

Foreword

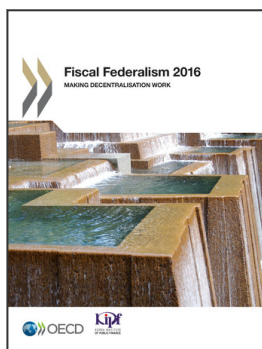
Almost 35% of public money is spent at the sub-national government level. State and local governments shape education, healthcare, infrastructure and other key policy areas, affecting productivity and the sustainability of public finances. The funding of public services through taxes and transfers is not only a key determinant of a country's growth, but most importantly it is a critical driver for the advancement of the well-being of its citizens.

The economic and financial crisis that hit much of the world in 2008 exposed major weaknesses in fiscal frameworks and the co-ordination between different administrations within countries. Without reforms to fiscal relations, many governments will continue to struggle. The relations between national and sub-national governments, often the bedrock of a country's institutions, require a review so that growth for all and in all jurisdictions is to take off again.

This book draws on the work of the OECD Fiscal Network and the discussions of its delegates, presenting a compilation of some of the most salient policy issues in fiscal federalism. It concludes that, although spending and revenue decentralisation has seen progress over the last two decades, it has become skewed and the vertical fiscal imbalance has increased. One of the book's chief findings is the importance of taking decentralisation forward coherently if public finances are to become more efficient, equitable and sustainable. The book also emphasises that property taxation can contribute to a strategic shift away from the taxation of labour towards less distorting taxes. It offers guidance on how reforms to tax and transfer systems can make governments more accountable to their citizens. And, in the current context of tight public finances, it highlights an emerging concern – how sub-national governments should monitor and manage debt.



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