

Country profile – Sweden Multi-level governance of public investment 2017

Table 1. Facts and figures related to direct public investment

2014	General Government	Subnational governments
USD billion	19.3	9.3
USD per capita	1990	964
% of GDP	4.4%	2.1%
% of public expenditure	8.5%	8.4%
% of total public direct investment	100%	48.4%

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

Figure 1. Trends in direct public investment in Sweden (2004–2014)

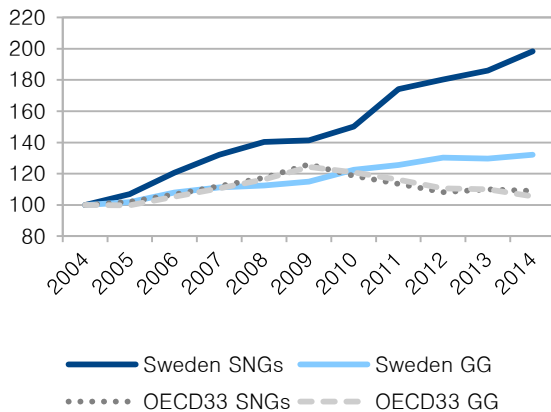
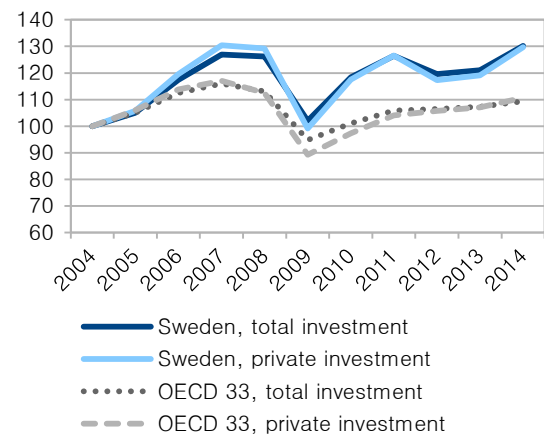


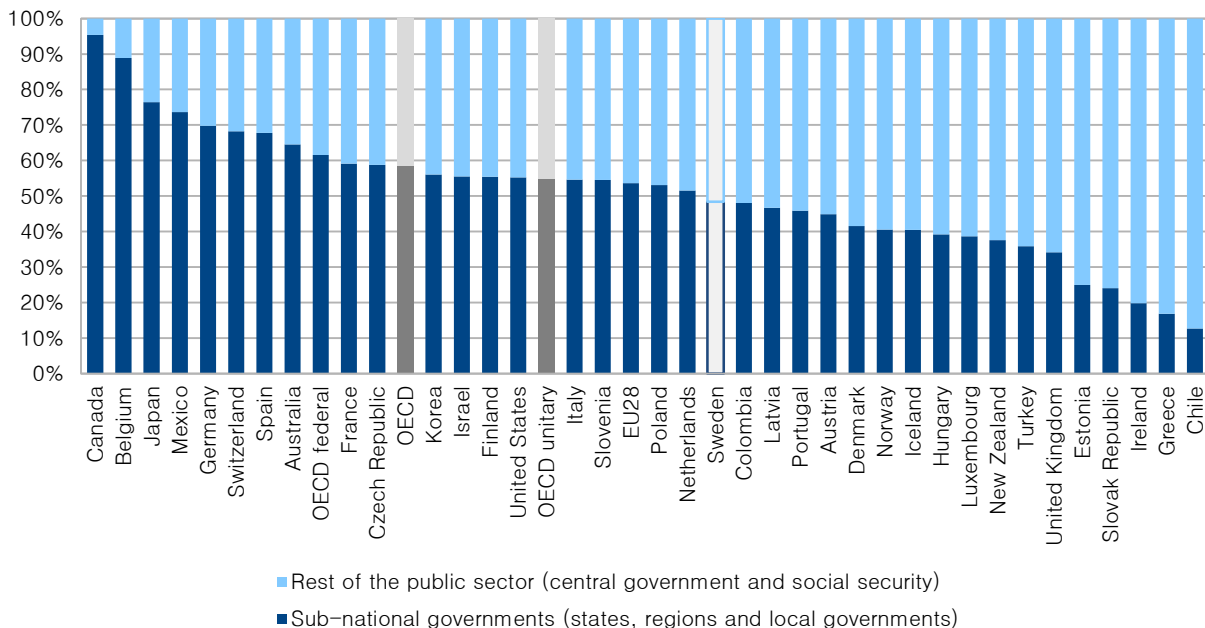
Figure 2. Trends in total and private direct investment in Sweden (2004–2014)



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)

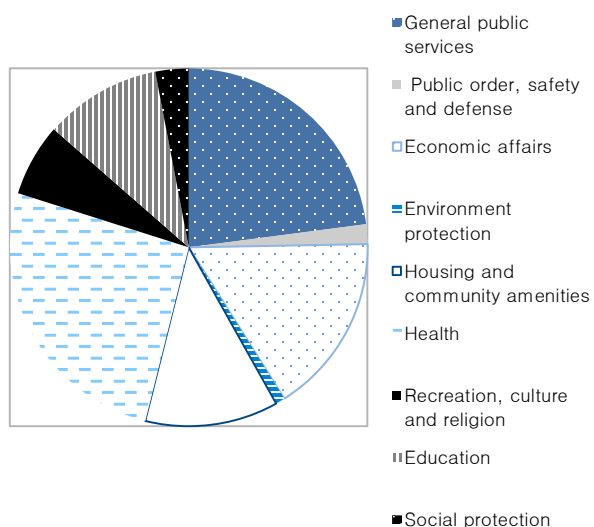


Source: OECD National Accounts

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

Most of subnational investments in Sweden are dedicated to general public services and healthcare. Local governments are responsible in particular for healthcare. Other major categories of investment spending include economic affairs, housing/community amenities and education. In contrast, SNGs invest very little in recreation/culture/religion or social protection (Figure 4 and 5).

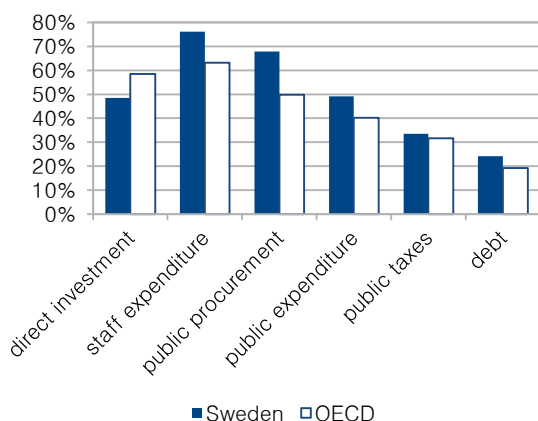
Figure 4. Breakout of subnational direct investment in Sweden by economic function (% of total direct investment, average 2008–2014)



Source: OECD National Accounts.

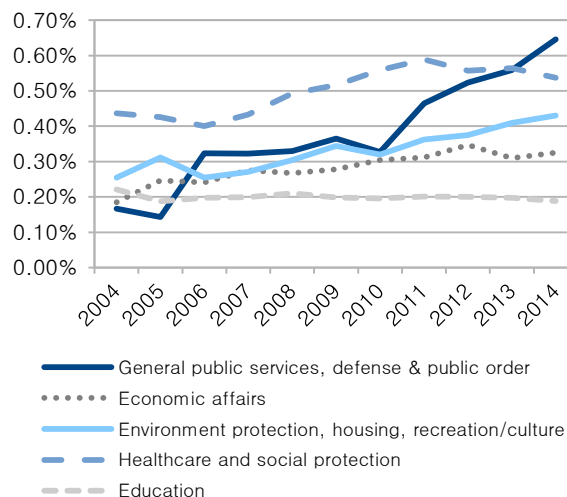
Sweden is a highly decentralised country, and its share of subnational expenditure is higher than the OECD average for large categories of spending (total expenditure, investments, staff expenditure, public procurement). The share of SNG debt in total public debt is also slightly larger (Figure 6). Subnational governments also have a higher share of revenues from taxes (Figure 7), and rely less on transfers from the central government or user fees.

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



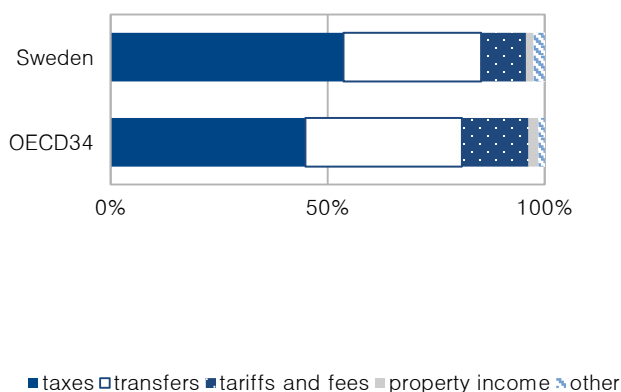
Source: OECD National Accounts.

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



Source: OECD National Accounts.

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



Source: OECD National Accounts.

Examples of good practices or recent developments for effective public investment

Multi-level dialogue:

In 2007, Sweden established the National Forum on Regional Competitiveness, Entrepreneurship and Employment in order to provide a formal setting for the discussions taking place in preparation of the National Strategic Reference Framework (a part of the EU Cohesion Policy for 2007–13). The forum served as a platform for ongoing political dialogue among national and regional representatives, for which the NSRF and the Regional Development Programmes were the starting points. This Forum was renamed and renewed in 2015, becoming the Forum for Sustainable Growth and Regional Attractiveness. The new body is divided into two groups, one that promotes dialogue between national and regional level politicians (from the majority and opposition), and as of 2015 one that fosters dialogue between national and regional level civil servants (director level). Associated with the Forum are networks and working groups, such as an “analysis group” that brings together 16 state agencies. The Forum is led by the state secretary responsible for regional growth policy and participants are regional leaders and civil servants with regional development responsibilities in their portfolios; there are about 50 regular participants at the political level. Additional participants, such as ministers, state secretaries and directors within State agencies can be invited on an *ad hoc* basis, depending on the agenda topics. For instance, if a point on the agenda pertains to transport, the minister of transport is invited to participate.

The Ministry of Enterprise and Innovation is responsible for co-ordinating the Forum, which gathers four times per year for a full day, at the political and civil service levels. The agenda is set by the Ministry, with regions submitting items for discussion, such as competence allocation, transport, etc. Meetings are an opportunity to discuss thematic issues, as well as for regions to present their experiences and learn from each other, for example with respect to immigration. They also offer a chance for actors at different levels of government, and in different sectors, to influence points of view and impact or influence future plans via dialogue. There is a strong effort to incorporate different sectors in the meetings, and the Ministry notes that ministerial interest in the Forum has risen with the realisation that it is one way to increase their sector’s policy capacity, effectiveness and influence at the regional level, as well as at the national level. The Forum can serve as a “regional lens” or “prism” through which to consider diverse sector initiatives, for example in housing, innovation, transport, etc. It also supports co-operation with government agencies in regional growth activities, which is particularly important so that these entities can contribute, in turn, to the growth and development of counties.

Coherent planning

The National Strategy for Sustainable Regional Growth and Attractiveness 2015–2020 is a guiding document launched in July 2015. It aims at stimulating sustainable regional growth and attractiveness in Sweden, in particular through greater local and regional competitiveness. One of the primary measures of the Strategy is to facilitate and maintain a continuous dialogue among a wide and diverse array of stakeholders (e.g. municipalities, counties, central government, central government agencies, third sector actors and the private sector) via the Forum on Sustainable Regional Growth and Attractiveness. Another very important policy measure has been to further clarify the roles and responsibilities among the national and regional actors. The emphasis of the present policy is to give more power to the regions to stimulate regional growth. The regions, however, need to be strengthened in order for them to assume this responsibility successfully. This is one driver behind the regional reform currently under consideration. Naturally, the functional linkages between regions and municipalities also need to be taken into account, and the government has highlighted these needs in its National Strategy.

Horizontal co-operation:

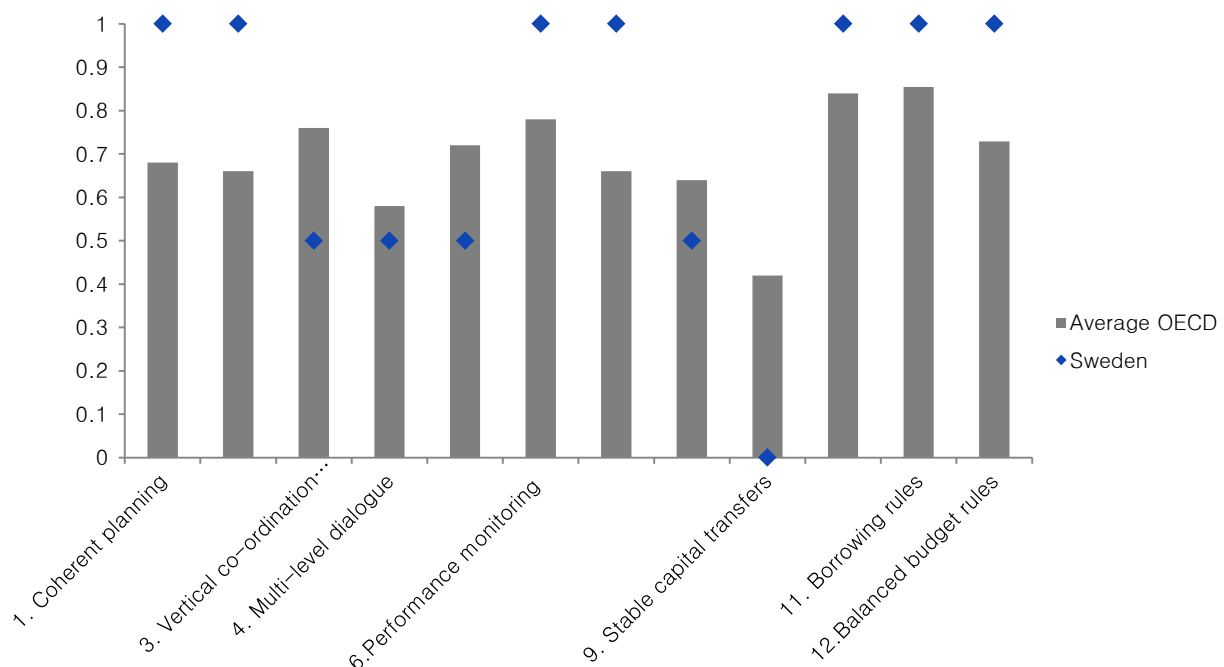
Sweden has been active in supporting inter-municipal co-operation for public service provision (through local federations and common committees in particular). Since 1919 municipalities and

counties have had the opportunity to form local federations to improve the cost efficiency of service delivery. A local federation is a legal entity, i.e. a special local authority, to which members can transfer the management of local government concerns. All areas of municipal competence can be transferred to a local federation. Local federations have a joint decision-making body whose members are elected by the assemblies of the federation members. Since 1996, co-operation by municipalities and by county councils has also been handled through a common committee.

As of 1 January 2014, the Housing Provision Act, which obliges municipalities to plan for their housing provision, has been amended so that municipalities must also take into account regional conditions and needs and consult both with other municipalities in the region and with regional bodies.

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 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 X
- c At least one of these mechanisms involving many sectors

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% 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
 - 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:

Ministry of Enterprise and Innovation (2015): Sweden's National Strategy for Sustainable Regional Growth and Attractiveness 2015–2020.

National Reform Programme Sweden 2014.

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),

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.

OECD (2010), *Territorial Review of Sweden*, OECD Publishing, Paris.

<http://www.government.se/information-material/2016/04/swedens-national-strategy-for-sustainable-regional-growth-and-attractiveness-20152020---short-version/>.