



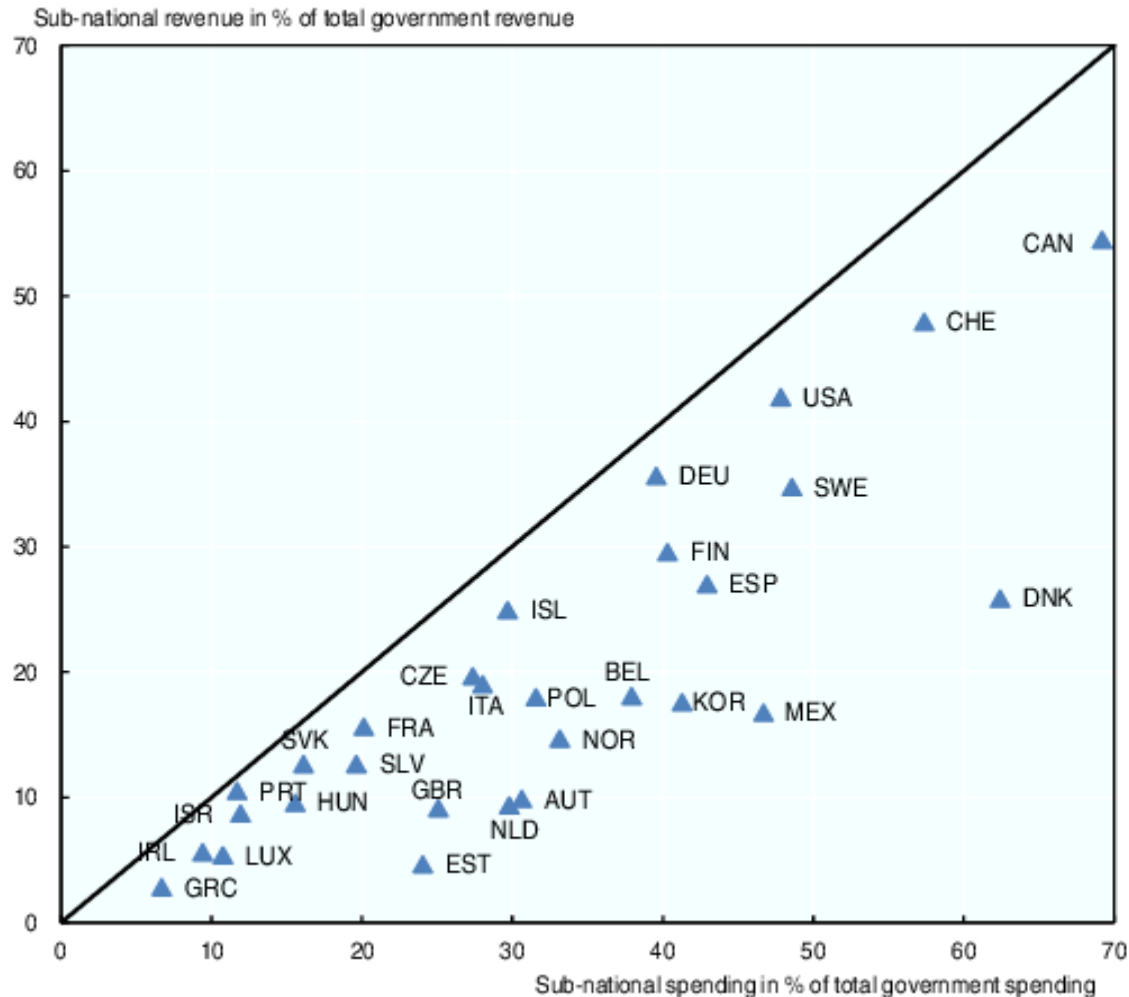
LOCAL GOVERNMENT FINANCES: TOWARDS MEASURING «QUALITY»?

Hansjörg Blöchliger
Senior Economist, former Head of Fiscal Network
Economics Department, OECD

EUROSAI Seminar, Belgrad, 5 November 2018



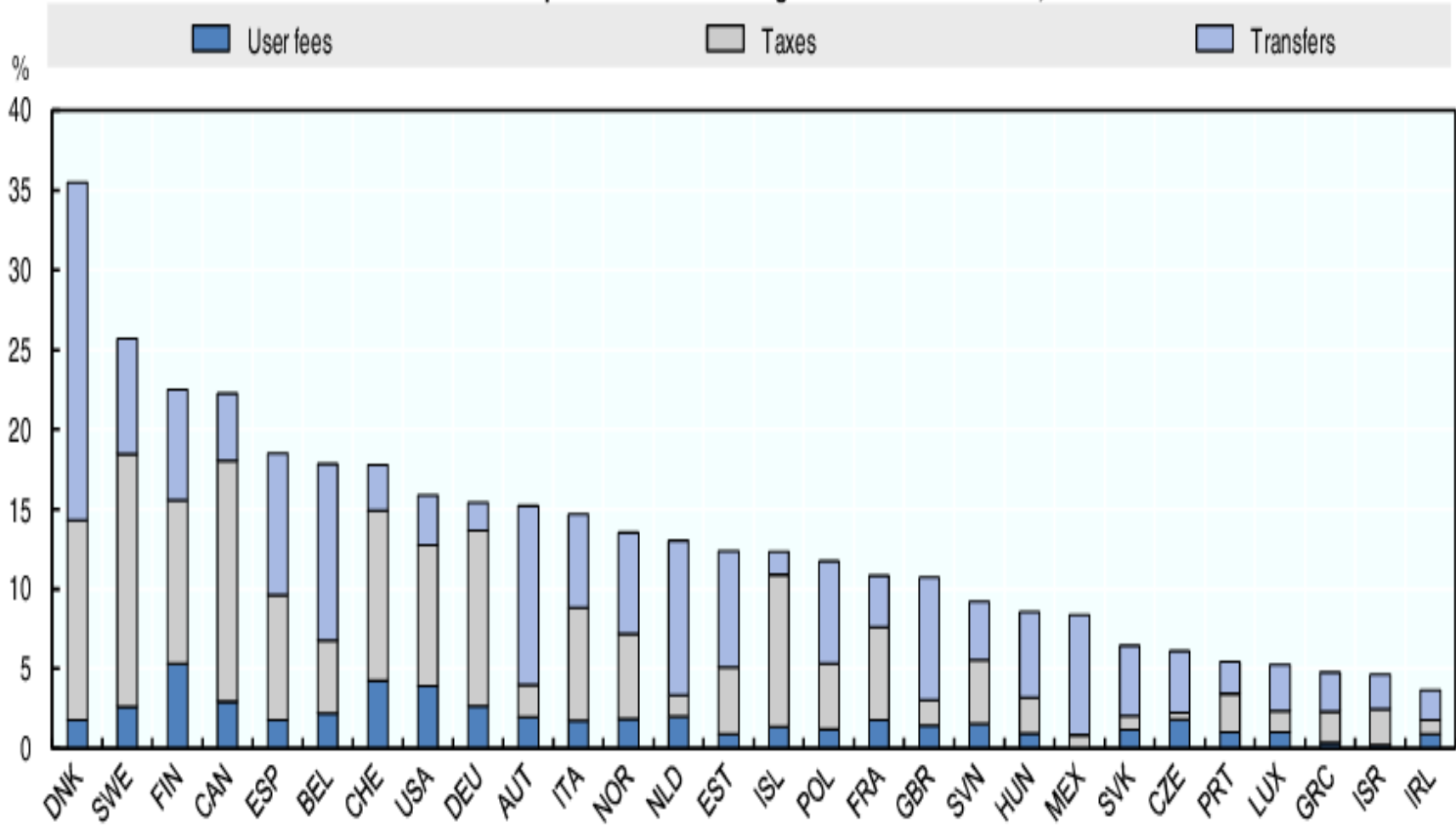
Local fiscal autonomy and vertical fiscal imbalance vary across countries



Source: Fiscal Federalism 2016



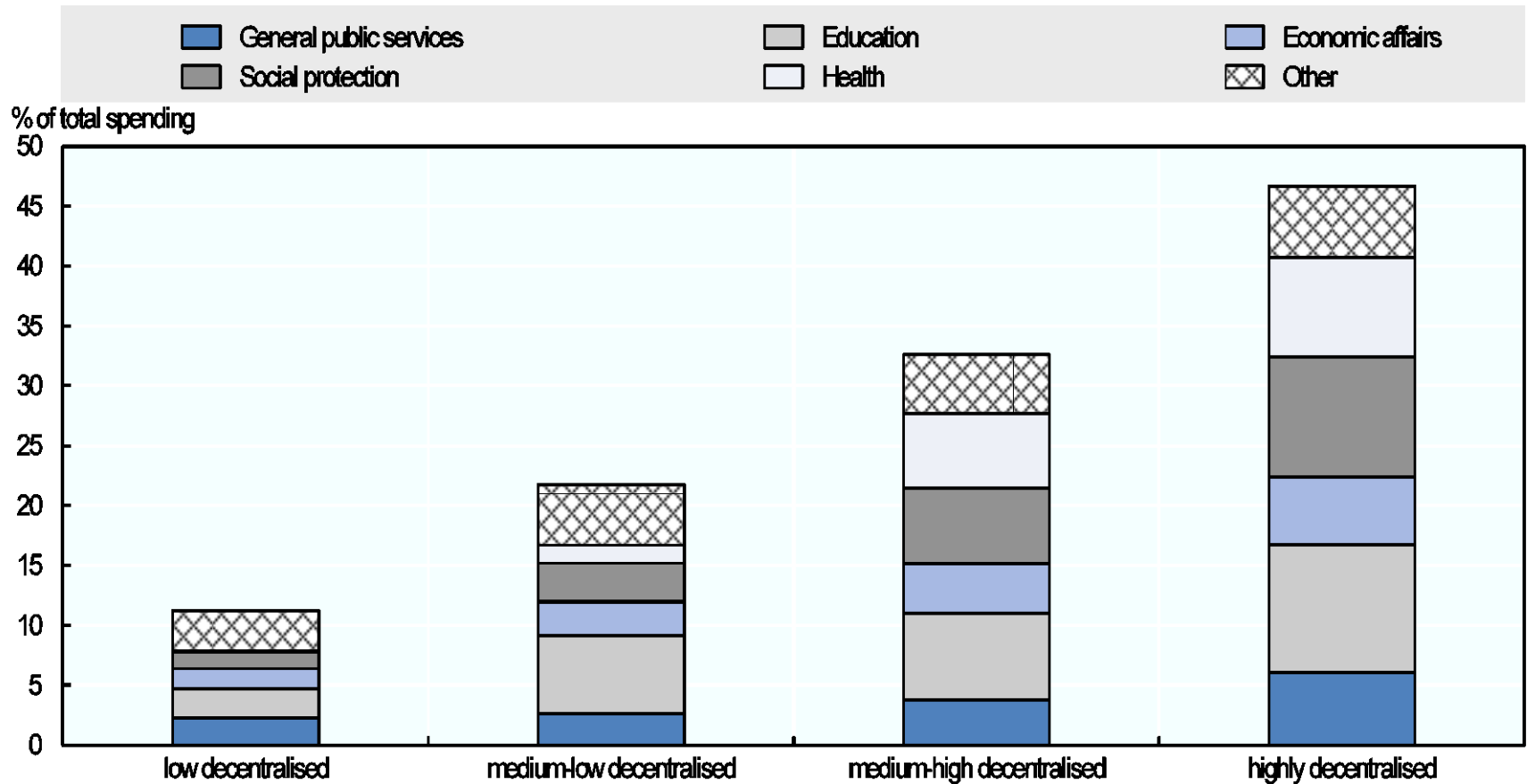
Revenue mix differs across countries



Source: Fiscal Federalism 2016

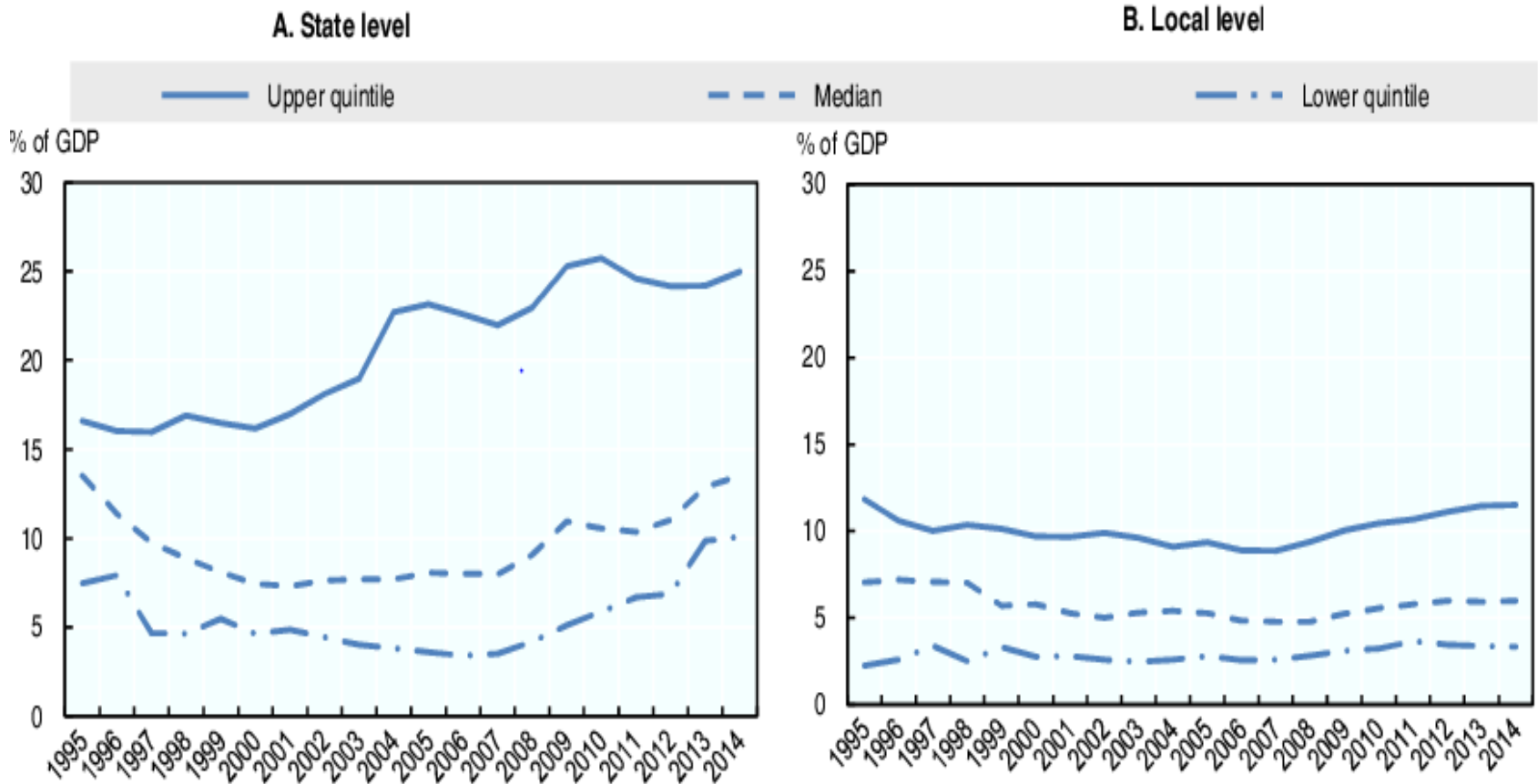


Spending mix varies with decentralisation





Sub-national debt is generally low and has stabilised



Source: Fiscal Federalism 2016



Most countries impose budget-balance rules and borrowing limits

Self-imposed or imposed by upper-level government

Sub-central government	Budget balance rule	Expenditure limit	Taxation limit	Borrowing constraint
Australia state	X	X	X	X
Australia local			X	X
Austria state	X			
Austria local	X			
Belgium state	X		X	
Belgium local	X		X	X
Canada state	X			
Canada local	X		X	X
Chile			X	X
Czech Republic	X		X	
Denmark	X	X	X	X
Estonia	X			X
Finland	X		X	
Germany state	X			X
Germany local	X			X
Ireland	X			X
Italy state		X	X	X
Italy local	X		X	X
Korea	X			X
Mexico state				X
Mexico local				X
New Zealand	X		X	X
Norway	X		X	X
Poland	X			X
Slovak Republic	X			X
Slovenia	X		X	X
Spain state	X			X
Spain local	X	X		X
Sweden	X			
Switzerland state	X		X	
Switzerland local	X		X	
Turkey		X		X

Source: Fiscal Federalism 2014



Main policy findings and a question

- Decentralised systems are economically and fiscally favourable
- Large transfer systems are associated with weaker economic and fiscal outcomes. Transfers may generate a “soft budget constraint” reducing fiscal discipline at all government levels.
- Current fiscal rules, despite being stringent, may not always respond to (local) government needs and may actually weaken fiscal discipline.
- Monitoring: towards measuring fiscal *quality* (fiscal rules, revenue and spending composition, size and design of transfers)?

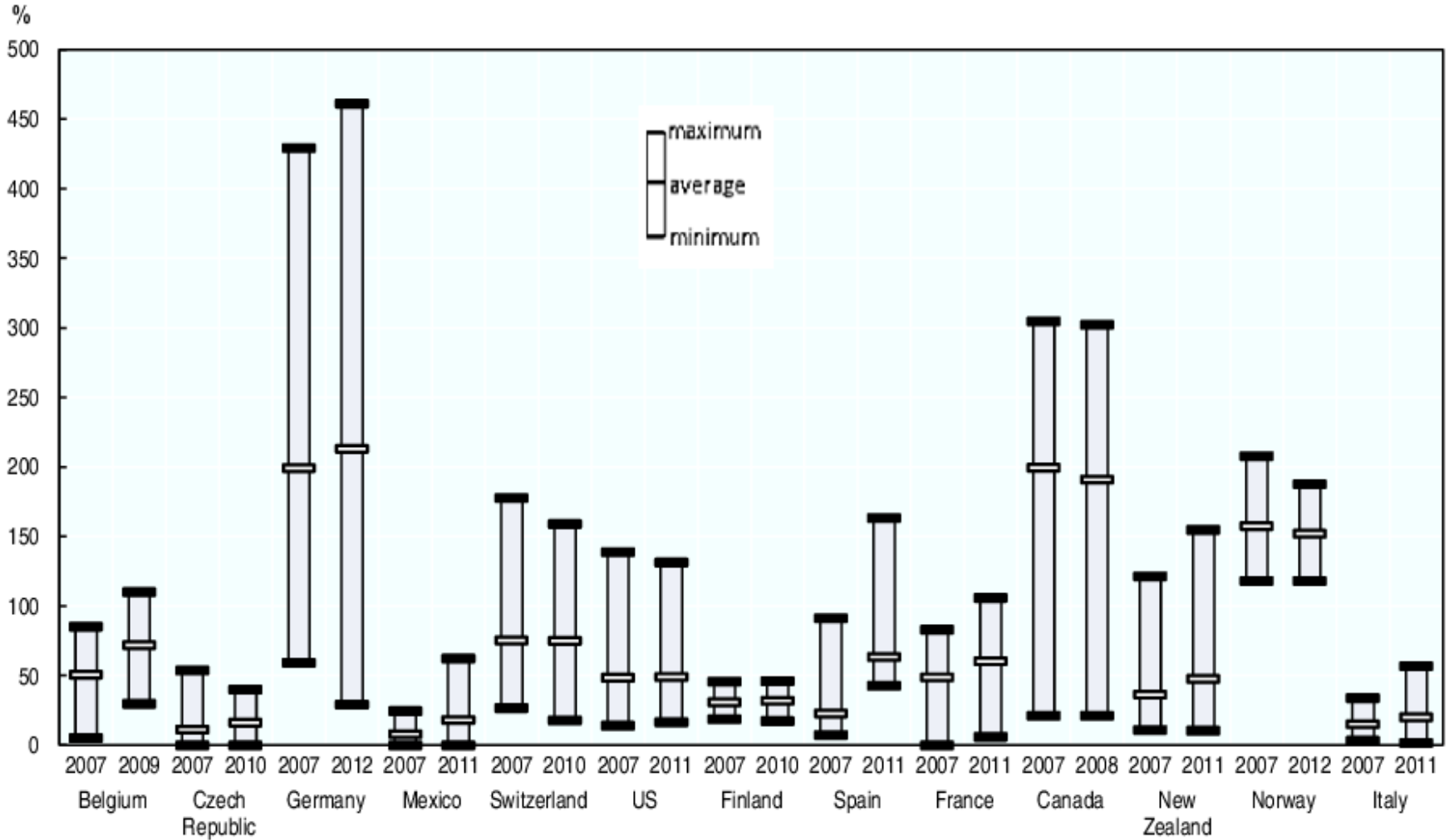


ANNEX





Some SNGs are more indebted than others



Source: Fiscal Federalism 2016