

APG Forum on Local Finance

“Transitions and Transformations: Improving Public Services through Fiscal Decentralization”

20-21 June 2017 | Seoul, Korea

Forum summary



The third Asian Public Governance (APG) Forum on Local brought together relevant domestic and international government officials and experts to share and discuss the role of government in promoting balanced regional development through fiscal decentralization and enhancing the management of local finance for effective policy making and public service delivery.

The meeting was composed of a half-day policy network meeting amongst the invited country representatives and full-day plenary forum with a general audience. The roundtable on Day 1 discussed in depth the case studies and lessons on local decentralization on selected countries, while the forum on Day 2 reviewed decentralization in OECD countries, challenges and opportunities of multi-level governance, and country cases on improving subnational public service delivery.

The meeting was attended by more than 142 participants from 20 countries, including the invited experts from international organizations and delegates representing 10 countries (Australia, Cambodia, Canada, Germany, Indonesia, Korea, Myanmar, Philippines, Russia, and Türkiye). The audience included representatives from Korean ministries and subsidiary research institutes, and country delegates from various embassies in Seoul.

Over the course of two days, the Forum raised awareness of the importance of achieving fiscal decentralization on the national level and securing independent resources on the local government level in order to implement policies and projects that satisfy the demands of local residents. Moreover, discussions throughout the forum recognized that balanced national development can be achieved by securing self-sustainable local economies, transparent and responsible financial management at the local level, quality leadership, and monitoring and control through resident participation.

The policy network meeting on Day 1 focused on exploring 6 country presentations (Cambodia, Indonesia, Korea, Myanmar, Philippines, Türkiye) on government structure, fiscal framework, and financing mechanism and challenges of sub-national governments in order to better understand the state of fiscal decentralization of the countries. It was recognized during the roundtable that decentralization is not an end in itself but a process requiring clear objectives taking into account territorial specificities. Participants also discussed the issue of corruption and lack of capacities at the local level, especially relevant to developing countries. The importance of approaching decentralization reforms from the governance side with appropriate tools and mechanisms for checks and monitoring, and coordination of central-local government policies was thus highlighted.



The main forum on Day 2 was opened by Chun Hong-Taek, Executive Secretary of the OECD Korea Policy Centre, followed by welcome remarks by Rhee Ik-Hyeon, President of the Korea Legislation Research Institute, and congratulatory remarks by Kim Hun-Min, former President of Korean Association for Policy Studies.

Shim Bo Kyun, Vice Minister of the Interior, Korea opened the forum's discussion with his keynote address on Korea's local finance case. He discussed the importance of local governments and decentralization, and the Ministry's role in linking different levels of governments to achieve balanced development through the devolution of powers. He further outlined country's achievement on local finance and addressed its way forward with measures to expand and reinforce local finance, to secure and strengthen accountability and citizen participation and monitoring, and to improve efficiency of local government projects.

The first session looked at the fiscal decentralization and sub-national finance of the OECD countries. It was introduced that an increasing number of studies on decentralization and development suggests a positive impact of fiscal decentralization on relieving regional disparities. Korea has been steadily undertaking fiscal decentralization reforms by strengthening the local taxing power and increasing money transfer to local authorities through various means such as raising its local share tax rate, introducing block grant for fire services, and expanding social welfare grant etc.

The session addressed several guidelines in achieving fiscal decentralization. One is to put first the affairs and functions then finance as the second. Understanding that all countries have own uniqueness, it was acknowledged that the value of learning-by-doing and allowing pilot experiences should be positively recognized and implemented.

A recurring emphasis was also on the de-politicization of the process of decentralization and building a consensus on its policies. It was noted in its conclusion that securing financial resources, maximizing local assets with a place-based approach to development, and quality leadership with professionalism in the management of local finance while being mindful of taxpayers' interest would help the process.

The second session explored challenges and opportunities of multi-level governance in sub-national finance. It provided a brief overview of different forms of fiscal constitutions and their system of governance which was later complemented by the cases of Korea and Russia in practice.

Some lessons were drawn with regards to local government financing and performance. It was noted that decentralization is meaningful and successful when local governments are equipped with stable revenue source, and that special attention should be paid to financing local governments possibly through citizen assessment and evaluation report as mechanisms for monitoring. The budget system based on the performance of local governments done at the local level instead of at the central level was emphasized as well as the importance of having a strong legal basis that backs the system.

The challenge between balancing global forces (external) and making decentralization work (internal) was identified in the discussion as it is ongoing dilemma that countries face. Participants further recognized the value of establishing joint goals that is simple and clear for different levels of government with defined responsibilities.

The third session discussed the role of subnational government and their financing schemes for improved service delivery by looking at the country cases of Australia, Germany, and the Philippines. Forum participants were introduced with examples where different levels of governments utilized their strengths to foster innovation and service improvement.

Lessons were drawn from Australia that there needs to be a clear responsibility and autonomy to be able to deliver services that are supported by national performance standards and reporting of results at the sub-national level. The breakdown of national, regional, local authorities' tasks and fiscal equalization scheme of Germany was explored in looking at its financing of local services. Also explored was the history of fiscal decentralization of the Philippines and its promotion of federalism as a way towards greater and more responsive service delivery.

It has been discussed that decentralization is not a matter of right or wrong as it has also been observed in some highly decentralized countries carrying out policies in some sector in a centralized manner. Thus contextualization of policy solution was noted as a key while encouraging experimental policies and resident participation at the local level. Concerns were expressed by the participants on the Philippine's drive to federalism, and it was recommended that the expected cost in administration and others be closely looked at while establishing a clear objective and overcoming possible internal conflicts.

The forum was adjourned after the deliberations of the three sessions. The forum recognized that it is essential for local governments to create and implement policy and services with a global mindset. Efficiency and equity in fiscal decentralization were discussed whilst local government capacity was often named as a hindrance factor for devolution of power and responsibility. Participants were reminded, however, that there will be no strengthening of local government capacity without opportunity provided or earned. It was also noted that decentralization should accompany public consensus with due preparation, but it should proceed boldly with sound and robust drive and action once decisions are made.

* **Forum materials:** (<https://goo.gl/MMfahQ>)

* **Photos:** (<https://www.flickr.com/gp/149169537@N03/yQ5cC5>)



