

## Subnational government spending

**Subnational governments play a significant role in public spending. Education, health and protection amount to 57% of total subnational government expenditure.**

In 2018, subnational government (SNG) expenditure in the OECD accounted for 40.5% of total public expenditure, corresponding to 16.2% of gross domestic product (GDP) (Figure 5.1). SNG spending varies according to country size, territorial organisation, federal or unitary status, and the nature of responsibilities assigned to different government tiers. In federal countries, SNG expenditure accounted for 50.1% of total public expenditure and 19.3% of GDP in 2018. In contrast, in unitary countries, the share of SNG expenditure stood at 28.6% of total public expenditure and 12% of GDP respectively.

The share of public spending by SNGs is not homogeneous across countries, even considering federal and unitary countries separately. While in Austria, SNG spending represented 35.6% of total public expenditure, in Switzerland, this ratio amounted to 61.8% in 2018. Among unitary countries, the Nordic ones (Denmark, Finland, Sweden), as well as Japan and Korea stood out for their high share of local public spending (Figure 5.1). Spending indicators must, however, be interpreted with caution. While they provide valuable insights into the level of decentralisation, they do not convey the degree of decision-making power of SNG authorities, which can be limited due to mandatory expenses in case of shared or delegated competencies.

The breakdown of subnational expenditure by function provides an overview of SNGs' involvement in key economic sectors. In 2017, education represented the largest sector SNG spending, accounting for 24% of their expenditure (weighted average) (Figure 5.2) and 3.9% of GDP in the whole OECD area. This share was highest in the Baltic countries and the Slovak Republic.

The health sector is the second most important item in SNG expenditure in 2017, although its weight differs across countries. On average, health spending accounted for 18% of SNG expenditure and 2.9% of GDP. Health spending by SNGs reached 48.6% in Italy, whereas it accounted for less than 0.5% in Greece, Iceland, Ireland, Israel and New Zealand.

General public services (administration) and social protection were the third- and fourth-largest spending items for SNGs respectively. General public services accounted on average for 15% of SNG expenditure and 2.4% of GDP whereas social protection spending stood at 14% of SNG expenditure and 2.3% of GDP.

Economic affairs constituted the fifth most important sector (13% of total SNG expenditure in the OECD area). This sector encompasses spending in areas such as transport, commercial and labour affairs, economic intervention, manufacturing, energy and mining. The combined spending categories of defence and public order and safety summed up to 6.5% of subnational expenditure in 2017. The sector of recreation, culture and religion accounted for 3% of SNG expenditure. Housing and community amenities (water supply, public lighting, urban planning and renovation) averaged to 2.9% of subnational expenditure. Lastly, environmental protection (waste management, sewerage, parks and green spaces, among others) accounted for 2.6% of subnational spending.

### Definition

General government includes four sub-sectors: central/federal government and related public entities; state government (e.g. states in the United States, *länder* in Germany, *cantons* in Switzerland, etc.) 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 includes “current expenditure” and “capital expenditure”. Capital expenditure is the sum of capital transfers and investment.

Expenditure by economic function follows the Classification of the 10 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.

### Sources

OECD (2020a), *National Accounts Statistics (database)*, OECD, Paris, <http://dx.doi.org/10.1787/na-data-en>.

OECD (2020b), “Subnational government finance”, *OECD Regional Statistics (database)*, OECD, Paris <http://dx.doi.org/10.1787/region-data-en>.

Estimates from IMF Government Statistics for Australia and Chile.

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

### Reference years and territorial level

2018: National accounts; Levels of government; 2017: JPN, NZL, TUR.

### Further information

OECD (2020), *Subnational Governments in OECD Countries: Key Data (brochure)*, OECD, Paris.

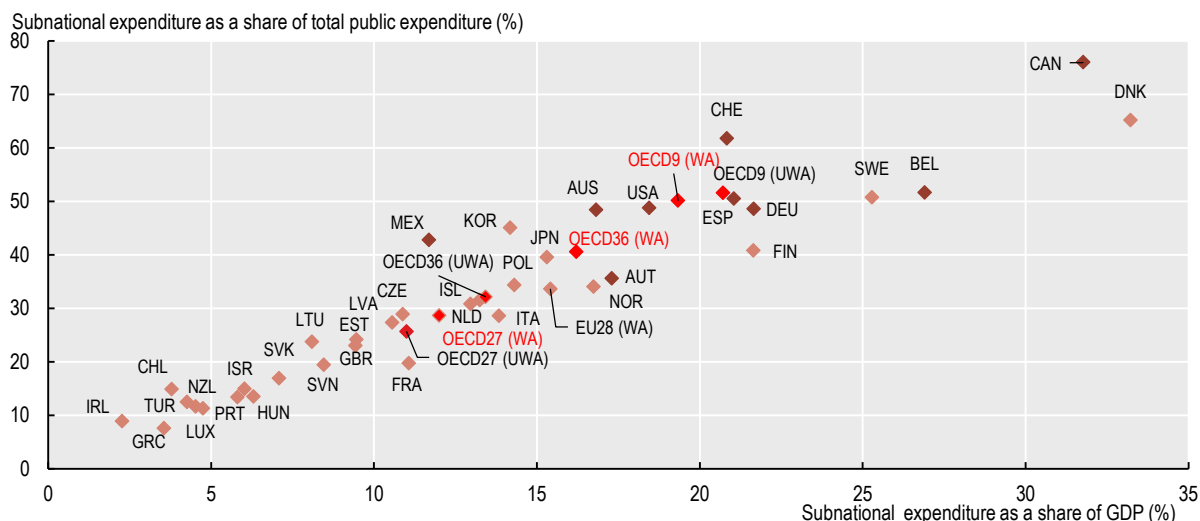
### Figure notes

Figure 5.1 and Figure 5.2: OECD averages are presented as weighted (WA) and unweighted (UWA) average of OECD countries.

Figure 5.1: OECD9 and OECD27 refer respectively to the averages for OECD federal countries and OECD unitary countries. Federal countries: dark brown markers; Unitary countries: light brown markers.

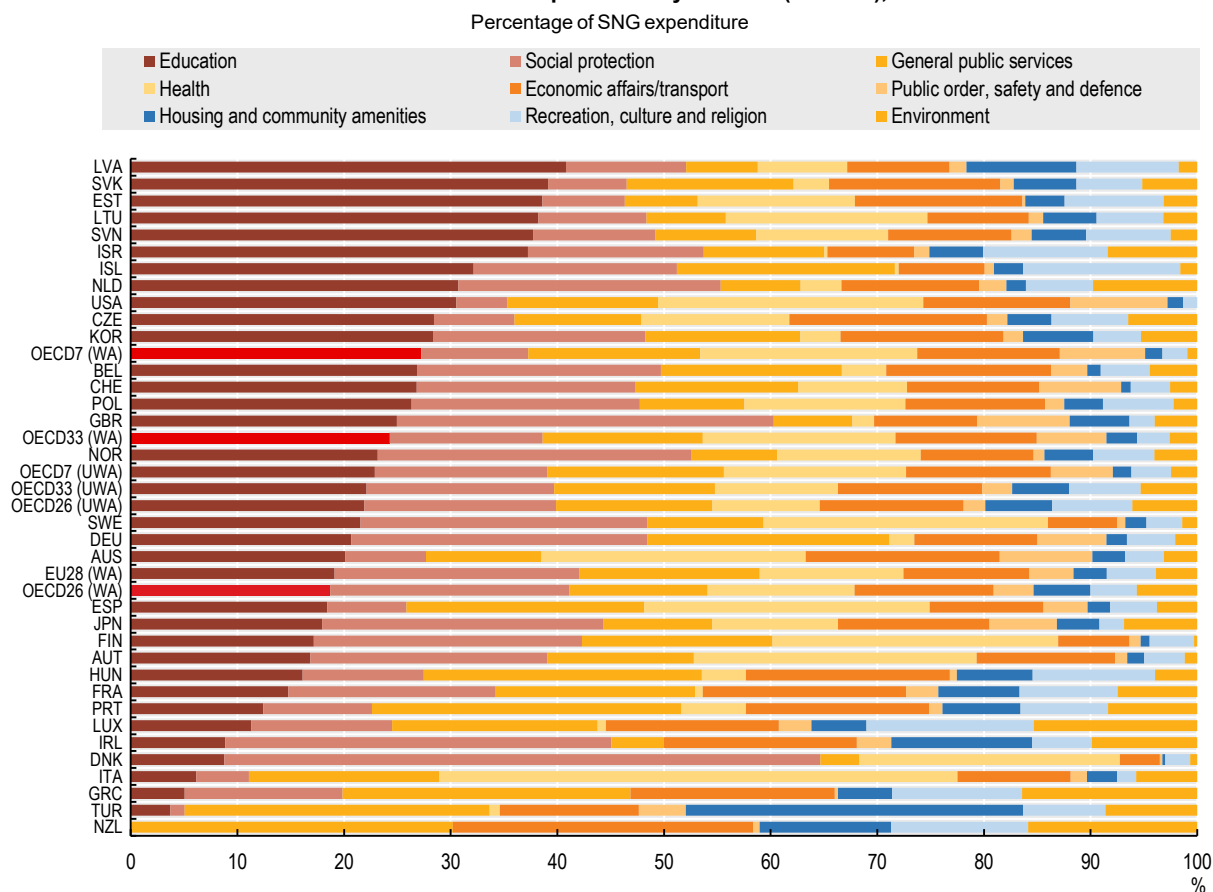
Figure 5.2: No data for Canada, Chile and Mexico. For the United States, data showed in the function “Housing and community amenities” include the “environment protection” function data. OECD7 and OECD26 refer respectively to the averages for OECD federal countries and OECD unitary countries.

### 5.1. Subnational government expenditure as a percentage of GDP and total public expenditure, 2018

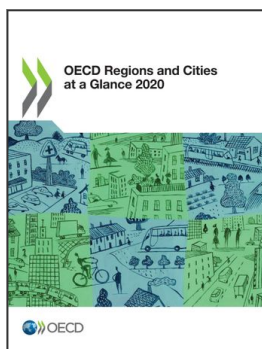


StatLink <https://doi.org/10.1787/888934190913>

### 5.2. Breakdown of SNG expenditure by function (COFOG), 2017



StatLink <https://doi.org/10.1787/888934190932>



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