

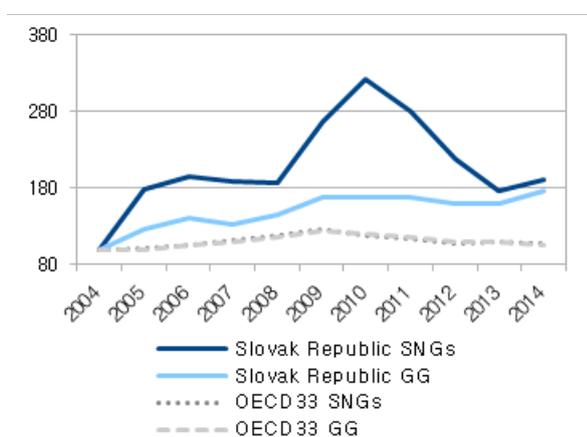
Multi-level governance of public investment

Table 1. Facts and figures related to direct public investment

2014	General Government	Subnational governments
USD billion	5.2	1.3
USD per capita	961	244
% of GDP	3.4%	0.9%
% of public expenditure	8.2%	12.9%
% of total public direct investment	100%	25.4%

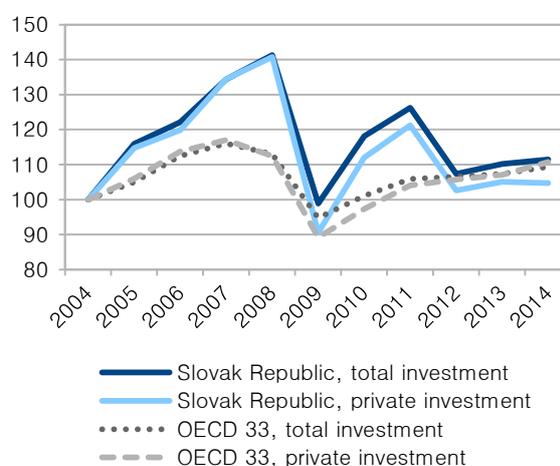
Source: OECD (2016), *Subnational governments in OECD countries: Key data*, 2016 edition (brochure).

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



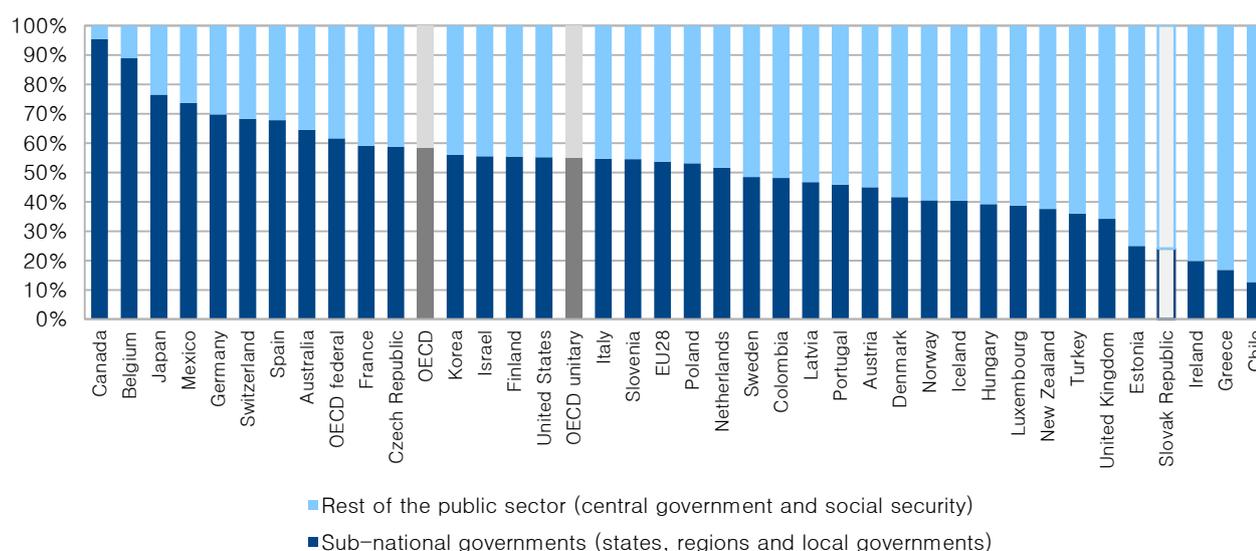
Source: OECD National Accounts. In real terms, base 100 in 2004.

Figure 2. Trends in total and private direct investment in the Slovak Republic (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)

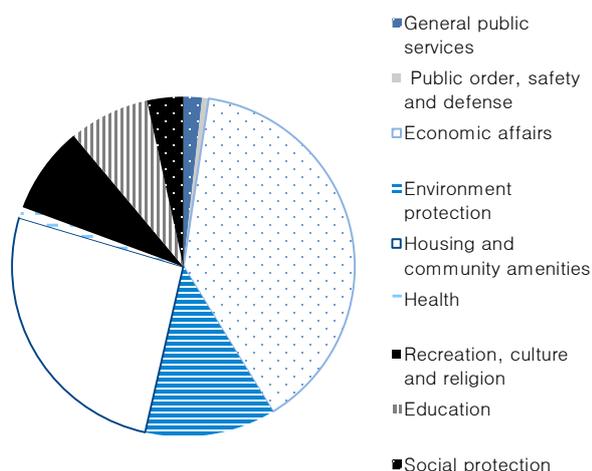


Source: OECD National Accounts.

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

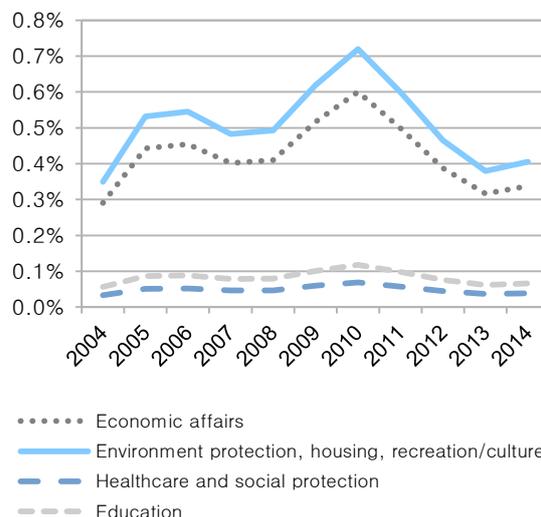
Most subnational investments in the Slovak Republic are dedicated to economic affairs¹ and housing/community amenities. Subnational responsibilities include in particular local roads and transportation. Other major categories of investment spending include environmental protection, recreation, culture, religion and education. In contrast, SNGs invest very little in general public services, healthcare or social protection (Figure 4 and 5).

Figure 4. Breakout of subnational direct investment in the Slovak 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)

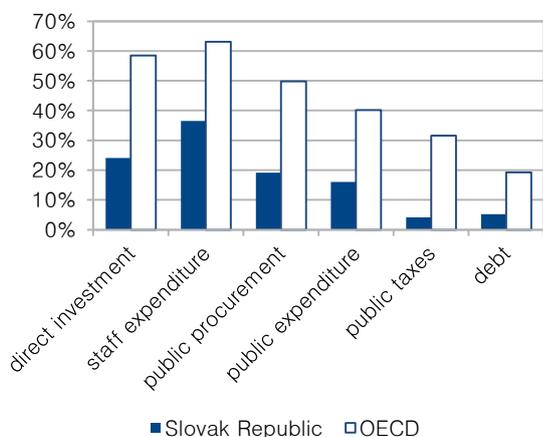


Source: OECD National Accounts.

Note: Due to negative values, general services are not taken into account for the breakdown of investment by function for Slovak Republic.

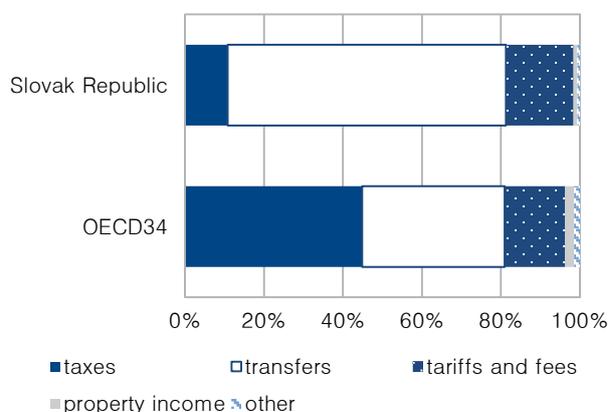
The Slovak Republic is highly centralised, and the share of subnational expenditure is lower than the OECD average for most large categories of spending (total expenditure, investments, staff expenditure, public procurement). The share of SNG debt in total public debt is also way smaller (Figure 6). Subnational governments also have a very small share of revenues from taxes (Figure 7), which is compensated by a high reliance on transfers from the central government.

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



Source: OECD National Accounts.

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



Source: OECD National Accounts.

Examples of good practices or recent developments for effective public investment

Horizontal co-ordination:

Slovakia employs inter-municipal co-operation to increase efficiency of public service provision. “Joint municipal offices” involve the voluntary association of two or more municipalities or the purposes of managing functions delegated from the state. These offices are “headquartered” in a single municipality, but serve multiple participating municipalities. They are frequently (but not always) multi-purpose offices performing functions in a number of different domains. As of May 2014, there were 233 JMOs in Slovakia implementing co-ordination arrangements covering 21 different domains, mostly focusing on public service provision. Cross-jurisdiction co-ordination for capital investment may result not only through JMOs, but also through medium-term strategic planning processes for regional Programmes of Social and Economic Development which bring together stakeholders in the region, including local governments.

Vertical co-ordination:

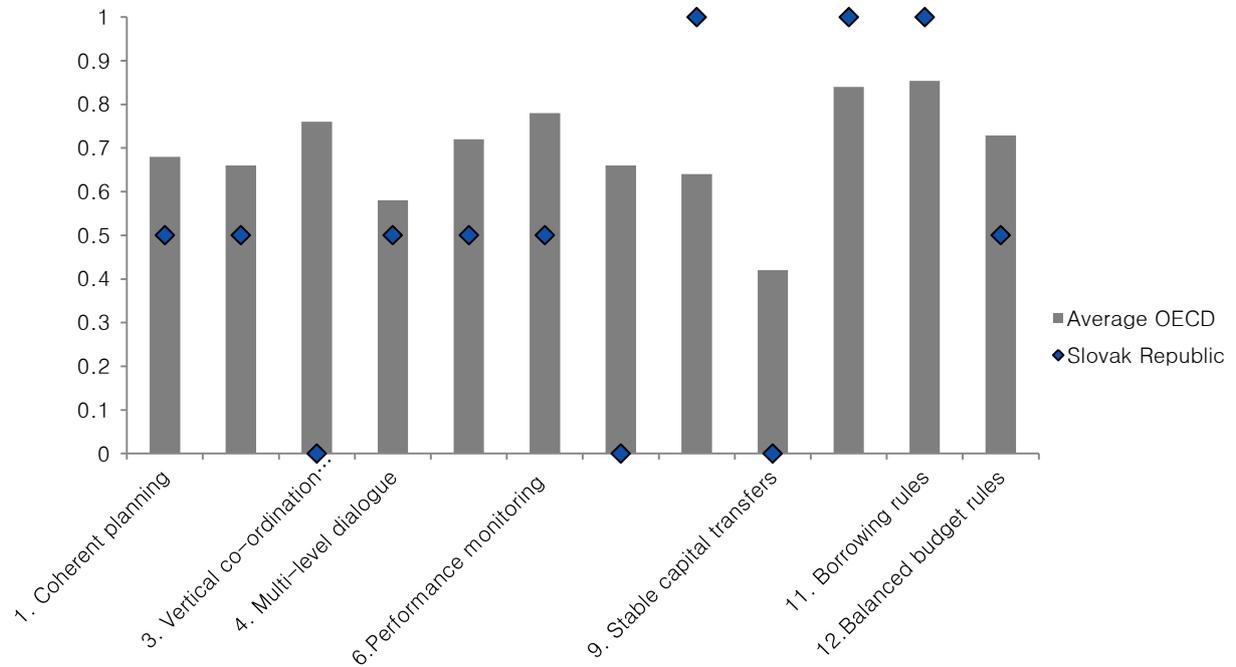
The National Strategy for Regional Development, co-ordinated by the Ministry of Transportation, Construction and Regional Development, acts as a vertical co-ordination instrument for regional development, as its elaboration is expected to involve sub-national actors and its priorities are expected to be reflected in Programmes for Economic and Social Development articulated at the regional and local levels. To date there has been a lack of financial resources clearly dedicated to its implementation. Such financing is envisaged for the implementation of the updated National Strategy for Regional Development currently under government review.

Performance monitoring:

In the Slovak Republic, according to the government’s rules of procedure, all documents submitted to the government must include an evaluation of impacts in five main areas: 1) public budgets; 2) business environment; 3) social impacts; 4) environment; and 5) the “informatisation” of the society. However, while the formal obligation to conduct RIA has been in place since 2001, with major modifications added in 2008 and again in 2010, it does not seem to be complied with as a general rule. The “Unified methodology for the assessment of selected impacts”, the government resolution setting the rules for conducting impact assessments of legislative and non-legislative documents, was amended in January 2015 with the aim to improve the RIA process. This resolution changed the methodology structure and introduces mandatory consultations with businesses (or their associations) as a firm part of the RIA process whenever the proposal has potential impacts on the business sector. A new Permanent Working Committee of the Legislative Council of the Slovak Republic for Assessing Selected Impacts was also set up in October 2015. This should strengthen the process of quality control over the impact assessments submitted to the government.

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 X
- 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 X
- 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 X
- 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 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
- c Co-financing arrangements exist and funds are tracked X

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)
- c Available for each subnational government individually X

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)
-

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:** 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:

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).

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

OECD (2015c), OECD Public Governance Reviews, Slovak Republic, 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.