

# EFFECTIVE PUBLIC INVESTMENT

## ACROSS LEVELS OF GOVERNMENT

### Country Profile – Norway

#### Multi-level governance of public investment 2017

Table 1. Facts and figures related to direct public investment

2014	General Government	Subnational Governments
USD billion	15.3	6.2
USD per capita	2978	1207
% of GDP	4.5%	1.8%
% of public expenditure	9.9%	11.9%
% of total public direct investment	100%	40.5%

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

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

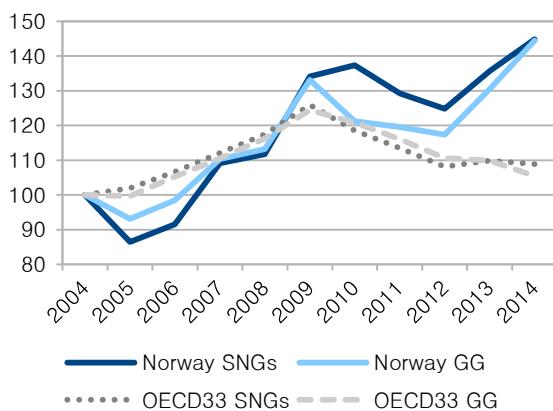
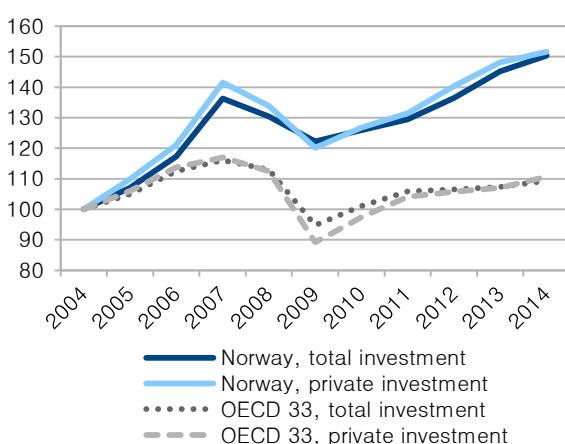


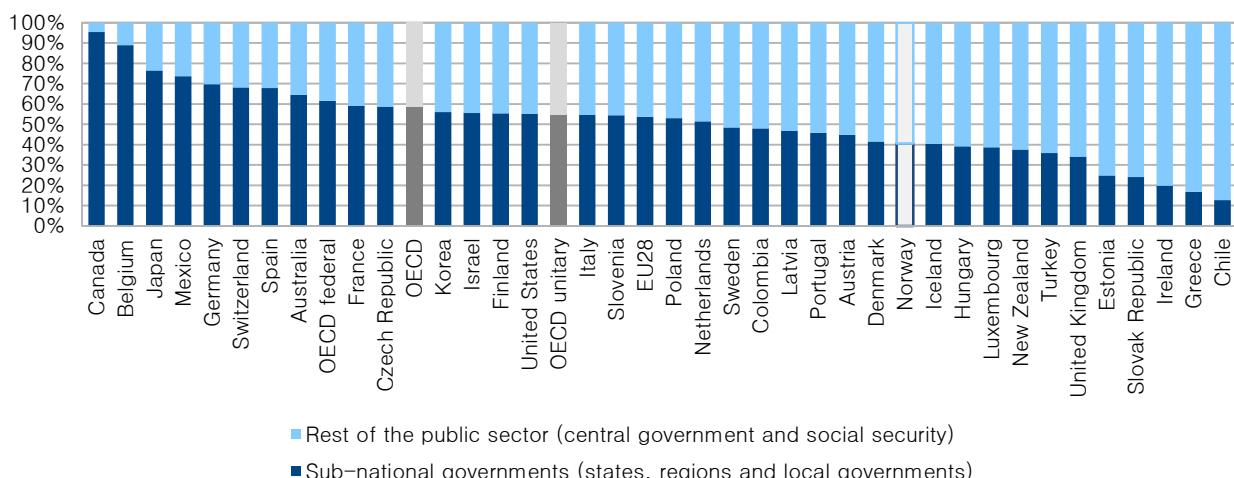
Figure 2. Trends in total and private direct investment in Norway (2004–14)



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

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)

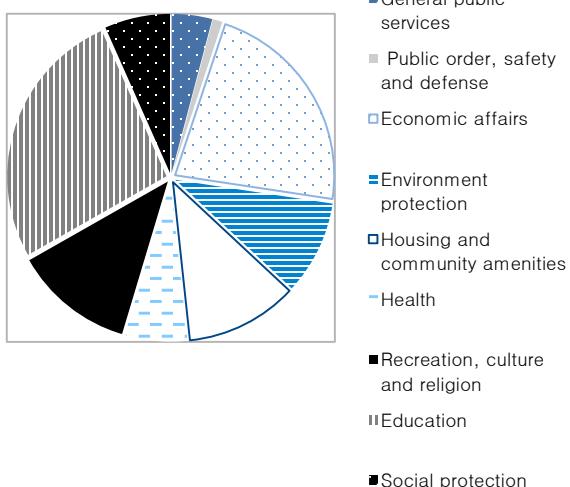


Source: OECD National Accounts.

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

Most of subnational investments in Norway are dedicated to education and economic affairs<sup>1</sup>. Subnational governments are responsible in particular for pre-school, primary and secondary education, and local roads. Other major categories of investment spending include housing and community amenities, and recreation/culture/religion. In contrast, SNGs invest very little in general public services (Figure 4 and 5).

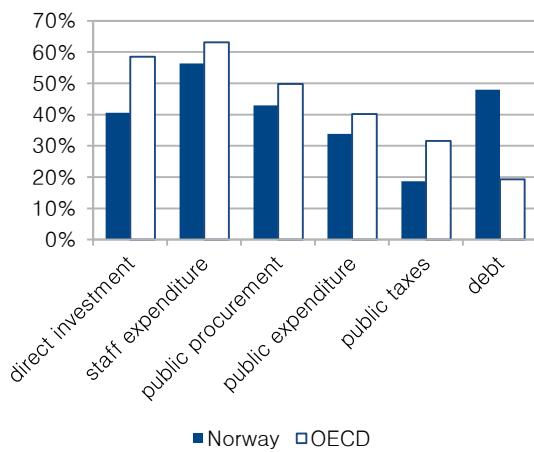
**Figure 4. Breakout of subnational direct investment in Norway by economic function (% of total direct investment, average 2008–14)**



Source: OECD National Accounts.

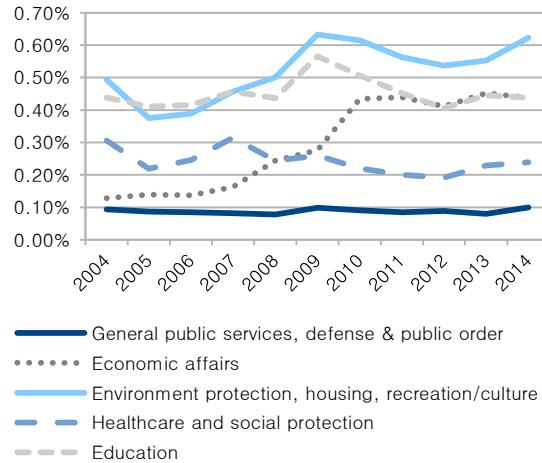
The share of subnational total expenditure, investments, staff expenditure, and public procurement in Norway is slightly lower than the OECD average. However, the share of SNG debt in total public debt is way larger (Figure 4). Subnational governments also have a smaller share of revenues from taxes (Figure 5), which is compensated by a greater reliance on transfers from the central government.

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



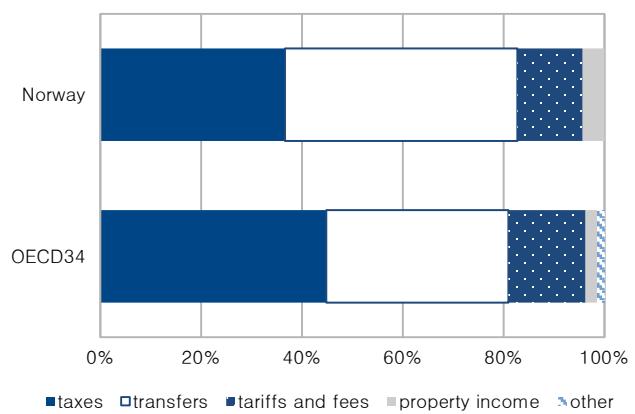
Source: OECD National Accounts.

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



Source: OECD National Accounts.

**Figure 7. Indicators of subnational fiscal revenues in Norway, 2014**



Source: OECD National Accounts.

<sup>1</sup> Transport, general economic, commercial and labour affairs, industry, agriculture, etc.

## Examples of good practices or recent developments for effective public investment

### *Coherent planning:*

Oslo adopts a long-term vision based on policy co-ordination at a metropolitan scale with the Oslo–Akershus Joint Regional Plan for Spatial Development (2008) which includes a development vision for the metropolitan area through 2050. Oslo also co-ordinates its policies with the national government which has a representative in the Oslo–Akershus region for supervision and resolution of planning proposals that conflict with the national government.

### *Performance monitoring:*

Norway's KOSTRA system is an OECD-area best practice. Used for performance monitoring of local services, it is an electronic reporting system for municipalities and counties. It can publish input and output indicators on local public services and finances and provide online publication of municipal priorities, productivity and needs. KOSTRA integrates information from local government accounts, service statistics and population statistics. It includes indicators of production, service coverage, needs, quality and efficiency. The information is easily accessible via the Internet and facilitates detailed comparison of the performance of local governments. The information is frequently used by the local government themselves and by the media and researchers. Although individual local governments could use KOSTRA more efficiently (e.g. by systematic benchmarking), the system has helped facilitate comparisons of municipalities thereby promoting “bench-learning”.

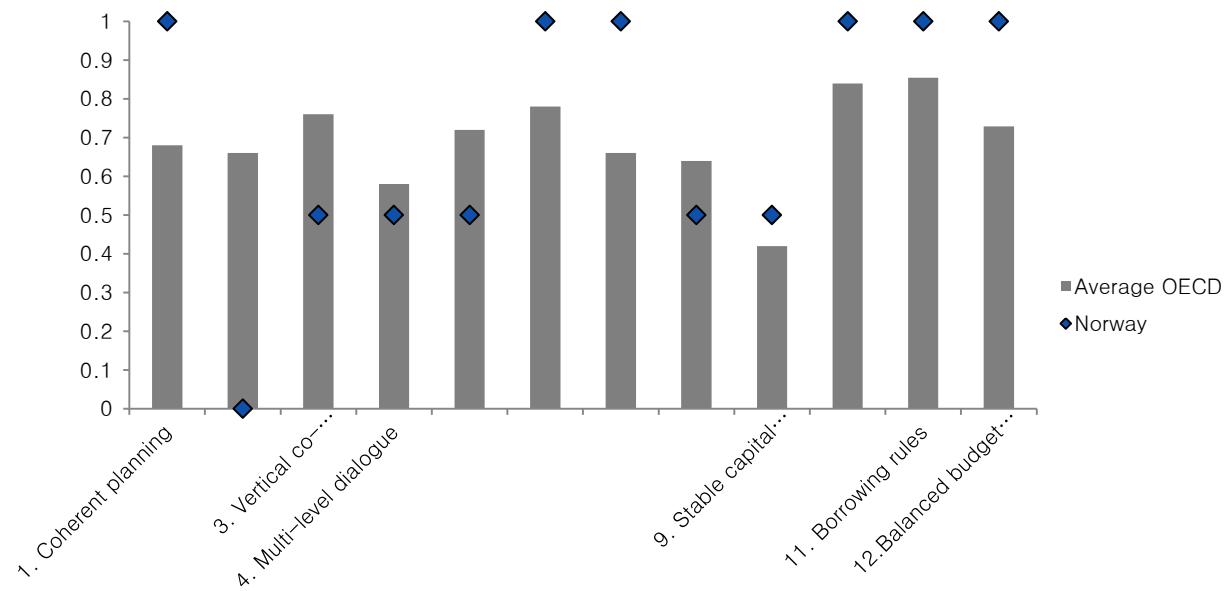
### *Regulatory co-ordination:*

In Norway, several mechanisms are in place to ensure co-ordination among regulatory proposals affecting local governments, especially those associated with infrastructure and public investment projects. First, regular formal meetings are held between representatives from central and local government. At the political level, a process of four consultative meetings per year (since 2000) brings together key ministries of the central government with high-level representatives from the Norwegian Association of Local and Regional Authorities (Kommunenes Sentralforbund, KS).

Similar meetings are held addressing issues pertaining specifically to county and municipality issues. Second – as part of the public consultation on draft laws and regulations – local government and local government organisations (KS) receive for comment those government draft regulations considered of special relevance for local governments. Third, and probably most importantly, continuous informal dialogue takes place between central and local government representatives at different levels, in many different forms, and on political as well as technical and professional issues.

## Preliminary indicators of MLG of public investment for regional development

Figure 8. Indicators for the co-ordination 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 co-ordination of public investment for regional development

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### 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

X

### 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

X

### 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

X

### 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

X

### 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)

X

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## 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 X

## 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 X

## 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 X
- 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% X
- 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 X

## 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
- c Balanced budget rule protecting capital spending (type golden-rule) X

## 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 (2016d), The OECD 'Resilient Cities' Project, Oslo Case Study.

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.

OECD (2010), OECD Territorial Reviews: Sweden 2010, OECD Publishing, Paris.

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