The world’s governments include...

**17** Federal countries & **84** Unitary countries

Among which:

- **31** have 1 layer of subnational government
- **42** have 2 layers of subnational government
- **23** have 3 layers of subnational government

**Among OECD members...**

**9** Federal countries & **26** unitary countries and almost **138 000** subnational governments.

At the municipal level the same proportion have **less than 2 000** inhabitants as **more than 20 000** inhabitants.

Experienced in this diversity, the OECD understands the distinct challenges associated with effective multi-level governance relations and helps countries identify appropriate mechanisms to support better policy implementation at the subnational level.
Subnational governments are key economic partners

Did you know...

40% Is approximately the level of public expenditure occurring at the subnational level in OECD countries

Subnational governments are on average responsible for

59% of public investment

This matters because...

On average, subnational governments are responsible for:

• 59% of public investment
• 63% of total public staff expenditure
• 32% of public tax revenue
• 20% of public debt

OECD SUBNATIONAL GOVERNMENT EXPENDITURE BY ECONOMIC FUNCTION
(% of general government, 2015)

*: Debt OECD definition i.e. including, in addition to “financial debt”, insurance reserves and other accounts payable. No data for Mexico, Chile and New Zealand.
Subnational governments are key economic partners

And they also invest...

...on average more than central governments

SUBNATIONAL SHARE OF PUBLIC INVESTMENT (2015)

...in areas critical for growth and wellbeing

OECD SUBNATIONAL INVESTMENT BY AREA (2015)

*Other: defence; public order and safety; health; recreation, culture and religion; social protection.
Ensuring a fruitful partnership can be tricky...

Managing the relationship between national and subnational levels can be challenging:

• Relationships are complex
• Accountability may be unclear
• Resource capacities may be low
• Stakeholders are many and diverse
• Objectives and priorities may not align

...but it doesn’t have to be

Solid multi-level governance practices help:

• Integrated policy approaches
• Appropriately funded mandates
• Sound performance measurement
• Clear attribution of responsibilities
• Vertical and horizontal coordination tools
• Reliable data for evidence based policy making
• Strategies and programmes collaboratively generated

And when properly implemented so can decentralisation, which may:

• Build resource capacity
• Create room for experimentation
• Enhance transparency and accountability
• Distribute national resources more equally
• Strengthen opportunities for democratic governance
• Favour stronger regional innovation and performance
• Better match local needs and local preferences for public services
Subnational governments are key economic partners and may have a positive incidence on GDP

There appears to be a correlation between subnational government expenditure and GDP in OECD countries:

The OECD works with member and non-member governments to seize the opportunities and manage the challenges associated with diverse multi-level governance contexts.

Here’s how...
Building networks...

The OECD Regional Development Policy Committee

Since its inception in 1999, the Regional Development Policy Committee (RDPC) has become the pre-eminent international forum on multi-level governance. It leads the way in building dialogue and sharing experience among policy makers dedicated to regional and local development. As a body, it helps identify policy options and recommendations that sharpen multi-level governance mechanisms and boost subnational government capacity for more effective and inclusive regional development policies.

The RDPC is at the heart of the OECD Centre for Entrepreneurship, SMEs, Local Development and Tourism, and brings together government officials from all 35 OECD member countries, from OECD partner countries such as Brazil, China, India, Indonesia, South Africa, and others including Colombia, Costa Rica, Lithuania, Morocco and Peru. In addition, it benefits from input and insight from other international bodies such as the European Commission, the European Union Committee of Regions, UNDP, and UNHABITAT.

The Observatory on Subnational Government, Finance and Investment

In 2016, the OECD and United Cities and Local Governments (UCLG), with the financial support of the French Cooperation Agency (AFD), sought to establish a global Observatory on local government structure and finance. As a first step, a pilot study was published: Subnational Governments around the World: Structure & Finance. It is now proposed to further expand this initiative by formalising the Observatory in order to:

- Provide all levels of government with reliable data and indicators on subnational government structure and finance.
- Contribute to bridging the gap in subnational data and harmonised data availability.
- Offer comparative analysis on the performance of subnational governments in terms of local budget, fiscal and investment management, appropriate to whether they are federal or unitary.
- Provide standardised and transparent access to information.
- Contribute to evidence bases for regional and local policy development and reform, strengthen multi-level governance and make decentralisation policies more effective.
- Build constructive national and international dialogue on fiscal and financial diagnosis, support the exchange of experiences, peer-to-peer learning.
- Help monitor the financial ability of subnational government to implement the responsibilities entrusted to them and to design effective and efficient regional and local development policies.
The OECD Multilevel Governance Policy Approach

The OECD Network on Fiscal Relations across Levels of Government

The OECD Network on Fiscal Relations across Levels of Government provides statistics, data and analysis on the relationship between national and subnational governments, and its impact on efficiency, equity and macroeconomic stability across OECD countries. It is serviced by the OECD’s Centre for Tax Policy Administration (CTP), the Economics Department, the Directorate for Public Governance, and the Centre for Entrepreneurship, SMEs, Local Development and Tourism. The Fiscal Decentralisation database is available online: http://www.oecd.org/tax/federalism/

...and aligning with the global agenda

We support the United Nations in ensuring the success of the 2030 Agenda for Sustainable Development Goals, focusing on issues related to:

Multi-level Climate Investment

- COP 22 and COP 23
- Climate Chance (Coalition on Multi-level Governance and Multi-stakeholder Action)

Public investment and local finance

- UN Conference on Housing and Sustainable Urban Development
- 5th UCLG Congress, World Summit of Local and Regional Leaders
- Addis Ababa Conference on Financing for Development
The OECD Multilevel Governance Policy Approach

Providing evidence for policy action...

Up-to-date subnational data bases

The OECD offers public officials, academics and the private sector up-to-date data on subnational government structure and finance to support evidence-based policy making.

The statistical guide *Subnational Governments in OECD countries: Key Data,* is updated annually, and provides data on subnational governments in OECD member and partner countries. It is considered indispensable by policy makers looking for reliable data on subnational:

- investment
- revenue and tax receipts
- budget balance and debt
- expenditure by economic function
- government structure and municipal size

The *OECD Subnational Government Structure and Finance database* is an online tool that generates datasets tailored to policy maker needs. It can be accessed at: [http://dx.doi.org/10.1787/05fb4b56-en](http://dx.doi.org/10.1787/05fb4b56-en)

*Subnational Governments around the World: Structure and Finance,* is a unique resource on local level financial information. It aims to help officials at all levels of government address fiscal gaps and design effective and efficient development policies.

The OECD, in partnership with United Cities and Local Governments (UCLG), has gathered data on subnational governments in 101 countries, including in those where data collection is less developed or not publically available.

The OECD works with officials at all levels of government to strengthen their multi-level governance practices in order to better realise regional development objectives and support policy initiatives, including decentralisation and broader territorial reform.

The OECD Multilevel Governance Policy Approach

...and supporting policy with analysis

Linking multilevel governance and regional development

Countries around the world are attuned to the complexity associated with multilevel governance systems – adjustments in one dimension often require adjustments in another. They are also increasingly aware of the significant role of these systems in reaching effective public investment and public policy outcomes.

The 2017 report *Multi-level Governance Reforms: Overview of OECD Country Experiences* offers an overview of multi-level governance reforms in OECD countries, focusing particularly on the institutional and territorial dimensions.
Ensuring a fruitful partnership can be tricky…

SOME OPPORTUNITIES AND RISKS OF DECENTRALISATION

The OECD Multi-level Governance Policy Approach

Multilevel Governance Studies

The OECD Multi-level Governance Series offers policy-makers and other stakeholders guidance on establishing good multi-level governance practices in order to support achieving policy objectives. This series includes diagnosis and recommendations on:

- trends in asymmetric decentralisation
- operational guidance for policy makers
- strengthening multi-level coordination practices
- assigning responsibilities across levels of government
- improving public investment practices and effectiveness
- measuring spending power at different levels of government
- ensuring higher quality, efficient and effective public service delivery
- reinforcing transparency, accountability and citizen participation practices
- benefits and risks associated with fiscal, political and administrative decentralisation – or recentralisation – reforms in developed and developing countries and strategies to address them

Territorial Reviews

OECD Territorial Reviews offer policy makers at national, regional, and local levels tailored guidance for strengthening placed-based regional development in their countries. Each review includes context-specific analysis and recommendations for action, to:

- improve economic performance and overall well-being.
- identify and overcome regional competitive, productivity and inclusiveness challenges.
- ensure that multi-level governance practices support attaining national and subnational policy objectives.

Undertaking thematic studies and country reviews

OECD subnational studies and reviews give public officials a chance to build dialogue and engage in collaborative networks with regional development stakeholders, in their territory and internationally. Tailored to country priorities, they help policy makers identify multi-level governance needs, including for decentralisation, and build context-specific solutions in a variety of areas, most recently by supporting:

- Chile to modernise its municipal system and strengthen decentralisation processes
- Colombia to make the most of its public investment capacity
- Ukraine as it institutionalises multi-level governance and decentralisation reforms
Supporting more effective public investment across levels of government...

Public investment is a shared responsibility – among levels of government and with the private sector. It shapes choices, influences private investment and affects quality of life. For these reasons governments strive for investment success. Poorly managed public investment, or poor investment decisions, wastes resources, erodes public trust and can hamper growth opportunities. But, when done right, public investment can be a powerful tool to boost growth, and provide the right infrastructure to leverage private investment.

Strengthening multi-level governance and taking a comprehensive approach to public investment can help. This includes:

The OECD report *Investing Together: Working Effectively across levels of Government*, dissects the relationship between different government actors, vertically and horizontally. It offers a practical guide for policy makers to assess their needs for investment capacity development.
Ensuring a fruitful partnership can be tricky ...

Some Opportunities and Risks of Decentralisation

The OECD Multilevel Governance Policy Approach

...with good practice recommendations and indicators

To support public officials make better, more effective investment choices the OECD offers comprehensive guidance with its Principles on Effective Public Investment across Levels of Government. These principles help governments put into action the multi-level governance practices that can render public investment more effective.

The OECD Toolkit for Effective Public Investment is a powerful online self assessment tool to help countries implement these principles. It is an easy-to-use red-yellow-green light system that guides policy makers a self-directed evaluation of their government’s alignment with the Principles. Where there is room for improvement, the Toolkit offers concrete examples of what other countries are doing to address the same issues. Try it for yourself at: https://www.oecd.org/effective-public-investment-toolkit/

Countries are invited to adhere to the OECD Council Recommendation on Effective Public Investment across Levels of Government making a commitment to stronger multi-level governance practices to support public investment.

The OECD Indicators of Multi-level Governance of Public Investment currently under development shed light on performance in the different facets of multilevel governance, including vertical and horizontal coordination, institutional, fiscal, regulatory and planning practices.

Average Performance by OECD Countries on the Indicators of Multi-level Governance of Public Investment (2016)
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