

Multi-level governance of public investment 2017

Table 1. Facts and figures related to direct public investment

2014	General Government	Subnational Governments
USD billion	6.2	2.8
USD per capita	593	272
% of GDP	2.1%	0.9%
% of public expenditure	4.0%	15.5%
% of total public direct investment	100%	45.9%

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

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

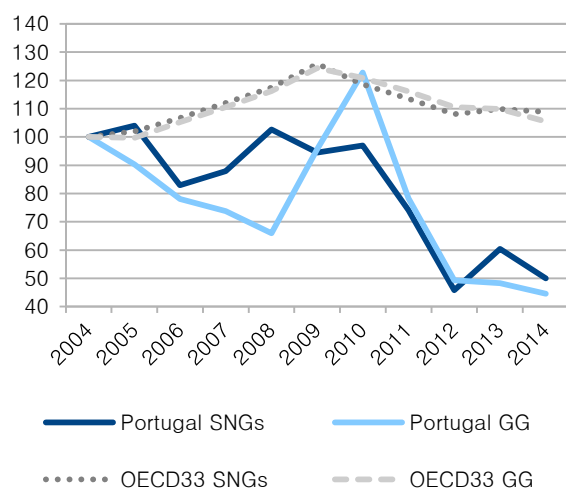
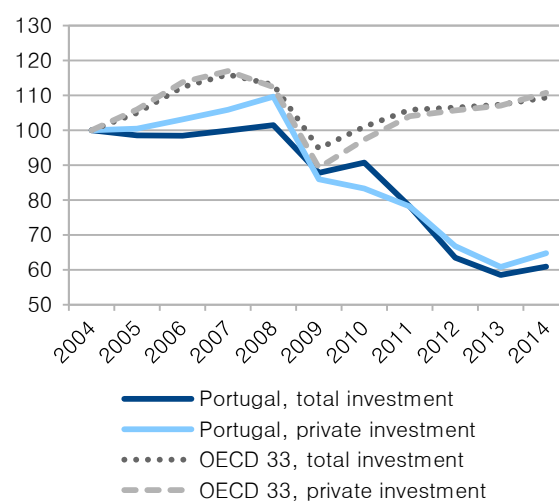


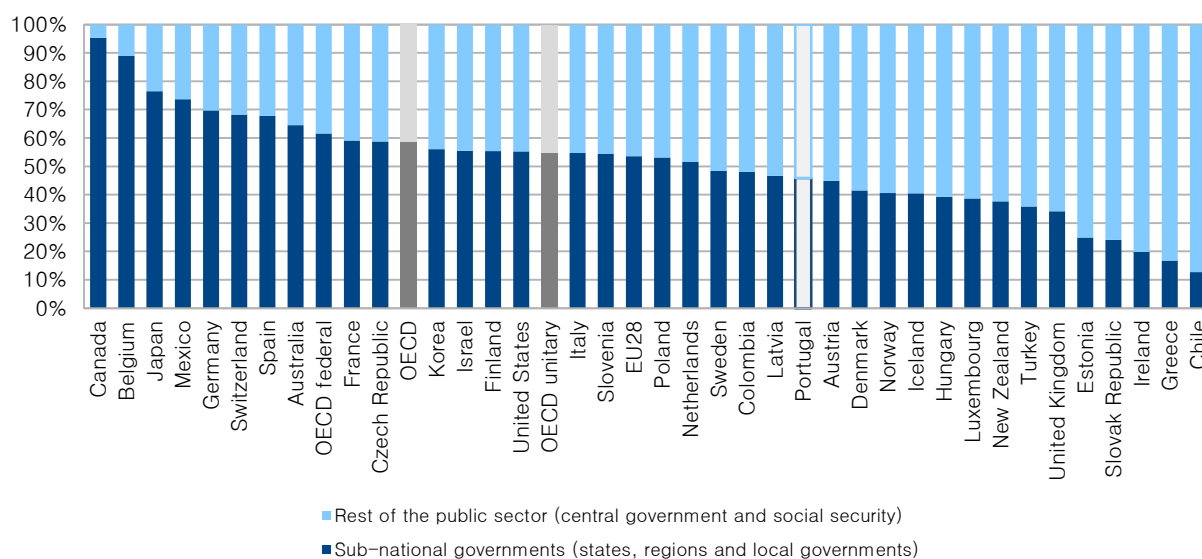
Figure 2. Trends in total and private direct investment in Portugal (2004–14)



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)

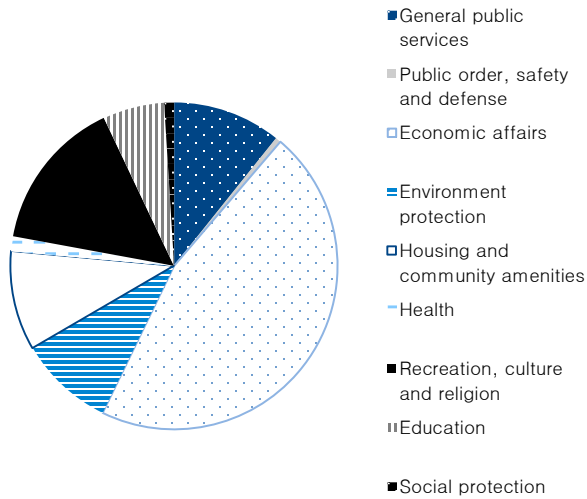


Source: OECD National Accounts

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

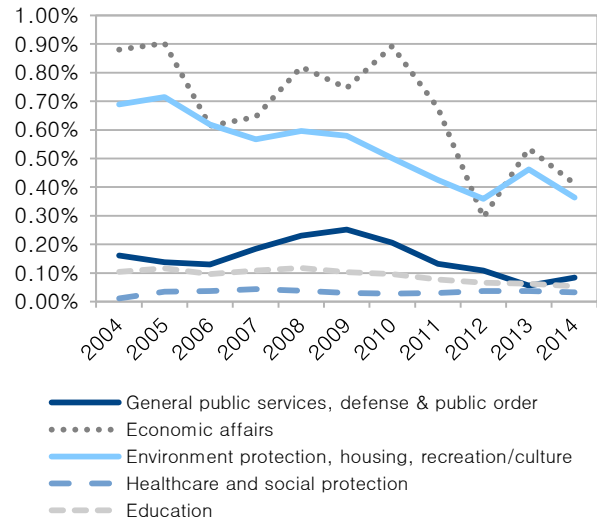
Most subnational investments in Portugal is dedicated to economic affairs (transport, general economic, commercial and labour affairs, industry, agriculture, etc.). Other major categories of investment spending include recreation, culture and religion, general public services and environmental protection. In contrast, SNGs investment in education, healthcare or social protection is low as responsibility over investment in these areas is mainly at the central level (Figure 3).

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



Source: OECD National Accounts.

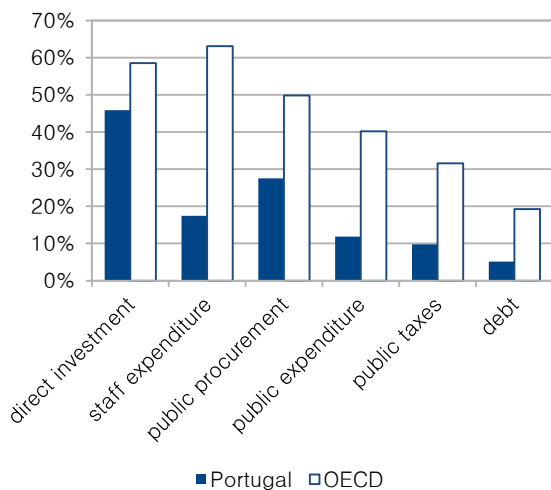
Figure 5. Trends in subnational direct investment by economic function (as a % of GDP)



Source: OECD National Accounts.

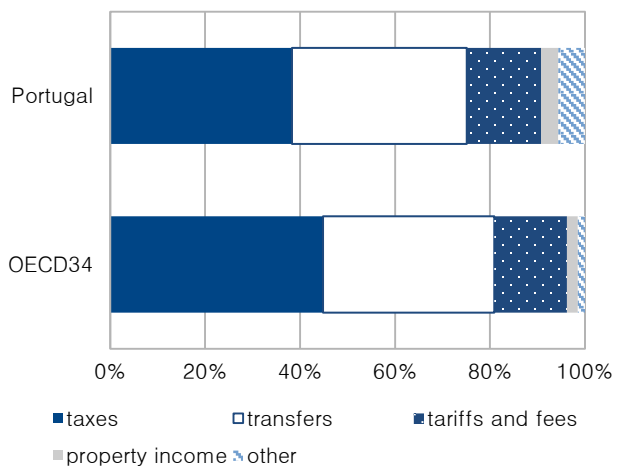
Subnational expenditure is lower than the OECD average for most large categories of spending (total expenditure, investments, staff expenditure, public procurement). The share of SNG debt in total public debt is also way smaller (Figure 4). Subnational governments also have a smaller share of revenues from taxes (Figure 5), which is compensated by more property income and other revenues.

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



Source: OECD National Accounts.

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



Source: OECD National Accounts.

Examples of good practices or recent developments for effective public investment

Coherent planning:

A new agency for Development and Cohesion was created in 2013. It has responsibility for co-ordinating EU structural and investment funds and Regional Policy, and strengthening the economic rationality and financial sustainability of co-financed investments. The creation of this agency should also lead to an increased emphasis on strategic monitoring, the design and promotion of place-based instruments, etc.

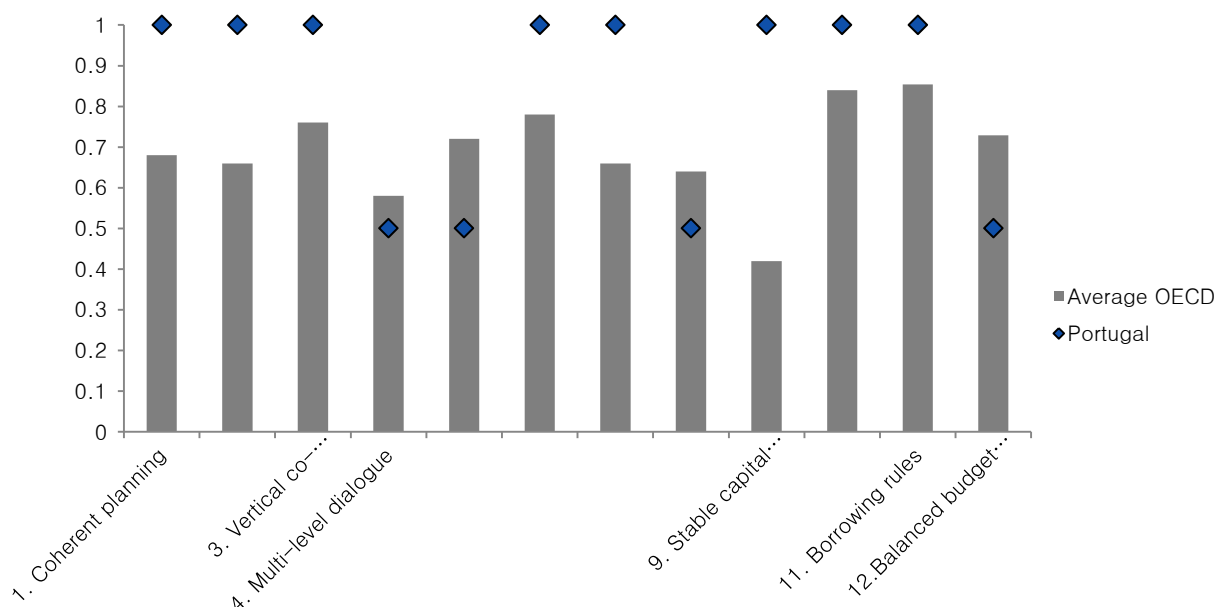
Vertical co-ordination:

The Regional Co-operation and Development Commissions (CCDR) are governmental decentralised body, with administrative and financial autonomy. They aim at co-ordinating national policies at the regional level, in particular in the areas of Regional Planning and Development, Environment, Land Management and Inter-Regional and Cross-Border Co-operation. These agencies also support Local Government and Inter-Municipal Associations, and take part in the management of regional operational programmes funded by the European Union.

Boards composed of different levels of government have also been created to improve vertical co-ordination for regional development. These boards are composed of the president of the CCDR, two representatives of municipalities, and two representatives of the central government. They are in charge of leading the management of Regional Operational Programmes contributed to improve vertical collaboration for public investment.

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).

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 complemented 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 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%
- 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 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:

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 (2014), *Regional Outlook 2014. Regions and Cities: Where Policies and People Meet*. OECD Publishing, Paris.

OECD (2013), *Reforming the State to promote growth*, 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.

OECD (2008), Territorial Review of Portugal.

<https://ec.europa.eu/growth/tools-databases/regional-innovation-monitor/organisation/norte-regional-co-ordination-and-development-commission-ccdr-n>

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