Navigating Fiscal Federalism: An Empirical Analysis of Intergovernmental Transfers in Urban Policy Frameworks

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Abstract. This study investigates the dynamics of intergovernmental fiscal transfers within urban policy frameworks, emphasizing a case study on the Metropolitan City of Milan. Utilizing a mixed-methods approach, the research synthesizes quantitative data from fiscal reports and qualitative interviews with municipal policymakers to elucidate the impact of fiscal decentralization on urban governance. Findings reveal a positive correlation between enhanced intergovernmental transfers and improved policy outcomes in urban health and infrastructure sectors, suggesting that strategic fiscal policies invigorate local governance capacity. This research contributes to the discourse on fiscal federalism by providing actionable insights for policymakers seeking to optimize intergovernmental relations in urban contexts.

Keywords: fiscal federalism, intergovernmental transfers, urban governance, public policy, Milan, mixed-methods approach, local governance, resource allocation, policy outcomes

Introduction

In an era marked by increasing urbanization, the challenges of fiscal governance have become more pronounced, particularly within the framework of intergovernmental relations. With over half of the global population now residing in urban areas, the efficient allocation of public resources has emerged as a critical determinant of urban policy efficacy. However, despite the potential for fiscal decentralization to enhance local governance, many municipalities struggle with inadequate financial resources, leading to significant disparities in service delivery and quality of life. The relevance of intergovernmental transfers has thus intensified as jurisdictions navigate the complexities of fiscal federalism. This paper focuses on the case of the Metropolitan City of Milan,

illustrating how strategic fiscal policies can invigorate urban governance. Through a mixed-methods methodology, this research synthesizes both quantitative data from fiscal reports and qualitative insights from interviews with local policymakers, offering a comprehensive analysis of how intergovernmental transfers affect urban policy outcomes. The structure of the paper is as follows: the first section reviews the theoretical framework of fiscal federalism, followed by an analysis of the methodological approach. The subsequent sections present findings from the case study, concluding with policy recommendations aimed at optimizing intergovernmental financial relations.

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