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Why Do Local Governments Enter Into Cooperative Intermunicipal Agreements?[1]

¿Por qué los gobiernos locales celebran acuerdos de cooperación intermunicipales?

Por que os governos locais celebram acordos de cooperação intermunicipal?

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Abstract

Intermunicipal collaboration enables local governments to address collective action problems that transcend jurisdictional boundaries while preserving local autonomy. The conditions that encourage collaboration may vary according to the purpose and transaction costs of cooperative arrangements. This paper examines the factors associated with Mexican municipalities' participation in three types of intermunicipal agreements: urban planning; programming, funding, and execution of public works; and common service delivery. Using data from Mexico's National Census of Municipal Governments and Territorial Demarcations of Mexico City (CNGMD), the study presents multivariable logistic regression models incorporating metropolitan and urban status, fiscal capacity, socioeconomic conditions,

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economic output, population, and population density. Results show that intermunicipal collaboration is task-specific rather than a uniform institutional response. Metropolitan location and economic capacity facilitate cooperation in planning and public works, whereas urban status is particularly relevant for planning and shared services. Socioeconomically marginalized municipalities are less likely to participate in planning and service delivery agreements, but more likely to enter into public works agreements. Additionally, greater municipal revenue reduces incentives to share services. These findings extend institutional collective action theory by showing that collaboration depends on the interaction between transaction costs, municipal capacity, socioeconomic need, and the specific function being jointly undertaken.

Keywords: intermunicipal collaboration, institutional collective action, local governments, metropolitan governance, transaction costs

Resumen

La colaboración intermunicipal permite a los gobiernos locales atender problemas de acción colectiva que trascienden sus límites jurisdiccionales sin renunciar a su autonomía. Las condiciones que incentivan la colaboración pueden variar según el propósito y los costos de transacción de los acuerdos celebrados. Este estudio examina los factores asociados a la participación de los municipios mexicanos en tres tipos de acuerdos intermunicipales: planeación urbana; programación, financiamiento y ejecución de obras públicas; y prestación de servicios comunes. Utilizando datos del Censo Nacional de Gobiernos Municipales y Demarcaciones Territoriales de la Ciudad de México (CNGMD), se estimaron modelos de regresión logística múltiple que incorporan la condición metropolitana y urbana, capacidad fiscal, condiciones socioeconómicas, producción económica, población y densidad poblacional. Los resultados muestran que la colaboración intermunicipal depende del tipo de actividad. La localización metropolitana y la capacidad económica favorecen la cooperación en planeación y obra pública, mientras que la condición urbana resulta particularmente relevante para la planeación y los servicios compartidos. Los municipios marginados socioeconómicamente tienen menos probabilidades de participar en acuerdos de planificación y prestación de servicios, pero más probabilidades de cooperar en acuerdos de obras públicas. Asimismo, unos mayores ingresos municipales reducen los incentivos para compartir servicios. Estos hallazgos amplían la teoría de Acción Colectiva Institucional al mostrar que la colaboración depende de la interacción entre costos de transacción, capacidad municipal, necesidad socioeconómica y función compartida.

Palabras clave: colaboración intermunicipal, acción colectiva institucional, gobiernos locales, gobernanza metropolitana, costos de transacción.

Resumo

A colaboração intermunicipal permite que os governos locais enfrentem problemas de ação coletiva que ultrapassam seus limites jurisdicionais, preservando simultaneamente sua autonomia. As condições que incentivam a colaboração podem variar conforme a finalidade e os custos de transação dos acordos. Este estudo examina os fatores associados à participação dos municípios mexicanos em três tipos de acordos intermunicipais: planejamento urbano; programação, financiamento e execução de obras públicas; e prestação de serviços comuns. Utilizando dados do Censo Nacional de Governos Municipais e Demarcações Territoriais da Cidade do México (CNGMD), foram estimados modelos de regressão logística múltipla que incorporam condição metropolitana e urbana, capacidade fiscal, condições socioeconômicas, produção econômica, população e densidade populacional. Os resultados mostram que a colaboração intermunicipal depende do tipo de atividade. A localização metropolitana e a capacidade econômica favorecem a cooperação em planejamento e obras públicas, enquanto a condição urbana é particularmente relevante para o planejamento e os serviços compartilhados. Municípios socioeconomicamente marginalizados apresentam menor probabilidade de participar de acordos de planejamento e prestação de serviços, mas maior probabilidade de cooperar em acordos para obras públicas. Além disso, receitas municipais mais elevadas reduzem os incentivos para o compartilhamento de serviços. Esses resultados ampliam a teoria da Ação Coletiva Institucional ao mostrar que a colaboração depende da interação entre custos de transação, capacidade municipal, necessidade socioeconômica e função compartilhada.

Palavras-chave: colaboração intermunicipal; ação coletiva institucional; governos locais; governança metropolitana; custos de transação.

Introduction

The wave of decentralization and devolution of processes from central to local governments in Latin America has been intended to strengthen democracy and facilitate context-specific delivery of public services (Ramírez de la Cruz, 2026). However, decentralizing authority to the local level in urban areas produces spillovers and creates challenges for achieving economies

of scale (Grin & Abrucio, 2018; Warner, 2017). Responses to these institutional collective action dilemmas have varied widely across the globe (Tavares & Feiock, 2018). These trends toward decentralization and devolution to subnational governments are reflected across Latin America. Many of Latin America's largest metropolises face significant governance challenges due to excessive fragmentation, with monocentric metropolitan regions constituting the exception, either by intentional design (Lima) or because of the historical dominance of the central city (Bogotá) (Ramírez de la Cruz, 2026).

Although some aspects of metropolitan governance problems in Latin America resemble those in the Global North, others are unique. For example, limited professionalization, particularly in less developed cities; spoils systems; corruption; limited financial resources; national government involvement; and political risk aversion among local officials are often more salient in urban regions of Latin America than in developed countries. One focus of the institutional collective action (ICA) approach has been identifying factors that influence municipalities' choices of collaboration mechanisms. Efforts to increase local capacity, leverage economies of scale, and improve local service delivery have spawned various different arrangements for the organization and governance of metropolitan areas, ranging from highly decentralized to consolidated systems.

Intermunicipal collaboration agreements in Latin America have the potential to create networks of horizontal interactions among local governments, fostering collaboration and information exchange among public managers. These networks provide both collaborative and informational benefits, building trust and reciprocity, reducing risks, and lowering future cooperation costs, thereby enhancing local government performance even beyond the intermunicipal agreements' primary goal. The specific benefits sought often include achieving cost efficiency through economies of scale, pooling resources, specialization, and reducing implementation costs for public services (Muraoka & Avellaneda, 2021).

Local governments establish intermunicipal collaboration agreements for a variety of reasons, often rooted in pursuing efficiency, internalizing externalities, mitigating risks, leveraging existing relationships, responding to external mandates or influences, reinforcing interlocal economic competitiveness, and preserving local autonomy. These agreements, a vital part of local governments' strategies, allow jurisdictions to address shared challenges and achieve mutual benefits (Bel et al., 2024). Cooperation, particularly through municipal agreements, is pursued as a flexible means to preserve autonomy and avoid more rigid

forms of integration, such as full consolidation. Although consolidation can address collective action problems, it often faces political resistance and entails a loss of local control. The ICA framework helps explain these motivations by emphasizing how local governments weigh the costs and benefits of cooperation within their specific institutional, social, and political contexts (Bel et al., 2024; Fan et al., 2026; Feiock, 2007, 2009; Hansen et al., 2020; Woods & Bowman, 2018).

The ICA framework posits that local governments act as rational agents, pursuing mutually beneficial agreements and aligning priorities only when expected benefits outweigh the transaction costs of collaboration (Bel et al., 2024; Castillo, 2019). Transaction costs manifest in intermunicipal collaboration as decision costs involving information search and negotiation to reconcile conflicting development goals (Carr & Hawkins, 2013). They also include autonomy costs associated with ceding control over local decisions, such as urban planning, as well as “not in my backyard” (NIMBY) opposition to projects and fear of “outsider” influence (Ramírez et al., 2022; Tricaud, 2025). Additionally, division costs emerge as barriers to the equitable sharing of project expenses among partners (Carr & Hawkins, 2013; Davis & Gough, 2019), and administrative intensity increases through the organizational costs of governing complex regional institutions (Aldag et al., 2020; Carr & Hawkins, 2013; Rodrigues et al., 2012).

Complexity and asset specificity also translate into transaction costs. The former appears as measurement difficulty, where hard-to-quantify outcomes create information that require expensive monitoring systems and restrictive contracts, leading public officials to retain in-house production to maintain better control over service quality (Carr & Hawkins, 2013; Rodrigues et al., 2012). Asset specificity manifests when specialized investments, such as unique sites, technical skills, or dedicated infrastructure, cannot be easily redeployed for other uses. Specialized assets create bilateral monopolies that lock partners into relationships that escalate free-riding risks and potential vendor opportunism (Carr & Hawkins, 2013). To mitigate these frictions, municipalities rely on institutional frameworks such as detailed contracts and regional governance bodies, as well as social capital and professional networks, which foster trust and reciprocity and lower negotiation and enforcement burdens (Carr & Hawkins, 2013; Mikušová Meričková et al., 2026; Robb et al., 2023). Furthermore, planning and financial centralization can also mitigate these burdens by absorbing research and contractual risks, as costs rise with jurisdictional fragmentation and a higher number of partners (Aldag et al., 2020; Davis & Gough, 2019).

Formal rules and positive economic or legal incentives can help reduce transaction costs, but they remain contingent on informal political relationships and the willingness of local actors to comply. Partisan rivalry or personal conflict prompts local officials to exploit institutional ambiguities to protect their jurisdictional autonomy or avoid shared responsibilities despite attractive economic incentives (Cabrero Mendoza, 2010; González-Vázquez et al., 2024). Likewise, institutional mandates alone do not guarantee institutional compliance. It requires supportive informal political conditions and mutual alignment that motivate leaders to voluntarily commit to joint decision-making and collaborative governance (Eisenstadt, 2004; Pírez, 2025). Therefore, the effectiveness of formal intermunicipal rules hinges on informal trust, political willingness, and aligned incentives among participating authorities.

In Latin America, a primary driver for cooperation has been the pursuit of cost efficiency and resource optimization (Muraoka & Avellaneda, 2021). Municipalities often face insufficient human and material resources, limiting their capacity to respond to local demands on their own. These agreements allow them to reduce implementation costs through economies of scale, resource pooling, and specialization, making public service provision more efficient (Muraoka & Avellaneda, 2021). This applies to capital-intensive projects such as infrastructure, land development, or recreational amenities that might be infeasible for a single municipality, reducing per capita costs and standardizing services. Such joint efforts can also create jobs and alleviate negative economic conditions (Bel et al., 2024). In Brazil, for instance, cooperative provision of services such as social assistance, culture, and housing has been shown to be less expensive than standalone provision, particularly benefiting smaller and medium-sized local governments by boosting their technical and financial capacities (Muraoka & Avellaneda, 2021).

In summary, our research investigates the determinants and effects of intermunicipal collaboration, first from a general perspective and then from the specific case of the Mexican experience. There is already a substantial body of literature on specific cases that have produced valuable insights on the dynamics of interlocal collaboration in contexts such as Argentina, Mexico, Brazil, El Salvador, Puerto Rico, and Chile (Arias-Yurisch et al., 2019, 2024; Carrera Hernández, 2005; Castillo, 2019; Cravacuore, 2025; Grin & Abrucio, 2017; López-Rodríguez, 2021; Mendo Gutiérrez, 2016; Meza et al., 2018; Muraoka & Avellaneda, 2021; Ramírez de la Cruz, 2012, 2026; Rodríguez-Oreggia & Tuirán Gutiérrez, 2006). This paper addresses a central question: Why do Mexican municipalities choose to enter into collaboration agreements with other municipalities? This research expands our understanding of the various forms of intermunicipal cooperation and their causes in Latin America. Using an

underexplored data source from the National Census of Municipal Governments and Territorial Demarcations of Mexico City, we examine how transaction costs relate to local government collaboration patterns in developing contexts.

Intermunicipal Collaboration in Mexico

Mexico has 92 metropolitan areas that include 421 municipalities, which are home to 65.5% of the country's population (Consejo Nacional de Población [CONAPO], 2023). In this context, the study aims to understand the creation of intermunicipal association agreements for territorial development, which, in turn, seek to fulfill three purposes: strengthen urban planning processes; program, fund, and execute activities and works; and deliver common services.

The creation of the North American Free Trade Agreement (NAFTA) and the country's interdependence with the United States forced it to adopt new regional development policies. NAFTA and the accelerated growth of Mexican urban areas led to the adoption of decentralization policies, with negative effects in rural areas, including the fragmentation of localities, environmental deterioration, and social inequalities. These negative consequences have created regional disparities that require the federal government's participation to support territorial planning and urban development (Gobierno de México, 2021).

In strict legal terms, the federal government adopts and implements land-use regulations and strategies to foster the rational use of land to advance the comprehensive development of the country. This strategy seeks to define strategic metropolitan zones (geographically and conceptually) to foster national economic development and reduce regional inequalities. Likewise, it is intended to create activities for the sustainable development of the country, based on its natural resources, productive activities, and the equilibrium between human settlements and their environmental conditions. It is also meant to propose rules for the provision of infrastructure, equipment, and essential installations for the development of the country's regions (Congreso de la Unión, 2016). According to the National Census of Local Governments and Territorial Demarcations of Mexico City (Instituto Nacional de Estadística y Geografía [INEGI], 2022a), of the 2,469 municipalities existing in 2020, only 392 (16%) carried out activities in urban planning, urban development, and territorial management. These activities, aligned with the national strategy established in the General Law on Human Settlements, Territorial Management and Urban Development, are reflected in the Census as three forms of intermunicipal coordination: urban planning; programming, funding, and execution of activities and works; and common services provision.

Article 115 of the Mexican Constitution grants local governments the authority to coordinate and associate with each other to improve public services. This was expanded in 1999 to allow associations between municipalities from different states, subject to approval by state legislatures. However, implementing this constitutional right depends heavily on state legislation, which may pose a significant barrier (Carrera Hernández, 2005; Rodríguez-Oreggia & Tuirán Gutiérrez, 2006). In many cases, state legislation restricts municipal autonomy by requiring state legislative approval for associations within the same state (Carrera Hernández, 2005). In addition, intermunicipal coordination in Mexico aligns mainly with the federal government's vision of land development, ingrained in the General Law on Human Settlements, Territorial Management and Urban Development (Congreso de la Unión, 2016) or the National Program for Territorial Management and Urban Development (Gobierno de México, 2021).

Several internal factors within municipalities act as incentives or deterrents to collaboration under this legal arrangement. Economic benefits are a primary incentive, as joint action can create economies of scale, eliminate duplication, and enable investments in infrastructure and technology that single municipalities could not afford. Financial pressure, such as high debt levels, also increases the likelihood that a municipality will seek cooperative arrangements (Rodríguez-Oreggia & Tuirán Gutiérrez, 2006). The availability of information, technical assistance, and training from national or international organizations serves as another significant incentive. External support, such as federal funds from programs like the Fondo Metropolitano (Metropolitan Fund), also encourages cooperation (Ramírez de la Cruz, 2012; Rodríguez-Oreggia & Tuirán Gutiérrez, 2006).

Mexican municipalities also often cooperate to address complex metropolitan and regional problems that no single jurisdiction can solve (Ramírez de la Cruz, 2012). For instance, in metropolitan areas, urban growth, functions, and activities physically and functionally integrate several municipalities, making coordinated planning essential. In the Guadalajara Metropolitan Area, municipalities collaborated on a territorial ordering plan (POTmet) to address a 33-year institutional lag and build a shared vision for the city, focusing on sustainability, housing, and infrastructure. This type of collaboration is considered necessary to achieve sustainable human settlements and requires cooperation among local authorities, the private sector, and social representatives (Mendo Gutiérrez, 2016).

Furthermore, institutions and other external political incentives can encourage collaboration. State legislation favorable to intermunicipal associations has been shown

to increase the likelihood of municipalities cooperating (Rodríguez-Oreggia & Tuirán Gutiérrez, 2006). Also, intermunicipal agreements can serve as a strategy to strengthen local governments' institutional and political influence. By working together, municipalities can become more effective negotiators with state and federal authorities, fostering a more balanced model of intergovernmental relations (Carrera Hernández, 2005). This collective action enhances their ability to manage complex metropolitan challenges, from coordinating land-use planning to promoting regional economic development and addressing social disparities (Mendo Gutiérrez, 2016; Ramírez de la Cruz, 2012). The goal is often to create a shared metropolitan vision and uniform policies that can address regional issues, which individual municipalities cannot address alone (Mendo Gutiérrez, 2016).

On the other hand, numerous factors hinder intermunicipal collaboration in Mexico, including legal frameworks, political dynamics, subnational administrative capacities, and socioeconomic disparities. The first obstacle is the inherent nature of local governments as self-contained, decision-making institutions. Each municipality develops its own institutionalized set of practices, rules, and ideologies tailored to its specific jurisdiction. These internal structures are resistant to change, especially when imposed from the outside. Collaboration is often not an available option within these established rules, meaning a "willingness to collaborate" cannot simply be activated when priorities align. Attempts to force collaboration through legal means or external incentives often fail if they do not develop from within the known institutional rules of the participating governments (Castillo, 2019).

Although formal rules can help reduce transaction costs, they do not automatically increase the chances of collaboration. Decentralization in Mexico is an example of this. The 1999 constitutional reform did not correct the asymmetrical institutional architecture that made municipalities dependent on fiscal centralism (Cabrero Mendoza, 2010). This heterogeneity favored increased jurisdictional fragmentation, differences in administrative capabilities and rising negotiation costs among governments that cannot contribute equally to shared responsibilities (Arellano Ríos, 2025). Rather than mitigating collective action dilemmas through voluntary intermunicipal agreements, decentralization created new incentives to shield territories from free-riding and protect earmarked financial transfers in an environment of fiscal dependence. Decentralization ended up encouraging institutional autarky and territorial defense, creating a system of "multiplied centralisms" that obstructs enduring intermunicipal collaboration. The basis of this multiplicity is a problem of “barbed-wire federalism”, where authorities at each jurisdictional level maximize their own narrow autonomy and isolate their

territories (Cabrero Mendoza, 2010).

State and municipal administrative capacities shape the viability and endurance of intermunicipal collaboration and influence institutional limits to joint-governance initiatives. Subnational jurisdictions need to accompany authority devolution with capacity-building strategies that bridge bureaucratic performance gaps at least within the same state (Cabrero Mendoza, 2004, 2010). Metropolitan municipalities, for example, often have access to university-trained staff and better technical planning bodies, whereas small and rural municipalities lack these and other resources, such as clear regulatory frameworks and digital management systems. Fiscal centralism and heavy reliance on transfers further restrict municipal autonomy and make it difficult for them to commit funds for long-term regional infrastructure. Altogether, capacity shortcomings reduce the municipalities' ability to negotiate, implement and uphold long-lasting collaboration agreements (Cabrero Mendoza, 2004, 2010).

Furthermore, differences in economic, social, and institutional capacities create substantial barriers to cooperation (Rodríguez-Oreggia & Tuirán Gutiérrez, 2006). Collaboration is less likely when municipalities have dissimilar decision-making institutions and management capabilities, as this can lead to divergent priorities and a risk of miscommunication. This problem is particularly acute in metropolitan areas, where wealthier jurisdictions are often resistant to redistributive policies that would subsidize poorer ones, making it difficult to address issues such as social development, housing, and health on a regional scale (Castillo, 2019; Ward et al., 2015).

Political factors also play a crucial role in obstructing collaboration. The desire to maintain local autonomy and control is strong, and political actors, as well as homeowners, often resist urban consolidation efforts, fearing a loss of influence on public works (Castillo, 2019; Ramírez et al., 2022). Partisan politics and rivalries frequently undermine cooperative initiatives, as local political leaders prioritize power continuity and electoral survival over regional efficiency. Rival parties across neighboring jurisdictions often fear that joint governance will expose their voters to policies from other municipalities, possibly influencing a change in their electoral preferences (Pírez, 2025). Contiguity is important to copartisan networks because fiscal support and policy decisions spread faster across politically aligned neighbors, prompting rivals to resist their advance through isolation and institutional blockages (Benton, 2026; Varela Álvarez & Barral Buceta, 2025).

Across horizontal collaboration, municipalities exhibit greater willingness to associate when dealing with shared service provision and regional externalities, but agreeing on the terms

can be difficult if local councils are dominated by different parties with contrasting views on redistribution, local taxation, and development (Unda-Gutiérrez & Reyes, 2024). At any branch of local government, persistent political conflict and partisan distrust hinder policy incentives, leading local governments to establish and preserve strict jurisdictional fragmentation despite the clear economic advantages of coordination (Arellano Ríos, 2025; Cabrero Mendoza, 2010). But even when political circumstances seem favorable, collaboration is not guaranteed; for example, when the same party governed most municipalities in the Guadalajara Metropolitan Area from 2006–2009, little progress was made on metropolitan issues (Mendo Gutiérrez, 2016). Furthermore, political incentives are often short-term, and collaborative projects that do not yield results within a single mayoral term are politically unattractive, leading to short-lived agreements that new administrations do not renew, as seen in the Puebla metropolitan area (Carrera Hernández, 2005; Castillo, 2019; Ward et al., 2015).

The legal and institutional framework for intermunicipal collaboration is often inadequate. Much state-level legislation restricts local governments' autonomy to associate, creating a significant obstacle to developing and consolidating intermunicipal bodies (Carrera Hernández, 2005). The absence of clear legal guidelines, instruments, and mechanisms for the formalization and operation of these associations is also a problem. Although reforms in 1999 improved the conditions for fostering collaboration, an aversion to it persists, indicating that addressing legal challenges alone is insufficient (Carrera Hernández, 2005; Castillo, 2019).

Finally, poverty, financial and technical deficiencies, and a lack of trained personnel weaken the municipalities' decision-making institutions and isolate them (Carrera Hernández, 2005, 2016; Rodríguez-Oreggia & Tuirán Gutiérrez, 2006). Municipalities often have limited financial capacity and depend heavily on federal transfers, with little margin to invest in collaborative projects aligned with their own priorities. This lack of resources and institutional capacity makes it difficult for them to engage in the complex, long-term work required for successful intermunicipal cooperation (Carrera Hernández, 2005, 2016).

In summary, collaboration is a way to address complex problems that transcend municipal boundaries, particularly in metropolitan areas. This is reflected in shared motivations to tackle issues such as urban planning, infrastructure, and the provision of common services on a regional scale. However, municipalities often have limited financial and human resources, making collaboration a way to achieve economies of scale, pool resources, and reduce implementation costs for public services. Additionally, external factors can also encourage

collaboration in Mexico. In general, municipalities are often dependent on financial transfers and grants from higher levels of government, and incentives from central governments can motivate them to cooperate. In both regions, a key driver of collaboration is the desire to preserve local autonomy by choosing a flexible, collaborative approach over a more rigid, politically challenging full consolidation.

Hypotheses

Initiating collaborations requires significant financial, human, and technical resources. Although large differences in prosperity between communities can hinder cooperation, in some contexts, higher gross domestic product per capita can be positively associated with intermunicipal cooperation. Paradoxically, economic competition among municipalities can also foster collaboration, because local governments that pursue development policies more intensively are more likely to form joint ventures to find efficient and less burdensome ways to achieve their economic goals (Chung & Deslatte, 2026; Hansen et al., 2020; Ki, 2023; Meza et al., 2018).

Furthermore, the economic output of the formal economy (often proxied by the share of the population employed in a legal, taxed business and fiscal capacity) is a major driver for collaboration when municipalities seek to exploit economies of scale. By aggregating production volume, municipalities can dilute high fixed costs and lower marginal expenses for capital-intensive services like water provision and drainage. This allows fragmented jurisdictions to overcome technical inefficiencies and address negative externalities (Ramírez de la Cruz, 2026). Geographically, the agglomeration of industries and the embeddedness of production and services create regional spillovers and externalities that demand integrated governance (Feiock, 2007). Likewise, the industrial structure of space creates needs across municipal borders that encourage collaboration on issues such as zoning compatibility, infrastructure and utility expansion, and pollution management (Hawkins et al., 2016). The development of a regional economy creates incentives to maintain an attractive business environment, in which investors, owners, and chief executive officers also become political actors demanding solutions to basic public problems (Hawkins et al., 2016). This leads to the following hypothesis:

Hypothesis 1: The higher a municipality’s economic output, the more likely it is to enter into collaboration agreements, given the pressures of economic forces.

Fiscal dependence on central or state governments also motivates collaboration, as municipalities often rely on transfers and grants, and central government incentives can induce cooperation (Muraoka & Avellaneda, 2021). Thus, the relationship between collaboration and municipal revenue can be interpreted in different ways. One perspective suggests that a greater capacity to generate revenue may enhance a municipality's ability and willingness to engage in intermunicipal collaboration by reducing its dependence on higher-level resources (Meza et al., 2018). There is, however, an alternative view that suggests that a higher rate of local revenue could actually decrease the likelihood of collaboration. This might occur because larger governments, often with more resources, may feel less compelled to collaborate, believing they can undertake initiatives independently, while smaller communities with limited capacity may be more reliant on collaboration (Ki, 2023; Meza et al., 2018). This leads to the following hypothesis:

Hypothesis 2: The larger the municipal revenue of a municipality, the more collaborative the municipality will be.

Mexico's metropolitan phenomenon has evolved in multiple ways. Some urban areas have grown by expanding into adjacent municipalities, driven by high population density, economic vitality, and the supply of common public goods and services. Other urban areas remain constrained by municipal borders but stay relevant as population and political centers. Geographical proximity and shared socio-territorial characteristics are strong motivators. Municipal associations are often formed around shared concerns and proximity (Muraoka & Avellaneda, 2021). Being part of an urban agglomeration increases the likelihood of cooperation due to a heightened perception of common problems and the potential for spillover effects, as evidenced in contexts like Bahia, Brazil, and Santiago, Chile (Arias-Yurisch et al., 2019, 2024; Ramírez de la Cruz, 2026). Another reason is fragmented governance, which creates collective action dilemmas and externalities that transcend local boundaries (Bel et al., 2024; Fan et al., 2026; Feiock, 2007; Hansen et al., 2020; Ki, 2023). Such reasons foster a common operational understanding of problems and approaches to solutions.

Due to geographic proximity, the interconnectedness of issues in metropolitan areas reduces information costs, provides frequent opportunities for interaction, and fosters social capital, trust, and norms of reciprocity among officials, making it easier to negotiate and sustain agreements, as well as mitigating the risks of opportunism or conflict. This leads to the next hypothesis.

Hypothesis 3: Municipalities within metropolitan areas are more likely to collaborate than those outside metropolitan areas.

Urban municipalities are also more likely to collaborate, given that they have broader needs and more resources to enter into collaborative agreements, a point already reflected in Hypothesis 3, which explains why geographic proximity entices collaboration. The institutional collective action framework posits that local governments engage in cooperation when potential benefits outweigh the transaction costs of bargaining, information, agency, division, and enforcement. Furthermore, the need to mitigate collaboration risks also favors more formal and binding mechanisms, which are seen as less politically costly and more flexible alternatives to full governmental consolidation, while still addressing shared problems (Bel et al., 2024; Chung & Deslatte, 2026; Feiock, 2007; Hansen et al., 2020; Shrestha & Feiock, 2011). Their broader needs and greater resources reduce transaction costs, making formal, binding mechanisms more attractive. From this, we can derive:

Hypothesis 4: Urban municipalities are more likely to engage in collaborative agreements than nonurban municipalities.

Densely populated municipalities often face complex challenges across service delivery and resource management, necessitating greater intermunicipal cooperation. Issues such as traffic, waste management, and urban planning may require coordinated efforts beyond a single municipality. Therefore, they cooperate at higher rates because they are often "full-service" cities capable of selling excess service capacity to less developed, neighboring jurisdictions. This implies that while formal collaboration agreements might be less frequent, other forms of cooperation could still be prevalent in denser areas. Additionally, geographic proximity among local governments, common in densely populated metropolitan areas, generally facilitates intermunicipal collaboration by providing more opportunities for formal and informal interaction, information exchange, and the development of strong network ties and social capital. These close relationships can also reduce transaction costs and foster a shared understanding, thereby promoting joint ventures (Bel et al., 2024; Shrestha & Feiock, 2011). From this, we can derive:

Hypothesis 5: The more densely populated a municipality is, the more likely it is to enter into collaboration.

Smaller jurisdictions are normally more inclined to collaborate because they seek to

achieve economies of scale, reduce costs, or compensate for their limited capacity to provide extensive services on their own. Conversely, larger local governments are less likely to collaborate as they tend to possess more resources and may prefer to operate autonomously. Additionally, the similarity in population size among potential partners facilitates interlocal cooperation, as it can reduce informational and divisional transaction costs and suggest shared economic agendas and policy preferences, aligning with the “homophily” argument that similarity promotes collaboration (Fan et al., 2026; Ki, 2023). Consequently:

Hypothesis 6: The larger the population of a municipality, the less likely it is to seek collaboration agreements with other municipalities.

A common issue in urban areas is marginalization, a phenomenon that encompasses the deprivation faced by each municipality's population. Still, the relationship between poverty and intermunicipal collaboration varies by context. For instance, in United States cities, the difference between a community’s and its county’s poverty rates was found to have no effect on the likelihood of cooperation (Hawkins, 2010). In Brazil, research suggests that higher relative metropolitan poverty levels can be positively associated with intermunicipal collaboration, indicating that poorer municipalities may face a lower “bargaining entry cost” for collaboration. This is further supported by the observation that municipalities with high poverty rates often struggle to serve their populations and, consequently, adopt intermunicipal cooperation arrangements to address social problems and meet service demands. Thus, for poorer municipalities, collaboration can be a pragmatic necessity, sometimes entailing a “take-it-or-leave-it” negotiation due to their limited resources (Ki, 2023; Meza et al., 2018).

England, Scandinavia, and Northwest Ohio exemplify how affluent municipalities avoid cooperating with less wealthy ones when the latter face fiscal constraints or lack resources, technical assets, or administrative capacity. This creates a dynamic where the benefits of collaboration accrue disproportionately to wealthy areas (Bel et al., 2025; Rubado et al., 2025). Indeed, wealthier jurisdictions often view collaboration with lower-income municipalities as an undesirable burden that would require them to share resources or pay for infrastructure that primarily benefits marginalized communities. Elected officials also view these partnerships as politically costly, as constituents may resist policies perceived as subsidizing other municipalities rather than providing local benefits (Davis & Gough, 2019; Ramírez de la Cruz, 2026). This leads to:

Hypothesis 7: The more poverty there is in a municipality, the more it will seek to collaborate with others.

Data and Analysis

The National Census of Municipal Governments and Territorial Demarcations of Mexico City 2021 collected data on intermunicipal collaboration practices in Mexico. According to the Census, 392 municipalities—out of 2,252 observations—reported entering into at least one collaborative agreement with other municipalities. However, some municipalities reported entering into more than one agreement. The first type of collaboration was urban planning, intended mainly to share information to analyze current urban conditions and forecast future development scenarios (n = 228). The second type of collaboration involved jointly defining objectives, preparing projects, estimating costs and resources, obtaining funding, and scheduling activities for specific projects—that is, the programming, funding, and execution of public works (n = 214). Finally, the third type of collaboration was intended to allow municipalities and boroughs to deliver shared public services (n = 146).

We created three dichotomous variables corresponding to each type of collaboration. Using these variables as the dependent variables, we estimated multivariable logistic (logit) regression models to analyze the factors associated with municipalities' willingness to enter into collaboration agreements.

The first independent variable included in the model captures whether the municipality is in a metropolitan area (metropolitan municipality). A total of 421 municipalities are recognized as part of a metropolitan area as defined by the federal government (CONAPO, 2023). A municipality is considered metropolitan if it is part of a group of two or more municipalities that includes a city with 100,000 or more residents, where functions and activities extend beyond a single jurisdiction and incorporate neighboring municipalities within their direct area of influence, yielding a high degree of socioeconomic integration (CONAPO, 2023). The second explanatory variable is urban municipality, another dichotomous indicator identifying predominantly urban municipalities. This variable equals 1 for municipalities with more than 50,000 inhabitants.

Per capita municipal revenue was created using INEGI's (2022b) and Secretaría de

Administración y Finanzas (2022) data on municipal revenues (taxes, contributions, and intergovernmental transfers). Revenues were expressed per capita and log-transformed to mitigate skewness and reduce the influence of outliers—an approach that typically improves linearity in regression settings.

The marginalization index captures the extent of structural social deprivations in a municipality. This variable was constructed from an index that incorporates multiple dimensions such as education, housing quality, population distribution, and income to assess the intensity of social exclusion (CONAPO, 2021). For comparability, the index was standardized using a 0–1 scale, where 0 represents the municipality with the highest quality of life, and 1 represents the municipality with the lowest quality of life. This places all municipalities on a common scale, avoiding distortions caused by differences in magnitude.

Per capita gross census value added (GCVA) serves as a proxy for municipal-level economic output. It is used because measuring local gross domestic product is infeasible, given the lack of statistics or registries on municipal imports and exports, or on the scale of the municipal informal economy. Arithmetically, the GCVA is obtained by subtracting intermediate consumption from total gross product. It differs from the national value because it only considers formal and semiformal economic units and therefore does not capture all data from the informal economy. In economic terms, the GCVA represents the value of production generated during the work process through the creative and transformative activity of employed personnel, capital, and organizational structure (the factors of production), applied to the materials consumed in carrying out the economic activity. In other words, gross census value added represents the amount of value produced within a municipality—excluding the trade balance and the informal economy—that would correspond to each resident if distributed equally over the course of a year (Instituto Municipal de Planeación de Morelia [IMPLAN Morelia], 2024). We calculated this variable using data from the 2019 Economic Census and the 2020 National Census of Population and Housing by INEGI (2020, 2021).

We included two controls. Population density (people/km²) indicates that densely populated municipalities face more complex challenges (e.g., traffic, waste management, and urban planning) that may necessitate intergovernmental coordination. Density was computed by dividing municipal population (INEGI, 2021) by territorial area, using datasets compiled by Centro de Estudios de Desarrollo Regional y Urbano Sustentable (CEDRUS, 2019). Population (total inhabitants, INEGI, 2021) was also included because it varies substantially across municipalities and influences service provision, planning, and political decision-making.

Population is regularly and consistently measured, aiding interpretability and reliability.

Table 1

Descriptive Statistics

Variable	Observations	Missing Values	Missing Values (percentage)	Mean	Minimum Value	Maximum Value	Standard Deviation
Intermunicipal Coordination (Dichotomous)	2,469	0	0.00%	0.159	0	1	0.366
Metropolitan Municipality (Dichotomous)	2,469	0	0.00%	0.169	0	1	0.375
Urban Municipality (Dichotomous)	2,469	0	0.00%	0.181	0	1	0.385
Per Capita Municipal Revenue (Natural logarithm)	2,266	203	8.22%	8.6	6.438	11.753	0.498
Marginalization Index (Standardized)	2,469	0	0.00%	0.794	0	1	0.095
Population Density (Continuous)	2,458	11	0.45%	0.419	0.0001	80.553	2.439
Population (Continuous)	2,469	0	0.00%	5.104	0.008	192.252	14.699
Per Capita GCVA (Natural Logarithm)	2,456	13	0.53%	1.967	−3.543	7.967	1.501

Note. Compiled by the authors.

Results

Results indicate that the predictors of the probability of entering intermunicipal collaboration agreements vary depending on the specific type of cooperation among local governments. Thus, the three dependent variables considered in this study—the probability that a municipality participates in (1) collaboration for urban planning, (2) collaboration for the programming, funding, and execution of public works, and (3) collaboration for common services delivery—are significantly associated with different independent variables.

Table 2 presents the main findings. The first type of collaboration primarily aims to share information, which implies very low transaction costs. For this type of collaboration, urban and metropolitan municipalities are more likely to collaborate when they have sufficient resources

to foster collaboration and face less social marginalization. The second type of collaboration is riskier, as it involves redistributing resources, for example, from wealthier municipalities to less wealthy ones and may also involve a commitment. In this case, metropolitan municipalities collaborate if they have sufficient resources and even if their partners face marginalization problems. Finally, the third type of collaboration involves functional consolidation and implies long-term commitments; for this reason, it is the riskiest of the three types and entails the highest transaction costs. For this type of collaboration, urban municipalities refrain from participating when they are fiscally autonomous and face marginalization problems.

Table 2

Results of Models for Specific Types of Collaboration

	Dependent variable					
	Collaboration for Urban Planning		Collaboration for Programming, Funding and Execution of Public Works		Collaboration for Common Services Delivery	
	Coeff.	Average Marginal Effects	Coeff.	Average Marginal Effects	Coeff.	Average Marginal Effects
Metropolitan Municipality	0.510** (0.200)	0.041	0.358* (0.215)	0.029	0.041 (0.246)	0.002
Urban Municipality	0.987*** (0.202)	0.079	0.128 (0.222)	0.010	0.593** (0.244)	0.033
Per Capita Municipal Revenue	−0.001 (0.170)	−0.000	−0.173 (0.172)	−0.000	−0.443** (0.218)	−0.025
Marginalization Index	−2.573* (1.343)	−0.021	1.960** (0.978)	0.160	−3.148* (1.649)	−0.177
Per Capita GCVA	0.116* (0.070)	0.009	0.197*** (0.065)	0.016	0.091 (0.086)	0.005
Population Density	0.011 (0.019)	0.000	0.018 (0.020)	0.001	0.018 (0.020)	0.001
Population	−0.004 (0.004)	0.000	−0.000 (0.005)	−0.000	−0.002 (0.005)	−0.000
Intercept	−5.035** (1.794)	−0.402	0.209 (1.686)	−0.017	−1.918 (2.287)	−0.108
Observations McFadden Pseudo-R^2	2,252		2,252		2,252	
Log Likelihood	−641.707		−673.548		−491.758	
Akaike Information Criterion	1,299.413		1,363.097		999.517	
Note.	*p < .10. **p < .05. ***p < .01.					

Source: Compiled by the authors.

The results also present significant findings regarding the hypotheses tested on factors influencing collaboration. First, urban planning agreements are strongly associated with urbanization and metropolitan embeddedness. On average, being located in a metropolitan area increases the probability of planning collaboration by 4.1 percentage points. However, the average marginal effect of urban municipalities indicates that their probability of entering planning cooperation agreements is 7.9 percentage points higher than that of nonurban municipalities. Both results are consistent with studies suggesting that metropolitan and urban localities are more likely to collaborate because of geographic proximity, but also because they face broader needs and larger collective action dilemmas that collaboration can address by reducing the costs of individual action. Together, these variables describe “functional regions”, where municipalities that are both urban and embedded in a larger metropolitan system have the highest incentives to institutionalize joint planning.

Per capita GCVA is positive and significant, indicating that a one-unit increase in this variable raises the probability of planning collaboration by 0.9 percentage points. This is consistent with the expectation that higher economic pressures increase the probability of collaboration, while also reducing the administrative and transaction costs of interlocal planning bodies. Likewise, socioeconomic need, captured by the normalized marginalization index, is negative and statistically significant. On average, vulnerable municipalities are less likely to join planning agreements, with a decrease of 2.1 percentage points per one-unit increase in the index. This result rejects the hypothesis that the poorer a municipality, the more it will seek to collaborate with others.

In the case of collaboration for public works projects, the variable Metropolitan Municipality retains a positive and statistically significant association with the dependent variable. On average, these municipalities increase the probability of collaboration on capital projects and infrastructure by 2.9 percentage points. This is reasonable because many infrastructure needs, such as sewage treatment, roads, and public lighting, operate at metropolitan scales; it also means municipalities within metropolitan areas are more likely to collaborate. However, in contrast to the planning model, the results suggest that simply being urban is not sufficient to predict participation in infrastructure collaboration agreements. Decision-making and benefit-sharing for infrastructure may be a metropolitan issue, rather than a purely local one.

The marginalization index is positive and significant, with a large average marginal effect of 16 percentage points, which means that more vulnerable municipalities are more likely to participate in, or be included in, joint public-works collaboration agreements. The likely

reason is that capital projects impose higher fixed costs related to the development of public works projects that the marginalized municipalities struggle to meet themselves. On average, a one-unit increase in the marginalization index means a 16-percentage-point increase in the probability of collaborating for public works. Meanwhile, per capita GCVA is positive and highly significant. Each one-unit increase in GCVA increases the probability of forming or joining a public works collaboration agreement by 1.6 percentage points, conforming to the expectation that external or pooled resources might lower barriers to multijurisdictional infrastructure, such as matching funds, pre-investment studies, and procurement capacities.

Lastly, for collaboration on joint service provision, urban municipalities again have a positive and statistically significant effect. On average, urban status raises the probability of service collaboration by 3.3 percentage points. This magnitude is smaller than in the planning model (7.9 percentage points), but still meaningful, consistent with an interpretation in which denser service demand facilitates collaboration. In contrast, the metropolitan municipality variable is small and not significant, suggesting that economies of scale for services can be realized outside formal metropolitan frameworks, as periurban municipalities may also establish collaboration agreements or share the responsibility of providing services through service districts without requiring a metropolitan designation.

Per capita municipal revenue is negative and significant, with a one-unit increase in revenue associated with an average decrease of 5 percentage points in the probability of collaboration. This is consistent with the notion that municipalities with ample autonomous revenue prefer to provide routine services alone. The marginalization index is negative and statistically significant, with an average marginal effect of -0.177. This means that highly marginalized municipalities are less likely to share common services, with a decrease of 17.7 percentage points, even though collaboration offers immediate, visible gains and reduced costs in contexts where fiscal and technical capacities are limited.

In summary, urbanization consistently raises the probability of collaboration for planning and common services, while metropolitan status is essential for planning and meaningful for public works. Per capita GCVA enables collaboration where upfront costs and coordination problems are greatest, such as in planning and especially public works. In contrast, fiscal strength dampens the incentive to share routine services. Socioeconomic need mobilizes cooperation for infrastructure but is a barrier for urban planning and common services. Together, these results make clear what municipalities seek to do together, under what conditions they collaborate, and under what fiscal, economic, and social arrangements.

A caveat of this study is that the econometric models cannot fully capture the broader political dynamics shaping intermunicipal collaboration. Decisions to allocate resources to long-term projects may depend on the number and configuration of political parties competing in elections. Moreover, the distribution of clientelist resources among competing parties, party-system fragmentation and discipline, and the balance of power between executive and legislative actors can shape incentives for cooperation (Geddes, 1994). These political relationships shape municipalities' incentives to collaborate.

In addition, as noted by Cabrero Mendoza (2004), politics can act as a major constraint on the adoption of technically sound decisions, such as intermunicipal collaboration. Local actions do not take place in a political vacuum; power dynamics, intergovernmental dependencies, and the incentives of various actors can discourage the use of technical criteria to guide governmental decision-making. In the Mexican context, for instance, the historical subordination of subnational governments to federal and state authorities has provided little incentive for these entities to develop their own capacities or engage in intermunicipal collaboration. However, from the perspective of transaction costs, these conditions are particularly relevant because collaboration entails political risks for municipalities, such as a loss of autonomy, dependence on other actors, an unequal distribution of costs and benefits, or the political appropriation of outcomes, all of which increase the costs of negotiating, establishing, and sustaining intermunicipal agreements (Ramírez de la Cruz, 2026). For these reasons, the analysis presented above can only partially explain the decision to collaborate; it struggles to fully capture the power dynamics, clientelist exchanges, intergovernmental dependencies, risk perceptions, and strategic calculations that shape how local actors weigh the political costs and benefits of collaboration.

Discussion and Conclusion

The results provide strong evidence that intermunicipal collaboration in Mexico is task-specific rather than generic, with important implications for ICA theory, polycentric governance, metropolitan governance, and collaborative governance research. The ICA framework conceptualizes interlocal cooperation as the outcome of strategic decisions made by jurisdictions navigating transaction costs, uncertainty, incentives, and risk in fragmented systems. Much of the existing literature treats collaboration as a relatively uniform institutional response to collective action dilemmas. The results here suggest instead that the type of collective problem being addressed (i.e., planning, infrastructure, or service delivery) fundamentally conditions both incentives and barriers to collaboration.

The ICA framework argues that collaboration emerges when the benefits of cooperation outweigh the costs of bargaining, coordination, and lost autonomy. The differentiated patterns across the three models indicate that these costs and benefits vary systematically by type of collaborative effort. Results show that transaction costs increase when collaboration moves from urban planning to public works management and execution, and then to common services delivery. The literature suggests two potential reasons for the increase in transaction costs across collaboration types in Mexico and other developing countries.

The first is asset specificity and complexity. Both are present in all modes of collaboration but become more pressing as municipalities deal with localized issues and projects whose characteristics make it difficult to redeploy resources. This translates into more restrictive agreements, stronger oversight mechanisms, costlier governance structures, greater difficulty aligning policy goals, harder measurement, and more NIMBY opposition. All of them threaten the potential benefits of collaboration. The second reason is centralization. As Mexico shows, municipalities may face lower transaction costs under an institutional framework that reduces entry barriers in the early stages of planning. Under the National Program for Territorial Management and Urban Development, regional strategies are defined using technical expertise and outreach campaigns that reduce research costs and align municipal choices with national goals. Even if the state-level framework for intermunicipal collaboration is inadequate, the national planning system allows the federal and state governments to assume a significant share of transaction costs, alleviating municipalities' concerns about political friction, NIMBYism, financial uncertainty, and administrative intensity.

Thus, a cost-reducing coordinating system can foster collaboration in urban planning and public works, both of which are associated with metropolitan embeddedness and higher economic capacity. However, collaboration for service delivery, which is correlated with urbanization and negatively correlated with socioeconomic marginalization, is often costly and difficult, depending on highly complex, context-specific, and politically contested issues. This implies that ICA dilemmas are not uniform across functions; they are more severe for capital-intensive, long-horizon activities and more surmountable for routine, divisible services. Therefore, ICA dynamics are task-contingent, supporting the argument that collaboration is shaped by the complexity and indivisibility of the good being produced rather than simply by interdependence. For example, collaboration may be easier in planning because it involves sharing information, which is facilitated by coordination mechanisms set by centralizing authorities at the state and federal levels. It becomes costlier and more difficult for public works because it requires a sustained commitment to joint projects, and even harder in shared service delivery because it requires continuous coordination and reduced local autonomy.

The results also contribute to our understanding of polycentric governance theory by showing that the scale of the problem also matters for institutional choice in developing countries. Polycentricity suggests that overlapping authorities can produce adaptive governance, but only when institutional arrangements align with problem scale. Metropolitan status is strongly associated with collaboration in planning and infrastructure, but not in service delivery, while urban status alone predicts collaboration in the latter. This suggests that collaboration tends to emerge when the governance scale matches the spatial scale of externalities, a core proposition of both ICA and polycentric governance. Planning and infrastructure generate metropolitan-scale externalities, whereas routine service delivery may be shared through smaller cooperative arrangements or interlocal service contracts outside formal metropolitan institutions. These results therefore qualify the assumption that metropolitan governance is universally central; instead, polycentric institutional architectures are layered and function-specific.

The interaction between capacity and need offers additional, and perhaps the most important, insights into the relational architecture of ICA networks. Per capita GCVA increases collaboration in activities with high fixed and transaction costs (planning and public works), suggesting that capacity-enabling mechanisms shape collaboration in these domains. The negative effect of marginalization in planning and service delivery, but its positive effect in infrastructure, underscores that socioeconomic need can mobilize or constrain collaboration depending on institutional demands. This contributes to collaborative governance theory by showing that participation is not equally accessible to all actors in polycentric systems; marginalized municipalities may find themselves less likely to collaborate in low-barrier arrangements and are also structurally disadvantaged in high-cost collaborations, such as shared service delivery, but socioeconomic need compels them to seek collective action to remedy infrastructure problems. This lends empirical support to critiques of polycentric governance that highlight power asymmetries and stratified collaboration, rather than the purely efficiency-based dynamics often emphasized in normative accounts.

The negative association between municipal revenue and service collaboration indicates that municipalities with greater fiscal autonomy prefer to provide routine services unilaterally. This finding reinforces ICA's arguments that collaboration involves autonomy costs and connects with Tiebout-style incentives in which wealthier jurisdictions seek to retain control and claim political credit for service provision. From the perspective of metropolitan governance, this suggests that regional coordination may be systematically undermined by the exit options available to fiscally strong municipalities, potentially reinforcing inequalities in service access across urban systems. Collaborative governance is therefore not only

conditioned by interdependence but also by strategic withholding of cooperation by resource-rich actors.

The findings call for a theoretical reframing of intermunicipal collaboration as purpose-specific institutional design rather than a single governance choice. ICA theory has emphasized the calculus of costs and benefits; our results indicate that these costs and benefits are endogenous to the type of task pursued, the socio-territorial context, and the distribution of capacities. Polycentric systems do not simply allow "more collaboration"; instead, they enable different forms of collaboration for different functions. Metropolitan governance theory should thus pay closer attention to functional differentiation within metropolitan systems—planning, infrastructure, and service delivery do not emerge through the same coalitional logics or institutional arrangements. Collaborative governance scholarship, in turn, should engage more directly with exclusion, unequal capacity, and task-specific barriers, moving beyond the assumption that all actors can participate equally in joint decision-making.

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