

Government investment spending

Governments have various tools to promote economic growth and societal well-being. Government undertakes long-term investments in public infrastructures as well as research and development that can contribute to balancing the economic cycles, create new jobs and enhance productivity by applying counter-cyclical policies).

In 2013, on average, OECD governments invested 7.8% of total government spending varying from 17.2% in Korea to less than 4% in Ireland. Between 2007 and 2013, OECD countries experienced an average reduction of government investment by 1.3 p.p. While at the beginning of the crisis investment played a role as a tool for countercyclical fiscal policies; starting shortly afterwards, consolidation policies have crowded out public investment hence increasing volatility and affecting the overall efficiency of public spending. From 2013 to 2014, government investment as a share of total government expenditure increased substantially in Greece and Slovenia (3.3 p.p. and 2.7 p.p. respectively) almost recovering to 2009 levels (-1 p.p. in both cases).

In 2013, government investment as a share of total investment in the economy reached on average 15.9%. Greece is the country with the largest share (23.2%) followed by Slovenia and Luxembourg (22.6% and 22.1% respectively). Between 2009 and 2013 the majority of OECD countries reduced their government investment due to the implementation of austerity programmes.

The investment patterns in OECD countries are shaped, to a great extent, by the political and administrative structure. In this respect, sub-central governments have an important role reaching in 2013 on average about 60% of the total government investment. However, countries such as the Chile, Greece and the Slovak Republic experienced large proportions of government investment carried out by the central government (above 70%). Between 2007 and 2014, no common trend exists toward investment decentralisation while Ireland has experienced a significant increase of central government investment (38.2 p.p.).

Methodology and definitions

Data are derived from the OECD National Accounts Statistics (database), which are based on the System of National Accounts (SNA), a set of internationally agreed concepts, definitions, classifications and rules for national accounting. There have been revisions in the SNA framework and most of the OECD countries have partly or entirely implemented the updated SNA 2008 methodology (see Annex A for details). General government investment includes gross capital formation and acquisitions, less disposals of non-produced non-financial assets. Gross fixed capital formation (also named as fixed investment) is the main component of investment consisting for government, mainly of

transport infrastructure but also including infrastructure such as office buildings, housing, schools, hospitals, etc. Moreover, with the SNA 2008 framework expenditures in research and development have been also included in fixed investment. Government investments together with capital transfers constitute the category of government capital expenditures.

Total investment refers to the investment spending of the entire economy, including expenditures by general government, non-financial corporations, financial corporations, households and non-profit institutions.

Government consists of central, state and local governments and social security funds. State government is only applicable to the nine OECD countries that are federal states: Australia, Austria, Belgium, Canada, Germany, Mexico, Spain (considered a quasi-federal country), Switzerland and the United States. Figures 2.49, Government investment as percentage of GDP, 2007, 2009, 2013 and 2014 and 2.50, Change in the distribution of investment spending across levels of government, 2007 to 2013 and 2014 are available on line (<http://dx.doi.org/10.1787/888933248538>; <http://dx.doi.org/10.1787/888933248548>).

Further reading

OECD (2014), *Recommendation on Effective Public Investment Across Levels of Government*, OECD, Paris, www.oecd.org/regional/regional-policy/Principles-Public-Investment.pdf.

OECD (2013), *OECD Regions at a Glance 2013*, OECD, Paris, http://dx.doi.org/10.1787/reg_glance-2013-en.

Figure notes

Data for Chile and Turkey are not included in the OECD average because of missing time series. Data for, Colombia and the Russia are for 2012 rather than 2013. Differences in the data availability between 2.46 and 2.47 are due to the use of different data tables within the OECD National Accounts Statistics (database).

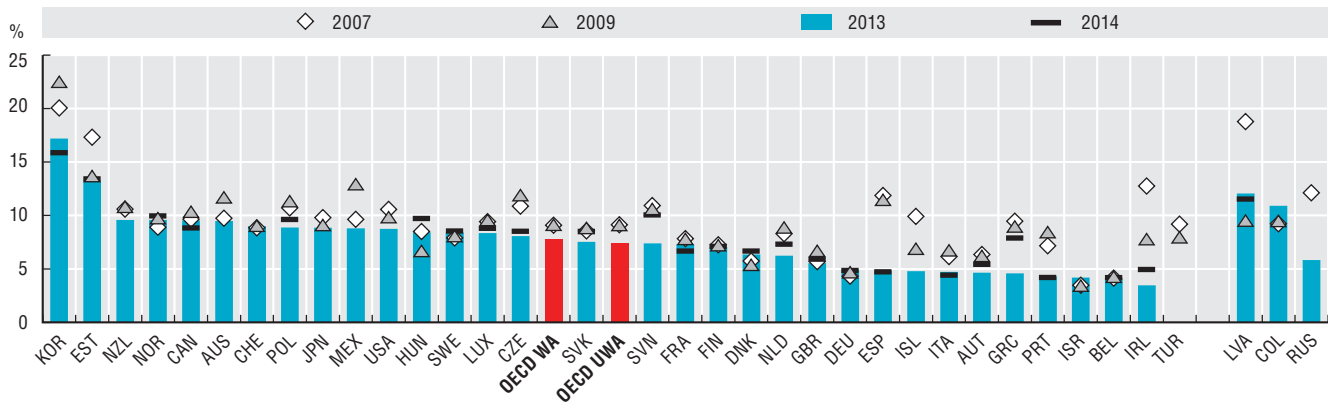
2.46: Data for Chile are not available.

2.47: Data for Iceland are not available. Data for Korea are not included in the OECD average because of missing time series. Data for Korea and Switzerland and China are for 2012 rather than 2013. Total investment for Luxembourg and Turkey refers to gross capital formation (i.e. acquisition less disposals of non-financial, non-produced assets are not included).

2.48: Data for Turkey are not available. Local government is included in state government for Australia and the United States. Australia does not operate government social insurance schemes. Social security funds are included in central government in Ireland, New Zealand, Norway, the United Kingdom and the United States.

Information on data for Israel: <http://dx.doi.org/10.1787/88932315602>.

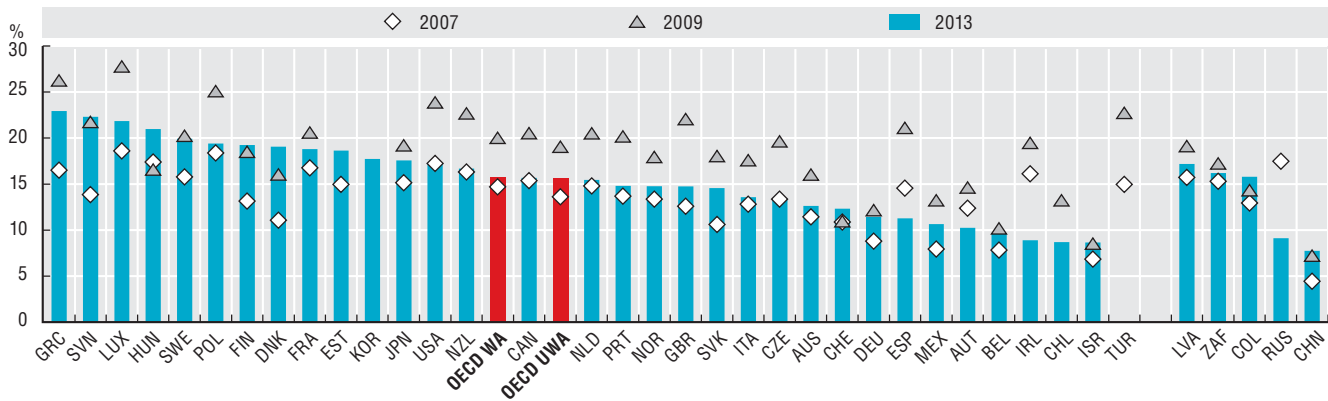
2.46. Government investment as a share of total government expenditures, 2007, 2009, 2013 and 2014



Source: OECD National Accounts Statistics (database).

StatLink <http://dx.doi.org/10.1787/888933248500>

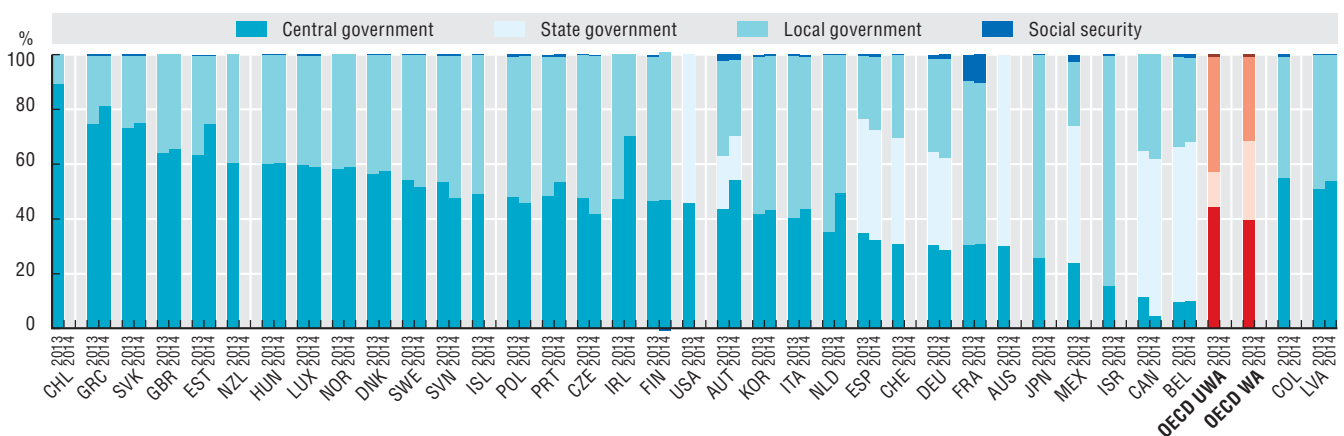
2.47. Government investment as a share of total investment, 2007, 2009 and 2013



Source: OECD National Accounts Statistics (database).

StatLink <http://dx.doi.org/10.1787/888933248513>

2.48. Distribution of investment spending across levels of government, 2013 and 2014



Source: OECD National Accounts Statistics (database).

StatLink <http://dx.doi.org/10.1787/888933248521>



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