

Spending responsibilities across levels of government

The subnational spending by sector provides a standard measure of the distribution of spending responsibilities among the different levels of government in a country. However, spending indicators should be interpreted with caution, as they tend to overestimate the level of decentralisation. Subnational governments (SNGs), for example, may be responsible for a certain economic function but not have full autonomy in exercising them (see Annex D for details).

Education is a shared competency across levels of government. As a share of total public spending on education, SNG expenditure on education represented 51% on unweighted average in the OECD in 2013 but above this average in 11 countries (Figure 3.8, panel A). In most countries, SNGs are responsible for construction and maintenance of educational infrastructures and the financing of school-related activities, commonly for the primary level schools (there are however some exceptions, e.g. in Ireland or in Greece where education is provided by central government entities) and frequently also for the secondary level schools. In other countries, SNGs are also in charge of the payment of salaries for administrative and technical staff and teachers. In this case, SNG spending power is limited: financed through earmarked transfers, they act more as paying agents with little control over their budget in an area regulated by the central government level. By contrast, in Belgium, Switzerland, the United States, Germany and Spain, SNG educational expenditure represents more than 75% of public spending in this sector. They are all federal countries, with federated states having a high level of autonomy in educational matters, including vocational teaching and higher education (universities). Finally, in some countries, education is decentralised not at SNG level but directly at the level of education institutions, which may be independent special-purpose governance, (e.g. schools districts in the United States).

In the health sector, SNG expenditure represented 25% of public health spending on unweighted average in the OECD

in 2013 (Figure 3.8 panel B). Health remains a centralised responsibility in several countries, such as Greece, Ireland, Israel, Luxembourg, Slovak Republic, France or the United Kingdom. Health competences fall more often under the responsibility of central government or social security bodies and SNGs have no role, or a limited one. At the other end of the spectrum, SNG health spending as a share total health spending exceeds 60% in Italy, Spain, Switzerland and the Nordic countries. Wide responsibilities for planning, organising, delivering and financing healthcare services and infrastructures are decentralised to the municipal level (primary care centres) but especially to the regional level (hospitals, specialised medical services).

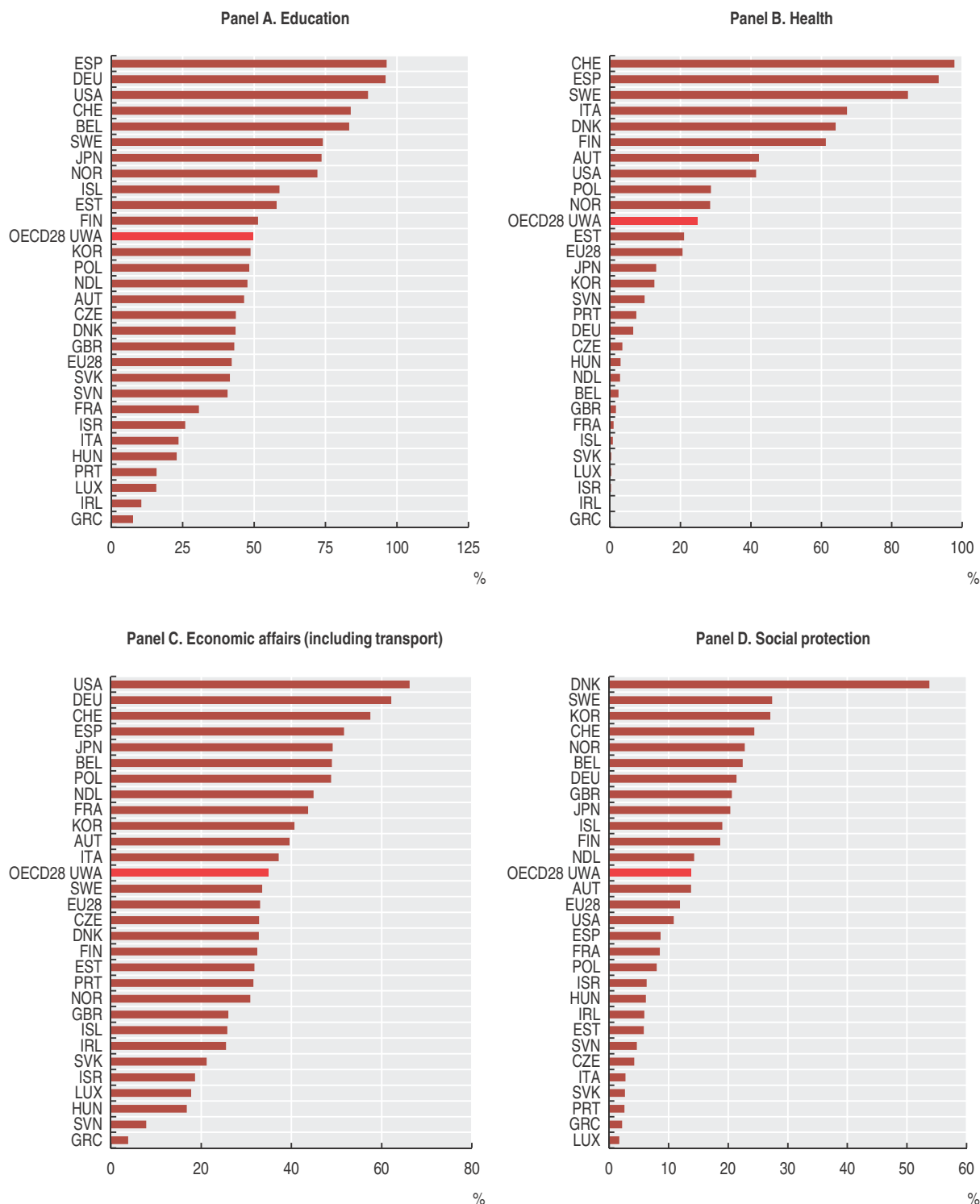
SNG accounted for 35% of public spending on economic affairs on unweighted average in the OECD in 2013, more than 50% in Spain, Switzerland, and 66% in the United States (Figure 3.8 panel C). Transport is the main component of this area, representing 75% of economic affairs expenditure on unweighted average (in 18 OECD countries for which data are available). This sector encompasses a wide range of activities from the definition of policies, regulations and standards, to the financing, construction, maintenance and administration. Such activities can cover transport networks, facilities and services in various sub-sectors and at various geographic scales (see Table D.1 in Annex D).

SNG social expenditure corresponded to 15% of total public social spending on unweighted average in the OECD (Figure 3.8 panel D). In the majority of OECD countries, social protection and benefits are mainly provided by the central government, social security bodies or by insurance institutions. Only Denmark stands out from the other countries as local governments are responsible for the administration of cash benefits. However, in this area, there is a significant disconnection between the large share of decentralised social expenditures and the real power of Danish municipalities over them as social protection schemes are largely determined by regulations and standards set at the central level.

3. SUBNATIONAL GOVERNMENT FINANCE FOR REGIONAL DEVELOPMENT

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3.8. Subnational expenditure as a share of total public expenditure by economic function, 2013 (%)



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SNGs are key public actors in housing and community amenities. Their expenditure amounted to 72% of public spending in this area on unweighted average in the OECD in 2013 (Figure 3.8 Panel E). In this field, SNGs play a major role in Belgium, Estonia, Spain, Switzerland and Norway, representing more than 90% of public spending. In Belgium for example, social housing was decentralised entirely to the regions in 1980, also involving a variety of providers such as municipalities, public companies, foundations, co-operatives and non- for profit organizations. In the social housing sector, there has been a widespread privatisation process, which reduced SNG involvement, in particular in central and eastern European countries.

The share of SNGs in total public environmental expenditure is also sizable, reaching 68% in the OECD on a unweighted average in 2013 (Figure 3.8 Panel F). It confirms the key role of SNGs in this field, especially in Portugal, France, Netherlands and Spain, where subnational spending represented more than 85% of total public spending in 2013. In some sectors (e.g. waste, sewerage, parks and green spaces, see Table D.1 in Annex D), the competence is almost fully devolved to local governments or dedicated functional bodies (e.g. waterboards in the

Netherlands). It is also often outsourced to agencies, external entities or private providers through public-private partnership contracts (e.g. in France).

As a share of total public spending, subnational expenditure dedicated to recreation, culture and religion amounted 62% on unweighted average in the OECD countries, exceeding 85% in the United States, Switzerland, Germany, Japan and Belgium (Figure 3.8 Panel G). By contrast, central government remains the main public funder in this area in Ireland, Hungary, the Slovak Republic or the United Kingdom.

In most OECD countries, public order and safety functions remain mainly the central government's responsibility. SNG expenditure represents only 25% of public spending in this area on unweighted average (Figure 3.8 Panel H). However, federal countries, such as Switzerland, Germany, the United States, Belgium and Spain record particularly high ratios, as well Japan among the unitary countries.

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.

See Annex D for details of allocation of competencies across levels of government.

Reference years and territorial level

2013: National Economic Accounts; levels of government. COFOG data are not available for Australia, Canada, Mexico, Chile, New Zealand and Turkey. For the United States, data in the function "housing and community amenities" include the "environment protection" function data.

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

3.8: OECD average is unweighted. The total of public spending is non-consolidated.

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

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.

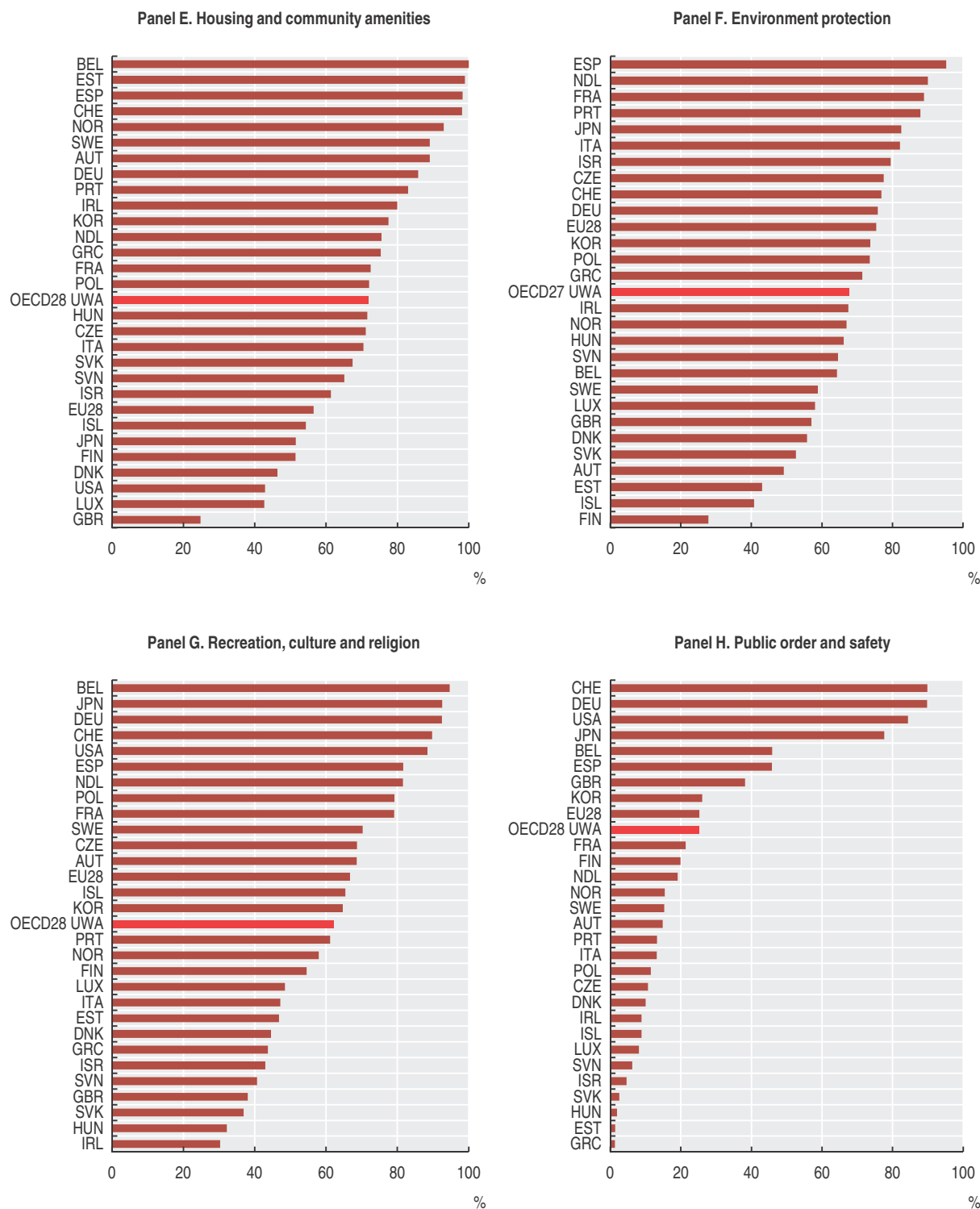
Expenditure (current and capital) by economic function follows the Classification of the ten Functions of Government (COFOG): general public services; defence; public order and safety; economic affairs; environmental protection; housing and community amenities; health; recreation, culture and religion;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

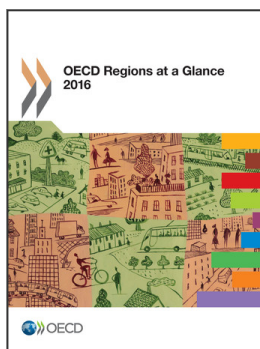
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3.8. Subnational expenditure as a share of total public expenditure by economic function, 2013 (%) (Cont.)



StatLink  <http://dx.doi.org/10.1787/888933363655>



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