

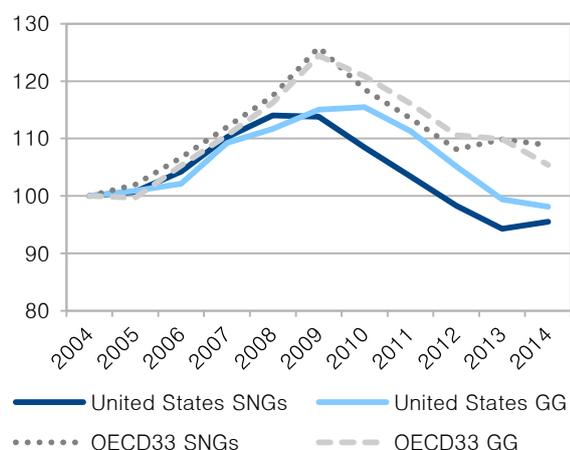
Multi-level governance of public investment 2017

Table 1. Facts and figures related to direct public investment

2014	General Government	Subnational governments
USD billion	565.5	312.2
USD per capita	1772	978
% of GDP	3.3%	1.8%
% of public expenditure	8.6%	9.9%
% of total public direct investment	100%	55.2%

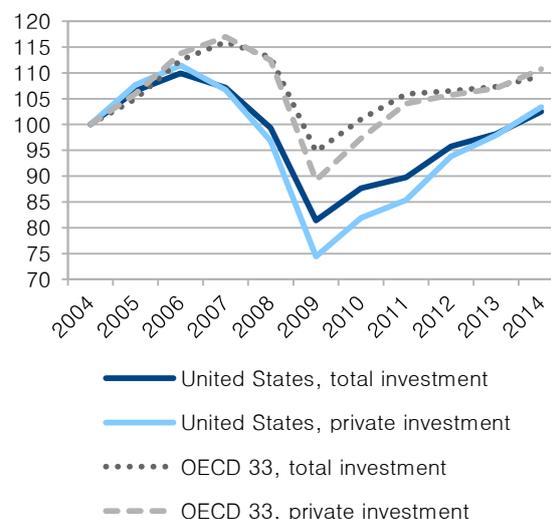
Source: OECD (2016), *Subnational governments in OECD countries: Key data*, 2016 edition (brochure).

Figure 1. Trends in direct public investment in the United States (2004–14)



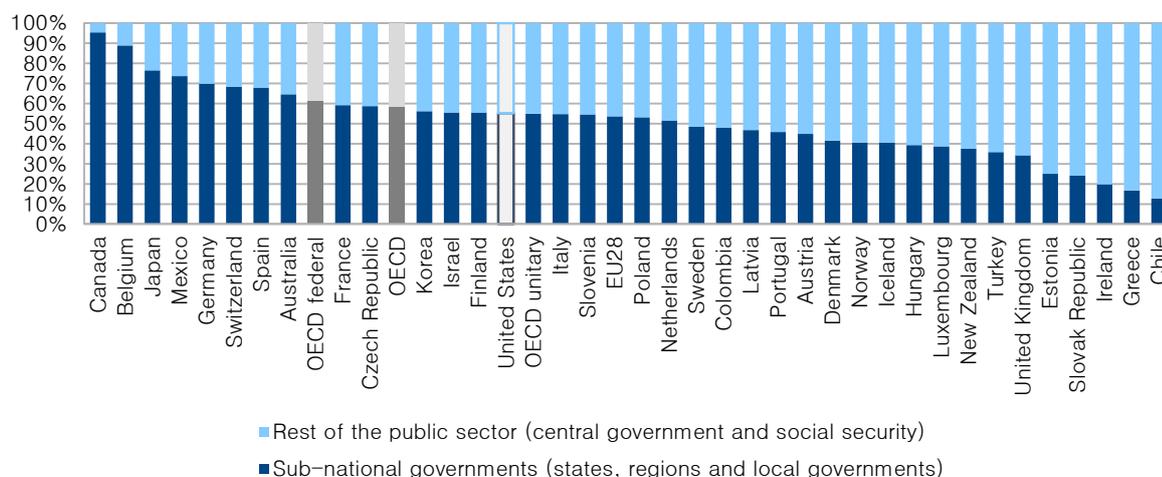
Source: OECD National Accounts. In real terms, base 100 in 2004.

Figure 2. Trends in total and private direct investment in the United States (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)

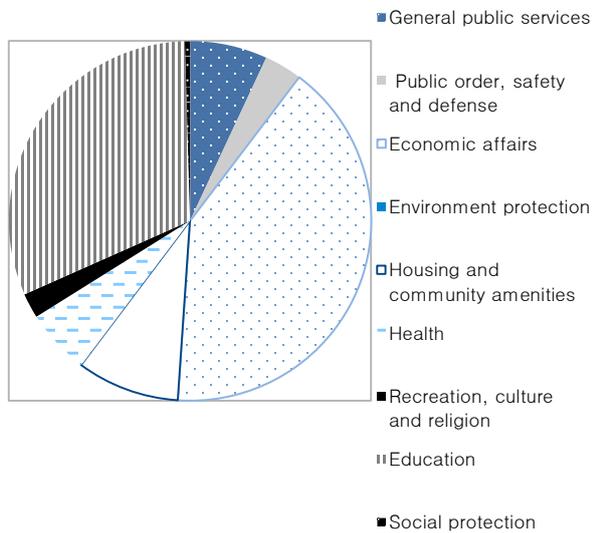


Source: OECD National Accounts

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

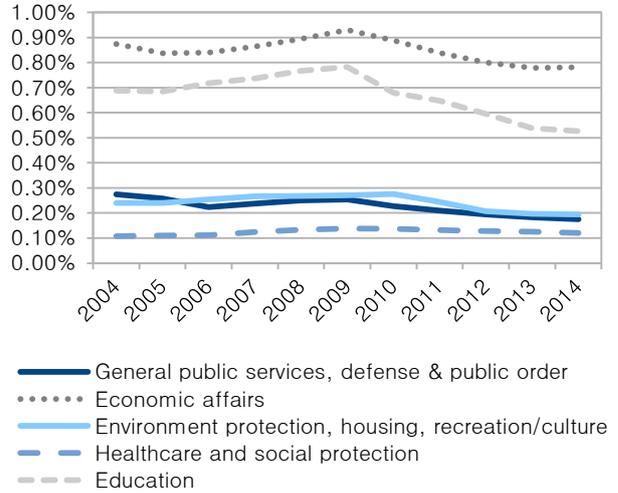
Most of subnational investments in the United States are dedicated to economic affairs (transport, general economic, commercial and labour affairs, industry, agriculture, etc.). Education is another major category of investment spending. In contrast, SNGs invest very little in recreation, culture, religion or social protection (Figures 4 and 5).

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



Source: OECD National Accounts.

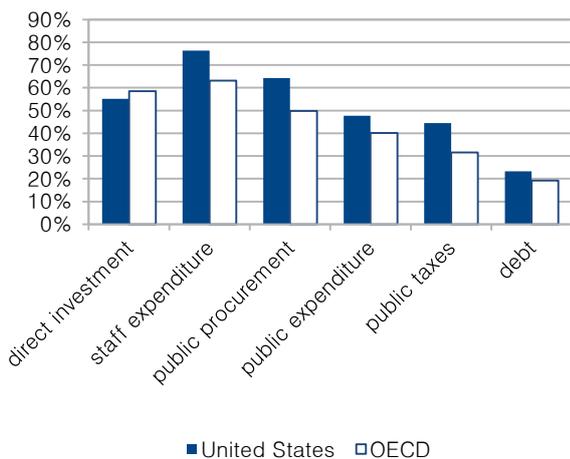
Figure 5. Trends in subnational direct investment by economic function (as a % of GDP)



Source: OECD National Accounts.

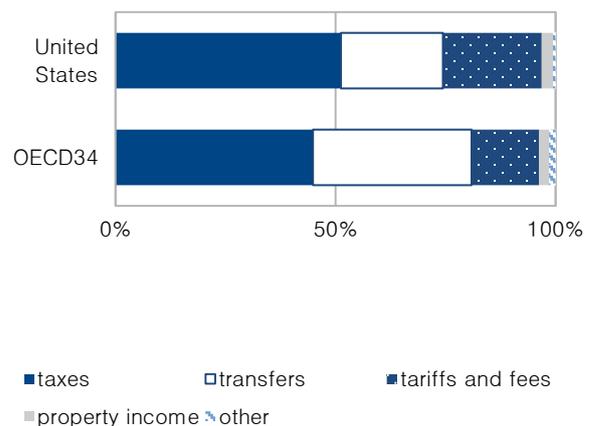
As in most federations, the share of subnational total expenditure, investments, staff expenditure, and public procurement expenditure is higher than the OECD average. The share of SNG debt in total public debt is also larger (Figure 6). Subnational governments also have a large share of revenues from taxes (Figure 7), and don't rely much on transfers from the central government for their financing.

Figure 6. The role of subnational governments in public finance in the United States, 2014



Source: OECD National Accounts.

Figure 7. Indicators of subnational fiscal revenues in the United States, 2014



Source: OECD National Accounts.

Examples of good practices or recent developments for effective public investment

Cross-sectoral coordination:

In the United States, there are several bodies to facilitate coordination across levels of government for public investment. For example, the White House Rural Council was created in 2011 to better coordinate Federal programs and maximize the impact of Federal investment to promote economic prosperity and quality of life in rural communities. The Council shall work across executive departments, agencies, and offices to coordinate development of policy recommendations in rural America. The Council gathers 13 federal departments and a number of agencies to better address the specific needs of rural areas.

Coherent Planning:

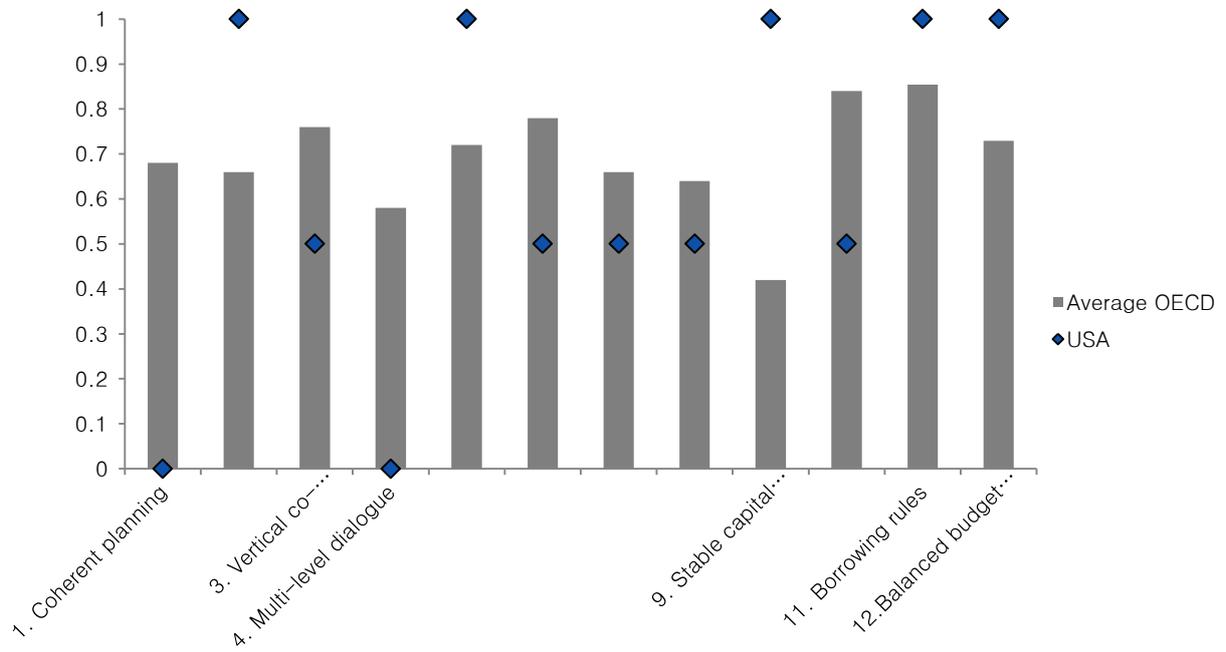
The U.S. White House Council on Strong Cities, Strong Communities (SC2) is a cross-sector federal government initiative to strengthen the capacity of distressed cities to achieve economic development goals. Launched in 6 pilot cities in 2011, it gathers 19 federal agencies and offers four mechanisms to assist local governments:

- Community Solutions Teams composed of employees from federal agencies placed in cities to work directly with city staff;
 - competitive fellowship program for mid-career professionals to serve multi-year terms in city government;
 - competitive grant program to develop a high-quality economic development plans;
- and
- the SC2 National Resource Network, one-stop access to national experts and federal resources for cities, towns and regions.

The SC2 concept was developed through engagement with mayors, members of Congress, foundations, non-profits and other community partners who are committed to addressing the 7 challenges of local governments. SC2 and its partners are working together to coordinate federal programs and investments to spark economic growth in distressed areas and create stronger cooperation between community organizations, local leadership, and the federal government. By the Spring of 2014, SC2 will be working in over 20 communities and regions across the United States.

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 X
- 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 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 X
- 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) X

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
- 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%
- c Little variation: less than 10% X

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
 - 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:

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