

## Foreword

**E**fficient and effective fiscal relations across levels of government are key ingredients for sound fiscal management, especially in times when embarking on a fiscal consolidation path is among the top policy priorities. Many OECD countries have reformed their intergovernmental fiscal relations in the last decade by: giving regional and local governments new spending and taxing powers; overhauling intergovernmental transfer and equalisation systems; tightening deficit, debt or spending rules at all levels of government; reforming local and regional tax systems, eliminating existing taxes and introducing new ones; merging municipalities, abolishing counties or creating regions. Although these reforms were meant to make intergovernmental fiscal relations more efficient, more equitable and more stable, many of them faced stiff political resistance. Some of the envisaged and necessary fiscal reform plans were watered down, postponed, or even abandoned. But the need to reform will not wither: it will become even more pressing in the coming years, as state and local governments will have to face an increasingly heavy burden of fiscal consolidation.

The effective management of intergovernmental fiscal reforms in such a challenging political economy environment is at the heart of this book. To better understand the conditions that underpin successful reforms, the OECD Network on Fiscal Relations across Levels of Government has put ten reform cases under the political economy spotlight, using a uniform approach. The country chapters demonstrate that there is not only a common set of challenges, but also a common set of approaches and processes to address them. One of the most salient findings is that “money matters”: in the face of resistance, it is easier to reform fiscal relations when economic and fiscal conditions are good and the central government can put additional resources on the table. The first chapter of this book summarises the common findings, drawing out the main drivers of successful reforms from a political economy perspective.

This volume was prepared as part of the wider OECD programme on “Making Reform Happen” steered by Deputy-Secretary General Aart de Geus. I am particularly grateful to delegates from national governments and administrations who contributed to this book with their knowledge and insights. Special thanks go to the interview partners who took part in in-depth conversations, giving us the opportunity to glance at the backstage of the reform process. We believe that the policy lessons in the case studies and the comparative perspective can support member and partner countries’ reform efforts for better fiscal relations.



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OECD Secretary-General

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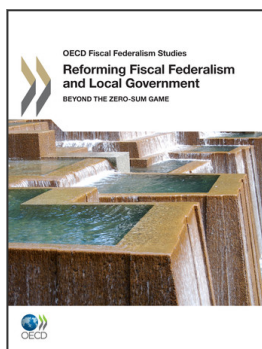
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