



## PANEL 2

# *NEW SOLUTIONS FOR SUBNATIONAL GOVERNMENTS TO ACHIEVE THEIR INVESTMENT OBJECTIVES*

CoR – OECD Conference

Subnational finance and investment ten years after the crisis: Fiscal decentralisation and innovative public finance instruments as the way ahead?

Monday 12 November 2018

CoR, Room JDE 52 Jacques Delors Building (5th floor) - Rue  
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# Background

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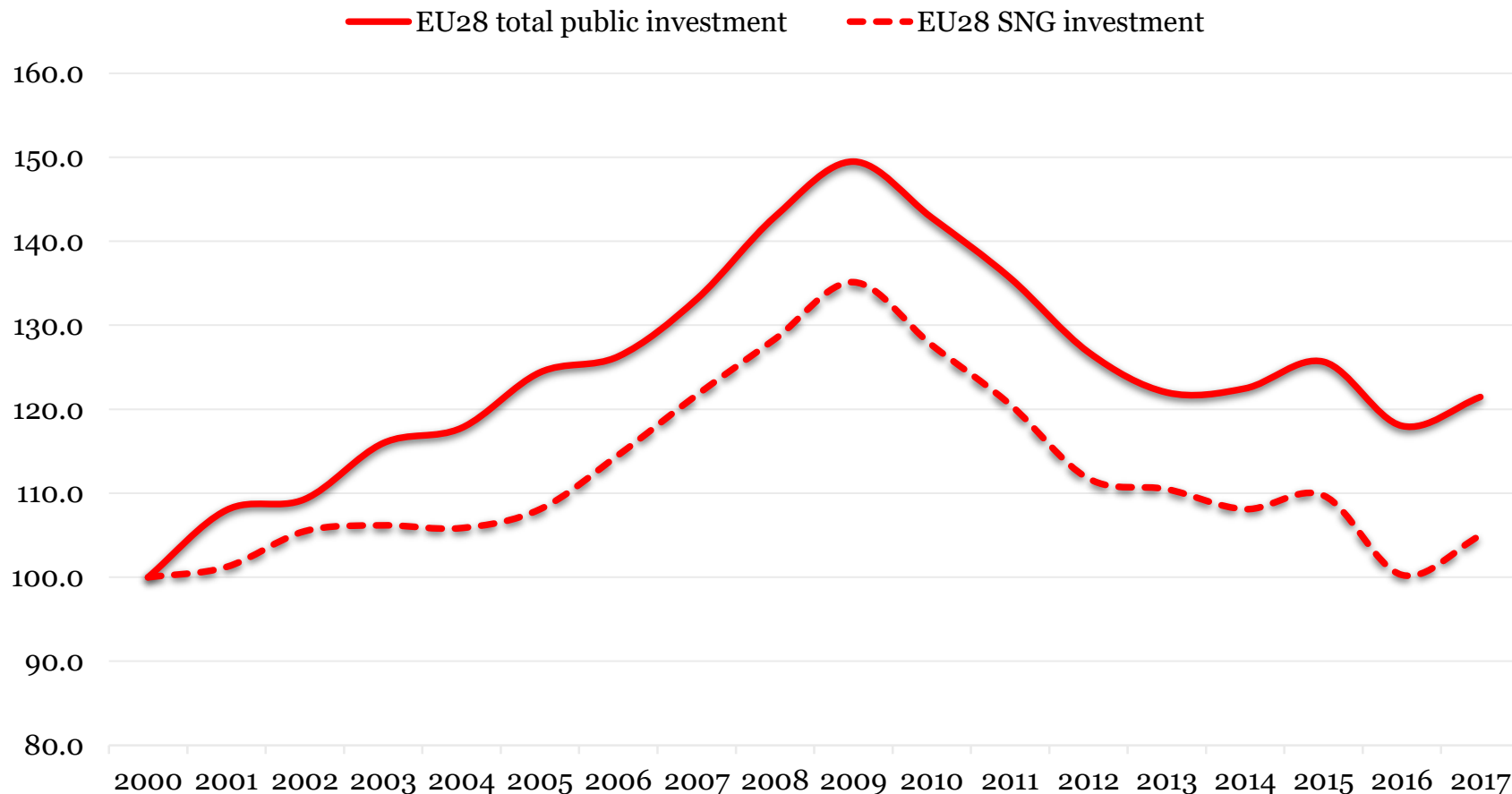
- In the EU and across the OECD countries, subnational governments are at the forefront of public investment
- Current investment levels are not sufficient to close the public investment gaps
- Megatrends represent both opportunities and challenges for infrastructure in regions and cities





# Public investment is still below pre-crisis level in the EU

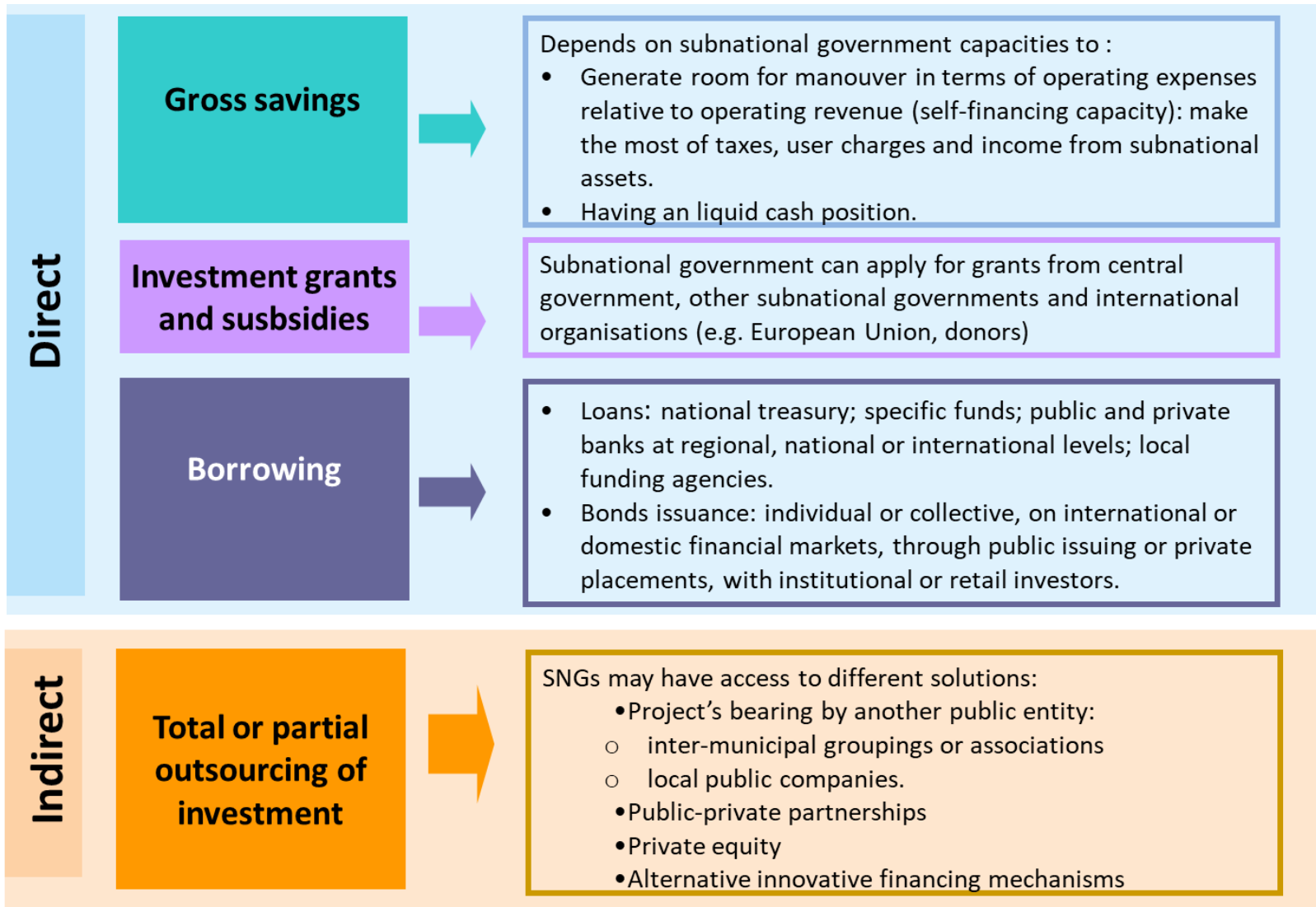
Public investment in the EU28 from 2000 to 2017, index 2000=100



Source: OECD

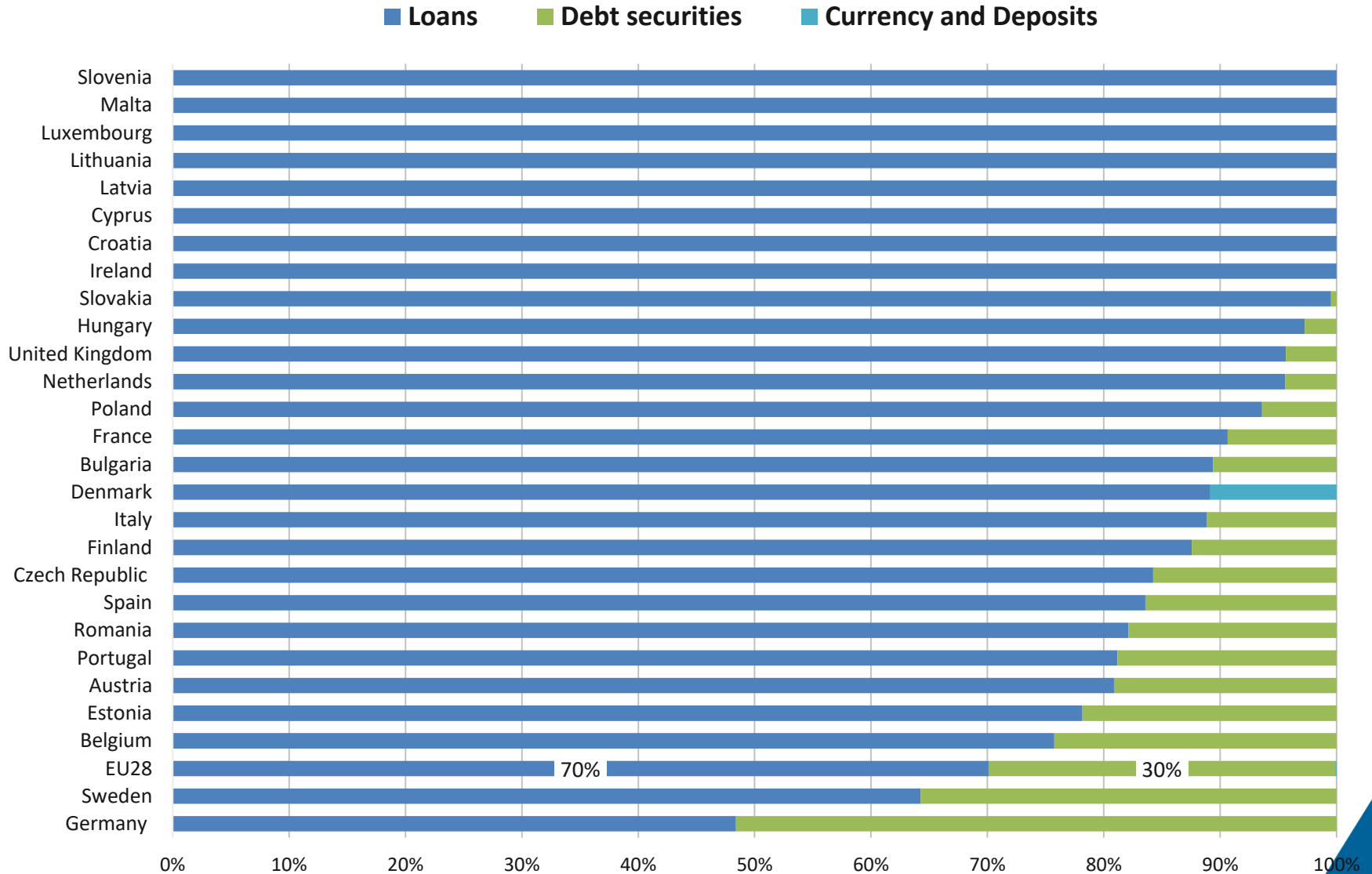


# Traditional sources form the main source of funding, but new tools are being explored





# Subnational government debt: share of loans vs. bonds in 2017 (% of total subnational debt)





# Public Private Partnerships

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- More than just financing the projects
- Sometimes sub-national know-how is constrained
  - Even with sufficient fund, the private sector may be best positioned to integrate new “technology”
- Gains are expected to result from:
  - Benefits of risk transfer,
  - Private sector incentives and expertise,
  - Innovation
- PPPs are justified if partnership represents greater VFM – not as a way around fiscal constraints
  - Focus on total life-cycle costs instead of one-off investment cost



# The main challenges for the implementation of PPPs at the subnational level

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- Regulatory coherence and administrative burden
- Financing and funding of subnational PPPs
- Economies of scale and cross-jurisdictional coordination
- Administrative capacity of sub-national governments to engage in PPPs
- Political commitment and accountability





# Ensuring a good price-quality ratio with a PPP: the Kastelli community centre, City of Oulu, Finland

## **Kastelli community centre**

- Developer: City of Oulu
- Volume: 136,140 m<sup>3</sup>
- Total floor area: 24,631.5 m<sup>2</sup>
- Day-care centre, comprehensive school, upper secondary school, upper secondary school for adults, library, youth centre
- Completed in spring 2014
- More than 2,000 users per day
- Developed using the PPP model: Lemminkäinen is liable for maintenance for a service period of 25 years
- Construction cost: EUR 42.5 million
- Lifecycle costs for 25 years, including the cost of construction: EUR 86 million



## **Lemminkäinen's responsibilities during the service period:**

- Property maintenance
- Cleaning services
- Maintenance of outdoor areas
- Security services
- Property equipment maintenance and repairs
- Food services
- Technical caretaker services
- Supervising after-hours use
- Supervision and cleaning services for competition events
- Café service



THANK YOU!