

## Subnational finance

Subnational governments (SNG) represent a large share of public spending in most OECD countries. In 2012, SNG expenditure accounted for 17% of GDP and 40% of public spending in the OECD area.

These two figures mask a wide variety of national situations. SNG spending responsibilities may vary according to whether the country is federal or unitary, its size and territorial organisation, the level of decentralisation and the responsibilities of subnational governments over certain sectors. Some countries, such as Canada, Denmark and Switzerland, stand out for the high level of subnational expenditure, while in Greece, New Zealand and Turkey, SNG have more limited competencies (Figure 3.1).

On average, education is the largest spending item for SNG. It represents almost 27% of subnational expenditure in the OECD area and above 36% in Iceland, Slovenia, Estonia and

the Slovak Republic. Health is the second highest budget line (18% in the OECD area) and accounts for 47% of subnational government expenditure in Italy. Other large SNG budget items include economic affairs, general public services (both 14%) and social protection (12%) (Figure 3.2).

Tax revenues provide on average 45% of SNG revenues in the OECD area. This share exceeds 60% in Sweden, Spain and Iceland but accounts for less than 10% in the Netherlands, Greece and Mexico. Transfers from central and supranational governments represent the second main source of SNG revenues (38%) (Figure 3.3).

The autonomy of SNG on expenditures and revenues varies from one country to another. It may be steered by central governments or restricted by regulatory and budgetary standards; as such, spending and revenue indicators may not reflect the degree of autonomy in finance decisions of subnational governments.

### Definition

General government data at country level are derived from the OECD National Accounts harmonised according to the System of National Accounts (SNA93).

The subnational government (SNG) is here defined as the sum of the two subsectors of the general government data:

- Federated government (“states”) and related public entities, relevant only for countries having a federal or quasi-federal system of government (S.1312);
- Local government; i.e. regional and local governments and related public entities (S.1313).

The data are not consolidated between the two subsectors.

Total public expenditure comprises current expenditure and capital expenditure (capital transfers + gross capital formation and acquisitions less disposals of non-financial non-produced assets).

Expenditure of general government by economic function follows the ten functions defined in the Classification of the Functions of Government (COFOG): General public services, Defence, Public order and safety, Economic affairs, Environmental protection, Housing and community amenities, Health, Recreation, Culture and religion, Education, Social protection.

Revenue of general government comprises tax revenues (own-source and shared tax revenue), transfers (grants and subsidies), tariffs and fees, property income, and social contributions.

### Source

OECD National Accounts Statistics (database), <http://dx.doi.org/10.1787/na-data-en>.

OECD (2013), 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

2012; National Economic Accounts; levels of government.

2010 Canada and New Zealand; 2011 Australia, Japan, Korea, Israel, Mexico, Switzerland, Turkey and the United States. Data are not available for Chile.

COFOG data are not available for Australia, Canada, Chile, Japan, Mexico, New Zealand and Turkey.

### Further information

OECD/Korea Institute of Public Finance (2012), *Institutional and Financial Relations across Levels of Government*, OECD Fiscal Federalism Studies, OECD Publishing, <http://dx.doi.org/10.1787/9789264167001-en>.

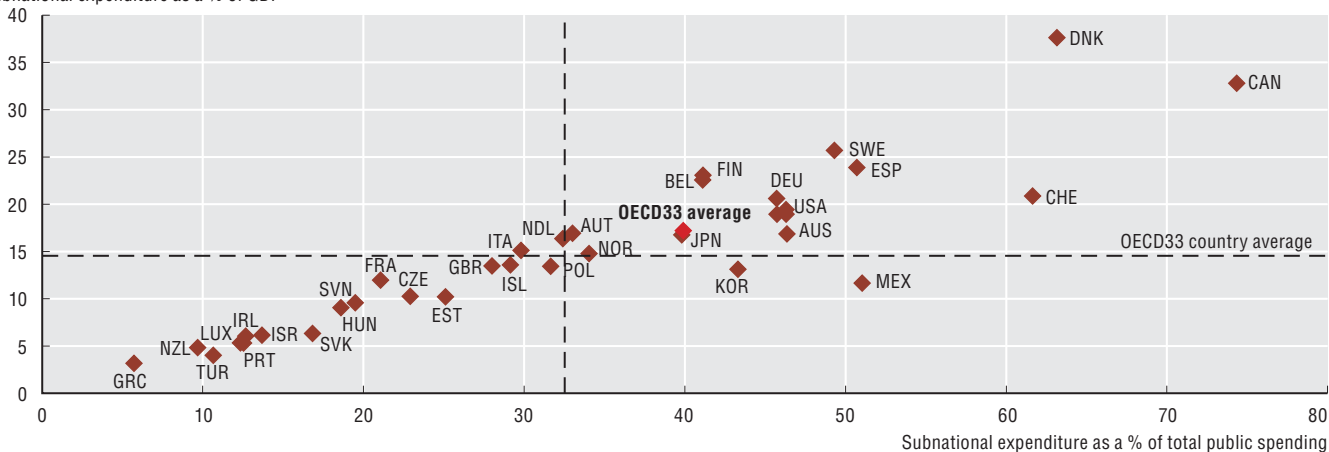
### Figure notes

3.1-3.3: OECD figures: both weighted (OECD average) and unweighted (OECD country) averages are shown.

Information on data for Israel: <http://dx.doi.org/10.1787/888932315602>.

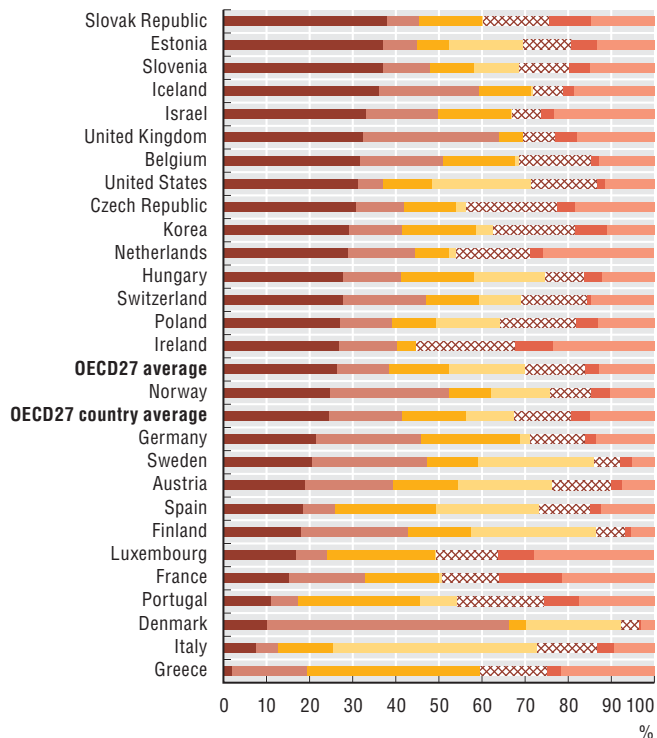
### 3.1. Subnational government expenditure as a % of total public expenditure and as a % of GDP, 2012

Subnational expenditure as a % of GDP



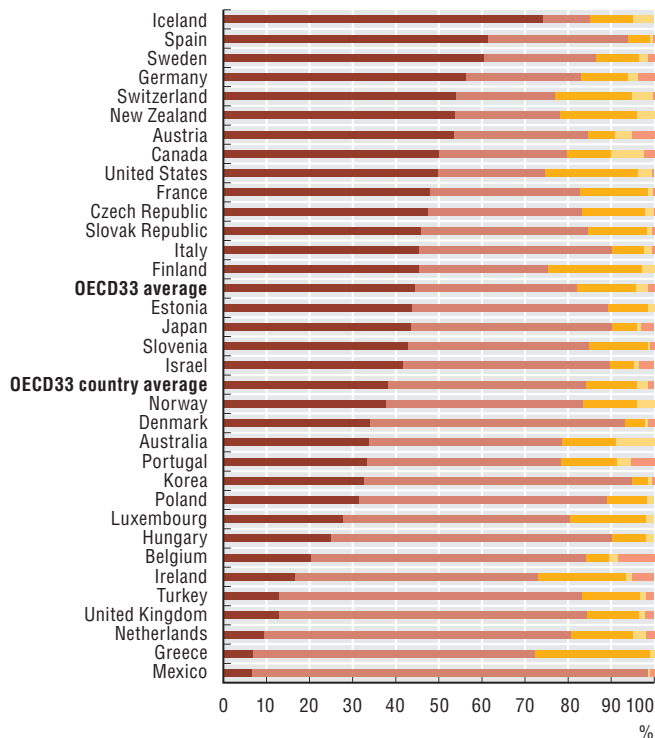
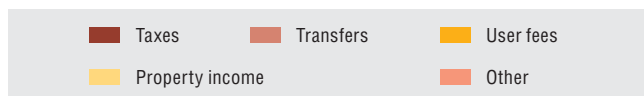
StatLink <http://dx.doi.org/10.1787/888932913969>

### 3.2. Breakdown of subnational government expenditure by economic function, 2011

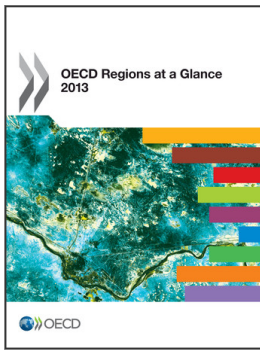


StatLink <http://dx.doi.org/10.1787/888932913988>

### 3.3. Categories of subnational government revenue, 2012



StatLink <http://dx.doi.org/10.1787/888932914007>



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