

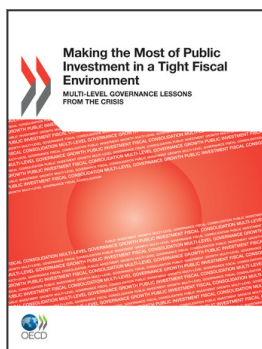
Foreword

How to make the most of public investment? This question is critical in today's tight fiscal environment. Given that sub-national governments in OECD countries carry out more than two-thirds of total capital investment, they have a crucial role to play in this area. In order to identify good practices for governance of public investment across levels of government, the report focuses on lessons that can be extracted from the management of stimulus packages during the global crisis in 2008-09. Indeed, these strategies were largely based on public investment, and sub-national governments played a key role in executing them.

This report provides an overview of challenges met in the recovery and highlights good practices and lessons learned in a multi-level governance perspective, focusing on eight country cases: Australia, Canada, France, Germany, Korea, Spain, Sweden and the United States. These countries all targeted similar objectives – to implement recovery schemes in a timely, targeted and temporary manner – and addressed common implementation challenges, although their institutional frameworks vary greatly. The report shows that the effectiveness of recovery strategies based on public investment depends largely on the arrangements between levels of government to design and implement the investment mix. As stimulus packages are phased out, and countries pursue fiscal consolidation, there is a risk that long-term public investment, a basis for future economic growth, will be sacrificed to short-term budgetary pressures. Co-ordination between levels of government was essential to implement recovery measures during the crisis; it is at least as important in the context of fiscal consolidation, as governments struggle to make the most of limited investment resources for sustainable growth.

This publication draws on multiple sources of information. It relies primarily on the country case studies, which were developed in 2010. It draws on work carried out by the OECD Territorial Development Policy Committee (TDPC) and its related networks, in particular: work developed by the OECD Network on Fiscal Relations across Levels of Government on the impact of the crisis on sub-central finances; and by the Working Party on Territorial Indicators on public investment in regions. Other work developed by the Public Governance and Territorial Development Directorate on fiscal consolidation has also been a useful source of information, as well as work developed by the OECD Economics Department (ECO) and the Science, Technology and Industry Directorate (STI).

This work contributes to the body of research on multi-level governance and regional development elaborated by the Regional Development Policy Division (RDP) of the OECD Directorate for Public Governance and Territorial Development. Recent work on these issues includes the *Regional Outlook* (forthcoming, 2011); *Multi-Level Governance of Water Policy* (forthcoming, 2011); *Regions Matter* (2010); *Governing Regional Development Policy: The Use of Performance Indicators* (2009); *Linking Regions and Central Governments: Contracts for Regional Development* (2007); as well as the series of national and regional *Territorial Reviews*.



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