

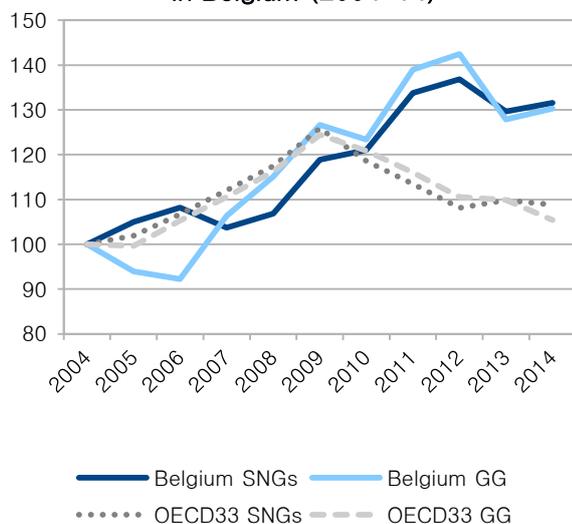
### Multi-level governance of public investment 2017

Table 1. Facts and figures related to direct public investment

2014	General Government	Subnational governments
USD billion	11.7	10.4
USD per capita	1 046	932
% of GDP	2.4%	2.1%
% of public expenditure	4.3%	9.0%
% of total public direct investment	100%	89.1%

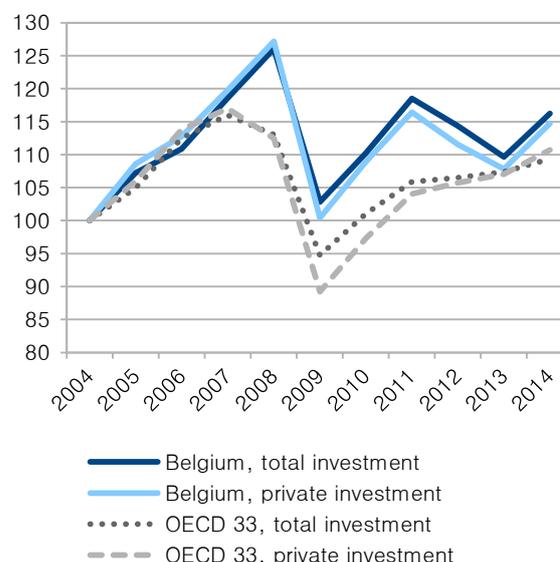
Source: OECD (2016), *Subnational governments in OECD countries: Key data*, 2016 edition (brochure).

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



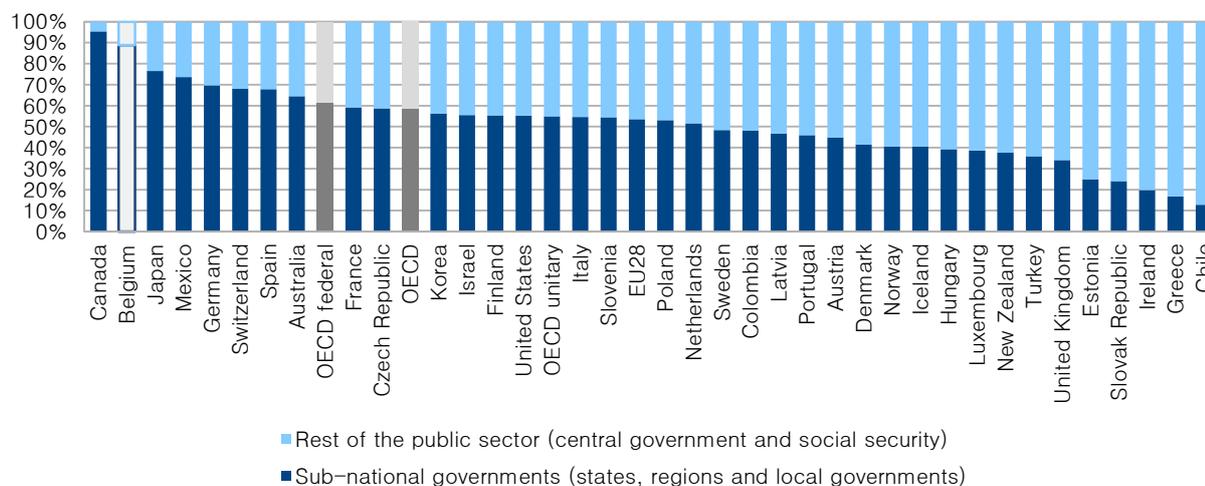
Source: OECD National Accounts.  
In real terms, base 100 in 2004.

Figure 2. Trends in total and private direct investment in Belgium (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)



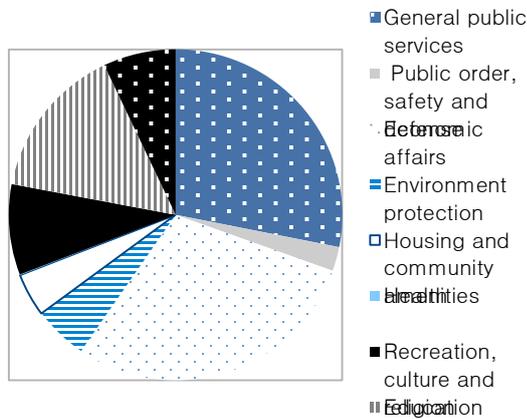
Source: OECD National Accounts.

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

Most of subnational investments in Belgium are dedicated to economic affairs (transport, general

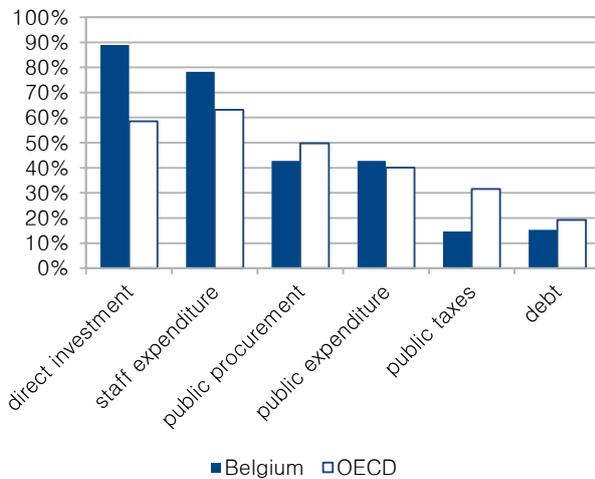
economic, commercial and labour affairs, industry, agriculture, etc.) and general public services. Regions in particular are competent for local infrastructure. Other major categories of investment spending include education, recreation, culture, religion and social protection. In contrast, SNGs invest very little in housing or environmental protection (Figure 4).

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



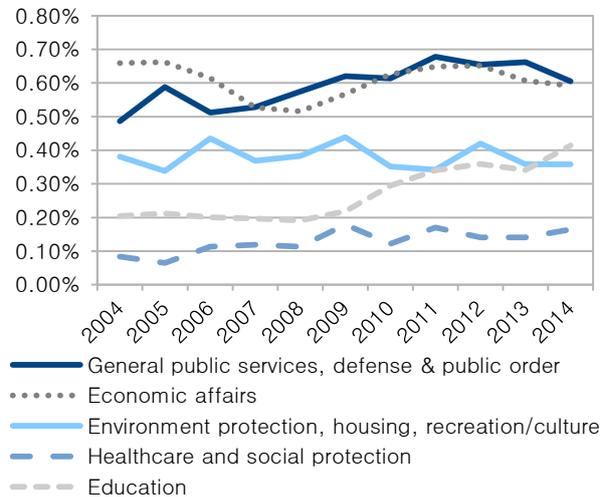
Source: OECD National Accounts.

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



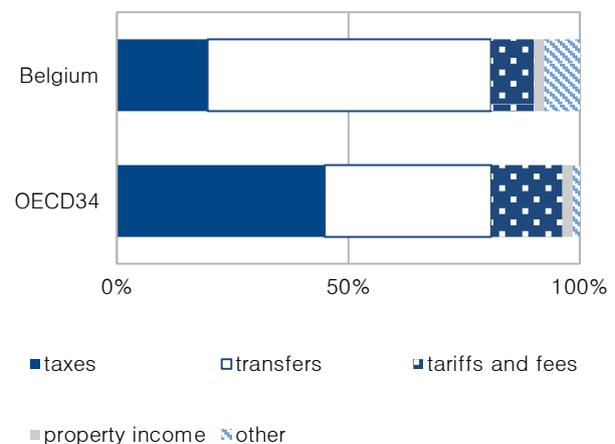
Source: OECD National Accounts.

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 Belgium, 2014



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

The share of subnational expenditure in Belgium is higher than the OECD average for most large categories of spending (total expenditure, investments, staff expenditure), except public procurement (Figure 6). Subnational governments have a relatively small share of revenues from taxes (Figure 7), which is compensated by large transfers from the central government. However the 6<sup>th</sup> reform of the state increased regional tax powers and the share of taxes in regional revenues should increase progressively over the next decade.

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

### *Coherent planning*

Wallonia's current version of its regional development plan is the Marshall Plan 2.Green (Marshall Plan 2.Vert), covering the period 2009–2014 and focusing on i) human capital, ii) competitiveness clusters and company networks, iii) scientific research, iv) a framework conducive to the creation of activities and quality jobs, v) Employment–Environment Alliance, and vi) combining employment and social well-being. As a logical extension of this plan and building on its strengths; a new plan “Marshall Plan 2022” is being prepared. It aims at developing a new regional development strategy. It will strengthen education and training policies as well as energy transition. The approach developed in the new Plan is also motivated by the 6th State Reform which has transferred new competencies from the federal government to the regional governments. It aims at ensuring more consistency, rationalization, co-ordination and economies of scale of regional policies.

The latest version of the Flanders in Action/Pact 2020 is the overarching development strategy that serves as the basis for the Flanders Coalition Agreement for 2009–2014. The three pillars of Flanders in Action are to: i) live better, ii) work smarter and iii) be more sustainable. The Pact 2020, signed with social and private partners, promotes projects that address 13 societal challenges.

The Brussels–Capital Region relied on several strategic plans for its development that cover several sectors (regional development, infrastructures, but also employment, social issues, etc.). Regional Development Plans were drawn in 1993 and 2002. The 2002 plan in particular relied on a SWOT analysis to identify 12 development priorities, and on a few quantitative targets (in particular for the transport sector). A plan for International Development was also adopted in 2007, with a focus on large infrastructure projects. A project for another development plan (Regional Sustainable Development Plan, still in elaboration) was adopted in late 2013. Several consultation rounds were planned, in particular with local governments within the region. The project identifies 4 priorities: housing, infrastructures, urban economic development, and transportation, as well as different action levers.

### *Monitoring*

The Flanders 2020 Pact provides a framework for co-operation and the assessment of progress towards Flanders' strategic priorities and Europe 2020. Through horizontal contractual arrangements at the subnational level, the Pact emphasizes strategic cooperation as well as quantifiable targets and performance monitoring and assessment. Partners in the Pact include the Flemish government, the Social Economic Council of Flanders (representing key social and economic partners), and United Associations (an umbrella organisation for civil society organisations).

### *Vertical coordination*

Created in 1993, the Sustainable Neighbourhood Contracts aim at renovating and improving traditional Brussels neighborhoods. Based on a participatory approach, they closely involve residents. The Neighborhood contract is a plan of action limited in time (4 years + 2 years of finalisation) and defined within a clearly delimited boundary. It is concluded between the Region and the Municipality concerned by the area defined in the contract. It determines a programme of activities to be carried out within a limited budget. General meetings of the neighborhood residents are held during the implementation of the process. To participate, it is necessary to respond to a call for proposals organised every year by the Regional government. Among the types of implemented projects are: construction of public parks, production of low energy homes, energy savings, waste reduction and air quality initiatives, rationalisation of consumption, and promotion of the neighborhood heritage.

The financing of these contracts (around 70 M€) come from different contributors: the Region of

Brussels–Capital, the Federal State, and a contribution of municipalities which must be at least 5% of the program. In addition, several related operations are conducted and financed by regional agencies or quasi–regional (SDRB, Brussels Environment, etc.) and / or private operators. By the end of 2012, 1,586 homes have been built or renovated and 90 public equipment and infrastructures have been built within these contracts.

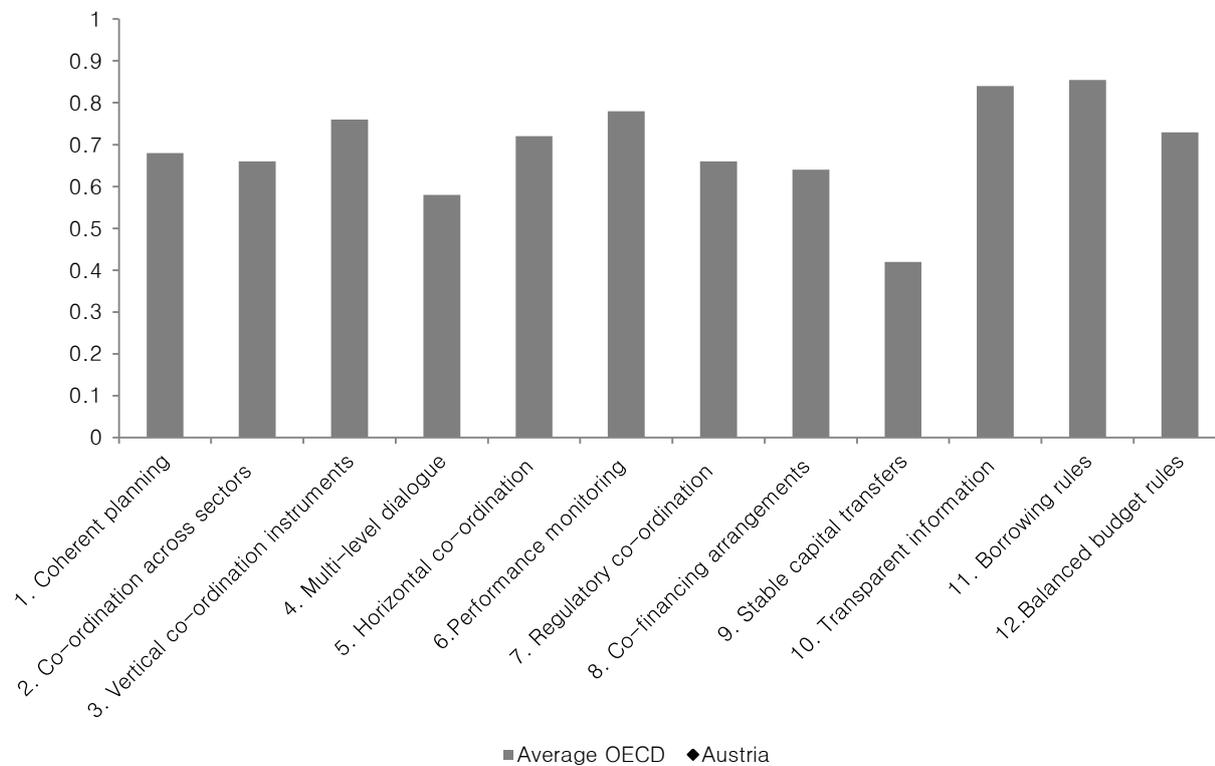
Since 1994, contracts served to build 1 718 homes and renovated 90 public equipment and infrastructures (Ministère de la Région de Bruxelles–Capitale, 2016). At the moment three contracts are in place in the City of Brussels for the period 2012–2016 (Ville De Bruxelles, 2016).

### *Transparent Information*

Two laws came into force in 2014 and increased budget transparency. Monthly reporting of the budget figures are now required for the federal State, social security and the Communities and Regions, and quarterly reporting for the local authorities. The General Data Bank is responsible for the collection and publication of the data. The budgets will have to be considered from a multi–annual perspective.

## 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 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 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

### 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

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## 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:*

Minister for the Environment, Energy and Urban Renewal of the Brussels-Capital Region – <http://www.quartiers.irisnet.be/>

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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.

Périlleux B. (2015), "Le Plan Régional de Développement Durable de la région de Bruxelles-Capitale (PRDD)".

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