



**GOVERNANCE FOR ECONOMIC
COMPETITIVENESS: THE CASE OF OECD
METROPOLITAN REGIONS**

Paradigm shift in urban policies

REMEDIAL APPROACH

Negative externalities

Traditional urban policies: Housing, infrastructure, urban distressed areas, social policies etc..



PROACTIVE APPROACH

Enhance competitiveness

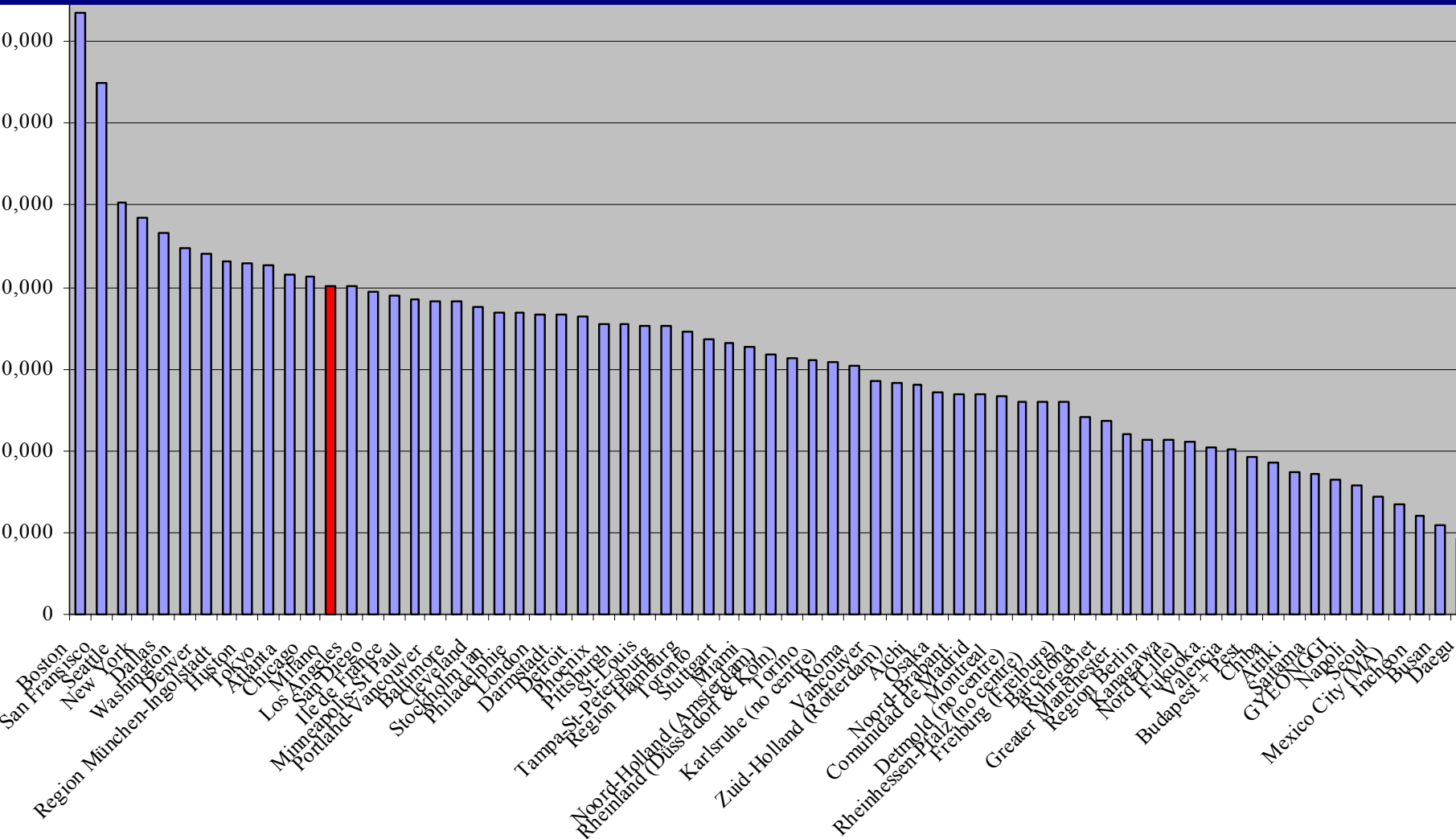
City, metropolitan, regional scale

Physical infrastructure (transport, telecommunication, etc..) + intangible goods (networks, trade forums, clusters networking)

Competitiveness ranking among OECD selected metropolitan regions

(Real GDP per capita)

Milan: 13th out of 67!!



Assessing metropolitan competitiveness

Difference in GDP per capita

=

**Difference in
Productivity**

+

**Difference in
Unemployment
rates**

+

**Difference in
Activity rates**



**Regional
specialisation**



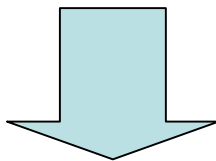
**Complementary factors
Human and physical
capital**

How to enhance metropolitan competitiveness?

Strengthen cluster conditions by enhancing local social capital

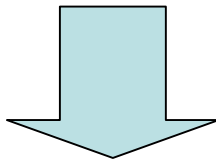
Mobilise innovative capacity and human capital

Invest in physical infrastructure to improve accessibility and quality of life



Strategic vision involving all metropolitan constituencies

Adopt a multi-sectoral approach



METROPOLITAN GOVERNANCE

Main challenges of metropolitan governance

1/ Institutional fragmentation

+

Incentives for cost-efficient
delivery of public services

Fiscal disparities and fiscal spillovers

Inadequate metropolitan-wide infrastructure
and lack of a common strategy

2/ Increasing fiscal and financial strain

3/ Lack of policy co-ordination

Trends in metropolitan governance

	Tax-base sharing and redistributive grants	Metropolitan agency		Metropolitan government	Amalgamation
		Single-purpose	Multi-purpose		
<i>Administrative boundaries</i>	No change	Possible creation of a new layer		Creation of a regional tier with elected body	Disappearance of municipalities Possible creation of sub-local units
<i>Economies of scale (cost saving)</i>	No	For one public service only	For certain public services only	For certain public service only Expected (??)	Expected (??)
<i>Sharing of public services</i>	In a limited way	Yes, for one public service only	Yes, for certain public services only	Yes, for certain public services only	Common
<i>Specific disadvantage</i>	Separate the costs and benefits of local public services	Emergence of sectoral constituencies	Emergence of the funding and legitimacy issues	Democratic cost??	Lack of creative diversity Democratic cost??
<i>Specific advantage</i>	Reduce fiscal disparities Still allow some variety	Cost saving for a particular service Better management of a metropolitan function	Idem to single-purpose + Integration and coordination of sectoral policies	Integration and coordination of certain sectoral policies Better equalisation of costs. Stronger political power	No fiscal disparities One decision centre
<i>Strategic coordination for economic development</i>	No	Yes, if it is an economic development agency Risk of avoiding the multi-sectoral aspects of urban	Yes	Yes, will depend on the administrative boundaries of the new structure	Yes, will depend on the administrative boundaries of the new structure

What role for the central government in urban areas?

- **New approach towards urban areas**
- **Leading role in metropolitan governance reforms**
- **New forms of vertical collaboration**
- **Address issues of urban finance**