

### Multi-level governance of public investment 2017

Table 1. Facts and figures related to direct public investment

2014	General Government	Subnational Governments
USD billion	85.3	47.9
USD per capita	1692	949
% of GDP	5.1%	2.8%
% of public expenditure	15.9%	20.8%
% of total public direct investment	100%	56.1%

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

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

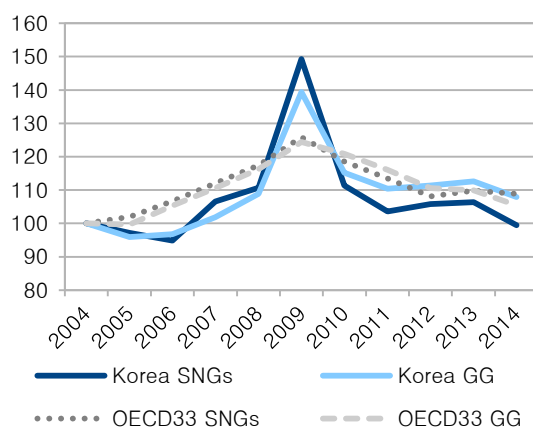
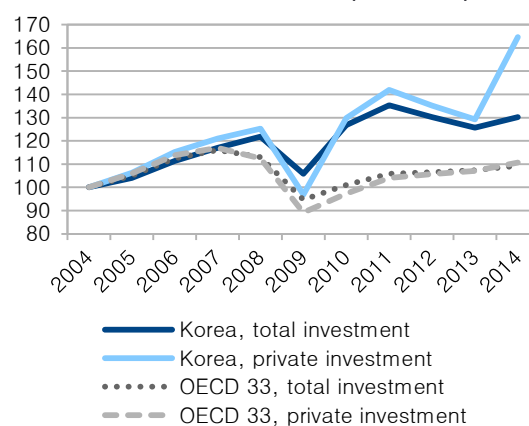
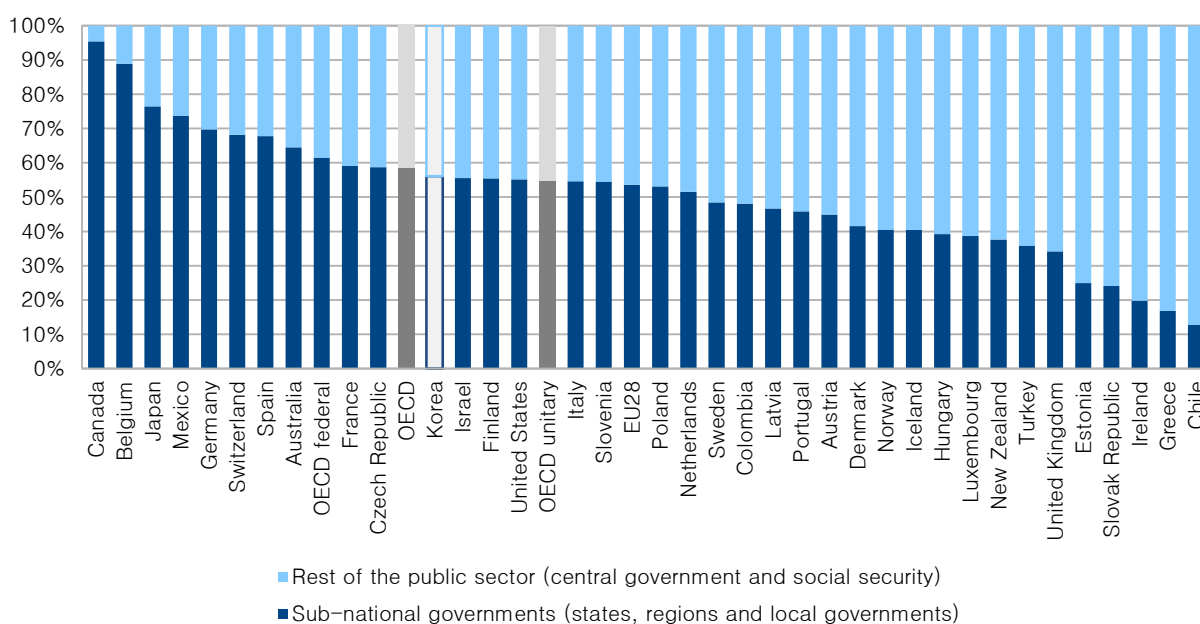


Figure 2. Trends in total and private direct investment in Korea (2004–14)



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)

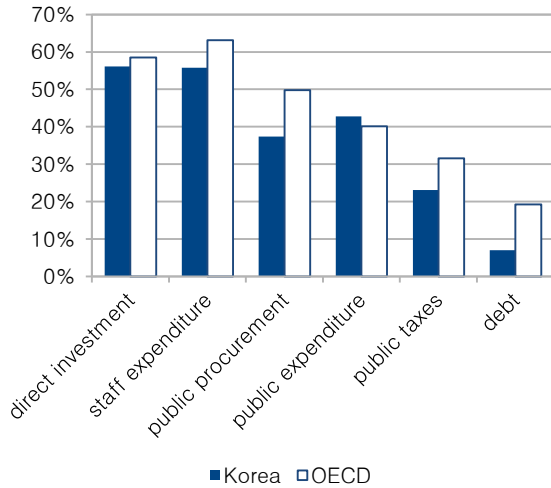


Source: OECD National Accounts.

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

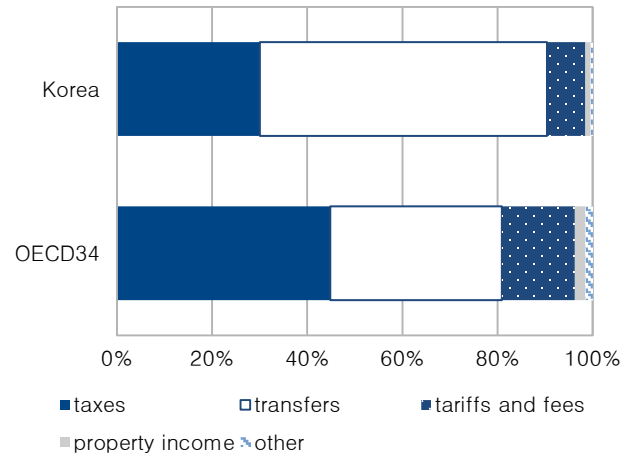
Although the share of total subnational expenditure in Korea is slightly higher than the OECD average, investments, staff expenditure, public procurement are below average. The share of SNG debt in total public debt is also way smaller (Figure 4). Subnational governments also have a smaller share of revenues from taxes (Figure 5), which is compensated by a very high reliance on transfers from the central government.

Figure 4. The role of subnational governments in public finance in Korea, 2014



Source: OECD National Accounts.

Figure 5. Indicators of subnational fiscal revenues in Korea, 2014



Source: OECD National Accounts.

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

### *Multi-level dialogue*

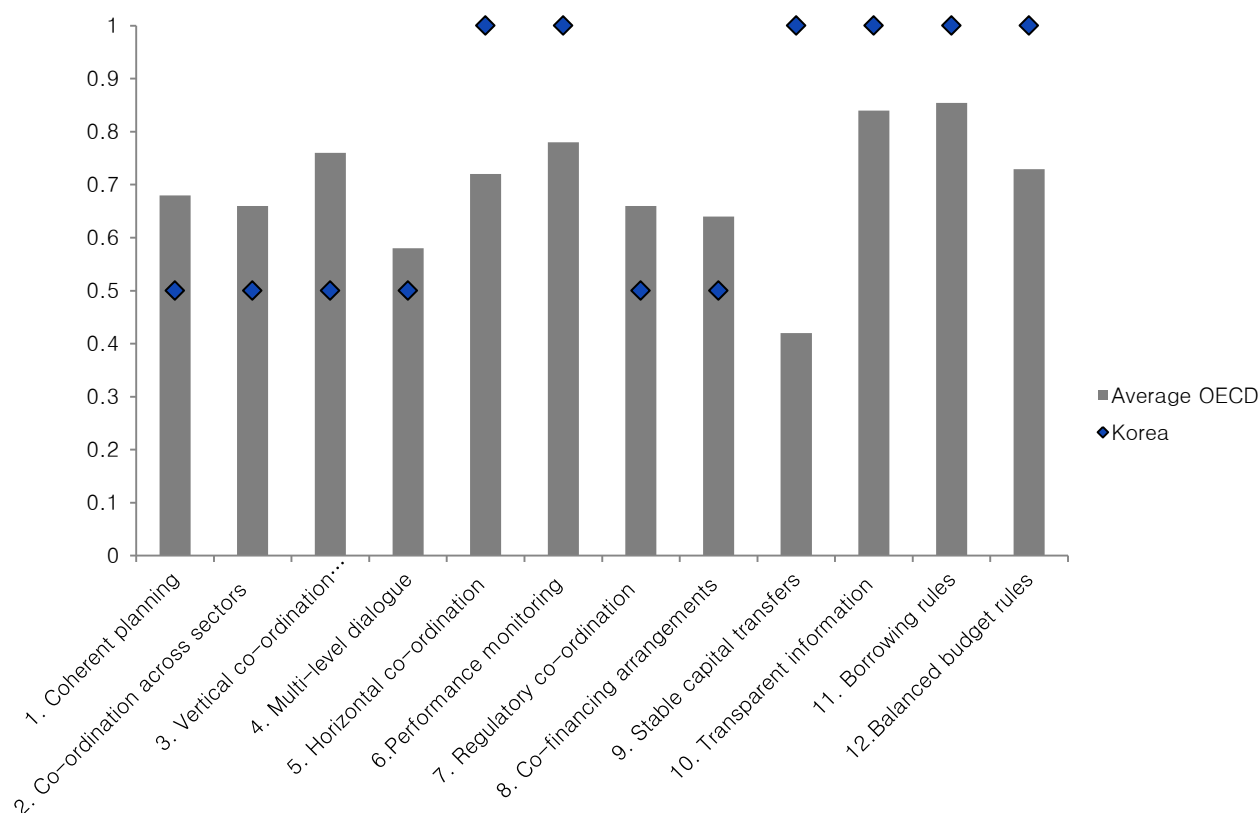
The 2030 Seoul Plan is an integrated plan for urban development in the Seoul Metropolitan City area over 2010–2030. In contrast to previous plans, the drafting relied on consultations with citizens, in charge of identifying policy priorities. The Seoul Institute is in charge of monitoring progress every year, and 17 indicators are used for its evaluation. The plan focuses on priorities that include green infrastructure, housing and transportation, as well as several social issues.

### *Regulatory co-ordination:*

Evaluation of “hidden” regulations: the Ministry of Land, Infrastructure and Transport recently charged municipal authorities with having too many “hidden” local regulations that impeded private investment in construction. The Ministry requested that National Association of Architects take stock of this type of local regulation.

## 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

---

<b>1. Coherent planning across levels of government</b>	
<b>The country has regional development policies/strategies to support regional development and local investments.</b>	
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
<b>2. Co-ordination across sectors in the national planning process</b>	
<b>The country has mechanisms to co-ordinate across sectors national policies and investment priorities for regional development</b>	
a	No mechanism
b	At least inter-ministerial committee and/or cross-ministerial plan
c	Inter-ministerial committee and/or plan + other mechanisms
	X
<b>3. Vertical co-ordination instruments</b>	
<b>The country has mechanisms to ensure co-ordination across levels of governments (regional development agencies, national representatives in subnational governments, and contracts or agreements)</b>	
a	None of these
b	At least one of these mechanisms
c	At least one of these mechanisms involving many sectors
	X
<b>4. Multi-level dialogue to define investment priorities for regional development</b>	
<b>The country conducts regular dialogue(s) between national and subnational levels on regional development policy including investment priorities</b>	
a	No regular dialogue
b	Formal or ad hoc dialogue
c	The platform has decision-making authority
	X
<b>5. Horizontal co-ordination across jurisdictions</b>	
<b>The country has formal horizontal mechanisms/incentives between subnational governments to co-ordinate public investment</b>	
a	No mechanisms
b	Formal horizontal co-ordination mechanisms at the municipal level
c	Formal horizontal co-ordination mechanisms at the municipal level and other subnational levels (state, regions)
	X

---

---

## 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 X
- c Requirement of national government to consult subnational governments prior to issuance of new regulations that concern them

## 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%
- b Medium variation: between 10% and 20%
- c Little variation: less than 10% X

## 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
  - c Balanced budget rule protecting capital spending (type golden-rule) X
-

# 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:** 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:*

An J. and Kim J. (2014): "2030 Seoul Plan: Urban Foresight Focusing on Reflexive Governance and Resilience", Conference Proceedings Paper, 8th Conference of the International Forum on Urbanism.

Korea Development Institute (2012): "Public Investment Management Reform in Korea: Efforts for Enhancing Efficiency and Sustainability of Public Expenditure", Ministry of Strategy and Finance, Seoul, Korea.

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 (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.