

### Revenue and expenditure structure by level of government

Depending on their administrative structure, central, state and local governments have greater or less autonomy over revenue collection. In 2019, central governments in OECD countries collected on average slightly more than half (53.3%) of general government revenues, state governments collected 21.1%, social security funds 16.2% and local governments 9.1% (Figure 2.30).

Between 2007 and 2019, the composition of revenues in OECD countries changed moderately: on average, central governments' share of revenue increased by 0.2 p.p. and state governments' by 1.7 p.p. The share fell for local governments (1.4 p.p.) and social security funds (0.5 p.p.) (Online Figure G.21). Between 2019 and 2020, among OECD-EU countries, central governments' share increased by 0.9 p.p., local governments' by 0.1 p.p., while state governments' share fell 0.2 p.p. and social security funds' share by 0.8 p.p. These changes need to be understood in context: government revenues overall fell in 2020 due to the COVID-19 pandemic.

Different levels of government are responsible for different functions. For example, central government is usually responsible for foreign affairs and defence, while local governments often provide education and health services. However, different administrative systems allocate spending responsibilities differently and grant more or less autonomy over how resources are used. There are also several government functions that require coordination across governmental levels and that are amenable to different funding arrangements. In 2019, on average, central government carried out 41.3% of public expenditure in OECD countries, state and local governments 38.8%, and social security funds 19.9% (Figure 2.31).

Between 2007 and 2019, the balance has tilted towards social security, albeit with wide variations across countries: on average, the share of social security fund expenditure increased by 1.2 p.p. and central government increased by 0.3 p.p., while sub-central government fell by 1.5 p.p. (Online Figure G.22). Between 2019 and 2020, in OECD-EU countries, central government spending increased most (1.2 p.p.) with a slight increase for state governments (0.1 p.p.). These levels have been responsible for most of the financial aid aimed at alleviating the economic effects of the pandemic.

#### Methodology and definitions

Revenues and expenditures 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 standards for national accounting. The 2008 SNA framework has been implemented by all OECD countries (see Annex A for details). In SNA terminology, general government

consists of central, state and local governments, and social security funds. State government only applies to the nine OECD countries that are federal states: Australia, Austria, Belgium, Canada, Germany, Mexico, Spain (deemed a quasi-federal country), Switzerland and the United States. Data exclude transfers between levels of government except in Australia, Korea, Turkey, Costa Rica and Indonesia. This is in order to see the contribution of each sub-sector to general government total revenues and expenditures, which are consolidated at this level.

Revenues include taxes (e.g. on consumption, income, wealth), net social contributions (e.g. contributions to pensions, health and social security), sales of goods and services (e.g. market output of government establishments) and grants and other sources (e.g. current and capital grants, property income, and subsidies). The aggregates were constructed using sub-account items (see Annex B). Expenditures include intermediate consumption, compensation of employees, subsidies, property income (mainly interest spending), social benefits, other current expenditures (mainly current transfers) and capital expenditures (i.e. capital transfers and investments).

#### Further reading

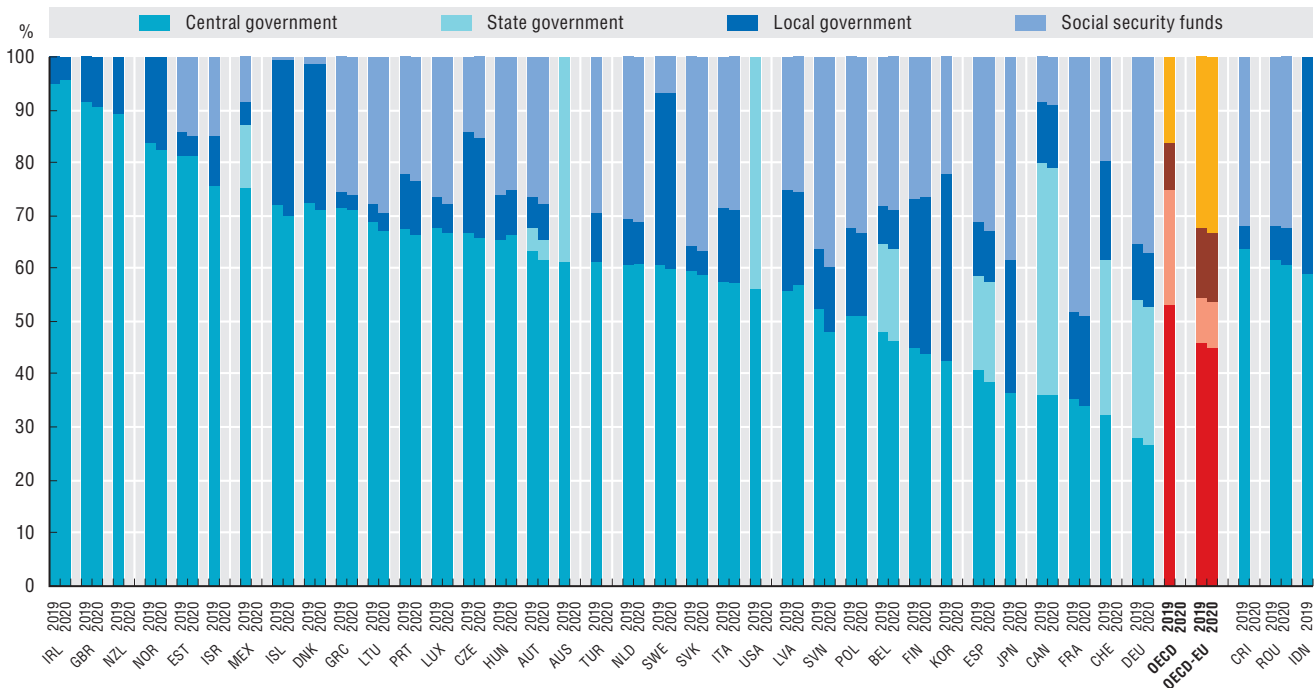
- Kim, J. and S. Dougherty (eds.) (2020), *Ageing and Fiscal Challenges across Levels of Government*, OECD Fiscal Federalism Studies, OECD Publishing, Paris, <https://doi.org/10.1787/2bbfbd8-en>.
- Vammalle, C. and I. Bambalaite (2021), "Funding and financing of local government public investment: A framework and application to five OECD Countries", *OECD Working Papers on Fiscal Federalism*, No. 34, OECD Publishing, Paris, <https://doi.org/10.1787/162d8285-en>.
- OECD (2020), *Pilot Database on Regional Government Finance and Investment: Key Findings*, OECD Publishing, Paris, [www.oecd.org/cfe/regionaldevelopment/REGOFI\\_Report.pdf](http://www.oecd.org/cfe/regionaldevelopment/REGOFI_Report.pdf).

#### Figure notes

Data for Chile and Colombia are not available. Data for Turkey are not included in the OECD average due to missing time series. Flows between levels of government are excluded (apart from Australia, Korea, Turkey, Costa Rica and Indonesia). For Japan data for sub-sectors of general government refer to fiscal years and are for 2018 rather than 2019. 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.

G.21 and G.22. (Changes in the distribution of revenues and expenditures by levels of government, 2007 to 2019) are available online in Annex G.

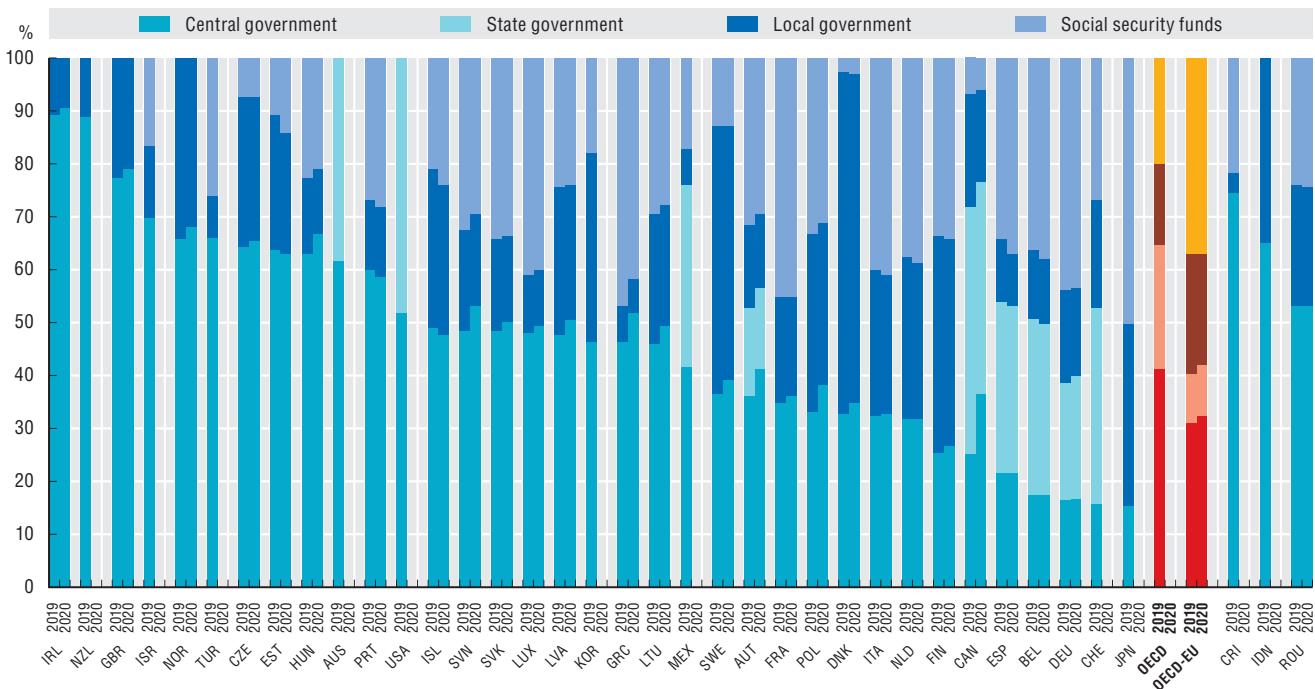
2.30. Distribution of general government revenues across levels of government, 2019 and 2020



Source: OECD National Accounts Statistics (database).

StatLink <https://doi.org/10.1787/888934257185>

2.31. Distribution of general government expenditures across levels of government, 2019 and 2020



Source: OECD National Accounts Statistics (database).

StatLink <https://doi.org/10.1787/888934257204>



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