

Multi-level governance of public investment 2017

Table 1. Facts and figures related to direct public investment

2014	General Government	Subnational governments
USD billion	14.2	9.7
USD per capita	1739	1186
% of GDP	2.9%	2.0%
% of public expenditure	8.7%	9.6%
% of total public direct investment	100%	68.2%

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

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

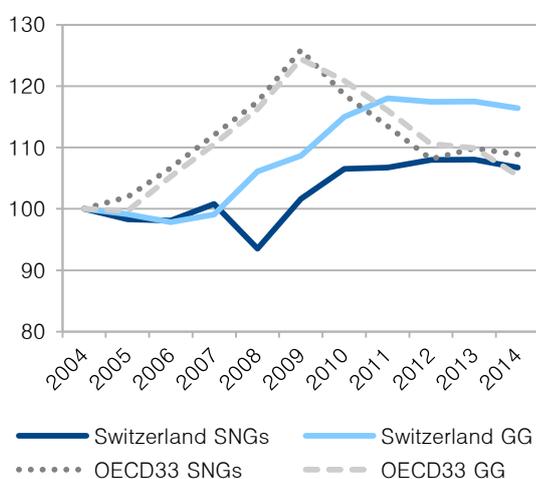
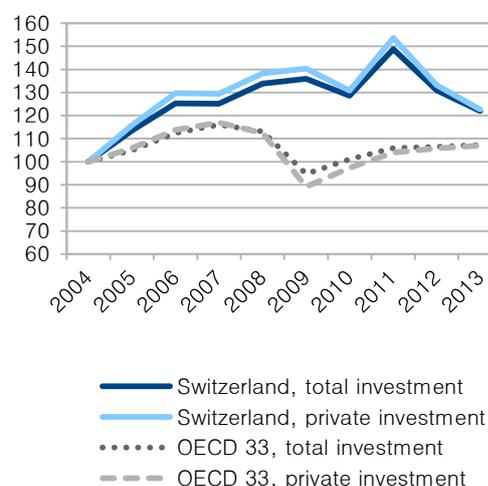


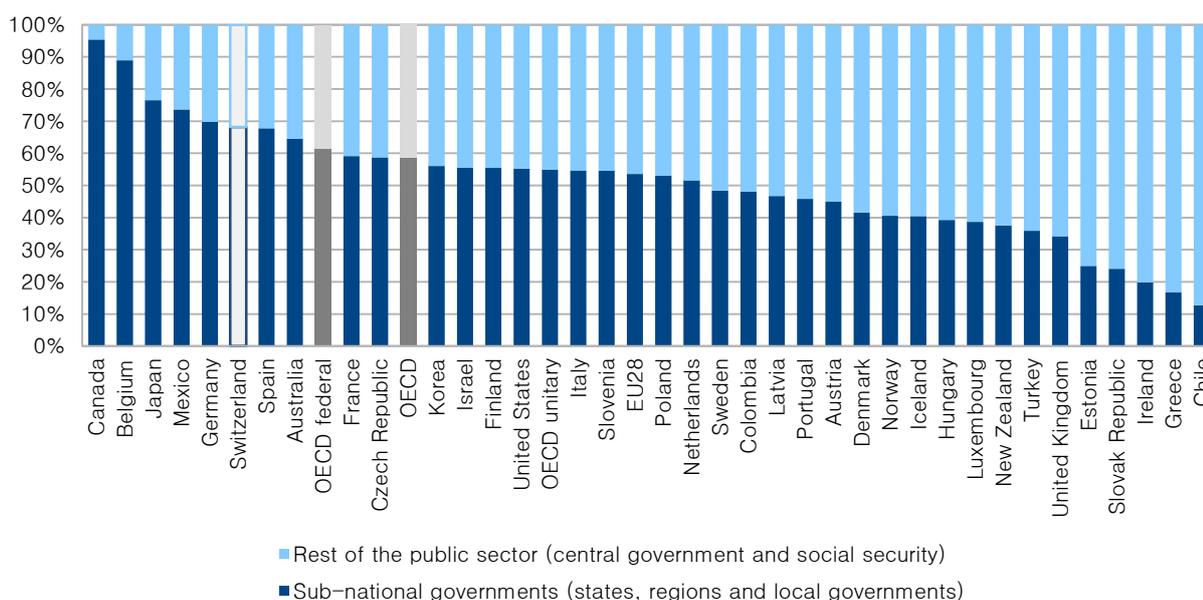
Figure 2. Trends in total and private direct investment in Switzerland (2004–14)



Source: OECD National Accounts.

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

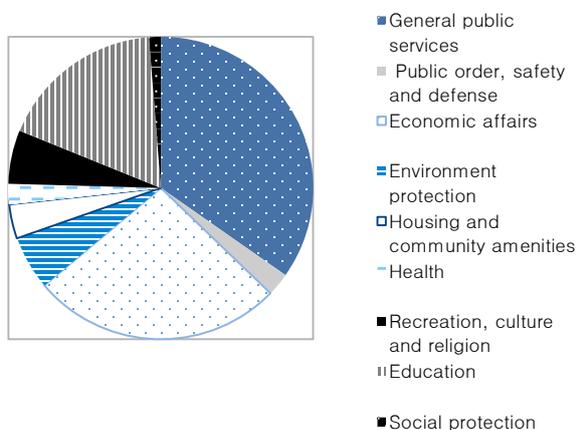


Source: OECD National Accounts

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

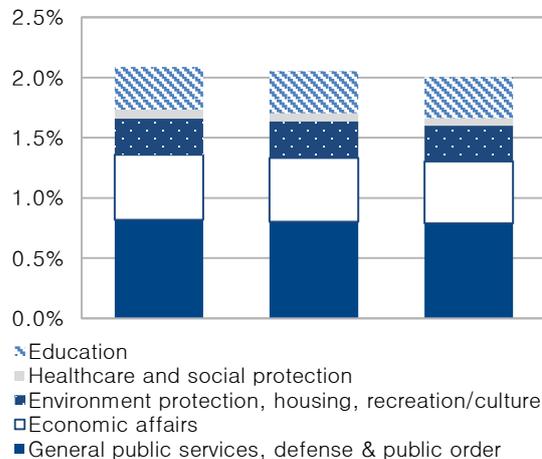
Most of subnational investments in Switzerland are dedicated to general public services. Other major categories of investment spending include economic affairs and education. In contrast, SNGs invest very little in housing, healthcare or social protection (Figures 4 and 5).

Figure 4. Breakout of subnational direct investment in Switzerland by economic function (% of total direct investment, average 2012–14)



Source: OECD National Accounts.

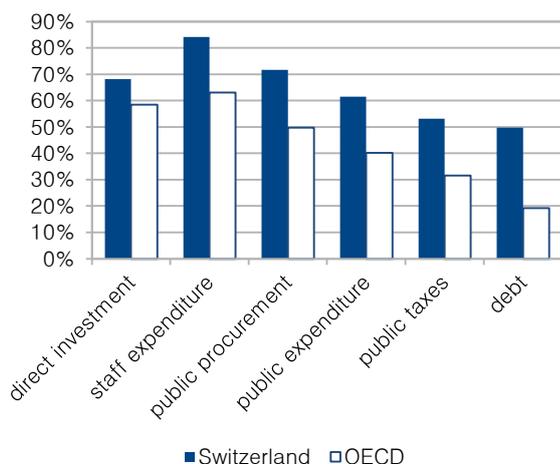
Figure 5. Subnational direct investment by economic function, 2014 (as a % of GDP)



Source: OECD National Accounts.

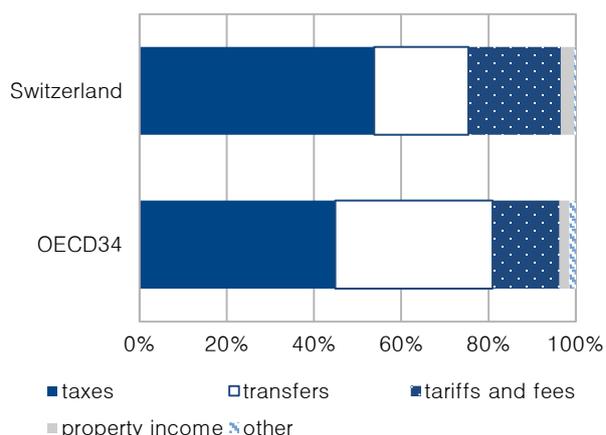
As in most federations, the share of subnational expenditure, investments, staff expenditure, and public procurement is higher than the OECD average. The share of SNG debt in total public debt is also way higher (Figure 6). Subnational governments received a large part of national taxes; a large share of their revenues comes from taxes (Figure 7), and only a small fraction comes from transfers from the central government.

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



Source: OECD National Accounts. Note: Switzerland debt: 2013 instated of 2014.

Figure 7. Indicators of subnational fiscal revenues in Switzerland 2014



Source: OECD National Accounts.

Examples of good practices or recent developments for effective public investment

Cross-sectoral coordination:

The New Regional Policy of Switzerland introduced in 2008 emphasises horizontal co-ordination across sectors. The NRP aims to strengthen co-ordination by implementing mechanisms such as co-operation agreements or cross-sectoral commissions with six sectors: i) agriculture; ii) tourism; iii) environment; iv) innovation; v) economic promotion; and vi) spatial planning.

Performance monitoring:

The Swiss Constitution requires all policies to be evaluated with respect to effectiveness. Thus, an intermediate evaluation is scheduled for the end of the four-year programming period (the timeframe for each programme agreement) to evaluate if cantons are “on-track” and implementing programmes in the spirit of the NRP. Tools under consideration include a SWOT analysis and a questionnaire that will be sent to the cantons (in addition to their annual report). A final evaluation is also to take place following the completion of the eight-year national programme cycle.

Co-financing arrangements:

RegioPlus (now integrated in the New Regional Policy of Switzerland): supported structural change in rural areas by co-financing approximately 150 local or regional projects that united public and private actors across sectors. Tourism and regional competence centres for SMEs were the top funded themes. On average, the Confederation provided 34% of project funding, with 12% coming from cantons and the remainder from private sources, including personal contributions.

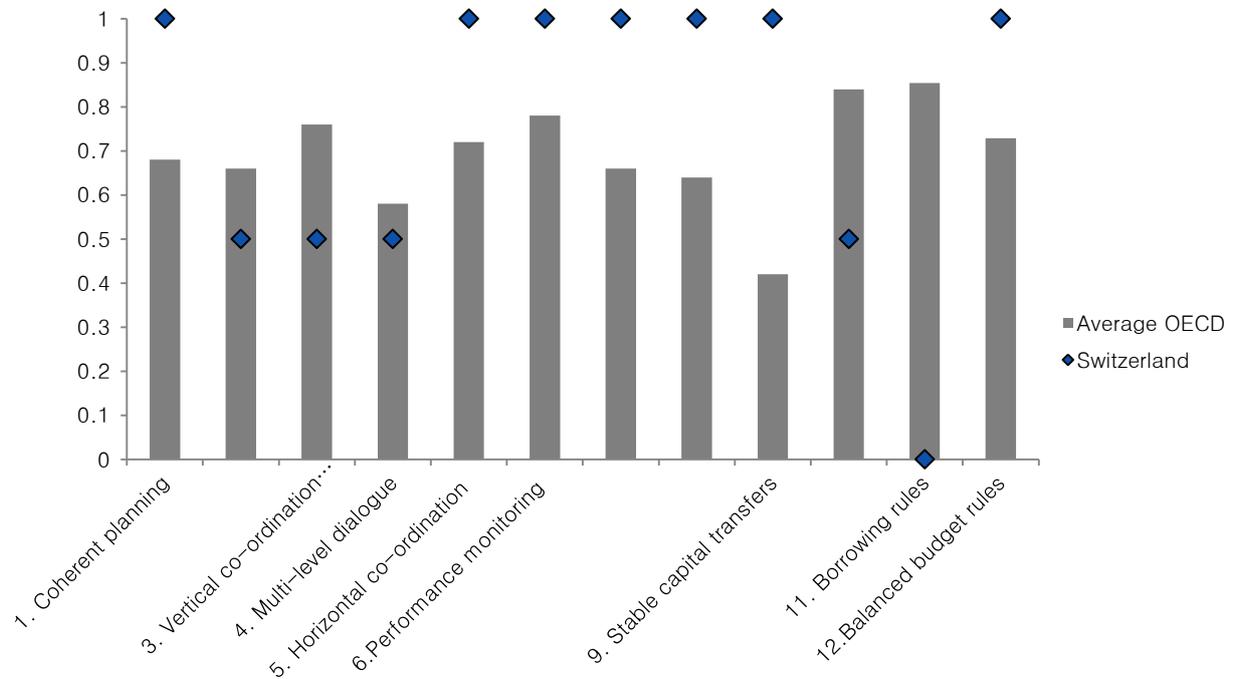
Vertical Coordination:

The Tripartite Conference on Agglomerations was founded in 2001 in order to enhance cooperation between the federal government, cantons, towns and communes. It is jointly managed by the Federal Council, the Conference of Canton Governments, the Swiss Town Union and the Swiss Municipality Association.

Moreover, in the context of the 2016+ Agglomeration Policy, an Agglomeration Technical and Political Group should be created. This group would be in charge of identifying interesting issues related to agglomeration policy, centralising information and exchanges on policy implementation, preparing the Tripartite Conference and other discussions, *etc.*

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 coordination 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 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 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
- 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
- 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
- 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%
- 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) X
- c Available for each subnational government individually

11. Fiscal stability: rules for subnational governments

There are limits on subnational borrowing

- a No limits on subnational government borrowing X
- b Non-binding borrowing constraints
- 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:

Conseil fédéral suisse (2015): Politique des agglomérations 2016+ de la Confédération. Rapport du 18 février 2015, Berne.

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 (2011a), *OECD Territorial Reviews: Switzerland 2011*, OECD Publishing. doi: 10.1787/9789264092723-en.

OECD (2011b), 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.