

Subnational government spending

Subnational government (SNG) expenditure stood at USD 6 450 per capita on average in the OECD area, accounting for 17% of gross domestic product (GDP) and 40% of total public expenditure in the OECD in 2014 (Figure 3.1).

Among OECD countries, the SNG share of total public expenditure varied from less than 10% in Greece and Ireland, to almost 80% in Canada. SNG spending may vary according to whether the country is federal or unitary, its size and territorial organisation, the level of decentralisation and the nature of responsibilities for certain sectors (Figure 3.1).

In federal countries, SNG expenditure reached USD 8 500 per capita, corresponding to 19% of GDP and 49% of public expenditure. In Canada the value was almost USD 13 800 per capita, corresponding to 31% of national GDP. In federal countries, the share of expenditure carried out by the local government compared to that of state government varies: while half of SNG expenditure is carried out by municipalities in Austria and 38% in Germany, municipalities represented only 14% of SNG expenditure in Mexico in 2014 (Figure 3.2).

In unitary countries, local government expenditure is lower than in federal countries, representing on average USD 4 330 per capita, or 13% of GDP and 29% of public expenditure. However, while in Chile, Greece, Ireland, New Zealand and Turkey local governments have limited competencies and spending capacity, in Japan and European Nordic countries local expenditure is an important share of public expenditure. In Denmark, for example, SNG expenditure amounts to USD 16 560 per capita, corresponding to 36% of GDP and 64% of public expenditure due to the fact that municipalities administer a number of social security transfers (Figure 3.2).

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).

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). Data in USD use Purchasing Power Parities.

SNG spending responsibilities have changed over the past 20 years, notably as a result of decentralisation processes that have transferred competences to the subnational level in sectors such as education, health, social protection, economic development, urban and spatial planning, etc. In Spain, for example, the weight of SNG government expenditure in GDP increased by more than 5 percentage points between 1995 and 2014, while the weight of total public expenditure increased by more than 13 percentage points. Some OECD countries, however, have recentralised and thus the share of SNG expenditure has decreased over the last 20 years and especially since the crisis e.g. Ireland, Hungary (Figure 3.3).

The share of SNG expenditure as an indication of spending autonomy should be interpreted with caution. While it often provides a valuable macroeconomic overview of the level of decentralisation, it can also lead to an overestimation of SNG expenditure autonomy. In fact, it does not always assess the real degree of decision-making power and action that SNGs have in terms of expenditure. In some countries, the “spending autonomy” of SNG can be restricted because of mandatory spending (acting as “paying agent” for example for teachers’ salaries or social security benefits), regulatory constraints or budget norms.

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

2014: National Economic Accounts; Levels of government; 2013: Chile, Mexico and New Zealand; 2012: Australia; 2011: Turkey.

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.

Figure notes

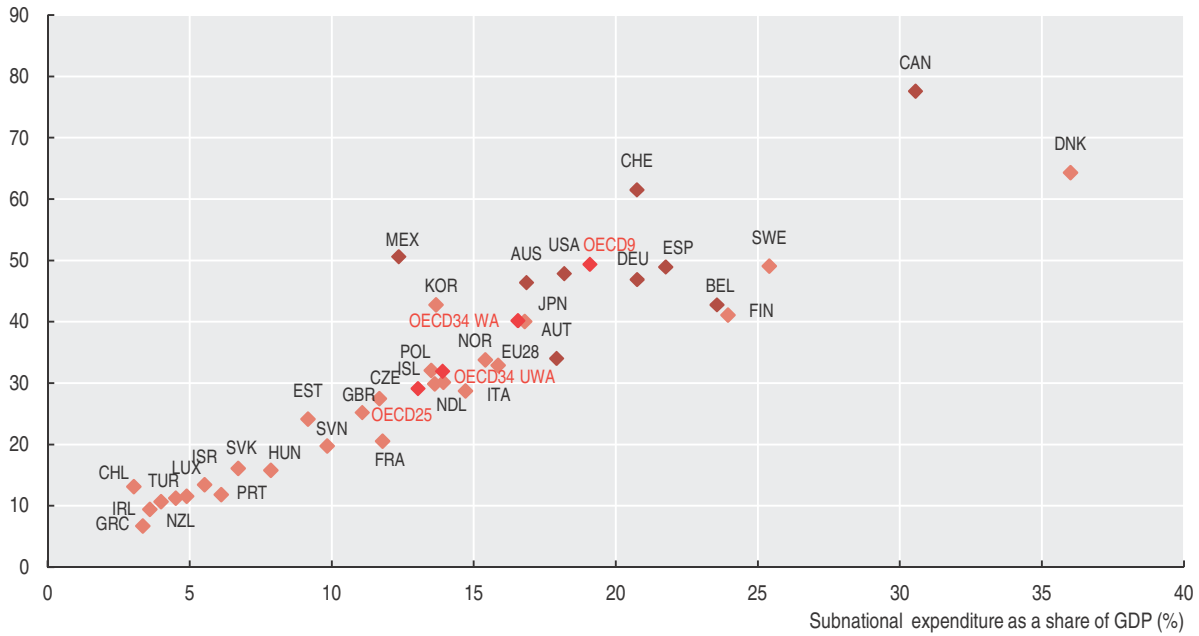
3.1-3.2: OECD9 and OECD25 refer to federal and unitary countries, respectively.

3.3: Australia 1995-2012; Mexico 2003-2013; New Zealand 1995-2013; Iceland 1998-2014; Netherlands 1996-2014; Ireland 2005-2014. No data for Chile and Turkey due to lack of time-series.

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

3.1. Subnational government expenditure as a percentage of GDP and total public expenditure, 2014

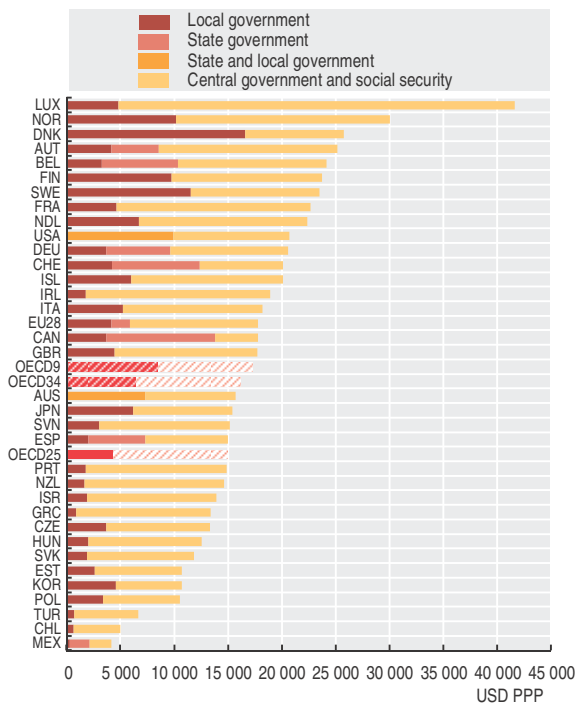
Subnational expenditure as a share of total public expenditure (%)



Federal countries : dark red markers

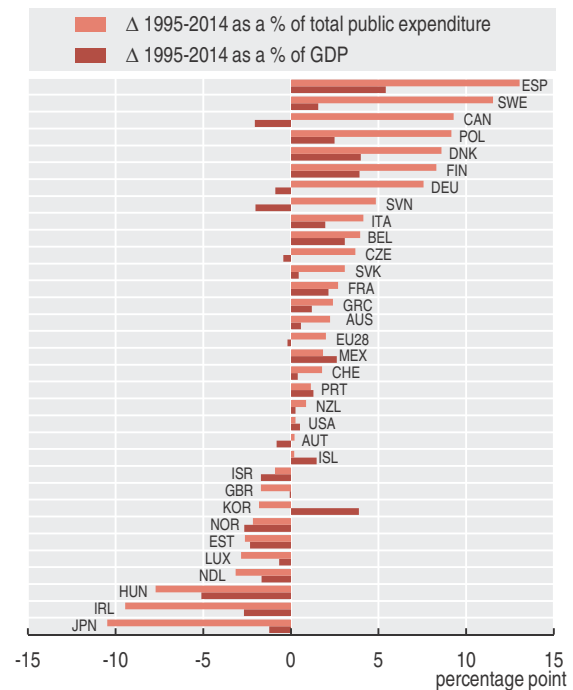
StatLink <http://dx.doi.org/10.1787/888933363584>

3.2. Public expenditure per capita by level of government (USD PPP), 2014

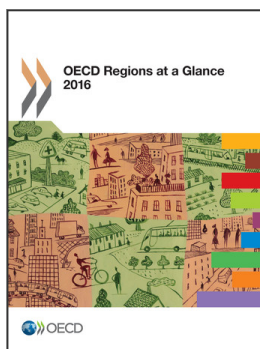


StatLink <http://dx.doi.org/10.1787/888933363596>

3.3. Changes in subnational expenditure between 1995 and 2014, as a share of total public expenditure and of GDP (percentage points)



StatLink <http://dx.doi.org/10.1787/888933363600>



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