

# High-Level Policy Dialogue of the Málaga Global Coalition for Municipal Finance

*Accelerating Progress Towards a  
Financial Ecosystem that Works for  
Cities, Local and Regional Governments*

## The World Observatory of Subnational Government Finance and Investment: a public good

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# Outline



- 1. Introduction to the SNG-WOFI: main objectives and outputs**
- 2. Key data and analysis from the 3<sup>rd</sup> edition**
- 3. Impact and ways forward for the 4<sup>th</sup> edition**



# A long-lasting initiative, led jointly by the OECD and UCLG, and supported by several key partners

## A unique global platform on multi-level governance and finance



### Partners





# Why this World Observatory ?

To better understand the multi-level governance framework and fiscal space available to subnational governments to address the challenges they face, both in the short and long term.

To help policy-makers design, implement and enhance decentralisation reforms, in particular fiscal decentralisation processes.

To monitor the contribution of subnational governments to global objectives, such as climate objectives and the Sustainable Development Goals.

To identify information and data gaps in particular countries and world regions and raise awareness about these gaps to mobilise stakeholders at the international, national and local levels.

## Key objectives

- ❖ Provide **standardised, reliable and comparable data**
- ❖ Support **decision and policy-making**
- ❖ Serve as a **capacity-building tool**
- ❖ Facilitate the **international dialogue and exchange of experiences**



# Three main pillars



## Database

+

## Visualisation tool

### "Compare your Country"

World Observatory on Subnational Government Finance and Investment

My Queries

Time range: All time

Transaction: All

Measure: All

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



## 135 Country Profiles

**COUNTRY AND TERRITORY PROFILES**

INTRODUCTION

AFRICA

ASIA-PACIFIC

EURO-ASIA

EUROPE

LATIN AMERICA AND THE CARIBBEAN

MIDDLE EAST AND WEST ASIA

NORTH AMERICA

**VIET NAM**

BASE SOCIO-ECONOMIC INDICATORS

POPULATION AND DEMOGRAPHY

ECONOMIC DATA

MAIN FEATURES OF THE MULTI-LEVEL GOVERNANCE FRAMEWORK



## Synthesis Report

**2022 Synthesis Report**  
World Observatory on Subnational Government Finance and Investment

SNGWOFI  
World Observatory on Subnational Government Finance and Investment

OECD  
UCLG  
CGLU

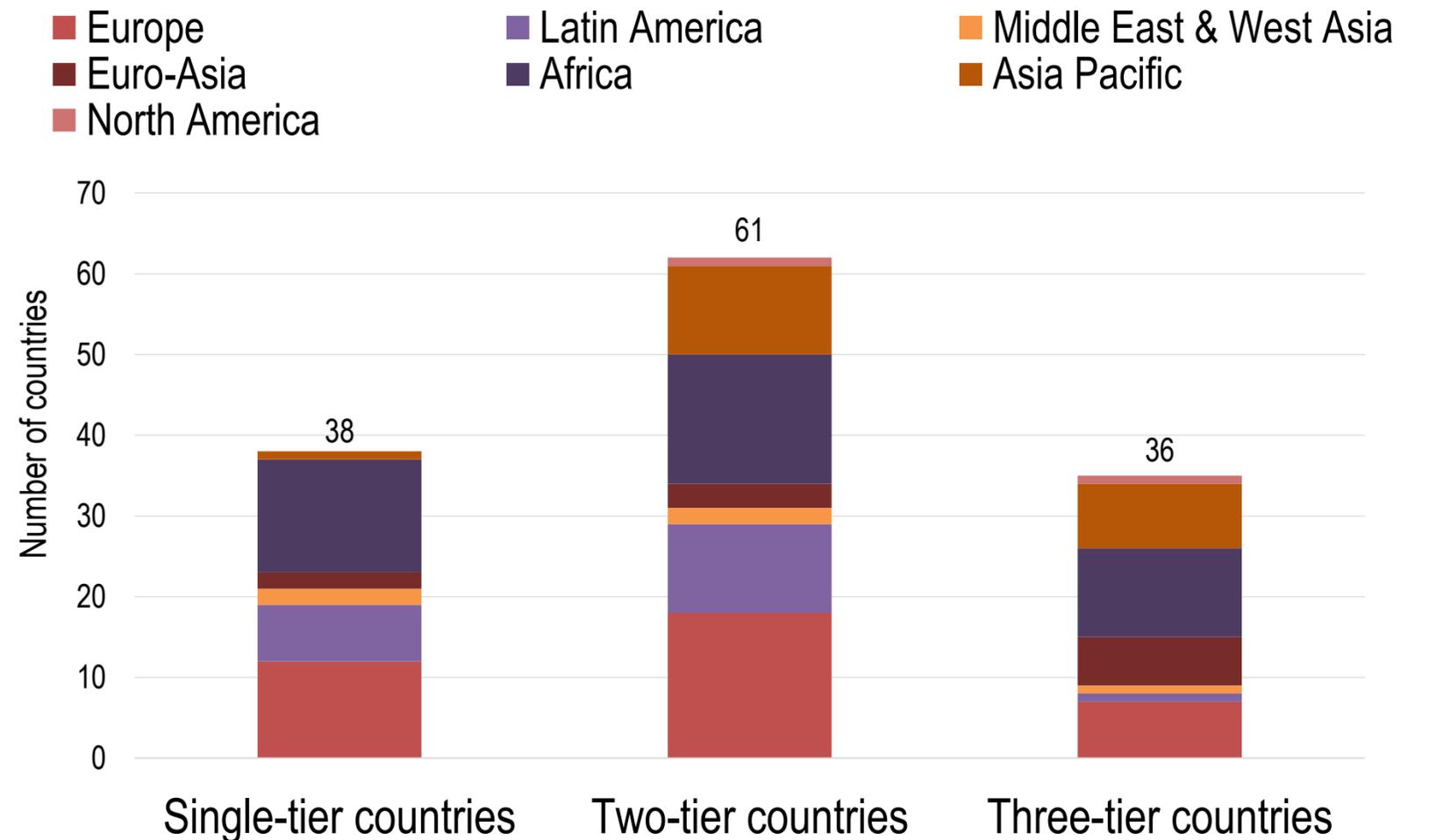
# Visit our website [www.sng-wofi.org](http://www.sng-wofi.org)



# Decentralisation, multi-level governance and territorial reforms across the world

- **Territorial reforms**
  - Partition reforms (Africa, MEWA regions)
  - Amalgamation reforms (Europe, Euro-Asia)
- **Decentralisation processes** have been non-linear and at varied paces
  - Re-assign responsibilities across levels of government (France, Ghana)
  - Enhance democracy and accountability (Kenya, Uganda)
- **Multi-level governance trends:**
  - **Asymmetric decentralisation** to provide differentiated political, administrative or fiscal powers (e.g. Philippines, Cameroon)
  - **Federalisation / regionalisation** processes (e.g. Nepal, Finland, Chile)
  - **Inter-municipal cooperation** is being implemented in widely diverse forms (e.g. Lithuania, Benin)

## Subnational tiers of government by world regions (2020)



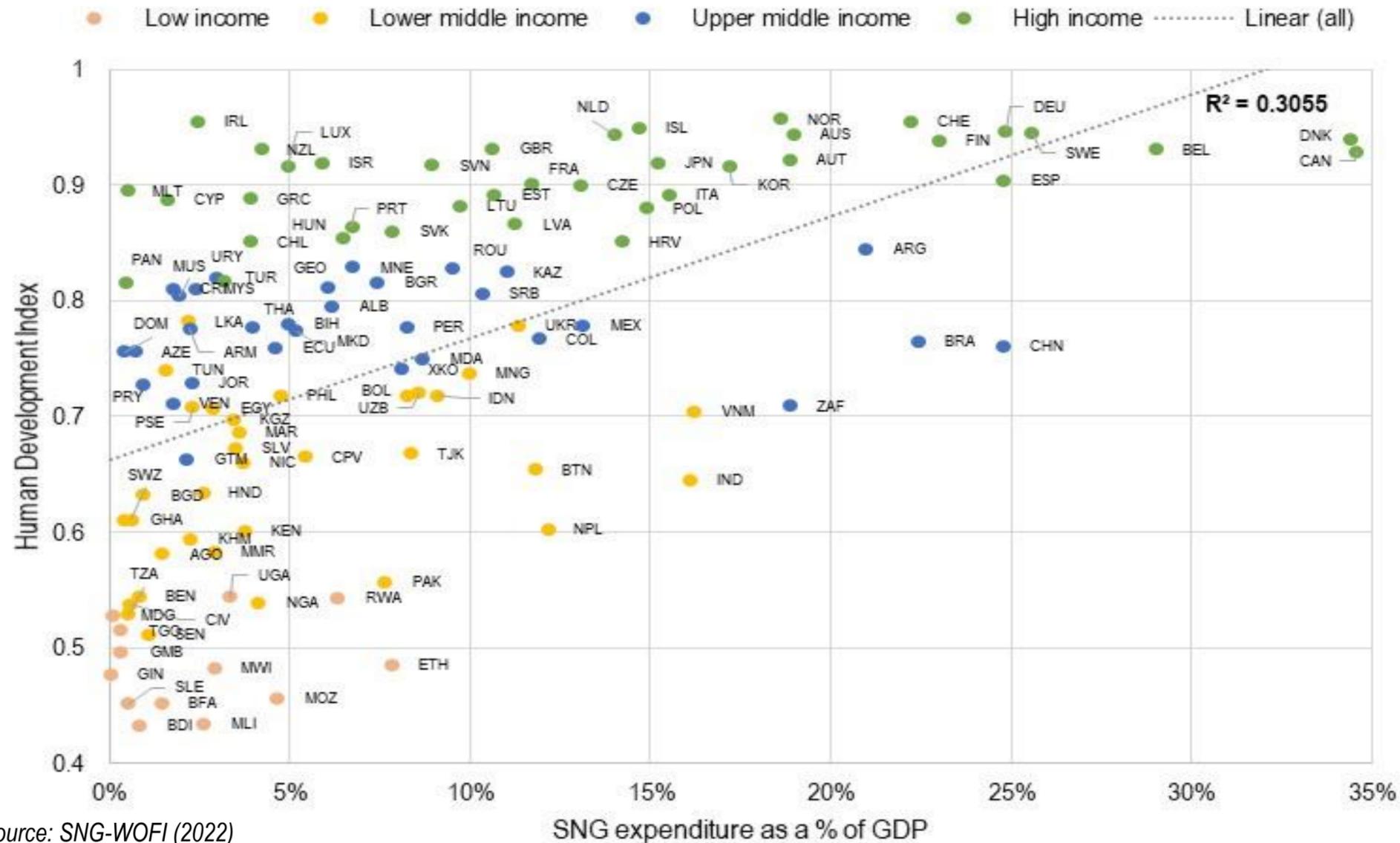
Source: SNG-WOFI (2022)





# 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)



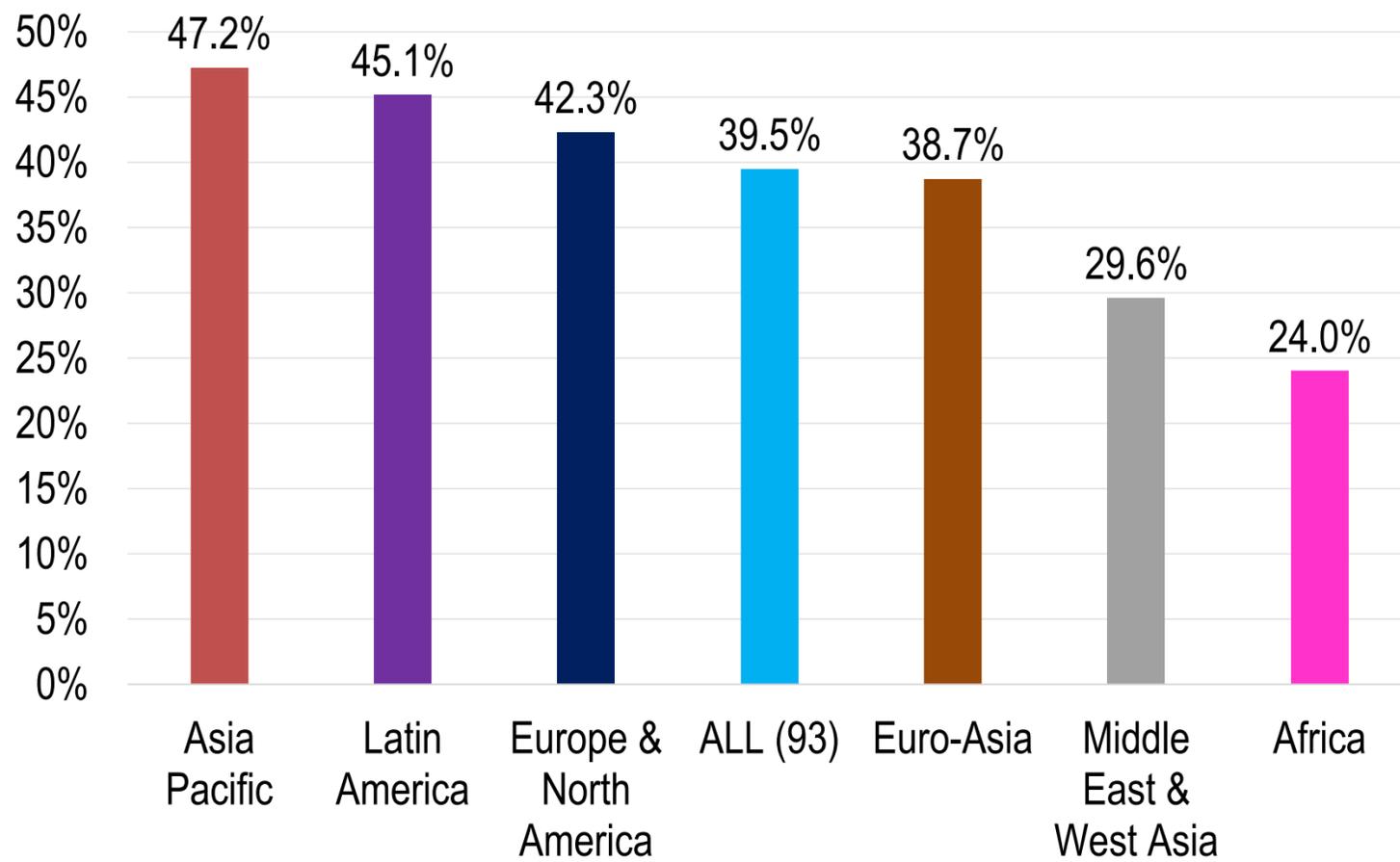
- Correlation does not imply causation
- There are many variations across country groups.



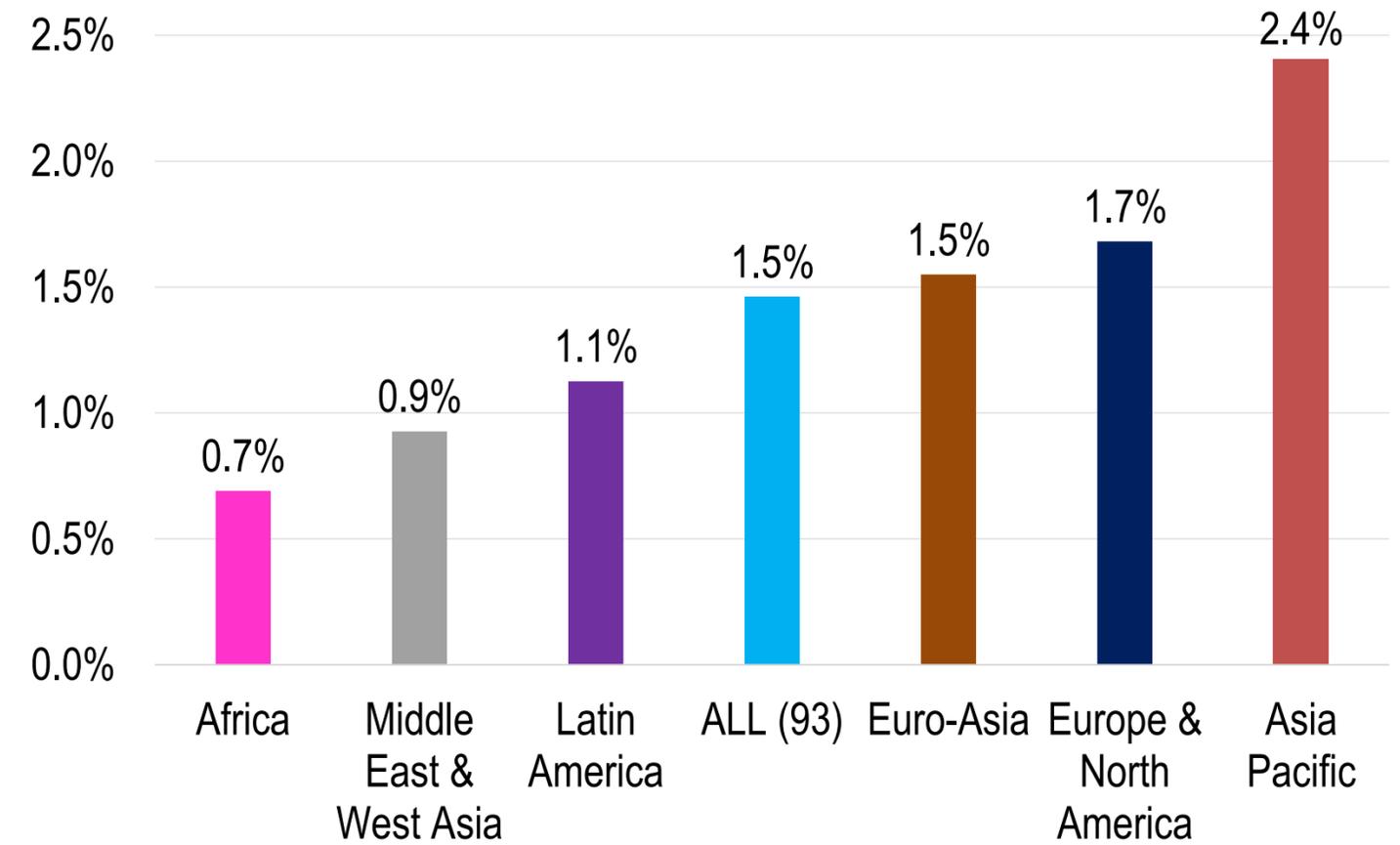
# SNGs are a driving force of public investment, but there is scope for them to invest more in many world regions

Globally, subnational governments account for 39.5% of total public investment, i.e. 1.5% of GDP

Subnational government investment as % of total public investment (2020)



Subnational government investment as % of GDP (2020)



Source: SNG-WOFI (2022)



# Subnational revenues vary significantly across countries and world regions, with an average of 51.5% coming from grants and subsidies and 31.% from taxes

## Breakdown of subnational revenue sources (% subnational government revenue, 2020), 116 countries

■ Tax revenue ■ Grants and subsidies ■ Tariffs and fees ■ Property income ■ Others inc. social contributions

### Global averages:

Grants and subsidies  
51.5%

Shared and own-source tax revenues  
31.2%

Tariffs and fees  
10.3%

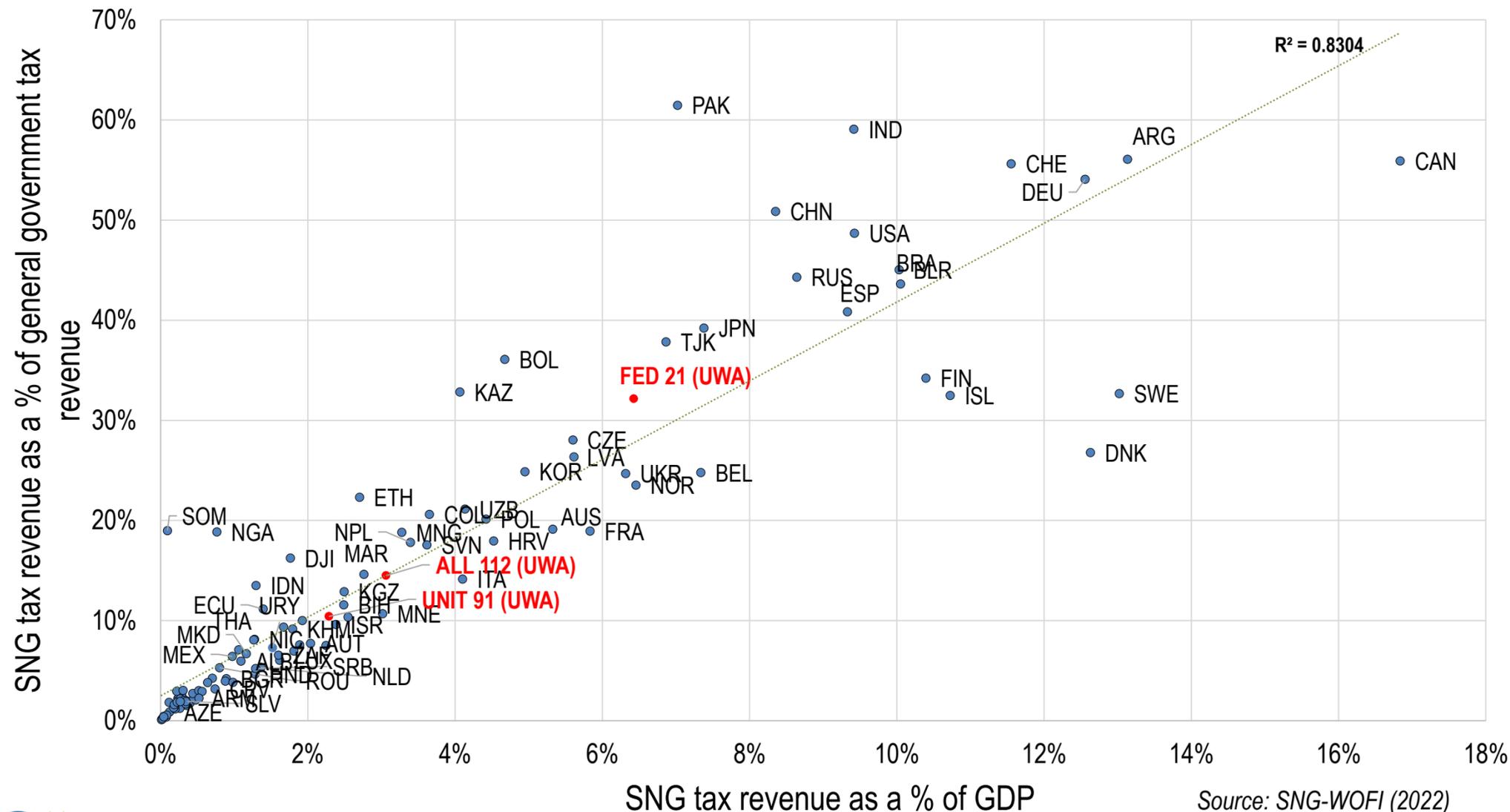


Source: SNG-WOFI (2022)



# Subnational government tax revenue accounts for 14.5% of total public tax revenue i.e., 2.9% of GDP on average, with large disparities across countries

## Subnational government tax revenue as % of total public tax revenue and as % of GDP (2020), 112 countries



- SNG tax revenue account for **less than 1% of GDP in 56 countries**, whereas it **exceeds 8% in 15 countries** (Argentina, Sweden, Denmark, Germany).

- SNG tax revenue accounts for **more than half of total public tax revenue** in China, Germany, Switzerland, Argentina and India.

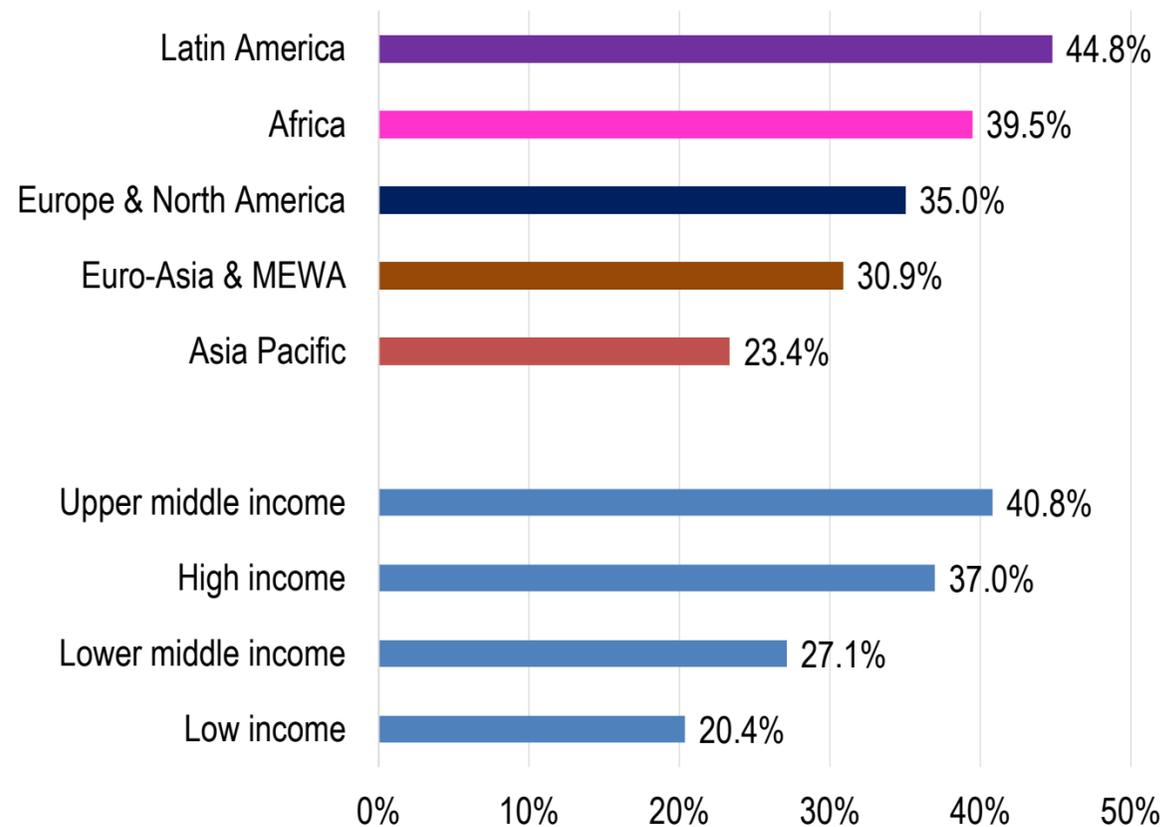
- Tax revenue encompasses **both shared and own-source taxes**, and the data is not indicative of the level of discretion of SNGs over their tax revenue.



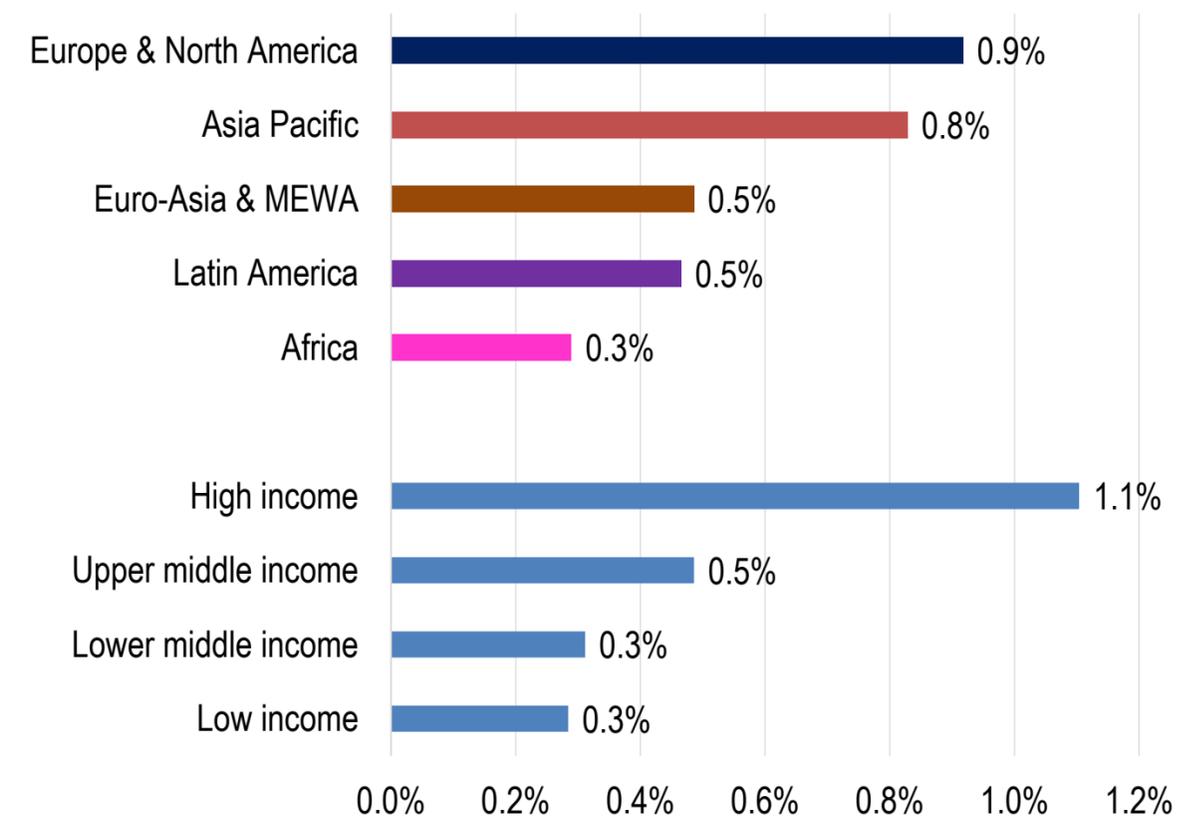
# The recurrent property tax is a cornerstone of local taxation but it remains an underexploited source of revenue in many countries around the world

Globally, **property tax** accounts for **34.1%** of subnational tax revenue, **8.2%** of subnational revenue, but only **0.7%** of GDP on average in 2020.

### Subnational property tax as % of SNG tax revenue (2020)



### Subnational property tax as % of GDP (2020)



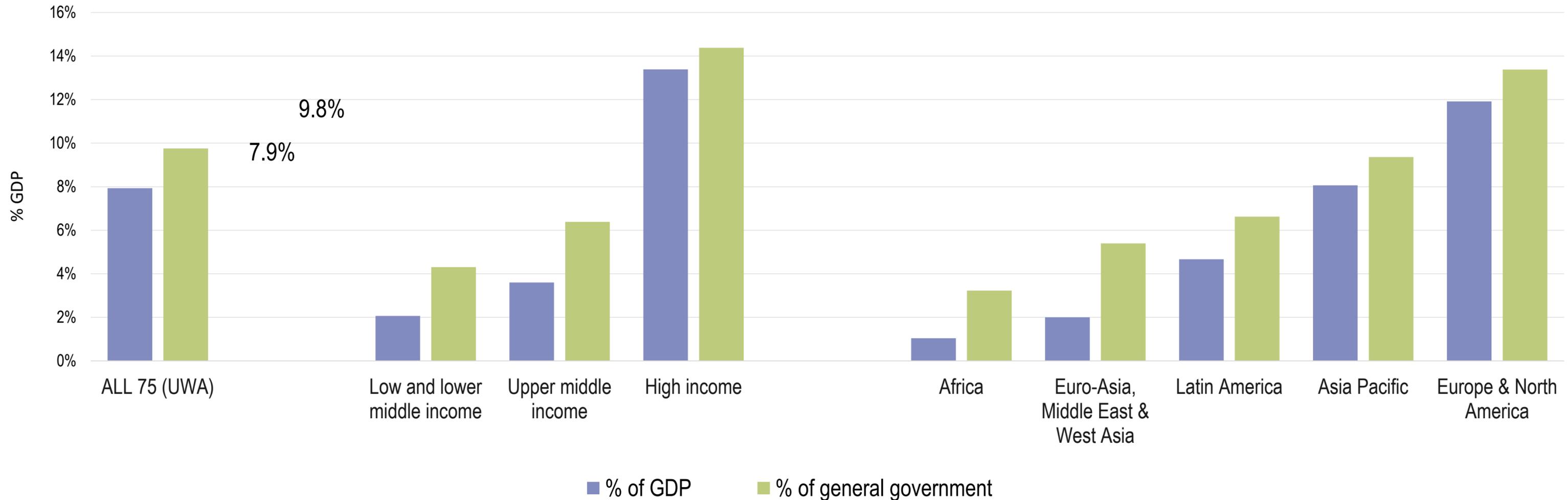
Source: SNG-WOFI (2022)



# Greater fiscal flexibility is also needed in access to financing in order to boost investment

## Subnational debt varies widely between countries, world regions and income groups

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



Source: SNG-WOFI (2022)



# Many countries are reforming fiscal frameworks and public financial management systems, which is essential to create an enabling environment for further mobilising public and private finance

## Examples of **priority-based budgetary practices** by subnational governments

Country	Year	Type
 Philippines	2021	Participatory budgeting
 Sierra Leone	2020	Aligning budgets with SDGs
 India	2020	Green budgeting
 Kenya	2020	Participatory budgeting
 Kazakhstan	2019	Participatory budgeting
 Portugal (City of Lisbon)	2019	Green participatory budgeting
 Uzbekistan	Since 2019	Participatory budgeting
 Canada (City of Victory)	Since 2017	Participatory budgeting

## Examples of **public financial management reforms** relating to subnational governments

Country	Year	Type
 Indonesia	2022	Financial Relations between the Central Government and Regional Governments
 Viet Nam	2022	Treasury and Budget Management Information System
 Uganda	2021	Local Public Financial Management reform
 Lithuania	2020	Law on Strategic Management of the Republic of Lithuania
 Cambodia	2019	Subnational Budget System Reform Strategy 2019-2025
 Panama	2017	Implementation of digitally integrated financial, accounting and administrative system

Source: Non-exhaustive lists, based on SNG-WOFI (2022)



# The World Observatory provides in-depth analyses by country groups, topics and world regions

## Focus on Least Developed Countries

- Collaboration with 
- Coverage of **31 LDCs**
- Collection of data & information on subnational finance, fiscal frameworks and multi-level governance trends



## Focus on topics and in-depth analyses



Property tax (with the support of GlZ)



Territorial impact and management of the COVID-19 crisis



Participatory and green budgeting



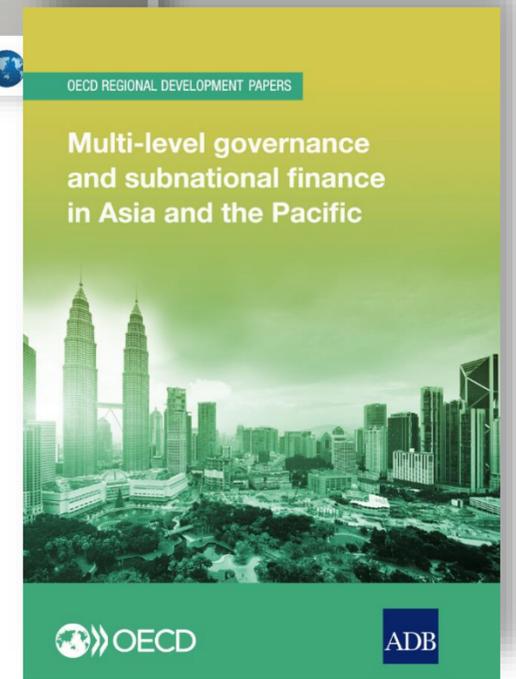
Public Private Partnerships

## Geographical focuses



Presentation to IADB on **LAC countries** (2023)

OECD-ADB Report on **Asia and the Pacific** (Forthcoming)





# Wide-ranging impact – a snapshot of recent years

## Policy-makers – national and subnational levels

- **Cour des Comptes, France** (report on decentralisation)
- **Syndicat des Villes et Communes Luxembourgeoises** (Draft law on property tax)
- **Medellin City Administration** (Climate Investment Opportunities Diagnostic)
- **Northern Ireland Commission**
- ...

## International organisations, networks and development partners

- **Development banks:** ADB, AfDB, World Bank (City creditworthiness initiative), CEB, etc.
- **United Nations organisations:** UNCDF, UNICEF, UNDP, UN-OHRLLS, UN-Habitat...
- **IMF** (fiscal risks)
- **FIDA** (country strategy)
- **G20** Infrastructure working group
- **Council of Europe** (Monitoring Report of the European Charter of Local Self-Government...)
- **Development agencies:** GIZ, AFD, USAID (MENA subnational governance)
- **CCFLA**
- **EU Committee of the Regions**
- **The Coalition of Finance Ministers for Climate Action**
- **World Economic Forum...**

## Academia and research organisations

- **ETH Zurich** (land value capture, fiscal grants...)
- **The Korea Institute of Public Finance**
- **UK Institute for Government**
- **World Inequality lab**
- **Instituto de Estudios Fiscales de España**
- **German Institute of Development and Sustainability**
- **Comité technique “Foncier et développement**
- ...



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# THANK YOU



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