

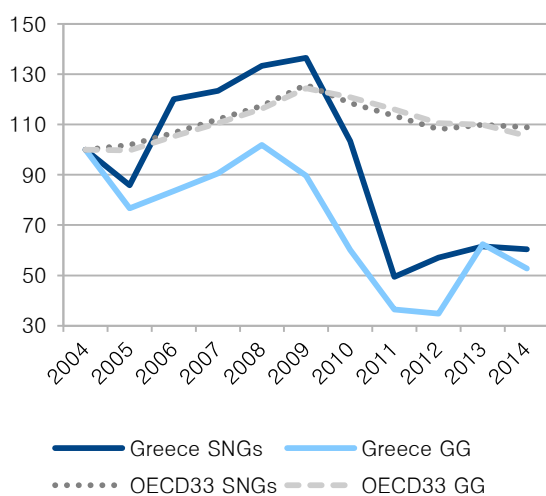
Multi-level governance of public investment 2017

Table 1. Facts and figures related to direct public investment

2014	General Government	Subnational Governments
USD billion	11.5	2.1
USD per capita	1052	188
% of GDP	3.9%	0.7%
% of public expenditure	7.9%	21.0%
% of total public direct investment	100%	17.9%

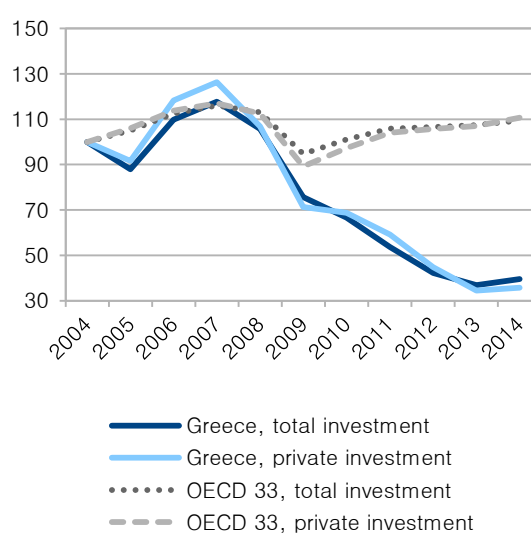
Source: OECD (2016), *Subnational governments in OECD countries: Key data*, 2016 edition (brochure).

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



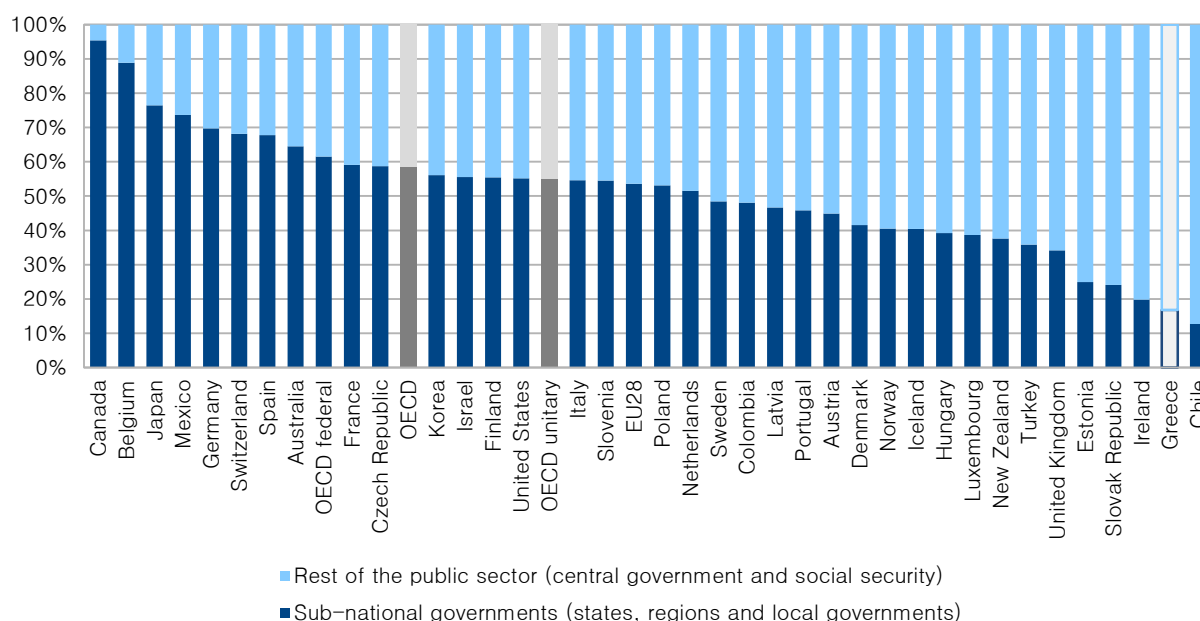
Source: OECD National Accounts. In real terms, base 100 in 2004.

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



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)

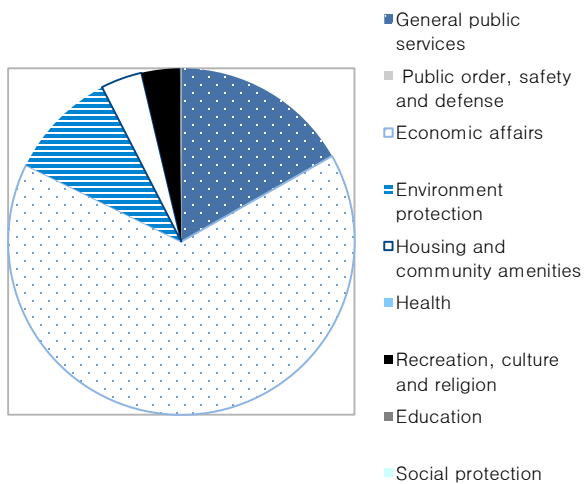


Source: OECD National Accounts.

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

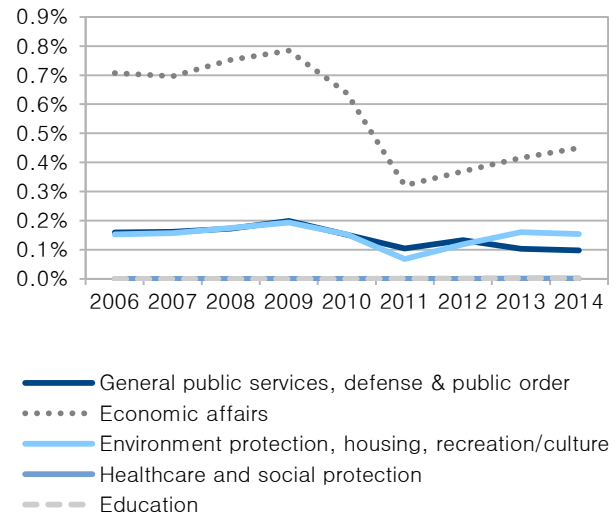
Greece is a highly centralised country. A very large majority of subnational investments are dedicated to economic affairs (transport, general economic, commercial and labour affairs, industry, agriculture, etc.). Other large categories of investment spending include general public services and environment protection. In contrast, SNGs invest very little in education, healthcare or social protection (Figure 4). Public investment in Greece has declined strongly following the economic crisis, in particular in the sector of economic affairs (Figure 5).

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



Source: OECD National Accounts.

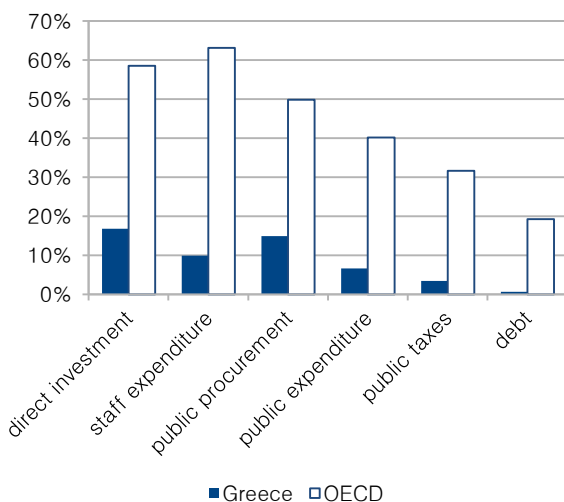
Figure 5. Trends in subnational direct investment by economic function (as a % of GDP)



Source: OECD National Accounts.

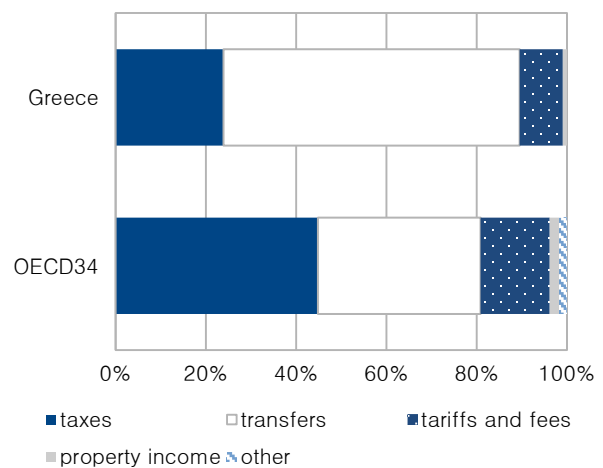
Because Greece is one of the most centralised countries in the OECD, the share of subnational total expenditure, investments, staff expenditure, and public procurement is much lower than the OECD average. The share of SNG debt in total public debt is also way smaller (Figure 6). Subnational governments also have a smaller share of revenues from taxes (Figure 7), and rely heavily on transfers from the central government for their financing.

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



Source: OECD National Accounts.

Figure 7. Indicators of subnational fiscal revenues in Greece, 2014



Source: OECD National Accounts.

Examples of good practices or recent developments for effective public investment

Coherent planning:

The 2011 investment law targets projects promoting economic openness, competitiveness, technology upgrading and the reduction of regional inequalities. The law provides for three general and four special categories of investment schemes, corresponding to different investment regimes. The law also entails more rigorous project selection criteria and simpler submission and evaluation procedures than past frameworks. It sets a clear time schedule of six months for the evaluation and approval of projects and provides for a better monitoring of disbursements and the outcomes achieved through specific annual budgets for the total amount of disbursements and other items. All applications of investment proposals are required to include a complete and detailed business plan and an impact assessment study on the Greek economy.

Spatial planning laws in Greece include several instruments, and in particular plans at different levels (national, regional, town and local level). There exists a hierarchy between these different plans: higher-level plans are bidding for lower-level plans, which ensures the cohesion of the overall spatial policy.

Performance monitoring:

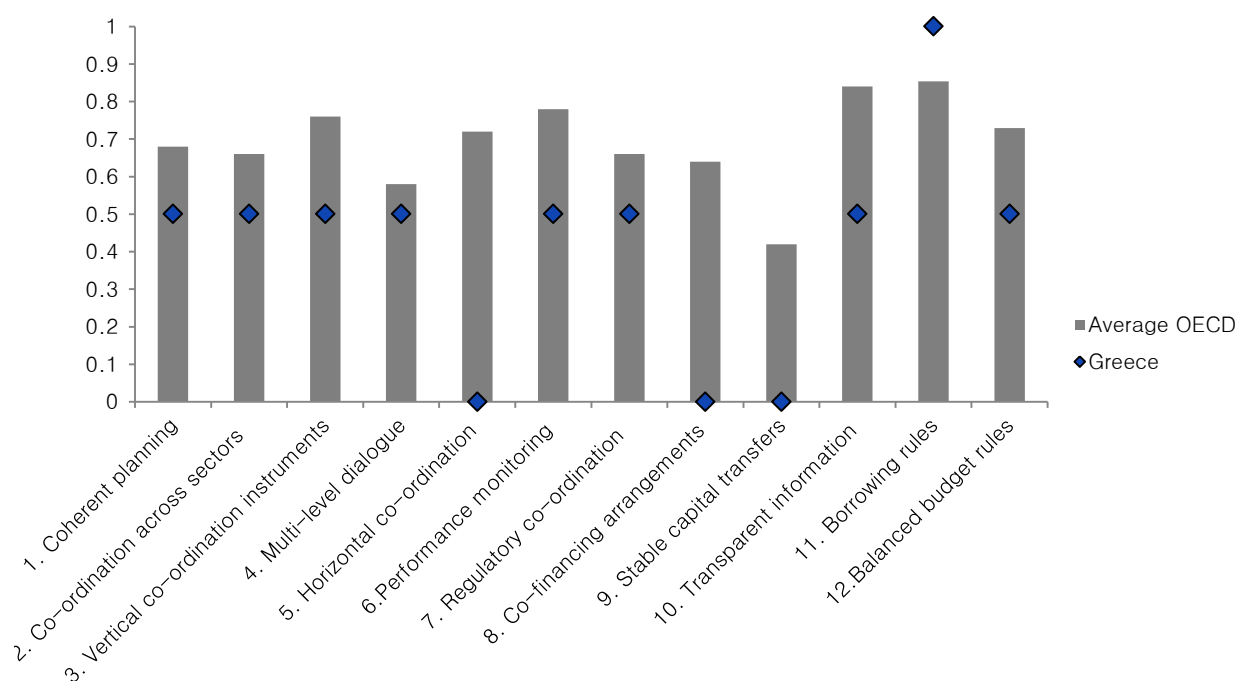
Like many countries facing a tighter fiscal environment and a need to improve the efficiency of public investment since 2010, Greece has moved to strengthen the links between the design and implementation of policies and their primary objectives. To do so, Greece accompanied an overhaul of local and regional public administration with the requirement that regions and ministries sign agreements providing for tougher reporting requirements. Failure to comply with this requirement could lead to a reallocation of funding.

Co-financing arrangements:

The Programme "Let's save energy II" for Municipalities aimed at implementing actions and best practices in order to reduce urban energy consumption, in particular for municipal buildings, common areas, municipal transport, municipal facilities, etc. Besides energy-saving projects, the funds could also be used to finance studies, expertise or audits regarding energy consumption. 107 million euros were allocated to the programme. Municipalities were able to submit proposals before the end of June 2012. The selected projects were financed by 70% from the state, and the remaining 30% were funded by the municipalities themselves.

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 X
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 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 X
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)

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 X
- c The country has conducted evaluations of regional development policy

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 X
- c Requirement of national government to consult subnational governments prior to issuance of new regulations that concern them

8. Co-financing arrangements across national and subnational levels

There are co-financing arrangements for public investment

- a No co-financing arrangements X
- b Co-financing arrangements exist but funds are not tracked
- 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% X
- b Medium variation: between 10% and 20%
- 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) 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
- 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 X
 - c Balanced budget rule protecting capital spending (type golden-rule)
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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:

Build SEE (2014): Country Report Greece.

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

OECD (2013), *Investing Together: Working Effectively Across Levels of Government*, OECD Publishing, Paris.

OECD (2011), 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.

<http://www.buildup.eu/el/node/34975>.