



03.

**TERRITORIES:
REGIONS,
SMALL TOWNS
AND RURAL
MUNICIPALITIES**

1.

INTRODUCTION

1.1 PURPOSE OF THE CHAPTER

According to data for 2015, 58% of the world's population resides in rural areas and smaller human 'settlements' – small cities, towns, villages – with a population of 50,000 individuals or fewer.¹ The socio-economic wellbeing of a significant share of the world's inhabitants – including those in urban settlements – is thus intrinsically linked to the viability, sustainability and dynamism of these territories. Overcoming a rigid rural-urban dichotomy is a precondition for the achievement of many of the Sustainable Development Goals (SDGs) and the New Urban Agenda. As acknowledged in the process paving the way to Habitat III, many of the key components of the New Urban Agenda necessitate a wider territorial approach.² The involvement of regions, small towns and rural municipalities is, therefore, as critical as that of metropolitan areas and intermediary cities to strengthening collaboration and integration along the rural-urban continuum.

These different levels of sub-national government have the potential to make a significant contribution to socio-economic development and environmental sustainability; social inclusiveness and welfare; poverty alleviation and the protection of natural resources, at both a local and higher levels of governance. This

suggests that regions, small towns and rural municipalities warrant considerably more attention than they have so far received and should figure much more prominently in the economic, social and environmental development agendas of developed and developing countries alike.

The purpose of this chapter is to provide a multifaceted exploration of the issues relating to the fulfilment of the socio-economic and environmental potential of regions, small towns and rural municipalities. This is based upon a hypothesis that a more collaborative multilevel governance framework and more integrated regional strategies can unlock local potential and bolster a more balanced urban and territorial development.

Such regional strategies should be supported by a **territorial approach to development** (TAD), fostering activities embedded in the territory (i.e. stimulating endogenous growth); putting human values at the core of the local agenda; and mobilizing local assets. Territorial approaches to development can be catalyzers of national development from the bottom up. National and sub-national governments alike should thus strengthen their collaboration and aim for an effective multilevel governance system to reduce gaps, build on complementarities and foster new synergies.

1.1.1 Key conceptualizations

According to the work of a number of policy-makers and researchers, the relevance of sub-national territorial units in development

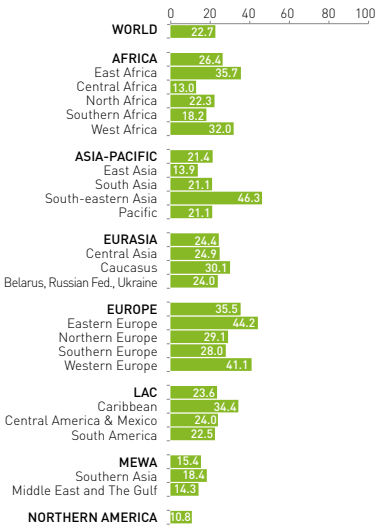


Overcoming a rigid rural-urban dichotomy is a precondition for the achievement of many of the Sustainable Development Goals (SDGs) and the New Urban Agenda

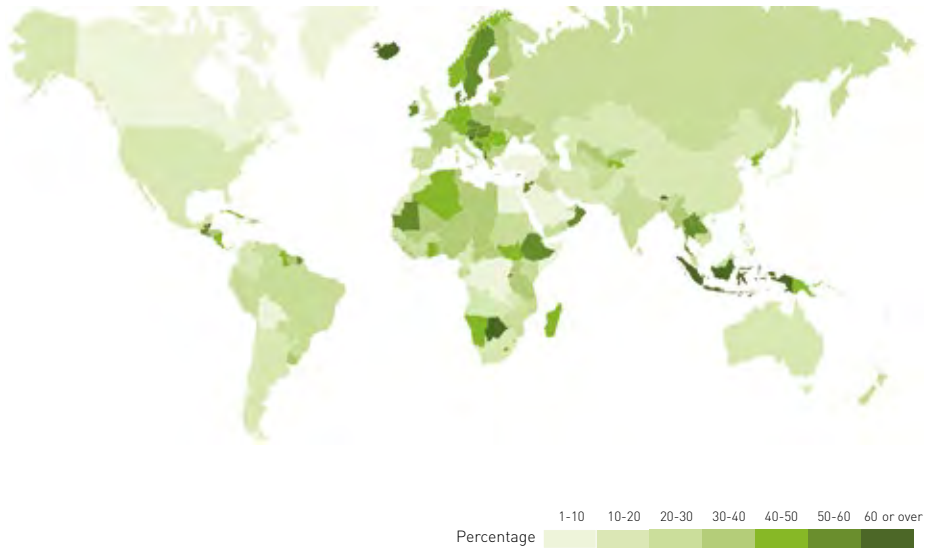
SMALL CITIES, TERRITORIES AND RURAL LINKAGES

Source: UCLG and UN-DESA

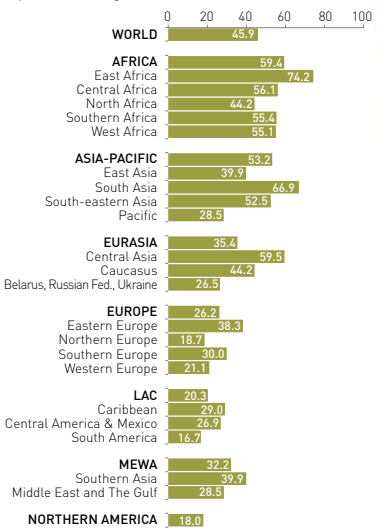
World's distribution of urban population residing in small cities by UCLG regions* (%)



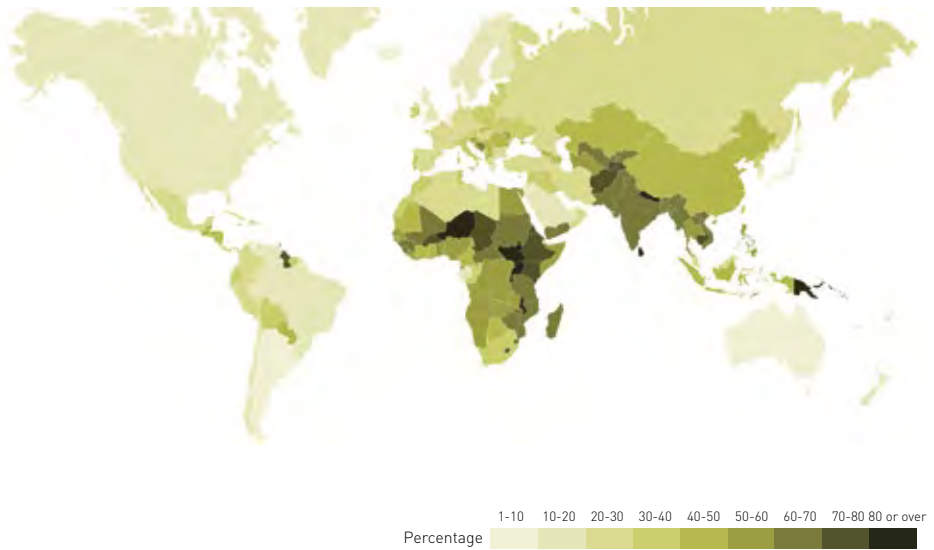
Urban population residing in small cities by country, 2015 (%)



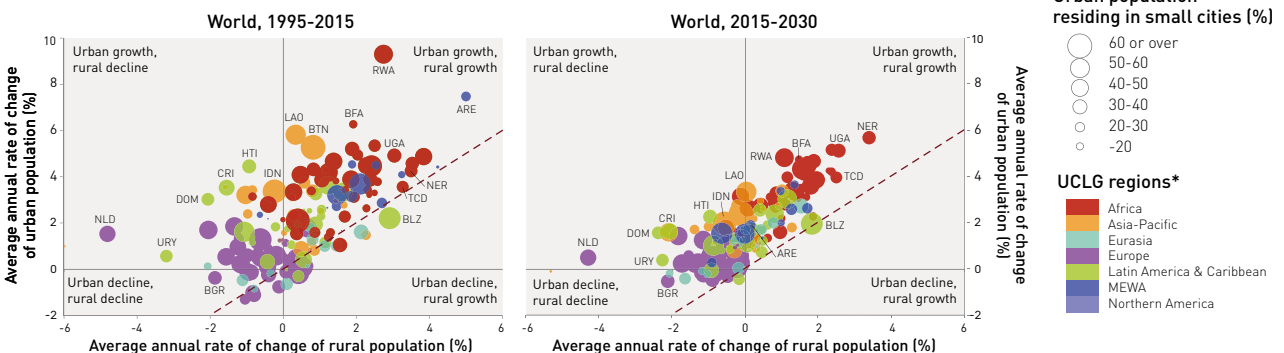
World's distribution of rural population by UCLG regions* (%)



Rural population by country, 2015 (%)



Average annual rate of change of urban and rural populations in countries by percentage of population residing in small cities, 1995-2015, 2015-2030



* For the UCLG definition of world regions and the countries they comprise, please refer to the Methodological Annex at the end of the report.

policy has increased significantly in the last few decades. This is partly as a consequence of globalization processes that have accentuated their centrality.³ The emergence of an increasingly competitive, knowledge-intensive global economy on the one hand, and the territorial scale at which processes of growth, development and change have to operate on the other, imply that 'globalisation is progressively increasing the importance of regional processes and the role of local actors in shaping development trajectories'.⁴ Ultimately, not only have socio-economic growth and change trickled down to sub-national levels, they have in fact been catalyzed by a variety of localized factors – each of them conditioned by the unique characteristics and structures of the locality in which they have taken place.⁵

1.1.2 Regions, small towns and rural municipalities

There is considerable variation in the territorial categorization of regions, small towns and rural municipalities. The typology includes, for example, territories characterized by markedly different economic and industrial specializations and different degrees of reliance on agricultural, industrial, or service activities. Both urban and rural areas belong to this group – as well as those territories that cannot easily be situated in the rural-urban dichotomy. Moreover, regions, small towns and rural municipalities display considerable heterogeneity within the political and administrative structures of the countries to which they belong.

The population of small towns and rural municipalities is smaller than that of large metropolitan areas and intermediary cities, which are also addressed in this report (Chapters 1 and 2 respectively). But regions may vary enormously in size, depending on their institutional and geographical context, with their population ranging from a few thousand (e.g. the Åland islands in Finland) to tens of millions (e.g. certain Chinese provinces and Indian states). Regions across the world are therefore better defined according to their level of government, i.e. as intermediary between national and local governments, and by their capacity to implement autonomous policies and deliver public goods.

Moreover, the definition of a settlement based on the number of inhabitants may be different in different contexts. Definitions of territorial units tend to vary between

countries, and are usually based on population size and in some cases administrative status, density or concentration of non-agricultural employment.

In Sweden, for example, an urban centre is a built-up area with at least 200 households with gaps of no more than 200m between them. In contrast, in India most of the rural population live in villages of between 500 and 5,000 inhabitants. Classified according to the Swedish definition, India would have a predominantly urban rather than rural population.⁶

Another example is Egypt where, by 1996, 17.5% of the population lived in settlements of between 10,000 and 20,000 inhabitants. These had many urban characteristics, including significant non-agricultural economies and occupational structures but were not classified as urban areas, even though in most other countries they would have been.⁷

Definitions in one country may also change over time, only adding to the difficulty of making comparisons. In Mali, for example, until the 1987 census, urban centres included all settlements of over 5,000 residents, increasing to 30,000 residents in 1998 and 40,000 in 2009.⁸

Against this backdrop, regions, small towns and rural municipalities – in developed, emerging or less developed contexts – have in the past few decades been given greater authority and financial powers to shape public policy interventions. This is true not only of the areas they directly govern but also the policies and public goods in their zones of influence. It is therefore imperative that they are considered alongside the other territorial units explored in previous chapters of this report.

In spite of the heterogeneity, especially between regions and other generally smaller, lower-tier territorial units, this chapter aims to draw out '**common denominators**'; provide insights that are **applicable across territories of all sizes**; and single out those features that can inform the design of inclusive territorial approaches, as well as generate social and economic development, and promote environmental sustainability. The role of these territories in the implementation of the SDGs and the New Urban Agenda must be fully recognized and integrated within national policies. They can and must be on the same stage as metropolitan areas and intermediary cities.



Regions, small towns and rural municipalities have in the past few decades been given greater authority and financial powers

1.2 STRUCTURE OF THE CHAPTER

This chapter is composed of three sections, each of which addresses a discrete topic related to development in regions, small towns and rural municipalities. Section 2 explores and evaluates geographically widespread processes of 'regionalization'. This is interpreted to mean how the increasing functional autonomy of sub-national governments affects territorial governance and calls for a more collaborative and cooperative approach. This is as part of a federal structure in some contexts and a decentralization process in others and involves all different spheres of government. The section proposes multilevel governance (MLG) as a means of increasing horizontal and vertical cooperation; mitigating coordination failures and, ultimately, increasing the efficiency of decentralization processes.

Section 3 focuses on territorial approaches to development (TADs) at the regional level. It argues these are the most suitable strategic approach to the pursuit of endogenous, sustainable and inclusive economic growth in the kinds of territories within the report's scope of analysis. It advocates robust regional strategic planning processes as part of the growing role of regions in national development strategies. It also argues in favour of regional economic development policies. First, territorially-specific approaches have been associated with a series of socio-

economic advantages. These relate to their capacity to embed economic activity in a given territory, contribute to the generation of new employment opportunities, and empower local stakeholders. Second, because of their integrative, participatory and dynamic nature, they are able to achieve a more equitable, inclusive and sustainable economic growth. Section 3 also explores the importance of developing balanced and integrative policies, given the co-dependent and synergic relationships between local socio-economic and environmental systems.

Section 4, finally, tackles the role that small urban centres can play in the development of surrounding rural regions, focusing on small towns, their diversity and demographic importance. This section builds on a working definition that explicitly includes spatial and sectoral dimensions, and reviews the evidence of the role of small towns in regional development. It concludes with an analysis of different governance issues, looking at the roles civil society and the private sector play, as well as ways to foster rural-urban partnerships.

The analysis is only a first step in this debate. However, it indicates how and why the priorities and concerns of regions, small towns and rural municipalities inevitably differ from those of other typologies. The overarching implication is that approaches to sustaining economic development and social change must differ for regions, small towns and rural municipalities, compared with more urbanized areas where industrial, higher value-added and, in some cases, more knowledge-intensive activities are abundant and diffused.



2.

REGIONAL GOVERNANCE

Functioning as an intermediary between the national and local level, states in federal countries and regional governments in unitary countries are a key part of contemporary governance and thus the SDGs and the New Urban Agenda. Coherent strategies and policies at different sub-national levels are therefore essential. This is to articulate spatial development across all scales and perspectives, as well as make adequate use of synergies and functional complementarities between both different types of human settlements, and urban and rural areas. Regions are one of the political spaces in which cities and urban systems are embedded. They are responsible for territories characterized by a constant interplay of rural and urban factors, where they can guarantee a sustainable interdependence. **Regional governments, in other words, are pivotal to the promotion of sustainable development and the enhancement of territorial cohesion.**

Recent debate has strongly emphasized the growing relevance of regions, often with regard to the so-called 'global trend towards decentralization' which has emerged over the past few decades. This is contributing to a reinforcement of sub-national units' centrality.⁹ Decentralization (or devolution)¹⁰ involves the transfer of powers, resources and responsibilities to increasingly autonomous and legitimate sub-national authorities.

Although decentralization is by no means a new phenomenon, a deep shift means more and more regions, cities and municipalities are gaining access to power, resources and responsibilities.¹¹ The first GOLD report,¹² for example, underlined that 'in the last 20 years, decentralization has established itself as a political and institutional phenomenon in most countries around the world'. The geographic scope has been broad.¹³ This is,

however, far less known or talked about than parallel processes such as globalization.

As a result of this change, regions are being acknowledged as drivers of development in many countries. They have grown into economic engines that drive development in their territories and play a fundamental role in job creation, sustainable development and social cohesion. This perspective is shared by many international organizations and other actors in the global community, whose policy-oriented analyses and reports tend to highlight the importance in a regional approach to the problems and challenges of global economic growth.¹⁴

At the same time as this recognition of the socio-economic relevance of regions as 'territories', there is a marked tendency to bolster and support the institutional capacities of their governments. Regions are being given the responsibility to lead on key public policies aimed at economic development, but that also positively affect a number of other sectors and competences.

Many regional governments have taken steps to create and participate in international networks, projecting their goals and strategic priorities outwards. Examples include the Council of European Municipalities and Regions (CEMR); the Assembly of European Regions; the Association of European Border Regions; the Conference of Peripheral Maritime Regions in Europe; UCLG's Forum of Regions; the Organization of United Regions (ORU/FOGAR); the Network of Regional Governments for Sustainable Development (nrg4SD), and R20 Regions of Climate Action.

Advances in regional autonomy however have been uneven. This section focuses on the recent evolution of regional government and governance, with particular attention given to its current state of development. It draws



Regions have grown into economic engines that drive development in their territories and play a fundamental role in job creation, sustainable development and social cohesion

certain conclusions to guide the public policy-making process and its scope of analysis is two-fold: i) it explores current regional phenomena, the inherent diversity of this level of government and progress in regionalization and decentralization agendas; ii) it develops a multilevel approach to the improvement of the institutional and operational capabilities and resources of regional governments.

2.1 REGIONAL GOVERNMENTS, THEIR EVOLUTION AND IMPACT ON TERRITORIAL GOVERNANCE

The territorial organization of the modern state has traditionally been divided into two main groups or models. On the one hand, states can be unitary, with a territory, legal system and public administration that is unified. This implies the existence of one legislative power, whose decisions are applicable to the whole territory; one judicial administration with national jurisdiction; one executive power whose mandate extends from the central executive (e.g. presidency, ministries) to all dimensions of territorial management (e.g. governors, prefects, mayors); and, most importantly, one constitutional arrangement that defines and applies to the whole population and political organization.

The central government 'can delegate power through decentralization to local governing institutional units, serving as an administrative arm of the central government to provide uniform and equal access to public services'.¹⁵ In this regard, centralized states are able to have several levels of government (e.g. central, regional or departmental, local), without diminishing the central authority of the state.

On the other hand, many federal or compound states tend to have a dual constitutional order, with a central (federal) jurisdiction and several (federated) territorial jurisdictions. Every constitutional unit is inherently autonomous and can generally determine its domestic regime and political and administrative arrangement. These units, however, are subject to the federal constitution, that determines the overall organization

of the state. This system is usually defined as a 'federal pact', to emphasize both its autonomy and non-hierarchical linkage to a common constitutional order. It has, in other words, 'a multi-ordered government, with somewhat independent governments that share decision-making responsibilities for the supply of public services'.¹⁶

Federal arrangements may vary significantly depending on a country's own history and political traditions. The state has historically strengthened its grip on other levels of government by unifying the judicial and administrative orders of a certain territory. So, the weaker the traditions, particularisms and privileges held by the state, regions and provinces, the stronger the control exerted by central government. Consistent with this dynamic, certain states have evolved into federal countries with the central government having tight control over the political autonomy of the lower tiers – e.g. Mexico, Venezuela or Argentina. Even the United States, generally regarded as the archetype of modern federal states, betrays a constant tension between the powers held by the federal government and those of federated states.

Regionalization has re-emerged in the second half of the 20th century, in both the political discourse and practices of many states. The organization of territorial governance has undergone certain transformations and various policy, administrative and economic issues have arisen at the regional level, including democratic and identity claims. This has elicited a new relationship between central and territorial governments, prompting a significant move towards administrative and, under certain conditions, political decentralization. A regionalizing trend is clearly seen in Western Europe since the 1970s, with unitary states such as Italy, France and Spain beginning a process of explicit regionalization and Belgium, for example, adopting a federal order.

This trend peaks during the 1980s and into the next decade. It is then labelled 'new regionalism', a combination of both theoretical and policy perspectives that directly relate to the relevance of regions as sub-national or city-regional units of economic and political authority. This widespread, systematic acknowledgment allows regions and lower-tier governments to take an active part in national economic restructuring as a result of globalization and supranational integration.¹⁷ It is during the



Regionalization has re-emerged in the second half of the 20th century, in both the political discourse and practices of many states

1990s that the regionalist ideal develops into a model for regions 'to fill the void' that the nation-state – deemed too small to cope with global issues and too large and remote to guarantee the development of all its territory and the wellbeing of all its citizens – was expected to leave.

These overarching phenomena and their historical evolution have informed and shaped regional governments as we know them today. This section uses a two-fold approach to explore these outcomes: i) it analyzes the (often significant) diversity of federal units (e.g. states, *Länder*, regions, provinces); ii) it studies the evolution of regionalization against a backdrop of decentralization and territorial management policies.

These changes have affected the concept of 'forms of state'. This means today's spectrum of territorial organization and arrangements no longer fits easily into a clear-cut dualism between unitary and federal structures. Thus, it needs a more nuanced continuum of diverse political realities to understand it.

2.1.1 Regional and intermediary governments in the world

Until the 1970s, the world was by and large dominated by a centripetal political logic and culture. Only those states that were constitutionally federal could conceive of a degree of political autonomy below the central tier. These states were concentrated in specific

geographic areas, such as Northern America (the United States, Canada and Mexico), areas of Europe (Austria, Germany, Switzerland and, before its dissolution, Yugoslavia), as well as other large countries of British political tradition (such as Australia or India).

Because of their federal history, most of these countries still have traditionally strong and empowered regions, endowed with executive and legislative powers and financial capabilities, actively engaged in political processes at all levels of governance.

Until the 1970s, however, many other countries were formally federal – e.g. the Soviet Union, Argentina, Brazil, Mexico, Venezuela; Nigeria; Malaysia, Nepal and Pakistan; and United Arab Emirates – although they (sometimes substantially) restricted the scope of powers devolved to lower tiers of governments.

In just four decades, however, thanks to decentralization processes around the world, the traditional dominance of the unitary state (see Figure 2.1) means sub-national governments have far more authority and resources at their disposal (see Figure 2.2) – with certain significant exceptions such as in the Arab world and Central Asia.

Decentralization, regionalization and the emergence of intermediary governments are however extremely diverse in their manifestations around the world, and accord with a country's national political traditions,

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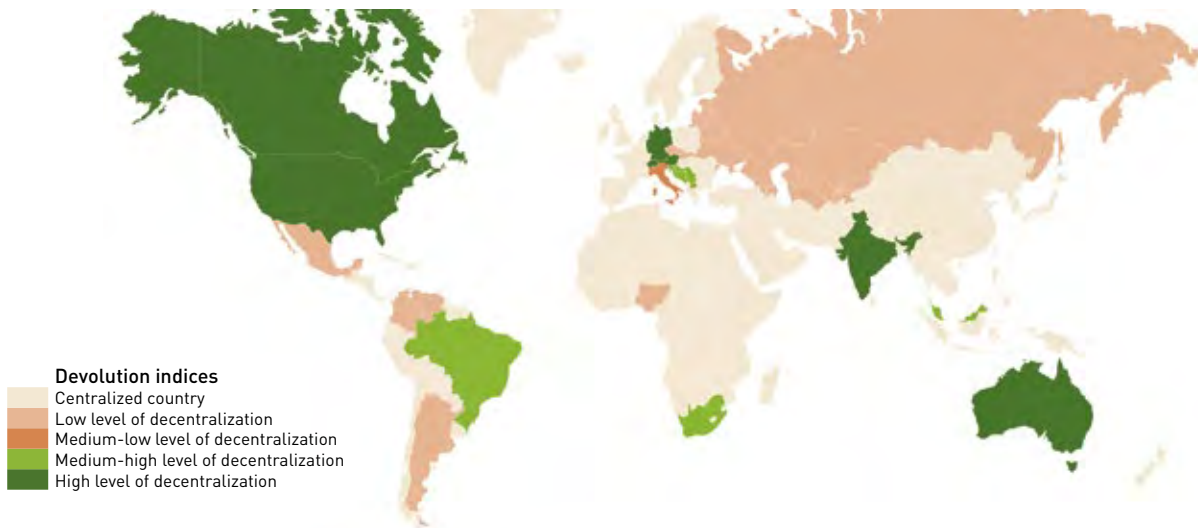


Photo: Maarten - Göreme (Turkey).

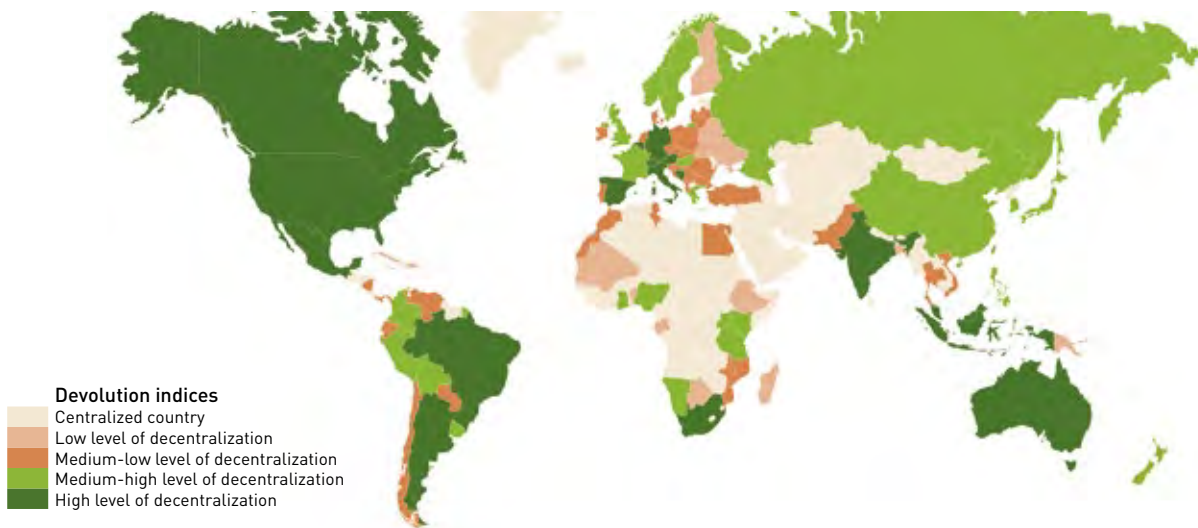
Figures 2.1 and 2.2 **Forms of state and decentralization, 1970-2016**

Source: Regional Authority Index and different devolution indices. 'Authors' elaboration¹⁸

Level of decentralization by country, 1970



Level of decentralization by country, 2016



forms of state, geography and history. **Many countries have developed a particular 'design' or balance of power in the undefined 'grey area' of intermediary government between national and municipal powers.** Not only do many countries constitutionally – or, at least, legally – acknowledge various different intermediary levels of administration, they also tend to distribute powers and competences among them in very different ways. While in many unitary and centralized states, intermediary administrative levels have no autonomy and act rather as territorial representatives of the central government, in

others they have varying degrees of power and resources.

In an attempt to arrive at a reliable typology of intermediary administrative levels, the OECD has developed a long-established regional classification that distinguishes between territorial levels (TLs). While the state and its central government are recognized as the first TL, most countries have at least two others before the municipal level. The OECD traditionally labels these as TL2 and TL3. TL2 is usually represented by federated states or provinces in (con)federations, and 'regions' or derivatives in unitary centralized states. TL3,

directly below TL2, is normally represented by 'departments', 'provinces' or derivatives, such as cantons, counties or districts.

In Europe, for example, Germany's *Länder* and *Landkreise*, France's *Régions* and *Départements*, Italy's *Regioni* and *Province*, and Spain's *Comunidades Autónomas* and *Provincias* follow the dualistic OECD categories.

However, while most countries conform to this administrative scheme, not all do.¹⁹ Significantly, even constitutionally, ethnically or historically federative polities like Russia and India do not have a formal administrative division corresponding to OECD's TL3 units.

Acknowledging the intermediary level of local government and its diversity has been crucial for the effectiveness and feasibility of the EU's regional and cohesion policies. For statistical purposes, the EU has divided its territory into a three-level Nomenclature of Territorial Units for Statistics (NUTS). The definition and scope of NUTS2 and NUTS3 are comparable to the OECD's TL2 and TL3 levels respectively.²⁰ Besides their statistical purpose, the NUTS system of the EU has played a key role in the recognition of regions and other intermediary governments, by making them the primary recipients of the funds, investments, aids and goals of EU cohesion and other regional policies.

2.1.2 Diversity and variation in decentralization around the world

The global trend towards decentralization has been geographically pervasive. But it has not been a homogeneous process. As discussed, there is considerable cross-country variation in the extent to which sub-national government powers and responsibilities are devolved.

In some cases, larger states or provinces have been the recipients, as is the case in China. In others, the main beneficiaries are lower-order municipalities and districts (e.g. Indonesia) or local governments (e.g. Denmark and Sweden). In Latin America, the decentralizing trend has affected federal countries. For example, Brazil has empowered federated states and municipalities alike, while in traditionally unitary countries such as Bolivia, Colombia, Ecuador and Peru, decentralization has initially focused on municipalities and only addressed intermediary tiers (regions, provinces and departments) at a later stage. Even in constitutionally federal countries such as the United States, Canada, Australia, India, Argentina and Mexico, the political relevance of federated states has in general increased.

The heterogeneity of decentralization trends towards sub-national governments



The global trend towards decentralization has been geographically pervasive



Photo: Ian Sane - Astoria, Oregon (United States)

Figure 2.3 **Decentralization in selected European countries, 1970-2010**

Source: Regional Authority Index. Authors' elaboration

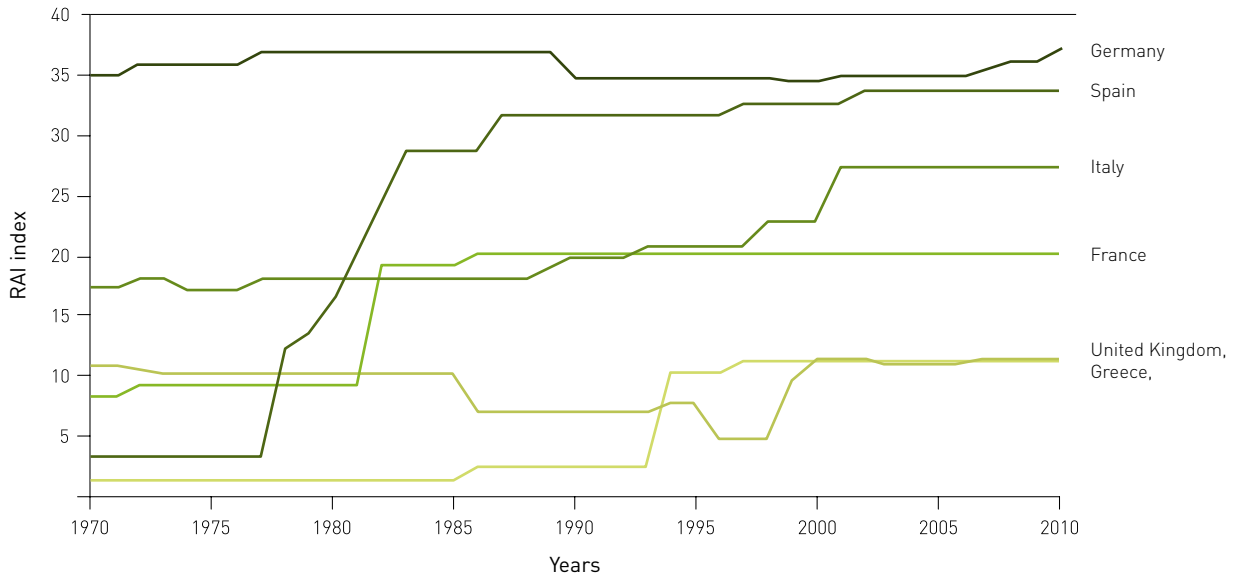
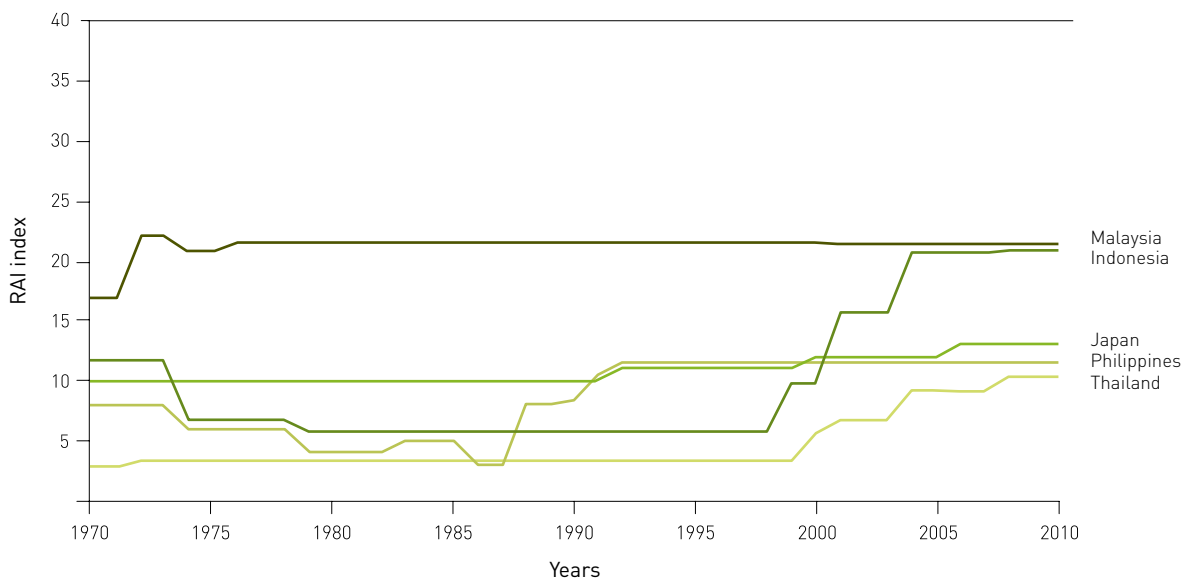


Figure 2.4 **Decentralization in selected Asian countries, 1970-2010**

Source: Regional Authority Index. Authors' elaboration



across the different political and geographical spheres of Europe, Asia and Latin America can be seen in Figures 2.3, 2.4 and 2.5 respectively. They also demonstrate changes since the 1970s.

Decentralization processes differ in **three main respects**. The **first** relates to when they commenced and, by extension,

to **the maturity of decentralized systems**. Processes of devolution began in the latter part of the 1970s (e.g. Spain) and throughout the 1980s (e.g. France, Brazil and Colombia). In Indonesia and Thailand, on the other hand, decentralization did not fully take off until the very end of the 1990s. It was not until the 1990s, for instance, that both Northern and

Figure 2.5 Decentralization in selected Latin American countries, 1970-2010

Source: Regional Authority Index. Authors' elaboration

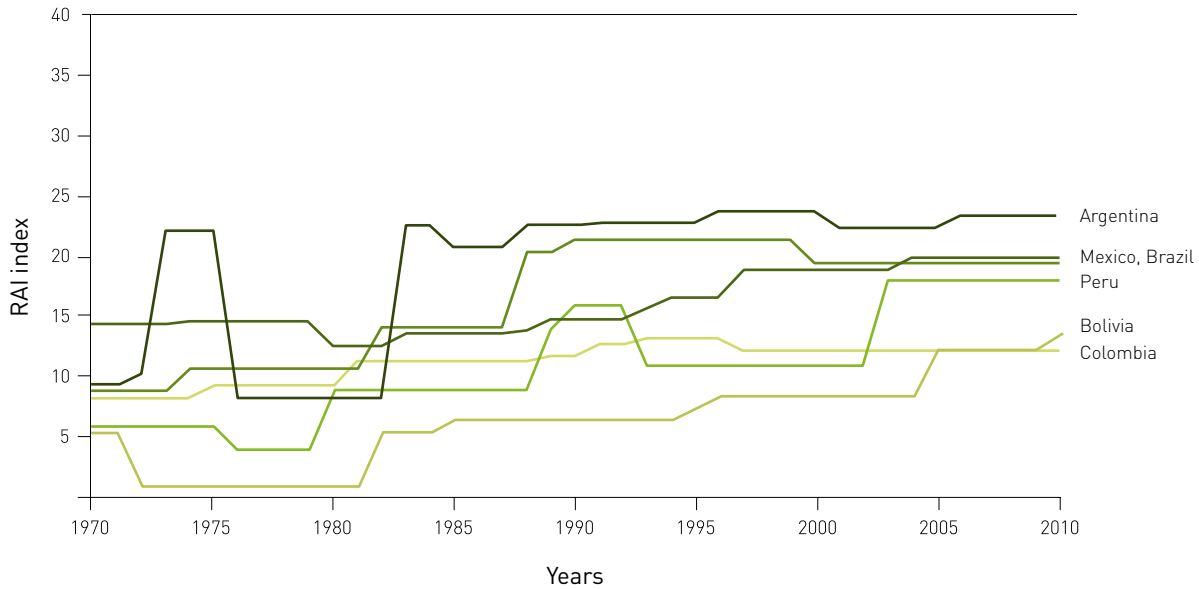
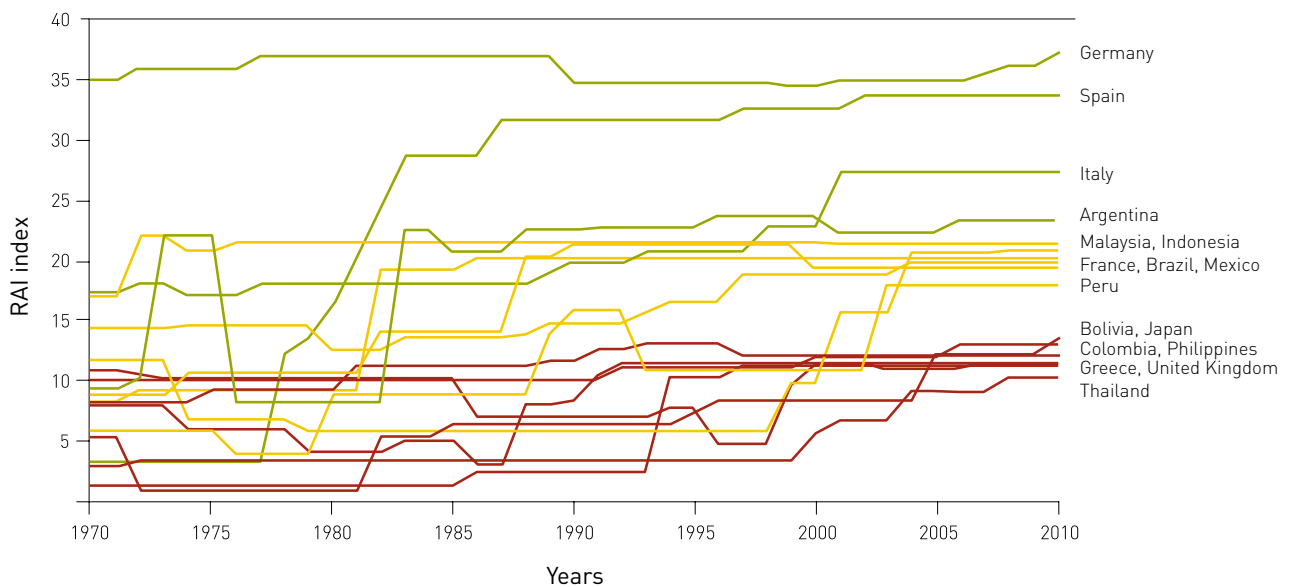


Figure 2.6 Decentralization in selected World countries, 1970-2010

Source: Regional Authority Index. Authors' elaboration



Sub-Saharan African countries experienced some form of decentralization. Morocco and South Africa, two of the most advanced systems in Africa, are discussed later in this section. Moreover, since 1996, Ethiopia has adopted a federal constitution and made impressive strides in developing its regional administration.

The **second** considers the speed at which processes of decentralization have taken place. In certain countries – such as Bolivia, Brazil, Peru, the Philippines, Thailand or Italy – decentralization has been a gradual process where sub-national units have been given more autonomy incrementally over several decades. In others, the pace of

decentralization has been (relatively) fast – the role and authority of sub-national governments in Indonesia, Argentina and, to a lesser degree, Spain, for example, increased considerably in the space of just a few years.

The **third** and perhaps most important point relates to **the extent to which powers, resources and responsibilities have been transferred** to sub-national governments. Regional governments in Germany, Spain, Italy, Argentina and Mexico possess, to varying degrees, high levels of autonomy and influence. In other countries, this is shared between regions (or other intermediate governments) and municipalities – e.g. Brazil, Indonesia, Philippines, Colombia and Bolivia. In the United Kingdom, Greece and

Thailand, decentralization has been more moderate and, in some cases, has developed in an asymmetrical way. In the United Kingdom, for instance, Northern Ireland, Scotland and Wales have managed to obtain a federal-like relationship with the British government, which continues to act unitarily and has only devolved very limited powers to England.

Given this diversity, it is perhaps not surprising that **the exact implications and consequences of decentralization are as varied as the processes themselves**. Sub-national territories in ‘decentralized’ countries have generally been entrusted with greater control over the design of territorial development strategies. These include economic policies (e.g. agricultural,



BOX 2.1 ARGENTINA: AN EXAMPLE OF LIMITED FEDERALISM

Argentina is a federal state that has swung between periods of strong centralization and greater federalism. Since 1991, the devolution of more functions to the provinces – with only limited decentralization of financial resources – has emerged as a trend. This has had contradictory impacts, leading to both advances and setbacks in provincial autonomy – particularly since provinces have been unable to perform their new functions adequately.²⁷

Decentralization processes in Argentina are the political consequence of a territorial struggle for distribution of economic resources, functions and competences. The country’s institutionalized system has historically constrained the role and aspirations of Argentinian provincial governments. Until 1987, the lack of shared fiscal responsibility limited the funding of provinces to direct transfers from the central government budget. This was subject to volatile political balances and negotiations, and the fluctuating state of the national economy. After the profound economic and financial crisis that hit the country in the 1990s and early 2000s, a package of deep financial reforms was implemented.

Constitutional reform in 2004 further restructured the distribution of fiscal responsibility and revenues between the central government and federal provinces. The current fiscal organization of the Argentinian federation is a highly complex maze of distributed and shared competences and financial flows – known in the literature as a ‘tax labyrinth’.²⁸

Tax revenue, in particular, is constitutionally linked to a fiscal system of sharing between the two levels.

The province of Santa Fe is a relatively prosperous region of 3.5 million inhabitants, 363 municipalities and a total annual GDP of about EUR 2.3 billion (2015). The province was expected to receive EUR 2.7 billion in fiscal transfers from Argentina’s centralized co-participation fund in 2016. A significant portion (about 75%) is allotted to social security expenses, a national budgetary competence; and a quota is reserved for higher public education. The current fiscal scheme ultimately devolves tax recollection capabilities to provincial governments. At the same time, the co-participation fund constrains the ability of provinces to allocate these revenues according to local needs.

Nevertheless, Santa Fe has developed a comprehensive strategic plan – ‘*Visión 2030*’ – that tackles key public policy areas: health, education, mobility and transport infrastructure, environmental sustainability and economic competitiveness (with particular attention paid to the productivity of its strong rural economy).

Moreover, the strategic plan, focuses specifically on the inclusion of all social and economic stakeholders and interlocutors. Its development and implementation involves the creation of ad hoc institutional spaces for discussion and debate among public institutions, the private sector and civil society, and aims to convert citizen participation into a flagship provincial policy.²⁹



BOX 2.2 MOROCCO: AN EXAMPLE OF REGIONALIZATION PROCESSES IN AFRICA

industrial); infrastructure development (e.g. transport, occasionally energy and communications); land planning; and attracting foreign investment. They have similar powers for education, healthcare, culture, public services and other social programmes (e.g. unemployment security), environment (e.g. water resources, forest, coastal areas), civil protection, and many other competences. The degree and nature of these powers varies dramatically between and within countries, particularly where decentralization has been implemented asymmetrically.

A grasp of these three aspects is essential to a more nuanced understanding of regional governments and their powers around the world. It is also key to moving beyond the conventionally dualistic opposition of unity and federalism, with variations based on degree of decentralization and regional autonomy. It provides further evidence that many countries that have decentralized are heading not necessarily towards federal structures, but rather towards a regionalization trend that has in the past elicited several instances of advanced regional self-government. This is true even though, in 2016, *de jure* federal states still show the highest levels of regional or sub-national autonomy. These include Argentina, Australia, Austria, Belgium, Bosnia and Herzegovina, Brazil, Canada, Germany, India, Mexico, Nigeria, Switzerland and the United States. Malaysia is an exception (see Section 2.1.3).

Countries next in line in terms of their degree of regional or sub-national autonomy are those where strong decentralization processes have favoured the regions that make up their polities, sometimes in spite of a long-standing centralist or unitary tradition. Spain and Italy, for example, are today considered *de facto* federations, a definition also applied to Indonesia and South Africa. These instances of 'regional' states differ from federal states on a key point. While in federations, units have willingly ceded some of their prerogatives to a newly formed central government, in regional states a strong central government devolves and delegates certain powers and competences to its own sub-national units.

Regardless of how their decentralization processes have unfolded, many regions may not yet be in a position to benefit fully from their increased autonomy. Local capacity constraints are especially evident in the African context and this has been a fundamental

Morocco began its decentralization policy in the 1970s. The creation of regions in 1971 seemed to be consistent with the countries' development strategy and needs. However, these territorial units were originally meant only to serve as tools of political control.³⁰ Since the constitutional reforms of the 1990s and a regional law in 1997, the process of regionalization has been more explicit. Sixteen regions have been established with powers and competences, although still controlled by an appointed governor ('Wally'). These have had the explicit objective of overcoming traditional tribal, cultural and linguistic identities.

In 2011, King Mohammed VI put forward a plan for advanced regionalization. This included the direct election of regional governors, limited supervision and political control by the central government, as well as enhanced regional responsibilities, including the promotion of economic capabilities; private entrepreneurship; and public investment in environmental protection, water and energy management, infrastructure, health, education and transport.

A region like Greater Casablanca, for example, has direct responsibility for fostering and allocating private investments to initiatives of industrial and commercial planning. In 2015, Greater Casablanca had a regional budget of about 190 million Moroccan dirhams (around EUR 17.5 million), obtained through business taxes (about 36%) and, most importantly, local taxes (60% of the region's whole revenue).

The regional government uses these resources to autonomously develop its economic development plans, which are eventually submitted to the *Conseil Economique, Social et de l'Environnement*. This body preserves the central government's ultimate right to control budget allocations across local authorities. This shared system of checks and balances is not uncommon in Morocco, especially after the latest slate of constitutional reforms in 2011.

Morocco's new constitution places clear limits on the process of regionalization. Legislation reaffirms the value of Article 7, which prohibits the creation of any political party of ethnic, religious, linguistic or regional nature. However, there has been a marked compromise between the regional dynamics and preservation of territorial and national unity – one of the cornerstones of Morocco's state culture.



BOX 2.3 THE COMPLEX PATH TO AN INDONESIAN REGIONALISM

Indonesia is a country of immense territorial and human diversity: the state is distributed across more than 13,000 islands and has a population comprising hundreds of ethnic and linguistic groups. After gaining independence, Indonesia opted for a unitary state based on highly centralizing policies and strategies.

These have historically been a source of tension in territories like Aceh, Papua or West Timor. With the fall of Suharto's regime in 1998, a formula of 'asymmetric decentralization' emerged as a compromise between the unitary structure of the Indonesian state and the degree of territorial autonomy needed to keep these territories together.

Indonesia adopted a new structure with 34 provinces, five of which have special statutes for fiscal and administrative decentralization. This experiment has created, so far, a *de facto* quasi-federal state, without jeopardizing the inherent unitary character of the state's functions.

The five special-status provinces have been an attempt to tackle the otherwise complex and controversial political reality of post-Suharto Indonesia. They acknowledge the administrative challenges of consolidated political specificities, and are part of a strategy by the central government to control centrifugal forces via decentralization and increased local autonomy.

The Special Capital Region of Jakarta is expected to address the specific conditions of the Indonesian metropolis. The Yogyakarta Special Region recognizes the administrative status of the embedded Yogyakarta Sultanate. Only Aceh and the two Papuan provinces (Papua and West Papua) build somewhat on historically established regions and ethno-cultural divisions.

In the case of Papua, in particular, the central government has promoted enhanced autonomy as a means of fostering and preserving social inclusion and environmental sustainability in the region – one of the most biodiverse in the world and home to a number of indigenous ethnic groups.³¹

restriction, especially in poorer or more remote contexts. Recent analyses have however emphasized the way in which these obstacles, far from being insurmountable, can be mitigated by appropriate capacity-building initiatives and practices.²¹

The nuanced continuum of self-government capabilities can be illustrated in a 'continental map'. Federalism and regionalism have long been relevant in the

Americas – with the exception of certain parts of Central America.²² Europe is experiencing significant diversification in the nature of its regional units, because of the EU's institutional structure and the changes arising from its expanding membership, which today includes a number of unitary or minimally decentralized states.²³ The situation in Asia and the Pacific has changed notably, mostly because of the progress made in China and Indonesia.²⁴ With some scattered exceptions (Nigeria, Russia, South Africa and more recently Morocco) on the other hand, Africa, Eurasia and the MEWA region have experienced a persistently weak level of regionalization overall.²⁵

The significant variation in regional autonomy in just four decades is irrespective of the divide between functional impact and legal-constitutional formalization. The Russian Federation, though formally federal, is in reality a loosely regionalized state. Conversely, France, traditionally a centralized country, has strengthened the autonomy of its regions. This lack of a constitutional 'anchor' for French regionalism has allowed the central government to extensively redraw the country's regional map (discussed in more detail below and in Section 3.2).

Ultimately then, besides certain commonalities that can be extrapolated for geographical areas or specific political traditions, **variety and complexity still characterize regions, federalism and regionalization across the world.**

Some other examples shed more light on this enduring diversity. South Africa's provincial system was originally designed to transcend the country's ethnic divisions, and provinces have since emerged as a safety net, guaranteeing the stability of the state's multi-ethnic structure. Each province has a unicameral provincial and executive legislature, directly elected every five years, and which builds on its own party-based political dynamics, representing territorial interests and actors otherwise marginalized in national politics.

Provinces can adopt their own constitution but this is limited by the national constitution. They do not have their own court system and the responsibilities of their governments are limited, while other competences are shared with the national government (e.g. agriculture, education, health, and public housing). Resources are distributed among three levels of government (central government, provinces and local



BOX 2.4 GERMANY: THE MODEL OF EUROPEAN FEDERALISM

Germany's *Bund* is a good example of federal organization of the state in Europe. The German constitution or Basic Law (*Grundgesetz*, articles 70 through 75) defines a clear distribution of powers and competences between the federal government (*Bundesregierung*) and the 16 *Länder*, the federated units of the *Bund*.

The principles of this are straightforward. Federal law prevails over *Länder's* law. The Basic Law explicitly states the competences of the federal government and leaves all other legislative fields to the *Länder*.

Only federal law can delegate competences to the *Länder* in those areas constitutionally the prerogative of the federal government. Article 72, in particular, addresses the issue of shared competences between the central and federated governments. As a general principle, *Länder* can legislate on shared competences only when the federal government has not already done so.

Since 1992, in light of the role of the *Länder* as governmental units in the architecture of the EU, Article 23 of the *Grundgesetz* has authorized them to participate in the EU's legislative process. This relates to matters that are either an exclusive or shared competence of the EU, and an exclusive prerogative of *Länder* law under the German constitution.

These competences have opened the way for regional participation in the EU's legislative process. In those fields in which regions have exclusive competence, therefore, a representative from a *Land* may become Germany's (and the whole federation's) only representative in the Council of the EU. The relevance of German *Länder* is all the more significant considering the Regional Chamber, the *Bundesrat*, has the power of veto over the accession of new EU Member States and any modifications to the EU Treaties.

Finally, German *Länder* enjoy a relatively high degree of fiscal autonomy. As is common in federal states, the *Länder* benefit more from tax revenue shared with the federal government than from their own tax bases. The federal and regional levels share significant sources of revenue such as value-added and personal income taxes in a fairly equitable way.

Financial indicators such as GDP per capita and annual budget expenditures still show impressive, structural differences across *Länder*. Population-related divisions are most visible when comparing 'state-like' *Länder* with the three city-states of Berlin, Bremen and Hamburg. In 2011, for example, Bremen, a *Land* of about 660,000 inhabitants, had the second smallest public budget (EUR 5.3 billion) and the second highest per capita annual income (just over EUR 47,600 per capita).

Resource-related differences and inequalities among regions are most visible when comparing the *Länder* that were formerly part of the German Democratic Republic with those that formed West Germany.

The five eastern *Länder* have the five lowest per capita GDPs of the federation. In this regard, the German federation has established a complex but effective mechanism of both vertical and horizontal financial compensation for less competitive *Länder*.

Richer states provide transfers to poorer *Länder* until these are able to reach 95% of the national average in revenue. The federal government provides additional grants to enable states to reach 99.5% of the national average.

As of 2014, only Bayern, Baden-Württemberg and Hessen (the three wealthiest non-city *Länder* of the federation) were net donors to this mechanism. Annually, the system of vertical and horizontal grants circulates about EUR 20 billion across the various regional budgets.³²

governments) after tripartite negotiations, a system that still leaves room for uncertainty about the actual amounts allocated to each level.²⁶ Boxes 2.1-2.5 provide some more examples.

Finally, sub-national authorities around the world have been granted, to a varying degree, increased autonomy and have been entrusted with more effective powers and responsibility for the strengthening of socio-economic dynamism and the wellbeing of

their territories' population. This has spurred a paradigm shift in development policy, increasing the manoeuvrability of sub-national authorities to devise and implement territory-oriented approaches to development.

2.1.3 Financial capabilities of intermediary governments around the world

As discussed, the devolution of competences and institutional prerogatives is often not enough for intermediary levels to achieve autonomy and self-government. Even in federal states, where federated governments are constitutionally included in the co-sharing of responsibilities and powers, the powers of regional governments can be curbed by a lack of clearly allocated (and sufficient) financial resources. The distribution of financial capabilities is diverse across countries – be they federal or unitary – and a litmus test of the degree to which central governments are willing to accept devolution, when it comes to sharing their own powers with lower levels and authorities.

A few conclusions can be drawn from a Global Observatory on Local Finances sample study of 93 countries around the world.³³ This finds a clear division between federal and unitary states in terms of sub-national governments' fiscal autonomy and relevance. In 2013, federal sub-national governments collected, on average, 49.8% of public revenues (16.9% of GDP) and were accountable for 47.7% of public expenditure (17.6% of GDP). In unitary countries, this drops to 19.6% and 18.6%, corresponding to 7.1% and 7.3% of national GDP respectively.

Table 2.1 highlights the high levels of sub-national financial participation in federal and quasi-federal countries. In most countries in this group, sub-national public revenues as a percentage of the country's total public revenues ranged from over 30%

Table 2.1 Sub-national government's expenditures and revenues as a proportion of total public expenditures and revenues and GDP, 2013

Source: UCLG-OECD, Global Observatory on Local Finances

FEDERAL COUNTRIES	Revenues		Expenditures	
	% Total public revenues	% GDP	% Total public expenditures	% GDP
Canada	74.4	28.3	76.5	31.1
India	64.5	13.0	53.9	14.8
Switzerland	60.2	20.2	61.0	20.5
Russia	57.0	24.6	58.4	24.7
Brazil	56.4	22.0	53.3	22.7
Argentina	55.0	11.9	50.7	12.1
Spain	54.0	20.3	48.0	21.2
United States	51.8	17.2	48.1	18.6
Mexico	51.3	12.6	50.6	12.4
Germany	46.2	20.6	46.2	20.5
Australia	45.1	15.3	46.4	16.9
Belgium	43.8	22.6	42.3	23.0
Nigeria	40.0	4.9	38.1	5.3
Austria	35.1	17.4	34.6	17.6
Malaysia	12.6	3.4	7.3	3.0
Average federal countries	49.8	16.9	47.7	17.6
Average unitary countries	19.6	7.1	18.6	7.3
OECD countries (35 countries)	33.3	13.7	31.7	13.8
Low-income countries (11 countries)	7.9	1.6	6.96	1.64
Low middle-income countries (20 countries)	20.64	6.31	18.87	6.46

(e.g. Austria, 35.1%) to almost 65% (e.g. India, 64.5%). Similarly, the proportion of public spending relative to the national total ranged from about 35% (Austria, 34.6%) to just above 60% (Switzerland, 61%). Compared with these large 'averages' two cases stand out. First, Canada's sub-national authorities collected an impressive 74.4% of national public revenues and 76.5% of public expenditures. Second, in federal Malaysia, sub-national governments collected just 12.6% of national public revenue and only 7.3% of total public spending. These low figures for Malaysia do not equate with other states of similar population or size and can be partially explained by the country's limited and fragmented decentralization process and its characteristically large civil service.

The data sample also reveals a striking difference between OECD and other countries. On average, sub-national governments in OECD countries (including federated states in federal countries) were responsible for 31.7% of public spending (equivalent to 13.8% of GDP). This fell to just 7% in low-income and mostly African countries, equivalent to 1.64% of GDP. Sub-national governments in OECD countries were responsible for 33.3% of total public revenues (an average 13.7% of GDP) compared with just 7.9% in low-income countries (1.6% of GDP).

The relationship between national wealth and development and sub-national governments' participation in public finance cannot be generalized. Within the group of OECD countries, sub-national public investment varied from 5.9% (Greece) and

9.8% (Ireland) to almost 50% (Sweden, Japan and Korea). A similarly diverse picture can be seen in lower-income countries.

Tanzania – which has implemented an extensive plan of decentralization reforms – devolved 21.8% of public revenues to its sub-national governments. Uganda (14.6% and 18.2% of public expenditures and revenues respectively) and Mali (11.7% and 14%) follow close behind. Meanwhile, public expenditure and revenues in Benin, Burkina Faso, Chad, Guinea, Malawi, Niger and Togo are all below 5% and 6% respectively – and in certain cases do not even reach levels of 1% of GDP.

While there has been progress in many countries (especially in Latin America and Asia) through the decentralization of responsibilities and revenues, the variations in the data demonstrate once again the importance of local context and specificities.

In emerging upper middle-income countries, such as Colombia, Kazakhstan or Thailand, the share of sub-national expenditures and revenues is significant compared with the regional average. But it is still modest in lower middle-income economies such as Armenia, Cambodia, Morocco and Ghana.

These expenditure indicators should however be approached with care, since they tend to overestimate the real degree of decentralization within countries. In fact, in many developing countries the high share of expenditure tends to 'conceal' the actual supervisory authority of central governments. In these contexts, public finances still rely on compulsory national spending guidelines



 **The devolution of competences and institutional prerogatives is often not enough for intermediary levels to achieve autonomy and self-government**

Table 2.2 Sub-national government's expenditures and revenues as a proportion of total public expenditures and revenues and GDP by regions, 2013

Source: UCLG-OECD, Global Observatory on Local Finances

BY REGION Number of countries in the sample given in brackets	Revenues		Expenditures	
	% Total public revenues	% GDP	% Total public 'expenditures'	% GDP
Africa (19)	12.9	3.25	12.1	3.51
Asia-Pacific (13)	35.0	10.4	30.0	11.0
Eurasia (7)	25.5	8.16	27.4	8.18
Europe (35)	27.7	12.0	26.0	12.0
LAC (14)	21.2	5.8	21.4	6.2
MEWA (3)	9.8	3.17	8.7	3.10
Northern America (2)	63.1	22.7	62.3	24.9

 **Decentralization processes have hardly been linear, and in some cases they have inhibited the development of an effective regional self-government**

that limit the autonomy of sub-national governments. Similarly, in many countries that are still in the early stages of developing decentralization frameworks, the allocation of responsibilities to sub-national levels has tended to vary from year to year according to shifting national priorities.

As far as revenue sources and autonomy are concerned, in 2013 grants or subsidies constituted more than half of sub-national revenues (53.6%), including those dedicated to current expenditures. Tax revenues represented only 29.8%, followed by others such as tariffs on local public services, licences and other similar fees (14.7%). These figures reveal the strong reliance of sub-national governments' revenues on intergovernmental transfers.

The lack of an enabling legal framework often prevents actual sub-national autonomy in the management of tax bases and rates. Some countries, moreover, have historically lacked the human and technical capacity at that level to collect taxes and other similar revenues.

As regards sub-national shares in public investment, federal states tend to record higher figures. This normally combines state-funded investment with that of local governments. In the Global Observatory study's sample, sub-national investment represents 60.3% of total public investment in all federal countries. Overall, sub-national governments represent 39.5% of all public investment in all countries; and 53.2% in OECD countries – in spite of declining rates in those states most affected by the recent financial crisis.

With regard to other basic economic indicators, in 2013 investment by sub-national governments accounted for 1.4% of the total GDP of all countries, a share that is much higher in OECD countries such as Korea (3.1%), Japan (2.9%), and Canada (3.4%), as well as in certain emerging countries such as Peru and Thailand.

2.1.4 Assessing 'political regionalism' between Habitat II and Habitat III

How has political regionalism progressed in the 20 years spanning Habitat II and Habitat III? The answer is mixed. On the one hand, regions are relevant and present as spatial, administrative and developmental units. But on the other, the extent to which their significance has translated into a political and institutional dimension remains debatable.

A few conclusions can be drawn to inform future action and agendas. Firstly, there is no evidence of a direct correlation between the role of regions as spatial, administrative and economic units and a rise in the profile or institutional and political capacities of regional governments. The functionalist assumption was that economic and territorial factors would more or less directly translate into national or supranational political effects such as jurisdictional redefinitions or new governance arrangements favouring regional policy initiatives.³⁴ These factors include agglomeration economies, capital accumulation and territorial competition. However, there is no evidence that this has happened.

The recent redrawing of France's regional map supports this view. Downsizing from 22 to 13 metropolitan regions (including Corsica) may be easily justified from a functional, productivity-oriented vantage point: it is supposed to elicit more efficient service provision, economies of scale, better territorial planning and improved innovation and competitiveness. But the heavily centralized redesign process and its outcomes have been very much in question.

For example, historic regions such as Alsace, Lorraine or Aquitaine are no longer administratively recognized. The denomination of newly merged regions, as well as the definition of their capitals and the seat of their institutions, has reignited old debates and confrontations. Reform has affected those strong bonds of identity, culture and politics that linked municipalities, residents and regions in a joint politico-administrative expression of a solid historic, geographic and cultural core.

A second conclusion relates to the state and its role as a fundamental political unit. The emergence of other levels of government, such as regional, does not necessarily imply a loss of power at the centre, just as the rise of global cities and regions does not correspondingly necessitate the demise of the nation-state.

At the same time, states have to become aware of the impact their uncontested normative primacy can have on regions' ability to perform and fulfil their mandates – at both the domestic and international level. In this regard, however, national governments are responsible for developing more collaborative strategies, bolstering legal clarity and security, and promoting stronger regional institutions and resources, to help foster the role and presence of regions.

The third conclusion to be drawn from this analysis is that while regionalization has progressed significantly, the conditions of its implementation are in reality hindering the strength and effectiveness of regional authorities to fulfil their mandate. This is particularly true in relation to the availability of financial resources and capabilities.

Decentralization processes have not been linear, and in some cases they have inhibited the development of an effective regional self-government. Domestic institutional factors determine the ideal trajectory for decentralization in each country. Political regionalism has not established a universal agenda regardless of national conditions – the case for regionalism and decentralization remains specific to each and every national context.

The degree of empowerment of regional governments varies enormously between countries, and even within countries. **An enabling legal and institutional environment, in which regional and local governments can fulfil their responsibilities, innovate and capitalize on their resources, is imperative for national development processes to truly harness their local potential.** Adequate legal and institutional frameworks require a clear understanding of responsibilities and powers (and how to pool them) for every level of sub-national government. They also need **effective fiscal decentralization, financing capacities and adequate equalization mechanisms to bridge the gaps between regions.**

However, the goal of political regionalism is not simply the increased transfer of functions and resources from the centre, but



BOX 2.5 REGIONALISM AS CHANGE IN POLITICAL AND INSTITUTIONAL CULTURE

The acknowledgement of the internal diversity of states has already prompted a significant cultural shift in their traditional order. A 2009 study conceptualizes this change in six specific dimensions:³⁵

- a) **From centralization to decentralization:** the governance model has moved from a system of centralized intervention, especially in economic activities, to the promotion of decentralizing measures aimed not just at unburdening central institutions, but also as a feature of good government;
- b) **From territorial symmetry to asymmetry and diversity:** many states have refrained from opposing particularisms (either historical or cultural) or certain structural difficulties in administering their territories (e.g. overseas territories or departments), accepting that diverse cultures and resources can pave the way for different development models;
- c) **From regionalization to regionalism:** while the former implies a top-down approach to centralized planning controlled by the state, the latter promotes a bottom-up model that seeks regional empowerment through concepts such as territorial development, regional innovation or 'learning regions';
- d) **Multilevel governance (MLG):** this concept, developed in much more detail in the following sections, builds on the idea that the competences and responsibilities of government have to be vertically distributed and cannot be allocated rigidly at one level according to horizontal divisions. This necessitates all levels sharing information and collaborating fully, so that every level can publicly and accountably lead horizontal relations with respective stakeholders;
- e) **From a 'principal agent' to a non-hierarchical 'choice' model:** MLG implies a shift from territories mechanically implementing decisions ordered and executed from the centre, to regional authorities that can produce and select from different political options through tailored and diverse processes – even as regards their own institutional design. This system tends, moreover, to establish strategic relations rather than hierarchical ones between regions and local interests.
- f) **From fiscal centralization to decentralization:** states are progressively abandoning a purely extractive and redistributive logic, traditionally justified in terms of cross-national equity, in favour of additional funding, more services, and more financial capabilities to regional authorities. This is expected to stimulate competitiveness and foster regions' ability to level their own economic performance while contributing proactively to that of the whole country.

rather **the evolution of the state's role through a more nuanced, diversified relationship with its regions and territories.** The change in the relationship between different levels of government needs, therefore, to be structural and profound.

It must aim for more coordination, cooperation and effectiveness between different levels of governance; and ensure that decentralization processes are as efficient as possible – i.e. that the responsibilities and mandates entrusted to sub-national governments match the resources and powers allotted to them – and that decentralization policies share the strengths of all actors equally across a country's territorial spectrum.³⁶



BOX 2.6 REGIONS AND THE DEVELOPMENT OF A MLG FRAMEWORK IN EUROPE

Within the EU, the Committee of the Regions (CoR) represents regional and local governments EU-wide, and has been at the forefront of a more normative approach to MLG.

In 2009, the CoR published a White Paper on multi-tier cooperation which defined MLG as 'coordinated action by the European Union, the Member States and local and regional authorities, based on partnership and aimed at drawing up and implementing EU policies. It leads to responsibility being shared between the different tiers of government concerned and is underpinned by all sources of democratic legitimacy and the representative nature of the different players involved'.³⁹

The idea is simple. For public policy to achieve its expected outcomes, all levels of government involved in its creation must be engaged in the design, implementation and monitoring stages. The CoR's work on MLG is not limited to the White Paper.

After its publication and for three years (2011-2013), the CoR issued an annual 'Multilevel Governance Scoreboard', a tool to operationalize and measure indicators of MLG 'quality' as applied to various European policies.

Finally, in April 2014, the CoR adopted the Charter for Multilevel Governance in Europe, which sets out the guiding principles of a MLG approach. These are: transparent and inclusive policy-making; participation and engagement of all relevant public and private stakeholders; policy efficiency; coherence and budget synergies across the different tiers of government; respect for the principles of subsidiarity and proportionality; and the defence of human rights at all levels.⁴⁰

2.2

TERRITORIAL COORDINATION AND POLICY EFFECTIVENESS: MULTILEVEL GOVERNANCE

A well-designed MLG framework is critical to ensuring that decentralization processes have better development policy outcomes, by minimizing the inefficiencies, inequality and institutional risks associated with the distribution of powers and resources between national, regional and local governments.

Multilevel governance calls for a paradigmatic shift in the relation between different levels of government. Several decades of uneven reforms have shown that there is no optimal level of decentralization and that implementation and competences are strongly country-specific. At the same time, policy overlap is inevitable in decentralized contexts: complete separation of responsibilities and outcomes in policy-making cannot be achieved and different levels of government are interdependent. Public management in such contexts thus requires MLG in all cases, i.e. the reinforcement of mechanisms for coordination that help regulate division of responsibilities, compensate for differences and bridge asymmetries between different institutions currently hindering the delivery of effective public policies.

In this regard, MLG has been defined as a 'decision-making system to define and implement public policies produced collaboratively, either vertically (between different levels of government, including national, federal, regional or local) or horizontally (within the same level, e.g. between ministries or between local governments) or both. In order to be effective, **MLG should be rooted in the principle of subsidiarity, the respect for local autonomy and establish mechanisms of trust and structured dialogue**'.³⁷

MLG implies engagement and influence – with no one level of activity being superior to another – and, therefore, a mutual dependence as policy-making becomes increasingly intertwined across different levels.³⁸ In Europe, perhaps the most sophisticated MLG



BOX 2.7 INSTITUTIONALIZED FRAMEWORKS OF CROSS-LEVEL DIALOGUE⁴²

'laboratory' to date, it has not been limited to public institutions alone, but has involved non-public actors from the private sector and civil society at various stages of the decision-making process.

The following sub-section adopts MLG as the analytical framework of choice to study how coordination across different tiers of government can be improved. It examines – through specific examples – the emergence of MLG and its conceptual development as a normative tool both between (vertical) and within (horizontal) different levels of government.

2.2.1 Practices of multilevel governance

Since the 2000s, international institutions in different world regions have tried to develop a clearer framework for MLG as a means of enhancing intergovernmental coordination and policy efficiency. The OECD, for instance, has identified the key challenges that have so far characterized the tentative implementation of MLG in different political contexts.⁴¹

Different countries have already been developing and using an array of mechanisms to bridge the gaps and improve the coherence of their multilevel policy-making schemes. These have been both 'binding' (e.g. legal mechanisms) and 'soft'. The structural, formal involvement of sub-national governments in policy-making may take time, but the benefits are expected to outweigh the costs in the long term. This chapter analyzes key examples of MLG experiences and mechanisms that address specific gaps directly (in policy and objectives, planning and programming, funding, capacity and administrative, information and accountability) to help shape an inclusive and participative decentralization agenda.

Lack of coordination has been a key **policy challenge** in regionalizing, decentralizing schemes that rely on vertical institutional relations to cascade implementation of certain policy decisions. In this regard, an emerging territorialized approach questions the ways in which policies are conceived.

Horizontal coordination both at national level (e.g. between ministries and central government agencies) and regional and local governments is likewise essential. Inter-ministerial commissions and committees (e.g. in Denmark, Korea and Norway); re-structured ministerial functions and competences to strengthen coordination of sub-national policies; regional strategic planning consistent with long-term national

The shift in regional policy with regard to strategic programming has provided a framework for coordinating committees and groups under the supervision of national governments and ministries, or in response to the requirements of national policies and legislation. Examples include the Council of Australian Governments (COAG) in **Australia**, the Standing Conference of Federal and State Ministers Responsible for Spatial Planning or, more recently, the Joint Task for the Improvement of Regional Economic Structure (GRW) in **Germany** and the Conference of Regional Presidents in **Spain**. In **Australia**, for example, the COAG has since 1992 been the main platform of coordination among local governments for development and inter-jurisdictional, cross-level policies.

The COAG has been actively cooperating with national ministers to facilitate consultation on regional interests in the implementation of policy reforms and the resolution of cross-level or inter-regional issues. The federal regional development agencies (RDAs) in **Canada** are part of a multi-party procedure that involves federal, provincial and local agencies with the aim of streamlining the implementation of federal programmes. In **Chile** competence transfers are brokered by the Under-Secretariat for Regional Development, in consultation with the National Association of Regional Councillors and the Association of Chilean Municipalities. In **Ghana**, the central government has implemented a National Legal Framework to support and supervise local initiatives via a National Steering Committee that includes governments, employers, labour and territorial development consultants. This multilevel arrangement provides necessary technical support without jeopardizing the local ownership of initiatives.⁴³

platforms and roadmaps; the establishment of ad hoc regional ministries; and the creation of national agencies dedicated to the preservation of policy coherence between national and regional development plans are just some of the most common forms of cross-level coordination that have evolved in the past few decades (see Box 2.7). **Shared planning, comprehensive dialogue and joint financial responsibilities seem to be keywords for the future of national-local cooperation across levels of government.**

MLG may also play a role in **overcoming 'goal' gaps** between different levels of government. The desire for seamless cooperation often clashes with political reality.

Party allegiances, for example, may exacerbate conflict on policy agendas, meaning political objectives prevail over the common good. The distribution of responsibilities in MLG systems fosters participatory and contractual forms that may incentivize actors at all levels to prioritize cooperation rather than political self-interest. In **Europe**, in general, the design of EU territorial, regional and cohesion policies has promoted contractual negotiations, and a 'smart specialization' strategy is now a prerequisite for any region to successfully access the EU's structural funds for innovation (see Section 3.2).⁴⁴

Several examples stand out in this regard. In **France**, the bilateral State-Region Planning Contract (*Contrat de Plan Etat-Régions* – CPER) has become a key tool of French regional policy.⁴⁵ **Italy** too has one of Europe's strongest traditions in contractual regional development, which helps simplify

the state's bureaucratic machinery while also involving regions in a speedier decision-making process (a requirement of the 1946 constitution which was only implemented in 1970). Inspired by these experiences, other countries have developed the practice of a 'contract' between different levels of government (see Box 2.8 on the experience of Colombia).

Planning and programming can also be useful policy tools for regional coordination. In many countries, national development planning has gradually evolved towards a more regionalized approach (see Section 3.2) and the integration of economic and spatial dimensions. This is the case for instruments such as the EU-based National Strategic Reference Framework, **Japan's** National Spatial Strategy, or **Korea's** Comprehensive National Territorial Plan.⁴⁷

The **fiscal gap** – i.e. the gap between local governments' available resources and the cost of meeting their devolved functions and responsibilities – remains a crucial challenge for the implementation of MLG. At the same time, funding, budgets and shared performance indicators can be a useful tool for MLG schemes. These can improve monitoring and transparency, foster financial synergies, and provide a voice for local governments in integrated policy-making.

Resource inequality across levels of government is not exclusively financial. Many intermediary units suffer from **gaps in administrative and human resources** when compared with national governments. Strengthening professional capacities at sub-national levels is key to ensuring strategic resource management, monitoring and evaluation, and adjustment capabilities. Accountable enforcement, similarly, is crucial to the success and feasibility of cooperative MLG policy-making schemes.

When distributing competences, goals and resources across different, diverse and complex levels of sub-national government, MLG schemes are at risk of an accountability challenge – i.e. difficulty guaranteeing transparency across constituencies and government tiers. They are also vulnerable to informational gaps, when asymmetries arise across different levels of government in the design, implementation and delivery of public policies. Information is a key political weapon to gain bargaining power with other actors and institutions. But it can be difficult to access because legal or institutional obstacles prevent the thorough and transparent vertical



BOX 2.8 MULTILEVEL INTEGRATION THROUGH THE CONTRATO PLANS IN COLOMBIA'S DEPARTMENTS⁴⁶

As part of the framework of its National Development Plan 2010-2014, **Colombia** created the *Contrato* plan to promote strategic planning and joint implementation of regional development among regional and national authorities. Since 2012, the government has invested of nearly USD 7 billion on these plans, which currently involve seven departments. The *Contrato* plans are likely to foster the participation of more institutionally active and aware regional governments. These should also include communities and territorial units with less institutional capital, as well as citizens with limited access to key services and opportunities.

One example is the *Contrato* plan in Boyacá signed in November 2012 initially for five years (later increased to seven), with a budget of USD 344 million (68% from central government and 32% from local budgets). Its main objectives were: improve connectivity; touristic development; promote science, technology and innovation; support planning and land use; and update the cadastral register. In 2016, about three quarters of the plan's roadmap had been executed, involving 117 municipalities and 35 projects in eight sectors. The main investments were in transport (roads), agriculture, tourism and technologies (a regional training centre and support to mining).

flow of information between the involved agents.

In Sweden, the Open Comparison project aims to increase transparency in local public services' cost management.⁴⁸ In Chile, a National System of Municipal Information provides a comprehensive source of information about the management of the country's 345 municipalities and includes data on those budgets, human resources and services transferred to municipal administrations.⁴⁹ In Norway, the KOSTRA municipality state reporting system has been publicly pooling data among sub-national governments, central government and the citizenship.⁵⁰

2.2.2 Governance and horizontal cooperation between regions and local governments

Horizontal cooperation between and within regions and municipalities can create a 'relevant critical mass' by pooling resources and sharing services. These are then more widely accessible to consumers and users, as well as more financially sustainable, and the attractiveness and strategic positioning of the whole territory is enhanced.⁵¹

In a fragmented system of competence and financial capability, territories and local governments have little choice other than to cooperate if they want to be visible and relevant to their national governments in terms of their economy, productive system, social guarantees and cultural heritage.

Furthermore, many territories – especially those that face budget restrictions and resource depletion – have no other option if they want to provide quality basic services whose 'individual' costs would otherwise be unaffordable.

An institutionalized and effective MLG can foster territorial competition in efficient service provision rather than sheer economic competitiveness, thus eliciting a virtuous circle of increasing investment in cooperation frameworks and programmes with beneficial results for an even larger number of settlements, actors, and institutions.

The practice of institutionalized MLG has moved in this direction. In Europe – the cradle of these kinds of collaborative schemes – 'various types of networking and cooperation already exist among towns, [...] both within countries as well as across national borders'.⁵²

Neighbouring towns have invested in cooperation for specific public services – waste management, energy, health and

education being the most common – so that their provision can achieve the necessary economies of scale and critical mass that make them affordable even for smaller communities.

Certain schemes have developed with the explicit and formalized inclusion of larger, better resourced cities. These can act as a catalyst for more efficient infrastructural connectedness, the promotion of rural-urban linkages, and the pursuit of a territorial development with economic and socially beneficial effects at both ends of the territorial continuum.

Territorial cooperation – through the vertical integration of local governments regardless of size, function and scope – also tends to transcend administrative limits and borders. Europe has a long-standing tradition of cooperation schemes established across national borders and among towns that share the same geographical, infrastructural and developmental features, challenges and objectives.

This cross-border territorial integration involves tiers of local government in processes that would otherwise not be considered for integrated development of territories and population. It tends to focus on shared service provision, essential cross-border infrastructure, and enhanced representation and political influence for a number of intermediary governments.

Finally, **territorial cooperation has proven vital for the development of small and medium-sized towns.** This is particularly true of the provision of services of general interest to the larger territory in which they are embedded. Small towns, their interconnections and mutual reliance are often a valuable asset in the regulation of rural-urban relations (see Section 4 of this chapter). Rural territories can serve as vents for problems of resource management and density often experienced in urban settlements. Cooperating and well-networked towns can have unique infrastructural benefits for the development of rural areas.

Cooperation between municipalities and regions has often provided solutions for sectors such as waste management, efficient mobility and public transit, and integrated planning. This harnesses the full potential of the interdependent relationship between smaller urban settlements and the rural economy. Scarce data and the marginal statistical relevance of these kinds of cooperation schemes means further analysis by policy-



An institutionalized and effective MLG can foster territorial competition in efficient service provision rather than sheer economic competitiveness


Horizontally integrated local governments can pool resources, legitimacy and expertise to achieve a critical mass whose relevance was hardly imaginable a few decades ago

2.2.3 Multilevel governance and the regional policy agenda

Analysis in this section demonstrates that MLG is the policy-making mechanism of choice for integrated, collaborating and networked territories, local governments and settlements. It can bring about a number of beneficial effects for local governance, but is hindered by certain persistent risks. It is not, ultimately, a neutral concept. The quest for integrated concertation and efficient policy-making can be at odds with regional authorities' demand for democratic legitimacy or more relevant inclusion in traditional top-down policy-making logics – a goal that is more resonant with federalist ambitions.

This notwithstanding, for sub-national governments at all levels – from regions to small municipalities, cross-border cooperation institutions to rural areas – MLG is still the main instrument to shift the paradigm that sets their expectations and goals. These range from claiming more autonomous competences to contributing to the good functioning and delivery of efficient, comprehensive public policies. In this regard, MLG should complement, rather than be an alternative to, better, more autonomous and ambitious self-government for regional and local authorities.

MLG can create new arenas (e.g. cross-border cooperation frameworks, cross-regional global networks), new policy areas (e.g. innovation, job creation, sustainability policies), and new institutional voices (e.g. cross-level agencies, representation of civil society, or rural-urban activism). These can make conventional decentralizing and devolutionary agendas evolve towards a new model in which regions and local governments are self-reliant, interdependent and co-responsible for decisions that directly affect their communities and territories.

New global challenges call for a new global response that reflects the resources, population, needs and political will of intermediary and local governments.

These challenges include urbanization, a competitive and unequal global economy, the threat of climate change, sustainable development and the dwindling legitimacy of national governments and traditional politics.

Horizontally integrated local governments can pool resources, legitimacy and expertise to achieve a critical mass whose relevance was hardly imaginable a few decades ago. Vertically integrated local governments have unprecedented access to the new, converging global agendas that will guide the international community in years to come. They can now voice the needs and expectations of territories and populations no longer left behind or neglected in the face of current challenges.

Building on practices and examples already spreading across the globe, MLG can help local governments gain access to powerful national and international policy-making stages and make their agendas heard, in order to shape a new model of governance ready to take up the global challenges of the future.



Photo: Gustavo Martínez - Chivata [Colombia].

3.

REGIONS AS ENGINES OF TERRITORIAL DEVELOPMENT

As mentioned in the introduction to this chapter, the balanced and sustainable development of regions and territories can only come from a flow of people, goods, services, resources, technology and information. Development strategies, supported by central government, regions and municipalities, should guide and foster these processes. With this in mind, new concepts such as a 'territorial approach to development' or 'integrated strategies' are discussed in detail in this section, in order to shed light on the economic dynamics, social ties and environmental synergies that co-exist in complex territories.

The potential for development can only be realized by involving the whole territorial spectrum.⁵³ In their role as 'an' intermediary between national and local level governments, regions have a vested interest in leading and coordinating territorial development strategies more efficiently.

Their potential, however, cannot be limited to economic growth. Without understanding the complexities of development and its effects, growth opportunities for territories can easily be lost. Policy-makers in regions and territories need to develop comprehensive strategies and visions that can harness this potential and translate it not only into meaningful economic growth, but also more sustainable and inclusive social and environmental development.

The previous section advocated an adequate legal and institutional framework for territories, i.e. an enabling environment that facilitates collaborative multilevel, multi-stakeholder governance. This section analyzes

the effectiveness of such a framework (consistent with the territorial approach to development) for more balanced, inclusive and sustainable socio-economic development. As such, it looks in detail at the role played by regional governments in planning, economic development and environmental protection.

3.1 TERRITORIAL APPROACH TO DEVELOPMENT

Territorial imbalances, while generally affected by national and global economic trends, build upon historically or geographically determined differences in the natural, human, social and institutional endowment of each locality.

Over the past few decades, the impact of traditional top-down policies on 'balanced' spatial development, i.e. reduction of urbanization pressures in developing countries, has increasingly been called into question. **The unevenness of economic development, and its spatial consequences – e.g. the concentration of wealth and people in certain territories and not others – was historically considered an inevitable by-product of growth.** This was thought to be a temporary condition that would gradually be addressed by national development efforts.⁵⁴

More recently, however, an opposing school of thought has gained ground. It has identified the negative effects of social and spatial inequalities associated with uneven



The potential for development can only be realized by involving the whole territorial spectrum



BOX 3.1 DEFINING 'TERRITORIAL APPROACHES TO DEVELOPMENT' (TADS)

The concept of a 'territorial approach to development' is defined in a number of ways. One refers to a 'territorial approach to local development' as:

'A national policy that promotes endogenous [leverage of place specific resources and the mobilization of a wide range of local actors], integrated [coordinating sectorial policies through a local spatial development framework], multi-scalar [requiring interactions of multiple tiers of governance and administration] and incremental [supplementing national development efforts] local development by empowering autonomous and accountable local authorities'.⁵⁶

A similar definition states that a territorial development policy – synonymous with a 'place-based development policy' – is:

'A long-term development strategy whose objective is to reduce persistent inefficiency (underutilisation of full potential) and inequality (share of people below a given standard of wellbeing and/or extent of interpersonal disparities) in specific places; through the production of bundles of integrated, placed tailored public goods and services, designed and implemented by eliciting and aggregating local preference and knowledge through participatory political institutions, and by establishing linkages with other places; and promoted from outside the place by a system of multilevel governance (...)'.⁵⁷

development. Widening social disparities threaten growth prospects, while political instability undermines the potential for sustainable development in both developed and developing economies.⁵⁵ Accordingly, Agenda 2030 encompassed the need to 'reduce inequality within and among countries' (Goal 10 of the SDGs).

This has sparked debate on how best to boost territorial development, sustain socio-economic growth and innovation, at the same time taking advantage of the transformations of the global economy. These include outward-oriented economies, integrated value-chains and reliance on new technologies. **Centrally-driven, top-down approaches to economic growth are being increasingly questioned in favour of territorially-oriented, place-based strategies that integrate the needs and priorities of local actors.** These strategies build on local strengths and opportunities to drive economically and socially sustainable growth and change.

Against this backdrop, the concept of a 'territorial approach to development' (TAD) has gradually gained ground. Box 3.1 introduces different definitions of TAD as a policy framework comprising national and local development strategies.

At its core, TAD is an approach where actions and interventions to foster social and economic development are tailored to the contextual conditions and characteristics unique to the region or territory that implements them. This particular facet aims to maximize the specific advantages and potentialities of a given territory. However, definitions may vary depending on resources and the weight given by stakeholders and policy-makers to certain characteristics and policies.

In any event, TADs are more likely to take place within decentralized governance systems with empowered local and regional governments. These are essential to harness the potential of local development and foster a country's economic growth and social cohesion. At the same time they provide the 'missing link' between decentralization-oriented reforms and development policies. If systematically applied, TADs could spur a paradigm shift in development policy. They would acknowledge and legitimize sub-national authorities and their ability to devise and implement territorially-driven development.

Decentralization and regionalization have facilitated the implementation of TADs across the whole complex territorial spectrum. Inevitably, though, their potential largely depends on the form of state, its level of decentralization and the degree of empowerment of its sub-national authorities. In this regard, the previous section has already shown the great diversity characterizing sub-national governments and their location in each country's distribution of power and legitimacy.

Sub-national territories and regional governments in more developed countries with stronger federalist traditions are generally best equipped to reap the benefits of autonomy and decentralization and devolution processes. These include German *Länder*, Canadian provinces 'and' the federated states of the United States. On the other hand, smaller, under-capacitated and financially constrained territories – especially geographically isolated ones – are the least likely to take advantage of the economic and social returns of decentralization. This latter group tends as a rule to need more

attention and action by policy-makers and stakeholders.

Territorial development goes beyond effective decentralization frameworks. Supportive national policies to realize the full potential of TAD need to take into account coordinated local and national development schemes based on **coherent regional planning and development strategies** that build on a territory's assets and potential. They should seek adequate, localized economic development initiatives, whose funds support investments in local development and build on effective environmental policies to ensure the protection and sustainability of natural life-support systems. These three dimensions are at the core of the analysis in the following sub-sections.

3.2 NATIONAL AND REGIONAL PLANNING FOR REGIONAL AND LOCAL DEVELOPMENT

National development policies and regional spatial planning⁵⁸ are undergoing a major transformation. They have had to adapt to the growing relevance of regions, respond to the pressures of the global economy, and integrate into reformed national institutional frameworks.

Regional policies are given different priority in different countries. A recent OECD study highlights how many developed countries (although not all of them) have implemented regional policies in pursuit of equality goals such as territorial balance. Many have begun to systematically link competitiveness and regional growth as mutually reinforcing. At the same time they have integrated them with key principles of environmental sustainability, governance and subsidiarity, regionalism and decentralization. Finally, **many national governments have started to regard spatial planning priorities as a substantial component of their regional development policies.**⁵⁹

It has been necessary to revise regional strategies and frameworks in light of the unsatisfactory nature of past policies and the institutional changes of the last two decades. Older regional top-down policies generally concentrated decision-making power at

the central level. Most focused on those regions that lagged behind economically, and favoured 'compensatory' approaches to reduce the impact of macroeconomic policies. On the other hand, policies that have emerged since the end of the last century are more place-based and centre on the key concepts of 'regional endogenous development' and competitiveness. These tend to address and bolster the emergence of proactive and dynamic regional actors, able to mobilize local assets and tap unexploited local potential.⁶⁰

More recently, in the aftermath of the 2008 crisis and under conditions of budgetary constraint, many sub-national governments began to reassess the effectiveness of such policies. While not in all contexts, most competitiveness-oriented policies gave more attention either to dynamic and promising economic sectors or specific areas (e.g. SEZs, emerging clusters, urban agglomerations and competitiveness poles). This failed to maintain a comprehensive regional and cohesive approach. Since economic downturns aggravate social exclusion and inequalities between and within territories, regional governments were under pressure to come up with viable policy alternatives.

In non-OECD countries, regional policies and planning have not followed the same path. Planning has undergone a certain revival, after falling out of favour during the 1980s and early 1990s. Current planning priorities have been built on a growing intention to access global markets and a need for wiser, sustainable resource management. New policy approaches also need to meet the challenges of effective MLG and find pragmatic ways of dealing with differences in and between regions.⁶¹ As a result, most policies have designed measures that target dynamic economic areas and create SEZs, free-trade areas and economic corridors.

The following section analyzes a small sample of countries – federal and unitary, developing and developed – to illustrate national and regional policies based on different level planning strategies, and highlights their different and specific roles in regional development.

3.2.1 National development strategies and regional planning in federal countries

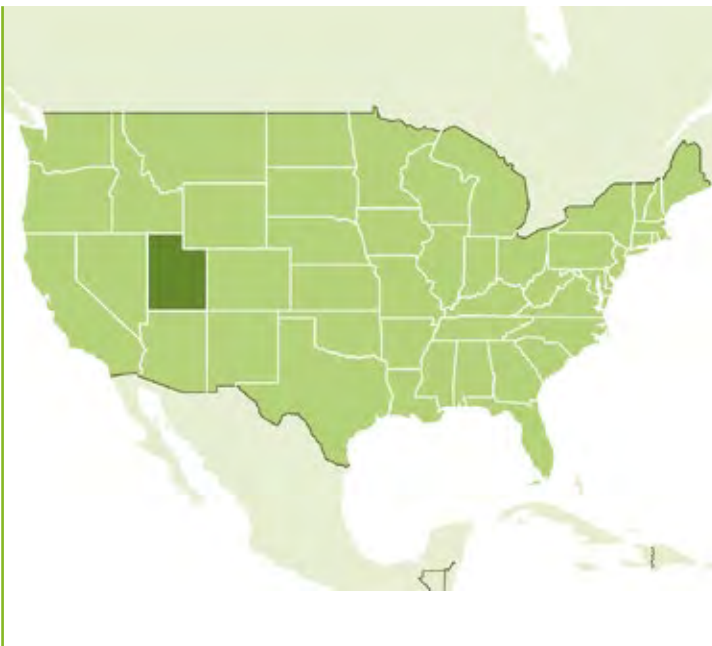
In countries with a strong federal system, such as the United States, Germany, Brazil or India, regional development and planning policies are normally a prerogative

 **New policy approaches also need to meet the challenges of effective MLG and find pragmatic ways of dealing with differences in and between regions**



BOX 3.2 REGIONAL PLANNING IN UTAH (UNITED STATES)⁶⁶

Utah has over three million inhabitants, a number expected to rise to 5.4 million in 2050. Its capital, Salt Lake City, is a dynamic middle-sized city (186,000 inhabitants) within a larger metropolitan area (with a total metro population of 1.15 million residents). The state is a centre of transportation, education, IT and research, government services, mining, and a major tourist destination. The state-level government is developing state-wide plans through 'Envision Utah: your Utah, your future', a strategy for the year 2050 aimed at making communities a combination of: safe, secure and resilient; prosperous; neighbourly, fair and caring; and healthy, beautiful and clean. The programme wants Utah to become more economically robust by means of diversification; additional connections to economies around the country and the world; improved resilience to natural disasters; and an increased reliance on local energy and food. The plan rests on four cornerstones: i) a network of quality communities (more compact housing, mixed use and accessible centres); ii) homes, building, landscaping, and cars of the future (more energy-efficient and disaster-resilient); iii) a thriving rural Utah (diverse rural economy, touristic facilities, energy development and mining, watershed management, fast internet connections); and iv) people prepared for the future.



of federated states (e.g. *Länder*). This is within a complex framework of vertical collaboration with the central federal government. The vision and culture that shape regional planning strategies, however, can be profoundly different in each country. For example, the concepts of 'regional planning', 'territorial cohesion' or 'balanced development' enshrined in European approaches, differ quite considerably from the planning tradition of the United States.⁶²

There, a comprehensive regional planning vision is all but absent. The heterogeneity of local and state-level regulatory regimes and continued cultural differences make holistic approaches all the more difficult. Traditionally, planning has evolved along sectoral lines, with a strong bias towards economic development, even though challenges to this *status quo* have been growing significantly.⁶³

The experiences of the United States and Germany

In the United States, federal interventions in regional policies are generally limited to indirect instruments. However, in the last few years, different federal programmes have embarked on economic and social development initiatives with a more territorialized focus.⁶⁴ At state level, planning is often sporadic and fragmented. However, in federated states it has become more usual and comprehensive in recent years, partly in response to both diffuse economic downturns and environmental concerns. **Some states are developing strategic plans that focus on economic development, education, and social and environmental policies,** and strongly rely on collaboration with regional development agencies and alliances with the business sector and local institutions (see Box 3.2). The financial crisis has, however, hindered this process, and many states have seen their capabilities decrease significantly – California, the United States' most populous and productive state, for example, neared bankruptcy.⁶⁵

In Germany, planning is more integrated between different levels of government, and more consensus-driven, consistent with a model of 'collaborative federalism'.⁶⁷ The responsibility for regional development is devolved to sub-national governments, while land-use planning is managed at the municipal level. The federal government establishes the overall guidelines for regional policies, in close cooperation with the *Länder* and other local governments. It does so through the Standing Conference of Federal and State



BOX 3.3 MULTI-GOVERNANCE TO STEER ENERGY REFORM IN GERMANY

Ministers responsible for Spatial Planning. This acts in accordance with the overarching objectives and principles defined in national legislation.⁶⁸ Plans and their implementation are co-financed by national and sub-national governments (and, in certain cases, by EU structural funds). However, there is no overall binding spatial development plan for the whole of Germany. In the past decade, following efforts to reduce inter-regional differences – especially between East and West Germany after reunification – three concepts shaped the framework for sustainable development: growth and innovation; securing services of public interest; and conservation of resources and creation of cultural landscapes.

As regards 'growth and innovation', the main objectives were: i) strengthening the competitiveness of regions, including metropolitan areas, dynamic corridors, innovating smaller agglomerations and other promising regions; ii) stabilizing structurally weak regions (rural areas, small and medium size cities, peripheral settlements, and declining post-industrial centres); iii) bundling and linking strengths, e.g. by improving traffic and transport links and supporting a knowledge-based society; and iv) recognizing joint responsibility and bolstering solidarity, e.g. through regional cooperative structures and civic participation. With regard to the conservation of resources, many *Länder* have developed alternative energy sources. Baden-Württemberg has implemented regional programmes for energy saving, renewable energy and the mitigation of climate change effects (see Box 3.3).⁶⁹

In Germany and in the rest of Europe, EU policies have had a huge influence on regional planning, especially through cohesion policies, spatial planning orientations and their co-financing mechanisms (e.g. the European Spatial Development Perspective and the Territorial Agenda of the EU). In the past few years, **regional policy has evolved in line with the paradigmatic shift towards more competitiveness and innovation**, while continuing to support the newly-accessed countries; help those regions lagging behind to catch up; and reduce economic, social and territorial disparities across Europe (see Box 3.4). Since the 2000s, under the rules of the EU's Cohesion Policy, each country is now required to develop a National Strategic Reference Framework for regional policies, while regional authorities establish regional development programmes.

The current German national government strategy has a strong focus on climate change. A substantial part of it deals with energy transition from nuclear and carbon-based to renewable sources. The reform draws from a large national budget, but is considered a joint task across all levels of government. The measures contained in the national action plan on energy efficiency and the climate mitigation pack aim to cut emissions by 5.5 million tCO₂ by 2020. A EUR 2.9 billion fund for 2017 has been set up to fund research, energy-efficient housing and electric grid mobility.⁷⁰

The plan is relatively recent (it has been in place since 2011) and its objectives are ambitious. *Länder* and the municipalities, therefore, are considered key actors. Coordination between national and *Land* governments is ensured by high-level semi-annual reviews by the Ministry of Economic Development and Energy and the Chancellor herself. Many *Länder* are making energy a top strategic priority. Baden-Württemberg has devised a strategy for climate protection and energy supply up to the year 2050, which aims at a 50% reduction in energy consumption, an 80% quota for renewable energy sources and a 90% reduction in GHG emissions. The reforms include the establishment of a policy framework to guarantee security of supply, stable pricing, open dialogue among stakeholders, and a healthy environment. Baden-Württemberg is the second German *Land* to implement a climate protection law.⁷¹



Towards a 'cooperative federalism': the cases of Brazil and India

Compared with other states, Brazil and India have in the last few years moved towards a 'cooperative federalism', which aims to strengthen the role of federated states in the architecture that underpins growth and development.

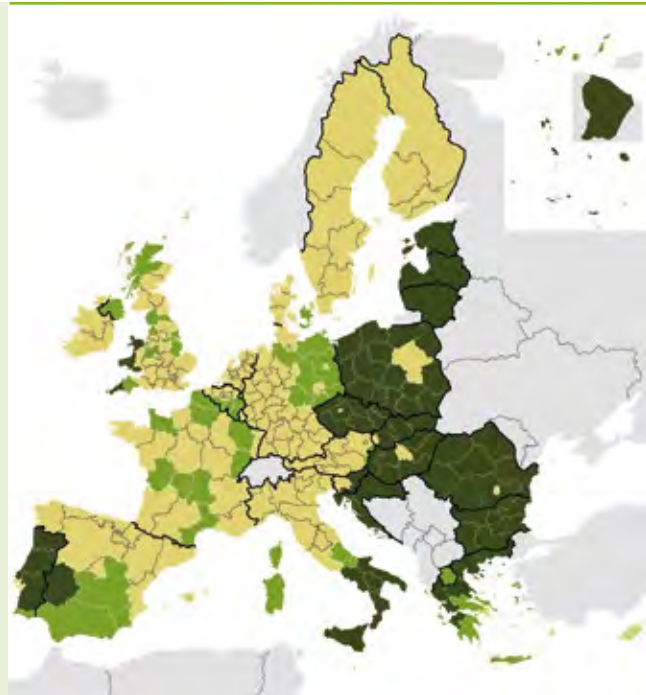
With its geographical spread and regional heterogeneity (26 states and 5,570 municipalities), Brazil demonstrates significant multi-dimensional governance fragmentation, a number of public agencies (at both the national and regional levels), and complex coordination schemes between different levels of government and sectoral policies. It also has a buoyant civil society, pushing for enhanced participation of citizens. Its federal government plays a dominant role in regional planning. In 2003, the new government put both social inclusion and endogenous development at the centre of its regional policies (*Plan Nacional de Desenvolvimento Regional*). This shift gave

new impetus to regional development to boost the internal market; and ensure universal access to public services and social inclusion. At the same time, it preserved regional competitiveness, export levels and investments in R&D – while ensuring compatibility with environmental issues. Since 2011, the central government has initiated a new phase for regional development policies. The government asked states to be more proactive in their leadership and adapt regional policies to their own priorities. Interestingly, despite limited support in the federal budget, many states have redoubled their efforts and adopted innovative instruments for participative regional planning, modernized public agencies (e.g. this aspect was central for metropolitan areas in a recent law on the new 'Metropolitan statute'), and developed new modalities of 'partnership' between states, municipalities and communities (see Box 3.5 on the state of Bahia). However, the future of these policies will depend upon the outcome of the economic and political crisis

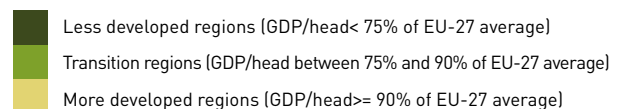


BOX 3.4 EU STRUCTURAL AND INVESTMENT FUNDS⁷²

The European Structural and Investment Fund (ESIF), with a budget of EUR 454 billion for the 2014-2020 period, is the EU's main investment policy tool. Three ESIF instruments target territorial economic and social cohesion specifically: the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund (CF). Out of the total ESIF budget, more than EUR 350 billion has been allotted to regional policy, with the aim of reducing disparities between regions across the EU and supporting job creation, business competitiveness, economic growth, and the development of a sustainable environment, while improving the quality of life of citizens in all regions and cities of the EU. Regions – statistically considered at the EU's NUTS2 level – are divided into less developed (with a regional GDP per capita below 75% of the EU average), transition (between 75% and 90%) and more developed (over 90% of the EU average). More than half of these funds are dedicated to less developed regions.



Structural Funds (ERDF and ESF) eligibility 2014-2020





BOX 3.5 THE STATE OF BAHIA: AN INNOVATIVE APPROACH TO PARTICIPATIVE REGIONAL PLANNING⁷⁴

Bahia is a north-eastern federated state of Brazil, with a population of 15 million inhabitants, 73% of whom live in urban areas (2014). The capital city is Salvador (2.9 million inhabitants, 3.9 million in the whole metro area). Bahia represents 4.9% of the economic activity of Brazil.

Since the 2004-2007 term, Bahia's state government has initiated a regional participative planning process to develop the long-term Strategic Plan of Bahia (*Plano Estratégico Bahia 2020 - O Futuro a Gente Faz*), together with specific multi-annual strategic plans (*Planos Plurianuais - PPAs*) every four years. Twelve years on, the government has invested in citizen participation and the involvement of all territories within the state. It has promoted:

- micro-planning zones in rural areas (27 so-called 'Territories of Identities' or Tis);
- 'Territorial dialogues' for citizen participation;
- a 'Council for sustainable territorial development' (Codeter) and Working Territorial Groups (GTTs) for the co-management of public policies;
- 'Economic-ecologic zones' (ZEEs) for the integrated social, economic and environmental management of the various Tis;
- a PPA-net for internet accessibility; and
- an Integrated System for Planning, Budgeting and Financing (Fiplan) to facilitate access to information and monitoring.

The Codeter participates in the elaboration of sub-regional Territorial Plans (PTDs), represented at the regional level in the Follow-up Committee of the Multi-Annual Plan (CAPP). Implementation

of these measures is ensured through new forms of partnership between federal and regional governments, municipalities and communities (e.g. *Consórcio público* based on national legislation). The PPA 2016-2019 was the result of over 2,000 consultations in one year (48% of the 1,080 proposals were eventually integrated in the PPA). Its main goals include social inclusion and participation; environmental sustainability; the rights of citizens; equitable development; job creation; and democratic, accountable and efficient management. The Plan is divided into 14 strategic areas. Eighty-two percent of the Plan's budget is reserved for social inclusion, 16% for economic development, and 2% for management.



currently being experienced by Brazil as a whole. Although Brazil has made impressive strides in reducing poverty and inequalities between states, structural imbalances persist as growth is concentrated predominantly around the country's 27 major metropolitan areas and main economic corridors.⁷³

The size, diversity and structural inequalities of India are much more complex than Brazil's. It is a federal country of over 1.3 billion inhabitants, comprising 29 states with around 400 million people living in over 8,000 urban areas. The rest of the population, on the other hand, lives in more than 600,000 villages. The federal and state governments share

an intergovernmental fiscal framework and several overlapping legislative jurisdictions for socio-economic and spatial planning. The result is a multi-tiered national and regional planning system. This is complemented by a constitutionally mandated third tier of local government, *panchayats*, in rural areas, and urban local bodies (ULBs) that oversee urban and land-use planning and public service delivery.

From 1950 to 2014, the federal government dominated how national policies and development goals were defined through its Five-Year Plans. These guided, monitored and funded development programmes that



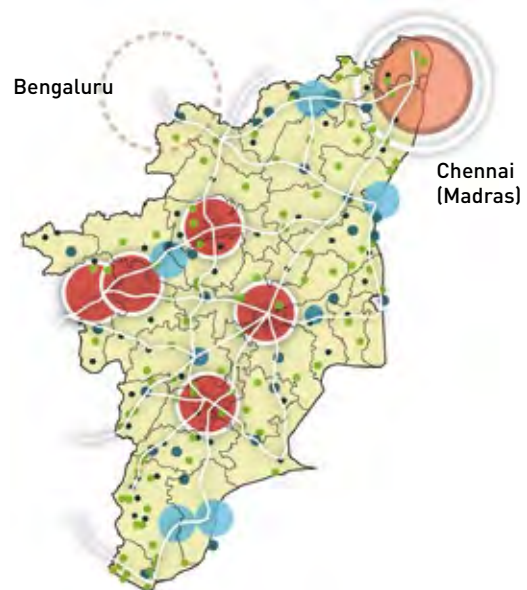
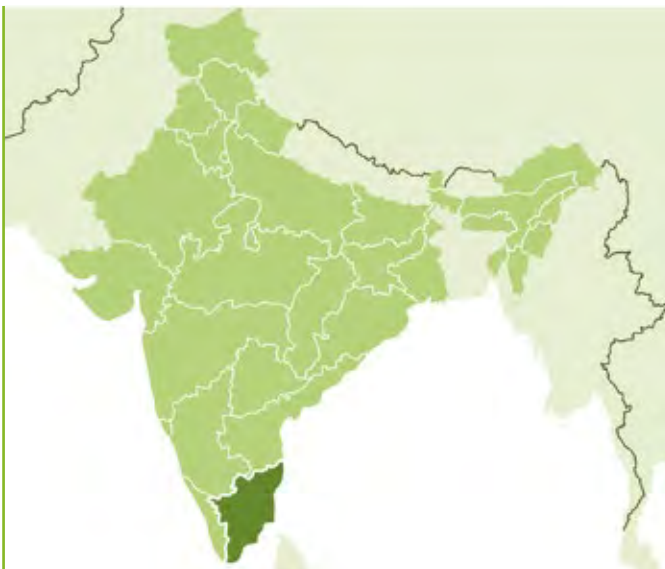
BOX 3.6 TAMIL NADU VISION 2023

Tamil Nadu is a southern federated state of India, with a population of 77 million people. In 2011, 49% of its inhabitants lived in urban areas. Its capital is the city of Chennai (8 million inhabitants). Tamil Nadu is the second largest economy in India, with an annual rate growth of 14.8% in 2014-2015. It is considered one of the best-performing states of India: in 2013, its GDP per capita was 30% higher than the country's average.

The aim of the 'Vision for Tamil Nadu for 2023', released in 2011, is 'to become India's most prosperous and progressive state free from poverty' with access to basic services for all and a harmonious relationship with the environment. The plan aims to reach a percapita GDP of USD 10,000 per year

by 2023 – which would imply a six-fold increase on current figures – to become an upper middle-class country with high development standards.⁷⁶

The 'Vision' has ten major expected outcomes: economic prosperity; inclusive growth; health for all; world class infrastructure; a healthy investment climate; knowledge hubs and innovation promotion; peace and security; a thriving cultural heritage and the preservation of the state's ecology; the protection against vulnerabilities; and improved quality of institutions and governance. The state developed also a Five-Year Plan and several annual plans. The twelfth Five-Year Plan (2012-2017) was formulated with the objectives of the 'Vision Tamil Nadu 2023' in sight.



were then implemented at the state and local level. State governments undertook and financed regional and local development activities through their own state plans and via local district plans that targeted mostly rural areas. Most urban programmes were financed and administered by state governments, while ULBs were generally in charge of implementation.

In January 2015, the prime minister replaced the 60-year-old Planning Commission and the twelfth Five-Year Plan with a new National Institution for Transforming India (NITI). This was based on a new vision of 'cooperative and competitive federalism', with the objective

to 'restructure the planning process into a more bottom-up model, empowering states and guiding them to further empower local governments' (see also Box 3.6).⁷⁵

3.2.2 National development strategies and regional planning in unitary countries

Unitary countries have more centralized traditions in regional planning and a more asymmetric distribution of responsibilities and resources between national and sub-national governments than federal countries. As previously mentioned, the main characteristic of regional planning in

unitary countries is that – except for a small group of countries, e.g. in Northern Europe, Peru, Korea, and Indonesia – sub-national governments represent a much more limited part of the national public expenditure and budget (see Section 2.1.3).

Their asymmetry, moreover, is not limited to financial resources. In this regard, it is essential to distinguish between decentralized policies and the deconcentrated implementation of regional policies. In many unitary countries, deconcentrated representations of the central power are still integral to sectoral policies at the regional level, with limited involvement of decentralized sub-national governments. The regional plans and strategies of Norway and Sweden are examples of how decentralized regions operate. On the other hand, the Regional Agenda for Productive Development in Chile or the Regional Spatial Plan in Portugal are deconcentrated administrations' strategies.⁷⁷ It is not uncommon for central governments to delegate functions to sub-national governments using them merely as 'agents' and implementers of national policies with limited powers to adapt these initiatives to local contexts. Morocco's institutional organization was an example of this system, at least until its 'advanced regionalization reforms' of 2011.

The more decentralized a country, the more relevant the principle of subsidiarity and coordination between decentralized and deconcentrated institutions.

Different policies are being developed to promote a more collaborative approach

between central and regional governments. In **France**, for example, the State-Region Planning Contracts (*Contrats Plan Etat-Régions* - CPER) have been a flagship mechanism for public action in support of regional development. They seek equalization between regions through multi-annual negotiation frameworks. During the last three decades, France has in fact evolved from a centralized to a more partnership-driven approach. **Sub-national governments have been empowered to ensure territorial development and foster economic growth and social cohesion.**

The lack of a corresponding increase in decentralized financial resources, however, is a source of inherent tension. While the responsibilities of French regions have grown, their fiscal powers and regional budgets have stagnated. More than 40% of their budgets still depend on central government transfers, and a significant part of the remaining 60% comes from shared tax revenue.⁷⁸

A radical reform of territorial policies, embodied in the establishment in 2014 of the General Commissioner on Territorial Equality, merged several institutions and programmes, and was accompanied by a widespread transformation of the landscape of sub-national government. Several regions were merged (from 27 to 18), new metropolitan areas were created and inter-municipal cooperation was strengthened.

The aim of this reform package was to boost the competitiveness of French regions, territorial sustainability and cohesion. At the same time, the new strategy enhanced

Unitary countries have more centralized traditions in regional planning and a more asymmetric distribution of responsibilities and resources between national and sub-national governments than federal countries



Photo: Apoorna Jinka - Brick factory (India).

contractual links between national and sub-national governments, i.e. CPER, *contrats de ville* with city governments, and *contrat pays* with rural areas, to pursue common goals and co-financing schemes.⁷⁹ The new law on territorial organization (the 'NOTRe' law) entered into force in August 2015. This strengthened the economic development competences of regions, making it mandatory for each to adopt before 31 December 2016 a new regional plan for 'economic development,

innovation and internationalization' (*Schéma régional de développement économique, d'innovation et d'internationalisation* - SRDEII).

Local governments are required, at the same time, to develop a new regional master plan for sustainable development, land use and territorial equality (*Schéma régional d'aménagement, de développement durable et d'égalité des territoires*, SRADDET), which replaces the previous regional development master plan (see Box 3.7).



BOX 3.7 AN EXAMPLE OF REGIONAL SPATIAL PLANNING AND DEVELOPMENT SCHEMES IN THE REGION OF PROVENCE-ALPES-CÔTE D'AZUR (FRANCE)⁸⁰

The French region of Provence-Alpes-Côte d'Azur (often referred to as 'PACA') adopted its Regional Spatial Planning and Development Plan in 2015, before the new 'NOTRe' law mandated regions to develop a SRADDET master plan by the end of 2016. The PACA's plan is therefore a good example of region-driven planning before the reform. PACA has a population of five million inhabitants (making it the seventh largest region in France), 94.3% of whom live in urban areas. Its GDP per capita in 2013 was EUR 30,600 (the fifth wealthiest of France's regions). The regional council is in Marseille (855,000 inhabitants). The original plan (2013-2030) proposed four priorities: 1) more equality and solidarity between territories; 2) environmental and energy transition;

3) new alternatives for economic development; 4) openness to the world and the Mediterranean region. Each of these had several targets, including the reduction of social and spatial inequalities; a greener economy; sustainable land planning; innovation clusters; technology poles and parks; support to small and medium enterprises; and artisanship. All these actions were to be developed at different territorial levels, so as to integrate the various spaces (metropolises, towns, rural areas, mountains, and coastal areas) and enrich the shared planning toolkit. The plan proposed organizing, developing, promoting and sharing the regional economic role of Marseille and its metropolitan area, involving intermediary cities and strengthening the links between urban and rural areas.





BOX 3.8 THE STRATEGIC DEVELOPMENT PLAN OF ANTIOQUIA: 'THINKING BIG 2016-2019'⁸⁷

Antioquia is a Colombian department located in the central north-western part of Colombia, with a population of 6.5 million inhabitants. It is the second most populated and sixth largest department in the country. In 2012, it had a GDP per capita of USD 13,900. Medellín is the departmental capital, with 2.5 million inhabitants.

'Thinking big' is a macro-strategy to enhance governance and development in the region, building on local capacities and assets to strengthen its competitiveness. The plan rests on seven strategic lines and 'trigger actions':

1. **Competitiveness and infrastructure:** entrepreneurial competitiveness, sciences, technology and innovation, ICTs, human capital and tourism, infrastructures, mining and PPPs;
2. A new rurality for **a better quality of life in the countryside:** rural planning and land use, access to services and infrastructures, socio-economic inclusion, rural productivity and competitiveness;
3. **Social equity and mobility:** health, elderly care, education, public services, housing, amenities and sport, citizen participation, employment, culture and heritage, the rights of women, children, minorities, and lesbian, gay, trans, bisexual and intersex (LGTBI) people;

4. **Environmental sustainability:** climate change mitigation and adaptation, water resources and environmental management, risk management, mining and environment;
5. **Security, justice and human rights:** support to victims of war, land restitution, civic co-existence and access to justice, public safety;
6. **Peace and post-conflict management;**
7. **Good governance:** strategic guidelines, institutional strengthening, ICTs management, quality of work and enhanced accountability.



Colombia is another unitary country with great regional diversity. After two and half decades of progressive decentralization (sub-national governments concentrate 38% of public revenue and 35% of public expenditure), the country is trying to reform its national planning process by regionalizing both policy design and implementation.⁸¹ However, the impetus of regional development strategies still comes primarily from the initiatives and funds of central government. The latest national development plan (NDP) for 2014-2018, '*Todos para un nuevo país*' ('Everybody for a new country'), introduces a new regional development approach. It sets objectives and targets for the countries' six macro-regions or Special Administrative Planning Regions. It recognizes certain strategic functions for metropolitan areas,⁸² in order to strengthen national resources by means of associative figures.⁸³ The focus is on reduction of regional disparities and the plan is to be co-financed by

national and sub-national budgets, as well as public-private partnerships (PPPs).⁸⁴ However, the NDP serves as a nationwide roadmap. With the support of central government, *Planes de Ordenamiento Territorial* (POTs) and *Planes de Ordenamiento Departamental* (PODs) *Modernos* – new land-use and departmental plans – will gather municipalities, departments and metropolitan areas into a new form of planning. This focuses on the achievement of land-use goals and the harmonization of rural and urban strategic functions. Every department and municipality is also legally bound to develop its own development and land-use plan (see Box 3.8).⁸⁵

In the past, **insufficient coordination and inconsistencies in their respective plans have hampered effective ownership and partnership between national and sub-national actors.** The Colombian government recently issued two reports on the matter – on 'Systems of Cities' and 'Transformation in the



BOX 3.9 KWAZULU-NATAL: PROVINCIAL GOVERNMENT PRIORITIES⁹¹

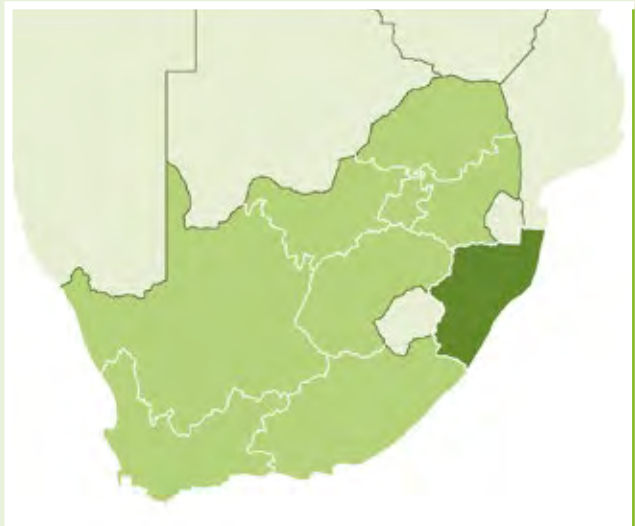
KwaZulu-Natal (KZN) is a South African province with an estimated population of 10.9 million (South Africa's second most populous province). Forty-nine percent of this population still lives in rural areas, and its contribution to national GDP is estimated at 16% (2015). The capital is Pietermaritzburg, but its largest city is eThekweni-Durban, a metro area of 3.4 million inhabitants. The GDP per capita in 2013 was estimated at USD 3,100.

According to its Provincial Growth and Development Plan (PGDP) 'Vision 2030', adopted in August 2011, 'KZN will be a prosperous province with a healthy, secure and skilled population, acting as a gateway to Africa and the world'. The plan includes seven goals and 30 objectives, five-year targets and indicators to ensure monitoring and follow-up. The main goals are inclusive economic growth, human resource development, human and community development, strategic infrastructure, environmental sustainability, governance and policy, and spatial equity. According to economic indicators, from 2011 to 2015 GDP rate of growth was estimated at 30% (5% annually), employment growth at 5%, and absolute poverty fell from 25.7% to 17.9%.

Two key Strategic Infrastructure Projects financed by national budgets ('Unlocking the Northern Mineral Belt' and 'Durban – Free State

– Gauteng Logistics and Industrial Corridor') have the potential to integrate the marginalized rural production centres, currently isolated from the main logistic systems around the named corridors. National budgets also support other key strategic projects, Aerotropolis and the SEZ *Dube Trade Port*.

KwaZulu-Natal's 2011 Provincial Growth and Development Strategy (PDGS) is currently being updated. This process should produce a revised PGDP as an implementation framework for the whole strategy.



rural areas'. One of their main findings is the persistent lack of coordination between urban/land planning and developmental strategies. The reports advocate regionalization of national policies, better coordination between different levels of government, and overcoming sectoral policy fragmentation. The reports emphasize the strategic value of better connected rural and urban areas, local economic development plans, and regional competitiveness. They build on the overarching principle that rural areas should be perceived not as providers of goods and services for cities, but as having a status of equal integration, planning and mutual benefits. Both documents call for the revision of financial transfer mechanisms – Colombia currently has equalization funds and a General System of Royalties – to overcome the mismatch between responsibilities and funding for local governments, granting them more flexibility to tailor expenditures to their local needs.⁸⁶

South Africa has one of the African continent's more advanced decentralization processes. Sub-national governments are responsible of 22.1% of total public expenditures and 20.4% of revenues. As mentioned in the previous section, the constitution prescribes 'co-operative government', whereby the various spheres of government must coordinate their actions and legislation.⁸⁸ Each provincial government should adopt a 'provincial growth and development strategy', aligned with national plans.

Since the emergence of the anti-apartheid governments in 1994, South Africa has developed a number of initiatives aimed at promoting coherent national planning, with a strong focus on the eradication of poverty, unemployment and inequalities. The government has attempted to link these objectives with economic growth and infrastructure development. Over the last few years, national planning policy and directives have moved through balanced and

unbalanced growth approaches, shifting from top-down rigid area-specific directives to ones that are bottom-up and adaptable, socially-oriented and interpretative.⁸⁹ The disconnect between national, provincial and municipal planning implementation and the weak impact of uncoordinated interventions have been persistent problems. In 2012, the National Development Plan 2030 was adopted to promote coordinated and focused actions to eradicate poverty and exclusion in South Africa.⁹⁰ One of its objectives is to align the long-term plans of sub-national governments with the NDP. Its implementation is being supported by specific national programmes and initiatives (e.g. National Infrastructure Plans). These should guide and support local and provincial authorities in the translation of national goals into territorial development, while strengthening expertise at provincial and local municipal levels (see Box 3.9).

As shown in previous examples, development regionalization strategies are evolving globally, both in federal and unitary countries. In Europe, EU cohesion policies and financial support have been instrumental in supporting this trend throughout the region. While in federal countries the role of states/*Länder* in planning tends to be more established, in unitary countries the role of regions or provinces is more variable – from very active to politically passive – and their room for manoeuvre, especially financially, is often more constrained.

In countries with a strong federal tradition, the involvement of the federal state in regional planning ranges from very limited (United States) to regular interventions as a ‘facilitator’ (e.g. ‘collaborative federalism’ in Germany). Even federal countries with stronger federal-driven policy traditions, for the last few years have been developing an approach that relies more extensively on sub-national states (e.g. the ‘cooperative federalism’ of Brazil and India). In unitary countries, even those sometimes granted a certain degree of local autonomy, regions are generally more dependent on central government policies and financing. **The trend towards regionalization is advancing, but with tensions and drawbacks.** Nevertheless, regions are responsible for defining regional strategies aligned with national development plans. This notwithstanding, coordination remains a structural problem.

Previous examples analyze state and regional governments in both developed and developing countries of different sizes

– ranging from five to 77 million inhabitants. They show that state or regional strategic development plans have different scopes and timelines – from five to 20 years, or even 35 years in Utah. Most of them refer to quality of life and social dimensions, linking these to the region’s overall competitiveness (e.g. the ‘KwaZulu-Natal: a gateway for Africa’ plan in South Africa). In most cases, key programmes and strategic infrastructures require full support or co-financing from federal or national governments. The case of the state of Bahia (Brazil) attracted particular attention because of their innovative approach of using more bottom-up and participative planning at the regional level. Participative planning is likely to become one of the greatest future challenges in the implementation of the Agenda 2030. National governments and the international community alike should pay significant attention to this theme in the definition of a common global agenda. Some states and regions are beginning to integrate the Agenda 2030 as a guiding reference in their development plans (Antioquia in Colombia, as seen above, but also Wales in the United Kingdom and Valencia in Spain, among others).⁹²

In many other countries, however, inconsistent decentralization policies and weak MLG frameworks hamper the strengthening of regional governments’ role as drivers of local development strategies. **Insufficient regional capacities limit the scope of regional planning and its ability to promote endogenous growth and harmonization** between regional and national plans and programmes. In many countries, sub-national authorities still do not have a long-term development strategy. For many, planning is a formal exercise with no substantial effects, and this is undermining their function in promoting development. This phenomenon has been particularly challenging in regions lagging behind economically, where strategies to strengthen regional and local governments’ capacities require an even bigger collaborative effort from both national governments and regional and local government organizations.

The evolution towards more tailored regional strategies, which take diversity into consideration and foster regional potential, is an important step in responding to the challenges and opportunities of each territory’s uniqueness. Persisting asymmetrical or hierarchical relationships between national and sub-national levels of government need to transition towards a



South Africa has developed a number of initiatives aimed at promoting coherent national planning, with a strong focus on the eradication of poverty, unemployment and inequalities

more partnership-based approach for policy design, implementation and funding.

In this regard, financing and fiscal policies should be adjusted so as to respect the principle of subsidiarity, granting sub-national governments the flexibility they need to integrate local demands. At the same time, these policies should promote forms of harmonization (and thus avoid, for example, a 'tax war' between regions) and equalization in favour of the regions that lag behind. Specific funds should be deployed to support shared strategic projects aimed at boosting national and regional development. These strategies should also encourage cooperation between sub-national governments, between regions and municipalities and, horizontally, between neighbouring regions and municipalities to create more synergies (e.g. in urban and rural areas, but also between the urban and the rural). In addition, shared mechanisms should ensure monitoring and evaluation to measure the effectiveness of policies and their impact. Regional and local administrations are closer and more capable than central governments of collecting first-hand detailed information on their territories – a key element which should assure more flexible and efficient planning and follow-up.

To encourage endogenous growth in all regions, national development strategies should support regional dynamics and promote coherence while strengthening regional governance. For their part, regional and local governments should scale up their regional dynamics and make national development policies a catalyzer for growth across all territories.

This dual process – from national to local and vice versa – could recalibrate development policies to support a revision of strategic planning, create room for more bottom-up initiatives, transform institutional inertia, facilitate local actions, promote new mechanisms and a higher level of institutional creativity. Coordination between national and regional policies should strengthen interconnections and cooperation between territories, metropolitan areas and intermediary cities – and thus facilitate a balanced territorial development. This would maximize positive socio-economic effects and diffuse the advantages of metropolitan growth and interaction between urban systems and rural areas throughout the whole territory.

3.3

REGIONAL ECONOMIC DEVELOPMENT AND ENDOGENOUS GROWTH

Regions are fundamentally important actors in territorial systems. They perform essential functions that contribute to economic growth at both the local and national level.⁹³ Their role in economic development has been growing over the last few decades. Nevertheless, the growth potential of many regions has often been limited by top-down strategies and policies. These have been built on the idea that the promotion of economic dynamism in main urban areas or in the most dynamic regions will reap benefits that will, eventually, spill over into rural territories and less dynamic regions. These policies have not viewed such 'lagging' regions as potential assets and sources of growth, but rather as obstacles to national development. They have been supported mostly through fiscal transfers and subsidies – instruments that have tended to produce unsatisfactory results.

As the compensatory approach has proved inadequate, in recent years it has become increasingly commonplace for researchers and policy-makers to not limit economic dynamism and the potential for economic growth to large, urban agglomerations and dynamic regions. Rather, they have suggested that 'opportunities for growth exist in all types of regions',⁹⁴ and that 'all [typologies of territories] have the potential to make substantial contributions to [national] economic growth'.⁹⁵ Indeed, according to the OECD, 'during the dozen years prior to the crisis, regions with average GDP per capita below 75% of the national average accounted for 43% of aggregate growth across the OECD'.⁹⁶ Policies aimed at promoting economic development in 'lagging' regions can in fact constitute a significant step towards a growth-oriented economic plan.

As a result of the devolution of responsibilities in territorial development, regional and local governments have increasingly turned to place-based, territorially-specific approaches for economic development to impel endogenous economic growth, dynamism and change – mindful of the underlying aim of enhancing the welfare of the individuals for which they are responsible.

 **Regional and local administrations are closer and more capable than central governments of collecting first-hand detailed information on their territories**

It has been suggested that the prioritization of economic activities that reflect and rely on local strengths and resources, coupled with efforts to '[improve] the [local] productive context',⁹⁷ facilitates the embedding of those activities in the territories that host them. These goals, in turn, improve the resilience of the territory's economic dynamism to external competition and the volatility of the global economy, increasing the sustainability of the economic growth they stimulate.

It is also anticipated that the engagement of local actors in the formulation of territorially-specific economic development approaches facilitates the design of policies that more accurately reflect local interests and priorities. This has the effect of ensuring that growth elicited by localized approaches is accompanied – and indeed reinforced – by the creation of higher-quality employment opportunities. This, in turn, leads to a more equitable distribution of the benefits of economic growth. Territorially-specific economic development is by definition a participatory process that relies on the insights, perspectives and priorities of local economic actors and individuals. Only they can inform the design of policies that are sufficiently reflective of local realities. This inclusiveness serves to provide citizens with a significant degree of influence on the socio-economic development trajectory of the territories they live in.

The different areas in which these place-based approaches have been implemented include – but are not limited to – agricultural development, industry, SMEs, knowledge development, innovation, technology, as well as cultural activities, some of which will be addressed below.

More specifically, **new policies and instruments are being developed to involve business and local actors in improving local synergies with the potential to generate growth**: incentivizing innovation and knowledge-sharing to modernize territorial economies and strengthen their competitive capacities; identifying real sources of development and helping territories to relaunch their economies, thereby increasing interactions between rural and urban environments; and improving access to infrastructure in areas where there is still deficiency, in particular in the field of transport and ICT (e.g. broadband access). New strategies include: involving the business sector (including SMEs) in the call for projects; promoting business cooperation between firms to facilitate the creation of regional clusters (see also, regional public incubators, science parks); the establishment of SEZs; training support and cooperation with professional schools and research centres (universities, private research, etc.); and strengthening links with national programmes.


The engagement of local actors in the formulation of territorially-specific economic development approaches facilitates the design of policies that more accurately reflect local interests and priorities



Photo: Guillaume Baviere – Viñales (Cuba).

3.3.1 Supporting enterprises, innovation and knowledge-based development

As sources of growth and solutions for tackling social and environmental challenges, regions are increasingly supporting enterprises, innovation and knowledge-based development through various approaches. As shown in the previous section, economic development and competitiveness are becoming key priorities in most regional development strategies.

In Brazil, for example, there has been a progressive shift from a perspective of 'addressing needs' to a strategy of identifying local assets for endogenous growth, supported by regionalized or national agencies. For example, the Brazilian service of assistance to micro and small enterprises [*Serviço Brasileiro de Apoio às Micro e Pequenas Empresas* – SEBRAE] is an efficient instrument created at federal level to assist SMEs and stimulate local productive systems and production chains. In so doing, SEBRAE is cooperating with other regional agencies, banks, industries and federated states' administrations in various areas, with technology, project financing, management, marketing and productivity support. SEBRAE offers a wide range of tailored services to enterprises but also to local governments, such as training, consultancy and financial support, with the aim of supporting local actors and providing them with a business-friendly environment.⁹⁸

In the Mexican state of Jalisco, authorities developed and implemented a multifaceted territorially-oriented strategy that balances efforts to support local firms in lower-technology, historically strong sectors. This is with initiatives to promote inward investment and actions to address structural conditions (e.g. infrastructure) to boost economic growth, employment and enterprise creation and entrepreneurship.⁹⁹ Similarly, the Polonnaruwa district in Sri Lanka focused more on available indigenous 'assets' and turned to a place-based strategy that simultaneously tackled the provision of support for local firms and human capital development.¹⁰⁰ More recently, in January 2015, the government of New South Wales (Australia) unveiled a multipronged, integrated regional economic development strategy to achieve five goals. These are: 'to promote key regional sectors and regional competitiveness; [...] to drive regional employment and regional business growth; [...] to invest in economic infrastructure and connectivity; [...] to maximize government efficiency and enhance regional governance; [...] and] to improve information-sharing and the evidence base'.¹⁰¹

In the Spanish region of Galicia, sub-national authorities devised a regional development approach to enhance economic performance. This was catalyzed by processes of devolution and the substantive transfer of powers to sub-national levels of governance that began towards the end of the 20th century.

Regions are increasingly supporting enterprises, innovation and knowledge-based development through various approaches



It fundamentally focused on the attraction of extra-local investment; efforts to support and restructure local production structures (with a particular emphasis on local small and medium-sized firms), and the enhancement of local human capital.¹⁰² A number of agencies were created solely for the purpose of devising, coordinating and executing the strategy. They did this through a range of actions and initiatives that included, or were based upon, the provision of various types of financial and fiscal incentives to local and extra-local actors; basic and advanced infrastructural upgrading; and investments in training, education and skills programmes.¹⁰³ The outcomes of the strategy were mixed due, perhaps in part, to an over-emphasis on infrastructural development and an *ex ante* weak economic fabric.¹⁰⁴ That said, the fact that the Galician government was, firstly, able to capitalize upon processes of devolution and, secondly, turned to regionalized approaches to development is revealing.

As part of the EU's research and innovation strategies for smart specialization (RIS3),¹⁰⁵ several regions – among them France's Pays de la Loire and Bretagne – are working towards the consolidation of an effective regional innovation system. This is partly a response to the competition from other countries' lower labour costs. Thus, thanks to European and national funds that run until 2020, the Pays de la Loire region has been elaborating a strategy for

smart specialization, *La stratégie régionale d'innovation* (SRI-SI) that focuses on research, technological development and innovation. Building on its comparative advantages, the region has identified six specialization areas, organized around three main axes. These are: i) strengthening the productive economy and promoting key industries; ii) working on key competences to build the models of tomorrow; and iii) promoting wellbeing and quality of life. Accordingly, it aims to position itself as a leader (at the European scale and in complementarity with other regions) in advanced production technologies, maritime industries, as well as food and bio-resources.

The Pays de la Loire region has also engaged in an inter-regional cooperation framework with the Bretagne region, based on geographic proximity as well as complementarities in terms of smart specialization. Acknowledging that stronger coordination between both regions means a stronger economic impact, they have agreed on a shared governance system for different areas of expertise.¹⁰⁶

3.3.2 Clusters, competitiveness poles and special economic zones

As a complement to traditional instruments, different mechanisms in place today are open to the participation of businesses, promoting incentives for investment and seeking to improve local synergies in order to generate growth. Based on a territorial dimension, these include –



In a globalized world, regional specializations – often built over decades – are rapidly changing





BOX 3.10 COMPETITIVENESS POLES AND TECHNO-PARKS

Competitiveness pole in Wallonia region, Belgium

Since 2005, the Wallonia region (one of Belgium's three regions) has launched several competitiveness poles that have become the backbone of regional economic development policy. These follow the example of similar initiatives implemented in other countries and regions, and have been set up under the aegis of the European Commission's innovation and competitiveness policies. While other clusters in Wallonia are mainly aimed at businesses, competitiveness poles have a broader range of potential participants.

They focus primarily on the creation of a greater critical mass in the Walloon innovation system, linking the efforts of different actors in specific industrial sectors.

Since 2011, there have been six (though originally five) competitiveness poles in Wallonia. These are: life sciences (Biowin), agro-industry (Walgralim), transport and logistics (Logistic in Wallonia), mechanical engineering (Mecatech), aeronautics and space industry (Skywin), and environmental technologies (GreenWin). This policy was initially developed through a more top-down approach, since the priority sectors were identified on a scientific basis through the analysis of regional potential and development prospects.¹⁰⁸

Technology parks in Santa Catarina state, Brazil

The state of Santa Catarina has made considerable investments to strengthen the knowledge base of its industry through the establishment of various techno-parks in three of its cities including the capital. These are numbered among several booming techno-parks in Brazil, including in Rio de Janeiro or São Paulo.

Santa Catarina now has an organized network across the three cities combining technology parks, business incubators and business condominiums, as well as educational and research institutes. The objective is to improve the state's availability of high-level qualified professionals, and align with the needs of companies that operate in the state. This is through training programmes developed in the territory in partnership with major industrial sectors.

Among three parks in the city of Florianopolis created in the last 20 years, Tel Alfa is associated with the University of Santa Catarina and managed by the state's research foundation. Other relevant parks are in the intermediary cities of Joinville and Blumenau.

among others – SEZs and competitiveness poles. Most of these initiatives are led by or require the support of national governments.

In a globalized world, regional specializations – often built over decades – are rapidly changing. Policy-makers face uncertainty about the durability of the strengths on which regional economies are based. Hence, they have increasingly relied on cluster strategies. These involve groups of firms and relevant economic actors and institutions fostering competitive advantage, thanks to their mutual proximity. Not only do clusters facilitate connections and enable lower production costs, they also encourage regions to build on their distinctive strengths rather than replicating other regions' successful policies. They take several forms, including technology corridors, high-tech regions around cities – gathering enterprises and labour centres – or smaller clusters that become local productive systems.

In China's Zhejiang province, a multifaceted strategy built on public-private cooperation led to the emergence of 53 clusters that together account for 80% of the province's total employment. This involved the promotion of inter-sectoral linkages, efforts to boost investment in R&D, knowledge generation and infrastructure development.

Other initiatives close to the cluster model are organized around the association of centres of research and higher education with enterprises. These accord with industrial policy objectives to promote collaborative innovation, include techno-parks and 'competitiveness poles', and are in line with industrial policy objectives. These initiatives are usually based on a commitment to partnership and joint development approaches. They aim to create synergies through cooperative innovation projects. Brazil has set up technological parks and local incubators to foster regional growth through R&D enterprises. In Europe, similar initiatives are being developed, in particular with the support of the EU (see Box 3.10). The proliferation of techno-parks, however, should not be considered as a panacea. While some parks have been successful in addressing their territory's lack of innovative capacity or limited private investments, these are so far the exception rather than the rule.¹⁰⁷

Across all continents, **Special Economic Zones** (SEZs) have also been increasingly relied upon as a policy tool to promote (regional) economic growth. While these are also quite heterogeneous (i.e. the concept includes Free Trade Zones (FTZs), Export



BOX 3.11 SPECIAL ECONOMIC ZONES IN CHINA AND INDIA

Processing Zones (EPZs), hybrid EPZs, free port/SEZs, etc.), they can be broadly defined as 'demarcated geographic areas contained within a country's national boundaries where the rules of business are different from those that prevail in the national territory'.¹⁰⁹ Such rules generally apply to taxation, international trade and investment, among others. They are usually intended to attract foreign investments, create employment, develop and diversify exports, or serve as laboratories to test new policies (e.g. legal, labour, pricing). These conditions mean that, in general, **SEZs have a top-down approach, created by central governments, sometimes in partnership with regional governments.**

These instruments have been used to promote economic growth in many regions of the world – even though they have not been free of pitfalls (see Box 3.11). There are several well-known examples of successful SEZs (e.g. the 'miracle of Shenzhen'). But when ill-defined or mismanaged, they can result in 'lawless areas' (especially with regard to job conditions and environmental sustainability) and, in some cases, limited impact on a region's endogenous development.

3.3.3 Local economic development in rural areas

Territorial heterogeneity can mean increased vulnerability in the face of a changing global economy. Large urbanized and densely populated regions find it easier to cope with the pressures of globalization, while those that are predominantly rural or with more dispersed urban settlements experience more difficulty. The approaches to fostering economic growth and change must be fundamentally different for regions, small towns, and rural municipalities compared with more urbanized areas. In the latter, industrial, higher value-added and, in some cases, knowledge-intensive activities are more abundant. Managing the unique co-dependent and symbiotic relationship between more rural and more urban areas and preserving crucial forward and backward rural-urban linkages is, therefore, extremely important. Furthermore, balancing agricultural activities and employment with non-agricultural activities and non-farm employment is essential for territories (see Box 3.12).¹¹⁴

In France, Brazil, Colombia and other countries, regional public policies have sought to promote cooperation between local farmers and a territory's firms in traditional sectors through local production systems (*systèmes*

Special Economic Zones (SEZs) generally require strong support from national governments in partnership with regional governments. They are usually located along a country's national borders, or in a port or airport area, which often benefit from financial support and special tax conditions and infrastructures.¹¹⁰

Initially found in China's Guangdong and Fujian provinces at the end of the 1970s, SEZs have multiplied in the past 30 years, contributing significantly to regional and national economic growth. Indeed, in some regions, they account between 50% and 90% of growth in GDP. Evidence also suggests they add to technological progress and innovation. While China's overall rates of technology commercialization is around 10%, rates in SEZs are over 60%.¹¹¹

Meanwhile, India set up its first SEZ in the state of Gujarat in 1965, aiming to simplify its operational trade regime and attract larger foreign investments. Since then, many related policies have been adopted (i.e. a dedicated SEZ policy in 2000) and there are now hundreds of SEZs in dozens of different sectors across most Indian states. For example, under its Foreign Trade Policy 2015-2020,¹¹² India recognized 60 Agriculture Export Zones (AEZs) as a way to promote the country's agricultural exports. Within this framework, different states are identified as AEZs for different products – e.g. Assam for ginger; Rajasthan for cumin and coriander; West Bengal for pineapple, lychee and mango, etc.¹¹³ This policy can enable a cluster approach, regionally integrating the agricultural process from the production stage until products reach market. It can also strengthen backward linkages with a market-oriented slant and lower production costs through economies of scale.

productifs locaux - SPLs). These can help foster agglomeration economies and open up external markets for local economic actors.

In developing countries, **rural areas are often characterized by inadequate access to food and lack of employment**, as a result of an over-dependence on outdated infrastructures and technologies as well as poor productivity and slow economic growth.

As a way to stimulate economic growth in its rural areas, the Antioquia Region (Colombia) established an Agro-Industrial Development Enterprise (*Empresa de Desarrollo Agro-Industrial de Antioquia - EDAA*). Its aims include: concentrating resources and capacities; strengthening associations in rural



BOX 3.12 ECONOMIC REVITALIZATION IN PRINCE EDWARD COUNTY, CANADA

In Canada, efforts to revitalize Prince Edward County's stagnant, agriculturally-oriented economy took the form of a territorial approach to development (TAD).

The objective was to 'leverage existing community attributes... and [align] local attributes and community strengths to meet the changing demands of the market'.¹¹⁵ Stakeholder collaboration and cooperation were of paramount importance.

Efforts targeted five clearly delineated clusters: creative/talent occupations; gastronomy; green business and services; healthcare and wellness; and creative industries.¹¹⁶

The success of the strategy is clearly stated: 'the county is increasingly recognized for its thriving, innovative and creative rural economy... [and] today, high-value agriculture, manufacturing and value-added industries are a key element of the county's economic success'.¹¹⁷

areas (e.g. *federación de cafetaleros*); ensuring land/ground use safety; promoting access to goods and basic services; supporting small production and family farming (e.g. alliances between small producers to enhance access to markets); improving rural productivity; providing assistance in the production, processing and marketing of agricultural

products, fishery, and forestry; and, finally, creating economies of scale and improving niche markets with higher added-value.¹¹⁸

Faced with inequalities, high poverty rates, unemployment and food insecurity, South Africa's second largest province, KwaZulu-Natal (KZN), is implementing a five-year strategic plan (2015-2020). This is driven by the ambition to unleash the province's agricultural potential, ensure food security, as well as increase the contribution of agriculture to the territory's economy (see also Box 3.9 above). The KZN's Department of Agriculture and Rural Development is developing – among other measures – what it calls 'agri-villages', as pillars of a new agrarian transformation. These will foster agricultural growth and integrated development of sustainable rural enterprises within the province. The 'agri-village' concept builds on the desire to create strong, unified and self-sufficient agricultural communities. The villages revolve around the development of a more concentrated settlement pattern to maintain a rural lifestyle, secure land tenure, facilitate access to basic services, and create economies of scale.

Based on scientific research and technology development, these interventions are designed to nurture the agricultural economy, create employment, and ensure food security and sustainable rural livelihoods.¹¹⁹

On the other hand, although the mining sector is significant for sub-national economies and regional governments in particular, the

Photo: Gary J. Wood - Farm, Prince Edward County (Canada).





BOX 3.13 'ROYALTIES FOR REGIONS' PROGRAMME IN WESTERN AUSTRALIA

After increasing tensions about the allocation of the economic benefits of mining, the government of Western Australia developed the 'Royalties for Regions' Programme.

The aim of the scheme is to ensure that local communities are given a fair share of the revenues generated by mining resources exports.

It also promotes long-term investments in infrastructures in the state's regions, with the exception of Perth. The programme is funded by an annual reinvestment of 25% of the royalties received from mining activities.

Most funds are reinvested in specific projects, as a complement to, rather than as a substitute for, existing funding provided by both state and central governments.¹²⁰

benefits are often not distributed evenly. There has been increased demand for mining development that is inclusive. At the same time, concerns have been raised about a lack of regional linkages and compensation for the social and environmental costs endured by mining regions.

Several have implemented benefit-sharing instruments to ensure that at least some of the economic benefits of mining are retained within the territory. These include investment funds, equity and tax-sharing with governments, and royalties (see Box 3.13), among others.

The role of culture in regional economic development is as significant as it is multi-faceted. Beyond its intrinsic value, it has a real impact on regional economic development through, among other things, job creation and increased attractiveness for visitors as well as residents.¹²¹

Recognizing it as an opportunity for regional economic growth, Peru's Cusco region launched its 2021 Cusco Strategic Development Plan (*Plan Estratégico de Desarrollo Regional Concertado, Cusco a 2021*). This was made possible by a progressive shift to the sub-national level, initiated in 2002, of spending authority and levels.

The strategic plan aims to achieve sustainable regional growth and productivity largely oriented towards the tourism sector, with careful consideration given to the environment and disaster risk management.

Tapping into the comparative advantage of its considerable historic and cultural heritage, the regional government was willing to responsibly promote the development of touristic activities. This is through, for example, a commitment to managing and preserving the region's cultural, natural and archaeological patrimony in collaboration with the local population, government and private sector.

The significance of tourism for Cusco's economy cannot be over-estimated. It is Peru's first tourist destination and accommodates 88% of international visitors, in a country that has experienced a steep rise in tourist arrivals (the number of international tourists is growing at 8.1% per annum, compared with 2.2% globally).

Between 2002 and 2012, the number of foreign visitors rose from 1.1 million to 2.8 million, and tourism contributed 3.7% of national GDP, a level expected to reach 4.2% by 2021, with an estimated 5.1 million visitors annually.¹²²

3.3.4 Promoting a balanced regional growth

The considerable variation in the extent to which individuals and segments of society can benefit from processes of economic growth is well-shown.¹²³ More precisely, those at the upper end of the socio-economic spectrum tend to benefit the most, while poorer and marginalized segments of society often lose out.¹²⁴ The most immediate consequence of this asymmetry is that economic growth in developed and developing countries, whether in urban or non-urban environments – regions, small towns and rural municipalities – is often accompanied by increases in both interpersonal and territorial inequality.¹²⁵

Hence, regions need to make concerted efforts and devise adequate policies to ensure that the benefits of economic growth are spread more evenly across society. A failure to do so can only serve to reinforce patterns of economic inequality and compromise the prospects for future economic growth.¹²⁶

The economic performance of a given region depends upon a combination of factors, including demography, industrial mix, productivity, regional accessibility, physical and human capital, and innovation capacity.

Ensuring economic growth is balanced across regions is difficult – mostly due to the unequal character of comparative advantages and disadvantages. But it is suggested that territorially-specific economic development approaches (such as those described in this



BOX 3.14 REACTIVATING THE ECONOMIC CYCLE IN RUSSELL COUNTY, UNITED STATES

Russell County in Virginia (United States) has a population of 30,000. Its traditional industrial structure based on coal-mining and agriculture meant a loss of 20% of jobs (according to data from 1993 to 2004), and a huge drop in real wages.

There was a need to quickly and flexibly reactivate the economic cycle; use the human resources available to the territory before people relocated to regions more attractive in terms of employability; and thus generate jobs.

A strategy implemented between 2005 and 2007 combined active re-skilling of the labour force with attracting inward investment to the sectors in which this training took place.

This led two corporations to invest and the creation of a minimum of 350 jobs by the end of the process in 2007.¹²⁸

section) may be the most suitable option for the pursuit of a more equitable and inclusive economic growth.¹²⁷

Local economic development approaches as amenable to equitable growth are understood to be a product of (i) their participatory, integrative nature and (ii) their implicit focus on the creation of employment. The integration of perspectives and priorities of local stakeholders in the strategic planning process ensures that policies are designed to reflect and address the realities and interests of society, and thus have a more meaningful impact on a greater social representation.

Moreover, territorial strategies prioritize the generation of new employment opportunities, which are at the heart of many conceptualizations of equitable or inclusive economic growth (see Box 3.14).

In this respect, 'the capacity to benefit directly from economic activity is understood to be contingent upon capacity to participate in income-generating activities'.¹²⁹ The ability of localized approaches to create new employment opportunities makes them a viable option for achieving growth that can be felt by all citizens of all regions, small towns and rural municipalities. The impact of a policy intervention on the development of a given area will depend upon effective coordination between different territories and levels of government, but also on local stakeholders' capacity to situate the initiative within a broader policy framework, that addresses human capital or business development.

3.4 THE ROLE OF REGIONAL GOVERNMENTS IN SUSTAINABLE ENVIRONMENTAL POLICIES¹³⁰

The correlation between regional and sustainable development has become all the more apparent during the process of definition and negotiation for the UN 2030 Agenda for Sustainable Development. This clearly shows the key role of regional governments in their territories and communities' sustainable development, as well as in the application of the new global agenda. Aside from their influence on economic development policies and the management of rural-urban interlinkages, regional governments have been strong agents in the design and implementation of key environmental policy actions. Some of these are addressed in this section.

Most climate change effects take place at the supranational level. Their consequences, e.g. floods, droughts, overflow of waterways and pollution, among others, tend to affect more than just one locality, without necessarily having a national impact, especially in mid-sized or large countries.

In a number of cases, therefore, the regional scale has proved to be the most successful level of intervention and reaction. Similarly, **regions and municipalities are the scale at which to best understand the needs and priorities of the population and different social actors involved**. A simple task such as assessing the damage caused by natural events e.g. torrential rains, can be done far more effectively at the regional and municipal level. For example, dialogue with communities of producers whose harvest has been affected; or the inclusion of companies who wish to put in place preventive environmentally friendly measures, are actions that are implemented far more successfully and accessibly at the regional and local scale.

Sub-national interventions are usually more adaptable to the geographic (e.g. ranges, valleys, hydrography) and biological (e.g., different habitats and ecosystems) components of a territory. Regional and local governments are bound to perform


Regional governments have been strong agents in the design and implementation of key environmental policy actions



BOX 3.15 THE QUEBEC/CALIFORNIA CARBON MARKET¹³³

better in the protection and conservation of their territories' ecological dimension. Finally, horizontal coordination with different levels of government is essential. In many circumstances, regional governments will need to pool resources and competences to elaborate a shared strategy for common challenges.

In the past few years, regions all over the world have designed and implemented plans and projects for environmental sustainability. Indeed, in many cases, they have been responsible for the design and application of laws and policies in sectors that are essential to this. Here, we address the relevance of the regional scale and review various initiatives. These are in areas such as climate change; education and awareness-raising; renewable energies; biodiversity preservation; water management and the protection of wetlands and coastal areas, forests and natural parks; sustainable agriculture; green technology; and food security.

3.4.1 Climate change

Data suggest that between 50% and 80% of climate change mitigation and adaptation policies are (or at least are expected to be) managed and implemented at the sub-national level.¹³¹ Indeed, state and regional governments are on the front line when it comes to environmental sustainability. They should be seen as essential and legitimate actors, particularly in a field where concerted and integrated public policies are critical. However, despite the fact that the territorialization of public policies is often presented as being on the reform agenda, actual devolution of competences and financial resources are still limited and sectoral approaches are too often the instrument of choice, at the expense of integrated territorial approaches.

Collaboration across different levels of public administration becomes even more relevant whenever regions and regional governments attempt (and manage) to go beyond the goals and expectations set or negotiated by their respective national governments. Regions such as Flanders (Belgium) or Bavaria (Germany) and federated states such as California (United States) are well-known examples in this regard. Similarly, regions are in a privileged position to coordinate and lead the action of lower tiers of government. In the Spanish autonomous community of Euskadi (Basque Country), the regional government welcomed

Cap and Trade (C&T) systems are efficient economic tools to incentivize the reduction of CO₂ emissions through a market-based approach. In 2014, using a mutually beneficial decentralized cooperation framework to develop a common approach to reducing GHG emissions and harmonize regulatory efforts, the province of Québec and the state of California linked their C&T systems. The Québec C&T, for example, covers large emitters from different sectors (electricity, industrial and, since 2015, fossil fuel distributors) with a threshold of 25,000 tCO₂ per annum. The revenues generated by annual auctions are reinvested in CO₂ emissions reduction initiatives.

The province of Ontario and Manitoba recently signed an agreement to join the Québec and California C&T market, currently the only carbon market being designed and implemented at the sub-national level. The province of Québec continues to collaborate with other Northern American governments to advocate for carbon pricing and expand the carbon market.

California has a long track record on environment policies. Since the 1970s, for example, it has regulated car pollution. An Energy Action Plan was elaborated in 2003 and revised several times; and in 2006, the state enacted the Global Warming Solution Act to reduce GHG emissions. Other initiatives were also adopted to reduce energy consumption in public buildings and promote renewable energies (e.g. the California Development Programme, with USD 10 million distributed to 495 projects managed by 59 state agencies). Today, California is a leader in green economy activities aimed at energy consumption reduction, clean energies and depollution.¹³⁴

and put under its own aegis the sustainability-oriented actions initiated by a number of its municipalities. This step helped establish a tool to keep track of greenhouse gas (GHG) emissions at the local level.¹³²

Given the importance of regional governments in sustainable development, it is key that they have the capacity to take up their challenges and tasks appropriately, for example by rewarding or sanctioning those behaviours and choices that either hinder environmental sustainability or catalyze the effects of climate change (see Box 3.15).

 The preservation of biodiversity is another important issue closely linked to environmental sustainability and the fight against climate change

Education and awareness-raising

Education, including formal and informal education, public awareness and training, is essential to provide people with the capacity to grasp and address their sustainable development concerns and promote environmental and ethical awareness, values, skills and ways of thinking compatible with sustainable development. In fact a sub-target of SDG Goal 4 states: 'By 2030, ensure that all learners acquire the knowledge and skills needed to promote sustainable development, including, among others, through education for sustainable development and sustainable lifestyles'. Education is certainly one of the policy areas to have adapted policy toolkits and strategic plans to reflect environmental sustainability concerns (see Box 3.16). Many regions have identified education, citizenship awareness and participation – especially amongst youth – as key elements needed for environmental sustainability, and have fostered action and commitment on disaster risk reduction and adaptation at the regional level.

Awareness-raising is not just targeted at schools and educational activities, given the competences regional governments possess over territorial planning and management more generally. Based on their proximity to citizens, it is common for regions to establish public campaigns and engage local communities in decision-making and

the protection of the environment. In close collaboration with grassroots communities and NGOs, a number of projects foster ecotourism and the respect for local sustainable traditions, creating green jobs and raising awareness of the need for conservation and environmental services.

Tourism is another area where it is essential to raise awareness of sustainable development, since this sector puts significant pressure on natural resources and the environment more generally. There is a need to adapt models of tourism development in order to move away from the purely economic to ones that balance economic development with the preservation of natural resources and biodiversity, as well as respect for local culture and heritage. This is in line with target 8.9 of SDG 8: 'By 2030, devise and implement policies to promote sustainable tourism that creates jobs and promotes local culture and products'.

In the Korean province of Jeju, for example (population 632,823 in 2015), tourism has been growing rapidly over the last few years. The number of annual visitors rose from 6 million in 2005 to 13.2 million in 2015.¹³⁶ Although the regional government is dedicated to growing the island's economy while preserving its natural environment and culture (e.g. investments in electric vehicles, solar and wind power), tourism regulation policies will be required to ensure the island's sustainability in the years to come – as is the case in many other places.



BOX 3.16 AWARENESS-RAISING OF ENVIRONMENTAL SUSTAINABILITY, WESTERN PROVINCE, SRI LANKA¹³⁵

Sri Lanka's Western Province implemented an awareness-raising project for schoolchildren on the value and importance of environmental conservation and eco-biodiversity. Its aims were to promote knowledge, skills and creativity in relation to sustainable development and urban agriculture through discussions and practical scenarios. Children were taught a number of things, including urban agriculture methods, the importance of growing their own food and eating locally grown produce, as well as of renewable energy sources and wildlife preservation. A total of 88 schools and nearly 45,000 students took part in this educational initiative.

Biodiversity preservation

The preservation of biodiversity is another important issue closely linked to environmental sustainability and the fight against climate change. In a comprehensive study of worldwide biodiversity loss,¹³⁷ scientists have developed a measure of the intactness of biodiversity at a number of sites and have found that it has fallen below the established 'safe limit' across 58.1% of the planet's land, mainly due to the destruction of natural habitats for farming purposes.

The Convention on Biological Diversity (CBD), through the decision outcomes of its COP summits, increasingly recognizes the role of local and sub-national governments in the protection of biological diversity. Particularly in the context of the Aichi Biodiversity Targets 2011 – 2020, the CBD has set local and regional governments as crucial partners for the implementation of bespoke sub-national strategies and monitoring of

national processes, put forward at the tenth Conference of the Parties (COP 10) through decision X/22. This adopted a Plan of Action specifically supporting and coordinating efforts with sub-national governments, cities and other local authorities in achieving the Convention Strategic Plan (SP) and its Aichi Biodiversity Targets.

More recently in 2014 at COP 12 in South Korea, the Convention's members reiterated their interest in engaging at the sub-national level, with the adoption of nine decisions explicitly referring to the local and regional application of the Strategic Plan for Biodiversity. Decision XII/9 at COP 12 invited Parties to promote local and sub-national biodiversity strategies and action plans and strengthen the capacities of sub-national and local governments to incorporate biodiversity into urban and other spatial planning processes (see Box 3.17).

The protection of biodiversity is another policy area under the competency of regional governments. However, biodiversity policies (see Box 3.18) cannot limit themselves to plants, animals, micro-organisms and ecosystems; they must also include people and communities, their right to have access to food, medicine, clean water, air and, in general, to a clean and healthy environment. Integrated cross-level vertical coordination implemented locally by territorial governments is, in this



BOX 3.17 THE REGIONS FOR BIODIVERSITY INTERNATIONAL CONFERENCE¹³⁸

In order to promote dialogue between regional and sub-national governments, conservation organizations and other stakeholders in the implementation of the UN Convention on Biological Diversity (CBD) Strategic Plan 2011-2020 and the Aichi targets,¹³⁹ Barcelona hosted an international conference on the role of regions in biodiversity preservation and the challenges and responsibilities in achieving these objectives.

This meeting also allowed the inclusion of a group of regional governments in the Sub-National Governments Advisory Committee to the CBD. The Committee gathers a group of active regions to provide expert input and jointly promote and assess sub-national plans of action on biodiversity. Participants to the conference highlighted – among other things – the fact that although regional governments are best positioned to deal with biodiversity and find solutions, they often lack human and/or financial resources, particularly in rural areas.

sense, normally perceived as being far more effective than sectorial one-off interventions carried out in isolation by different levels of the public administration.



BOX 3.18 BIODIVERSITY PRESERVATION IN THE MOQUEGUA DEPARTMENT, PERU¹⁴⁰

Similar to many other parts of the world, biodiversity in the Moquegua region of Peru is under significant pressure due to habitat fragmentation; overexploitation of hydrological resources; the extraction of forest-dwelling species; and the burning of grasses; all of which are mainly caused by human activities. In a bid to overcome these challenges, the regional government of Moquegua has developed a regional strategy for biological diversity (2014-2020) through a participatory process incorporating ideas from over 200 people, among them professionals, members of civil society, representatives of public and private institutions, as well as municipal and regional authorities.

The project is structured around six main objectives:

1. Promote an efficient management of financial resources for the preservation of biodiversity;
2. Strengthen the competences of technical and operational institutions for the adequate management of biodiversity;
3. Strengthen the population's capacity to conserve and promote sustainable use of biodiversity;
4. Promote the sustainable management of tourism and flora and fauna to improve people's quality of life and achieve economic and employment benefits;
5. Promote scientific studies of the local wildlife and plant species as well as ecosystems;
6. Implement policies and tools for the management of biodiversity.

In Catalonia (Spain), the strategy for the conservation and sustainable use of biological diversity aims to integrate conditions for sustainable biodiversity into urban and regional planning; ensure the ecological permeability of the territory to facilitate the displacement and dispersion of species; promote biological connections across the whole territory using 'green corridors'; and maintain the overall conservation of habitat types. In order to achieve these broad objectives, Goal 8 of the strategy, for example, emphasizes the need for a sustainable territorial model that supports economic development, improves quality of life and the environment, and promotes the conservation of biodiversity at all levels of planning and urban management and in all areas of the territory.

Water management and the preservation of wetlands and coastal areas

Water management is vital to the achievement of sustainable agriculture and a sector that has been increasingly devolved to regional and other sub-national governments.

It links to Goal 6 of the SDGs, to 'ensure availability and sustainable management of water and sanitation for all'. As a natural resource that is abundant yet overexploited by human activities, water is under significant pressure worldwide. Its management is fragmented, as hydrological and administrative boundaries are often not concomitant, making this sector highly dependent on effective MLG. This is of paramount importance since – according to a study by the OECD¹⁴¹ – at least 40% of the world's population currently lives in water-stressed areas, with this number expected to reach 55% by 2050. Water management is also crucial when it comes to the different aspects of development, including agriculture and food supply, health, energy and the environment.

Across the world, the management of water resources, including sewage systems, is allocated differently between different levels of government. In some countries, intermediate levels are legally responsible for managing water - regions, provinces, departments, counties, states, and so on (e.g. Australia, Malaysia, Lebanon, Kenya, Russia). In others, the central government is fully responsible (e.g. Tunisia, Gabon, Iran, Singapore). In countries such as Brazil, Canada, India, Denmark, Germany and Morocco, water resources are managed at the municipal level in partnership with regional and national governments. An increasingly popular model for water management is integrated watershed management. This follows a geographic and natural breakdown of the territory into river basins, each having their respective management agency, with interesting examples of participatory councils involving municipal governments, local business and communities concerned about specific basins and geographic areas. The model allows for the coordinated management of water resources within the limits of a geographical unit (the river basin), taking into account the different components of the water cycle and the interactions between natural and human systems in order to promote a balanced and sustainable use of resources. This system has been implemented in many parts of the world including Brazil, France, Malaysia and the Niger River Basin, where an integrated watershed management plan is shared by nine countries (Cameroon, Guinea, Mali, Niger, Ivory Coast, Benin, Burkina Faso, Nigeria and Chad).¹⁴²



BOX 3.19 WATER, CATCHMENTS AND WATERWAYS MANAGEMENT IN NORTHERN TERRITORY, AUSTRALIA¹⁴⁴

As part of its 'balanced environment strategy', Australia's Northern Territory is taking action to manage water resources and preserve its vital waterways and catchments – which have important agricultural and environmental functions. In this regard, the state is:

- Elaborating and implementing strategic plans to manage water allocation, reduce potential threats to marine biodiversity, and improve sewage management;
- Monitoring and promoting transparency on the state of its waterways, drinking water resources, and the impact of industry on these resources;
- Collaborating with the National Centre for Groundwater Research to study the potential of managed aquifers in water storage;
- Delivering programmes to reduce the costs related to the adoption of efficient water use and waste management technologies;
- Promoting flood and storm surge mitigation solutions;
- Promoting the sustainable management of the state's fish and aquatic resources.



BOX 3.20 COASTAL MANAGEMENT IN SCHLESWIG-HOLSTEIN, GERMANY

In Schleswig-Holstein, more than 350,000 inhabitants live in coastal areas exposed to flood risk. Conscious of climate challenges such as sea level rise, increasing temperatures and changing wind patterns, the state government of Schleswig-Holstein (Germany) adopted an integrated climate change adaptation strategy in 2015, articulated around coastal risk management. The strategy aims to promote resilience, preserve the integrity of the Wadden Sea ecosystem and ensure the long-term maintenance of its present functions and structures.¹⁴⁶

The Schleswig-Holstein Agency for Coastal Defence, National Park and Marine Conservation (LKN.SH) provides a number of services, including coastal defence and flood defence along the rivers; oil spill response; nature conservation and sustainable development in the National Park Schleswig-Holstein and the Wadden Sea; and the protection of rivers, groundwater, lakes and coastal waters.

The distribution of water by water utilities does not always correspond to the management of water resources. For example, in Brazil, water is managed at the municipal level but most of the population is supplied by large regional government-owned operators (e.g. *Companhia de Saneamento Básico do Estado de São Paulo* – SABESP, in the state of São Paulo).

In many places, **the increasing decentralization of water management has allowed for policies that are more tailored to local realities on the one hand, but on the other it has intensified capacity and coordination challenges.** Indeed, experience suggests that there is no one-size-fits-all solution for water management: water policies should be adapted to local and territorial specificities and should be developed using a bottom-up and inclusive approach (see Box 3.19).¹⁴³

Coastal areas have long been among the most productive and popular settlement areas, concentrating a large share of the world's population. Indeed, half of the world's inhabitants live less than 60km from the sea, and 75% of large cities are located on the coast.¹⁴⁵ However, this concentration of population and human activities (e.g. tourism, industry, etc.) is putting significant pressure on coastal ecosystems (through habitat destruction, biodiversity loss and pollution), which are among the most vulnerable to climate change and natural hazards. Risks include sea level rise, flooding, erosion and extreme weather events, the consequences of which are already being felt among coastal communities (see Box 3.20).

Given the high stakes involved, it is imperative to develop and spread the use of integrated coastal management plans to protect the natural resources of coastal areas whilst promoting their efficient use. The sustainable development of these vulnerable areas will depend on governments' ability to develop coordinated approaches that encompass activities such as aquaculture, shipping, tourism, agriculture, industry, fisheries, offshore wind energy and infrastructure development.

Forest management and protected areas

Another issue closely related to sustainability and often under the competency of regional governments is forest management. **Forests have a crucial role to play in soil conservation, water cycles, carbon sequestration and habitat protection, as well as other key environmental services.** Their

sustainable management is therefore vital for people's livelihoods, for food security and for sustainable agriculture. Indeed across the world, the livelihoods of around 1.6 billion people depend on forests, which are also home to around 80% of terrestrial animal species, plants and insects.¹⁴⁷ Goal 15 of the SDGs states: 'By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally'. The extension of agricultural land is the main driver of global deforestation and should be better regulated through (among other things) the promotion of a positive interaction between agriculture and forestry and better integration of locally adapted policies on forests, agriculture, food, land use and rural development (see Box 3.21).

Given the urgent need to protect fragile ecosystems, the establishment of protected and conservation areas became a necessary tool to define sustainable models of management and use of environmental resources. Indeed, it is now a key part of the CBD work programme since 'protected areas provide livelihoods for nearly 1.1 billion people, are the primary source of drinking water for over a third of the world's largest cities and are a major factor in ensuring global food security'.¹⁵⁰ As a legal instrument, the details and types of protected areas vary according



BOX 3.21 FOREST ACTION PLAN IN THE DEPARTMENT OF GOSSAS, SENEGAL

In the face of the loss of an average of 43,000 hectares of forest land per year between 1990 and 2015,¹⁴⁸ the Department Council of Gossas has been developing a plan 'by and for the people' to reverse this trend, in collaboration with the territory's forestry service. The plan has a number of aims, including to map and delineate 750 hectares of the Malka forest; reforest 50 hectares (half of the 100 hectares originally planned); create forest management structures such as village and inter-village committees; raise awareness among communities, elected officials and other stakeholders; reintroduce plant and animal species; distribute 1,000 fuel saving stoves per year; and sequesterate 13,500 tCO₂ per year. In order to promote the involvement of local communities and strengthen their capacities, the project will also provide forest management training to one leader in each rural community.¹⁴⁹

to each country. However, in most countries they overlap with the territorial competences of regions, which become responsible for creating and managing those areas.

In Brazil, the federal government regulates and establishes criteria and typologies for the different conservation areas in the country at all levels of government. A large array of templates can be applied, combining different elements of protection and socio-economic usage. The state of São Paulo – in collaboration with R20¹⁵¹ and FUNBIO (Brazilian Fund for Biodiversity) – is

implementing a reforestation project aimed at repopulating 10,000 hectares of land between 2015 and 2020. Each hectare will comprise 1,600 trees and the project's estimated cost will be USD 50 million.¹⁵² The Brazilian state has over 50 dedicated conservation units applying different models of management and involving stakeholders in the São Paulo Biodiversity Commission, which discusses the expansion of protected areas and the establishment of new ones.

Sustainable energy and green technology

There is no doubt that **renewable energy sources** represent a key part of our sustainable future. Indeed, they **play a significant role in meeting global energy demands while at the same time reducing carbon emissions and promoting local economic development.**

Regional strategies for energy transition are on the rise, as exemplified by Rajasthan's (India) solar power development (see Box 3.22) or Wallonia's (Belgium) energy policy 2014-2019. The latter aims to encourage the sustainable use of energy by developing renewable energies as well as organizing the regional gas and electricity market efficiently, emphasizing the economic, social and environmental dimensions.¹⁵³ The Pays de la Loire region (France) has also devised a regional strategy for energy transition for the period 2014-2020.¹⁵⁴

Sustainable agriculture

As a sector critical to rural development and increasingly essential for food security



Muynak, a former small port city, almost abandoned due to the desertification of the Aral Sea.

in an urbanizing world, agriculture has undergone significant changes due to new technologies, mechanization, use of chemicals and the introduction of policies that focus mainly on raising productivity. This has led, amongst other things, to topsoil depletion, the contamination of groundwater and to worsening social and economic conditions in rural communities. Moreover, climate change brings with it a series of new challenges, including the risk of natural hazards and hydrological events which can jeopardize the production of crops and livestock.

In Europe, the Common Agricultural Policy (CAP) is intended to mitigate the risks of environmental degradation and promote the sustainability of agro-ecosystems through biodiversity preservation and the development of 'natural' farming systems, sustainable water management and use, and mitigation of the attenuating effects of climate change (see Box 3.23).

Meeting the demands of a growing population for food and other agricultural commodities will require a sustainable increase in food production, through – among other things – the development of new technologies, awareness-raising initiatives and economic incentives. Policy shifts will need to ensure stable supplies of food and access to these supplies by vulnerable communities. Success in this area will depend on adequate MLG as well as on the involvement of rural populations, the private sector and the scientific community.¹⁵⁸

Food security

Food systems are numerous and varied across the world, yet we are witnessing the rise of a hegemonic agro-industrial or 'agribusiness' production and mass consumption system that is concentrated, globalized and structured by large industrial and commercial firms. While it has contributed to reducing food-related costs and improving overall food hygiene, it stands in conflict with sustainable development - a situation that calls for alternative solutions. In this regard, regions have become key actors, as evidenced by the increasingly popular and promising Territorialized Agri-Food System concept developed and promulgated by the scientific community, NGOs and international organizations. Regions have been witness to the exponential growth of cities and the massive waves of migration that have been, and are, filling them. Likewise, regions can act as a complement or 'alternative' to today's ever-more globalized, industrialized



BOX 3.22 SOLAR POWER IN RAJASTHAN, INDIA¹⁵⁵

As part of India's drive to promote solar power, the state of Rajasthan has been extensively developing its solar power capacity to become the country's leader in solar energy – capitalizing on its natural advantages which include large areas of land and a high level of solar radiation. In fact, in 2011 Rajasthan's goal of reaching 25 gigawatts of solar capacity by 2022 exceeded the national government's goal of reaching 22 gigawatts in the same timeframe (the target today is 100 gigawatts by 2022). If this state's rate of solar power capacity were applied to the whole of India, it is estimated that the country's CO₂ emissions would fall by 202 million tonnes before 2020.


However, a number of financial and logistical challenges in the development of solar capacity have already been encountered across the country. These include lack of finances; difficulties in acquiring tracts of land; and gaps in the infrastructure needed to connect utilities to the grid.



BOX 3.23 A PLAN FOR SUSTAINABLE AGRICULTURE IN BRITTANY, FRANCE¹⁵⁶

In France's 'first agricultural region',¹⁵⁷ a number of plans have been developed to mitigate the effects of climate change - which threatens the economic equilibrium of the harvest - and drastically reduce CO₂ emissions related to farming (a sector which currently accounts for 40% of Brittany's GHG emissions). The Regional Council of Brittany, along with the Regional Chamber of Agriculture, are working towards reducing energy consumption and improving the energy efficiency of machinery, developing renewable energy sources and engaging in collective research-related initiatives. Actions include improving isolation, ventilation and heat recovery; subsidizing equipment to recover heat in milk tanks and hydro-coolers (10% of farms were equipped with this in 2015); acquiring energy-efficient material; and providing financial support to farmers.

and commodified food provision system.¹⁵⁹ A balance in this complex mechanism has fundamental repercussions not only on the culture of localness and proximity, as well as people's health, the sustainability of the economy and the environment, but also on co-existence, peace and security.


The rural-urban economy is a complex system which engages a massive number of socio-economic actors and interests

The rural-urban economy is a complex system which engages a massive number of socio-economic actors and interests: farmers, craftsmen, agro-alimentary industries; packaging companies, recycling companies, machinery producers; transporters, traders, sellers, shop owners, restaurant owners; financial services, innovation, communication and training industries; and, of course, the whole of a territory's citizenship. The range of actions and interests of this diverse and large community of stakeholders goes well beyond the administrative limits of the most local tiers of government, and their participation is essential in the management of core issues such as food security. Due to it being local and proximate, the region stands out as the ideal level of government at which these actors can interact and help make the results of their decisions stay within the territory.

The Government of Azuay in Ecuador established its *Territory Vision 2019*, a comprehensive territorial plan to ensure sustainability in all dimensions of the region's public administration, including the environment.¹⁶⁰ In this plan, Azuay promotes 'food sovereignty' as a concept that goes beyond providing enough food, to one that is also being socially, culturally and environmentally adapted to the local context through the recovery of traditional food products and knowledge. For example, sections of the plan that focus on food

security also deal with capacity-building and awareness-raising activities in the plan's 'Management, Operation and Maintenance of Irrigation Systems' section. Additionally, the regional government promotes weekly fairs to promote awareness and ensure that small rural producers have access to markets.

Advocacy in this field is growing. The 2nd Summit of World Regions for Food Security, held in Medellín in 2012, promoted, in its Final Declaration, the establishment of 'Territorialized Alimentary Systems'. Similarly in 2015 in the Québec Declaration, representatives from Laval University (Canada), the Montpellier UNESCO Chair for World Food Systems (France), the University of Costa Rica, the ORU-FOGAR association, the Remolis Research Centre (France), and the French Association of Regions advocated for the Territorialized Alimentary Systems to make food security 'an axis of territorial development, leading to the development of local agricultural and food chains, while contributing to the preservation of natural resources and the protection of the environment, to job creation in all related industries (collective food systems, ecotourism, craftsmanship, services), to the promotion of cultural and gastronomic heritage, and the protection of agricultural and alimentary diversity'.¹⁶¹

As the rest of this chapter will discuss, the rural-urban relationship demands a regional approach for two reasons. First, a regional perspective is needed to grasp the demographic reality of rural-urban duality, the agro-climatic diversity of rural-urban territories and, economically, the large market volume involved in this relationship.¹⁶² Second, the region allows a multilevel model of complementarity, interconnectedness and solidarity to develop among the municipalities of which it is composed.

The role of decentralized cooperation and the twinning and close cooperation between regions, cities and all other involved actors is absolutely essential to develop awareness on sustainability, the environment and the challenges it faces. Associations, networks and platforms at both the domestic and international levels have contributed significantly to this aim, promoting exchange of best practice and supporting cooperation projects to improve environmental policies across regions in the world. UCLG's Forum of Regions, Nrg4SD, ORU-FOGAR, R20 and a number of like-minded networks have been particularly successful in pursuing this mission.



Photo: David Stanley - Luderitz (Namibia).

4.

SMALL TOWNS, RURAL-URBAN LINKAGES AND REGIONAL DEVELOPMENT

Even in our current urban age, small urban centres and rural municipalities play a fundamental role in the development of their surrounding rural regions. Regional development affects, encompasses and nurtures both urban and rural environments, the people that live in them and the businesses that produce and create wealth there. Territorial relations – between the rural and the urban, and among small urban centres and intermediary cities and metropolises – are critical in the quest for a sustainable, comprehensive and inclusive territorial development.

There is no universal measure of the impact of small towns on regional development. While many have turned into key components of positive development cycles, several other smaller settlements face stagnation and decline. This section suggests two main reasons to explain this persisting variability. Firstly, unlike larger cities, most small towns and their economies still depend significantly on their local physical and geographical context, which is normally a rural environment, and on the status this is granted within national policies, priorities and legislation. Small towns, for example, tend to be affected by those national policies and frameworks that rigidly divide 'rural' and 'urban' areas, since their economies have inherently strong interactions and linkages with their surrounding rural environment. A firm separation between the rural and the

urban, in other words, tends to aggravate – rather than support – households and businesses in smaller towns. Secondly, and in line with this 'contested' rural-urban blurred typology, **small towns tend to rely extensively on financial and technical support that they receive from higher tiers of government**, in particular from regional and national administrations.

However, in many cases small towns and rural municipalities have developed local governance systems designed to fully take advantage of their unique relationship with, and knowledge of, the local context, of its opportunities and, most importantly, of its challenges. In this regard, they are an important link in the local democracy chain, connecting the public administration with their people and communities.

The global agenda for regional development will have to take these issues into consideration, and pursue systematically a more comprehensive territorial approach. This must not marginalize small towns and their rural environments, but rather build on their privileged connection with the territory, their unique model of social relationships and institutionalized trust, as well as their immediate proximity to natural resources – all elements that are essential to the social, alimentary, environmental and energy sustainability of territories and urban settlements.



Even in our current urban age, small urban centres and rural municipalities play a fundamental role in the development of their surrounding rural regions

4.1 SMALL TOWNS: A KEY LINK IN THE URBAN CHAIN

This section focuses on small towns and the particular relationship they have with different aspects of regional and territorial development. Small towns are a special territorial unit of analysis, mainly because of how difficult it is to define them and the diverse functional roles they can play in their hinterland and within their territories.

There is no universally accepted definition of 'small town'. Demographic and urban patterns around the world are so diverse that the definition remains extremely contextual and loose at both ends of its categorization – i.e. above and below what population a town is to be considered 'small'. Depending on national legislation and context, settlements can start being 'urban' centres with just a few hundred inhabitants. On the other hand, certain 'towns' of up to 100,000 inhabitants can be considered 'small' in the context of national urban systems such as those found in China or India. This blurred definition has repercussions on the analytical comparability of the 'small town' category.

This report defines small towns as **any urban centre with fewer than 50,000 inhabitants**. At the same time, it accepts the inadequacy of a definitional framework that focuses exclusively on the demographic size of these settlements. The European Observation Network (ESPON), for example, acknowledges three main perspectives that help conceptualize 'small towns' within the reality of urban and demographic systems:

- A **morphological perspective**, according to which a small town has to respond to certain criteria about the urban shape and configuration of its settlement – i.e. be a compact, built-up area with a concentration of population;
- An **administrative perspective**, that favours a definition of a small town as a recognized 'territorial unit of local government',¹⁶³ part of the larger administrative system of a country;
- And a **functional perspective**, according to which a small town is a centre concentrating economic and social activities; providing services and specific administrative

functions to a larger surrounding region or area – usually coinciding with the urban settlement plus its (mostly rural) hinterland.

The functional perspective is particularly useful in defining a small town's interaction with its territory. These functions are largely shaped by the wider national and sub-national (regional) urban systems in which small towns are embedded, rather than by sheer population or size. For example, in a small country such as Belize, with an estimated population of around 340,000 people in 2014, the largest city (Belize City) has around 57,000 residents, while intermediate urban centres range between 5,000 and 10,000 inhabitants. Small towns are even smaller and often do not even reach 2,000 inhabitants. They do, however, have clear functions in administration, trade and education that both shape and are shaped by the national urban system.¹⁶⁴ In contrast, since the 1990s, China's urban centres have generally tended to grow large, partly because their administrative boundaries often include large areas of surrounding land and rural residents. Consistent with this generalized tendency of the national urban system, the population of 'small towns' in the Chinese system can range between 30,000 and over 100,000 people, although their administrative functions remain subordinated to the county government, regardless of size.¹⁶⁵ As part of the rapidly growing proportion of the population living in urban centres, however, small towns have managed to achieve a new centrality even in the supersized Chinese urban system: in the 30 years between 1978 and 2007, the number of Chinese small towns increased from 2,173 to 19,249.

In general, small towns around the world are an essential link with both the rural environment and larger urban agglomerations. This 'linking' status and their territorial pervasiveness make the role of small towns in national urban systems hard to pinpoint, with strong differences between decentralized and more unitary countries and, most importantly, between developed and developing economies.

4.1.1 Small towns and their place in national urban systems

There is growing interest – in both the literature and policy analysis – not only in small towns and rural-urban areas, but in those urban centres commonly referred to as small or intermediate urban centres, or secondary or intermediary cities – although such interest

 Small towns around the world are an essential link with both the rural environment and larger urban agglomerations



BOX 4.1 SMALL TOWNS AND THEIR FUNCTION IN ADVANCED URBAN ECONOMIC SYSTEMS¹⁶⁸

Because of their diversity and pervasiveness throughout the territory, small towns are perhaps even more vulnerable than larger cities to the challenges that define and threaten urban development and urban life: globalization, depletion of natural resources, climate change and natural disaster risks, ageing populations, geographical isolation or territorial marginalization, and the socio-economic effects of sprawling cities. While they are traditionally linked to rural areas and to a simpler, agriculture-based economic system, in many contexts small towns have managed to use a complex set of policy and community-based responses to these challenges and their potentially disruptive effects. The United States, in particular – a country in whose urban system vast, scarcely-populated rural areas co-exist with some of the world's largest and most congested metropolitan areas – offers a number of interesting examples of small towns that have taken advantage of both their potential and the opportunities of an advanced market economy to enhance their competitiveness, community-building efforts and sustainable resilience.

A paradigm of sustainable development guided the community of Dillsboro (North Carolina) towards a plan for a renewable energy power plant on the site of an abandoned landfill which had started to leak methane into the air at dangerous and illegal levels. The green energy produced was then used to power a new business district for local entrepreneurs and craftsmen in the town centre (while also contributing to an overall 23% growth of the town's GDP over a ten-year period). Dillsboro's case is also an example of best practice and knowledge-sharing at the horizontal level, since the local institutions of Dillsboro's Jackson County based their plan on the previous experience of neighbouring Yancey County.

In the early 2000s as part of a strategy of post-industrial revitalization, Nelsonville (Ohio), a community historically linked to the declined coal-mining industry, supported subsidized rents for entrepreneurs, artists and local business owners interested in renovating the nearly abandoned downtown district. Beneficiaries were asked to re-invest part of their earnings in storefronts

and other structural refurbishments, which in turn attracted more businesses and residents, repopulating the district. Cultural investment and knowledge-based economic impulse can pay off even within the limited size and boundaries of small towns, given the improvement in quality of life, community-building and tourism that they can bring to the town.

Globalization and territorial and urban marginalization can cause a profound systemic instability whose shockwaves affect small towns as much as other urban centres. The limits of economic specialization and the threat of a fragmented community in the face of growing foreign competition had shaken the growth prospects of the rural community of Pelican Rapids (Minnesota). The town, however, built on the diversity that job opportunities had brought during the 1970s and 1980s to create a magnet for migrants and foreign workers. Long-time foreign residents had a personal commitment to empowering the town's diverse population and their entrepreneurial talents. This effort resulted in a local school system (of about 1200 pupils) where dozens of languages and dialects are spoken, and a local economy based on traditional culture, integration and cultural 'mixity', in which immigrant employers create jobs for local people and contribute to local finances and growth. A multicultural committee and an agency for social services supervise integration into the local community. At a time when migration waves are putting additional pressure on the social resilience of large metropolises and kindling inequality and intolerance in diverse urban communities, Pelican Rapids offers an example of the beneficial effects of small towns' scale, proximity and community closeness.

Many small towns have relied on state-wide sectoral agencies, regional platforms, shared committees and commissions to tackle the most pressing issues in their communities in a transparent and co-owned way – offering a glimpse of the full potential of innovative, empowered governance, respectful of the goals, needs and ambitions of their communities.



BOX 4.2 SMALL TOWNS AND TERRITORIAL DEVELOPMENT IN GHANA¹⁷⁰

Ghana is an interesting example in the context of Western Africa's urbanization, because of the characteristics of its urban system and the relationship between small towns and their hinterland. While Ghana's population has increasingly become more urban, smaller settlements still represent a significant part of the country's urban system. In 2000, only 14 urban centres out of a total of 350 had a population of 50,000 inhabitants or more. The population of many smaller centres is not even officially included in the census. A 1988 decentralization scheme adopted a two-tier administrative division, drawing regions and districts within them. Later reforms have raised the number of 'ordinary' districts to 164 (large municipalities have a different status). Each district has a capital, which fulfils specific functions of service provision and economic agglomeration in territories that remain predominantly rural, and most of these capitals are small towns. According to data from the 2000 national census, 96% of Ghana's urban centres were small municipalities and settlements, and about one in three was a district capital. These data, however, precede the latest rounds of reforms and increase in administrative fragmentation, and may well underestimate the relevance of small towns (and small district capitals) in the country's urban system.

The 1988 national decentralization programme also focused on resource transfers and the enhanced involvement of smaller urban centres, with specific reference to district capitals. Even so, under current legislation, local governments can only access three main transfer fund sources: the District Assemblies Common Fund (DACF), which redistributes 5% of the total national fiscal revenue to districts; the Grants in Aid system, which plays a key role in financing civil servants and the ordinary administration at district level; and the Ceded Revenue, a portion of national tax income that is devolved to districts. While the shares of the DACF are fixed and predictable, the national government is in control of transfer distribution of the other two funds, with no real transparency or participation of local governments.

As a result, the ability of local municipalities to serve their administrative functions is severely constrained. While inadequate finances have hindered the ability of smaller towns – and district capitals in particular – to make an impact in their area's socio-economic development, an unclear distribution of competences and the lack of horizontal coordination have made local institutions appear 'weak and unaccountable' and struggling with 'weak human resource capacity'.¹⁷¹ District assemblies have a key socio-economic role: they report to regional assemblies and participate in the definition of local development plans. Moreover, district capitals are recognized as centres of service provision, providing access to certain opportunities (mobility, markets, etc.) for the large urban population that lives around them. In 2000, over 30 district capitals lacked a hospital, and seven of them lacked any kind of medical facility. Almost 15 district capitals had no post office, and nearly 20 of them had no connection to a telephone landline. Lack of services, financial and human resources are hindering development in rural areas that rely extensively on small towns for the daily functioning of their economies and communities.

Small towns, in the form of rural-linked district capitals, are playing a fundamental role in supporting local development and have been a key instrument in the national government's toolkit to tackle poverty, distribute wealth more equally, and provide basic opportunities and resources to otherwise isolated rural areas. The central government, however, remains fully in control of long-term policy definition and, most importantly, of the allocation of economic and financial capabilities. Small towns have been a proxy for many extensive rural areas to finally access markets, water, electricity, healthcare and education. However, a more transparent distribution of funds and a more 'co-owned' system of vertical integration and competence devolution are still required for Ghana's decentralization scheme to work properly and take full advantage of the privileged location and proximity of its many small towns.

was also evident during the late 1970s and 1980s.¹⁶⁶ In part, this growing interest comes from a recognition that a significant and usually growing proportion of national and urban populations live in urban centres other than the largest cities. But it is also fuelled by a concern about the relative weakness of

local governments in many of these centres, in spite of the population they serve and the socio-economic weight and relevance of the communities they govern.

Table 1 in the report's introduction and Figure 1 in this chapter's introduction shows the proportion of the world's population

estimated to live in small cities and towns with up to 50,000 inhabitants. The diversity of the demographic significance of the latter category across the world is noteworthy. While over one fifth of the world's urban population live in small towns, there are significant variations between and within regions. For example, the average figure for Africa (26.4%) hides major differences between Eastern and Western Africa, both with more than 30% of their urban population living in small towns, and Central Africa, where this proportion drops to just 13%. Among high-income regions, Europe has a higher than average proportion of its urban population living in small towns, whereas Northern America has a much lower than average proportion at only 10.8%. All urban-based Polynesians, on the other hand, seem to reside in small towns. Such diversity highlights the importance of the wider socio-economic context, including the nature and shape of national urban systems of which small towns are a part. This diversity reflects the spatial distribution of the population: while in Northern America, Europe, Latin America and the Caribbean and parts of Asia, projections suggest that between 2014 and 2050 urban population growth will be accompanied by a decline in rural populations, this will not be the case for the majority of countries in Africa and Oceania, where there is likely to be an increase in both urban and rural populations, according to data from UN-DESA.

Population and presence in the territory are not the sole characteristics that define the role of small towns in urban systems today: their function and their relationship with the rest of a country's urban hierarchy are similarly defining. **Functionally, the concept of small towns ranges from suburbs on the fringes of large and congested metropolitan areas to isolated villages that are often the only built-up concentration of population in vast portions of rural land or wilderness.** Almost all small towns depend on some economic stimulus or function to support the population they concentrate – for instance as a centre for local administration or public service provision (post, public transport) or wherever town size and entrepreneurial demand allow for the establishment of a market place (shops, stalls, rural produce).

However, context can significantly affect a small town's role or function. Most small towns in low and many middle-income countries are inextricably linked to the rural and agricultural economy. In many such contexts, small towns still represent the very last connection

between the urban and the rural, acting as the interface through which the rural economy (agricultural products, mining and natural resource exploitation) interacts with an urban one (market outlets, infrastructure, connections, information, movement of goods and services). This is no longer necessarily the case for small towns in wealthier economies, where agriculture accounts for a very small proportion of GDP and employment, and many small towns are able to develop a competitive and fully-fledged role within a knowledge-based, technologically advanced economy. In many developed economies, small towns have been able to bridge the competitive gap that separated them from larger agglomerations or metropolitan areas – and, under certain circumstances, are partially re-writing the narrative that sees development and growth directly correlated to urban mass, size and compactness.¹⁶⁷

On the other hand, in much of Sub-Saharan Africa the development of small towns remains largely linked to agricultural production systems, and in some cases to the expansion of the mining industry. In Zambia's Southern Province, for example, the town of Mazabuka (with a population of just under 50,000 in 2000) developed largely around sugar plantations in the surrounding region and the town-based sugar refinery, whereas the much smaller town of Kalomo (11,000 inhabitants in 2000) has a cotton ginneries but is located in an area where low soil quality limits the development of cash crops.¹⁶⁹

Population and presence in the territory are not the sole characteristics that define the role of small towns in urban systems today



Photo: David Stanley - Elmira (Ghana).

 **Small towns have a vested interest in fostering various forms of rural-urban linkages and have become catalyzers for these two complex realities to co-exist and cooperate harmoniously**

Since the 1990s, export-oriented economic strategies in Mexico have stimulated the growth of small (and intermediary) urban centres along the border with the United States, based mainly on manufacturing. However, the rapid growth of these northern urban centres has not stimulated much development in the rest of the country, since their main functional linkages are with urban centres in the United States.¹⁷² **Small towns are best understood as part of urban change dynamics in different countries and regions**, which in turn are shaped by economic shifts and institutional arrangements. In Spain, for example, policies and initiatives supported by both the central government and the EU have emphasized territorial approaches that promote the integration of specialized economic activities such as fishing and tourism, with specific attention paid to environmental protection.¹⁷³

The following sections address this diversity and the multiplicity of roles that small towns can play, depending on their location and place within urban systems and hierarchies. These sections identify three key challenges for small towns, their function and their administration. First, the inevitably close relationship that most small towns maintain with the rural environment in which they are often embedded (Section 4.2); second, the impact that small towns can have on regional development (Section 4.3); and finally, the prospects and challenges that the governance of this particular category of urban centres faces in future, and how it fits with the emerging global urban agenda (Section 4.4).

4.2 RURAL-URBAN LINKAGES: DEFINITIONS AND TRENDS

Given the diversity of the urban phenomenon, small towns can be located and engaged within a larger urban system in a number of ways. Peri-urban small towns can be strategic in the area's larger commuting patterns or serve as the last urbanized interface with the surrounding countryside (and the resources it contains). Small towns can likewise be networked with other intermediate settlements, with which they share 'functional complementarities'¹⁷⁴ that can provide a larger rural-urban community

with services and access that would otherwise be available only around larger urban areas. Finally, small towns can be located in sparsely populated areas that rely significantly on the rural economy: in these cases, small towns have additional pressure and incentive to seek cooperation with the rural environment and its socio-economic actors and stakeholders, to guarantee service provision and the effective management of available natural resources. Either as proxies to agglomeration economies, service providers or core centres of activity in large non-urbanized areas and because of both their size and function, small towns have a vested interest in fostering various forms of rural-urban linkages and have become catalyzers for these two complex realities to co-exist and cooperate harmoniously.

4.2.1 Small towns and the rural-urban continuum

The pattern of small urban centres and their relationship to rural settlements and other urban centres defies simple categorization or description. The spatial distribution of any nation's urban population is best understood as the 'geography' of its non-agricultural economy and government system. In other words, it is the map of where people whose main income source is not from the primary sector – agriculture, fisheries, forestry and mining – make a living. In general, as a nation's per capita income increases, so too does the concentration of its population in urban centres, because most investment and income-earning opportunities are concentrated there. Most low-income countries and all low-middle-income countries have less than half their GDP in agriculture, and all countries with growing economies have decreasing proportions of their GDP derived from agriculture and declining proportions of their labour force in agriculture. However, these figures can be misleading in that a considerable part of the growth in industry in many low-income countries may be from forward and backward linkages with agriculture – for instance, the production and sale of agricultural machinery, fertilizers and other agricultural inputs, cold stores, and packaging and processing industries. In many countries, a significant proportion of the total value of agricultural production is within urban areas (from urban agriculture), but it may also be due in part to city boundaries encompassing large areas of agricultural land so that the produce grown in what are clearly agricultural areas (with no urban characteristics) is

Table 4.1 The continuum of settlements, from rural to urban

Source: Satterthwaite and Tacoli (2003)

	SMALLER POPULATION		LARGER POPULATION
	RURAL	MIXED	URBAN
Type of settlement	Unambiguously rural settlements with most of the inhabitants earning a living from farming, forestry and/or fishing.	'Large villages', 'small towns' and 'small urban centres'. Classification influenced by each country's definition of 'urban areas'.	Unambiguously urban centres with much of the economically active population deriving their living from manufacturing or services.
Population trends	Populations of rural settlements range from farmsteads to a few hundred inhabitants.	Populations range from a few hundred to 20,000 inhabitants.	In virtually all countries, settlements with more than 20,000 inhabitants are considered as urban; in certain countries, settlements with far fewer than 20,000 inhabitants are considered urban.
	LESS RELEVANT NON-AGRICULTURAL ACTIVITIES		MORE RELEVANT NON-AGRICULTURAL ACTIVITIES

counted as urban. In addition, a considerable part of the growth in urban services is to meet demand from agricultural producers and rural populations.

As noted above (Table 4.1), it is difficult to generalize about the economic bases of small towns. Their economic trends vary – usually from among the most dynamic to among the least dynamic within each country. Many urban centres close to large and prosperous cities may develop stronger economic bases as they attract new enterprises whose output largely serves demands in the large city or external demands organized by enterprises located in the large city. They may also develop into dormitory towns, or at least have their economy strengthened by having a proportion of their workforce commuting to the larger city.

When comparing small towns' economic and employment bases, empirical studies have found no easily defined or clear dividing line although, in general, the larger the urban centre's population the smaller the proportion of the economically active population working in agriculture and the greater its importance within the government's administrative hierarchy. **In countries with effective decentralization, many municipal governments in small towns have become more successful in supporting economic**

growth and in improving infrastructure provision, which also means many grow beyond 50,000 inhabitants and so are no longer classified as small cities or towns.¹⁷⁵ Most small towns exhibit a mix of urban and rural characteristics. However, most rural specialists choose not to recognize the importance of small towns within 'rural development'. Rural specialists may even talk at length about rural industrialization and 'off-farm' and 'non-farm' employment without mentioning 'urban', although much of the so-called 'rural industrialization' and much of the non-farm employment is actually in small urban centres. Meanwhile, most urban specialists fail to recognize the importance of prosperous agriculture and a prosperous agricultural population for urban development.¹⁷⁶ Recognition of the demographic, economic, social and political importance of small towns might help to shift such biases.

Perhaps less importance should be paid to this rural–urban divide and more attention focused on viewing all settlements as being on a continuum in terms of their population size and the extent of their non-agricultural economic base. Table 4.2 illustrates this: key 'rural characteristics' are listed on the left and key 'urban characteristics' on the right.

Most urban specialists fail to recognize the importance of prosperous agriculture and a prosperous agricultural population for urban development

Table 4.2 The rural–urban continuum

Source: Satterthwaite and Tacoli (2003)

RURAL	RURAL-URBAN INTERFACE	URBAN
Livelihoods drawn from crop cultivation, livestock, forestry or fishing, mining (i.e. key for livelihood is access to natural capital).		Livelihoods drawn from labour markets within non-agricultural production or making/selling goods or services.
Access to land for housing and building materials not generally a problem.		Access to land for housing very difficult; housing and land markets highly commercialized.
More distant from government as regulator and provider of services.		Access to infrastructure and services difficult especially in rapidly growing cities in low-income nations for low-income groups because of high prices, illegal nature of their homes (for many) and poor governance.
Access to infrastructure and services limited (largely because of distance, low density and limited capacity to pay).		Greater reliance on cash for access to food, water, sanitation, employment and garbage disposal.
Fewer opportunities for earning cash , more for self-provisioning; greater reliance on favourable weather conditions.		Greater reliance on house as an economic resource (space for production, access to income-earning opportunities, asset and income earner for owners – including <i>de facto</i> owners).
Access to natural capital as the key asset and basis for livelihood.		
Urban characteristics in rural locations (e.g. prosperous tourist areas, mining areas, areas with high-value crops and many local multiplier links, rural areas with diverse non-agricultural production and strong links to cities).		Rural characteristics in urban locations (urban agriculture, 'village' enclaves, access to land for housing through non-monetary traditional forms).

But the characteristics listed in each column form two ends of a wide spectrum. Indeed, **many rural settlements have households that rely on non-agricultural jobs, and non-agricultural employment opportunities may be very important for reducing rural poverty.** Meanwhile, many urban areas exhibit some rural characteristics – such as the importance of urban agriculture for many low-income urban households. In addition, in the middle of this continuum between 'rural characteristics' and 'urban characteristics' there is a 'rural-urban' interface.

This suggests the need to consider changes to the long-established classification of all human settlements as 'rural' or 'urban'. The simple classification system adopted for the collection and dissemination of population data does not reflect 'the blurring of rural and urban areas, the diversity of settlements within

urban and rural contexts, the increasing scale and complexity of urban systems, and the new forms of urbanization that are emerging' in low and middle-income countries, as well as high-income countries.¹⁷⁷ It also tells us nothing of each settlement's functional linkages with other settlements. Hopefully, new classification systems will help make apparent the social, economic, political and demographic importance of 'small urban centres and large villages', while also highlighting their diversity.

Approaches that combine census and remote sensing data will make it easier to apply standard demographic definitions, allowing for international comparisons and a more accurate analysis of urbanization processes. One example of this is the Africapolis database covering the West African region for the period 1950 to 2010. Using a cut-off point of 10,000 inhabitants, it traces the evolution of

more than 2,500 settlements in the region. Perhaps the most important finding is that while primate cities maintain their role as the interface with global dynamics, there is a proliferation of new, smaller settlements that pass the 10,000 urban threshold each year.¹⁷⁸ The analysis suggests that this process of *in situ* urbanization is the result of natural population growth and the limited number of existing towns that can attract rural migrants. Small towns (or, indeed, large villages) tend to develop in three broad categories of locations: densely populated areas, along major roads and in relative proximity of large cities. This suggests that the functions of small towns are best understood within the broader picture of urban (and rural) networks. It also raises important questions of governance and institutional set-up, since these settlements often develop outside any legal or social framework appropriate to dense population concentrations, including the provision of basic infrastructure and services.¹⁷⁹

Different contexts, however, show different dynamics. **In Europe, rural populations are increasingly ageing, as younger people tend to move to urban centres where economic opportunities concentrate.** At the same time, however, the large numbers of relatively affluent northern Europeans (Germans, Dutch, Scandinavians and British) moving to 'sunny', rural parts of southern Europe and living there full-time or for long periods each year are credited with saving local rural economies from disappearing completely.¹⁸⁰ Such 'rurbanization'¹⁸¹ is increasingly important in some regions of developed countries where people move from big cities to small towns to benefit from a better quality of life; and in low and middle-income countries it overlaps with investment by international migrants priced out by increasingly high land prices in the large cities. This is the case for example in Senegal, where international migrants invest in small towns in the Senegal River Valley,¹⁸² and in Central America, where migrant investment contributes to unplanned urban sprawl.¹⁸³ As new interest groups emerge, often in contexts where local governments have limited technical capacity and authority, new tensions develop that challenge governance systems, as described in more detail below.

4.2.2 Defining rural-urban linkages

The linkages and interactions between 'rural' and 'urban' have become increasingly intensive and an important component of

livelihood and production systems in most regions of the world. They are also, however, extremely diverse. This is largely because they reflect local and national socio-cultural and economic transformations, including the systems and institutions for the management of natural resources, agricultural production systems, the nature and location of manufacturing and services, as well as the shape of urban systems. At the micro level, rural-urban linkages are also diverse in terms of access to opportunities and assets based on gender, age and wealth. Indeed, complexity is the one characteristic that rural-urban linkages in different locations share. This should not be surprising, as rural-urban linkages are better defined as a complex web of connections between 'rural' and 'urban' dimensions, rather than a linear relationship. To be a useful concept for policy, however, rural-urban linkages need to be defined as clearly as possible.

A spatial definition of rural-urban linkages refers to the tangible and intangible exchanges between rural-urban areas, people and enterprises. This definition is useful in describing the density and directions of linkages; however, it does little to capture the dynamics that underlie these exchanges.

A sectoral definition of rural-urban linkages focuses more narrowly on the interactions between different economic sectors – agriculture, industry and services. These can include agricultural production's backward linkages (the manufacturing of inputs) and its forward linkages (processing, transport and distribution). This definition goes into more depth in analysing the functional links between people, activities and enterprises in different locations. However, this too has limitations: to understand and support positive rural-urban linkages what is needed is a combination of functional and spatial dimensions. As discussed in the next section, examples of positive linkages typically share one key factor: the added-value produced through functional linkages is retained and reinvested locally, where with appropriate institutional support it serves as the engine for local economic development.

Rural-urban linkages are also central to structural transformation and the transition from largely agrarian economies with most of the population engaged in farming, to a concentration of employment in manufacturing and services which accounts for the bulk of national GDPs. This process is already well under way: globally, since



The linkages and interactions between 'rural' and 'urban' have become increasingly intensive and an important component of livelihood and production systems in most regions of the world

about 1980 the economically active population employed in manufacturing and services exceeds that employed in agriculture.¹⁸⁴ Currently, around one third of the world's labour force is engaged in agriculture, and the sector generates 2% to 3% of global added-value, although this does not take into account subsistence production and the added-value produced by the manufacturing and distribution of food and other agricultural raw materials.¹⁸⁵ Structural transformation typically involves people moving from rural to urban areas where non-farm jobs tend to be located, and is thus closely linked to urbanization.¹⁸⁶

4.2.3 A specific type of 'proactive' linkage: rural-urban partnerships

As discussed above, the concept of rural-urban linkage covers a complex and diverse spectrum of interactions and relationships that connect various dimensions of urban and rural life and activities. Spurred by growing opportunities, enhanced communication and available technology, rural and urban environments are increasingly integrated and mutually reliant: labour and trade markets are increasingly shared, common resources are pooled for the provision of basic services, and both the rural and urban contexts are aware – to an unprecedented degree – of the need to preserve natural and environmental resources and cooperate for the achievement of sustainable production and socio-economic resilience. In other words, rural-urban linkages, in all their diversity and comprehensiveness, are key for the long-term sustainability of regional development and the wellbeing of people.

Rural-urban partnership, accordingly, is a concept that includes all those initiatives, actions, projects and platforms that are established with the aim of consolidating these basic and essential linkages, achieving common goals and enhancing the beneficial interrelationship between the rural and the urban environments. Rural-urban partnerships can play a significant role in empowering local actors and fostering cooperation dynamics in a context (e.g. at the fringe of the urban and the countryside or uncultivated territory) that would otherwise receive neither adequate resources nor the required policy centrality to protect economy, environment and the uniqueness of social relationships.

Many international actors and institutions recognize the added-value of rural-urban partnerships when compared with other types of linkages. A set of key features tends to characterize this category: the actors involved in rural-urban partnerships, for example, are usually aware and have an incentive to bolster and refine the socio-economic interdependence of the urban and rural contexts involved. In addition, the platforms created within these partnerships tend to guarantee adequate representation of both 'sides' of the rural-urban continuum, involving private and public stakeholders in the definition of the common goals and benefits pursued by the partnership.¹⁸⁷

In practice, rural-urban partnerships take a number of forms. The creation of a whole new institutional framework – i.e. an organization dedicated to the partnership – is actually one of the least common arrangements, due to the political and economic consensus and investment that it implies. Many regional governments around the world would have the necessary policy competences and legitimacy to manage the diversity of rural-urban linkages. More often than not, however, this level of government does not have adequate resources – both financial and administrative – to foster the full potential of these relationships. In most cases more fluid, flexible forms are therefore required for rural and urban actors to maximize the returns of their cooperation.

Rural-urban linkages are essential because they create common ground for the integration of two different realities through sharing of key resources (water, land, agriculture, forestland, etc.); the provision of key services, and access to infrastructure and opportunities. **Rural-urban partnerships,**



Photo: Ari Helminen - Asamushi (Japan).



BOX 4.3 RURAL-URBAN PARTNERSHIPS IN CENTRAL CANADA

In Canada, a country characterized by high dispersion of population and urban settlements over a huge territory, regional partnerships have played a key role in mobilizing the rural-urban fringes and giving opportunities and policy visibility to rural areas scattered with small municipalities (most of them ad hoc settlements around a specific economic activity or natural resource extraction source). Many rural communities in Canada have spontaneously sought cooperation to achieve prosperity and wellbeing for their populations, often in the context of great distance from relevant urban centres. Significantly enough, regional partnerships in Canada have been particularly keen on enhancing cooperation on sustainability and environmental matters, given the central importance of economic resilience and the preservation of natural resources and local biodiversity in both Canadian society and the economy.

The impact of regional rural-urban cooperation on sustainability measures adopted by small municipalities has been analyzed in a study on the evolution of two distinct rural-urban partnerships in the Canadian province of Alberta: the Calgary Regional Partnership (CRP), and the SouthGrow Regional Initiative around the urban centre of Lothbridge, close to the border with the United States. The study included municipalities with a population ranging from 500 to 6,000 inhabitants, with the exception of one larger town of about 18,000 inhabitants.¹⁸⁸

The CRP is a member-centred platform of 14 members, managed by a Board (with representatives of all member municipalities); three 'themed' Steering Committees; and an Executive Committee. The partnership has been responsible for the implementation of a number of projects – most notably, the Calgary Metropolitan Area, which manages the proximity relations of Canada's third most populous city. The

CRP is guided by five principles that shape the community's shared vision for the area: protecting the natural environment and watershed; fostering the region's economic vitality; accommodating growth in more compact patterns; integrating efficient regional infrastructure; and supporting all these advances through a regional governance approach.¹⁸⁹ It should be noted, however, that at least one small municipality left the partnership because the population was not in favour of adding what was perceived to be an additional layer of government, regardless of how strongly the objectives and outcomes of the partnership were felt. SouthGrow is a smaller partnership of 22 small communities, aiming to 'accelerate and enhance economic development and sustainability for the region'.¹⁹⁰ The partnership identifies, as one of its pillars, 'providing south-central Alberta with a unified voice on regional priorities'.¹⁹¹ The two experiences show how rural-urban partnerships are capable of mobilizing the common interests of communities whose economic development and social integration are shared, located as they are on the fringes that divide the urban settlement from the rural environment. At the same time, they also show that complex, institutionalized frameworks of cooperation are not necessarily an effective response to these challenges – especially where the creation of new institutions or duplication is valued less than effective problem-solving.

Ultimately, the experience of Alberta highlights the relevance of certain key features of a successful rural-urban partnership: concerted and consensual governance and mission; trust and confidence, elicited by accountability and decisional transparency; collective participation in the definition of common goals; a cost-efficient cooperation framework; and a supportive institutional and legal framework at all higher levels of government, including the regional as well as the national or federal.¹⁹²

however, are essential to activate and mobilize the actors and stakeholders from involved communities and engage them in articulating common goals and a shared vision, providing them with the institutional, political and economic resources necessary to fulfil these. In this regard, rural-urban partnerships have a direct impact on regional development, as galvanizers of participation

and catalyzers of growth opportunities. But they also have an important effect on the governance of regional and rural-urban relations: successful partnerships raise the issue of the effectiveness of existing policies and governance institutions, and question the need (or lack thereof) for additional tiers of government to maximize the impact and potential benefits for their communities.

4.3 SMALL TOWNS, RURAL- URBAN SYSTEMS AND REGIONAL DEVELOPMENT

For most regional planning policies, small towns can contribute to regional and rural development in five main ways:¹⁹³

- **By acting as centres of demand/markets for agricultural produce from the rural region**, either for local consumers or as links to national and export markets. Access to markets is a prerequisite to increase rural agricultural incomes, and the proximity of local small and intermediary centres to production areas, is assumed to be a key factor.



BOX 4.4 POSITIVE RURAL-URBAN INTERACTIONS IN VIETNAM'S MEKONG DELTA¹⁹⁴

In Vietnam's Mekong Delta, the production of fresh speciality fruit has increased in response to growing demand from urban and rural households. Large villages have become market nodes where traders play a critical role. Unlike large-scale supply chain operators, these well-connected traders are able to absorb all qualities and quantities of fruit, which they can then distribute to different consumers through their wide-ranging networks. This is extremely important for small-scale producers. Trade-related activities, including grading, processing, packaging and transport, employ growing numbers of local residents who can thus diversify their income sources and increase their financial resilience. With higher incomes there is also increased demand from local residents and rural residents alike for services such as hairdressing, restaurants and cafés, access to goods such as cooking gas, and so on. These large urbanizing villages effectively fulfil the functions of small towns. Critical factors that enable this are relatively equitable access to land and water; good roads connecting the villages to larger urban centres and to the surrounding rural settlements, and electricity and communication infrastructure. In addition, employment opportunities in manufacturing mean that a large proportion of farming households can rely on remittances from migrant workers to finance agricultural innovation in response to demand.

- **By acting as centres for the production and distribution of goods and services to their rural region.** Such a concentration is assumed to reduce costs and improve access to a variety of services, both public and private and for both rural households and enterprises. Hence, services include agricultural extension, health and education (and access to other government services), banking, post, services of professionals such as lawyers and accountants, lower order services such as bars and restaurants, and wholesale and retail sales of manufactured goods from within and outside the region.
- **By becoming centres for the growth and consolidation of rural non-farm activities and employment**, through the development of small and medium-sized enterprises or the relocation of branches of large private or parastatal enterprises.
- **By attracting rural migrants** from the surrounding region through demand for non-farm labour, thereby decreasing pressure on larger urban centres.
- **By managing natural resources in ways that respond to the needs of growing rural and urban populations**, with special attention to protecting resources in the face of local and global environmental change.

The empirical evidence available, however, shows great variations in the extent to which small and intermediary urban centres fulfil these roles. Much of this relates to the specific context in which such centres develop, to land-owning structures, the quality of transport and communications links, and the structural conditions prevailing at the international, national and local level. In addition, many centres show high levels of economic and population growth but, at the same time, increasing levels of social differentiation and little evidence of poverty reduction.

Many successful small towns develop in close symbiosis with their surrounding rural areas, and their fortunes are interlinked with those of specific commodities. While the majority of their residents usually engage in non-farm activities, these are closely related to agricultural production, or to increasing demand from farmers whose incomes are growing as a result of successful agriculture. Box 4.4 gives an example of such positive rural-urban interactions in Vietnam.



BOX 4.5 CATTLE RANCHING AND REGIONAL URBAN CENTRES IN HUETAR NORTE, COSTA RICA¹⁹⁸

However, there are great variations in the extent to which small urban centres and large urbanizing villages can fulfil their development role; and this is often reflected in their demographic changes. While many small towns have high annual population growth rates, many of them stagnate or lose population. The close relationship between agricultural production and small town development is illustrated in Ghana's Central Region by the decline of the urban population between 1970 and 1984, from 28.5% to 26.5%, whereas national levels of urbanization continued to grow. This was due to the collapse of international prices for cocoa, a commodity central to the economy of the Central Region. As people moved away in search of alternative income-generating activities, small towns where the population shrank to below the urban threshold were reclassified as rural settlements.¹⁹⁵ In Hungary, the shrinking of small towns is linked to the erosion of their functions; increased mobility especially of younger generations, and the spatial withdrawal of the state from rural areas.¹⁹⁶

A key difference between growing and declining settlements seems to be the relative diversity of their economic base. The specific context is important here, including the nature of the crops produced in the surrounding rural areas and whether they provide opportunities to generate added-value through local processing, and whether they are perishable produce that cannot be transported in bulk and require local grading, processing and packaging and rapid transport to final markets, as is the case for horticulture. It is only when the added-value thus generated is retained and invested locally in both farm and non-farm activities that small towns grow and stimulate the development of the surrounding rural regions.

The example of Vietnam also highlights the importance of traders. In policy debates on food security, there is a growing interest in short food supply chains. However, these often emphasize the spatial dimension of short chains, such as the role of urban and peri-urban agricultural production in providing incomes and improving the diets and nutritional levels of urban residents, and the potential contribution it can make to the balance of ecosystems. This tends to overlook the crucial non-spatial dimensions of short food chains, which link rural and urban areas through networks of producers, traders and consumers and whose nodes are based in small urban centres, in contrast to the 'long,

Huetar Norte is primarily a cattle-producing region for foreign markets, although since the implementation of structural adjustment programmes in the 1990s this has been complemented with export-oriented crops. Generous credit facilities were allocated to cattle ranching in the 1970s, supported by loans from the World Bank which had made the production of regular quality hamburger meat the keystone of its credit policy in Central America. Large ranchers were preferred over smallholders, increasing inequality in the land-owning structure. Indeed, cattle ranching caused much rural unemployment, especially among the growing number of landless labourers and evicted smallholders, which in turn triggered the occupation of forest lands, and soil erosion.

Despite the fact that 21% of national cattle stock is grazed in this region, neither large slaughterhouses nor small rural facilities were located in Huetar Norte. Bypassing the regional centres in favour of the capital city, San José, was the result of a powerful alliance between export ranchers in Huetar Norte and politicians and state bureaucrats in San José. Broadly speaking, government policy induced the rapid exploitation of regional natural resources at the expense of sustainability, and of the employment and incomes of a considerable proportion of the region's population. While local centres such as Ciudad Quesada have grown, mainly through the provision of credit services, this growth has been largely parasitic. The creation of wealth and employment in the processing of the region's main agricultural produce has on the whole bypassed regional small and intermediary urban centres.

anonymous supply chains characteristic of the industrial mode of food production'.¹⁹⁷

In agricultural regions where production is dominated by large commercial farms, small local towns may not play a significant role as market nodes. As large volumes of cash crops bypass local centres, the low wages of agricultural workers do not stimulate demand for goods and services (see Box 4.5). Even where production is mainly by small-scale farmers but integrated into global export value chains, rapid changes in requirements can deeply affect local economies. In southern Ghana, pineapple production for export markets has driven local agricultural growth from the 1990s up

to 2005. But a switch by buyers from large to smaller, sweeter types of fruit, better grown in Central America than in Western Africa, decimated local production, resulting in the stagnation and often the economic and demographic decline of small towns. Similar dynamics are increasingly taking place in other regions, including Europe.

Access to decent road and transport infrastructure is another critical factor enabling small towns to fulfil a role in development promotion. Connections to a network of rural and urban settlements provide wider scope for social and economic interactions than dependency on only one urban centre.¹⁹⁹

Despite the generally limited role of small urban centres in regions dominated by commercial farms, they can nevertheless play an important role as local markets for low-income rural residents, albeit as part of a survival strategy rather than as engines of economic growth. The small town of Banket, in Zimbabwe, lies in a rich agricultural zone. It was established in the colonial era to serve the needs of white commercial farmers and, with a population of 10,000, it still serves as a service centre for the surrounding rich commercial farms. Waged farm workers are among the poorest of Zimbabwe's population, earning far less than the national rural food poverty line and the total consumption poverty line. When there is a need for quick cash, for example to pay school fees, finance a funeral or buy basic necessities, farm workers take commodities to the market in Banket. This activity is not regular, however, and because of the tight work schedules, workers often send children or unemployed relatives to town.²⁰⁰

While links with agricultural production are often the key to the economic success of

small towns, there are other drivers that can be just as important in different contexts. The economic development of the town of Gutao in China's Shanxi province relies mainly on tourism, having gained world heritage status under the command of China's central government and despite initial resistance from town and county authorities.²⁰¹ Mining is another important driver of the development of small towns, especially but not only in Sub-Saharan Africa. However, mining can be highly unpredictable, especially when it is dominated by small-scale, informal operators. Mining's ability to attract workers, especially migrants, depends on how mineral-rich the mining site is, how quickly the extractable minerals are depleted, and how many alternative sites there are.²⁰²

In high-income countries where agriculture is a minor component of GDP and employment, industrial clustering has attracted more attention since the 1980s. Clusters are defined as sectoral and spatial concentrations of firms which benefit from a range of localized external economies that lower the costs for clustered producers. These include: a pool of specialized workers; easy access to suppliers of specialized inputs and services; and quick dissemination of new knowledge. Much of the literature on industrial clusters draws from European, Asian and Latin American experiences, and the consequences of clustering for sustained economic growth are mixed, with successful examples in Europe and less successful examples in low-middle income countries, suggesting that institutional systems and infrastructure are key factors.²⁰³

With regard to environmental protection, it is assumed that small towns are able to ensure that natural resource management responds to the needs of all economic sectors in different locations. In many instances, however, there is latent or even open conflict in the use of natural resources such as land and water for agriculture or for urban residential and non-farm productive activities. Especially for small towns in the proximity of large urban conurbations, competition for natural resources can benefit large urban-based firms and higher-income residents at the expense of low-income 'rural' residents. For example, industries relocated in peri-urban areas can occupy agricultural land or discharge polluting effluents into water used for domestic and agricultural use by rural settlements and small towns.²⁰⁴ Non-farm enterprises located in small towns can also have a negative



Photo: Dave Collier – Byblos (Lebanon).

impact on the local environment, as access to industrial areas with adequate infrastructure and environmental protection such as water treatment plants may not be affordable for small-scale enterprises. But in many cases, local governments are more interested in local economic growth; in China, for example, where GDP growth remains the most important factor in assessing local government officials' performance, the effectiveness of environmental policies is limited by a lack of local participation, especially of residents and small-scale businesses.²⁰⁵

In the context of disaster risk reduction, the growing interest in the vulnerability of urban centres to climate change and other hazards focuses largely on cities of more than one million inhabitants. Small towns – especially in low-income countries – are often overlooked despite their exposure to environmental hazards and their demographic significance. In many cases, the absence of functioning local governments is a key factor increasing the risks faced by small towns.²⁰⁶

Finally, as mentioned earlier, **migration and remittances are important elements of the development of small towns.** In many cases different migrant flows overlap: for example, in Senegal, Bolivia and Tanzania, remittances from migrants to cities and international destinations are used to pay seasonal wage labourers coming from poorer rural areas, thus filling labour shortages on family farms.²⁰⁷ In Vietnam's Mekong Delta, employment in manufacturing within the region has provided capital to invest in high-value fruit production,²⁰⁸ and similar links between remittances and agricultural production have been documented in Africa²⁰⁹ and in Pakistan.²¹⁰ In many cases, remittances from both internal and international migrants have a positive impact on their relatives' wellbeing and on local economies. But such impacts are also complex and contradictory, especially at the local level, and can transform governance systems as well as affect the management of natural resources. In the Senegal River Valley's small towns, international remittances have long been a key element of local economies and have enabled communities to withstand recurrent economic and ecological crises. Migrants have become powerful interest groups as decentralization has opened up opportunities to participate in local politics. While this helps foster local democracy, it can also result in social polarization as migrants gain control over the management of land, a preferred way of

reinvesting remittances.²¹¹ In El Salvador and Guatemala, remittances from international migrants in small and intermediary urban centres has triggered a construction boom of luxury gated communities and the extension of urban areas has almost doubled, while the state has retreated from housing provision. This has resulted in house price inflation as well as environmental degradation, as weak municipal planning agencies are unable to protect hydro-geological systems.²¹²

In summary, the potential role of small urban centres is largely determined by the wider economic, social and political context. For example, in the case of Vietnam's Mekong Delta (Box 4.4), a crucial factor has been the growing demand for higher value fresh fruit throughout the country, as both rural and urban incomes have grown substantially in the past two decades.²¹³ Indeed, so long as issues of social and spatial polarization are not addressed, it is unlikely that small towns and regional development policies can effectively contribute to sustainable development and poverty reduction.

Figures 4.1 and 4.2 summarize the key factors that support positive rural-urban regional development. They include:

- Within rural regions, equitable access to farming assets, including land and water – so that farmers can benefit from better access to urban markets and in turn create demand for urban goods. High levels of inequality generally tend to stifle local development as wealthier élites and large corporations do not necessarily reinvest their profits locally, and generalized poverty does not generate sufficient demand for manufactured goods and services.
- Local urban centres where enterprises add value to local produce, generating non-farm employment and reinvesting locally, thus contributing to the diversification of the local economic base. This needs to be supported by public investment in infrastructure and services, which in many cases only happens once the settlement gains urban status and local revenue can be raised through local tax collection.
- Access to national and international markets. This can benefit small-scale producers as long as it is part of a wide range of consumer markets.
- Interestingly, in the case of negative (extractive) rural-urban interactions, small towns are conspicuously absent from this debate.

 **Especially for small towns in the proximity of large urban conurbations, competition for natural resources can benefit large urban-based firms and higher-income residents**

Figure 4.1 **Positive rural–urban interactions and regional development**

Source: Tacoli (2003)

INTERNATIONAL CONTEXT: access to international markets for small and medium-sized producers with stable commodity prices. Foreign investment supports local production, imports do not compete with locally produced goods.

NATIONAL CONTEXT: equitable distribution of and access to land; regionally balanced growth strategies including satisfactory provision of infrastructure, credit facilities for small and medium-sized producers, and basic services (education, health, water and sanitation); revenue support to local government; regulated institutional structure of markets.

LOCAL GOVERNANCE: accountable, with adequate resources and capacity; identifies local needs and priorities and responds to them; supports forward and backward linkages between agriculture and services and industry located in local urban centres; regulates local natural resource management; integrated with national planning.

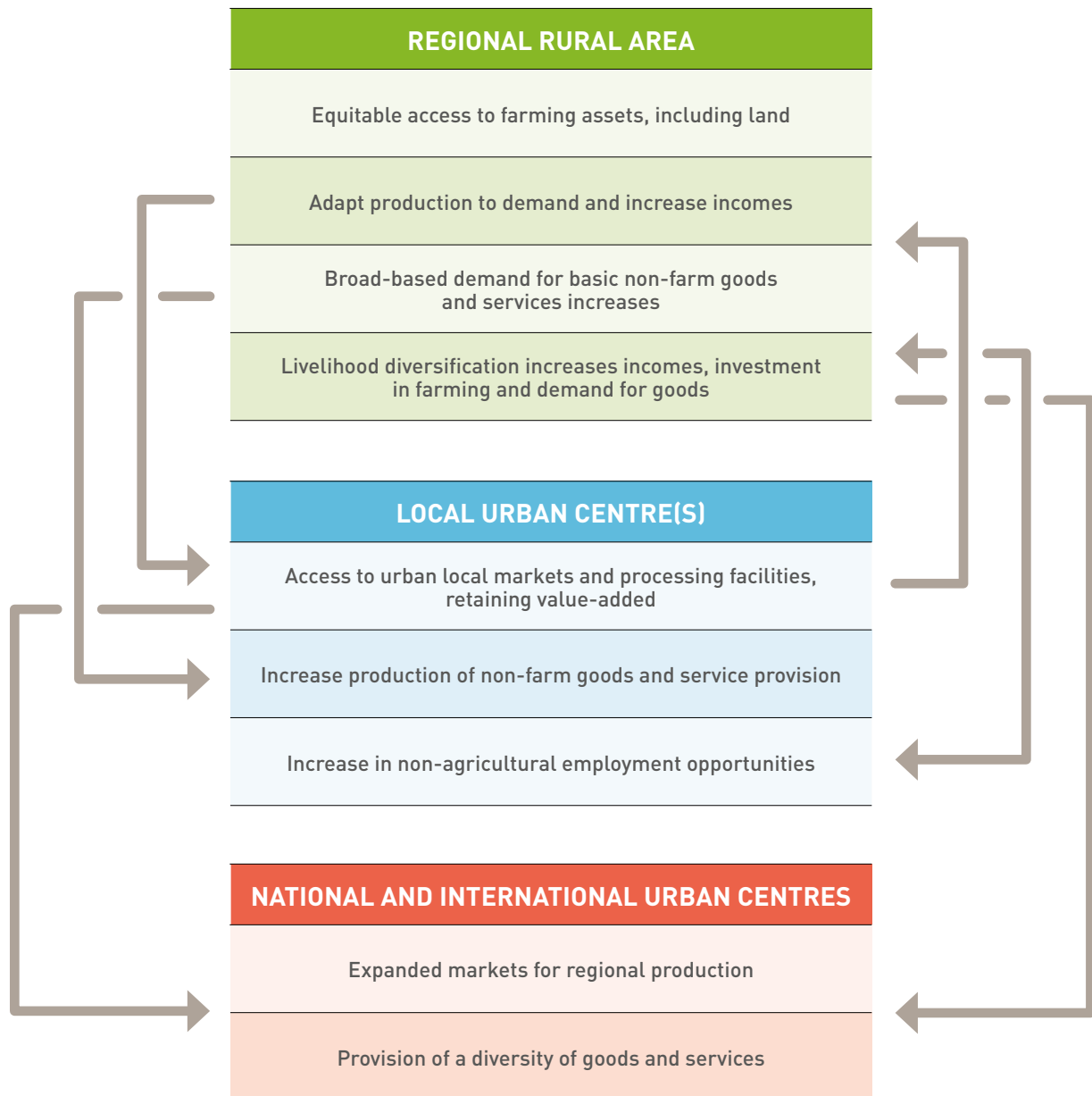


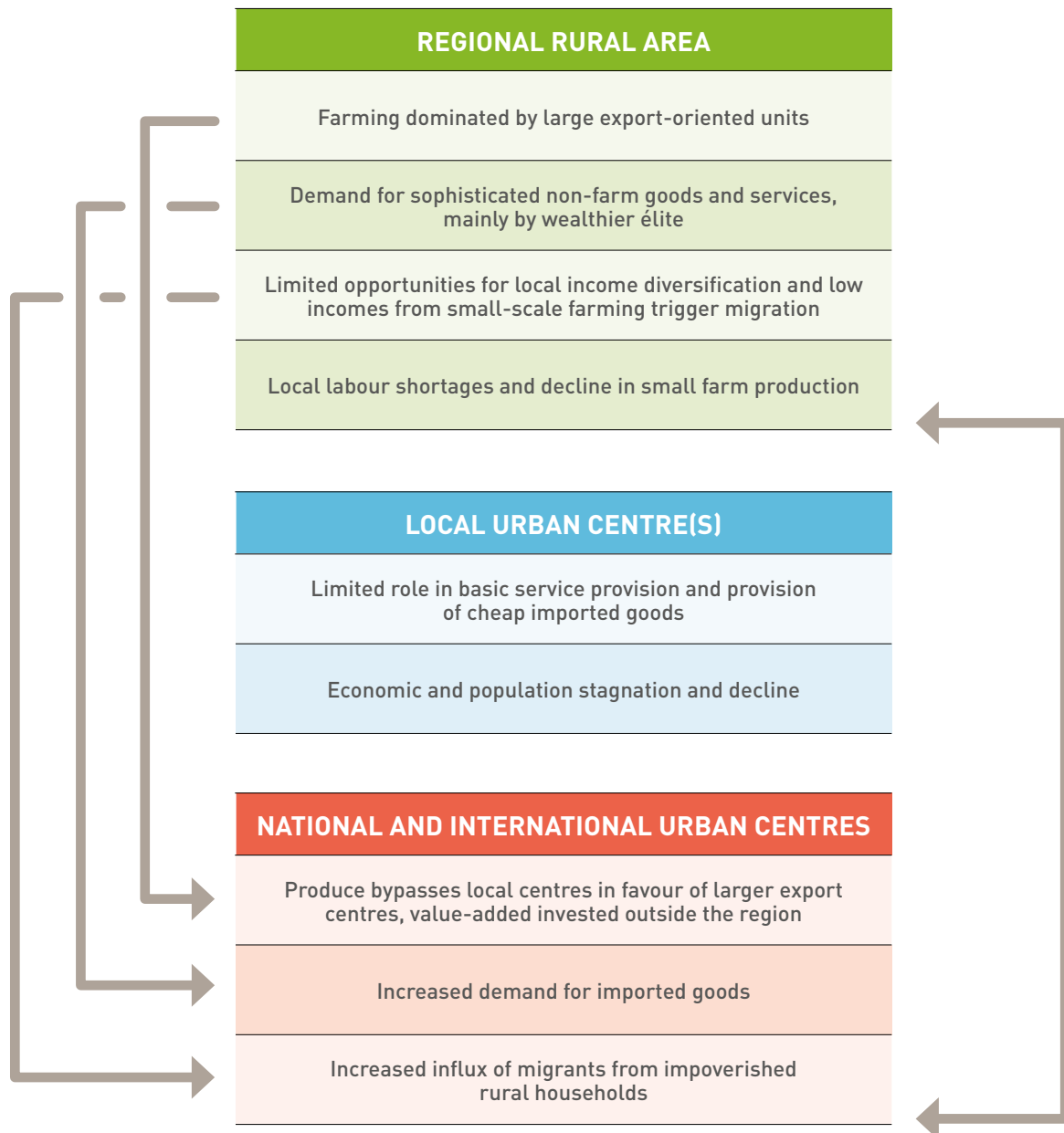
Figure 4.2 **Negative rural–urban interactions and regional development**

Source: Tacoli (2003)

INTERNATIONAL CONTEXT: limited access to international markets for small and medium-sized producers; unstable commodity prices; foreign investment concentrated in large-scale export production; imports compete with locally produced goods.

NATIONAL CONTEXT: inequitable distribution of and access to land; regionally imbalanced growth strategies including limited provision of infrastructure, credit facilities for small and medium-sized producers, and basic services (education, health, water and sanitation); lack of support to local government; unregulated institutional structure of markets.

LOCAL GOVERNANCE: unaccountable, with inadequate resources and capacity; not integrated with national planning.



4.4 GOVERNANCE AND TERRITORIAL DEVELOPMENT

What are the most appropriate policy tools to support small towns, given their central role in regional and sustainable development? In the past years there has been a renewed interest among international agencies in regional development and, by implication, in the role of small and intermediary urban centres.²¹⁴ Much has been written about the nature and shortcomings of various policies that, since the 1960s, have been implemented to promote the role of such centres in territorial and regional development, and a relatively large body of literature has identified the key reasons for the high rate of failure.²¹⁵

The first and perhaps most important is the introduction of macroeconomic policies, pricing policies and sectoral priorities (including policies related to agri-food systems) that do not make explicit reference to spatial dimensions. Equally important are

issues of land tenure and security: evidence from successful small town development shows that equal access to land and secure tenure is a crucial factor. Neglecting the powerful influence of such policies has often been, and potentially still is, a major reason for the failure of local and territorial development policies, as sectoral investments can increase poverty and exacerbate social polarization. This severely undermines the ability of small towns to act as engines of local economic growth and poverty reduction, which requires a relatively broad base of producers and consumers alike. Examples presented in earlier sections - including cases of growing as well as shrinking small towns - show that what happens at the local level reflects policies and strategic choices made at the macro level. The implications for governance are clear: small local governments cannot support local sustainable development if there is no synergy with national and supranational levels through regular and systematic dialogue.

A second, but equally important, reason is that **in many cases policies do not take into account context-specific factors that shape opportunities and constraints**



Photo: Joshua Zader - La Valletta (Malta).

for local development. As the examples presented in this section show, there is a huge diversity in the demographic trends, socio-economic base and functions of small towns, both between and within regions and national territories. This calls for adequate information and reliable data - both about local needs, priorities and resources, and of the impacts of narrowly defined sectoral policies - in order to support the design and implementation of effective local initiatives. In most low and middle-income countries, the general lack of sub-national data undermines local government action. This includes economic activities, especially the large proportion of informal sector enterprises and wage labour; demographic changes due to migration and mobility, especially seasonal and temporary movement; and poverty and vulnerability characteristics, including non-income dimensions such as access to housing and basic infrastructure. Lack of relevant and reliable data is especially important to enable local governments to respond to the substantial challenges they face, including the provision of basic services and essential infrastructure that serves the needs of all groups (especially low-income ones, in rapidly growing small towns as well in shrinking ones with ageing populations); and, crucially, that is resilient to environmental hazards and the impacts of climate change.

A third reason is that while local institutions and local governments are increasingly recognized as central to regional development, this has not been accompanied by an appropriate fiscal and financial architecture that enables local governments to perform their growing role.²¹⁶ **Small towns and rural municipalities across the world are characterized by huge diversity.** As analyzed in detail in the sections above, small towns can vary significantly in terms of size: the lack of a generally accepted definition forces analysts to put rural villages of a few hundred inhabitants together with national capitals such as Belize's Belmopan (16,400 inhabitants) or (6,600 inhabitants), the capital of Malta and the fifteenth largest economy in the European Union (in terms of GDP per capita).

This implies a functional mismatch: in spite of having the same size or population, such diverse settlements and small towns develop a completely different relationship with their surrounding territory, and hence serve different functions and develop different needs and objectives. On Russia's Arctic coast,

the autonomous *okrug* ('area') of Nenets hosted a population in 2011 of about 42,000 inhabitants, settled in just one town (Naryan-Mar), in two 'urban-type' settlements, and 17 rural councils, spread over an area comparable to that of the whole of Uruguay. In 2016 France, in an area just 3.5 times larger, had 35,585 *communes* or municipalities, with a median municipal area of just 14.8 km², the lowest in Europe - about 27,600 of which have fewer than 1,000 inhabitants. In spite of these differences, a Russian village in extreme climatic conditions and a tiny hamlet on the crowded map of French *communes* are considered analytically to be part of the same group. India is another telling example of diversity: the country has approximately 265,000 local governments in rural areas - *gram panchayat* - whose population ranges from large *gram panchayat* of hundreds of thousands of inhabitants to small villages of 500 people.

While these features and structural conditions hinder efforts to find a comprehensive and overarching governance roadmap to address the diversity - and uniqueness and richness - of small towns around the world, they are a useful reminder of the key political role they play within their territories. Small towns are the last link - and an essential one - in the local democracy chain. They are the most proximate level of democratic representation and participation for a significant part of a country's population. **Through its 'capillary' network, small towns bring the state, its administration, its functions and its legal and social guarantees to the smallest and remotest parts of nations and their territories.** Size or isolation do not necessarily translate into detachment or irrelevance. In Canada, in 2013, 'the average voter turnout in Quebec municipalities with populations under 2,000 persons was 63.8% and around 43.4% in municipalities with populations greater than 100,000 inhabitants'.²¹⁷ In the Netherlands, throughout the 1990s, voter turnout in municipalities of 5,000 inhabitants or less was above 70%, a figure that dropped to less than 60% in cities of 100,000 inhabitants or more.²¹⁸ The French Association of Rural Mayors (AMRF), in one of its frequent mobilization campaigns, used slogans such as 'Electoral participation in rural villages: 80%' or 'Rural villages: 92% of all towns, 33% of the population' to raise support and recognition for the myriad small towns that form the backbone of the country's society and economy. Small towns



Small towns are the most proximate level of democratic representation and participation for a significant part of a country's population



BOX 4.6 SMALL TOWN ORGANIZATIONS AND TERRITORIAL DEVELOPMENT

In spite of the limited recognition they are given in public and political debates, small towns – especially those that act as catalyzers of activity, growth and participation in rural areas – play a fundamental role in the democracy of a country. Many small and rural municipalities have decided to reclaim their relevance in the urban and democratic systems of their countries, and mobilize consensus and support for their administrative, socio-economic and political actions.

The development of a more institutionalized framework for inter-municipal cooperation in France's reformed territorial legislation has allowed rural municipalities to organize, pool their resources together and fight for visibility and centrality in the renewed decision-making process. The French Association of Rural Mayors (AMRF) has been a vocal representative of the interests and demands of small municipalities across the national territory. Established in 1971, the association today represents over 10,000 small towns in rural France, committed to ten basic principles, including the defence of municipal freedom; balanced, fair and co-owned regional planning; economic dynamism and the fight against rural desertification; and enhanced cooperation with nation-wide actors that share the same vision of territorial democracy. The AMRF has a long-standing history of visible, effective communication campaigns to mobilize participation and raise awareness of rural small towns and the strong relationship they have with their territory and regions. The AMRF now has a significant role on the decision-making stage of regional development, mostly through its constant presence and a proactive agenda of mass communication and engagement. The association manages a nation-wide publication – 36000 Communes – that broadcasts current news and events for small towns and their organizations. Their slogans and campaigns include catchy, streamlined ideas such as 'The town is the basic unit of democracy'; 'My town is useful!'; 'Who represents my townspeople, if my mayor has no power to act?'; or 'You build inter-municipalities, you don't decree them'. These messages refer powerfully to key structural problems that affect towns, territories and their development, such as rural towns' lack of financial capabilities,

institutional marginalization, and the persistent lack of focus on small towns as the most proximate level of democratic government.

In Peru, the REMURPE association has emerged as the voice for smaller municipalities wanting better territorial governance. The organization promotes a network of Peruvian towns – particularly rural ones – to pool resources and attain a critical mass of local governments, with the aim of strengthening the country's decentralization process and providing further resources for territorial development. REMURPE represents the interests of these towns in its formal and informal dialogue across all levels of government and with all stakeholders, including the third and private sectors. Its activities include knowledge-sharing, awareness-raising initiatives, creation of databases and expert pools, inter-municipal best practice exchanges, and policy planning. REMURPE coordinates with Peru's National Assembly of Regional Governments (ANGR) and the Peruvian Association of Networked Municipalities (AMPE). Its activities are based on four key principles: inclusion, transparency, citizen participation, and decentralization.

In Europe, the Confederation of Towns and Municipalities of Europe (CTME), a network of small towns and rural municipalities' associations from France, Germany, Hungary, Italy and Romania, advocates for the interests, vision and goals of small towns across Europe. The Confederation aims to establish contact and dialogue with EU institutions to empower small towns as a key component of effective and transparent local governance and democracy. The CTME has championed the creation of a European urban agenda for smaller towns. It endorses the empowerment of small towns within the framework of the EU's energy policy – especially with regard to infrastructural investment and environmental impact – with a constructive dialogue with the Global Covenant of Mayors for Climate and Energy (see also Section 2.3.4 in the Intermediary Cities chapter); and it has actively promoted an enhanced participation of small towns and rural areas in the European digital agenda, to address the structural deficiencies and the persisting digital divide that have long affected these communities.

and rural municipalities are an essential cog in the democratic mechanism, but a lack of resources and capabilities are marginalizing their presence in national policy-making arenas, as well as in the public and political debates of many countries. Most analyses – even recent studies on the role of small towns – still focus primarily on the economic aspects of their integration into national systems. More attention should be paid to the valuable contribution that small towns can make to more efficient and transparent territorial development and a more proximate and effective local democracy (see Box 4.6).

Emerging approaches do emphasize the opportunities that exist in places outside large urban centres – including small and intermediary urban centres – for economic growth and development, and call for development strategies that mobilize assets and harness complementarities at the regional level.²²² **The notion of rural-urban partnerships starts with the recognition that urban and rural areas interact through a broad set of linkages.** These encompass different geographies, which often cross local and regional administrative boundaries. Local and regional governments alone are not always able to manage these interactions to foster the development of both urban and rural populations. Similarly, changes in the administrative structure of a country may not fully respond to the different relationships occurring between urban and rural areas. Rural-urban partnerships, however, have been shown to be effective as a way to respond to the need to govern these interactions and to foster economic development and wellbeing.²²³

Such partnerships are shaped by external factors, by the institutional environment and by the potentially disruptive role of regulatory and political barriers, lack of trust between different institutions and stakeholders, and policy fragmentation. Positive factors, on the other hand, include clearly defined objectives, a context-specific understanding of rural-urban linkages and interactions and, perhaps most importantly, democratic participation and leadership.²²⁴

Examples of initiatives that aim to integrate rural and urban areas through institutional partnerships include MAREA – *La Mar, una Estrategia para Asturias* – which combines environmental, economic and socio-cultural objectives through an integrated strategy that builds on good governance, research and innovation and

a greater role for public institutions at all levels, from local to regional, national and European.²²⁵ The EU programme *Liaison Entre Actions de Développement de l'Économie Rurale* (LEADER, Links between actions for the development of the rural economy), has been one of the most effective instruments in triggering these kinds of successful partnerships, especially in rural areas. This programme, through the creation of Local Action Groups (LAGs), is often the only way to launch development initiatives in marginal rural areas. In the United States, since the mid-1950s, there has been a significant increase in Councils of Government (COGs) and other forms of cooperation agreements for the planning, financing and production of local public services. The 'county regional municipalities' (*municipalités régionales de comté*, or MRCs) in the province of Québec (Canada) are another interesting example, showing how much momentum can be gained from an intermediate entity of this kind in rural areas.²²⁶

Another excellent example is the region of Emilia Romagna in north-eastern Italy. This is an economically high-performing intermediate region with well-recognized industrial districts. Between 1995 and 1999 it registered an employment growth rate of 4.2% and a GDP growth rate of about 4.5%. The region is characterized by a cultural industry of festivals, attractions and the arts. Policy-makers have encouraged networking among small and medium-sized towns, alongside specific cultural or artistic initiatives. This process of networking and specialization started as an independent initiative led by local private entrepreneurs, with informal support from regional public authorities who thought that these activities could help enhance cultural amenities, promote employment, and boost tourism.²²⁷ The Green Paper on Unlocking the Potential of Cultural and Creative Industries²²⁸ concludes that the spill-overs of cultural and creative industries should be strengthened for the benefit of the economy as a whole.²²⁹

Key findings and recommendations in the field of rural-urban partnerships include the promotion of a better understanding of socio-economic conditions in urban and rural areas, including enhancing the integration between them – a key function for national and, most notably, sub-national governments. This can be fulfilled through the production and use of data at the appropriate scale and the assessment of the socio-economic and environmental processes at work in urban



Through its 'capillary' network, small towns bring the state, its administration, its functions and its legal guarantees to the smallest and remotest parts of nations and their territories

and rural areas. In turn, this can increase awareness of territorial opportunities and challenges, and help identify the potential for cooperation. Sub-national governments should also set up a framework to help local stakeholders cooperate outside the constraints imposed by administrative boundaries. One way to do this is to encourage urban and rural actors to identify a development strategy or projects around functional geographies, which should be flexible and embrace different potential rural-urban interactions. **Using common planning instruments that allow urban and rural areas to jointly manage common challenges and opportunities should be encouraged.**²³⁰

In many cases, involving the private sector proves to be challenging, despite its crucial role in connecting different elements of the regional economy.²³¹ In low and middle-income countries, this often overlaps with local governments' lack of knowledge and suspicion of the informal sector. However, as the example of Vietnam described in Box 4.4 shows, traders and other private sector players play a central role in supporting economic growth. A study of small towns in New Zealand shows that while local

government action is increasingly constrained by shrinking technical and financial support, local entrepreneurs and community leaders who support the towns are instrumental in driving change. Such change includes new economic activities and diversification as important components of local economic resilience.²³² This demonstrates that civil society and local, often small-scale, private sector actors are both key stakeholders and as central to the success of territorial development initiatives as public institutions.

But perhaps the key message is that while local governments in small towns can - and should - have a major role in ensuring the provision of services and supporting local economic development, they cannot solve the fundamental issues behind rural and urban inequalities. As mentioned above, these depend largely on national and regional policies. Successful decentralization thus requires a better fit between national macroeconomic and sectoral policies and local and regional development strategies, while synergy and collaboration between local and regional governments and national ministries are essential to the implementation of territorial development policies.



5.

CONCLUSIONS: SHAPING THE AGENDA FOR TERRITORIES

The wellbeing of a significant share of the world's inhabitants is intrinsically linked to the dynamism and sustainability of small towns and rural areas, home to 12.3% and 45.9% of the world's population respectively. Their relevance in development policy has increased significantly in past decades, partly a consequence of decentralization and regionalization processes across all world regions, and partly as a result of globalization which, paradoxically, has emphasized the importance of territorial scale to the processes of growth and development.

If adequately empowered, small municipalities and regional governments have the potential to make important contributions to poverty alleviation, economic growth, social inclusiveness and the preservation of natural resources, while overcoming a rigid rural-urban dichotomy.

The 2030 Agenda proposes a new development paradigm whose transformative power is both integrated and inclusive. It tends to ignore, however, the 'territorial' implications of the majority of its goals and targets (with the exception of SDG Goal 11 on cities and urban settlements). This is why the demand for the 'localization' of the SDGs has become so important in the global debate.²³³

Indeed, as developed in analyses elsewhere,²³⁴ the achievement of a majority of the goals of the 2030 Agenda, as well as of the New Urban Agenda, requires a wider territorial approach to localize these goals. Evidence suggests that the strong involvement of small towns and rural municipalities, as well as regional governments, will be necessary; and that they should figure more prominently in the economic, social and environmental development agendas of developed and developing countries alike.

Despite the fact that regions, small towns and rural municipalities are far from

homogeneous territorial units, this chapter has provided insights relevant to territories of all sizes. It has highlighted features that can inform the design of a wider territorial approach to generate social and economic development and promote environmental sustainability.

5.1 THE EVOLUTION OF REGIONAL GOVERNANCE: A SIGNIFICANT INSTITUTIONAL AND CULTURAL SHIFT

Institutional reforms during the last two to three decades have enhanced the role of regions as a result of an emerging 'new federalism' as well as 'regionalization' processes within the framework of decentralization. Federated states (provinces or *Länder*) in federal countries, and regions (departments or counties) in unitary countries have been entrusted to promote economic, social and environmental development in their territories. This has introduced some significant cultural shifts within a traditional state-based order (as outlined in Box 2.5).

The nature and extent of the devolved powers, however, varies significantly from country to country and even within countries, particularly where decentralization has been uneven, partial or implemented asymmetrically. The difference between federal and unitary states in terms of sub-national governments' fiscal autonomy and relevance is particularly important. In many unitary countries, the process is still embryonic. Regionalization and decentralization of resources have not been

 **More coherence and coordination is needed, not only between national and sub-national policies, but also at the inter-ministerial level of central governments**

commensurate with devolved responsibilities, and have often failed to adequately empower regional governments. There is, therefore, still a long way to go to create an enabling legal and institutional environment to harness the potential of regional governments.

'Regionalist' approaches have only been partially successful, if one considers emerging regions that have favoured new governance arrangements. Globally, the influence of regions in policy-making at national and supranational levels is still limited. Old institutional hierarchical relations continue to dominate. As argued throughout the report, in decentralized contexts, a shift in the relationship between different levels of government and the creation of MLG mechanisms, are essential. This implies a deep transformation of institutional and policy behaviour (i.e. 'a paradigmatic shift'). Different countries have already been developing and using an array of MLG mechanisms, some of which have been briefly mentioned. However, it will take time to transform the asymmetrical, often hierarchical, relationships between national and sub-national levels of government that continue to prevail, hindering the effectiveness of decentralization processes.

More coherence and coordination is needed, not only between national and sub-national policies, but also at the inter-ministerial level of central governments (e.g. between regional policies, national urban and rural plans, and strategic infrastructure plans), and in the relationship between regions and their territory's administrative units.

As this section argues, the establishment of MLG as the policy-making mechanism of choice for collaborative and integrated development strategies can benefit local governance in a number of ways. However, as stressed in the report, this comes with certain inherent risks. MLG should be seen as a **complement, and not an alternative, to a better, more autonomous and ambitious self-government for regional and local authorities.**

An adequate MLG framework would ensure that decentralization processes are as efficient as possible. However, this model should respect some principles – **subsidiarity, local democracy and autonomy** – to guarantee that regions and local governments are self-reliant, interdependent and co-responsible for decisions that affect their communities and territories directly. This notwithstanding, for sub-national governments at all levels – from regions to small municipalities, to cross-border cooperation institutions to rural

areas – MLG is still a key instrument to shift the paradigm that sets their expectations and goals, from claiming more autonomous competences to contributing to the good functioning and delivery of comprehensive public policies. Building on the practices and examples that have already spread across the globe, MLG can help regional and local governments to put their own agendas forward and take part in national and international policy-making to shape new governance models better adapted to future challenges.

5.2 TOWARDS A RENEWED APPROACH TO TERRITORIAL DEVELOPMENT

As presented in this chapter, two parallel processes (decentralization and the failure of top-down development policies) have led to the emergence of a new concept to initiate tailored regional development policies: the **territorial approach to development (TAD)**. This fosters a dual process – local to national and vice versa – in facilitating local initiatives, promoting new mechanisms and engendering more coordination between national and local development strategies.

The limited effects of previous traditional top-down policies to support regional development have triggered – over the last decade – the advent of more place-based territorial development strategies that centre on key concepts such as 'regional endogenous development' and 'competitiveness'. In the aftermath of the 2008 crisis and facing budgetary constraints, many sub-national governments began to reassess the effectiveness of policies that failed to maintain a comprehensive regional and cohesive approach and increased inequalities between regions.

As an alternative to these trends, the TAD promotes more tailored regional strategies that integrate the needs and priorities of local actors and boost endogenous, integrated and incremental (but also more sustainable and inclusive) social and environmental development. The aim of the TAD is to involve the whole territorial spectrum to ensure social cohesion and a more balanced territorial development.



To encourage endogenous growth in all regions, national governments should consider adopting a more partnership-based approach to the design of policies and financing

Inevitably, however, the potential of this alternative will largely depend on the form of state, the extent of decentralization and the degree of empowerment enjoyed by sub-national authorities. A brief review of regional policies in different developed and developing, federal and unitary countries highlighted some critical differences. In federal countries, federated state/provincial governments are increasingly leading regional planning, while in unitary states, regional government strategies are more variable – from very active to passive – and they often have less room for manoeuvre due to financial constraints. In the majority of examples analyzed, coordination and ownership of divergent strategies between different levels of government appears to be a persistent problem.

Regions, as intermediary levels of government between the national and local levels, have a vested interest in leading and coordinating regional development strategies and planning more efficiently. In many countries, however, the inconsistency of decentralization policies and limited local capacity hampers the strengthening of regional governments' role as drivers of local development strategies.

To encourage endogenous growth in all regions, national governments should consider adopting a more partnership-based approach to the design of policies and financing. In turn, regional and local governments should help generate a bottom-up approach to scaling up regional dynamics. These dual processes could help renew the way they approach regional development policies.

The chapter analyzed two strategic areas in which regions are taking the lead and where collaboration between different levels of government is progressing: the economic and environmental policies of regions. The chapter highlights the fact that opportunities for growth exist in all types of regions, and that localized approaches improve the resilience of territories to face the volatility of the global economy and lead to a more equitable distribution of the benefits of economic growth, both within and between territories. It also suggests that territorially-specific economic development is understood to be a product of participation and integration, with an implicit focus on the creation of employment.

Many of the initiatives highlighted in this chapter require the support – and sometimes the leadership – of national governments. Some of the experiences that have proliferated in past years (e.g. techno parks or Special Economic

Zones) though sometimes successful, are not without drawbacks.

Regional governments are responsible for the design and implementation of laws and policies in sectors that are essential to environmental sustainability (e.g. climate change, renewable energies, biodiversity preservation, water management, protection of wetlands and coastal areas, forests and natural parks, sustainable agriculture, green technology, and food security). Again, many regional governments have taken the lead (e.g. on climate change). However, despite the fact that many of the environmental challenges require close collaboration between different levels of government, these committed regional governments have often not received adequate support from their central governments.

Coordination between national and regional policies should strengthen the interconnections and cooperation between territories, metropolitan areas and intermediary cities to facilitate a balanced territorial development. This would maximize positive economic, social and environmental effects and diffuse the advantages of specific territories – including urban areas – and interactions between urban systems and rural areas throughout the whole territory.

5.3 SMALL TOWNS, RURAL- URBAN LINKAGES AND REGIONAL DEVELOPMENT

The linkages and interactions between the 'rural' and the 'urban' have become increasingly strong and an important component of livelihood and production systems in most regions of the world. They are also central to the structural transformation of economies, from largely agrarian ones with most of the population engaged in farming, to areas with high employment in manufacturing and services, accounting for a majority of a country's GDP.

As explained in detail in Section 4, small towns can be extremely diverse, but two main scenarios prevail. First, small cities located and engaged within a larger urban system. These are loosely distributed on the outer fringes of a metropolitan area and serve as the last urbanized interface before the surrounding countryside. They are linked with other intermediary settlements with which they share 'functional



Most small towns exhibit a mix of urban and rural characteristics and have inherently strong interactions and linkages with their surrounding rural environment

 **The global agenda for regional development will have to systematically pursue a more comprehensive territorial approach**

complementarities', providing services and access to services to rural communities that would otherwise only be available around larger urban areas. Second, small towns can be located in sparsely populated areas that rely heavily on the rural economy. Since they are further away from large agglomerations, **most small towns exhibit a mix of urban and rural characteristics and have inherently strong interactions and linkages with their surrounding rural environment.**

As stressed in the previous chapter, as the relationship between urban and rural areas evolves, the borders between them are becoming increasingly blurred and the two are ever more interdependent. Rural-urban connections are strengthened by rural household's dependency on urban jobs in small urban areas or regular seasonal population flows from rural to urban environments and vice versa. At the same time, the displacement of urban dwellers to small towns and rural areas in developed countries is creating a new phenomenon of 'rururbanization' in small towns close to large agglomerations.

This suggests the need to revise the long-established classification of all human settlements as 'rural' or 'urban'. In fact, this rural-urban dichotomy tends to aggravate – rather than support – households and businesses in smaller towns.

In line with this 'contested' rural-urban blurred typology, small towns tend to rely extensively on the financial and technical support that they receive from higher tiers of government, in particular from regional and national administrations. This has historically led observers to view small towns and rural areas as having limited capacity to develop effective and accountable local governance systems. However, as stressed in Box 4.1, small local governments are often **the crucial link in local democracy that connects public administration with people and communities in small towns and rural areas.**

There are also key differences between growing and declining settlements that should be considered - linked to the relative diversity (or lack thereof) of their economic base. It is only when settlements retain and locally invest 'added-value' in both farming and non-farming activities that small towns grow and stimulate the development of surrounding rural regions. Certain factors are key to supporting productivity and rural development: first, favourable macroeconomic policies and sectoral priorities, including secure land tenure; second, recognizing the context-specific factors

determinant in creating either opportunities or constraints for local development; and third, adequate financial and fiscal tools which enable local governments to carry out their increasingly important role in regional development.

Emerging approaches to rural-urban partnerships underline the opportunities for sustainable development that exist outside large urban centres. **Rural-urban linkages create an essential space for the integration of two different worlds;** the sharing of key resources (water, land, agriculture, forestland, etc.) and the provision of key services and access to infrastructure and opportunities.


Rural-urban partnerships are also influenced by external conditions. Institutional factors; regulatory constraints and political bottlenecks; information asymmetries or lacking cooperation among involved actors; and policy-making fragmentation can all affect the effectiveness of such partnerships. On the other hand, awareness and inclusion, a deeper understanding of the rural-urban linkages that buttress the partnership, and the promotion of democratic participation and grassroots leadership that stem from it can be factors that galvanize a partnership's positive impact on the territory. The implications for governance are clear: local governments need adequate support. They cannot build local sustainable development if there is no synergy with national and supranational levels through regular and systematic dialogue.


Rural-urban partnerships are essential for mobilizing actors and stakeholders from involved communities and engaging them in the achievement of common goals and a shared vision, at the same time as providing them with the necessary institutional, political and economic resources. Moreover, they have an important role to play in the governance of regional and rural-urban relations. Successful partnerships will address the effectiveness of existing policies and governance institutions and the potential benefits of these for their communities.


The global agenda for regional development will have to systematically pursue a more comprehensive territorial approach. This must not marginalize small towns and their rural environment, but rather build on their privileged connection with the territory, their unique model of social relationships and institutionalized trust, and their immediate proximity to natural resources. These are all elements essential to the social, alimentary and environmental sustainability of territories and urban settlements.


5.4


KEY MESSAGES

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REGIONAL GOVERNMENTS PLAY A CRUCIAL ROLE IN BALANCING TERRITORIES, LINKING URBAN, PERI-URBAN AND RURAL AREAS AND PROMOTING SOCIAL COHESION AND ENDOGENOUS EQUITABLE DEVELOPMENT. They have essential functions for territorial planning, economic development, poverty reduction, food security, provision of strategic infrastructures and environmental management, for example. Regions can assist and cooperate with small towns and municipalities by providing technical and financial support and capacity building. On another scale, small towns are also key actors for local development and providers of essential services, with strong interactions and linkages with their surrounding rural areas and intermediary cities. Therefore, their involvement in the implementation of Agenda 2030 and the New Urban Agenda will be of the highest priority.
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URBAN SETTLEMENTS ARE NOT ISOLATED UNITS. THEY ARE EMBEDDED IN TERRITORIAL SPACES AND ARE PART OF TERRITORIAL SYSTEMS. A comprehensive national regional development strategy, supported by sustainable spatial management, coherent urban and sectoral policies and multilevel governance, is essential for the success of the New Urban Agenda. This will help set national objectives, promote equitable regional growth and strong urban systems, and strengthen the rural-urban continuum, in order to establish productive relationships and harmony between the different territories. National regional policy should also recognize the importance of small municipalities to reduce the fragility and precariousness of the environment in which they work.
- 

INTEGRATED REGIONAL STRATEGIES CAN CREATE A PATHWAY TOWARDS MORE SUSTAINABLE, INCLUSIVE AND EFFICIENT DEVELOPMENT, by promoting activities embedded in the territory (endogenous growth). This must put human values first, mobilize local potentialities and assets, and strengthen cooperation between territories and urban areas to boost complementarities and synergies. This could reduce the specialization and competition between territories and cities encouraged by globalization which aggravate inequalities, the depletion of natural resources, and unbalanced development between and within regions, as well as harness untapped sources of growth related to innovation and the improvement of people skills.
- 

AN ENABLING ENVIRONMENT IN WHICH REGIONAL AND LOCAL GOVERNMENTS CAN EXPERIMENT, INNOVATE AND CAPITALIZE ON THEIR RESOURCES is an imperative for national development that harnesses local potential. This requires adequate legal and institutional frameworks that define, for each level of sub-national government, a clear vision of responsibilities and powers, effective fiscal decentralization and financing capacities and adequate equalization mechanisms to bridge the gaps between regions. The limited financial autonomy of regional and local governments is a severe constraint on their ability to drive local development.
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MULTILEVEL GOVERNANCE CALLS FOR A PARADIGMATIC SHIFT IN THE RELATIONSHIP BETWEEN DIFFERENT LEVELS OF GOVERNMENT. Several decades of uneven reforms have shown there is no optimal level of decentralization and implementation and competences are strongly country-specific. At the same time, policy overlap is inevitable in decentralized contexts: complete separation of responsibilities and outcomes in policy-making cannot be achieved and different levels of government are interdependent. Public management thus requires multilevel governance in all cases, i.e. the reinforcement of coordinating mechanisms which help bridge the gaps (in information, capacity, funding, policy, administrative, objectives and accountability) that hinder delivery of effective public policies.



COLLABORATIVE GOVERNANCE AND COOPERATION SHOULD ALSO BE ENCOURAGED BETWEEN REGIONS, BETWEEN REGIONS AND LOCAL GOVERNMENTS, AND BETWEEN SMALL TOWNS.

This should be through an adequate legal framework and financial incentives which promote collective solutions and enhance synergies between territories, for example through inter-municipal cooperation, instead of ineffective inter-territorial competition. Cooperation between territories, including supranational and transboundary cooperation through alliances or networks, can also be used to make substantive contributions to development beyond immediate borders.



INTEGRATED REGIONAL AND LOCAL STRATEGIC PLANS NEED STRONG PARTICIPATION AND INVOLVEMENT OF TERRITORIAL NETWORKS AND LOCAL STAKEHOLDERS.

This is to advise on the formulation of economic development strategies, land and/or spatial planning, infrastructure planning (e.g. transport, trunk infrastructures) and sectorial policies (e.g. agriculture, education, health, environment, etc.). All levels of government (from national to regional to local), civil society, economic sectors, professionals and academia should be involved in more cohesive territorial development, using simple tools and technologies. This should take into account functional complementarities, increasing economic interdependencies and population movements between rural-urban areas and regions (e.g. permanent and temporary migrations, floating populations). Small cities and municipalities have the advantage of human scale to enhance participative and consultative processes with citizens and reduce the lack of local relevant data in many countries.



A TERRITORIAL APPROACH TO DEVELOPMENT HELPS CAPITALIZE ON LOCAL AND REGIONAL POTENTIALITIES

afforded by locations and populations, strengthening inclusive value chains, generating local employment opportunities and empowering local stakeholders to inform the design of policies that are reflective of local realities. Permitting (i.e. allowing and assisting) these territories to engage in active local economic policies helps ensure that economic growth (and, by extension, the socio-economic benefits associated with it) is not concentrated in a small handful of geographic areas, but rather distributed in a more territorially equitable way, which is crucial for national development. Supporting small towns and rural municipalities' economic activities and improving their connections to regional and national markets will also contribute to the added-value generated, retained and reinvested locally – in agriculture and non-agriculture activities – encouraging the development of small towns and surrounding regions. Particular attention should be paid to food security and strengthening cooperation with those rural areas, as a way to ensure better quality of food, support farmers and SMEs, and develop shorter economic circuits while protecting biodiversity.



REGIONS CAN BE THE APPROPRIATE SCALE TO DEAL WITH KEY TRUNK INFRASTRUCTURES AND SERVICES TO IMPROVE CONNECTIVITY, STRENGTHENING TERRITORIAL INTEGRATION AND BALANCE

particularly in regions with isolated and dispersed human settlements. Long-term investments remain a strategic need and require innovative approaches to overcome increasing public budget constraints. Empowered regions can contribute to the pooling of national and local, public and private resources through new partnership models adapted to their context. Investments associated with integrated territorial planning can strengthen regional-urban local government partnerships to improve synergies for the provision of sustainable infrastructure for mobility, access to broadband and ICT, and social services (e.g. health, education).



INTEGRATED TERRITORIAL DEVELOPMENT IS EQUALLY CRITICAL TO SUPPORT ENVIRONMENTAL SUSTAINABILITY.

Collaborative regional and local government land plans with a participative approach should help protect natural resources (e.g. water sources, watershed management, wetland and coastal protection) and biodiversity. Moreover, they should address the main natural threats (e.g. river management for flooding, deforestation, desertification). Equally, they can foster climate-friendly policies in the rural hinterland of urban areas (e.g. protect green rings around cities to act as ecological buffers, create ecological corridors to safeguard biodiversity, improve transportation networks to reduce CO₂ emissions); safeguard agricultural land to enhance food security; contribute to improved waste management; and generate natural capital for resilient and productive territories.

NOTES

- ¹ See also, on definitional concepts and figures, the report's introduction.
- ² The 'Toluca Declaration for Habitat III – Latin America & Caribbean' (Toluca, 18-20 April, 2016) states: 'Incorporate into development planning schemes a focus on the integral and sustainable management of the territory, promoting equitable growth of regions and reinforcing links between urban, peri-urban, and rural areas, with the goal of establishing productive and harmonious relationships between the different areas'. See the whole document, United Nations, 'The Toluca Declaration for Habitat III. Latin America and the Caribbean'.
- ³ Smoke, 'Decentralisation in Africa'; Pike, Rodríguez-Pose, and Tomaney, *Local and Regional Development*, 3; Rodríguez-Pose, 'Economists as Geographers and Geographers as Something Else'; Barca, McCann, and Rodríguez-Pose, 'The Case for Regional Development Intervention'; UCLG, *Decentralization and Local Democracy in the World*; UCLG, *Local Government Finance*.
- ⁴ Ascani, Crescenzi, and Iammarino, 'Regional Economic Development', 4.
- ⁵ Ascani, Crescenzi, and Iammarino, 'Regional Economic Development'.
- ⁶ Satterthwaite and Tacoli, *The Urban Part of Rural Development*.
- ⁷ Denis and Asef, 'Egypt. Twenty Years of Urban Transformation'.
- ⁸ McGranahan and Satterthwaite, *Urbanisation*.
- ⁹ Smoke, 'Fiscal Decentralization in Developing Countries'; Rodríguez-Pose and Gill, 'The Global Trend towards Devolution and Its Implications'; UCLG, *Decentralization and Local Democracy in the World*; UCLG, *Local Government Finance*.
- ¹⁰ For the definition of decentralization see the Introduction of GOLD IV. The concepts of decentralization and devolution are very close and often used synonymously. However, it could be argued that from a theoretical point of view, the notion of devolution has no limit on the transfers of administrative and political powers which can be carried out, other than the point at which the transfers would mean independence. In contrast, the idea of decentralization is inextricably linked with the idea of the unity of power. Decentralized entities administer themselves without ceasing to be an integrated part of the state and without the state conceding to them part of its constitutional functions (UCLG, *Decentralization and Local Democracy in the World*, 309).
- ¹¹ Smoke, 'Fiscal Decentralization in Developing Countries'; UCLG, *Decentralization and Local Democracy in the World*.
- ¹² UCLG, *Decentralization and Local Democracy in the World*, 20.
- ¹³ UCLG, *Decentralization and Local Democracy in the World*.
- ¹⁴ See World Bank, *World Development Report 2009*, as well as the OECD's *Territorial Reviews* series and its publications on Regional Development.
- ¹⁵ Dziobek, Gutiérrez Mangas, and Kufa, 'Measuring Fiscal Decentralization', 21.
- ¹⁶ Ibid. A hybrid of these two main categories, the confederate form implies the union of sovereign states based on a core of common shared rules and laws. Confederation and federation differ in the degree of autonomy enjoyed by their member units and the extent of their central government power. The former grants its members more autonomy and limits the power of central government. The latter has a stronger federal rule, as its federate members cede more competences and responsibilities to the central federal government.
- ¹⁷ Agnew, 'The "new Regionalism" and the Politics of the Regional Question', 130.
- ¹⁸ The Regional Authority Index is an annual measure of the authority of regional governments across ten dimensions: institutional depth, policy scope, fiscal autonomy, borrowing autonomy, representation, law-making, executive control, fiscal control, borrowing control, and constitutional reform. The study covers regional authorities in 81 countries over the period 1950-2010. The unit of analysis is the individual region, defined as an intermediate jurisdiction between national and local government. For more information on the methodology, see: <http://www.unc.edu/~gwmrks/assets/data/ra/RAI%20website/measuring%20regional%20authority.pdf>.
- ¹⁹ The United States, for instance, has a well-defined TL2 level with its federated states, but TL3 is not represented by counties or any other specific lower level of administrative division. Conversely, the territory of the United States is divided into 179 TL3 'economic areas' – loosely equivalent to the *Composed Statistical Areas* (CSAs) of the United States Census Bureau. Most TL3 units of the United States coincide with urbanized or metropolitan areas. The significant part of the country's territory that is still economically and demographically rural, on the other hand, is statistically included in the OECD's *Local Units*, the lower territorial category that generally identifies the municipal level, right below the regional one – it includes 'wards' in the United Kingdom, *municipios* in Spain, *communes* in France, *comuni* in Italy, and so on. The OECD also categorizes both its 'Territorial' and 'Local' units according to their level of urbanization, distinguishing between 'predominantly urban', 'intermediate' or 'predominantly rural' units.
- ²⁰ The following thresholds are used as guidelines for the statistical definition of regions in Europe, although they are often not applied rigidly: NUTS1 regions, three to seven million inhabitants; NUTS2 regions, 800,000 to three million inhabitants; and NUTS3 regions, 150,000 to 800,000 inhabitants.
- ²¹ Ames et al., 'Comparative Assessment of Decentralization in Africa: Mozambique'; Tidemand et al., 'Comparative Assessment of Decentralization in Africa: Tanzania'; Dickovick and Beatty Riedl, 'Comparative Assessment of Decentralization in Africa'.
- ²² In Latin American and the Caribbean, besides the four constitutionally federal states (Argentina, Brazil, Mexico and – with strong limitations – Venezuela), other countries that have reached an advanced level of regionalization include Bolivia, Colombia, Ecuador, Peru and Uruguay. Chile, Guatemala, Nicaragua and Paraguay do have a regional level of government, but it is granted little autonomy.
- ²³ Besides the federal states (Austria, Belgium, Bosnia and Herzegovina, Germany and Switzerland) and the more recent quasi-federal hybrids (such as Italy and Spain), a number of European countries have regional-level intermediary governments. Some of them are regional self-governments: intermediate governments in France, Poland, and Portugal, Croatia's counties, Denmark's regions, the provinces of the Netherlands, Norway's counties, and Sweden's regions. Others countries have either simple administrative divisions or their intermediary governments are endowed with weak powers: Albania, Czech Republic, Greece, Hungary, Ireland, Romania, Serbia (with the exception of the province of Vojvodina), and Slovakia are all part of this group. Some intermediary levels represent only municipal interests, as in Finland. Latvia (which only has 'planning regions') and Slovenia, have no intermediary level at all. The United Kingdom recognizes the regional autonomy of Wales, Scotland and Northern Ireland; the regional government of England, on the other hand, is only weakly developed. For further details, see the complete report on regionalization in Europe, issued by the Assembly of European Regions, Ciccarone et al., 'The Role of European Regions in 2015'.
- ²⁴ In the Asia-Pacific region, besides Australia and India (federal states) and Malaysia, Nepal and Pakistan (formally federal, but weakly decentralized countries), China, Indonesia, Japan, New Zealand, the Philippines, South Korea, Thailand, Vietnam – and, to a lesser extent, Bangladesh and Sri Lanka – have all experienced significant advances in regionalization.
- ²⁵ With the exception of a quasi-federal country such as South Africa, regionalization in the African continent is still limited, even in formally federal countries (Ethiopia, Nigeria, or small island states like the Comoros, not including very fragile states like Sudan and South Sudan). Certain unitary countries such as Burkina Faso, Côte d'Ivoire, Kenya, Mali, Morocco, Madagascar, Namibia, Niger, Senegal and Tanzania have all improved their regionalization schemes. Some countries have an intermediary level of government (e.g.

wilayas - departments in Arab countries) with mixed status, as decentralized administrative units and local governments endowed with elected councils (e.g. Algeria, Gabon). Many other countries do have intermediary administrative levels (regions, provinces, departments, districts), but their authorities are still appointed by the national government. This is the case in Angola, Burundi, the Central African Republic, Chad, Congo Brazzaville, DR Congo, and Equatorial Guinea. In Eurasia, regional autonomy is generally very weak – even in a federal country such as the Russian Federation and in most Caucasus and Central Asian countries. In the MEWA region, Turkey has provincial elected governments (*il genel meclisi*), but in 2014 30 provinces (out of 51) were transformed into metropolitan municipality systems. Iraq, formally a federal parliamentary Islamic republic, has granted regional autonomy to the Kurdistan region. All other MEWA countries are centralized regimes.

- ²⁶ Cities Alliance and UCLG Africa, 'Assessing the Institutional Environment of Local Governments in Africa'; De Visser, 'Republic of South Africa'.
- ²⁷ González, 'Tensions between Centralization and Decentralization in the Argentinian Federation'.
- ²⁸ Tommasi et al., 'Fiscal Federalism in Argentina'.
- ²⁹ Province of Santa Fe, 'Strategies and Capacities for a Competitive Global Insertion'.
- ³⁰ Ojeda García, *Políticas de descentralización en Marruecos*.
- ³¹ Ringgi, 'Papua's Response to the Gift of Special Autonomy plus'.
- ³² Grasnik, 'Regionalism in Germany', 9–10.
- ³³ The Global Observatory of Local Finance is developed jointly between ULCG and the OECD. Their database can be freely accessed online at this address: <http://www.uclg-localfinance.org/observatory>.
- ³⁴ Agnew, 'The "new Regionalism" and the Politics of the Regional Question', 134.
- ³⁵ Loughlin, 'The "Hybrid" State'.
- ³⁶ OECD, *Territorial Reviews: Brazil*.
- ³⁷ UN-Habitat, 'Issue Paper on Urban Governance'.
- ³⁸ Stephenson, 'Twenty Years of Multi-Level Governance'. A similar definition is proposed by Charbit, 'Governance of Public Policies in Decentralised Contexts', 13.
- ³⁹ Committee of the Regions, 'The White Paper on Multi-Level Governance'.
- ⁴⁰ More information about the Charter is available online: <https://portal.cor.europa.eu/mlgcharter/Pages/default.aspx>.
- ⁴¹ OECD, *Regional Development Policies in OECD Countries*, 28.
- ⁴² OECD, *Regional Development Policies in OECD Countries*.
- ⁴³ Fosu, World Institute for Development Economics Research, and United Nations University, *Achieving Development Success*.
- ⁴⁴ OECD, 'The Case of Future OECD Principles of Public Investment Across Levels of Government'.
- ⁴⁵ The *Contrat* engages the central ministries directly with the regional presidents. The central governments' branches negotiate the contents and application of policy measures with the regions, with the General Commissioner for Territorial Equity (which depends directly on the Prime Minister's Office), and with each ministry's regional delegation (<http://www.cget.gouv.fr/>).
- ⁴⁶ For more information: <http://www.dnp.gov.co/Contratos-Plan/Paginas/ContratosPlan.aspx>. See also, OECD, *Territorial Reviews: Colombia 2014*.
- ⁴⁷ OECD, *Regions Matter*.
- ⁴⁸ OECD, 'The Case of Future OECD Principles of Public Investment Across Levels of Government'.
- ⁴⁹ OECD, 'Challenges of Human Resource Management for Multi-Level Government'.
- ⁵⁰ Charbit and Michalun, 'Mind the Gaps'.
- ⁵¹ ESPON, 'European Towns and Territorial Cooperation', 2.
- ⁵² *Ibid.*, 3.
- ⁵³ OECD, *Regions Matter*; Barca, McCann, and Rodríguez-Pose, 'The Case for Regional Development Intervention'.
- ⁵⁴ World Bank, *World Development Report 2009*.
- ⁵⁵ Stiglitz, *The Price of Inequality How Today's Divided Society Endangers Our Future*; OECD, *Divided We Stand*; Piketty, *Capital in the Twenty First Century*.
- ⁵⁶ Romeo, 'The Territorial Approach to Local Development (TALD)'. For more information see also: <http://capacity4dev.ec.europa.eu/public-pub.sector-reform-decentralization/document/territorial-approach-local-development>.
- ⁵⁷ Barca, 'An Agenda for a Reformed Cohesion Policy. A Place-Based Approach to Meeting the European Union Challenges and Expectations', 4–5.
- ⁵⁸ In this section, the concept of 'spatial planning' refers to public policies designed to shape or manage the distribution of people, activities and settlements in a territory's space (both urban and rural) and at various levels. The European Regional/Spatial Planning Charter – adopted by the Council of Europe's (CoE) Conference of European Ministers responsible for Regional Planning, in 1983 in Torremolinos, Spain – defines 'regional/spatial' planning as providing 'a geographical expression to the economic, social, cultural and ecological policies of society' (the whole document is available online on the CoE's website: http://www.coe.int/t/dgap/localdemocracy/cemat/VersionCharte/Default_en.asp). Its objectives, as defined in the Charter, are: balanced socio-economic development of the regions; improvement of the quality of life; responsible management of natural resources and protection of the environment; and the rational use of land. Regional/spatial planning seeks to better coordinate between various policy sectors and decision-making levels, promoting the equalization of financial resources and proactive citizen participation. The concept is close to the French idea of *aménagement du territoire*, the Spanish *ordenamiento territorial*, and the German *Raumordnung*.
- ⁵⁹ OECD, *Regional Development Policies in OECD Countries*. Some countries have a constitutional commitment to improve territorial balance (e.g. Germany, Italy, Korea and Spain); others prioritize peripheral areas (Denmark), regional balance (Finland), territorial cohesion (France), and equal living (Norway). Some countries – mostly smaller ones such as Austria, Denmark, Luxembourg or the Netherlands) – have paid limited attention to the issue of regional disparities, while others do not regard it as a major political problem (e.g. Czech Republic and Hungary). Following a survey realized by OECD in the late 2000's, the principle of 'enhanced competitiveness' is gaining popularity in France, the Netherlands, Sweden, Austria, Finland, Korea, New Zealand, Poland and the United Kingdom. Similarly, the idea of 'endogenous development', combined with social and environmental sustainability, has gained momentum in Australia, Ireland, Norway and Turkey. The issue of equality in regional policies has also been linked to access to collective public services – as an issue of human rights – or with opportunities (access to professional opportunities, high level education and connectedness).
- ⁶⁰ *Ibid.*
- ⁶¹ Oranje, 'Post-Apartheid National Spatial Development Planning in South Africa - A Brief History'.
- ⁶² See also note 57 above.
- ⁶³ Pellegrin, 'Politiques et Pratiques D'aménagement Du Territoire Aux États-Unis'. Regional planning agencies, for instance, have had a limited diffusion mostly in metropolitan areas (e.g. metropolitan planning organizations, MPOs, for transport) or for watershed management. A number of states have developed agencies for regional planning (e.g. Florida, Georgia, Massachusetts) but, after

significant federal budget cutbacks in the 1980s, many have either been dismantled or have adopted a more entrepreneurial approach, undertaking activities for private and civic sectors. Most federated states, however, still have at least some kind of regional planning organization.

- ⁶⁴ These aim to promote 'innovation for sustainable growth and quality jobs', as stated by the Economic Development Administration (EDA). Other administrations have a long tradition of community programmes targeting specific groups or localities, like the Department of Housing and Urban Development and the Department of Agriculture in rural areas. See also OECD, *Regional Development Policies in OECD Countries*, 305–6.
- ⁶⁵ Pellegrin, 'Politiques et Pratiques D'aménagement Du Territoire Aux États-Unis'.
- ⁶⁶ 'Envision Utah: your Utah, your future', Vision for 2050. The document is available online at this address: http://yourutahyourfuture.org/images/Vision_PDFs/YUYF_Vision_for_2050.pdf.
- ⁶⁷ For more details, see Box 2.4 above.
- ⁶⁸ The federal institutions in charge are the Federal Office for Building and Regional Planning within the Ministry of Transport, Building and Urban Development for urban policies, the Ministry of Economics and Technology for a regional development framework and coordination with EU structural funds, and the Ministry of Food and Agriculture for rural policy strategies.
- ⁶⁹ The Constitution allows the intervention of federal and regional governments to ensure a minimum level of equality between territories. One key principle is that of mutual solidarity, which includes differentiated financial support to 'new' eastern *Länder*, but also the *Länderfinanzausgleich*, which fosters mutual support between financially stronger and weaker regions. The Federal Regional Planning Act defines several principles which ensure flexibility at the regional level, coordination between different levels and neighbouring regions, and mechanisms to resolve conflicts, commonly referred to as the counter-current principle (*Gegenstromprinzip*, see also the Regional Planning law, *Raumordnungsgesetz*, ROG, 1965). This principle allows lower government tiers (municipalities) to participate or veto provincial and regional planning. See also Treuner, 'Politiques et Pratiques D'aménagement Du Territoire En Allemagne'; Federal Office for Building and Regional Planning and Federal Ministry of Transport, Building and Urban Development, 'Perspectives of Spatial Development in Germany'.
- ⁷⁰ The fund is supported by the Federal Ministry for Economic Affairs and Energy (BMWi). More information is available online at this address: <http://www.bmwi.de/DE/Themen/Energie/Energiewende/koordinierung-energiewende.html>.
- ⁷¹ More information on regional energy policies and actions in Baden-Württemberg is available online at this address: <http://energiewende.baden-wuerttemberg.de/en/all-articles/basics/energy-transition-in-baden-wuerttemberg/>.
- ⁷² More information on these funding schemes is available online: http://ec.europa.eu/contracts_grants/funds_en.htm.
- ⁷³ OECD, *Territorial Reviews: Brazil*; Dubarie and Pellegrin, 'Politiques et Pratiques D'aménagement Du Territoire Au Bresil'; Ministère des Affaires Étrangères and UMR PACTE-Territoires, 'Étude Comparée Des Politique D'aménagement Du Territoire et de Développement Régional Dans Les Pays Du Sud'.
- ⁷⁴ More information on the Bahia Government's *Plano Plurianual Participativo* (PPA) 2016-2019 is available online at this address: <http://www.seplan.ba.gov.br/modules/conteudo/conteudo.php?conteudo=51>.
- ⁷⁵ Government of India, 'NITI Aayog. From Planning to NITI'. See also Government of India, *Twelfth Five Year Plan (2012-2017)*.
- ⁷⁶ According to recent studies, Tamil Nadu could effectively achieve a GDP per capita of around USD 12,000 by 2025. See Brar et al., 'India's Economic Geography in 2025'.
- ⁷⁷ OECD, *Regional Development Policies in OECD Countries*.
- ⁷⁸ On the tensions created by recent reforms, see also Section 2.1.4 above and Association des Régions de France, 'Les Chiffres Clés Des Régions'.
- ⁷⁹ Commissariat Général à l'Égalité des Territoires, *Pour une République au service de l'égalité et du développement des territoires*; OECD, *Territorial Reviews: France*.
- ⁸⁰ The regional plan - Région Provence-Alpes-Côte d'Azur, *Notre région 2030, SRADDT - Schéma Régional d'Aménagement et de Développement Durable du Territoire*, adopted on June 26, 2015 – is available online at this address: <http://2030.regionpaca.fr/index.php/site/accueil>.
- ⁸¹ The country is divided into 32 departments and 1,102 local governments (plus the Bogota district). Three departments alone account for 70% of the country's GDP. Colombia's settlement patterns are characterized by an archipelago of urban regions that concentrates 76% of the population (56 cities, including 18 urban agglomerations with more than 100,000 inhabitants), surrounded by poorly connected rural areas. Domestic war and regional conflicts have aggravated the problems of poverty and de-population in the countryside (the phenomenon of *desplazados*).
- ⁸² Based on Law 1454/2011 and regulated by the *Decreto Nacional* 3680/2011.
- ⁸³ Departamento Nacional de Planeación, 'Plan Nacional de Desarrollo 2014-2018'.
- ⁸⁴ *Ibid.*
- ⁸⁵ The principles underpinning the development plan are set out in the Colombian Constitution. The plan was further developed in different legislative documents (Laws 152/94 and 388/97, among others). Each sub-national government is expected to create a development plan with clear budgets and follow-up indicators during the first year of its mandate. Municipalities are also required to develop their own spatial plan. All sub-national governments should use the directives of the NDP and the various ministerial plans as 'inputs'. Accordingly, departmental and local plans should be 'aligned'. See Departamento Nacional de Planeación, 'Planeación Para El Desarrollo Integral En Las Entidades Territoriales'.
- ⁸⁶ DNP, *Misión Sistema de Ciudades*, 2016 and DNP, *El campo colombiano: un camino hacia el bienestar y la paz. Misión para la transformación del campo*, 2015. See also OECD, *Territorial Review: Colombia*, 2014.
- ⁸⁷ Gobernación de Antioquia, 'Antioquia Piensa En Grande'.
- ⁸⁸ For more details, see also Section 2.1.2 above.
- ⁸⁹ Oranje, 'Post-Apartheid National Spatial Development Planning in South Africa - A Brief History'; Drewes and van Aswegen, 'National Planning in South Africa'.
- ⁹⁰ National Planning Commission, *Our Future*.
- ⁹¹ KwaZulu-Natal Provincial Planning Commission, 'Provincial Growth and Development Strategy'. See also the 'State of the Province' addresses by the province's Premier for the year 2015 (<http://www.kznonline.gov.za/images/Downloads/Speeches/premier/2015/STATE%20OF%20THE%20PROVINCE%20ADDRESS%20back%20up.pdf>, February 27, 2015) and 2016 (<http://www.kznonline.gov.za/images/Downloads/SoPA2016/SoPA2016.pdf>, February 25, 2016). Different branches of the provincial government have issued a number of similar documents. See for example: Office of the Premier, 'Strategic Plan 2015-2020'; Department of Human Settlements, 'Strategic Plan 2015/16-2019/20'; Department of Health, 'Strategic Plan 2015-2019'; Department of Public Works, 'Strategic Plan 2015-2020'.
- ⁹² Global Taskforce of Local and Regional Governments, UN-Habitat, and UNDP, 'Roadmap for Localizing the SDGs: Implementation and Monitoring at the Subnational Level'.

- ⁹³ Satterthwaite and Tacoli, *The Urban Part of Rural Development*.
- ⁹⁴ OECD, *Regions Matter*.
- ⁹⁵ Barca, McCann, and Rodríguez-Pose, 'The Case for Regional Development Intervention'.
- ⁹⁶ OECD, *Promoting Growth in All Regions*.
- ⁹⁷ Vázquez-Barquero, 'Inward Investment and Endogenous Development', 84.
- ⁹⁸ OECD, *Territorial Reviews: Brazil*.
- ⁹⁹ Helmsing, 'Partnerships, Meso-Institutions and Learning'; Rodríguez-Pose and Tijmstra, 'On the Emergence and Significance of Local Economic Development Strategies', 102-4.
- ¹⁰⁰ van Empel, 'Local Economic Development in Polonnaruwa District, Sri Lanka'.
- ¹⁰¹ NSW Department of Trade and Investment, 'Economic Development Strategy for Regional NSW'.
- ¹⁰² Rodríguez-Pose, 'Economic Convergence and Regional Development Strategies in Spain', 102.
- ¹⁰³ Rodríguez-Pose, 'Economic Convergence and Regional Development Strategies in Spain'.
- ¹⁰⁴ Ibid.
- ¹⁰⁵ European Commission, 'National/Regional Innovation Strategies for Smart Specialisation (RIS3)'.
- ¹⁰⁶ Région Pays de la Loire, 'Stratégie Régionale D'innovation Pour Une Spécialisation Intelligente En Pays de La Loire (2014-2020)'.
- ¹⁰⁷ Rodríguez-Pose and Hardy, *Technology and Industrial Parks in Emerging Countries*.
- ¹⁰⁸ More information is available on the related web page of the European Commission: <https://ec.europa.eu/growth/tools-databases/regional-innovation-monitor/support-measure/competitiveness-poles>.
- ¹⁰⁹ Farole, *Special Economic Zones in Africa*, 23.
- ¹¹⁰ Farole and Akinci, *Special Economic Zones*.
- ¹¹¹ Zeng, 'Global Experiences with Special Economic Zones'.
- ¹¹² Government of India and Ministry of Commerce and Industry, 'Foreign Trade Policy'.
- ¹¹³ More information is available online on the website of India's Agricultural and Processed Food Products Export Development Authority (APEDA): http://apeda.gov.in/apedawebsite/trade_promotion/Agri_Export_Zone.htm.
- ¹¹⁴ Satterthwaite and Tacoli, *The Urban Part of Rural Development*.
- ¹¹⁵ Ministry of Municipal Affairs and Housing, 'Economic Development Case Study Handbook', 40.
- ¹¹⁶ Ibid.
- ¹¹⁷ Ibid., 41.
- ¹¹⁸ Gobernación de Antioquia, 'Bases Del Plan de Desarrollo de Antioquia'.
- ¹¹⁹ Department of Agriculture and Rural Development, 'Strategic Plan 2015-2022'.
- ¹²⁰ Söderholm and Svahn, 'Mining, Regional Development and Benefit-Sharing in Developed Countries'.
- ¹²¹ In France, the culture sector as a whole had an economic turnover of EUR 57.8 billion in 2011 (3.2% of national GDP), compared with USD 704.2 billion in the United States in 2013 (4.2% of the United States' GDP).
- ¹²² Gobierno Regional del Cusco, 'Cusco al 2021'.
- ¹²³ See, for example, OECD, *Divided We Stand*; Asian Development Bank, *Asian Development Outlook 2012*; Ostry, Berg, and Tsangarides, *Redistribution, Inequality and Growth*; Cingano, 'Trends in Income Inequality and Its Impact on Economic Growth'; Piketty, *Capital in the Twenty First Century*.
- ¹²⁴ See also Cingano, 'Trends in Income Inequality and Its Impact on Economic Growth'; OECD, *Divided We Stand*; Atkinson, Piketty, and Saez, 'Top Incomes in the Long Run of History'; Kakwani and Pernia, 'What Is pro-Poor Growth?'
- ¹²⁵ See also Cingano, 'Trends in Income Inequality and Its Impact on Economic Growth'; Piketty, *Capital in the Twenty First Century*; Ostry, Berg, and Tsangarides, *Redistribution, Inequality and Growth*; Venables, 'Spatial Disparities in Developing Countries'; Kanbur and Venables, *Spatial Inequality and Development*; Sala-i-Martin, 'The Disturbing "Rise" of Global Income Inequality'.
- ¹²⁶ Ostry, Berg, and Tsangarides, *Redistribution, Inequality and Growth*; Cingano, 'Trends in Income Inequality and Its Impact on Economic Growth'; OECD, *In It Together*; Ostry and Berg, *Inequality and Unsustainable Growth*.
- ¹²⁷ Rodríguez-Pose and Callum, 'Conceptualising Equitable Economic Growth in Cities'.
- ¹²⁸ Hackler, 'Creating Jobs in America'.
- ¹²⁹ Rodríguez-Pose and Callum, 'Conceptualising Equitable Economic Growth in Cities', 11.
- ¹³⁰ UCLG is particularly grateful to Nrg4SD for its contributions to this section.
- ¹³¹ UNDP et al., 'Regions: A Solution to Climate Change'.
- ¹³² Galarraga, González-Eguino, and Markandya, 'The Role of Regions in Climate Change Policy'.
- ¹³³ More information on the Québec Cap and Trade System for Greenhouse Gas Emissions Allowances is available online at this address: <http://www.mdelcc.gouv.qc.ca/changements/carbone/Systeme-plafonnement-droits-GES-en.htm>.
- ¹³⁴ Pellegrin, 'Politiques et Pratiques D'aménagement Du Territoire Aux États-Unis'.
- ¹³⁵ Nrg4SD, 'Inspiring Subnational Climate Action'.
- ¹³⁶ More information available on the Korea Tourism Organization's website: <http://kto.visitkorea.or.kr/eng/tourismStatics/keyFacts/visitorArrivals.kto>.
- ¹³⁷ Newbold et al., 'Has Land Use Pushed Terrestrial Biodiversity beyond the Planetary Boundary?'
- ¹³⁸ Pastor, 'Regions for Biodiversity'.
- ¹³⁹ See also: <https://www.cbd.int/sp/targets/>.
- ¹⁴⁰ Gobierno Regional Moquegua, 'Estrategia Regional de Diversidad Biológica 2014-2021'.
- ¹⁴¹ OECD, *Environmental Outlook to 2050*.
- ¹⁴² Ayibotele, 'Transboundary Organization in the Niger River Basin'.
- ¹⁴³ OECD, 'Principles on Water Governance'.
- ¹⁴⁴ Northern Territory Government, 'Northern Territory Balanced Environment Strategy'.
- ¹⁴⁵ More information available on the UNEP dedicated online resource: http://www.unep.org/urban_environment/issues/coastal_zones.asp.
- ¹⁴⁶ Hofstede and Stock, 'Climate Change Adaptation in the Schleswig-Holstein Sector of the Wadden Sea'.
- ¹⁴⁷ More information available on the UN online portal dedicated to SDG 15 and biodiversity: <http://www.un.org/sustainabledevelopment/biodiversity/>.
- ¹⁴⁸ FAO, 'Global Forest Resources Assessment 2015'.
- ¹⁴⁹ Nrg4SD, 'Inspiring Subnational Climate Action', 4.
- ¹⁵⁰ See the CBD online resources on Protected Areas: <https://www.cbd.int/protected/overview/>.
- ¹⁵¹ R20 is an organization that provides assistance to sub-national governments – mainly states and regions – across the world to develop and implement projects for sustainable development.

- ¹⁵² R20, 'Annual Activity Report 2015'.
- ¹⁵³ Région Wallonne, '2014-2019. Oser, Innover, Rassembler'.
- ¹⁵⁴ 'L'adoption de La Stratégie Régionale de Transition Énergétique En Pays de La Loire Pour 2014-2020'.
- ¹⁵⁵ Hsu et al., 'Scaling up'.
- ¹⁵⁶ Nrg4SD, 'Inspiring Subnational Climate Action'.
- ¹⁵⁷ Ibid., 30.
- ¹⁵⁸ See Chapter 14 of the Agenda 21, *Promoting sustainable agriculture and rural development*: <http://www.unep.org/Documents.multilingual/Default.asp?DocumentID=52&ArticleID=62>.
- ¹⁵⁹ FAO, *The State of Food and Agriculture*.
- ¹⁶⁰ The document is available online at this address: http://www.azuay.gov.ec/imagenes/uploads/File/PLAN_PLURIANUAL_2014.pdf.
- ¹⁶¹ The text of the *Déclaration de Québec, Pour la Promotion des initiatives locales d'alimentation responsable et durable et l'émergence des systèmes alimentaires territorialisés*, is available online at this address: https://www.chaire-diversite-alimentaire.ulaval.ca/sites/chaire-diversite-alimentaire.ulaval.ca/files/declaration_de_quebec_fr_0.pdf.
- ¹⁶² RESOLIS, 'Systemes Alimentaires Territorialisés Au Québec'.
- ¹⁶³ Servillo et al., 'TOWN. Small and Medium Sized Towns in Their Functional Territorial Context', 3.
- ¹⁶⁴ Czerny, Van Lindert, and Verkoren, 'Small and Intermediate Towns in Latin American Rural and Regional Development'.
- ¹⁶⁵ Li and An, 'Migrants as a Source of Revenue in Small Towns in China'.
- ¹⁶⁶ See Satterthwaite and Tacoli, *The Urban Part of Rural Development*, for a review, and Section 1.1 in the Intermediary Cities chapter of this report for further reference.
- ¹⁶⁷ See, for example, Kotkin, 'Small Cities Are Becoming New Engine Of Economic Growth'.
- ¹⁶⁸ UN-Habitat, *Small Town Development Approaches*.
- ¹⁶⁹ Nchito, 'Migratory Patterns in Small Towns'.
- ¹⁷⁰ Owusu, 'The Role of Small Towns in Regional Development and Poverty Reduction in Ghana'.
- ¹⁷¹ Ibid., 461.
- ¹⁷² Garza, 'The Role of Small and Intermediate Centres around Bangalore'.
- ¹⁷³ Paris, 'Politiques et Pratiques D'aménagement Du Territoire En Espagne'.
- ¹⁷⁴ OECD, *Rural-Urban Partnerships*.
- ¹⁷⁵ UN-Habitat, *Meeting Development Goals in Small Urban Centres*.
- ¹⁷⁶ For a review of literature, see Satterthwaite and Tacoli, *The Urban Part of Rural Development*.
- ¹⁷⁷ Champion and Hugo, 'Conclusions'.
- ¹⁷⁸ Agence Française de Développement and SEDET, 'Africapolis'.
- ¹⁷⁹ Ibid.
- ¹⁸⁰ Tisdall, 'Silent Blight in a Countryside of Empty Homes and Shut Shops'.
- ¹⁸¹ Roberts, 'Rural Urbanization and the Development of Small and Intermediate Towns'.
- ¹⁸² Sall, 'Straightforward Critics or Would-Be Candidates?'
- ¹⁸³ Klaufus, 'Watching the City Grow'.
- ¹⁸⁴ Satterthwaite, *The Transition to a Predominantly Urban World and Its Underpinnings*.
- ¹⁸⁵ Satterthwaite, McGranahan, and Tacoli, 'Urbanization and Its Implications for Food and Farming'.
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