

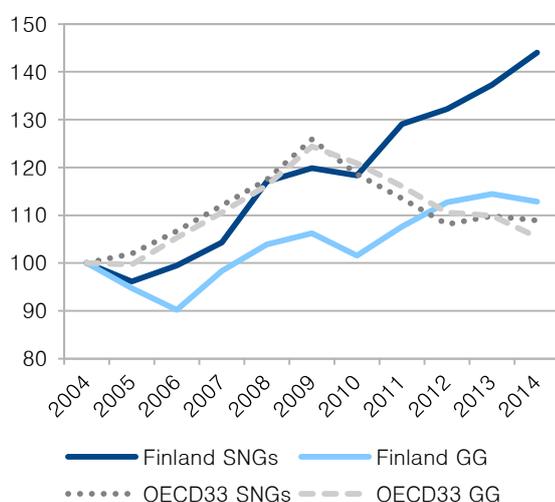
Multi-level governance of public investment 2017

Table 1. Facts and figures related to direct public investment

2014	General Government	Sub-national governments
USD billion	9.1	4.9
USD per capita	1670	902
% of GDP	4.1%	2.2%
% of public expenditure	7.0%	9.3%
% of total public direct investment	100%	54.0%

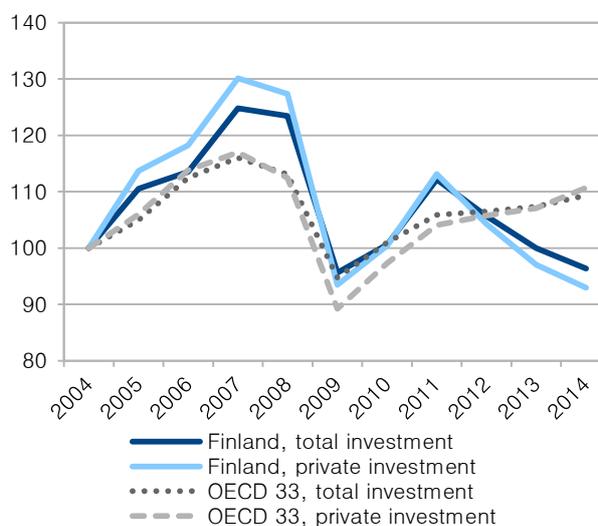
Source: OECD (2016), *Subnational governments in OECD countries: Key data*, 2016 edition (brochure).

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



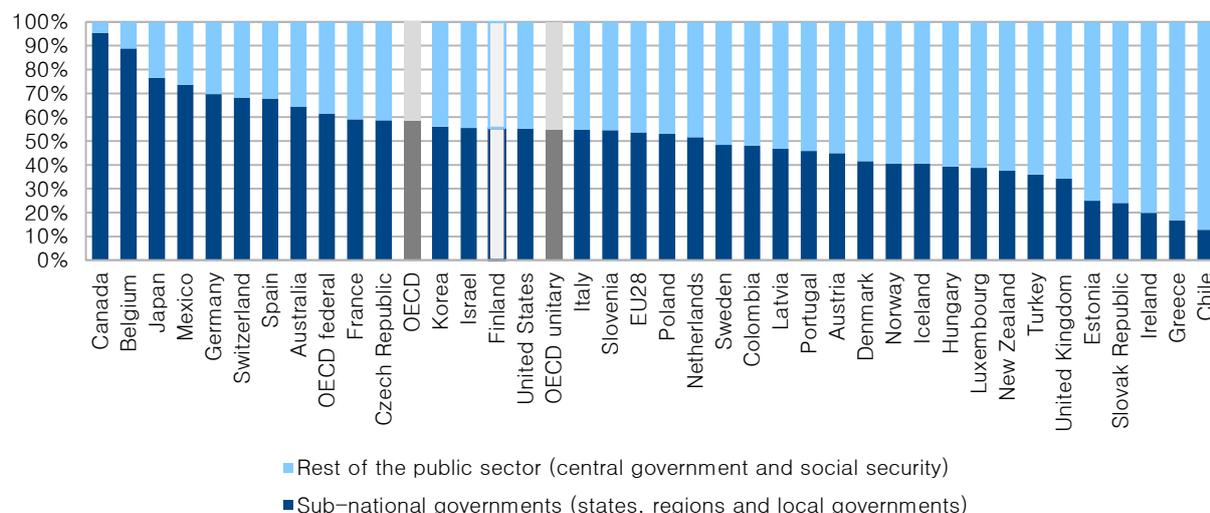
In real terms, base 100 in 2004.
Source: OECD National Accounts

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



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

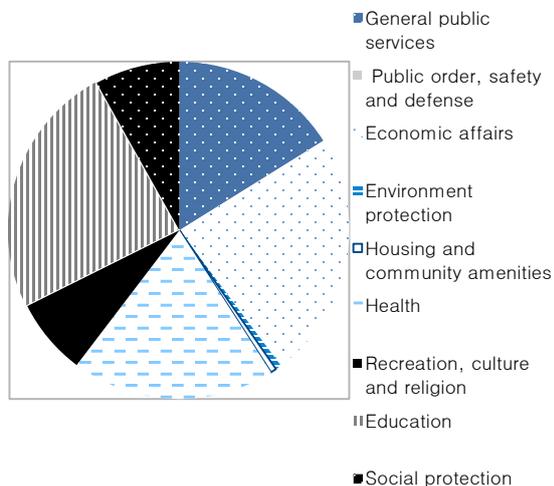
Figure 3. Sub-national public direct investment in OECD countries, 2014
(as a share of public direct investment)



Note: Data for Mexico : 2013 instead of 2014 ; Chile: 2012 instead of 2014; Turkey: 2011 instead of 2014
Source: OECD National Accounts.

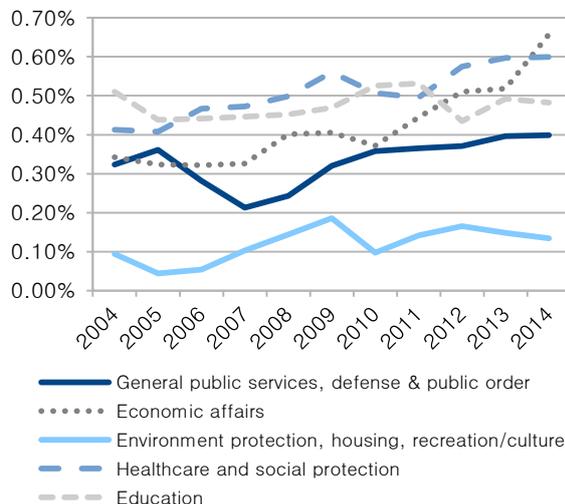
Finland is a decentralised country, and sub-national governments are involved in several key categories of expenditure. While most investments occur in the areas of economic affairs¹ and education, SNGs also invest a lot in healthcare, social protection, etc. In contrast, they invest very little in housing or environment protection (Figure 4 and 5).

Figure 4. Breakout of sub-national direct investment in Finland by economic function (% of total direct investment, average 2008–14)



Source: OECD National Accounts.

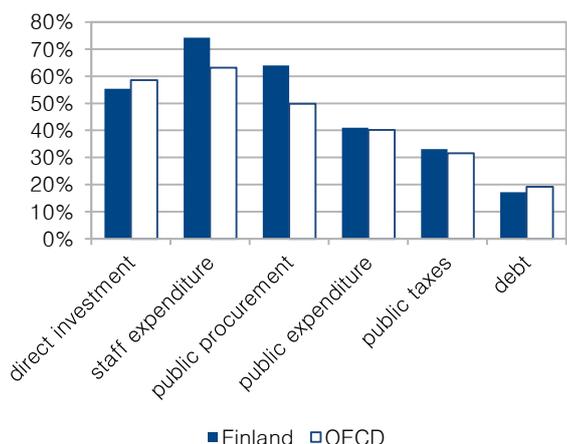
Figure 5. Trends in sub-national direct investment by economic function (as a % of GDP)



Source: OECD National Accounts.

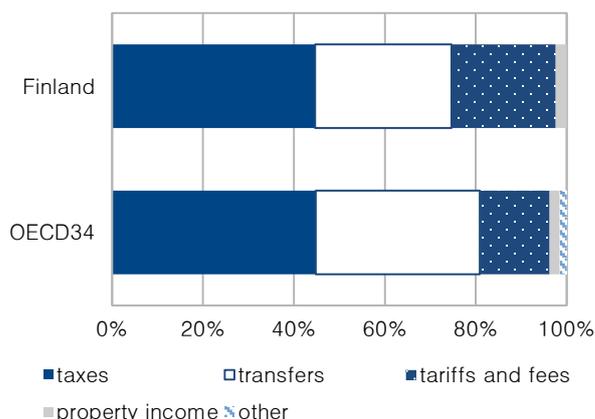
While SNG total expenditure, staff expenditure and public procurement are above the OECD average (Figure 6), the share of sub-national investment tends to be slightly below (as well as debt). Sub-national governments benefit from a large share of national taxes, and taxes represent the majority of their revenues (Figure 7). SNGs have a large financial autonomy and rely less than most OECD countries on transfers from the central government; the share of user fees in their revenues is relatively high.

Figure 6. The role of sub-national governments in public finance in Finland, 2014



Source: OECD National Accounts.

Figure 7. Indicators of sub-national fiscal revenues in Finland, 2014



Source: OECD National Accounts.

¹ transport, general economic, commercial and labour affairs, industry, agriculture, etc.

Examples of good practices or recent developments for efficient public investment

Coherent planning:

Growth agreements (focusing on competitiveness and resilience) between state and major cities defining key actions for long-standing development of city-regions were created. Thematic scope of these growth agreements lies on competitiveness and resilience.

Moreover, the Ministry of Employment and the Economy is in charge of preparing national targets for regional development and co-ordinating and steering regional development in co-ordination with other ministries and regional authorities.

Vertical co-ordination:

Regional councils draw up regional strategic programmes in co-operation with municipalities, regional state authorities, educational institutions and other organisations, etc. In the programme, regional development objectives, the most central projects, and other relevant measures are defined and a financing plan is presented. The programme must also identify different types of areas within the region (urban, rural, and island).

The programme must be drawn up such that its impact on the strategic planning and steering of the Centres of Economic Development, Transport and the Environment and, where applicable, Regional State Administrative Agencies is ensured. The programme will be handled in the Regional Management Committee and approved by the Regional Council. In their actions, authorities must take into account the regional strategic programmes and their implementation plans, advance their realisation, and evaluate the impact of their measures on regional development.

The Regional Council will negotiate on the implementation and financing of the regional strategic programme and its implementation plan with parties involved in the implementation (ELY centres, AVIs, municipalities, and other parties) in the context of their performance management or other, similar procedures.

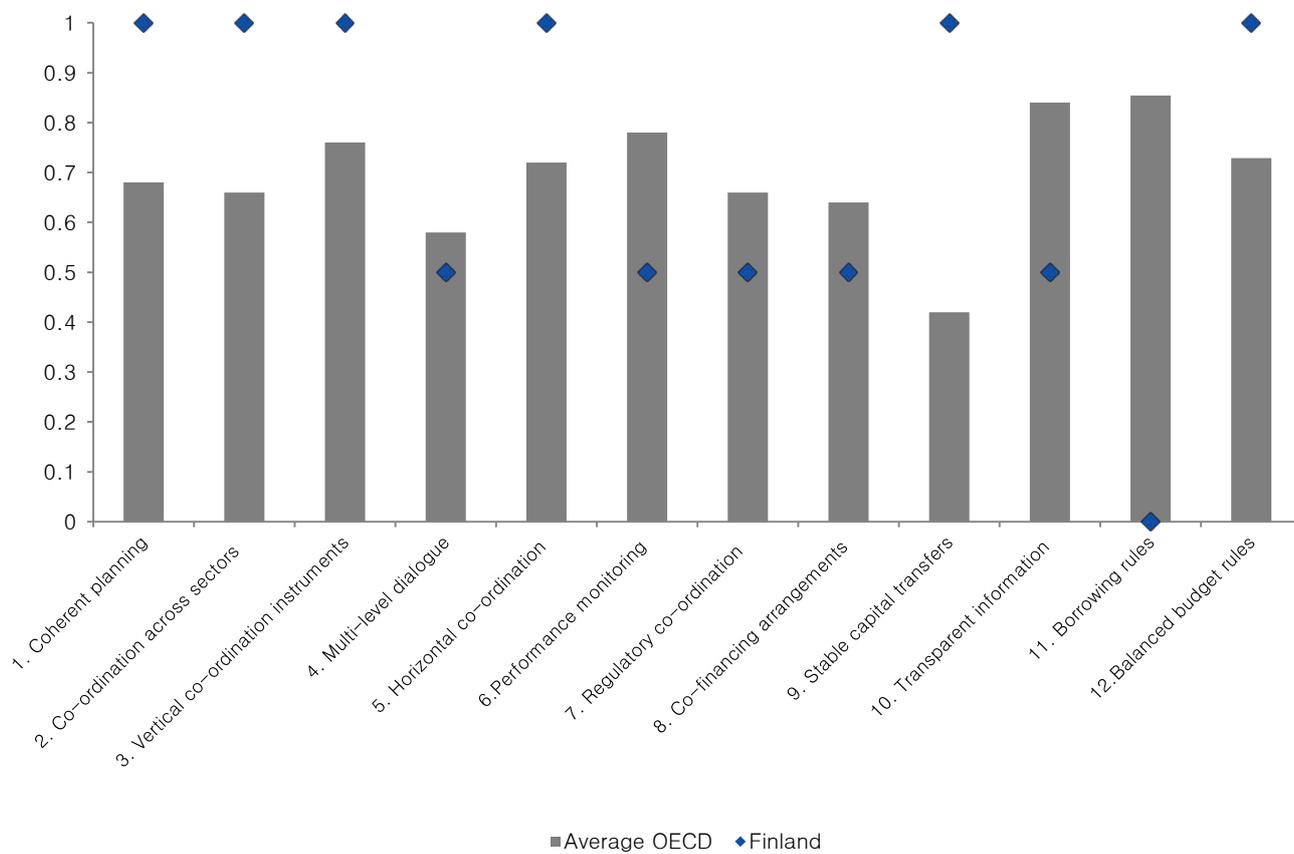
Regional Councils also draw up Regional Structural Fund programme proposals for their own region. These are also prepared in co-operation with regional authorities, municipalities, and other parties involved in development work. The proposals must be in line with the development strategy defined in the regional strategic programme. On the basis of proposals from the regions, the Ministry of Employment and the Economy will prepare structural fund programme proposals for the Government jointly with regional councils, ministries and the others involved. The Government will make the decision on submission of the programme proposal to the commission.

Performance monitoring:

In spring 2012, a project was launched aimed at supporting and strengthening work promoting the productivity and effectiveness of municipalities and joint municipal authorities. Work during 2013 created a local government productivity scorecard, established a local government productivity databank, prepared a local government productivity and effectiveness measurement guide intended for municipalities, and arranged network meetings for municipalities engaged in productivity work.

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 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
- 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
- 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
- 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%	
10. Transparent information across levels of government		X
Subnational fiscal situation is publicly available		
a	Not available for any type of subnational government	X
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	X
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)	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:

National Reform Programme Finland 2014

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), <http://dx.doi.org/10.1787/na-data-en>.

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

OECD (2014), Regional Outlook 2014. Regions and Cities: Where Policies and People Meet. OECD Publishing, Paris.