

Multi-level governance of public investment 2017

Table 1. Facts and figures related to direct public investment

2014	General Government	Subnational Governments
USD billion	33.8	22.9
USD per capita	727	493
% of GDP	2.2%	1.5%
% of public expenditure	4.9%	6.7%
% of total public direct investment	100%	67.8%

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

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

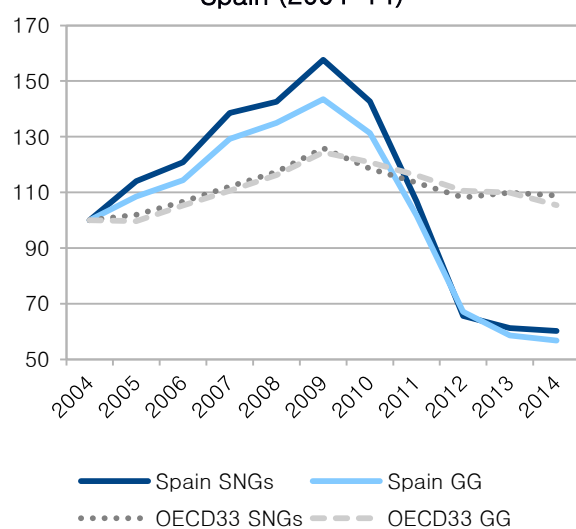
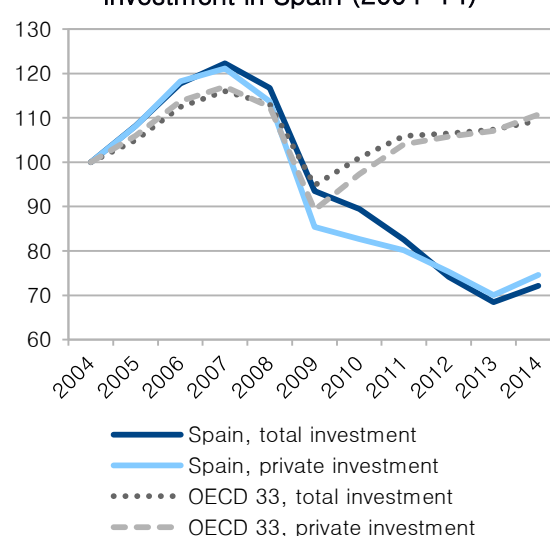


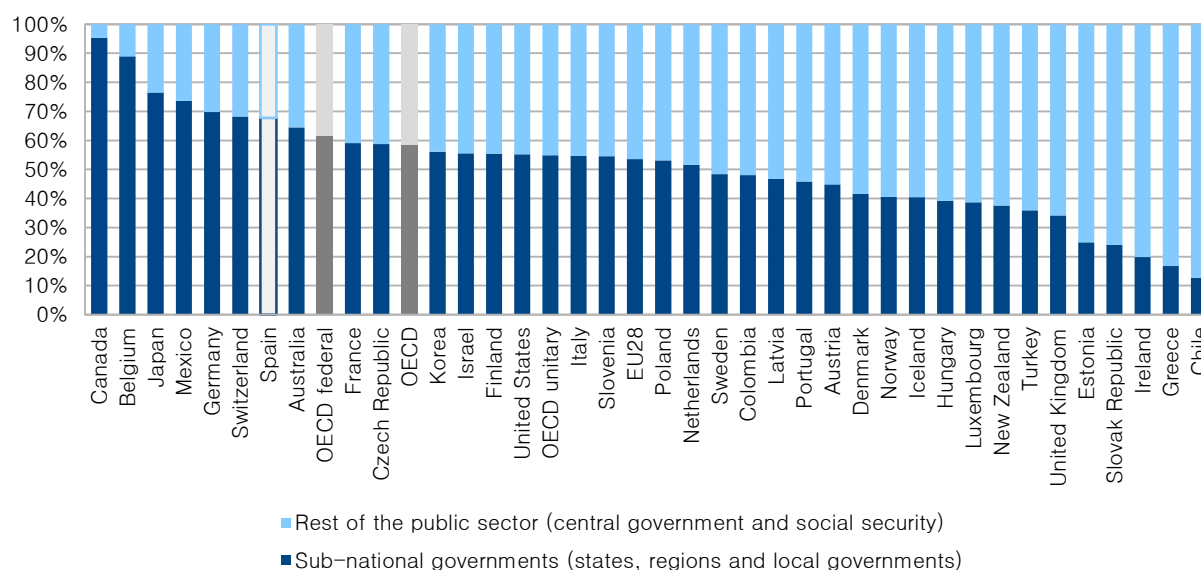
Figure 2. Trends in total and private direct investment in Spain (2004–14)



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

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Figure 3. Subnational public direct investment in OECD countries, 2014 (as a share of public direct investment)

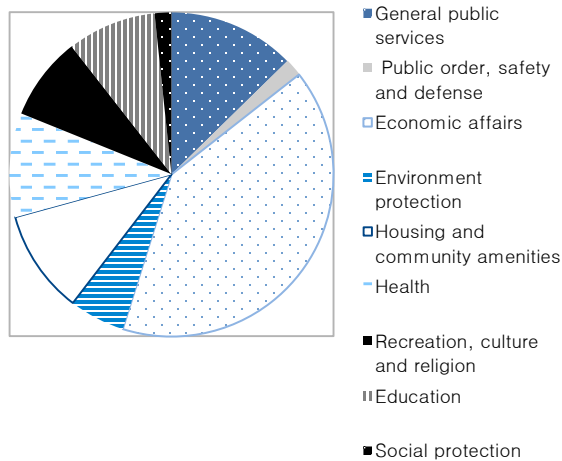


Source: OECD National Accounts.

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

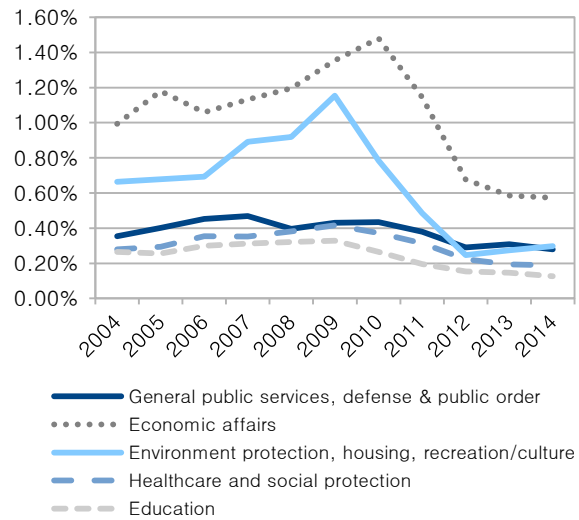
A large majority of subnational investments in Spain are dedicated to economic affairs (transport, general economic, commercial and labour affairs, industry, agriculture, etc.). Subnational governments are in particular responsible for public works and infrastructure of local/regional interest. Other major categories of investment spending include general public services, housing/community amenities and healthcare. In contrast, SNGs invest very little in social protection (Figures 4 and Figure 5).

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



Source: OECD National Accounts.

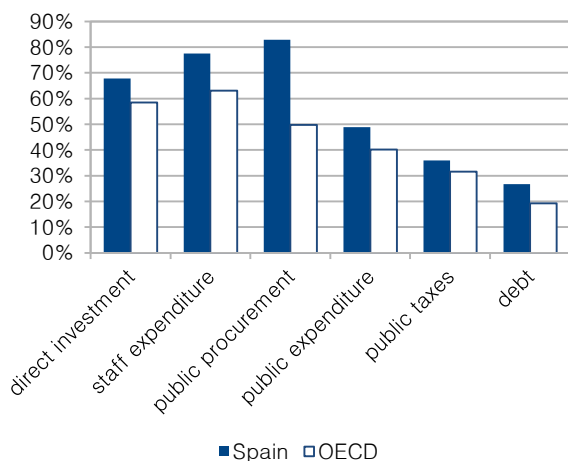
Figure 5. Trends in subnational direct investment by economic function (as a % of GDP)



Source: OECD National Accounts.

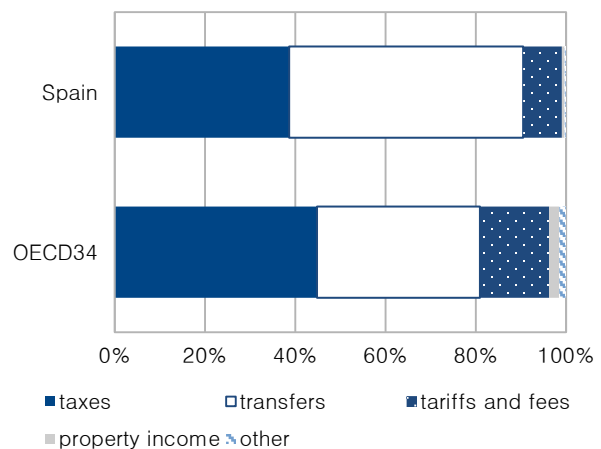
As in most federal countries, the share of subnational total expenditure, investments, staff expenditure, and public procurement is lower than the OECD average. The share of SNG debt in total public debt is also higher (Figure 6). Subnational governments also benefit from a higher share of national taxes. However taxes do not represent the major source of their revenues (Figure 7), and they rely mostly on transfers from the central government.

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



Source: OECD National Accounts.

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



Source: OECD National Accounts.

Examples of good practices or recent developments for effective public investment

Coherent planning:

In Spain, rural development is a responsibility of the Autonomous Communities. The Ministry of the Environment and Rural and Marine Affairs is in charge of its co-ordination. A National Strategic Plan (NSP) was established to provide a general framework for rural development. This plan is complemented by 17 Regional Rural Development Programmes (RDPs), developed by each Autonomous Community. The regional programmes are aligned with horizontal measures and community elements set by the National Framework for Rural Development (NFRD), established by the Ministry in co-operation with the Autonomous Communities. Regional programmes also include measures to address specific regional needs. Biannual Synthesis reports are issued on the progress of the National Strategic Plan.

Multi-level dialogue:

Sectoral conferences bring together regional ministries with their central government counterpart. Among their activities are to: i) agree on the implementation of national legislation that affects regional competences; ii) approve, monitor, and evaluate joint plans and programs; iii) to participate in defining the territorial assignment of central government grants; iv) exchange information between central and regional governments; v) formulate joint positions that will be considered by the central government at the European level as well as to transpose European policies at the regional level. These sectoral Conferences are the most important of Spain's co-ordination arrangements.

Vertical co-operation:

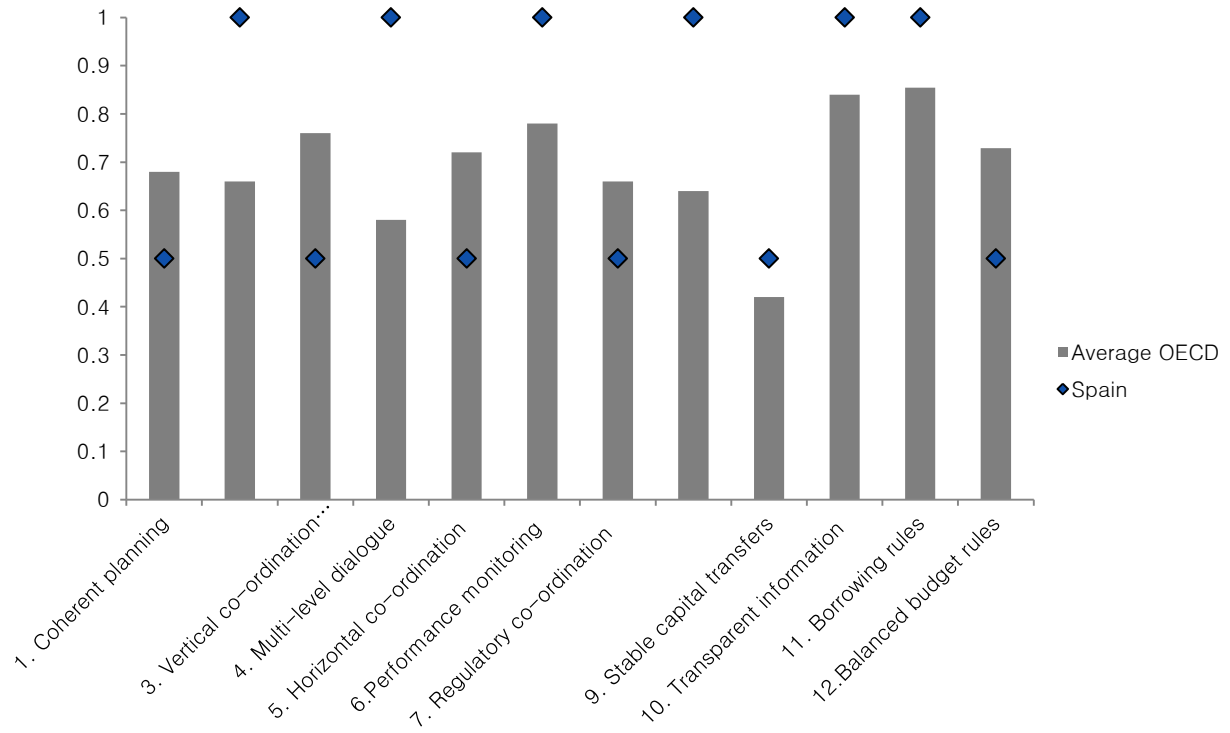
The *convenios de colaboración* in Spain are co-operative agreements between the central government and the Autonomous Communities (ACs). They are negotiated on a sectoral basis, distributed between the different Spanish ministries. Upon the signature, central government provides funds, which are earmarked. They are flexible, because they can be re-negotiated between the parties without having to start the process and transparent, as they are published in the Official Bulletin of the central government. According to law, each *convenio* must have a monitoring commission responsible for solving problems of interpretation and compliance with the terms of the deal. There is a wide range of examples, ranging from transactional to relational contracts: Several bilateral agreements have been used in the context of promoting Science & Technology between national and subnational governments

Performance monitoring:

When implementing EU programs financed by structural funds, ex ante assessments and SWOT analysis are used to program investments properly. The programming involves a complex system of monitoring and evaluation. For example, in the case of the EAFRD (The European Fund for Rural Development) programming, the indicator system includes more 150 indicators.

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

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
- 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 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
- 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 X
- 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 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 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
- b Co-financing arrangements exist but funds are not tracked
- c Co-financing arrangements exist and funds are tracked X

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 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:

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)

OECD (2015b), Implementation Toolkit, Effective Public Investment Across Levels of Government <http://www.oecd.org/effective-public-investment-toolkit/>

OECD (2014), Spain: From Administrative Reform to Continuous Improvement, OECD Public Governance Reviews, OECD.

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://enrd.ec.europa.eu/enrd-static/country/spain/en/spain_en.html.