

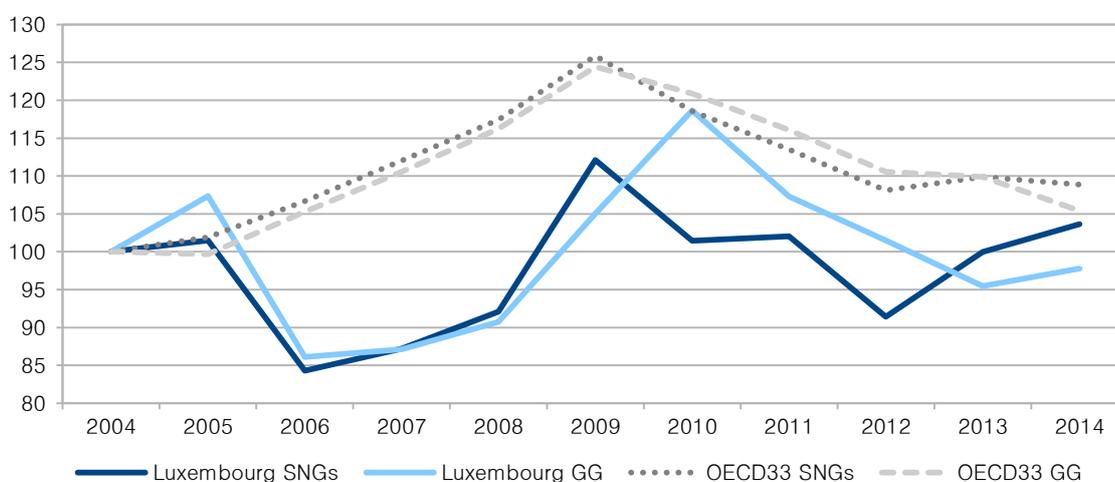
Multi-level governance of public investment 2017

Table 1. Facts and figures related to direct public investment

2014	General Government	Subnational Governments
USD billion	2.0	0.8
USD per capita	3550	1370
% of GDP	3.6%	1.4%
% of public expenditure	8.5%	28.5%
% of total public direct investment	100%	38.6%

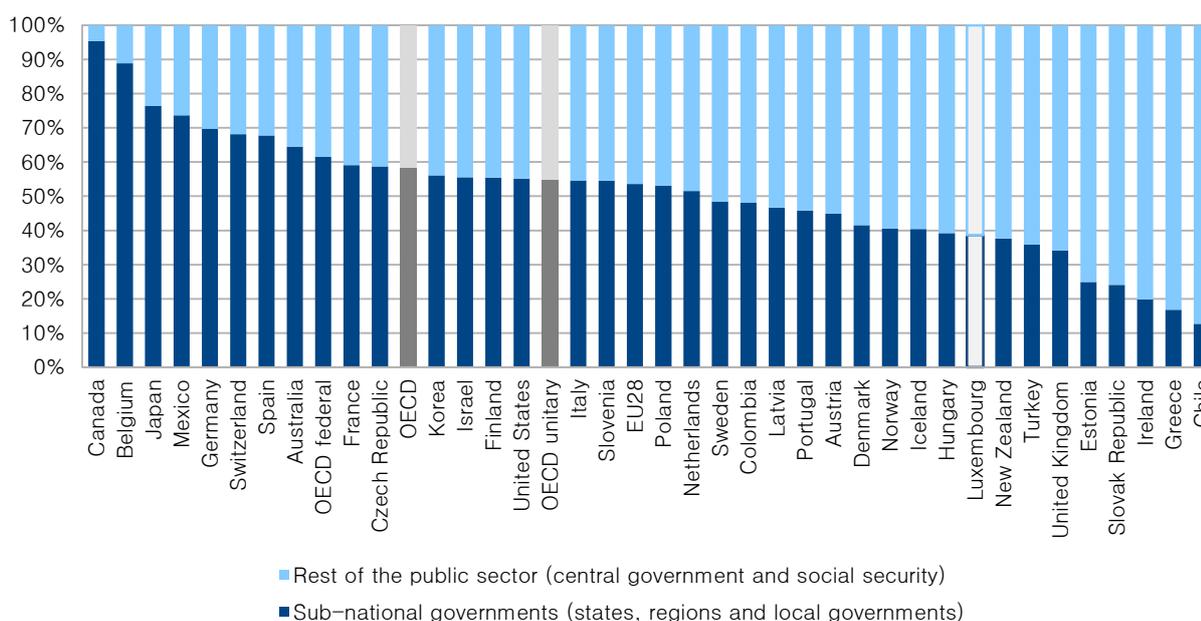
Source: OECD (2016), Subnational governments in OECD countries: Key data, 2016 edition (brochure).

Figure 1. Trends in direct public investment in Luxembourg (2004–2014)



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

Most of subnational investments in Luxembourg are dedicated to economic affairs¹, education and recreation/culture/religion. Other large categories of investment spending include housing, environment protection and general public services. In contrast, SNGs invest very little in healthcare or social protection (Figure 3 and 4).

Figure 4. Breakout of subnational direct investment in Luxembourg by economic function (% of total direct investment, average 2008–14)

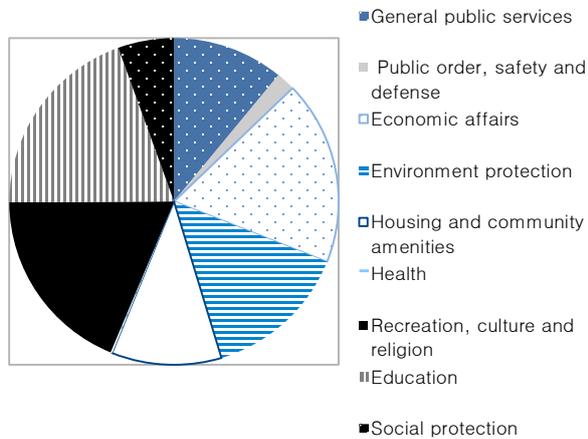
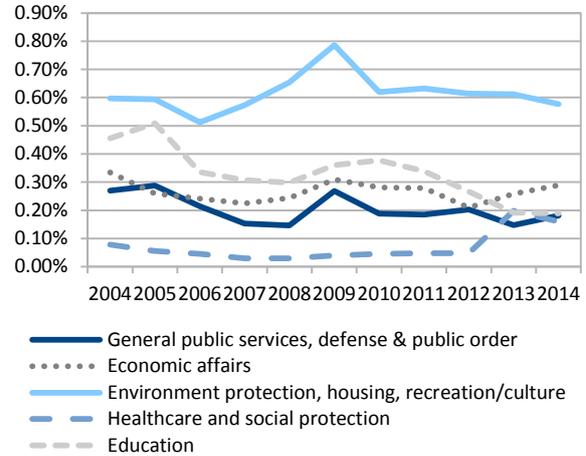


Figure 5. Trends in subnational direct investment by economic function (as a % of GDP)



Source: OECD National Accounts.

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Luxembourg is one of the most centralised countries of the OECD. Subnational expenditure is much lower than the OECD average for most large categories of spending (total expenditure, investments, staff expenditure, and public procurement). The share of SNG debt in total public debt is also way smaller (Figure 5). Subnational governments also have a smaller share of revenues from taxes (Figure 6), which is compensated by a greater reliance on transfers from the central government.

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

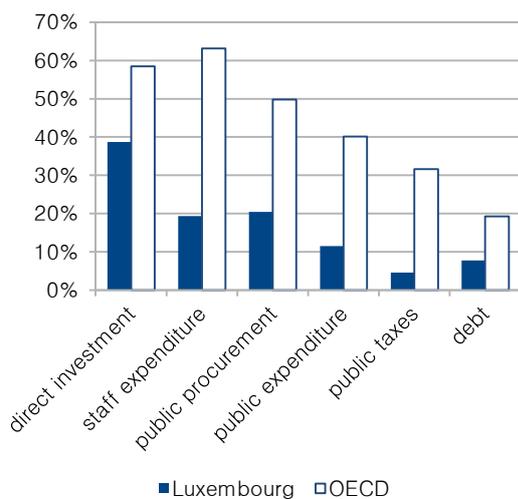
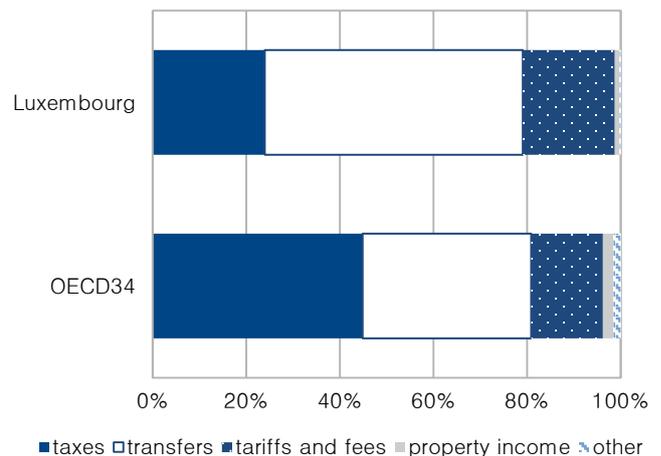


Figure 7. Indicators of subnational fiscal revenues in Luxembourg, 2014



Source: OECD National Accounts.

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¹ Transport, general economic, commercial and labour affairs, industry, agriculture, etc.

Examples of good practices or recent developments for effective public investment

Vertical co-ordination

At the inter-communal level, a number of cities and adjacent municipalities have signed formal agreements or “Conventions” with the Ministry of Spatial Planning. These agreements aim to safeguard more sustainable development by implementing the objectives of the master programme for territorial planning and Luxembourg’s Integrated Concept for Transport and Territorial Development (IVL) in order to: i) ensure a polycentric and balanced development of the country and ii) co-ordinate and integrate the territorial development of the municipalities involved.

The Climate Pact between the government and municipalities, in force since 2013, empowers the State to provide financial and technical support to municipalities members of the Pact. The goals pursued by the Climate Pact consist in strengthening the role of municipalities, reducing GHG emissions and the energy bill on municipal territory and stimulating local and regional investments.

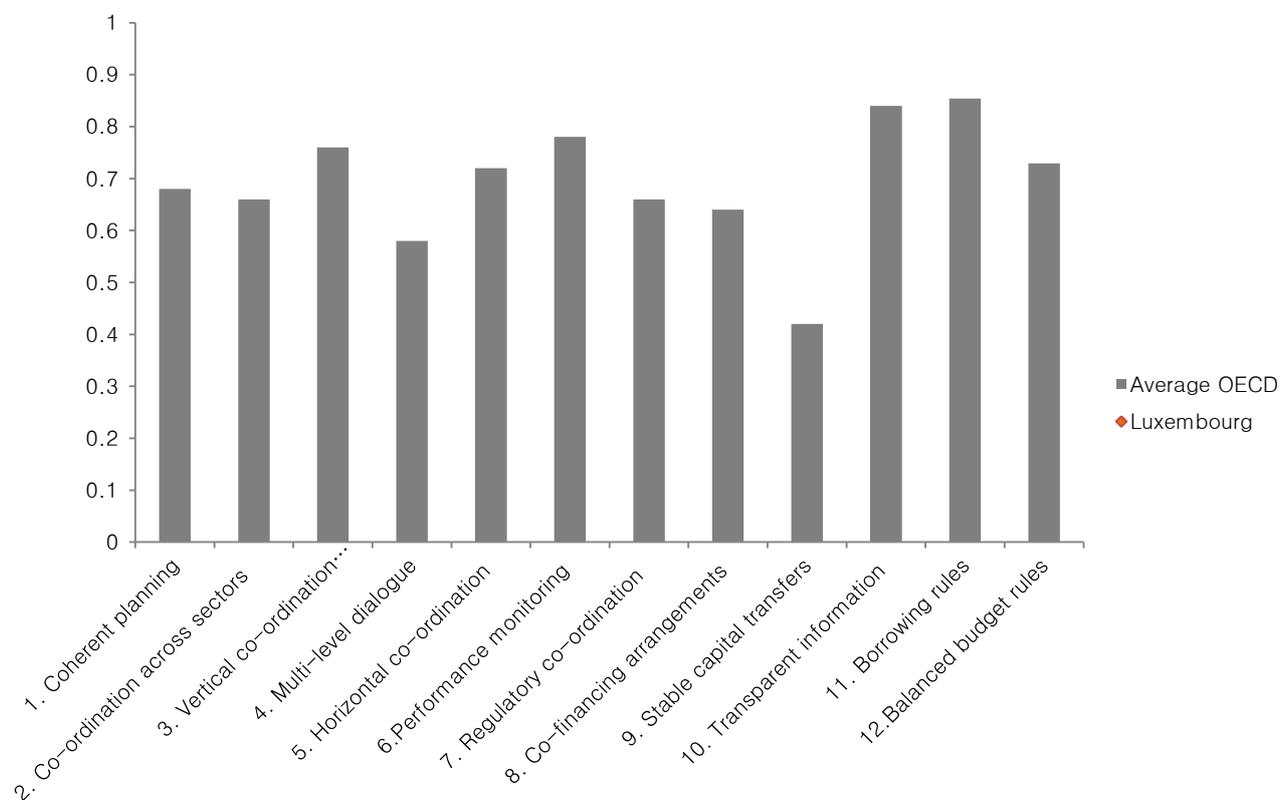
Performance monitoring

The Observatory for Spatial Development was established in 2007. Its missions are to facilitate a better understanding of the mechanisms underlying spatial development. It also provides the necessary data for assessing the effectiveness of political measures adopted within the Law on Spatial Planning, the Master programme for Territorial Planning, the Integrated Transport and Spatial Planning Concept, and the primary sectoral plans.

Regarding the management of the nature parks, syndicates are in charge of implementing and evaluating rural development policies. These syndicates consist of the relevant municipalities and representatives of the national authorities, and meet once per month.

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
- 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
- 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

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
- 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)
-

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

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

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
- 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%
- 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

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

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

OECD (2014a), Regional Outlook 2nd edition. *Regions and Cities: Where Policies and People Meet*, OECD Publishing.

OECD (2014b) National Reform Programme Luxembourg.

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