

**Centre for Entrepreneurship, SMEs, Regions and Cities (CFE)  
REGIONAL DEVELOPMENT POLICY COMMITTEE**

**Towards an Indicator Compass: draft methodology**

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

The document presents an updated draft Indicator Compass – a visual tool intended to further support the implementation of the RDPC Recommendation on Effective Public Investment Across Levels of Government. This reflects comments from Delegates regarding the document discussed at the joint session between the Expert Group on Multi-level Governance and Public Investment and the Working Party on Territorial Indicators in December 2025 [[CFE/RDPC\(2025\)38](#)]. This follows an initial version submitted to the Regional Development Policy Committee in December 2024 [[RDPC\(2024\)33](#)] and support for further development, as noted in the 2025 report on the implementation of the Recommendation [[C\(2025\)76/REV1](#)], endorsed by Council in April 2025. It also contributes to the High-Level Approach to Enhance and Better Integrate OECD Work on Infrastructure (HLA) [[C\(2023\)71/REV3](#); [C/M\(2024\)3](#), Item 84; [C/MIN\(2024\)9](#); [C/M\(2024\)5](#), Item 113 vi].

The paper is submitted to delegates for discussion under Item 6 at the 55<sup>th</sup> session of the RDPC.  
**Delegates are invited to provide comments by 29 May 2026 to the emails below.**

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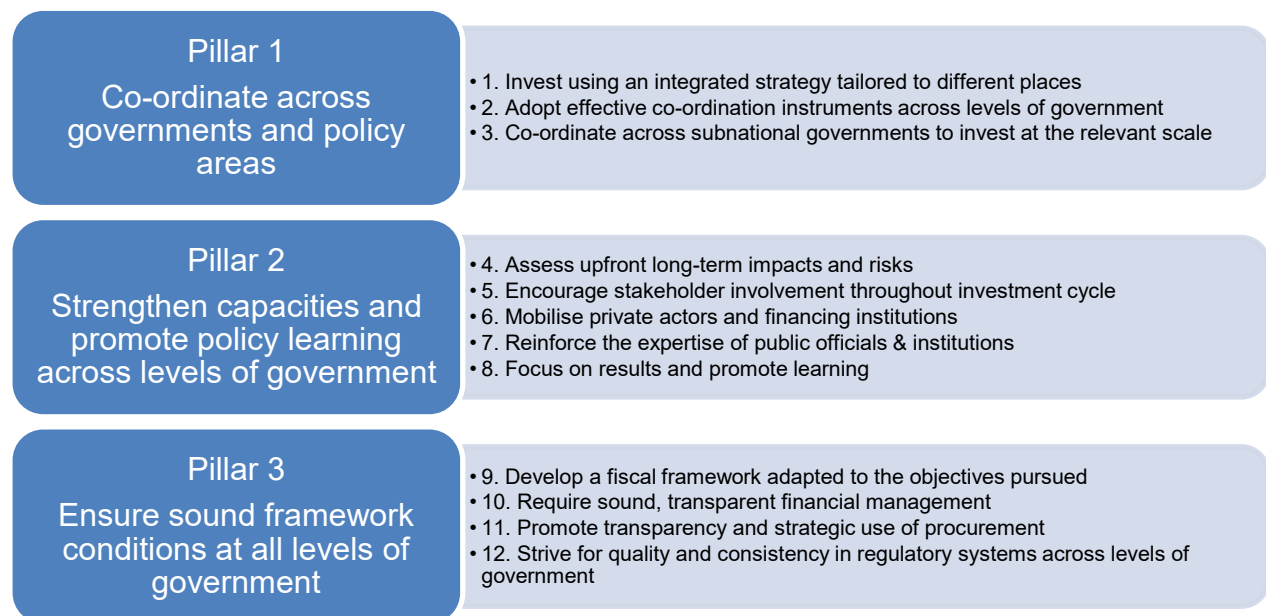
# Introduction

1. In 2014, the OECD Council adopted the Recommendation on Effective Public Investment Across Levels of Government (hereafter ‘the Recommendation’ [C\(2014\)32](#)). The Recommendation includes 12 principles organised under three pillars (Figure 1) and aims to help governments at all levels assess the strengths and weaknesses of their public investment capacity, a critical shared responsibility across levels of government, and set priorities for improvement. It was the first OECD legal instrument in regional policy and multi-level governance, and has become one of the main OECD legal instruments relating to public investment.

2. In 2019 and 2025, the RDPC reported back to the Council with implementation reports concerning the Recommendation. In 2019, a first implementation report [\[C\(2019\)14/REV3\]](#) highlighted the progress that many Adherents to the Recommendation have made in its implementation, including that most Adherents had adopted integrated investment strategies and implemented mechanisms to co-ordinate public investments across levels of government. A second implementation report was approved and declassified by the Council on April 29-30, 2025 [\[C\(2025\)76/REV1\]](#). This 2025 implementation report was based on a questionnaire sent to RDPC Delegates in December 2023 [\[CFE/RDPC\(2023\)27\]](#) and discussion at the 50<sup>th</sup> session of the RDPC [\[CFE/RDPC\(2024\)12\]](#).

## Figure 1. Principles for Action

The Recommendation groups 12 principles into 3 pillars representing systemic challenges to public investment:



Source: Recommendation of the Council on Effective Public Investment Across Levels of Government, <https://legalinstruments.oecd.org/en/instruments/OECD-LEGAL-0402>

3. In addition to this regular reporting, the RDPC has developed the [Effective Public Investment Toolkit](#) in 2019, which has been regularly updated by RDPC, providing a summary of the 12 principles with practical implementation measures, common mistakes, successful case studies and country fact sheets.

4. **More recently, the OECD started a multi-directorate initiative on the High-Level Approach to Enhance and Better Integrate OECD Work on Infrastructure (HLA)** [[C\(2023\)71/REV3](#); [C/M\(2024\)3](#), Item 84; [C/MIN\(2024\)9](#); [C/M\(2024\)5](#), Item 113 vi].<sup>1</sup> The tools to better measure the implementation of the Recommendation will also contribute to the OECD High-Level Approach on Infrastructure.
5. **The OECD Secretariat prepared a first draft of an Indicator Compass methodology for the 51<sup>st</sup> session of the RDPC in December 2024** [[CFE/RDPC\(2024\)33](#)] to further advance the implementation of the Recommendation with more analytical resources. This Indicator Compass was built on initial multi-level governance indicators developed in 2017 [[GOV/RDPC/RD\(2017\)2](#)], the 2019 implementation report [[C\(2019\)14/REV3](#)] and the 2024 implementation report [[CFE/RDPC\(2024\)26](#)].
6. **A second draft of an Indicator Compass methodology was prepared by the OECD Secretariat in December 2025** for discussion at the joint session between the Expert Group on Multi-level Governance and Public Investment for Regional Development and the Working Party on Territorial Indicators [[CFE/RDPC\(2025\)38](#)].
7. **This paper provides an updated methodology, incorporating comments received by delegates, and further outlines areas for future work.**

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<sup>1</sup> The HLA aims to provide a high-level snapshot of the OECD's overall approach to infrastructure investment, and, together with the OECD Policy Framework for Infrastructure Development, it will bring together all relevant OECD legal instruments and implementation tools in the area of infrastructure investment, such as toolkits, indicators, implementation reports and policy reviews, into one coherent framework that links them through a single underlying narrative.

# 1 Towards an Indicator Compass

## Objectives

8. The main objectives of the Indicator Compass are:<sup>2</sup>
- **Provide a unique and comprehensive set of cross-country indicators on multi-level governance for public investment.** Such a dataset does not currently exist at the international level and would fill a crucial gap, complementing existing tools that focus primarily on the national-level institutional environment for public investment, such as the IMF's Public Investment Management Assessment (PIMA);
  - **Help Adherents identify priorities for improvement** by identifying strengths and weaknesses relating to public investment across levels of government;
  - **Help monitor progress over time**, as the Compass is planned to be updated regularly, helping countries assess their current practices and identify dimensions that may require more attention;
  - **Facilitate peer-learning and experience exchange** by supporting the identification of groups of countries that share similar or different strengths and challenges; and
  - **Contribute to an update of the Effective Public Investment Toolkit**, which would include comparable qualitative and quantitative information and examples of good practices.
9. **The Compass is neither intended to be used as an instrument for ranking countries nor to prepare a single composite indicator.** The compass serves as a diagnostic tool rather than a tool to rank performance across countries.

## Emerging findings

10. **Notwithstanding significant heterogeneity across countries, many have sought to develop integrated strategies and strengthen vertical co-ordination for public investment.** Among the 33 countries with available compasses, Principle 1 on integrated strategies recorded the highest average score at 0.84 out of 1.00. This reflects the presence of national and subnational investment strategies tailored to different territories as well as the availability of granular data to support them. This was followed by Principle 2 on vertical co-ordination at 0.80 out of 1.00, reflecting the existence of intergovernmental forums and other co-ordination mechanisms, such as contracts, to support alignment across levels of government.

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<sup>2</sup> In addition to these, the Indicator Compass can also support the implementation of the Recommendation on the Governance of Infrastructure and the update of the OECD Infrastructure Toolkit. More precisely, the RDPC is responsible for Principle V of the Recommendation on the Governance of Infrastructure [[OECD/LEGAL/0460](#)], which focuses on the co-ordination of infrastructure policy across levels of government. Reporting on this recommendation is supported by the [OECD Infrastructure Toolkit](#) and the related Infrastructure Governance Indicators [[GOV/PGC\(2021\)19/REV2](#)].

11. **Clear differences emerge between unitary and federal countries**, with unitary countries generally scoring higher across most Principles. This reflects the focus on national-level support for public investment in the underlying survey. As state governments in federal systems tend to have significant autonomy, they generally provide direct support to local governments and rely less on national-level support mechanisms—a factor not captured in the underlying survey. This is most evident in Principle 11 on public procurement, which shows the largest gap between unitary countries at 0.72 out of 1.00 and federal countries at 0.38 out of 1.00. The indicator captures the existence of national tools to support subnational procurement capacity. However, as noted by delegates from federal countries, procurement is largely devolved to state governments, reducing the need for national-level support. By contrast, federal countries tend to score higher on Principle 2 on vertical co-ordination, at 0.86 compared to 0.78 for unitary countries, highlighting the importance of co-ordination across levels of government in federal systems.

12. **Support measures for subnational borrowing and the use of public-private partnerships (PPPs) generally show the greatest scope for improvement.** Principle 6 on mobilising finance records the lowest average score at 0.34 out of 1.00. This points to the need to further develop guidelines, technical standards and training programmes to strengthen subnational governments' capacity to borrow for investment and to make effective use of PPPs.

## Methodology

13. **The Indicator Compass uses information from the 2024 Effective Public Investment Survey to construct indicators that cover 10 out of the 12 Principles.** The survey, and its subsequent revisions by Delegates, were used to develop sub-indicators that captured key elements of the Principles (Table 1). These sub-indicators were then averaged to present a single indicator for each Principle (see Annex B for the detailed methodology). However, Principles 9 and 12<sup>3</sup> could not be meaningfully assessed given the currently available information from the 2024 Effective Public Investment Survey.

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<sup>3</sup> Principles 9 and 12 refer respectively to “Develop a fiscal framework aligned with objectives” and “Strive for consistent, quality regulation”.

**Table 1. Sub- indicators for each Principle**

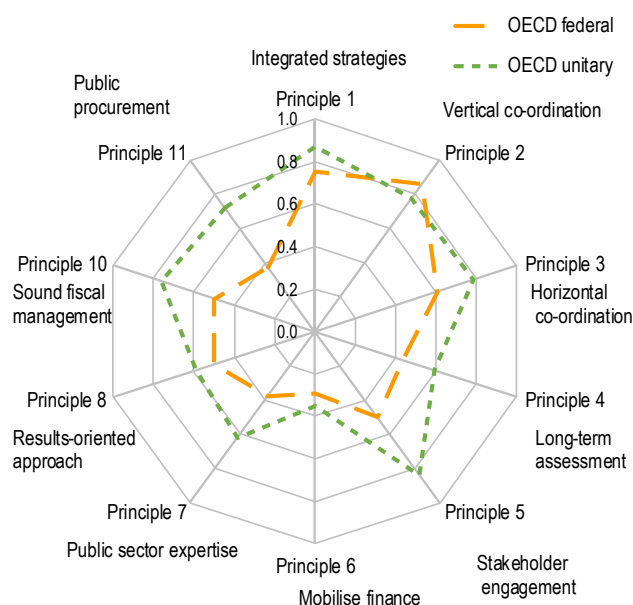
Principles	Sub-indicators	Principles	Sub-indicators
<b>Principle 1</b> Integrated strategies	<ol style="list-style-type: none"> <li>1. Tailored national-level investment strategies</li> <li>2. Tailored subnational-level investment strategies</li> <li>3. National level co-ordination</li> <li>4. Vertical co-ordination</li> <li>5. Data granularity</li> </ol>	<b>Principle 7</b> Public sector expertise	<ol style="list-style-type: none"> <li>1. Reinforcing expertise</li> </ol>
<b>Principle 2</b> Vertical co-ordination	<ol style="list-style-type: none"> <li>1. Inter-governmental forums</li> <li>2. Co-ordination mechanisms</li> </ol>	<b>Principle 8</b> Results-oriented approach	<ol style="list-style-type: none"> <li>1. Monitoring framework</li> </ol>
<b>Principle 3</b> Horizontal co-ordination	<ol style="list-style-type: none"> <li>1. Legal framework for inter-jurisdictional co-operation</li> <li>2. Incentives for inter-jurisdictional co-operation</li> <li>3. Metropolitan co-ordination</li> </ol>	<b>Principle 9</b> Appropriate fiscal framework	n/a
<b>Principle 4</b> Long-term assessment	<ol style="list-style-type: none"> <li>1. Appraisal framework</li> <li>2. Risk assessment framework</li> </ol>	<b>Principle 10</b> Sound fiscal management	<ol style="list-style-type: none"> <li>1. Financial management framework</li> </ol>
<b>Principle 5</b> Stakeholder engagement	<ol style="list-style-type: none"> <li>1. Stakeholder engagement</li> </ol>	<b>Principle 11</b> Public procurement	<ol style="list-style-type: none"> <li>1. Support for procurement capacity</li> <li>2. Support for e-procurement</li> </ol>
<b>Principle 6</b> Mobilise finance	<ol style="list-style-type: none"> <li>1. Support for borrowing</li> <li>2. Support for PPPs</li> </ol>	<b>Principle 12</b> High-quality, consistent regulation	n/a

Source: Authors' elaboration.

14. **One important caveat of this methodology is that coverage quality varies across principles.** Due to the extent of information extractable from the 2024 survey, some principles have only one indicator or lack sufficient sub-indicators to rigorously assess whether the underlying recommendation is effectively implemented. This is particularly evident for Principle 10, which relates to the financial management framework. The current indicator captures only whether governments are required to follow national or sub-national guidelines for project appraisal, a relatively narrow aspect compared to the broader set of sound practices in public investment management. For instance, a more comprehensive assessment of this principle would also require examining the existence of several factors, such as multi-year capital budgeting, project accounting and reporting standards, as well as the treatment of PPPs and the monitoring of contingent liabilities and fiscal risks associated with investment projects.

15. **Another caveat is that the focus is on national-level mechanisms to promote effective public investment, resulting in differing implications for unitary and federal countries.** The 2024 survey reflects national-level policies, such as the existence of centrally provided support mechanisms for capacity building, guidance, training and similar functions. In federal countries, however, state governments may already possess the capacity and autonomy to perform these functions independently, making central support mechanisms less relevant. In addition, in federal countries, it is generally the state governments that provide guidance and support to local governments within their jurisdiction, rather than the federal government. As noted before, this dynamic is captured in the Indicator Compass, where federal countries, on average, have lower scores for most indicators (Figure 2). Meanwhile, federal countries perform strongly in vertical co-ordination, potentially highlighting the emphasis of such co-ordination in federal governance systems. These differences suggest that the performance in the Indicator Compass greatly reflects the extent of national-level support for public investment. In light of the differences between federal and unitary countries, the country compasses have been benchmarked against the corresponding federal or unitary average (Annex A).

**Figure 2. Indicator compass: average scores for unitary and federal countries**



Note: "OECD federal" and "OECD unitary" refer to the average scores of federal/quasi-federal and unitary OECD countries, respectively, based on available data. Based on responses to the 2024 Survey on the Implementation of the OECD Recommendation on Effective Public Investment Across Levels of Government and subsequent revisions by Delegates.

16. **Moreover, the scoring system assesses the presence of certain mechanisms, but not necessarily their effectiveness.** Policy mechanisms are often assigned equal scoring despite varying levels of effectiveness or institutional depth. For instance, under Principle 6 (mobilising finance), each mechanism supporting subnational government borrowing (guidelines, training or technical assistance) receives the same score. Yet these mechanisms may not provide comparable levels of support, and having more mechanisms in place does not necessarily imply greater effectiveness.

## Potential next steps

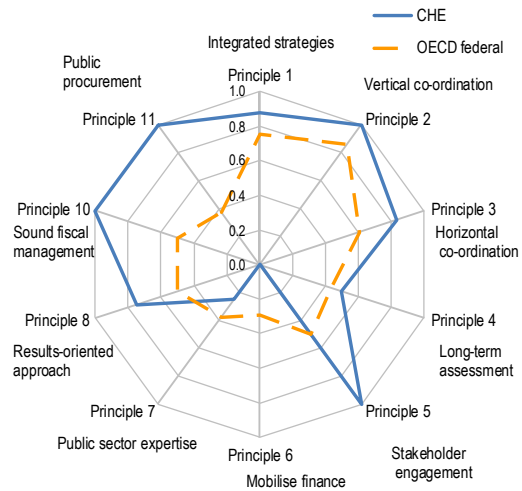
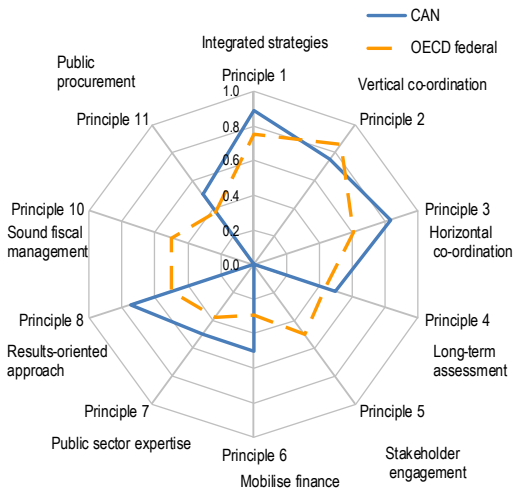
17. **The Indicator Compass is a work in progress.** The 2024 Draft Indicator Compass served as the initial version of the framework and was intended as a starting point for gradual refinement. The current Indicator Compass continues this iterative work, leaving some room for refinement. Main areas of improvement include:

- **Use of quantitative data to score some principles:** Leveraging quantitative data to develop scoring mechanisms for Principles 9 and 12, which are currently excluded because they are more difficult to assess through survey instruments.
- **Improve weighting:** Identify better ways to weight sub-indicators. The current model, which employs equal weighting, fails to capture asymmetries in the effectiveness of different policies. By adopting a differential weighting system, the Compass might provide a more rigorous basis for strategic decision-making.
- **Review survey with more dimensions in certain principles:** In the next round of monitoring the Principles, update the Effective Public Investment Survey to introduce questions on principles that were not covered by the past survey (i.e. 9 and 12) and more questions in other principles that require a more comprehensive assessment. This is particularly relevant for principles such as Principle 10, which needs a broader assessment beyond project appraisal guidelines, including factors like multi-year capital budgeting and monitoring of contingent liabilities.
- **Develop similar indicators for intermediary levels of government (regions/states/provinces):** The next round of the monitoring of the Principles could include additional questions that seek to assess the support provided by intermediary levels of government to local governments for public investment. This could better capture the situation in federal countries.

# Annex A. Indicator Compasses for countries

## Federal and quasi-federal countries

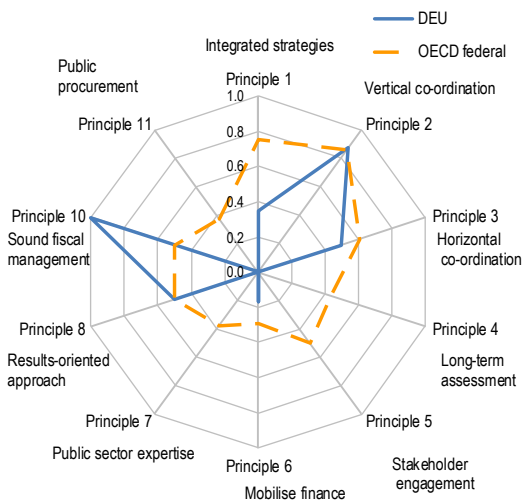
<p><b>Australia</b></p> <table border="1"> <caption>Estimated scores for Australia</caption> <thead> <tr> <th>Principle</th> <th>Aus (Solid Blue)</th> <th>OECD federal (Dashed Orange)</th> </tr> </thead> <tbody> <tr><td>Principle 1: Integrated strategies</td><td>0.8</td><td>0.7</td></tr> <tr><td>Principle 2: Vertical co-ordination</td><td>0.8</td><td>0.7</td></tr> <tr><td>Principle 3: Horizontal co-ordination</td><td>0.7</td><td>0.6</td></tr> <tr><td>Principle 4: Long-term assessment</td><td>0.8</td><td>0.7</td></tr> <tr><td>Principle 5: Stakeholder engagement</td><td>0.7</td><td>0.6</td></tr> <tr><td>Principle 6: Mobilise finance</td><td>0.4</td><td>0.3</td></tr> <tr><td>Principle 7: Public sector expertise</td><td>0.3</td><td>0.2</td></tr> <tr><td>Principle 8: Results-oriented approach</td><td>0.3</td><td>0.2</td></tr> <tr><td>Principle 10: Sound fiscal management</td><td>0.3</td><td>0.2</td></tr> <tr><td>Principle 11: Public procurement</td><td>0.3</td><td>0.2</td></tr> </tbody> </table>	Principle	Aus (Solid Blue)	OECD federal (Dashed Orange)	Principle 1: Integrated strategies	0.8	0.7	Principle 2: Vertical co-ordination	0.8	0.7	Principle 3: Horizontal co-ordination	0.7	0.6	Principle 4: Long-term assessment	0.8	0.7	Principle 5: Stakeholder engagement	0.7	0.6	Principle 6: Mobilise finance	0.4	0.3	Principle 7: Public sector expertise	0.3	0.2	Principle 8: Results-oriented approach	0.3	0.2	Principle 10: Sound fiscal management	0.3	0.2	Principle 11: Public procurement	0.3	0.2	<p><b>Belgium</b></p> <table border="1"> <caption>Estimated scores for Belgium</caption> <thead> <tr> <th>Principle</th> <th>BEL (Solid Blue)</th> <th>OECD federal (Dashed Orange)</th> </tr> </thead> <tbody> <tr><td>Principle 1: Integrated strategies</td><td>0.5</td><td>0.7</td></tr> <tr><td>Principle 2: Vertical co-ordination</td><td>0.5</td><td>0.7</td></tr> <tr><td>Principle 3: Horizontal co-ordination</td><td>0.4</td><td>0.6</td></tr> <tr><td>Principle 4: Long-term assessment</td><td>0.4</td><td>0.6</td></tr> <tr><td>Principle 5: Stakeholder engagement</td><td>0.4</td><td>0.6</td></tr> <tr><td>Principle 6: Mobilise finance</td><td>0.3</td><td>0.2</td></tr> <tr><td>Principle 7: Public sector expertise</td><td>0.3</td><td>0.2</td></tr> <tr><td>Principle 8: Results-oriented approach</td><td>0.3</td><td>0.2</td></tr> <tr><td>Principle 10: Sound fiscal management</td><td>0.3</td><td>0.2</td></tr> <tr><td>Principle 11: Public procurement</td><td>0.3</td><td>0.2</td></tr> </tbody> </table>	Principle	BEL (Solid Blue)	OECD federal (Dashed Orange)	Principle 1: Integrated strategies	0.5	0.7	Principle 2: Vertical co-ordination	0.5	0.7	Principle 3: Horizontal co-ordination	0.4	0.6	Principle 4: Long-term assessment	0.4	0.6	Principle 5: Stakeholder engagement	0.4	0.6	Principle 6: Mobilise finance	0.3	0.2	Principle 7: Public sector expertise	0.3	0.2	Principle 8: Results-oriented approach	0.3	0.2	Principle 10: Sound fiscal management	0.3	0.2	Principle 11: Public procurement	0.3	0.2
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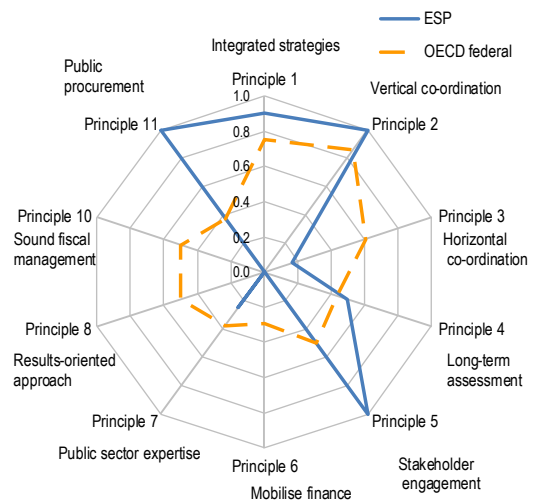
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**Federal and quasi-federal countries**

Germany

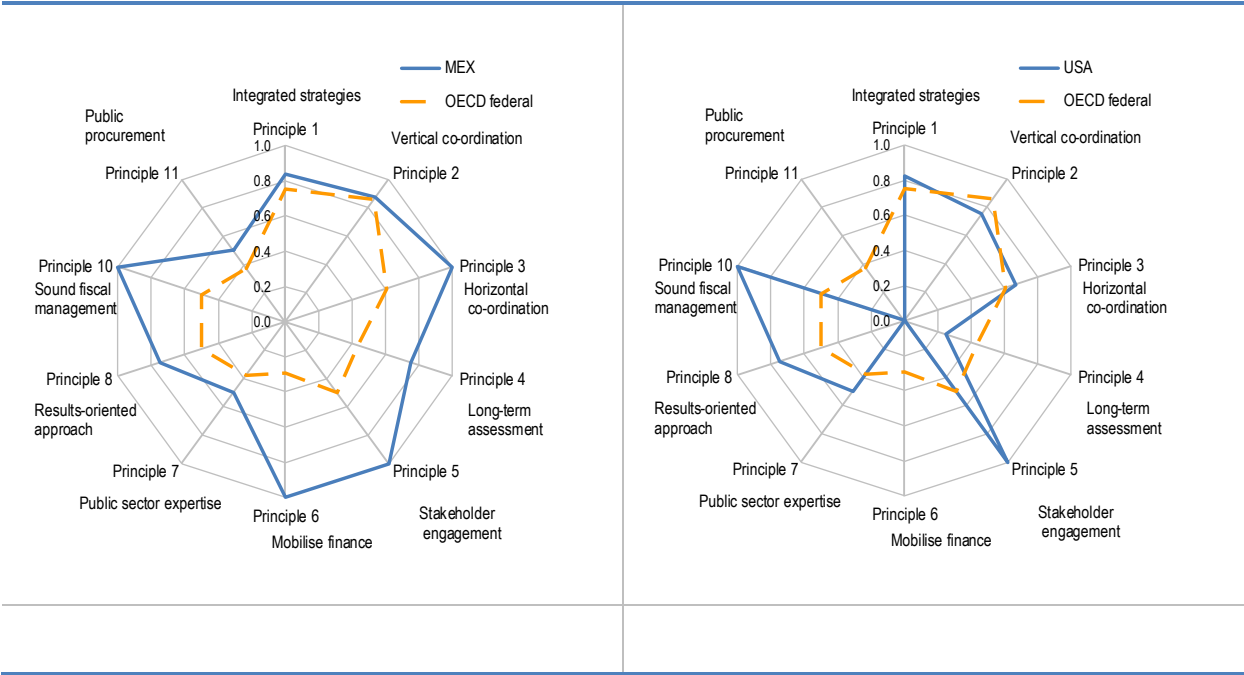


Spain



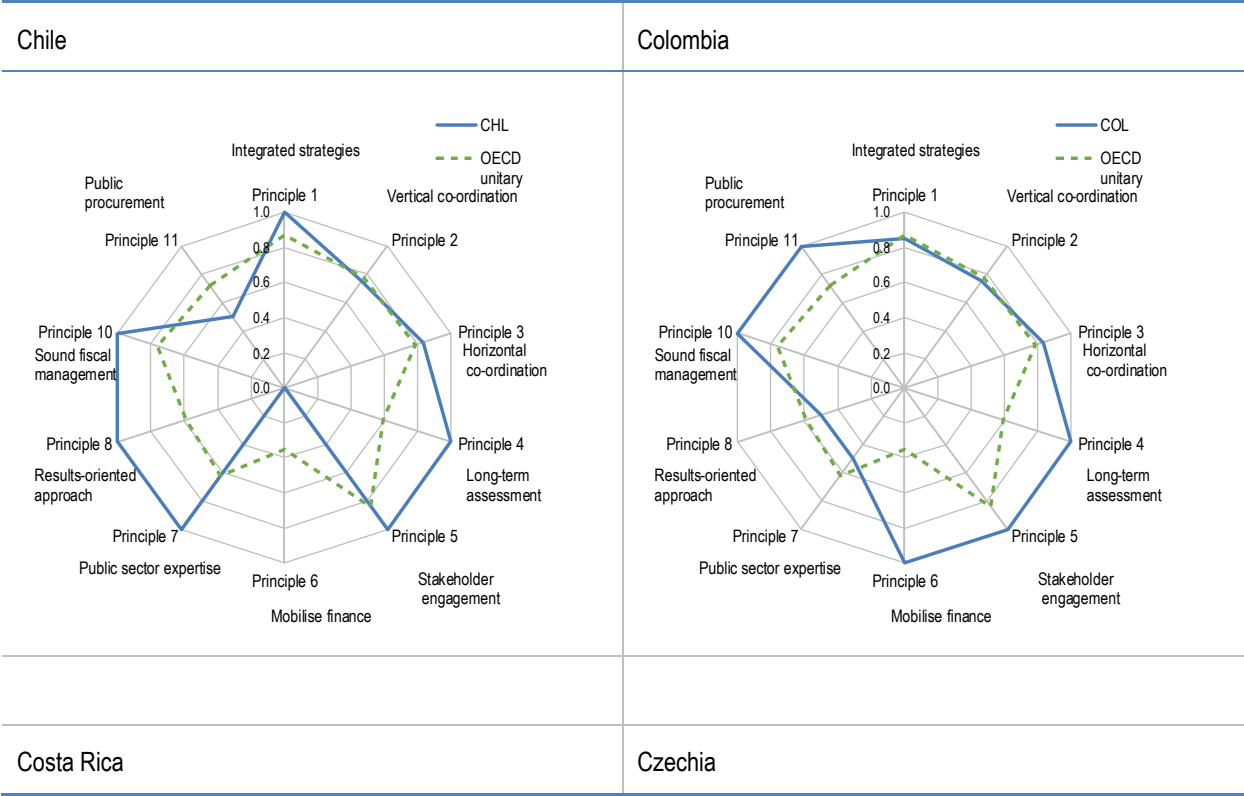
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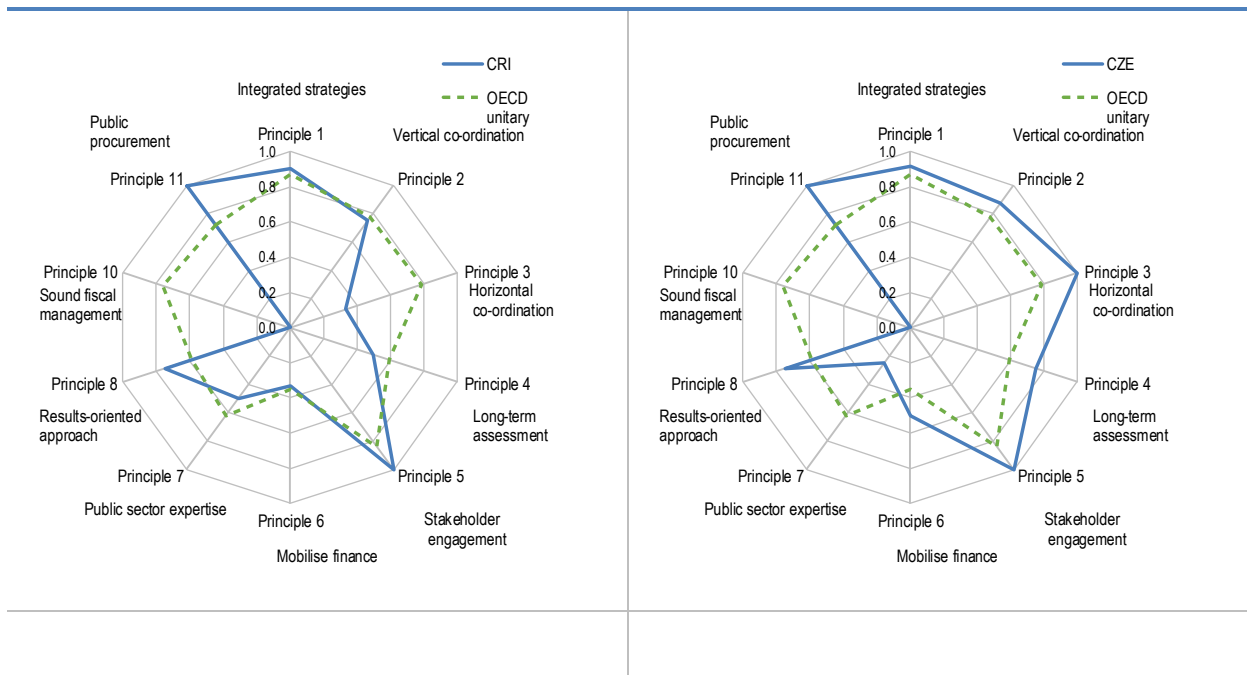
United States



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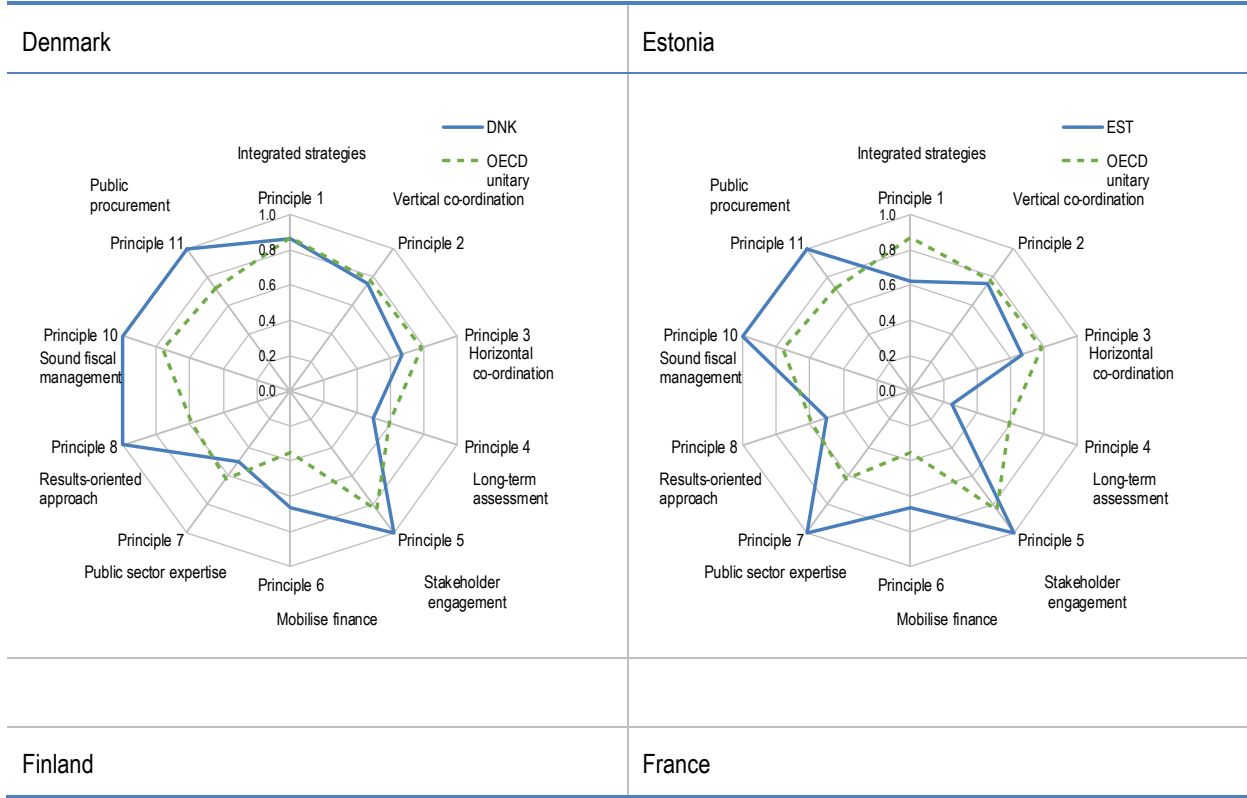
**Unitary countries**

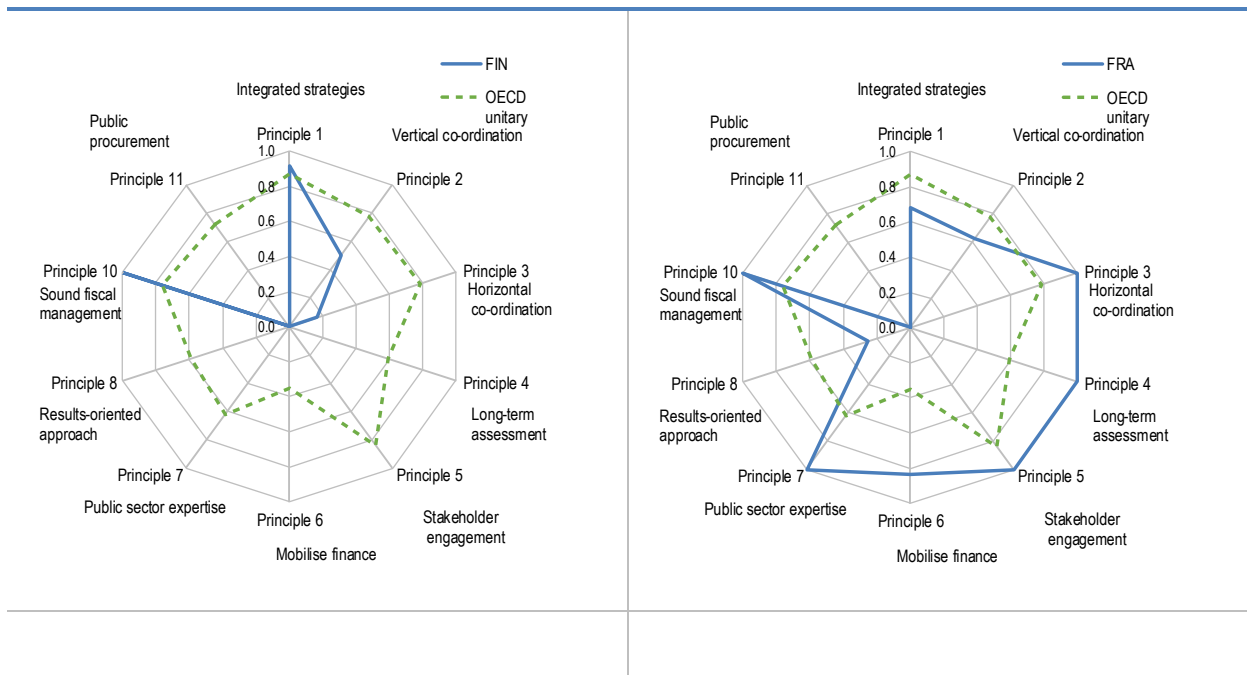




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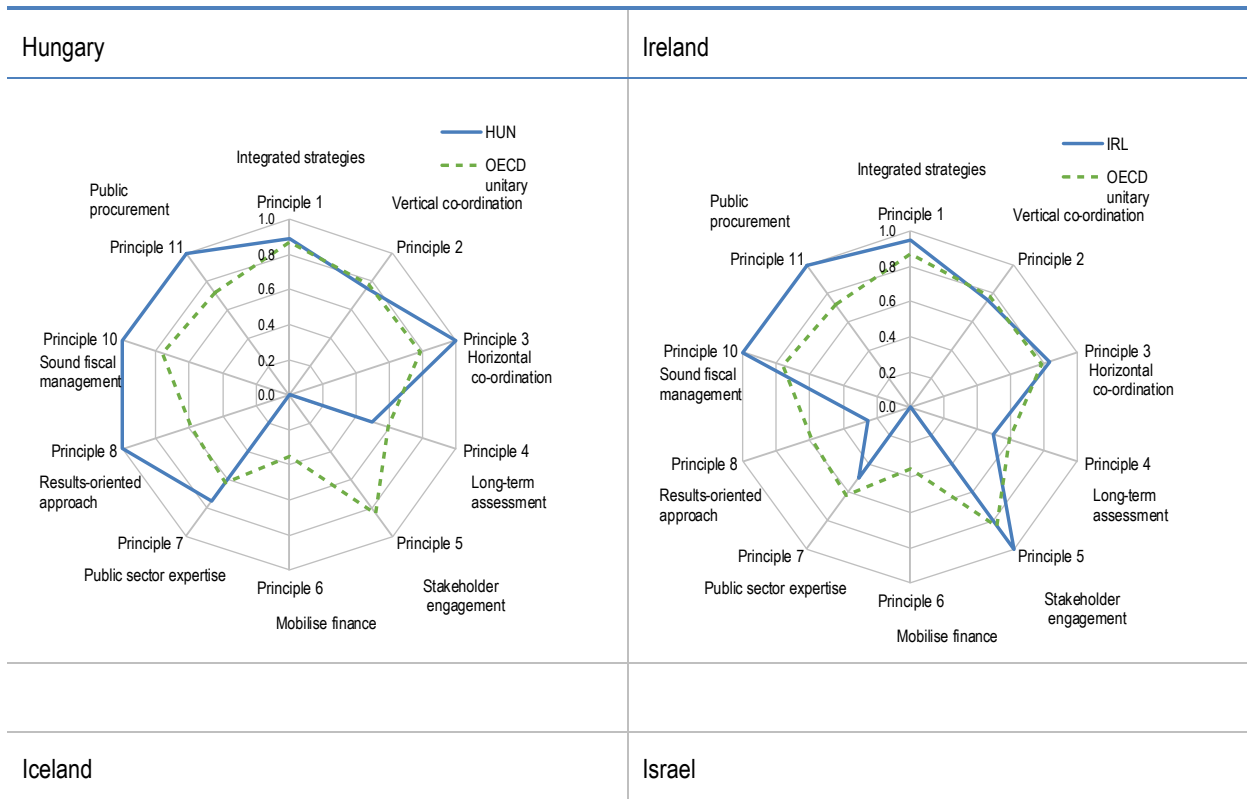
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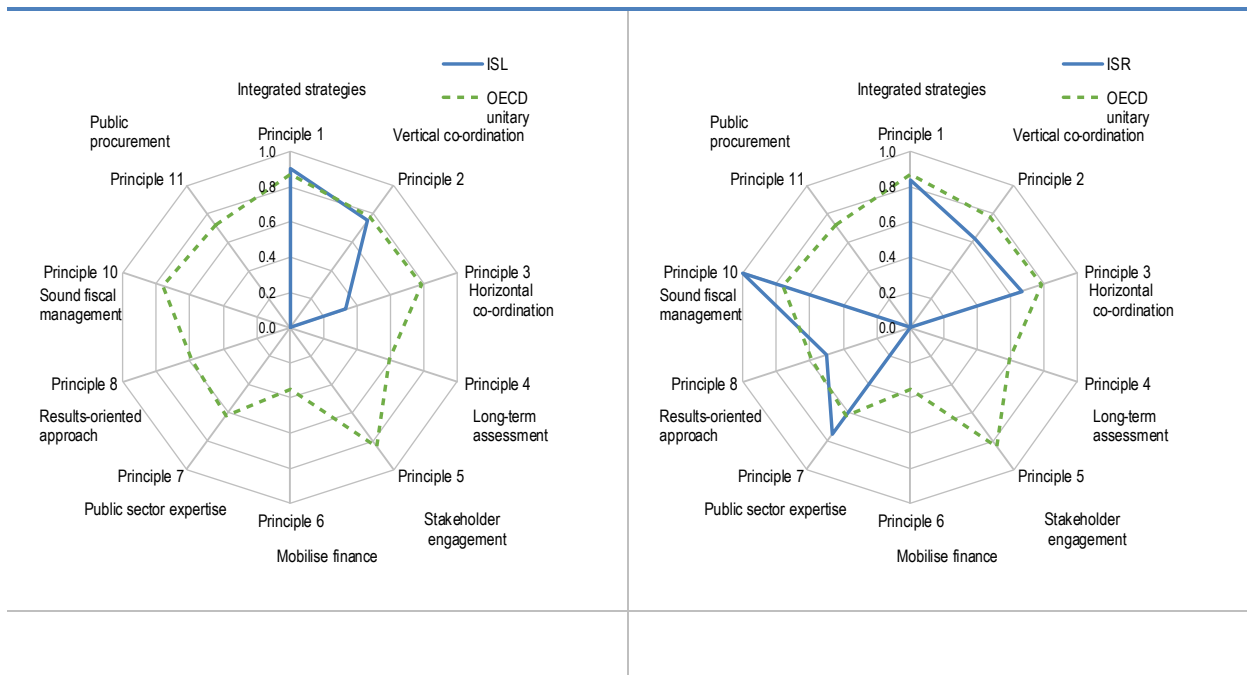




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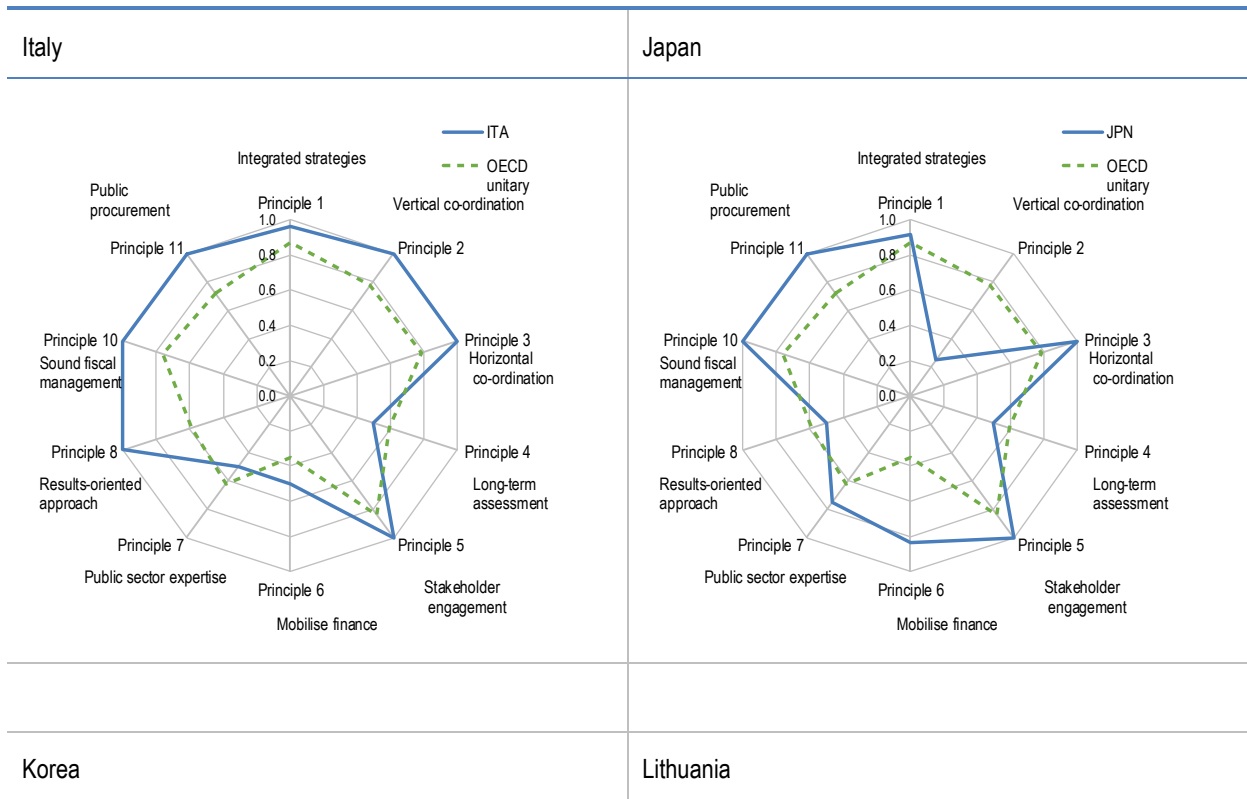
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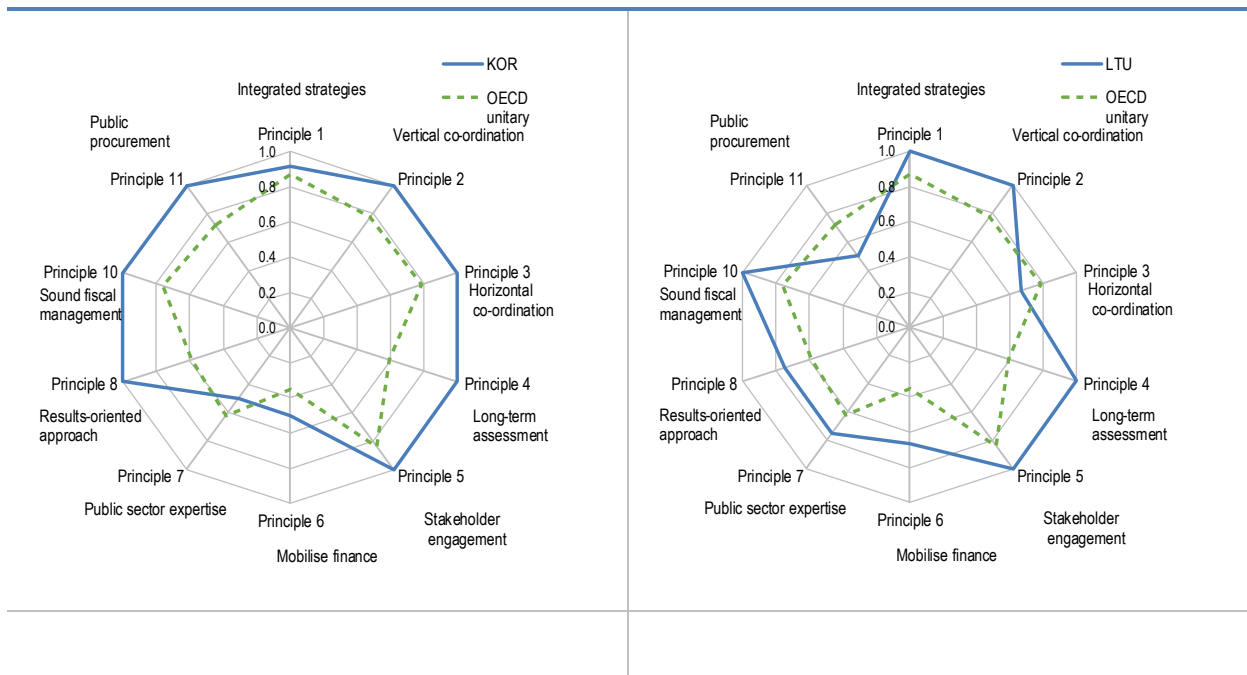




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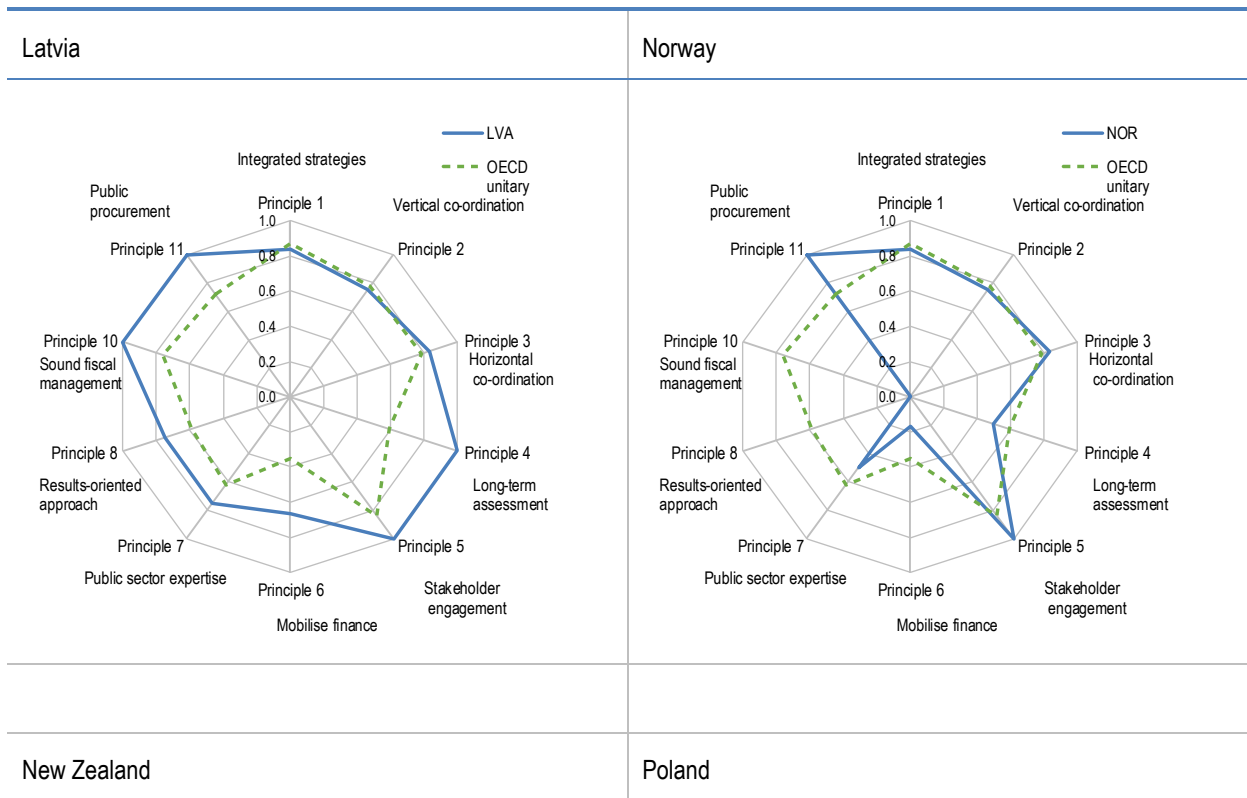
### Unitary countries

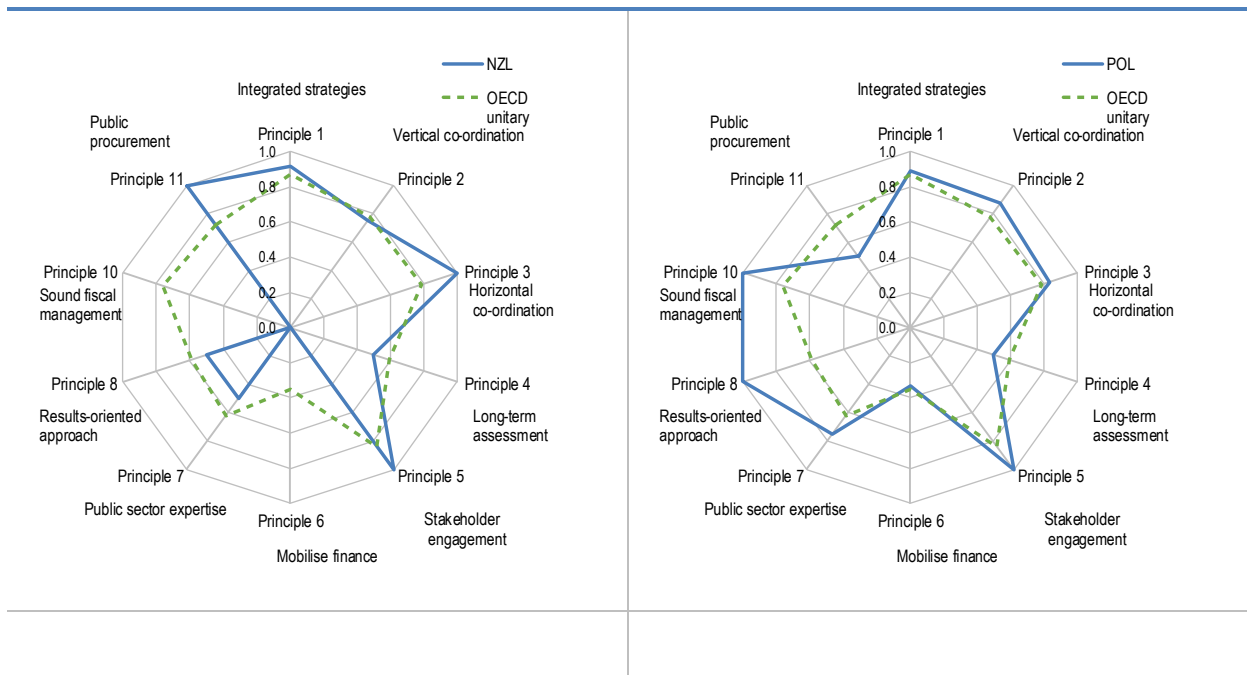




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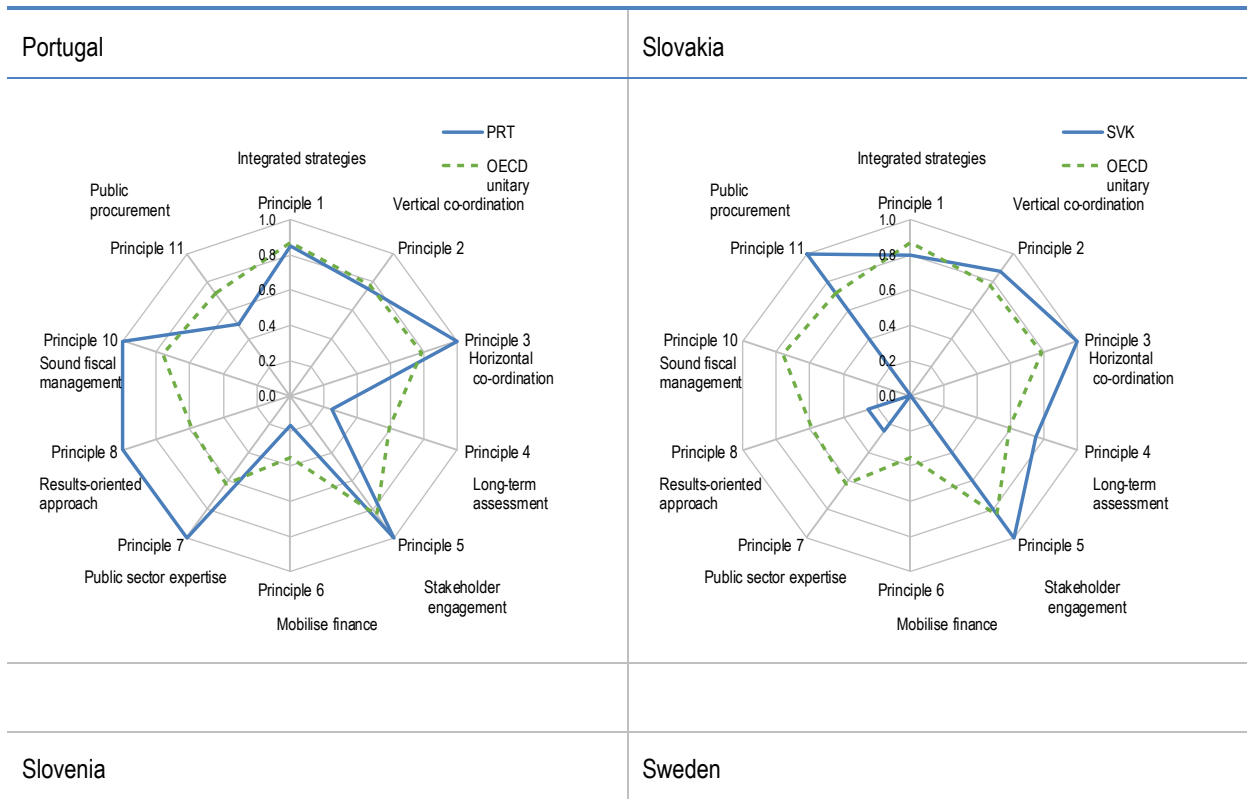
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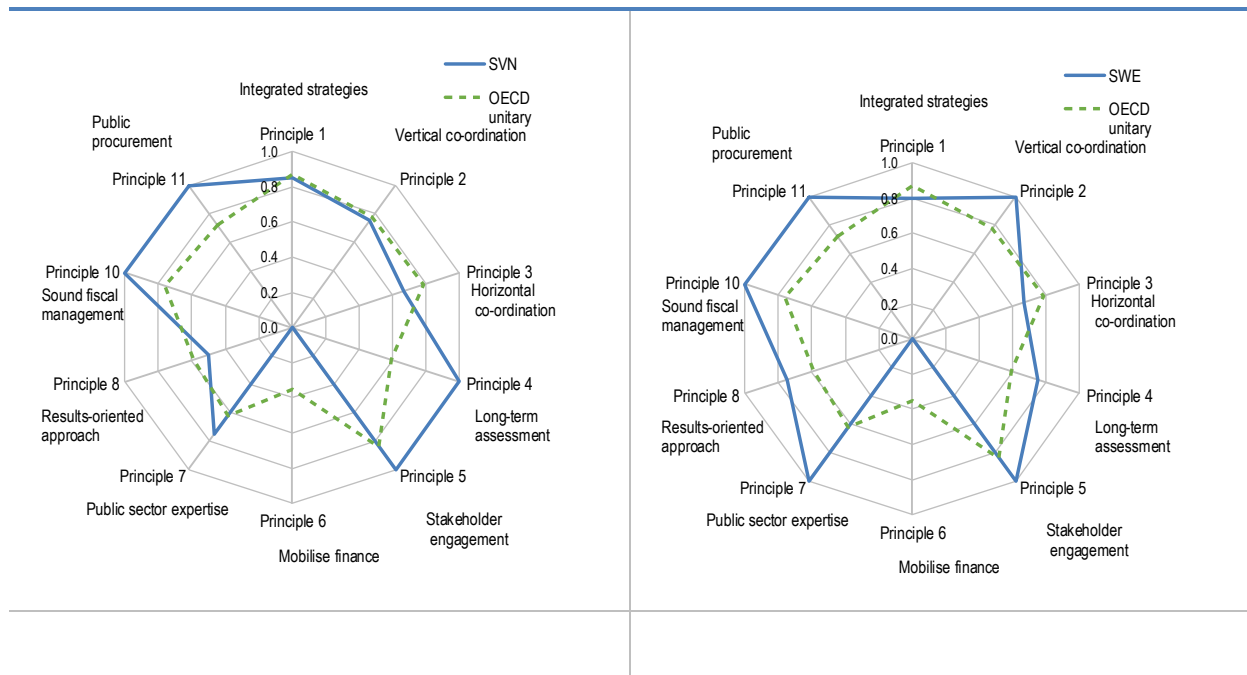




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**Unitary countries**

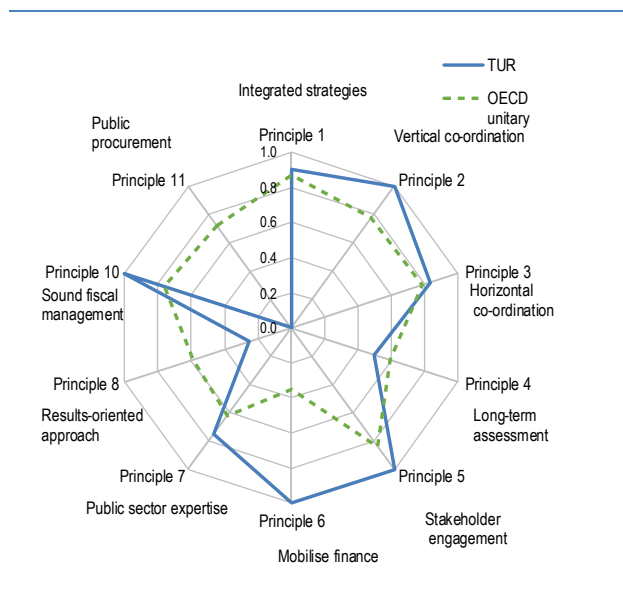




Note: “OECD federal” and “OECD unitary” refer to the average scores of federal/quasi-federal and unitary OECD countries, respectively, based on available data. Based on responses to the 2024 Survey on the Implementation of the OECD Recommendation on Effective Public Investment Across Levels of Government and subsequent revisions by Delegates.

## Unitary countries

### Türkiye



Note: “OECD federal” and “OECD unitary” refer to the average scores of federal/quasi-federal and unitary OECD countries, respectively, based on available data. Based on responses to the 2024 Survey on the Implementation of the OECD Recommendation on Effective Public Investment Across Levels of Government and subsequent revisions by Delegates.

## Annex B. Detailed methodology

### Principle 1: Invest using an integrated strategy tailored to different places

#### What the recommendation says:

*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 regions 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).*

*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.*

*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.*

18. **Principle 1 outlines that investments should be made using an integrated strategy that is tailored to different places.** This aims to ensure that national governments have an integrated, cross-sectoral strategy that is used to inform investment decisions. The strategy should be based on a robust assessment of different regional and local characteristics, potentials and needs. This can be facilitated by national cross-sectoral co-ordination bodies and the production of granular data.

19. **This principle is measured by one composite indicator, which is calculated as a simple average of five sub-indicators** (Table 2). The sub-indicators cover tailored national-level strategies, tailored sub-national-level strategies, national-level co-ordination, vertical co-ordination and data granularity.

**Table 2. Indicators relating to Principle 1**

No.	Sub-indicator	Description	Scoring Methodology
1.1	Tailored national-level investment strategies	Measures the extent to which a country has investment strategies that account for place-based characteristics	1 point for having any national-level strategy. 2 points if that national-level strategy has differentiated development objectives by territory or additionally has national-level strategies targeting specific territories.
1.2	Tailored sub-national-level investment strategies	Measures the extent to which a country has	1 point for having any sub-national-level plan. 2 points if that sub-national-level strategy has differentiated development

		investment strategies that account for place-based characteristics by having sub-national-level investment plans.	objectives by territory or there are more than two subnational development plans, with at least one developed at a more granular level than the region (e.g., rural, urban, metropolitan, municipal).
1.3	National-level co-ordination	Measures whether there are mechanisms in place to co-ordinate investments across sectors at the national level and the extent to which these are permanent.	1 point if there are any ad-hoc mechanisms to co-ordinate investments across sectors. 2 points if there are any permanent mechanisms to co-ordinate across sectors.
1.4	Vertical co-ordination	Measures the extent to which there is alignment between national and sub-national investment strategies.	1 point if national governments consult with sub-national governments on their development priorities on an ad-hoc basis. 2 points if sub-national governments are consulted regularly or as a legal requirement. In addition, 1 point if alignment is on an ad-hoc basis, 2 points if there is a legal requirement for alignment for some sectors and 3 points if there is a legal requirement for alignment across all relevant sectors.
1.5	Data granularity	Measures the geographical granularity and breadth of indicators available.	1 point for each type of data (i.e. demographic data, spatial data, land title records, existing asset/infrastructure data and environmental risk data) available at each geographic scale (i.e. regional, local and neighborhood) such that the maximum score is 15.

Note: Each sub-indicator is re-scaled to range from between 0 and 1 and are weighted equally for its respective principle's score.  
Source: Authors' elaboration.

## Principle 2: Adopt effective instruments for co-ordinating across national and sub-national levels of government

### What the recommendation says:

*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.*

20. **Principle 2 outlines that effective instruments should be adopted for co-ordinating across national and sub-national levels of government.** This aims to strengthen the efficiency and effectiveness of public investment by identifying opportunities, managing joint policy competencies, ensuring adequate capacity and minimising investments working at cross-purposes. Tools used include co-financing arrangements, contracts, formal consultation processes and regular inter-governmental dialogue.

21. **This principle is measured by one composite indicator, which is calculated as a simple average of two sub-indicators** (Table 3). The sub-indicators measure the existence of inter-governmental forums and co-ordination mechanisms.

**Table 3. Indicators relating to Principle 2**

No.	Sub-indicator	Description	Scoring Methodology
2.1	Inter-governmental forums	Measures whether there are inter-governmental forums at the technical and political levels and the extent to which these are regularly held.	1 point for ad-hoc inter-governmental forums at a political level, 2 points for more frequent meetings. In addition, 1 point for ad-hoc inter-governmental forums at a technical level, 2 points for more frequent meetings.
2.2	Co-ordination mechanisms	Measures whether there are co-ordination mechanisms in place.	1 point if there are any of the co-ordination mechanisms below: <ul style="list-style-type: none"> <li>• Co-financing arrangements</li> <li>• City deals</li> <li>• Regional deals</li> <li>• National-regional-municipal contracts</li> <li>• National government departments / agencies who facilitate or oversee regional development and investment</li> </ul>

Note: Each sub-indicator is re-scaled to range from between 0 and 1. Each indicator is weighted equally.

Source: Authors' elaboration.

### Principle 3: Co-ordinate horizontally among sub-national governments to invest at the relevant scale

#### What the recommendation says:

*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.*

22. **Principle 3 outlines that co-ordination should occur horizontally among sub-national governments to ensure investment is deployed at the relevant scale.** This aims to provide incentives and opportunities for sub-national governments to co-ordinate their investments to increase efficiency through economies of scale and enhance synergies among neighbouring jurisdictions. Modes of co-ordination include contracts, platforms for dialogue and joint authorities.

23. **This principle is measured by one composite indicator, which is calculated as a simple average of three sub-indicators** (Table 4). The sub-indicators relate to the legal framework for inter-jurisdictional co-operation, incentives for inter-jurisdictional co-operation and metropolitan co-ordination.

**Table 4. Indicators relating to Principle 3**

No.	Sub-indicator	Description	Scoring Methodology
3.1	Legal framework for inter-jurisdictional co-operation	Measures whether there are legal frameworks in place to facilitate inter-jurisdictional co-operation	1 point if there is no specific legal framework, but inter-jurisdictional co-operation is used. 2 points if there is a specific legal framework to allow inter-jurisdictional co-operation.
3.2	Incentives for inter-jurisdictional co-operation	Measures whether there are incentives in place to facilitate inter-jurisdictional co-operation.	1 point if there is any sort of incentive to facilitate inter-jurisdictional co-operation.
3.3	Metropolitan co-ordination	Measures whether there are metropolitan governance bodies to facilitate inter-	1 point if there is a metropolitan governance body for at least one main metropolitan area. 2 points if this exists for all main metropolitan areas.

	jurisdictional co-operation in metropolitan areas.	
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Note: Each sub-indicator is re-scaled to range from between 0 and 1. Each indicator is weighted equally.

Source: Authors' elaboration.

## Principle 4: Assess upfront the long-term impacts and risks of public investment

### What the recommendation says:

*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.*

*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.*

24. **Principle 4 outlines that the long-term impacts and risks of public investment should be assessed upfront.** This aims to ensure comprehensive, technically sound ex-ante assessments are used for investment selection, clarifying goals and identifying economic, social and environmental impacts. Governments must assess various risks, including fiscal, political, social and environmental risks, and re-evaluate mitigation strategies as new information arises.

25. **This principle is measured by one composite indicator, which is calculated as a simple average of two sub-indicators** (Table 5). The sub-indicators measure the formalisation of the appraisal framework and the risk assessment framework.

**Table 5. Indicators relating to Principle 4**

No.	Sub-indicator	Description	Scoring Methodology
4.1	Appraisal framework	Measures the extent to which appraisal processes are formalised.	1 point if a formal appraisal process is recommended or conducted on an ad-hoc basis. 2 points if the investment appraisal process is legally required.
4.2	Risk assessment framework	Measures the extent to which risk assessments are formalised.	1 point if risk assessments are conducted on an ad-hoc basis. 2 points if risk assessments are legally required.

Note: Each sub-indicator is re-scaled to range from between 0 and 1. Each indicator is weighted equally.

Source: Authors' elaboration.

## Principle 5: Engage with stakeholders throughout the investment cycle

### What the recommendation says:

*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.*

*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.*

26. **Principle 5 outlines that stakeholders should be engaged throughout the investment cycle.** This aims to enhance social and economic value and ensure accountability of public investment by involving stakeholders in needs assessment, design, feedback and evaluation at all levels of government. Consultation processes must be inclusive, open, transparent and balanced to prevent disproportionate influence by special interest groups.

27. **This principle is scored by one single indicator** (Table 6), which measures formal mechanisms for stakeholder engagement on investment projects.

**Table 6. Indicators relating to Principle 5**

No.	Sub-indicator	Description	Scoring Methodology
5.1	Stakeholder engagement	Measures whether there are formal mechanisms to promote stakeholder engagement on investment projects	<p>1 point if any mechanism below has been implemented:</p> <ul style="list-style-type: none"> <li>• National laws/regulations requiring consultation with stakeholders during the preparation of sub-national development strategies</li> <li>• National laws/regulations requiring consultation with stakeholders for large sub-national investments</li> <li>• National laws/regulations requiring consultation with stakeholders when the national government provides funding to sub-national governments</li> <li>• National environmental impact assessment processes</li> <li>• National government guidance on stakeholder engagement</li> </ul>

Source: Authors' elaboration.

## Principle 6: Mobilise private actors and financing institutions to diversify sources of funding and strengthen capacities

### What the recommendation says:

*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.*

*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*

28. **Principle 6 outlines that private actors and financing institutions should be mobilised for public investment.** This aims to diversify funding sources and strengthen capacities, especially at the sub-national level, by matching private financing arrangements to investment needs and government capacity, such as considering Public Private Partnerships (PPPs). Involvement of private actors should not

only provide financing but also bring expertise, strengthen government capacity, and achieve better ex-ante assessment.

29. **This principle is measured by one composite indicator, which is calculated as a simple average of two sub-indicators** (Table 7). The sub-indicators relate to support for borrowing capacity and support for PPPs.

**Table 7. Indicators relating to Principle 6**

No.	Sub-indicator	Description	Scoring Methodology
6.1	Support for borrowing	Measures whether there are mechanisms to support sub-national governments' capacities to borrow for investment	1 point for each mechanism below: <ul style="list-style-type: none"> <li>• Guidelines and technical standards</li> <li>• Training programmes</li> <li>• Technical assistance</li> </ul>
6.2	Support for PPPs	Measures whether there are legal frameworks to guide the effective use of PPPs.	1 point for each mechanism below: <ul style="list-style-type: none"> <li>• Technical assistance</li> <li>• Financial incentives</li> <li>• Guidance materials and standards</li> </ul>

Note: Each sub-indicator is re-scaled to range from between 0 and 1. Each indicator is weighted equally.

Source: Authors' elaboration.

## Principle 7: Reinforce the expertise of public officials and institutions involved in public investment

### What the recommendation says:

*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.*

30. **Principle 7 outlines that the expertise of public officials and institutions involved in public investment should be reinforced.** This principle recommends to bolster capacity through effective human resources management, knowledge cultivation (sharing good practices) and refining relationships for co-ordination and co-operation. Particular attention should be paid to identifying binding constraints and sequencing reforms for sub-national capacity, which may lack financial resources or professional skills.

31. **This principle is scored by one single indicator** (Table 8), which measures the availability of tools and mechanisms to reinforce the skills and capacities of sub-national public officials and institutions for public investment.

**Table 8. Indicator relating to Principle 7**

No.	Sub-indicator	Description	Scoring Methodology
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7.1	Reinforcing expertise	Measures the availability of tools and mechanisms to reinforce the skills and capacities of sub-national public officials and institutions for public investment.	1 point for high-level guidance type mechanisms, 1 point for technical assistance type mechanisms, 1 point for pooling platforms and 1 point for financial resources.
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Note: The sub-indicator is re-scaled to range from between 0 and 1.

Source: Authors' elaboration.

## Principle 8: Focus on results and promote learning from experience

### What the recommendation says:

*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.*

32. **Principle 8 outlines that there should be a focus on results and promotion of learning from experience.** This aims to clarify the outcomes achievable through public investment and ensure mechanisms are in place, such as results-oriented investment strategies, effective monitoring systems, high-quality ex-post evaluation and ongoing mutual learning among actors involved.

33. **This principle is scored by one single indicator** (Table 9), which measures whether there are mechanisms to ensure a result-oriented public investment strategy.

**Table 9. Indicator relating to Principle 8**

No.	Sub-indicator	Description	Scoring Methodology
8.1	Monitoring framework	Measures whether there are mechanisms to ensure a result-oriented public investment strategy.	1 point for having national performance monitoring systems, 1 point for mechanisms to develop performance monitoring systems, 1 point for conducting ex-post evaluations and 1 point for rewarding achievements.

Note: Note: The sub-indicator is re-scaled to range from between 0 and 1.

Source: Authors' elaboration.

## Principle 9: Develop a fiscal framework adapted to the investment objectives pursued

### What the recommendation says:

*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.*

*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.*

34. **Principle 9 outlines that a fiscal framework should be developed that is adapted to the investment objectives pursued.** This aims to employ appropriate fiscal tools, such as intergovernmental earmarked grants and co-financing arrangements, particularly when positive spillovers occur or when

aligning priorities and bolstering sub-national government capacities are necessary. It also involves setting enabling conditions for sub-national governments to utilise their own revenue-raising capabilities.

35. **This principle has no indicators and is excluded from the 2025 Indicator Compass.** That is because there were no survey questions on this specific Principle.

## Principle 10: Require sound and transparent financial management at all levels of government

### What the recommendation says:

*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.*

36. **Principle 10 outlines that sound and transparent financial management should be required at all levels of government.** This principle recommends ensuring the adoption of good practices for budgeting and financial accountability, including accurately costing investment plans, fitting them into a medium-term budget framework and properly treating long-term costs, PPPs and contingent liabilities.

37. **This principle is scored by one single indicator** (Table 10), which measures whether there are legal requirements for sub-national governments to follow guidelines for project appraisals.

**Table 10. Indicators relating to Principle 10**

No.	Sub-indicator	Description	Scoring Methodology
10.1	Financial management framework	Measures whether there are legal requirements for sub-national governments to follow guidelines for project appraisals.	1 point if sub-national governments are required to follow national/sub-national guidelines for project appraisal.

Source: Authors' elaboration.

## Principle 11: Promote transparency and strategic use of public procurement at all levels of government

### What the recommendation says:

*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.*

*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).*

38. **Principle 11 outlines that transparency and strategic use of public procurement should be promoted at all levels of government.** This aims to maximise transparency and professionalisation throughout the procurement cycle and establish control mechanisms. It emphasises investing in adequate

sub-national procurement capacity and using procurement strategically to achieve governmental objectives beyond just value for money.

39. **This principle is measured by one composite indicator, which is calculated as a simple average of two sub-indicators** (Table 11). The sub-indicators relate to national-level support for sub-national procurement capacity and e-procurement tools.

**Table 11. Indicators relating to Principle 11**

No.	Sub-indicator	Description	Scoring Methodology
11.1	Support for procurement capacity	Measures whether there are national-level tools/mechanisms to support sub-national procurement capacity.	1 point if any mechanism below has been implemented: <ul style="list-style-type: none"> <li>• Information sessions</li> <li>• E-learning courses</li> <li>• In-person training courses</li> <li>• Forums or conferences for procurement professionals</li> <li>• Procurement guidelines for major projects undertaken by sub-national governments</li> <li>• General procurement guidelines targeting sub-national governments</li> <li>• Framework agreements for contracting services that can be used by sub-national governments</li> <li>• National procurement unit that can support sub-national governments</li> </ul>
11.2	Support for e-procurement	Measures whether there are national-level tools/mechanisms to support the use of e-procurement tools.	1 point if any mechanism below has been implemented: <ul style="list-style-type: none"> <li>• Dedicated funding programme to support adoption of e-procurement systems.</li> <li>• Standard e-procurement tools accessible to sub-national governments</li> </ul>

Note: Each indicator is weighted equally.

Source: Authors' elaboration.

## Principle 12: Strive for quality and consistency in regulatory systems across levels of government

### What the recommendation says:

*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.*

40. **Principle 12 outlines that quality and consistency in regulatory systems should be strived for across levels of government.** This aims to pursue high-quality and coherent regulation by evaluating the regulatory framework during priority setting and using coordination mechanisms to ensure consistency and avoid duplication. Governments must also seek to minimise the administrative burden of government formalities for public investment projects.

**This principle has no indicators and is excluded from the 2025 Indicator Compass.** That is because there were no survey questions on this specific Principle.