ANNEX D

Subnational government finance

General and subnational government

Data refer to the general and subnational government finance data included in the OECD National Accounts harmonised according to the System of National Accounts (SNA08), with the exception of Australia and Chile, extracted from IMF Government Statistics (see *www.oecd.org/std/na/*). Eurostat and International Monetary Fund data were also used.

General government (S.13) includes four sub-sectors: central/federal government and related public entities (S.1311); federated government ("states") and related public entities relevant only for countries having a federal or quasi-federal system of government (S.1312); local government, i.e. regional and local governments and related public entities (S.1313), and social security funds (S.1314). Data are consolidated within these four sub-sectors, as well as within each sub-sector (neutralisation of financial crossflows).

The subnational government (SNG) is defined as the sum of state governments (S.1312) and local (regional and local) governments (S.1313). For Australia and the United States, there is no breakdown available at the subnational level between local and state government data.

The concept of "regional government" refers to state governments in federal and quasi-federal countries (e.g. *länder* in Germany, provinces and territories in Canada, states in the United States, autonomous communities in Spain) and county or regional level governments (TL2 or TL3) in unitary countries.

Expenditure

Total public expenditure comprises current and capital expenditure:

- Current expenditure: Compensation of employees (staff expenditure) + intermediate consumption + social expenditure (social benefits and social transfers in kind via market producers) + subsidies + other current transfers + paid taxes + financial charges (including interest) + adjustment for the net equity of households in pension fund reserves.
- Capital expenditure is the sum of capital transfers and investment.
- Capital transfers comprise investment grants and subsidies in cash or in kind made by SNGs to other institutional units.
- Investment is defined as gross capital formation and acquisitions fewer disposals of non-financial non-produced assets during a given period. Gross fixed capital formation (GFCF or fixed investment) is the main component of investment). Investment consists of both positive and negative values. Since the new standards of the SNA 2008, expenditures on research and development and weapons systems are included in GFCF.

- The Classification of Functions of Government (COFOG) includes 10 functions: general public services; defence; public order and safety; economic affairs; environmental protection; housing and community amenities; health; recreation, culture and religion; education; social protection.

Revenue

Total public revenue comprises tax revenues, transfers (current and capital grants and subsidies), tariffs and fees, property income and social contributions.

- Tax revenue comprises taxes on production and imports (D2), current taxes on income and wealth (D5) and capital taxes (D91). It includes both own-source tax (when SNGs have full or significant control over the tax base and rates) and shared tax (tax base and rates are defined nationally; tax proceeds are shared between the central and SNGS according to specific redistribution mechanisms). Tax sharing can be also a combination of both arrangements (e.g. local tax surcharges on national taxes).
- NB: The SNA 2008 has introduced some changes concerning the classification of some shared tax revenues. In several countries, certain tax receipts have been reclassified as transfers and no longer as shared taxes (e.g. Austria, Estonia, Slovak Republic, Spain).
- Grants and subsidies: Current and capital transfers and subsidies.
- Tariffs and fees: Total sales (market output and output for own final use) and payments for non-market output.

Fiscal balance

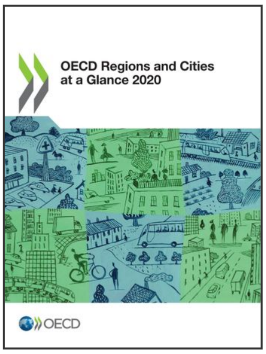
Fiscal balance is the difference between government revenues and expenditure. A fiscal deficit occurs when, in a given year, a government spends more than it receives in revenues. A government runs a surplus, instead, when revenues exceed expenditures.

Debt

Based on the SNA 2008, gross debt includes the sum of the following liabilities: currency and deposits + debt securities + loans + insurance pension and standardised guarantees + other accounts payable. Most debt instruments are valued at market prices. Some liabilities such as shares, equity and financial derivatives are not included in this definition.

These data are not always comparable across countries due to different definitions or treatment of debt components (e.g. pensions) or valuation (market vs. nominal prices).

The SNA definition of gross debt differs from the one applied under the Maastricht Protocol which excludes insurance pension and other accounts payable and thus corresponds roughly to borrowing. In addition, “Maastricht debt” is valued at nominal prices and not at market prices.



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