

The Mike Emmerich Independent Review of Growth-Capable Devolution

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International Evidence on Devolution

1. Purpose

This paper reflects on the international evidence on devolution. It focusses on what enables growth-capable devolution and on what building it has looked like elsewhere. It is a companion to the working paper *Experiences of Devolution Across the United Kingdom*, which examines how devolution has been designed and put into practice across the four nations.

The first part of this paper reviews the empirical evidence on devolution and economic performance, and what it says about the conditions under which devolution works. It draws on the OECD's guidelines for effective decentralisation to consider where England stands. The second part examines how three places built the capability to shape their economies: through cluster policy in the Basque Country, regional project development in France, and partnership building in Brainport Eindhoven. These cases were chosen because they illustrate the process of building growth-capable places particularly well, and because they show the concerted, long-term effort that building this capability has required.

2. What matters in devolution

Within the OECD, there are over 132,000 local governments and more than 4,500 at the level between local and national, with France and the United States accounting for half of these.¹ As such, they differ widely in form, function, and funding. There is similarly an extensive literature examining the relationship between devolution and the efficiency of services delivered, and, through them, its impact on economic growth, inequality, resident satisfaction and other outcomes.

Given the range of arrangements, it is unsurprising that headline figures differ. To focus on economic growth, at a headline level there are a number of contrasting findings. For example, one study found that a ten per cent increase in the subnational share of general government spending in OECD members increases GDP per capita growth by 0.25 percentage points.² Others have found no significant relationship,³ or a negative one.⁴ Reviews of the wider literature nonetheless conclude that, on balance, the net impact of devolution is likely to be positive, particularly where reforms are well designed and implemented.^{5 6 7}

Recent work has advanced this by bringing the quality and effectiveness of government into the analysis. OECD research on European functional urban areas between 2003 and 2014

¹ OECD Data Explorer, 2026

² Gustavo Canavire-Bacarreza, Jorge Martinez-Vazquez, and Bauyrzhan Yedgenov, *Identifying and Disentangling the Impact of Fiscal Decentralization on Economic Growth*, World Development, vol. 127, 2020

³ Thushyanthan Baskaran and Lars Feld, *Fiscal Decentralization and Economic Growth in OECD Countries: Is There a Relationship?*, Public Finance Review, 41(4), 421-445, 2013

⁴ Andrés Rodríguez-Pose and Roberto Ezcurra, *Is Fiscal Decentralization Harmful for Economic Growth? Evidence from the OECD Countries*, Journal of Economic Geography, 11, 2011

⁵ Thushyanthan Baskaran, Lars Feld, and Jan Schnellenbach, *Fiscal Federalism, Decentralization, and Economic Growth: A Meta-Analysis*, Economic Inquiry, vol. 54, 2016

⁶ Jorge Martinez-Vazquez, Santiago Lago-Peñas, and Agnese Sacchi, *The Impact of Fiscal Decentralization: A Survey*, Journal of Economic Surveys, vol. 31, 2017;

⁷ Deepak Neupane, *The Relationship between Fiscal Decentralization and Economic Growth: A Systematic Review*, The Journal of Business and Management, vol. 8, 2024

found that where the quality of government is high and fragmentation is low, a greater degree of devolution is positively linked to labour productivity.⁸ This is attributed to devolved governments' ability to develop and pursue strong, targeted growth strategies, with the combination of high government quality, high local autonomy, and low horizontal fragmentation driving positive outcomes for productivity. The report utilises the UK's low autonomy as a point of contrast, highlighting low local autonomy as a factor restricting productivity growth. It estimates, for example, that despite the UK's high quality of government, labour productivity in the Leicester functional urban area would increase by 21% if local autonomy were equal to that of Helsinki, the area with the highest predicted productivity in its dataset.

Rodríguez-Pose and Muštra (2022) reached a similar conclusion for EU regions between 2000 and 2015.⁹ The economic benefits of regional autonomy were greater in regions where government quality was higher, while regions with low government quality grew less regardless of their level of devolution. Importantly, they found that breadth matters as well as depth. The gains from devolution accrue mainly through neighbouring regions as places grow more when surrounded by other devolved regions with strong government than through their own level of devolution alone. A strong system of devolved places, learning from one another and raising the standard of policy across a wider area, therefore drives economic dynamism more than any one strong place in isolation.

Figure 1: The returns to devolution depend on government quality and on neighbours



What this points to is the importance of the design and process of devolution in its success. The provision of responsibilities and powers is not enough by itself; devolved institutions also need the conditions that let them use those powers well: capable government, coherent governance across a functional economy, and strong partners beyond their own boundaries.¹⁰ The relevance for English devolution is clear. Capacity and capability bear directly on the ability of institutions to unlock the growth effects described above. The evidence also suggests these gains are amplified where strong devolved places sit alongside one another, so the capability of the system as a whole matters as much as that of any single authority. However, the companion working paper to this one, *Experiences of Devolution Across the United*

⁸ Dylan Jong, Alexandra Tsvetkova, Alexander Lembcke, Rudiger Ahrend, *A comprehensive approach to understanding urban productivity effects of local governments*, OECD, Regional Development Papers No. 11, 2021

⁹ Andrés Rodríguez-Pose and Vinko Muštra, *The economic returns of decentralisation: Government quality and the role of space*, Environment and Planning A: Economy and Space, Volume 54, Issue 8, 2022

¹⁰ Jean-Paul Faguet and Caroline Pöschl (eds.), *Is Decentralization Good For Development? Perspectives from Academics and Policy Makers*, 2015

Kingdom, shows that English devolution to cities and regions has so far followed a pattern closer to the wider UK experience than to the deliberate institution building that the evidence implies.

This international experience also offers a guide as to what that institution building involves. Drawing on an extensive review of reform evidence across federal and unitary states, the OECD has set out ten guidelines for effective decentralisation.¹¹

1	Clarify the responsibilities assigned to different government levels	6	Support cross-jurisdictional cooperation
2	Ensure that all responsibilities are sufficiently funded	7	Strengthen innovative and experimental governance, and promote citizens' engagement
3	Strengthen subnational fiscal autonomy to enhance accountability	8	Allow and make the most of asymmetric decentralisation arrangements
4	Support subnational capacity building	9	Consistently improve transparency, enhance data collection and strengthen performance monitoring
5	Build adequate coordination mechanisms across levels of government	10	Strengthen national regional development policies and equalisation systems and reduce territorial disparities

The past decade established the architecture of English devolution, and *Rewiring the State* has put England on course to meet several of these guidelines. Through fiscal devolution, strategic authorities will move towards funding that matches their responsibilities (guideline 2) and revenue of their own beyond grant (guideline 3). The balance between incentives and equalisation in guideline 10 will and should be very much in the minds of government as it develops its policy. More broadly, the creation of No 10 North, alongside the existing Mayoral Council, is an important step towards the coordination between levels of government described in guideline 5, while through the tiered model of Foundation, Mayoral and Established Mayoral Strategic Authorities and previous usage of trailblazer deals, England already practises asymmetric devolution (guideline 8).

On the other guidelines, however, there is still progress to be made. Of particular relevance to this review are the recommendations on clear and mutually understood responsibilities between levels of government (guideline 1) and the necessity of support for subnational capacity building (guideline 4). Strategic authorities will also need support to deepen cooperation across boundaries (guideline 6), building on mayoral-led initiatives such as the Great North, the West Midlands Compact and the White Rose Agreement.

With that in mind, the remainder of this paper explores how capability of this kind has been built elsewhere, through three cases: the Basque Country, French regional project

¹¹ OECD, *Making Decentralisation Work*, 2019

development, and Brainport Eindhoven. Each of these built the capability to shape their economies by very different routes. In the Basque Country, a shared understanding of the economy guided a long-running cluster policy. In France, authorities have pooled their expertise in building delivery experience project by project. In Brainport Eindhoven, cooperation has become a lasting partnership whose track record earned it the trust of national government.

Basque Country and cluster policy

Long a centre of heavy industry, the Basque Country faced a deep depression from the 1970s into the 1980s. In response, a group of policy entrepreneurs within the new regional government began to pursue an active industrial policy to reshape the region's industrial base, which evolved in the 1990s into a cluster-based approach.¹² Significant fiscal and policy autonomy gave the region the means to act. With them, it then built the capability to understand its economy and turn that understanding into coordinated action across the place.

This process began with evidence. Shortly after Michael Porter's influential *The Competitive Advantage of Nations* was published in 1990, the Basque Government commissioned Porter and the Monitor Group to map the region's competitive position and identify its underlying strengths. The Government used this report as the starting point for a shared reflection with industry, adapting the consultants' recommendations through consultation with local firms and building on existing business-association networks.

The findings were then implemented through public-private working groups formed for each cluster, led by the leading firms in each industry. Each agreed an action plan covering areas such as technology, internationalisation and quality management. The Government then channelled modest but sustained funding through those plans, and the clusters' technology plans fed directly into its regional innovation strategy. Over the 1990s, this produced cluster associations across the region, 14 of them by 2008.¹³

This industrial policy therefore drew on the whole place, with senior managers in businesses taking active roles in the cluster associations, while local governments and business associations were brought into the process, and a wider policy community developed alongside government leadership. As a result, the region had a way to develop, test, and revise its understanding of the economy together. In the 2000s, the region made that understanding a permanent capability with the creation of Orkestra, the Basque Institute of Competitiveness, and Innobasque, the Basque Innovation Agency. These public-private bodies provided applied analysis, training and spaces for interaction, giving the region a shared evidence base and a common foundation.

The capability has been tested since. When Orkestra's reports showed R&D intensity falling back after 2012, and weak non-technological innovation among smaller firms, the region changed course.¹⁴ It

¹² Susanne Frick, *Turnaround Cities: Spanish Case Study Insights from the Basque Country & Bilbao*, 2023

¹³ Manu Ahedo Santisteban, *Business Systems and Cluster Policies in the Basque Country and Catalonia*, European Urban and Regional Studies, Issue 13, 2006

¹⁴ Orkestra, *Long-Term Regional Strategy for Inclusive Competitiveness*, 2021

reorganised its research network, closed several research centres in favour of sector-specific centres nearer to market, and tightened funding for clusters, prompting mergers and alliances.

Through the cluster policy, then, the Basque Government built a shared, evidence-based understanding of the region's economy and the means to keep that understanding current. It also drew firms, business associations, and local governments into turning that understanding into coordinated action. Together, these gave the region the capability to understand its economy and to act on it.

France and local project development

The French tram boom has been much discussed in recent British policy reports, and these accounts have tended to emphasise the role of the cities' ringfenced payroll levy, which provides transport authorities with a predictable source of funding, alongside local control of approvals and delivery. Behind this record, though, sits a delivery model built up over decades. Projects are typically commissioned by intercommunal transport authorities and delivered through a mix of in-house teams, local public companies and contracted operators. Sustained programmes of development have then allowed local authorities to learn through delivery and to cooperate on procurement and technical solutions.

Particularly important to this is the pooling of specialist and capital-intensive capacity, a response to the fragmentation of French local government, which allows authorities to retain and grow shared expertise. For their members, these bodies provide engineering, legal, financial, and programme-management expertise within a single organisation. As central government progressively withdrew its direct engineering support from 2001, departmental territorial services lost around a third of their staff between 2012 and 2020, while local capacity grew in its place. Staff in intercommunal bodies rose by a quarter between 2015 and 2020, and their spending on studies doubled between 2010 and 2023.¹⁵

Local and regional capability has therefore grown steadily through these networks of intercommunal bodies, technical syndicates, local public companies and territorially embedded agencies. Through them, authorities are able to work across departmental and regional government, with prefects and state services helping to navigate rules, identify funding and mobilise specialist support, while departments, other authorities, and private providers contribute additional capacity. Mayors' associations and practitioner networks complement this system by providing training, peer exchange and the dissemination of information on funding, procedures and available technical support.

By contrast, a renewed national effort to supply capacity from the centre has performed poorly. Support is spread across nearly 400 often overlapping schemes run by three national agencies, much of it time-limited, centrally designed and tied to individual projects, and only around one in ten mayors consider it available, accessible or relevant. A 2025

¹⁵ Ministère de l'Intérieur, *Rationalisation des interventions des opérateurs de l'État au profit des collectivités en matière d'ingénierie territoriale*, 2025

French inspectorate review accordingly recommended prioritising local pooled capacity, with the state focussing on supporting that local offer.¹⁶

Capability in French project development is not uniformly strong, with marked differences between urban and rural areas. But the institutional ecosystem allows expertise to accumulate locally and be retained there, with local and regional organisations building direct experience of delivery.

Eindhoven and the Brainport partnership

Brainport Eindhoven emerged from pooled local resources in response to the recession of the early 1990s, when DAF collapsed and Philips restructured, moving its headquarters and much of its manufacturing away. Around 35,000 jobs were lost across the two firms and their suppliers, roughly a third of the city's employment.¹⁷ In response, the Mayor of Eindhoven, the Chancellor of Eindhoven University of Technology and the Chairman of the Association of Industrial Companies began a close partnership. It soon expanded to include the area's 21 local authorities, who established a regional fund to stimulate new economic activity and innovation.

The partnership's early work was practical and project-based, with each project led by a senior figure, often the chief executive of a major firm, with the authority to commit their organisation. The results included opening up the Philips research campus to other companies, as well as delivery of housing and a new business park. In 2006, the partners launched a formal organisation to lead Brainport cooperation, with business, local government and universities represented as equal partners. Since then, the partnership has developed and delivered a series of regional strategies, reporting on progress each year and aligning each with national and European priorities.¹⁸

Through this cooperation, the region built a strong system of place: a shared agenda, an organisation to carry it, and relationships of trust between those able to act on it. This system has since proved robust. During the 2008 financial crisis, the region's business leaders and local government together negotiated a national scheme allowing firms to put R&D staff on part-time work, with the state covering the lost hours, so that the region kept its knowledge workers through the downturn. The capability to negotiate and deliver this programme grew out of the preceding decade of cooperation and learning.

More recently, in 2024, ASML, now Europe's most valuable company, signalled it might expand abroad, citing concerns about infrastructure and access to talent. Brainport responded through Project Beethoven, a multi-billion package agreed between national government and the region, including over €1 billion of additional infrastructure investment.

The combination of a clear strategy and a record as a convenor gave the region the credibility to negotiate from strength. This capability grew from years of practical cooperation and successful delivery, formalised into a

¹⁶ Ministère de l'Intérieur, *Rationalisation des interventions des opérateurs de l'État au profit des collectivités en matière d'ingénierie territoriale*, 2025

¹⁷ Mark Bronneberg, Jos Pieterse, and Ger Post, *Brainport Eindhoven: Born from Crisis – 25 Years as a Triple Helix Governed Ecosystem*, Journal of Innovation Management, vol. 11, 2023

¹⁸ Sjoerd Romme, *Succes van Brainport Eindhoven is uniek en niet eenvoudig te repliceren*, ESB, vol. 107, issue 4811S, 2022

lasting institution of equal partners and sustained by modest pooled funding and annual reporting.

3. Conclusion

In each of the places examined, building capability has been a sustained, shared effort. National, regional, and local government have given careful consideration to how devolution should work in practice and have developed fit-for-purpose ways of sharing risk, learning from one another and allocating functions between tiers. In Brainport Eindhoven, national and regional government shared risk directly, first through the 2008 scheme to retain R&D staff and later through the Project Beethoven covenant. Learning has been built into the system, such as through Orkestra's regular competitiveness reports in the Basque Country, through planning agencies and practitioner networks in France, and through Brainport's annual reporting against its strategies. The allocation of functions has developed over time, with, for example, Basque legislation clarifying the competences of local entities.

As the evidence reviewed earlier shows, the growth returns to devolution depend partly on the strength of the government receiving it, and that of the places around it. Strategic authorities have already demonstrated considerable ingenuity, building new structures, developing new approaches to investment and delivery, and taking on responsibilities that would have seemed ambitious only a few years ago. However, these are elements that have been underpriced in English devolution so far, and though much of this growth capability already exists across strategic authorities and their wider places, continuing to strengthen it is essential to realising the potential of devolution. As the case studies show, this requires concerted and sustained effort over time, from every tier of government. To this point, however, English devolution to cities and regions appears to be following a pattern closer to the wider UK experience described in the companion working paper than to the best of what has been achieved elsewhere.

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