Recommendation of the Council on Effective Public Investment Across Levels of Government

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Background Information

The Recommendation on Effective Public Investment Across Levels of Government was adopted by the OECD Council on 12 March 2014 on the proposal of the Territorial Development Policy Committee (now called Regional Development Policy Committee). The Recommendation was the first OECD instrument in the area of regional policy and multi-level governance. Its purpose is to help Adherents at all levels of government to assess the strengths and weaknesses of their public investment capacity, a critical shared responsibility across levels of government, and set priorities for improvement. It emphasises the crucial contributions that all levels of government can make to national development and long-term growth.

Rationale for developing the Revised Recommendation

The basis for developing the Recommendation was the 2011 report Making the Most of Public Investment in a Tight Fiscal Environment: Multi-Level Governance Lessons from the Crisis. This report identified ten guidelines for the design and implementation of public investment strategies across levels of government based on countries' good practices. The drafting of the Recommendation benefited from expert input from a number of OECD policy communities and stakeholders.

The development of the Recommendation was supported by Ministers during the meeting of the RDPC at Ministerial level that took place in Marseille, France in December 2013. Ministers also manifested strong support for the development of tools to support the Recommendation's implementation, once adopted. On 12 March 2014, the Council adopted the Recommendation. To date, all 38 OECD Members have adhered to the Recommendation, as well as three non-Member countries: Brazil, Morocco and Ukraine (together, the "Adherents").

Scope of the Recommendation

The Recommendation sets out 12 Principles grouped in three pillars that represent three systematic challenges to efficiently managing public investment at both national and subnational levels: i) co ordination challenges; ii) capacity challenges; and iii) challenges in framework conditions. Together, these building blocks aim to create a coherent, results-oriented approach to public investment that maximises impact and fosters trust across all levels of government.

- The first pillar focuses on coordination across governments and policy areas, encouraging integrated investment strategies tailored to diverse territorial needs. It promotes the adoption of effective coordination instruments between levels of government and stresses the importance of coordinating across subnational governments (SNGs) to invest at the appropriate scale.
- The second pillar aims to strengthen capacities and promote policy learning across levels of government. It emphasises the need to assess long-term impacts and risks before investment decisions are made, and to encourage meaningful stakeholder involvement throughout the investment cycle. This pillar also underlines the importance of mobilising private actors, reinforcing the expertise of public officials and institutions, and fostering a results-oriented culture that supports continuous learning.
- The third pillar promotes sound framework conditions. It calls for the development of fiscal frameworks aligned with investment objectives, the implementation of sound and transparent financial management systems, and the promotion of strategic procurement practices. It also highlights the importance of ensuring regulatory quality and consistency across jurisdictions to enhance trust and efficiency in public investment.

In today's context of rapidly evolving challenges – such as climate change, demographic shifts, technological transformation and geopolitical uncertainties – the Recommendation is more important than ever. These issues demand effective, sustainable and inclusive public investment strategies that align with long-term national and global priorities. With constrained public budgets, it is critical to maximise the value of investment. The Recommendation's emphasis on multi-level governance and co-ordination is especially relevant, as collaboration across levels of government is essential to tackle cross-cutting challenges. Evaluating where Adherents stand in its implementation helps identify progress, highlight gaps, and facilitate the exchange of best practices, ensuring public investments are strategic, resilient, and capable of addressing current and future needs.

Next steps

Moving forward, the OECD will continue to facilitate its dissemination and support Adherents with implementation at the national and subnational levels. This will include updates to the Effective Public Investment Toolkit, based on the material of this report and other ongoing work. The update will include key data from survey and a database of good practices that will serve as a platform for policy makers to explore and learn about good practices across Adherents. Dissemination will also be supported by the OECD-UCLG World Observatory on Subnational Government Finance and Investment (SNG-WOFI). The SNG-WOFI collects information that allows for a better understanding of the subnational investment, as well as information on multi-level governance practices.

For further information please consult the Effective Public Investment Toolkit.
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Implementation

2019 Report to Council

Five years after adoption, the RDPC conducted a first exercise to assess the implementation of the Recommendation by Member and non-Member Adherents. A first report was prepared based on information gathered through a survey conducted in 2018 among Adherents to the Recommendation – to which 27 countries responded. The Report provides an overview of where Adherents stand in its implementation, helping to identify progress, highlight gaps and facilitate the exchange of good practices. It also built upon the results from a number of surveys and instruments closely aligned with the Recommendation, notably from the World Observatory on Subnational Government Finance and Investment. The Report concluded that the practices of many Adherents align with the Recommendation, in particular, by the increasing development of an integrated investment strategy and mechanisms to co ordinate public investments across levels of governments. However, there remains room for improvement in key areas, notably on the implementation of mechanisms to assess the long-term impact of public investment and on the mobilisation of private actors to finance investments at the subnational level.

2025 Report to Council

In 2025, the RDPC prepared a second Report to Council on the implementation, dissemination and continued relevance of the Recommendation. The Report was prepared based on information gathered through a survey conducted in 2024 among Adherents to the Recommendation – with 32 countries responding – as well as other recent data and studies. The Report concluded that the policy principles contained in the Recommendation are well known, relied on and still relevant. The increasing demand for public investment to support sustainable economic growth, alongside the imperative to address emerging global challenges, underscores the enduring importance of these principles. These challenges, coupled with heightened fiscal constraints in many jurisdictions, highlight the Recommendation's continued relevance and the pressing need for its principles to guide public investment strategies in a rapidly evolving global context.

Since its adoption, Adherents have implemented several policy reforms aligned with the Recommendation. Amongst other areas, these highlight that Adherents are increasingly adopting place-based investment strategies, enhancing co-ordination across sectors at the national level through inter-ministerial committees or councils, and are making important efforts to improve subnational data collection to guide investment strategies. Adherents have also increased training courses to reinforce public procurement capacities at the subnational level. Still, there remains room for improvement in key areas of public investment. For example, while the majority of Adherents adopted strategies for special areas, only a few Adherents include targeted objectives for specific places and territories in their regional development or investment strategies. Further, while inter-municipal coordination has become more widespread, regional level co-operation mechanisms remain less common. Addressing investment gaps will require stronger collaboration with the private sector and stakeholders to develop investment projects in line with local needs. Improving subnational capacities to access finance, particularly green finance, will also be crucial for sustainable and inclusive development.

While the Recommendation remains highly relevant, delegates of the RDPC have proposed to contininue enhancing it to strengthen its multi-level governance dimension and emphasise concepts that have gained prominence over the past decade, such as resilience and inclusivity, and funding and financing investment.

The next reporting to Council is scheduled to take place in 2030.

Effective Public Investment Toolkit

The RDPC was a pioneer in developing an implementation toolkit in the form of an online platform to support policy makers across all levels of government to implement the Recommendation. This Effective Public Investment Toolkit – launched six months after the adoption of the Recommendation – supported the implementation and highlights good practices by Adherents in this domain. With this toolkit, the RDPC was among the first OECD committees to set-up a web platform for implementation that provided country profiles for all Adherents, data, indicators and grids of self-assessment. The toolkit was highlighted as an example of good practice to be followed by other OECD committees for strengthening the implementation of OECD standards in the context of the OECD-wide Standard Setting Review.

THE COUNCIL,

HAVING REGARD to Article 5 b) of the Convention on the Organisation for Economic Co-operation and Development of 14 December 1960;

HAVING REGARD to the Recommendation of the Council on Improving the Quality of Government Regulation [C(95)21/FINAL], the Recommendation of the Council on Regulatory Policy and Governance [C(2012)37], the Recommendation of the Council on Improving Ethical Conduct in the Public Service including Principles for Managing Ethics in the Public Service [C(98)70/FINAL], the Recommendation of the Council on OECD Guidelines for Managing Conflict of Interest in the Public Service [C(2003)107], the Recommendation of the Council on Enhancing Integrity in Public Procurement [C(2008)105], the Recommendation of the Council on Principles for Transparency and Integrity in Lobbying [C(2010)16]; the Recommendation of the Council on Principles for Public Governance of Public-Private Partnerships [C(2012)86], and the Recommendation of the Council on Private Sector Participation in Infrastructure [C(2007)23/FINAL];

RECOGNISING that effective public investment can make a crucial contribution to sustainable development and growth at the national and sub-national levels, and also increase citizen trust and well-being today and tomorrow;

RECOGNISING that the majority of public investment in OECD Member countries occurs at sub-national levels of government, while remaining a shared responsibility across levels of government;

RECOGNISING that both in times of fiscal pressure as well as fiscal expansion, governments require improved efficiency and effectiveness of public spending, including for investment;

NOTING that the OECD plays a leading role in promoting good governance at national and sub-national levels of government, as well as good practices for co-ordinating across levels of government;

NOTING that, at the meeting of the Territorial Development Policy Committee at Ministerial level on 5-6 December 2013, Ministers considered that the Principles on Effective Public Investment offered a plan for action and called for their transformation into an OECD instrument, stressing that its implementation would lead to more effective co-ordination mechanisms, stronger capacities and better framework conditions [Chair's Summary, see GOV/TDPC/MIN(2013)3];

HAVING REGARD to the background document for each Principle set out below and noted by Ministers on 5-6 December 2013 [GOV/TDPC(2013)3/REV2];

NOTING that, for the purpose of the present Recommendation, the following definitions are used:

- "Governments" means all levels of government;
- "Public investment" means capital expenditure on physical infrastructure (e.g. roads, government buildings) and soft infrastructure (e.g. human capital development, innovation support, research and development) with a productive use that extends beyond a year. Statistics capture direct public investment as measured by gross fixed capital formation;
- "Sub-national governments" means all levels of government below the national one (regional and local);
- "Regional governments" refers to the levels of government immediately below the national level in federal countries (i.e. federated states) and in unitary countries (with two or three tiers of subnational governments);
- "Local government" means administrative or political units immediately below the federated states level in federal countries but all subnational governments in unitary countries;
- The terms "region" and "local" can also refer to sub-national geographic areas with specific socio-economic or territorial characteristic that may or may not correspond with administrative or political units.

On the proposal of the Territorial Development Policy Committee:

I. **RECOMMENDS** that Members implement the following Principles to strengthen the effectiveness of public investment across all levels of government:

A. Co-ordinate public investment across levels of government and policies

1. Invest using an integrated strategy tailored to different places

i) Design and implement investment strategies tailored to the place the investments aim to serve. Public investment choices should be linked to a development strategy based on assessment of regional (or local) characteristics, competitive advantages, growth, innovation, and job creation potential, and considerations of equity and environmental sustainability. Investment strategies should be results-oriented (with clearly defined policy goals), realistic and well-informed (based on evidence that points to the region's or locality's ability to make fruitful use of investments), and forward-looking (with investments that can position regions and localities for competitiveness and sustainable development in the context of global trends).

ii) Seek complementarities and reduce conflicts among sectoral strategies. Mutually reinforcing impacts in the form of policy complementarities are often required to make the most of public investment. At higher levels of government, such complementarities can be facilitated by a) using strategic frameworks for public investment to align objectives across ministries and levels of government; and b) minimising administrative barriers through co-ordination mechanisms such as, but not limited to, inter-ministerial committees and programmes, and harmonisation of programme rules. Governments can also establish joint investment funds that pool monies across public agencies/ministries to encourage consideration of a broader set of priorities.

iii) Encourage the production of data at the relevant sub-national scale to inform investment strategies and produce evidence for decision-making. Such data may be collected by statistical agencies but also from administrative records, other data sources, and citizens themselves.

2. Adopt effective instruments for co-ordinating across national and sub-national levels of government

Co-ordinate across levels of government to strengthen the efficiency and effectiveness of public investment. Co-ordination is necessary to identify investment opportunities and bottlenecks, to manage joint policy competencies, to minimise the potential for investments to work at cross-purposes, to ensure adequate resources and capacity to undertake investment, and to create trust among actors at different levels of government. Several tools can be used when coherence of investment across levels of government is required, such as co-financing arrangements, contracts between levels of government, formal consultation processes, national agencies or representatives working with sub-national areas, or other forms of regular inter-governmental dialogue.

3. Co-ordinate horizontally among sub-national governments to invest at the relevant scale

Provide incentives and/or seek opportunities for co-ordination among regional and/or local governments to match public investment with the relevant geographical area. Horizontal co-ordination is essential to increase efficiency through economies of scale and to enhance synergies among policies of neighbouring (or otherwise linked) sub-national governments. Modes of co-ordination include contracts, platforms for dialogue and co-operation, specific public investment partnerships, joint authorities, or regional or municipal mergers.

B. Strengthen capacities for public investment and promote policy learning at all levels of government

4. Assess upfront the long-term impacts and risks of public investment

i) Use comprehensive, long-term assessments for investment selection. Ex ante assessments should be used to both clarify goals and reveal information. Appraisals should be technically sound, help to identify social, environmental and economic impacts, and investigate which investment method is likely to yield the best value for money. Policy makers should also consider policy and project complementarities, as well as alternatives to investment and efficient use of existing capital stocks to reach particular goals. Long-term operational and maintenance costs should be clearly assessed from the early stages of the investment decision.

ii) Assess different types of risks and uncertainty associated with public investment, including longer-term impacts, at an early stage of the investment cycle as part of an appraisal. This includes fiscal risks, such as contingent liabilities, as well as political, social, and environmental risks. Such risks and adapted mitigation strategies should be re-evaluated as new information becomes available.

5. Engage with stakeholders throughout the investment cycle

i) Engage with public, private sector and civil society stakeholders in the design and implementation of public investment strategies to enhance social and economic value, and to ensure accountability. All levels of government should involve stakeholders in needs assessment and the design of an investment strategy at an early stage of the investment cycle, and, at later stages, in feedback and evaluation. Information on public investment plans, expenditures, and results should be exposed to some level of public scrutiny to promote transparency and accountability.

ii) Seek a balance when incorporating stakeholders' views, taking steps to prevent disproportionate influence by special interest groups. Consultation processes at all levels of government should be inclusive, open and transparent, as well as promote transparency and integrity in lobbying.

6. Mobilise private actors and financing institutions to diversify sources of funding and strengthen capacities

i) Match private financing arrangements to investment needs and government capacity, particularly at the sub-national level, through careful analysis of the pros and cons of different private participation arrangements and what they entail in terms of risk and government financial and administrative capacity. Decisions regarding Public Private Partnerships (PPPs) should be co-ordinated with the budget process and their potential value-for-money should be compared to that of traditional procurement.

ii) Involve private actors and financing institutions in public investment to offer more than just financing. Involving private actors and financing institutions in the investment should be a way to strengthen the capacity of government at different levels and bring expertise to projects through better ex-ante assessment, improved analysis of the market and credit risks, and achieving economies of scale and cost-effectiveness. Governments should mobilise innovative financing instruments or mechanisms, but do so with a clear understanding of the capacities such approaches require.

7. Reinforce the expertise of public officials and institutions involved in public investment

Bolster the capacity of both officials and institutions associated with public investment. Due attention should be paid to effective human resources management, as well as to cultivating knowledge (identifying, sharing and applying good practices such as the present Principles) and relationships (refining mechanisms for vertical co-ordination, strengthening co-operation among sub-national governments, and developing linkages to sources of expertise). Capacity at the sub-national level deserves particular attention; in some cases financial resources, professional skills, or institutional quality may be lacking. Not all capacities can be strengthened at the same time. It is therefore valuable to identify binding constraints and the proper sequence of reforms.

8. Focus on results and promote learning from experience

Clarify the outcomes to be achieved through public investment and pursue mechanisms to achieve them. Those mechanisms can include results-oriented investment strategies with clearly defined policy goals, well-designed tendering procedures, effective monitoring systems, high-quality ex-post evaluation, regular reflection on and upgrading of investment choices, active exchange of information and on-going, and mutual learning among actors involved in public investment.

C. Ensure proper framework conditions for public investment at all levels of government

9. Develop a fiscal framework adapted to the investment objectives pursued

i) Employ a fiscal framework adapted to the different investment policy objectives pursued. Intergovernmental earmarked grants and co-financing (matching) arrangements are appropriate when projects generate positive spillovers, when economies of scale are needed, when risk sharing or temporary co-operation is sought, when it is necessary to align priorities across levels of government and when capacities of sub-national governments need to be bolstered. Co-financing can also increase the commitment of different stakeholders to the success of a project as well as encourage resource pooling across sub-national governments.

ii) Set enabling conditions for sub-national governments to be able to exploit their own revenue raising potential, not only to finance investment, but to allow for participation in co-financing arrangements and to address long-term operations and maintenance costs.

10. Require sound and transparent financial management at all levels of government

Adopt good practices for budgeting and financial accountability such as accurately costing public investment plans, reflecting them in budget strategies and allocation processes, fitting them into a medium-term budget framework and duly considering long-term operating and maintenance costs. This includes proper budgetary treatment of PPPs, local public enterprises, and any associated contingent liabilities.

11. Promote transparency and strategic use of public procurement at all levels of government

i) Maximise transparency at all stages of the procurement cycle, promote the professionalisation of the procurement function, and establish clear accountability and control mechanisms. Procurement systems should be transparent, competitive, and monitored to ensure funds are used as intended, and effective at registering and addressing complaints. Governments should invest in ensuring adequate capacity, in particular at the sub-national level, by employing and training procurement professionals, using collaborative procurement mechanisms, and employing e-procurement tools.

ii) Use procurement to ensure effective public service delivery while pursuing strategic objectives at different levels of government. To do so, the objectives of procurement should be clearly articulated and prioritised. These may be traditional value for money in the sense of price and quality, as well as wider governmental objectives such as sustainable development, innovation, and the development of small and medium enterprises (SMEs).

12. Strive for quality and consistency in regulatory systems across levels of government

Pursue high-quality and coherent regulation across levels of government by evaluating the regulatory framework when establishing investment priorities and programmes. Use co-ordination mechanisms to develop coherent regulation across sectors and levels of government, ensure consistency in application, and avoid duplication. National governments should regularly review the stock of regulation and assess costs and benefits of new regulations, taking into account the costs of compliance for sub-national governments. All levels of government should be aware of and seek to minimise the administrative burden of government formalities for a typical public investment project.

II. **INVITES** the Secretary-General to disseminate this Recommendation.

III. **INVITES** Members to disseminate this Recommendation at all levels of government.

IV. **INVITES** non-Members to take account of and adhere to this Recommendation.

V. **INSTRUCTS** the Territorial Development Policy Committee to monitor the implementation of this Recommendation and to report thereon to the Council no later than three years following its adoption and regularly thereafter, in consultation with other relevant OECD Committees.

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- **Decisions** are adopted by Council and are legally binding on all Members except those which abstain at the time of adoption. They set out specific rights and obligations and may contain monitoring mechanisms.

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- **Substantive Outcome Documents** are adopted by the individual listed Adherents rather than by an OECD body, as the outcome of a ministerial, high-level or other meeting within the framework of the Organisation. They usually set general principles or long-term goals and have a solemn character.

- **International Agreements** are negotiated and concluded within the framework of the Organisation. They are legally binding on the Parties.

- **Arrangement, Understanding and Others**: several other types of substantive legal instruments have been developed within the OECD framework over time, such as the Arrangement on Officially Supported Export Credits, the International Understanding on Maritime Transport Principles and the Development Assistance Committee (DAC) Recommendations.