

## Subnational government debt

The financial and economic crisis led to a strong deterioration in both subnational government (SNG) budget balance and debt in most OECD countries. At the end of 2014, SNG fiscal balance was about -0.5% of gross domestic product (GDP) on average in the OECD. Outstanding gross debt accounted for 23.9% of GDP and 19.8% of total public debt (Figure 3.15).

SNG outstanding debt is very unevenly distributed among OECD countries. It is higher in federal countries than in unitary countries: 31% of GDP and 27% of public debt on average in the first case compared to 15% of GDP and 12% of public debt in the second case. Canada stands out for its high level of subnational debt: 63.5% of GDP and 59% of public debt. On the opposite end of the spectrum, SNG debt is particularly low in Hungary, Greece, Israel, the Slovak Republic and Slovenia, both in terms of GDP and weight of public debt. Two unitary countries have high ratios: Japan (37% of GDP) and Norway (47% of public debt).

In federal countries, state government debt varied in 2014 from 8% of GDP in Austria to around 25% in Spain and Germany and up to 54% in Canada. The local debt varied from 5% in Austria to 10% in Switzerland in 2014 (Figure 3.16).

The relatively small share of local government debt in both unitary and federal countries is driven by legal restrictions on local borrowing. In a majority of countries, local governments can borrow for the long term only to finance investment in infrastructures and large equipment

(“golden rule”), which limits the level of indebtedness. Moreover, local borrowing is generally governed by strict prudential rules defined by central or state governments.

Amounting to 71% of total debt on average in the OECD, “financial debt” (loans and debt securities) represents the largest share of SNG debt (Figure 3.17). Debt securities represent a large share of SNG debt (45% on weighted average), especially for states in federal countries (the United States, Canada, Germany). Debt securities are also widespread at the local level in some unitary countries, in particular Japan, Norway, Korea, Estonia and Sweden. However, it is still low or non-existent in numerous unitary countries where bond financing is forbidden for local governments, restricted or rarely used – in comparison to loans, which remain the most widespread form of external funding (26% of total SNG outstanding debt on weighted average in the OECD). Other accounts payable (i.e. commercial debt with suppliers) amounted to 14% on weighted average at the end of 2014. Insurance pensions (i.e. liabilities related to funded or partially-funded civil servant pension schemes) represent 15% of SNG debt on weighted average. They are inexistent non-existent (or not recorded) in 23 OECD countries (Figure 3.18).

### Source

OECD (2016), *National Accounts Statistics* (database), <http://dx.doi.org/10.1787/na-data-en>.

OECD (2016), “Subnational Government Structure and Finance”, *OECD Regional Statistics* (database), <http://dx.doi.org/10.1787/05fb4b56-en>.

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

### Reference years and territorial level

National Economic Accounts; levels of government 2014; Iceland, Israel, Japan and Switzerland 2013. No data for Chile, Mexico and New Zealand. Non-consolidated debt data for Japan, Korea, Switzerland and United States; Canada, Japan and Turkey SNA 1993.

### Further information

OECD (2016), “Subnational Governments in OECD Countries: Key data” (brochure), [www.oecd.org/gov/regional-policy/Subnational-governments-in-OECD-Countries-Key-Data-2016.pdf](http://www.oecd.org/gov/regional-policy/Subnational-governments-in-OECD-Countries-Key-Data-2016.pdf).

### Figure notes

3.15-3.17: OECD9 and OECD25 refer to federal and unitary countries, respectively.

3.16-3.17: no breakdown available for Australia and United States between local and state levels.

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

### Definition

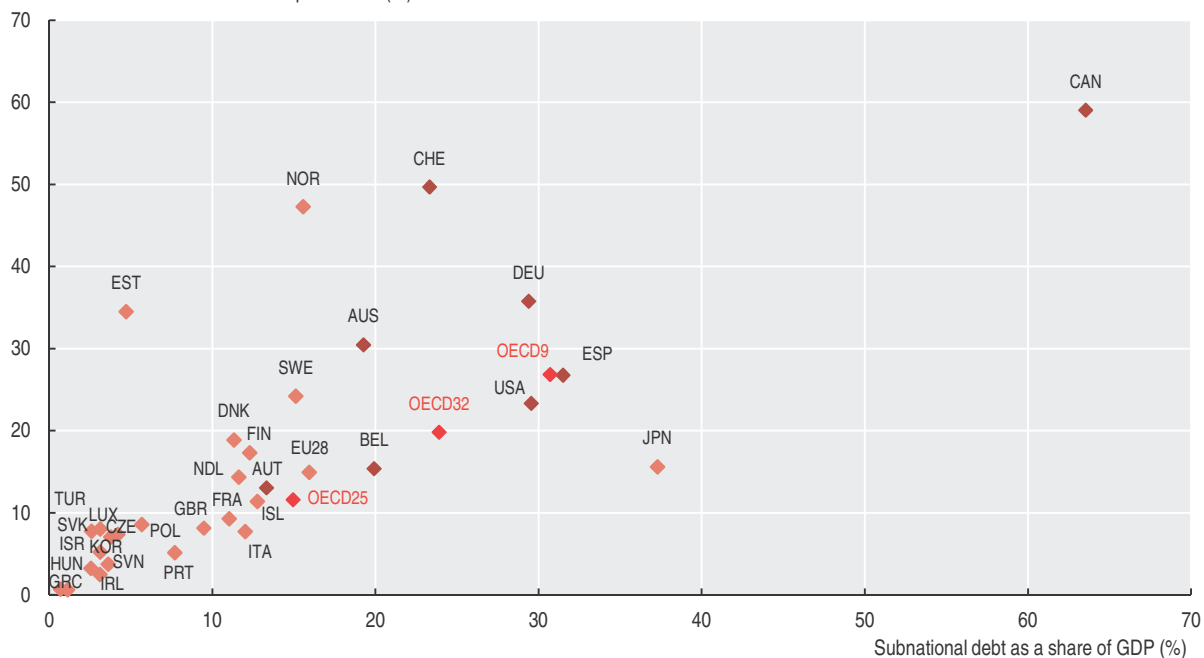
General government includes four sub-sectors: central/federal government and related public entities; federated government (“states”) and related public entities; local government, i.e. regional and local governments, and related public entities; and social security funds. Data are consolidated within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

Fiscal balance is the difference between government revenues and expenditure. Gross debt includes the sum of the following liabilities: currency and deposits + debt securities + loans + insurance pension and standardised guarantees + other accounts payable. The SNA definition of gross debt differs from the one applied under the Maastricht Protocol (see Annex B for a detailed definition).

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

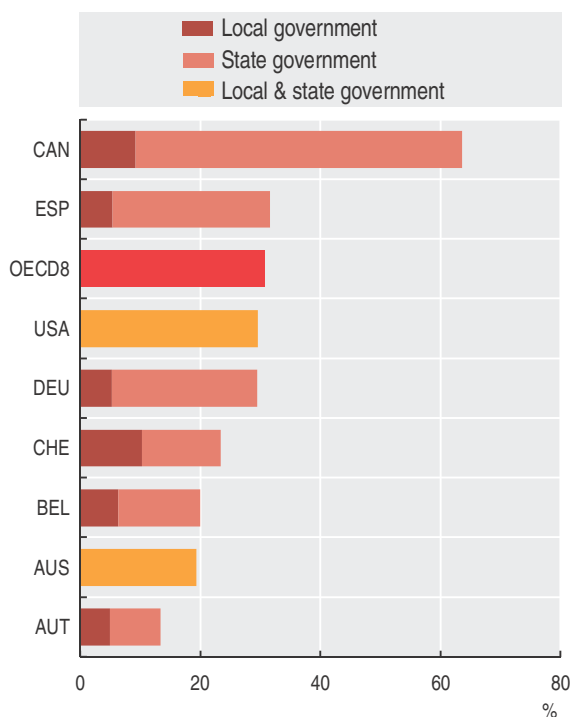
### 3.15. Subnational government debt as a % of GDP and of public debt, 2014

Subnational debt as a share of total public debt (%)



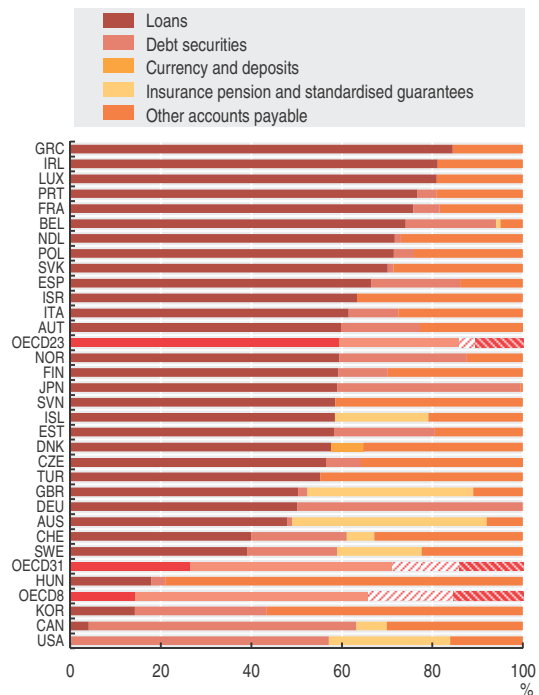
StatLink <http://dx.doi.org/10.1787/888933363724>

### 3.16. Local and state government debt in federal countries % of GDP, 2014

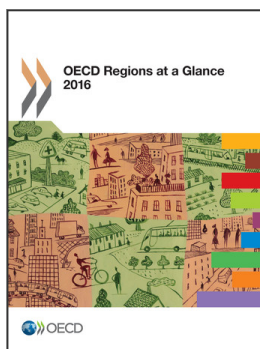


StatLink <http://dx.doi.org/10.1787/888933363737>

### 3.17. Composition of subnational debt by type of liabilities (%), 2014



StatLink <http://dx.doi.org/10.1787/888933363748>



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