

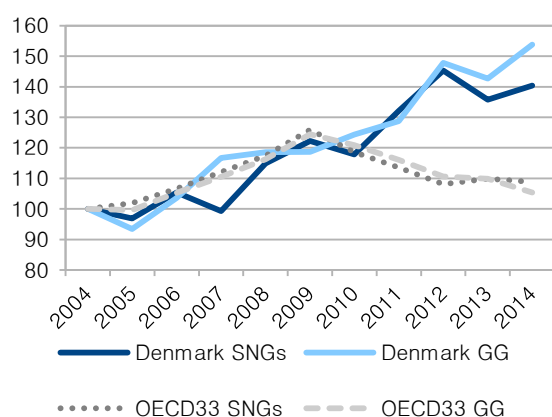
Multi-level governance of public investment 2017

Table 1. Facts and figures related to direct public investment

2014	General Government	Subnational governments
USD billion	9.9	4.1
USD per capita	1 761	731
% of GDP	3.8%	1.6%
% of public expenditure	6.8%	4.4%
% of total public direct investment	100%	41.5%

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

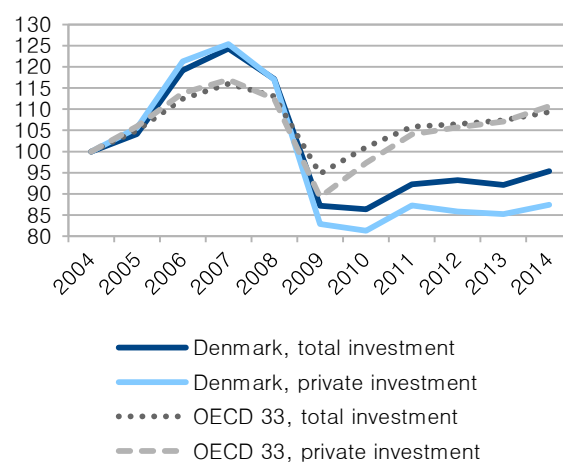
Figure 1. Trends in direct public investment in Denmark (2004–14)



Source: OECD National Accounts. In real terms, base 100 in 2004, OECD average without Chile and Turkey.

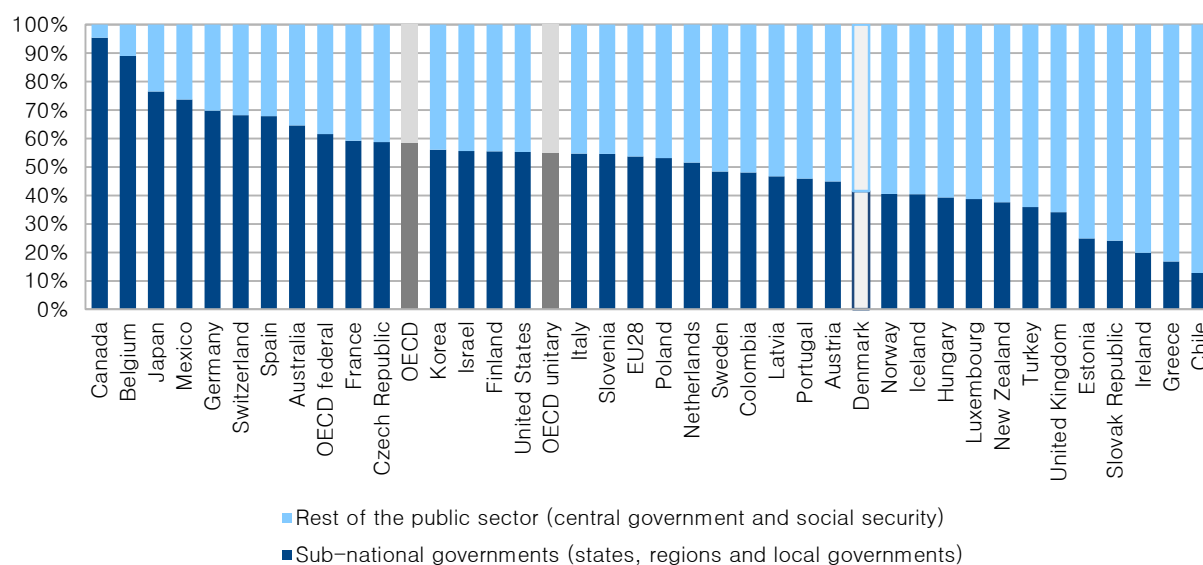
Figure 2. Trends in total and private direct investment in Denmark (2004–14)

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)

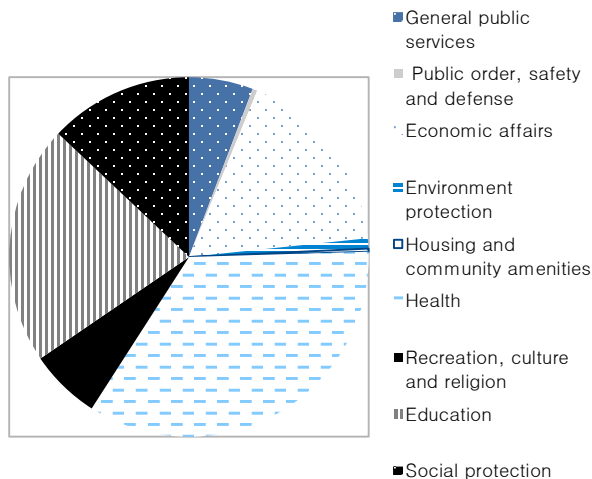


Source: OECD National Accounts .

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

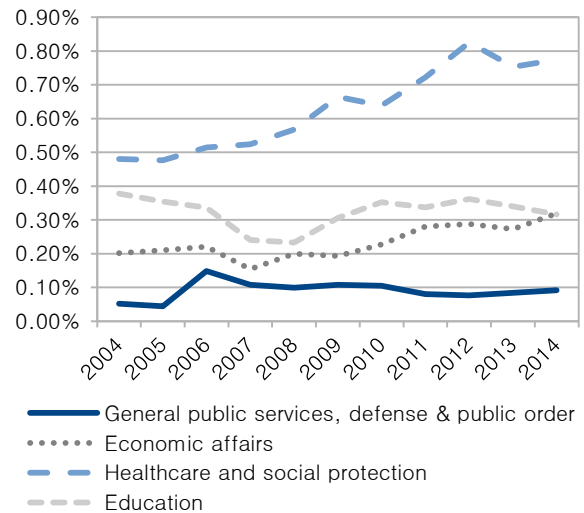
Most of subnational investments in Denmark are dedicated to healthcare; an important reform in 2007 allocated healthcare responsibilities (including hospital services) to five newly created regions. Other major categories of investment spending include education, economic affairs and social protection. In contrast, SNGs invest very little in environment protection, housing or general public services (Figures 4 and 5).

Figure 4. Breakout of subnational direct investment in Denmark by economic function (% of total direct investment, average 2008–2014)



Source: OECD National Accounts.

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

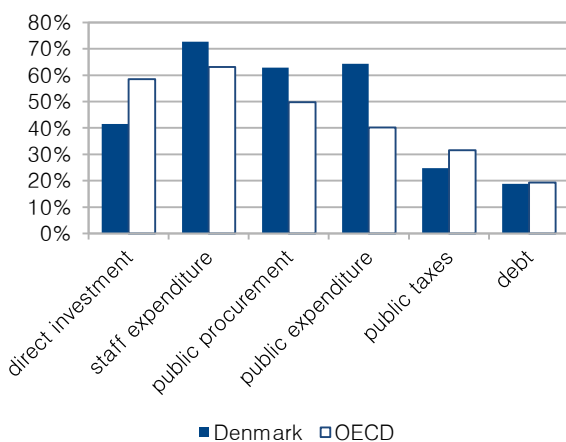


Source: OECD National Accounts.

Note: do to negative value in 2006, environment, housing and recreation are not taken into account for the breakdown of investment by function for Denmark.

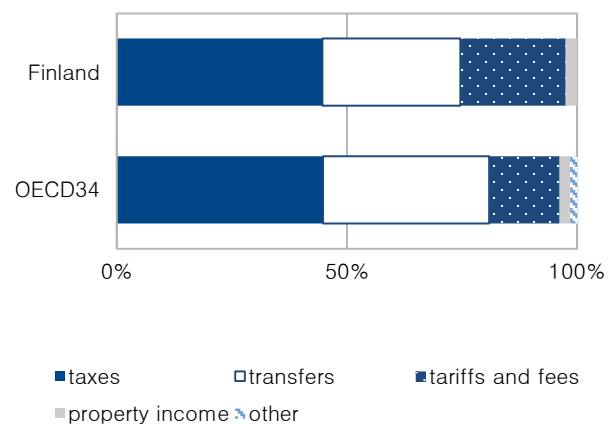
Denmark is a highly decentralised country. The share of subnational expenditure is higher in Denmark than the OECD average for most large categories of spending (total expenditure, staff expenditure, public procurement), except investment (Figure 6). However the share of public taxes allocated to SNGs is relatively small, and they mostly rely on transfers from the central government for their financing (Figure 7).

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



Source: OECD National Accounts.

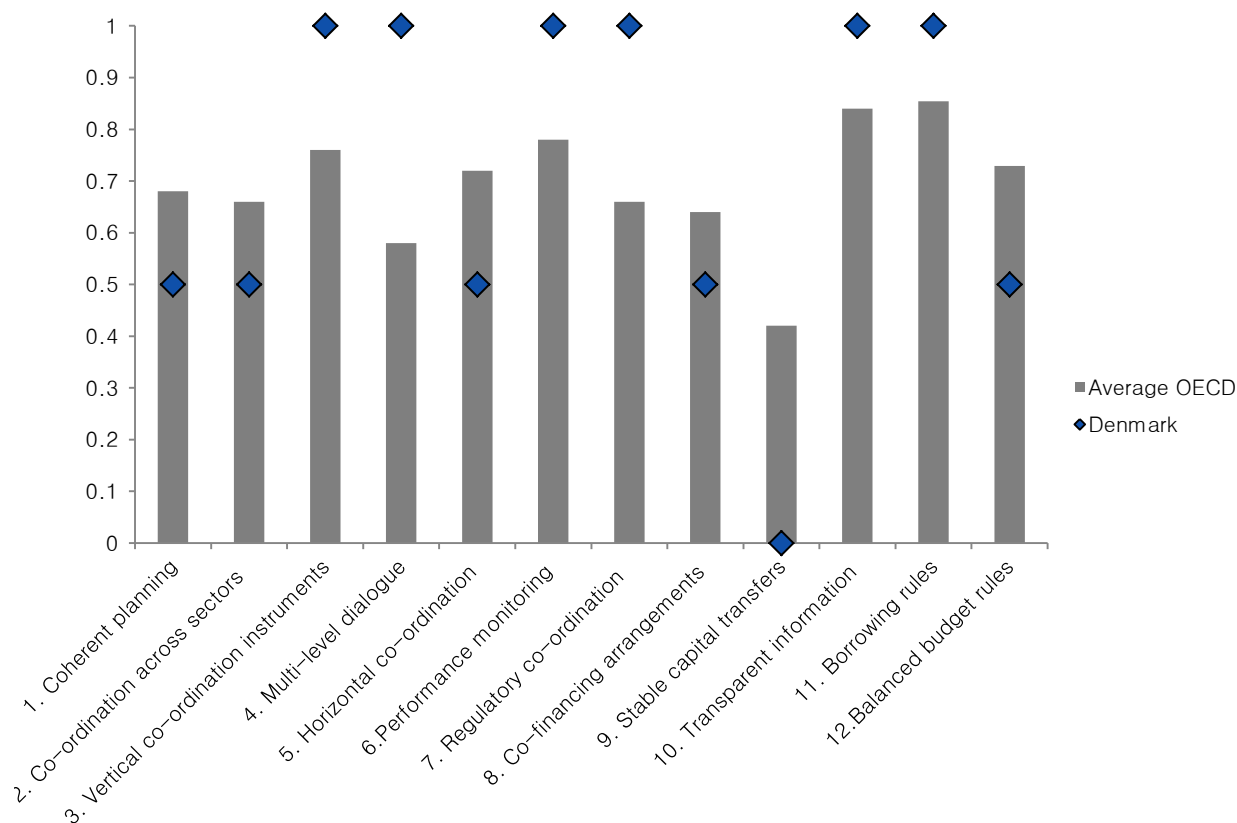
Figure 7. Indicators of subnational fiscal revenues in Denmark, 2014



Source: OECD National Accounts.

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).

Examples of good practices or recent developments for effective public investment

Coherent planning

According to the Danish Planning Act, responsibility for planning is shared between the Danish Minister for Business and Growth, the 5 regional councils and the 98 municipal councils. The central government sets guidelines for planning, and municipalities are responsible for translating them into municipal plans and local development plans. The role of regional councils has weakened since changes in planning laws in 2007. Municipal plans must cover a 12-year period, and local development plans make political strategies and objectives of municipal plans tangible. Citizens must be involved in the planning process: a proposal must be published before any local authority plan, regional development plan, national planning directive or national planning report can be adopted. The Planning Act sets minimum rules for public participation.

Multi-level dialogue

In 2007, Denmark sought to promote greater efficiency as well as a more regional approach through municipal reform. Fourteen counties were restructured into five regions, and 271 municipalities reduced to 98. As part of the reform process, each region was required to appoint at least one Regional Growth Forum to guide regional business development strategies and the use of associated regional and EU Structural Funds. By law, the 20-member public-private boards include regional and municipal elected officials, business persons, representatives of the higher education and research community, and trade unions. Members are appointed by the Regional Council upon recommendation by the municipalities and social partners. They meet four to six times a year and are supported by the regional administration.

Vertical co-ordination

Created in 2007, partnership agreements are inter-governmental annual contracts to align regional initiatives with national policy goals. The agreements aimed to link the national Globalisation Strategy and regional growth strategies, foreseeing initiatives from both strategies (OECD 2010). The Partnership Agreements are co-ordinated by the Ministry of Business and Growth to enhance co-operation on projects and facilitate dialogue, but without budgetary implications. Initially, regions submitted a project "wish list" to be accepted by the relevant ministry. Over time, the Ministry of Business and Growth took the initiative of bringing together several ministries and discuss possible joint actions before finalising any agreements. The partnership agreements allowed sharing goals at central and sub-national level, but they remained "light" documents of mutual intent (OECD 2012).

Regulatory co-ordination

The Danish Competition and Consumer Authority has provided municipalities with guidance notes covering interpretation of legislation, how to apply legislation in practice as well as exchange of best practices as well as guidance on public-private partnerships, whose use has increased in recent years. A working group on public procurement was set up in June 2013 to produce clearer, simpler and more flexible draft legislation on public procurement and to reduce transaction costs faced by the participating parties in public procurement. Legislation on public procurement should be simplified as soon as possible, in line with the recommendations of the working group. In late 2013, the appeals procedure was made more efficient by increasing fees and shortening deadlines on when complaints are allowed to be filed.

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 X
- 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
- 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)

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
- c The country has conducted evaluations of regional development policy X

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)
- c Available for each subnational government individually X

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
 - b Balanced budget rule with no exception for capital spending X
 - 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:

Danish Ministry of the Environment (2012): Spatial Planning in Denmark.

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 (2012), *OECD Reviews of Regional Innovation: Central and Southern Denmark 2012*, OECD Publishing.

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.

<https://danishbusinessauthority.dk/danish-spatial-planning-system>.