



DECENTRALISATION &
LOCAL GOVERNANCE

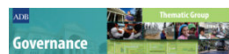


**External Support for Decentralization Reforms
& Local Governance Systems in the Asia Pacific:
Better Performance, Higher Impact?**

SUBNATIONAL GOVERNMENT FISCAL REFORMS IN CHINA

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25-27 August 2015, Manila, Philippines



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FISCAL PROFILE INDICATORS (SNGs)	VALUE
Expenditures as a % of GDP	36
SNG Expenditures (percent)	80
SNG Taxes (percent)	0
Intergovernmental Transfers	
(Derivation based Shared Taxes)	53%
(Unconditional Grants)	29%
(Conditional Grants)	18%

THE SETTING FOR REFORM

- China Outgrew the Present System
- Slower Economic Growth

EXPENDITURE ASSIGNMENTS

- PROBLEMS
 - Separating Government and Private Sector
 - Questionable Assignments
 - Central Government Too Small
- REFORMS: NEW REGULATIONS ON
 - Incentives
 - Involvement with Private Sector

OWN SOURCE REVENUES

- PROBLEMS
 - No Local Taxing Autonomy
 - Land Leasing
 - Pension Contributions
- REFORMS
 - State Council Regulations
 - Abolish Business Tax

INTERGOVERNMENTAL TRANSFERS

- PROBLEMS

- Regional Disparities, not much equalization
- Economic Development Bias
- Complications
- Compliance Costs

REFORMS

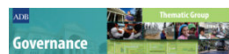
- Reduce Conditional Grants
- Regulations on Provincial-Local Grants

SNG DEBT

- PROBLEMS
 - No SNG Borrowing Power
 - High Demand For Infrastructure
 - UDICs
 - Unsustainable Burdens
- REFORMS
 - SNG Borrowing Framework
 - Refinance Existing Debt

WHAT NEXT FOR SNG REFORM?

- MANY UNDERLYING PROBLEMS REMAIN
- IS A COMPREHENSIVE REFORM COMING?



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