

## Subnational government spending by economic function

The breakdown of subnational expenditure by economic function provides a measure of subnational governments (SNGs) role in economic functions. Education represents the largest sector in the SNG expenditure, on average 25% of SNG expenditure in the 28 OECD countries where data were available in 2013. In the Slovak Republic, Slovenia, Estonia, Israel, Iceland and the Czech Republic, spending on education exceeded 30% of local budgets, and in the Slovak Republic was 44% (Figure 3.7).

Health is the second highest budget, accounting for 17% of SNG expenditure. It exceeded 23% of SNG budgets in the United States, Spain, Austria, Denmark, Sweden, Finland and reached 47% in Italy.

Excluding general public services (15% of SNG spending), the third largest subnational budget item is social expenditure. This category, which includes current and capital social expenditure, represented around 14% of SNG expenditure in 2013, ranging between 24% and 33% in Germany, Finland, Norway, Sweden, Japan and the United Kingdom. Social services are often provided by the municipal level, perceived to be closer to the needs of citizens, or delegated and outsourced through contracts to the private sector. In federal countries, the regional level can also play an important role in social protection (Austria, Germany and Belgium).

Economic affairs expenditure (transport, communication and economic interventions, etc.) represented almost 14% of OECD SNG expenditure in 2013, and more than 19% in France, Korea, the Czech Republic and Ireland.

### 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).

Public order, safety and defence expenditures accounted for around 7% of SNG expenditure in 2013. This category includes mainly local and regional police services, fire-protection, civil protection and emergency services.

Housing and community amenities represented on average around 3% of SNG expenditure in the OECD in 2013, and more than 7% in the Slovak Republic, Hungary, Luxembourg, Portugal, France and Ireland. This function comprises various sub-sectors such as supply of potable water, public lighting, urban heating, housing (construction, renovation and acquisition of land) and urban planning and facilities.

Recreation, culture and religion accounted for 2.9% of SNG expenditure in the OECD in 2013, but more than 10% in Estonia, Israel, Luxembourg and Iceland. In Iceland in particular, it reached 16.4% of local budget as culture is considered as a driving force for economic and social development.

Lastly, environment protection accounted for 2.6% of OECD SNG expenditure, exceeding 10% in the Netherlands, Ireland, Luxembourg and Greece.

### 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, Chile, Mexico, New Zealand and Turkey. For the United States, data showed 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](http://www.oecd.org/gov/regional-policy/Subnational-governments-in-OECD-Countries-Key-Data-2016.pdf).

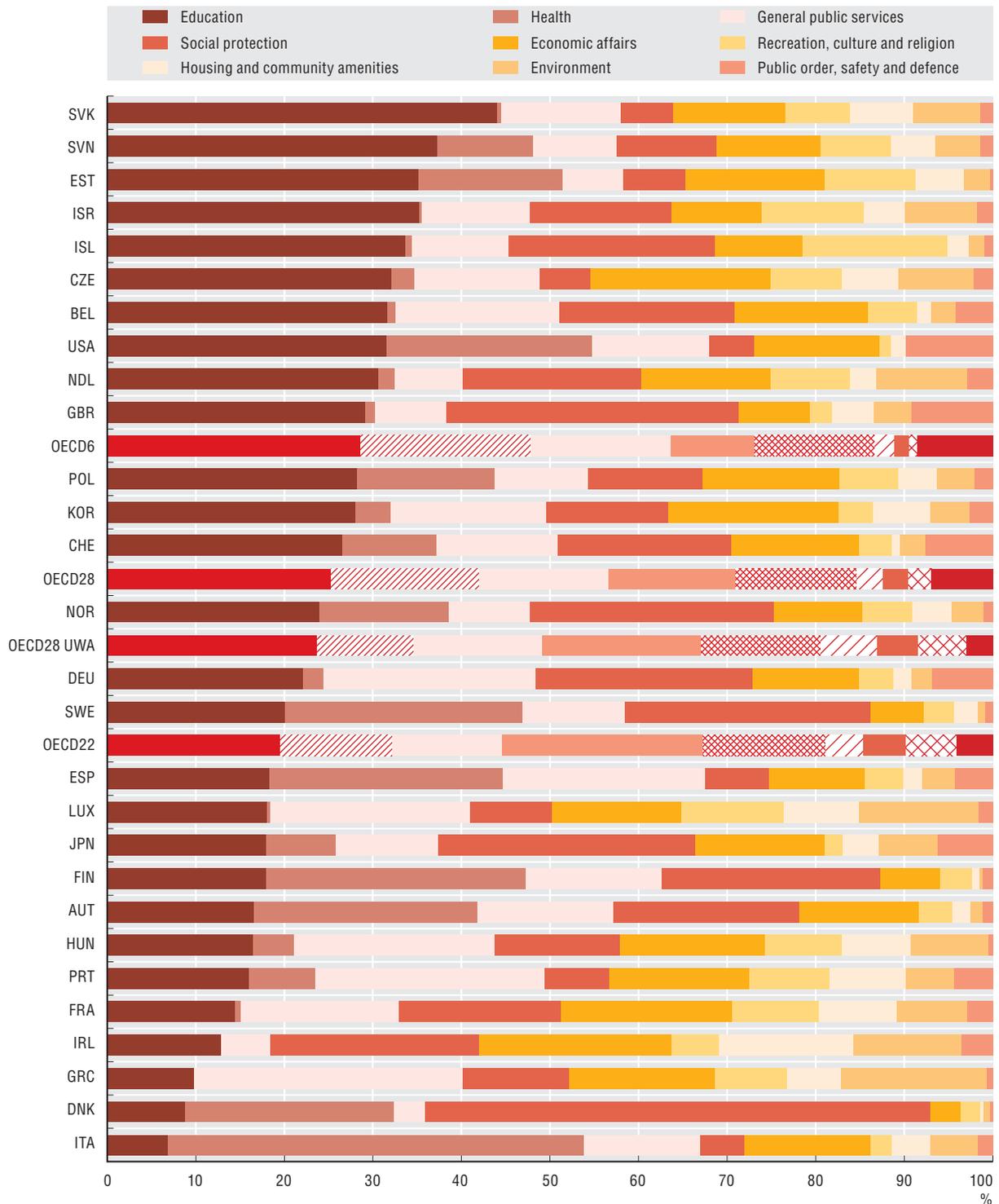
### Figure note

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

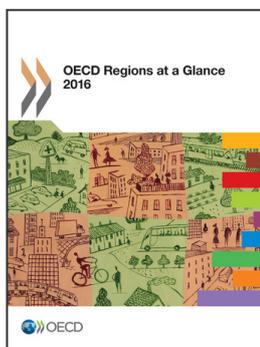
### 3. SUBNATIONAL GOVERNMENT FINANCE FOR REGIONAL DEVELOPMENT

#### Subnational government spending by economic function

3.7. Breakdown of subnational government expenditure by economic function, 2013 (%)



StatLink <http://dx.doi.org/10.1787/888933363640>



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