

## Subnational government expenditure by category

*Subnational governments account for almost 50% of public procurement in the OECD.*

The importance of subnational governments (SNGs) in the economy is particularly evident when considering their role as employers. Staff spending is the largest expense in subnational budgets, representing on average 36.0% of expenditure in the OECD area, and ranging from less than 20% in New Zealand and Turkey to more than 50% in Norway, Slovak Republic and Chile (Figure 5.4). High budget shares for staff spending may reflect the fact that SNGs in several countries have the responsibility, delegated from the central government, for the payment of public workers' salaries, such as teachers, medical staff or social workers. On average in the OECD area, SNGs undertook approximately 63% of public staff expenditure in 2016. This average masks different situations between federal countries (77%) and unitary countries (43%), from less than 10% in Ireland, New Zealand and Turkey to more than 84% in Switzerland and Canada (Figure 5.5).

SNGs also play a significant role in public procurement through the purchase of goods and services for intermediate consumption (equipment and supplies, maintenance and repairs, energy, communication and information technology, consulting, etc.), the purchase of social services via market producers and the commissioning of public works, often to local small and medium-sized enterprises. In 2016, SNGs accounted for almost 50% of public procurement in the OECD, almost 62% in federal countries and 38% in unitary countries (Figure 5.6). Among public procurement, intermediate consumption expenditure and gross fixed capital formation represented respectively 21% and 11% of SNG spending (see section on investment for further details).

### Definition

General government includes four sub-sectors: central/federal government and related public entities; federated government ("states") and related public entities; local government i.e. regional and local governments and related public entities; and social security funds. Data are consolidated within these four sub-sectors. Subnational government is defined as the sum of state governments and local/regional governments.

Expenditure comprises: "current expenditure" and "capital expenditure" (see Annex D for a detailed definition).

Public procurement expenditure is defined as the sum of intermediate consumption, gross fixed capital formation and social transfers in kind via market producers.

The OECD averages are presented as the weighted average of the OECD countries for which data are available, unless otherwise specified (unweighted average, arithmetic mean, OECD UWA).

Finally, SNGs are a major actor for social inclusion at local and regional levels as they provide a range of welfare benefits to households and individuals (old age, family, sickness, disability, health, unemployment, housing, youth, poverty alleviation, etc.). Current social expenditure represented 17% of their spending in 2016 on average in the OECD (Figure 5.4). This figure attains 39% in Denmark (where the majority of social security expenditure passes through the municipalities), 28% in Germany (for the local level only) and 25% in Ireland (mainly housing benefits) and United Kingdom. In contrast, local governments have no or only a minor role in social protection in countries like New Zealand, Czech Republic, Luxembourg, Slovak Republic, Mexico or Chile (less than 2% of their spending in 2016).

"Spending indicators" should be interpreted with caution. They tend to overestimate the level of decentralisation, as subnational spending autonomy is often restricted by mandatory expenses in the case of shared or delegated competences, regulatory constraints, centrally imposed standards on local public service delivery (quantity and quality, cost, etc.) or on public procurement, civil service obligations or budget discipline (e.g. budget balance targets). In many cases, SNGs act simply as paying agents on behalf of the central government, for example for the payment of public staff wages or social benefits, with little or no decision-making power or room for manoeuvre.

### Source

OECD (2018), *National Accounts Statistics* (database), <http://dx.doi.org/10.1787/na-data-en> and estimates from IMF Government Statistics for Australia and Chile.

OECD (2018), "Subnational Government Finance", *OECD Regional Statistics* (database), <http://dx.doi.org/10.1787/region-data-en>.

See Annex B for data sources and country-related metadata.

### Reference years and territorial level

2016: National Accounts; Levels of government; 2015: Mexico, New Zealand and Turkey.

### Further information

OECD (2018), *Subnational Governments in OECD Countries: Key data* (brochure)

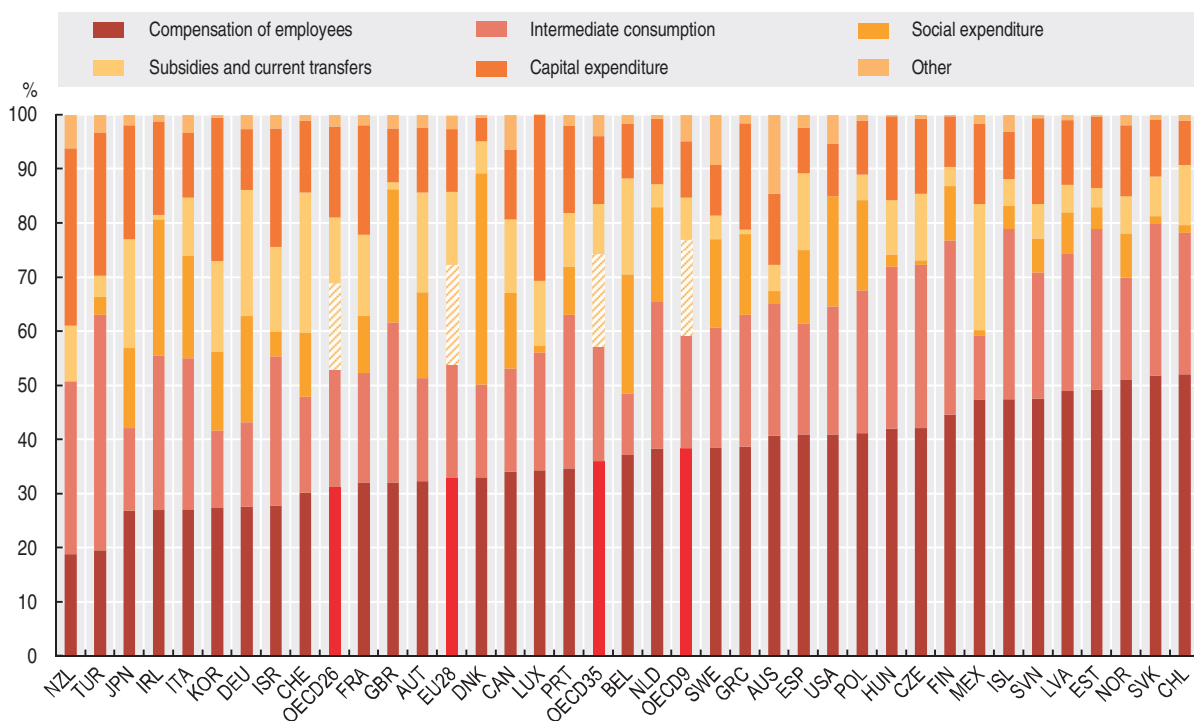
### Figure notes

5.4: The "other" category includes taxes and financial charges.

5.6: Public procurement weighted averages do not include Australia or Chile for the OECD average.

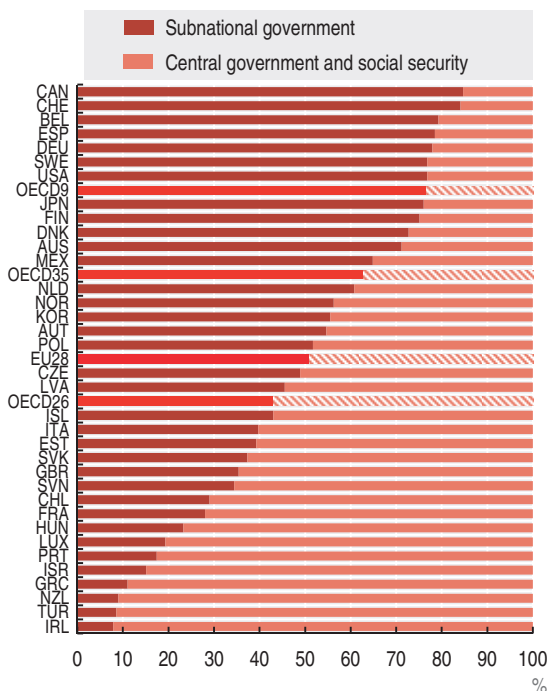
OECD8/OECD9 and OECD25/26 refer to the average for OECD federal countries for OECD unitary countries.

### 5.4. Breakdown of subnational government expenditure by category, 2016



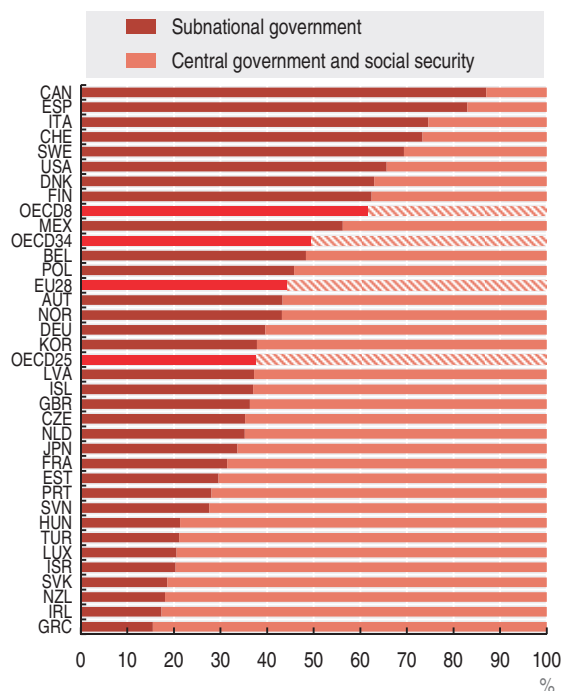
StatLink <http://dx.doi.org/10.1787/888933818359>

### 5.5. Subnational staff expenditure as a % of total public staff expenditure in 2016

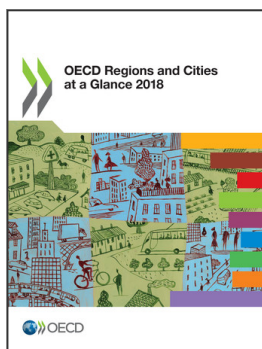


StatLink <http://dx.doi.org/10.1787/888933818378>

### 5.6. Subnational government procurement as a % of total public procurement in 2016



StatLink <http://dx.doi.org/10.1787/888933818397>



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