

6. Expenditures structure by level of government

The responsibility for financing public goods and services and redistributing income is shared between different levels of government. For example, in some countries, policing is financed by local governments while in others it is funded by central government. In some cases, the provision of goods and services is jointly funded by central, state and/or local governments.

Across the OECD, in 2009, 46% of general government expenditures were undertaken by central government. Sub-central governments (state and local) covered 32% and social security funds accounted for the remaining share. However, the level of fiscal decentralisation varies considerably. For example, in New Zealand (a unitary state), almost 90% of total spending is by central government. In contrast, central government accounts for less than 15% of total expenditures in Switzerland, a federal state where regional and local governments play a much larger role in financing the public goods and services that they deliver themselves.

In general, central governments spend a relatively larger proportion of their budgets on social protection (e.g. pensions and unemployment benefits), general public services (e.g. executive and legislative organs, public debt transactions) and defence compared to sub-central governments. Expenditures on social protection represent the largest share of central government budgets for over half of OECD member countries. The central governments of Spain and Belgium allocate most of their budgets to general public services, accounting for over 50% of total expenditures. Defence accounts for 6% of central government expenditures on average. Education, recreation, environmental protection, and housing and community amenities are mostly financed by sub-central governments.

In the past decade, some countries have become more fiscally decentralised. The share of expenditures attributed to sub-central governments rose in several countries including – Canada, the Czech Republic, Denmark, Finland, Poland, the Slovak Republic, Slovenia, Spain, Sweden and Switzerland – between 2000 and 2009. The Slovak Republic, for example, transferred responsibilities for the execution of certain policies and programmes from central to local governments beginning in 2002 accompanied by fiscal decentralisation in 2005.

Methodology and definitions

Expenditures data are derived from the OECD *National Accounts Statistics*, which are based on the *System of National Accounts (SNA)*, a set of internationally agreed concepts, definitions, classifications and rules for national accounting. Data on expenditures are disaggregated according to the *Classification of the Functions of Government (COFOG)*, which divides government spending into ten functions: 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. Further information about the types of expenditures included in each category is available in Annex B. General government consists of central, state and local governments and social security funds. State government is only applicable to the nine OECD member countries that are federal states: Australia, Austria, Belgium, Canada, Germany, Mexico, Spain (considered a *de facto* federal state in the National Accounts data), Switzerland and the United States.

Data in 6.1 and 6.2 (distribution of general government expenditures across levels of government in 2007 and 2009) exclude transfers between levels of government and thus provide a rough proxy of the overall responsibility for providing goods and services borne by each level of government. However, data on expenditures at the central, state and local levels (6.3, 6.4 and 6.5) include transfers between the different levels of government and therefore illustrate how much is spent on each function at each level of government. Figure 6.2 (<http://dx.doi.org/10.1787/888932389949>), and Tables 6.3 (<http://dx.doi.org/10.1787/888932391868>), 6.4 (<http://dx.doi.org/10.1787/888932391887>) and 6.5 (<http://dx.doi.org/10.1787/888932391906>) are available online.

Further reading

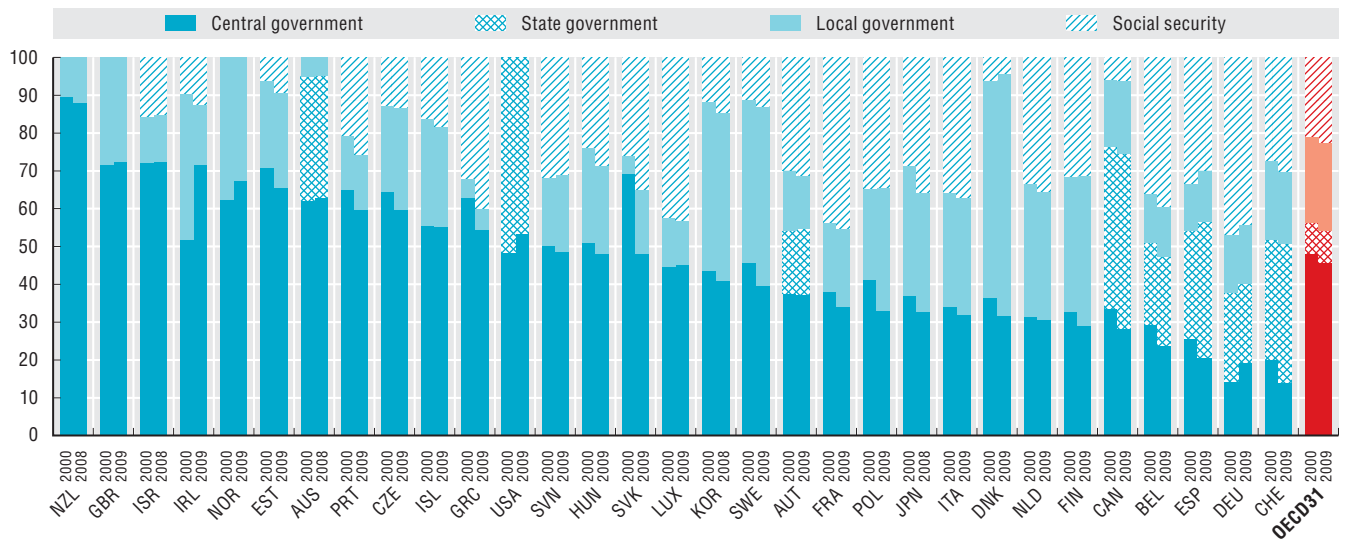
OECD (2011), *National Accounts at a Glance 2010*, OECD Publishing, Paris.

Figure notes

6.1: Australia does not operate government social insurance schemes; central government refers to commonwealth and multi-jurisdictional sector. Data for Australia and Japan include transfers between levels of government. Local government is included in state government for the United States. Social security funds are included in central government in New Zealand, Norway, the United Kingdom and the United States. Data for Chile, Mexico and Turkey are not available. Data for Australia, Japan, Israel, Korea and New Zealand are for 2008 rather than 2009.

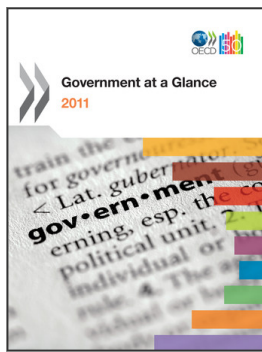
Information on data for Israel: <http://dx.doi.org/10.1787/888932315602>.

6.1 Distribution of general government expenditures across levels of government (2000 and 2009)



Source: OECD National Accounts Statistics.

StatLink  <http://dx.doi.org/10.1787/888932389930>



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