

## DISTRIBUTION OF EXPENDITURES ACROSS LEVELS OF GOVERNMENT

The responsibility for the provision of public goods and services and redistribution of income is divided between different levels of government. In some countries, local and regional governments play a larger role in delivering services, such as providing public housing or running schools. Data on the distribution of government spending by both level and function provide an indication of the extent to which key government activities are decentralised to sub-national governments.

### Definition

Government expenditures data are derived from the *OECD Annual National Accounts*, which are based on the System of National Accounts, a set of internationally agreed concepts, definitions, classifications and rules for national accounting. The general government sector consists of central, state and local governments and the social security funds controlled by these units. Data on the distribution of general government expenditures across levels of government exclude transfers

between levels of government and thus provide a rough proxy of the overall responsibility for providing goods and services borne by each level of government. For the central level of government, data on expenditures are shown here according to the Classification of the Functions of Government (COFOG), which divides spending into ten functions: general public services; defence; public order and safety; economic affairs; environmental protection; housing and community amenities; health; recreation, culture and religion; education; and social protection. Data on central government expenditures by function include transfers between the different levels of government.

### Comparability

Data are based on the 1993 *System of National Accounts* or on the 1995 *European System of Accounts* so that all countries are using a common set of definitions. Data for Australia and Japan on the distribution of general government expenditures across levels of government include transfers between levels of government. The state government category is only applicable to the nine OECD countries that are federal states: Australia, Austria, Belgium, Canada, Germany, Mexico, Spain (considered a de facto federal state in the national accounts data), Switzerland and the United States. Local government is included in state government for the United States. Social security funds are included in central government in New Zealand, Norway, the United Kingdom and the United States. Australia does not operate government social insurance schemes; central government refers to commonwealth and multijurisdictional data. Data for Australia, Japan, Israel, Korea and New Zealand refer to 2008 instead of 2009. The OECD average excludes Chile, Mexico and Turkey (and Australia and Japan for central government expenditures by function). Data on central government expenditures by function for Canada and New Zealand refer to 2006 and 2005 respectively.

### Overview

Across the OECD, in 2009, 46% of general government expenditures were undertaken by central government. Sub-central governments (state and local) covered 32%, and social security funds accounted for the remaining share. However, the level of fiscal decentralisation varies considerably across countries. For example, in New Zealand (a unitary state), almost 90% of total spending is by central government. In contrast, central government accounts for less than 15% of total expenditures in Switzerland, a federal state where regional and local governments play a much larger role in financing the public goods and services that they deliver themselves.

In the past decade, some countries have become more fiscally decentralised. Between 2000 and 2009, the share of expenditures attributed to sub-central governments rose in several countries including Canada, the Czech Republic, Denmark, Finland, Poland, the Slovak Republic, Slovenia, Spain, Sweden and Switzerland. The Slovak Republic, for example, transferred responsibilities for the execution of certain policies and programmes from central to local governments beginning in 2002 accompanied by fiscal decentralisation in 2005.

In general, central governments spend a relatively larger proportion of their budgets on social protection (e.g. pensions and unemployment benefits), general public services (e.g. executive and legislative organs, public debt transactions) and defence compared to sub-central governments. Expenditures on social protection represent the largest share of central government budgets for over half of OECD countries. The central governments of Spain and Belgium allocate most of their budgets to general public services, accounting for over 50% of total expenditures. Defence accounts for 6% of central government expenditures on average. Education, recreation, environmental protection, and housing and community amenities are mostly financed by sub-central governments. Responsibility for health, police and economic affairs (e.g. agriculture, mining, transportation and communications) programmes are often mixed responsibilities and vary by country.

### Sources

- OECD (2011), *Government at a Glance*, OECD Publishing.

### Further information

#### Analytical publications

- OECD (2011), *Making the Most of Public Investment in a Tight Fiscal Environment: Multi-level Governance Lessons from the Crisis*, OECD Publishing.

#### Statistical publications

- OECD (2011), *National Accounts at a Glance*, OECD Publishing.
- OECD (2011), *National Accounts of OECD Countries*, OECD Publishing.

#### Online databases

- “General Government Accounts: Government expenditure by function”, *OECD National Accounts Statistics*.
- “National Accounts at a Glance”, *OECD National Accounts Statistics*.

#### Websites

- Government at a Glance (supplementary material), [www.oecd.org/gov/indicators/govatatglance](http://www.oecd.org/gov/indicators/govatatglance).



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## Structure of central government expenditures by function

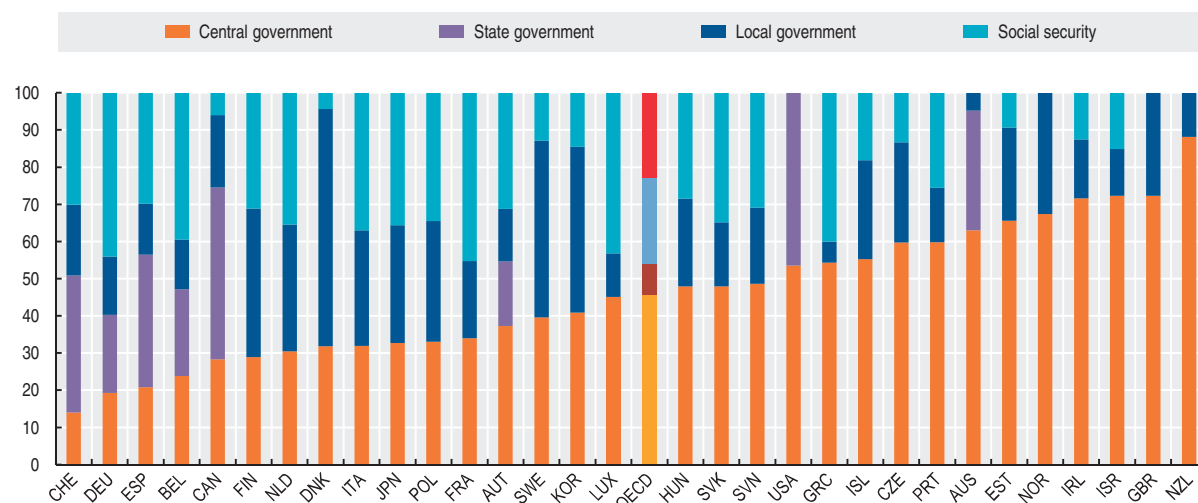
Percentage, 2008

	General public services	Defence	Public order and safety	Economic affairs	Environmental protection	Housing and community amenities	Health	Recreation, culture and religion	Education	Social protection
Austria	18.4	3.9	4.9	11.6	0.4	2.3	4.3	1.3	13.3	39.6
Belgium	67.9	3.8	4.2	6.1	0.1	0.0	3.5	0.3	4.3	9.7
Canada	33.2	6.6	3.8	7.9	0.7	1.5	10.2	2.1	2.6	31.6
Czech Republic	11.7	3.8	6.3	16.2	0.7	1.8	5.2	1.5	11.9	41.0
Denmark	39.2	4.1	2.7	4.4	0.7	0.6	0.4	2.1	10.0	35.7
Estonia	14.1	6.0	9.2	12.9	2.8	0.0	8.0	4.2	9.1	33.8
Finland	20.2	6.1	4.4	13.5	0.8	0.8	12.1	1.7	13.5	27.0
France	30.0	8.1	4.4	13.5	0.4	1.4	0.9	2.0	19.3	20.0
Germany	30.7	7.8	1.1	9.5	0.2	1.3	0.0	0.3	1.2	47.9
Greece	24.1	8.4	4.5	39.5	0.3	0.6	1.2	1.3	11.1	9.0
Hungary	29.1	2.8	6.2	16.7	1.6	0.3	6.7	3.0	11.0	22.7
Iceland	12.8	0.1	3.1	39.9	0.8	0.2	17.1	2.8	7.6	15.6
Ireland	10.8	1.4	4.9	14.5	1.5	1.2	22.3	1.5	15.4	26.5
Israel	15.9	18.8	4.0	6.4	0.4	0.9	13.5	2.4	17.0	20.8
Italy	33.5	5.2	6.1	6.6	0.8	1.1	13.3	1.5	13.0	19.0
Korea	13.9	16.8	5.3	37.2	1.0	1.8	11.9	1.5	7.2	3.4
Luxembourg	18.0	0.9	3.1	13.1	1.5	1.6	1.5	4.4	13.6	42.3
Netherlands	31.4	4.9	6.5	9.5	0.7	0.8	1.3	1.2	16.3	27.5
New Zealand	12.0	2.8	5.4	8.3	1.1	1.1	18.5	1.6	20.8	28.4
Norway	17.9	5.0	2.4	9.3	0.4	0.1	16.2	1.4	5.7	41.6
Poland	18.5	5.8	7.3	13.5	0.5	0.9	4.5	1.6	19.6	27.9
Portugal	33.9	3.8	6.0	4.7	0.3	0.0	18.6	1.3	17.6	13.6
Slovak Republic	18.3	7.1	11.4	23.7	2.0	1.8	9.0	3.3	11.8	11.8
Slovenia	15.4	5.3	5.4	14.2	1.6	1.2	11.8	3.7	17.8	23.8
Spain	61.1	6.6	7.2	11.4	0.5	0.3	1.6	2.2	1.0	8.1
Sweden	25.7	5.1	4.0	10.1	0.5	0.4	4.5	1.2	6.3	42.4
Switzerland	29.8	8.0	1.5	19.2	0.7	0.2	0.4	0.8	7.5	31.9
United Kingdom	15.4	5.9	4.4	9.5	0.9	1.2	17.3	1.3	12.1	32.0
United States	11.8	20.1	1.6	7.2	0.0	2.0	24.2	0.1	2.4	30.6
OECD average	24.6	6.4	4.9	14.1	0.8	0.9	9.0	1.8	11.0	26.4

StatLink <http://dx.doi.org/10.1787/888932506951>

## Distribution of general government expenditures across levels of government

Percentage, 2009

StatLink <http://dx.doi.org/10.1787/888932506970>

