

Multi-level governance of public investment 2017

Table 1. Facts and figures related to direct public investment

2014	General Government	Subnational governments
USD billion	11.9	5.3
USD per capita	1 395	626
% of GDP	2.9%	1.3%
% of public expenditure	5.6%	7.3%
% of total public direct investment	100%	44.9%

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

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

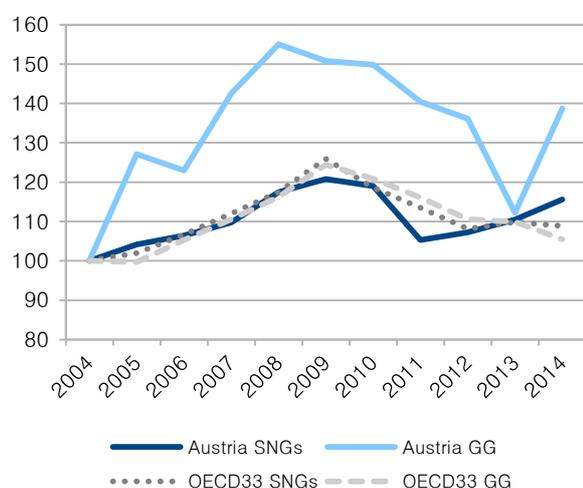
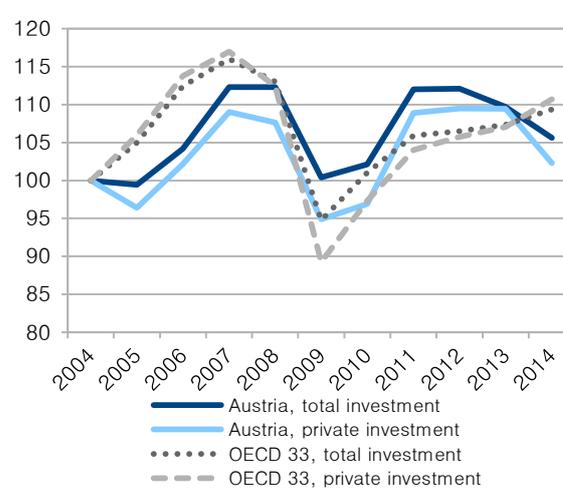


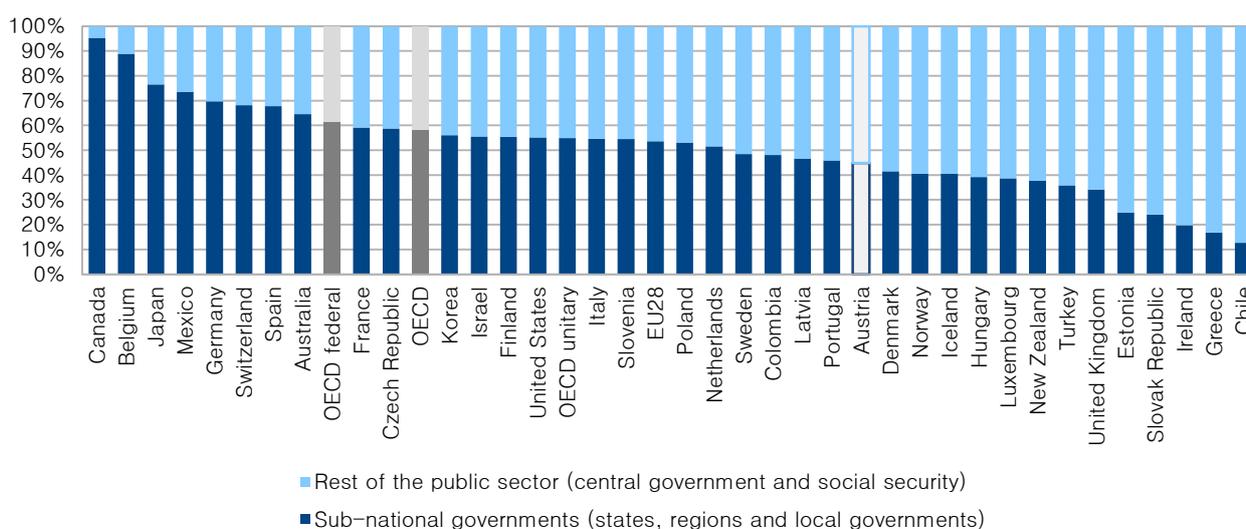
Figure 2. Trends in total and private direct investment in Austria (2004–14)



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)

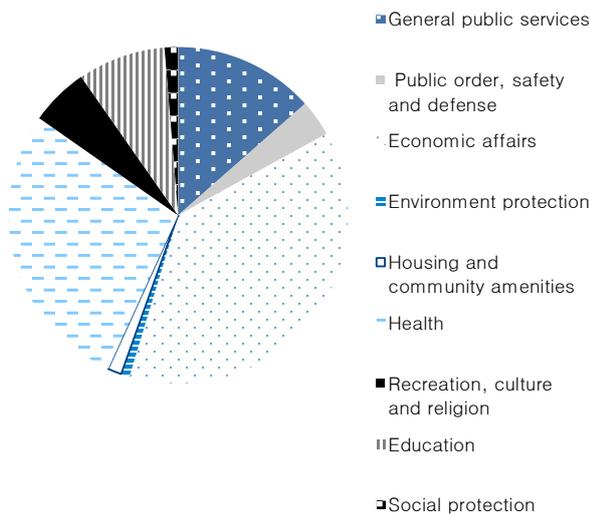


Note: 2013 figures for Mexico, 2012 figures for Chile, 2014 figures for Turkey.

Source: OECD National Accounts.

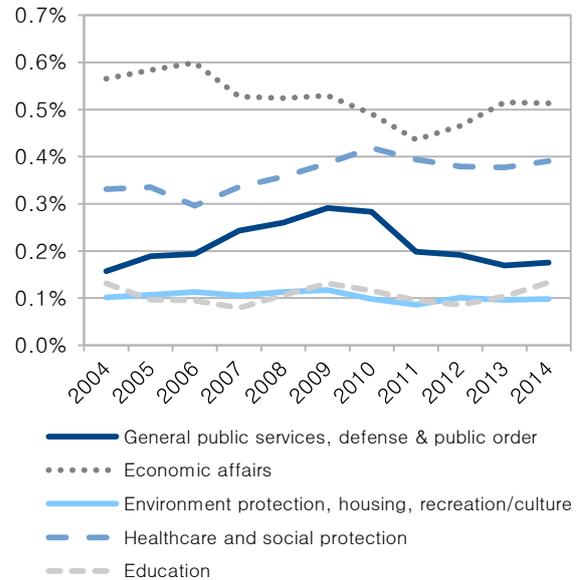
Most of subnational investments in Austria are dedicated to economic affairs (transport, general economic, commercial and labour affairs, industry, agriculture, etc.). In particular, local governments are responsible for maintaining local infrastructures. Healthcare also represents a main category of investment spending, probably because Austrian states are responsible for hospital expenditure. Other major categories of investment expenditure include general public services and education. In contrast, SNGs invest very little in social protection or housing (Figure 4 and Figure 5).

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



Source: OECD National Accounts.

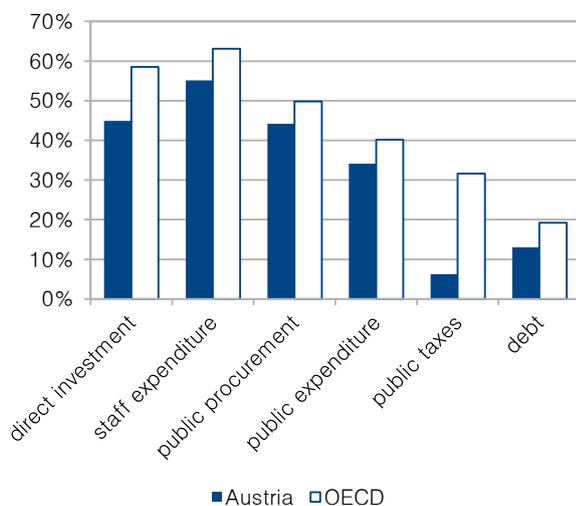
Figure 5. Trends in subnational direct investment by economic function (as a % of GDP)



Source: OECD National Accounts.

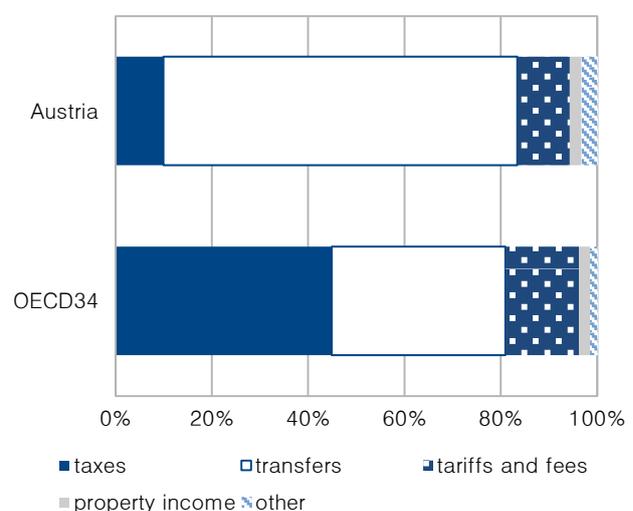
Subnational expenditure in Austria is lower than the OECD average for most large categories of spending (total expenditure, investments, staff expenditure, public procurement) (Figure 6). This relatively small share of expenditure, along with the small share of national taxes allocated to SNGs, is atypical for a federation. Subnational governments rely mostly on transfers from the central government (Figure 7) for their financing.

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



Source: OECD National Accounts.

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



Source: OECD National Accounts. Note: OECD average without Chile.

Examples of good practices or recent developments for effective public investment

Vertical co-ordination:

In 1971, Austria's Federal Chancellery and the *Länder* established the Austrian Conference on Spatial Planning (ÖROK, Österreichische Raumordnungsconferenz) as a common platform of spatial planning co-ordination involving all federal ministries, the *Länder*, and the umbrella associations of municipalities and social partners. Today the ÖROK operates as a central network interface for regional policies and the EU's Structural Funds programmes in Austria. Its executive body is chaired by the Federal Chancellor, and includes all federal ministers and state governors, the presidents of the Austrian Union of Towns and the Austrian Union of Communities and the presidents of the social and economic partners as advisors. Decisions are consensus based. Thematic committees and working groups, formed by senior officials of the territorial authorities and social and economic partners, were set up at the administrative level to achieve ÖROK's tasks and projects.

Territorial employment Pacts: Peer review is used as a "bench-learning" practice and a capacity development tool for contract implementation and improvement. The peer review of the Territorial Employment Pact (TEP) in Austria looked at background, aims and implementation of the TEPs in Austria, the models of co-operation between the national and regional levels, the achievements and results, and the transferability of the Austrian policy to other countries. The peer review meeting on Territorial Employment Pacts in Austria was considered a success as it raised a number of issues (e.g. the issue of top-down versus bottom up, mainstreaming and devolution) and allowed an open discussion

Sectoral co-ordination:

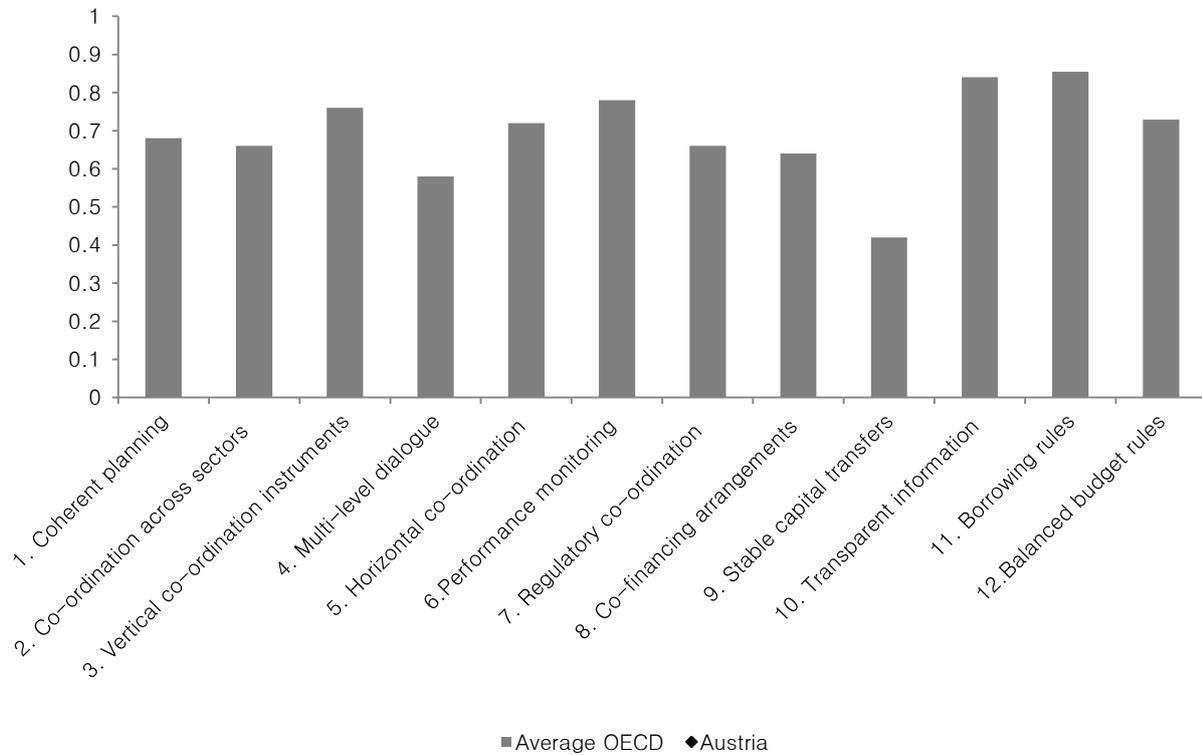
The ten-year strategic orientation for regional policy, ÖREK 2011, is the latest Austrian Spatial Development Concept framework. The four pillars include: i) regional and national competitiveness, ii) social diversity and solidarity, iii) climate change, adaptation and resource efficiency, and iv) co-operative and efficient governance. ÖREK 2011 also highlights the importance of compact settlement patterns, a "point-axial" system, polycentric structures, urban-rural functional spatial integration and networks of small and medium-sized centres.

Horizontal co-ordination:

The Austrian Spatial Development Concept includes the development of an Austrian agglomeration policy, with the aim of creating a co-operation platform for urban development regrouping all major actors. This platform seeks to take into account the special interests of cities and agglomerations within federal and state-level policies. It also aims at encouraging co-operation across Austrian agglomerations regarding the implementation of European policies and measures.

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
- 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)
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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

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:

Austrian Stability Programme 2014.

OEOECD (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>.

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OECD (2014), *Regions and Cities: Where Policies and People Meet*, OECD Publishing.

OECD (2013), *Investing Together: Working Effectively across Levels of Government*, OECD Publishing

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.

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