

Which sub-national capacities for public investment in a multi-level context?

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“Effective public investment at the sub-national level in times of fiscal constraints:
Meeting the co-ordination and capacity challenges”

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Presentation overview

- **This presentation draws from background research prepared for the OECD**
- **The presentation will address three questions:**
 - 1. Which sub-national capacities are important for efficient and effective public investment?**
 - 2. Which mechanisms can support sub-national capacity development?**
 - 3. What aspects of the broader “enabling environment” deserve attention?**

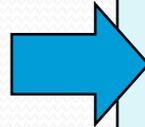
Next steps and questions for discussion

Which sub-national capacities are important? (1)

5 principles can guide the selection of sub-national capacities for efficient and effective public investment

Sub-national capacities for public investment should:

- Facilitate design and implementation of an investment portfolio that promotes endogenous regional growth
- Reflect the multi-level governance context of sub-national public investment
- Reflect good practices in public investment management and OECD principles for good governance
- Be generally applicable for all types regions, but allow for prioritization in regions with differing characteristics
- Be able to be evaluated and targeted for capacity development



Characteristics of a sound investment mix:

- *Tailored*: ...based on assessment of regional (or local) characteristics and specific competitiveness factors
- *Results-oriented*: ...designed with attention to national and sub-national development goals, complementarities and conflicts among sectoral investments, and the need to invest in hard and soft infrastructure
- *Realistic*: ... thoroughly assessed and prioritized; funded with a multi-year budget envelope
- *Forward-looking*: ...oriented to current competitiveness as well as to sustained growth in the global economy.

Which sub-national capacities are important? (2)

15 sub-national capacities correspond to the principle stages of the investment cycle and five key goals

Stage of Investment Cycle	Goal	Critical Sub-national Capacity
Planning	To design a portfolio for endogenous growth	To engage in strategic planning for endogenous growth
		To co-ordinate across sectors to achieve an integrated place-based approach
		To co-ordinate with other jurisdictions on strategic planning
		To involve stakeholders, such as citizens, universities, and firms, in planning
Finance and budgeting	To ensure adequate resources	To tap traditional and innovative financing mechanisms for public investment
		To mobilize private sector financing
		To link strategic plans to multi-annual budgets
Implementation	To achieve rigor, integrity & coherence in implementation	To conduct rigorous ex-ante appraisal
		To possess transparent, competitive, procurement processes w/internal control systems
		To engage in “better regulation”
	To promote results and learning	To possess a well-designed indicator system w/realistic, performance promoting targets
		To have timely, relevant data available for planning, implementation, and evaluation
		To conduct and use regular ex-post evaluation and audit
Evaluation and audit		To establish “learning loops” for monitoring and evaluation
Throughout	To facilitate achievement of goals	To attract and retain staff able to undertake technical projects using professional skills

What mechanisms can strengthen sub-national capacity?

Capacity development emphasizes institutional strengthening

- Formal guidance documentation to enhance technical capacity
- Technical support from higher levels of government, consultants, universities
- Financial incentives for good practice
- Professional networks/communities of practice and peer reviews
- Regional development organizations as sources of expertise and capacity, particularly for sub-national governments lacking the scale and skills to undertake investment activities effectively on their own
- Intergovernmental collaboration platforms
- E-government tools to strengthen processes and harmonize capacity
- HRM policies and training for strengthening the civil service
- Demand for high-quality planning, implementation, monitoring and evaluation

Capacity assessment and support can be incorporated in contractual relations

What about the broader “enabling environment?”

The multi-level governance context for sub-national public investment means capacities must exist at all levels of government; regional characteristics matter

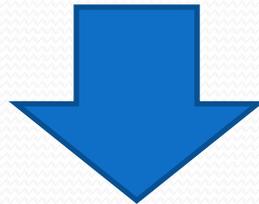
- 66% of public investment occurs sub-nationally, but SNGs do not act alone
- Their capacity to design and implement public investment is affected by :
 - Policies and practices at higher levels of government
 - The efficacy of co-ordination mechanisms and information exchange
 - The extent of decentralization and regional authority
 - The characteristics of different regions
- **Leading to a need to:**
 - **Ensure and strengthen capacity & good practices at higher levels of gov't.....**
 - Setting, communicating and linking development priorities
 - Establishing good practice in integrity and transparency
 - Developing a coherent regulatory framework across levels of government
 - Promoting sound and supportive intergovernmental fiscal relations
 - **.... and across levels of government**
 - Effective vertical and horizontal co-ordination capacity
 - **Prioritize the importance of different sub-national capacities**

Next steps ...

Feedback from today's workshop is very welcome

Next steps:

- Define indicators for (the most critical) sub-national capacities
- Prioritize sub-national capacities for different types of regions



Key question for discussion:

- How should the capacities be prioritized for different types of regions with different types of investment needs?

Feedback is welcome.
Thank you for your attention.