

# Preface

Fiscal federalism refers to the distribution of taxation and spending powers across levels of government, and is the focus of the OECD's Network on Fiscal Relations across Levels of Government. Through decentralisation, governments can bring public services closer to households and firms, allowing for better addressing local preferences. However, unless properly designed, decentralisation can also make intergovernmental fiscal frameworks more complex and risk reinforcing interregional inequalities. This book synthesises the work of the Network over the past decade and a half, on how to balance the policy trade-offs inherent in intergovernmental fiscal relations, making use of its novel analytical results.

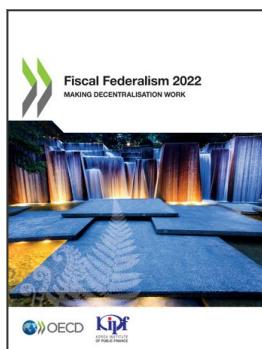
The Coronavirus crisis has put unprecedented fiscal pressure on all levels of government. States and localities are key players in the design and implementation of many policies, and they played a crucial role in tackling the crisis, notably in the health, public order and social care areas. Subnational governments are responsible for more than half of all public investment, almost a third of public expenditure and they raise about one-fifth of revenue. How they manage these fiscal resources along with other levels of government helps to determine whether recovery from a downturn is swift or drawn out.

Finding the right balance of policies depends on a country's economic, political and institutional features, and the work in this volume has been shaped by intense discussions among OECD and partner country policy makers, experts as well as civil society. Good practices in the design of policies for fiscal federalism cover dimensions including fiscal capacity, the delineation of responsibilities and co-ordination across levels of government. Unique metrics that capture subnational government tax and spending autonomy are illustrated, along with their linkages to strengthen the performance of the public sector – notably in healthcare and education – where digitalisation has increasingly played an essential role. Addressing inequalities through the design of fiscal equalisation systems also remains a major challenge. As we start to look beyond the crisis, ensuring fiscal and debt sustainability is essential, and a new framework for examining these issues for local investment is presented. While it is still early to draw lessons from the crisis, it is evident that well-designed fiscal frameworks across all levels of government are essential for preparedness.



Mathias Cormann  
Secretary-General

Organisation for Economic Co-operation and Development (OECD)



**From:**  
**Fiscal Federalism 2022**  
Making Decentralisation Work

**Access the complete publication at:**  
<https://doi.org/10.1787/201c75b6-en>

**Please cite this chapter as:**

OECD (2022), "Preface", in *Fiscal Federalism 2022: Making Decentralisation Work*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/f18882ca-en>

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document, as well as any data and map included herein, are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area. Extracts from publications may be subject to additional disclaimers, which are set out in the complete version of the publication, available at the link provided.

The use of this work, whether digital or print, is governed by the Terms and Conditions to be found at <http://www.oecd.org/termsandconditions>.