



Leopolis Hall
Prospekt Svobody, L'viv, Ukraine
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OECD experience with strengthening fiscal capacities for subnational public investment

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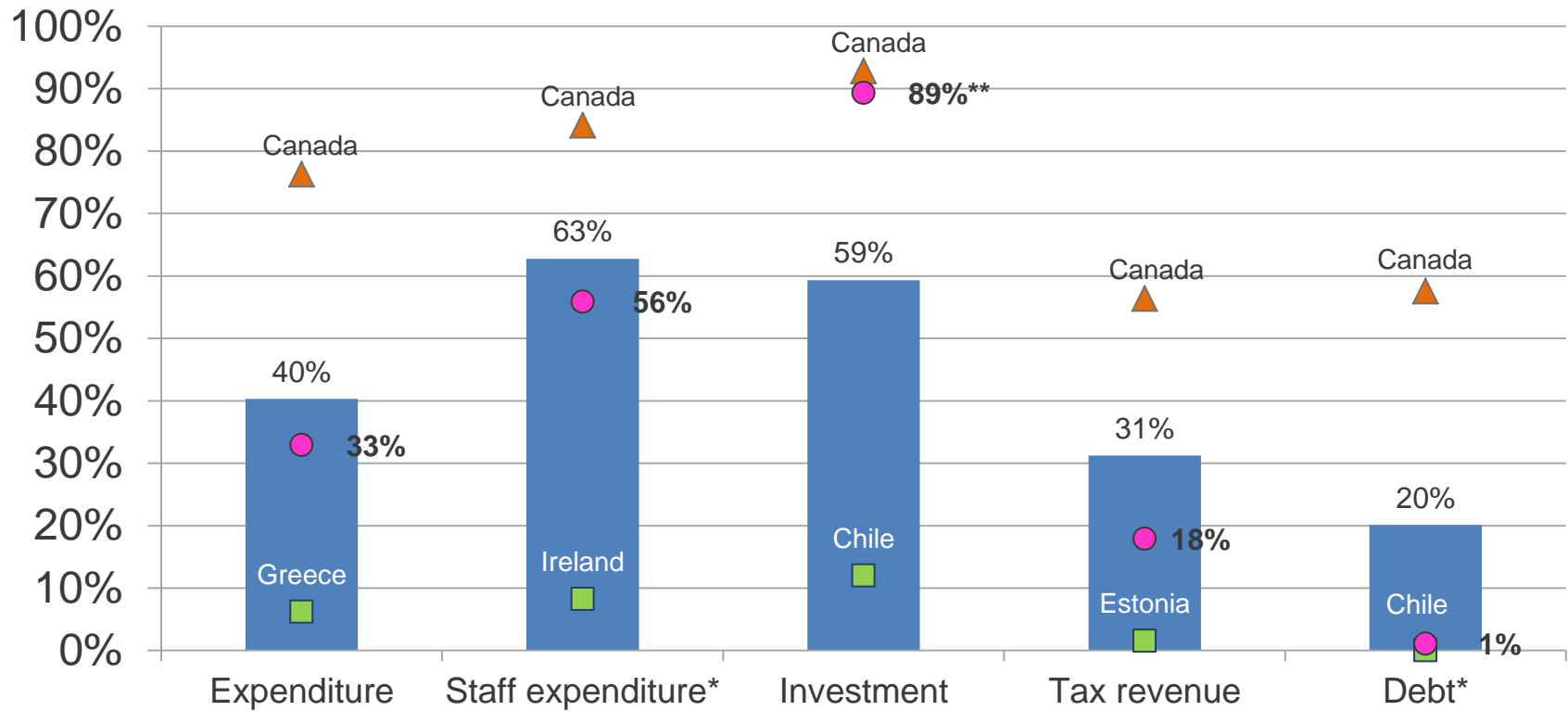
CFE - Decentralisation, public investment and Subnational
Finance Unit



Subnational governments are key economic and social actors in the OECD

% of general government 2015

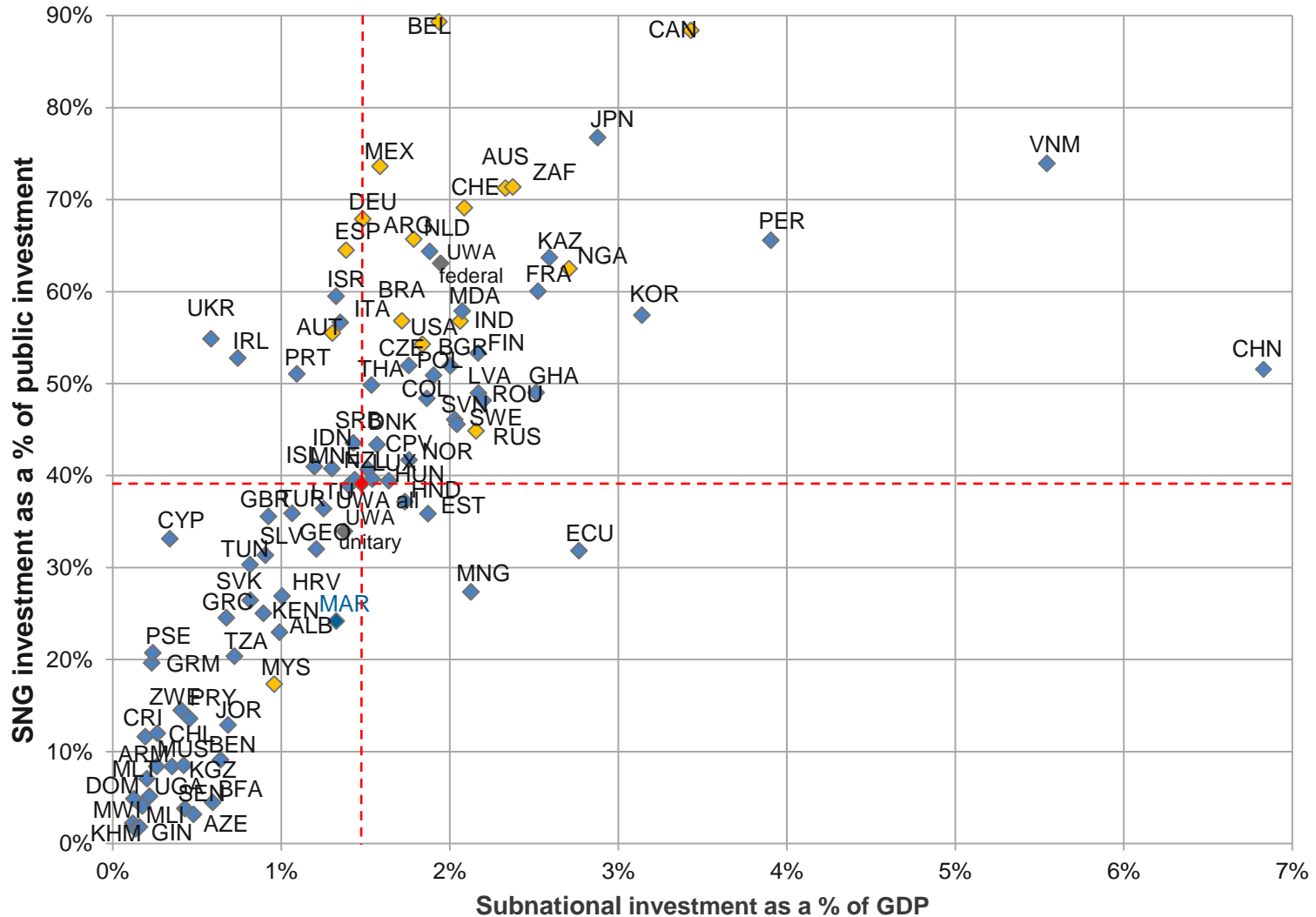
■ OCDE ■ Minimum ▲ Maximum ● Ukraine



***: Debt OECD definition ie including, in addition to "financial debt", insurance reserves and other accounts payable.



On average, SNGs account for 40% of public investment worldwide (2013)

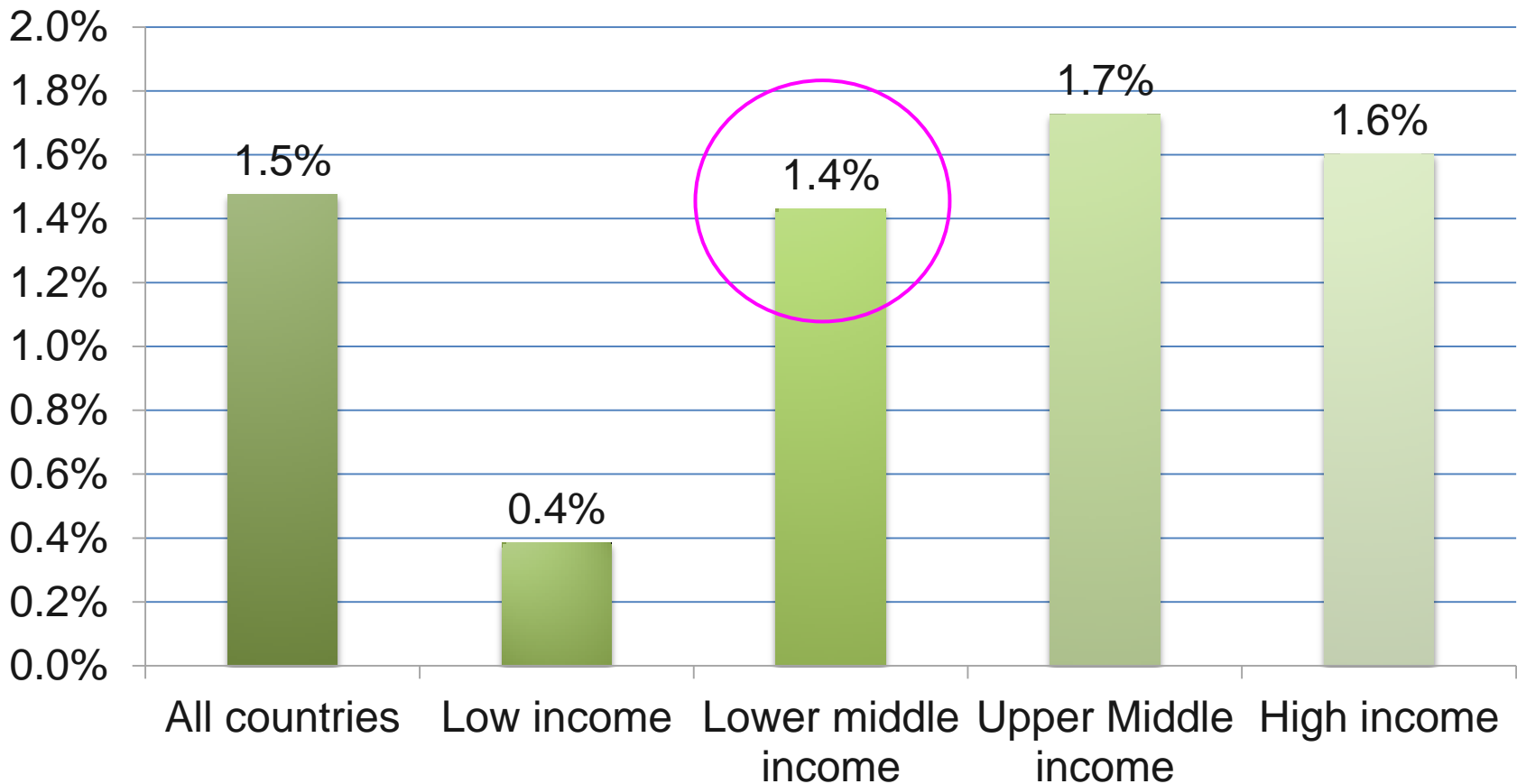


Source: OECD/UCLG (2016) Subnational around the world: structure and finance



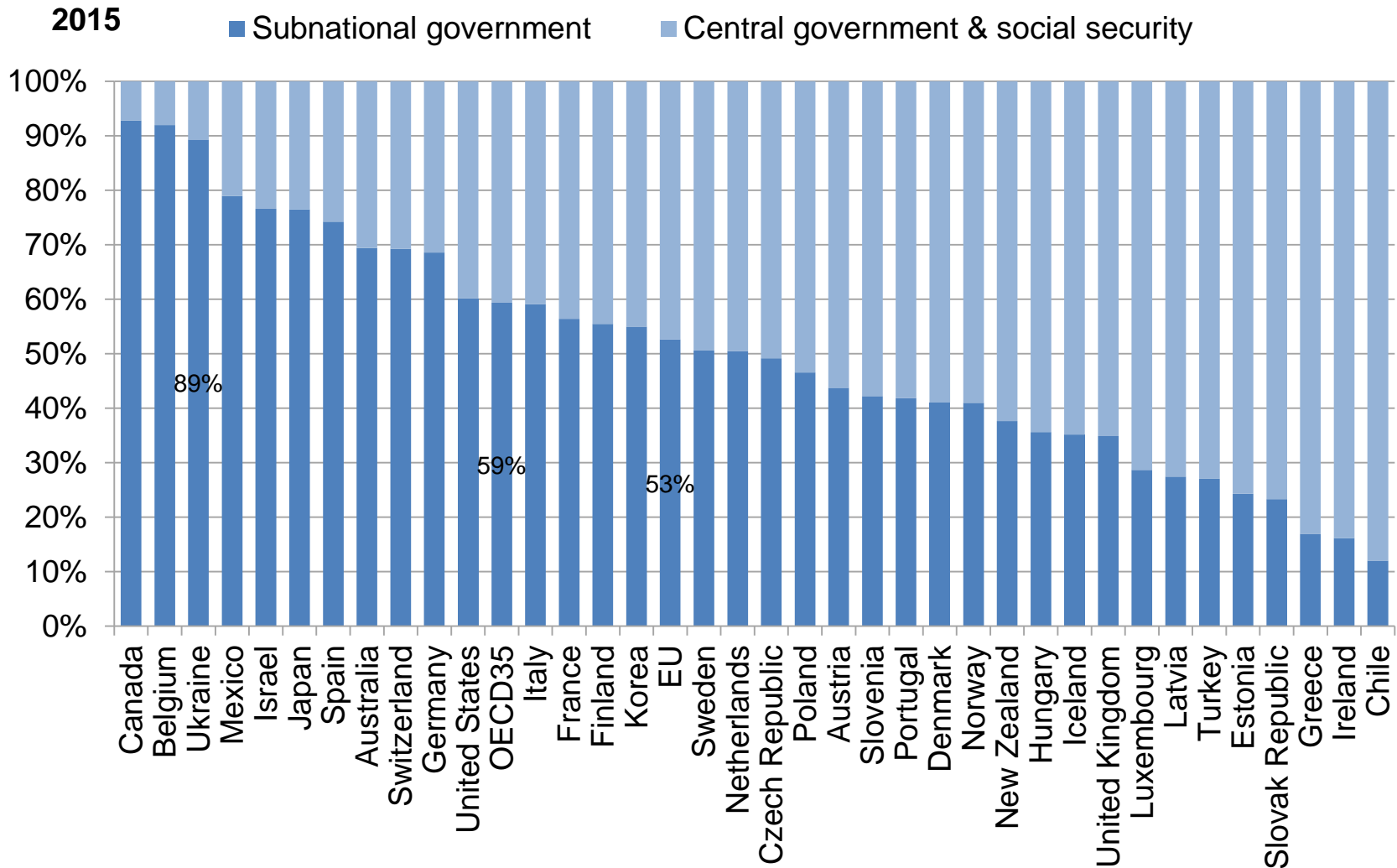
SNG investment as a % of GDP is higher in upper middle income countries (2013)

SNG investment as a % of GDP by income groups





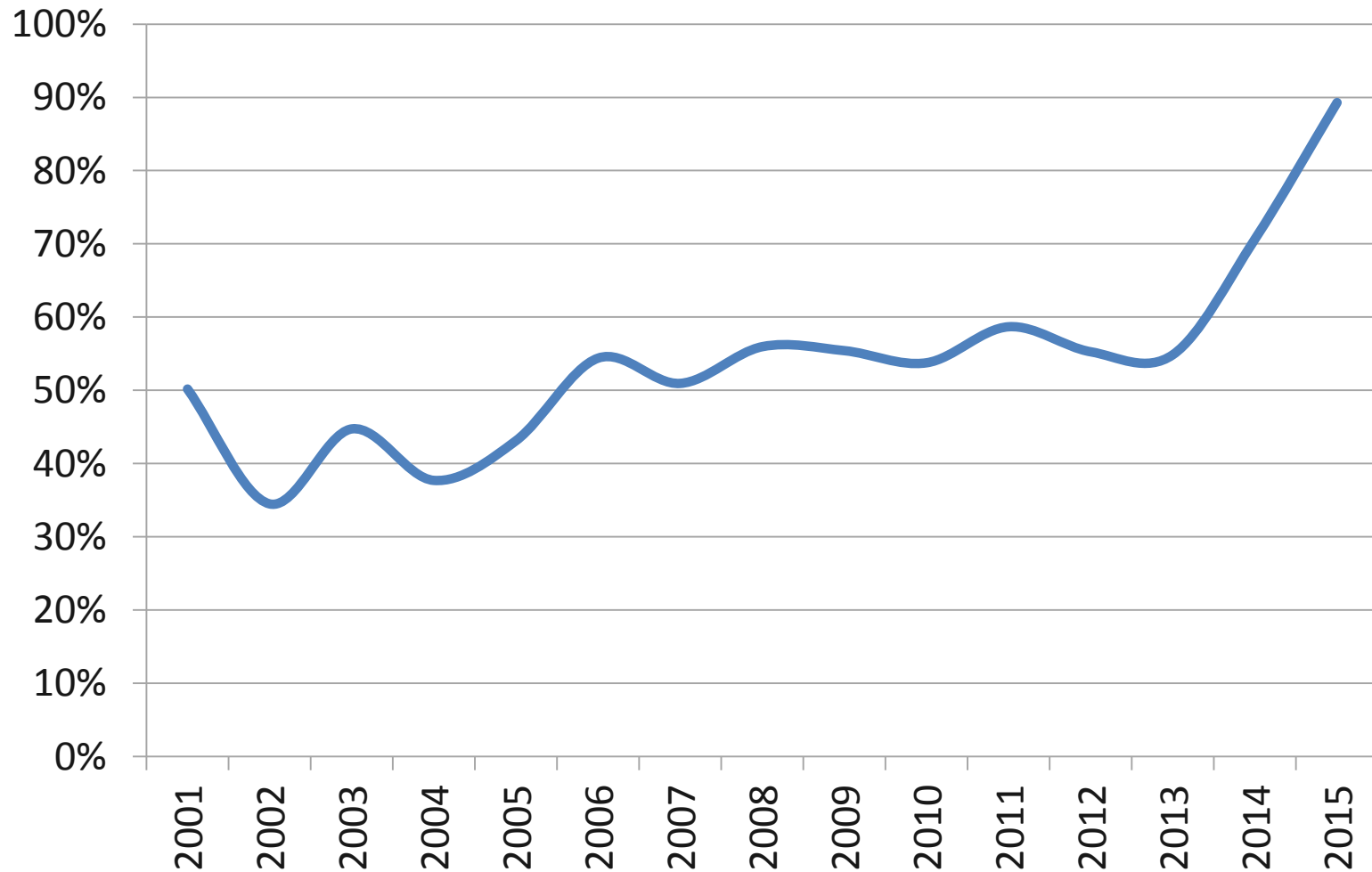
Subnational governments account for almost 60% of public investment in the OECD on average and 89% in Ukraine





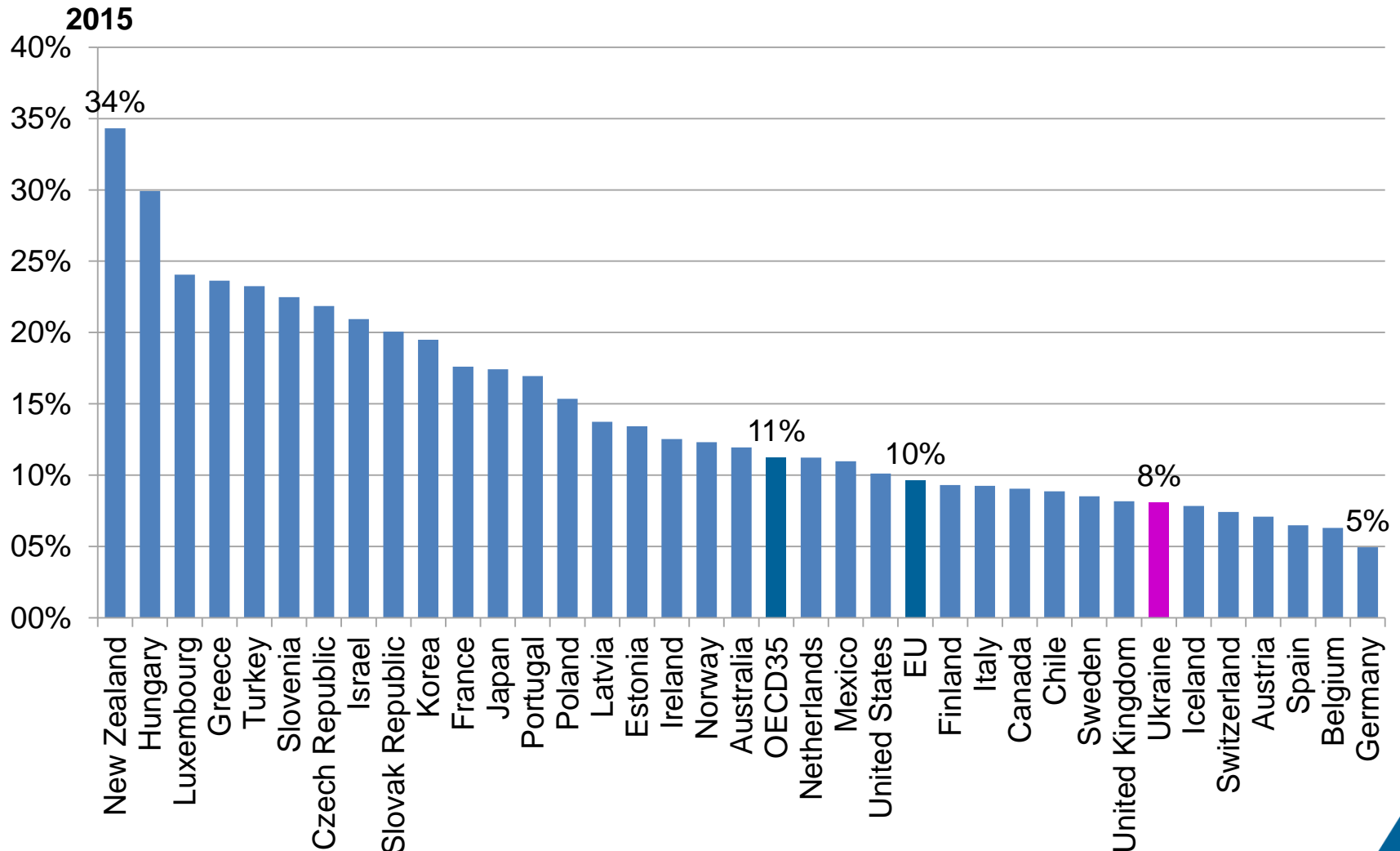
Strong fluctuations of subnational investment in Ukraine over 2001-2015

Subnational investment as a % of public investment





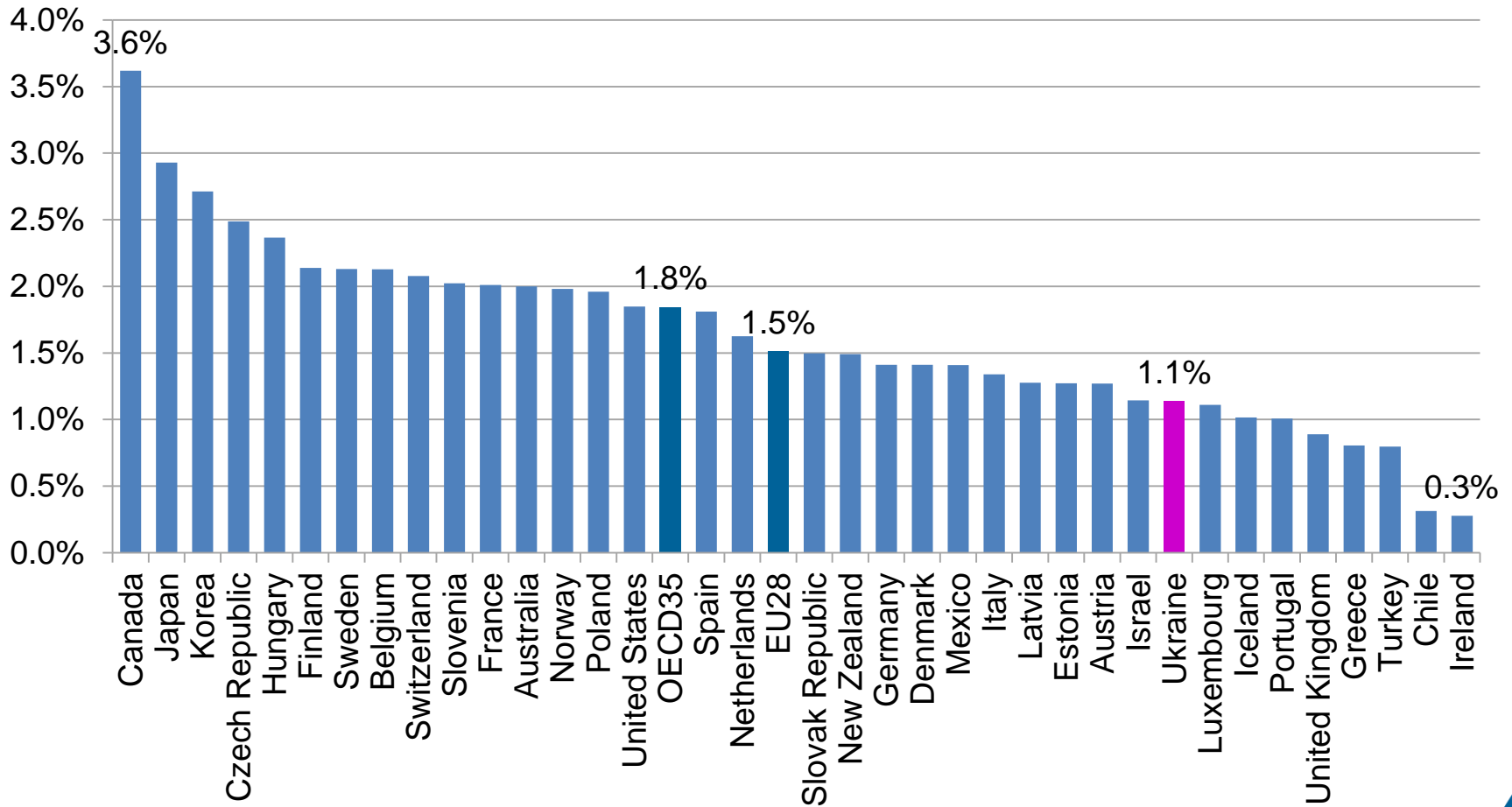
Subnational investment represents 11% of subnational expenditure in the OECD on average and 8% in Ukraine





Subnational investment accounts for 1.5% of GDP in the OECD on average and 1.1% in Ukraine

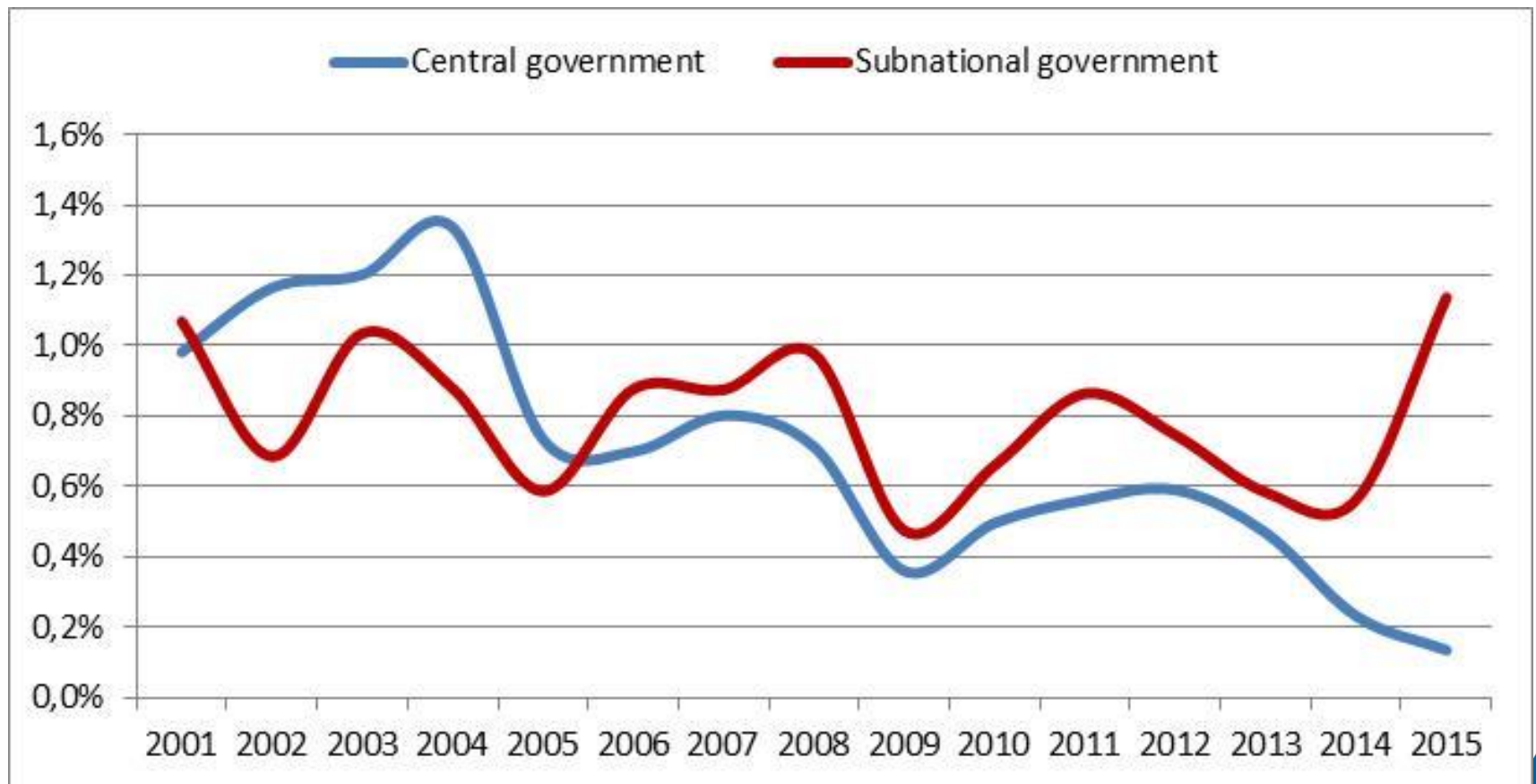
2015





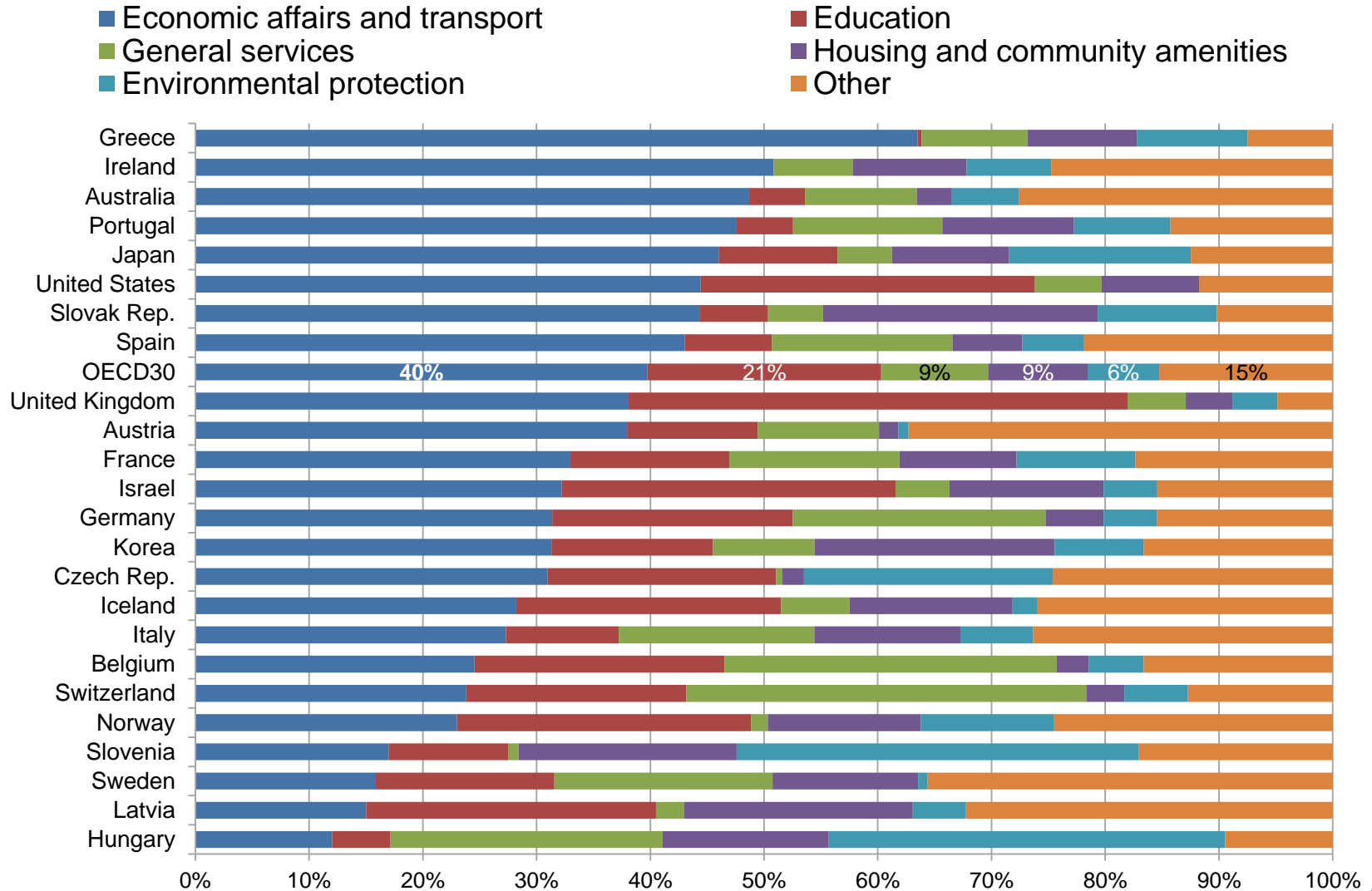
In Ukraine, strong fluctuations of subnational investment which is highly volatile (2001-2015)

Central and subnational government investment as a % of GDP





Priority sectors for subnational investment in the OECD in 2015



Source: OECD (2017) Subnational governments in OECD countries: key data



Investment sources of funding

Direct

Gross savings



Depends on subnational government capacities to :

- Generate room for manouver in terms of operating expenses relative to operating revenue (self-financing capacity): make the most of taxes, user charges and income from subnational assets.
- Having an liquid cash position.

Investment grants & subsidies



Subnational government can apply for grants from central government, other subnational governments and international organisations (e.g. European Union, donors)

Borrowing



- Loans: national treasury; specific funds; public and private banks at regional, national or international levels; local funding agencies.
- Bonds issuance: individual or collective, on international or domestic financial markets, through public issuing or private placements, with institutional or retail investors.

Indirect

Total or partial outsourcing of investment



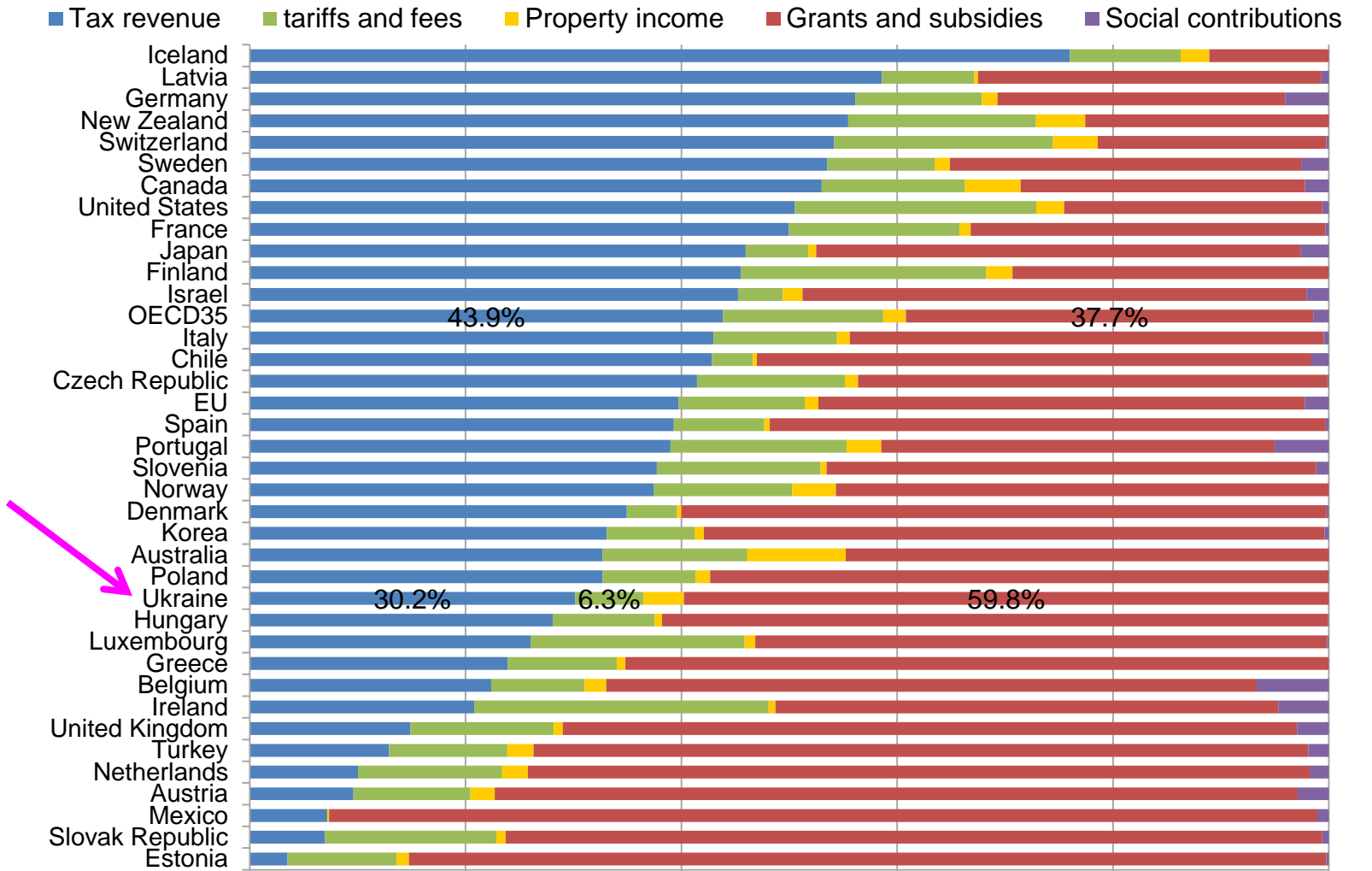
SNGs may have access to different solutions:

- Project's bearing by another public entity:
 - inter-municipal groupings or associations
 - local public companies.
- Public-private Partnerships
- Private equity
- Alternative innovative financing mechanisms



Revenue sources vary across countries in the OECD and Ukraine

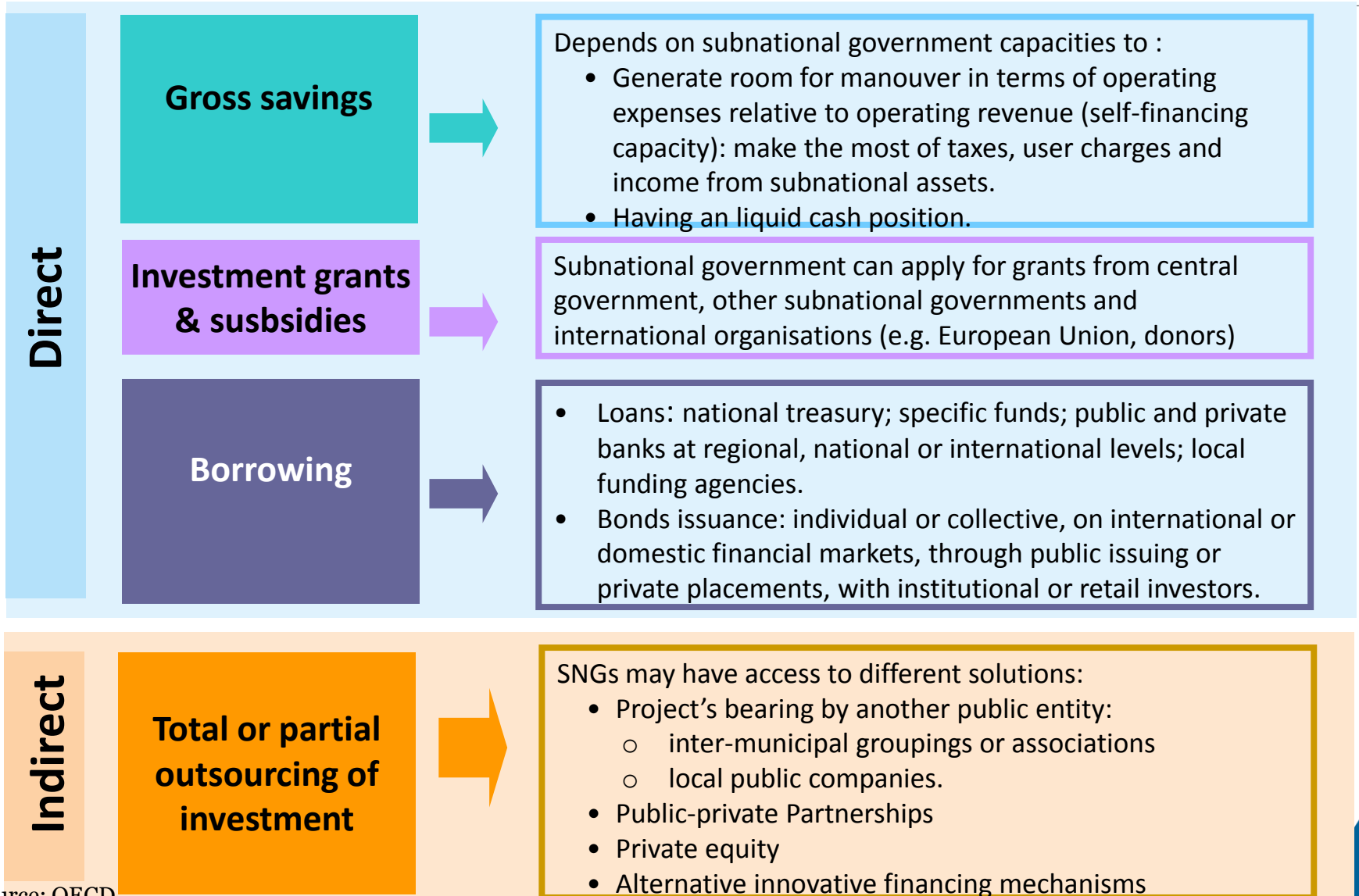
% of subnational revenue, 2015



Source: OECD (2017) Subnational governments in OECD countries: key data



Investment sources of funding

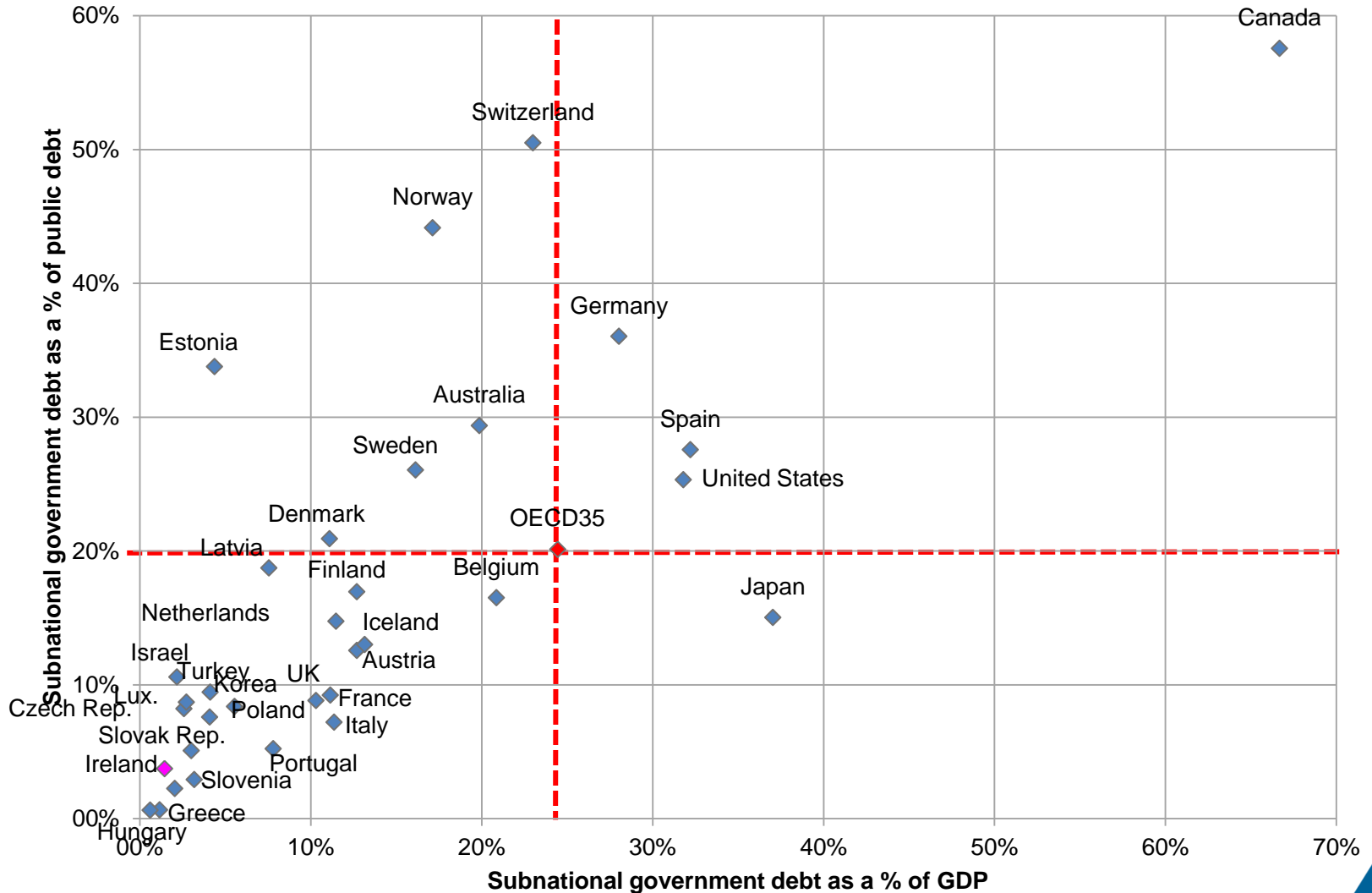




Subnational government debt in the OCDE

20% of public debt, ie 24% of GDP (2015)

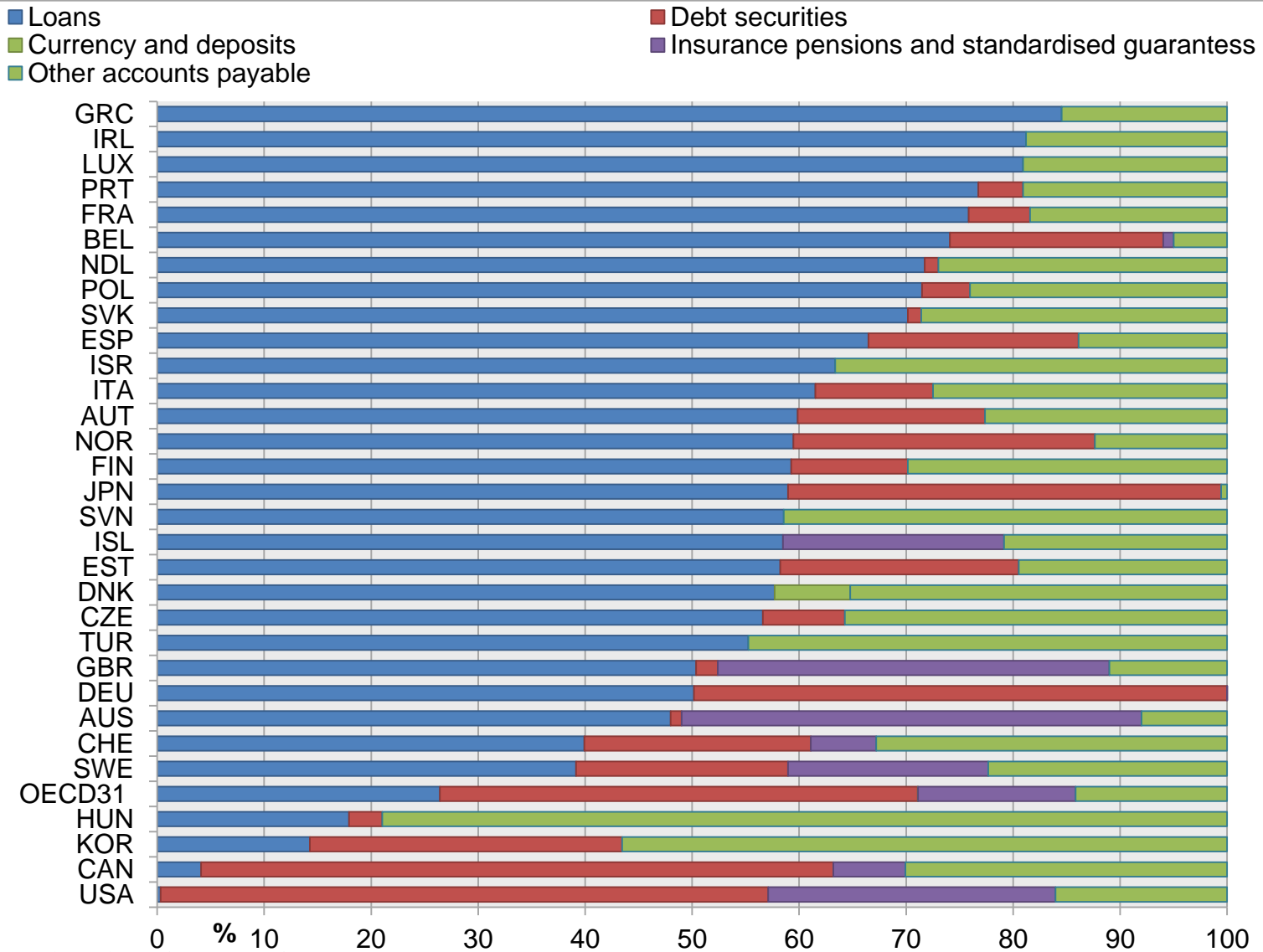
December 2015



Source: OECD (2017) Subnational governments in OECD countries: key data



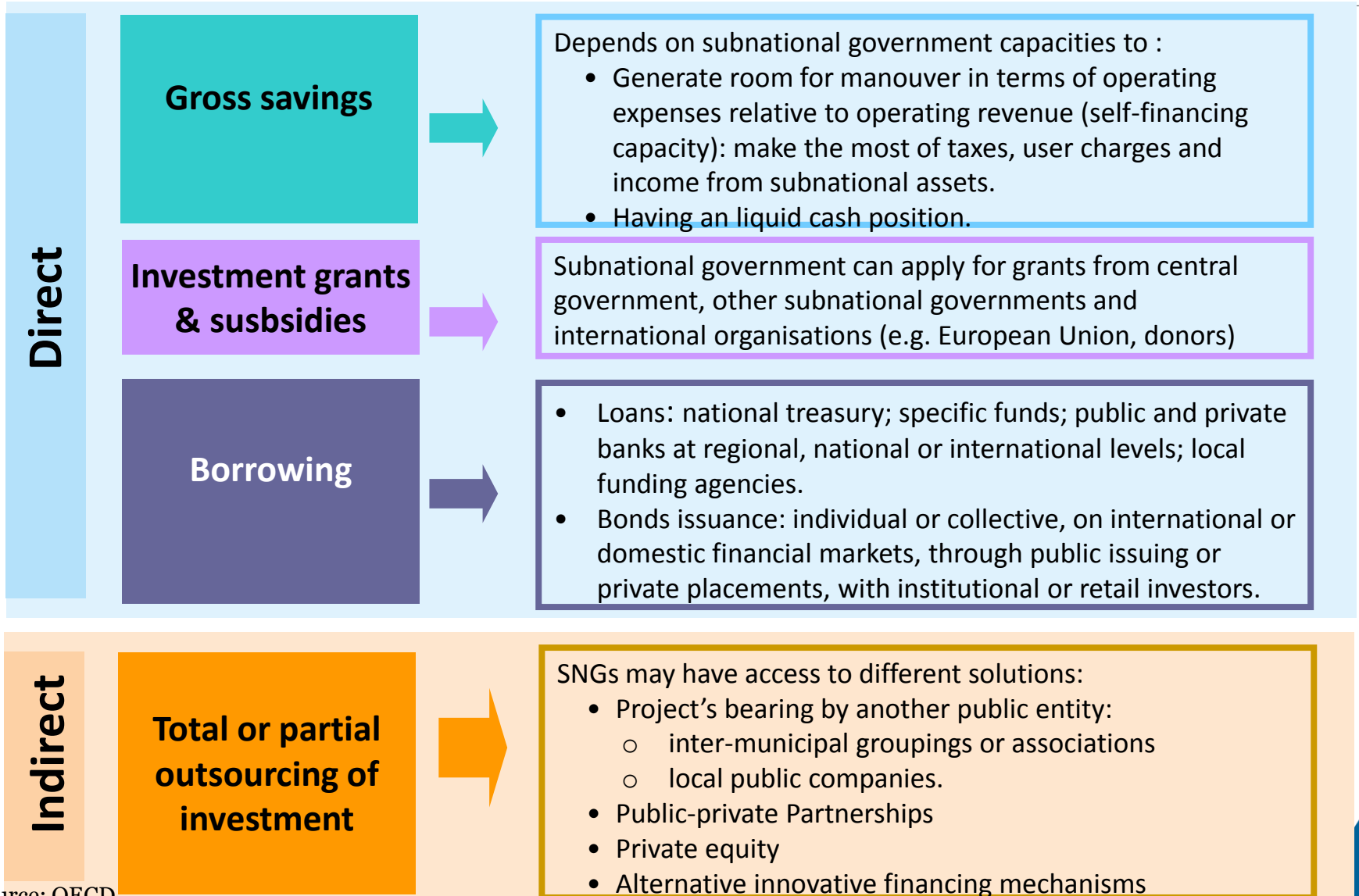
Composition of subnational debt by type of liabilities (% , 2014)



Source: OECD (2016) Regions at a Glance

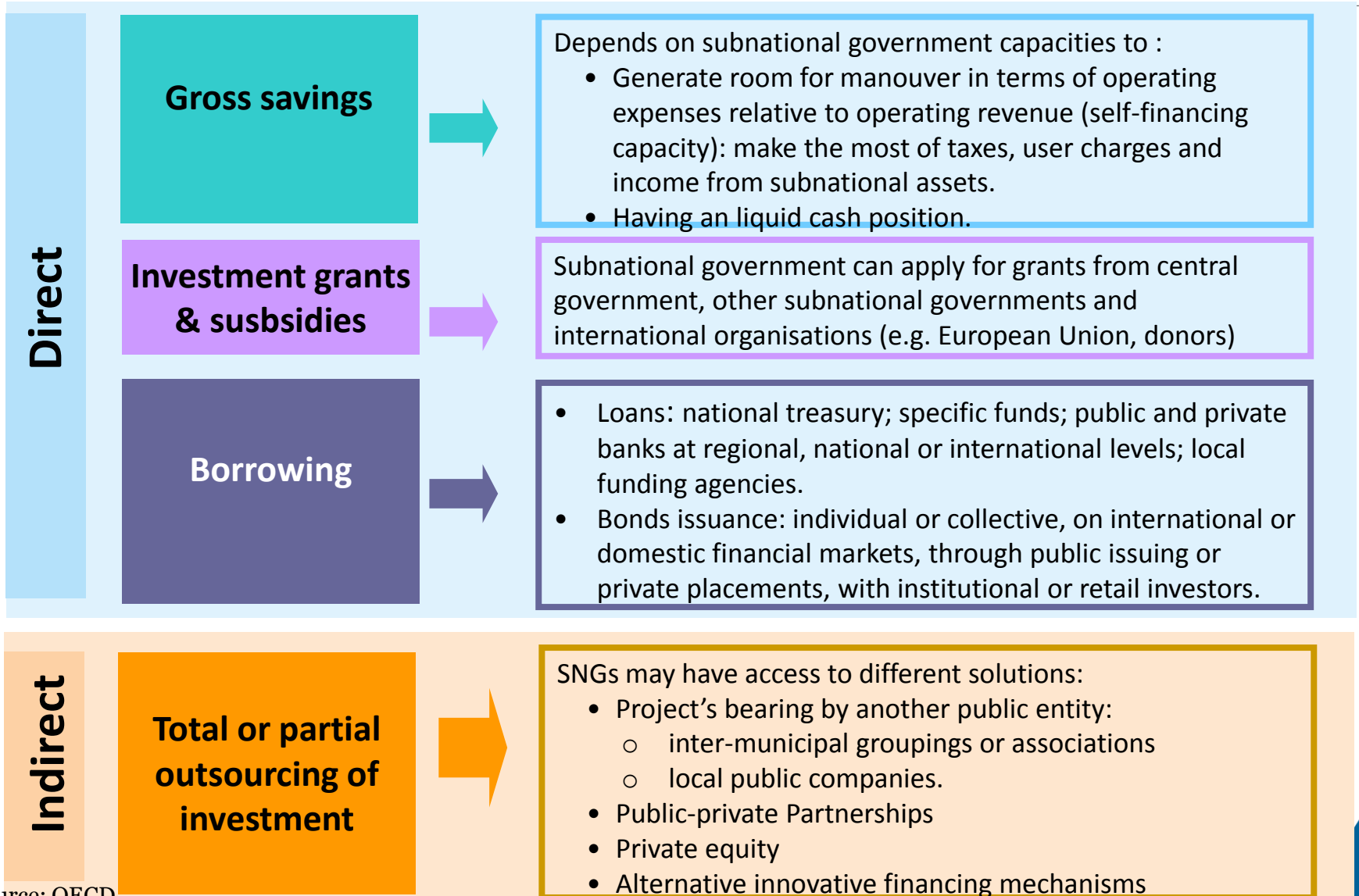


Investment sources of funding





Investment sources of funding





Thank you

Plus d'information : www.oecd.org/gov/regional - isabelle.chatry@oecd.org



DIRECTORATE FOR PUBLIC GOVERNANCE AND TERRITORIAL DEVELOPMENT



PRINCIPLES FOR ACTION

