



FISCAL DECENTRALISATION IN OECD AND EU COUNTRIES

Panel 2 – Local Fiscal Relations – Strengthening Financial Autonomy of Local Governments

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Territorial organisation and degree of fiscal decentralisation in OECD and EU countries (a first approach)

	One subnational level (12)	Two subnational levels (24)	Three subnational levels (7)
Federal & quasi-federal (9)		<ul style="list-style-type: none"> Canada, Switzerland Australia, Mexico Austria 	<ul style="list-style-type: none"> Germany, Belgium, Spain, United States
Unitary countries (34)	<ul style="list-style-type: none"> Iceland, Latvia Bulgaria, Cyprus, Estonia, Ireland, Israel, Lithuania, Luxembourg, Portugal, Slovenia, Costa Rica 	<ul style="list-style-type: none"> Denmark, Finland, Sweden Colombia, Czechia, Italy, Japan, Korea, Norway Chile, Croatia, Greece, Hungary, Malta, New Zealand, Netherlands, Romania, Slovak Republic, Türkiye 	<ul style="list-style-type: none"> France, Poland United Kingdom

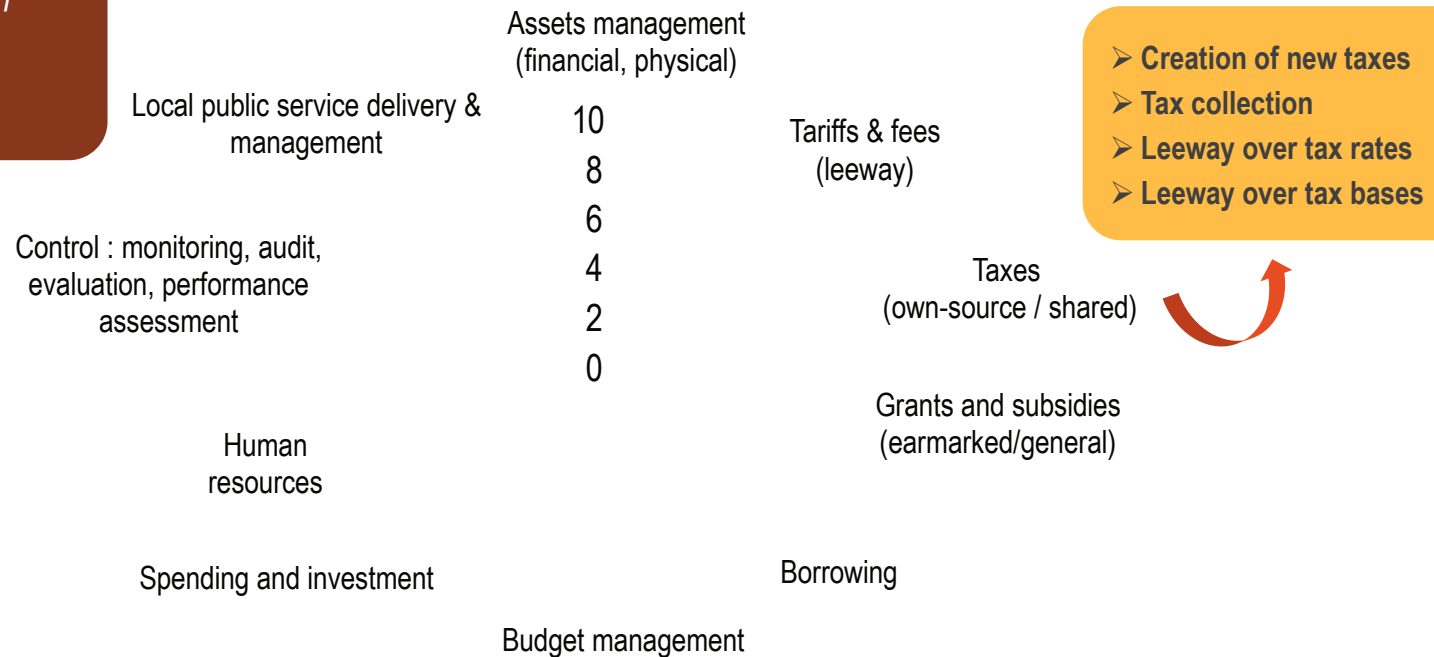
Note: Orange: high levels of fiscal decentralisation, Green : medium levels of fiscal decentralisation, Blue: low levels of fiscal decentralisation.
See disclaimer at the end of the presentation.

Source: OECD elaboration based on 2024 Subnational government structure and finance database.

Fiscal autonomy: a multifaceted concept

The main components of fiscal autonomy

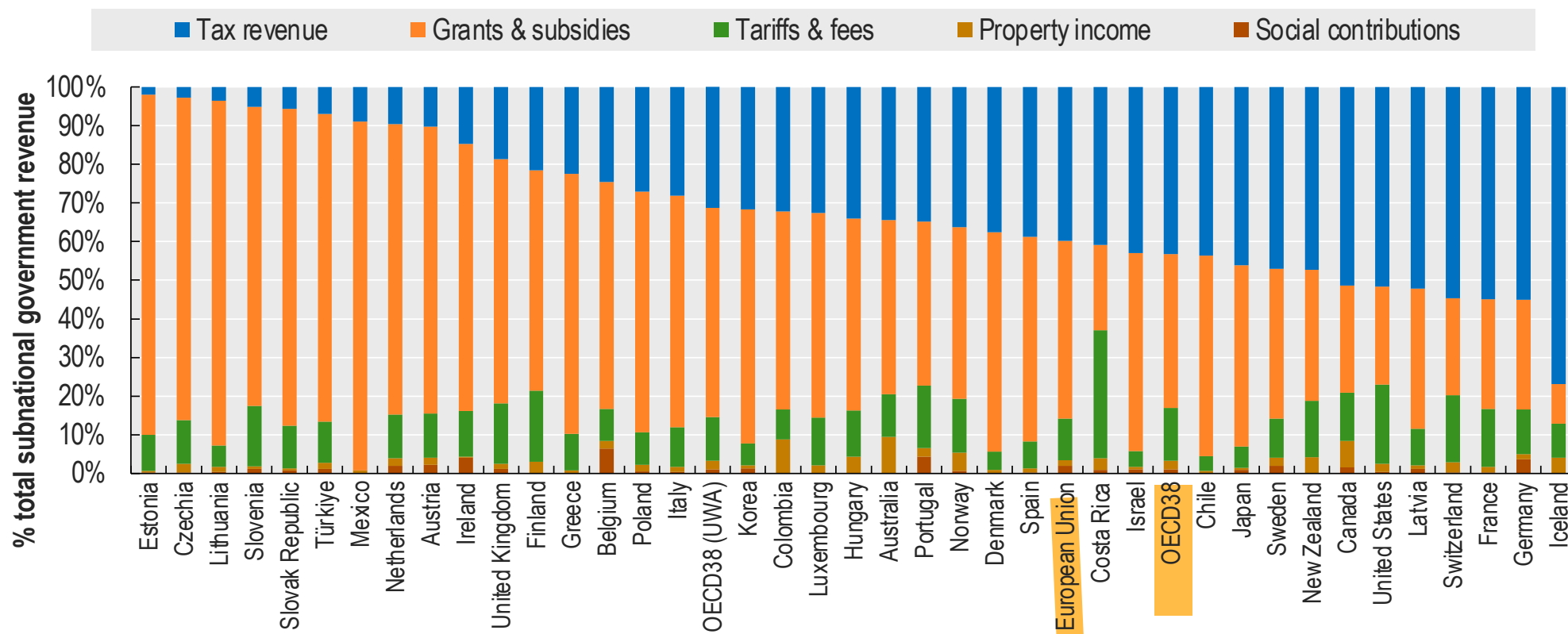
- Legal power
- Regulatory / administrative / adaptation power
- Scope of competences and functions





Grants and subsidies account for 46% of SNG revenue in the EU (40% in the OECD)

Subnational government revenue by category (% total subnational government revenue, 2023)

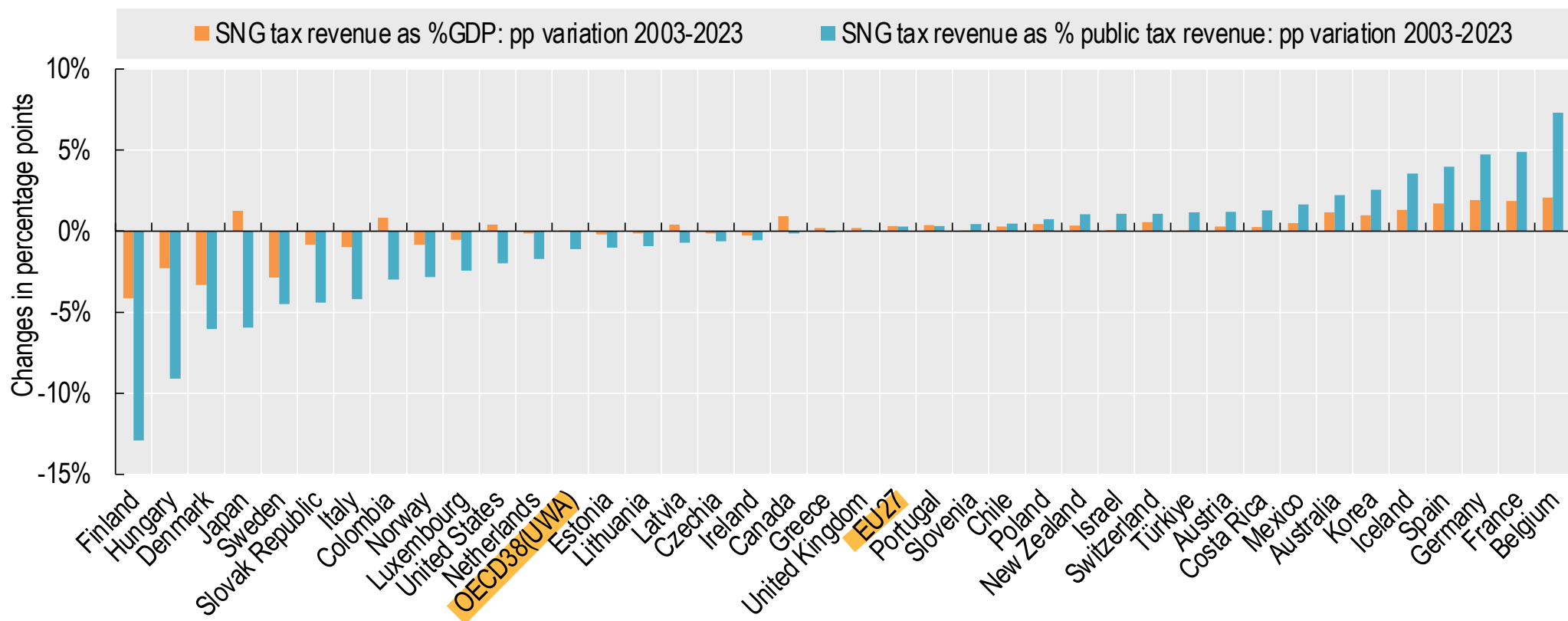


Note: 2022 Data for Australia. Source: OECD (2025) Subnational governments structure and finance in OECD countries: Key data



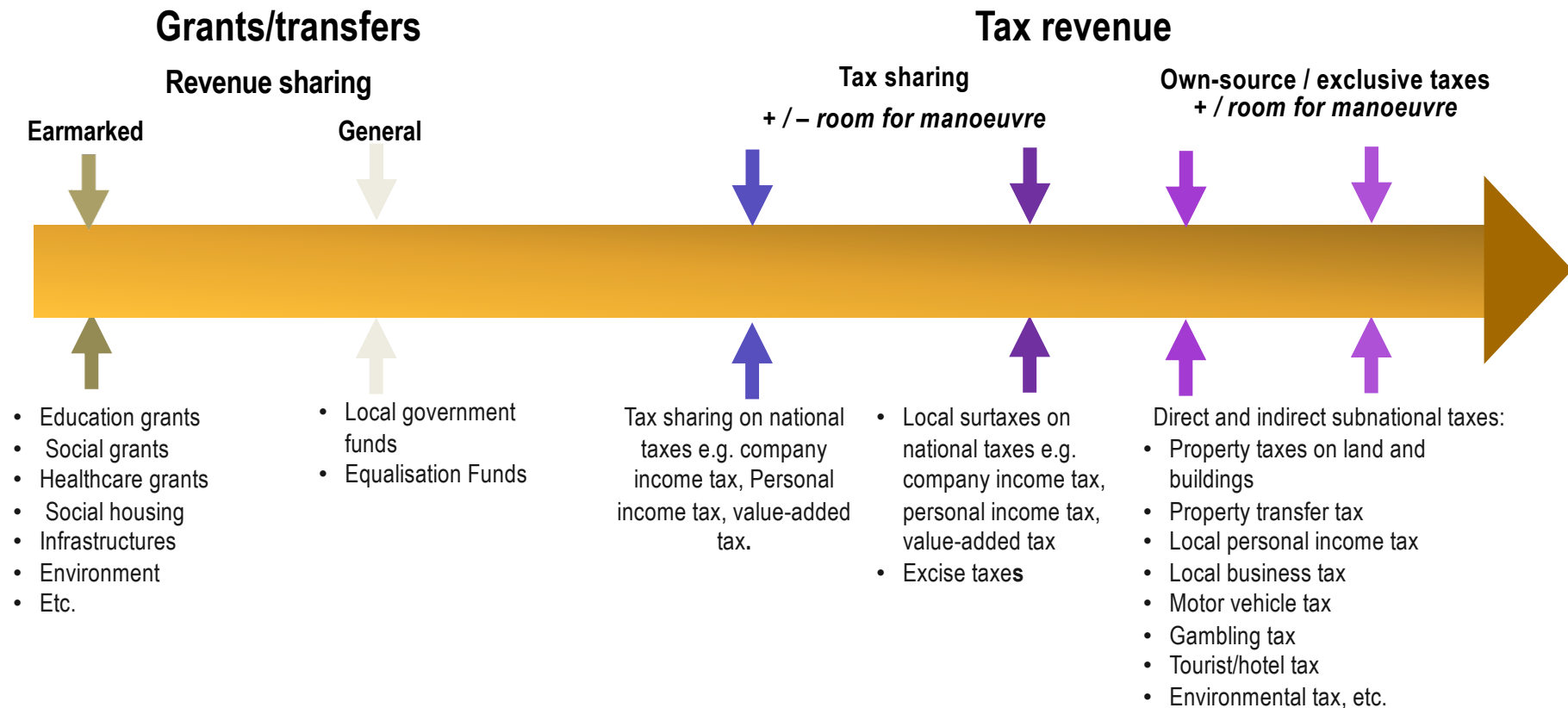
Subnational tax revenue changes between 2003 and 2023

Changes in subnational government tax revenue as % of GDP and % of total public tax revenue (2003 -2023)



Note: Base year data for Türkiye is 2013. Data for 2022 instead of 2023 for Japan. Source: OECD National accounts

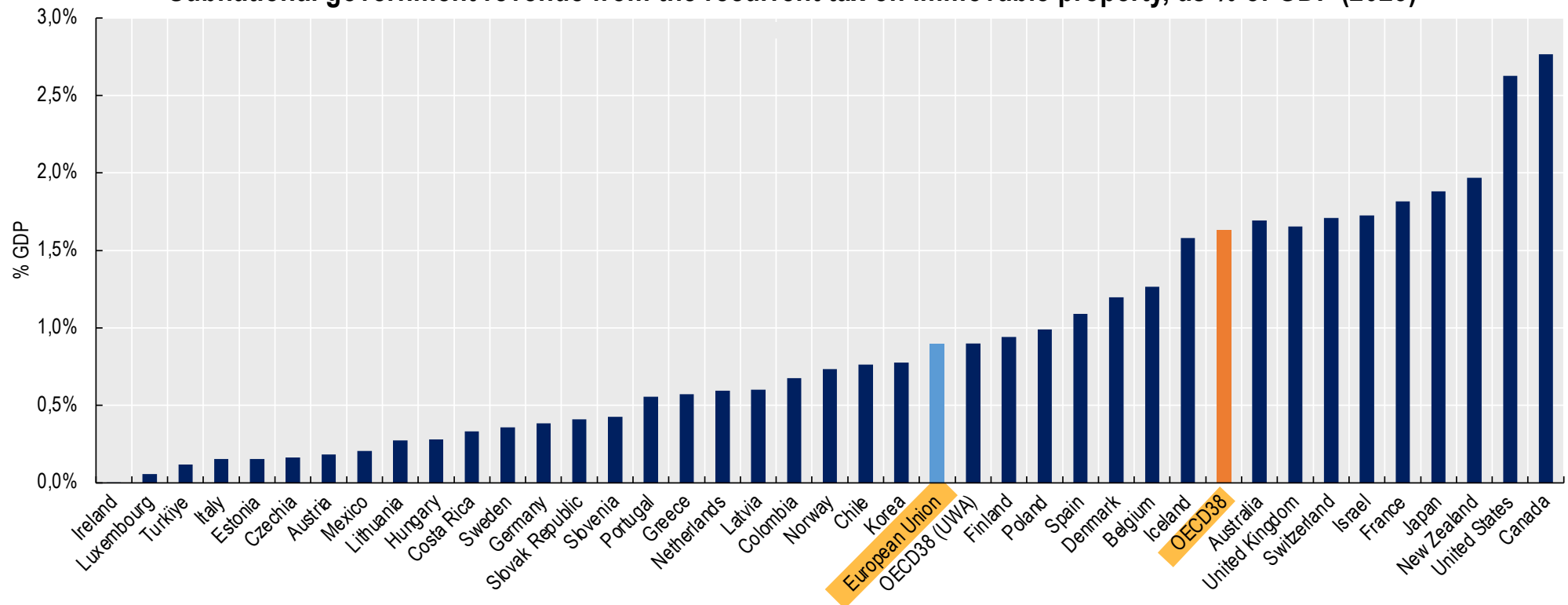
Subnational revenue autonomy: a continuum more than clear cut delineations





On average, property tax represents 12.9% of subnational tax revenue in the EU (23.6% in the OECD) but only 0.9% of GDP in the EU (1.6% in the OECD)

Subnational government revenue from the recurrent tax on immovable property, as % of GDP (2023)



Source: OECD (2025) Subnational governments structure and finance in OECD countries: Key data



Property tax: the ‘local tax by excellence’

Advantages

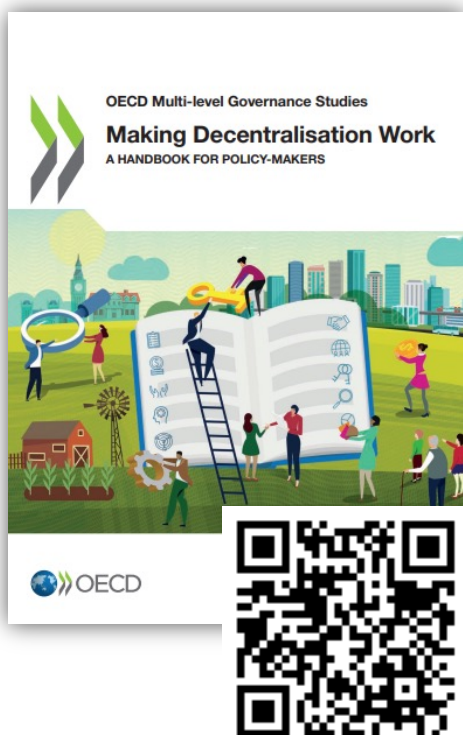
- ❖ Visibility and accountability
- ❖ Stability of the tax base
- ❖ Solid and predictable tax revenue
- ❖ Lack of vertical competition
- ❖ Implicit progressivity and horizontal equity
- ❖ Improving the quality of local public services
- ❖ Local fiscal autonomy

Challenges

- ❖ Calculating the value of the tax base (area-based vs. property value-based)
- ❖ Lack of efficient and reliable cadastre and land registry in some countries
- ❖ Lack of administrative and technical capacities to collect and manage the tax
- ❖ Political resistance

10 guidelines for making decentralisation work (I)

Decentralisation outcomes – in terms of democracy, efficiency, accountability, regional and local development – depend greatly on the way it is designed and implemented.



1. Clarify the responsibilities assigned to different government levels



2. Ensure that all responsibilities are sufficiently funded



3. Strengthen subnational fiscal autonomy to enhance accountability



4. Support subnational capacity building



5. Build adequate coordination mechanisms across levels of government



6. Support cross-jurisdictional cooperation



7. Strengthen innovative and experimental governance, and promote citizens' engagement



8. Allow and make the most of asymmetric decentralisation arrangements

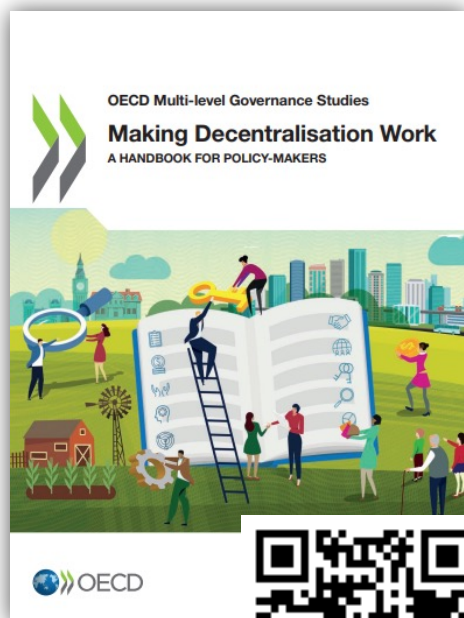


9. Consistently improve transparency, enhance data collection and strengthen performance monitoring

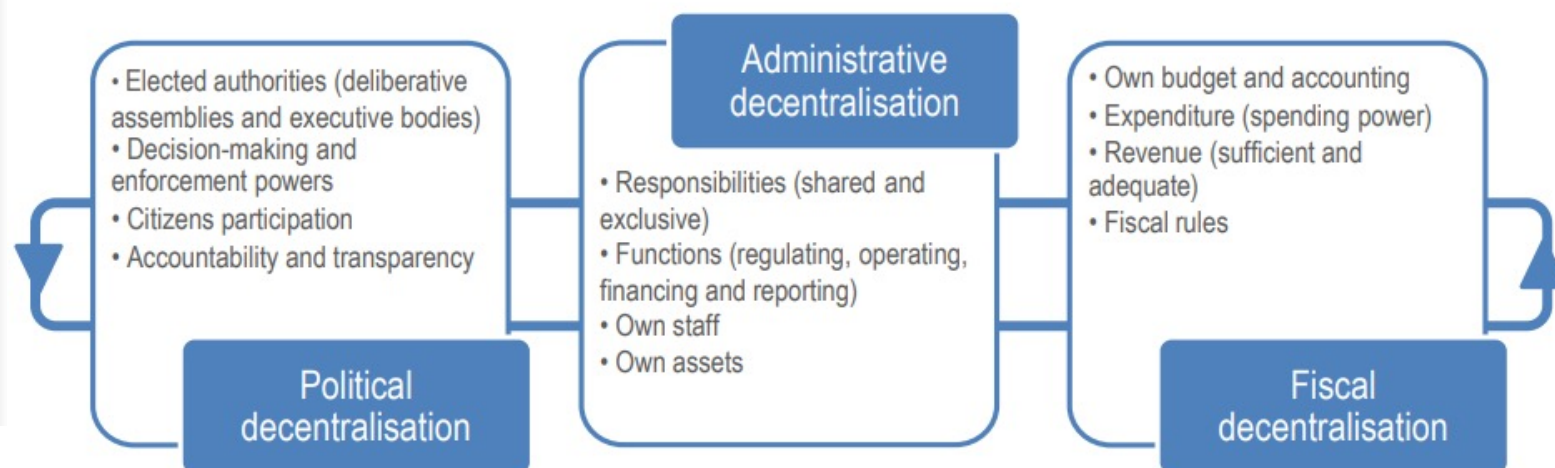


10. Strengthen fiscal equalisation systems and national regional development policies to reduce territorial disparities

10 guidelines for making decentralisation work (II)



Political, administrative and fiscal decentralisation



Some resources on subnational government finance

Subnational governments in OECD countries: key data



Thank you!

More on :

Multi-Level Governance : <https://www.oecd.org/en/topics/multi-level-governance.html>

Subnational Finance & Investment: <https://www.oecd.org/en/topics/subnational-finance-and-investment.html>

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