

### Subnational government investment by function

*Accounting for almost 40% of total subnational investment, transport and economic affairs are the largest investment sectors in the OECD.*

Economic affairs and transport were the priority sectors for subnational government investment in 2015, accounting for 39% of SNG investment on average in the OECD. Under this heading are transport, communications, economic development, energy, construction, etc. Transport systems, facilities and public transportation make up the bulk of investment in this category (around three-quarters), which comprises construction of roads (highways, local roads, bicycle paths, etc.), railways, water transport, air transport and airports, pipelines and other transport systems such as funiculars, cable cars, etc. In Australia, Ireland, Estonia and Greece, investment in economic affairs/transport represented more than 50% of subnational investment in 2015. By contrast, this sector is under-represented in Denmark, Slovenia, Sweden, Latvia and Hungary (less than 20% of subnational investment and even 12% in Hungary) (Figure 5.14).

The second priority sector for SNG investment in 2015 was education: 21% of SNG investment was made for new construction and major renovations of pre-elementary, primary, secondary and high schools, universities, adult vocational training centres, lodging and transport for pupils and students, etc. Subnational educational infrastructure investment was above 25% in Latvia, Norway, Israel, the United States and close to 44% in the United Kingdom. In Australia, Hungary, Portugal, Greece and Ireland,

subnational governments seem to invest very little in education infrastructure.

Infrastructure in general public services (administration) represented nearly 10% of SNG investment in 2015 but more than 29% in Belgium and Switzerland. This category comprises mainly construction and improvement of public buildings (e.g. town and regional councils).

The fourth priority area of SNG investment in 2015 was housing and community amenities, which represented 8.5% of SNG investment. This sector comprises construction and remodelling of housing, including acquisition of land, potable water supply, street lighting, infrastructure for community development, etc. Subnational investment in that area exceeded 19% in Slovenia, Latvia, Korea and 24% in the Slovak Republic.

Subnational investment in environmental infrastructure (waste, sewerage, air pollution, climate protection, soil protection, noise, protection of biodiversity and landscape, parks and green spaces, etc.) amounted to 6.4% of SNG investment on average in the OECD in 2015. The share exceeded 15% in 10 countries and surpassed 22% in the Czech Republic, the Netherlands and reached 35% in Hungary and Slovenia.

#### Source

OECD (2018), *National Accounts Statistics* (database), <http://dx.doi.org/10.1787/na-data-en>.

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 Economic Accounts; levels of government. COFOG Investment Data

#### Further information

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

OECD (2013), *Investing Together: Working Effectively across Levels of Government*, OECD Publishing, Paris.

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

#### Figure notes

No data for Canada, Mexico, Chile, New Zealand, Turkey.

Other: defence; public order and safety; health; recreation, culture and religion; social protection.

For the United States, data showed in the function "Housing and community amenities" include the "environment protection" function data.

Due to negative values (disinvestment), some areas are not taken into account for the breakdown of investment by function: General public services in Luxembourg and Estonia; Housing and community in Denmark, Finland, Netherlands and Poland.

#### Definition

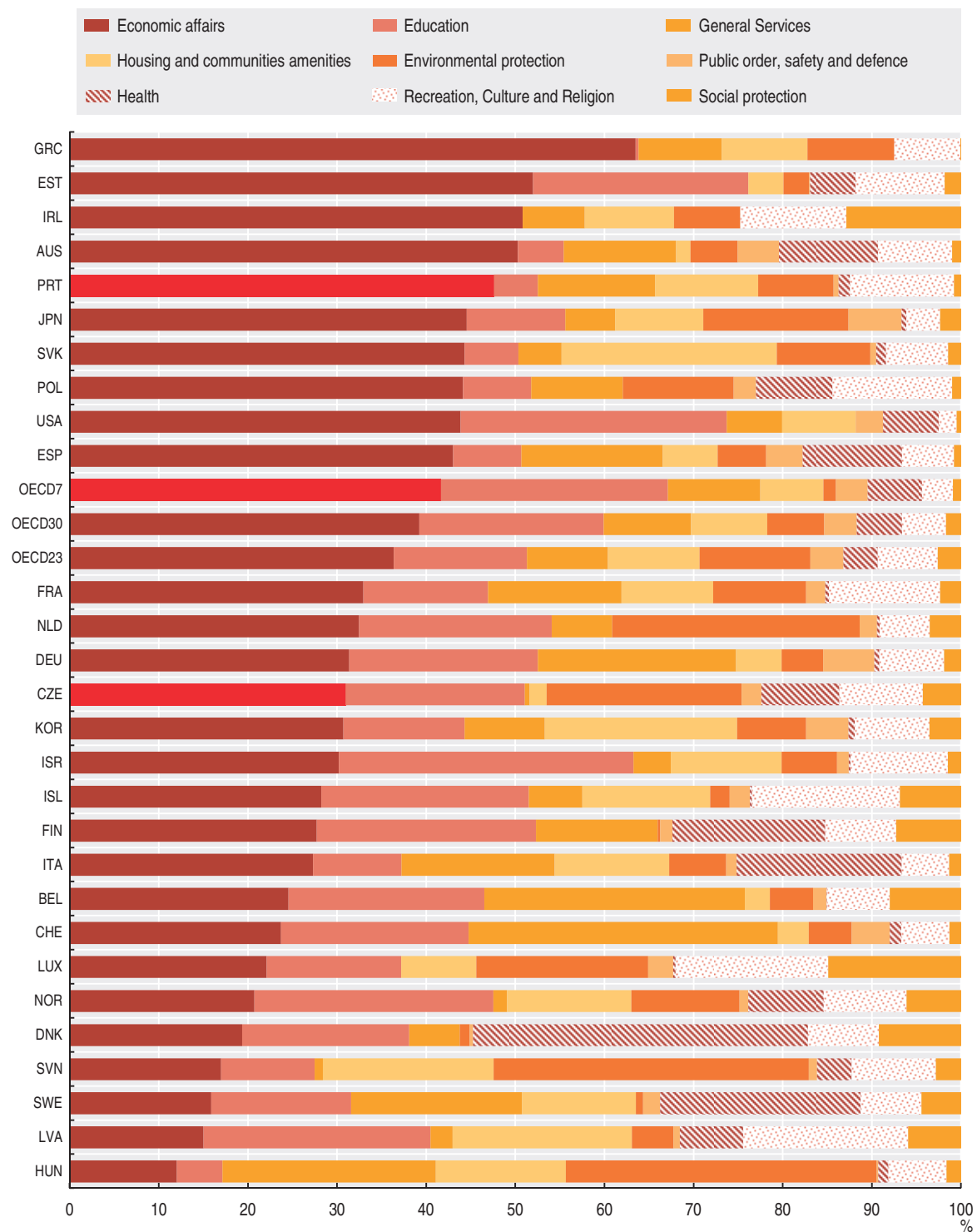
General government includes four sub-sectors: central/federal government and related public entities; federated government ("states") and related public entities; local government i.e. regional and local governments and related public entities; and social security funds. Data are consolidated within 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).

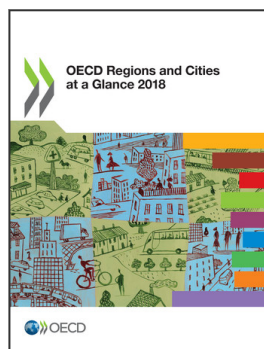
Investment by economic function follows the Classification of the ten Functions of Government (COFOG): general public services; defence; public order and safety; economic affairs; environmental protection; housing and community amenities; health; recreation, culture and religion; education; social protection.

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). OECD9 and OECD26 refer to the average for OECD federal countries and to OECD unitary countries, respectively. Data in USD use Purchasing Power Parities.

5.14. Breakdown of SNG investment by economic function as a % of total SNG investment, 2016



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