



Decentralisation trends in OECD countries: a comparative perspective for Ukraine

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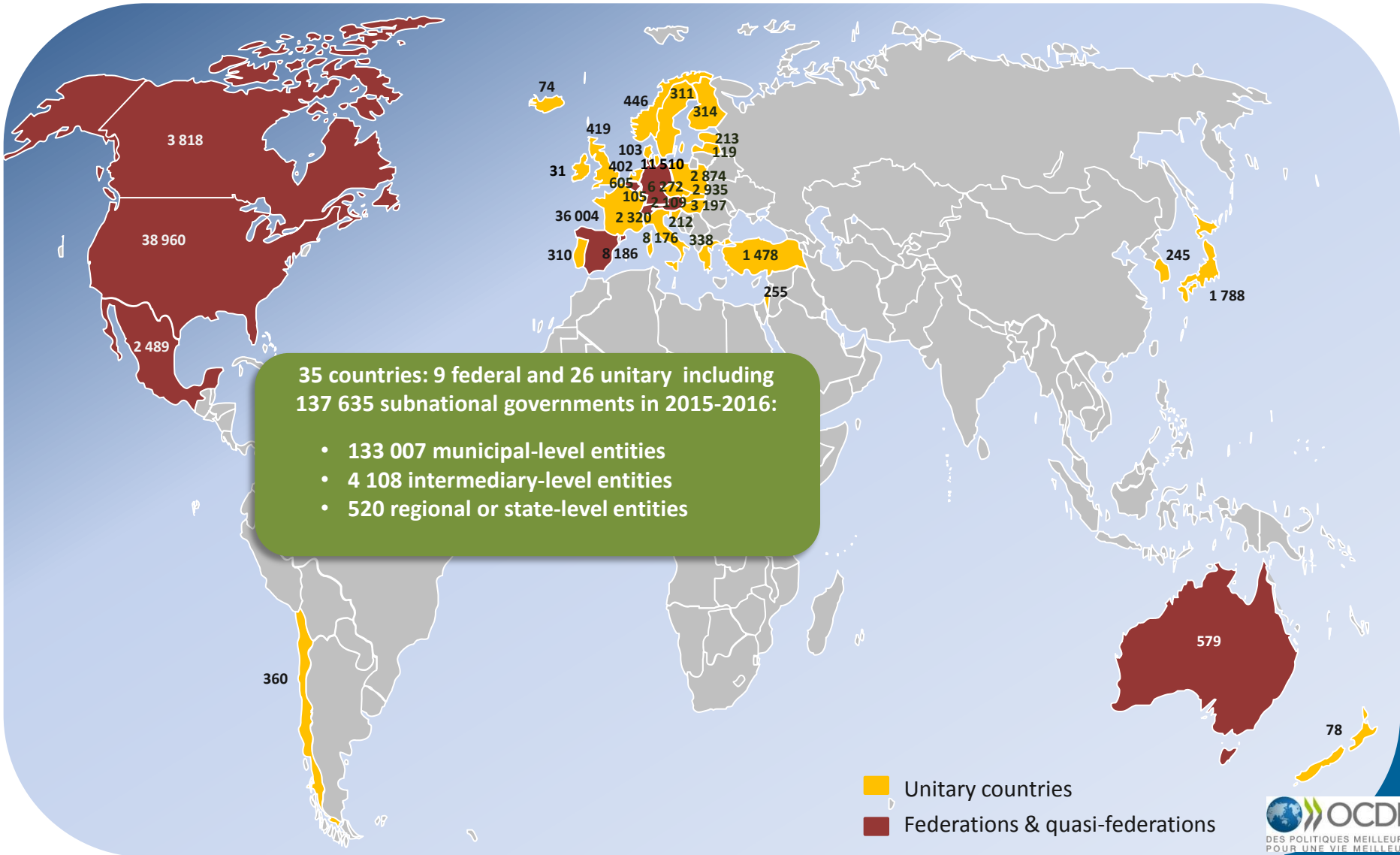


Outline of the presentation

- 1. The current picture: decentralisation around the world***
- 2. Recent trends in decentralisation reforms***
- 3. Some lessons: making decentralisation work***



The governance system of subnational government the OECD





The OECD: an institutional landscape very diverse and complex at subnational level

- The OECD institutional landscape which has dramatically changed over the last 20 years, especially since the crisis as a result of decentralisation or recentralisation processes.

	9 countries with only one level: - Municipalities		18 countries with two levels: - States/regions - Municipalities		8 countries with three levels: - States/regions - Intermediary gov. - Municipalities	
9 federations and quasi-federations			Australia Austria Canada Mexico Switzerland		Germany Belgium Spain ¹ United States	
25 unitary countries	Estonia Finland ² Ireland Iceland	Israel Latvia Luxembourg Portugal ² Slovenia	Chile Korea Denmark Greece Hungary Japan Norway	New Zealand Netherlands Czech Republic Slovak Republic Sweden Turkey	France Italy Poland United Kingdom ³ Ukraine	

**Almost
138 000
SNGs in the
35 OECD
countries in
2015-2016**

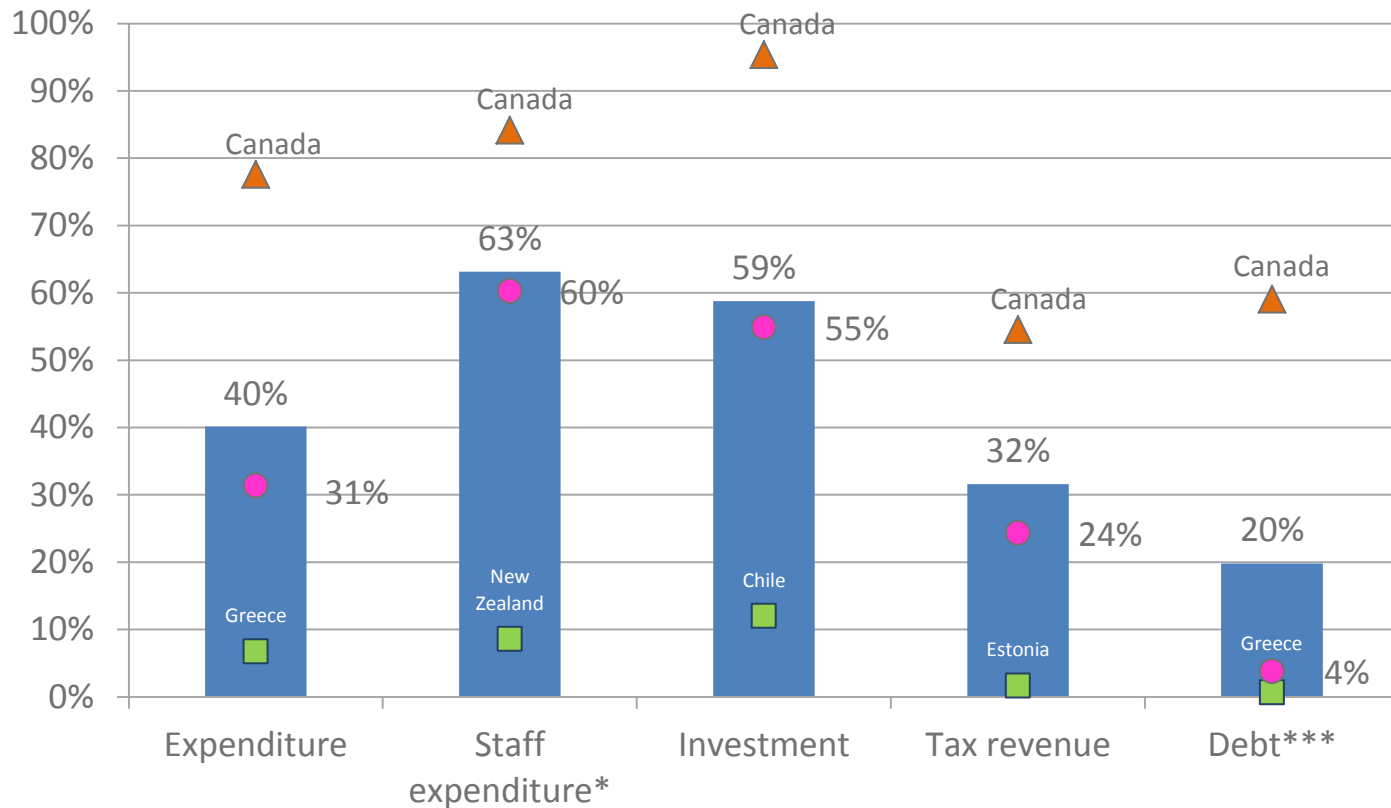
Notes: 1. Spain is a quasi-federal country. 2. Finland and Portugal have autonomous regions on part of the country. 3. There is an intermediary level only on part of England.



SNGs are key economic and policy actors across the OECD

% of general government - 2014

■ OECD ■ Minimum ▲ Maximum ● Ukraine



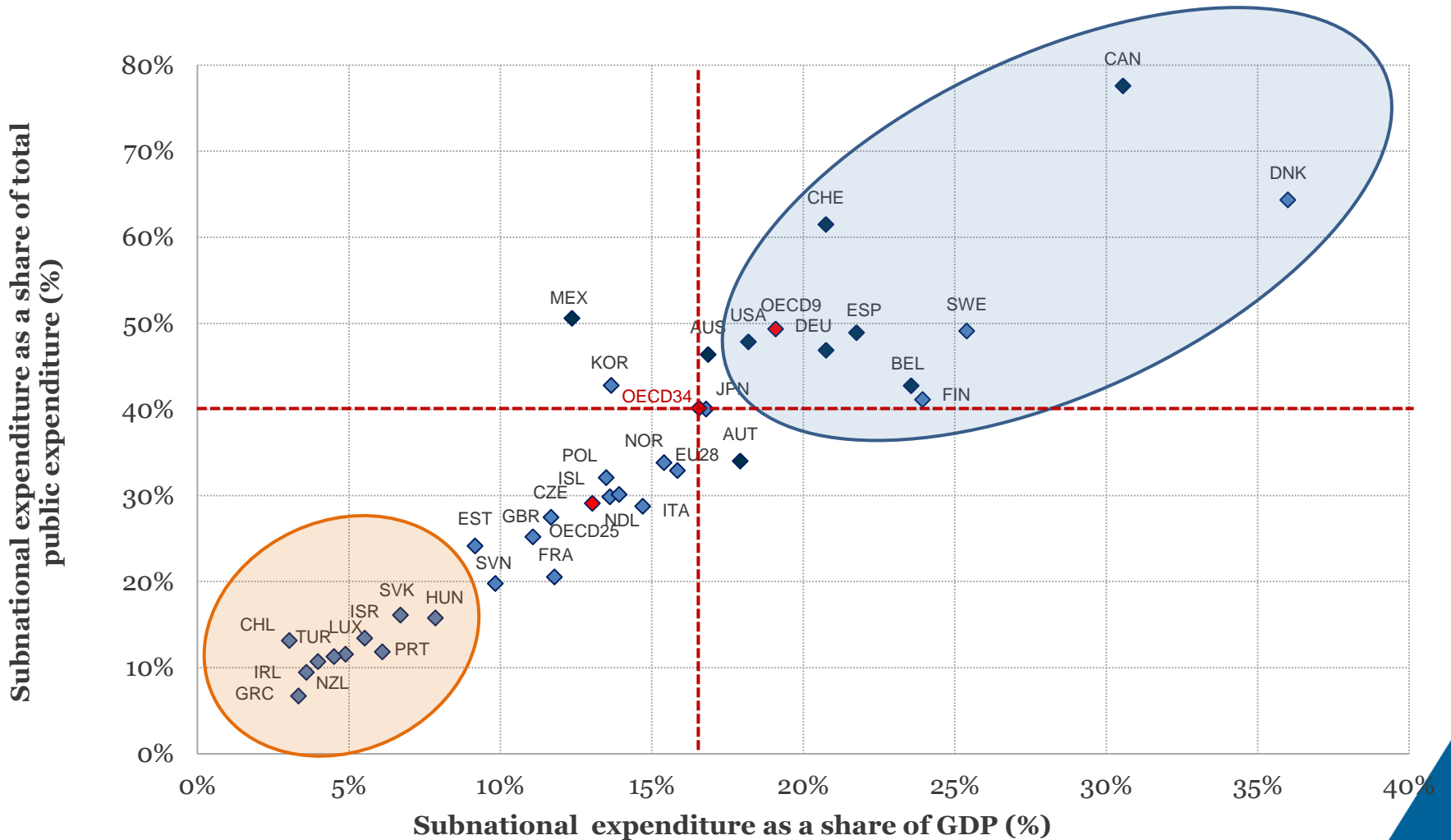
*: No data for Chile and Australia

**: Debt OECD definition ie including, in addition to "financial debt", insurance reserves and other accounts payable. No data for Mexico



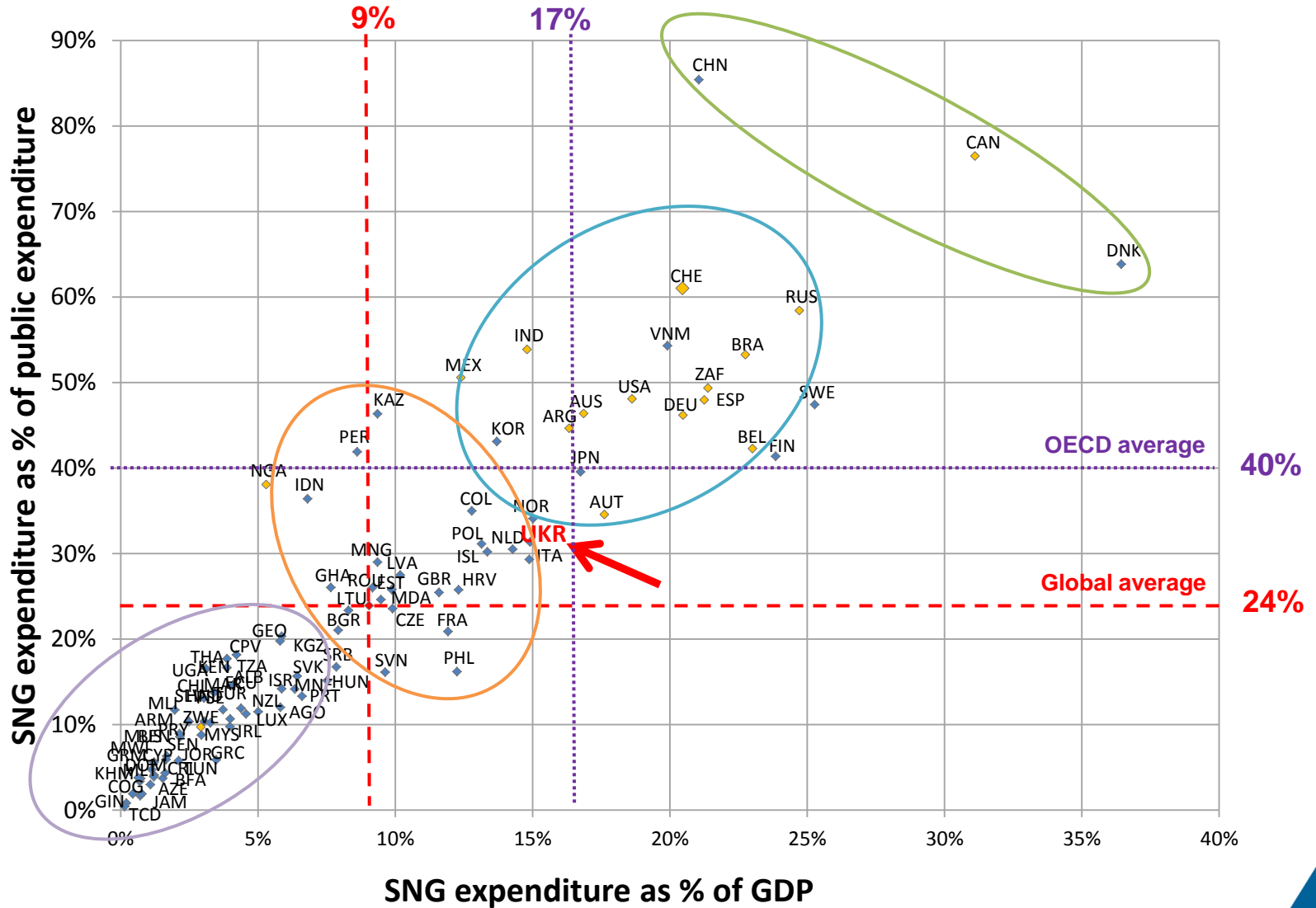
Degrees of decentralisation varies largely in OECD countries

Subnational government expenditure as a percentage of GDP and total public expenditure (2014)



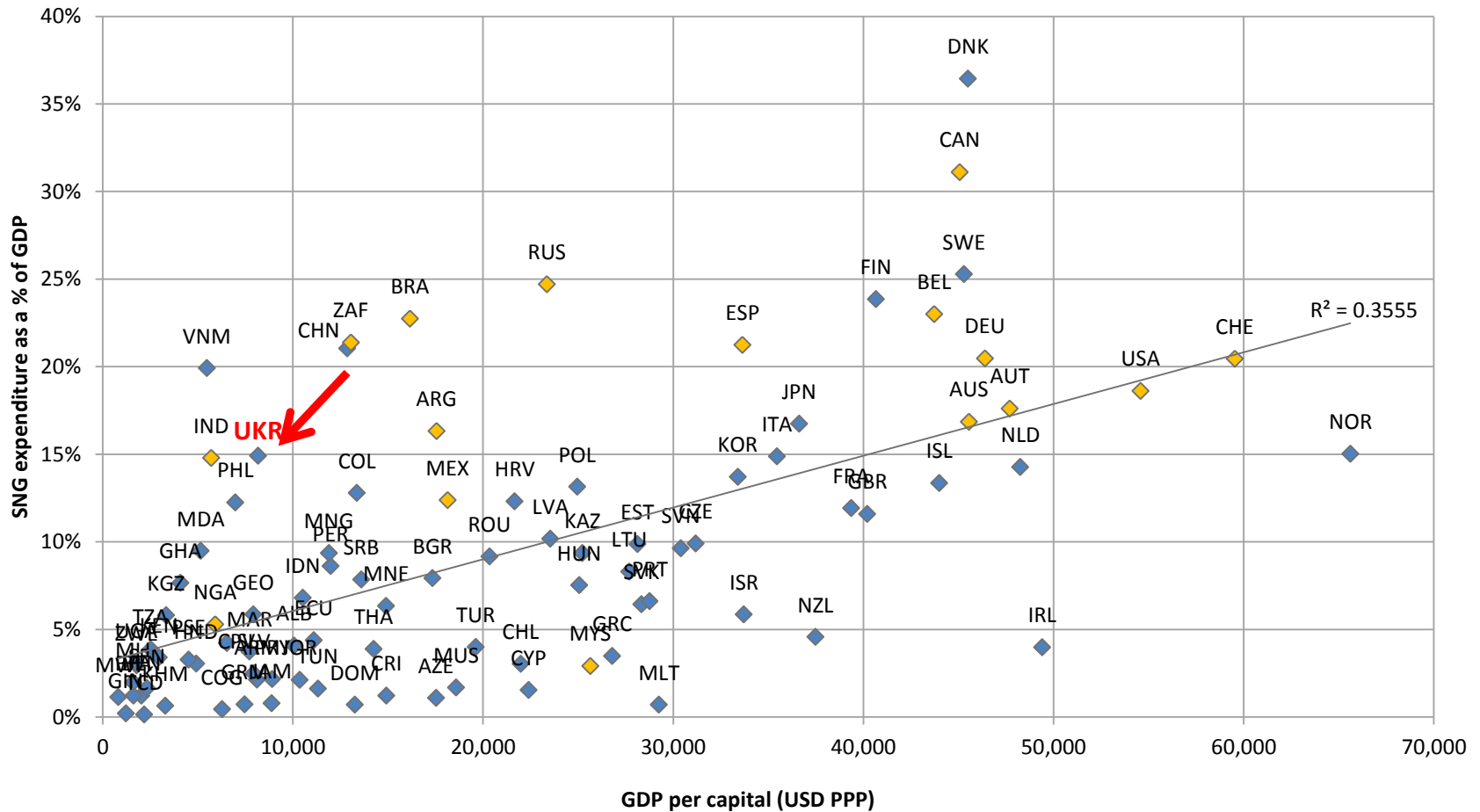


.... And around the world: 25% of total public spending i.e. 9% of GDP





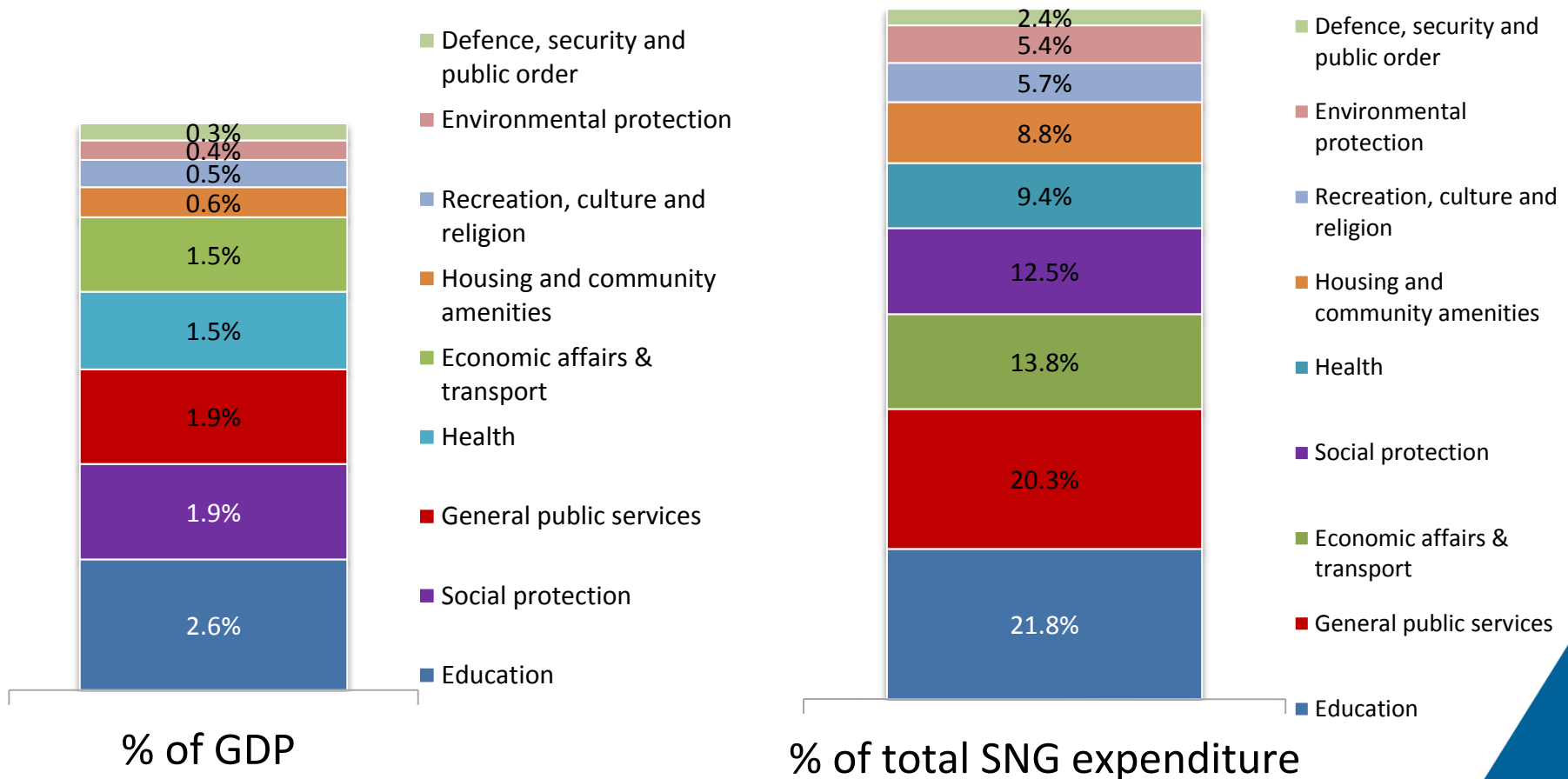
Wealthier countries tend to be more decentralised...





Some policy areas are more decentralised than others: education, social protection, health, public transport, housing

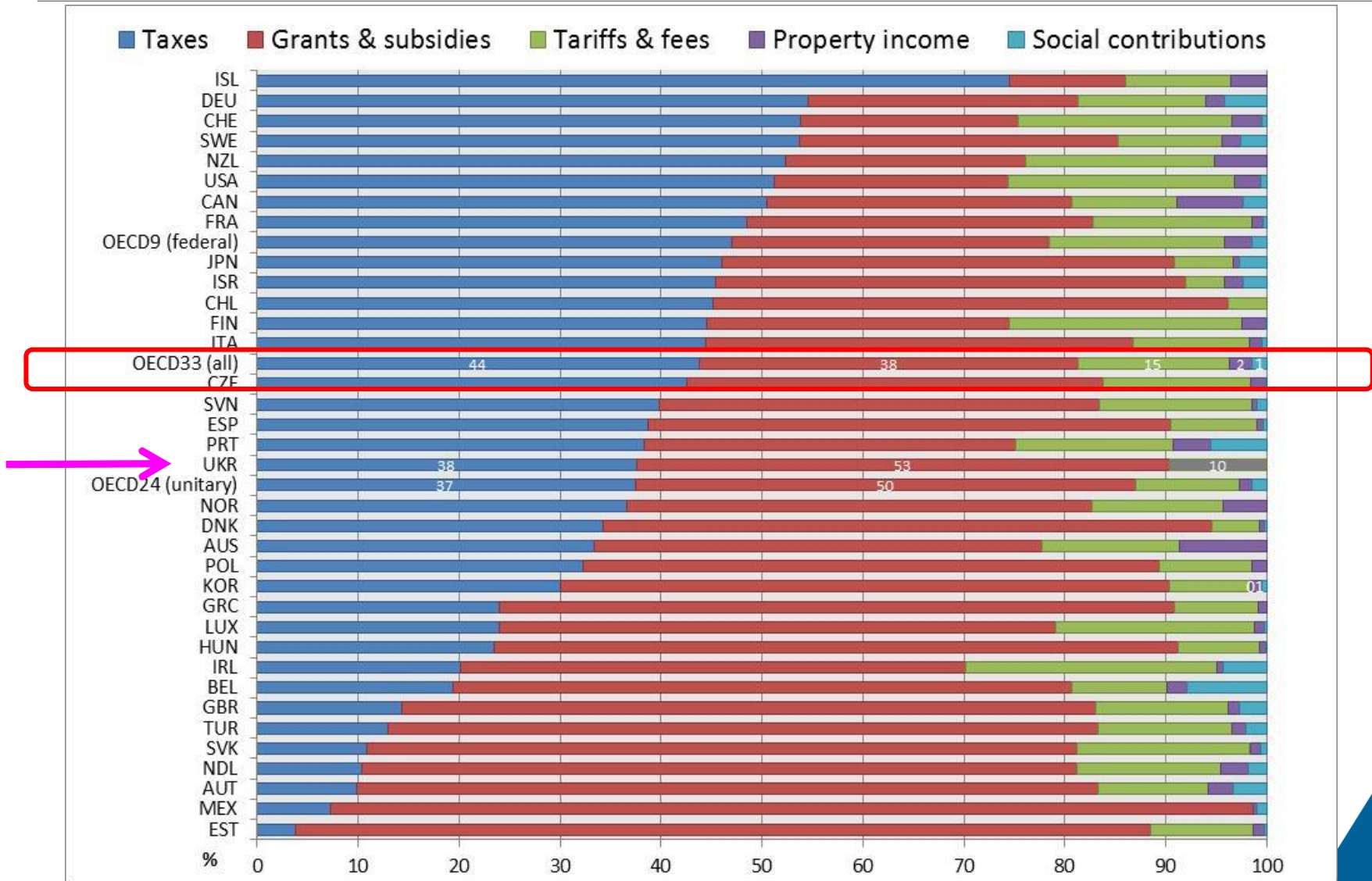
Breakdown of SNG expenditure by economic function





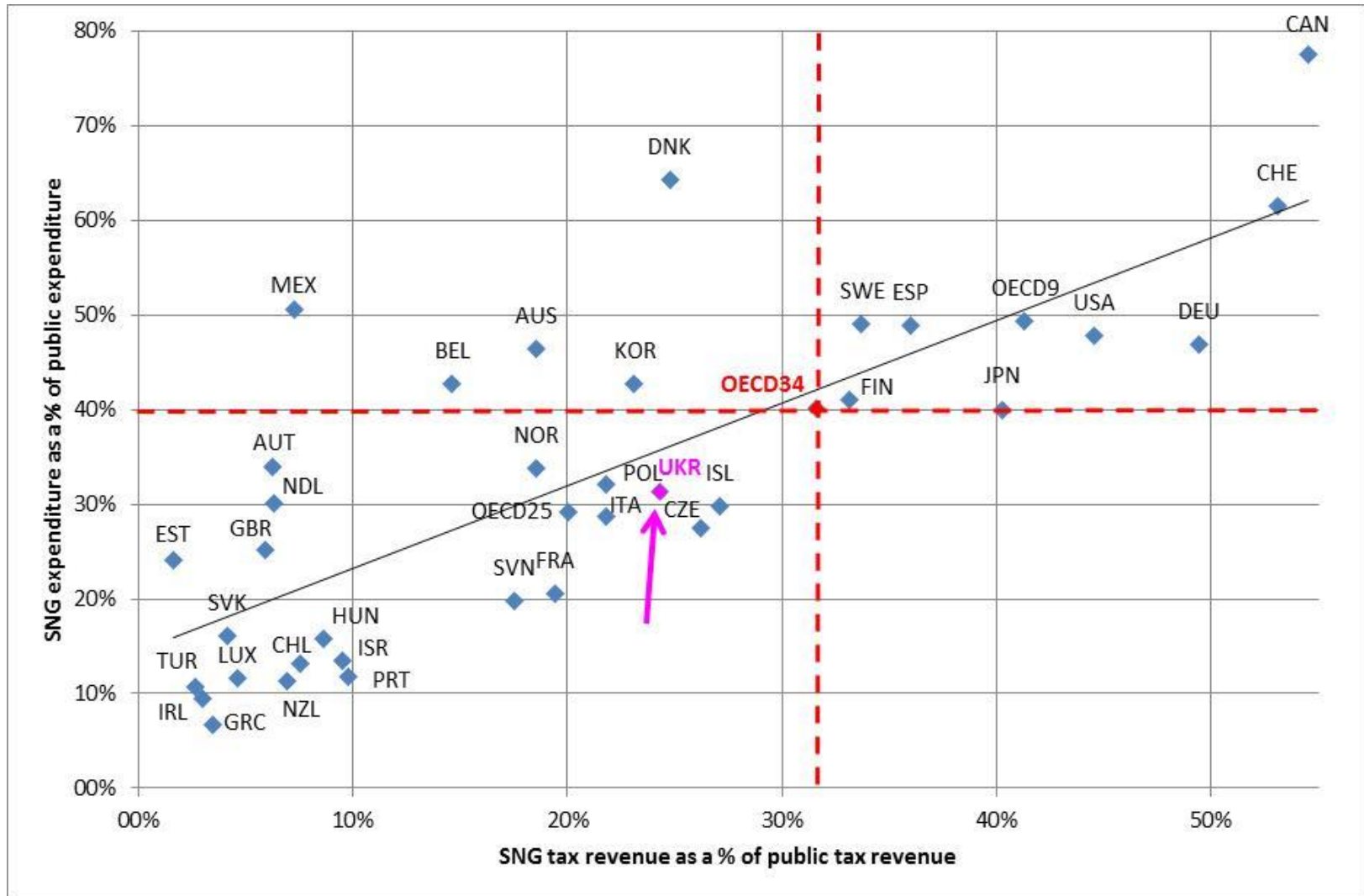
What are the sources of SNG revenues?

Tax revenues account for 44% of SNG revenue in the OECD





Spending is more decentralised than revenues: the risks of fiscal imbalances



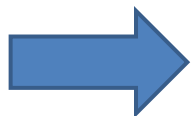


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1. The picture in 2016: decentralisation around the world
 2. Recent trends in decentralisation reforms
 3. Some lessons for countries at the early stage of their decentralisation process



Different motivations for decentralisation reforms in the past 2 decades

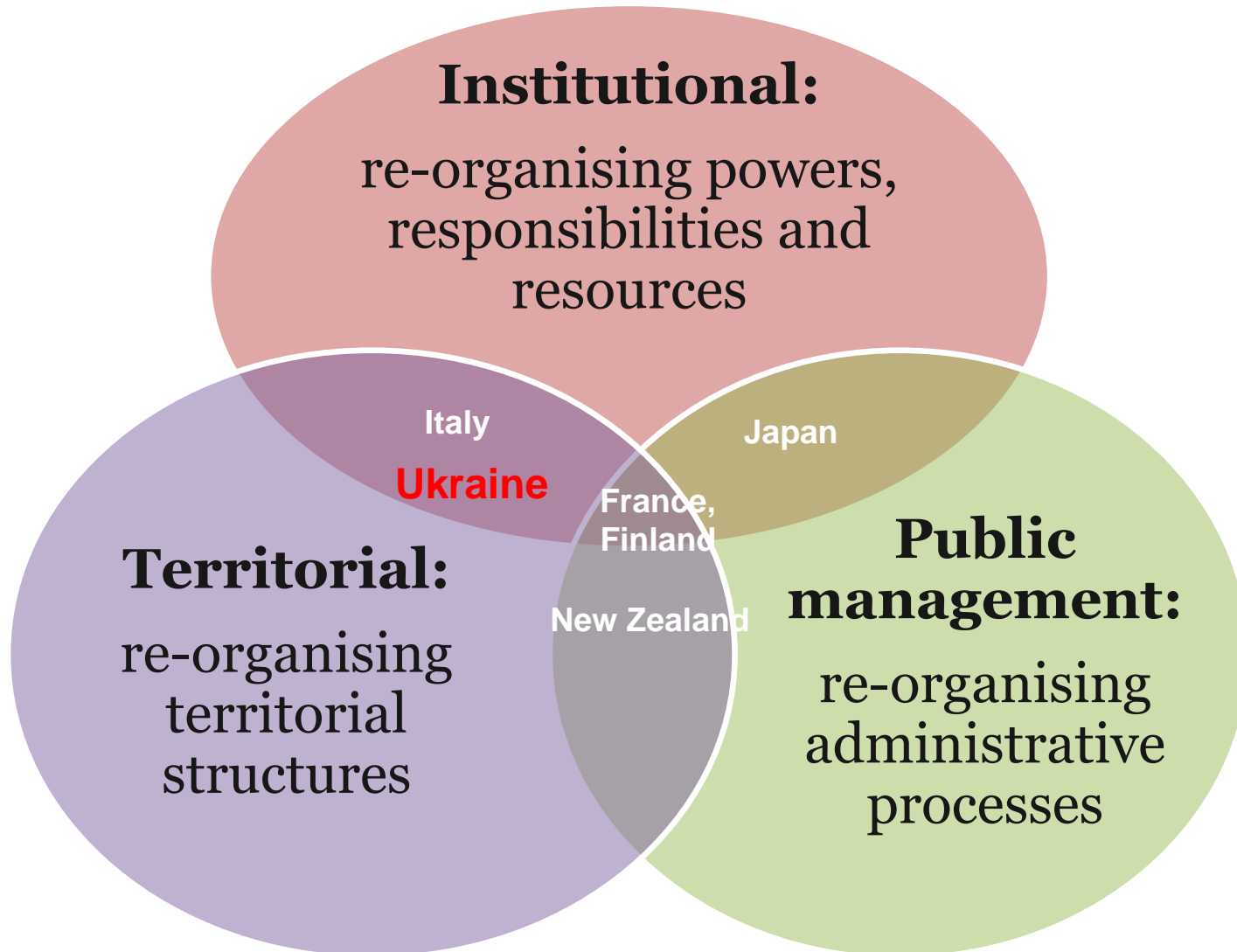
- **The OECD area has grown more decentralised over the last two decades at least**, although reforms that have profoundly changed the institutional set-up of fiscal decentralisation are confined to a few countries
- **Motivations vary across countries**
 - ✓ **Mainly democratic/political motivations:** eastern European countries (decentralisation wave in 2000, 2004, 2006: Poland, Slovakia, Czech Rep, Estonia, Hungary, etc.)
 - ✓ **Mainly economic/public finances motivation:** Greece, Italy, Portugal
- **Changes /rationalisation in allocation of responsibilities:**
 - ✓ Mostly in the field of education
 - ✓ Public transport
 - ✓ Health care: both decentralised and recentralised (Norway)



Broader context of Multi-level Governance reforms



MLG reforms: three interconnected dimensions





A regain of actions on MLG reforms across OECD countries

	Institutional reforms	Fiscal reforms	Territorial reform at regional level	Territorial reform at intermediary level	Municipal (mergers, IMC, metropolitan)
Australia	X	X			State level
Austria		X			State level
Belgium	X	X		Regional level	Regional level
Germany	X	X		State level	State level
Spain		X			X + Regional level
Chile	X	X			X
Czech republic	X	X			
Estonia	X	X			X
Finland	X	X	X		X
France	X	X	X	?	X
Greece	X	X	X		X
Hungary	X	X			X
Iceland	X				X
Ireland	X				X
Italy	X	X		X	X
Japan	X	X	?		X
Luxembourg					X
Netherlands	X	X	?		X
New Zealand		X			X
Norway	X	X	X		X
Poland	X	X		?	X
Portugal		X			X
Sweden	X	X	X		X
Turkey					X
United Kingdom	X	X			X
UKRAINE	X	X			X



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1. The picture in 2016: decentralisation around the world
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 3. Some lessons



Decentralisation includes a number of benefits, but needs to be properly done

Opportunities	Risks
<i>Efficiency and improved local public services</i>	
<ul style="list-style-type: none">• More capacities for place-based policies• Better local public service delivery• Lower costs• Mobilisation of local public resources• Incentives for pro-active local development approaches• Mobilisation of comparative advantages of local enterprises• Room for experimentation	<ul style="list-style-type: none">• Diseconomies of scale• Duplication/overlap in competencies• Lack of human/technical capacities• Unfunded mandates• Rising disparities across jurisdictions• Increased competition
<i>Democratic governance</i>	
<ul style="list-style-type: none">- Enhanced transparency and accountability- Enhanced citizens' participation- Reflects better citizens needs	<ul style="list-style-type: none">• Local politics and bad local governance• Corruption• More complex governance structure – more coordination costs



Some pre-conditions that need to be met in all cases:

- Adequate capacities at subnational government
- Sufficient resources to meet new responsibilities
- Balance in the way various policy functions are decentralised
- Adequate coordination mechanisms
- Effective monitoring systems at the central government level
- Coherent fiscal constitutions



Some pre-conditions that need to be met in all cases:

- Keep flexibility in implementation
- Allow for pilot experiences in specific places/regions
- Define short term objectives/projects...
- Within a broader strategic framework/long-term perspective
- Not necessarily one size fits all.
decentralisation may include asymmetric arrangements



OECD Recommendation on Multi-level Governance of Public Investment

Pillar 1

Co-ordinate across governments and policy areas

- Invest using an integrated strategy tailored to different places
- Adopt effective co-ordination instruments across levels of government
- Co-ordinate across SNGs to invest at the relevant scale

Pillar 2

Strengthen capacities and promote policy learning across levels of government

- Assess upfront long term impacts and risks
- Encourage stakeholder involvement throughout investment cycle
- Mobilise private actors and financing institutions
- Reinforce the expertise of public officials & institutions
- Focus on results and promote learning

Pillar 3

Ensure sound framework conditions at all levels of government

- Develop a fiscal framework adapted to the objectives pursued
- Require sound, transparent financial management
- Promote transparency and strategic use of procurement
- Strive for quality and consistency in regulatory systems across levels of government



Next steps OECD support on Decentralisation in Ukraine

- Series of seminars (2017-Q1 2018)
- Second fact finding mission: March 2017
- Final report: end 2017



THANK YOU

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