

AUSTRALIA

FEDERAL COUNTRY

ASIA PACIFIC

BASIC SOCIO-ECONOMIC INDICATORS

Income group - HIGH INCOME: OECD Local currency - Australian Dollar (AUD)

POPULATION AND GEOGRAPHY

AREA: **7 703 354** km²

POPULATION: **23.663** million inhabitants (2014),
an increase of 1.6% per year (2010-2014)

DENSITY: **3** inhabitants/km²

URBAN POPULATION: **89.3%** of national population

CAPITAL CITY: **Canberra** (1.8% of national population)

Sources: OECD, World Bank, UNDP, ILO

ECONOMIC DATA

GDP: **1 077.9** billion (current PPP international dollars)
i.e. 45 550 dollars per inhabitant (2014)

REAL GDP GROWTH: **2.5%** (2014 vs 2013)

UNEMPLOYMENT RATE: **6.1%** (2014)

FOREIGN DIRECT INVESTMENT, NET INFLOWS (FDI): **46 333** (BoP, current USD millions, 2014)

GROSS FIXED CAPITAL FORMATION (GFCF): **27%** of GDP (2014)

HUMAN DEVELOPMENT INDEX: **0.935** (very high), rank 2

TERRITORIAL ORGANISATION AND SUBNATIONAL GOVERNMENT RESPONSIBILITIES

MUNICIPAL LEVEL	INTERMEDIATE LEVEL	REGIONAL OR STATE LEVEL	TOTAL NUMBER OF SNGs
571	-	8	579
LOCAL GOVERNMENT AREAS AVERAGE MUNICIPAL SIZE: 41 005 INHABITANTS		6 STATES AND 2 FEDERAL TERRITORIES	

MAIN FEATURES OF TERRITORIAL ORGANISATION. The SNG system consists of two government tiers: 6 states (and 2 federal territories) and 571 "local government areas" or councils. While Australia's federal system is entrenched in the Commonwealth Constitution, local governments are not explicitly recognised by the Constitution, despite several referendums with negative outcomes (1974 and 1988) or abandoned (2013). Local governments have no direct relations with federal authorities but depend directly on state and territory governments which have their own constitution and Local Government Act. Consequently, the status, names (cities, shires, county councils, districts, towns, etc.), roles and responsibilities of local governments differ from state to state. The number of municipal-level governments recently fell from 869 in 1980 to 571 following merger policies initiated by several states (South Australia, Tasmania, Victoria, Queensland, New South Wales and Western Australia).

MAIN SUBNATIONAL GOVERNMENTS RESPONSIBILITIES. The Constitution defines the dualist federal structure, setting out expenditure responsibilities. A 2008 Intergovernmental Agreement on Federal Financial Relations (IGAFFR) attempted to better specify responsibilities of the Commonwealth and states for specific sectors. However, there is still significant overlap in mandates between the centre and the states. State responsibilities include education, health care (including hospitals), roads, railways and public transport, environment, agriculture, industrial relations, community services, sport and recreation, consumer affairs, police and emergency services. Local governments in Australia have more limited powers and fewer cost-intensive responsibilities than in most federations, handling community needs and providing property-related services such as waste collection, road maintenance, street cleaning and lighting, storm water drainage and flood control, recreation and cultural facilities and town planning (depending on the state/territory).

EXPENDITURE	% GDP	% GENERAL GOVERNMENT (same expenditure category)	% SUBNATIONAL GOVERNMENT
TOTAL EXPENDITURE (2013)	16.9%	46.4%	100%
CURRENT EXPENDITURE	14.3%	-	84.8%
STAFF EXPENDITURE	-	-	-
INVESTMENT	2.3%	71.3%	13.8%

SUBNATIONAL DATA
 LOCAL DATA ONLY

NB: for Australia, the breakdown between state and local government levels is not available.

SNG spending is slightly below the OECD average of the nine federal countries (19% of GDP and 49% of public expenditure in 2013). It is similar to that of the United States, Germany and Spain, but less than in Switzerland or Canada. However, SNGs play a key role in public investment in Australia, higher on average than in OECD federal countries where SNG investment represented 1.8% of GDP, 60.2% of public investment and 9.6% of SNG expenditure). Local government spending responsibilities are limited (estimated at around 15% of total SNG spending).

EXPENDITURE BY FUNCTION

% SUBNATIONAL GOVERNMENT EXPENDITURE

- GENERAL PUBLIC SERVICES
- DEFENCE
- SECURITY AND PUBLIC ORDER
- ECONOMIC AFFAIRS
- ENVIRONMENTAL PROTECTION
- HOUSING AND COMMUNITY AMENITIES
- HEALTH
- RECREATION, CULTURE AND RELIGION
- EDUCATION
- SOCIAL PROTECTION



Health and education/research represent the two largest areas of expenditure representing respectively 25% (17% for hospitals) and 20% in 2013, followed by infrastructure, transport and planning (15%). Major expenditure items for local government were housing and community amenities (24%) and transport and communications (23%).

REVENUE BY TYPE

% GDP

% GENERAL GOVERNMENT (same revenue category)

% SUBNATIONAL GOVERNMENT

		■ SUBNATIONAL DATA		□ LOCAL DATA ONLY	
TOTAL REVENUE (2013)	15.3%	-	45.1%	-	100%
TAX REVENUE	5.1%	-	18.6%	-	33.3%
GRANTS AND SUBSIDIES	6.8%	-	-	-	44.4%
OTHER REVENUES	3.4%	-	-	-	22.2%

Taxation powers of the Commonwealth and the states are defined in the Constitution as well as in the 2008 IGAFFR agreed with the Council of Australian Governments (CoAG) in 2008. There is a high degree of vertical fiscal imbalance which makes states reliant on transfers from the Commonwealth to finance their activities.

TAX REVENUE. SNG tax revenue is lower in Australia than that of several other federations in the OECD (SNG tax revenue represents 8.5% of GDP, 41.4% of public tax revenue and 47.2% of SNG revenue). State revenues mostly comprise of property-related taxes (i.e. around 34% of states' tax revenue, including land property tax and financial and capital transactions), payroll taxes (33%) and motor vehicle (14%). States have the right to set their own tax rates and bases for the taxes they control. The only tax for local governments is the land property tax (shared with the states). Rates accounted for approximately 37% of total local government revenue in 2013 (while it represented just 3.3% of total public tax revenue).

GRANTS AND SUBSIDIES. Transfers from the federal government account for 44% of SNG revenue, but around 50% of state revenues and only around 10% of local revenues on average. The system of intergovernmental transfers has been simplified and made more flexible by the 2008 IGAFFR. It has three main components: National Specific Purpose Payments (National SPPs), National Partnership payments for major reforms or projects and "general revenue assistance", including Goods and Services Tax (GST) payments, to be used by the states for any purpose and which includes equalisation mechanisms. The main federal transfer to local governments is the Federal Local Government Financial Assistance Grants (FAGs), which includes a local roads component and a general purpose component. FAGs are paid to state governments for distribution to local government via state grants commissions. Other transfers to local governments include small earmarked grant programmes for infrastructure, capacity building, etc. Local government also receive grants and subsidies from the state or territory governments.

OTHER REVENUES. All states bar one collect royalty revenue from mining activities in their state. The majority of royalties are calculated and collected based on the value of minerals produced (only two states collect royalties on the basis of mining profits). In 2013, average royalties represented 8% of states' own-source revenue but these revenues are very unevenly distributed among the States. Other major other sources of revenue for local governments include the sale of goods and services, interest income, dividends, fines, developer charges, contributions, other capital revenues, etc. Over a quarter of total local government revenue comes from user charges.

OUTSTANDING DEBT

% GDP

% GENERAL GOVERNMENT

		■ SUBNATIONAL DATA		□ LOCAL DATA ONLY	
OUTSTANDING DEBT (2013)	14.6%	-	-	35.5%	-

The Australian Loan Council is a Commonwealth-state ministerial council that co-ordinates and monitors the aggregate level of borrowings by the Commonwealth and each state and territory. The Council operates on a voluntary basis and emphasises transparency of public sector financing rather than adherence to strict borrowing limits. These arrangements are designed to enhance financial market scrutiny of public sector borrowing and facilitate informed judgements about each government's financial performance. Fiscal rules for state and local governments vary from state to state, and tend to be self-imposed and non-binding. SNG debt is mainly composed by state debt as local government debt is modest despite the fact that local governments in all jurisdictions have access to flexible and cost-effective borrowing arrangements. Insurance pensions represent around one-third of total SNG outstanding debt. SNG financial debt consists primarily of loans.

A joint- study of:



Sources: OECD National Accounts Statistics • OECD (2015 and 2016) Subnational Governments in OECD Countries : Key data • Koutsogeorgopoulou, V. and A. Tuske (2015) Federal-State Relations in Australia, OECD Economics Department Working Papers, No. 1198 • Grattan Institute (2014), Budget pressures on Australian governments 2014 • Twomey A. (2013), Local Government Funding and Constitutional Recognition' CRU Report No 3 • Comrie J. (2013), In Our Hands: Strengthening Local Government Revenue for the 21st Century, Australian Centre of Excellence for Local Government, University of Technology, Sydney • Carter M. (2013) Australian Local Government Financial Reform, A Federal Perspective • http://budget.gov.au/2013-14/content/bp3/html/bp3_02_part_1.htm • Australian Local Government Association (2013), Facts and figures on local governments in Australia.