

# DEFINITIONS AND METHODOLOGY

**Strengthening analytical frameworks and  
data on subnational government finance  
and public employment**

## Background

In 2018-2019, the OECD and the European Commission (EC) initiated a partnership to support data collection and the elaboration of new indicators to better assess decentralisation and subnational public finance in 24 OECD and EU countries. The work resulted in the creation of the Regional Government Finance and Investment Database (REGOFI) and two datasets on municipal fiscal data (MUNIFI).

In 2021–2024, the OECD and the EC continue partnering to expand the data collection to the individual regional and local government levels on subnational finance and investment and develop, for the first time, a pilot database on subnational public employment (SNPE) with a gender perspective.

Through this work, the project aims to assess the level of human and financial capacity in regions and municipalities across OECD and EU countries and to overview the linkages between the share and characteristics of subnational public employment, and the level of fiscal decentralisation of subnational governments in OECD and EU countries.

## Subnational government finance data: the REGOFI and MUNIFI databases

### Key Definitions

- **Aggregated data:** this refers to the sum of all regions or municipalities within a country. It will allow comparisons between the regional or municipal level as a whole across countries.
- **Disaggregated data:** this refers to all individual regions or municipalities. It will enable comparisons between one region or municipality in one country with another region or municipality within the same country or across countries.
- **Municipal government:** we refer to public administration that exists at the lowest self-governing administration level within government. Municipalities are entitled to own assets, raise funds and incur liabilities by borrowing on their own account. Municipalities must have some discretion over how their funds are spent. They should also be able to appoint their own officers, independently of external administrative control. The fact that they may also act as agents of central or state governments to some extent does not prevent them from being treated as separate institutional units provided they are also able to raise and spend some funds on their own initiative and own responsibility.  
We do not include other lower level local governments such as counties, townships, boroughs, school districts, and water or sanitation districts. Inter-municipal cooperative bodies are also not included in municipalities as separate units. Inter-municipal cooperation may still enter in the fiscal data (expenditure) collected with this data query if the spending to services organised by inter-municipal cooperation is included in the municipal purchases. In that case, we ask you to kindly indicate this in the data query.
- **Regional government:** we refer to the first territorial level below the state. A region is a geographical area into which the country as a whole has been divided for political or administrative purposes. A regional government has a governing body elected by universal suffrage. Regions are governed by political bodies, including a deliberative assembly and an

executive body. They have their own budget and assets, administrative staff and decision-making power to carry out their responsibilities, which have been transferred to them or which are determined by the Constitution. Depending on the national regulatory framework, regions may also have the right to take voluntary tasks. A regional government usually has the fiscal authority to raise taxes or other own revenue within its territory. We do not include other types of regional entities, such as deconcentrated state regional administration, regional co-operation structures and purely statistical regions.

- **Updating and Developing the Regional Government Finance and Investment Database (REGOFI)**

This stream aims to update the aggregated database on regional government finance and investment established in 2020, as well as to create a new disaggregated database that gathers financial and investment data of individual regional governments, based on the feasibility study conducted in 2019.

To accomplish this, the OECD is updating the data for the 24 countries of the aggregated database on regional government finance from 2010 to 2020, of which nine federal or quasi-federal countries and 15 unitary countries. This represents 520 individual regional governments.

Additionally, the OECD is developing a pilot database gathering disaggregated data on regional government finance on the sampled OECD and EU countries, from 2010 to 2020, subject to data availability. The detailed list of potential countries with aggregated and disaggregated data at the regional level is included in Annex – Table A.1.

The methodology and indicators considered for REGOFI are developed in the sub-section below. This stream of work will enable to develop more granular data on regional government finance and thus to have a better understanding the role of region in public expenditure, the structure of their revenue and of regionalisation trends in OECD and EU countries.

- **Developing the Municipal Finance Database and Municipal Fiscal Indicators (MUNIFI)**

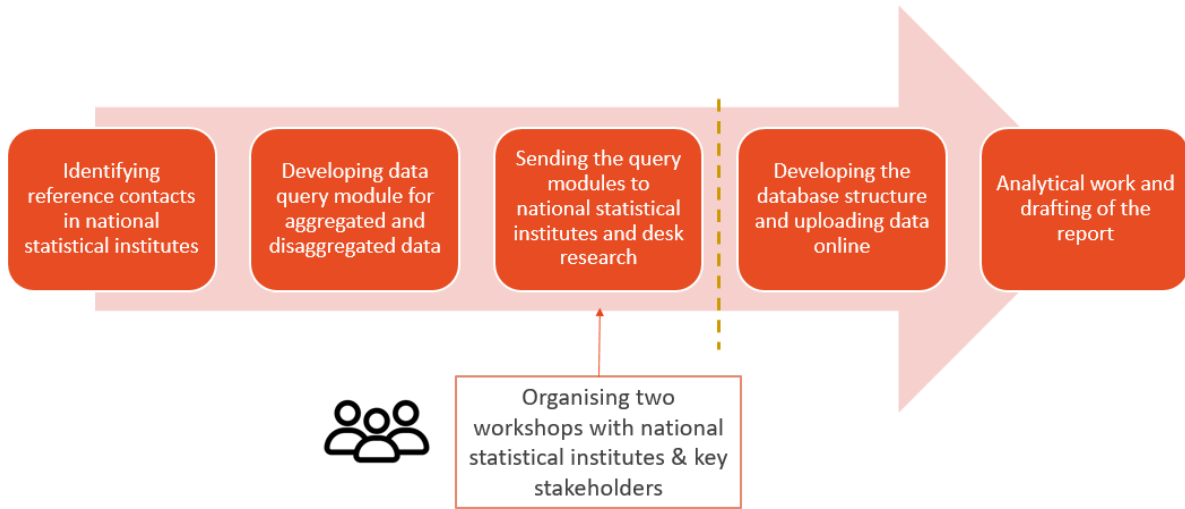
This stream of work aims to develop the aggregated database on municipal government finance and investment and to create a disaggregated database on financial and investment data of individual municipal governments.

To accomplish this, the OECD is developing a new aggregated database, which should cover around 42 countries, of which nine federal or quasi-federal countries and 33 unitary countries, subject to data availability.

The OECD is also developing a disaggregated database for 20 countries among the list of potential countries with disaggregated data at the municipal level, depending on data availability. The detailed list of potential countries with aggregated and disaggregated data at the municipal level is included in Annex – Table A.1.

The methodology and indicators considered for MUNIFI are described in the sub-section below. This stream of work will allow to develop more granular data on municipal government finance and thus to analyse further the role of municipal structure in public spending, as well as the links between spending and revenue autonomy. The municipal fiscal indicators developed in MUNIFI, combined with other datasets, will also allow richer analyses on decentralisation at the municipal level in OECD and EU countries.

- Joint methodology for developing the REGOFI and the MUNIFI



Starting in early 2022, the OECD developed data query modules adopting a new simplified and standardised methodology, based on the national accounts. The methodology is harmonised for the Stream 1 and Stream 2. These modules aim to collect data on regional and municipal government expenditure, revenue and debt, as well as on the number and population of each regional and municipal government, for the period 2010-2020.

The aggregated data query module at the regional and municipal levels comprises:

- Expenditure:** by economic classification (for current and capital expenditure) and by functional classification (COFOG) (total expenditure and total investment);
- Revenue:** tax revenue (corporate income tax, property income tax, VAT, property tax, others), grants and subsidies (current and capital grants, including equalisation grant and others), user charges and fees, income from assets and other revenues (e.g. social contributions).
- Debt:** loans, currency and deposits, bonds and debt securities, others.

Expenditure	Revenue	Debt
Total expenditure	Total revenue	Total debt, including:
Current expenditure <ul style="list-style-type: none"> <li>• Compensation of employees</li> <li>• Intermediate consumption</li> <li>• Current social expenditure</li> <li>• Subsidies and current transfers (<i>REGOFI only</i>)</li> <li>• Financial charges</li> <li>• Other expenditure</li> </ul>	Tax revenues <ul style="list-style-type: none"> <li>• CIT tax revenue (if any)</li> <li>• PIT tax revenue (if any)</li> <li>• VAT tax revenue (if any)</li> <li>• Property tax revenue</li> <li>• Other tax revenue</li> </ul>	<ul style="list-style-type: none"> <li>• Loans</li> </ul>
Capital expenditure <ul style="list-style-type: none"> <li>• Direct investment (P5K2) : GFCF + acquisitions</li> <li>• Capital transfers (<i>REGOFI only</i>)</li> </ul>	Grants and subsidies <ul style="list-style-type: none"> <li>• Current grants, of which               <ul style="list-style-type: none"> <li>• Equalisation</li> <li>• Other grants (incl. earmarked grants)</li> </ul> </li> <li>• Capital grants               <ul style="list-style-type: none"> <li>• Equalisation</li> <li>• Other grants (incl. earmarked grants)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Currency and deposits</li> <li>• Bonds / debt securities</li> </ul>
Total expenditure in 10 COFOG expenditure categories	User charges and fees	
Investment (or GFCF if not available) in 10 COFOG expenditure categories	Income from assets (physical and financial assets)	
	Other revenue	

Due to the difficulty to collect data at the disaggregated level, and based on feedback from national statistical institutes, the disaggregated data query module was simplified. The module includes:

1. **Expenditure:** total current expenditure (including staff costs), total capital expenditure (including direct investment) and total expenditure by functions (COFOG);
2. **Revenue:** tax revenue (corporate income tax, property income tax, VAT, property tax, others), grants and subsidies (current grants, including general, earmarked and other grants, as well as capital grants), user charges and fees, income from assets and other revenues (e.g. social contributions).
3. **Debt:** total debt.

Expenditure	Revenue
Total expenditure	Total revenue
Current expenditure <ul style="list-style-type: none"> <li>• Staff costs</li> </ul>	Tax revenues <ul style="list-style-type: none"> <li>• CIT tax revenue (if any)</li> <li>• PIT tax revenue (if any)</li> <li>• VAT tax revenue (if any)</li> <li>• Property tax revenue</li> <li>• Other tax revenue</li> </ul>
Capital expenditure <ul style="list-style-type: none"> <li>• Direct investment (gross)</li> </ul>	Grants and subsidies <ul style="list-style-type: none"> <li>• Current grants, of which <ul style="list-style-type: none"> <li>• General</li> <li>• Earmarked</li> <li>• Other grants</li> </ul> </li> <li>• Capital grants</li> </ul>
Total expenditure by functions (9 simplified COFOG expenditure categories)	
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Debt	User charges and fees
Total debt (gross debt)	Other revenue

The OECD sent these query modules to the national statistical institutes of OECD and EU countries included in the sample. Based on these queries completed by national statistical institutes, and by desk research undertaken by the OECD team internally, the objective is to release the collected data in new databases available on OECD.stats by early 2024.

The project also includes the organisation of two workshops focusing on subnational government finance, with the aim to reinforce the commitment of all stakeholders towards providing reliable, updated data on subnational government finance. The workshops will enable discussions between the OECD, the European Commission, national statistical institutes on the main trends and challenges surrounding regional and municipal government finance and investment.

The first workshop on the progress of Stream 1 and Stream 2 was held virtually on December 13, 2022. The second workshop will take place by the end of 2023.

A synthesis report on regional and municipal government finance will also be published (including analysis of aggregated and disaggregated data).

## Subnational public employment

The OECD and the European Commission are developing a pilot database on public employment at the subnational level in OECD and EU countries.

The objective of this stream is to have a better understanding of the situation of subnational public employment with a gender perspective. The pilot database on subnational public employment (SNPE) will allow OECD and EU countries to assess the level of human capacity in regions and municipalities across OECD and EU countries. In connection with the two previous strands of work, this will also enable to understand the linkages between the share and characteristics of subnational public employment and the level of fiscal decentralisation of subnational governments in OECD and EU countries. A comprehensive assessment of subnational public

employment can also help national and subnational governments to get a clearer picture of the needs and gaps of territorial entities.

In order to achieve this, the OECD is developing a methodology for the data collection, including the development of a taxonomy of subnational public employment in order to allow for valid comparisons across countries and over time. The taxonomy developed for this pilot database aims at finding a common denominator between the data that is currently available and collected by OECD and EU countries and providing a framework for describing and systematically categorising the size and composition of the subnational public administration workforce with a gender perspective. The taxonomy will continue to evolve as organisations implement it and recommend ways to improve this tool for more accurate data collection.

Based on the taxonomy, the data is collected through a survey and data query for countries to develop an aggregated/consolidated database for a maximum of OECD and EU countries and a database with disaggregated data (i.e. at the level of individual municipalities and regions) for a sample of six to eight countries pilot countries. A synthesis report gathering the main findings on subnational public employment will be also published, with specific methodological guidelines.

The first workshop was held virtually on December 14, 2022. The second workshop will take place by the end of 2023.

## Annex – Table A.1

List of potential countries with aggregated and disaggregated data at the regional and municipal levels

Types of countries	Countries	Potential countries for aggregated and disaggregated data at the regional level	Potential countries for aggregated and disaggregated data at the municipal level
Federal countries	Australia	X	X
	Austria	X	X
	Belgium	X	X
	Canada	X	X
	Germany	X	X
	Mexico	X	X
	Spain	X	X
	Switzerland	X	X
	United States	X	X
Unitary countries	Bulgaria		X
	Chile		X
	Colombia		X
	Croatia	X	X
	Czech Republic	X	X
	Cyprus		X
	Denmark	X	X
	Estonia		X
	Finland		X
	France	X	X
	Greece		X
	Iceland		X
	Ireland		X
	Israel		X
	Italy	X	X
	Hungary		X
	Japan	X	X
	Korea	X	X
	Lithuania		X
	Latvia		X
	Luxembourg		X
	Malta		X
	Netherlands	X	X
	New Zealand	X	X
	Norway	X	X
	Poland	X	X
	Portugal		X
Romania	X	X	
Slovak Republic	X	X	
Slovenia		X	
Sweden	X	X	
Republic of Türkiye	X	X	
United Kingdom		X	

Source: author's own elaboration