

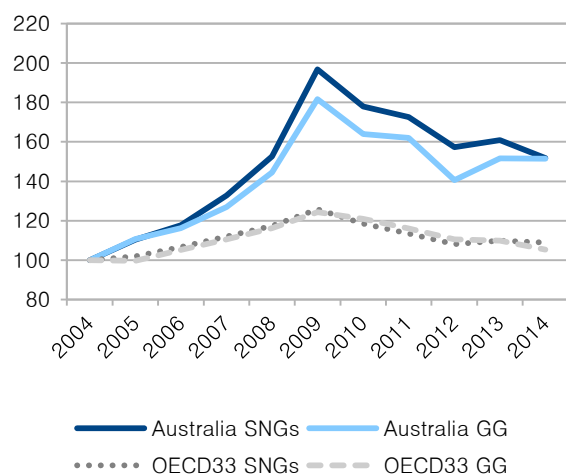
### Multi-level governance of public investment 2017

Table 1. Facts and figures related to direct public investment

2014	General Government	Subnational governments
USD billion	35.6	23.0
USD per capita	1505	971
% of GDP	3.3%	2.1%
% of public expenditure (2012)	9.0%	13.8%
% of total public direct investment	100%	64.5%

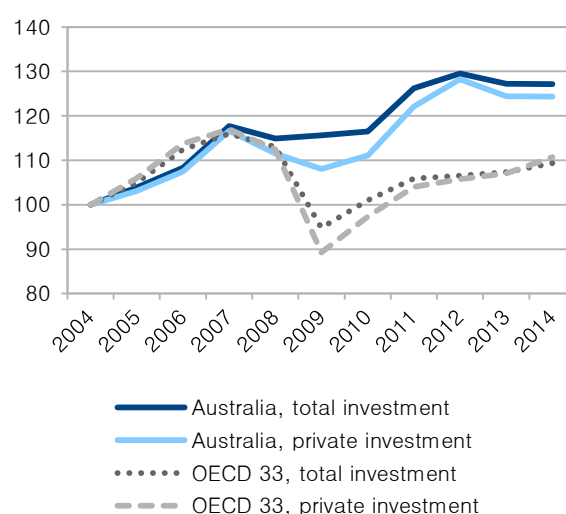
Source: OECD National Accounts.

Figure 1. Trends in direct public investment in Australia (2004–14)



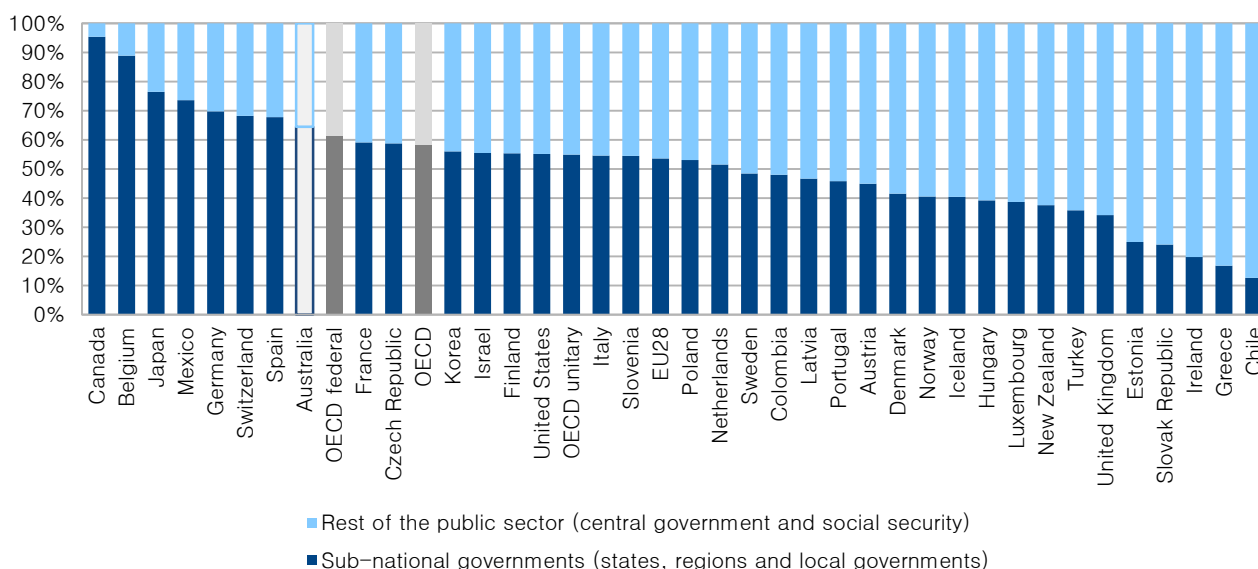
Source: OECD National Accounts. In real terms, base 100 in 2004.

Figure 2. Trends in total and private direct investment in Australia (2004–14)



Source: OECD National Accounts. In real terms, base 100 in 2004.

Figure 3. Subnational public direct investment in OECD countries, 2014 (as a share of public direct investment)



Source: OECD National Accounts.

Note: 2013 figures for Mexico, 2012 figures for Chile, 2014 figures for Turkey.

Most of subnational investments in Australia are dedicated to economic affairs (transport, general economic, commercial and labour affairs, industry, agriculture, etc.). Subnational governments have historically been in charge of road maintenance, investments and maintenance for drainage systems, etc. Investments in economic affairs have grown quickly over the last decade. Other major categories of investment spending include healthcare, education and general public services. In contrast, SNGs invest very little in housing or social protection (Figures 4 and Figure 5).

Figure 4. Breakout of subnational direct investment in Australia by economic function (% of total direct investment, average 2008–13)

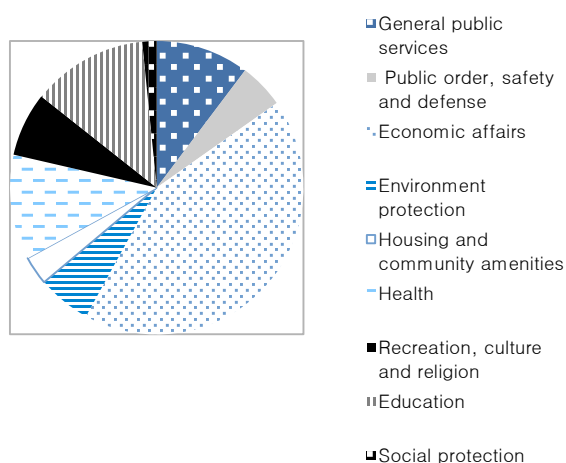
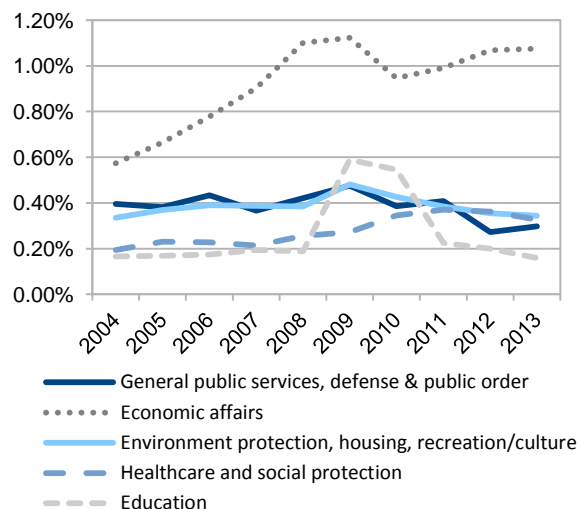


Figure 5. Trends in subnational direct investment by economic function (as a % of GDP)



Source: OECD National Accounts.

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The shares of subnational public expenditure and investment in Australia are higher than the OECD average, which is typical in federations. However, Australian SNGs benefit from relatively low taxes in their revenue mix (Figures 6 and 7), as only 20% of national tax revenues are allocated to SNGs. While transfers from the central government represent their may source of revenues, the share of property income is much higher than in most OECD countries. This may be linked to the royalties perceived by many Australian states for their natural resources (in particular mining royalties).

Figure 6. The role of subnational governments in public finance in Australia, 2014

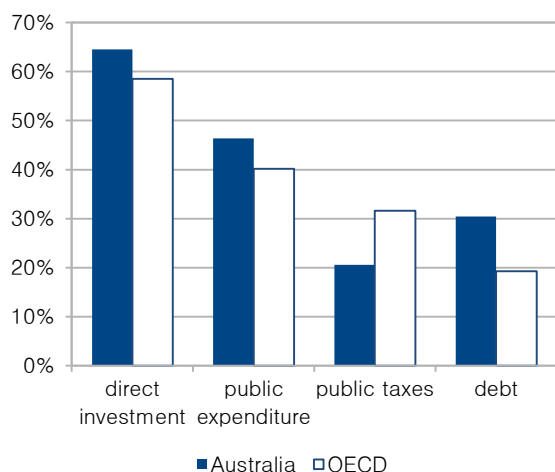
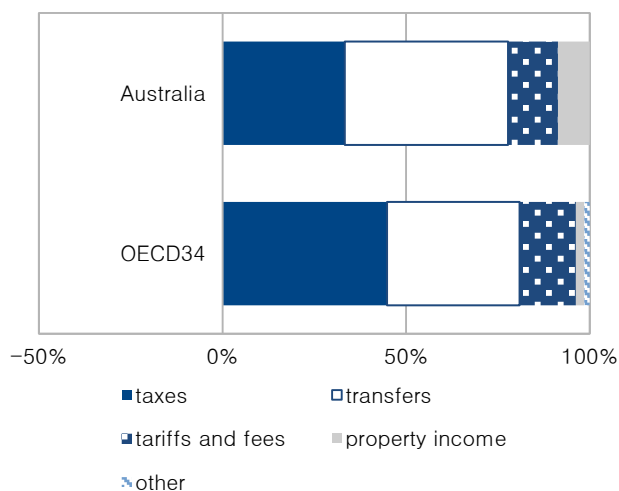


Figure 7. Indicators of subnational fiscal revenues in Australia, 2012



Source: OECD National Accounts. Note: public expenditure: 2012 instead of 2014.

Source: OECD National Accounts. Note: data for OECD:2014.

## Examples of good practices or recent developments for effective public investment

### *Multi-level dialogue:*

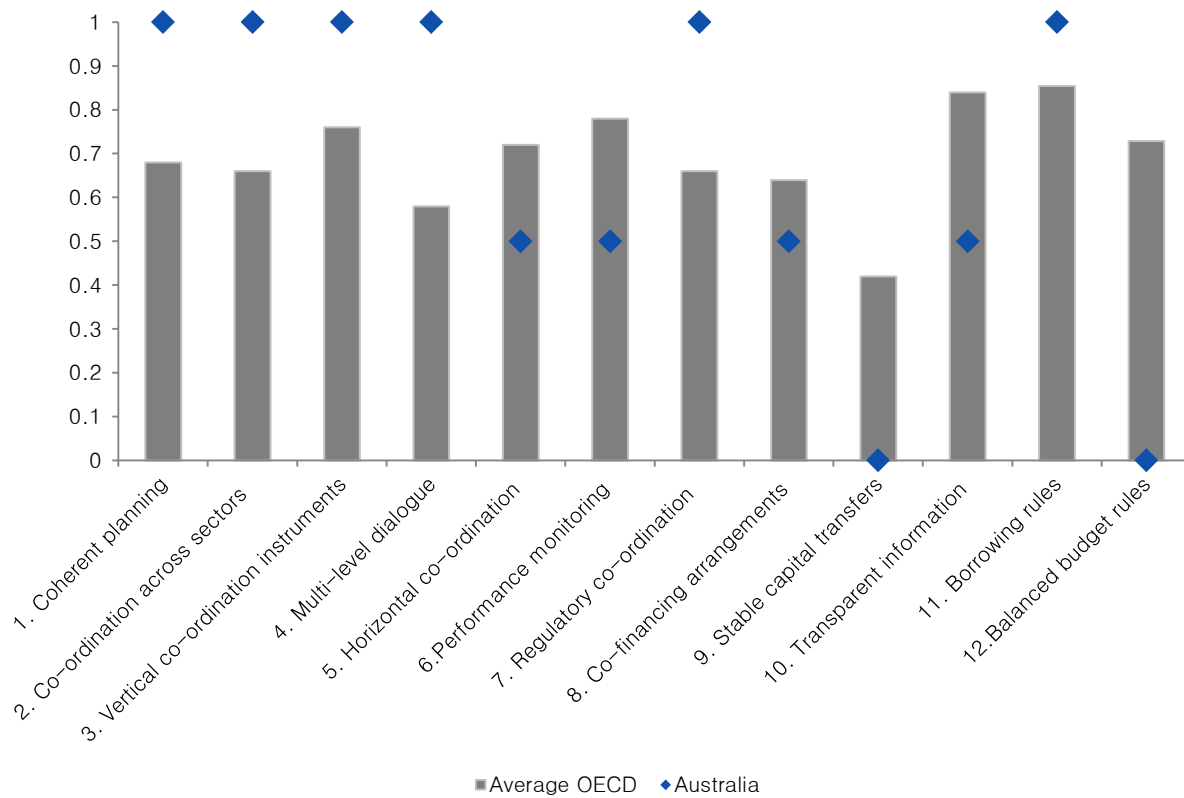
The Council of Australian Governments (COAG) is the main intergovernmental forum for the development and implementation of inter-jurisdictional policy. It gathers the Australian Prime Minister (chair), Territory Premiers and Chief Ministers and the President of the Australian Local Government Association. The main role of the COAG is to promote policy reforms that need co-ordinated action by all Australian Governments. Its agenda is broad and focuses on reforms that have a direct impact on well-being. Through COAG, the federal and subnational governments have endorsed national guidelines on public-private partnerships, agreed to a national port strategy, and concluded intergovernmental agreements on heavy vehicles, rail and maritime safety. COAG also receives regular reports from Infrastructure Australia, a statutory body established at the federal level to support nationwide infrastructure investment and to advise governments and other investment stakeholders.

### *Regulatory co-ordination:*

Through the Council of Australian Governments (COAG), governments agreed to revise their Regulatory Impact Assessments (RIA) procedures to consider for new regulatory initiatives whether an existing regulatory model outside their jurisdiction would efficiently address the policy issue in question and whether a nationally uniform, harmonised or jurisdiction-specific model would be best for the community. This involves a consideration of: the potential for regulatory competition, innovation and dynamism; the relative costs of the alternative models in use, including regulatory burdens and any transition costs; whether the regulatory issue is state-specific or national, and whether there are substantial differences that may require jurisdiction-specific responses.

## Preliminary indicators of MLG of public investment for regional development

Figure 8. Indicators for the co-ordination of public investment for regional development



*Note:* See Annex 1 for more detail on the indicators.

*Source:* OECD (2016b), Answers to the Regional Outlook Survey and OECD (2016c).

# ANNEX 1

## Indicators for the co-ordination of public investment for regional development

### 1. Coherent planning across levels of government

The country has regional development policies/strategies to support regional development and local investments.

- a No explicit national policies to support regional development
- b Explicit national policies to support regional development in all or parts of the country
- c Explicit national regional development policies completed by regional investment strategies aligned with it X

### 2. Co-ordination across sectors in the national planning process

The country has mechanisms to co-ordinate across sectors national policies and investment priorities for regional development

- a No mechanism
- b At least inter-ministerial committee and/or cross-ministerial plan
- c Inter-ministerial committee and/or plan + other mechanisms X

### 3. Vertical co-ordination instruments

The country has mechanisms to ensure co-ordination across levels of governments (regional development agencies, national representatives in subnational governments, and contracts or agreements)

- a None of these
- b At least one of these mechanisms
- c At least one of these mechanisms involving many sectors X

### 4. Multi-level dialogue to define investment priorities for regional development

The country conducts regular dialogue(s) between national and subnational levels on regional development policy including investment priorities

- a No regular dialogue
- b Formal or ad hoc dialogue
- c The platform has decision-making authority X

### 5. Horizontal co-ordination across jurisdictions

The country has formal horizontal mechanisms/incentives between subnational governments to co-ordinate public investment

- a No mechanisms
- b Formal horizontal co-ordination mechanisms at the municipal level X
- c Formal horizontal co-ordination mechanisms at the municipal level and other subnational levels (state, regions)

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## 6. Performance monitoring and learning

The country has mechanisms in place to monitor and evaluate regional development policy

- a No mechanisms
- b The country has indicators to monitor the effectiveness of regional development policy X
- c The country has conducted evaluations of regional development policy

## 7. Regulatory co-ordination across levels of government

The country has mechanisms to co-ordinate regulations across levels of government

- a No intergovernmental co-ordination mechanisms
- b Formal co-ordination mechanisms between national/federal and state/regional governments
- c Requirement of national government to consult subnational governments prior to issuance of new regulations that concern them X

## 8. Co-financing arrangements across national and subnational levels

There are co-financing arrangements for public investment

- a No co-financing arrangements
- b Co-financing arrangements exist but funds are not tracked X
- c Co-financing arrangements exist and funds are tracked

## 9. Subnational governments benefit from predictable capital transfers over time

Variations in total capital transfer from one year to the next

- a Large variation: more than 20% X
- b Medium variation: between 10% and 20%
- c Little variation: less than 10%

## 10. Transparent information across levels of government

Subnational fiscal situation is publicly available

- a Not available for any type of subnational government
- b Available for regions/states/some level of subnational government only (on an individual basis) X
- c Available for each subnational government individually

## 11. Fiscal stability: rules for subnational governments

There are limits on subnational borrowing

- a No limits on subnational government borrowing
- b Non-binding borrowing constraints
- c Binding borrowing constraints X

## 12. Safeguarding capital spending at subnational level

Balanced budget rules protect subnational capital spending

- a No balanced budget rule X
  - b Balanced budget rule with no exception for capital spending
  - c Balanced budget rule protecting capital spending (type golden-rule)
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# ANNEX 2

## Definitions and sources

### *Definitions:*

- General government (S.13): includes four sub-sectors: central/federal government and related public entities (S.1311) federated government ("states") and related public entities (S.1312) local government i.e. regional and local governments and related public entities (S.1313) and social security funds (S.1314). Data are consolidated within S.13 as well as within each subsector (neutralisation of financial cross-flows).
- Subnational government: is defined here as the sum (non-consolidated) of subsectors S.1312 (federated government) and S.1313 (local government).
- Direct investment: includes gross capital formation and acquisitions, less disposals of non-financial non-produced assets. Gross fixed capital formation (or fixed investment) is the main component of investments.

### *Sources:*

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OECD (2016b), Regional Outlook Survey.

OECD (2016c), Overview and Preliminary Proposal on Indicators of Co-ordination of Public Investment for Regional Development, Room document discussed in the April 2016 RDPC meeting, unpublished material.

OECD (2015a), OECD National Accounts Statistics (database), <http://dx.doi.org/10.1787/na-data-en..>

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OECD (2011b), OECD Network on Fiscal Relations across Levels of Government Survey on Sub-national Fiscal Rules and Macroeconomic Management, OECD, September 2011, updated in March 2015.

<http://www.coag.gov.au/>

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