

# PROCEEDINGS

SECOND MEETING OF THE STEERING COMMITTEE

WORLD OBSERVATORY

ON SUBNATIONAL GOVERNMENT FINANCE AND INVESTMENT

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## About the World Observatory on Subnational Government Finance and Investment

The World Observatory on Subnational Government Finance and Investment (SNG-WOFI) is a multi-stakeholder initiative led by the OECD and UCLG, launched on 17 November 2017 at the OECD headquarters in Paris. The SNG-WOFI is dedicated to collecting comparable data and information on territorial organisation and subnational finance from over 130 countries, and to support decision-making of national and subnational governments around the world.

Its objectives are to:

- Ensure standardised, reliable and transparent access to data on subnational government structure, finance and investment.
- Support international dialogue and decision-making on multi-level governance and subnational finance.
- Serve as a capacity-building tool on subnational governance and finance.



This initiative follows a 2016 pilot study conducted by the OECD and UCLG and supported by the French Development Agency on “Subnational Governments around the World: Structure and Finance”. The study was the first undertaken at such a large scale, covering over 100 countries. It highlights that subnational governments are responsible for 25% of public expenditure worldwide, or 9% of GDP, and 40% of public investment – 60% in OECD countries. The study confirmed that there is a growing demand worldwide for reliable, objective and comparative information and data on different topics regarding multi-level governance and finance. However, a limited amount of comparative data exists at the global level on subnational government structure and finance.

On 17 December 2018, the Steering Committee met a second time to review the progress and discuss the next steps one year after the launch. The second meeting gathered around 50 representatives from national governments (Belgium, Chile, Denmark, France, Korea, the Netherlands and Poland), subnational governments associations (Asia-Pacific, Europe and South East Europe, Latin America, etc.), European and international organisations (the European Commission, EU Committee of the Regions, Council of Europe, UN Capital Development Fund), multi-lateral and national development

banks (Council of Europe Development Bank, French Development Agency, Asian Development Bank), think tanks (DeLoG, Lincoln Institute of Land Policy) and universities (University of Wisconsin Madison and Maastricht University).

The following report provides a synthesis of the presentations and discussions held during this meeting. The Participants list is at the end.

## Opening the meeting: key messages from OECD and UCLG, founders of the World Observatory

**Ms. Lamia Kamal-Chaoui**, Director of the Centre for Entrepreneurship, SMEs, Regions and Cities (CFE) opened the Steering Committee meeting. After welcoming participants, she first emphasised the importance of local finances in the current global economic landscape, characterised in many countries around the world by growing economic and social divides, at the origin of the rising of inequalities and unrest.



This context of rising geographic discontent calls for carefully designed place-based policies, and for a better understanding of multi-level governance systems as well as of the ins and outs of subnational finances. Several Directorates and OECD Committees are engaged in ongoing work with local authorities, through the Regional Development Policy Committee (RDPC) and through the OECD Network on Fiscal Relations across Levels of Government, as well. By way of example, the new report *Making Decentralisation Work: A Handbook for Policy Makers* provides an overview of decentralisation policies in OECD countries and beyond, arguing that their outcomes depend greatly on the way decentralisation is designed and implemented.

**Ms. Lamia Kamal-Chaoui** mentioned that access to comparable, harmonised data at the local level vetted by governments, is necessary to support analysis and strategic planning, as well as a better understanding of multi-level governance system and mechanisms. In this sense, the Observatory represents for all partners a forum to exchange evidence and knowledge on these topics, with a credibility based on its key values of neutrality and objectivity. This is the reason why the OECD has developed a methodological guide setting a common conceptual framework for data collection and analysis for all of the 130 countries studied in 2019. **Ms. Lamia Kamal-Chaoui** also praised the work done over the past year by UCLG and UNCDF to set-up capacity-building activities and seminars, which also contributed to mobilise a network of focal points on whom to rely to get reliable data, in particular in least developed countries.

**Ms. Lamia Kamal-Chaoui** concluded her introductory speech by listing next steps and potential leads for the future of the Observatory. The final report will be released in the first half of 2019, together with a web platform and data visualisation tools to made data publicly available. A High-level International Conference will be organised on 17 June 2019 at the OECD to present these important

outputs. Furthermore, thinking about the future of the Observatory opens many potential leads, including extending the scope of data to cover topics such as climate finance and infrastructure investment, and the trend toward collecting more “granular” micro-data for individual subnational authorities.



**Ms. Emilia Saiz**, UCLG Secretary General, further shed lights on the local and territorial perspectives. In raising the importance of connecting the work done with the World Observatory on subnational governments finance and investment, she welcomed the continuous engagement of UCLG Sections (Metropolis, UCLG ASPAC, CEMR and Mercociudades) as well as associations such as CNM (Brazil) and SALGA (South Africa). This effort benefits the entire subnational government movement and its partners.

To make it more meaningful, it must support other domains and topics part of the Global Taskforce (GTF) of Local and Regional Governments strategic plan, such as climate change and the reshaping of subnational finance. The SNG-WOFI initiative can be a great opportunity to enhance the collective capacity to stop preaching to the choir, by providing critical analysis to those currently debating and implementing policy reforms, including within the UN system.

The partnership is about data collection and more. It is about gathering knowledge on local and regional governments’ prominent role in the provision of public services, that are determinant factors for the reduction of inequalities and better life expectancy. It is essential to ensure ownership of the data by the local and regional governments themselves to contribute more practically to building the knowledge they require for local and regional development. Therefore, we also need to take into account capacity building for subnational governments to carry out their own data analysis, and materialise the outcome of these analyses.

In this respect, **Ms Emilia Saiz** stressed that many initiatives are taking place in parallel, which should be in synergy and linked to the work promoted by the World Observatory. UCLG and the members of the GTF contribute to these reforms and discussions. All actors, including city networks, development banks and United Nations agencies, constantly feel the need for reliable data and institutional capacity to produce them.

She gave the example that barely around 150 cities in the world may have the analytical capacity to address the implementation of climate finance. The lack of capacity of many local and regional governments of a certain size is a real gap that need to be filled. Hence the joint work of UCLG and its members with UNCDF on the mobilisation of focal points on local finances to contribute to building ownership and providing local perspective to the analysis.

Finally, UCLG also called donors for broader and continued financial engagement, for the Observatory team to be able to adapt some indicators to data availability in some countries and for the full development of the focal point strategy.

## Outcomes after one year of cooperation

Following the opening remarks, **Ms. Dorothée Allain-Dupré**, head of the Decentralisation, public investment and subnational finance Unit of the OECD and **Mr. Edgardo Bilsky**, Director of Research of UCLG, took stock of the progress made since the launch of the project.

### *Expanding the scope of indicators and countries*

**Ms. Dorothée Allain-Dupré** first highlighted the diversity of the Steering Committee members. From a multi-governance perspective, this second meeting gathers representatives from a large variety of government and non-government agencies interested in local and regional development. She then recalled the three main objectives of the Observatory: 1) Ensure standardised, reliable and transparent access to data on subnational government structure, finance and investment; 2) Support international dialogue and decision-making on multi-level governance and subnational finance; 3) Serve as a capacity-building tool on subnational governance and finance.



Among the main changes made since the 2016 pilot-study, **Ms. Dorothée Allain-Dupré** first mentioned the expansion of the geographical scope of the initiative, with 30 additional countries compared to 2016, to reach a total of 130 countries classified into seven regional areas, including a greater focus on Least Developed Countries (LDCs).

Another change is the improved distinction between state and local governments in federal countries and, to a lesser extent, between local and regional government in unitary countries.

With regard to the first objective aforementioned, related to data, new indicators have been introduced: amounts in dollars PPP, new indicator on poverty, breakdown of indicators by types of expenditure and by categories of taxes, and further details on debt levels and composition. She then highlighted the new focus on deconcentrated entities, and the significant addition of comprehensive qualitative information on the multi-level governance and decentralisation framework of each country, as well as on-going and planned reforms on decentralisation and territorial organisation. Finally, a system of rating has also been set to assess the availability and reliability of data.

**Ms. Dorothée Allain-Dupré** then provided the members of the SC with a general overview of the progress that were made regarding data collection. As of the date of the meeting, 90 country profiles out of 130 were complete, with both quantitative and qualitative information collected, and in the process of being reviewed. For 10 countries, quantitative information was still lacking. The OECD is responsible for 62 countries, UCLG for 51 and UNCDF for 15. She set the global objective to get all the country profiles and corresponding excel files finalised by February/March, in order to put all the data on the extranet for peer-reviewing.



## Outreach and network development

**Mr. Edgardo Bilsky** continued the update with a particular focus on the outreach and network development. He announced that access to data remained complicated for many countries, despite the efforts made in this respect for developing countries by UCLG and UNCDF. Data harmonisation poses many constraints, as national SNA systems often do not follow international standards. On the other hand, he noted that data could be collected for some countries for which they had not planned to get reliable information, such as Nicaragua for example.



Regarding the network of experts on local finance, **Mr. Edgardo Bilsky** announced that the objective is to better involve local experts in the network and in the analysis process, and not only in the data collection. He reflected on the need to organise more peer groups based on geographic, economic and institutional situations, and to develop more capacity-building programs, for local experts to better understand how to make the best use of the data. Grouping similar countries together to compare one another may also be relevant, as **Clir Flo Clucas** suggested, to sensitize politicians to the situation of neighbouring countries and induce real change. In this sense, countries could be paired in groups to be compared according to specific topics. In this regard, the second objective of the Observatory, on making the Observatory a capacity-building tool and platform for multi-level dialogue and facilitating peer-learning, is particularly relevant. **Mr. Marcelino Pandin**, from the UCLG ASPAC Secretariat, added that capacity-building is a long-term goal, and such a challenge can only be solved through an action plan over a minimum of 5 years.

### Box 1. Expectations and involvement of the Observatory partners: The view of AFD, UNCDF, DeLoG and CEB

DeLoG recently joined the AFD and the UNCDF as financial and technical support to the launch of the Observatory, together with the CEB. One year after the launch of the initiative, representatives from each of these institutions explained the reasons why they got engaged in the process and their contribution to it.



**Ms. Réjane Hugouenq**, Project Manager at the Division on Urban development and subnational governments of AFD, mentioned that when it comes to working with local governments, in particular in developing and least developed countries, donors need much more data and information than they are able to gather themselves. When local projects do not succeed, this is often due to gaps in the design of the overall national system, to which municipalities and regions belong. Such information on national systems is very difficult to gather by partners, and sometimes even by governments themselves. Yet, data and evidence are important tools to build fiscal policies, and public policies in general. In that perspective, AFD is convinced that the Observatory, with its network of technicians and financial experts, is a very important policy tool that can be instrumental for AFD in its daily operations but also, and even more importantly, to convince national and local governments themselves to build further statistical databases and reinforce the capacity of their technicians and local teams. AFD has supported the project since its beginning, through the financing of the pilot study in 2016 and of this initiative since 2017, and called for other development banks and partners to join as financial and technical supports.



**Ms. Christel Alvergne**, Regional Advisor/ Coordinator at UNCDF, also recalled that the Fund is a partner of the initiative since its launch in 2017, through both financial and technical support on the field, through its network of experts spread in several LDCs. UNCDF is particularly interested in the Observatory initiative for its pedagogical dimension. For the UNCDF, the Observatory is primarily an incentive for LDCs to strengthen their financing structure, through their integration in a wider global process. It is also a tool for UNCDF, to base its advocacy on topics such as blended finance, development financing and local financing on concrete and reliable data and information. Financial data are complex by nature, and the Observatory, the final report to be released and the web database, enable to present such data in a standardized, clear and more comprehensive way.



**Ms. Elisa Muzzini**, Technical Advisor on Regional and Urban

Development at the Council of Europe Development Bank, mentioned the shift of the CEB agenda towards more and more projects at the subnational level, and on topics such as infrastructure, social inclusion and economic inclusion, which led to its participation in the Observatory initiative. The CEB has already 41 member-countries, and it perceives a growing interest from cities within the European Union willing to address this social agenda themselves, and to participate actively in the policy-making. The CEB



wishes to use the Observatory data mainly for benchmarking and supporting evidence-based policy dialogue. They are also interested in the perspective of extending its scope to indicators related to climate change, and to specific indicators for cities.



**Mr. Christoph JANSEN**, Coordinator of the DeLoG Network, was participating for the first time under the banner of supporting partner of the Observatory, while being committed to the project for a long time on other technical aspects. DeLoG, which now reunites 29 organisations as well as several strategic

partners, is particularly involved with the Observatory on data collection through its network of focal points. It also considers the Observatory can play a role for the harmonisation of donors' access to data on subnational finance and governments.

## Gathering and analysing data and information

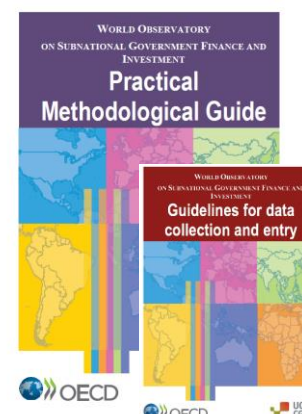
The OECD has developed several methodological tools throughout 2018 to ensure a coherent and consolidated reporting process, able to upgrade the quality of subnational data and improve international comparability. These tools were shared, discussed and improved thanks to the support of the network of experts and focal points of UCLG and UNCDF, and thanks to the inputs of the members of the Steering Committee.

**Ms. Isabelle Chatry**, Senior Policy Analyst and Co-Ordinator of the Observatory at the OECD, provided feedbacks on the development of these new tools, on the challenges encountered in their use, and mentioned a few leads to enhance these tools in the future.

## *The development of new methods and tools for the 2018 edition*

The tools developed for the 2019 edition include:

- A practical methodological guide (around 80 pages);
- An Excel grid for data entry of quantitative information;
- Two templates for the country profiles (one for federal countries and the other one for unitary countries);
- Guidelines to help complete the Excel grid (with quantitative information) and collect qualitative information to prepare the qualitative part of the country profiles.



**Ms. Isabelle Chatry**, recalled that compared to the 2016 study, these tools have been significantly improved, in terms of sectoral coverage of the data collected and of the information provided. The adaptation of the methodology was partly induced by the integration of more LDCs for which quantitative data are often missing. With the objective to provide a common framework, the 2019 edition brings a new focus on qualitative information and estimates.

The methodological guide setting this common framework is composed of three parts:

- Part 1: Basic geographical and economic data
- Part 2: Multi-level governance, territorial organisation and subnational government responsibilities
- Part 3: Subnational government finance



In terms of sectoral coverage, a better distinction has been made for federal countries within the “subnational government” category between state and local government’s sub-sectors. For unitary countries, disaggregated data on the specific features of each subnational level can for now only appear in the qualitative part of country profiles. The new methodological guidelines also clarify the definition of subnational entities taken into account in the study. **Ms. Isabelle Chatry** explained that subnational entities were then divided between deconcentrated central and federal government entities, and the decentralised subnational government sector.

It was acknowledged during the meeting that the new guidelines were particularly useful to fill-in the qualitative parts of the country profiles, enabling the experts to write condensed texts on the political context and governance framework of each country. This is also true regarding the new information requested on fiscal rules and borrowing, particularly helpful for the financial analysis on debt, and to complement often missing fiscal data.



## *The development of a network of experts and focal points*



**Mr. Luc Aldon**, Research Officer at UCLG, presented a new addition introduced in the methodology since the 2016 pilot-study, the development of a Network of experts/focal points in selected countries, and the organisation of capacity building seminars gathering these experts, in association with UNCDF.

The first seminar was organised in Barcelona and gathered about 25 participants, representatives from UCLG regional sections and local governments associations. The one-and-a-half-day workshop was dedicated to the presentation by the OECD of the

methodological tools. The discussions were active and revolved around the issues of how indicators can be improved to better represent the diversity of local contexts; the need to better clarifying the allocation of responsibilities de facto and de jure between levels of governments; the reliability of data and figures. The particular cases of Brazil, Uruguay, Kenya, countries from the Asia-Pacific region and LDCs have been discussed. Comments of participants were collected in the Proceedings of the Workshop, and final working documents were translated in French and Spanish before being sent to regional focal points.

The second capacity-building workshop was presented by **Ms. Christel Alvergne**, Regional Advisor/Coordinator at UNCDF. It was held in Malaga as part of the UNCDF retreat in April 2018. Participants in the meeting could discuss further the adaptation of the initiative to LDCs. The discussions shed light on the issue of skills and capacity-building of the focal points and local finance experts.

According to **Ms. Christel Alvergne**, in the specific context of LDCs, the collection and use of data still remain an issue. They require lot of efforts to raise the Observatory standards. This may be an issue to think about if we really want the Observatory be global. Therefore, the main issue is to define how to make the most of the skills of each individual involved in the Observatory initiative and take stock of this experience for the next exercise.



Various types of competences are needed, which can be divided into three categories:

- First, focal points with a direct contact with governments, and which inspire trust, to get easy access to the data.
- Second, people able to deal with the data accordingly with the methodological guide, and to manipulate these data on Excel.
- Third, people able to write the country profiles, to explain and analyse the information collected while remaining neutral and without being controversial.

### *Feedbacks on the country profiles*

**Ms. Isabelle Chatry** informed the members of the SC that as of the date of the meeting, information had been collected for 90 countries out of 130 in total. Significant efforts have been made, but there is more to be done to achieve data quality. Three country profiles were sent to the members of the SC ahead of the meeting as an overview: Poland, Kazakhstan and Korea. She then listed some of the difficulties that were encountered while drafting the country profiles over the first year after the launch of the Observatory.

**Ms. Isabelle Chatry** first highlighted that many experts had noted the complexity of the country profiles for federal countries. Overall, participants agreed that country profiles needed to be simplified, in particular the part dedicated to subnational finance with financial indicators (disaggregated at federal and local levels). It was also noted that the excel files were too heavy, causing technical problems at the exportation.

Among other difficulties for the filling-in of country profiles, the table on the division of responsibilities across levels of governments was mentioned. Due to the unclear definition and mismatch of responsibilities between levels of government, and to the “general clause of competences” that applies to the local level in many countries, it is difficult to complete this table with accuracy. As a result, this table reflects more a general theoretical scheme than the reality, and the qualitative information associated with the table is essential to complement the information provided. Moreover, it will be necessary to assess, with the help of national experts, the methodology of data standardization for each country profile. This applies particularly to the breakdown between shared taxes and grants and subsidies, data on investment and debt, and the definition of the property tax, to be differentiated from the property income.

**Ms. Elisiane Mangrich**, Supervisor of Technical Studies at FLACMA, reacted to this by highlighting that Brazilian standards in public finances are different than those requested by the OECD, as historically, tax authorities have been using a classification different from the OECD classification. This may induce some mistakes, such as the overestimating of subnational expenditures. In this sense, she outlined that the National Treasury was working on improving the comparability of their data with the IMF nomenclature of national accounts. She added that another challenge is the lack of data, knowing that 50% of the 5 000 total municipalities in Brazil do not provide their budget balance every year as requested.





**Ms. Nan Zhang**, Advisor at UNCDF, exposed to the members of the SC the main challenges to be overcome for completing the country profiles of LDCs in the framework of the Observatory, through the example of Rwanda. Indeed, Rwanda was one of the few most completed LDC country profiles at the date of the meeting. Rwanda is a democratic republic with two spheres of government (national and local), and a total of 30 subnational governments (districts).

**Ms. Nan Zhang** presented a reconstitution of SNG expenditure in Rwanda by economic function, based on the Ministry of Finance’s annual earmarked transfers guidelines to decentralized entities (as the official statistics are not available). According to this restitution, education, health and economic affairs/transport are the top three expenditure areas of subnational governments in the country.

Following this exposé, **Ms. Nan Zhang** explained how UNCDF experts had overcome the main challenges for completing this country profile and others. The unavailability of data was then resolved through using notes and qualitative information to complement the gaps. Complementary notes to the methodological guidelines were added to correct common mistakes: not to confuse the “exchange rate in dollars PPP” with the “market exchange rate”, and to consistently apply the same rules for decimal units and years. Remaining challenges also included the need to simplify the templates for qualitative information (suggesting word limit for each section); mentioning the source for each of the SNG finance tabs; mentioning the fiscal year for each set of data; and provide information on how to fill-in blank cells.

**Mr. Luc Aldon** finally reported on the inputs of SALGA and the African Centre for Cities (ACC) on the country profiles, and in particular on the country profile for South Africa, as they could not be present at the meeting. Both reported similar challenges for data collection and data entry to these previously mentioned. They reported finding conflicting information according to various national sources and having problems with the definitions of the methodological guides compared to national norms. Regarding the case of South Africa, **Professor Andrew Reschovsky** from the Robert M. La Follette School of Public Affairs of the University of Madison, is in the process of reviewing the country report and will provide its feedback after the meeting.

The cases of Brazil, Rwanda and South Africa highlighted some of the challenges to complete the country profiles, but also proved an efficient way of putting pressure among peer countries to make progress on data collection, and to bring about gradual changes.

Those presentations were followed by a round of questions from the members of the SC, related to the accuracy of data, the need for outreach and the feasibility to collect more disaggregated data.

## Accuracy of data and estimates

**Mr. Edgardo Bilsky** evoked that in most developing countries and LDCs, it was still very difficult to conform to the level of accuracy requested by the methodological guidelines in terms of data standardisation.

In reaction to this, **Mr. Juan Voelker**, Director of Financial Resources of Montevideo and Permanent Technical Secretariat of Mercociudades, said that due to the heterogeneity of sources and national statistics systems, one must do a trade-off between statistical accuracy requirement, and the availability of low-quality data and estimates.



**Mr. Marcelino Pandin**, from the UCLG ASPAC Secretariat, responded that in most cases, data from the state audit offices are the more reliable ones. **Mr. Sean Dougherty**, Senior Advisor for the OECD Fiscal Network, suggested that in order to go deeper in the data collection and analysis, it would be relevant to constitute groups of countries that follow the same standards, with similar accounting practices.

**Mr. Elton Stafa**, Expert in Finance at NALAS, recognized that due to such factors, this initiative should not be seen as the perfect statistical exercise. There is a balance to be found between a dataset that gives priority to comparable data above all, and a more pragmatic approach with localized data and information for each country. In the end, readers may be less interested in perfect comparability than in understanding the data. He also suggested that adding more indicators of the general government sector itself could be an asset.

**Mr. Preben Gregersen**, Regional Policy Director at the Ministry of Industry, Business and Financial Affairs of Denmark, made the connection with a key objective of the Observatory, that is to ensure the reliability of the data and information, and the trust in the use of this data by the members and partners of the Observatory.





## *Find a balance between technical language and vulgarisation*

The question of whether or not it was necessary to simplify the country profiles and the final report, to be understood more easily by a wider audience (and in particular for technicians and for politicians), was



raised by **Cllr. Flo Clucas**, Councillor of Cheltenham Borough Council and Spokesperson of CEMR. In this sense, she also raised the question of the translation of the methodological guide and country templates in local languages (other than Spanish, English and French). As **Mr. Elton Stafa** continued, many readers may not be familiar with all the technical concepts used in the files. That is why attention should be paid to the way data will be presented (ratio of total public spending and revenue, COFOG, etc.).

**Ms. Emilia Saiz** recognized this was an issue particularly relevant for UCLG and UNCDF countries that needed to be solved. Yet, she highlighted the importance of the information collected, and the hard work that had been needed to reach such a level of accountability. She was joined by **Mr. Junghun Kim**, President of the Fiscal Policy Institute (FPI) and representative from Korea, which marked the difference between simplification and sound interpretation. They both supported the idea that it is essential to start with a comprehensive and perhaps complicated picture for people to understand the context and not to ignore some key aspects.

As **Mr. Edgardo Bilksy** noted, the first step is to collect and gather all the knowledge, data and information, and the second step will be to translate it in order to share it in a meaningful way. If experts are the only ones to have access to the information, there can be no ownership of the data by local and regional governments themselves.

On this topic, **Mr. Zhi Liu**, Senior Fellow at the Lincoln Institute of Land Policy and Director at the Peking University, mentioned that, in the case of China among other countries, it could be relevant to add a mention of the figures in domestic currency, in addition to the figures in dollars PPP, with which Chinese scholars are not familiar. Here again, the statistical ratios are the best way to present the data, as they fit into national narratives and provide more useful information.



## *From consolidated data to disaggregated data at the regional and local level*



**Mr. Lewis Dijkstra**, Head DG for Regional and Urban Policy at the European Commission, raised another challenge: to understand what are the levels of revenue, expenditure and investment carried out at the individual regional and municipal level. He expressed his wish to dispose of disaggregated data at the regional level (and ideally, for each municipality), to understand better territorial dynamics, and have an overview of which territories are spending money, and which ones are receiving money.

**Mr. Octavi De La Varga**, Secretary-General of Metropolis, also expressed his interest to add more disaggregated data in the next edition, in order to have a better idea of the territorial imbalances in countries, and how largest cities are performing. In reaction to this, **Ms. Dorothee Allain-Dupré** suggested that participants share the links to countries where such micro-data are available. She evoked the idea of doing a pilot study on five to six pre-selected countries, to collect micro individual data and assess the feasibility of the initiative. Regarding data on metropolitan areas, it is more difficult as there is no common standard. Yet, the concept of metropolitan areas is particularly relevant regarding equalisation systems and it should be mentioned in the country profiles when necessary.



Furthermore, **Mr. Martijn Zwart**, Coordinator Economic and Fiscal Affairs, Public Administration & Finance at the Ministry of the Interior and Kingdom Relations of the Netherlands (BZK), congratulated the team and valued the method, approach and first outcomes. He pointed out the necessity to update the data regularly, once the database is built, before considering expanding the indicators.

## **Dissemination tools**

### *Final report*

Regarding the final report, **Ms. Dorothee Allain-Dupré** presented the draft outline of the publication. She highlighted that the objective of the report is to provide international comparisons, for the full dataset and by families of countries. It is not to provide recommendations on which systems work better than others.

Several participants suggested that the executive summary, and the final publication should be shorter than the ones of the 2016 pilot-study, to make it more practical. In this sense, **Professor Andrew Reschovsky** proposed to develop marketing products, such as a communication brochure, to reach a wider audience. The example of the recent release of the pocket version of CLGF report was raised.

### ***SNG-WOFI website***

**Ms. Isabelle Chatry** also introduced the website dedicated to the Observatory initiative, under development. She explained that the platform will be hosted by the OECD internet system as an autonomous satellite system, dedicated primarily to the dissemination of data and information. It will offer four types of content:

- Text pages presenting the initiative (homepage, project presentation, partners' presentation, etc.)
- Access to the database (consultation and extraction)
- Access to visualisation results
- Access to the final report in PDF format (country profiles and synthesis)

**Mr. Junghun Kim**, President of the Fiscal Policy Institute (FPI) and representative from Korea, suggested that in order to provide a comprehensive understanding of the data, it is also important to have a better knowledge of the constitutional structure of each country. He proposed to add, on the front page of the Observatory website, a section gathering the constitutions and basic legal texts of each country. This section could also shed light on the characteristics of each national dataset. This will also enable to show the differences across countries. He took the example of taxing powers, which is not detailed in the US Constitution contrary to the German Constitution.

Similarly, for each country of the Observatory, he suggested each country could have a specific url and dedicated page. He took the example of the OECD Better-life Index website. On these pages, it would be useful to provide direct links to the existing OECD publications, such as territorial reviews, as well as Eurostat data. He also mentioned the examples of Korea and Japan, two countries with well-developed fiscal frameworks and fiscal basis. Even though those are not in English, they could be gathered with the help of local focal points and linked to each respective country profile.

### ***Database and visualisation tools for the web platform***

**Ms. Isabelle Chatry** performed a live test of the web database, still under development, before the members of the SC. She explained that the database only includes data for the year 2016 and does not include data from the pilot-study. She also presented some examples of visualisation tools to compare the data online, that are being developed under the same format as the OECD "Compare your country" tool.

Country		Austria						
Forms of the State		Federal State						
Income Group		High Income						
Measure		Socio-Economic Data Value	Amount (US dollars PPP)	Per capita	As a share of GDP	As a share of total transaction, same level of government	As a share of general government, same transaction	As a share of subnational government, same transaction
National aggregates	Socio-economic data	Area	82 409 000	...	...	...	...	...
		Population	8 809 212	...	...	...	...	...
		Population Growth	0.629	...	...	...	...	...
		Urban population	66 110	...	...	...	...	...
		Urban population growth	0.945	...	...	...	...	...
		Density	106 896	...	...	...	...	...
		Population of capital city in total population	21 575	...	...	...	...	...
		GDP in dollars PPP	462 990	...	...	...	...	...
		GDP in dollars PPP per capita	52 557 479	...	...	...	...	...
		Real GDP growth	3 100	...	...	...	...	...
		Unemployment rate	5 590	...	...	...	...	...
		Foreign direct investment, net inflows	13 766 648	...	...	...	...	...
		Gross fixed capital formation in GDP	23 511	...	...	...	...	...
		HCI Index value	0.908	...	...	...	...	...
		HCI World ranking	20 000	...	...	...	...	...
		Poverty rate	0.700	...	...	...	...	...
General government	Expenditures	Total expenditures by function consolidated (COFOG)	223 799 168	25 606 881	59 703	100 000	...	...
		Total expenditures by function consolidated (COFOG)	29 958 407	3 324 834	6 583	12 984	...	...
		Defence	2 714 762	310 628	0 615	1 213	...	...
		Public order and safety	5 981 610	684 410	1 355	2 673	...	...
		Economic affairs (inc. Transport)	25 926 511	2 863 569	5 676	11 183	...	...

**Mr. Juan Voelker** suggested to develop a filter to select data according to their reliability and source. In addition, he proposed to explore a wider array of visualisation tools beyond those exposed (bar charts, global map...), with the example of spider charts.

In addition to these remarks, **Mr. Elton Stafa** proposed to add a banner dedicated to users who would not be very familiar with financial indicators, which would directly propose the main indicators. **Mr. Bert Kuby**, Head of Unit at the EU Committee of the Regions (COR), and **Cllr. Flo Clucas** joined him on this idea and went further to advocate for the development of an “easy” version of the database, accessible to everyone, that may encourage and lead people to try the other, more complete version. She suggested that listing research documents and an accessible design will encourage students and schools to use this tool. **Mr. Lewis Dijkstra** agreed on the idea of proposing a simple and clear graph that would convey the main messages, while proposing the complete version of country profiles in website format.



**Mr. Martijn Zwart** remarked that many stakeholders may not have a clear view of the opportunities offered by such a database. In this sense, he proposed to open a discussion on the potential uses of the database, what it can be used for. He also proposed to define and regularly update the Observatory research agenda, that will make an inventory of all the studies developed based on these data.



### *Presentation of the Observatory outcome in participating LDCs*

**Ms. Christel Alvergne** explained that based on her work experience with UNCDF on LDC countries, she considered it crucial to go back to the countries taking part in the studies after the launch of the final report, in order to present the outcome to local stakeholders themselves. This would participate in building long-term sensitisation and capacity-building, as discussed before. Then, it is necessary to start thinking about the main messages to be disseminated, and to the best ways to communicate about them. She also sees here an opportunity to build new programs for these countries, based on these outcomes.

This idea was approved by **Ms. Réjane Hugounenq** from AFD and by **Ms. Gipsy Beley** from the Urban and Territorial Governance Department of the French Ministry of European and Foreign Affairs, which expressed their interest to participate, financially and technically, in the organisation of these seminars together with UNCDF in countries where they are based.



### *Planning of the International Conference for the report launch*

The International Conference on Subnational Government Finance and Investment is set to take place on 17 June 2019 at the OECD headquarters in Paris. **Mr. Serge Allou**, Technical Advisor at UCLG, recalled that the first objective of this high-level event is the launch of the 2019 Observatory report, and the presentation of the interactive web database. The roundtables sessions that will be organized will also present the opportunity to contextualise the findings and outcomes of the report, and to address key policy issues related to the thematic.

**Mr. Joaquim Oliveira Martins**, Special Advisor at CFE/ESG at the OECD, added that this conference would enable to formulate important messages out of the data collected by the Observatory. It would constitute a manifesto on the trust-worthiness of subnational governments, and on ensuring that decentralisation occurs at the same time as the building of trust and capacity. Its outcome will be integrated within the OECD Research agenda to make sure that the process will not end after the end of the Conference.

**Mr. Serge Allou** then submitted four potential conference topics for approval by the members, with the aim of choosing 3 definitive ones for the final conference:

- 1) Aligning political and financial decentralisation: a multilevel dialogue
- 2) Making the most of public investment across levels of government and increase SNGs' access to financing
- 3) Supporting the achievement of the Global Agendas
- 4) Production and management of data

The first session on multi-level dialogue raised the interest of **Ms. Alina Tatarenko**, Head of the Centre of Expertise for Local Government Reform at the Council of Europe. Indeed, many member countries of the Council of Europe would be interested in taking part in this roundtable as they are in the process of planning reforms of their fiscal and governance framework.

**Mr. Edgardo Bilsky** responded that sessions 2 and 3 both bring together many points of interest related to the advocacy carried out by local and regional governments. Session 2 fits into UCLG advocacy work towards enhancing local finances and investments in line with their responsibilities. Session 3, on the other hand, is in line with the need to align the debates on local finances with global mega-trends such as climate finance, digitalisation, and investment in infrastructure. Indeed, it was argued that the mismatch of responsibilities between levels of governments is partly due to the evolution of the global agenda on climate change and migration, that have brought new responsibilities to local authorities. The World Observatory could contribute to the monitoring of the means of implementation of the SDGs at subnational level and, more specifically, of the Addis Ababa Action Agenda (paragraph 34)

**Mr. Marcelino Pandin**, among other participants, expressed its interest for the 4<sup>th</sup> session on production and management and data. In particular, he introduced the idea of linking the database with blockchain, and of how it will change the space and the ways cities are governed. The 4<sup>th</sup> session will also be the opportunity to emphasize the use of statistical dataset for developing countries, and to compare the levels of fiscal transparency between OECD and developing countries, shedding light on the IT infrastructure. It would support developing countries to build their fiscal structure. The discussion on data also raises the issue of the impact of EU regulations (accounting standards) on specific countries.



Due to the large number of stakeholders involved, participants suggested that we might think about more interactive ways of handling the debates than through roundtables, to get the most out of the participants. For instance, it was proposed to think about breakout sessions, small-size discussion groups (10 people maximum). Yet, this raises the practical issue of translation in several lanns, and its costs.

Regarding the conference registration policy, the OECD team informed the participants that they thought about a no registration policy, with an open registration online. **Ms. Emilia Saiz** suggested that UCLG will not send an open invitation, but rather select a sample of participants to be invited. In this sense, exchanges should aim to collaboratively enrich the capacity building work of each organization.

The last point of discussion focused on getting the right type of dialogue at the Conference. **Ms. Emilia Saiz** considered that the joint work of UCLG and the OECD on this project is a great opportunity for UCLG, the members of the Global Taskforce and all partners to present objective data on local public finance as a basis for transformative policies. This international conference, the High Level Political Summit in September 2019, and the UCLG World Congress to take place on November 2019 in Durban, will both present the opportunity for UCLG to communicate broadly on the Observatory and make the data more usable by local and regional governments and their associations.

## Conclusion

**Mr. Joaquim Oliveira Martins** concluded the second Steering Committee of the SNG-WOFI Initiative with thanking all the participants for their inputs and interest. He reaffirmed the OECD commitment to the Observatory initiative over the long-term, and active participation in the drawing of its roadmap. He advocated the need of an incremental approach, to build a neutral and objective platform step by step.

In turn, **Ms Emilia Saiz** shared her final thoughts on “the elephant in the room”: the point is how to implement the global agendas and recommendations that each organization provides. She invited all partners to think about the practical dissemination of the data and analyses produced and, most importantly, to find synergies, based on the added value of this partnership, with the work of the other observatories.



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