

13. PUBLIC INVESTMENT IN REGIONS

Sub-national governments have an important role in public investment: on average, around half of the total public investment in OECD countries is carried out by sub-national governments. This share is as high as two-thirds in some federal and regionalised countries such as Canada, Australia, Austria, Switzerland, Belgium and Germany (Figure 13.1).

The value of public investment in the economy of OECD countries has not varied greatly in the past 20 years, settling at around 12% of gross domestic product (GDP). However, the volatility of public investment (here measured as the yearly change in the ratio of gross fixed capital formation to GDP) has been higher for sub-national governments than for the general government, at least until the end of the 1990s when the process of devolution was intensified in most OECD countries. The relative stability of the value of public investment for sub-national governments suggests that the shift of responsibilities from central to sub-national governments in most recent years has not been accompanied by increased resources (Figure 13.2).

In 2009 sub-national governments' public investment equalled 2.3% of OECD GDP. Spain, Korea, Canada and Poland have the highest shares of sub-national capital spending on GDP, while Greece and Israel have the lowest (Figure 13.3).

Countries look for effectiveness in public spending by customising expenditure according to regional challenges and potential. However, regional breakdowns of national capital expenditure are limited in OECD countries and are difficult to compare. Preliminary results show that differences in public investment within countries are large, both when considering the total public investment in a certain region (such as in Italy or Canada) and when considering public investment carried out only by sub-national governments (such as in Spain) (Figure 13.4).

The amount of public investment per person varies greatly among regions in the same country. The regions with the highest values of public investment are those with a high degree of administrative autonomy, such as in Australia and Italy (Australian Capital Territory and Valle d'Aosta and Bolzano in Italy), or those with specific geographic features, such as in Canada, Sweden and the United States, or those lagging behind, such as in Germany (Figures 13.5-13.7).

Source

OECD General Governments Accounts and OECD Regional Database: <http://dotstat/wbos/>.

See Annex B for data, source and country-related metadata.

Reference years and territorial level

1980-2009 national economic accounts.

2001-08; TL2 regional accounts.

Data on public investment in TL2 regions are available for Australia, Canada, Czech Republic, Finland, Germany, Italy, Japan, Mexico, Norway, Spain, Sweden, Switzerland, United Kingdom and United States.

Definition

Expenditure data on general government at country level are derived from the OECD National Accounts, harmonised according to the System of National Accounts (SNA93).

The general government sector of the SNA93 is comprised of central government, state (when applicable) and local government, and social security. The sub-national level of government is here defined as the sum of the two sub-sectors state and local government.

Public investment is here defined as the sum of gross fixed capital formation (GFCF) and capital transfers payable to business or households. GFCF is measured by the total value of a producer's acquisitions, less disposals, of fixed assets during the accounting period plus certain additions to the value of non-produced assets (such as subsoil assets or major improvements in the quantity, quality or productivity of land) realised by the productive activity of institutional units. Capital transfers consist of those involving transfers of ownership of fixed assets; transfers of funds linked to, or conditional upon, acquisition or disposal of fixed assets; or cancellation, without any counterparts being received in return, of liabilities by creditors.

The regional breakdowns of countries' public expenditure are not harmonised. Therefore, cross-country comparability is limited.

The total public investment in TL2 regions carried out by all levels of government is available for Australia, Canada, Finland, Hungary, Italy, Japan, Mexico, Sweden and the United Kingdom.

In the Czech Republic, Germany, Norway, Spain, Switzerland and the United States data refer to the public investment carried out by sub-national governments. A regional breakdown of the central government's public investment is missing. See Annex B for details.

Further information

OECD (2009), "Regional prioritisation of investment strategies for economic recovery: What information is necessary?"

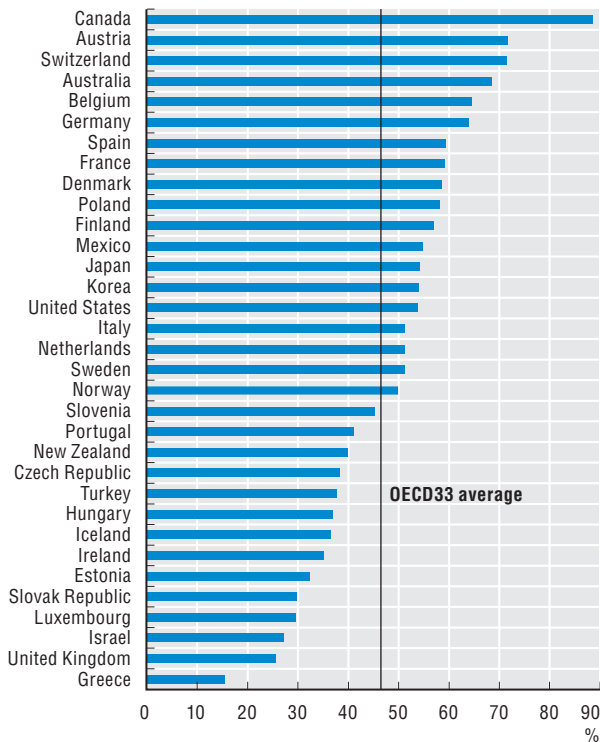
OECD (2011), "Making the most of public investment in a tight fiscal environment: multi-level governance lessons from the crisis".

Figure notes

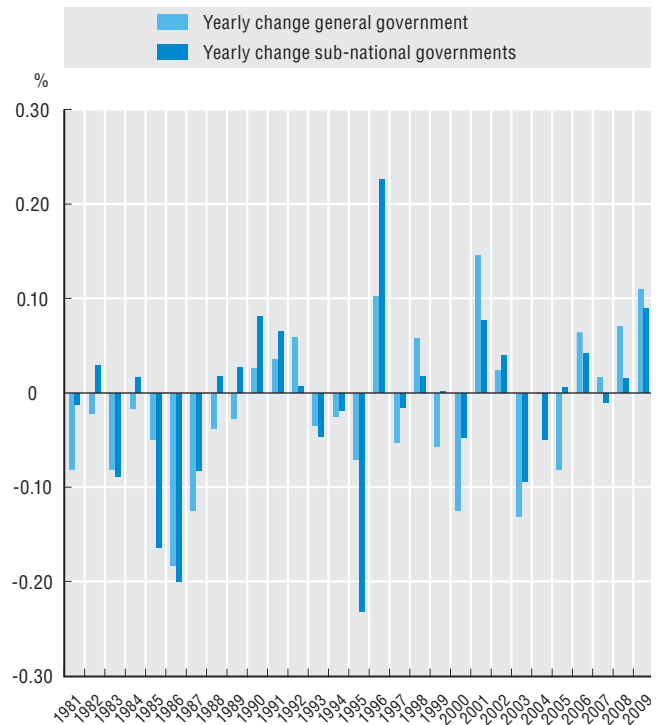
13.1. and 13.3: Australia only GFCF; Chile data not available.

Information on data for Israel: <http://dx.doi.org/10.1787/888932315602>.

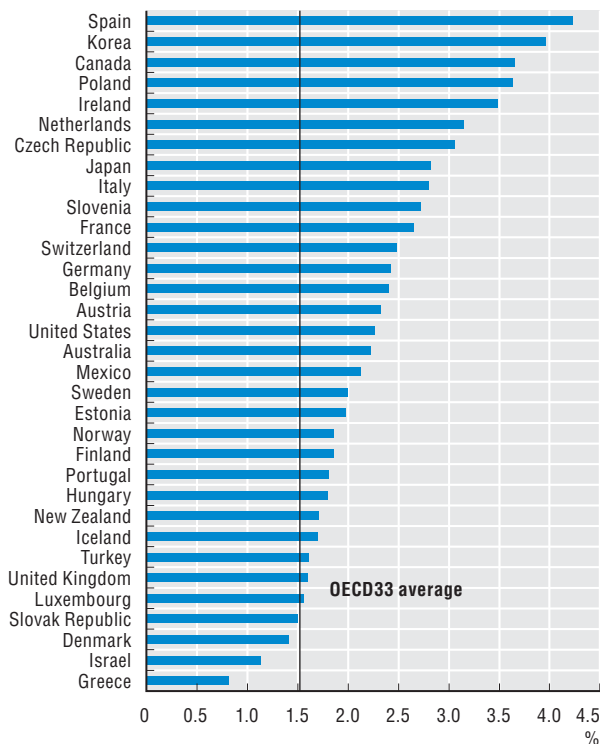
13.1. Sub-national governments' public investment as a share of general government, 2009



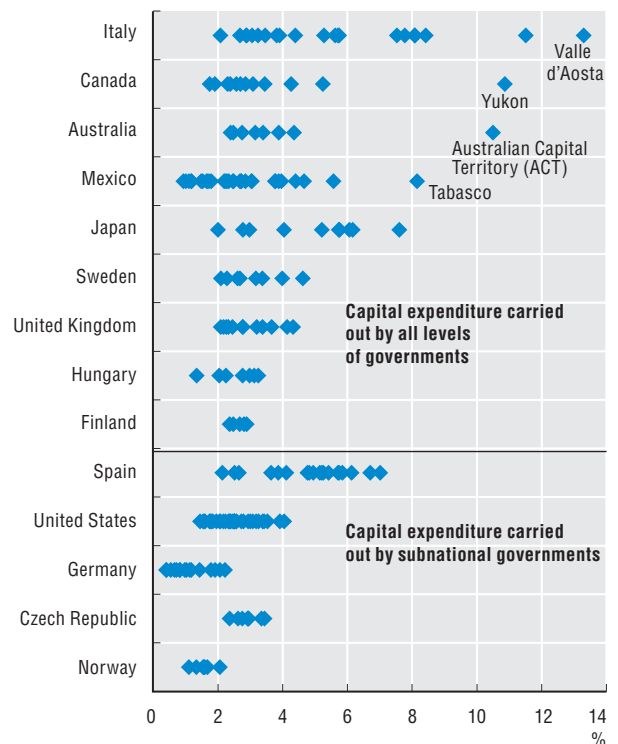
13.2. Yearly change in gross fixed capital formation as a % of GDP, OECD average



13.3. Sub-national governments' public investment (% of GDP), 2009



13.4. Public investment in regions (% of GDP), TL2 regions (dots), 2006-08

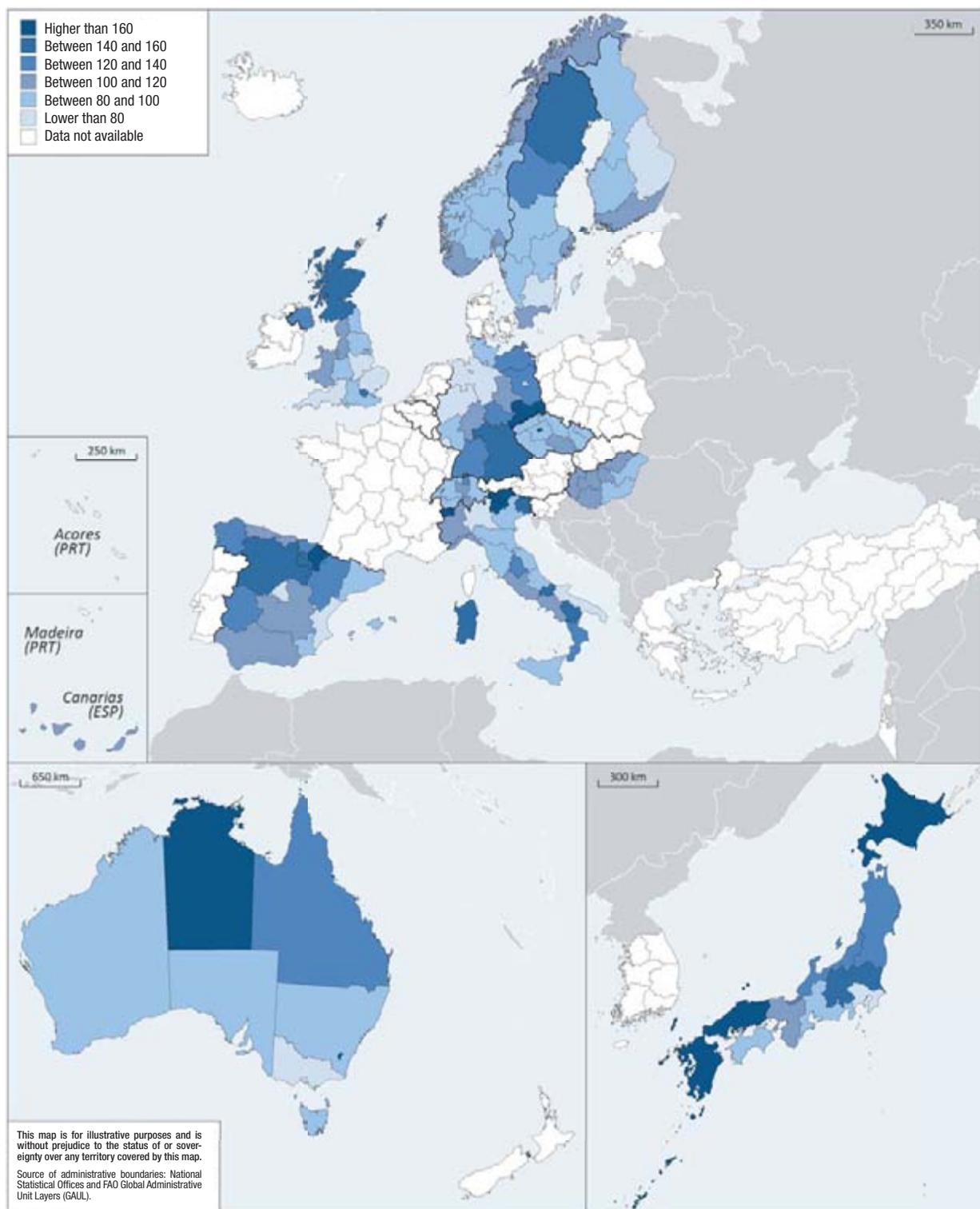


StatLink <http://dx.doi.org/10.1787/888932439634>

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13.5. Public investment per capita: Asia, Europe and Oceania, 2006-08

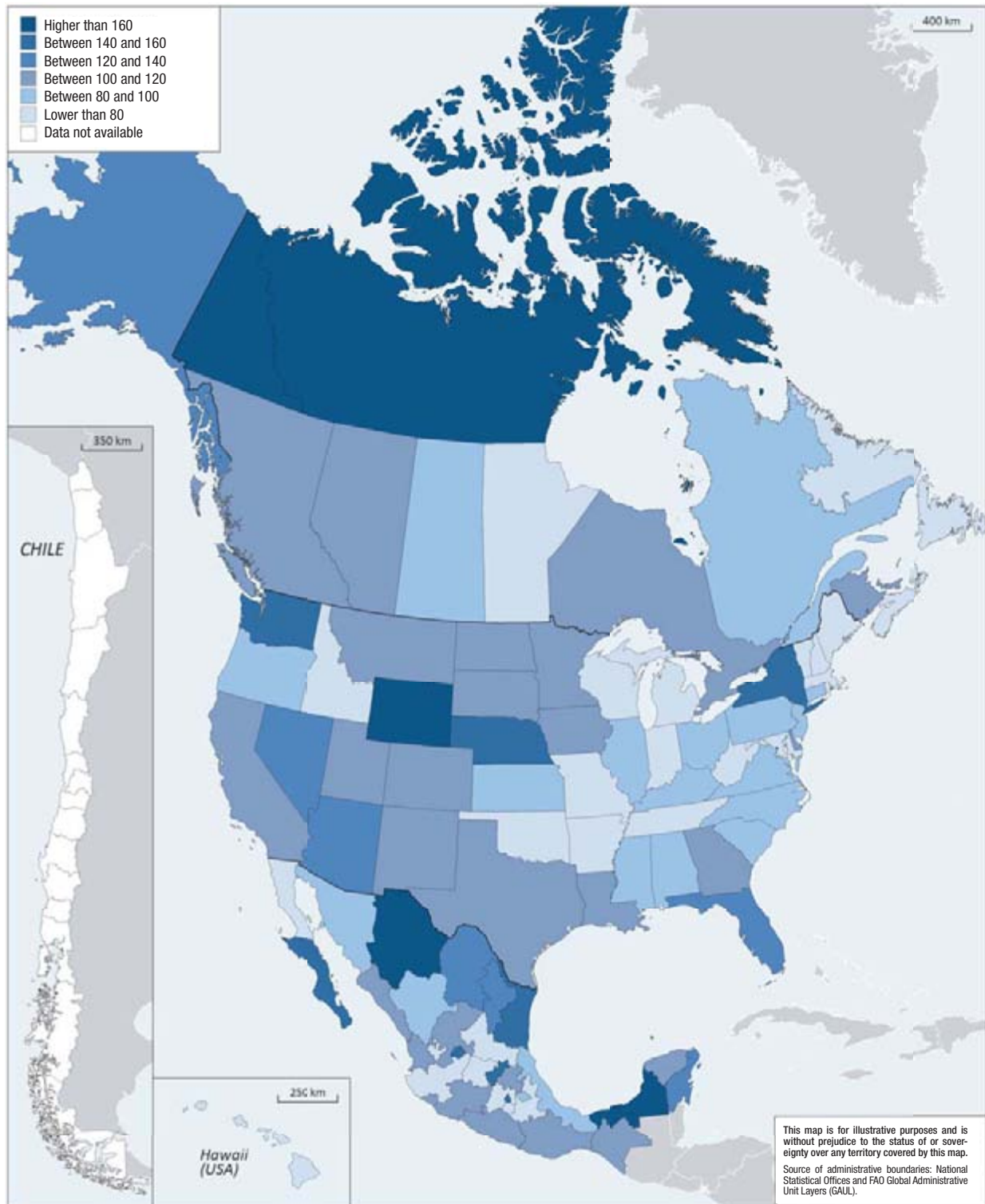
Country value =100, TL2 regions, average 2006-08



StatLink <http://dx.doi.org/10.1787/888932440109>

13.6. Public investment per capita: Americas, 2006-08

Country value =100, TL2 regions, average 2006-08



StatLink  <http://dx.doi.org/10.1787/888932440109>



From:
OECD Regions at a Glance 2011

Access the complete publication at:
https://doi.org/10.1787/reg_glance-2011-en

Please cite this chapter as:

OECD (2011), "Public investment in regions", in *OECD Regions at a Glance 2011*, OECD Publishing, Paris.

DOI: https://doi.org/10.1787/reg_glance-2011-18-en

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