



Highlights from the third edition of the SNG-WOFI

High-level policy dialogue on subnational government finance:
accelerating prosperity and transformation in LDCs

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Isabelle Chatry

Head of Unit, Decentralisation, Subnational Finance and Infrastructure

Regional Development and Multi-Level Governance Division

OECD Centre for Entrepreneurship, SMEs, Regions and Cities





An initiative led jointly by the OECD and UCLG, supported by several partners, including UNCDF to focus on LDCs

2015-2026



With the support of



2017-2019



With the support of



2020-2022



With the support of



The Steering Committee of the SNG-WOFI : putting multi-level governance in practice





Towards a better understanding of multi-level governance and finance processes at the global level

The OECD-UCLG World Observatory on Subnational Government Finance and Investment

 **Database**
+
“Compare your country”
visualisation tool

World Observatory on Subnational Government Finance and Investment

My Queries

Time series
Transact
Sec
Meas

Income Group	Country
High Income	Europe
	Austria
	Belgium
	Germany
	Spain
Upper middle income	Asia Pacific
	Switzerland
	Australia
	North America
	Canada
Lower middle income	United States of America
	Bosnia and Herzegovina
	Argentina
	Europe
	Latin America
	Brazil
	Mexico
	South Africa
	Asia Pacific
	Malaysia
	Nigeria
	India
	Nepal



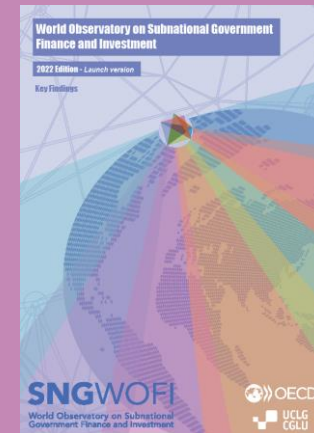
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Country Profiles



Incl. 31 LDC countries



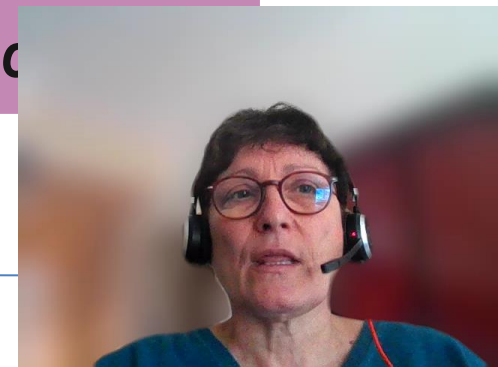
Synthesis Report



Incl. Chapter 6



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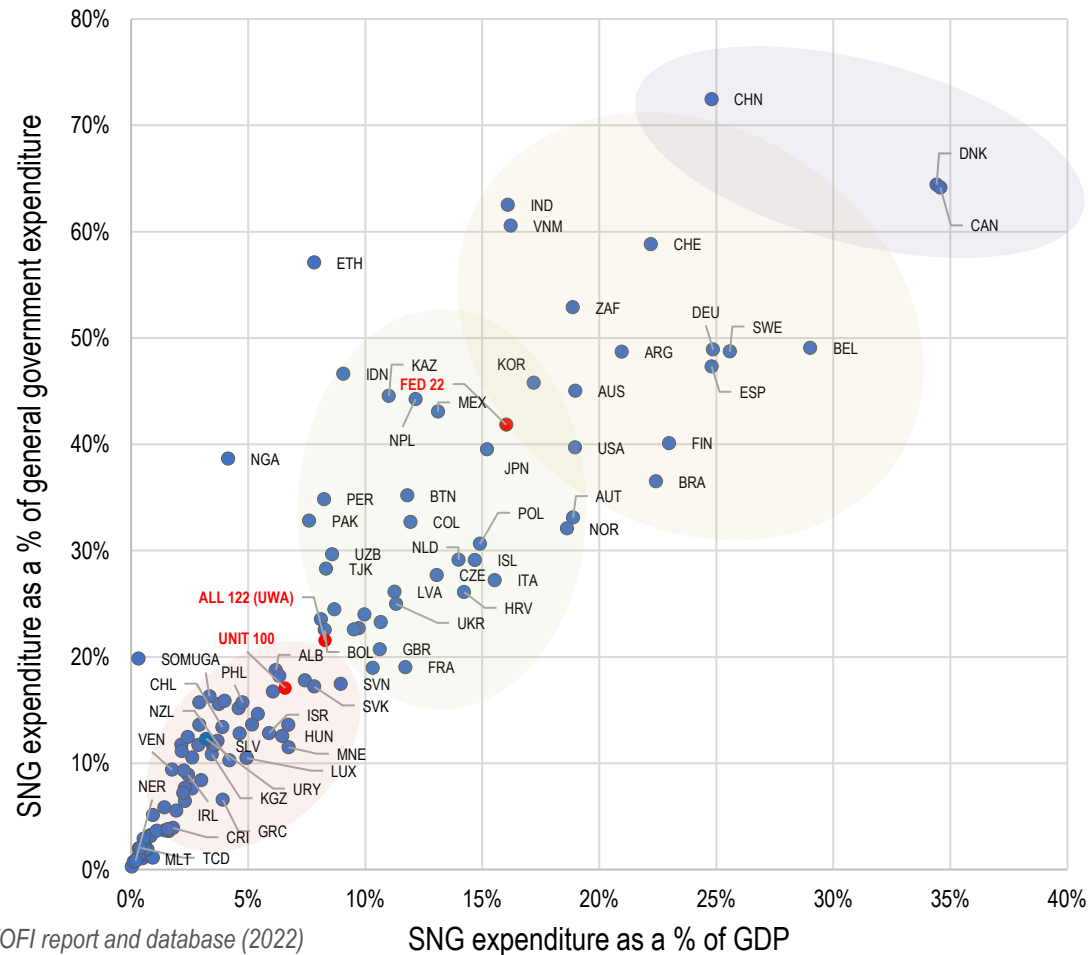




SNGs account for a significant proportion of public spending...

...but with huge differences across countries

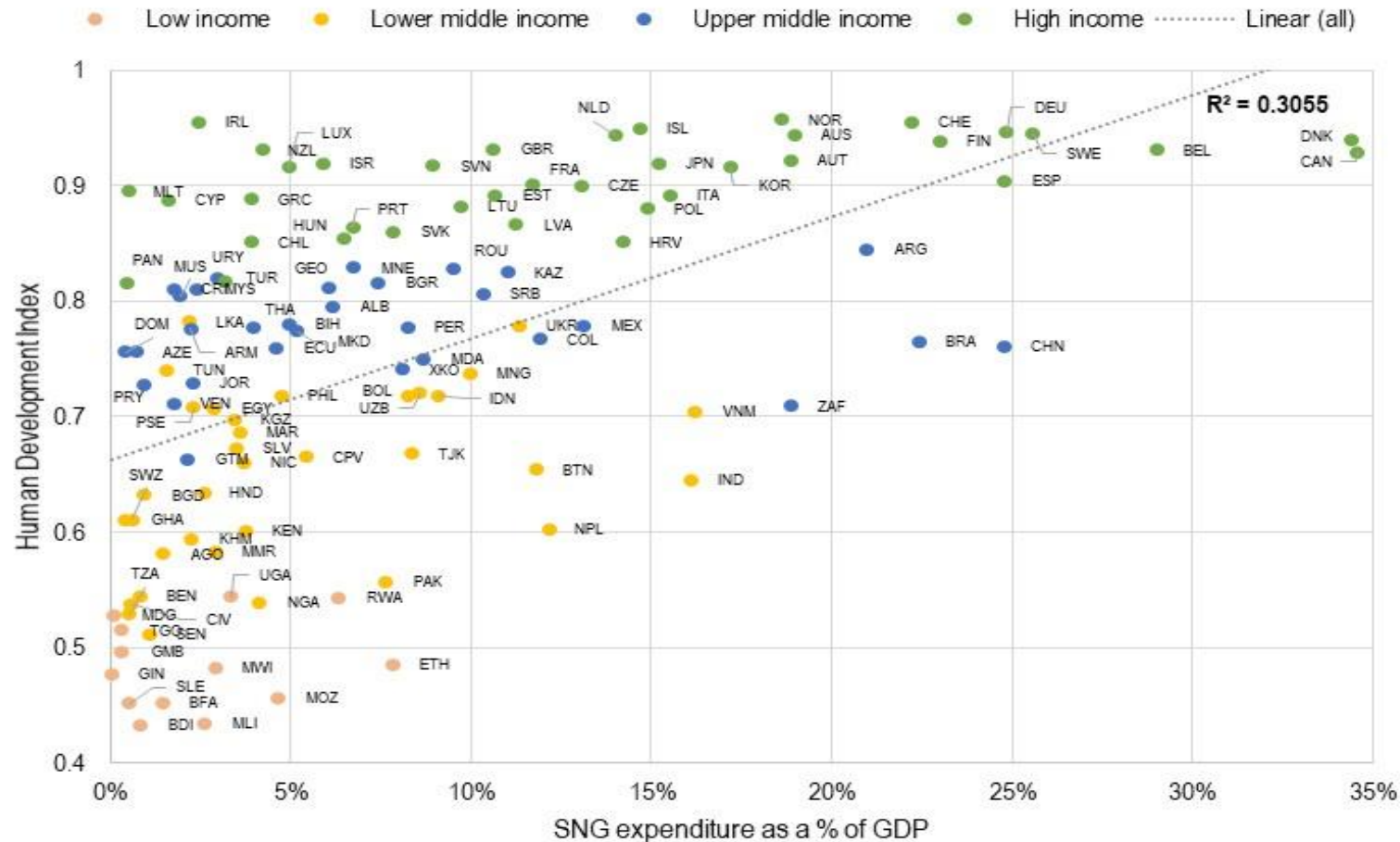
There is wide variation in levels of spending decentralisation





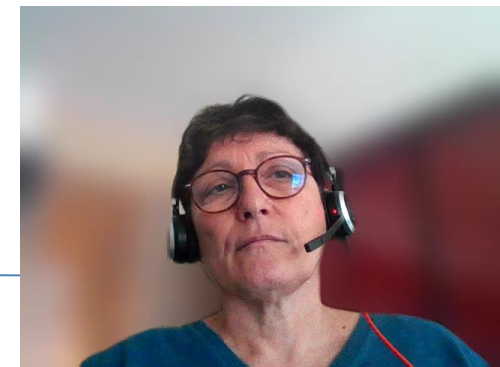
The level of decentralisation of expenditure is positively correlated with the level of development of countries

Subnational government expenditure as a % of GDP and Human Development Index by income group (2020)



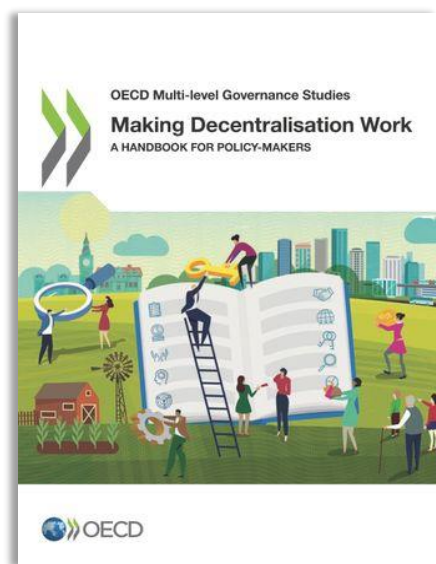
- Correlation does not imply causation
- There are many variations across country groups.

Source: SNG-WOFI (2022)





The 10 OECD guidelines for making decentralisation work



1. Clarify the responsibilities assigned to different government levels



2. Ensure that all responsibilities are sufficiently funded



3. Strengthen subnational fiscal autonomy to enhance accountability



4. Support subnational capacity building



5. Build adequate coordination mechanisms across levels of government



6. Support cross-jurisdictional cooperation



7. Strengthen innovative and experimental governance, and promote citizens' engagement



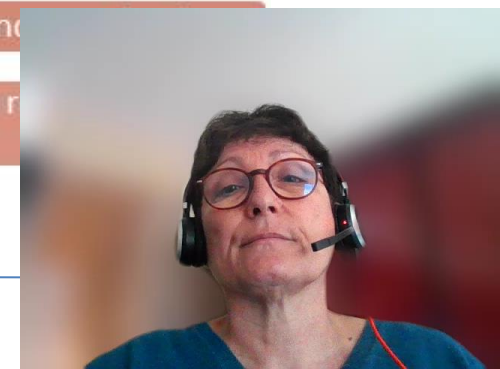
8. Allow and make the most of asymmetric decentralisation arrangements



9. Consistently improve transparency, enhance data collection and strengthen performance



10. Strengthen fiscal equalisation systems and national regional development policies to reduce territorial disparities



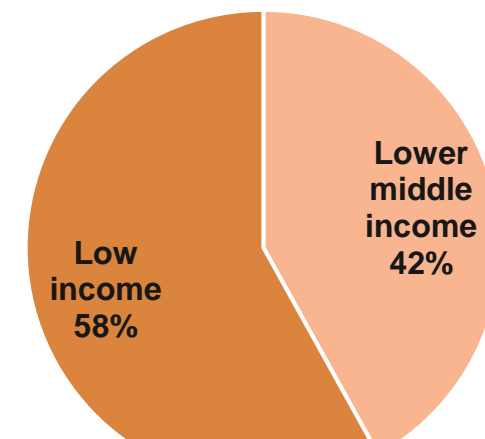
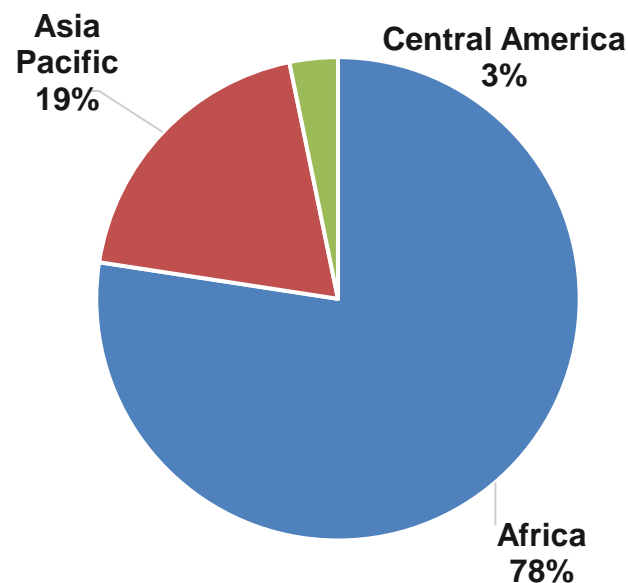


The analysis is limited by the lack of fiscal data and qualitative information in the LDCs

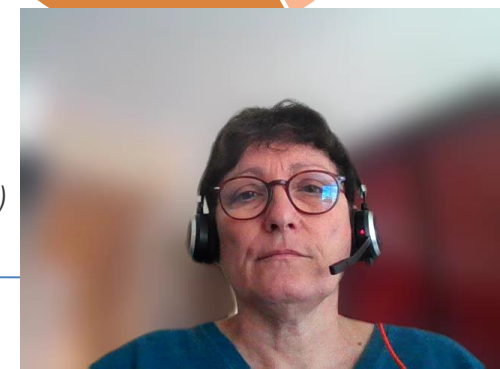
...although it is improving

- ❖ The SNG-WOFI database now contains information and data **for 31 out of 46 LDCs** (*versus 23 LDCs in the previous edition*)
 - ❖ **Subnational total expenditure and revenue** data are available for 25 countries (out of 31)
 - ❖ **Subnational public investment** data only available for 7 countries (out of 31)
 - ❖ **Subnational government debt** data only available publicly for 1 country (Uganda)
 - ❖ 7 countries with no fiscal data

Sample of LDCs included in the WOFI, by world regions and income levels



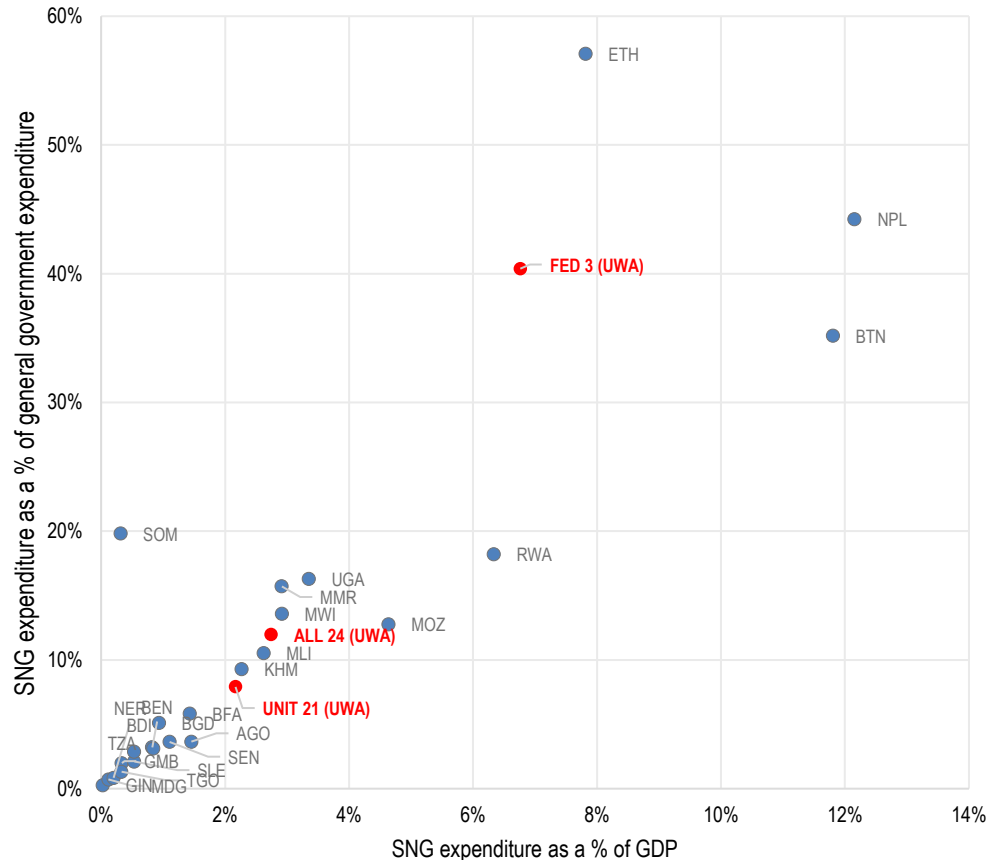
Source: SNG-WOFI (2022)





Subnational government expenditure and investment are low in the majority of LDCs, with variations across countries

Subnational government expenditure in LDCs as a % of GDP and as a % of total public expenditure (2020)



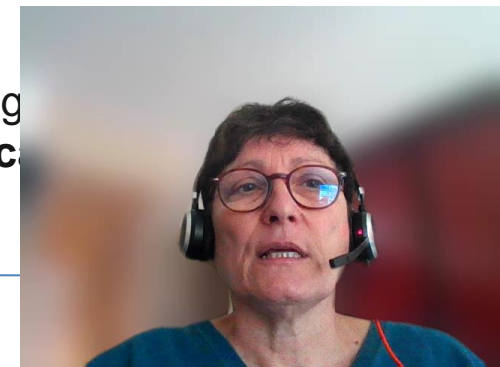
Overall, **subnational expenditure and investment in LDCs** is well below the world average

- **12.5% of total public expenditure on average** (vs. 21.5% at global level)
- **2.7% of GDP on average** (vs. 8.3% at global level)

Among the 24 LDCs with available data :

- **11 countries** where subnational government expenditure account for **less than 1% of GDP**
- **6 countries** where they account for **between 1% and 3% of GDP**
- **7 countries** where subnational expenditures are **more significant** in Uganda to 12.2% in Nepal.

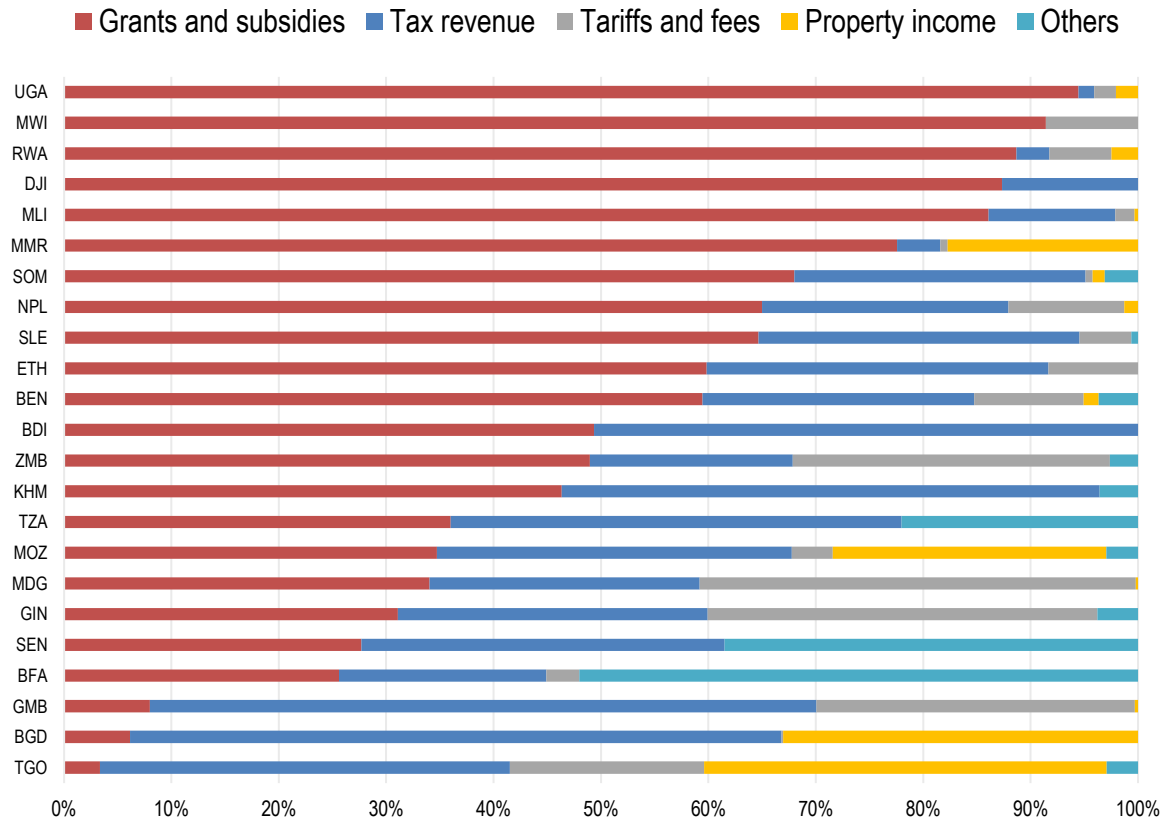
Source: SNG-WOFI (2022)





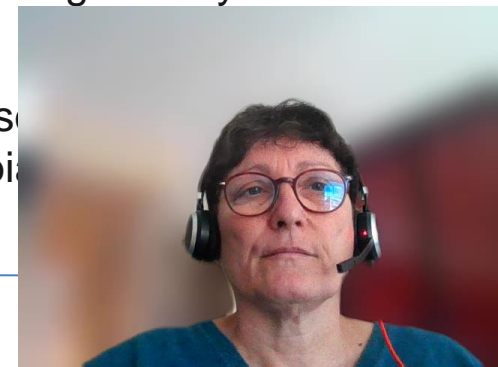
Transfers are the main source of SNG revenue, while the share of tax revenue is limited in LDCs

Subnational government revenue in LDCs by category as a % of total subnational government revenue (2020)



Source: SNG-WOFI (2022)

- Subnational government revenue in LDCs stands on average at **1.7% of GDP** and **9.7% of total public revenue** (vs. 8% of GDP and 25.9% of total public revenue at global level)
- SNGs in most countries are highly dependent on **transfers**
 - > 85% of SNG revenue in Uganda, Malawi, Rwanda, Djibouti and Mali
- The leeway of SNGs over their **tax revenue** varies across countries, but it is generally low
- **Tariffs and fees** are high in some countries (Madagascar, Guinea, Gambia)

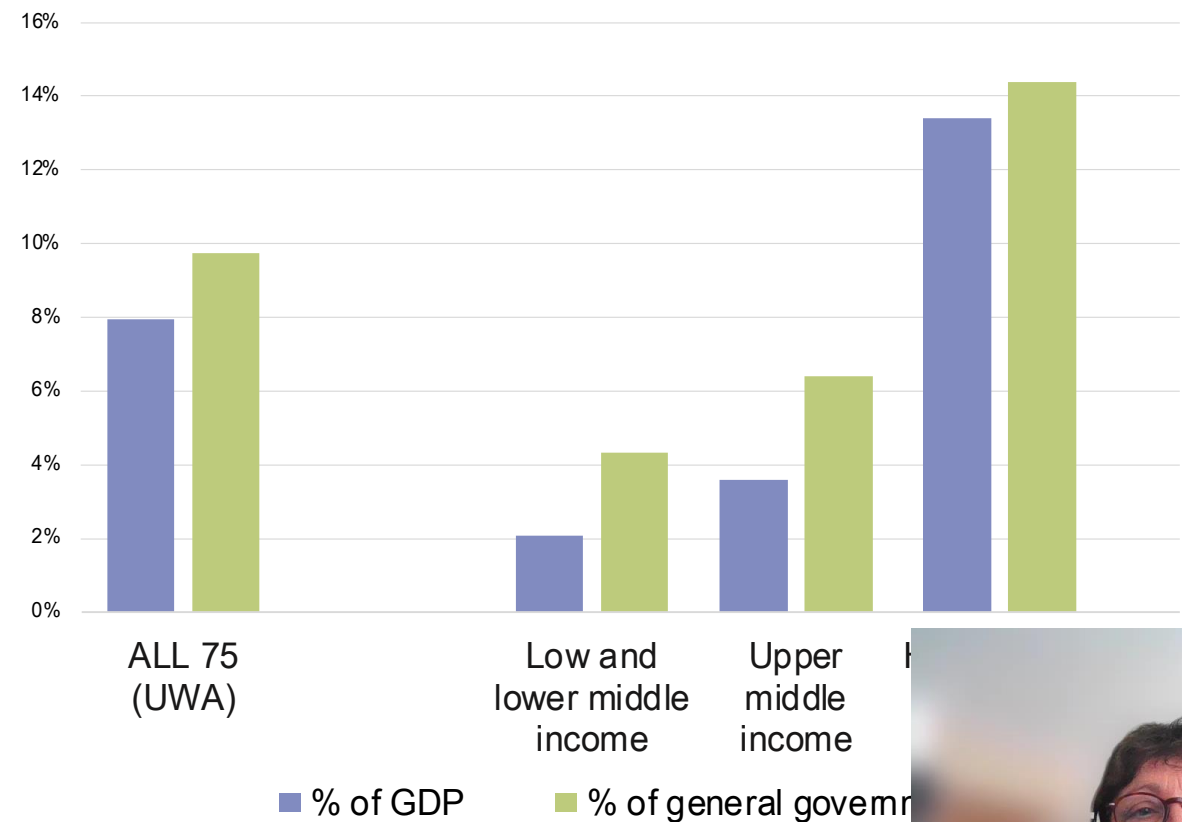




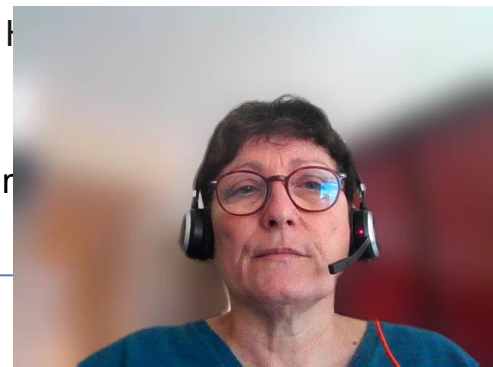
Subnational government debt in LDCs is very limited (and data is scarce), restricting their capacity to invest

- Some countries among LDCs strictly **prohibit subnational governments to borrow** (Angola, Cambodia, Djibouti, Liberia)
- Even in countries where borrowing is legally possible, **subnational debt is very limited**, or inexistent, due to several factors
 - SNGs have low creditworthiness
 - Lack of enabling environment
 - Weak domestic markets

Subnational government debt by income country groups and world regions as % of GDP and general government debt (2020)



Source: SNG-WOFI (2022)





There is a need to bridge this financing gap to sustain development at subnational and national level

- **Improve access and quality of data on SNG finance**
 - Benchmarking and accompanying countries over time (*graduating LDCs: Bhutan (2023); Angola, Sao Tome and Principe, Solomon Islands (2024), Lao PDR, Bangladesh, Nepal (2026)*)
 - Countries not covered yet (e.g. small pacific islands)
- **Make SNG finance and fiscal frameworks more resilient**
 - Diversify the basket of own-revenue
 - Make the most of intergovernmental transfers (e.g. Senegal)
 - Implementing innovative subnational budgetary practices (e.g. “citizens’ budgets” in Burkina Faso)
- **Engage the private sector, civil society, and governments at all levels** to unlock access of LDCs to public and private capital
 - Key role of development partners - *Malaga Coalition on municipal finance*
 - **Doha Programme of Action** (*focus area N°3*)





Thank you!

Visit our website: www.sng-wofi.org



Isabelle.CHATRY@oecd.org



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