “top down”, i.e. by a provincial or national government. The arrangements often evolve, moving from one approach to another over time.3

While the system of local administration has a significant impact on the efficiency and equity of a regional economy, it also impact the accessibility of residents to their local governments, the degree of public participation in decision-making, and the accountability and responsiveness of the governments. Efficiency, equity, and voice are essential for good metropolitan governance. (Klink, 2008) Slack concludes that the optimal design of government structure depends on which criteria are to be satisfied. Economies of scale, externalities, and equity lend themselves to large government units over an entire metropolitan area; the criteria of local responsiveness and accessibility and accountability point towards smaller government units. The challenge is to find the right balance between those criteria; this may be different in different metro areas.” (Slack, 2007) Political factors often determine the choice of governance structure though.

Financial considerations are often prime incentives for creating special metropolitan arrangements.

- **Pooling financial or human resources**: When synergy will be achieved through joint efforts (area promotion, procurement, borrowing, etc.);
- **Cost sharing**: When scale economies will be gained by sharing costs for an investment (e.g. specialized equipment) or delivering a service;4
- **Management of Spillovers**: When spillovers (externalities) across jurisdictions need to be addressed; e.g. air or water pollution (negative spillover); or if attractions are in one area while visitors stay and spend in another (positive spillover);
- **Reducing Disparity**: When significant income and/or service inequality exist between jurisdictions (e.g. different tax base).

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3 Metropolitan management can be viewed as teamwork among local governments, particularly when a bottom-up approach is applied. Effective teamwork requires: (a) a common objective; (b) trust; and (c) that differences among members are viewed as strength, not as a weakness.

4 Alternatively it may be provided by one of the local governments, charging the others a fee.
II METROPOLITAN GOVERNANCE MODELS

The main institutional approaches applied internationally to address these needs are categorized, described, and exemplified in Table 1. They range from: (a) ad hoc cooperation, and joint (temporary or permanent) coordination initiatives or arrangements; through (b) metropolitan planning and/or service delivery authorities; (c) a metropolitan-level / regional government; to (d) a consolidated local government through amalgamation of jurisdictions or annexation of adjacent areas by a city. While a municipal government covering most of its metro area facilitates coordination, local offices or sector arrangements may still be needed for efficiency and resident accessibility; cooperation across the area is often still a challenge.

1. Application Globally

International experience demonstrates a great diversity of metropolitan models, particularly across North America (Dodge, 1996) and Europe (OECD, 2006). Although many megacities are in South Asia, few examples exist of well established and functioning approaches. Many metropolitan development authorities exist, but these tend to mostly be focused on investment planning and land development. In East Asia, China, Japan and South Korea have consolidated and comprehensive metropolitan governments for their megacities (Yang, 2009), while Manila, the Philippines has had various regional governments with strong local government representation and the chair appointed by the President (Laquian, 2005).

Although Latin America is home to many megacities, the frameworks for metropolitan governance in Sao Paolo, Mexico City, Buenos Aires and Rio de Janeiro are lacking or weak. Exception is the Metropolitan District of Quito in Ecuador, an elected metropolitan council with broad responsibilities, presided over by an elected metropolitan mayor. Somewhat similar systems exist in Bogota and Caracas, albeit being weaker in practice. (Rojas, 2007)

Sub-Saharan Africa is rapidly urbanizing, but most cities lack effective institutions to address subjects at a metropolitan scale. South Africa is an exception, having through amalgamations in 1998 established six municipalities, each essentially covering their metropolitan area.

Where institutional arrangements at local levels are lacking or weak, coordination tend to be exercised by national or provincial/state governments (e.g. Lagos State). In Australia public transportation and other local functions are managed by the provincial governments. (Abbott, 2011) While an inter-governmental transfer system can be a powerful tool by a national government to influence inter-municipal affairs, it can also have unintended consequences if not carefully designed. Policies in Mexico in the 1990s, for example, unintentionally exacerbated the level of fiscal disparity in the metro area of Mexico City due to indirect negative effects of transfers on local tax collection, causing further disparity of infrastructure. Mitigating efforts proved to be constrained by legal and political complexities. (Raich, 2008)

Often local governments do not evolve or cooperate unless they are required to do so by a higher level government, for example to be eligible for certain funding. Many regional planning councils were created following the availability of EU regional economic development grants (OECD, 2006). However, this does not always create lasting arrangements. In the United States, it was for many years a pre-requisite for obtaining certain grant funding from the US federal government that the local governments present their needs and solutions through a regional plan. When these requirements ended, the effectiveness of many regional bodies that had been created diminished. (Post, 2004) Other incentives for local/regional coordination have been through inter-governmental systems (e.g. in India), enabling legal frameworks (e.g. in France, Poland and Italy), and through financial incentives and political influence (e.g. in the Netherlands).
Table 1: Metropolitan Governance Models

<table>
<thead>
<tr>
<th>Approach</th>
<th>Characteristics</th>
<th>Pros (advantages)</th>
<th>Cons (disadvantages)</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. HORIZONTAL COOPERATION AMONG LOCAL GOVERNMENTS</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) Case-by-case joint initiatives</td>
<td>When joint action puts local governments in a stronger position to: (i) achieve economies of scale (e.g. bulk purchasing, contracting, fire fighting, road maintenance, tourism promotion); or (ii) to attract firms, events, or tourists. When significant costs are involved, a cost sharing formula needs to be agreed upon.</td>
<td>Useful for areas with limited inter-dependencies (or with few local governments). Can be an initial phase to build trust for further, more permanent coordination. Useful if formal arrangements are constrained by politics or prohibited legally.</td>
<td>Usually limited in scope. No commitment to address needs on an on-going basis. City candidates for an international conference or sports event tend to apply on behalf of their metro area.</td>
<td></td>
</tr>
<tr>
<td>(ii) Contracting among Local Governments</td>
<td>A local government engaging another local government for the delivery of a service that they are responsible for.</td>
<td>One government can specialize in a service, for the benefit of others in the area. Useful when one local government dominates in terms of capacity. Access by residents to a service provider may be affected; accountability may be weakened or unclear. A contracting local government still needs to monitor service quality and coverage provided.</td>
<td>Common in California, USA. E.g. many smaller local governments are contracting Los Angeles County for certain service provision. Cit of Amman, Jordan is collecting revenues on behalf of other cities in the country.</td>
<td></td>
</tr>
</tbody>
</table>

Privatization or public-private partnerships (PPP) are not specifically addressed in this paper.
<table>
<thead>
<tr>
<th>(iii) Committees, Associations, Commissions, Working groups, Partnerships, Consultative platforms, etc.</th>
<th>Temporary or permanent bodies for coordination. Often character of networks rather than institutions (OECD, 2006)</th>
<th>Flexible approaches.</th>
<th>Usually advisory role only.</th>
<th>Ruhr, Germany Turin and Milan, Italy Paris, France Greater Toronto, Canada</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. METROPOLITAN / REGIONAL AUTHORITY (Special Purpose District) Independent legal entity; voluntary association created by local governments to make better use of their public resources. (i)-(iv) are variations of the approach.</td>
<td>“Bottom-up”, voluntary organizations by local governments.</td>
<td>Effectiveness tends to depend on the level of member commitment.</td>
<td>Particularly common in USA and France.</td>
<td></td>
</tr>
<tr>
<td>(i) Metropolitan Council of Governments (COG)</td>
<td>A forum for coordinated efforts by member local governments. Decisions need endorsement of the respective local Council (to not undermine the accountability of the individual local governments).</td>
<td>A forum to address common / regional interests while maintaining local authority and identity. Flexible, if allowing members to join/exit at any time, or participate on some subjects only.</td>
<td>Impact depends on: (a) the financial and human resources mobilized or allocated to the COG; and (b) the degree of coherence on views on metro issues among member councils.</td>
<td>Common in USA Sao Paolo, Brazil Montreal, Canada</td>
</tr>
<tr>
<td>(ii) Planning Authority</td>
<td>A formal entity similar to COG to design regional strategies and/or exercise planning and policy development authority. With broad mandate or narrow focus (such as for a river basin). They may or may not have authority to enforce or implement plans.</td>
<td>Permanent focal point for regional planning. Specialized analytical resources (to highlight spillovers, potential for scale economies, inequalities, etc.)</td>
<td>Limited impact if only advisory role. Enforcement may require significant institutional capacity to be effective.</td>
<td>Regional Plan Association for New York metro area (NGO with advisory role) Portland, USA, with decision-making power (now an elected metro government).</td>
</tr>
<tr>
<td>(iii) Service Delivery Authority</td>
<td>A public service agency (utility corporation or cooperative) owned by member local governments. Responsible for delivery of one or more services. (Various single-service Use useful to achieve efficiencies for certain service(s). Local governments engaged as active owners via representation on the</td>
<td>Effectiveness depends on financial authority, e.g. to levy user fees, collect contributions from member governments, apply precept powers, have earmarked</td>
<td>Greater Vancouver Regional Service District (GVRSD), Canada, a multi-service public corporation (some planning functions)</td>
<td></td>
</tr>
</tbody>
</table>
| (iv) Planning & Service Delivery Authority | Combination of (ii) & (iii), i.e. planning and delivery of one or more services (e.g. a Regional Transport or Water Authority). | Combination of (ii) & (iii) | Combination of (ii) & (iii) | Common in France.  
- Grand Lyon  
- Communauté Urbaine of Marseille |
| 3. METROPOLITAN-LEVEL / REGIONAL GOVERNMENT | Centralization of some functions while preserving local identities via first-level local governments. | Access by residents may be affected; accountability may be weakened or unclear. | | Toronto, Canada 1954-98  
Cape Town, RSA (to 2000)  
Abidjan, Cote d’Ivoire (to 2001)  
Dar es Salaam, Tanzania (no authority over other (3) local governments)  
Budapest, Hungary (with limited authority)  
London, UK (substantial authority over boroughs) |
| (i) A Metropolitan-level Local Government | A separate metro level local government, with a directly elected Council or one appointed by the area local governments.  
Responsible for coordination and selective functions (may or may not include service delivery).  
It may or may not have authority over the other local governments. | A permanent government structure for certain metro functions.  
Specialized metropolitan-level resources. | Effectiveness tends to depend on: (a) the degree of its authority over the other local governments; (b) funding; and (c) if mainly planning functions or some service delivery functions as well. | |  
6 If local governments are mostly funding the authority, they need to be adequately represented on its board or council to ensure the accountability of decisions.  
7 The areas and average populations of French local governments are small by international standards. They therefore make extensive use of cooperative arrangements for their service provision. France has a particular legal framework for inter-municipal cooperation (‘syndicats intercommunaux’). The syndicates are similar to cooperatives or federations of local governments to carry out single or multiple functions. A local government may be involved in several syndicates.  
8 Some argue that large-scale metropolitan governments lead to greatly reduced citizen participation, and weakened democratic accountability. (Oakerson, 2004) |
(ii) A Regional Government Established by Higher Level Government

| A government established by a provincial or national government for a metro area. Funding would usually be part of the higher tier government budget. | A permanent government structure (elected, or appointed) for certain metropolitan functions. Specialized resources. Funding would normally not be an issue. | Risk of limited engagement by the local governments in the area. | The Twin Cities, USA (appointed by the state) Portland, USA (elected) Abidjan, Cote d’Ivoire Madrid, Spain Stuttgart, Germany (directly elected) London, UK (with directly elected Mayor) Ile-de-France (Paris) Manila, The Philippines (strong local representation; chair appointed by President) |

4. CONSOLIDATED LOCAL GOVERNMENT (through amalgamation or annexation)

| Jurisdiction covering a large portion (or all) of the metropolitan area. | Facilitates coordination, redistribution / equalization (one tax base) and scale economies. | Resident access to the local government may be affected, and local responsiveness and accountability weakened. Reduce competition and public choice. | Cape Town, South Africa Pittsburgh, USA Toronto, Canada Istanbul, Turkey |

9 The Ministry of Nairobi Metropolitan Development, Kenya can be considered a variation of this although with no direct authority over the area local governments.
2. **Metropolitan (Regional) Authority – City Examples**

2.1. **Variety of Approaches for a Metropolitan Authority**

Planning and service consolidation through a metropolitan authority can generate efficiency gains, particularly for smaller local governments in a metro area to remain independent yet efficient, signing service delivery contracts with the metro authority or utility company. Characteristics of a metro authority are reflected in Table 2, distinguishing options for each dimension. For example, some transport authorities are characterized by items in **bold**.

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Option 1</th>
<th>Option 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Function</td>
<td>Planning</td>
<td>Planning and Service Delivery</td>
</tr>
<tr>
<td>Scope</td>
<td>Single Sector/Function</td>
<td>Multiple Sectors/Functions</td>
</tr>
<tr>
<td>Degree of Authority</td>
<td>Advising/guiding</td>
<td>Managing</td>
</tr>
<tr>
<td>Legal status</td>
<td>Public Sector Agency</td>
<td>Public Sector Corporation or Utility Company</td>
</tr>
<tr>
<td>Operational</td>
<td>Non-profit</td>
<td>For profit</td>
</tr>
<tr>
<td>Accountability of Council/Board</td>
<td><strong>Appointed or elected by the local governments in the Area</strong></td>
<td>Elected by the residents in the Area</td>
</tr>
</tbody>
</table>

2.2. **Tax Sharing Agreements**

Tax competition is sometimes tempting for local governments to attract business and high-income residents. However, reduction of tax rates sometimes becomes “a race to the bottom” and loss of revenues.

**Communauté Urbaine of Marseille, France** is a consortium of seventeen cities which uses a joint system for collection of a business tax with common tax rate, avoiding tax competition and achieving more cost-effective tax collection. It is governed by a body of the mayors and councilors of the municipalities, responsible for regional economic development, transport, land use and housing, crime prevention, waste disposal and environmental policies. Marseille transitioned from informal cooperation among a few local governments focused on a few roads and traffic projects, to a regional planning and service delivery authority.

The local governments (58) in the **Grand Lyon, France** area have a tax sharing arrangement whereby part of the local tax revenues are allocated to a common budget for metro level initiatives and expenditures.

**The Twin Cities (Minneapolis-St.Paul), USA** experienced significant mismatch between social needs and tax base (income and property tax) between two central cities and suburban areas.

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10 Basic data on city examples in the paper can be found on [www.wikipedia.com](http://www.wikipedia.com)

11 “The whole is greater than the sum of the parts” is a saying in this regard. However, if the parts cannot come together politically to add up to the whole, then they may be worse off. (McCarthy, 2011)

12 An additional option is when appointed by a provincial or national government.
They established a Metro Council with access to part of the property taxes in the region to finance certain services and targeted transport subsidies. This Council evolved into a Regional Government appointed by the Minnesota State Government, and subsequently to a public sector corporation.

2.3. Flexible Arrangements

The metro governance in **Bologna, Italy** was established on a voluntary basis in 1994 by forty-eight local governments and the province of Bologna. A metropolitan council is composed of all the mayors and presided over by the provincial president. Each local government is free to withdraw at any time and may participate in some or all activities of the council; a low-risk approach for the governments in the area.

A metropolitan authority needs to be properly funded. **Greater Vancouver Regional Service District (GVRD), Canada** finances its services through user charges, a share of property tax, and annual contributions from the member local governments, but has also been given authority to collect a road and gasoline tax in the metropolitan area. This metropolitan administration is now a public corporation with a Board composed of representatives of the eighteen member local governments; another flexible, demand-driven organization providing different services to its members through individual agreements. Since established in 1965 numerous services have been added, including human resource management services on a contract basis. It does not have any strong land use planning powers though. GVRD was initially established by the provincial government, but has evolved to a corporation governed by the member municipalities.

2.4. Metropolitan-level Planning through Non-governmental Organizations

Metropolitan-level planning is sometimes carried out by non-governmental organizations.

**Regional Plan Association (RPA)** serves the New York–New Jersey–Connecticut Metropolitan Region, which is comprised of 31 Counties. RPA is an independent metropolitan policy, research and advocacy group, which performs most of the regional planning functions, partly funded by the area Counties.

Although a new Constitution in Brazil (1989) increased the autonomy of local governments, and delegated responsibility for designing metropolitan structures to the state legislatures, still few examples of formal inter-municipal cooperation exist except in the **São Paulo ABC Region**. This metro organization has had particularly active engagement of the civil society and the local private sector, and has played important roles in the economic development of the area (City of São Paolo does not participate though). It was created to reinvent the region with a new economic vision after a period of very high unemployment.

2.5. Municipal Development Agencies

A separate agency for planning and development has been established for some cities; some with a mandate focused on land use and master planning (**Delhi Development Authority in India, and Dhaka Capital Development Authority (RAJUK) in Bangladesh** (Siddiqui, 2004), others with broader city development mandates such as **Lagos Mega-City Development Authority in Nigeria**, and **London Development Agency in the UK**, recently incorporated into the Greater London

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13 The name refers to three small cities bordering São Paulo, initially forming this cooperation.

14 Both established by the national governments.
Authority to which the Mayor of London reports. These regional authorities combine some governing authority with development and service functions. They often receive state or municipal land to develop and sell.

3. Metropolitan-level / Regional Government – City Examples

3.1. Metropolitan-level Local Governments – Institutional Evolutions

International experience suggests that flexibility of governance arrangements over time is advisable as the local and regional circumstances change. The following examples have all had a local metropolitan government at some time, but have evolved between different models. (Slack, 2007)

Toronto, Canada operated under 13 independent municipalities until 1953, when a two-level system with an elected Metro Toronto and six additional independent local governments were established (each level with separate functions). After years of growth these seven were merged in 1995 into one local government, the City of Toronto (still only representing about 50% of the population in the metropolitan area though). The changes were to a great extent for increased development effectiveness and service delivery, and harmonization of service levels across the area. The provincial government played an important role in the evolution.

London, UK was governed by a two-level structure from 1964 to 1986, the Greater London Council (GLC) and 32 local governments (each with its own mayor and council). In 1986, the GLC was abolished and governance of London became responsibility of central government ministers, using ad hoc arrangements for regional planning. Since 2000, London has again a city-wide government with elected members of a Greater London Authority (GLA) and since 2002 also a directly elected mayor. GLA is a higher-level strategic authority to promote sustainable development and define strategy, particularly for transport, police, economic development planning, fire and emergency planning, land use planning, culture, environment, health, and coordination of London-wide events. GLA and the local governments have little fiscal autonomy; more than 80% of their revenues come from central government grants.

Abidjan, Côte d’Ivoire. Reforms in 1978 restored “commune” status to the major cities in Côte d’Ivoire. Abidjan, the former capital and the largest city in the country, had ten local governments, each with elected mayor and council. At the same time, a metropolitan government, the City of Abidjan, was established for many local functions, with a council of the City mayor and four councilors from each local government. The mayor of the City was indirectly elected by the ten mayors. This system functioned for over 20 years, but the local governments were constrained by the national government in carrying out some functions, and the City had little influence over its finances. National government collected property taxes and remitted them to the local governments which then paid (often delayed) a portion to the City. (Stren, 2007) In 2001, the City of Abidjan was replaced by a Regional Government, or “District” of Abidjan. The post of City Mayor was replaced by a District Governor appointed by the President of the country. The original ten local governments were maintained and three suburban jurisdictions and some rural areas were added.

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15 Municipal governments which essentially cover their metro areas can also be viewed as “metropolitan local governments” (e.g. in China and South Africa).
**Johannesburg, South Africa**, the largest city in South Africa by population evolved from a segregated city with eleven councils, through a stage with one Metro Council plus four subordinated Local Councils, to the current *one single-level city government* covering the main part of the metropolitan area. It has been innovative in shaping its internal governance by issuing management contracts for water and sanitation services; corporatizing road and solid waste functions; and moving to private management of its real estate.

3.2. **Regional Government Established by a Provincial or National Government**

Metropolitan governance reforms have rarely emerged purely from local government initiatives; rather, a national or provincial government has usually either imposed or encouraged it. (OECD 2006)

**Portland, Oregon, USA.** Initially Portland had a COG/planning authority for primarily land use management. It took on additional functions, and eventually was elevated to a directly elected regional government established by the Oregon State Government. It may now levy property, sales, and income taxes, and issue Metro bonds for investments.

**Verband Region Stuttgart, Germany** was created by the Baden-Wurtenberg state government in 1993 as a directly elected higher-level metropolitan entity for an area with 179 local governments. Its main responsibility at present is serving as a public transport authority. For its broader purposes it has become fairly weak, in large part because it has no authority to levy taxes or user charges. Its funding is derived about equally from local government contributions and the state government. (OECD, 2006)

**Metro Nairobi, Kenya** (a different approach). A Ministry of Nairobi Metropolitan Development was established in 2008 by presidential decree to facilitate implementation of a development strategy for this, extremely large (32,000 km²) area of fifteen local governments. However, participation of the main city, City of Nairobi, has been limited.

4. **Consolidated Local Government – City Examples**

Annexation or amalgamation of jurisdictions may sometimes be the most effective approach to achieve needed scale and equity in public service provision. Yet, this tends to be the most politically controversial, usually requiring active involvement of a national or provincial government. Few amalgamations have achieved coverage of an entire metropolitan area. However, in those cases where local governments do indeed essentially cover their economic region, coordination is less challenging in terms of institutional complexity. Allocation of resources and services to the residents across the area still often present challenges though.16

**Cape Town, South Africa** boundaries were drawn by the Municipal Demarcation Board17 in 1998, and now include almost all people who live and work in the metro area (2,461 km²).

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16 Additional examples where the local governments (with subordinated districts or wards) essentially cover their respective economic regions are Seoul, Tokyo, and Istanbul. (OECD, 2006)

17 Similar consolidations were done across the country creating six large metropolitan municipalities.
**Istanbul, Turkey** had its administrative boundaries expanded in 2004 to include provinces previously governed by the central government, increasing its area from 1,830 to 5,340 km². (Turan, 2011)

**Shanghai Municipal Government, China** (and similarly all larger municipalities in China) covers its entire metropolitan area (6,340 km²).

Chinese cities have a two-level local government structure; a Municipal government with a number of subordinated District and County governments. Districts are the more urban ones, and Counties the more rural ones. Coordination is often still challenging due to particularly Counties being quite independently governed; an example where political economy and legacy may influence how an area in practice is functioning. In this case, the municipal government tend to limit its involvement with how the County governments run their affairs in order not to interfere with how they meet their performance targets.

5. **Large Infrastructure Projects – Special Situations**

Managing and funding infrastructure projects that benefit various local jurisdictions needs special arrangements, sometimes a separate project entity to implement the project and possibly to also own, operate and maintain the assets. A higher tier government often has a key role to play, as exemplified below.

ARPEGIO is a public sector company in **Madrid, Spain** through which a directly elected regional government undertakes projects in coordination with local governments. ARPEGIO obtains public land from local governments for development, marketing and management. It allows agile planning and execution of projects that are not attractive for the private sector.

A Metrorail Project is under construction in the **Greater Washington Area** in United States, extending rapid transit service to an international airport and employment centers in the area. The project funding is from: (i) voluntary taxes on local businesses/landowners; (ii) toll road revenues; (iii) two local governments; (iv) one State Government; and (v) grant funds from the US Federal Government (from gas tax revenues and economic stimulus funds).

III. **LESSONS LEARNED AND POLICY IMPLICATIONS**

Lessons from city applications to date for policy makers are:

- The most appropriate governance arrangement for a particular metropolitan area depends on the local and national circumstances (laws, level of decentralization, human capacity, finance, culture, etc.)

- Political factors rather than efficiency and equity often determine the outcome of reforms. The process is as important as the final product (structure).

- When the population of one local government is dominant in a metro area, this tends to be an additional challenge for achieving joint actions (Nairobi, Sao Paolo, Paris).

- Few cities cover their entire metropolitan area. While having one local government covering most of its metro area may facilitate coordination, government accountability and accessibility by residents may suffer; and area-wide coordination may still be a challenge (South Africa, China).
• Evolution from one model to another is not uncommon as local and regional circumstances change and learning takes place (London, Minneapolis-St. Paul, Portland, Toronto).

• Active involvement of a higher level government is often required to ensure arrangements for reasonable coordination of public services and area-wide development (Abidjan, Manila, Stuttgart, Toronto).

• Metropolitan structures created “top-down” by a provincial or national government will often be weak unless they are actively supported by the area local governments (Dar es Salaam, Stuttgart).

• Cost savings is often an argument for amalgamation or annexation. However, as the case of Toronto has shown, by unifying salaries and services across the earlier local government areas, the overall costs may go up.

The implications for policy and practice in a particular metropolitan area include:

• Determine where are the largest gains from joint or coordinated actions (“differences which would make a difference”).

• Engage stakeholders thoroughly, anchored in local and national circumstances.

• Find a balance between achieving efficiency and social equity, and ensuring voice and accountability.

IV. SUGGESTED RESEARCH TOPICS

While much descriptive material exist of individual cases and studies on sector issues (spatial planning, environment, etc.), there is a lack of detailed analytical, comparative work internationally on metropolitan governance structures and their evolution. The following research topics would advance the knowledge on the subject to guide growing cities around the world.

• Determine by analyzing performance indicators over time for what services joint provision has proved to be significantly more cost-effective overall, than if performed by each local government. *(What are the “costs”/missed opportunities when the metropolitan governance is weak?)*

• Assess to what extent voice and access by citizens to their local governments, and related responsiveness by these governments, are different in metropolitan areas with many local governments versus areas with only one or a few larger ones. *(What are the risks with large local governments?)*

• Assess the key factors for effective voluntary cooperation among local governments (mandates, incentives, legal and jurisdictional differences, etc.). *(How to achieve “bottom up” solutions for metropolitan governance?)*

• Determine what factors have proved to be pre-requisites for effective metropolitan-level governance structures (metropolitan authority and government respectively).
Annex

Allocation of Expenditure Responsibilities for Metropolitan-wide vs. Local Service Provision

<table>
<thead>
<tr>
<th>Function</th>
<th>Metro wide</th>
<th>Local Gov’t.</th>
<th>Central Gov’t.</th>
<th>Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Strategic develop. planning</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>Externalities</td>
</tr>
<tr>
<td>Economic development</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>Externalities</td>
</tr>
<tr>
<td>Tourism promotion &amp; mgmt.</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>Externalities</td>
</tr>
<tr>
<td>2 Regional land use planning</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>Externalities</td>
</tr>
<tr>
<td>Local land plans / allocation</td>
<td>X</td>
<td>X</td>
<td></td>
<td>Local access, responsiveness (some externalities)</td>
</tr>
<tr>
<td>Titling / provision of tenure</td>
<td>X</td>
<td>X</td>
<td></td>
<td>No externalities (possibly scale economies)</td>
</tr>
<tr>
<td>3 Social (low income) housing</td>
<td>X</td>
<td>X</td>
<td></td>
<td>Redistribution; scale; some externalities</td>
</tr>
<tr>
<td>Community upgrading</td>
<td>X</td>
<td>X</td>
<td></td>
<td>Local responsiveness; limited externalities</td>
</tr>
<tr>
<td>Cultural facilities</td>
<td>X</td>
<td>X</td>
<td></td>
<td>Economies of scale vs. local responsiveness</td>
</tr>
<tr>
<td>Libraries</td>
<td>X</td>
<td>X</td>
<td></td>
<td>Local responsiveness</td>
</tr>
<tr>
<td>Parks and recreation facilities</td>
<td>X</td>
<td>X</td>
<td></td>
<td>Local responsiveness</td>
</tr>
<tr>
<td>4 Roads and bridges</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>Main (arterial) roads vs. local (street) roads</td>
</tr>
<tr>
<td>Public transit</td>
<td>X</td>
<td>X</td>
<td></td>
<td>Externalities; economies of scale</td>
</tr>
<tr>
<td>Street lighting and cleaning</td>
<td>X</td>
<td></td>
<td></td>
<td>No (or limited) externalities</td>
</tr>
<tr>
<td>5 Police protection/security</td>
<td>X</td>
<td></td>
<td>X</td>
<td>Externalities; economies of scale</td>
</tr>
<tr>
<td>Traffic management</td>
<td>X</td>
<td></td>
<td></td>
<td>Local responsiveness</td>
</tr>
<tr>
<td>Basic fire / rescue services</td>
<td>X</td>
<td></td>
<td></td>
<td>Local responsiveness</td>
</tr>
<tr>
<td>Specialized services; training</td>
<td>X</td>
<td></td>
<td></td>
<td>Scale economies</td>
</tr>
<tr>
<td>Ambulance service</td>
<td>X</td>
<td></td>
<td></td>
<td>Economies of scale; externalities</td>
</tr>
<tr>
<td>6 Water supply system</td>
<td>X</td>
<td></td>
<td></td>
<td>Economies of scale</td>
</tr>
<tr>
<td>Drainage/flood protection</td>
<td>X</td>
<td></td>
<td></td>
<td>Economies of scale; externalities</td>
</tr>
<tr>
<td>Piped sewerage system</td>
<td>X</td>
<td></td>
<td></td>
<td>Economies of scale</td>
</tr>
<tr>
<td>Solid waste disposal</td>
<td>X</td>
<td></td>
<td></td>
<td>Economies of scale (e.g. landfill); externalities</td>
</tr>
<tr>
<td>Solid waste collection</td>
<td>X</td>
<td></td>
<td></td>
<td>Less economies of scale and externalities</td>
</tr>
<tr>
<td>7 Education</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>Primary and secondary vs. higher education</td>
</tr>
<tr>
<td>Public health</td>
<td>X</td>
<td>X</td>
<td></td>
<td>Externalities; redistribution; scale economies</td>
</tr>
<tr>
<td>Welfare assistance</td>
<td>X</td>
<td>X</td>
<td></td>
<td>Income redistribution; externalities</td>
</tr>
<tr>
<td>8 Promotion of major events</td>
<td>X</td>
<td></td>
<td></td>
<td>Externalities</td>
</tr>
<tr>
<td>Business licensing</td>
<td>X</td>
<td></td>
<td></td>
<td>Local responsiveness</td>
</tr>
<tr>
<td>9 Power generation (electricity)</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(Based on Slack, 2004)
V. BIBLIOGRAPHY


Raich, U. (2008) Unequal Development–Decentralization and Metropolitan Finance in Mexico City, VDM Verlag Dr. Muller Aktiengesellschaft & Co. KG, Germany


