

Multi-level governance of public investment 2017

Table 1. Facts and figures related to direct public investment

2014	General Government	Subnational governments
USD billion	12.7	7.5
USD per capita	1204	711
% of GDP	3.9%	2.3%
% of public expenditure	9.1%	19.5%
% of total public direct investment	100%	59.0%

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

Figure 1. Trends in direct public investment in the Czech Republic (2004–14)

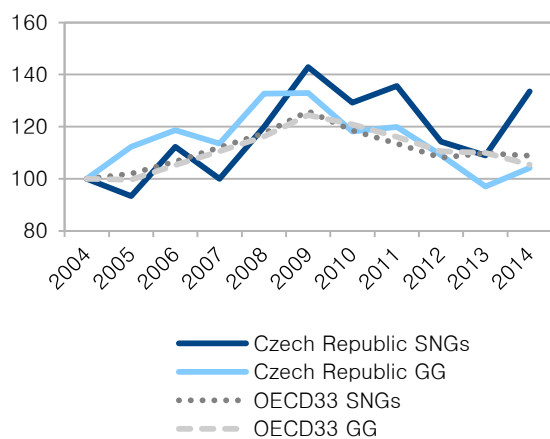
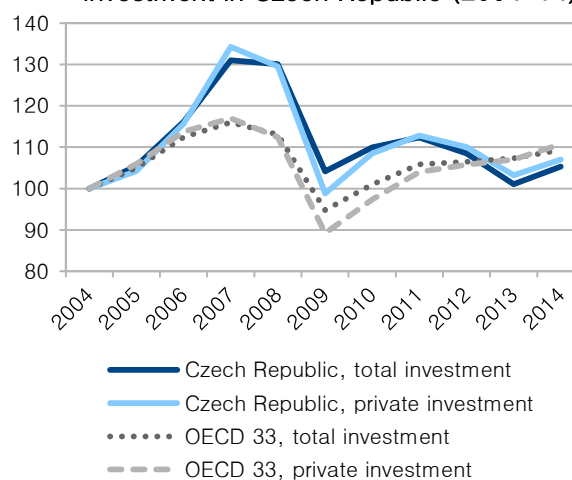


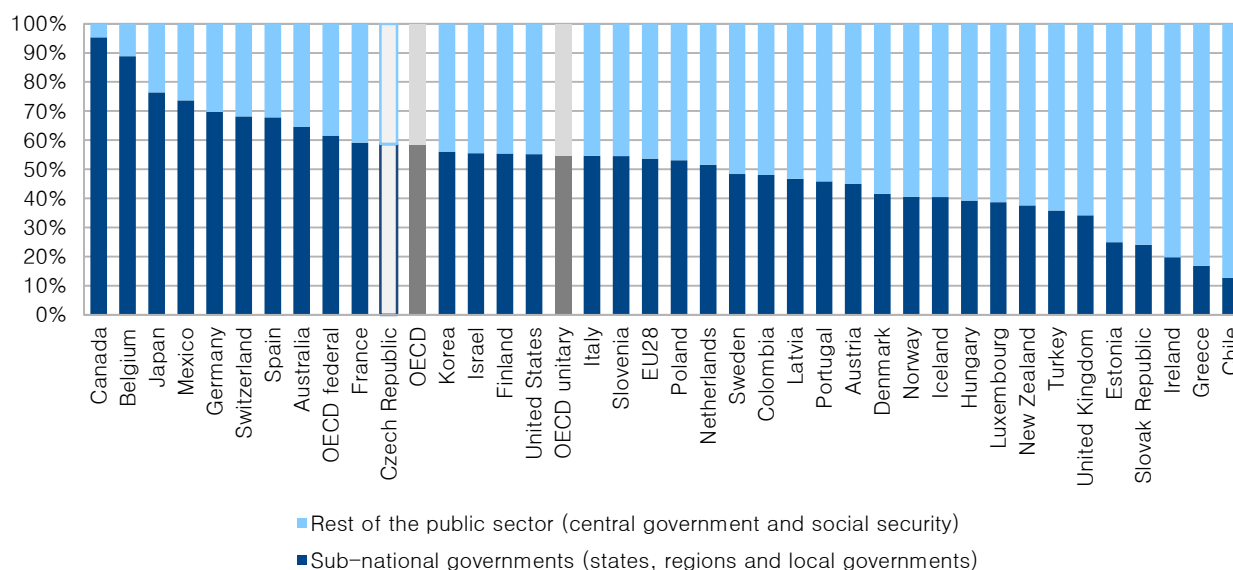
Figure 2. Trends in total and private direct investment in Czech Republic (2004–14)



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)

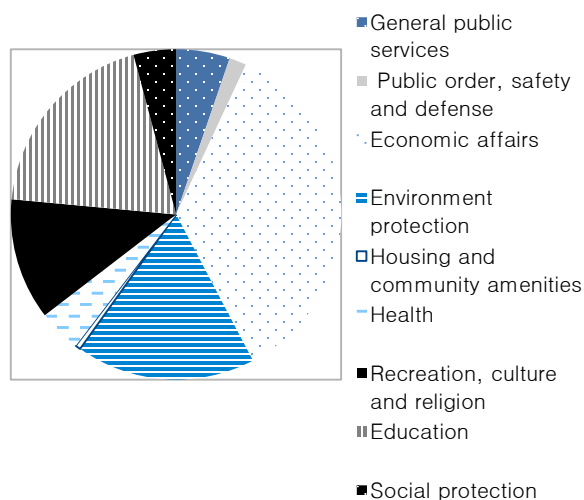


Source: OECD National Accounts.

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

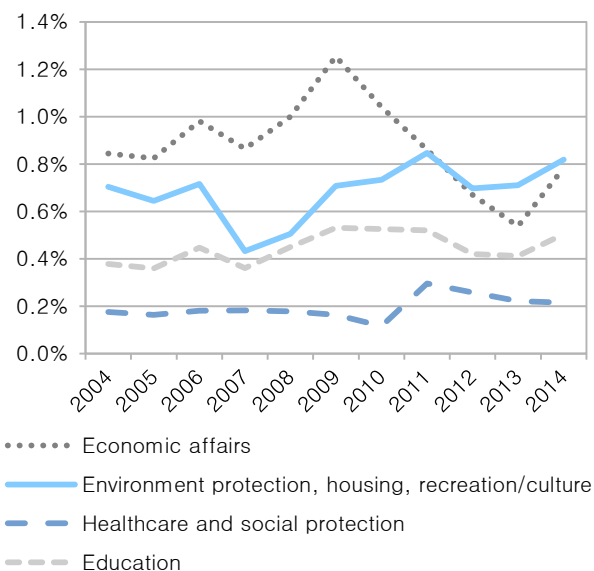
Most of subnational investments in the Czech Republic are dedicated to economic affairs (transport, general economic, commercial and labour affairs, industry, agriculture, etc.). Subnational governments are in charge of roads, public transportation, treatment facilities, etc. Other major categories of investment spending include education, environmental protection and recreation/culture/religion. In contrast, SNGs invest very little in social protection, healthcare or housing (Figures 4 and Figure 5).

Figure 4. Breakout of subnational direct investment in the Czech Republic by economic function (% of total direct investment, average 2008–2014)



Source: OECD National Accounts.

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

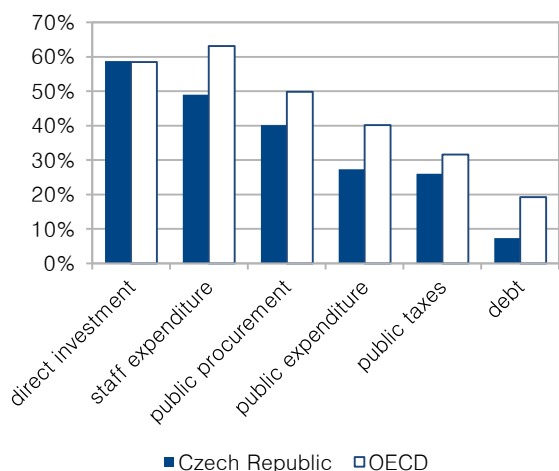


Source: OECD National Accounts.

Note: Do to negative values, generals services are not taken into account for the breakdown of investment by function for Czech Republic.

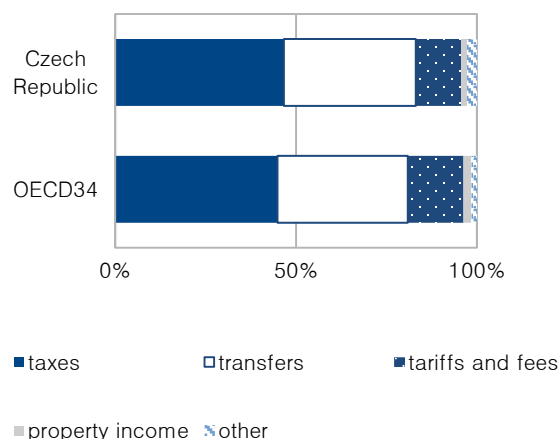
The share of subnational expenditure in the Czech Republic is lower than the OECD average for most large categories of spending (total expenditure, staff expenditure, public procurement), and on par for investments. The share of SNG debt in total public debt is also way smaller (Figure 6). Although a relatively small share of national taxes is allocated to SNGs, they account for a large share of subnational revenues (Figure 7).

Figure 6. The role of subnational governments in public finance in the Czech Republic, 2014



Source: OECD National Accounts.

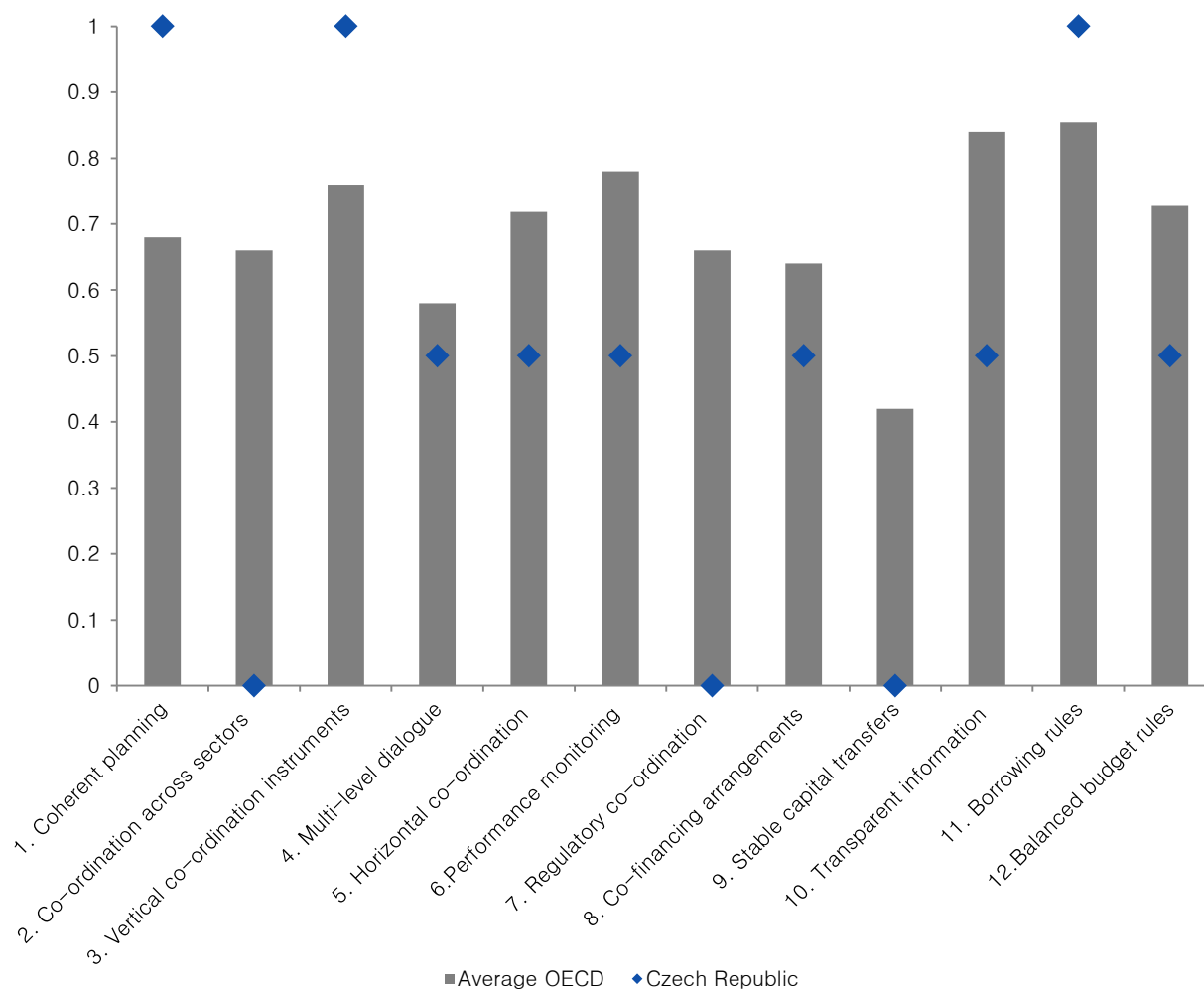
Figure 7. Indicators of subnational fiscal revenues in the Czech Republic, 2014



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

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).

Examples of good practices or recent developments for effective public investment

Vertical and horizontal co-ordination:

A Permanent Conference platform will be used to set up and implement the principle of multilevel partnership in order to ensure interconnection and co-ordination between the state and regions during the application of territorial dimensions in the programmes co-financed from ESI Funds. The Permanent Conference Platform will be created at the national and regional level. At the national level the Permanent Conference will help to co-ordinate the implementation of territorial dimensions by involving managing authorities, regional and other partners, and by discussing integrated strategies.

At the regional level it will help to harmonise investment intentions in the regions and it will give recommendations in connection to the territorial dimension.

Integrated approach to territorial development:

The Czech Republic is adopting an integrated approach to territorial development. Territorial dimension is viewed as a possibility to concentrate resources from European Structural and Investment Funds (ESI) in specific types of the territory supporting not only competitiveness (depending on the potential of development) of the Czech Republic, but also reflecting levelling off territorial disparities (with regard to the internal differentiation of territories and concentration of economic, social and environmental issues). The regional dimension in the next programming period will be implemented with following methods: i) individual projects (via calls aimed on concrete types of regions; ii) Integrated instruments.

The instruments for the application of integrated approaches in the Czech context through ESI Funds will be as follows: Integrated Territorial Investments (ITI), Integrated Plans for Territorial Development (IPTD) and Community Led Local Development (CLLD). The set-up of integrated approaches reflects the experience from the 2007–2013 programming period. The implementation of the integrated approach to territorial development occurred in the past programming period through the implementation of the "Integrated Urban Development Plans (IUDP)".

The Czech Republic also already has a positive experience with the application of some kind of community-led local development since the pre-accession instruments. The CLLD principles were used by the SAPARD pre-accession instrument within the LEADER CR 2004–2008 national programme, they were used in the OP Agriculture (2004–2006 programming period) and the Rural Development Programme (2007–2013 programming period).

Transparent Information:

A specialized information portal (MONITOR) was created in 2013. It allows free public access to budget and accounting information from all levels of state and local governments. Moreover, a National Open Data Catalogue was created in 2015.

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 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 X
- 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 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 X
- 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 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 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 X
- 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 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% X
- 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) 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 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:

Ministry of Regional Development: Town and Country Planning in the Czech Republic.

Ministry of Regional Development (nd), "Ministry of Regional Development" accessed on 3 August 2014, available at: <http://www.mmr.cz/en/Ministerstvo>.

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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), Economic Surveys Czech Republic.

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.