

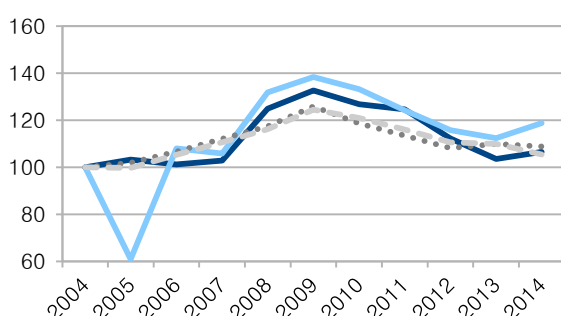
Multi-level governance of public investment

Table 1. Facts and figures related to direct public investment

2014	General Government	Subnational governments
USD billion	66.9	23.7
USD per capita	1036	366
% of GDP	2.6%	0.9%
% of public expenditure	5.9%	8.2%
% of total public direct investment	100%	35.3%

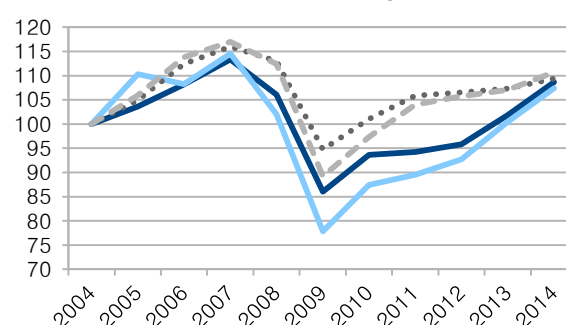
Source: OECD (2016), *Subnational governments in OECD countries: Key data*, 2016 edition (brochure).

Figure 1. Trends in direct public investment in the United Kingdom (2004–14)



— United Kingdom SNGs
— United Kingdom GG
..... OECD33 SNGs
- - - OECD33 GG

Figure 2. Trends in total and private direct investment in the United Kingdom (2004–14)

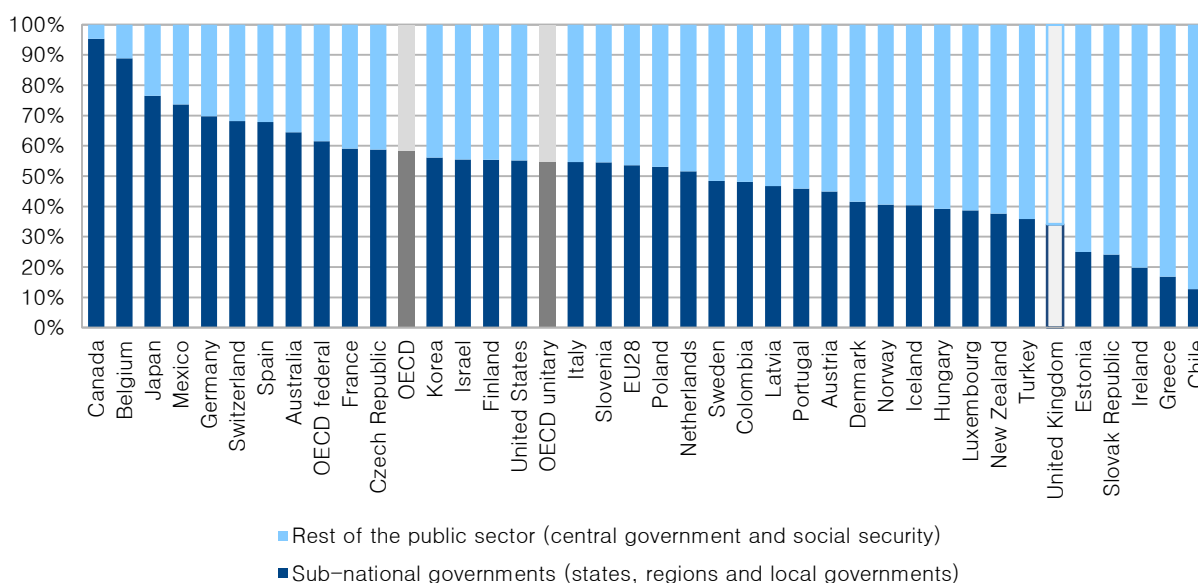


— United Kingdom, total investment
— United Kingdom, private investment
..... OECD 33, total investment
- - - OECD 33, private investment

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)



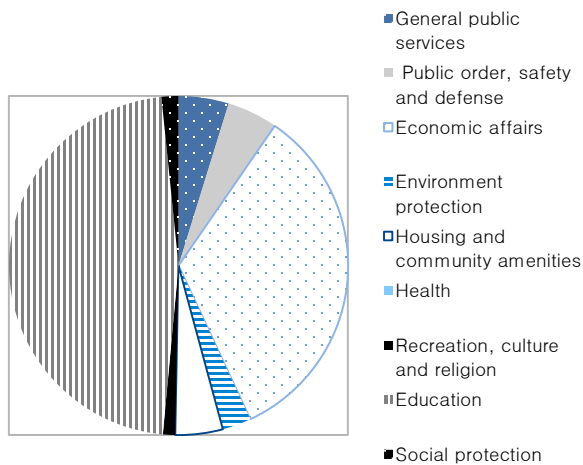
■ Rest of the public sector (central government and social security)
■ Sub-national governments (states, regions and local governments)

Source: OECD National Accounts.

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

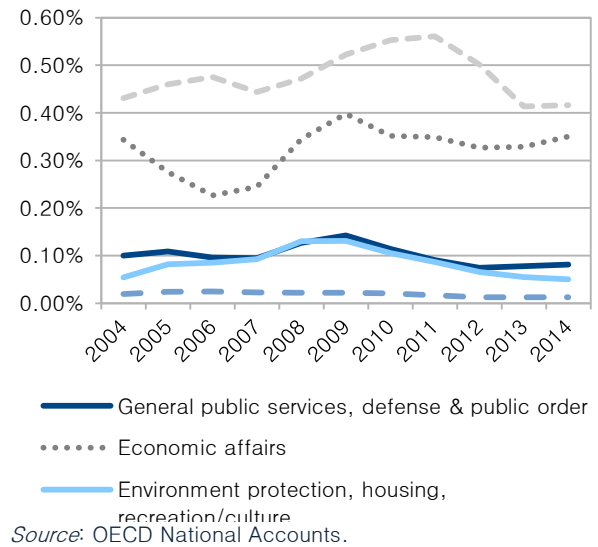
Most of subnational investments in the United Kingdom are dedicated to education. Economics affairs are another major category of investment spending. In contrast, SNGs invest very little in housing, recreation, culture, religion, healthcare or social protection (Figures 4 and 5).

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



Source: OECD National Accounts.

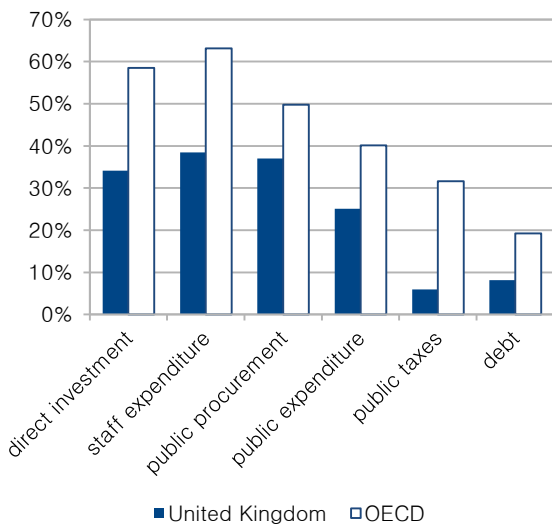
Figure 5. Trends in subnational direct investment by economic function (as a % of GDP)



Source: OECD National Accounts.

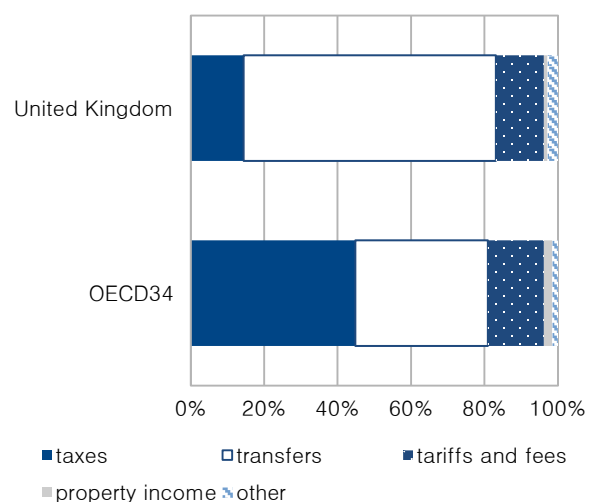
Subnational expenditure is lower than the OECD average for most large categories of spending (total expenditure, investments, staff expenditure, public procurement). The share of SNG debt in total public debt is also way smaller (Figure 6). Subnational governments also have a very small share of revenues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

Figure 6. The role of subnational governments in public finance in the United Kingdom, 2014



Source: OECD National Accounts.

Figure 7. Indicators of subnational fiscal revenues in the United Kingdom, 2014



Source: OECD National Accounts.

Examples of good practices or recent developments for effective public investment

Vertical coordination:

City Deals are agreements between government and a city that give the city control to:

- take charge and responsibility of decisions that affect their area;
- do what they think is best to help businesses grow;
- create economic growth decide how public money should be spent.

The first wave of City Deals are with the 8 largest cities outside of London, known as the Core Cities. City Deals – Wave 2 involves 20 cities – the next 14 largest cities outside of London and their wider areas and the 6 cities with the highest population growth during 2001 to 2010. With the help of the Cities Policy Unit these cities will negotiate deals with government – deals that give each city new powers in exchange for greater responsibility to stimulate and support economic growth in their area. Each city had to put forward a proposal by January 2013 that showed how they hope to do this.

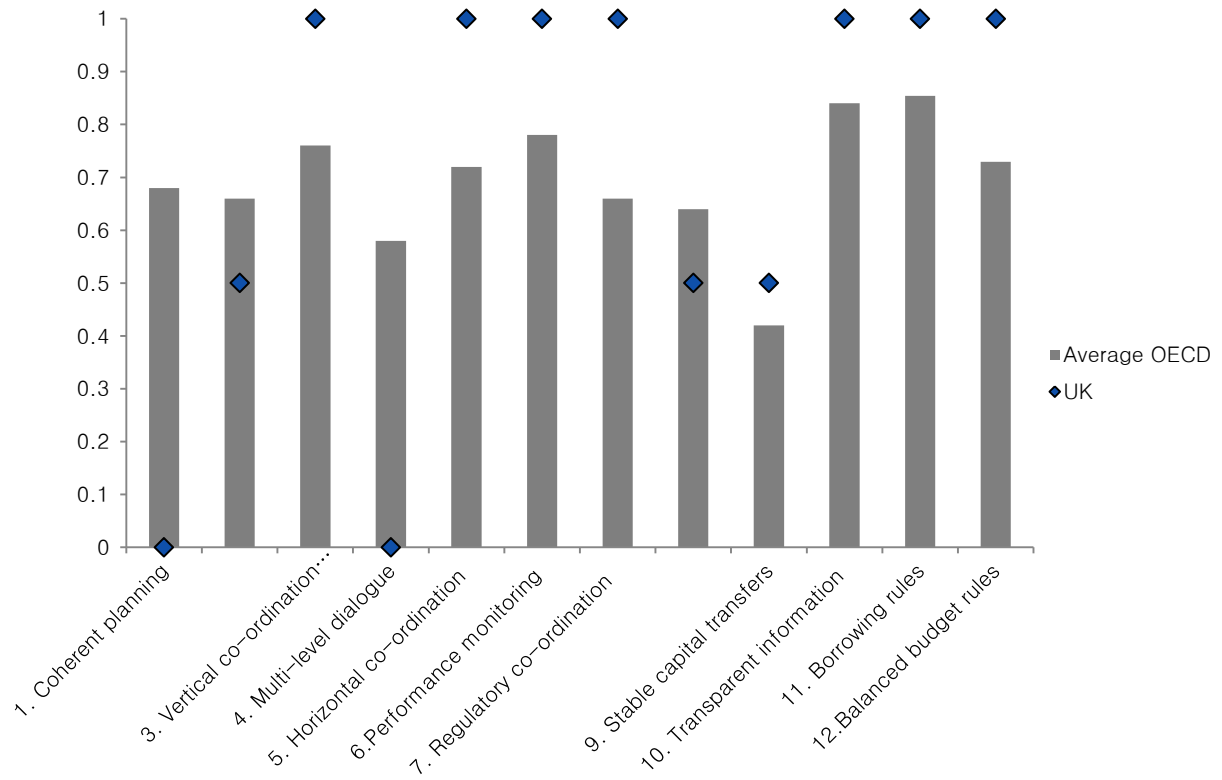
Since late 2011, urban policy has been centred on a growing number of City Deals in England that are being implemented in waves. These deals allow a degree of “tailored” devolution of responsibility to English cities. City deals require better horizontal (across departments) and vertical (between the centre and the cities) co-ordination, and local capacity.

Horizontal coordination

A Local Strategic Partnership (LSP) is a non-statutory body that brings together different parts of the public, private, voluntary and community sectors working at a local level. The LSP is guided by the local authority and other partners included the police and the primary care trust. The role of the LSP is to ensure that the different organisations work together to identify local needs and problems and develop a long-term Sustainable community strategy and Local Agreement Area (LAA) for the area to deliver services more effectively. They have no legal powers or resources of their own, so the decision taken must be carried forward through the local authority of the area or one of the other partners such as police, health, or the employment service. Most public sector partners on a LSP are under a duty to co-operate in the preparation and implementation the LAA for the area.

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 | 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 | X |
| b | Formal or ad hoc dialogue | |
| 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 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% 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 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:

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), Slovak Republic: Better Co-ordination for Better Policies, Services and Results, OECD Publishing, Paris.

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

OECD (2011a), Rural Policy Review of the UK, OECD Publishing, 2011.

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.

<https://www.gov.uk/government/policies/giving-more-power-back-to-cities-through-city-deals>.