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# Subnational governments organisation in the OECD

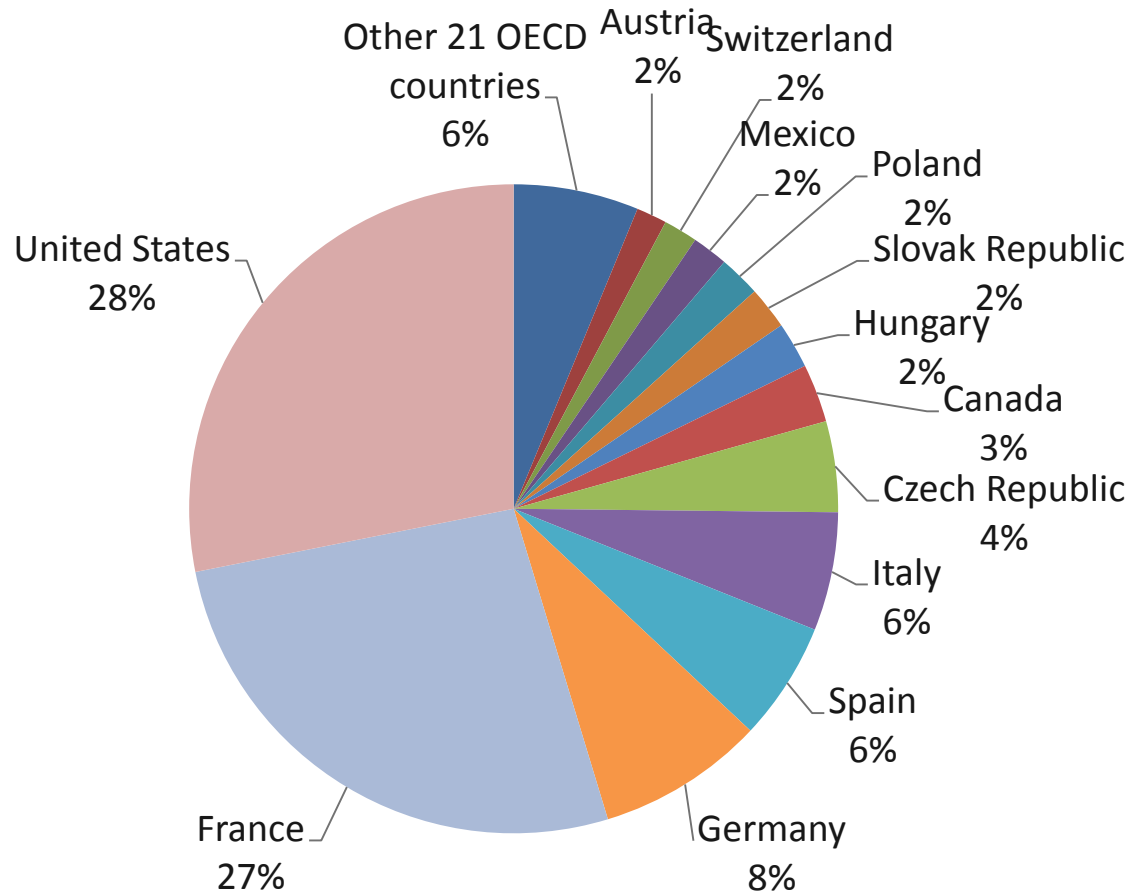
	<b>8 countries with only one level</b> <i>Municipalities</i>	<b>18 countries with two levels</b> <i>Municipalities + regions</i>	<b>8 countries with three levels</b> <i>Municipalities + intermediary entities + regions</i>
<b>9 federations</b>		Australia Austria Canada Mexico Switzerland	Germany Belgium Spain* United States
<b>25 unitary countries</b>	Estonia Finland* Ireland Island Israel Luxembourg Portugal* Slovenia	Chili Korea Denmark Greece Hungary Japan Norway New-Zealand Netherlands Czech Republic Slovak Republic Sweden Turkey	France Italia Poland United Kingdom

\* Spain : quasi-federal country ; \* Portugal: existence of two autonomous regions ; \*Finland: existence of one autonomous region





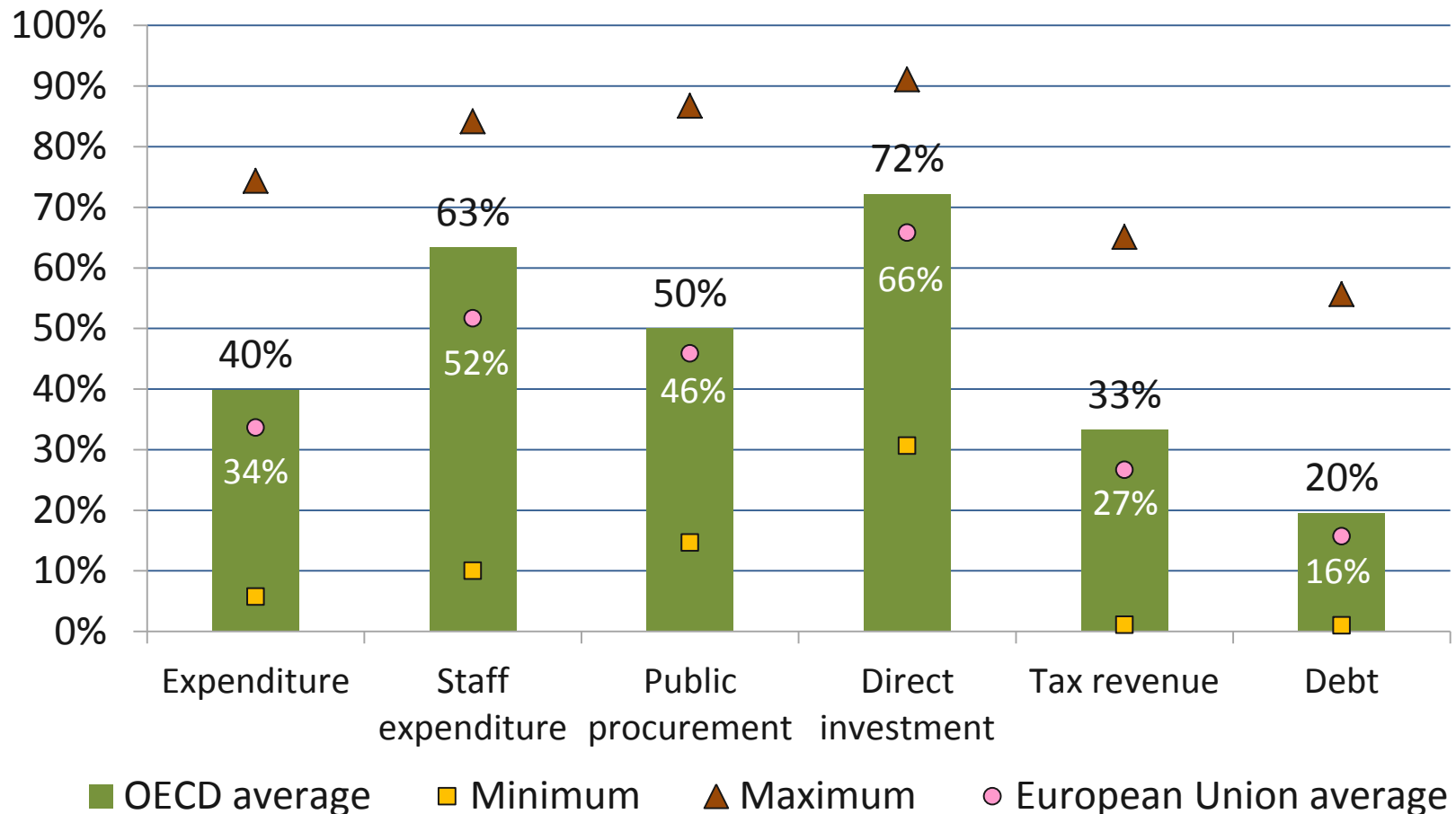
## The United States and France account for 55% of all subnational governments in the OECD.





# Subnational governments (SNGs) are key economic actors in the OECD and EU

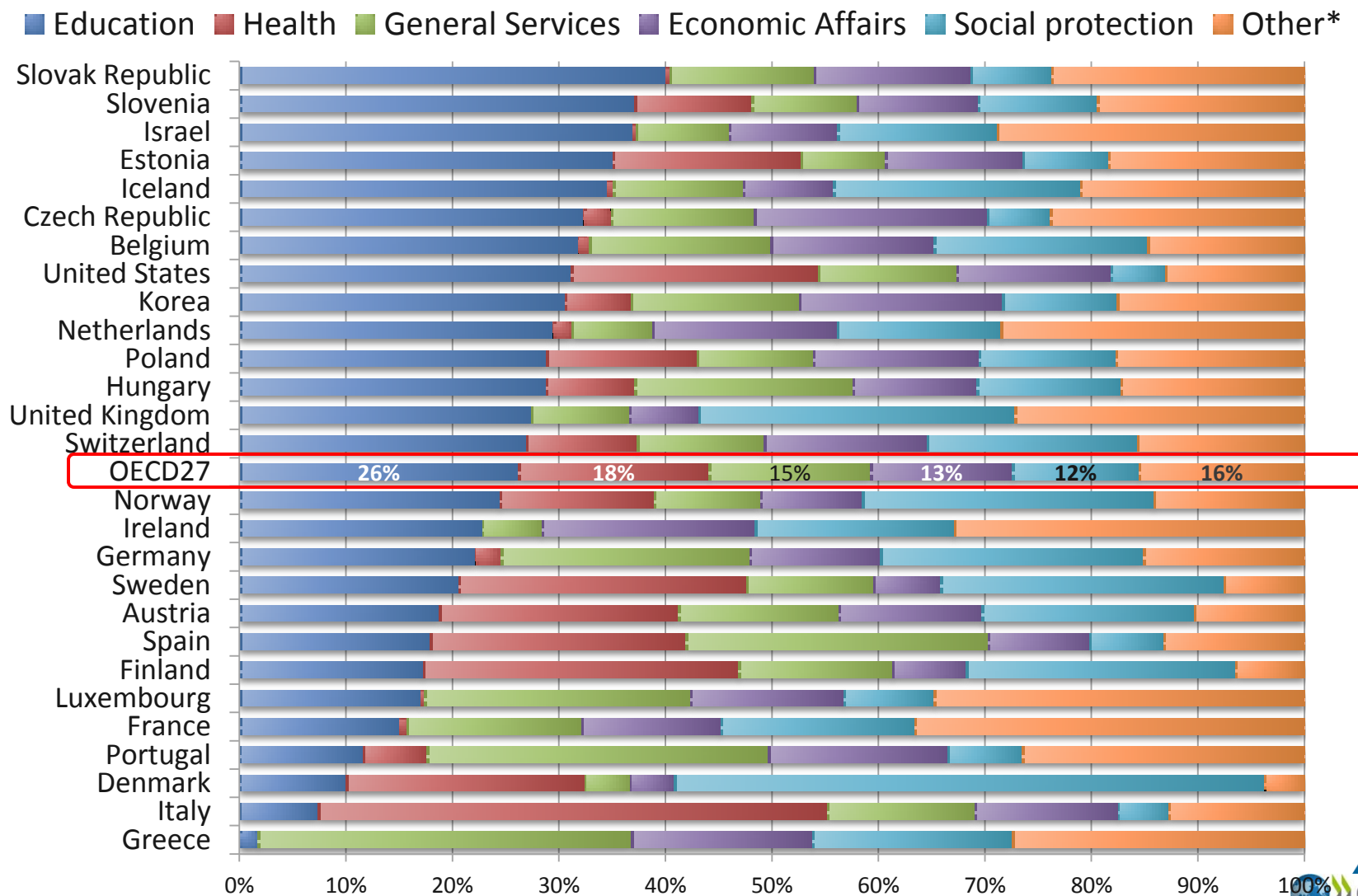
*% of General Government - 2012*





# SNGs expenditure by economic function

*The importance of education, health and economic development*

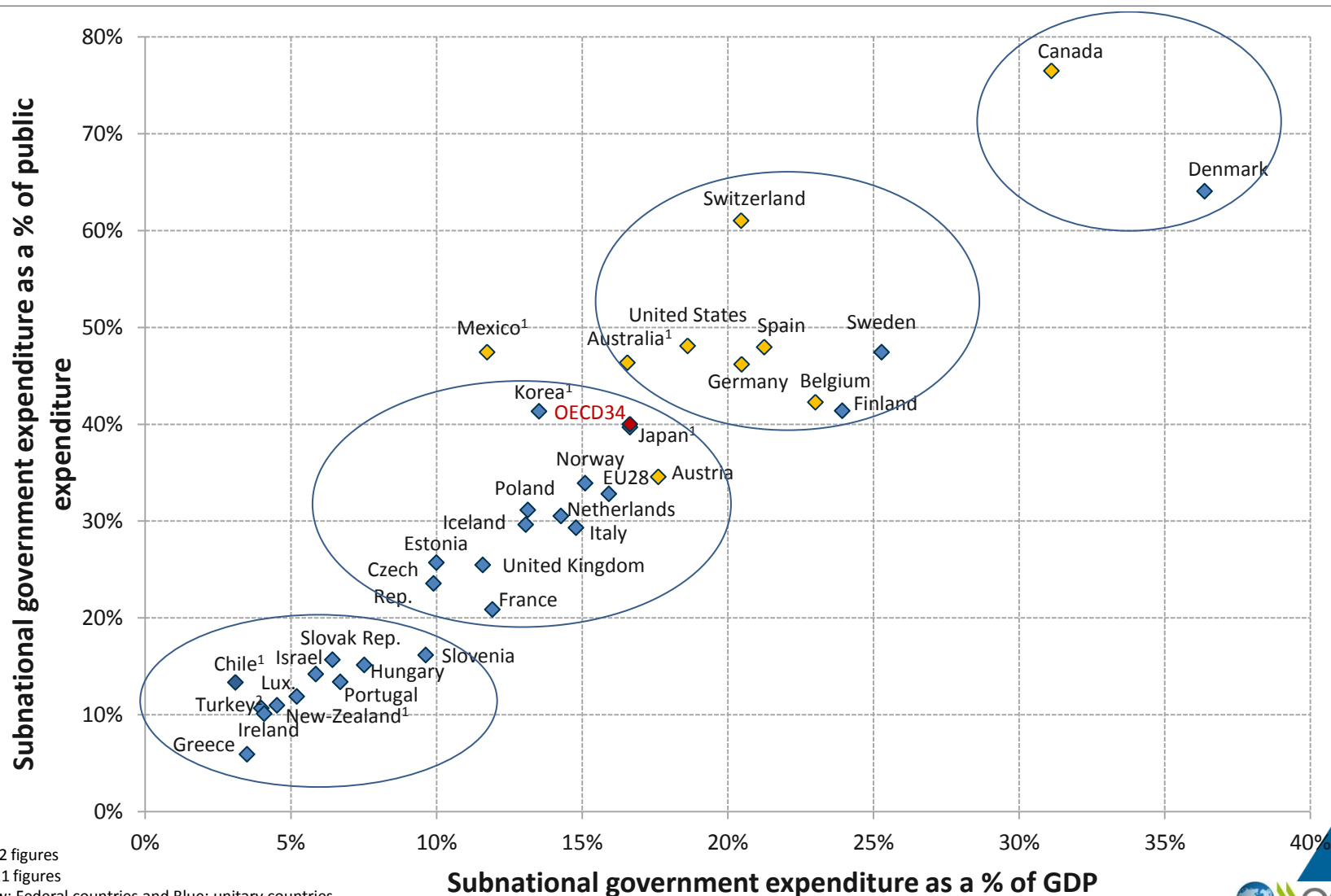


\* Other: Defense; Public order and safety; Housing and community amenities; Recreation, culture and religion; Environment.



# SNGs are key economic actors in the OECD and the EU

*SNGs expenditure represent 40% of public spending and 16.7% of GDP*



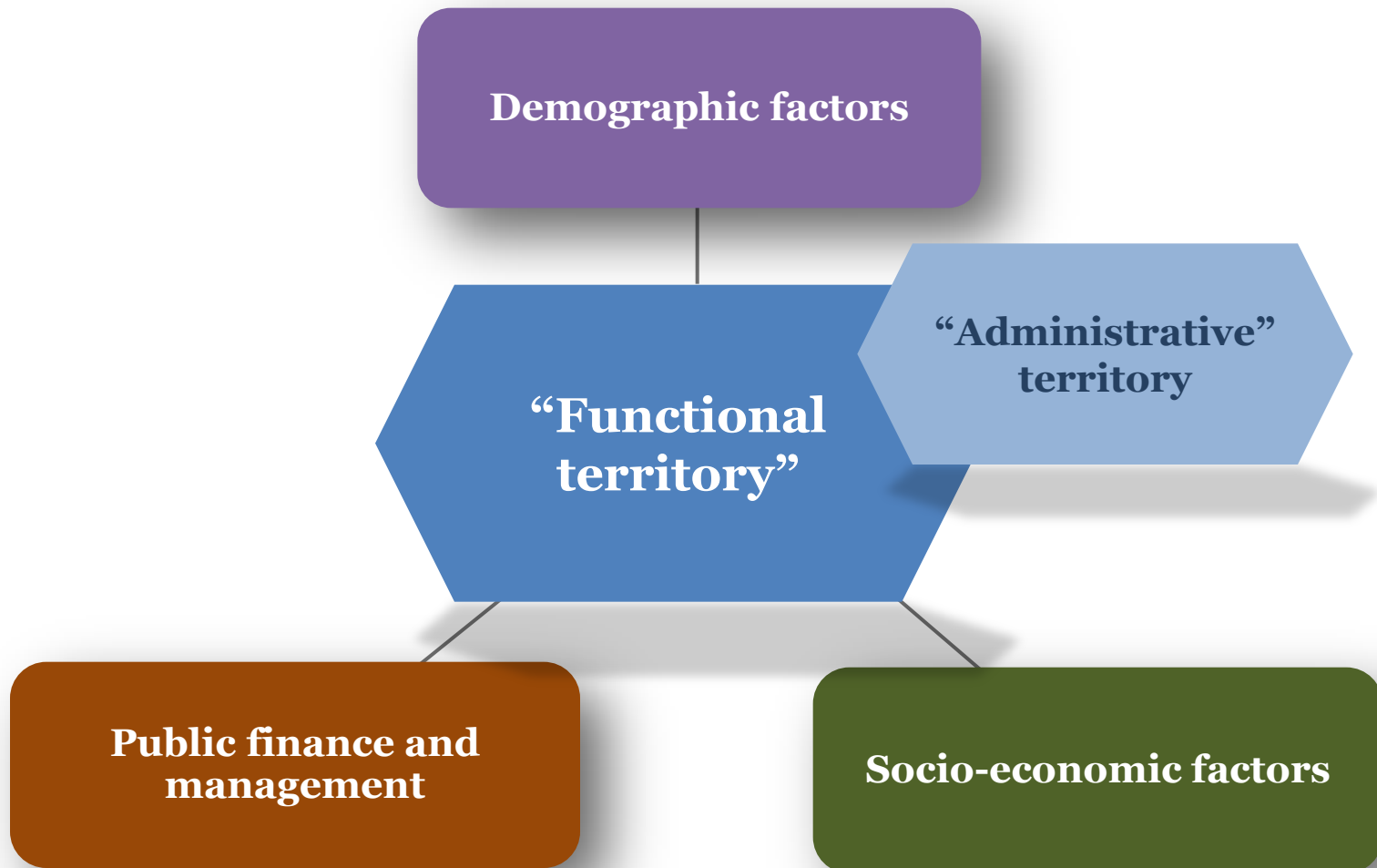
<sup>1</sup> 2012 figures

<sup>2</sup> 2011 figures

Yellow: Federal countries and Blue: unitary countries



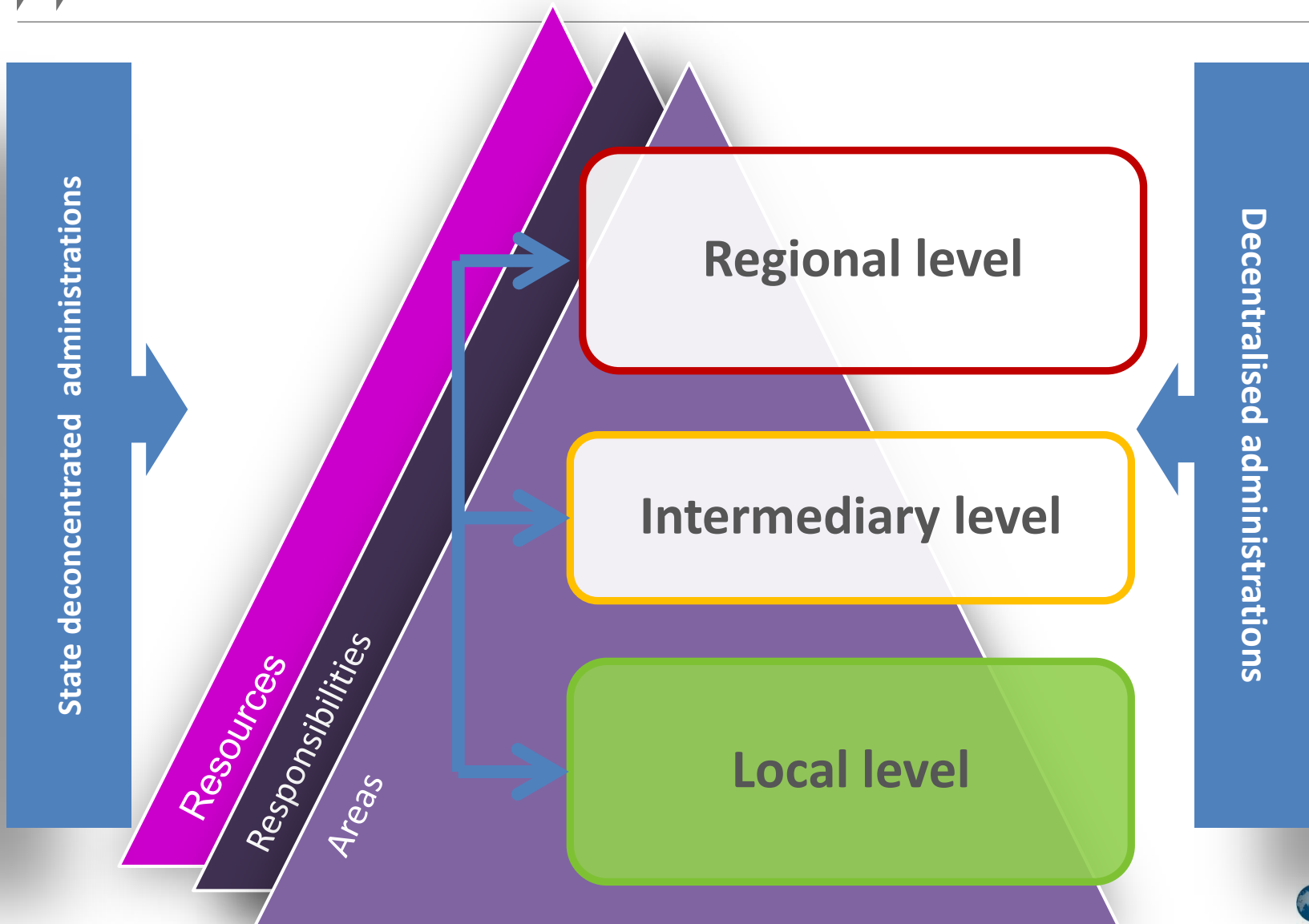
## The territorial organisation is constantly changing







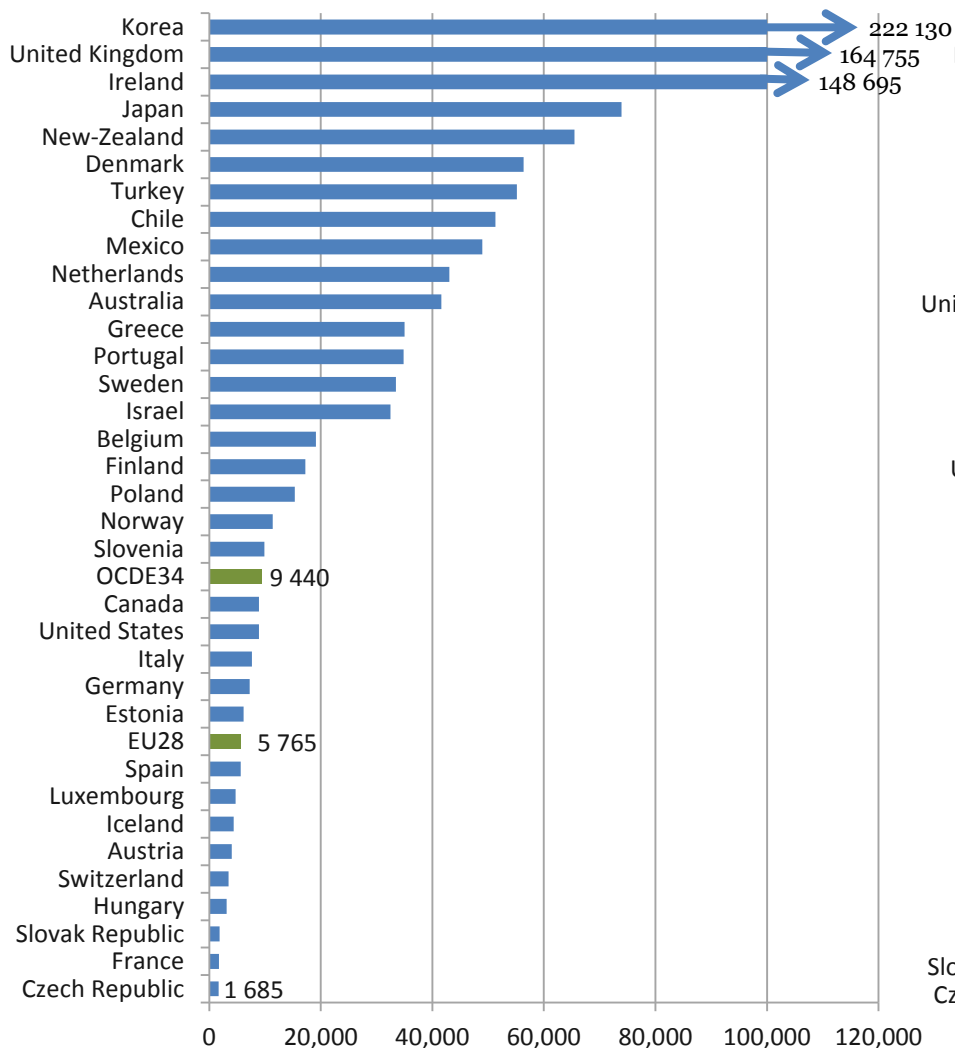
# All subnational government levels are affected by the territorial reforms



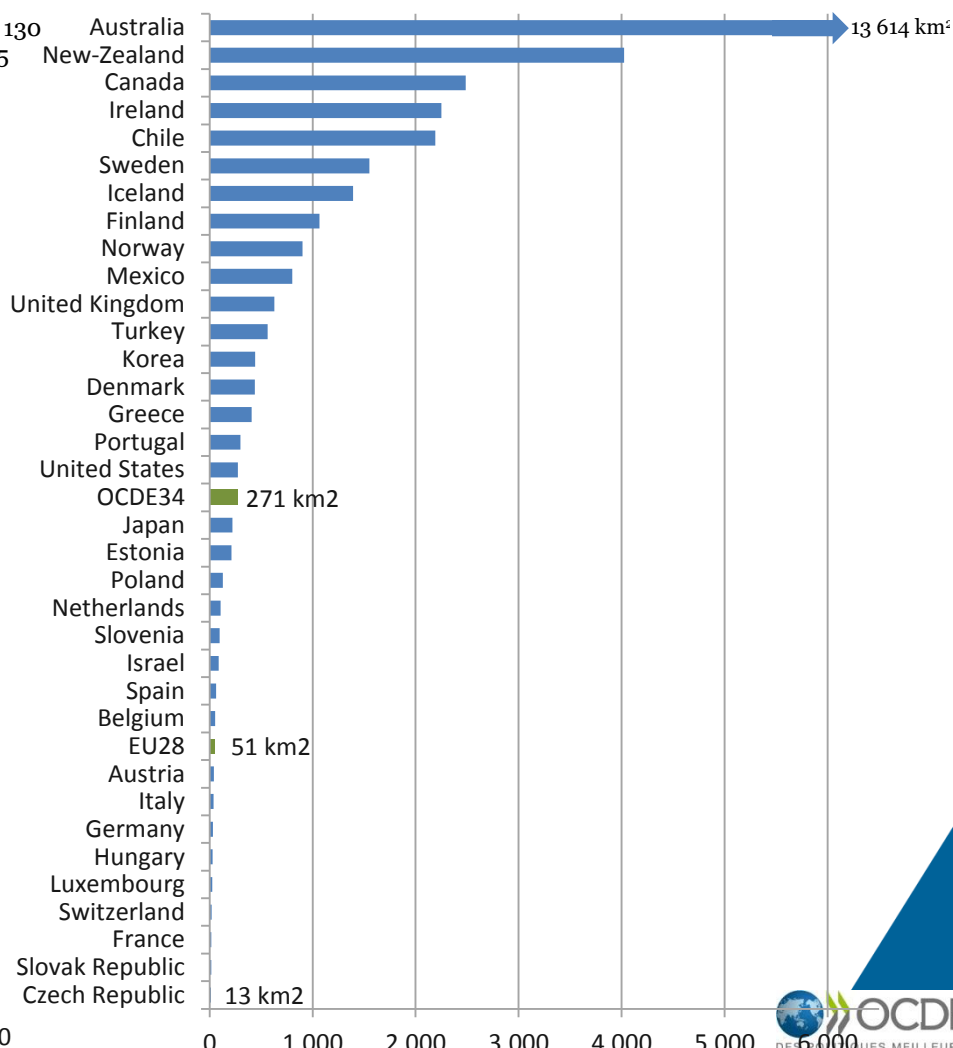


# Municipal population and area: great variations between OECD countries

Average population per municipality (2014-15)

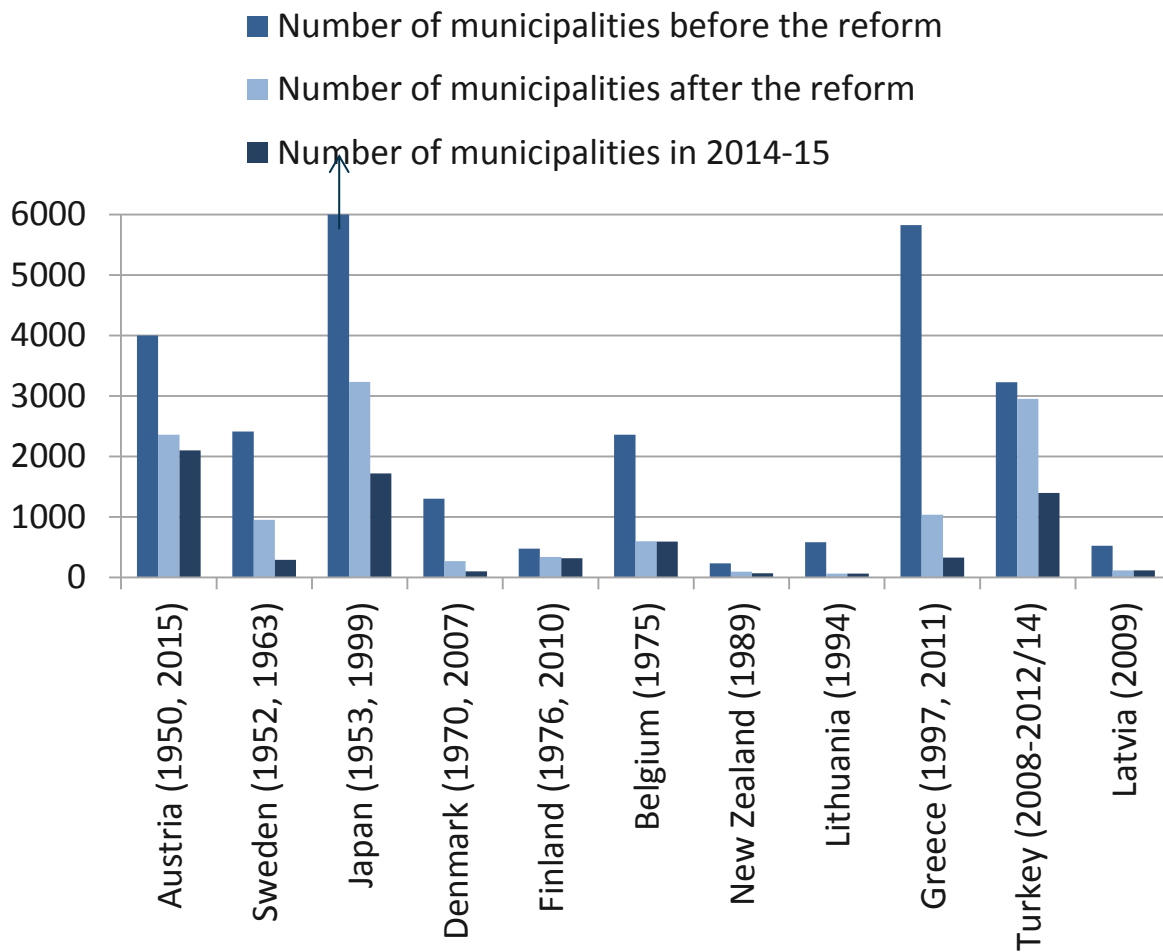


Average municipal area (km<sup>2</sup>, 2014-15)





## Some examples of mergers policies in the OECD and EU since 1950



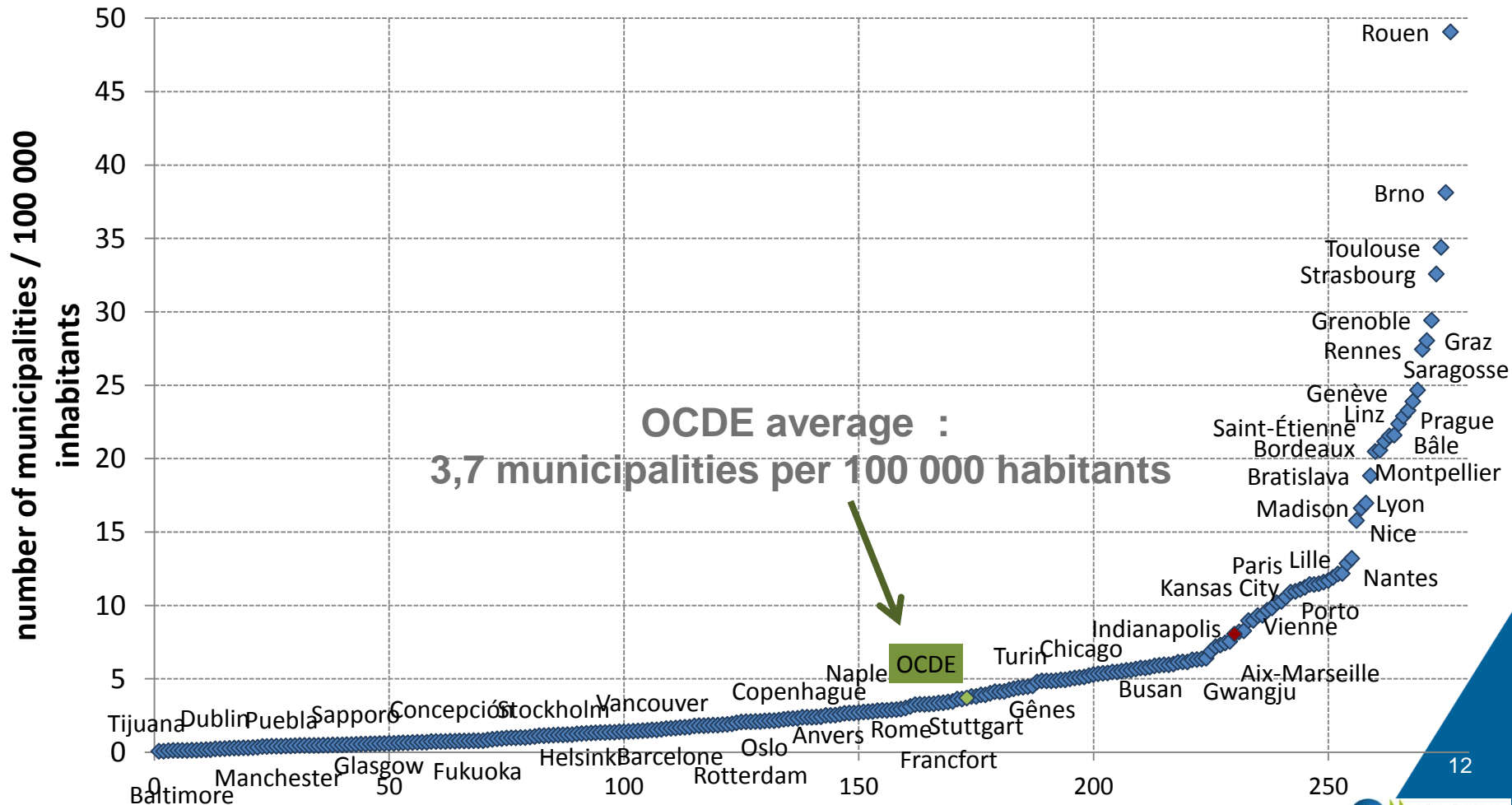
### Recent or on-going policies:

- Turkey (March 2014)
- Ireland (May 2014)
- Austria (Styria / January 2015)
- Norway (gradual, on-going until 2017)
- Northern Ireland (from 1 April 2015)
- Finland (gradual, on-going)
- Luxembourg (gradual, on-going)
- Netherlands (gradual, on-going)



# Administrative fragmentation of metropolitan areas

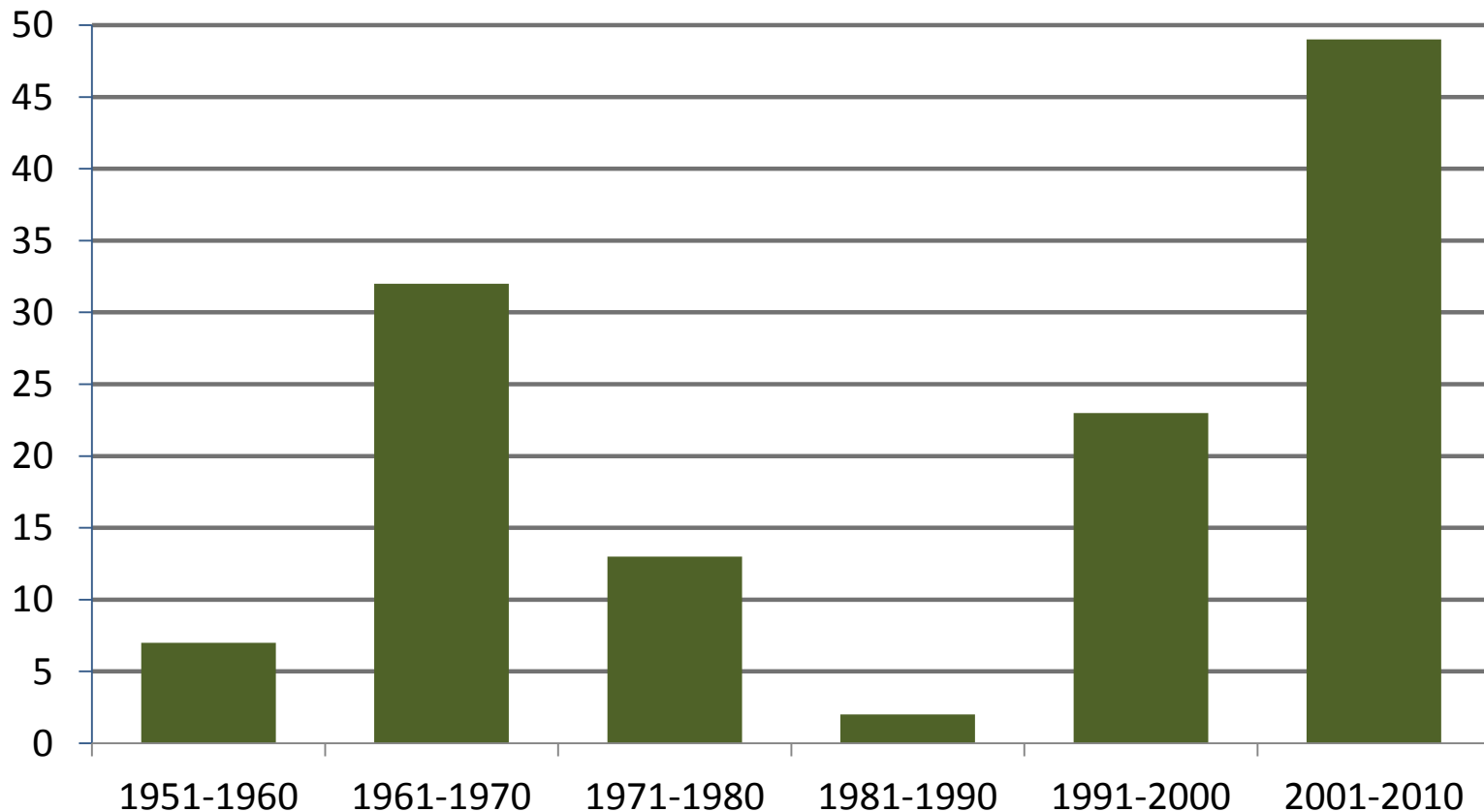
Index of municipal fragmentation in metropolitan areas in the OECD, 2012





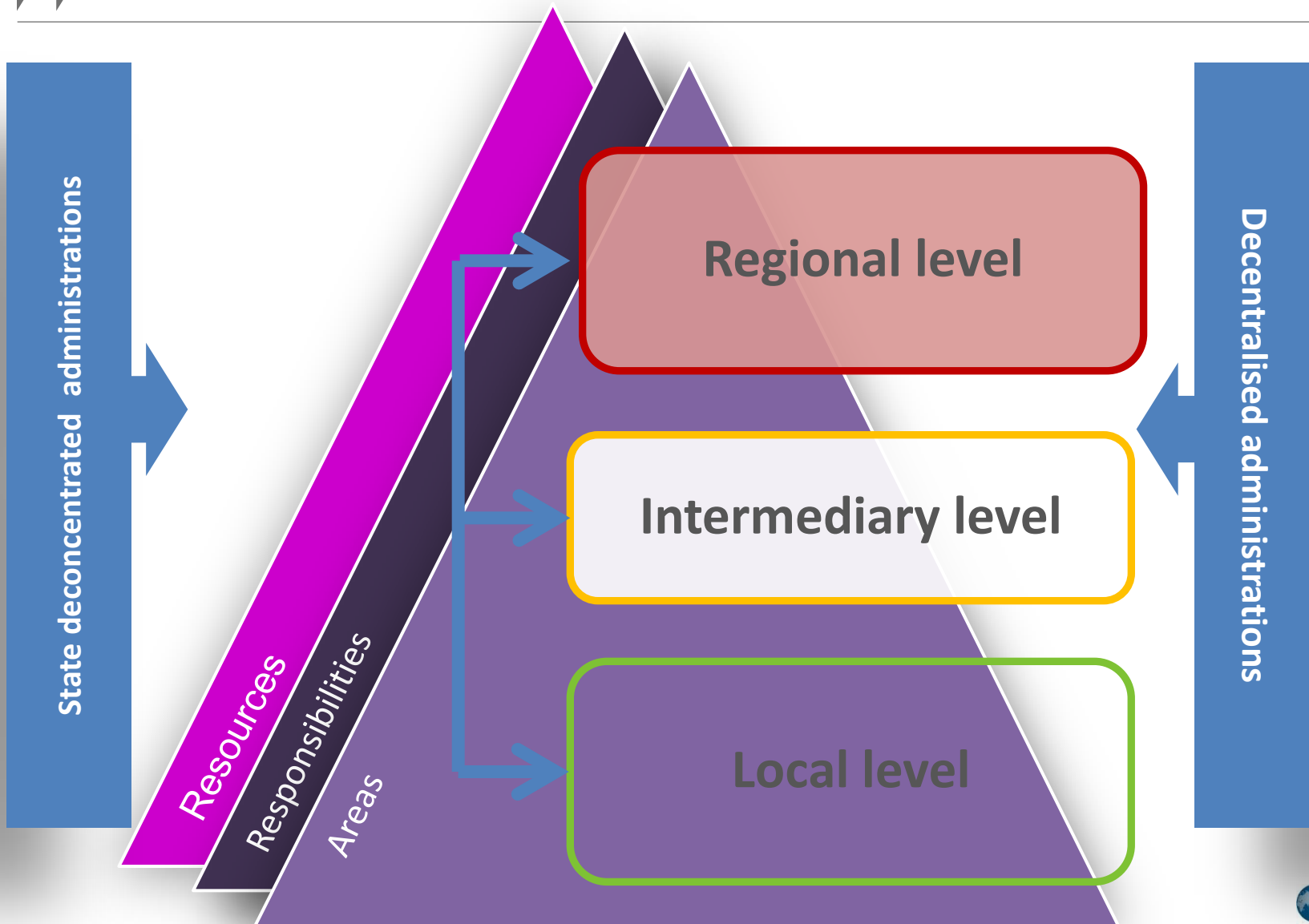
## Metropolitan governance reforms since 1951

**Number of metropolitan governance structures created or reformed in the OECD by decade**





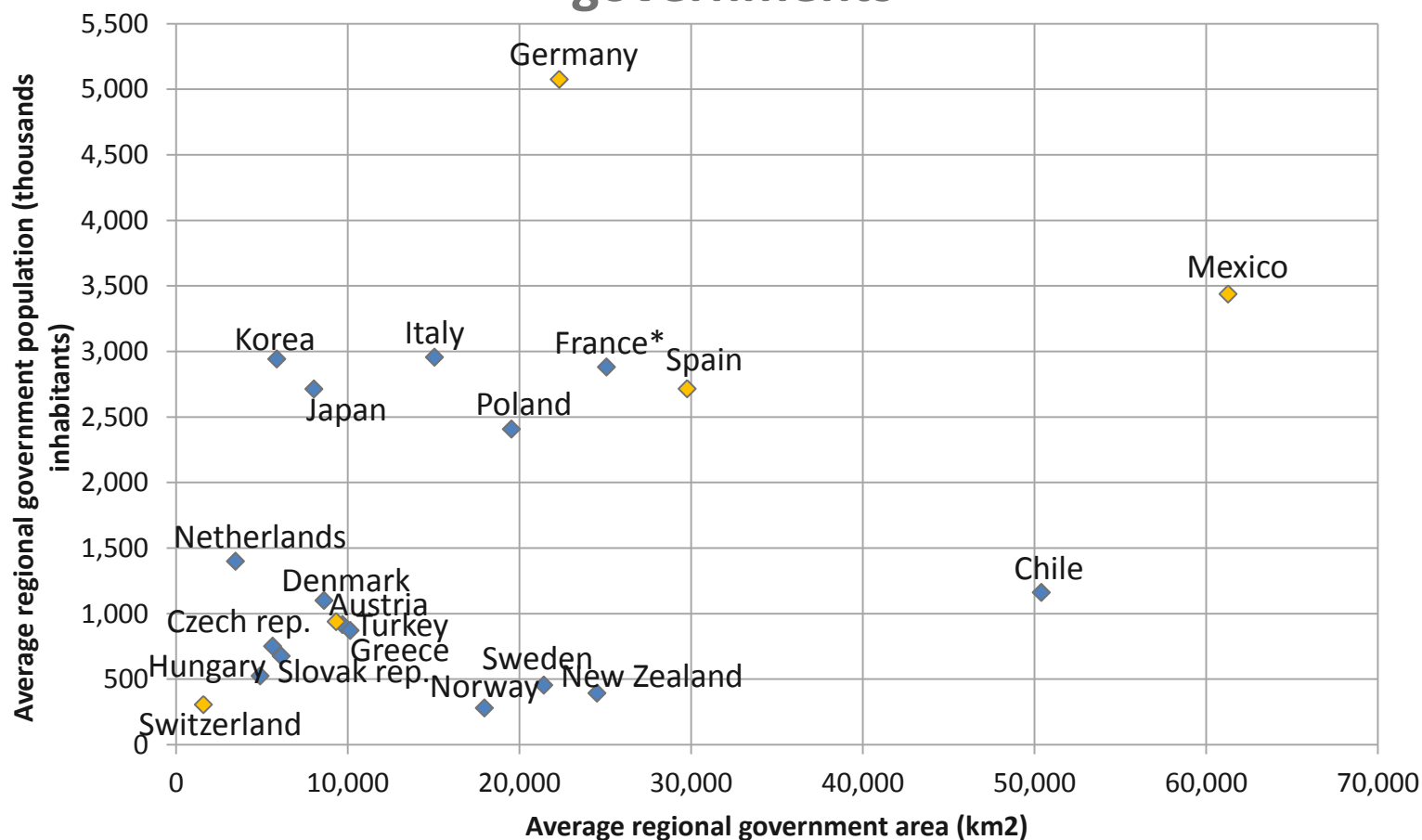
# All subnational government levels are affected by the territorial reforms





# Regional size in the OECD

## Average demographic and geographic size of OECD regional governments

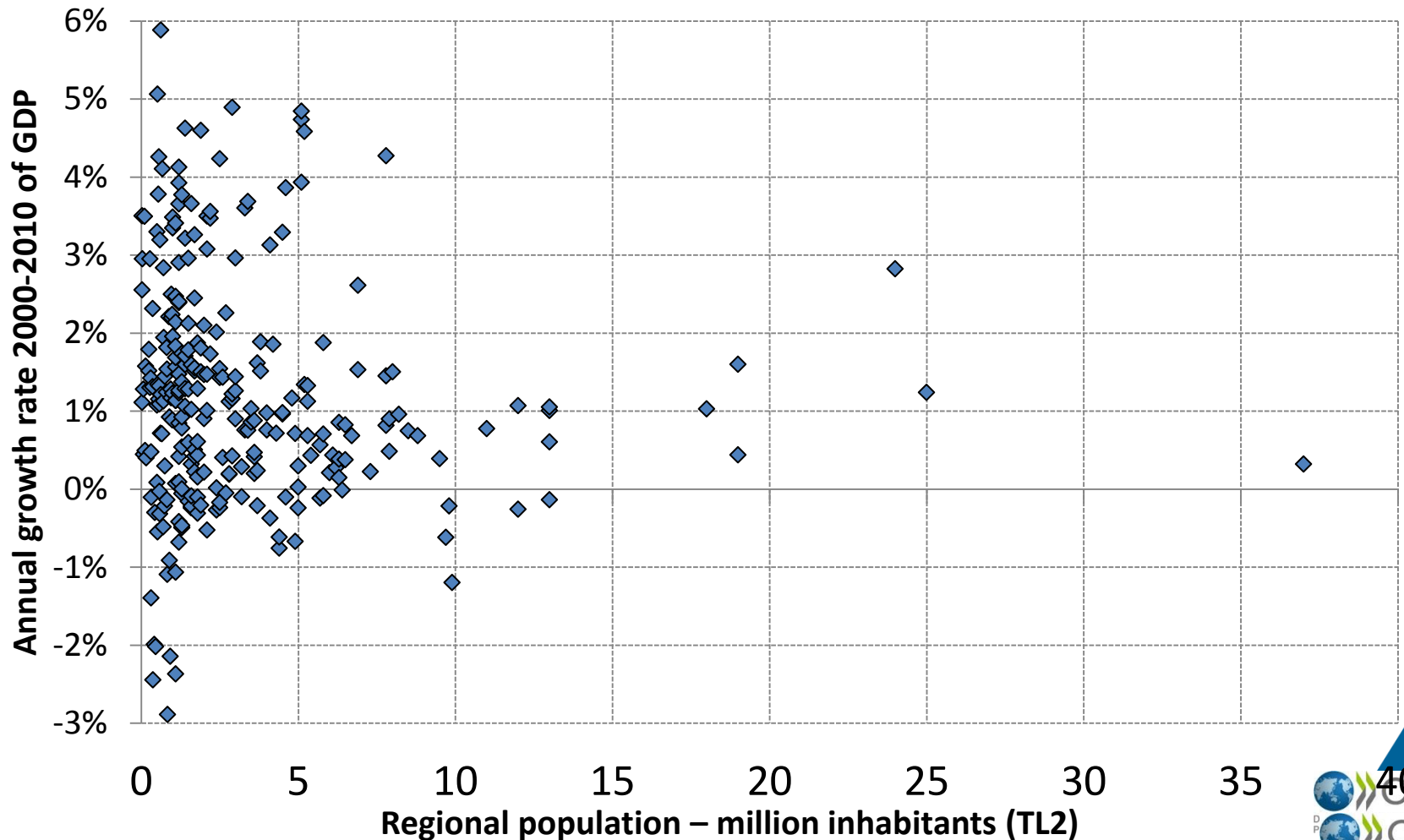


France: without overseas regions;

Regional data for Australia, Belgium, Canada, United Kingdom and United States are not included



# Regional size and economic performance

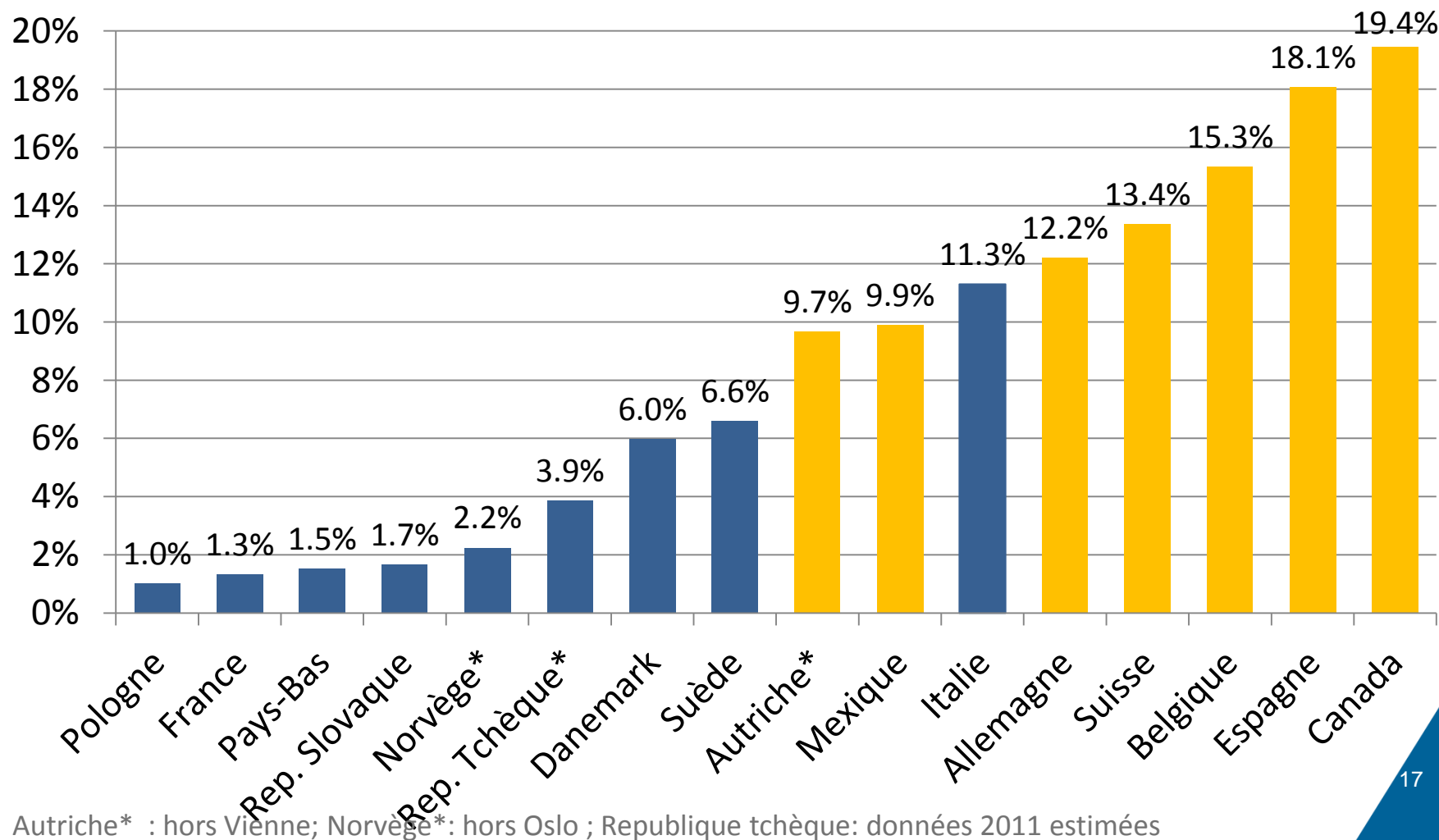






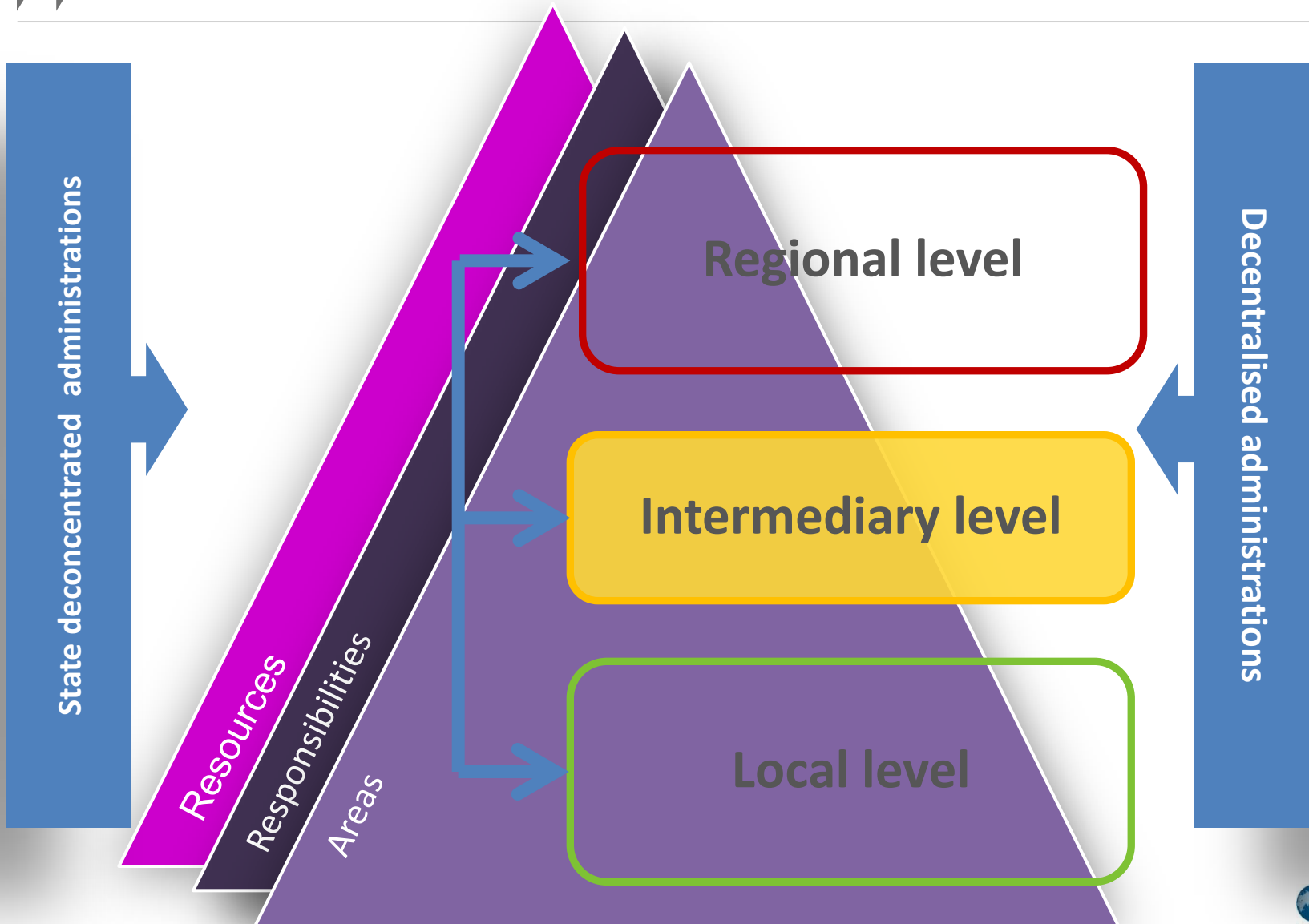
## The question of regional size

### Size of regional government budget in 2012 (expenditure as a % of GDP)





# All subnational government levels are affected by the territorial reforms

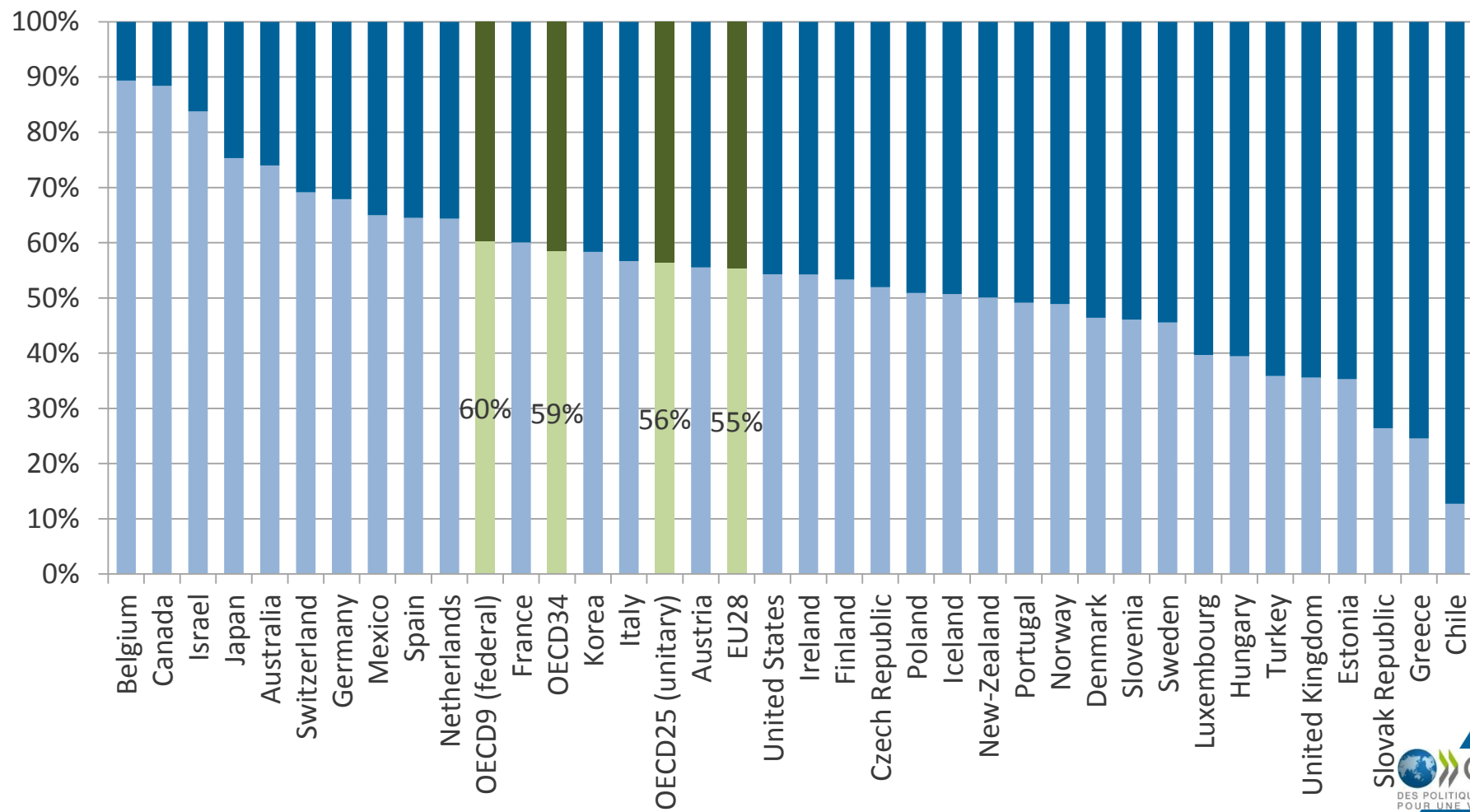




# The role of SNGs is particularly marked for public investment in a majority of OECD countries

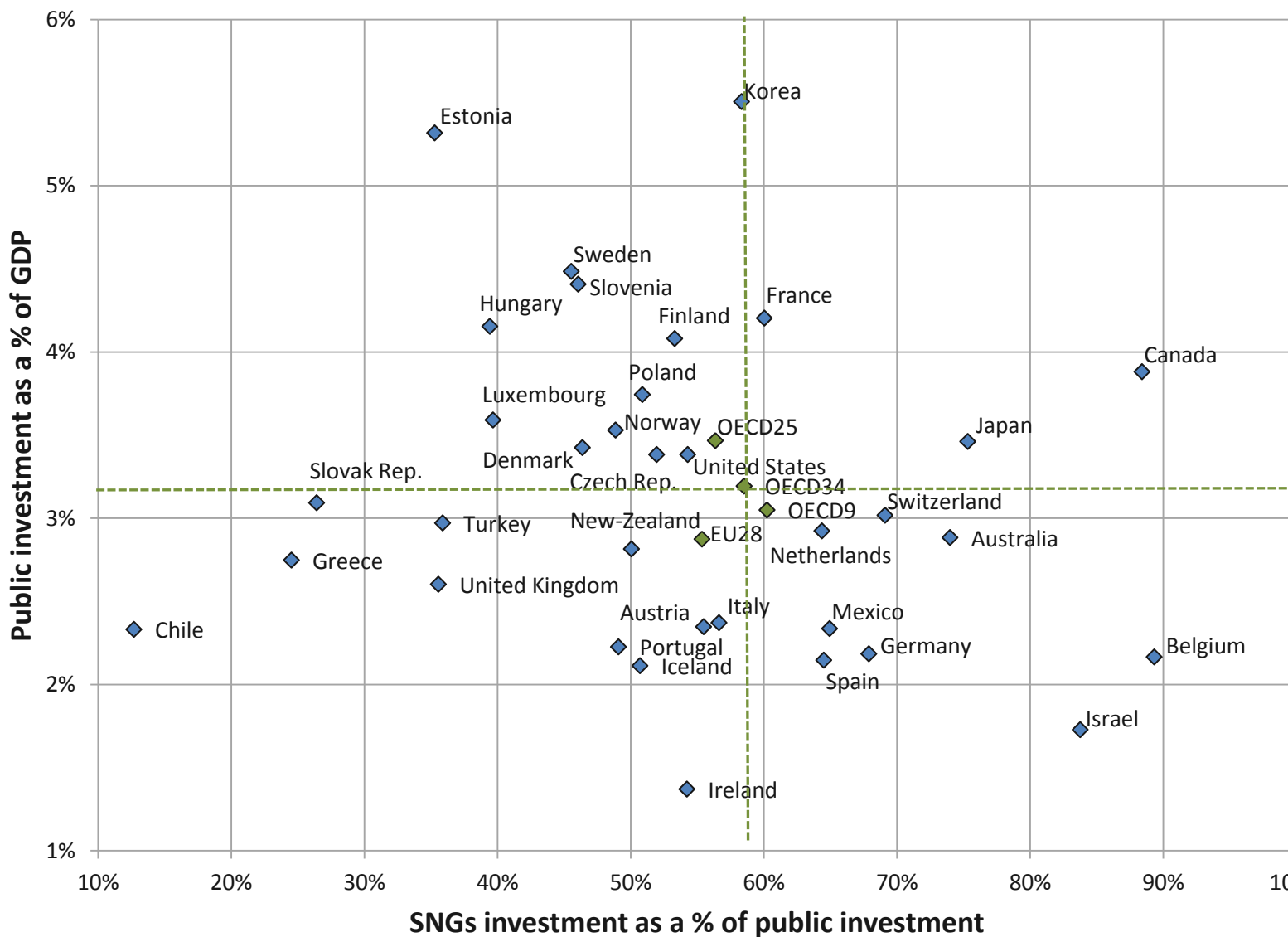
## Subnational direct investment as a % of public direct investment (2013)

■ Subnational government    ■ Central government and social security





# Share of public investment in GDP and share of SNGs in public investment in the OECD countries

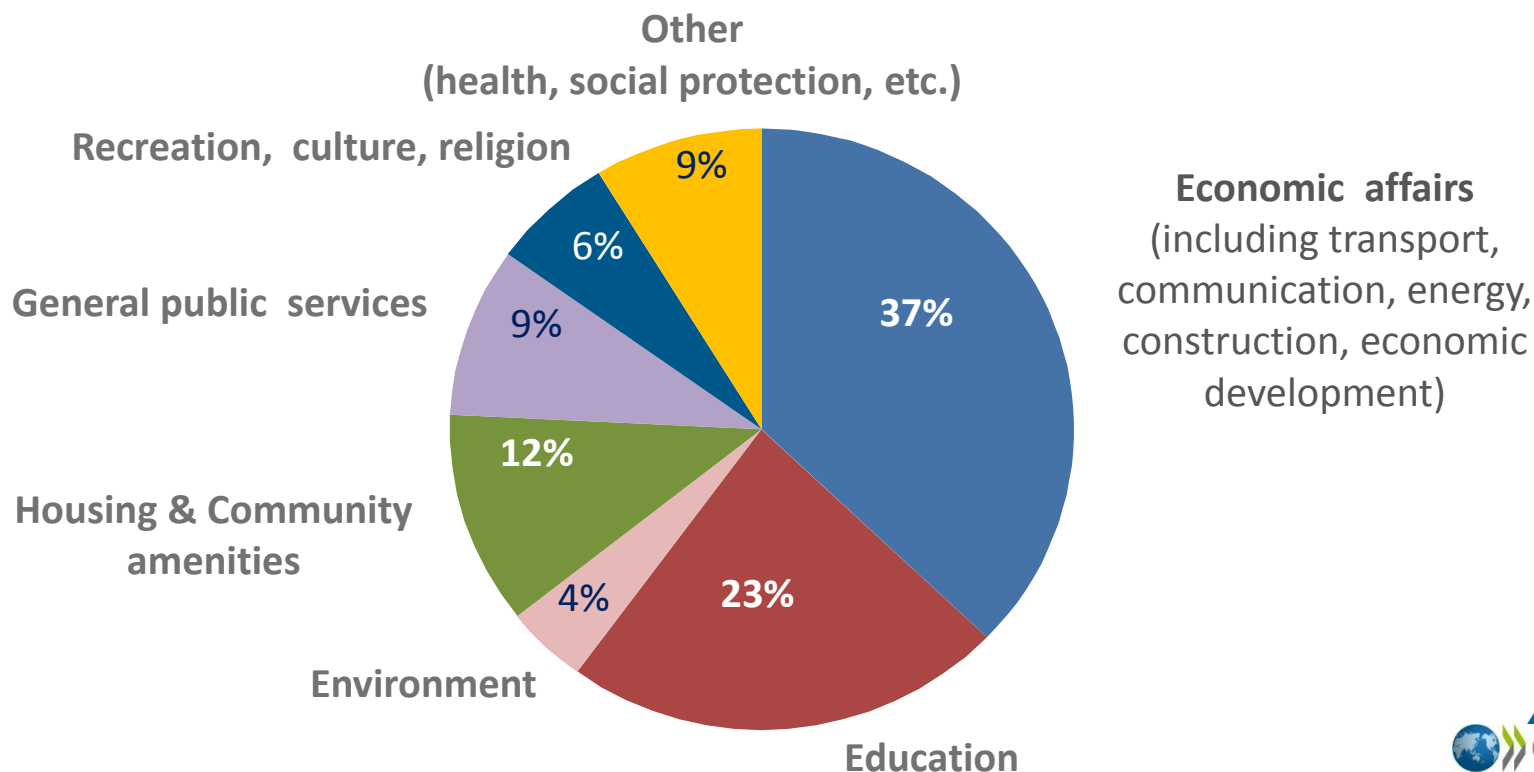




## Priority sectors for subnational investment in the OECD

Most of the subnational public investment goes to areas of critical importance for future economic growth, sustainable development and citizens' well-being

Breakdown of subnational direct investment by economic function  
in the OECD (2012)

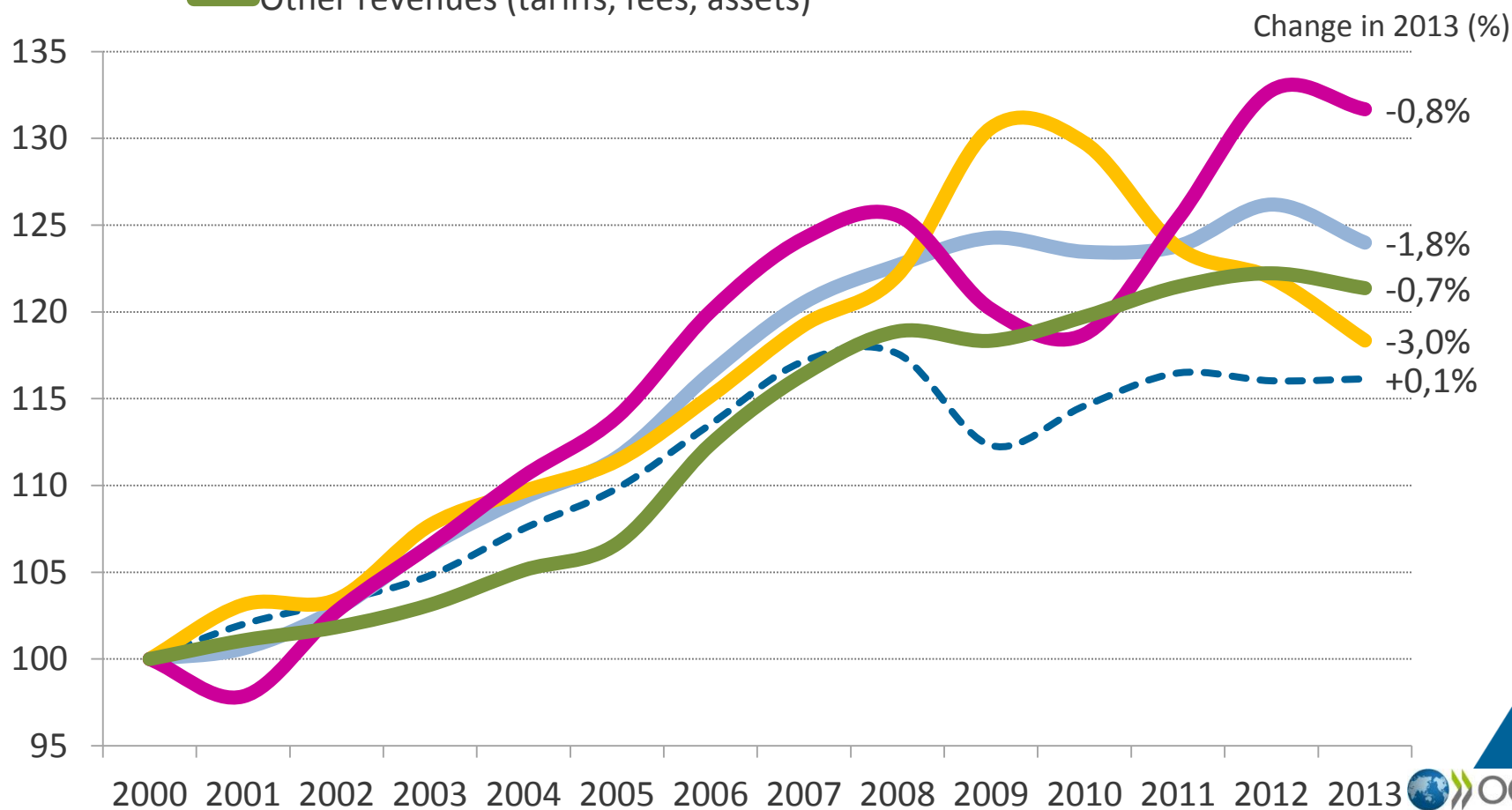




## Crisis, stimulation and consolidation plans: impacts on SNGs revenue (2000 – 13)

*In volume, base  
year 2000 = 100*

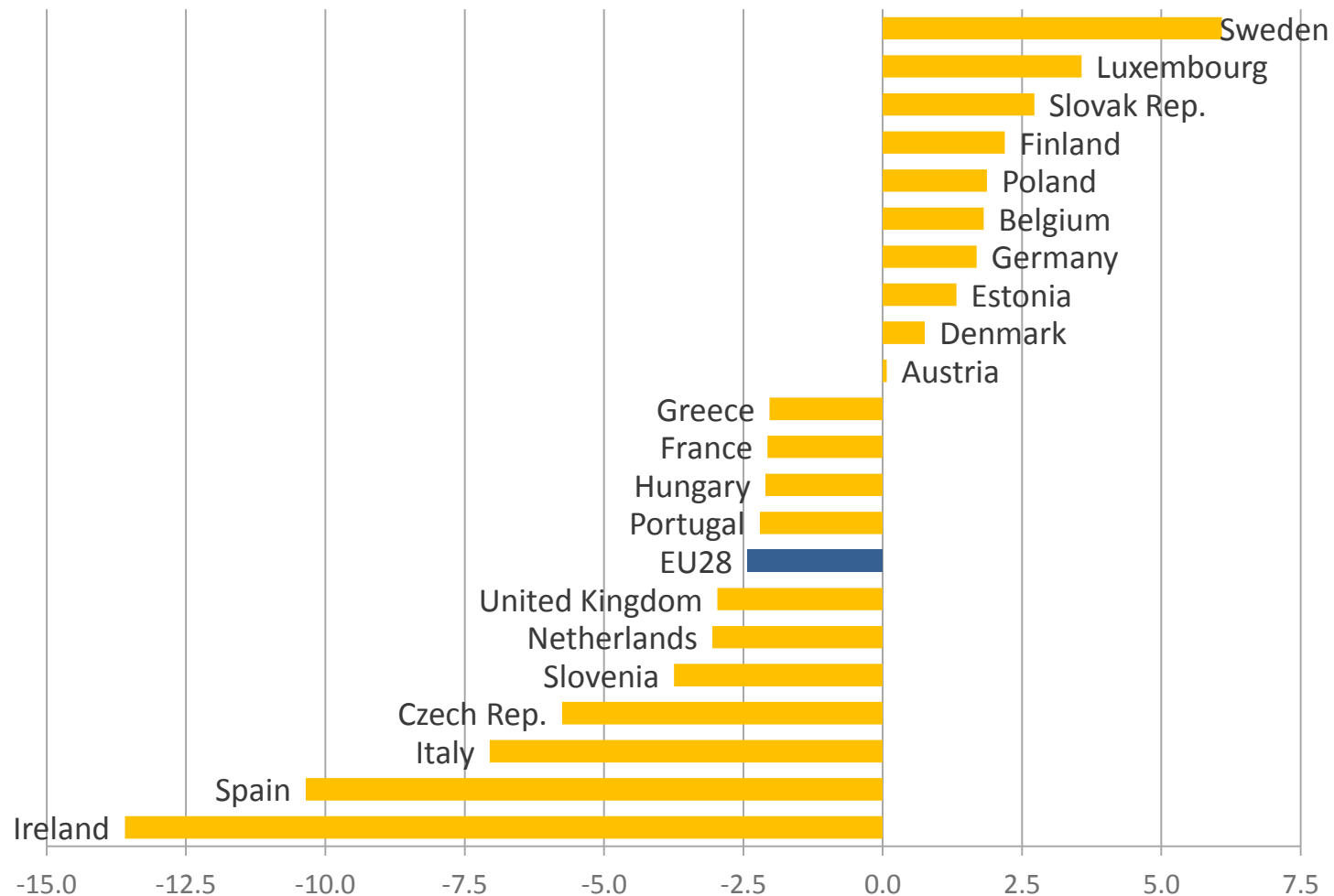
- GDP
- Grants & subsidies
- Other revenues (tariffs, fees, assets)
- Total revenue
- Tax revenue





## Impacts on central government grants and subsidies to SNGs: a sharp decrease in a majority of EU countries

Change in grants and subsidies revenue of SNGs between 2009 and 2013  
(% Annual average change in real terms)

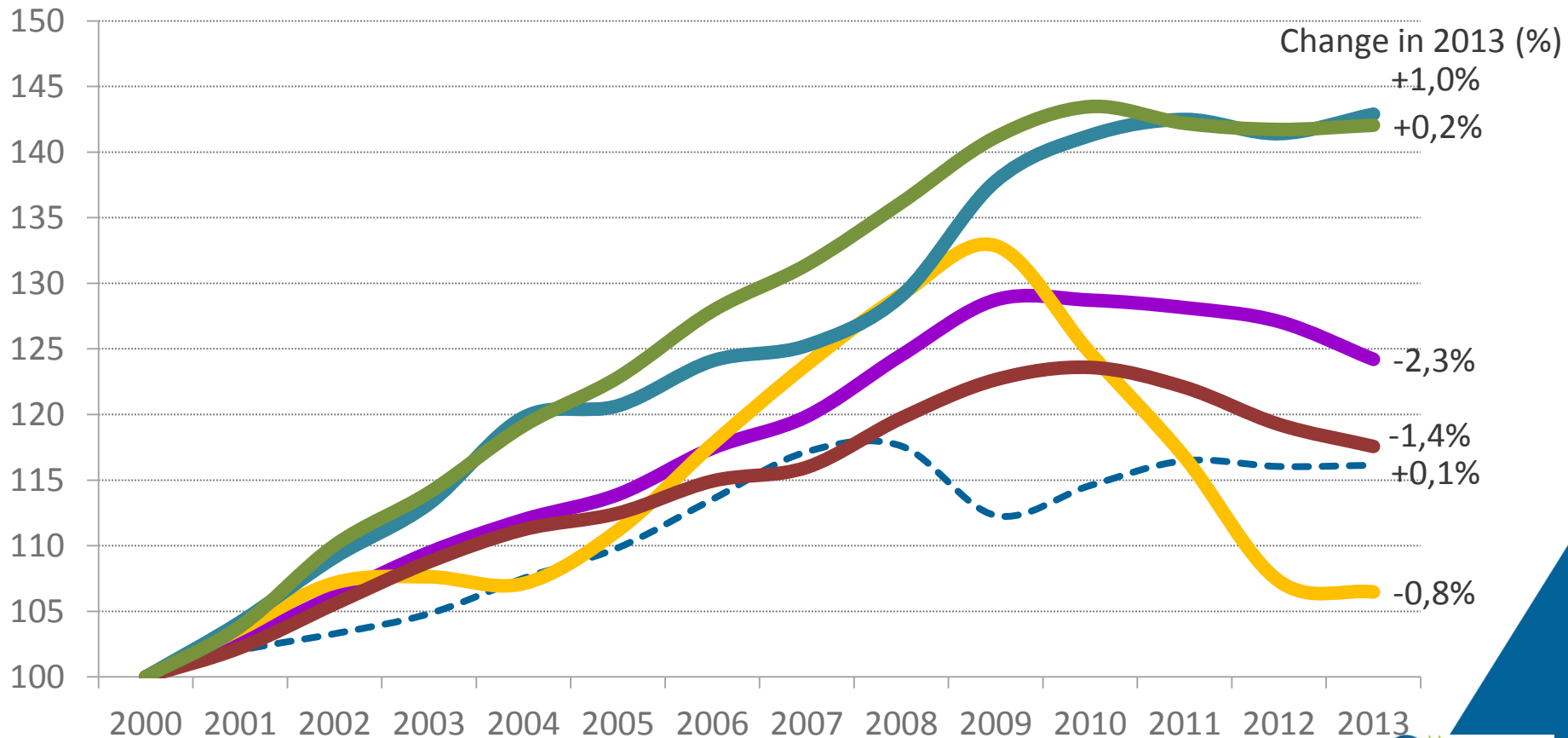




# Crisis, stimulation and consolidation plans: impacts on SNG expenditure (EU, 2000-13)

*In volume, base  
year 2000 = 100*

- GDP
- Direct investment
- Staff expenditure
- Total expenditure
- Social benefits
- Intermediate consumption

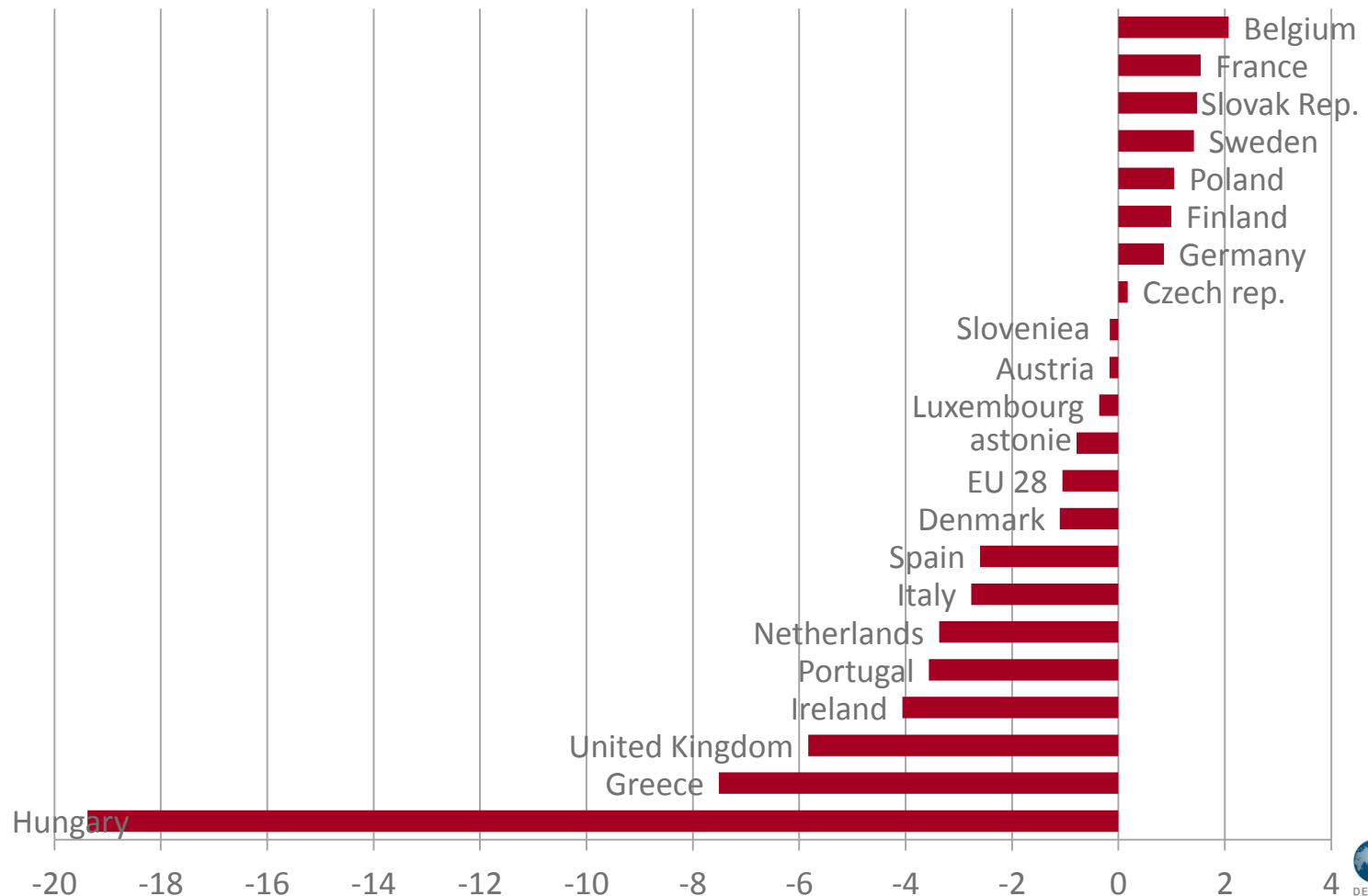






# Impacts on staff expenditure: a sharp drop in a majority of EU countries

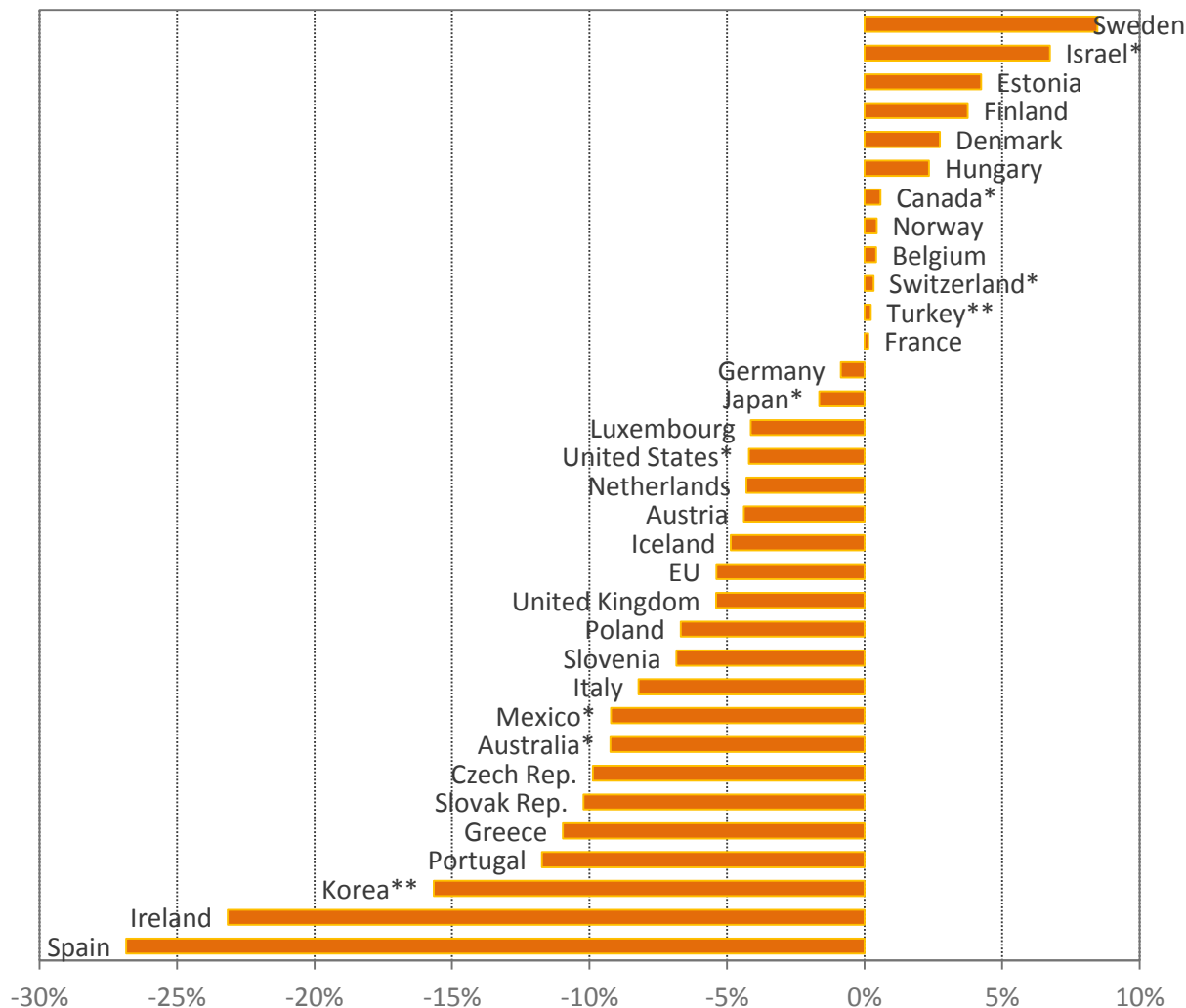
Change in SNGs staff expenditure between 2009 and 2013  
(% Annual average change in real terms)





# Impacts on SNGs investment: very strong reductions in several OECD countries

Average annual growth rate 2009-2013 (% in real terms)



\* Average annual growth rate 2009-2012

\*\* Average annual growth rate 2009-2011



***The investment challenge is not on the supply side, but on the ways to match it with the demand side***

**Governance challenges are under-estimated**

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- ***Why does investment remain so low under such low interest rate?***
  - No straightforward link between monetary policy and investment – many parameters come into play (fiscal rules, trust, currently “wait & see” mode, regulatory challenges that impede investment)

**Greater focus on governance needed (not just financing)**

- Investment challenges go well beyond the financing dimension of investment
- Not a problem of supply of capital, but a problem to match it with the demand side
- + under-estimation of governance challenges, notably at the sub-national level
- Governance of public investment is inherently fragmented
- ...which raises important coordination and capacity challenges



# ***How does the OECD address the challenges linked to multi-level governance of investment?***

## **OECD Recommendation on Effective Public Investment Across Levels of Government**

### **Pillar 1**

**Co-ordinate across governments and policy areas**

- Invest using an integrated strategy tailored to different places
- Adopt effective co-ordination instruments across levels of government
- Co-ordinate across SNGs to invest at the relevant scale

### **Pillar 2**

**Strengthen capacities and promote policy learning across levels of government**

- Assess upfront long term impacts and risks
- Encourage stakeholder involvement throughout investment cycle
- Mobilise private actors and financing institutions
- Reinforce the expertise of public officials & institutions
- Focus on results and promote learning

### **Pillar 3**

**Ensure sound framework conditions at all levels of government**

- Develop a fiscal framework adapted to the objectives pursued
- Require sound, transparent financial management
- Promote transparency and strategic use of procurement
- Strive for quality and consistency in regulatory systems across levels of government

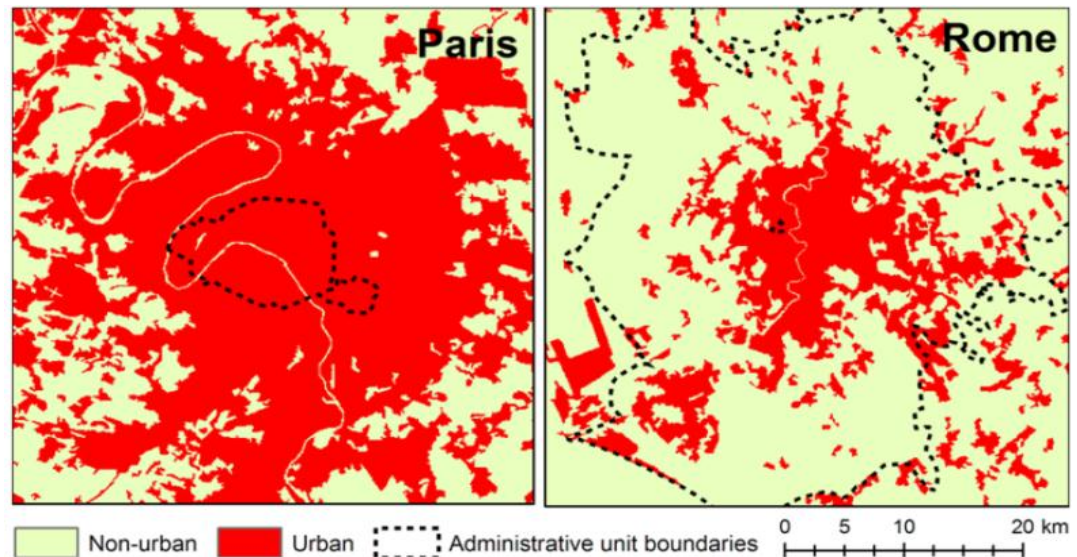
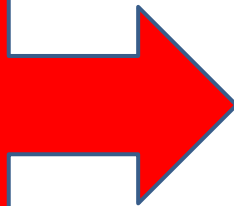


### *Example principle 3*

## Co-ordinate across sub-national governments to invest at the relevant scale

**Rationale:** The small scale of sub-national governments and the potential mismatch with functional areas raises concerns for investment (e.g. insufficient scale, lower returns, competing investments, investments not adapted to the functional area)

Sub-national governments are often fragmented and don't match functional areas



## ACTIONS

Higher levels of government (or supra-national organisations) provide rules, incentives, and/or support for cross-jurisdictional co-ordination at the sub-national level – generally and for targeted areas (metropolitan areas, rural areas, clusters, cross-border regions, etc.)



# Implementing the OECD Recommendation

## Toolkit to support countries, regions and cities for peer learning and capacity building

### EFFECTIVE PUBLIC INVESTMENT ACROSS LEVELS OF GOVERNMENT

# TOOLKIT

- Platform with practical guidance
- Good practices and recent developments in countries
- Country profiles with data & indicators
- Checklist and self assessment tools
- In-depth case studies or chapters in reviews

### What are the objectives?

- **Peer learning:** Disseminate examples of good practices
- **Capacity building:** help all levels of government diagnose capacity challenges for investment
- **Monitoring:** Provide comprehensive picture of multi-level governance of public investment in countries and see how it evolves over time.

CO-ORDINATING  
STRENGTHENING  
ENSURING

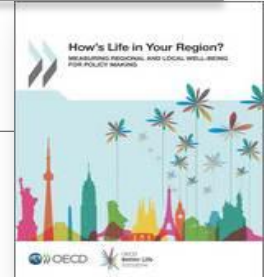
A SOUND, MULTI-LEVEL APPROACH  
TO PUBLIC INVESTMENT



# Cities and Regions, as well as Central Governments, are invited to dialogue with the OECD to:

Identify their strengths and weaknesses and their evolution

*E.g.: Measuring and comparing Regional and Local Well-Being for Policy-Making*



*E.G : Territorial Review at the Regional, Local or Metropolitan level*



*E.g.: Club of Cities sharing their Green Growth experience*



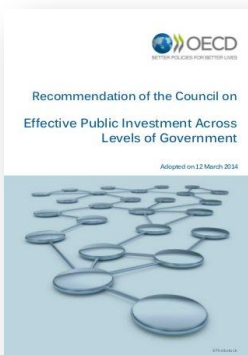
Design efficient strategies for inclusive and sustainable development

Share implementation experience with peers and adapt good practices

Adopt appropriate tools for coordinating with other stakeholders

Contribute to the international debate on key issues for Subnational Governments

*E.g.: Coordination and Capacity for Public Investment*



*E.g.: Roundtable of Mayors and Ministers*







**THANK YOU!**

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More information : [www.oecd.org/gov/regional](http://www.oecd.org/gov/regional)