

Philippine Mayors Forum on Innovation, Digital Governance, and Resilience Building towards Accelerated Implementation of the 2030 Agenda in the Philippines

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Multi-level governance and subnational government finance in Asia and the Pacific

Preliminary findings from a regional analysis of the 3rd edition of the OECD-UCLG World Observatory on Subnational Government Finance and Investment, prepared with the Asian Development Bank

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Asia and the Pacific is home to two-thirds of the world's subnational governments, and has many sub-municipal governments and asymmetric arrangements

Overview of the countries in this study

26 countries (5 federal and 21 unitary), representing:

53% of global population

24% of land area

40% of global GDP

Around **467 000** subnational governments, including:

627 state or regional governments (across 24 countries)

4 960 intermediary-level governments (across 12 countries)

Around **460 000** municipal-level governments (across all 26 countries), with **57%** of these governments in India

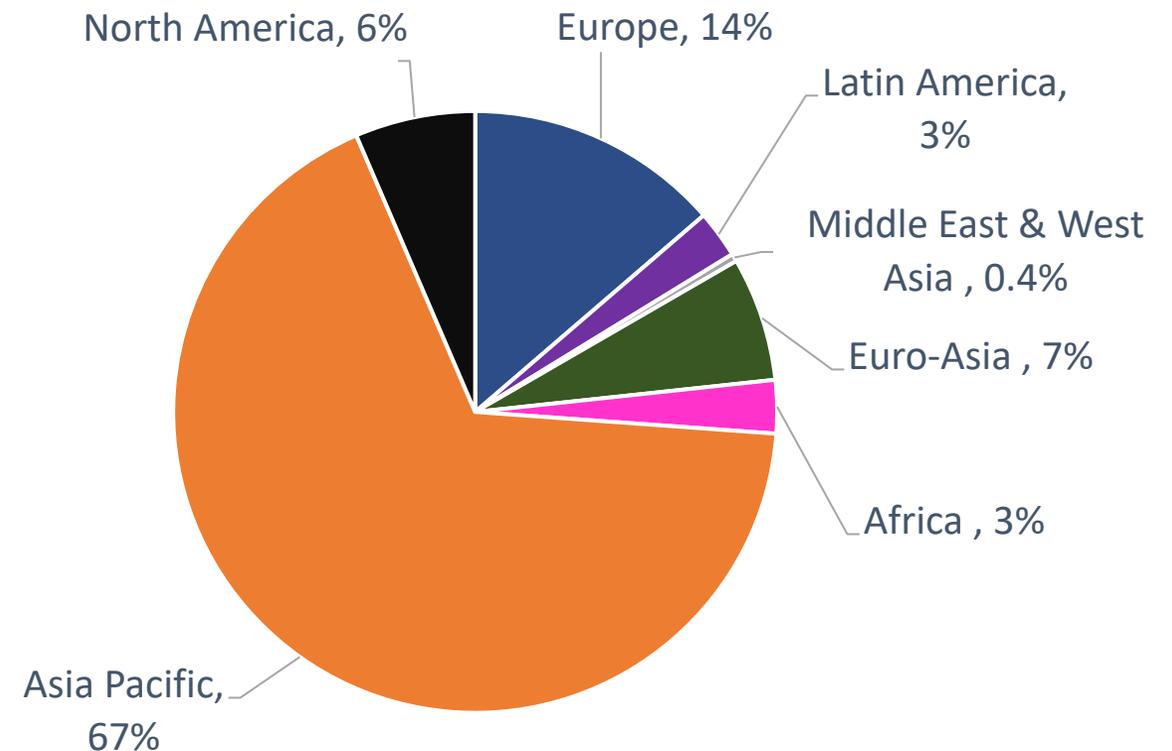
67% of the subnational governments included in SNG-WOFI

12 countries with sub-municipal governments

Most countries have some asymmetric arrangements

5 least developed countries

Proportion of subnational governments by world region

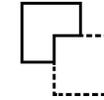
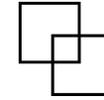


Source: OECD, Forthcoming, *Multi-level governance and subnational finance in Asia and the Pacific: A regional analysis from the 3rd edition of the SNG-WOFI*
based on OECD-UCLG, 2022, *World Observatory on Subnational Government Finance and Investment*, <https://www.sng-wofi.org/>



Many countries across Asia and the Pacific have recently undergone decentralisation processes and territorial reforms, driven by diverse aims and objectives

Examples of countries that are undergoing decentralisation and territorial reforms

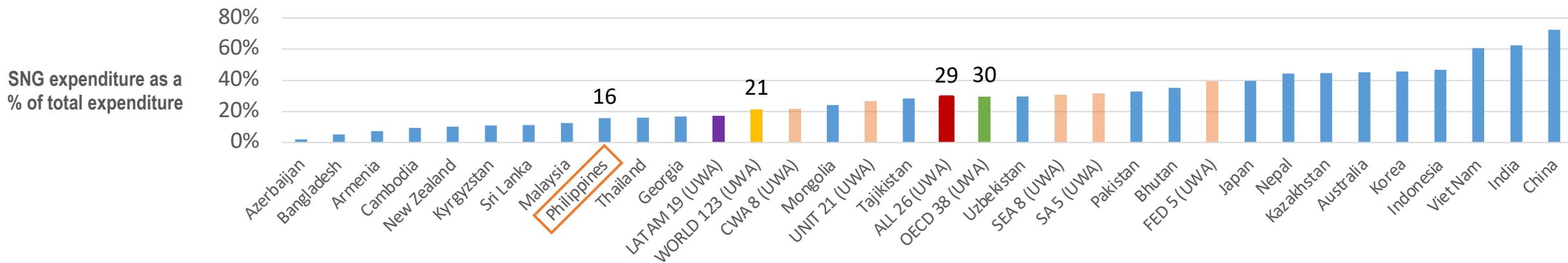


	Institutional decentralisation reforms	Amalgamation	Partition
COMMON OBJECTIVES	<p>Deepen decentralisation processes</p> <p>Support the delivery of local public services</p> <p>Achieve more democratic outcomes</p>	<p>Increase efficiency of administration and service delivery (economies of scale)</p> <p>Increase capacity of smaller SNGs</p> <p>Improve economic competitiveness</p> <p>Improve access to finance for investment</p>	<p>Enhance local democracy</p> <p>Address historical, linguistic, economic and cultural specificities</p>
COUNTRIES <i>(reforms are at a municipal level except where indicated)</i>	Bhutan, India, Indonesia, Kyrgyzstan (recognition of a new layer of local government), Nepal (federalisation)	Armenia, Australia, Azerbaijan, China, Georgia, Japan, Nepal, New Zealand (local and regional levels)	Georgia, Philippines, Uzbekistan (district level), Kazakhstan (regional level)
		<p><i>Note that Inter-Municipal Cooperation can be an alternate to amalgamation, but appears to be underutilised in the region</i></p>	

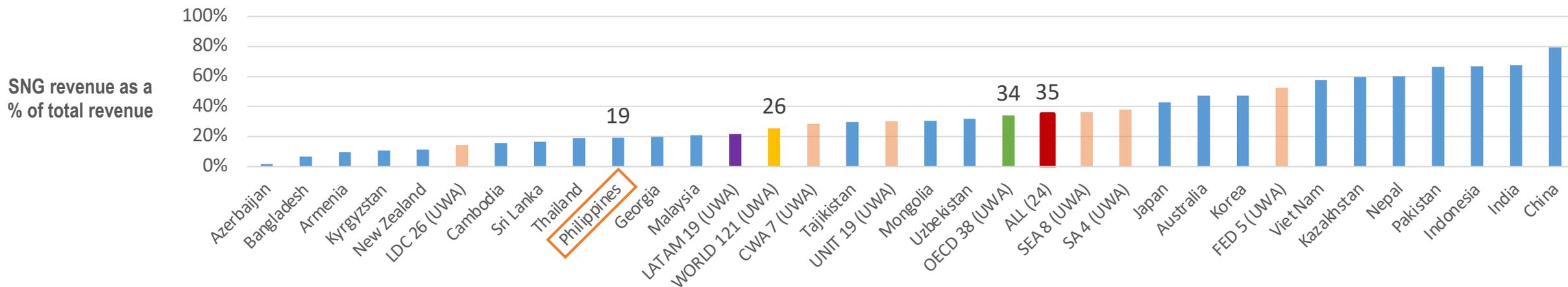


Subnational governments represent an important share of public expenditure and revenue, although there are large variations and many SNGs have less fiscal autonomy

Subnational governments in Asia and the Pacific are responsible for **29%** of total public expenditure (vs 30% in the OECD and 21% globally)



Subnational governments in Asia and the Pacific receive **35%** of total government revenue (vs 34% in the OECD and 26% globally)



Note: All averages are unweighted. Numbers indicate the number of countries in averages.

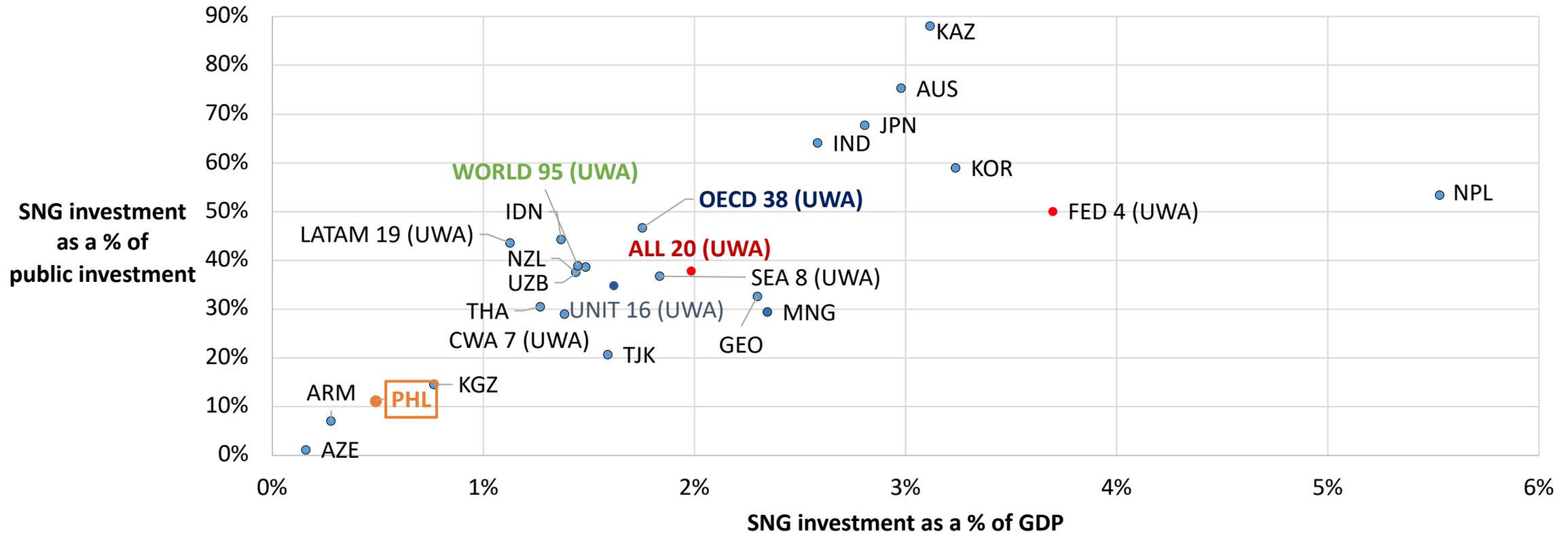
Acronyms: ALL, Asia & Pacific countries in sample; CWA, Central West Asia; FED, Federal countries; LATAM, Latin America; SA, South Asia; SEA, Southeast Asia; UNIT, Unitary countries; UWA, Unweighted average.

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Subnational governments in the region are responsible for almost 40% of total public investment, which represents almost 2% of GDP (above world average 1.5%)

Subnational government investment as a percentage of total public investment and as a percentage of GDP (2020)



Note: All averages are unweighted.

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Participatory and priority-based budgetary practices by subnational governments are emerging across Asia and the Pacific

Examples of participatory and green budgeting practices by subnational governments

	Country	Year	Type	Name
	India	Since 1996	Participatory budgeting	Kerala's Participatory Budgeting
	Kazakhstan	Since 2019	Participatory budgeting	Pilot experiments in Nur-Sultan and Almaty
	Mongolia	2013	Participatory budgeting	Integrated Budget Law
	Philippines	2021	Participatory budgeting	Budget Modernisation Bill
	Uzbekistan	Since 2019	Participatory budgeting	Pilot experiment
	India	2020	Green budgeting	Odisha's climate tagging methodology
	Indonesia	2020	Green budgeting	Pilot project on climate budget tagging in Gorontalo, Riau, and West Java
	Philippines	2015	Green budgeting	Typology of climate programmes

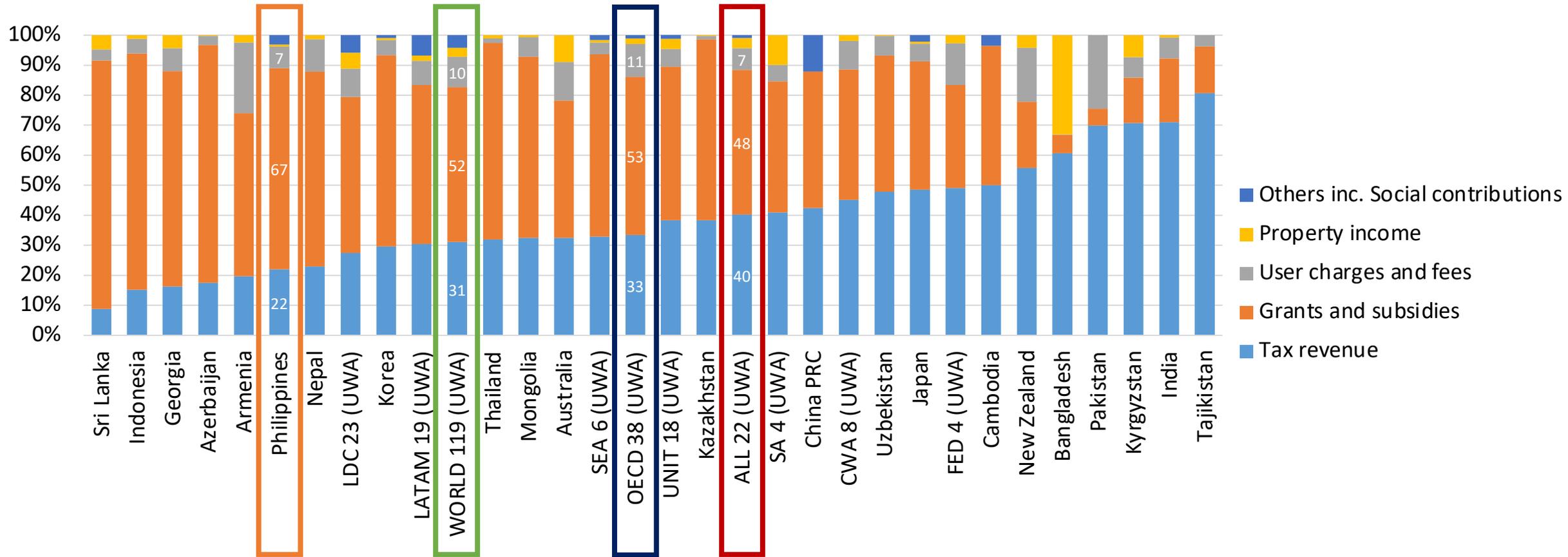
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Subnational government revenue in Asia and the Pacific is mainly composed of grants and subsidies (48% vs 53% in the OECD) and tax revenue (40% vs 33%)

Subnational government revenue as a percentage of total subnational government revenue (2020)



Note: All averages are unweighted.

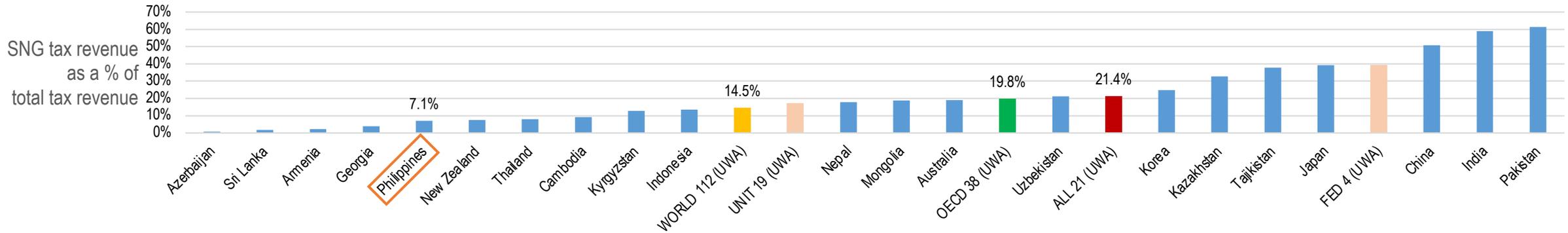
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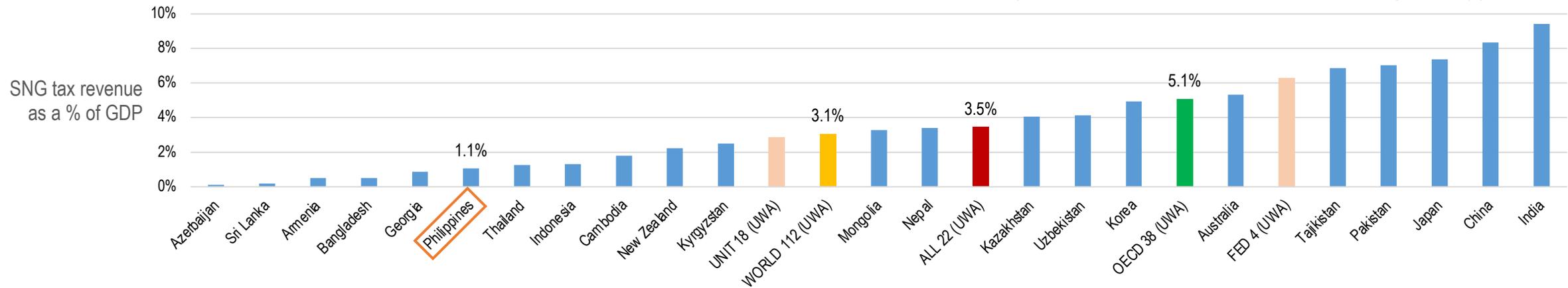


On average, subnational tax revenue as a share of GDP and of total tax revenue is higher in Asia and the Pacific than the global average

Subnational tax revenue in Asia and the Pacific amount to **21.4%** of total tax revenue (vs 19.8% in the OECD and 14.5% globally)



Subnational tax revenue in Asia and the Pacific represents **3.5%** of GDP (vs 5.1% in the OECD and 3.1% globally)



Note: All averages are unweighted.

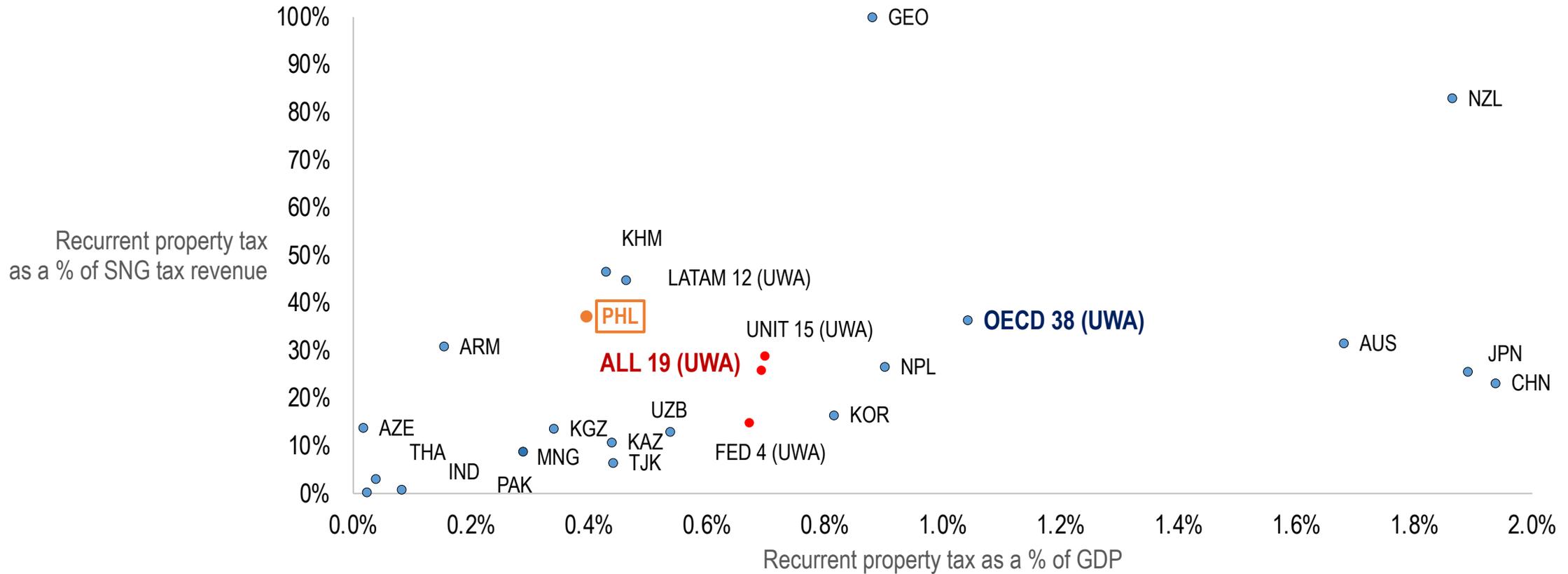
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Subnational government revenue from recurrent property tax represents around 26% of total subnational tax revenue, which is lower than in OECD countries (36%)

Share of the property tax in total subnational government revenue and GDP (2020)



Note: All averages are unweighted.

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Improving multi-level governance frameworks and strengthening subnational government finances will help to achieve development objectives

Preliminary Policy Opportunities

RESPONSIBILITIES	Clearly define responsibilities across levels of government.
CO-ORDINATION	Enhance co-ordination mechanisms across levels of government (vertical) and support cross-jurisdictional co-operation (horizontal).
TRANSFERS	Make the most of inter-governmental transfer systems as a reliable source of revenue for subnational governments, including by carefully designing grants and equalisation arrangements to address disparities and promote tax and development efforts of subnational governments (e.g., performance-based grants, fiscal equalisation transfers).
OWN-SOURCE REVENUES	Secure a sufficient, stable and balanced basket of revenues , including by harnessing physical and financial assets, and further expanding own-source revenues such as property taxes.
EXPENDITURE	Strengthen subnational expenditure autonomy to support the effective design and delivery of public services, enhance accountability and improve budget management, among other benefits.
DEBT	Support the effective use of debt by subnational governments by adopting effective fiscal responsibility frameworks, building institutional capacity, exploring the use of financial intermediaries and ensuring sufficient and stable funding sources are available.
CAPACITY	Build the institutional capacity of subnational governments alongside the decentralisation of responsibilities, including relating to revenue collection, public expenditure, investment, asset management and debt management.
FINANCIAL MANAGEMENT	Enhance public financial management and public investment management, including by strengthening the link between planning, investment programmes and budgets to help deliver a pipeline of investable projects.
PRIORITY BASED BUDGETING	Support emerging practices of priority-based (e.g., green budgeting) and participatory budgeting practices to enhance local accountability and support prioritisation according to strategic objectives.
TRANSPERANCY	Improve collection and transparency of data on SNG finances to better support subnational governments' actions, in particular for data related to own-source revenue, assets and debt.

THANK YOU

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**Further information: oe.cd/MLG and
<https://www.sng-wofi.org/>**