

III. GOVERNMENT EXPENDITURES

6. General government expenditure by level of government

The responsibility for financing goods and services fall to different levels of government across OECD member countries. For example, in some countries, policing is the responsibility of local government while in others it falls to central authorities. However, these are also affected by a country's institutional structure: when central governments in federal states share sovereignty with sub-central governments, those sub-central governments may have more power to shape policies and programmes.

While central governments on average spend the largest proportion of total government resources, the level of fiscal decentralisation varies across OECD member countries. For example, in New Zealand (a unitary state), the central government accounts for 90% of all spending, reflecting a high level of centralisation; although goods and services may be delivered locally, they are paid for by the central government. In contrast, the 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 goods and services directly.

In general, central governments spend relatively larger proportions of their budgets on general public services, social protection and defence than sub-central governments. Expenditures on social protection represent the largest proportion of central government budgets for about half of OECD member countries. The central governments of Spain and Belgium concentrate on general public services (accounting for over 50% of total expenditures). Although defence is predominately the responsibility of central governments in OECD member countries, it accounts for less than 6% of total expenditures on average.

Education, recreation, environmental protection, and housing and community amenities are generally the responsibility of sub-central governments, comprising larger proportions of state and local spending relative to central government expenditures.

Methodology and definitions

Data represent government expenditures in 2006, the latest data available for a majority of OECD member countries at the time of writing. Data on expenditures are disaggregated according to the Classification of the Functions of Government (COFOG), which divides government spending into 10 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. Further information about the types of expenditures included in each category is available in Annex B. General government consists of central, state and local governments and social security funds. State government is only applicable to the nine OECD member 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.

Data in 6.1 exclude transfers between levels of government and thus provide a rough proxy of the overall fiscal burden for providing goods and services borne by each level of government. However, data on expenditures at the central and state levels (6.2 and 6.3) include transfers to local governments in addition to expenditures on goods and services, and therefore illustrate how much is spent on each function at each level of government.

Further reading

OECD (2008), *National Accounts of OECD Countries*, OECD, Paris.

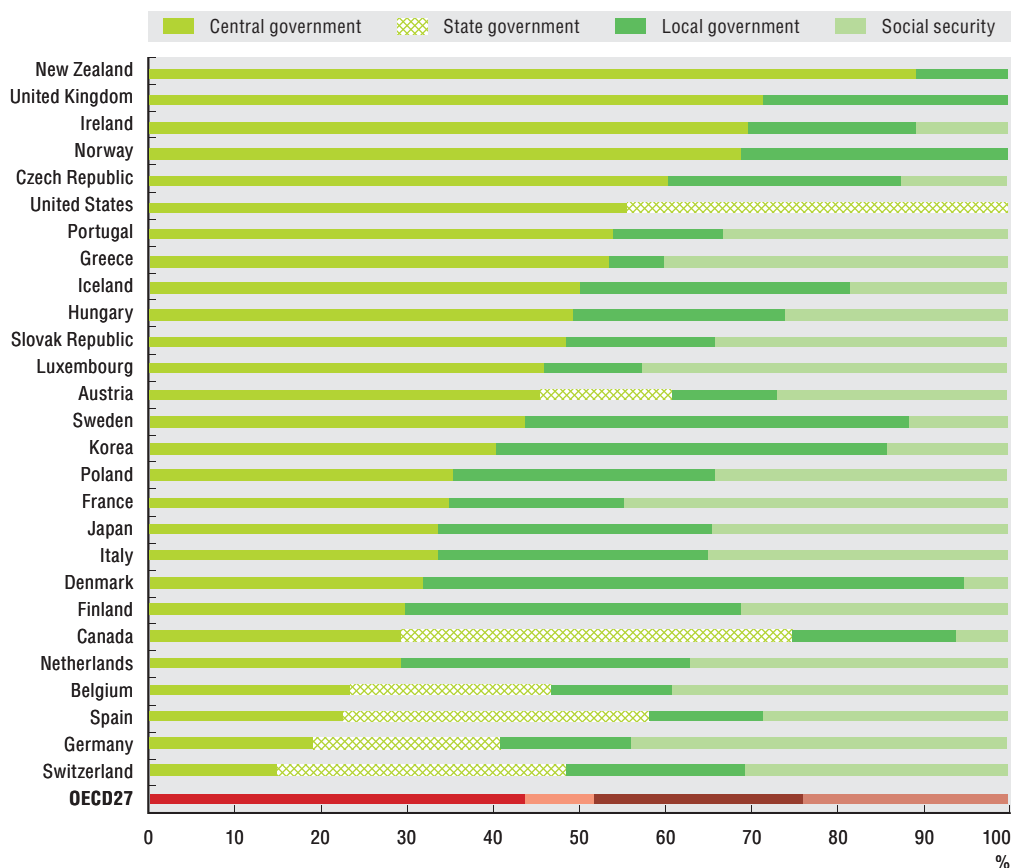
Notes

Data for New Zealand, Norway and the United Kingdom are for 2005. For the United States, no breakdown between state and local governments is available; therefore, local government expenditures are included in state government expenditures.

6.1: Data are not available for Australia, Mexico and Turkey.

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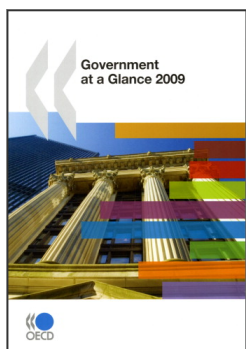
6.1 Distribution of general government expenditures by level of government (2006)



Source: OECD National Account Statistics.

StatLink <http://dx.doi.org/10.1787/723508524025>

Tables 6.2, 6.3 and 6.4 illustrate the proportion of total expenditures at the central (6.2), state (6.3) and local (6.4) government levels dedicated to each of the ten government functions (e.g. education, health and social protection). These tables are available on line at: <http://dx.doi.org/10.1787/723508524025>.



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