



**DELIVERING QUALITY
SERVICES TO ALL: ALENTEJO
REGION CASE STUDY**

PREPARING **REGIONS**
FOR **DEMOGRAPHIC CHANGE**

POLICY HIGHLIGHTS

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About this policy highlights

This booklet reproduces highlights from the project “Delivering Quality Services to All: Alentejo region case study”, which provides guidance for the Portuguese region of Alentejo, and proposes sustainable and equitable long-term strategies for service delivery in the region. This project is part of the OECD series of work: *Preparing Regions for Demographic Change*.

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Introduction

Alentejo, a sparsely populated region in mid-south Portugal, has among the fastest decline in population and highest ageing rate across large OECD regions. This is expected to continue in the coming decades, putting pressure on local finances, which are already under severe strain because of the pandemic. The costs needed to provide good quality services in places with smaller and more dispersed populations are higher due to their smaller economies of scale and scope, higher transportation costs, and greater difficulties in attracting service professionals. Exacerbating this are important gaps in Alentejo's broadband infrastructure and digital skills, especially in its rural areas, creating bottlenecks for public authorities looking to deliver some public services digitally. Alentejo is not alone, many other OECD regions face similar challenges, and, like Alentejo, they will need to develop forward looking policy responses that can embrace the opportunities provided by

digitalisation, as well as other innovative solutions, including through better coordination across levels of administration that can help overcome policy silos. Focusing on education, this study provides valuable lessons for regions and all levels of government experiencing decentralisation and facing demographic challenges.

ALENTEJO REGION



704 934 inhabitants

31 605 km²

58 municipalities



Demographic and digitalisation trends

1. Alentejo is experiencing one of the fastest rates of population decline and ageing across OECD regions

As in the rest of Portugal, Alentejo is experiencing population ageing and low immigration due to the preference of nationals and migrants for coastal areas. Alentejo is Portugal's TL2 region with the highest share of elderly in the population (26% of +65) and lowest share of foreign-born population (4%). These forces, which have been gradually sustained over the past 50 years, have contributed to increase the ageing gap in Alentejo with respect to other Portuguese regions, and have contributed to economic and social decline in some municipalities.

Moreover, projections from the National Statistics Institute (INE) foresee a further 30% drop in Alentejo's population between 2020 and 2080. This trend will particularly affect the more remote areas of the region – which already have an elderly dependency ratio 10 percentage points higher than in other regions in Portugal.

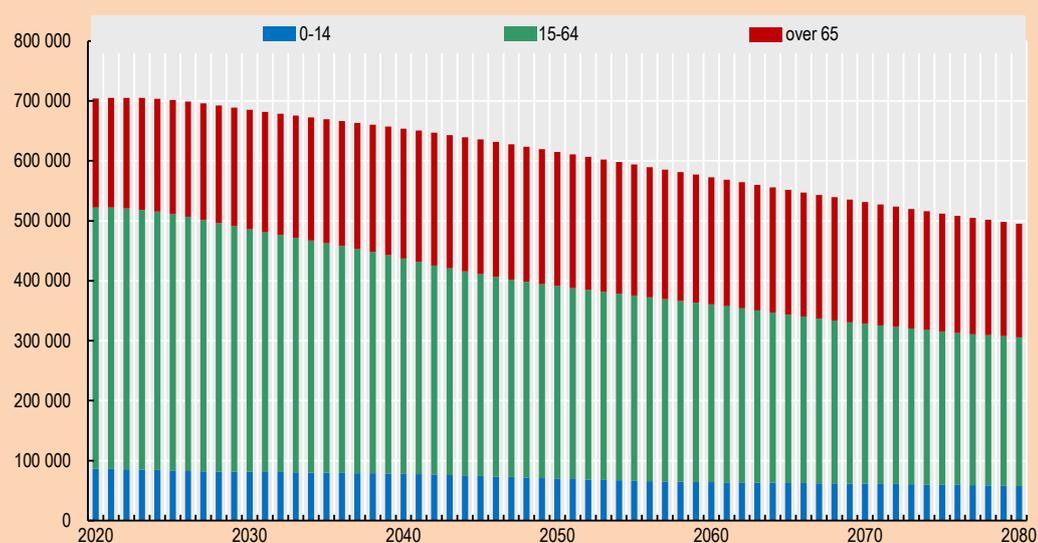
The four most remote TL3 regions in Alentejo are projected to shrink about three times faster in 2011-2035 (0.8% annually) compared to the TL3 region close to a small/medium city (0.27% annually). In addition, by 2035, only three

Alentejo's population is expected to drop by 30% between 2020 and 2080

municipalities are projected to grow, while 14 will sustain annual population decreases of 1% on average over 2011-2035.

These demographic developments have and will continue to lower the demand for education services in some areas and increase it for health care services. This will require adapting the provision of local public services in the region and building on efficiency gains across levels of government. Moreover, as demand recedes, municipal governments and parishes, mandated to provide equal access to all residents, will face higher costs from the lack of economies of scale and larger distances between settlements.

Figure 1. Population projection, Alentejo, 2020-2080 (by age groups)



Note: Resident population in Alentejo tends to decrease until 2080 in any of the projected scenarios. The results presented are based on the central scenario of evolution for resident population. In terms of fertility, this scenario expects a moderate recovery of future fertility levels until 2080, with the Total Fertility Rate (TFR) reaching 1.59 children per woman in 2080. In terms of mortality, the gains in life expectancy observed over the last recent years are expected to persist, with life expectancy at birth reaching 87.92 years for men and 93.30 years for women in 2080. In terms of international migrations, trends in immigration and emigration are expected to continue in this central scenario, with the maintenance of positive annual international net migration over the projection period, reaching a net migration of 14 020 in 2080 (11 570 in 2018).

Source: INE (2020), Resident population projections 2018-2080, 31 March 2020,

https://www.ine.pt/xportal/xmain?xpid=INE&xpgid=ine_destaque&DESTAQUESdest_boui=406534255&DESTAQUESmodo=2

2. Broadband connectivity and digital gaps represent a major challenge for the provision of public services

Digital services present new opportunities for service delivery in remote areas where costs tend to be higher and quality lower. They can help to improve the quality and lower the cost of service delivery in these types of rural areas. The national government in Portugal has already undertaken several initiatives to strengthen digital services, including in education.

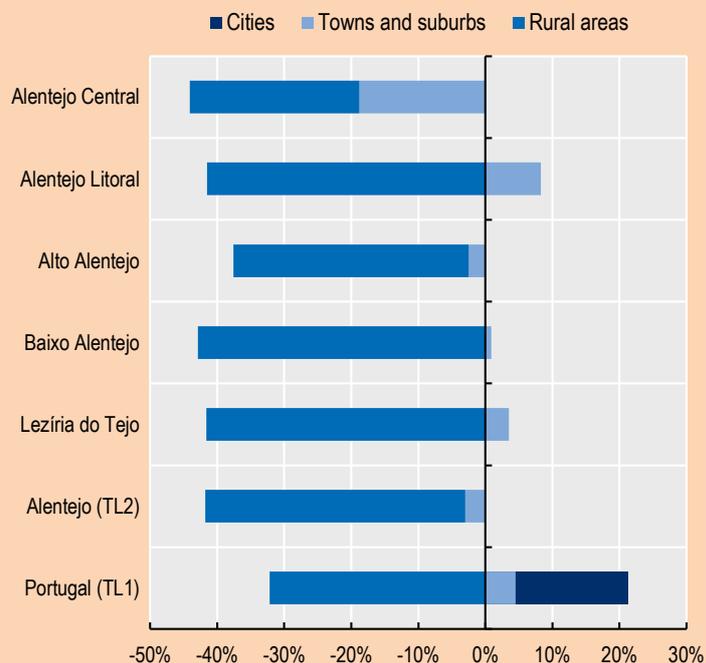
Analysis based on Ookla speed data shows large digital gaps within the Alentejo region and in particular between rural areas and the rest

Digital solutions can help address challenges in remote and low populated areas to deliver transport on demand services. Targeted actions can also help to reduce skills gaps of education professionals.

Despite recent efforts, broadband connectivity has not yet reached all corners of Alentejo, and rural inhabitants have less basic digital skills than urban inhabitants. According to broadband speed data at the TL2 regional level, inhabitants in Alentejo experience, on average, speeds over 26% below the national average. Moreover, these gaps in broadband connection are compounded by the low level of digital skills. According to national data for 2020, Portugal faces one of the lowest levels of basic or above digital skills in rural areas across the EU. Only 22% of Portuguese people living in rural areas have basic or above digital skills, compared to 60% in cities.

Figure 2. Gaps in download speeds experienced by users by degree of urbanisation

Ookla tests on fixed download speed, gaps estimated as percentage deviation from national averages (2020Q4)



Note: Speedtest data corresponds to 2020Q4. The data for average fixed broadband download Speedtests reported by Ookla measures the sustained peak throughput achieved by users of the network. Measurements are based on self-administered tests by users, carried over iOS and mobile devices. Aggregation according to the degree of urbanisation was based on GHS Settlement Model (GHS-SMOD) layer grids. The figure presents average peak speed tests, weighted by the number of tests.

Source: OECD calculations based on Speedtest® by Ookla® Global Fixed and Mobile Network Performance Maps. Based on analysis by Ookla of Speedtest Intelligence® data for 2020Q4. Provided by Ookla and accessed 2021-01-27. Ookla trademarks used under license and reprinted with permission.

Multi-level governance and subnational finance

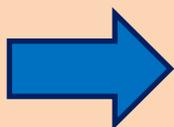
Portugal's multi-level governance system is undergoing important structural changes in particular with the 2019 decentralisation framework that transfers additional responsibilities to municipalities. This transfer creates an opportunity for local governments to reorganise the provision of public services, such as school transport services, which recently became a municipal responsibility. However, these transfers have not always been accompanied by sufficient and adequate funding to handle the new responsibilities. In addition, in some cases, the transfers have resulted in inconsistencies. For example, while school closures remain a central government responsibility, municipalities now have to bear the higher students' travel costs related to the consolidation process.

To enhance the ongoing decentralisation process it will be important to ensure that municipalities – not only in Alentejo but across Portugal – have sufficient and adequate resources to manage new tasks, avoiding underfunded mandates. In addition, better encouraging inter-municipal or inter-parish cooperation through fiscal incentives would allow Alentejo to better align service provision and local needs, enabling municipalities and parishes to find common solutions to the challenges brought by disperse, declining and ageing populations. This could help ensure that municipalities and inter-municipal bodies are able to properly and sustainably finance service provision and provide access to quality services. In parallel, to move forward with Portugal's regionalisation reforms, Alentejo could serve as a pilot experience of regional governance to foster territorial cohesion and regional development.



1. Further pursuing decentralisation and regionalisation reforms would allow Alentejo to better align service provision and local needs

Some key avenues to further enhance regionalisation and decentralisation reforms and ensure these reforms meet its objectives are as follows:

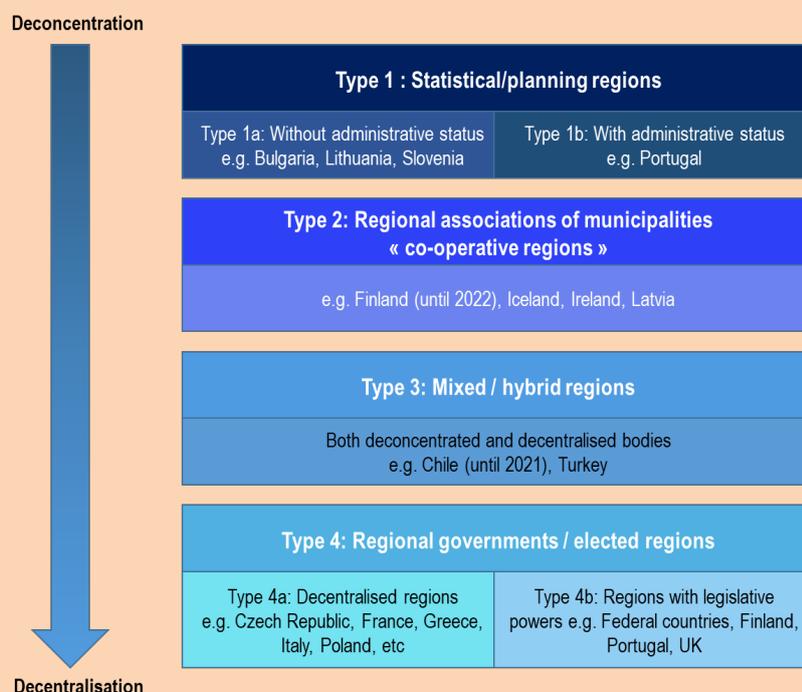


Recommendation 1 – The transfer of competences to municipalities needs to be accompanied with the transfer of sufficient and adequate financial resources to cover the administrative costs associated with the management of new tasks. To encourage municipalities to take over more responsibilities in the context of the decentralisation reform, municipalities should receive more fiscal resources (from grants) and powers (more own-source revenues) aligned with the new tasks that would be assigned (see below). Beyond the transfer of resources it is important to ensure that municipalities have adequate human resources and necessary tools (e.g. IT tools) to undertake the new tasks that have been assigned.



Recommendation 2 – Alentejo could serve as a pilot to experiment a new model of regional governance to be consistent with NUTS2 definition and better align demographics trends with public services and better understand the differentiated needs of large and smaller municipalities. Different options are available (see Figure 3). Co-operative regionalisation can be seen as an alternative to full regionalisation but also as an intermediate stage towards full regionalisation.

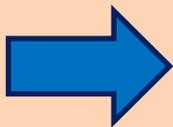
Figure 3. Four different models of regional organisation in the OECD and the EU



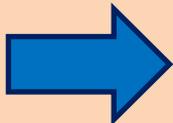
Source: OECD forthcoming, Regionalisation reforms in OECD countries and around the world

2. Strengthening cross-jurisdiction cooperation is necessary to make sure the planning and delivery of services are done at the right scale

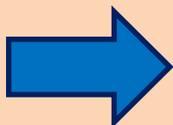
Further encouraging inter-municipal association to provide decentralised services could improve service provision in education, health care and social support. The central government needs to adopt a proactive role in promoting and stimulating inter-municipal cooperation in the provision of decentralised services. For this, the following actions could be beneficial:



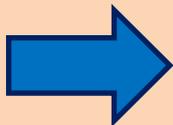
Recommendation 3 – The central government could encourage IMCs through financial incentives that foster cooperation across jurisdictions. One way to accomplish this could be directing more transfers to IMCs, instead of to municipalities, particularly with respect to public services with important externalities.



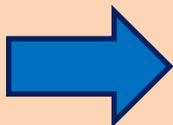
Recommendation 4 – Encourage peer-learning building on already successful inter-municipal co-operation mechanisms in the region (and in other regions in Portugal) and adopt a strategy to actively promote them.



Recommendation 5 – Foster cooperation among parishes to enable them to effectively perform their tasks and deliver local services to residents. In some cases, parishes would benefit from cooperating with adjacent parishes in another municipality.



Recommendation 6 – Promote peer-learning experiences explore instances of co-operation with neighbouring regions and knowledge sharing with regions that face similar challenges (i.e., shrinking and ageing population). This peer learning, while promoted by the central level, could, for example, be conducted with regions in Spain that are currently facing similar challenges.



Recommendation 7 – Identify municipalities or groups of municipalities pertaining to the same functional area that could benefit the most from scaling-up the provision of services. This mapping needs to identify which services may benefit from joint-provision considering functional areas, and not necessarily the administrative divisions of IMCs currently in place.

3. Adjusting fiscal arrangements to ensure municipalities can properly finance service provision and adapt to demographic trends

Fiscal arrangements need to be gradually reformed in order to ensure that municipalities will still be able to properly finance service provision and ensure citizen's well-being over time. The following measures could be taken:



Recommendation 8 – Strengthen the municipal own revenue base in a gradual manner. A high reliance on transfers and a low taxing power may have a negative effect on the efficiency of municipal service delivery. This can be done by increasing the leverage that municipalities have on tax rates (i.e. on the Property Tax and the Surcharge Tax), and the proportion of the personal income tax that stays with municipalities.



Recommendation 9 – Guarantee financial means of IMCs to particularly benefit small municipalities that have less capacity to raise own revenues. It would be important to increase the amount of transfers to enlarge the role of IMCs and make them less dependent on the municipal will of delegating task. The increase of transfers for IMCs can be subject to particular results or outputs that should be previously defined and agreed between the central level and the concerned IMCs.

Forward-looking planning for the provision of basic education

The provision of educational services in Alentejo is challenged by the national policy that closes and consolidates schools, coupled with the already long distances to schools. In sparsely populated areas, long travel distances can negatively affect student learning experiences and give rise to equity concerns. The consolidation policy particularly affects small rural municipalities and/or lagging regions with lower education quality, higher distances, and smaller school systems, and thus requires tailored strategies to ensure access to and good quality of education services. The simultaneous challenge of decreased demand for education services in the region as a whole, and the long-standing difficulties in attracting qualified teachers to rural areas, underscores the importance of nimble and adaptive policies. Downscaling the

number of teachers in certain parts of the region, while at the same time making the rural regions more attractive as a place to live and work is not easy. As several teachers are deployed in rural areas by central decision-making rather than by choice, policies should encourage geographical mobility through incentives to help strengthen the quality of education in rural regions. The Alentejo region also needs to strengthen the use of digital infrastructure to bring opportunities to remote areas and improve the quality of services and lower their costs. Further digitalisation of public services – including the improvement of existing transport on demand IT services in Alentejo – and alternative solutions, such as encouraging student accommodation, might help to overcome school transportation challenges.



1. Taking into account the effects of demographic change is necessary to bridge the quality and access gaps and improve the restructuring and planning of the school network

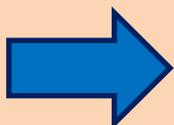
In order to bridge the quality and access gaps in education and improve the restructuring and planning of the school network, the following actions could be beneficial:



Recommendation 10 – Design a specific strategy to bridge quality and access gaps in lagging and remote rural municipalities. The national government should undertake cost-benefit analyses that fully take into account the effect of school closures on the accessibility of students living in the most remote areas and associated costs of school transport. It should also commission a dedicated study projecting the financial sustainability of the current model given demographic projections, taking into account structural under-investment in physical infrastructure in these areas as well as the regional context.



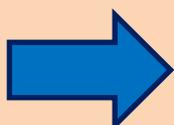
Recommendation 11 – Use educational charters to coordinate actions among neighbouring municipalities. In the framework of increased planning at the level of inter-municipal communities (IMCs), the creation of inter-municipal school network planning instruments, such as inter-municipal education charters, would allow planning beyond municipal administrative boundaries as well as a better comprehension of the different needs of rural areas within the region.



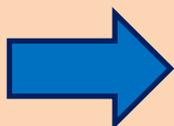
Recommendation 12 – The national government should work closely with municipalities and regional authorities towards innovative models including service co-location, and plan strategically the location of new schools based on future demand projections.

2. Achieving better quality education also requires improving the geographic mobility of teachers while increasing within school efficiency

The national government could consider the following actions to improve the geographical mobility of teachers while increasing within school efficiency:



Recommendation 13 – Revise the national model of teaching recruitment to include the participation of municipalities and regional authorities in the process. This would better align needs and motivation of teachers and would help considering retention strategies for teachers in order to reduce the high turnover in rural schools.

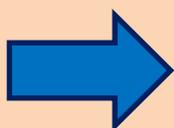


Recommendation 14 – Geographic mobility of teachers – especially young ones – could be enhanced with career incentives, experience-sharing networks by more experienced teachers, and more clear compensation for long travel times that go beyond financial compensation (e.g. flexible work hours, shorter dedication in classrooms, rotation systems for itinerant teachers, accommodation support).

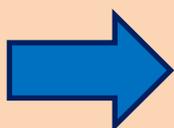


3. Increased efforts are needed to bridge the digital divide and enhance the digitalisation of public services to overcome the challenges of school transport

In order to tackle the challenge of school transportation and digital skills gaps in rural areas, the study suggests the following actions:



Recommendation 15 – Further develop transport on demand solutions. Alentejo authorities should develop further the current "Transporte a pedido" service in the near future and make it more dynamic. By incorporating a more sophisticated software, the service could provide users with reliable and comprehensive real-time information, the possibility to make last-minute bookings from a mobile application or by phone, and the adaptation of routes, stops and schedules to users demand. Transport on demand services benefit the entire rural population, from dependent people needing access to basic services, to teachers and upper secondary and vocational students – with more flexible schedules – living in remote areas.



Recommendation 16 – Increase cooperation between municipalities for the provision of transport. A supra-municipal perspective and greater cooperation between municipalities, inter-municipalities and school clusters could be beneficial for school transport in Alentejo. This would allow better integration of transport on demand services with regional and national bus networks as well as scaling services from a local to a regional level. Regional transport partnerships across the Alentejo region and further spaces for dialogue between local stakeholders to improve school transport should be encouraged.



Recommendation 17 – Create a committee of volunteer teachers at the regional level to support teachers from rural communities with the most difficulties in their adaptation and training process. This would help to ensure that the target of 100% of teachers with digital capabilities by 2023 is achieved specifically in rural areas.



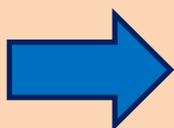
Recommendation 18 – Alentejo regional authorities should support networks bringing together employees from digital sectors and teachers in order to review and improve the new ICT curriculum guidelines as well as to better inform students on the broad opportunities offered by digital careers and the digital skills required to access them.

4. Establishing a strategy for student accommodation could contribute to solve the challenges of school transport

The following actions aim to foster student accommodation as an effective alternative to tackle school transport issues and to avoid that, due to poor access in rural areas, many students are limited to choosing educational programmes that are closer to where they live. They also aim to address the existing mismatch between supply and demand of some of the student residences provided by the Ministry of Education throughout the country:



Recommendation 19 – Support the accommodation of students over 16 years of age – as they have more flexible timetables that are difficult to accommodate with a regular transport system – during school days. In the framework of multi-level cooperation, this action could contribute to avoiding daily transport problems – and consequently study performance related issues – as well as to allow young people in Alentejo to have a wider educational offer and thus more career opportunities. European Recovery Funds could finance all or part of these residences.



Recommendation 20 – Implement a national plan to restructure the network of student residences in order to better match supply with demand efficiently and to concentrate student residences where they are most needed.