PROPOSAL FOR JOINT TDPC/PUMA PROJECT ON MULTI-LEVEL GOVERNANCE

27th Session of the Public Management Committee
3-4 April 2003
Château de la Muette, Paris

This proposal for a joint TDPC/PUMA project on Multi-Level Governance was presented to the TDP Committee at its last meeting on 15-16 January 2003. It is presented to the PUMA Committee for information and discussion.

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1. Both PUMA and TDP Committees have expressed their interest in examining the roles of and relationships across levels of government. The recent merger between PUMA and TDS provides an excellent opportunity to pursue this subject with a broader perspective and to combine the efforts of both policy communities.

2. In consultations with the Chairs of both Committees, the Secretariat is suggesting to prepare a background report to be presented to the two GOV Committees in 2003. This report will provide a comprehensive and comparative analysis of the requirements and conditions of vertical (i.e. international, national, sub-national) and horizontal coherence between institutional, fiscal and regulatory instruments. It will focus on three dimensions:

3. **Intergovernmental coordination.** Together with devolution, the number of actors and the complexity of policy decision-making have increased - TDPC work focus on the study of new forms of formal and informal co-operation and networks among different levels of government (local, regional, national, supra-national) and among public and private agents in devising policy strategies and projects. It concentrates on public management rules (e.g. contractualization, in an institutional framework both co-operative and competitive, among central, regional and local governments) as well as incentive mechanisms aimed at guaranteeing representation and accountability in the decision-making process.

4. **Fiscal relations across levels of government.** Financial decentralisation poses a permanent challenge for sustainable local finance and territorial equity while ensuring fiscal discipline and financial stability. This second dimension will focus on the framework of intergovernmental financial interventions, local public finance, and territorial/financial equalisation. The territorial reviews series of 2000 to 2002 provides ample input for further analysis. At the same time, PUMA activities on budgeting, effectiveness and efficiency of public interventions apply to all levels of government.

5. **Regulatory Reform.** The country reviews carried out under the Horizontal Programme on Regulatory Reform will devote specific analysis to the regulatory co-ordination between levels of government. This third dimension could focus on the strengths and weaknesses of different interrelations between the centre and the sub-national jurisdiction, such as regulatory competition, harmonisation, recognition of equivalence and central overrule. Seminars and workshops on promoting regulatory quality between levels of government could also be organised.

6. It is suggested that both Committees discuss the project proposal and provide detailed guidance from their respective interests on the objectives, scope and expected results. The Secretariat will in the light of these comments prepare a more detailed outline, including budgetary estimates as appropriate.

7. It is also suggested that the project will be presented as the GOV contribution to the OECD wide programme on Fiscal Federalism, which is currently under consideration in Council. This programme is expected to include the directorates of DAFFE, ECO and GOV.