

Subnational government expenditure by economic function

Consuming almost one-quarter of total spending, education is the largest spending sector for subnational governments, followed by health and transport.

The breakdown of subnational expenditure by economic function provides a measure of the role of subnational governments (SNGs) in economic functions. Education represents the largest sector in overall SNG expenditure, i.e. 25% of SNG expenditure on average in the 32 OECD countries where data were available in 2015 (i.e. 4% of GDP) (Figure 5.7 and Figure 5.8). In the Slovak Republic, Slovenia, Estonia, Israel and Latvia, spending on education exceeded 35% of local budgets, and in Latvia it was 41%. As a percentage of GDP, the highest ratios are found in Sweden (5.1%), United States (5.7%), Switzerland (5.6%) and Belgium (7.3%).

Health is the second highest budget item, accounting for 18% of SNG expenditure (i.e. 2.9% of GDP). The average, however, hides wide variations across countries. Health spending exceeded 25% of subnational budgets in Australia, Austria, Spain, the United States, Finland, and Sweden, reaching 48% in Italy.

General public services (administration) and social protection sectors represent in equal share the third largest subnational budget item (14% of subnational spending and around 2.3% of GDP). Social protection spending, which includes both current and capital social expenditure, reaches between 25-35% of subnational spending in Germany, Finland, Ireland, Japan, Norway, Sweden, the United Kingdom and even 56% in Denmark. As a percentage of GDP, social protection spending exceeds

6% in Finland, Sweden, Belgium and especially Denmark where it amounts to 19.7% of GDP.

Expenditure in transport, communication and other economic interventions (economic affairs) represented 13.6% of subnational spending in the OECD, although this share was above 20% in Ireland and New Zealand.

Public order, safety and defence expenditures accounted for 6.9% of subnational expenditure and 1.1% of GDP in the OECD on average. This category includes mainly local and regional police services, fire-protection, civil protection and emergency services.

Recreation, culture and religion accounted for 3.0% of SNG expenditure and 0.5% of GDP in the OECD on average, but more than 10% in Greece, Israel, New Zealand, Luxembourg, and Iceland and above 1% in Germany, the Netherlands and Belgium. In fact, in Iceland in particular, it reached 16.4% of local budget and nearly 1.9% of GDP.

Spending on housing and community amenities accounted for around 2.7% of subnational expenditure and 0.4% of GDP in the OECD on average. This function comprises various sub-sectors such as supply of potable water, public lighting, urban heating, housing (construction, renovation and acquisition of land) and urban planning and facilities. It accounted for more than 10% of subnational spending in Hungary, New Zealand, Ireland and up to 17% in Turkey and more than 0.8% of GDP in Korea, Hungary and Latvia.

Source

OECD (2018), *National Accounts Statistics* (database), <http://dx.doi.org/10.1787/na-data-en>. Estimates from the IMF Government Finance Statistics for Turkey and New Zealand.

OECD (2018), "Subnational Government Finance", 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

2015: National Accounts; levels of government.

Further information

OECD (2018), *Subnational Governments in OECD Countries: Key data* (brochure).

Figure notes

5.7 and 5.8: No data for Canada, Mexico and Chile. For the United States, data showed in the function "Housing and community amenities" include the "environment protection" function data.

OECD7 and OECD25 refer to average for OECD federal countries for OECD unitary countries.

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 these four sub-sectors. Subnational government is defined as the sum of state governments and local/regional governments.

Expenditure (current and capital) by economic function follows the Classification of the ten 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; and social protection.

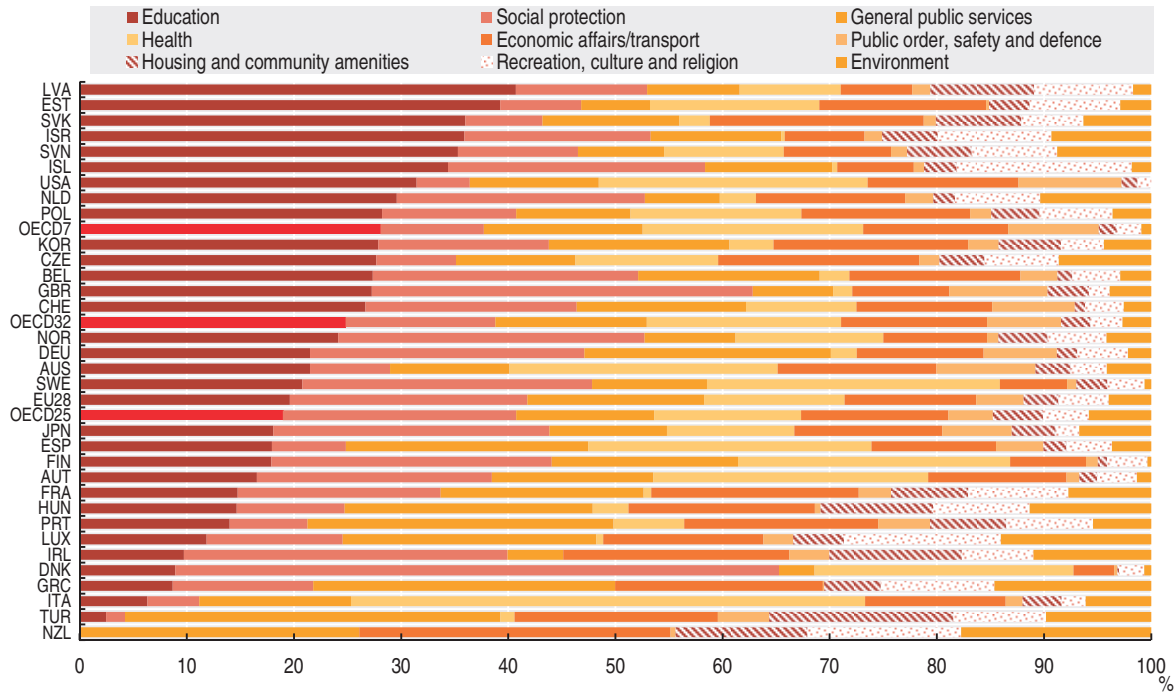
The OECD averages are presented as the weighted average of the OECD countries for which data are available, unless otherwise specified (i.e. unweighted average, arithmetic mean, OECD UWA).

5. SUBNATIONAL GOVERNMENT FINANCE AND INVESTMENT

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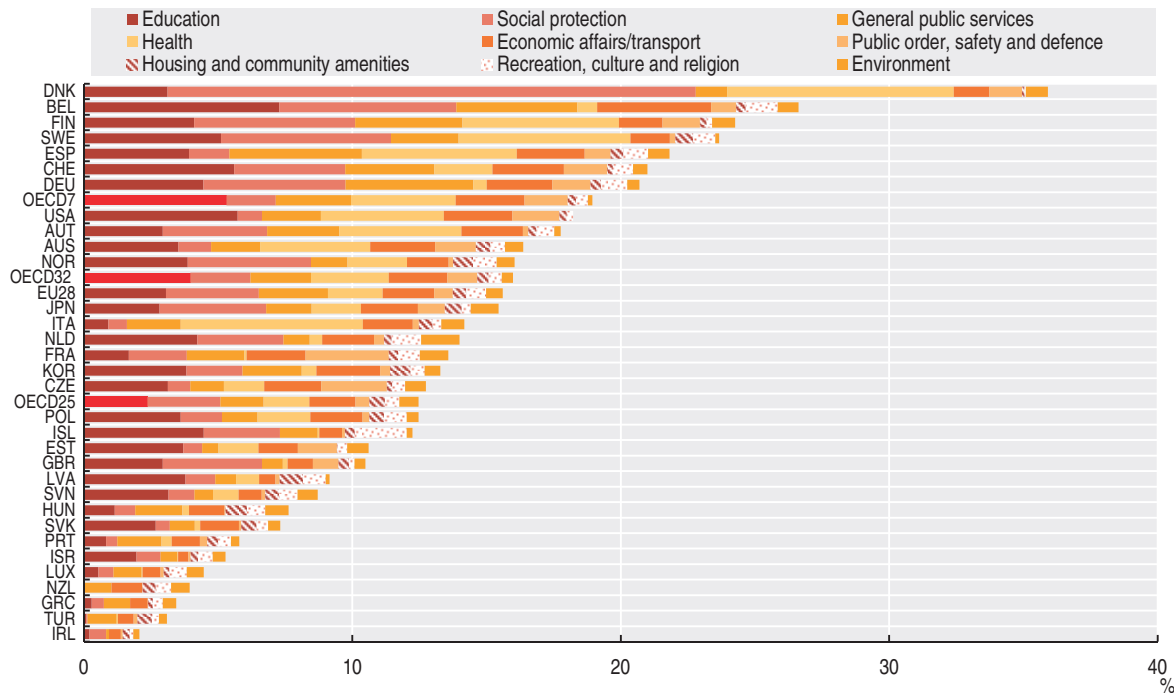
5.7. Breakdown of subnational government expenditure by function (COFOG), 2015

As a % of subnational government expenditure

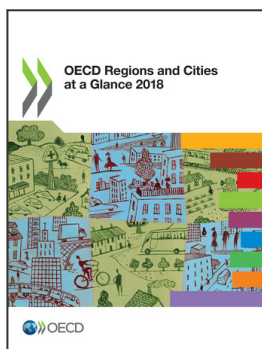


StatLink <http://dx.doi.org/10.1787/888933818416>

5.8. Subnational government expenditure by function as a percentage of GDP, 2015



StatLink <http://dx.doi.org/10.1787/888933818435>



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