

Expenditures structure by level of government

Governments are traditionally responsible for the provision of public goods and services (e.g. education and health care) as well as for the redistribution of income (e.g. social benefits and subsidies). Furthermore, the responsibility for financing these tasks is shared between different levels of government. The need to improve the quality and efficiency of government spending has confirmed sub-central governments as important players in the implementation of public policies. Indeed, sub-central governments could be considered better equipped than central governments to obtain information on local needs and better placed to tailor the provision of public services.

In 2013, 42.8% of general government expenditures were undertaken by central governments across OECD countries. An additional 37.8% was covered by state and local governments while the social security funds accounted for the remaining 19.4%. However, the level of decentralisation varies considerably across OECD countries, and this also has an effect on the spending responsibilities. For example, in Ireland (unitary state), 90.4% of total spending was carried out by central government in 2013 and 91.2% in 2014, representing an increase of 9.4 percentage points between 2007 and 2014. In contrast, state and local governments in Belgium, Canada, Germany, Spain, Switzerland and Mexico (federal or quasi federal states) account for a larger share of public expenditures than the central government.

In general, central governments spend a relatively large 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 than state and local governments. In half of OECD countries, expenditures on social protection represent the largest share of central government budgets. In Belgium and Spain, central governments allocate over 60% of their budgets to general public services.

Between 2007 and 2013, the share of expenditures corresponding to sub-central governments increased in several countries. Highest increases were recorded by Norway (2.4 p.p.), Canada (2.0 p.p.), Switzerland (1.5 p.p.) and Finland (1.1 p.p.). On the contrary, European countries with high fiscal pressure during the crisis such as Slovenia (9.0 p.p.), Ireland (8.5 p.p.), Hungary (7.2 p.p.) and Greece (4.3 p.p.) experienced increases in the share of central government expenditures to total government spending during the same period.

Methodology and definitions

Expenditures data are derived from the OECD National Accounts Statistics (database) and Eurostat Government finance statistics (database), which are based on the System of National Accounts (SNA), a set of internationally agreed concepts, definitions, classifications and rules for national accounting. There have been revisions in the SNA framework and most of the OECD countries have partly or entirely implemented the updated 2008 SNA methodology (see Annex A for details). Expenditures encompass intermediate consumption, compensation of employees, subsidies, property income (including interest spending), social benefits, other current expenditures (mainly current transfers) and capital expenditures (i.e. capital transfers and investments). General government consists of central, state and local governments and social security funds. State government is only applicable to the nine OECD countries that are federal states: Australia, Austria, Belgium, Canada, Germany, Mexico, Spain (considered a quasi-federal country), Switzerland and the United States.

Data in Figure 2.41 and Table 2.42 (Change in the distribution of government expenditures across levels of government, 2009 to 2013 and 2014) 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 the structure of expenditures at the central, state, and local levels (Figure 2.43 and Tables 2.44 and 2.45) include transfers between levels of government and therefore illustrate how much is spent on each function at each level of government. Figure 2.43 and Tables 2.42, 2.44 and 2.45 are available online (<http://dx.doi.org/10.1787/888933248478>; <http://dx.doi.org/10.1787/888933248464>; <http://dx.doi.org/10.1787/888933248482>; <http://dx.doi.org/10.1787/888933248492>).

Further reading

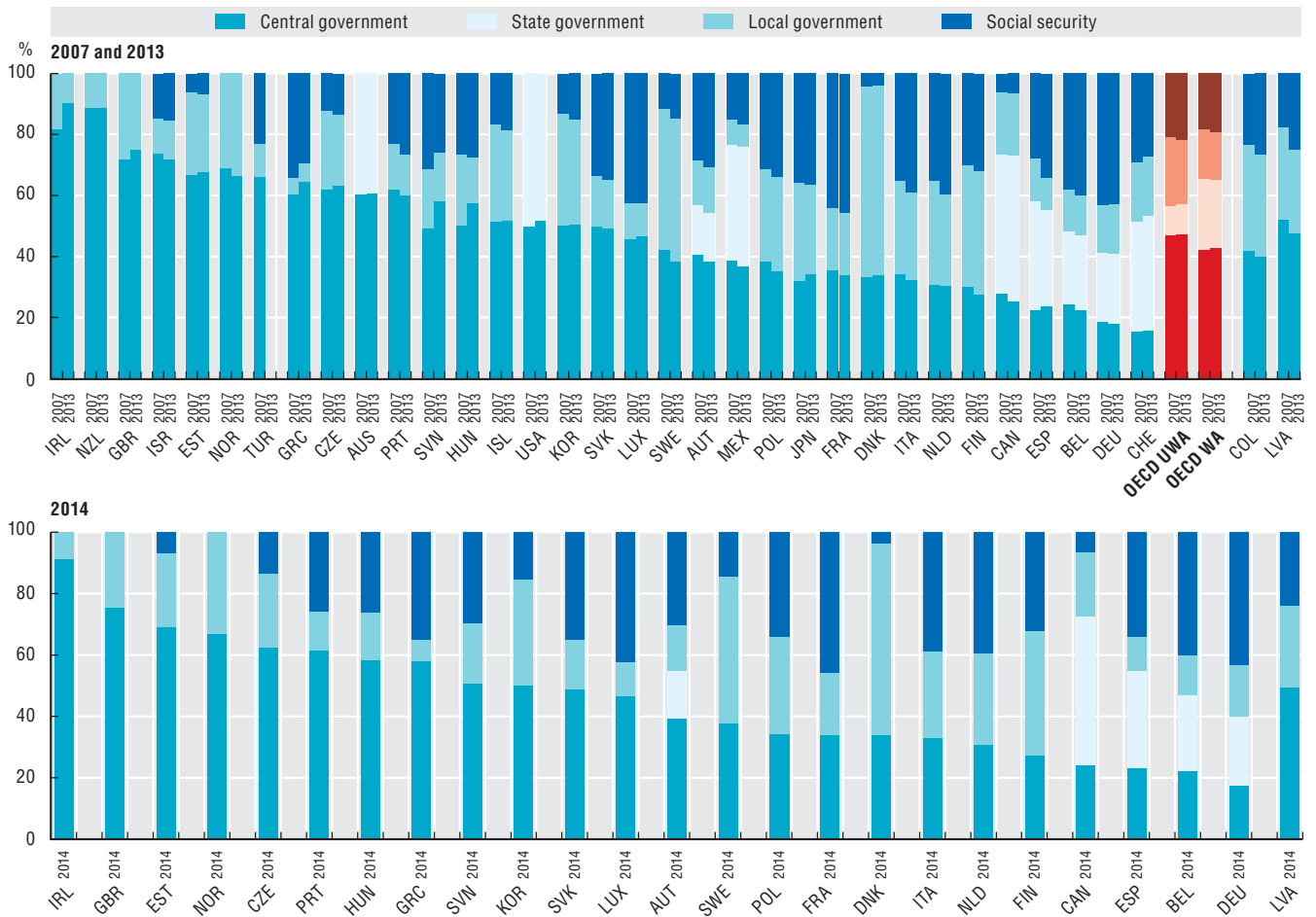
OECD (2013), *OECD Regions at a Glance 2013*, OECD, Paris, http://dx.doi.org/10.1787/reg_glance-2013-en.

Figure notes

Data for Chile are not available. In 2014, data for the OECD non-European countries (apart from Canada and Korea) and for Iceland, Turkey and Switzerland are not available. Data for Turkey are not included in the OECD average due to missing time-series. Transfers between levels of government are excluded (apart from Australia, Korea, Japan and Turkey). Local government is included in state government for Australia and the United States. Australia does not operate government social insurance schemes. Social security funds are included in central government in Ireland, New Zealand, Norway, the United Kingdom and the United States. Australia and Colombia: 2012 rather than 2013.

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

2.41. Distribution of general government expenditures across levels of government, 2007, 2013 and 2014



Source: OECD National Accounts Statistics (database).

StatLink  <http://dx.doi.org/10.1787/888933248456>



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