



PILLAR 3

Framework conditions for effective public investment across levels of government



The OECD Recommendation on the Governance of Public Investment

Pillar 1

Co-ordinate across governments and policy areas

- Invest using an integrated strategy tailored to different places
- Adopt effective co-ordination instruments across levels of government
- Co-ordinate across SNGs to invest at the relevant scale

Pillar 2

Strengthen capacities and promote policy learning across levels of government

- Assess upfront long term impacts and risks
- Encourage stakeholder involvement throughout investment cycle
- Mobilise private actors and financing institutions
- Reinforce the expertise of public officials & institutions
- Focus on results and promote learning

Pillar 3

Ensure sound framework conditions at all levels of government

- **Principle 9:** Develop a fiscal framework adapted to the objectives pursued
- **Principle 10:** Require sound, transparent financial management
- **Principle 11:** Promote transparency and strategic use of procurement
- **Principle 12:** strive for quality and consistency in regulatory systems across levels of government



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.

- ✓ **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**

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



SNGs are key economic and policy actors across the OECD: SNGs expenditure

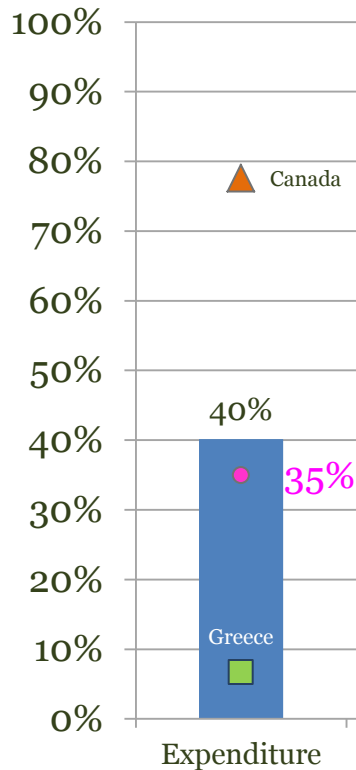
% of general government - 2014

■ OECD

■ Minimum

▲ Maximum

● Colombia*



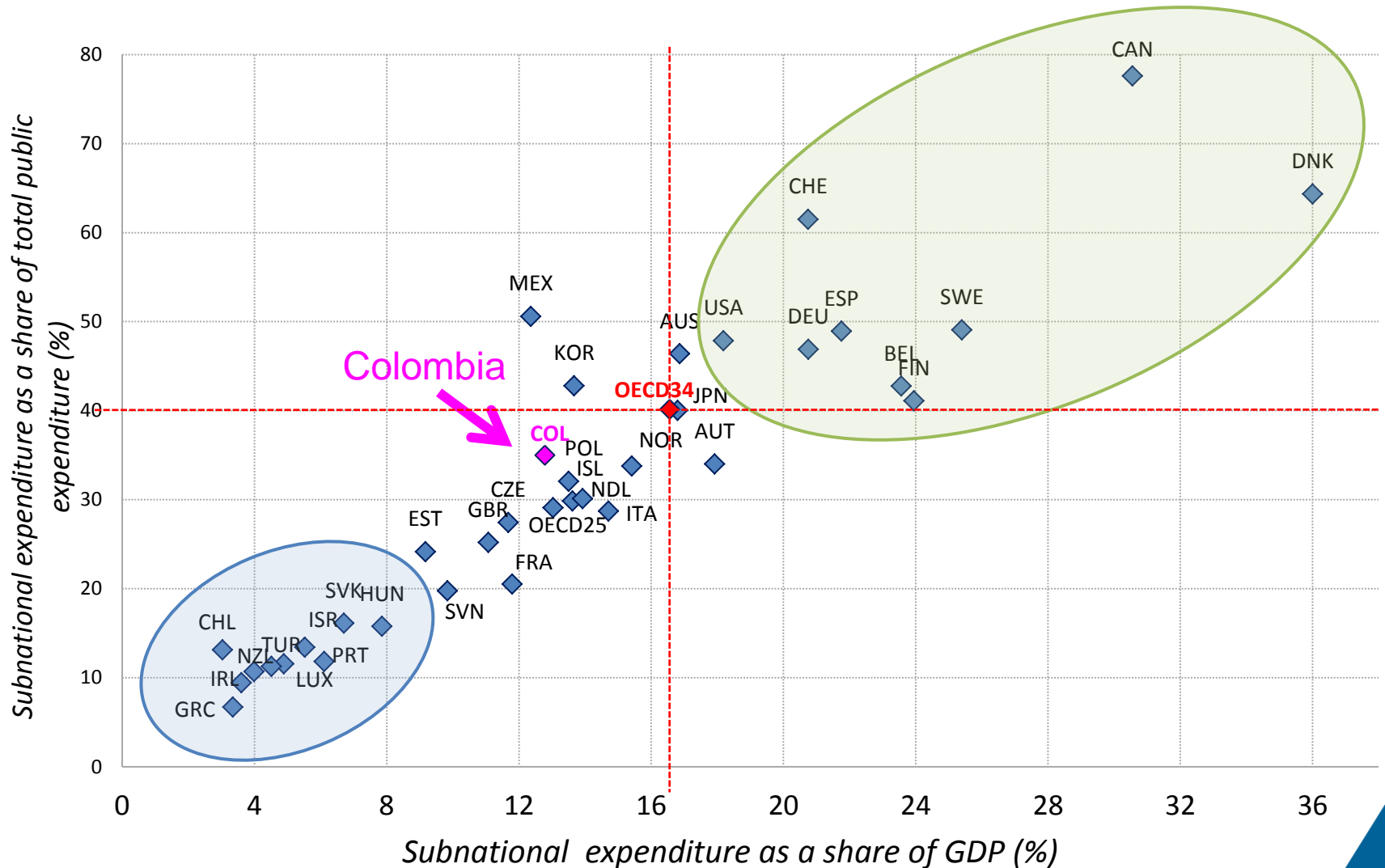
*: 2013 data for Colombia for all indicators except debt (2014)

** : 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



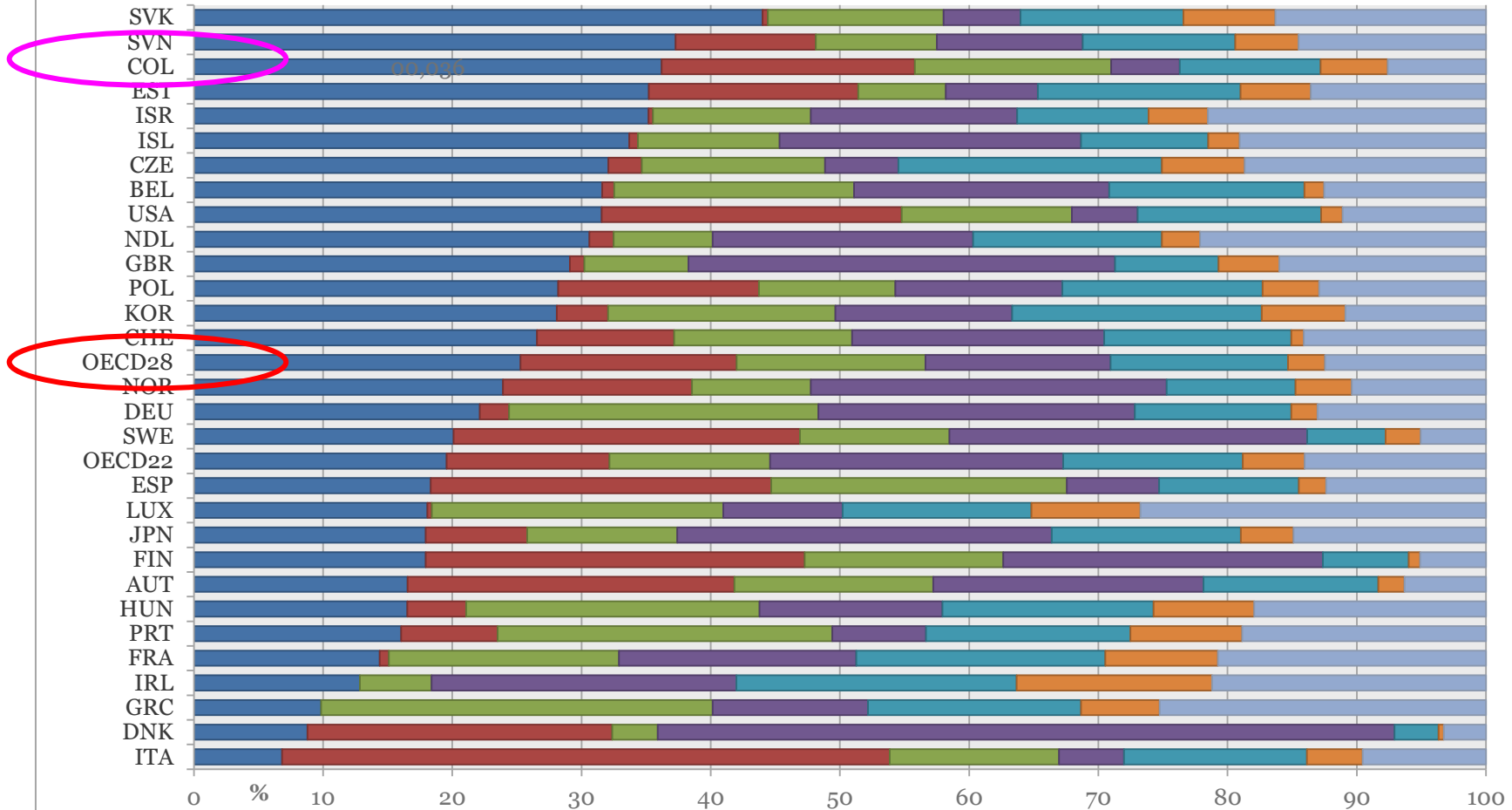
SNGs expenditure as a % of GDP and public expenditure in 2014 in the OECD and Colombia





SNGs spending responsibilities in the OECD and Colombia

- Education
- General public services
- Economic affairs
- Other
- Health
- Social protection
- Housing and community amenities

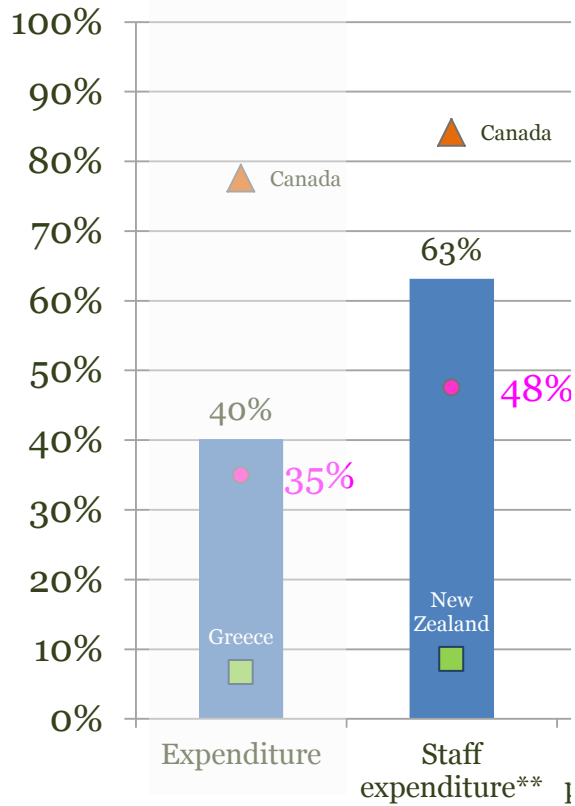




SNGs are key economic and policy actors across the OECD

% of general government - 2014

■ OECD ■ Minimum ▲ Maximum ● Colombia*



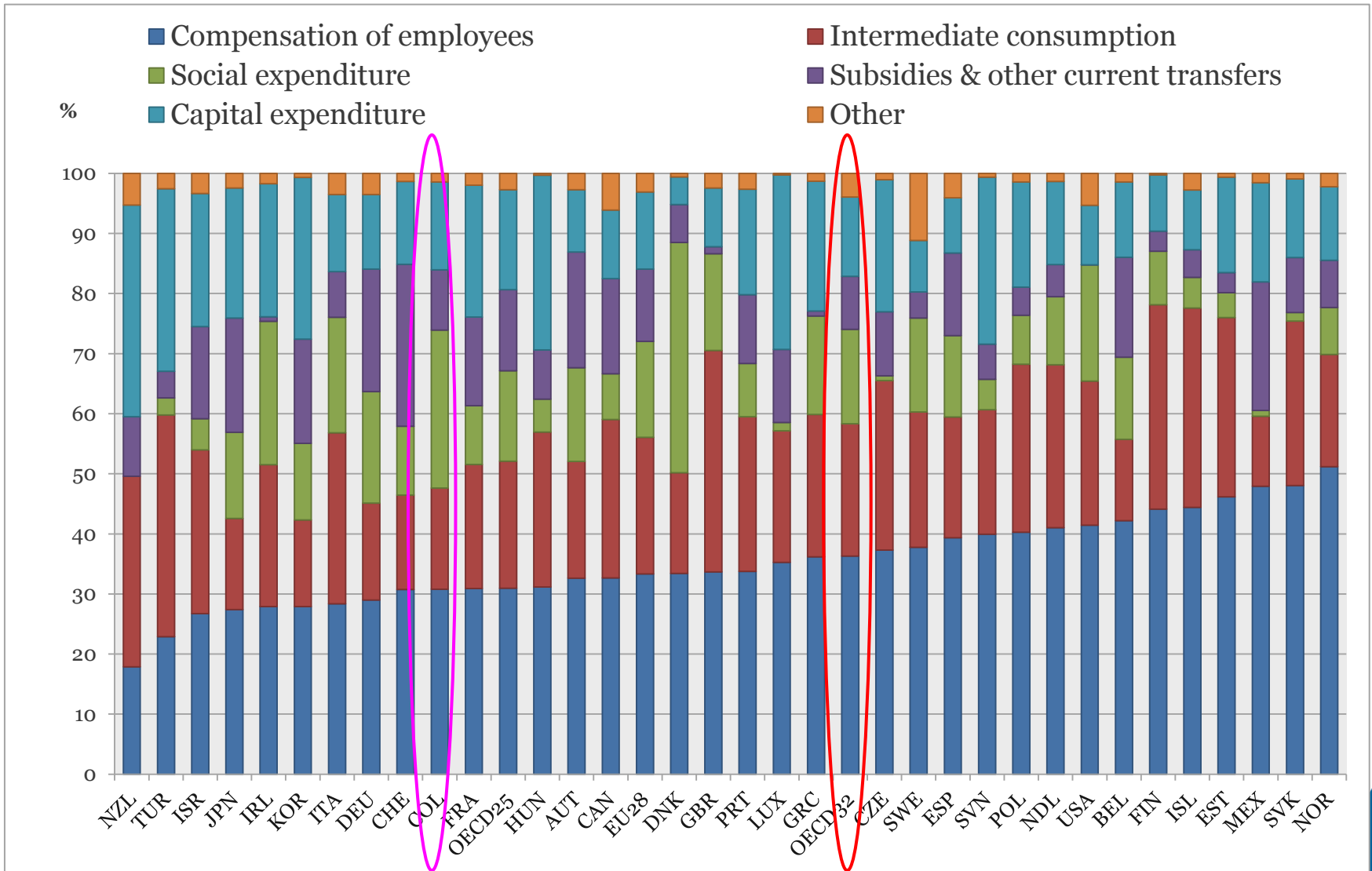
*: 2013 data for Colombia for all indicators except debt (2014)

** : 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



Breakdown of SNG expenditure by type (% , 2014)

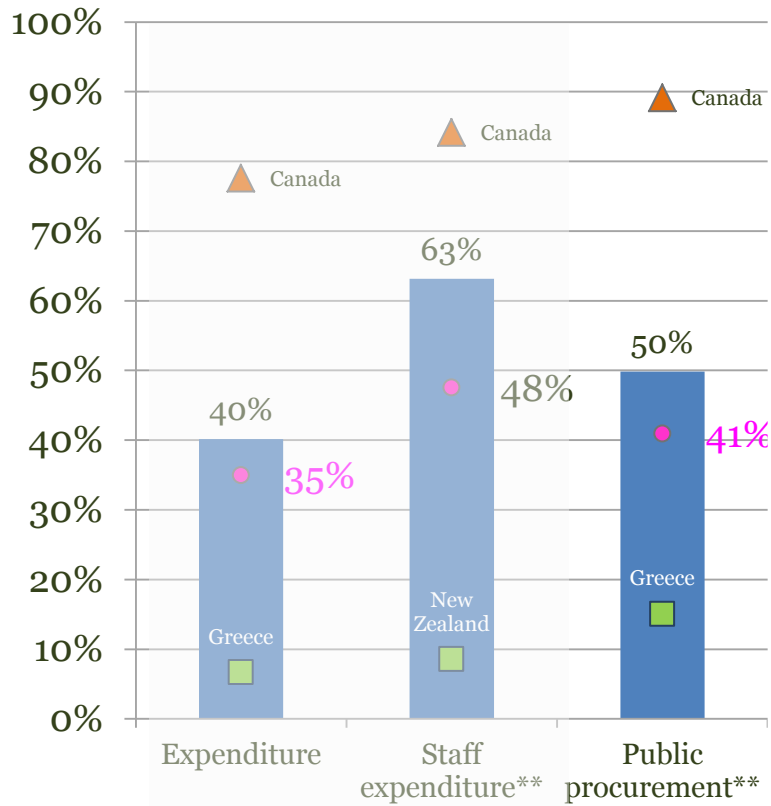




SNGs are key economic and policy actors across the OECD

% of general government - 2014

■ OECD ■ Minimum ▲ Maximum ● Colombia*



*: 2013 data for Colombia for all indicators except debt (2014)

** : No data for Chile and Australia

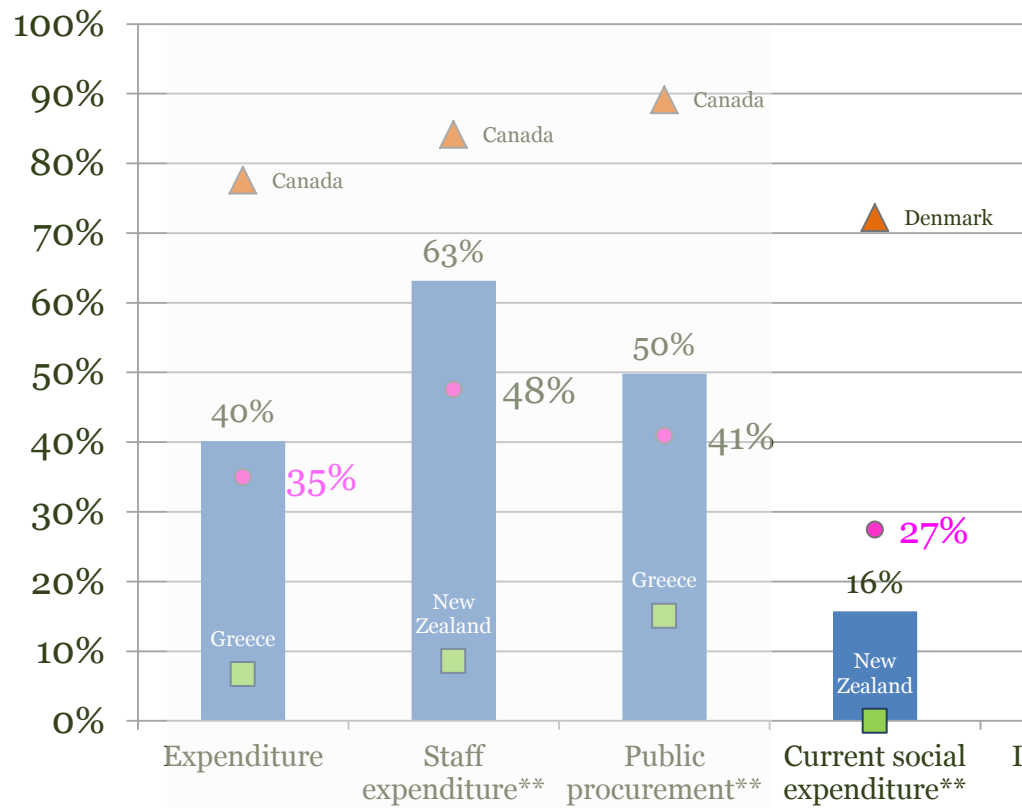
*** : Debt OECD definition ie including, in addition to "financial debt", insurance reserves and other accounts payable. No data for Mexico, Chile and New Zealand



SNGs are key economic and policy actors across the OECD

% of general government - 2014

■ OECD ■ Minimum ▲ Maximum ● Colombia*



*: 2013 data for Colombia for all indicators except debt (2014)

** : No data for Chile and Australia

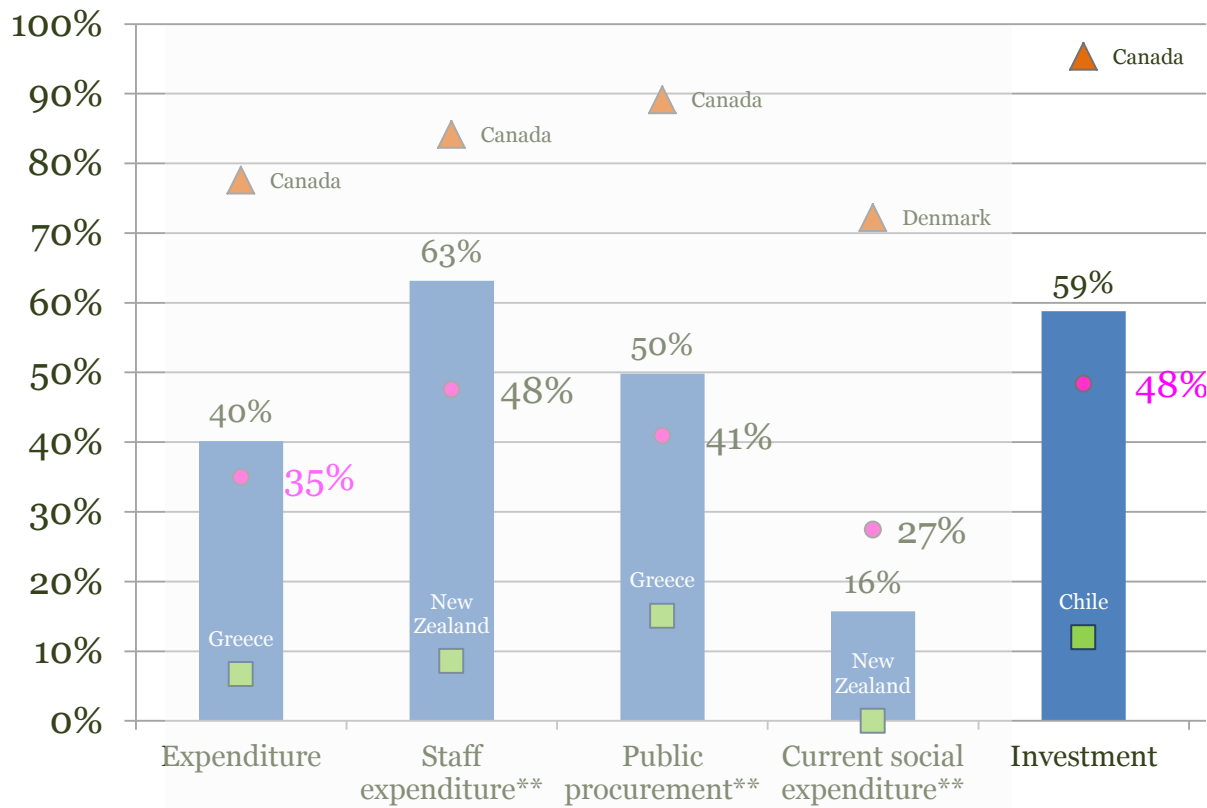
***: Debt OECD definition ie including, in addition to "financial debt", insurance reserves and other accounts payable. No data for Mexico, Chile and New Zealand



SNGs are key economic and policy actors across the OECD

% of general government - 2014

■ OECD ■ Minimum ▲ Maximum ● Colombia*



*: 2013 data for Colombia for all indicators except debt (2014)

** : No data for Chile and Australia

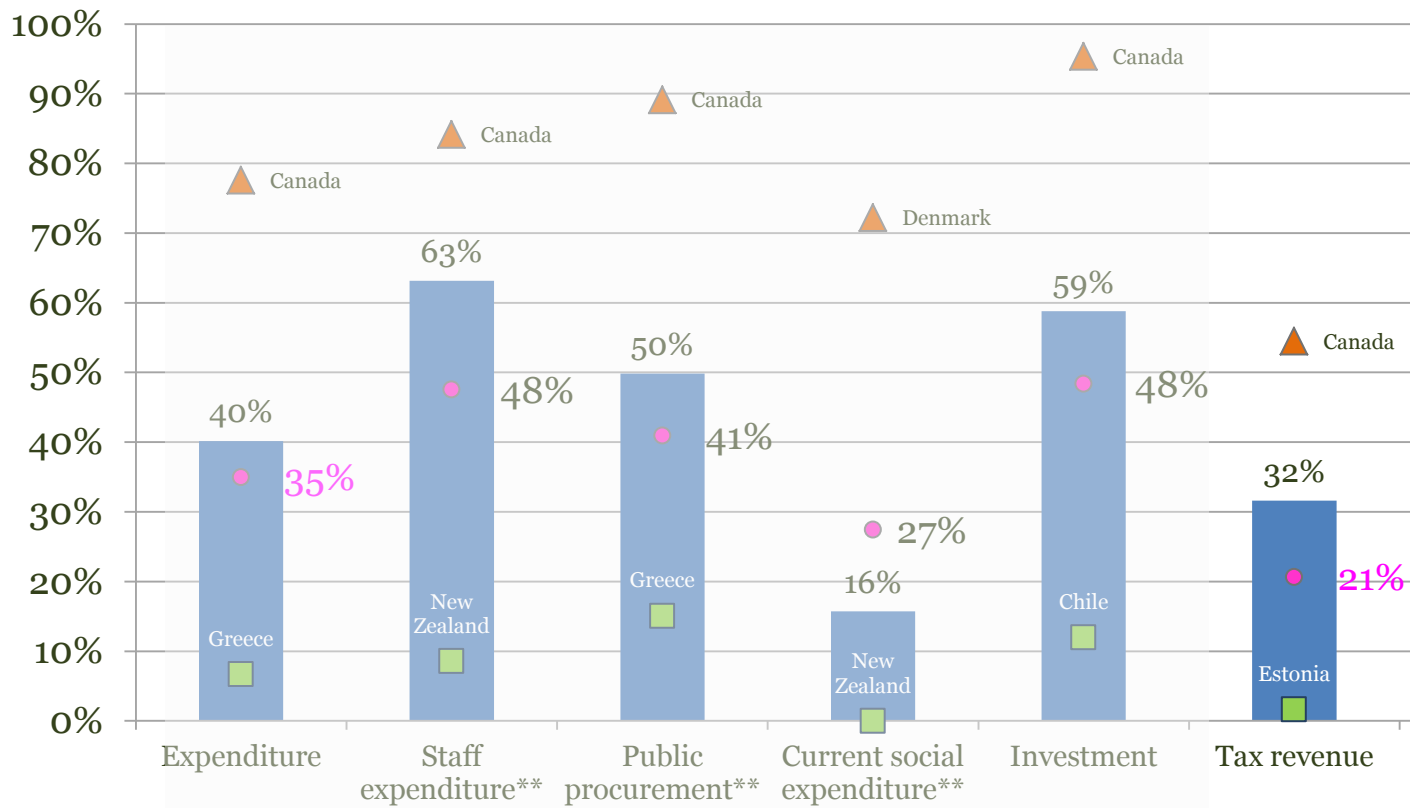
*** : Debt OECD definition ie including, in addition to "financial debt", insurance reserves and other accounts payable. No data for Mexico, Chile and New Zealand



SNGs are key economic and policy actors across the OECD

% of general government - 2014

■ OECD ■ Minimum ▲ Maximum ● Colombia*



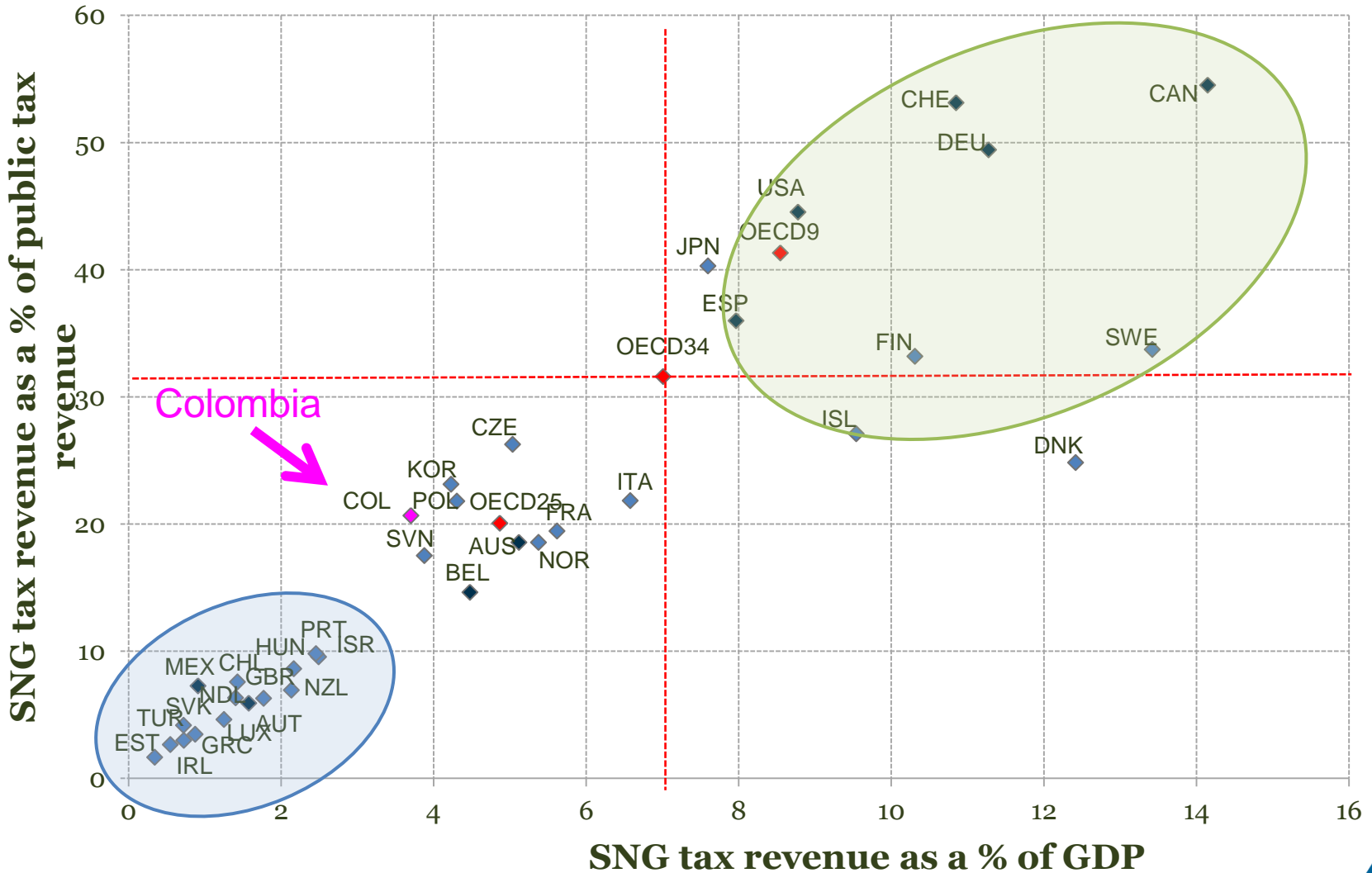
*: 2013 data for Colombia for all indicators except debt (2014)

** : 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

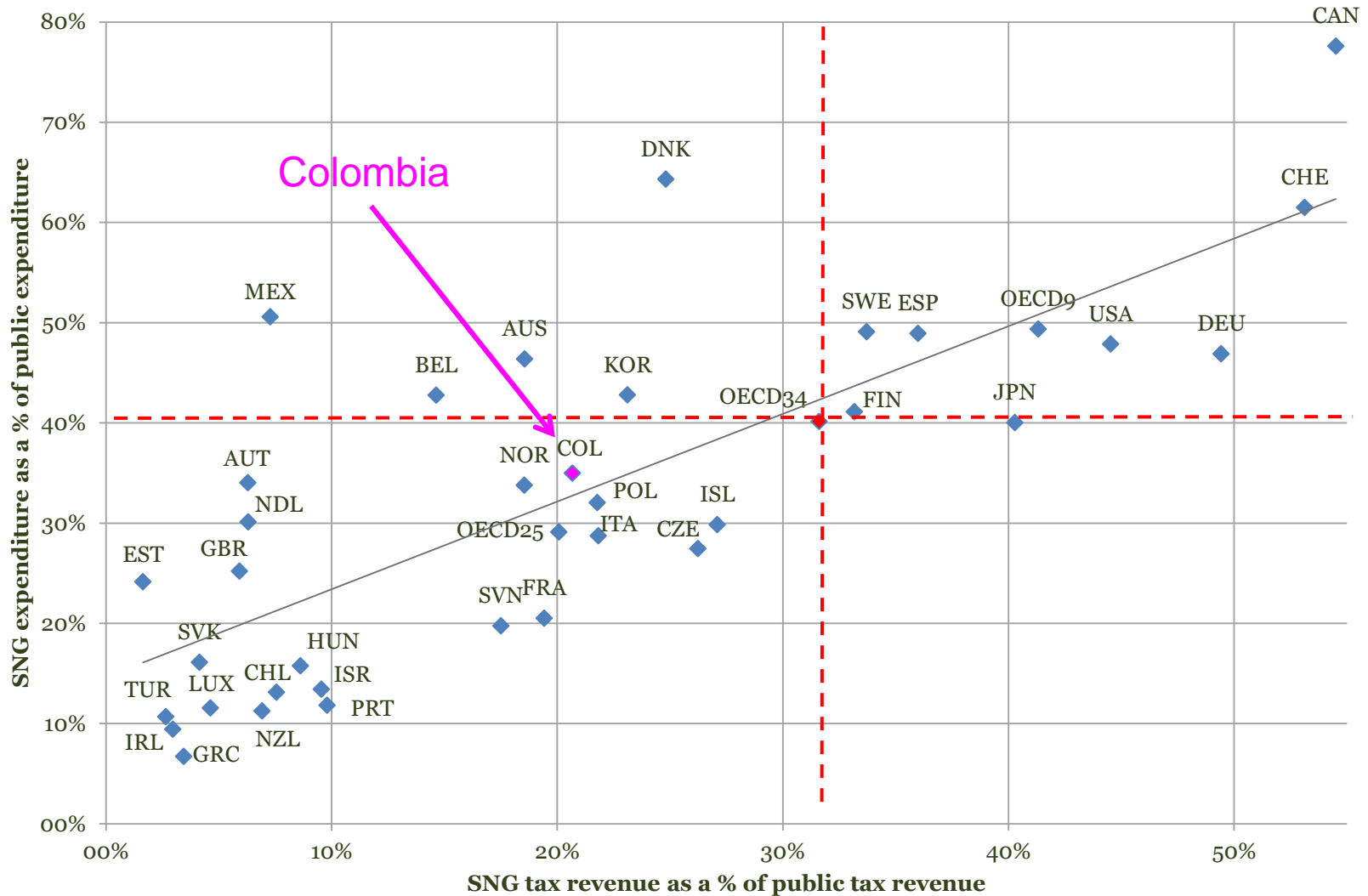


Subnational government tax revenue as a % of public tax revenue and as a % of GDP, 2014



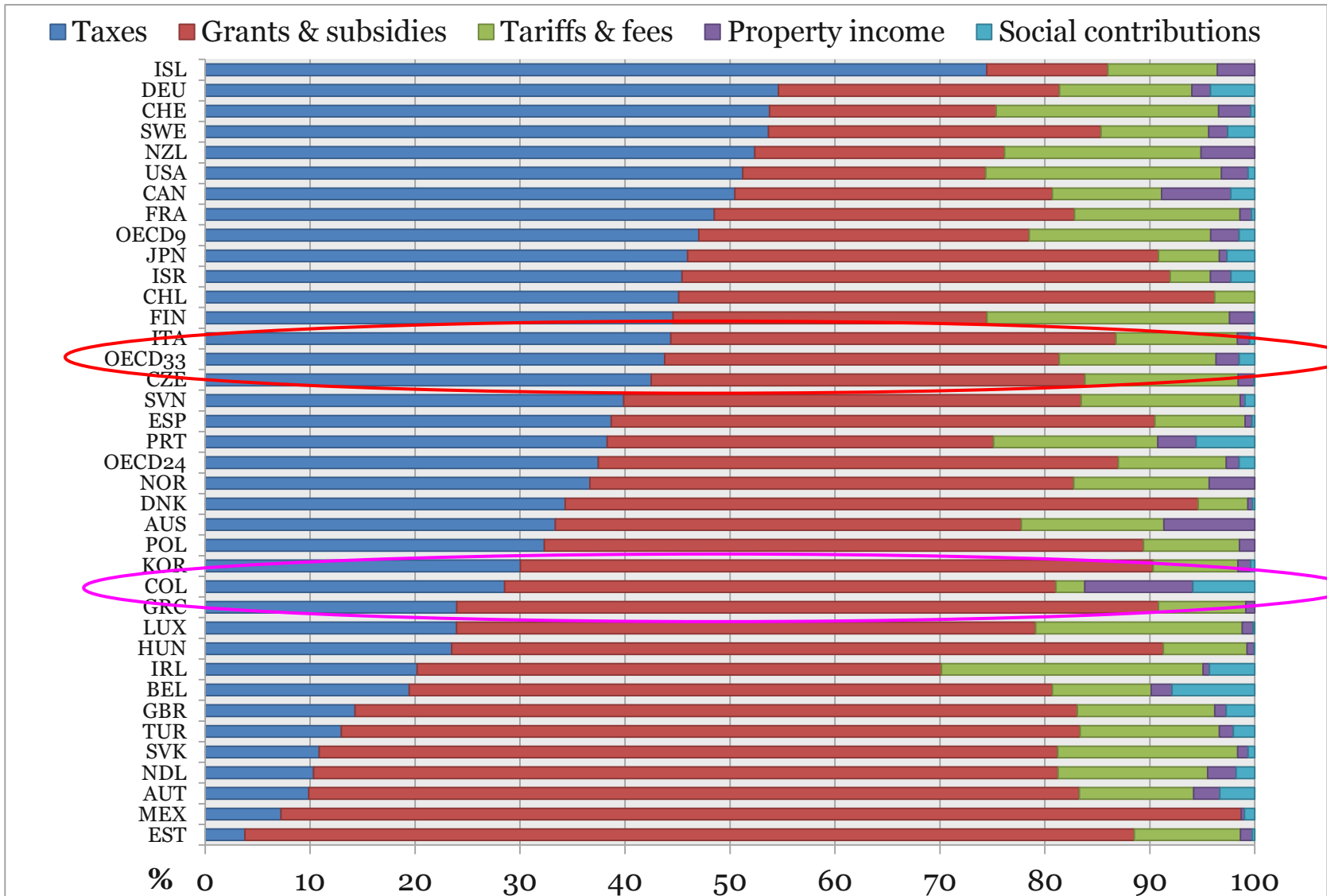


Share of SNG expenditure and tax revenue in general government





Sources of SNG revenue in the OECD and Colombia (Breakdown of SNG revenue by category, %, 2013)

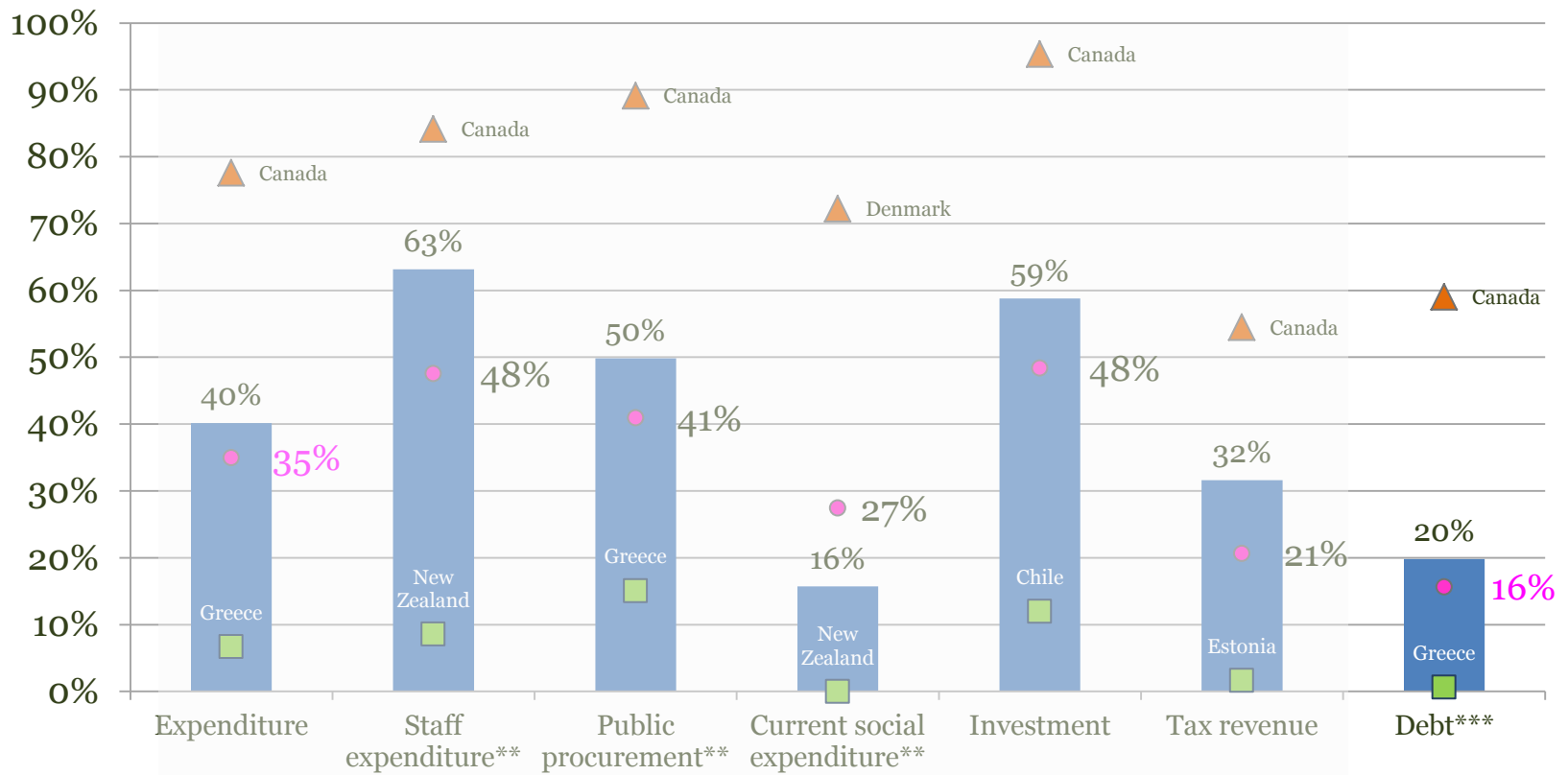




SNGs are key economic and policy actors across the OECD

% of general government - 2014

■ OECD ■ Minimum ▲ Maximum ● Colombia*



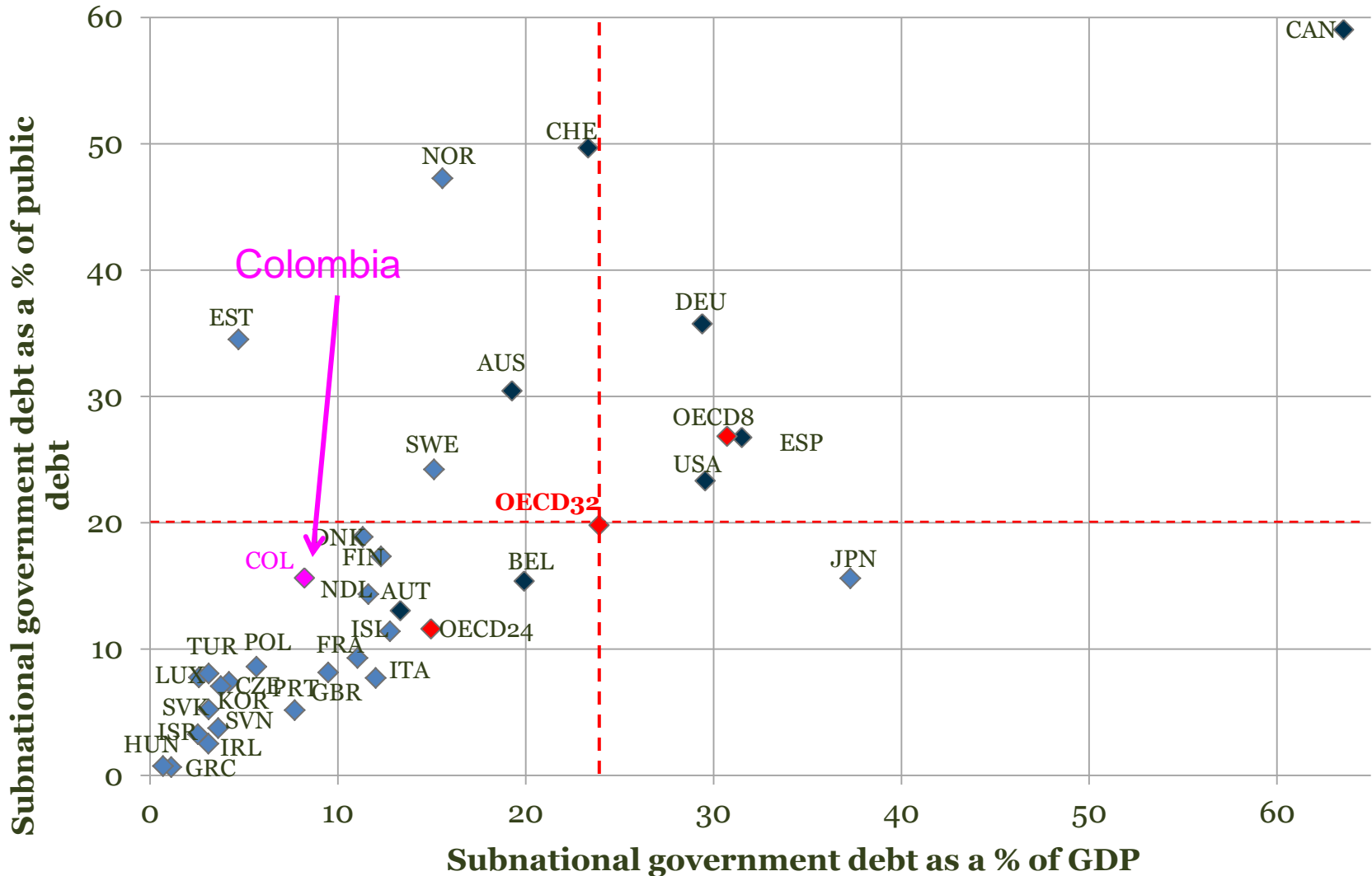
*: 2013 data for Colombia for all indicators except debt (2014)

** : 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



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





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