PILLAR 3
Framework conditions for effective public investment across levels of government
The OECD Recommendation on the Governance of Public Investment

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Principle 12: Strive for quality and consistency in regulatory systems across levels of government

- RATIONALE:
  - To promote quality and coherence of regulations. In many OECD countries, SNGs face inflationary regulation, overlapping/contradictory regulation across levels of government.
  - To enhance the regulatory capacity of SNGs.

- POSSIBLE SOLUTIONS:
  - Implementation of formal co-ordination and harmonisation mechanisms between levels of government that impose specific obligations in relation to regulatory practice e.g. inter-governmental platforms, mutual recognition policies, regulatory harmonisation agreements, and regulatory uniformity agreements.
  - Review regularly the stock of regulations, assessing costs and benefits of new regulations and taking compliance costs for SNGs into accounts.
  - Implement effective RIA mechanisms across levels of government.
  - Implement programmes fostering SNG capacity for regulatory quality.

GOOD PRACTICES IN THE OECD COUNTRIES

**Australia:** Council of Australian Governments: common framework for benchmarking, measuring, and reporting regulatory burden across levels of government, and to set quantifiable targets for reducing red tape.

**Canada:** A Federal, Provincial and Territorial Working Group on Regulatory Reform has been created as a forum to help build a shared approach to regulatory reform. Its work includes developing common regulatory principles, developing a consistent approach to regulatory impact analysis and sharing best practices.
Principle 11: Promote transparency and strategic use of procurement

- **RATIONALE**
  - Procurement is integral to public investment. But it also the government activity most vulnerable to waste, fraud and corruption.
  - On average, 55% of public procurement spending occurs sub-nationally but many SNGs lack the capabilities to conduct procurement.
  - Need of transparency through the procurement cycle, professionalisation, better accountability and control mechanisms and.

- **POTENTIAL SOLUTIONS**
  - Provide guidance and stability for SNGs for procurement
  - Collaborate for procurement e.g. purchasing alliances, framework agreements, central purchasing bodies
  - Encourage the use of e-procurement tools and harmonise procurement practices
  - Professionalize procurement through training programmes.
  - Encourage the use of procurement by SNGs as a strategic tool to foster green development and innovation.

**GOOD PRACTICES**

**Chile**: creation of Chile Compra

**Slovenia**: simplification of administrative procedures and technical assistance to municipalities

**Ireland**: National Procurement Service

**Spain/Galicia**: web platform w/one-stop shop for procurement for all public entities, including municipalities; e-procurement system

**Sweden/Skane**: collaborative procurement in the health sector

- Within the EU, corruption is estimated to cost EUR 120 billion per year
- 41% of quantifiable errors for absorption of EU funds in 2006-09 are associated with procurement
SNGs are key economic and policy actors across the OECD: SNGs expenditure

% of general government - 2014

- OECD
- Minimum
- Maximum
- Colombia*

*: 2013 data for Colombia for all indicators except debt (2014)
**: No data for Chile and Australia
***: Debt OECD definition ie including, in addition to "financial debt", insurance reserves and other accounts payable. No data for Mexico, Chile and New Zealand
SNGs expenditure as a % of GDP and public expenditure in 2014 in the OECD and Colombia
SNGs spending responsibilities in the OECD and Colombia
SNGs are key economic and policy actors across the OECD

% of general government - 2014

- OECD
- Minimum
- Maximum
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Breakdown of SNG expenditure by type (%, 2014)
SNGs are key economic and policy actors across the OECD

% of general government - 2014

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- **Minimum**
- **Maximum**
- **Colombia**

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% of general government - 2014

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Subnational government tax revenue as a % of public tax revenue and as a % of GDP, 2014

SNG tax revenue as a % of public tax revenue

SNG tax revenue as a % of GDP

Colombia
Share of SNG expenditure and tax revenue in general government
Sources of SNG revenue in the OECD and Colombia (Breakdown of SNG revenue by category, %, 2013)
SNGs are key economic and policy actors across the OECD

% of general government - 2014

- OECD
- Minimum
- Maximum
- Colombia*

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Subnational government debt as a % of GDP and of public debt, 2014

Colombia
Conclusion: Principles 9 and 10: appropriate fiscal framework and financial management

– **DEVELOP A FISCAL FRAMEWORK ADAPTED TO THE OBJECTIVES PURSUED**

  • To define appropriate fiscal arrangements in terms of transfers, own revenues and recourse to borrowing which reflect SNG spending responsibilities to avoid unfunded or under-funded mandates and to preserve SNG financial capacity to invest
  
  • To encourage SNGs to play an active role in investment and development
  
  • To align priorities across levels of government

– **REQUIRE SOUND AND TRANSPARENT FINANCIAL MANAGEMENT AT ALL LEVELS OF GOVERNMENT**

  • To ensure budgetary and financial accountability at all levels of government:
  
  • To enhance transparency with citizens and other stakeholders
  
  • To ensure national fiscal stability while preserving investment: find the right balance