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Article

Building a Decentralization Index in Portugal: A Proposal on Conceptual and Methodological Foundations

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Abstract: Decentralization is a process that allows local governments to play a more active role in decision-making and the management of public policies. This process involves transferring responsibilities, resources, and authority from central to local governments, bringing the decisions and provision of public services and policies closer to the needs of citizens in each region. Portugal established a regime for asymmetric, multi-level, and multisectoral decentralization governance that is primarily focused on the policy (administrative) dimension. This study proposes conceptual and methodological foundations for building a decentralization index in Portugal aimed at measuring and comparing its outcomes across municipalities and policy areas of the social domain. The conceptual foundations enable a model that combines the state capacity concept with the three-dimensional decentralization theory, defining a framework of dimensions, objectives, and principles with potential indicators for a future index. The methodological cornerstones provide a qualitative scheme for determining the indicators that should comprise the decentralization index, data collection, processing methods, and analytical strategies. Although decentralization in Portugal dates back to the mid-2010s and the transfer of competences is formally complete as of 2023, at least in the social domain, its evaluation falls short of what is needed, including measuring its results in this domain. This study aims to present proposals that address these gaps and encourage a critical debate on decentralization, its frameworks, processes, and results.



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Keywords: decentralization; measurement; Portugal

1. Introduction

Decentralization is a fundamental pillar of the reform agenda in many countries, including Portugal. This concept is associated with regimes and processes that empower subnational jurisdictions to decide, manage, and deliver public policies. It involves transferring responsibilities, resources, and authority from the central to local governments to ensure effective responses to citizens' demands (Falleti, 2010; Harguindéguy et al., 2019; OECD, 2019).

Portugal established a regime for asymmetric, multi-level, and multi-sectoral decentralization governance that is primarily focused on the policy (administrative) dimension. This decentralization regime outlined a transfer process that produced varying results across municipalities and policy areas, including those related to education, health, and social action, which form the social domain (Assembleia da República, 2013, 2018a; DGAL, 2023b; Tribunal de Contas de Portugal, 2023).

This study proposes conceptual and methodological foundations for building a decentralization index in Portugal aimed at measuring and comparing its outcomes across

municipalities and policy areas of the social domain. To this end, it examines legislation and reports on decentralization in Portugal, the technical and scientific literature on the subject, and public policy evaluation and indicators.

These conceptual foundations enable a model that combines the state capacity concept with the three-dimensional decentralization theory, defining a framework of dimensions and Portuguese decentralization's objectives and principles with potential indicators for a future index. The methodological cornerstones provide a qualitative scheme for determining the indicators that should comprise the decentralization index, data collection, processing methods, and analytical strategies.

Although decentralization in Portugal dates back to the mid-2010s and the transfer of competences has been formally completed since 2023, at least in the social domain (see DGAL, 2023a, 2023b, 2024), its evaluation falls short of what is needed, including the measurement of its results in such a domain (Tribunal de Contas de Portugal, 2023).

Furthermore, no indices, models, or panels were found to provide a comprehensive and coherent assessment of decentralization results; instead, there were only efforts limited to specific areas, such as health or education, or to municipalities or groups (see OECD, 2020). This study aims to present proposals that address these gaps and encourage a critical debate on decentralization, its frameworks, processes, and results.

2. Overview of the Decentralization Process in Portugal

Before proposing the foundations of a decentralization index in Portugal, this study provides an overview of recent decentralization in this country's context, highlighting its remarkable relevance and secular dimension as a crucial issue throughout the formation and evolution of the national state. In other words, Portugal was marked by periods between more centrifugal or centripetal power distribution since its monarchical era, which began in the 12th century and continued during its republican contemporaneity from 1910 onwards (Caeiro, 2015, 2018).

The decentralization process in the current Portuguese democracy has, as its primary milestones, Articles 6 and 237 of the 1976 Constitution, which attributed a constitutional status to subsidiarity, the autonomy of local governments, and administrative decentralization. However, this process only gained traction after the massive fiscal crisis at the end of the 2000s and the conditionalities for international assistance in the early 2010s (Ministério Adjunto e dos Assuntos Parlamentares, 2011; OECD, 2020; Silva, 2017).

The legal framework of decentralization emerged in this context and was inaugurated by Law nos. 75/2013 and 73/2013 that approved the Legal Regime for the Transfer of Competences (RLTC) and the Financial Regime for Local Authorities and Intermunicipal Entities (RFALEI) (Conselho de Ministros, 2012; Silva, 2017). The basic outline of this process was completed after five years by Law no. 50/2018, the 'Framework Law' on the transfer of powers to local authorities and intermunicipal entities, and Law no. 51/2018, which created the Decentralization Financing Fund (FDD), including it in the RFALEI.

The decentralization regime that emerged from this legal framework in Portugal focuses on the administrative (or policy) dimension, which is better explained in the next section. Furthermore, such a process follows the premise that transferring competences brings decisions and implementation of public policies closer to citizens and should be aimed at the following:

- 1. Improving the quality of public services to populations;
- 2. Enhancing universality and equality of access to public services;
- 3. Ensuring permanent and transparent monitoring;
- 4. Promoting social participation in the evaluation of decentralized services;
- Amplifying the efficiency and effectiveness of public management;

- 6. Promoting territorial cohesion;
- 7. Reinforcing interregional solidarity;
- 8. Promoting institutional and social articulation, including at inter-levels;
- 9. Guaranteeing local financial, administrative, and organizational autonomy;
- 10. Transferring financial, human, material, and infrastructure resources;
- 11. Ensuring stabilized funding for the transferred competences;
- 12. Preventing the increase in overall public expenditure (Assembleia da República, 2013, 2018a; Tribunal de Contas de Portugal, 2023).

To achieve these objectives, the Portuguese regime is based on three institutional pillars: principles and guarantees, a decentralization arrangement, and the distribution of new subnational competences by policy areas.

Regarding the first pillar, the principle of universality refers to the national government's duty to transfer competences and respective resources within the scope of decentralization to all municipalities. However, such a transfer must be conditioned by the characteristics of municipalities; that is, this process should be paced and oriented towards subnational jurisdictions that are most suitable for exercising it (Assembleia da República, 2013, 2018a).

There are two principles focused on the concretization process of decentralization. First, the transfer of competences should occur gradually at a pace that depends on sectoral regulations related to each policy area and the characteristics of subnational authorities. Second, this process and its associated resources are subject to ongoing and transparent monitoring (Assembleia da República, 2018a).

The other principles are more linked to decentralization objectives. The guarantees to local authorities determine that the transfer must also preserve their financial, administrative, and organizational autonomy. In addition, financial, human, and material resources, as well as physical structures, should also be transferred to them to support the new competences. Furthermore, intervenors from such jurisdictions must have access to the information the national administration uses to manage this process as well as competences. Additionally, stable funding must be available to implement the transferred competences (Assembleia da República, 2018a, 2018b).

Finally, territorial cohesion and equal access ensure that the transfer of competences aims to mitigate disparities between territories and deliver better public policies to the population without undue differences and in a manner that reduces social and economic inequalities. Other principles of decentralization include the pursuit of quality in public services and the enhancement of the effectiveness and efficiency of public management (Assembleia da República, 2018a).

The pillar related to the decentralization arrangement represents a multi-level set of structures. At the national level are the Central Administration (CA), the Regional Coordination and Development Commissions (CCDR), and the Decentralization Monitoring Commission (CAD). At the subnational level are the intermunicipal entities (EIM), local authorities (LAs), and parish councils (PCs) (Assembleia da República, 2013, 2018a; OECD, 2020).

It is worth noting that the sectoral regulations on decentralization for each policy area also establish diverse technical, monitoring, and oversight commissions, which vary in terms of location within the government levels and duration, even among the most relevant areas related to 'social domains' (Tribunal de Contas de Portugal, 2023, p. 75). Regarding social action, the monitoring commission is national and permanent, whereas in education and health, it is municipal and has a mandate that expires on 31 December 2026 (Conselho de Ministros, 2019a, 2019b, 2020, 2022a, 2023).

The CA represents the set of central government bodies responsible for territorial cohesion and decentralization at that level, with emphasis on the General Directorate for Local Authorities (DGAL) (Assembleia da República, 2013; OECD, 2020). In addition, it includes the various national bodies responsible for the policy areas and public services involved in decentralization, transferring their competences and influencing the process, such as some units and committees within the structures of ministries related to education, health, and social action (Conselho de Ministros, 2019a, 2019b, 2020; OECD, 2020).

The CAD was established with a duration of up to 31 December, 2024, to oversee the process and assess the adequacy of financial resources, comprising representatives from parliamentary groups, the national government, the National Association of Portuguese Municipalities, and the National Association of Parishes (Conselho de Ministros, 2022b). The CCDRs deconcentrate specific responsibilities of CA bodies across different regions, focusing on coordinating environmental policies, territorial planning, and regional development while also supporting LAs and associations at the subnational level (Assembleia da República, 2013; OECD, 2020).

The EIMs represent voluntary associations of municipalities or groups of municipalities. These entities have their governance bodies, including an intermunicipal assembly composed of members elected by the assemblies of the member municipalities and an intermunicipal council comprising the mayors of the respective municipalities. They perform various functions, including developing regional strategic plans, coordinating public investment, managing community funds, and implementing regional development projects (Assembleia da República, 2013; OECD, 2020).

The LAs represent the 278 municipalities on the mainland and are the core target of the decentralization process. In some cases, competences delegated to LAs can be transferred to PCs, which become responsible for delivering public policies to the populations of the respective parishes within the municipalities (Assembleia da República, 2013, 2018a).

The pillar of the distribution of new competences defines which powers and responsibilities among policy areas fall within the scope of decentralization. Also, it ensures that each of these areas has its sectoral regulation and arrangement, as mentioned earlier. The decentralization regime established at least 20 areas for transferring, covering those of great strategic and financial importance, such as policies linked to the social domain, and others related to specific topics, such as beaches, housing, and port areas, that can be better leveraged locally (DGAL, 2024; Tribunal de Contas de Portugal, 2023).

The existence of numerous areas is particularly notable when combined with the fact that the principle of universality of the transfer is mediated by differentiation among the nature of policy areas and the characteristics of municipalities.

The reports' findings by DGAL and the Portuguese Court of Accounts highlight the existence of imbalances between subnational jurisdictions in assuming and implementing the new competences among policy areas (DGAL, 2024; Tribunal de Contas de Portugal, 2023, 2024). There are also indications of challenges arising from differences in the governance of decentralization across sectors and limitations of financial resources, including those from FDD (DGAL, 2024; Tribunal de Contas de Portugal, 2023, 2024), a situation that suggests this may represent another relevant factor contributing to such imbalances.

Among other findings noted by the Court of Auditors is the lack of up-to-date studies to guide the planning and sizing of the resources to be made available, which also makes it possible to establish the parameters that indicate efficiency gains or the applicable financial criteria and the lack of comprehensive data, which prevents a national view, and it is also striking (Tribunal de Contas de Portugal, 2023). Essentially, as outlined in Report no. 4/2023 in the second section, it recommends "ensuring the functioning of an integrated

follow-up, monitoring, and evaluation structure, capable of providing decision support" (Tribunal de Contas de Portugal, 2023, p. 80, in free translation).

Therefore, the Portuguese regime has established an intriguing multi-level and multi-sectoral governance system, which also exhibits characteristics of asymmetric decentralization, as proposed by Allain-Dupré et al. (2020) and OECD (2019). Furthermore, its decentralization process represents more of a systematization of parallel pathways of transferring competences between different policy areas than a single process.

From this overview, this study assumes that, despite various factors such as COVID that may have influenced decentralization, and although the transfer of competences has been formally completed since 2023, at least in the social domain (see findings from DGAL, 2023a, 2023b, 2024), such a process likely resulted in varied levels of achievement regarding its objectives across municipalities and policy areas in this domain.

Considering this scenario, a thorough search was conducted in the development of this study for models, indicators, and methodologies that enable the comprehensive measurement and comparison of decentralization results between policy areas and municipalities. The only information found indicated the existence of efforts limited to specific areas, such as health or education, or municipalities or groups of them (see OECD, 2020).

3. Conceptual Model for the Assessment of Portuguese Decentralization

Here, this study proposes a model that provides the conceptual foundations for a comprehensive and coherent assessment of decentralization in Portugal, serving as a first step to address the gap identified in the previous section. The concept of decentralization is commonly associated with reforms or regimes that empower subnational jurisdictions to decide, manage, and deliver public policies. It involves transferring responsibilities, resources, and authority from the central to local governments to ensure effective responses to citizens' demands (Falleti, 2010; Harguindéguy et al., 2019; OECD, 2019).

This general conceptualization enables us to assume that the theoretical results of decentralization can be divided into two levels. First, it should create, enhance, or amplify these responsibilities, resources, and authority in subnational governments as 'outputs'. Second, it assumes the premise that such governments, endowed with these greater 'capacities', should be able to design and deliver better public services and policies in response to the needs of their populations and territories as 'outcomes'.

The proposed model assumes that, at first glance, the state capacity concept can be used to approach the expected general decentralization's outputs and outcomes. Recent studies on decentralization and local governance have adopted the state capacity lens from a Weberian perspective, defining it as the combination of administrative, political, technical, and relational powers, abilities, and resources governments employ to achieve policy objectives, create social value, and deliver public goods (Grin et al., 2023; Weiss, 1998; and Williams, 2020).

The literature addresses the relationship between decentralization and subnational state capacities in two ways. Most studies explore how prior local capacities are a prerequisite for the success of decentralization processes (Bellofatto & Besfamille, 2018; Di Maro et al., 2022; Grin et al., 2023). Other comparative and case studies highlight experiences where the limitations of decentralization processes in building capacities at the local level have resulted in poor social and economic outcomes in target municipalities (Ahmad & Talib, 2014; Bossert & Mitchell, 2011; Fiszbein, 1997; OECD, 2019; Rumbach, 2016; Setiawan et al., 2022).

Upon closer examination, this conceptual model is enriched by combining state capacity with the three-dimensional theory of decentralization. The prevailing perspective in the

literature, international frameworks, and government proposals indicates that decentralization can be divided into the dimensions below:

- The policy dimension entails the transfer of competences for formulating, regulating, implementing, monitoring, and evaluating public services and policies. It should also encompass the transfer of human resources, expertise, information, physical infrastructure, assets, and the necessary financial resources to support them. These policy capacities should lead to more suitable public services that meet citizens' demands, expand opportunities for universal and equal access, and achieve a more efficient and effective public administration.
- The fiscal dimension involves transferring powers to manage revenues and expenditures by increasing mandatory financial transfers, introducing new subnational taxes, or granting subnational jurisdictions the fiscal authority to establish their taxes. It can also include empowering local governments to develop fiscal rules, define their budgets, expand their debt or funding, and participate in financing programs from international or private funds. These fiscal capacities should lead subnational governments to a more coherent and stable fiscal framework for financing their public services and policies towards the demands of each municipality.
- The political dimension refers to the transfer of political authority, enabling municipalities to conduct their elections. Beyond this, it involves guaranteeing autonomy in agenda setting and decision-making, as well as articulating with other governments, bodies, and entities of various natures and levels, while promoting social participation, transparency, accountability, and public engagement in affairs. These capacities must allow for prioritizing the interests and needs of the local population of each municipality in the design and implementation of services and policies as well as for reinforcing the participation of the various stakeholders and the cooperation between other institutional intervenors (Falleti, 2010; Grin et al., 2023; Harguindéguy et al., 2019; and OECD, 2019).

This subdivision does not imply that these dimensions cannot be combined in decentralization reforms. That is, even if in-depth or comparative case studies suggest that specific reforms were more concentrated in one dimension or followed in long trajectories, for different sequences between policy, fiscal, and political reforms, subnational governments should commonly assume responsibilities, resources, and powers related to the three dimensions (Falleti, 2010, 2013; Silva, 2017; and Tavares et al., 2018).

Examining the Portuguese case by this conceptual model, as shown in Table 1, it is possible to indicate that while some objectives and principles addressed in the previous section represent the expected policy, fiscal, and political capacities to be transferred to subnational jurisdictions as outputs, others can be associated with the expected outcomes in this three-dimensional division.

This approach is even more fruitful when considering an assessment of Portugal by the OECD and the European Committee of the Regions' decentralization index. Their results confirm that the decentralization regime focuses on the policy dimension, but it has generated state capacities at the local level in the three dimensions. Furthermore, both suggest that Portugal has an upper level in the political dimension of decentralization, a regular level in the policy dimension, and a lower level in the fiscal dimension (European Committee of the Regions, 2020; OECD, 2020).

Table 1. Preliminary conceptual model for the assessment of Portuguese decentralization.

Dimensions	Objectives and Principles	Type of Result
Policy	Universal transfer (to all municipalities) of competences within the scope of decentralization	Output
	Transfer of financial, human, material, and infrastructure resources	Output
	Access to all the information needed for the new competences	Output
	Improvement of the quality of public services to local populations	Outcome
	Promote territorial cohesion for the balanced and harmonious development among municipalities	Outcome
	Enhancement of universality and equality of opportunities for access to public services	Outcome
	Increase in efficiency and effectiveness of (local) public management	Outcome
	Recognition of the administrative and organizational autonomy of subnational governments	Outcome
Fiscal	Establishment of stable funds for financing the decentralization process	Output
	Maintenance of overall public expenditure levels (by municipality and by area)	Outcome
	Recognition of the financial autonomy of subnational governments	Outcome
Political	Guarantee of permanent and transparent monitoring of decentralization	Output
	Promotion of social participation in the evaluation of decentralized services and policies	Output
	Reinforcement of interregional solidarity	Outcome
	Promotion of institutional and social articulation, including at inter-levels	Outcome

Source: own elaboration, 2024.

These findings from the OECD and the EU Committee suggest potential explanations for the observed variation in the number of objectives and principles across the different dimensions. The emphasis on the policy dimension is linked to the underlying premise of the process, which reflects the designation of Article 236 of the Constitution as 'administrative decentralization'. With regard to the political dimension, it is essential to note that these findings indicate a higher degree of political decentralization, which may be a reason for the existence of less related objectives. No evidence was identified to clarify the underlying rationale regarding the lower prioritization of the fiscal dimension.

A further step is required towards a conceptual model that enables the evaluation of decentralization in Portugal, allowing for the measurement and comparison of the achievement of its objectives across municipalities and policy areas. The public policy literature discusses various indicators for measuring, analyzing, and monitoring (Amado, 2020; Neto & Gehlen, 2018; IPDET, 2007; Kusek & Rist, 2004). In this sense, indicators are crucial for evaluating the extent, effectiveness, and impact of public policies and establishing a monitoring system (Neto & Gehlen, 2018).

Table 2 presents some potential indicators for Portuguese decentralization that can capture and convey these results, considering the proposed municipal and sectoral granularity. The indicators generated by this model should enable the identification of territorial disparities by policy area, revealing uneven implementation patterns and supporting more context-sensitive strategies. Beyond this, they must allow for the systematic evaluation of decentralization outputs and outcomes, guiding evidence-based policy adjustments and improving the alignment between objectives and actual performance.

Table 2. Final conceptual model of the Portuguese decentralization.

Dimensions	Objectives and Principles	Potential Indicators by Municipality and Areas	
Policy	Universal transfer (to all municipalities) of competences within the scope of decentralization	Competences transferred from AC bodies Competences assumed by subnational governments	
	Transfer of financial, human, material, and infrastructure resources	 HR transferred from the AC bodies to support new competences Financial resources transferred from the central government to support new competences Material resources and infrastructures transferred from the AC bodies to support new competences 	
	Access to all the information needed for the new competences	 Information on decentralized policies available for the AC bodies Information on decentralized policies available for subnational governments 	
	Improvement in the quality of public services to local populations	User satisfaction with decentralized public services Rate of timely resolution of service requests and processes	
	Promotion of territorial cohesion for the balanced and harmonious development among municipalities	 Unbalance in economic dimensions across various topics (GNP, unemployment rate, purchasing power per capita, etc.) Unbalance in social dimensions across various topics (average life expectancy, early school leaving rate, population with higher education, doctors per inhabitant, social response coverage rate, etc.) Unbalance in the environment and sustainability across various topics 	
	Enhancement of universality and equality of opportunities for access to public services	 Population with access to essential public services in their municipality of residence Coverage rate of decentralized services per target group Territorial disparity in access to decentralized public services 	

Table 2. Cont.

Dimensions	Objectives and Principles	Potential Indicators by Municipality and Areas
Policy	Increase in efficiency and effectiveness of (local) public management	Average response time to citizens in decentralized servicesCost per unit of public service delivered
	Recognition of the administrative and organizational autonomy of subnational governments	 Percentage of major organizational decisions made without central government approval Degree of autonomous management of HR assigned to decentralized functions The existence of a dedicated and functional administrative structure for managing decentralized responsibilities
Fiscal	Establishment of stable funds for financing the decentralization process	 Regularity and predictability of the FDD transfers Percentage of decentralized expenditure covered by central government transfers Stability in decentralized funding over time
	Maintenance of overall public expenditure levels (by municipality and by area)	 Annual variation in municipal expenditure by policy area Share of decentralized policy areas in total municipal expenditure Per capita public expenditure by municipality among decentralized policy areas
	Recognition of the financial autonomy of subnational governments	 Share of own-source revenues in total municipal revenues Autonomy in the allocation of decentralized financial resources Utilization of own borrowing capacity
Political	Guarantee of permanent and transparent monitoring	 Frequency of public reports on physical and financial performance by areas Availability of public reports on physical and financial performance by areas
	Promotion of social participation in the evaluation of decentralized services	 Level of public participation in evaluation processes Inclusion of civil society inputs in municipal evaluation reports Frequency and scope of public surveys on the quality of decentralized services
	Reinforcement of interregional solidarity	Number of joint projects between municipalities or intermunicipal communities from different regions
	Promotion of institutional and social articulation, including at inter-levels	 Number of active formal interinstitutional coordination structures per municipality or intermunicipal community The existence of co-designed territorial plans or strategies involving multiple entities Number of interinstitutional cooperation protocols signed and implemented

Source: own elaboration, 2024.

The dimensions, objectives, and principles for structuring the indicator framework—some suggestions of which are presented in Table 2—should enable the proposal of the decentralization index. However, the construction of this index must be guided by methodological foundations that allow the definition of appropriate approaches and techniques for determining its indicators and their attributes, as well as data collection and processing methods and analytical strategies.

4. Methodological Proposal for a Decentralization Index in Portugal

The choice of a predominantly inductive approach (Marconi & Lakatos, 2003; Sampieri et al., 2007) of a qualitative nature (Bogdan & Bilken, 1994; Stern, 1980; Maxwell, 2005; Sadovnik, 2007; Gibbs, 2020) for the identification and theoretical delimitation of specific indicators is based on the need for an objective and replicable analysis of decentralization.

This methodology should enable a theoretical—methodological analysis of each dimension and decentralization objective while ensuring that the final index accurately reflects decentralization outputs and outcomes across policy areas and municipal contexts (Litvack et al., 1998). This method aligns with the research objectives of measuring and comparing decentralization local results (Hernández-Sampieri & Torres, 2018). Table 3 outlines this study's proposal for establishing methodological foundations for a decentralization index in Portugal, incorporating methods and techniques for collecting, processing, and analyzing information.

Table 3. Methodological strategies for a decentralization index in Portugal.

Data Collection Technique	Main Goals	Sources of Information	Data Processing and Analysis Techniques
Desk Research	 Search for relevant scientific literature Legislative survey Delimit the framework Recognize and substantiate the dimensions under analysis Identify the main indicators 	 WoS and SCOPUS Official gazette and ministerial ordinances National studies (dissertations and theses) 	 Analyzing the content of the bibliography Systematizing information Creating a timeline of legislation in force
Panels of experts	 Understand the different types and levels of participation and involvement of actors with different backgrounds and points of view Thematic sessions with a range of policymakers Access qualitative information and encourage discussion of a wide range of issues Broaden the debate between political decision-makers and those implementing decentralization policies 	 Independent experts Representatives of local authorities (LAs) Intermunicipal entities (CIM) Regional Coordination and Development Commission (CCDR) Central Administration (CA) 	 Thematic sessions with 6 to 10 people, with clear rules and techniques to stimulate discussion Thematic categorical analysis

Source: own elaboration, 2024.

Based on this methodological strategy, the creation of the index goes through three phases: 1. Construction of the index (current phase of identification and theoretical delimitation of dimensions, objectives and principles, and indicators). 2. Consolidation and stabilization of the index (scoring, weighting of the indicators, and testing of the reliability and viability of the indicators through confirmatory factor analysis). 3. Measurement of the results of the decentralization process in policy, fiscal, and political dimensions.

The selection and validation of indicators to measure decentralization should involve a reflexive debate and discussion, aiming to capture the complexity and multidimensionality of this political measure. This process is still ongoing due to the complexity and specificities of analyzing the process. It is inspired by comparative models and empirical studies that assess the increase in regional authority in diverse democracies, such as those conducted by Hooghe et al. (2010). Additionally, it draws on research into the relationship between fiscal decentralization and economic growth, as explored by Rodríguez-Pose and Krøijer (2009).

Finally, each proposed indicator can be scrutinized by a panel of experts who consult specialists in the policy area and the field of public administration. Through this approach, the aim is to ensure that the construction of the index is as closely aligned with reality as possible, thereby enabling the measurement and understanding of the results of decentralization in Portugal.

Constructing an index of decentralization presents a significant methodological challenge. These challenges, from the literature review to the primary data collection, require specific approaches to ensure the index's accuracy, relevance, and applicability.

One of the primary challenges at the outset of the process is conducting the literature review. The scarcity of specific studies in the literature and detailed publications on decentralizing competences in Portugal and similar contexts limits the ability to base the index on previous studies. To overcome this obstacle, it was necessary to broaden the scope of the literature search, incorporating studies from related areas that discuss decentralization in other contexts. This multidisciplinary approach should enable a holistic understanding of the dimensions involved in the process, supporting the delimitation of a model and the formulation of a robust, contextualized index.

Given the complexity of the decentralization process, another challenge will be defining the indicators that effectively capture the nuances of the outputs and outcomes of decentralization. Solving this challenge must involve consultations with decentralization experts and expert panels to validate the relevance and comprehensibility of the proposed indicators. This collaborative process should ensure that the index will reflect both the theory and practice of decentralization.

Another relevant challenge foreseen is the costs associated with obtaining primary data. Primary data collection is essential to feed the indicators with up-to-date and specific information; however, it is also a high-cost activity, especially when it involves collection at a national level across 278 municipalities and 2882 parishes on the continent. To mitigate this problem, alternative data collection methods, such as partnerships with government institutions that already hold relevant data, can be considered (Pencheon, 2008; Sangreman, 2021). Another option is to pursue targeted funding for research or use sampling methods that minimize the necessary data universe while preserving the representativeness of the results across municipalities and policy areas.

The methodology for building the index should enable the measurement of decentralization in the future, as the aim is to provide an analytical and operational tool for evaluating decentralization over time (Amado, 2020; Gerring, 2004). Thus, it must allow for strategies to adjust the index in the case of changes in the decentralization regime or process (Litvack et al., 1998; Rodríguez-Pose & Muštra, 2022).

Each of these methodological challenges requires a strategic and adaptive approach to ensure that the final index is valid and valuable for measuring decentralization in Portugal. Transparency in resolving these challenges is key to establishing the methodological integrity of the study and ensuring the index's reliability.

5. Discussion

This study highlights the importance of decentralization as a crucial tool for more responsive governance tailored to local needs. In the Portuguese context, the transfer of competences to local authorities, especially in the areas of health, education, and social action, has shown potential to promote management closer to communities and aligned with regional specificities. This finding is echoed in the literature, which points to decentralization as a strategy to bring public policies closer to local realities and foster citizen participation (Pires & Gomide, 2016; Hooghe et al., 2010).

However, the analysis of the data revealed that the success of this process is intrinsically linked to the existence of robust monitoring and evaluation systems. The absence of clear and comprehensive indicators to measure the progress and results of decentralization undermines the ability of governments to adjust their approaches. This challenge is exacerbated by the lack of up-to-date studies and the fragmentation of available data, as highlighted by the Tribunal de Contas de Portugal (2023). Without an adequate data infrastructure, decision-making becomes reactive, limiting the potential for proactive and efficient management. This finding reinforces the central argument of this study regarding the need for a systematic framework of indicators, such as the one proposed in Table 2, that allows for the comparative assessment of decentralization across policy areas and municipalities.

Another critical aspect identified is the inequality in the implementation of the decentralization process. While some municipalities have been able to successfully integrate new skills, others face significant difficulties due to financial, technical, or organizational constraints. These disparities raise questions about the fairness of the process and the need for compensatory measures to ensure more uniform implementation. As highlighted by Falleti (2010), effective decentralization requires not only the transfer of responsibilities but also the strengthening of the institutional and technical capacity of local governments. This also suggests the need for policy tools capable of identifying and addressing such asymmetries, a role the proposed index could play by making visible the differentiated impacts and capacities among territories.

The challenges are not limited to financial administration and management. The political sphere also plays a crucial role in the effectiveness of decentralization. The existence of robust mechanisms for citizen participation and transparency was pointed out as a determining factor for the success of the process. However, the data suggest that the implementation of participatory practices is still incipient in many municipalities, limiting the involvement of local communities and, consequently, the legitimacy of decentralized policies. This gap reinforces the need to invest in mechanisms that encourage active citizen participation, such as public consultations and participatory budgeting. Such challenges directly align with the political dimension identified in the conceptual model and should be tracked through indicators related to transparency and public engagement, as included in Table 2.

The results of this study also highlight the need for a careful balance between local autonomy and responsibility. While autonomy is key to enabling local governments to adapt policies to their realities, it must be accompanied by accountability mechanisms that ensure efficient and transparent management of resources. This balance is essential to prevent decentralization from turning into a mere delegation of tasks without the necessary

resources, perpetuating inefficiencies and inequalities. This concern was addressed in the proposed model by combining output and outcome indicators across the policy, fiscal, and political dimensions to ensure that both autonomy and performance are monitored.

Based on these observations, it is possible to outline directions for future research and practice. Longitudinal studies that look at the long-term impact of decentralized policies in different regions can provide valuable insights into the benefits and limitations of the process. In addition, research exploring the role of technical and administrative capacity building of local governments would be essential to understand how to overcome the challenges identified. Future studies could also include pilot applications of the decentralization index in selected municipalities or policy areas to validate its indicators and refine its structure.

Finally, this study reinforces the importance of developing a structured and evidence-based framework for the monitoring and evaluation of decentralization in Portugal. Such a framework should include clear, comprehensive indicators adjusted to local specificities, allowing us not only to measure the effectiveness of policies, but also to identify areas for improvement. The proposed decentralization index provides an initial foundation for such a framework, enabling a multidimensional and comparative analysis that can guide both strategic planning and public accountability.

Thus, the results of this study not only complement the existing literature but also highlight the complexity and challenges of the decentralization process in Portugal. By proposing solutions and directions for future research, this work provides a solid foundation for advancing decentralization practices and promoting more efficient and equitable public management.

6. Conclusions

This study deepened the analysis of the decentralization process in Portugal, exploring the transfer of competences to central and local authorities and evaluating the effectiveness of current local governance structures. The results underline the complexity of this process and the persistent challenges that limit its full implementation, while highlighting the significant progress achieved since the introduction of Laws No. 75/2013 and No. 50/2018. These findings were translated into a comprehensive conceptual and methodological proposal for assessing decentralization outcomes and outputs, with the goal of building a future decentralization index.

The findings show that decentralization has the potential to significantly improve local government by making it more responsive to specific regional needs. However, the realization of these benefits depends crucially on the ability of municipalities to manage the new competencies effectively, which requires not only transfers of power but also adequate support in terms of financial resources and technical capacity.

The research identified that, despite progress, there is considerable variability in the capacity of local entities to implement decentralized policies influenced by factors such as available resources, technical competence, and political will itself. This underlines the need for a more personalized approach to the implementation of decentralizing measures, considering the particularities of each region.

In the future, it will be essential to establish robust monitoring and evaluation mechanisms, which not only help to measure the effectiveness of decentralization initiatives but also promote constant adaptation of and improvement in policies. These systems must be able to capture local dynamics and provide reliable data for informed and responsive decision-making. The proposed decentralization index—grounded in a structured framework of dimensions, principles, and indicators—presents a potential response to this need, combining scientific rigor with policy applicability.

The decentralization process in Portugal presents a promising framework for the improvement of local governance. However, its continued success will depend on a dedication to addressing existing challenges and investing in local capacities. The next steps should include empirical validation of the indicators and the implementation of pilot studies to test the feasibility and reliability of the index. This research has contributed insights to the public policy debate and provides a solid basis for future studies and legislative initiatives aimed at enhancing regional development through effective decentralization.

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