

Policy Roundtable: Dealing With Persistent Fiscal Constraint

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The Context

- National governments face declining revenues and larger demands due to the persistence of the recession
- Financial markets and the public will not accept increased borrowing
- A common information society has led rural people to demand the same level of access to services that urban people receive, despite it being more expensive to deliver public services in rural regions

Effects of Fiscal Restraint

- Direct Effects
 - Reduced transfers from national government to rural government
 - Downloading of new responsibilities without additional funds
- Spillover Effects
 - Reduced public sector employment at local levels
 - Reduced ability to deliver services
 - Inability to offset lost transfers because of weak local economy or restrictions on raising own revenue

Possible Responses

- Lobby harder for reinstatement of funds or for new revenue sources (user fees, taxes, lotteries, asset sales)
- Alter services provided: i) deliver in new ways, ii) privatize, iii) turn over to volunteers, or iv) eliminate
- Collaborate with adjacent governments to provide services jointly
- Government mergers
- Try to expand the local economy to increase the tax base