

Subnational government investment

Subnational governments are key investors that account for almost 60% of total public investment.

In most OECD countries, subnational governments (SNGs) have a key role in public investment. In 2016, they carried out near 57% of public investment in the OECD area. This ratio tends to be higher in federal countries (70% on average for the nine OECD federal countries) than in unitary countries (51% on average for the 26 unitary countries). Combining investments by the federated states and by local governments, subnational investment exceeds 70% of public investment in Australia and Mexico, and more than 85% in Canada and Belgium. At the other end of the spectrum, the role of subnational government in public investment is particularly low in Greece, Ireland and especially Chile, where the local share is 13% (Figure 5.11).

In the vast majority of OECD countries, public investment is a shared responsibility across levels of government, either through shared policy competencies or joint funding arrangements. SNG investment accounted for 1.7% of GDP in the OECD in 2016 (total public investment was 3% of GDP) a share that was above 2.5% of GDP in Japan, Korea and Canada but less than 1% of GDP in Chile, Ireland, Greece, the Slovak Republic, Hungary, Turkey, the United Kingdom, Iceland, and Portugal. Comparing the share of subnational investment in public investment and its contribution to GDP shows the particular involvement of subnational governments in public investment, in particular in Canada, Japan and Korea (Figure 5.11).

Per capita SNG investment in OECD countries averaged USD 727 in 2016, compared to USD 551 for the central government and social security sectors. It ranges from USD 68 in Chile to almost USD 1 538 in Canada, with high values of SNG investment per capita (above USD 1 000) found also in Australia, Sweden, the United States, Korea, Japan, Switzerland, Norway and Luxembourg (Figure 5.12).

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.

Capital expenditure is the sum of capital transfers and investment. Gross fixed capital formation is the main component of investment (see Annex D 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.

In federal countries, local government investment per capita as a share of SNG investment per capita averaged 44% (unweighted average; there are no breakdown data for the United States). In unitary countries, the local government investment in public investment averaged 51%, but in countries such as Chile, Greece, Ireland or the Slovak Republic it was less than 20%.

On average, SNG direct public investment accounted for 10.7% of subnational expenditure in the OECD area in 2016. This value ranges from less than 7% in Austria, Germany, Spain and Denmark to more than 20% in Korea, Israel, Turkey, Luxembourg and New Zealand, which are for most of them among the most centralised OECD countries in terms of total spending (Figure 5.13). In fact, in the least-decentralised countries, subnational governments tend to be more investors than managers of public services, having few functions mobilising current expenditure.

By contrast, in countries where subnational governments carry out a large number of responsibilities involving significant staff spending, intermediate consumption or benefits, the relative weight of investment in total subnational expenditure may be low, such as in Denmark. In addition, it can vary a lot, from one year to another as investment is often an adjustment variable within budget. In Spain, for example, the weight of investment in subnational expenditure reached 13% in Spain before the 2008 crisis i.e. the double that the current level.

Source

OECD (2018), *National Accounts Statistics* (database), <http://dx.doi.org/10.1787/na-data-en>. and estimates from IMF Government Statistics for Australia and Chile.

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

2016: National Economic Accounts; levels of government.
2015: Mexico, New Zealand and Turkey.

Further information

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

OECD (2014), *Recommendation on Effective Public Investment Across Levels of Government – Implementation Toolkit*, <http://www.oecd.org/effective-public-investment-toolkit/>.

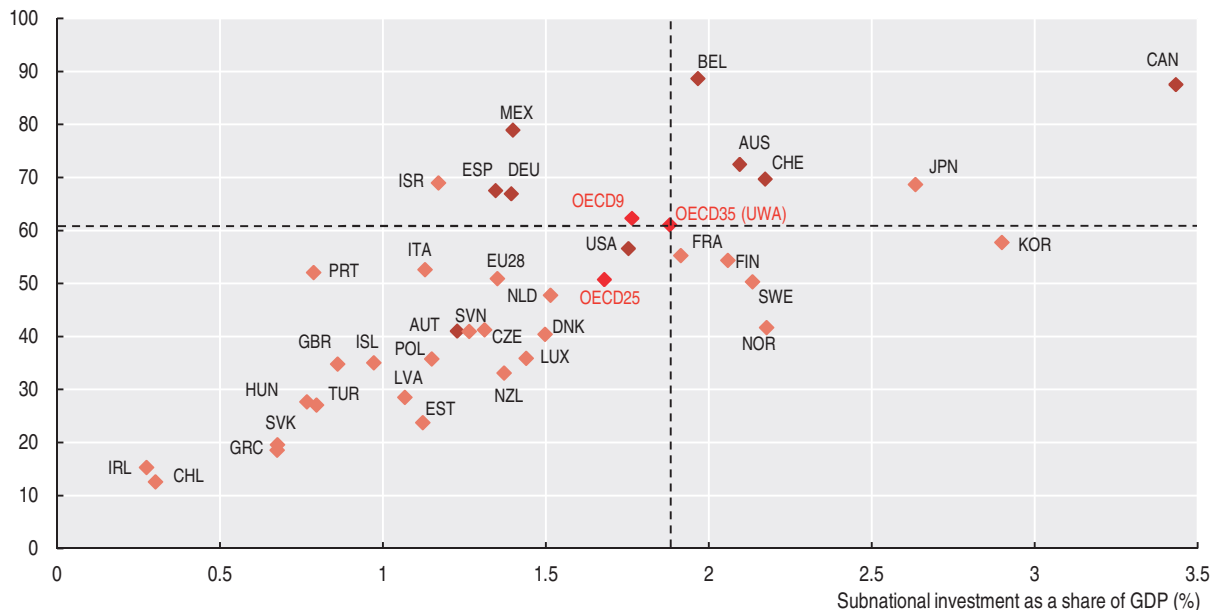
OECD (2013), *Investing Together: Working Effectively across Levels of Government*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264197022-en>.

Figure notes

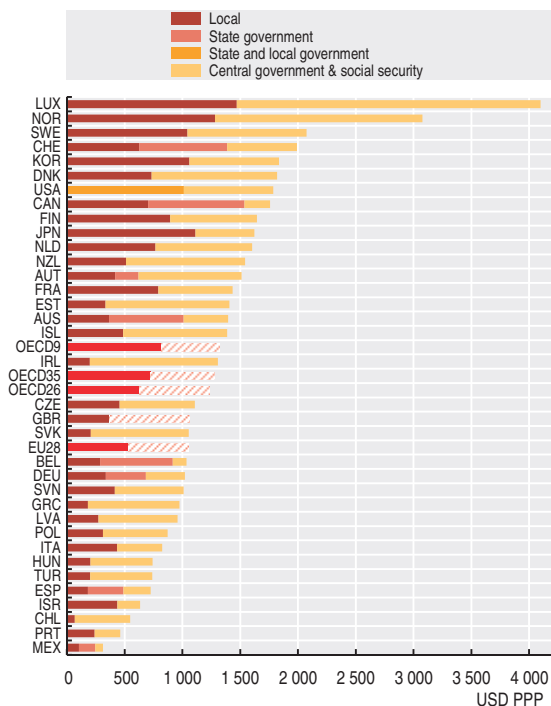
OECD9 and OECD26 refer to the average for OECD federal countries and to the average for OECD unitary countries, respectively.

5.11. Subnational government investment as a % of GDP and public investment, 2016

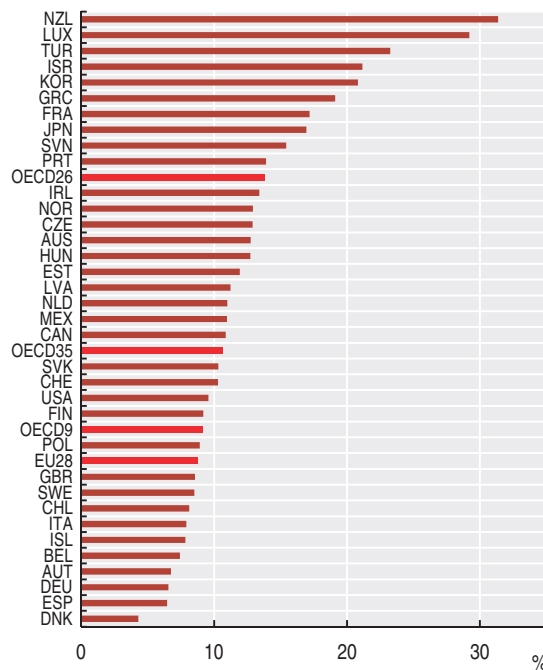
Subnational investment as a share of public investment (%)

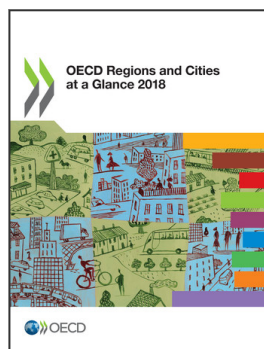


5.12. Public investment by level of government, 2016 (USD PPP per capita)



5.13. Subnational investment as a % of subnational expenditure, 2016





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