

## Subnational government spending by type

The importance of subnational governments (SNGs) in the economy is particularly evident when considering their role as employers. Staff spending is the largest expense in SNG budgets, representing on average 36% of expenditure in the OECD area, and ranging from less than 20% in New Zealand to more than 50% in Norway (Figure 3.4). High budget shares for staff spending may reflect the fact that SNGs in several countries have the responsibility, delegated from the central government, for the payment of public workers' salaries, such as teachers, medical staff or social workers. On average in the OECD area, SNGs undertook 63% of public staff expenditure in 2014. This average masks different situations between federal countries (76%) and unitary countries (45%), from less than 10% in Greece and New Zealand to more than 84% in Switzerland and Canada (Figure 3.5).

SNGs also play a significant role in public procurement through the purchase of goods and services for intermediate consumption (equipment and supplies, maintenance and repairs, energy, communication and information technology, consulting, etc.) and the commissioning of public works, often to local small and medium-enterprises.

### 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.

Expenditure comprises: "current expenditure" and "capital expenditure" (see Annex B for a detailed definition).

Public procurement expenditure is defined as the sum of intermediate consumption, gross fixed capital formation and social transfers in kind via market producers.

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

In 2014, SNGs accounted for 50% of public procurement in the OECD, 61% in federal countries and 38% in unitary countries (Figure 3.6). Among this category, intermediate consumption expenditure and gross fixed capital formation represented respectively 22% and 11% of SNG spending (see section on investment for further details).

"Spending indicators" should be interpreted with caution. They tend to overestimate the level of decentralisation, as SNG spending autonomy is often restricted by mandatory expenses in the case of shared or delegated competences, regulatory constraints, centrally imposed standards on local public service delivery (quantity and quality, cost, etc.) or on public procurement, civil service obligations or budget discipline (e.g. budget balance targets). In many cases, SNGs act simply as paying agents on behalf of the central government, for example for the payment of public staff wages or social benefits, with little or no decision-making power and room for manoeuvre (see Annex D for details).

### 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 2014; Levels of government; Chile, Mexico and New Zealand 2013; Australia 2012; Turkey 2011. Data by type of expenditure are not available for Australia and Chile.

### 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).

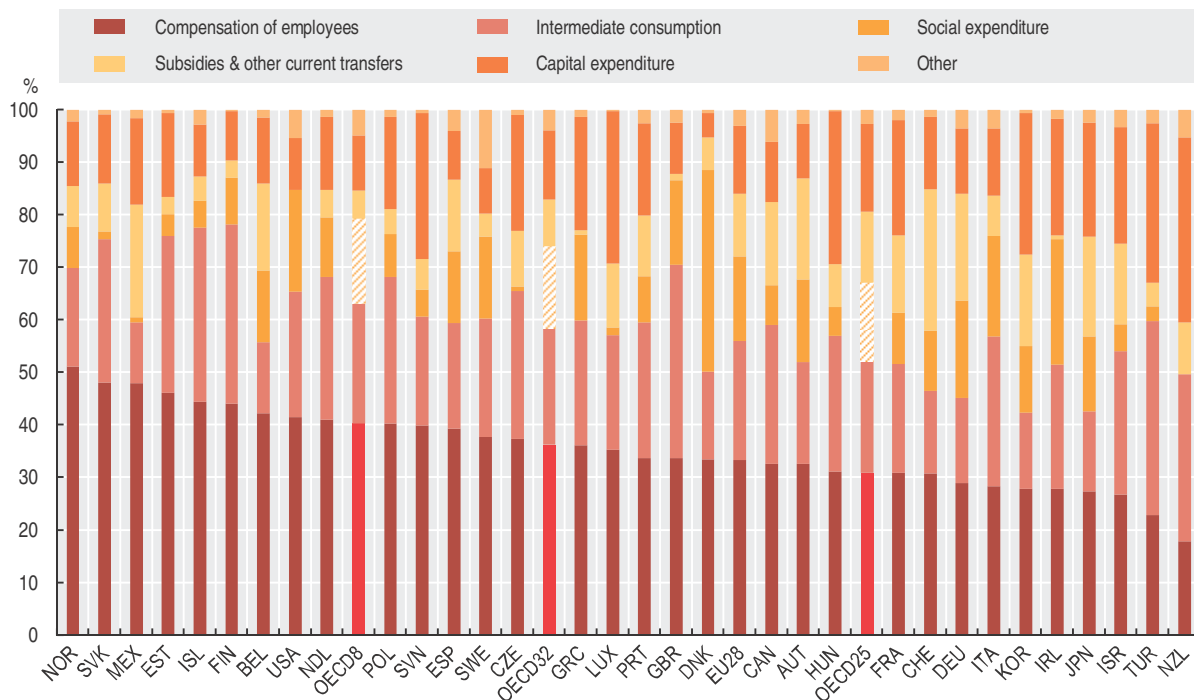
### Figure notes

3.4-3.6: OECD8 and OECD24/25 refer to federal and unitary countries, respectively.

3.6: Other category includes taxes and financial charges.

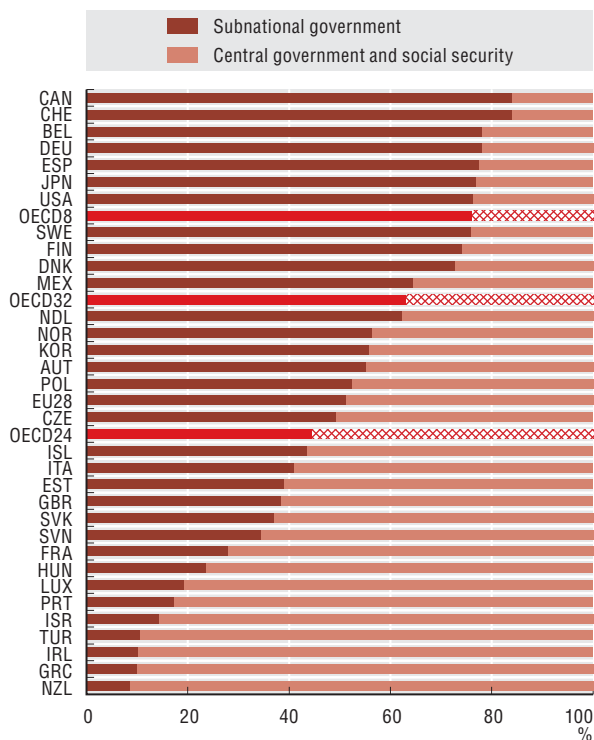
Information on data for Israel: <http://dx.doi.org/10.1787/888932315602>.

### 3.4. Breakdown of subnational government expenditure by type, 2014



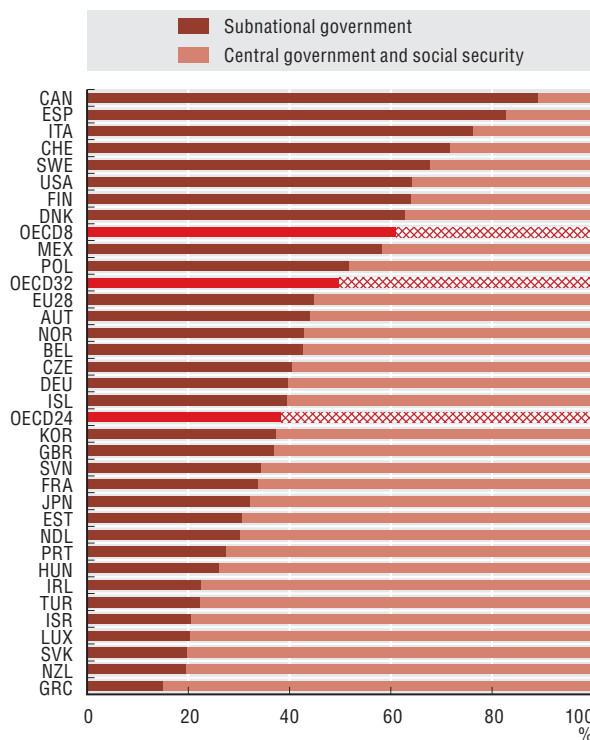
StatLink <http://dx.doi.org/10.1787/888933363610>

### 3.5. Subnational staff expenditure as a share of total public staff expenditure, 2014 (%)

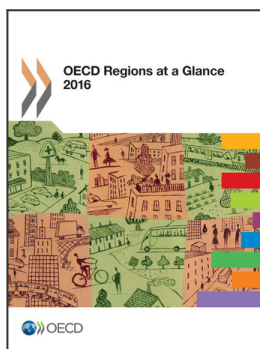


StatLink <http://dx.doi.org/10.1787/888933363629>

### 3.6. Subnational government procurement as a share of total public procurement, 2014 (%)



StatLink <http://dx.doi.org/10.1787/888933363636>



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