

### Multi-level governance of public investment 2017

Table 1. Facts and figures related to direct public investment

2014	General Government	Subnational Governments
USD billion	27.0	13.9
USD per capita	1602	825
% of GDP	3.3%	1.7%
% of public expenditure	7.2%	12.3%
% of total public direct investment	100%	51.5%

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

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

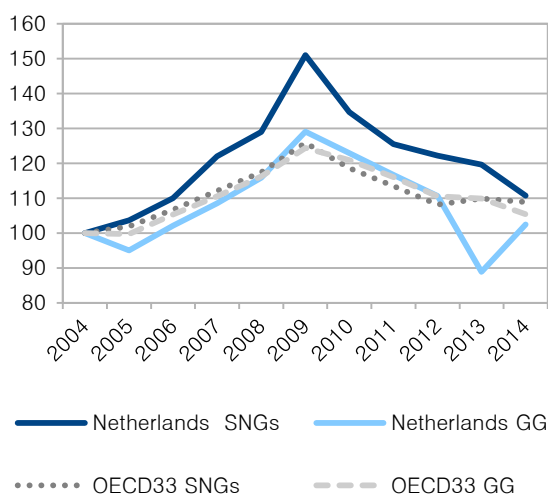
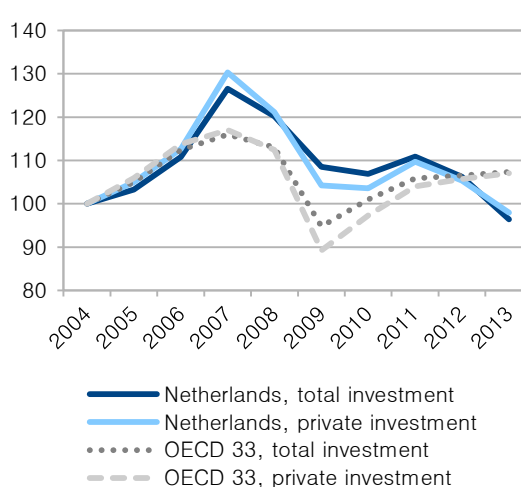


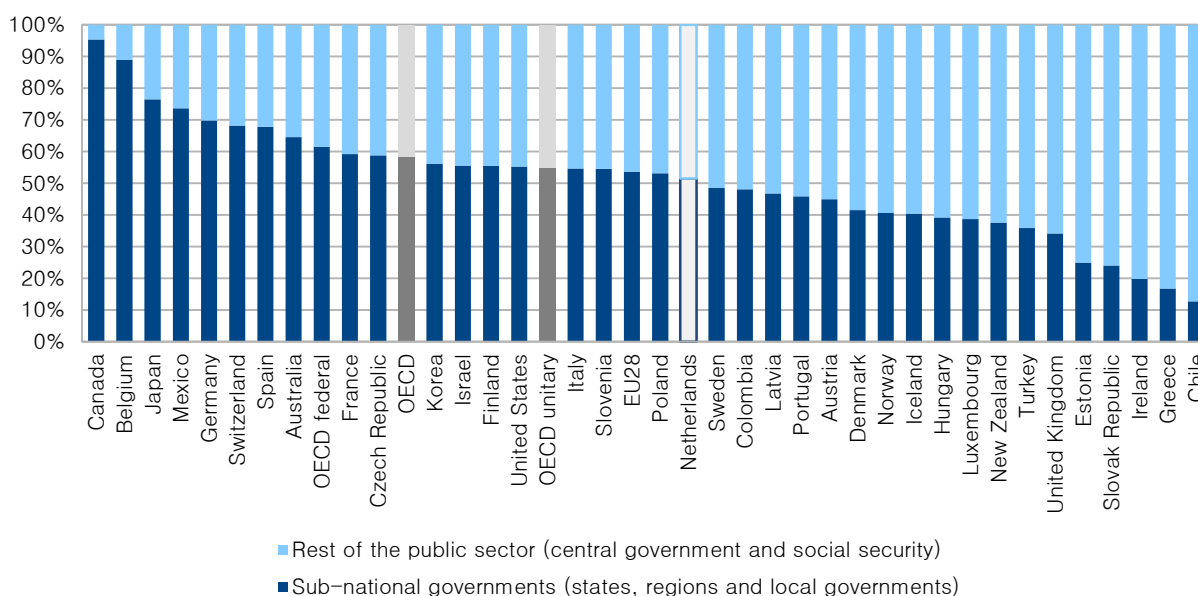
Figure 2. Trends in total and private direct investment in Netherlands (2004–14)



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

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

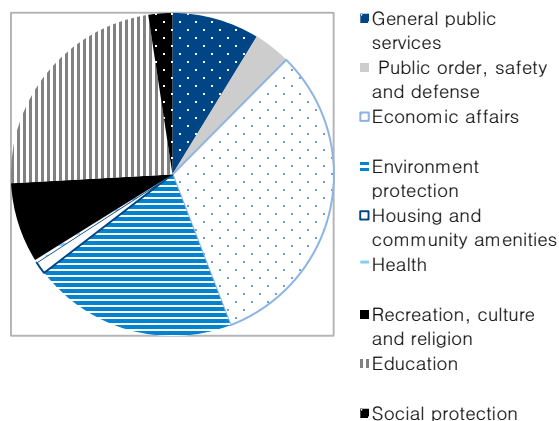


Source: OECD National Accounts.

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

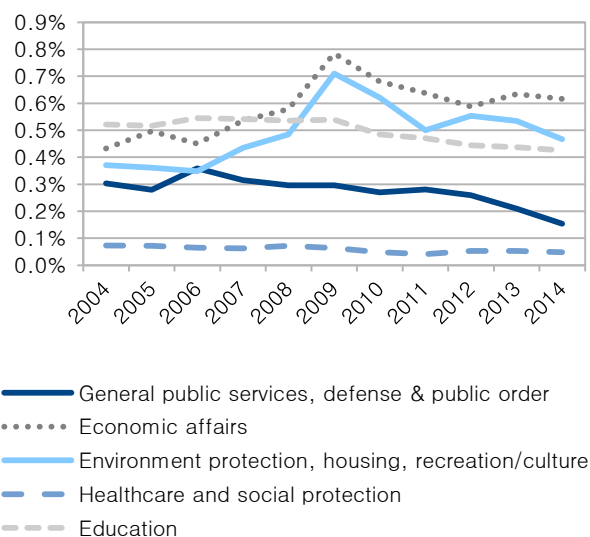
Most of subnational investments in the Netherlands are dedicated to economic affairs (transport, general economic, commercial and labour affairs, industry, agriculture, etc.). In particular, subnational governments are responsible for local transport and infrastructures. Other major categories of investment spending include education and environment protection. In contrast, SNGs invest very little in housing, healthcare or social protection (Figure 4 and 5). However, a recent reform aiming at decentralising some social protection expenditure may modify the repartition of investments.

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



Source: OECD National Accounts.

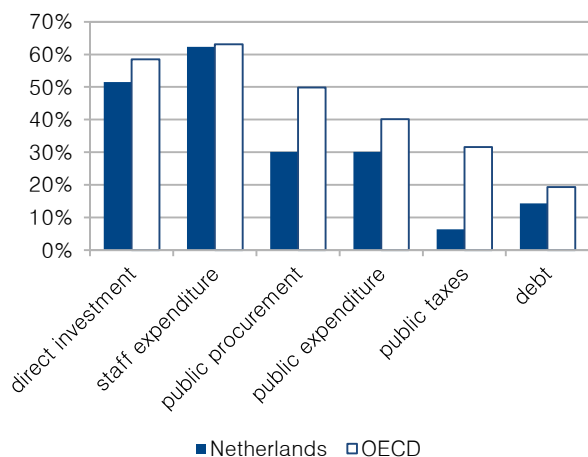
Figure 5. Trends in subnational direct investment by economic function (as a % of GDP)



Source: OECD National Accounts.

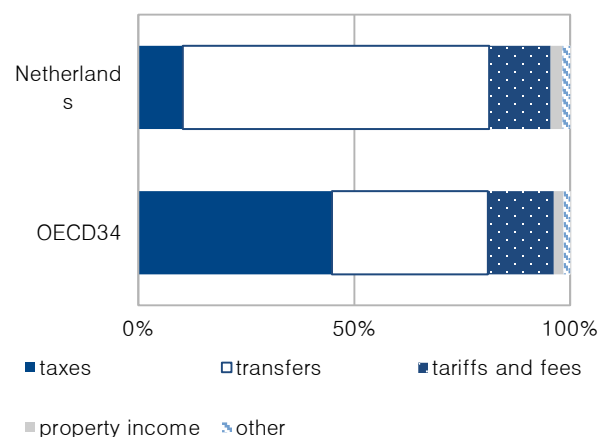
The share of subnational expenditure in the Netherlands is lower than the OECD average for most large categories of spending (total expenditure, investments, staff expenditure, public procurement). The share of SNG debt in total public debt is also smaller (Figure 6). Subnational governments also have a smaller share of revenues from taxes (Figure 7), which is compensated by a heavy reliance on transfers from the central government.

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



Source: OECD National Accounts.

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



Source: OECD National Accounts.

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

### *Coherent planning*

The Ministry of Infrastructure and the Environment has several criteria for selecting infrastructure projects to be (co-)funded by national government. One of them is the National Market and Capacity Analysis (NMCA). The NMCA investigates bottlenecks. It indicates where infrastructure capacity is not expected to be sufficient to reach the goals of National Policy Strategy for Infrastructure and Spatial Planning (i.e. the target values for traveling time), taking into account the expected development of mobility.

### *Multi-level dialogue*

Established in 1912 by 28 Dutch cities, the Association of Dutch Municipalities (VNG) has brought together all the Dutch municipalities since the 1950s. Its purpose is to represent the collective voice of the municipalities to central government and other institutions. The VNG puts an emphasis on mutual learning and exchange of experiences among the municipalities.

Its highest decision-making body is the General Assembly, which gathers more than 3000 representatives of municipalities at annual sessions. The Association of Dutch Municipalities's daily business is run by the board, which includes 11 representatives of local officials: mayors, aldermen, councilors, and administrative personnel.

Specific matters are tackled by specialised standing policy committees. The Association has also set up Provincial Departments in each of the Dutch provinces with the aim of bringing municipalities' interests to the provincial level, negotiating with provincial authorities and sharing information on issues arising in the provinces. In addition, the Association represents the Dutch municipalities in supranational bodies, such as the EU Committee of the Regions. The Association of Provinces of the Netherlands (IPO) plays a similar role to the VNG, although it caters to the needs of the provinces. Its main mission is to represent the interests of the provinces in national and EU policy processes. Like the Association of Municipalities, the Association of Provinces also serves as a platform for exchange of information and best practice among the provinces.

### *Vertical co-ordination*

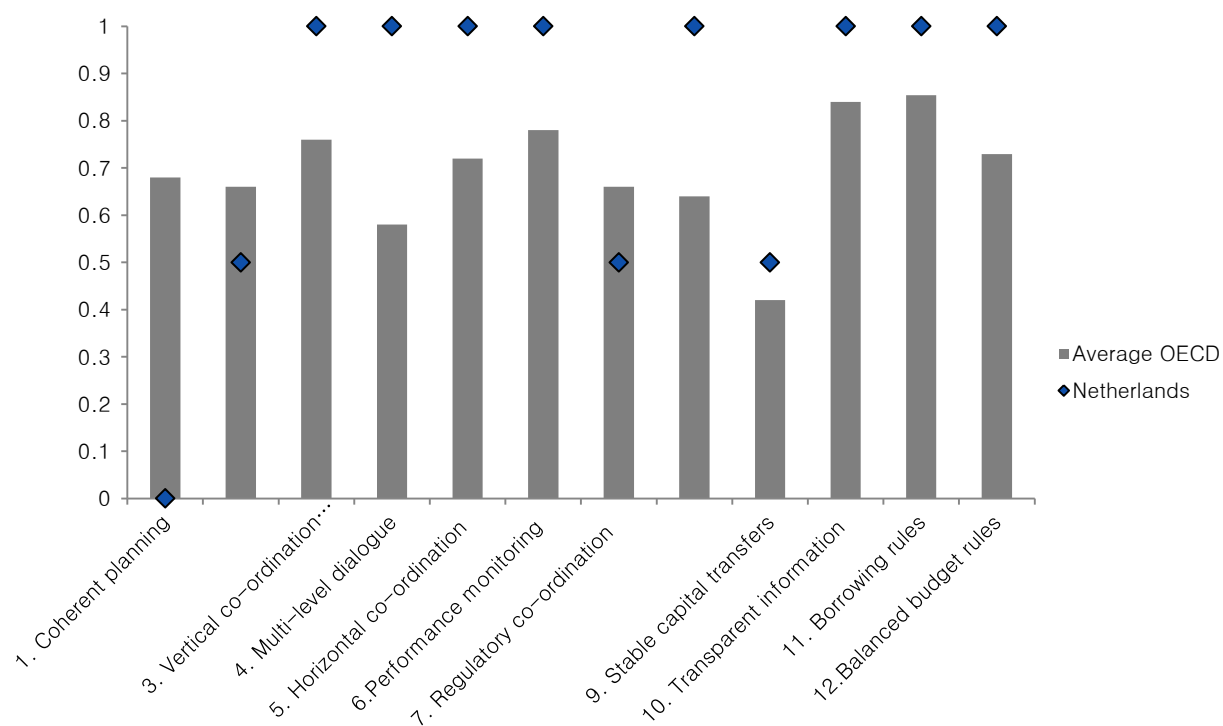
In The Netherlands, Rural contracts, aimed at implementing national goals included in the "Agenda for a living Countryside" at subnational level, by shifting competences to the provincial (OECD 2013). Signed in 2006 by the central government and individual provinces, contracts were based on precise criteria, prescribed instruments and sanction mechanisms. The national rural policy described exactly how provinces could achieve their goals, which were monitored through performance indicators. Performance targets were agreed between the national government and the provinces upon a negotiation process and resulting in a seven years contract (OECD 2008). From 2005 to 2009, Urban contracts allowed local governments to have a significant role in planning, in accordance with the guidance of the national urban policy framework (OECD 2005).

### *Horizontal co-ordination*

The Dutch government, under the leadership of the Ministry of Interior and Kingdom Relations, is developing a National Urban Agenda (*Agenda Stad*). One of the four guideline principles focuses on multi-level and public-private co-operation, as the agenda plans to encourage a cultural shift towards greater co-operation. Another principle focuses on strengthening the urban network by exploiting complementarities across the entire polycentric urban network of the Netherlands. The government consulted extensively with local governments and the civil society. It launched a call for ambitions and position papers on how to boost growth, innovation and quality of life in Dutch cities, and a major National Urban Agenda Conference brought together more than 500 stakeholders on 15 April 2015. A large number of cities, other institutions and stakeholders have responded to this call for ambitions.

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

Figure 8. Indicators for the coordination 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 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
- 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
- c Formal horizontal co-ordination mechanisms at the municipal level and other subnational levels (state, regions) X

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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
- 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
- c Co-financing arrangements exist and funds are tracked X

## 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% X
- 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

## 12. Safeguarding capital spending at subnational level X

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
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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:** 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 Territorial Reviews (2016): *The Metropolitan Region of Rotterdam–The Hague, Netherlands*, OECD Publishing, Paris.

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

OECD (2014), Territorial Review of the Netherlands, OECD Publishing, Paris.

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