



# DECENTRALISATION: WHY AND HOW?

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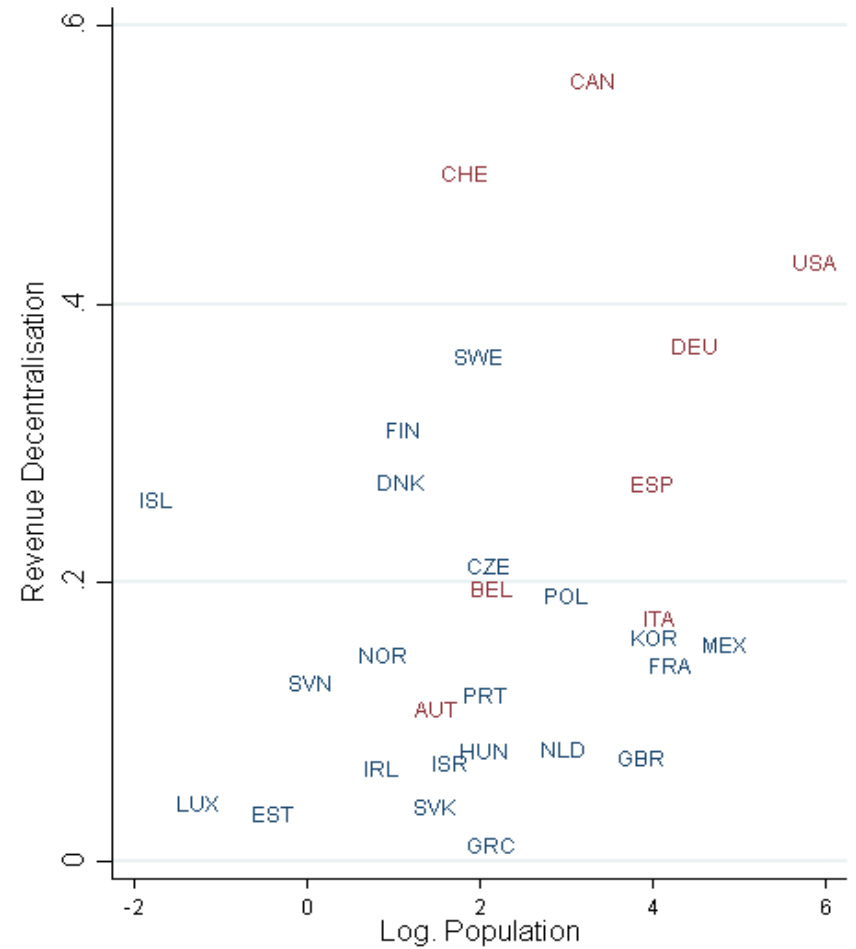
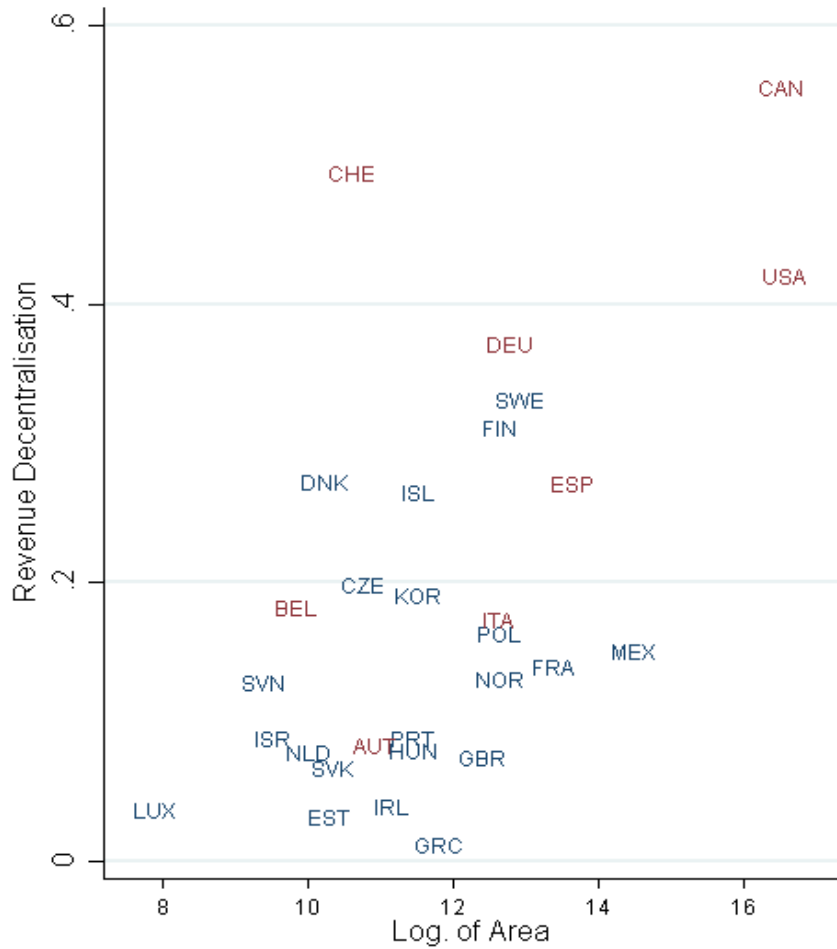
# Why decentralise?

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- More investment and other productive spending in decentralised countries
- Better education outcomes when more power for education policy is handed to sub-national governments and schools
- Higher tax mobilisation when the tax system is more decentralised
- Faster convergence between the low-income and the high-income jurisdictions of a country
- More growth in countries which are more decentralised, although effect is not that strong
- Helps take into account different preferences in large and/or diverse countries



# Decentralisation and size





## How to decentralise?

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- Spending decentralisation should be similar to revenue decentralisation
- Sub-national governments should be given both some spending/regulatory autonomy and some tax autonomy
- Tax decentralisation: property tax, share in the personal or corporate income tax
- Which policy areas can be more decentralised: many – but much depends on size and capacity of sub-national government



## Making decentralisation a success

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- Fiscal/interregional equalisation system
- Macro-fiscal and institutional reforms: fiscal rules, intergovernmental budget frameworks, debt management, insolvency frameworks, etc.
- Financial markets (sub-national debt for investment!)
- Intergovernmental coordination bodies