

### Multi-level governance of public investment 2017

Table 1. Facts and figures related to direct public investment

2013	General Government	Subnational governments
USD billion	8.4	1.0
USD per capita	474	57
% of GDP	2.2%	0.3%
% of public expenditure	9.6%	8.7%
% of total public direct investment	100%	12.0%

Source: OECD (2016), *Subnational governments in OECD countries: Key data*, 2016 edition (brochure).

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

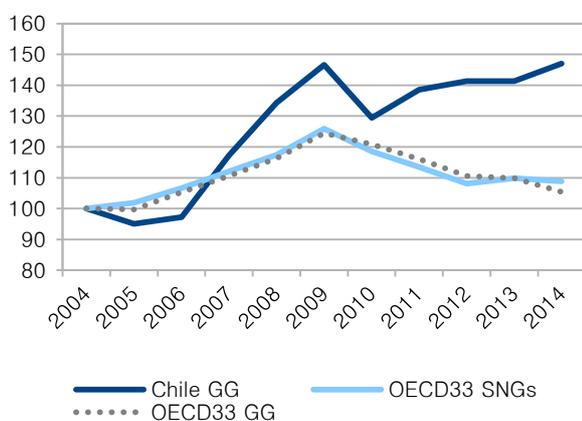
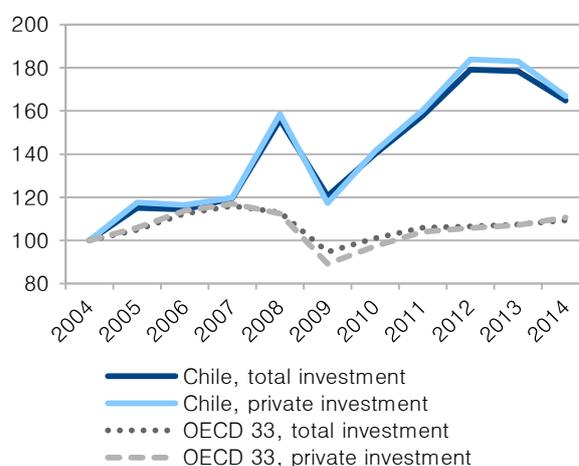


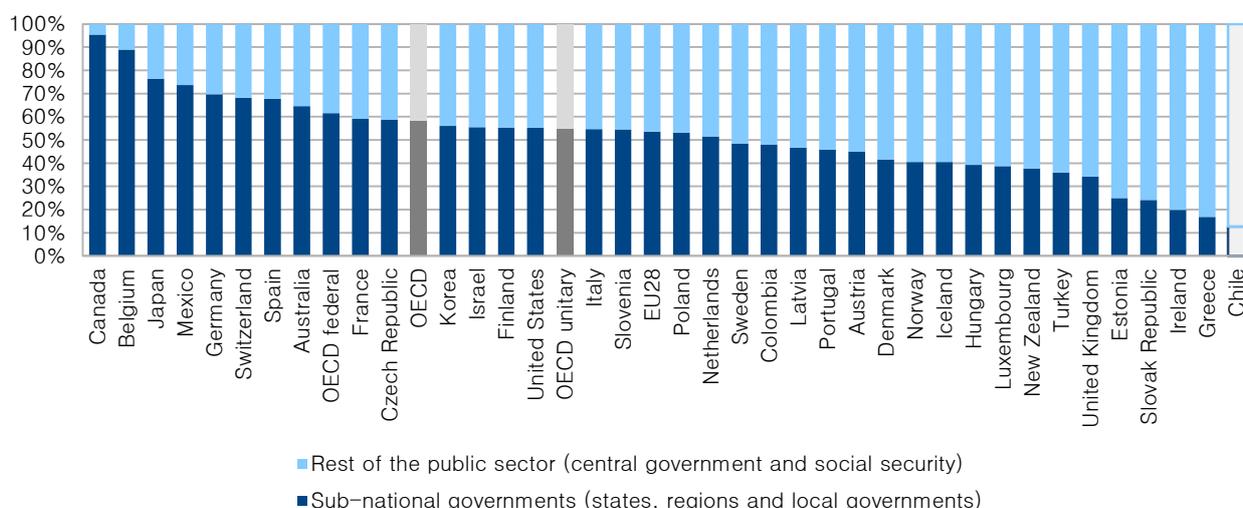
Figure 2. Trends in total and private direct investment in Chile (2004–14)



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

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)

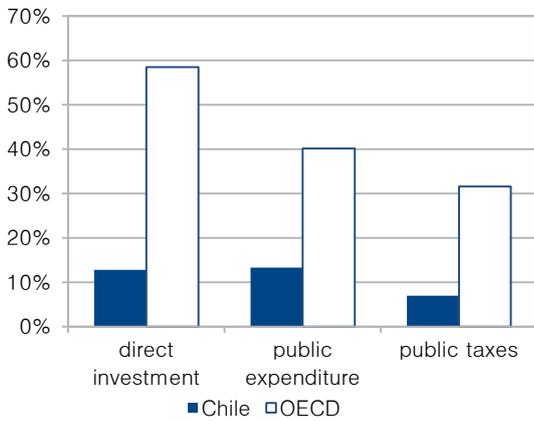


Source: OECD National Accounts

Note: Data for Mexico: 2013 instead of 2014; Chile: 2012 instead of 2014; Turkey instead of 2014.

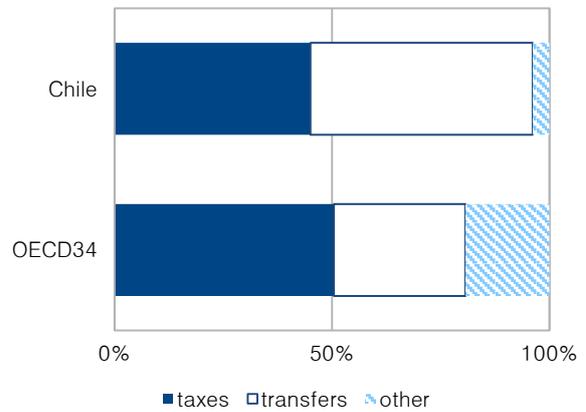
Chile is one of the most centralised countries in the OECD. The share of subnational total expenditure and public investment in Chile is much lower than the OECD average. Subnational governments also have a smaller share of revenues from taxes, which is compensated by a very high reliance on transfers from the central government (Figure 5).

Figure 4. The role of subnational governments in public finance in Chile, 2012



Source: IMF Government Finance Statistics and OECD National Accounts.

Figure 5. Indicators of subnational fiscal revenues in Chile, 2012



Source: IMF Government Finance Statistics and OECD National Accounts. Note: OECD average for 2014, without Chile.

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

## ***Cross-sectoral co-ordination for urban development:***

In 2013, Chile launched its first comprehensive National Urban Development Policy, with the overarching objective of developing sustainable cities and improving urban quality of life. The policy's five thematic areas include social integration, economic development, environmental balance, cultural heritage and governance. To implement the policy, the government approved the creation of the National Council for Urban Development (*Consejo Nacional de Desarrollo Urbano*).

## ***Stakeholders' engagement***

In 2006, the Ministry of Housing and Urbanism (MINVU) launched its nationwide *Recuperación de Barrios* Programme, aimed at recovering disadvantaged neighborhoods. The funding and implementation of projects required management plans to be submitted by the relevant communities. MINVU's Valparaíso regional secretariat (SEREMI) noticed that in the communities where results were poor, no inclusive ex ante planning had been undertaken by community leaders. Those communities where results were strong established plans that included ex ante participation among stakeholders (i.e. representatives from the community, the municipal administration and the MINVU/SEREMI) who came together to identify the problems to address and develop a list of priorities. The SEREMI has since solicited citizen engagement in other initiatives.

## ***Vertical co-ordination***

Chile has an interesting co-financing instrument to co-ordinate investments. Planning Contracts (*Convenios de Programación/CP*) are voluntary agreements used to co-ordinate projects involving different sectors and levels of government. Regional Governments can enter into annual or multi-year CPs with each other, with one or more ministries, or with municipalities promoting collaboration across sectors and levels of government.

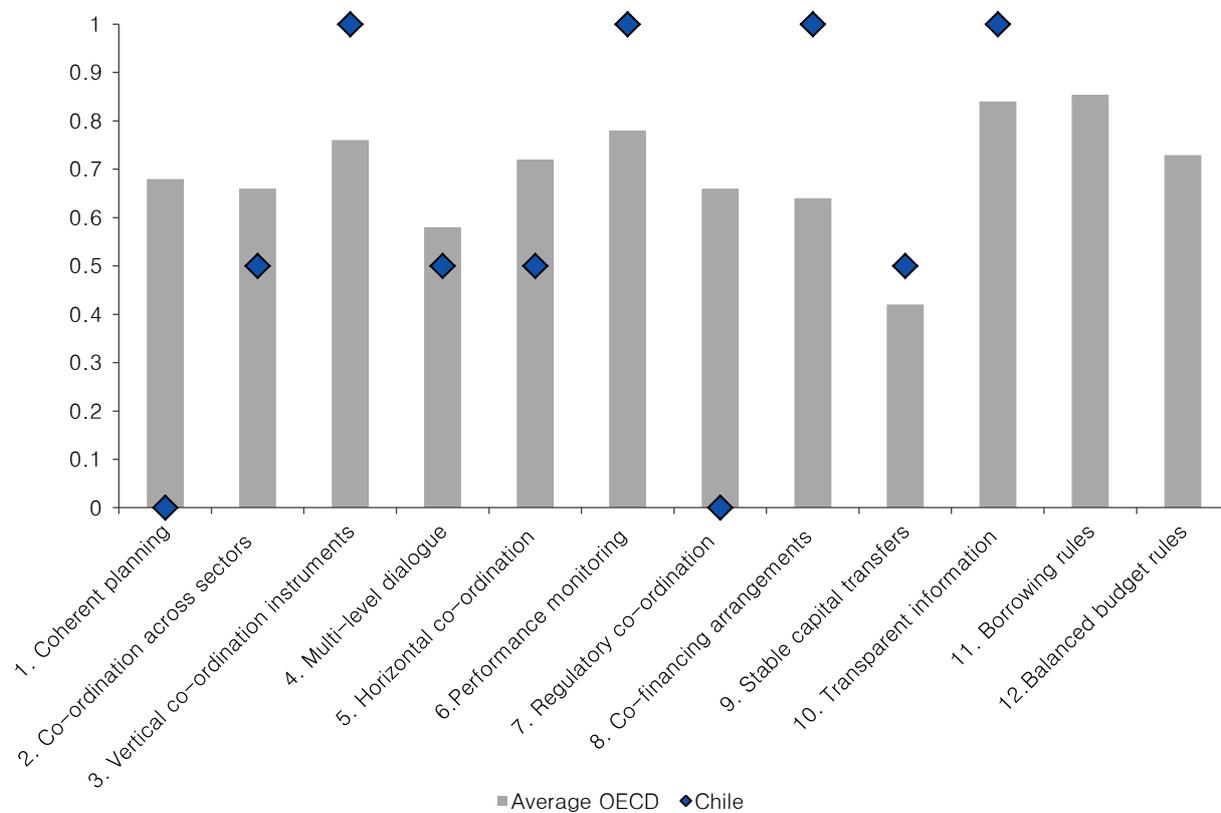
## ***Subnational capacity building:***

A specific body was created in Chile in 2007 to strengthen subnational capacities (*Academia de Capacitación Municipal y Regional*). It aims to be a technical reference for subnational staff and strengthen human resources (from both municipalities and regions) for a broad spectrum of knowledge of use to various territorial situations. It relies in particular upon strong ties with the academia. It provides free training for public servants, and relies on traditional classes as well as online training.

Moreover, the Law 20.742 of 2014 created a Fund for the Training of Municipal Public Servants (*Fondo Concursable de Formación de Funcionarios Municipales*) aiming at financing technical or professional studies for municipal personnel. These studies must be directly related to the management and functions of municipalities and the fund may cover the totality or part of the tuitions.

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

Figure 6. 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

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### 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 X
- 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

### 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 X
- c Inter-ministerial committee and/or plan + other mechanisms

### 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 X
- c The platform has decision-making authority

### 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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<b>6. Performance monitoring and learning</b>		
<b>The country has mechanisms in place to monitor and evaluate regional development policy</b>		
a	No mechanisms	
b	The country has indicators to monitor the effectiveness of regional development policy	
c	The country has conducted evaluations of regional development policy	X
<b>7. Regulatory co-ordination across levels of government</b>		
<b>The country has mechanisms to co-ordinate regulations across levels of government</b>		
a	No intergovernmental co-ordination mechanisms	X
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	
<b>8. Co-financing arrangements across national and subnational levels</b>		
<b>There are co-financing arrangements for public investment</b>		
a	No co-financing arrangements	
b	Co-financing arrangements exist but funds are not tracked	
c	Co-financing arrangements exist and funds are tracked	X
<b>9. Subnational governments benefit from predictable capital transfers over time</b>		
<b>Variations in total capital transfer from one year to the next</b>		
a	Large variation: more than 20%	
b	Medium variation: between 10% and 20%	X
c	Little variation: less than 10%	
<b>10. Transparent information across levels of government</b>		
<b>Subnational fiscal situation is publicly available</b>		
a	Not available for any type of subnational government	
b	Available for regions/states/some level of subnational government only (on an individual basis)	
c	Available for each subnational government individually	X
<b>11. Fiscal stability: rules for subnational governments</b>		
<b>There are limits on subnational borrowing</b>		
a	No limits on subnational government borrowing	X
b	Non-binding borrowing constraints	
c	Binding borrowing constraints	
<b>12. Safeguarding capital spending at subnational level</b>		
<b>Balanced budget rules protect subnational capital spending</b>		
a	No balanced budget rule	
b	Balanced budget rule with no exception for capital spending	X
c	Balanced budget rule protecting capital spending (type golden-rule)	

# 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:*

OECD National Accounts.

OECD (2016a), *Subnational governments in OECD countries: Key data*, 2016 edition (brochure).

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>.

OECD (2015b) Implementation Toolkit, Effective Public Investment Across Levels of Government <http://www.oecd.org/effective-public-investment-toolkit/>

OECD (2013), *OECD Urban Policy Reviews: Chile*, OECD Publishing, Paris.

OECD (2011), 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.

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