

Multi-level governance of public investment 2017

Table 1. Facts and figures related to direct public investment

2013	General Government	Subnational Governments
USD billion	6.2	2.5
USD per capita	1401	555
% of GDP	3.8%	1.5%
% of public expenditure	9.6%	33.7%
% of total public direct investment	100%	39.6%

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

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

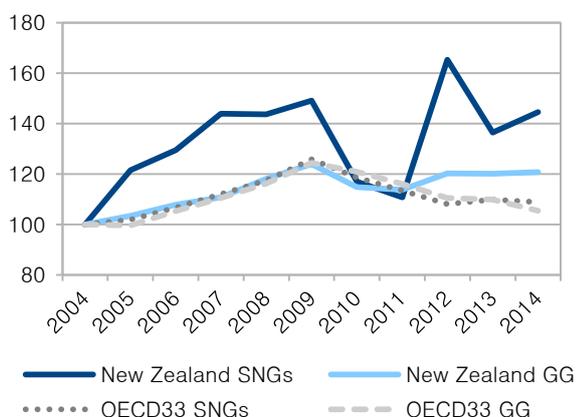
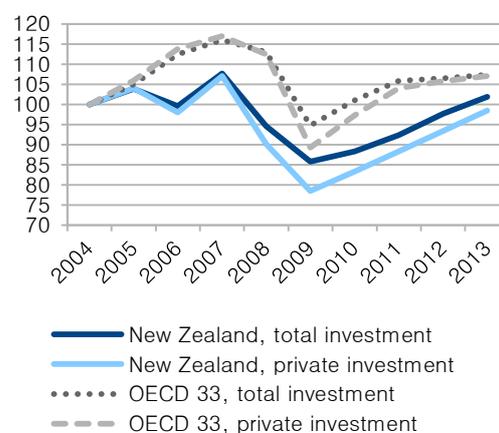


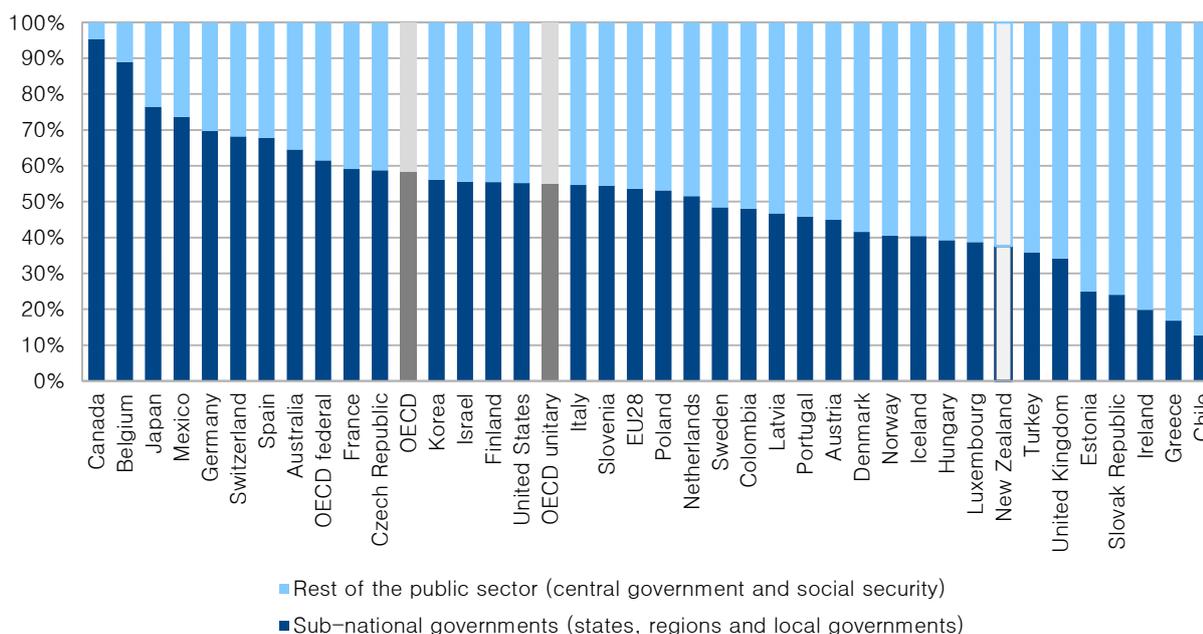
Figure 2. Trends in total and private direct investment in New Zealand (2004–14)



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)

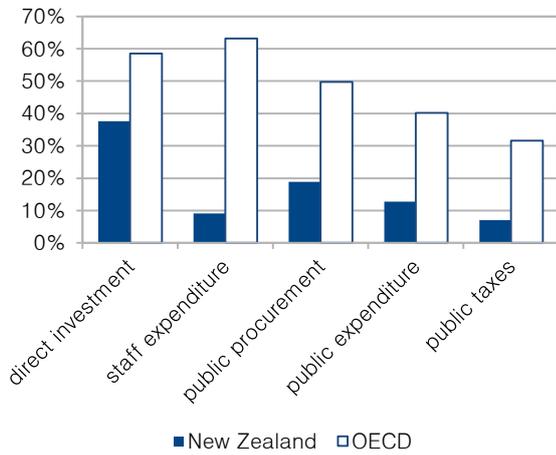


Source: OECD National Accounts.

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

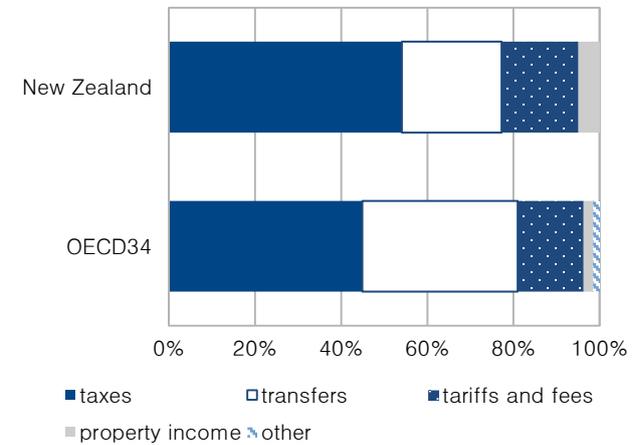
New Zealand is a highly centralised country, and the share of total expenditure, investments, staff expenditure, and public procurement is lower than the OECD average. The share of SNG debt in total public debt is also way smaller (Figure 4). However, SNGs benefit from a large share of taxes in their revenue mix (Figure 5), and rely less than most other OECD countries on transfers from the central government.

Figure 4. Breakout of subnational direct investment in New Zealand by economic function (% of total direct investment, average 2008–14)



Source: OECD National Accounts.

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



Source: OECD National Accounts.

Examples of good practices or recent developments for effective public investment

Multi-level dialogue:

There are two formal annual meetings between central government ministers and local government representatives in New Zealand. These allow for concentrated discussion of strategic priorities, beyond the routine operational interactions between the two.

The Central Government – Local Government Forum brings together ministers and representatives of local authorities from across the spectrum. (Councils in New Zealand vary widely by size, location and urban/rural population.) The half-day Forum is often hosted by the Prime Minister. The meeting's agenda varies according to the key issues of the day, from economic development to current regulatory reforms.

The Auckland Forum is a similar half-day meeting, normally hosted by Auckland Council. It provides a forum for focused dialogue on the critical issues facing Auckland (New Zealand's largest city, with approximately one-third of the population).

Auckland's scale means that alignment of priorities and resources between central government and the Auckland Council is vital for achievement of desired economic, social and environmental outcomes.

Co-financing arrangements:

Co-financing is largely confined to transport funding, both for public transport and the maintenance, renewal and construction of roads. Resources come from a hypothecated fund (The Land Transport Fund (LTF) made up of taxes on petrol, vehicle registration and road user charges. Historically the fund has been shared equally between central and local government. The fund is allocated on a weighted basis so that subnational governments representing low socio economic communities receive proportionally more. All funding is matched so that transport investment is co-funded with a proportion met from the LTF and a proportion funded from property taxes.

From time to time various national governments have established contestable funds to assist with the capital costs of building new infrastructure, particularly water infrastructure, in poor and/or small communities. The rationale for such schemes is generally based on the fiscal capacity of councils and communities.

Financial resource management:

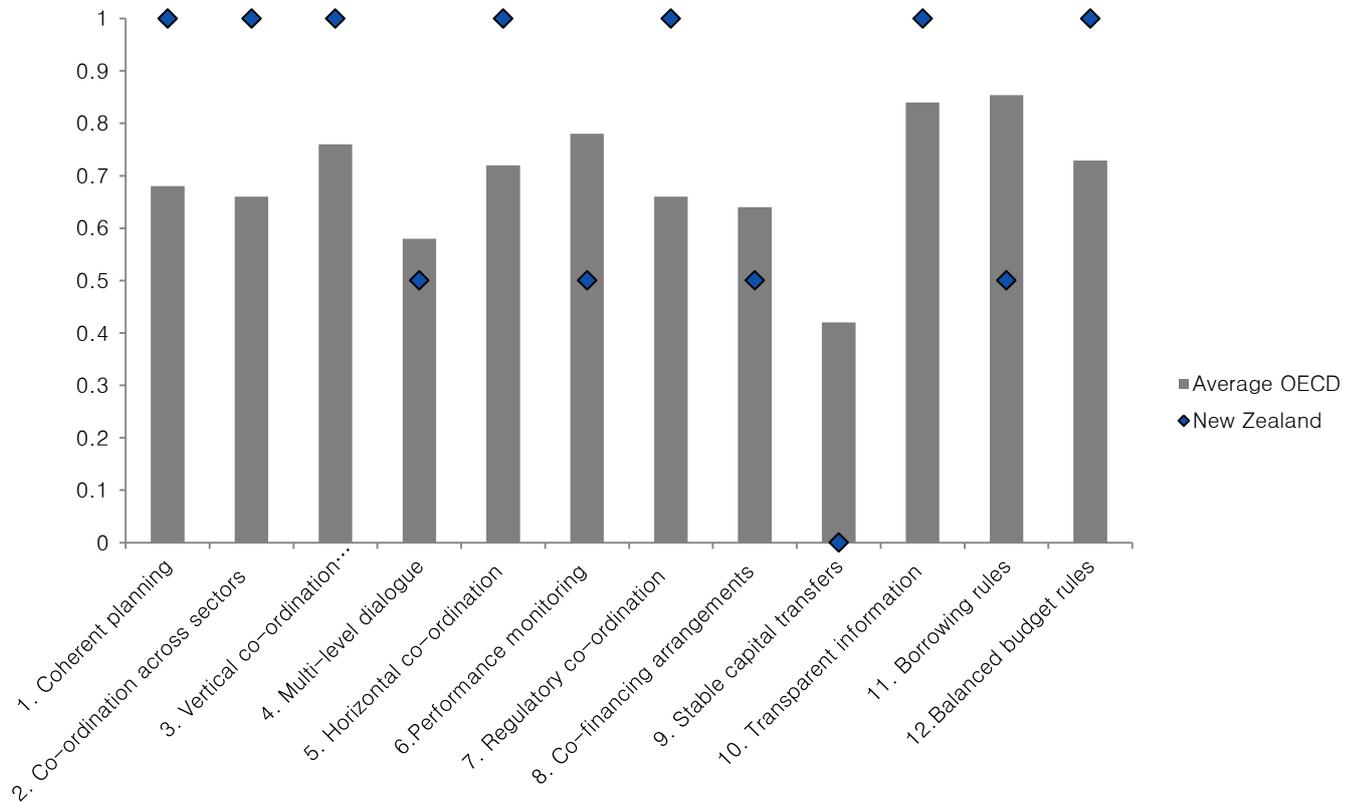
To ensure the smooth running of the investment programmes and projects as well as to achieve the desired outcomes, since 2008 the Government of New Zealand calls for peer reviews (gateway reviews). These audits that are typically conducted at critical points during the life cycle of programmes generally result in recommendations to key leaders of these initiatives. The report of the Auditor General mentions that approximately 25 to 30 of such revisions are made annually under the responsibility of the Treasury, notably on projects with a high degree of risk. Even though this practice was generally beneficial for the projects that have been revised, the Auditor identifies a number of aspects that could be improved. The Auditor particularly recommends to the Treasury to adopt good practices to harmonize the review process, modulate the revisions based on the characteristics of projects and information needs of the concerned authorities and ensure better co-ordination with the other monitoring and control activities.

Regulatory co-ordination:

The central government must consult subnational governments prior to issuance of new regulations that concern them. There is a mandatory consultation period, usually at least 28 days, associated with new regulations.

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

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 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
- 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 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)
- 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 X
- c Binding borrowing constraints

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
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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:

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.