

OBSERVATORY ON SUBNATIONAL GOVERNMENT FINANCE AND INVESTMENT

Background note:

Objectives, functioning and proposed governance of the Observatory

The aim of this document is to present the institutional and operational basis of the Observatory on Subnational Government Finance and Investment, envisioned by the OECD and UCLG. As a preliminary step towards the Observatory, a first contribution was published in 2016: *Subnational Governments around the World: Structure and Finance*.

It is proposed to expand this initial work and develop a multi-partner, international Observatory, to provide country information and international comparison of subnational governments' finance, multi-level governance (MLG) frameworks and reforms as well as public investment across levels of government in countries around the world.

The first contribution towards the Observatory was conducted with the support of AFD. Other key partners have expressed their interest and UNCDF has already confirmed its intention to support this initiative.

This note presents the key objectives and the next steps. A steering committee is being established whose first meeting will take place at the OECD headquarters in Paris on November 17, 2017.

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Background and rationale

The capacities of subnational governments to finance and implement development strategies need to be strengthened

At global level, subnational governments (SNGs) are key economic and social players representing around one quarter of overall public spending and 9.0% of GDP. They play an important role in service delivery, especially in education, general public services, social protection and health but also on housing and community amenities (supply of potable water, public lighting, urban heating and facilities), recreation, or environmental protection, directly through their exclusive tasks or on behalf central government through their delegated or shared responsibilities, or again under contractual agreements. As a result, in a number of countries worldwide, the lion's share of public sector workers is employed at the subnational level: SNGs undertake around 35% of all government personnel expenditure on unweighted average. In addition, in most countries, subnational governments are critical actors in public investment. Their efforts represent an average of 40% of total public investment worldwide, and in OECD countries the rate reaches 59% calling for better coordination across levels of government for effective public investment¹.

On the revenue side, SNGs have diverse structures for revenue sources but not always an adequate financial capacity – in terms of quantity and in terms of “quality” – to fully and correctly exercise the responsibilities assigned to them and to design effective and efficient development policies. They can be also limited in their access to external funding, in particular to finance their investment needs through borrowing, while there are significant needs in all regions of the world, especially in emerging and developing countries.

Several studies indicate that by 2030 investment would need to double or even triple worldwide to achieve the Sustainable Development Goals (SDGs) in terms of infrastructure, land use and energy systems, a need estimated at more than 90 trillion dollars². The mobilisation of such an amount will require the involvement of both public and private resources at international, national and subnational levels.

With this in mind, it is essential to better understand the role of SNGs in each national multi-level governance system, their financial and investment capacities, as well as the need for reforms at the local, national and international scales. In this regard, in the UN New Urban Agenda adopted in Quito and in the Addis Ababa Action Agenda on Financing for Development (AAAA, paragraph 34), the international community committed to strengthen the capacities of SNGs and spur investments in service provision, infrastructure, and regional territorial development, including to ensure sustainability and inclusiveness in urban and rural areas.

To this end, providing and sharing reliable and comparable data on subnational government structure, finance and investment is essential for understanding the financial context of subnational governments, at international, national and subnational levels³. This is also crucial to promote and facilitate dialogue between the various levels of government and enhance multi-level governance frameworks, as well as to enhance accountability and transparency at subnational levels and improve trust between citizens and government. Finally, ensuring the availability and reliability of subnational finance data is instrumental to access external resources such as borrowing or private resources.

¹ See the OECD Recommendation on Effective Public Investment across Levels of Government, adopted by the Council on April 2014 and its implementation toolkit: <https://www.oecd.org/effective-public-investment-toolkit/>

² Global Commission for the Economy and Climate (2014), *Better Growth, Better Climate*.

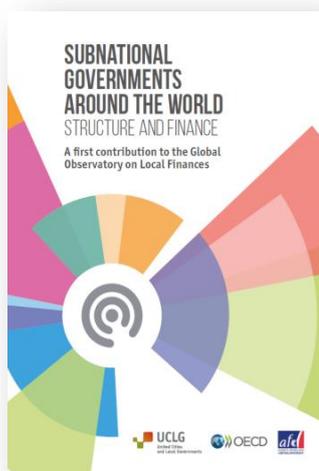
³ Josep Roig, UCLG Secretary General, “Financing subnational and local governments: The missing link in development finance”, in OECD, *Regional Outlook 2016: Productive regions of inclusive societies OECD*, chap 7 part III.

OECD-UCLG study: the first platform providing standardized comparable data on SNGs, finance and structure at the global scale

There is a growing demand by national and subnational governments, academics, development banks, donors, and NGOs, worldwide for relevant, reliable and comparative information and data presented in a systematic way on different topics regarding multi-level governance and finance, including trends in territorial and decentralisation reforms such as differentiated approaches in decentralisation (asymmetric decentralisation), fiscal frameworks and indicators, intergovernmental fiscal relations, the multi-level governance of public investment, etc.

A first step toward the Observatory was made in 2016 with the support of the French Development Agency with the release of the OECD-UCLG joint report on *Subnational governments around the world – Structure and Finance* (see box 1). Following the experience of UCLG in the *Global Report on Local Democracy and Decentralisation* (GOLD) and OECD, *Subnational Governments in OECD countries: Key Data*, the study published in 2016 present a comprehensive analysis focused on SNGs providing with comparable data at an international level. Beyond UCLG and OECD publications, other international organisations are compiling key data on subnational finance and investment (see Box 2), but the initiative was never undertaken on such a broad scale. The Observatory is unique as it provides a global vision of the state of subnational government finance by connecting and updating data on a regular basis and presenting different sets of indicators in a comprehensive, systemic and comparable manner.

Box 1 - Pilot OECD-UCLG study: Subnational governments around the world: Structure and Finance



In 2016, the OECD and UCLG, with the financial support of the French Cooperation Agency (AFD), began establishing a global Observatory on local government, structure and finance. As a first step toward this Observatory, a pilot study was published: *Subnational Governments around the world: structure & finance*. The joint OECD/UCLG study provides reliable and comparable facts and data on the structure, responsibilities and finance of subnational governments in 101 countries.

The study includes 17 federations and 84 unitary countries, accounting for 82% of the world's population, or close to 6 billion people spread over seven main regional areas: Africa, Latin America, Asia-Pacific, Eurasia and, Middle East and West Asia. They account for around 88% of the world GDP: 37% of countries are high-income economies based on the World Bank classification, including a majority of OECD countries; 26% and 24% belong to respectively upper and lower-middle income groups while 14% are low income

economies, coming all from the African continent.

The study process also identified the main information sources at international and national levels, as well as some major methodological and information gaps (such as the lack of data) that need to be addressed for further development.

This work is a flagship publication aiming to demonstrate the value and feasibility of a global observatory, and then mobilising international partners, central and subnational governments to develop it further.

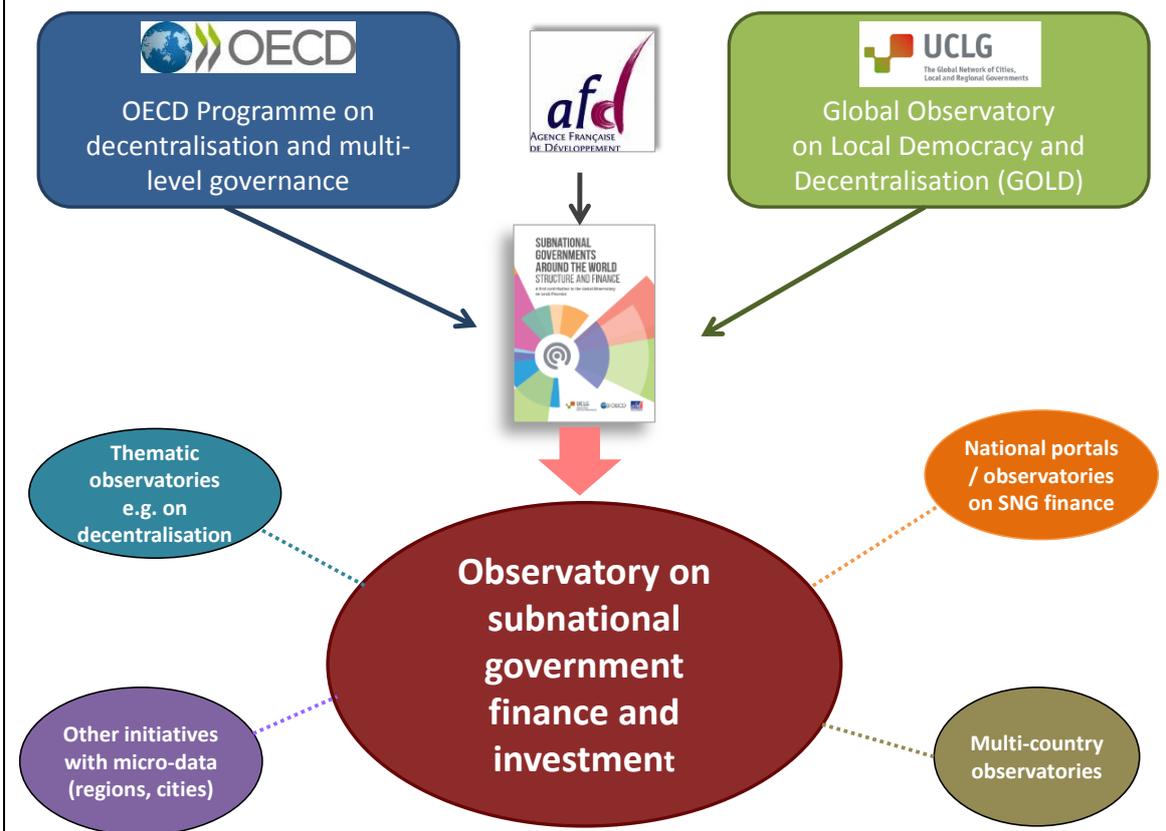
Box 2. Examples of other data collection and observatories

Beyond the OECD and UCLG, the IMF publish the *Yearbook on Government Finance Statistic*, including sub-national governments finance which is available on-line. Several other initiatives are contributing to understanding subnational dynamics, focused on a certain group of countries or specific topics (e.g. NALAS covering 13 countries of South East Europe, Commonwealth Local Government Forum – CGLF Knowledge Hub covering 53 countries of five continents, UCLG Africa and Asia Pacific, in partnership with Cities Alliance, through a biannual report *Assessing the institutional environment of Local Governments* covering 50 countries in Africa and 25 countries in the Asian region).

Other international institutions collect information on specific topics (e.g. OLA on decentralisation, the World Bank on municipal finances, the Committee of the Regions of the European Union – Portal on the Division of Powers, UN Habitat and the Lincoln Institute will launch a micro-database at the city level - Global Municipal Database).

Finally, at national level, some countries have developed their own observatories or portals aimed at increasing dissemination of information, transparency, accountability and citizen engagement with verified, comparable and harmonised sets of indicators. One can cite Portugal (*Portal de transparência municipal*), Austria (*Transparenz Portal*), Chile (*Sistema Nacional de Información Municipal*, SINIM), France (*Observatoire des finances et de la gestion publiques locales* -OFGL), Brazil or South Africa (Municipal Money).

The Observatory will aim at establishing links to these other international and national initiatives and portals.



Moving beyond the first study: setting up the Observatory on subnational government finance & investment

Given the strong support of countries⁴, subnational government associations⁵ and other partners, including development banks, to continue and expand this initiative, it is proposed to consolidate the Observatory in order to collect, analyse and exchange data, information on topics linked to subnational finance, decentralisation and territorial reforms and the multi-level governance of public investment, in a large number of countries in the world.

Objectives

The goals of the Observatory are to:

Provide standardised and transparent access to data

- Contribute to bridging the gap in subnational data and harmonised data availability; by providing standardised and transparent access to information and data that are often not easily accessible for various reasons (e.g. language, heterogeneity of data, lack of dissemination tools, etc.).
- Help define and share common methodological approaches, tools, indicators at the international level between participating stakeholders and, ultimately, encourage countries to adopt and implement harmonised national accounting systems according to the international standards of the System of National Accounts.
- Provide all levels of government with a set of reliable data and indicators on subnational government structure and finance offering information on the financing situation of subnational governments and with a comparative analysis of their performance in terms of local budget, fiscal and investment management, appropriate to whether they are federal or unitary.
- Offer a tool that allows each country to benchmark itself in its regional (Asia, Latin America, Europe, Africa, etc.) and international environment.

Serve as a capacity-building tool on subnational governance and finance

- Support the analysis made by national and international institutions on these issues, for example comparative analysis/monitoring on subnational finance/fiscal space for investment, thematic studies contributing to regional and local development, monitoring the implementation of the SDGs and other global development agendas, such as Addis-Ababa Action Agenda, Paris Agreement, Sendai Framework, the New Urban Agenda, etc.
- Facilitate analysis and bring arguments to change policies and promote reforms, to strengthen multilevel governance and make decentralisation policies more effective.
- Strengthen SNGs with the ability to monitor and analyses their capacities to implement, from a financial perspective, the tasks that have been entrusted to them and to design effective and efficient regional and local development policies.
- Contribute to the design of effective and efficient regional and local development policies, including the implementation of the SDGs and other global development agendas.

⁴ At the OECD level, the need of such a platform was broadly supported by the Delegates of the Regional Development Policy Committee during its May 2017 session.

⁵ At UCLG level, the need of such a platform was acknowledged in 2009 and the Commission of Local Finance for Development advocated for its creation since 2012.

Support international dialogue on multi-level governance and finance

- Support the exchange of experiences, peer-to-peer learning on constructive national dialogues on the fiscal and financial diagnosis and, eventually, supporting potential reforms to be undertaken in an individual country.

Tasks of the Observatory

The Observatory will undertake a diverse set of tasks/deliverables, all aimed at achieving the objectives listed above.

Collect data and indicators on subnational governments structure and finance in 100+ countries

The Observatory will **collect data and indicators about subnational governments** in different countries and their varying institutional settings. Its credibility depends on the quality of the data collected. The following data and indicators are currently been collected and should remain a priority:

- Regional and local government structures and current territorial reforms and trends in decentralisation;
- Assignment of responsibilities and subnational expenditure (total amount and breakdown by type and sectors) with a special focus on investment;
- Assignment of revenues in relation to spending responsibilities; total amount of revenue and breakdown by source (grants and subsidies, taxes, user charges and fees, property income); assessment of fiscal autonomy;
- Access to borrowing and financial markets; debt levels and prudential rules applying to subnational governments;
- Multi-level fiscal coordination and governance mechanisms (including cooperation arrangements across levels of government);

The Observatory will:

- Regularly **up-date country fact sheets** with basic data on the structure, institutional context and finance data of subnational governments. The data collection will be ensured on a triennial base, even if the data for certain regions will be updated more regularly (EU and OECD countries for example⁶);
- Progressively **expand the number of countries** included in the analysis (currently 101), in particular to the least developed countries.
- **Expand the number of indicators collected.** The extension of indicators collected should take into account the different realities and be adapted to the availability of data in different countries and regions (i.e. developed, emerging and least developed countries; unitary vs. federal countries, etc.).
- **Adapt the methodology to Least Developed Countries (LDCs)** in order to assess the specific context of municipalities in poorest countries.
- Include **indicators to measure the implementation of effective public investment assessment** across levels of government based on the *OECD Recommendation on Effective Public Investment across Levels of Government*

⁶ See Annual editions of the « Subnational Governments in the OECD Countries: Key Data » brochure and its database online on OECD.stats.

- Introduce a **system of evaluation** to assess the quality and reliability of data/indicators collected for the different countries.
- **Expand the qualitative information collected** (e.g., on multi-level governance arrangements).
- **Establish links to other international and national initiatives and portals** (see box 2).

Develop a global network of experts and institutions that contribute to data collection on subnational governments, structure & finance

The sustainability of the Observatory and the expansion of its work will depend on a gradual involvement of public officers, local governments associations and experts of different regions and countries that regularly contribute to collect and update the information. To support the emergence of this global community of experts and practitioners and strengthen their capacities, the Observatory needs to develop a common methodology and a shared knowledge base.

To reach this objective, and depending on available resources, the Observatory should aim to:

- Train a group of experts, a ‘focal point’, in partner institutions of the Observatory. These focal points will be in charge of identifying and training collaborators at regional and country levels on a common methodology and a shared nomenclature to collect sub-national government data.
- Develop a handbook or a guideline to present the conceptual and methodological framework and guide the collection of country information on subnational governments and the local finance data, identify the adequate sources at national level, promote the use of shared or standardised nomenclature, propose how to overcome different methodological problems and ensure a coherent and consolidated reporting process that will contribute to progressively upgrade the quality of sub-national data and their international comparability.

These dimensions could be developed progressively, based on the interest of the different partners of the Observatory and the available resources.

Governance Mechanisms of the Observatory

Members

- Founding members (UCLG, OECD, AFD)
- Subnational governments (including local governments associations)
- National governments (including development agencies and technical institutions)
- International institutions (including UN agencies, multilateral and regional banks, etc.)
- Other institutions (foundations, universities, think tanks, etc.)

For more detail on the composition of each category, see Annex 1. Within these categories, members could assume at least one of two responsibilities: 1) financing support; 2) technical support; or 3) both. Members that contribute to finance the activities of the Observatory will be recognized as “sponsor partners”.

Governance of the Observatory

To ensure transparency and accountability in the Observatory's activities, the following management mechanisms are proposed.

1. **A forum/conference organised every two years gathering all interested stakeholders, to discuss and disseminate the outcomes of the Observatory's work.**
2. **A Steering Committee:** co-chaired by the OECD and UCLG, will be composed of representatives from institutions of each category, reflecting a multi-level governance perspective, *i.e.*:
 - a. Representatives of national governments
 - b. Representatives of subnational governments/associations of subnational governments
 - c. International institutions, regional banks and development agencies

The Steering Committee, with 15 to 20 members in total, will meet once or twice a year to share knowledge and information, and discuss the strategic priorities, deliverables, and methodologies. It will be responsible for adopting the plan of activities, discussing the budget, and validating the deliverables. **Sponsor partners will have a priority seat and, in any case, will be invited to participate in the SC.**

3. **Daily activities of the Observatory will be followed by OECD and UCLG staff members,** including implementing the activities, raising funds, follow-up of the deliverables, and coordinating and facilitating the contributions of all the members and partners. The OECD will have a leading role during a first stage, establishing the methodology, supporting the consolidation of a common methodology and setting cross-checks data verification. UCLG will lead the facilitation of the involvement of the subnational constituency and provide the constituency perspective on the methodology proposed. OECD, UCLG and UNCDF will collaborate specifically to adapt the methodology to LDCs and work together on a specific chapter in the 2018 edition of the Observatory report.
4. **In the medium-term, it will be important to consider gradually consolidating a group of technical experts** capable of collecting the data in their regions, ensuring also inputs from local government practitioners, strengthen the quality control, to ensure that a common methodology is applied everywhere and the information respect high level standards.

Budget of the Observatory, Work Schedule and Distribution of Tasks

The Observatory, being a partnership across different institutions and not a legal entity, will have no single integrated budget. The OECD and UCLG, supported by other partners, will join forces to achieve the common objectives of the Observatory. The funding will be allocated either to the OECD or UCLG by contributing partners, based on an allocation of tasks. During the first stage, the OECD will establish the methodology and supervise the data collection process as well as the comparative analysis. UCLG will facilitate the inputs of the subnational government constituency to the methodology and ensure consultation with subnational government members. Jointly defined, the list of countries where the Observatory will try to collect data and the distribution of responsibilities are presented in Annex 2. This list will be revised and up-graded yearly, upon proposal by the co-chairs of the Steering Committee.

The budget is defined on a project basis and as a first step it is proposed to update and expand the initial study, adding new countries and indicators, and communicating globally on the initiative, notably through the organisation of a large conference by the end 2018. The timeframe for this project is estimated between 12 to 18 months.

The subsequent phases of the Observatory initiative will be defined by the Steering Committee in fall 2018.

The total budget amount estimated for the 1st phase of the Observatory is 205,000€, without taking in consideration OECD and UCLG ‘in kind’ contributions (expertise, data collection, staff and networks mobilisation). The AFD and UNCDF committed to contribute to the 1st phase of the Observatory with 30,000€ (for the currently budgetary year and will explore the possibility to contribute with a similar amount in 2018) and 70,000 \$US respectively (for more details on the budget see page below). Considering that there is still a gap in the resources needed (115,000€), the following section presents two options for the deliverables: A) with the existing resources and B) if new resources are mobilised.

Deliverables for phase I

A. *With existing resources:*

- ▶ The OECD jointly with UCLG can update of the 2016 study, focusing on the same indicators and release of the methodology with specific guidance for LDCs
- ▶ UCLG can mobilise its networks and launch capacity building activities

B. *With a more ambitious budget, and depending on the amount, the Observatory could include some of the following objectives:*

- 1/ Include more measures: in addition to ratios in % of GDP, general government and subnational government, introduce two new measures: per capita and in dollars PPP
- 2/ Include more sectors: make more systematically, the difference between subnational government, state government and local government
- 3/ Include more transactions concerning expenditure, investment, revenues (more detailed breakdown of revenues, and more details in the tax grants categories) and debt
- 4/ Include indicators of multi-level governance of public investment for developed countries
- 5/ Communicate more broadly on the Observatory
 - Flyers
 - Event (global forum/conference) by the end of 2018
 - Interactive web site for the Observatory

Preliminary roadmap for the first phase of the project (12-18 months)

- Methodology development, including for LDCs, and Capacity building 1st seminar: Q1 or Q2 2018
- Data collection and supervision: Q1, Q2, Q3 2018
- Preliminary version of the revised edition of the Observatory: October or November 2018
- Forum/Conference of the Observatory in OECD premises (with a possible back-to-back capacity building seminar): November 2018 (tbc)

Budget (phase I Observatory: 12-18 months): see annex 1

Annex 1. Budget and distribution of tasks

SUMMARY TABLE

	Total amount excluding OECD and UCLG' s contributions in kind	COVERED in cash*	GAP
OECD	160,000	70,000	90,000
UCLG	45,000	20,000	25,000
TOTAL	205,000	90,000	115,000

(* Main cash contributors (as of 15 October 2017): AFD (30,000€ /2017) and UNCDF (70,000 \$US / 60,000 Euros). The contribution of UNCDF will go on three dimensions: (1) the methodology adaptation to LDC, (2) the development of a network of experts and (3) a focus on LDCs in the overall synthesis report.

DETAILED TABLE

Main activity	Description	Lead Responsibility	Total amount excluding OECD and UCLG' s contributions in kind	Availability of resources	Gap
				In cash *	
Methodology	Preparation of a guide (including guidelines for LDCs), definition of new indicators, preparation of new questionnaires, revision of data entry grids	OECD	20,000	20,000	0
Development of a Network of experts/focal points and capacity building	Identification, management and communication, capacity building seminars	UCLG & UNCDF	35,000	15,000	-20,000
	Contribution to capacity building seminars organised by UCLG/UNCDF	OECD	10,000	5,000	-5,000
Data collection & analysis	Processing and analysis of country data, drafting of country fact-sheets (60 countries)	OECD	50,000	10,000	-40,000
	Processing and analysis of country data, drafting of country fact-sheets (45 countries, supported by UCLG 'in kind')	UCLG	0	0	0
Quality control	Data supervision and verification for all countries + database management	OECD	40,000	15,000	-25,000
Observatory report	Overall synthesis and drafting, 2018 edition	OECD	20,000	15,000	-5,000
	Technical support to the overall synthesis report drafting process (supported by UCLG 'in kind')	UCLG	0	0	0

Global meetings	Preparation of steering committee meetings and global conferences / Assembly + Logistics (rooms, catering, interpretation when necessary, including for conference)	OECD	20,000	5,000	-15,000
	Preparation of steering committee meetings and global conferences / Assembly	UCLG	10,000	5,000	-5,000
TOTAL			205,000	90,000	-115,000

(*) See note Summary Table.

Annex 2. Categories of Observatory Members

Founding members:

The Observatory is a joint initiative of three main partners: OECD, UCLG and AFD. As Observatory founders, they play a specific role as main facilitators of the activities and have a critical responsibility in orienting the Observatory's work. OECD and UCLG, in particular, will jointly ensure the follow-up and co-chair the Observatory's Steering Committee.

United Cities and Local Government (UCLG) is the united voice and world advocate of democratic local self-government. Based in Barcelona, UCLG is the largest local government organization in the world representing local and regional government across seven world regions.

In the framework of the Global Observatory of Local Democracy and Decentralization (GOLD) and with the support of different partners, UCLG launched the collection of data on local finances in 2006. The Global Observatory publishes a triennial report (currently 4 reports were released in 2007, 2010, 2013 and 2016). In 2009, UCLG called for the creation of national observatory on municipal finance bringing together central and local administrations, associations of local authorities and donors, with a view to obtaining independent information and reliable on local finances. In 2012, a first network was created at the level of the African region; supporting the roll-out to a global observatory in 2014. In 2015, during the preparation to the Addis Ababa Action Agenda, UCLG launched *5 recommendations for local finances to meet the needs of the Sustainable Development agendas*. In 2016, UCLG endorsed the OECD Recommendation on Effective Public Investment across Levels of Government.

The **OECD**, with 35 member countries, provides a forum in which governments can work together to share experiences and seek solutions to common problems. 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, subnational finance and broader territorial reform. The supporting OECD Committee for this work is the OECD Regional Development Policy Committee (RDPC), which, since its inception in 1999, has become the pre-eminent international forum on multi-level governance. The RDPC 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.

The OECD has a specific database on *Subnational Governments in OECD Countries: Key Data*, which is updated annually. The OECD has adopted a formal instrument on Effective Public Investment across Levels of Government which helps governments at all levels assess the strengths and weaknesses of their public investment capacity, in a multi-level governance perspective. The OECD has also a Network on Fiscal Relations across Level of Government, serviced jointly by several OECD Directorates. The platform provides statistics and analysis of inter-governmental relations between the central and subnational governments across OECD countries. The Network gathers 13 OECD countries in 2017. The RDPC has developed strong relationships with this network.

Sponsor partners

- **AFD (Agence Française de Développement)**

The French development Agency (AFD) was the first institution to support the pilot study for the Observatory in 2015. The Agency is a public utility company and a specialised credit institution. It is part of France's official public development aid scheme, further to a mission entrusted to it by the French Ministry of Foreign Affairs and International Development, the French Ministry of Finance and Public Accounts, the French Ministry of French Overseas Territories and the French Ministry of the Interior. Its mission contributes towards the Sustainable Development Goals (SDGs). The Agency operates in more than sixty countries in Africa, the Pacific, Asia, the Caribbean, the Indian Ocean, the Mediterranean and Latin America as well as in the French overseas departments and local governments. It has a network of approximately sixty agencies and offices throughout the world. It finances projects in many different sectors of the economy as well as health, education and environmental projects using various methods (subsidies, loans, etc.). These projects aim to introduce sustainable improvements to the living conditions of the people in these countries. The Agency provides funding to governments, public and private companies, the finance sector, local authorities and associations. Over the past few years, the Agency has also built up close relationships with the various private and public international aid bodies, both long-established ones and new arrivals, in the Global North and the Global South, in order to create synergies enhancing the impact of its work, based on open relationships and dialogue.

- **UNCDF**

The United Nations Capital Development Fund (UNCDF) is the first international institution that participates as sponsor partnership of the Observatory. The UNCDF is one the UN's capital investment agency for the world's 47 least developed countries (LDCs). With its capital mandate and instruments, UNCDF offers "last mile" finance models that unlock public and private resources, especially at the domestic level, in support of households, localities and small enterprises that are underserved, where development needs are greatest and where resources are scarcest. With its expertise in fiscal decentralisation, Local Development Funds, municipal finance, etc. as well as two-decade track record of working with local governments in LDCs, UNCDF will contribute to the Observatory by supporting the work in LDCs (adapting the general methodology to LDC contexts, data collection, etc.) and providing partial financial sponsorship.

Members of the steering committee

- **Representative associations of sub-national governments**

Subnational governments, their associations and networks are key stakeholders to be part of the Observatory and support bottom-up inputs. Their role is critical to improve dialogue on financial decentralisation with national administrations, to enhance knowledge creation, exchange and strengthen finance management at sub-national level. They will be represented through national, regional or international organisations of local and regional authorities in coordination with UCLG. Subnational government's members will designate regional and national technical focal points to support data collection and generally be included in the community of practice throughout the roll-out of the Observatory.

- **National governments (including development agencies and technical institutions)**

National governments are fundamental to grant national coherence and support a multi-level governance approach. Within the framework of the Observatory their collaboration is crucial to enhance knowledge creation, exchange and management at all levels of government; help increase the capacity (human, financial, and institutional) of policy makers at subnational levels. Buy-in of national governments is fundamental to have access to data on subnational structure and finance and underpinning capacity-building activities. The OECD Regional Development Policy Committee and its partners will play a key role in overseeing the strategy and methodologies developed in the context of the Observatory. Representatives of national

governments can be candidates to seat at the Steering Committee. Members in the Steering Committee may assume a funding or technical role, or both. Representatives of National governments can be a representative from the Ministry of tutorship; from the National Development Agency or specialised agencies on local governments finance (e.g. National Observatory on Local Finance).

- **International organisations**

International institutions are supporting national and subnational governments to achieve sustainable development goals and progressively implement development policies at the local level. International institutions will support technical focal points from different regions of the world, working with the Observatory (at the level of regional associations or technical networks) in fostering technical and political dialogue and partnership with the other sectors. International institutions include the United Nations agencies, regional institutions -e.g. the European Union, African Union, etc. – and multilateral and regional banks. As supranational institutions, they may provide political support in accessing data and fostering dialogue among regional institutions, national and subnational governments. In addition, these stakeholders can play a funding and a technical role, or both. They may support general activities or specific ones at regional and national level, such as developing a country fact sheet; supporting the creation of national observatory on local finance under the guiding recommendation of building a national strategy to link subnational governments to development finance. International organisations may support activities of the Observatory through core fund and/or by financing specific activities at national or regional level (including in-kind contributions). They can be candidates to seat at the Steering Committee.

- **Other institutions**

Foundations, academies, think tank are key stakeholders within a multi-level and multi-stakeholder approach. These institutions have been working on identifying and measure performance of innovative tools and policies in subnational finance. The Observatory will work to find synergies with ongoing projects and take stock of collected data to assess structure and finance of subnational government. They can have a funding or technical role; or both. They can be candidates to seat at the Steering Committee.

Annex 3 – Preliminary list of countries

OECD (60)	UCLG (48)	UNCDF (19)	Other countries (17)
Albania	Afghanistan	Bangladesh	Central African Republic
Argentina	Angola	Benin	Comoros
Australia	Armenia	Bhutan	DjiboutiEquatorial
Austria	Azerbaijan	Burkina Faso	Guinea
Belarus	Bolivia	Burundi	Eritrea
Belgium	Bostwana	Cambodia	Gabon
Bosnia	Brazil	Lao PDR	Gambia
Bulgaria	Cambodia	Lesotho	Haiti
Canada	Cameroon	Liberia*	Kiribati
Chile	Cape Verde	Mali	Lebanon
China	Chad	Madagascar*	Mauritania
Colombia	Costa Rica	Mozambique	Namibia
Croatia	Dominican Republic	Myanmar	Sao Tome and Principe
Cyprus	Ecuador	Nepal	Tajikjstan
Czech Republic	Egypt	Niger	TurkmenistanVanuatu
Denmark	El Salvador	Rwanda	Yemen
Estonia	Ethiopia	Senegal	
Finland	Ghana	Somalia	
France	Guatemala	Uganda	
Georgia	Guinea		
Germany	Guinea Bissau	* Countries have recently implemented a National reform on fiscal decentralization; Liberia participated to the ECOSOC Forum Follow-up FfD, and Madagascar has a partnership with the AFD to train municipal administration on local finances.	
Greece	Honduras	Countries in bold: data collected by UCLG in 2015.	
Hungary	Ivory Coast		
Iceland	Jamaica		
India	Jordan		
Indonesia	Kyrgyzstan		
Ireland	Kenya		
Italy	Malawi		
Israel	Malaysia		
Japan	Mauritius		
Kazakhstan	Nigeria		
Korea	Palestine (State of)		
Latvia	Paraguay		
Lithuania	Republic of Congo		
Luxembourg	Senegal		
Malta	Seychelles		
Mexico	Sierra Leone		
Moldova	South Africa		
Montenegro	Sri Lanka		
Morocco	Swaziland		
Netherlands	Togo		
New Zealand	Thailand		
Norway	Tanzania		
Panama	Uruguay		
Peru	Uzbekistan		
Poland	Vietnam		
Portugal	Zimbabwe		
Romania	Zambia		
Russia Federation			
Serbia			
Slovak Republic			
Slovenia			
Spain			
Sweden			
Switzerland			
Tunisia			
Turkey			
Ukraine			
United Kingdom			
United States			