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CEPA strategy guidance note on
Multi-level governance

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The [United Nations Committee of Experts on Public Administration \(CEPA\)](#) has developed a set of principles of effective governance for sustainable development. The essential purpose of these voluntary principles is to provide interested countries with practical, expert guidance on a broad range of governance challenges associated with the implementation of the 2030 Agenda. CEPA has identified 62 commonly used strategies to assist with the operationalization of these principles. This guidance note addresses multi-level governance, which is associated with the principle of subsidiarity and can contribute to strengthening the inclusiveness of institutions. It is part of a series of notes prepared by renowned experts under the overall direction of the CEPA Secretariat in the Division for Public Institutions and Digital Government of the United Nations Department of Economic and Social Affairs. Funding for the sub-series on the principle of subsidiarity was generously provided by the United Nations Project Office on Governance.

In reading this guidance note, individuals in government ministries and agencies who are less familiar with the topic will be able to understand the fundamentals. Those who have perhaps taken initial steps in this area with limited follow-through or impact will be able to identify how to adjust elements of their practice to achieve better results and to better embed and institutionalize the strategy in their organizations. Those who are more advanced in multi-level governance will be able to recognize the practices which contribute to its success.

Understanding the strategy

What is multi-level governance?

A significant global trend in recent decades has been the fundamental reallocation of authority away from national governments. Many countries shifted authority upwards to international organizations, downwards to subnational governments and sideways to non-governmental actors. The reallocation of authority across multiple levels draws on the insight that many of the sustainable development goals discussed in the 2030 Agenda for Sustainable Development, like climate change, poverty and rising inequality, are most effectively addressed by the cooperation of multiple jurisdictions operating at diverse territorial scales, from the local to the global.

Multi-level governance is a field of study developed to understand these authority shifts away from national governments.¹ The term refers to a system of governance in which responsibilities and decision-making authority are distributed among multiple levels of government, including international, national, regional, and local levels. It sometimes also includes non-governmental actors who participate in decision-making processes and share responsibilities for policy formulation, implementation, and evaluation.² Multi-level governance is sometimes also referred to as multi-centered governance, or poly-centric governance.³ This note will mainly concentrate on the downward shift of authority to lower levels of government and its implications for multi-level governance. This is because the downward shift of authority relates more directly to subsidiarity – the United Nations governance principle for sustainable development guiding this note – which can be summarized as the idea that national governments only perform those tasks that cannot be carried out by lower-level governments.

A classical multi-level structure (Figure 1) consists of lower-level jurisdictions that are neatly contained within the borders of higher-level jurisdictions. Each level – local, regional, national, and supranational – is responsible for a set of policies, which it can exercise with a certain degree of autonomy while needing to cooperate with other jurisdictional levels. Jurisdictions in this classical structure are typically led by popularly elected governments. While the allocation of policy competencies across levels may change, the territorial boundaries of these jurisdictions themselves are quite durable for periods of several decades or more. A second type of multi-level governance that has gained attractiveness in recent decades consists of

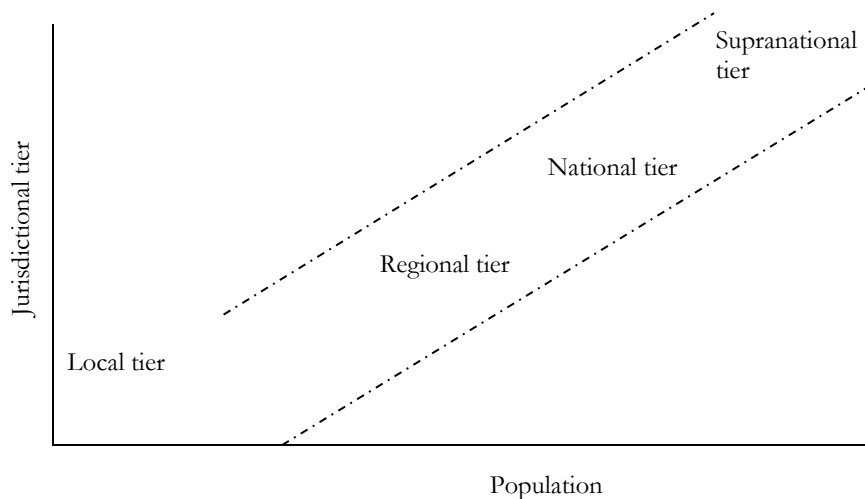
¹ Hooghe, L., and Marks, G. (2003). Unraveling the central state, but how? Types of multi-level governance. *American Political Science Review*, 97(2), 233–243; Marks, G. (1996). An actor-centred approach to multi-level governance. *Regional & Federal Studies*, 6(2), 20–38; Marks, G. (1993). Structural policy and multilevel governance in the EC. *The Maastricht debates and beyond*, 392.

² Charbit, C., and Michalun, M. V. (2009). “Mind the gaps: Managing mutual dependence in relations among levels of government.” OECD Publishing.

³ Kincaid, J. (2001). “Devolution in the United States: Rhetoric and Reality.” In *The Federal Vision: Legitimacy and Levels of Governance in the United States and the European Union*, ed. Kalypso Nicolaidis and Robert Howse. Oxford: Oxford University Press, 144–60; Nicolaidis, K. (2001). “Conclusion: The Federal Vision Beyond the State.” In *The Federal Vision: Legitimacy and Levels of Governance in the United States and the European Union*, ed. Kalypso Nicolaidis and Robert Howse. Oxford: Oxford University Press, 442–70; Ostrom, E. (2010). A long polycentric journey. *Annual Review of Political Science* 13: 1–23.

jurisdictions designed around particular policy problems and performing a very specialized task such as transportation or waterway management.⁴ These jurisdictions, sometimes referred to as type II jurisdictions, are “quasi-public” entities typically set up by several local or regional governments and overseen by an appointed board, commission, or committee.⁵ The territorial boundaries of type II jurisdictions are flexible in design and evolve as governance demands change. Both types of multi-level governance frequently coexist, with type II jurisdictions typically embedded in type I (see Methods of implementing multi-level governance).

Figure 1. Type I multi-level governance



Note: Adapted from Hooghe, L., Marks, G., Schakel, A. H., Osterkat, S. C., Niedzwiecki, S., and Shair-Rosenfield, S. (2016). *Measuring regional authority: A postfunctionalist theory of governance. Volume I.* Oxford University Press.

Where is authority located, and how do levels relate?

While there has been a general trend toward decentralizing authority, there is significant cross-country variation in the degree to which competencies and resources have been transferred to lower levels of government and in the number of subnational tiers established (see Public sector situation and trends). Aspects related to decentralization (or centralization) refer to the location of authority in a multi-level system. However, another important property of multi-level systems is the way in which different jurisdictional levels relate to one another. Does the system provide levels with autonomous spheres of action or are levels highly interdependent? In other words, does policymaking at different levels of government occur in separate ‘watertight’ compartments or are levels forced to interact and share authority?

The decentralization of authority and the degree to which levels are autonomous or interdependent constitute two distinct properties of multi-level systems. While the (de)centralization of authority equips a level of government with competencies and resources,

⁴ Ibid.

⁵ Ibid.

it does not guarantee the unconstrained use of these resources. It is only when competencies and resources are combined with autonomous spheres of action, that the scope for policymaking becomes broad and unconstrained. The section on the Public sector situation and trends explores the tradeoffs between different combinations of decentralization and centralization, and autonomy and interdependence.

Why is multi-level governance important?

For a fuller understanding of why multi-level governance is important, it helps to explore why countries have moved toward this seemingly complicated structure over a simpler centralized system. Interestingly, there is no time in recorded history when authority was entirely centralized.⁶ Empires, nation-states, and even most smaller countries have always had several jurisdictional layers. Currently, all countries have at least one or two levels of local government and between one and three levels of intermediate or regional governments that are below the national level.

So why do countries choose a more complex multi-tiered structure? The chief benefit of multi-level governance lies in its scale flexibility. It allows for adjustment of the territorial level of governance to the territorial scale at which a particular policy is most efficiently provided. Some policies might be better provided at the central or international level, especially those involving economies of scale. Providing these public goods characterized by economies of scale becomes cheaper the more people contribute to them. These goods include establishing peace and security and building a reliable, sustainable, and resilient infrastructure for economic development and human well-being, both key elements of the 2030 Agenda. Policies are also more efficiently provided at the higher territorial levels when unilateral actions by a lower-level unit have negative spillover effects on other lower-level units. In these instances, a higher-level unit may internalize and mitigate such spillover effects.⁷

However, other goods benefit from localized provision. The localized provision of public goods has clear advantages when citizens' preferences vary sharply across regions within a country. Lower levels of government typically have more frequent interactions with residents and can engage in a repeated dialogue.⁸ This allows them to better engage with the diverse preferences of those who live in a region and subsequently adapt their policies.⁹ The larger the group, the more difficult it is to sustain meaningful dialogues such that informational costs typically increase with jurisdictional size.¹⁰ Consequently, those services that involve face-to-face delivery particularly benefit from localized delivery, such as education, social welfare

⁶ Hooghe, L., Marks, G., and Schakel, A. (2010). *The rise of regional authority: A comparative study of 42 democracies*. Routledge.

⁷ Alesina & Spolaore (2003); Musgrave, R. A. (1959). *The Theory of Public Finance: A Study in Public Economy*. New York: McGraw-Hill; Oates, Wallace E. (1972). *Fiscal federalism*. New York: Harcourt Brace Jovanovich; Oates, W. E. (2005). Toward a second-generation theory of fiscal federalism. *International tax and public finance*, 12, 349–373.

⁸ Hooghe, L., and Marks, G. (2013). Beyond federalism: Estimating and explaining the territorial structure of government. *Publius: The Journal of Federalism*, 43(2), 179–204; Kochen, M. and Deutsch, K. W. (1969). Toward a rational theory of decentralization: Some implications of a mathematical approach. *American Political Science Review*, 63(3), 734–49

⁹ Tiebout, C. M. (1956). A Pure Theory of Local Expenditures. *Journal of Political Economy*, 64(5), 416–24; Musgrave (1959); Oates (1972).

¹⁰ Hooghe & Marks (2013); Alesina & Spolaore (2003); Alesina, A., Perotti, R., and Enrico, S. (1995). Together or separately? Issues on the costs and benefits of political and fiscal unions. *European Economic Review*, 39(3–4), 751–58.

services, and healthcare.¹¹ The equitable, efficient, and high-quality provision of these services strengthens countries' productive capacities and human well-being and is key to meeting the sustainable development goals laid out in the 2030 Agenda. However, the localized provision of public goods may be beneficial even if there is no heterogeneity of preferences across localities. This is because the task environment and the context may vary even if preferences do not. Lower-level governments can respond to varying contexts, which should positively impact the provision of public goods.¹²

Aside from increasing efficiency in service delivery by accommodating various territorial scales, multi-level governance has also been credited with preserving peace in multi-ethnic countries. Because multi-level governance typically allows various linguistic and cultural groups some autonomy, it may give these groups the sense that they can protect themselves from the abuse of central authority.¹³ This property has made multi-level governance increasingly attractive for countries with a high degree of cultural and linguistic diversity including Indonesia, Kenya, Nigeria, the Philippines, and South Africa. All of these countries have established some multi-level governance elements.

Risks of multi-level governance

The main drawback of multi-level governance lies in the transaction costs of coordinating multiple jurisdictions and the extra administrative overheads they generate.¹⁴ The costs of coordinating and negotiating policy solutions increase as the number of relevant jurisdictions increase.¹⁵

Yet, negotiating coordination in multi-level governance systems is vital to achieving coherent policies and common policy goals, including the sustainable development goals laid out in the 2030 Agenda, such as fighting poverty and inequality, strengthening health and education systems, providing clean water and sanitation, and providing decent work and economic growth. Because the multi-level governance benefits of scale flexibility are frequently reached by assigning different aspects of the same broad policy area to different levels of government, it can be challenging to coordinate. In the case of education, for instance, a frequent division of labor is to give lower levels of government some decision-making leeway over educational curricula to reflect language and cultural diversity within a country while giving the national level the authority to ensure common educational standards such that degrees are recognized and transferrable. Another division of labor in the educational realm is to assign the responsibility for primary and secondary schooling to lower levels of government and tertiary education to higher levels of government, thereby reaping some economies of scale. Financial responsibilities are also frequently split in complex ways since the financial responsibility for

¹¹ Ostrum (2010).

¹² Hooghe & Marks (2013).

¹³ Walter, B. (1999). Designing Transitions from Civil War: Demobilization, Democratization and Commitments to Peace, *International Security*, 24(1), 142; Lake, D., and Rothchild, D. (1996). Containing Fear: The Origins and Management of Ethnic Conflict, *International Security*, 21(2), 61.

¹⁴ Charbit & Michalun (2009).

¹⁵ Hooghe & Marks (2003).

educational services can often exceed subnational governments' fiscal capacity. There is no standard way of dividing responsibilities over educational policies, but an integrated approach is necessary to achieve the sustainable development goal of providing high-quality education, whichever way responsibilities are assigned.

Similar issues exist in almost all policy areas. Coordination is not only needed when legislative competencies are divided among different levels of government but also when legislative competencies are given to one level and implementation competencies to another level. When it comes to fighting poverty and inequality, the responsibility for devising cash transfer programs often, though not always, lies with the national level, whereas the actual implementation of these programs and the paying out of benefits lies with lower levels of government. This requires close coordination between levels and intricate fiscal arrangements. Finding workable policy solutions in multi-level systems and ensuring adherence to common agreements can be further complicated by partisan or ideological differences between the different levels.¹⁶ Policy coordination and achieving common policy goals in multi-level systems is often facilitated by coordinating bodies and power-sharing institutions discussed in more detail in the section on Methods of implementation.

Coordination between multiple levels also takes time. Recent studies on crisis governance suggest that centralized systems might be better able to respond in a rapid fashion than systems that have multiple centers of authority.¹⁷ However, while multi-level systems may take more time to negotiate solutions during crises such as public health emergencies or natural disasters, they also tend to promote more inclusive decision-making that can make multi-level systems more responsive to citizens' needs and increase general support for policy measures during implementation.¹⁸

Seven gaps that can arise in multi-level governance arrangements

A useful framework for thinking about relationships across levels of government is the multi-level governance gaps model developed by the Organisation for Economic Co-operation and Development (OECD), which has been applied across a broad range of countries (OECD members and non-OECD members). It identifies seven key gaps or challenges that arise in multi-level governance systems. (See Figure 2.) Identifying and addressing these gaps is key to fostering cooperation and coherent policy.

¹⁶ Niedzwiecki, S. (2016). Social policies, attribution of responsibility, and political alignments: A subnational analysis of Argentina and Brazil. *Comparative Political Studies*, 49(4), 457–498.

¹⁷ Kincaid, J. G., Tarr, A., and Wälti, S. (2010). Federalism and the global financial crisis: Impacts and responses. Introduction. *L'Europe En Formation*, 358(4), 5–14.

¹⁸ Allain-Dupré, D., Chatry, I., Michalun, V., and Moisiu, A. (2020). The territorial impact of COVID-19: managing the crisis across levels of government. *OECD Policy Responses to Coronavirus (COVID-19)*, 10.

1) A **fiscal gap** exists when a (sub-national) government's expenditure responsibilities exceed its sources of revenue. It can be addressed by increasing the respective government's own revenue sources, for instance, by providing it with more tax authority. Alternatively, the gap can be closed by conditional or unconditional fiscal transfers from the central government, which does, however, make the sub-national government more dependent on central government discretion (See guidance notes on fiscal federalism and decentralization and on strengthening municipal finance and local finance systems.)

2) A **capacity gap** can be caused by inadequate fiscal resources, but it may also arise because of a lack of human resources, knowledge, or infrastructure. It goes beyond a purely fiscal understanding of subnational capacity. Typically, well-established subnational governments may require little capacity-building, whereas capacity-building needs will be greater in recently created subnational governments or those that have historically had limited roles.¹⁹

3) An **information gap** results from an information asymmetry between different levels of government. Typically, subnational governments will be better placed to gather information about local needs and preferences and the local task environment.²⁰ However, for this information to inform national policy design, it needs to be shared with the central government. To this end, suitable modes of information exchange between levels of government need to be in place.²¹ These may involve the routine generation and publication of quality data at the subnational level, which is then communicated to the central level, but it can also involve the central government actively seeking out such information. Information gaps may also exist if the central government does not adequately inform subnational tiers about its policy objectives and policy planning.

4) A **policy gap** refers to policy inconsistencies at the subnational level that result from a siloed policy approach at the national level. When line ministries at the national level do not sufficiently coordinate and take a purely vertical approach to policy implementation, policy outputs at the subnational level are often inconsistent.²² Subnational governments are sometimes best placed to identify complementarities between policy fields and develop cross-sectoral approaches. Established platforms for the exchange of ideas, concerns, and good practices across the different levels of government reduce potential gaps or contradictions between policy objectives and regulations.²³

5) A **territorial (or) administrative gap** arises when the administrative borders of a jurisdiction do not correspond to the territorial scale defined by a policy problem.²⁴ This is often the case in metropolitan areas where various policy challenges cross municipal borders.

¹⁹ Charbit & Michalun (2009).

²⁰ Hooghe & Marks (2013).

²¹ Charbit & Michalun (2009); Charbit, C. (2011). *Governance of public policies in decentralised contexts: The multi-level approach*. OECD Publishing.

²² Charbit & Michalun (2009); Charbit (2011).

²³ Mizell & Allain-Dupré (2013). *Creating Conditions for Effective Public Investment: Sub-national Capacities in a Multi-level Governance Context*. OECD: Paris

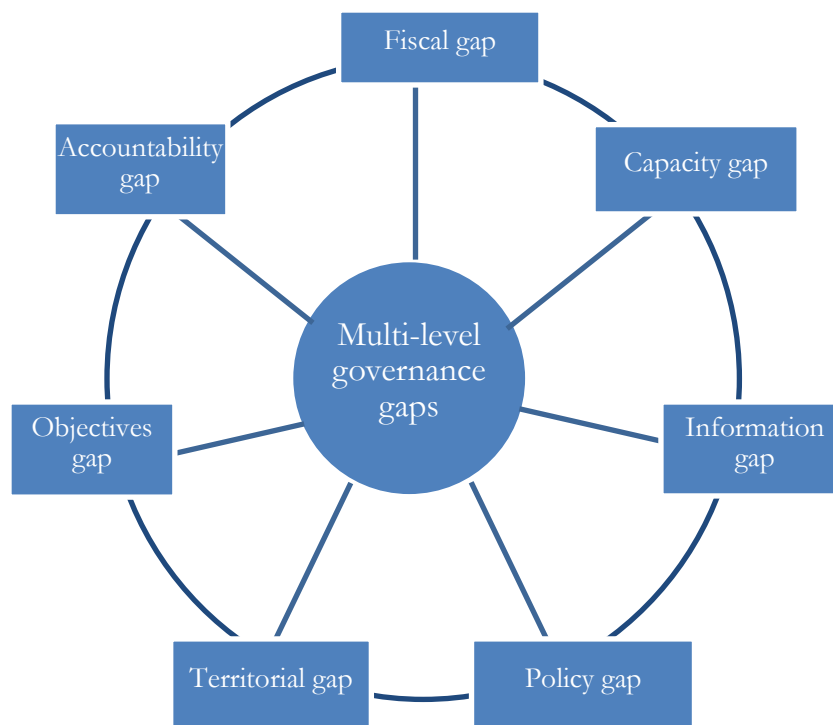
²⁴ Charbit & Michalun (2009).

A territorial gap can be addressed by transferring a policy issue to a jurisdiction higher up (or lower down) the territorial scale or by intense cooperation across municipalities in the form of a type II jurisdiction.

6) An **objectives gap** refers to actors at different levels of government having different policy objectives. Adopting a convergent policy strategy becomes particularly challenging if disagreements over policy between national and subnational actors are fueled by partisan or ideological differences.²⁵ However, even in the absence of partisan conflict, different policy rationales may exist that can potentially lead to contradictory policy strategies.

7) An **accountability gap** arises from the difficulty of ensuring that policy practices remain transparent across different constituencies.²⁶ The sharing of competencies across different levels of government can make it more difficult to allocate responsibility to a single actor and facilitate blame-avoidance strategies.

Figure 2. Gaps that can arise in multi-level governance arrangements



²⁵ Niedzwiecki (2016).

²⁶ Charbit (2011).

Public sector situation and trends

Centralization versus decentralization: Where is authority located?

The extent to which authority has been decentralized from the national level to lower-level governments is typically measured with fiscal indices such as subnational expenditure and revenue shares. The higher the share of subnational revenue or expenditure, the more decentralized a country is considered to be. However, revenue or expenditure shares may not always be a good reflection of how much authority has ultimately been transferred because national governments frequently regulate how subnational units raise or spend their money. (See guidance note on fiscal federalism and decentralization.) Recent measurement efforts, such as the Regional Authority Index (RAI), therefore seek to evaluate authority structures more directly by evaluating and coding constitutions, special statutes, and established norms.²⁷

While the level to which fiscal resource decentralization is still an important component of the RAI, it also considers other important aspects of the downward shift of authority, such as increased decision-making authority over policy, the degree of institutional independence from the center, borrowing autonomy and the degree to which a subnational government is elected rather than appointed. The RAI shows that the overwhelming majority of multi-level governance reforms since the 1950s have decentralized authority, and only a few reforms have had a centralizing effect (see Figure 3). Western countries were the first to significantly shift authority downward, followed by countries in Latin America and the Asia Pacific region, such as Indonesia and the Philippines, where the shift first started in the 1980s. Several African countries followed suit, establishing full-fledged federal regimes or merely some aspects of multi-level governance, such as South Africa after the transition from apartheid and Kenya and Nigeria after the return to civilian rule.

Although there is an overall shift toward decentralizing authority, there is notable variation among countries in the extent to which responsibilities and resources have been delegated to lower levels of government, as well as in the number of subnational tiers that have been set up. Overall, more populous countries tend to have more territorial tiers than less populated countries.²⁸ For instance, India has an intricate six-tier multi-level governance structure, consisting of a national government and 28 state governments (and 8 union territories), which are further subdivided into divisions, subdivisions, districts, subdistricts and blocks depending on the population number and the urbanization level. The larger a group – and to some extent, the larger the territory – the more difficult it is to sustain the meaningful dialogue with residents that is necessary to collect information about their needs and preferences.²⁹

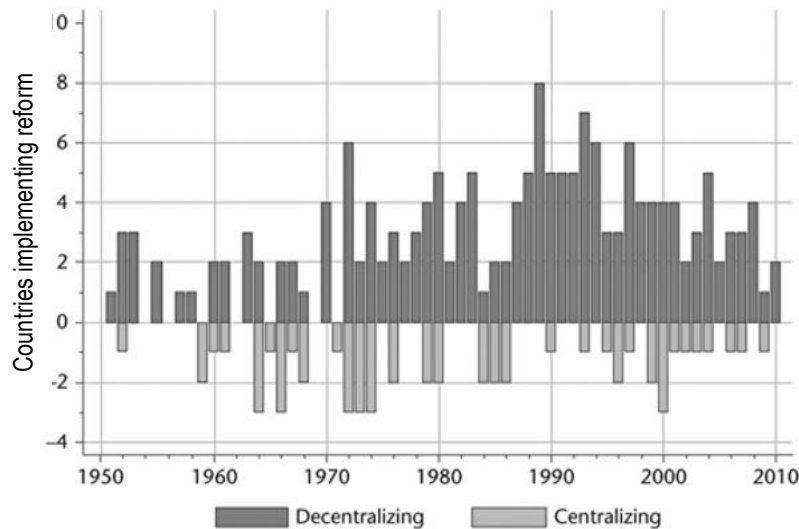
²⁷ Lijphart, A. (1999). *Patterns of democracy: Government forms and performance in thirty-six countries*. Yale University Press; Treisman, D. (2002). *Defining and measuring decentralization: a global perspective*. Unpublished manuscript, 1–38; Brancati, D. (2006). Decentralization: Fueling the fire or dampening the flames of ethnic conflict and secessionism? *International Organization*, 60(3), 651–685; Hooghe, Marks, & Schakel (2010); Hooghe et al. (2016).

²⁸ Hooghe & Marks (2013).

²⁹ Ibid; Alesina & Spoloare (2003).

Informational costs, therefore, help explain why more populous countries tend to have more jurisdictional tiers.

Figure 3. Multi-level governance reforms [Number of countries that implement reforms increasing or decreasing the country's aggregate Regional Authority Index by 0.1 or more]



Note: Graph from Hooghe et al. (2016), each bar adds up the number of countries that implement reforms increasing or decreasing the country's aggregate Regional Authority Index by 0.1 or more. There were a total of 227 reforms in 48 countries.

Still, the actual shape of multi-level governance systems does not always correspond to this general expectation. This is because governance structures are driven not just by efficiency considerations but by territorial identities.³⁰ One's territorial identity – whether it be with a locality, region, nation-state, or even a supranational entity – strongly influences their support for governance structures.³¹ For instance, countries with strong regional identities based on linguistic or cultural diversity tend to have more jurisdictional layers than predicted by pure population size. Authority shifts away from the national government are less likely to occur when regional identities are weak. Occasionally, national governments assign more authority exclusively to the territories where linguistically or culturally diverse minorities are concentrated. For instance, Aceh, a special status region in Indonesia, or the Bangsamoro Autonomous Region in Muslim Mindanao in the Philippines, now enjoy additional powers over other jurisdictions. This so-called asymmetric decentralization breaks with the principle of giving equal amounts of authority to all jurisdictions at a given level of government. Instead,

³⁰ Hooghe, L., and Marks, G. (2009). A postfunctionalist theory of European integration: From permissive consensus to constraining dissensus. *British Journal of Political Science*, 39(1), 1–23; Hooghe et al. (2016); Kleider, H. (2020). Multilevel governance: Identity, political contestation, and policy. *The British Journal of Politics and International Relations*, 22(4), 792–799.

³¹ Hooghe, L., and Marks, G. (2005). Calculation, community and cues: Public opinion on European integration. *European Union Politics*, 6(4), 419–443; Zuber, C. I. (2011). Understanding the multinational game: Toward a theory of asymmetrical federalism. *Comparative Political Studies*, 44(5), 546–571; Brigeovich, A. (2012). Peeling back the layers: Territorial identity and EU support in Spain. *Regional and Federal Studies*, 22(2), 205–230.

it assigns different degrees of authority depending on the specific characteristics of a territory. The trend toward asymmetric decentralization has been rising since the 1950s.³²

Along with territorial identities, the type of regime exerts an important influence on multi-level governance structures. When all else is equal, democracies are more responsive to demands for regional self-rule than authoritarian regimes. The cases of Kenya and Nigeria in Africa, and Argentina and Brazil in Latin America show that some aspects of multi-level governance survived during military rule, but authoritarian regimes generally have strong incentives to secure power by centralizing authority. Subnational governments in authoritarian regimes rarely exercise notable authority over policy and mostly implement central directives or provide information to the central level. The RAI reveals that most new democracies with a population greater than 2.5 million undergo decentralization in the decade following democratization.³³ Prominent examples are Indonesia and Nigeria, both populous countries, which underwent extensive multi-level governance reforms following the end of authoritarian rule. The third wave of democratization, along with a general weakening of national identities, may, therefore, be credited with allowing for subnational identities and supranational identities to develop and resurge.³⁴

The choice of where to locate authority in a multi-level system is multifaceted. It involves decisions about the transfer of policy authority, the allocation of fiscal resources, and the extent to which competencies and resources should be coupled with institutions of representative democracy.

- 1) The transfer of policy authority involves reallocating authoritative competence over one or more policy areas. Policy competencies are frequently transferred downwards to subnational governments, but they may also be moved upwards to international organizations or sideways to non-governmental actors. When subnational governments are assigned more policy competencies, they often, though not always, tend to gain some degree of institutional independence from the central government.³⁵

Allocating fiscal resources may involve granting jurisdictions tax authority, typically over minor taxes but sometimes even major taxes like corporate, value-added, or sales taxes. Tax authority enables subnational governments to generate their own revenue. (See guidance notes on fiscal federalism and decentralization and on strengthening municipal finance and local finance systems.) Alternatively, the central government may offer a tax-sharing arrangement to subnational governments or vertical fiscal transfers. In contrast to transferring tax authority, these fiscal arrangements do, however, make subnational governments dependent on the

³² Hooghe et al. (2016).

³³ Hooghe, Marks, & Schakel (2010).

³⁴ Zuber (2011); Brigeovich (2012); Hooghe & Marks (2009); Hooghe, L., & Marks, G. (2016). *Community, scale, and regional governance: a postfunctionalist theory of governance*, Volume II. Oxford University Press.

³⁵ Hooghe, Marks, & Schakel (2010); Hooghe et al. (2016).

central government.³⁶ Another aspect of fiscal resource allocation, which is sometimes overlooked, is related to a government's ability to borrow from capital markets. Borrowing autonomy can at least temporarily increase a subnational government's fiscal leeway.³⁷

- 2) The transfer of authority in multi-level systems also has a political dimension, which involves the creation of elected subnational legislatures and executives as opposed to subnational leaders that are merely appointed by the central government.³⁸ The introduction of elections at the subnational level opens up spaces for civic engagement.³⁹

Policy authority, fiscal resources, and political representation are rarely established at the same time, and countries vary in the extent to which these different facets of decentralization have been established.⁴⁰ For instance, the transfer of policy authority is not always accompanied by a corresponding increase in tax authority. Similarly, some countries have chosen to transfer significant policy competencies and fiscal resources to subnational governments while constraining representative institutions at the subnational level.

Interdependence versus autonomy: How do levels relate?

A certain level of interdependence between levels of government is inevitable in multi-level governance systems.⁴¹ Still, systems vary in the extent to which their institutional design creates interdependence. Some systems grant each level more autonomous spheres of action, while others invite (or enforce) a mutual dependence.

Interdependence arises when competencies are allocated so that several levels of government possess the power to legislate on different aspects of the same broad policy field. Conversely, autonomy is maximized when the constitution grants each level exclusive authority over specific policy areas. Policymaking then occurs in what approximates separate or “watertight compartments”.⁴² Interdependence also results in contexts where legislative competencies and implementation competencies are assigned to different levels of government. Typically, legislative competencies are given to the national government, whereas the responsibility for implementing legislation is assigned to the subnational level. This type of interdependence, found in Germany and to a lesser extent in Austria, South Africa and Switzerland, creates a

³⁶ Rodden, J., and Wibbels, E. (2002). Beyond the fiction of federalism: Macroeconomic management in multitiered systems. *World Politics*, 54(4), 494–531; Rodden, J. (2003). Reviving Leviathan: Fiscal federalism and the growth of government. *International Organization*, 57(4): 695–729.

³⁷ Hooghe et al. (2016).

³⁸ Falleti, T. G. (2005). A sequential theory of decentralization: Latin American cases in comparative perspective. *American Political Science Review*, 99(3), 327–346; Hooghe, Marks, & Schakel (2010); Hooghe et al. (2016).

³⁹ Falleti (2005).

⁴⁰ Ibid.

⁴¹ Charbit & Michalun (2009).

⁴² Bolleyer, N., and Thorlakson, L. (2012). Beyond decentralization: The comparative study of interdependence in federal systems. *Publius*, 42(4), 566–591.

highly interlocked multi-level system that requires extensive cooperation among the different levels.⁴³

Interdependence may also arise when the subnational level is given new policy competencies but lacks its own sources of revenue to carry them out. (See guidance notes on fiscal federalism and decentralization and on strengthening municipal finance and local finance systems). This situation, which is also referred to as “vertical fiscal imbalance,” makes subnational governments highly dependent on fiscal transfers from the central government and allows central governments to use this dependency to intrude upon subnational legislative jurisdiction.⁴⁴

Because interdependence typically requires different levels of government to “operate in a mutually coordinated manner” it curbs prospects for individual jurisdictions to act in an uncoordinated and unilateral fashion.⁴⁵ For the same reason, it tends to increase the costs of negotiating policy solutions in multi-level systems, and it may also generate conflict between levels of government.⁴⁶

Resolving conflict and achieving common policy goals in highly interdependent contexts often requires complex institutional procedures in the form of power-sharing institutions. Power-sharing institutions establish repeated interaction between different levels of government and provide spaces for coordination and joint decision-making. Power-sharing arrangements include routine executive-level meetings between national and regional representatives, forums where the distribution of tax revenues can be co-determined, or second legislative chambers that represent regional policymakers in the national legislative process, such as the German Bundesrat or the South African National Council of Provinces.⁴⁷ Typically, the more routine these institutions are, the more successful they are at managing interdependence and at committing different levels of government to a common policy response.⁴⁸ Given the increase in transaction costs and potential for conflict between levels of government, high levels of interdependence may not necessarily always be appropriate in recently transitioned democracies that have not yet established routine power-sharing institutions.

Implications for public policymaking

⁴³ Watts, R. (1996). *Comparing federal systems in the 1990s*. Kingston: Queen’s University Press; Benz, A. (2004). Institutionelle regime in bundesstaaten und in der Europäischen Union. In *Grenzenlose Macht? Politik und Politikwissenschaft im Umbruch*, ed. S. Marshall and C. Strunck. 132–173. Baden-Baden: Nomos; Bolleyer, N. (2009). *Intergovernmental cooperation. Rational Choices in Federal Systems and Beyond*. Oxford: Oxford University Press; Braun, Dietmar. (2003). Dezentraler und unitarischer föderalismus. Die Schweiz und Deutschland im Vergleich. *Swiss Political Science Review*, 9(1), 57–89; Scharpf, F. (2005). No exit from the joint decision trap? Can German federalism reform itself? *MPIfG Working Paper* 05/8.

⁴⁴ Watts, R. (1999). *Comparing federal systems*. Montreal: McGill-Queen’s University Press; Rodden & Wibbles (2002); Rodden (2003); Kleider, H., Röth, L., and Garritzmann, J. L. (2018). Ideological alignment and the distribution of public expenditures. *West European Politics*, 41(2018) 779–802.

⁴⁵ Bolleyer & Thorlakson (2012).

⁴⁶ Ibid; Charbit & Michalun (2009); Bednar, J. (2009). *The robust federation: Principles of design*. Cambridge: Cambridge University Press; Hooghe & Marks (2003).

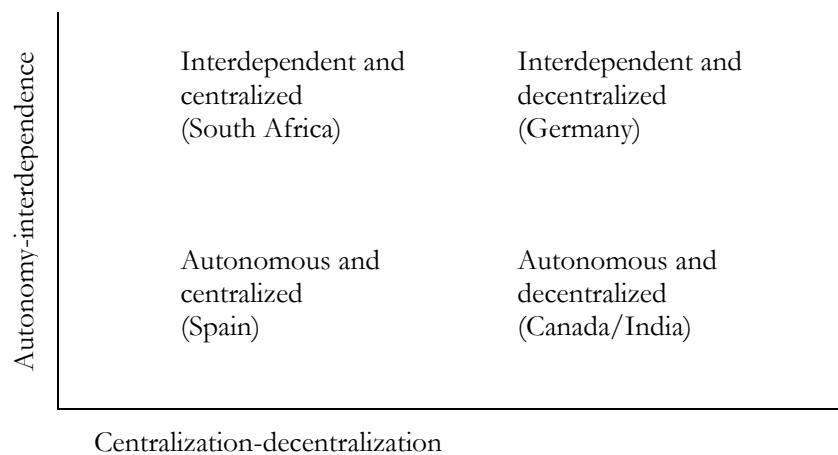
⁴⁷ Hooghe, Marks, & Schakel (2010).

⁴⁸ Kleider, H. (2018). Redistributive policies in decentralised systems: The effect of decentralisation on subnational social spending. *European Journal of Political Research*, 57(2), 355–377

Decentralization and autonomous spheres of action

Subnational governments in multi-level systems enjoy the largest decision-making leeway when the decentralization of competencies and resources is coupled with autonomous spheres of action. This combination creates powerful and autonomous subnational governments with a high capacity to independently pursue their own policy agenda if they decide to do so.⁴⁹ This constellation is typical for dual federations (Figure 4) like Canada and the United States. It can also be found, albeit to a lesser extent, in countries like Argentina, Belgium, India, Nigeria, and Switzerland.⁵⁰ Because policymaking in these systems takes place in what approximates separate and ‘water-tight’ compartments, there is a clear responsibility attribution, making it easier for citizens to hold the respective representative institutions accountable.⁵¹ It also encourages subnational governments to innovate and experiment with policy, which is often beneficial for the country as a whole.

Figure 4. Two dimensions of multi-level governance



Note: Figure adapted from Bolleyer & Thorlakson (2012).

Decentralization coupled with autonomy is also associated with greater within-country variation in policy. If this variation reflects heterogeneous preferences within a country, it is a testament to the benefits of multi-level governance, but if it results from regional differences in fiscal capacity, it may undermine national equity goals.⁵² The lack of spaces for coordination and routine interactions in these systems may also make it more difficult to develop a common response when needed.

Decentralization and interdependent spheres of action

⁴⁹ Bolleyer & Thorlakson (2012); Kleider (2018).

⁵⁰ Bolleyer & Thorlakson (2012); Bednar (2009).

⁵¹ Watts (1996).

⁵² Kleider (2018); Rodriguez-Pose, A. and Gill, N. (2003). Is there a global link between regional disparities and devolution? *Research Papers in Environmental and Spatial Analysis* 79, London School of Economics and Politics.

The coupling of decentralization with high levels of interdependence requires different levels to cooperate in order to achieve coherent policy. Because governments at different levels are highly dependent on each other, the costs of not cooperating are very high. This is particularly true for a functional allocation of power where the central government depends on subnational governments for the implementation of policy. The combination of decentralization and high levels of interdependence is typical for interlocked or cooperative federations like Australia and Germany.⁵³ It can also be found in Austria and South Africa, although these multi-level systems are somewhat less decentralized.⁵⁴

The combination of decentralization and interdependence may lead to legislative gridlock when there is no partisan alignment between subnational and national governments. Gridlock is especially likely when interdependence arises from shared legislative competencies.⁵⁵ When different levels of government share legislative competencies, legislative actors at different levels are pitched against each other. How successful different levels of government are in negotiating a solution that resolves legislative gridlock often depends on the extent to which they can rely on power-sharing institutions and other routine procedures that facilitate conflict resolution.

Methods of implementation

There is no standard way to implement multi-level governance. However, there is now a rich body of literature based on countries' diverse experiences with multi-level governance, which can help identify some common methods and good practices. Some of these good practices concern the allocation of authority to the appropriate territorial level and others deal with the management of intergovernmental relations.

Centralization versus decentralization: Where is authority located?

Finding the right territorial level

A key element of successfully implementing multi-level governance is to assign functions to the appropriate territorial level. The concrete task is to find the minimum geographic area that optimizes public service provision and minimizes costs. Services that benefit from localized delivery are typically those that must be tailored to local conditions and demands, either because preferences for this policy vary across jurisdictions or because local task environments differ. This is due to the fact that lower-tier governments are better at engaging in repetitive dialogue with local residents, which allows them to gather information about their preferences and the specific task environment. Services that benefit from local delivery include several policies that feature prominently in the 2030 Agenda for Sustainable Development, such as

⁵³ Elazar, D. (1991). Cooperative federalism. In *Competition among states and local governments, efficiency and equity in American federalism*, ed. D. A. Kenyon and J. Kincaid. 65–86. Washington: The Urban Institute Press; Watts (1999); Braun (2003).

⁵⁴ Bolleyer & Thorlakson (2012).

⁵⁵ Ibid.

providing inclusive and equitable quality education at all levels (early childhood, primary, secondary, tertiary, technical and vocational training); promoting physical and mental health; and ensuring access for all to adequate, safe and affordable housing. Allocating such services to higher-level governments forgoes these informational benefits and can be costly.⁵⁶

Conversely, if a particular public service benefits from economies of scale, such as the building of large infrastructure projects that sustain economic development, it is positively affected by jurisdiction size.⁵⁷ Providing these goods becomes cheaper the more people contribute to them. Higher levels of government are also more apt at internalizing negative policy spillovers.⁵⁸ These occur in interdependent policy contexts where one jurisdiction's policy choices are likely to impact neighboring jurisdictions negatively (more rarely positively). Several sustainable development goals to which countries committed in the 2030 Agenda even go beyond the territorial scope of nation-states and are better addressed at the regional or international level, such as the goals addressing climate change, ensuring world peace and stability, or providing an open and non-discriminatory trading system.

The golden rule of multi-level governance that maximizes efficiency in policy provision can therefore be summarized as: “centralize where necessary; decentralize where possible.”⁵⁹ In other words, the goal of any multi-level system should be to reap the benefits of localized public goods provision but move up the territorial scale if economies of scale or negative spillover effects demand it. Reallocating competencies up or down the territorial scale typically requires new legislation to be passed. A more flexible and less formal way of reorganizing competencies without legislative change is a contract between levels of government.⁶⁰ Contracts temporarily reassign rights and duties connected to a specific policy area.⁶¹

An alternative to moving policy competencies up the territorial scale to deal with policy spillovers can be the creation of task-specific type II jurisdictions. Type II jurisdictions are semi-public entities, typically set up by several local or regional governments and overseen by appointed boards or committees. Because the territorial boundaries of these task-specific jurisdictions are flexible in design they can be chosen in such a way as to confine negative policy spillovers. For instance, the Delaware River and Bay Authority in the United States is a body established by the states of Delaware and New Jersey to deal with transport issues related to the suspension bridge and various ferries connecting the two states. An uncoordinated approach with each state making unilateral decisions on these vital transport links would likely have direct policy spillovers on the neighboring state. Establishing a type II jurisdiction and assigning it decision-making authority over a specific task is a common method of formalizing and legalizing what might otherwise be an informal coordination. This type of jurisdiction has

⁵⁶ Ibid.

⁵⁷ Ostrom (2010).

⁵⁸ Oates (1999).

⁵⁹ Hooghe & Marks (2016).

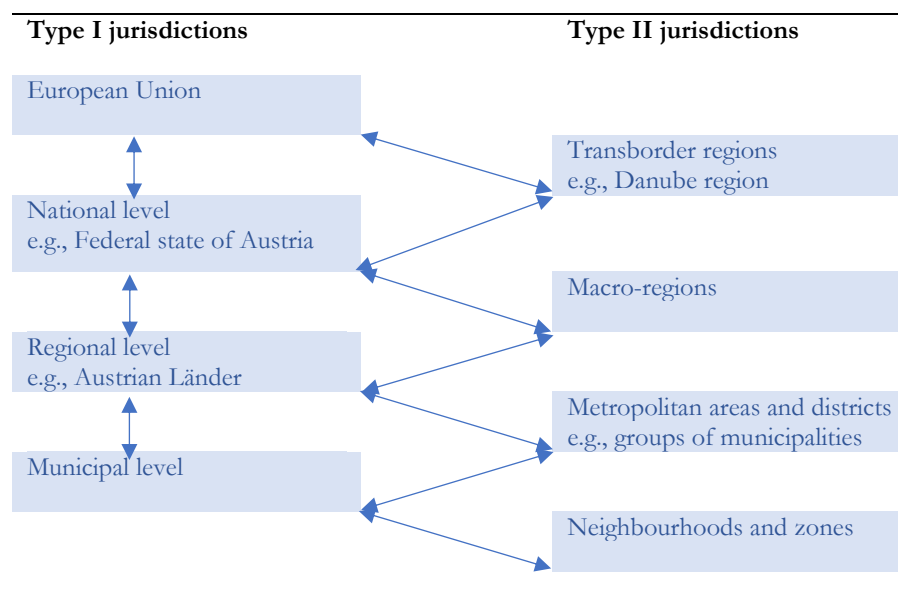
⁶⁰ Charbit, C. and Romano, O. (2017). *Governing together: An international review of contracts across levels of government for regional development*. OECD Regional Development Working Papers 2017/04, OECD Publishing.

⁶¹ Charbit & Michalun (2009).

been set up to deal with a wide area of policy issues including airports, cemeteries, electric power or gas supply, fire protection, highways, hospitals, housing, libraries, natural resources, parks and recreation, public transit, sewerage, schools, or water supply.⁶²

Because of their flexibility and adaptability to diverse governance demands, the number of such type II jurisdictions has mushroomed in recent decades. Typically, type II jurisdictions are embedded within the more classical and general-purpose type I jurisdictions since they provide the necessary legitimacy via their popularly elected governments. Figure 5 illustrates this dynamic, which was originally devised for sustainable energy governance, another key sustainable development goal in the 2030 Agenda.⁶³

Figure 5. Type II governance embedded in type I governance



Note: Figure adapted from Dobravec, V., Matak, N., Sakulin, C., & Krajačić, G. (2021). Multilevel governance energy planning and policy: A view on local energy initiatives. *Energy, Sustainability and Society*, 11, 1-17

Municipal actors and type II jurisdictions in the form of larger metropolitan areas have come to play important roles in sustainable energy planning and climate initiatives, ranging from decisions on the use of renewables in heating, public lighting or the use of such technologies in transportation and buildings. Legislative authority and project approval, by contrast, typically lie with the regional or national level (type I jurisdictions). National and regional governments also frequently provide fiscal subsidies, but supranational actors like the European Union have also come to play an important role in setting financial incentives.

⁶² Frey, B., and Eichenberger, R. (1999). *The New Democratic Federalism for Europe. Functional, Overlapping, and Competing Jurisdictions*. Cheltenham: Edward Elgar.

⁶³ Dobravec, V., Matak, N., Sakulin, C., & Krajačić, G. (2021). Multilevel governance energy planning and policy: A view on local energy initiatives. *Energy, Sustainability and Society*, 11, 1-17.

Beyond metropolitan regions, the role of type II jurisdictions is still in its early days. The Danube Macro-Region, which involves 14 countries along the Danube River, is a relatively recent creation and was only endorsed by the European Union in 2011. Aimed at addressing governance challenges related to energy connections, transportation and environmental risks, it provides an interesting policy laboratory for type II governance at this level.

However, as previously mentioned, governance structures are not merely tools for delivering policy efficiently. They also represent communities and are shaped by how much citizens identify with them. Because territorial identities often override efficiency considerations, the scale at which a service is provided might either be lower or, in a few cases, higher than efficiency considerations would dictate. For instance, research shows that educational services, which play a crucial role in expressing communal identities, are typically provided by lower-tier governments.⁶⁴ Neglecting territorial identities and choosing the appropriate territorial scales solely based on efficiency considerations may affect the durability and functioning of multi-level systems.

Building capacity

An important and sometimes neglected aspect of reallocating functions to a new jurisdiction is ensuring that the jurisdiction has enough capacity to carry out the new functions and is supported at the subnational level. Indeed, a lack of capacity at the subnational level is often cited as a key problem for effective service delivery.⁶⁵ Capacity challenges can be related to the fiscal gap (Figure 2). This can be addressed by endowing subnational governments with more tax authority, which allows them to generate their own revenue, or by increasing intergovernmental transfers.

Capacity challenges are not limited to fiscal gaps. Human resource challenges related to the skill level of municipal and provincial staff are an important aspect of a general capacity gap (Figure 2). Policymakers must decide whether subnational governments should have sufficient capacity before receiving new competencies or acquire capacity once they are faced with delivering on specific competencies in a “learning-by-doing” approach. This decision influences the sequencing of reforms.

The tools governments have to build subnational capacity are varied. They may include new legislation, especially when fiscal capacity-building is involved, and fiscal resources have to be transferred. However, fiscal resources can also be allocated in the context of intergovernmental contracts between the national and subnational levels. Another important method of building capacity relates to human resource mobility. Human resource mobility

⁶⁴ Schakel, A. H. (2009). Explaining policy allocation over governmental tiers by identity and functionality. *Acta Politica*, 44(4), 385–409.

⁶⁵ Charbit & Michalun (2009); Charbit (2011).

between different jurisdictional tiers in a country is generally looked upon positively as it can strengthen cohesion and promote sharing experiences.⁶⁶

Managing relations across levels

Because a certain level of interdependence is inevitable in multi-level systems, jurisdictions must learn to manage these complex interrelationships and the conflict that arises from them in order to achieve common policy goals. Coordinating bodies such as the formal power-sharing institutions described in the section on Public sector situation and trends institutionalize repeated interaction between different levels of government and provide a forum for coordination and joint decision-making on conflictual matters.⁶⁷ They not only encourage coordination and cooperation among levels of government, but they also promote capacity building and the sharing of good practices.⁶⁸

Which institutions can help manage interdependence? There are many power-sharing institutions and coordinating bodies, but some, such as a second parliamentary chamber that directly represents regional policymakers, are notoriously difficult to set up.⁶⁹ Executive-level meetings between regional and central governments are more practicable and have been known to foster coordination. Meetings may take place between the head of the national executive and the heads of regional executives, but they may also involve line ministers for a specific policy area, for instance, the national minister for health and the regional ministers of health. More routine and authoritative meetings, which can reach agreements that formally bind the participants, are best placed to enforce collaboration.

Germany, for instance, has a relatively well-developed system of executive-level meetings between the heads of the regional executives (Ministerpräsidenten) and the federal chancellor. Initially, these meetings were ad-hoc, but they transitioned into routine, authoritative intergovernmental meetings in 1964.⁷⁰ Executive-level meetings between different levels of government may also internalize policy spillovers that arise from the unilateral behavior of individual subnational units. Indeed, executive-level meetings in Germany and Australia have been credited with being successful in managing the highly interdependent context of the COVID-19 pandemic by committing all parties to a common course of action and avoiding unilateral efforts.⁷¹

Even if these meetings are more ad hoc or merely consultative, they may help overcome communication and dialogue challenges and align interests and timing. They also promote the sharing of good practices at the subnational level.⁷² Ultimately, executive-level meetings target various multi-level governance gaps, including fiscal gaps, capacity and information gaps, and

⁶⁶ Charbit & Michalun (2009); OECD (2019). *Making Decentralisation Work: A Handbook for Policy-Makers*, OECD Multi-level Governance Studies, OECD Publishing, Paris.

⁶⁷ Bolleyer & Thorlackson (2012).

⁶⁸ Charbit & Michalun (2009).

⁶⁹ Hooghe, Marks, & Schakel (2010).

⁷⁰ Ibid.

⁷¹ Allain-Dupré et al. (2020).

⁷² Mizell & Allain-Dupré (2013).

policy gaps. Power-sharing institutions typically only involve representatives from central and regional governments, but less high-profile coordinating bodies may also involve representatives from municipal associations or from type II jurisdictions. Some coordinating bodies take the form of working groups, task forces, or specific government agencies and offices.

Case studies

Much evidence suggests the positive effect of multi-level governance on various outcomes. Multi-level governance has been associated with government efficiency, greater engagement with democratic institutions, and even with preserving peace and stability in multiethnic countries.⁷³ However, these general relationships often gloss over countries' diverse experiences with multi-level governance structures and frequently fail to identify the specific conditions under which the desired effects of multi-level governance materialize. The following section presents some of the challenges that countries have faced with multi-level governance, which may illustrate the prerequisites needed for successful multi-level governance and how the institutional set-ups that have been chiefly designed for developed countries may be used in the developing world. The three cases of multi-level governance presented here have all inspired substantial research and continue to exert influence on the structures of the respective countries.

United States of America

The United States is an established multi-level system. It is sometimes referred to as a dual federation since it seeks to reduce interdependence by avoiding a functional allocation of power. While some competencies are shared by the federal and subnational levels, there are also legislative competencies that are assigned exclusively to one level.⁷⁴ Interdependence is further reduced by assigning significant tax authority to the state governments, allowing them to generate their own revenues and reducing dependence on the central government.⁷⁵ Compared to multi-level systems that are characterized by high levels of interdependence, such as Germany, there is arguably less need to manage relations across levels in the United States. This may have been one factor contributing to the relative weakness of coordinating bodies. Intergovernmental meetings are not institutionalized in the United States. The only forum serving coordination between states is the National Governors Association, which encourages information exchange among governors but does not do much to promote coordination between governors and the federal executive.

Over the last couple of decades, an increase in interdependence, mainly resulting from conditional grants the federal government channels to the states to induce them to implement

⁷³ Lijphart (1999).

⁷⁴ Elazar, D (1991). Cooperative federalism. In *Competition among states and local governments, efficiency and equity in American federalism*, ed. D. A. Kenyon, and J. Kincaid. 65–86. Washington: The Urban Institute Press; Watts (1996); Watts (1999).

⁷⁵ Hooghe, Marks & Schakel (2010).

federal policy priorities, has drawn more attention to the weakness of coordinating bodies.⁷⁶ Without coordinating forums, conflicts between levels arising from this interdependence appear difficult to settle.⁷⁷ The highly interdependent crisis context of the recent COVID-19 pandemic proved to be one of the biggest challenges to the American multi-level system. It accentuated conflictual relations between state governments and the federal government fueled by strong partisan competition, and it revealed the fragility or absence of coordinating institutions.⁷⁸

With authority over public health being assigned to state governments, it is unsurprising that states led the way in the COVID-19 response. However, while most states agreed on aspects such as school closures, there were significant cross-state differences in restrictions on gatherings, the closing of non-essential businesses, stay-at-home orders, and mask-wearing regulations.⁷⁹ The lack of coordination among state governments created a patchwork of containment measures in the United States. This incentivized cross-border travel into states with fewer restrictions creating COVID-19 hotspots and further increasing the reproduction rate of the virus.⁸⁰

There is much debate about whether the federal government had the legal authority to intervene by issuing a national stay-at-home order but more importantly, the federal government failed to provide a necessary focal point for coordinating regional containment measures.⁸¹ Without established coordination procedures, state governments took matters into their own hands. In late April 2020, governors of several states decided to share information, research, and resources and coordinate their policies. This resulted in the formation of three distinct blocs: the Eastern States Council, the Midwest Governors Regional Pact, and the Western States Pact.⁸² In all three regional blocs, states agreed to a uniform policy on social distancing, although agreements were not legally binding.

South Africa

In South Africa, multi-level governance was a key component of a settlement negotiated between the outgoing, white-dominated apartheid regime and the incoming African National Congress (ANC) in the early 1990s. The outgoing regime believed that multi-level governance

⁷⁶ Schapiro, R. A. (2006). From dualist federalism to interactive federalism. *Emory LJ*, 56(1).

⁷⁷ Hooghe, Marks & Schakel (2010).

⁷⁸ Lecours, A., Béland, D., Fenna, A., Fenwick, T. B., Paquet, M., Rocco, P., and Waddan, A. (2021). Explaining intergovernmental conflict in the COVID-19 crisis: The United States, Canada, and Australia. *Publius: The Journal of Federalism*, 51(4), 513-536; Bennouna, C., Giraudy, A., Moncada, E., Rios, E., Snyder, R., and Testa, P. (2021). Pandemic policymaking in presidential federations: Explaining subnational responses to COVID-19 in Brazil, Mexico, and the United States. *Publius: The Journal of Federalism*, 51(4), 570–600.

⁷⁹ USA Today. (11 July 2022). “COVID-19 restrictions.” Retrieved on 12 August 2022 <https://eu.usatoday.com/storytelling/coronavirus-reopening-america-map/>; Ballotpedia. (2021). “Documenting America’s Path to Recovery. Coronavirus Responses by State.” Retrieved on 12 August 2022.

⁸⁰ Yong, E. (2020). “America’s patchwork pandemic is fraying even further.” *The Atlantic*.

⁸¹ Jamshidi, M. (2020). “The Federal Government Probably Can’t Order Statewide Quarantines.” *The University of Chicago Law Review Online* Retrieved on 12 August 2022; Politico (3 April 2020). “Fauci endorses national stay-at-home order: ‘I just don’t understand why we’re not doing that.’” Retrieved on 12 August 2022. <https://www.politico.com/news/2020/04/03/fauci-endorses-national-stay-at-home-order-162794>.

⁸² Kelly, C. and Sgueglia, K. (17 April 2020). “7 Midwestern governors announce their states will coordinate on reopening.” CNN Politics. <https://edition.cnn.com/2020/04/16/politics/midwest-governors-reopening-pact/index.htm>.

would limit the incoming government's central authority and hoped for a modicum of self-rule. The ANC and others in the freedom movement were skeptical of multi-level governance but ultimately agreed. The settlement laid out principles for a new Constitution to be drafted by a Constitutional Assembly following democratic elections in 1994. For many, the inclusion of multi-level governance into the settlement was a critical factor in the peaceful transition of power in South Africa and the adoption of the new Constitution.⁸³

However, South Africa's multi-level system has experienced growing pains. The boundaries of the nine new provinces were modeled on the apartheid regime's development areas that had no cultural or historical basis.⁸⁴ Because the ANC feared that ethnic and linguistic rivalries would re-assert themselves once the repressive rule of apartheid was lifted, it sought to prevent cultural differences from being institutionalized in the form of provincial boundaries. An unintended side effect of this decision may have been that citizens failed to identify with the newly established provincial governments. Most provincial governments still lack broad public support and have been unable to develop their own profile, including through the process of selection of provincial premiers.

Another factor contributing to the provincial government's perceived ineffectiveness is the relatively centralized set-up of the multi-level system. In many areas, provinces have only been assigned concurrent power with the central government, and even in the few areas where provinces have exclusive powers, the central government may override provincial laws when necessary.⁸⁵ Central government dominance further manifests itself in the concentration of revenue-raising power at the center. Provincial governments have largely become administrative agencies that implement national legislation.

Lacking capacity at the subnational level has been another challenge for the South African multi-level system. Because many of the most qualified public officials seek roles in the national government, only very few qualified workers are left to staff the new provinces and municipalities. The problem of underqualified staff at the subnational level is not limited to South Africa but applies to many other multi-level systems.⁸⁶ As a result of subnational officials with little training to design and implement various policies, many capital allocations to subnational governments, for instance, to build schools, have often gone unspent.⁸⁷ There is, however, considerable variation in capacity among provinces and local authorities. Large jurisdictions like Cape Town and Durban have been quite successful, whereas smaller, more rural districts and local municipalities have struggled.⁸⁸ A more encompassing reform which

⁸³ Simeon, R., and Murray, C. (2009). Reforming multi-level government in South Africa. *Canadian Journal of African Studies/La Revue Canadienne des Études Africaines*, 43(3), 536–571.

⁸⁴ Ibid.

⁸⁵ Koelble & Siddle (2018).

⁸⁶ Charbit & Michalun (2009).

⁸⁷ Simeon & Murray (2009).

⁸⁸ Simeon & Murray (2009).

might help provincial governments fulfill their democratic potential may involve building a stronger link between provincial governments and their constituencies.⁸⁹

Colombia

The Colombian experience illustrates some of the challenges associated with implementing multi-level governance reforms in the context of an armed conflict. Colombia adopted a series of reforms in the 1980s and 1990s. They involved reallocating policy authority over essential services such as education and health care to the subnational level, increasing automatic transfers of centrally collected tax revenues to municipalities and departments, and sharing the royalties from natural resource exports more equitably.⁹⁰ The historic reforms also included introducing direct elections of previously appointed municipal mayors and departmental governors.⁹¹ The chief reason for these reforms was to try and pacify the country, which had been the location of Latin America's longest and deadliest armed conflict. Political leaders, on the one hand, and guerilla groups, on the other hand, identified the centralized and exclusionary political system of two-party rule under the National Front as responsible for the violent tactics adopted by groups outside the two established parties. Political leaders hoped to end attacks on the central government by giving these groups the possibility to participate in the political system.

The introduction of mayoral and gubernatorial elections did indeed improve participation in the political system, with more people voting in the 1990 municipal elections than in national elections that same year. Several guerilla groups had run their own candidates and won these races in regions where they were popular. For instance, about 14 percent of elected new mayors belonged to parties other than the established parties of the National Front,⁹² and fourteen of these non-traditional mayors were former guerrillas. However, all of the major armed groups involved in the conflict started to use their dominance over subnational offices to appropriate the newly decentralized fiscal resources to reinforce the practice of armed clientelism and escalate the armed struggle. At the same time, they adroitly used the authority over key public services assigned to subnational governments to buy electoral and political support from local residents.

The lack of policing services in large parts of the national territory further complicated matters. Approximately 20 percent of all municipalities were without police protection throughout the 1990. The lessons drawn by Colombian political leaders was that the decentralization of competencies and resources would require the state to expand the territorial presence of the police, which occurred in the 2000s under President Alvaro Uribe. Observers of Colombia's experience with multi-level governance also concluded that the reforms might have been more successful if they had been adopted after a peace agreement had been reached, a feat that

⁸⁹ Ibid.

⁹⁰ Sanchez, F., Smart, M. and Zapata, J. G. (2002). Intergovernmental transfers and municipal finance in Colombia. *Working Paper No. 259*; Faguet, J. P. (2008) Decentralisation's Effects on Public Investment: Evidence and Policy Lessons from Bolivia and Colombia, *The Journal of Development Studies*, 44 (8), 1100–1121.

⁹¹ Faguet (2008).

⁹² Gaitán, P., & Moreno, C. (1992). Poder local. *Realidad y utopía de la descentralización en Colombia*, Tercer Mundo editores, Bogotá.

would eventually only be achieved in 2016. The misappropriation of public funds and its implications for security, public order and the country's fiscal situation eventually triggered a reversal of the decentralization process. Two constitutional reforms in 2001 and 2017 tightened central supervision and set the new criteria for distributing public resources. The 2017 reform also creatively tied resources to the successful execution of a peace agreement.

Peer-to-peer learning and research

The term multi-level governance strikes a chord with policy makers and scholars alike because it describes the day-to-day reality of policymaking in many countries around the world – actors at multiple levels sharing competencies.⁹³ It is not surprising then that extensive research has been conducted on the properties and implications of multi-level governance.

- The Organisation for Economic Co-operation and Development (OECD) has one of the largest research programmes in multi-level governance. It provides a useful theoretical framework for thinking about the challenges facing multi-level governance and a large body of specific case knowledge on individual OECD member states and key OECD partner countries (<https://www.oecd.org/regional/multi-level-governance/>).
- The European Union, for which the term multi-level governance was originally developed, also has a list of resources on multi-level governance, albeit exclusively focused on member states. While the term initially best described the European Union's territorial cohesion policy (<https://www.oecd.org/regional/multi-level-governance/>), it is now being used in a variety of policy areas ([https://www.europarl.europa.eu/RegData/etudes/etudes/join/2013/474438/IPOL-AFCO_ET\(2013\)474438_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/etudes/join/2013/474438/IPOL-AFCO_ET(2013)474438_EN.pdf)).
- The European Committee of the Regions (CoR), which provides local and regional representatives a direct voice within the European Union's institutional framework provides workshops on multi-level governance (<https://cor.europa.eu/en/events/pages/multi-level-governance-and-active-subsidiarity-for-sustainable-recovery-and-resilience.aspx>).

There are also several international research institutes that specialize in multi-level governance and themes related to decentralization and federalism, which provide useful resources. These network organizations provide online access to information, data, knowledge sharing, and research and discussion on a wide range of urban development and sustainability issues, including urban governance. These include the Institute for Comparative Federalism (<https://www.eurac.edu/en/institutes-centers/institute-for-comparative-federalism>); the

⁹³ Kleider (2020).

International Association of Centers for Federal Studies (<https://iacfs.org>); and the Forum of Federations (<https://forumfed.org>).

In addition to these international research centres, there are a number of university-based research teams that have accumulated impressive knowledge on multi-level governance and that provide access to information and analyses.

One of the most noteworthy teams working on multi-level governance is based at the University of North Carolina at Chapel Hill. It is responsible for developing the term in the early 1990s and it has since provided conceptual and empirical work on the issue. One of the most accurate measures of authority transfer (RAI, MIA) is also provided publicly by this team (<https://garymarks.web.unc.edu/data/regional-authority-2/>).

The Dullah Omar Institute at the University of the Western Cape and the Nelson Mandela School of Public Governance, University of Cape Town specializes in multi-level governance in Africa and provides a unique set of analyses (<https://dullahomarinstitute.org.za/multilevel-govt/overview>).

International development cooperation

Until recently most development agencies did not specifically focus on multi-level governance. They did, however, target related themes, such as decentralization, municipal finance, and urban development activities. Interest in these themes emerged in the late 1980s and early 1990s when development partners became increasingly aware of the important role subnational governments play in promoting development. International financial institutions like the World Bank and the International Monetary Fund, as well as regional development banks, such as the Inter-American Development Bank, have actively supported reforms that decentralize authority and fiscal resources and enhance the role of subnational governments. With increasing experience, development partners also became aware of some of the dangers of decentralization, which resulted in a more nuanced take on decentralization as a means to promote development.

Because the term multi-level governance was only coined in 1993, it is not surprising that development agencies have not drawn on the framework until recently. Initially developed to describe policymaking in the European Union, the multi-level governance framework now enjoys a broader appeal. Several United Nations agencies, including UN-Habitat, UN DESA, and UNDP, now draw on the multi-level governance framework to guide some of their activities. UN-Habitat, the United Nations program for sustainable urban development, was an early adopter of the multi-level governance framework, with a specific focus on urban development and the delivery of services, including education, health, transport, and water. Together with its partners, UN-Habitat provides a broad range of case studies and analyses on multi-level governance and links to various training courses (<https://www.multilevelgovernance.org>).

The World Bank has also begun to draw on the multi-level governance framework and developed the “Multilevel Governance and Decentralization for Delivery Program.” The program sits at the intersection of decentralization, multi-level governance, and service delivery. It primarily seeks to improve knowledge and provide data on multi-level governance. However, the multi-level governance framework also increasingly influences its engagement with client countries and its operational work, including World Bank lending and analytical projects. A unique aspect of the World Bank’s multi-level governance program is its aim to create and convene a global network of stakeholders operating in multi-level governance, including country governments, private sector representatives, academia, and civil society. Several bilateral development agencies, including USAID, have also adopted parts of the multi-level governance framework, albeit to different degrees.

Some of these multi-level governance initiatives adopted by development partners appear to focus primarily on technical aspects, including efficient service delivery, strengthening local revenue administration, subnational debt management, and fiscal transfer mechanisms across different government levels. While these aspects are important components of the multi-level governance framework, it is worth noting that governance structures are more than a means to delivering public services. They are ultimately an expression of community. As such any multi-level governance system is shaped by individual identities and loyalties and by political actors’ ability to mobilize these identities. Taking into account the political context and its influence on relationships across the multiple levels of authority will help to better align development initiatives to the specific country contexts for which they are designed.

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