

AUSTRALIA

FEDERAL COUNTRY

BASIC SOCIO-ECONOMIC INDICATORS

INCOME GROUP: HIGH INCOME

LOCAL CURRENCY: AUSTRALIAN DOLLAR (AUD)

POPULATION AND GEOGRAPHY

Area: 7 741 220 km²
Population: 24.598 million inhabitants (2017), an increase of 1.5% per year (2010-2015)
Density: 3 inhabitants / km²
Urban population: 85.9% of national population
Urban population growth: 1.7% (2017 vs 2016)
Capital city: Canberra (1.8% of national population)

ECONOMIC DATA

GDP: 1 192.1 billion (current PPP international dollars), i.e. 48 460 dollars per inhabitant (2017)
Real GDP growth: 2.3% (2017 vs 2016)
Unemployment rate: 5.6% (2017)
Foreign direct investment, net inflows (FDI): 42 580 (BoP, current USD millions, 2017)
Gross Fixed Capital Formation (GFCF): 24.0% of GDP (2017)
HDI: 0.939 (very high), rank 3 (2017)

MAIN FEATURES OF THE MULTI-LEVEL GOVERNANCE FRAMEWORK

Australia is a constitutional monarchy, and a federation of six states and two self-governing territories. Its Constitution, The Commonwealth of Australia Constitution Act 1900, entered into force in 1901. The Australian federal system has undergone significant centralisation since its establishment, the structure of the federation remain stable and the states remain essential components of the Australian political process.

The Commonwealth Parliament comprises both an Upper (Senate) and Lower House (House of Representatives), with similar powers. The House of Representatives has 150 members elected for three-year terms under a preferential vote system. The Senate consists of 76 senators, 12 from each of the six states and two from each of the two mainland territories. State senators are elected for six-year mandates through a proportional representation system, and territory senators for three-year, at the same time as elections for the House of Representatives. Australia remains a member of British Commonwealth of Nations, and thereby the Head of State is HM Queen Elizabeth II, represented by a Governor General appointed for five years, which appoints a Prime Minister as head of the executive branch.

Australia's federal system is enshrined in the Commonwealth Constitution. Each state has its own constitution, and its own parliament, with a similar structure to that of the federal Parliament, comprising a lower and upper house with directly elected representatives (except for Queensland which has only one chamber). State governments are headed by a Premier, in general the party leader of the State parliament's lower house, appointed as such by a Governor, himself appointed by the Queen. The Northern Territory and Australian Capital Territory, each headed by a Chief Minister and an appointed Administrator, have unicameral elected parliaments since respectively 1974 and 1989. The Australian Capital Territory is the only government at regional level with no separate tier of local government, and where the responsibilities usually handled by local government are administered by the territory.

Despite several failed or abandoned referendums (1974, 1988 and 2013), local governments are not explicitly recognised by the Constitution in Australia. They have no direct relations with federal authorities but depend directly on state governments, which have their own Local Government Act, and are governed by state legislation. Consequently, the status, names (cities, shires, county councils, districts, towns, etc.), roles and responsibilities of local governments differ from state to state. Local governments are headed by city councils or shire councils, headed by Mayors or Shire Presidents, and whose members vary from 4 to 15, except for the Brisbane City Council, which has 26 councillors and a Lord Mayor. Local elections vary from state to state, from direct to indirect elections of mayors. State and local elections are run by state electoral bodies.

The Council for the Federation was created in 2006 to facilitate horizontal co-operation between states and act as a representative for the states and territories. Whereas local government do not have independent relations with the federal government, their interests are represented through a number of groups, including the Council of Australian Governments and the Australian Local Government Association. Besides, The Council on federal financial relations consists of the Treasurers of the Commonwealth and the States. The Council of Australian Governments (COAG) is a strategic, consultative and co-operative decision-making forum, whose members include the Prime Minister and Heads of State governments, as well as the President of the Australian Local Government Association. Since its foundation in 1992, it has been dedicated to facilitating broad policy co-operation mandates between states and federal territories in a variety of sectors.

TERRITORIAL ORGANISATION

2018	MUNICIPAL LEVEL	INTERMEDIATE LEVEL	REGIONAL OR STATE LEVEL	TOTAL NUMBER OF SNGS
	562 local government areas		6 states and 2 federal territories	
	Average municipal size: 43 770 inhabitants			
	562		8	570

OVERALL DESCRIPTION. The SNG system consists of two levels of subnational government: six states and two federal territories with state-like powers, territories (Northern Territory and the Australian Capital Territory) at the federal level, and 562 local governments at the local level.

REGIONAL LEVEL. The regional level is composed of six states and two territories. Prior to the constitution of the Federation, the six states of Australia were former British colonies separately established between 1788 and 1859. The two mainland territories of Northern Territory and Australian Capital Territory are self-governing. In addition, the federation also comprises the mainland territory of Jervis Bay and seven external territories under the jurisdiction of the Commonwealth government. The territory of Norfolk Island was self-governing until its status was revoked in 2015. Inter-regional disparities in Australia are above the OECD average and growing. Western Australia is the wealthiest of states and territories, together with Australian Capital Territory, and ranks 7th among the OECD fastest growing regions, while on the other hand Tasmania and the Northern Territory have been the poorest performers in recent years.

LOCAL GOVERNMENT AREAS. The nomenclature for local governments varies across states and territories, the most common denominations being “Shire” and “Cities”. The number of municipal-level governments recently fell from 869 in 1980 to 562 following merger policies initiated by several states (South Australia, Tasmania, Victoria, Queensland, New South Wales and Western Australia). However, due to failed attempts to amalgamate municipalities, there remain some very small local governments and amalgamation policies are still on-going. Each state’s economy is largely based on a single metropolitan area; however, these large metropolitan-scale areas are mostly under the jurisdiction of numerous local authorities. Australia is the third most urbanised country in the OECD, with two-thirds of the population living in its six metropolitan areas. Local government authorities are the main actors regarding land-use decisions. They are involved in developing Local Planning Schemes and Metropolitan Plans, which are used as frameworks for housing and employment growth and for co-ordinating land-use and infrastructure policies.

INTER-MUNICIPAL CO-OPERATION. Following the disappearance of former Regional Organisations of Councils, various types of inter-municipal co-operation exist depending on the state: Regional Local governments (Western Australia), Regional Subsidiaries (South Australia), County Councils (NSW), etc. Shared services arrangements are promoted at both state and local levels throughout Australia. The Australian Government released the Smart Cities Plan on 29 April 2016, and a decentralisation programme was launched in April 2017, which aims to ensure that the benefits of national economic growth are not restricted to Australia’s major cities. The Commonwealth Government had committed to produce, together with the States and Territories, a White Paper on the Reform of the Federation, but this project was abandoned. A new Minister was recently created in 2016 for dealing with urban issues (Assistant Minister for Cities and Digital Transformation).

SUBNATIONAL GOVERNMENT RESPONSIBILITIES

The Constitution defines the country’s 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, particularly in the area of business regulations. However, there is still significant overlap in mandates between the federal government and the states, in particular in healthcare (the Commonwealth funds general-practitioner services while the states are responsible for segments of primary service and for managing, running and partly-funding public hospitals). To overcome this challenge, a National Health Reform Agreement was passed in 2011, with the introduction of Local Hospital Networks.

State responsibilities include education, health care (including hospitals), railways and public transport, and core responsibilities in urban issues (community services, sport and recreation, consumer affairs). With the implementation of a National Disability Insurance Scheme in 2017, the Commonwealth will now provide funding for disability support services directly to individuals, rather than providing funding to the states.

Constitutional responsibility for local government lies with the state and territory governments. Consequently, the roles and responsibilities of local government may vary from state to state. There are six separate state systems overseeing local governments, with a seventh system operating in the Northern Territory. In the Australian Capital Territory (ACT), the state government provides services that would normally be delivered by local governments in other regions. Local councils typically have statutory responsibility for local infrastructure and services including waste management, land-use and community services including childcare, elderly care and recreation, cultural and educational establishments, and some commercial establishments.

MAIN RESPONSIBILITY SECTORS AND SUB-SECTORS

	STATE LEVEL	MUNICIPAL LEVEL
1. General public services		Building inspections; Food and health inspections
2. Public order and safety	Police and emergency services	
3. Economic affairs / transports	Urban transport (road, rail, bus, etc.); Agriculture; Industrial relations; Consumer affairs	Local roads; Parking; Aerodromes; Cemeteries; Slaughterhouses
4. Environmental protection	Environment; Waste disposal; Sewerage	Waste collection; Green and public space provision
5. Housing and community amenities	Gas services; District heating; Electricity; Water supply; Zoning legislation	Town planning and land-use
6. Health	Healthcare; Hospitals	
7. Recreation, culture & religion	Sports and recreation	Theatres; Museums; Parks; Open spaces; Leisure facilities; Religious facilities
8. Education	Planning and delivering early childhood education; Pre-school; Primary school; Secondary, vocational and technical school	
9. Social protection	Planning and delivering early childhood care	Childcare; Elderly care facilities

SUBNATIONAL, STATE AND LOCAL GOVERNMENT FINANCE

Scope of fiscal data: state governments, local government areas (LGAs) including several entities: cities, district councils, municipalities, shires, towns, and unincorporated areas.	SNA 2008	Availability of fiscal data: High	Quality/reliability of fiscal data : High
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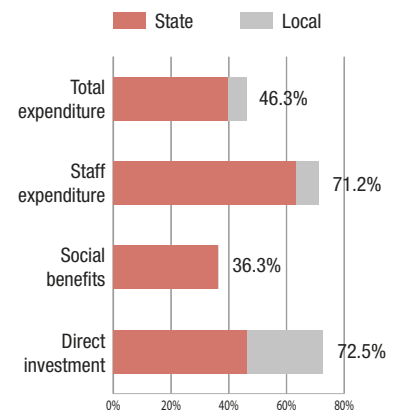
GENERAL INTRODUCTION. Taxation powers of the Commonwealth and the states are defined in the Constitution as well as in the Intergovernmental Agreement on Federal Financial Relations (IGAFFR). Upon federating in 1901, the six Colonies of Australia ceded the right to impose and collect customs and excise duties (the main source of public revenue at the time) in favour of the Commonwealth. Whereas Australian states and territories have spending responsibilities in a large array of sectors, they have a limited fiscal autonomy and rely primarily on transfers from the federal government, which results in significant vertical fiscal imbalances.

Australia has a system of horizontal fiscal equalisation that distributes revenue from the Good and Services Tax (GST), which is governed by national legislation and administered centrally but all revenues are passed onto the states. The system compensates states for the structural and financial disadvantages of delivering services and almost completely eliminates disparities in fiscal capacity between states. According to the Commonwealth budget, transfers to state governments, which represented 6.6% of GDP as of 2016, are expected to fall to 6.2% by 2020-21 due to new funding arrangements in the social welfare sector and to the completion of major infrastructure projects. Fiscal equalisation at the local level varies according to states' legislative frameworks.

A reform of the IGAFFR took place in 2008, which led to the simplification and greater flexibility of the system of intergovernmental grants. In 2015, a public consultation was held in the country on tax reform, considering the revenue raising capacity of each level of government in the federal system, yet the expected tax reform was abandoned.

SUBNATIONAL GOVERNMENT EXPENDITURE BY ECONOMIC CLASSIFICATION

2016	DOLLARS PPP / INH.			% GDP			% SUBNATIONAL, STATE AND LOCAL GOVERNMENT EXPENDITURE			% GENERAL GOVERNMENT EXPENDITURE (SAME EXPENDITURE CATEGORY)		
	SNG	State	Local	SNG	State	Local	SNG	State	Local	SNG	State	Local
Total expenditure	7 912	6 803	1 109	16.4%	14.1%	2.3%	100%	100%	100%			
Inc. current expenditure	6 787	6 042	744	14.1%	12.5%	1.5%	85.8%	88.8%	67.1%			
Staff expenditure	3 227	2 874	353	6.7%	6.0%	0.7%	40.8%	42.2%	31.9%			
Intermediate consumption	1 929	1 578	352	4.0%	3.3%	0.7%	24.4%	23.2%	31.7%			
Social expenditure	185	185	0	0.4%	0.4%	0.0%	2.3%	2.7%	0.0%			
Subsidies and current transfers	1 087	1 070	17	2.3%	2.2%	0.0%	13.7%	15.7%	1.5%			
Financial charges	358	336	22	0.7%	0.7%	0.0%	4.5%	4.9%	2.0%			
Others	0	0	0	0.0%	0.0%	0.0%	0.0%	0,0%	0.0%			
Incl. capital expenditure	1 125	761	364	2.3%	1.6%	0.8%	14.2%	11.2%	32.9%			
Capital transfers	116	114	1	0.2%	0.2%	0.0%	1.5%	1.7%	0.1%			
Direct investment (or GFCF)	1 009	646	363	2.1%	1.3%	0.8%	12.8%	9.5%	32.7%			



EXPENDITURE. Australian SNG spending as a share of GDP is the lowest of the nine OECD federal countries on average (19.2% of GDP in 2016), and the second lowest, after Austria, regarding the share in total public expenditure, which amounted to 50.0% in the OECD federations on average in 2016. Staff expenditure account for a large share of SNG expenditure (41%) as well as of total public staff expenditure (71%), higher than in the OECD on average (63% in 2016), but lower than in the OECD federations on average (76.5%).

The states and the territories account for the bulk of SNG spending, which (86% of total SNG spending, i.e. 14.1% of GDP and almost 40% of public expenditure). The main expenditure item for the states and territories is staff spending (42% of their expenditure). State governments accounted for 63% of public staff spending in 2016. Local government made up 14% of total SNG spending in 2016, i.e. 2.3% of GDP and 6.5% of total public expenditure, which is quite low by international comparisons. Local governments dedicate on average 67% of their budget to current expenditures, compared to 89% for regional governments. The share of staff expenditure in local expenditure is below the OECD average (36%) while the share of staff expenditure in total public staff spending is particularly small (7.8%) compared to that of staff government.

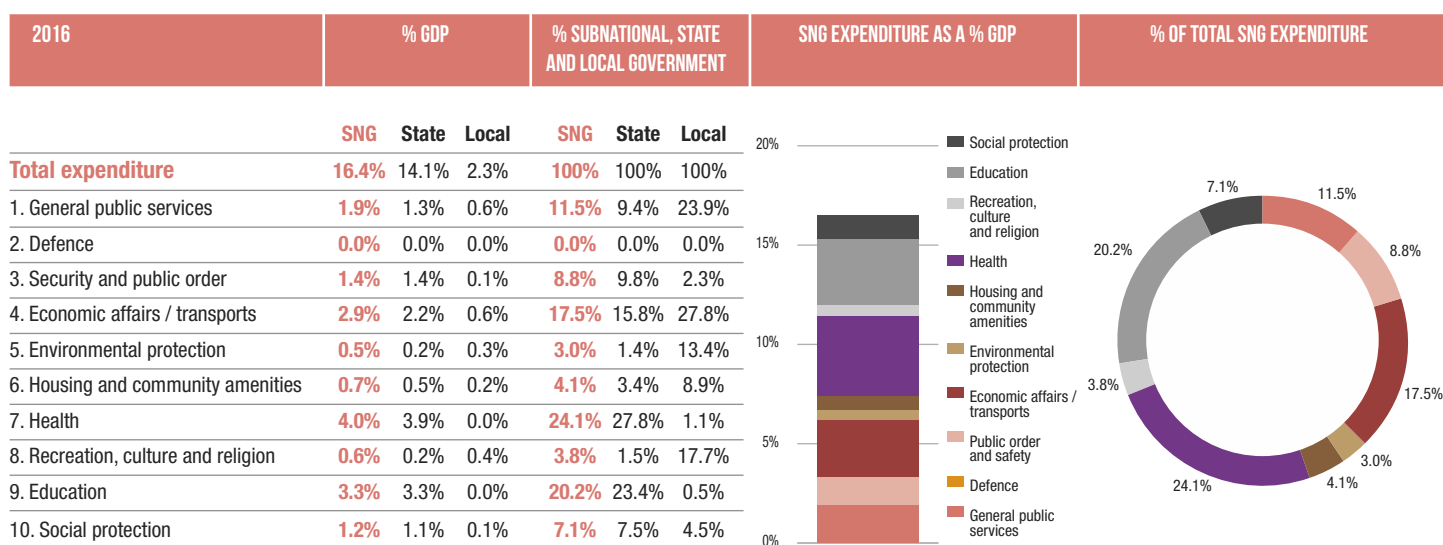
DIRECT INVESTMENT. SNGs play a key role in public investment in Australia and accounted for almost three-quarters of total public investment in 2016 (i.e. 2.1% of GDP). Subnational investment is funded primarily (64%) by state governments and to a lesser extent (36%) by local governments. Direct investment represented 13% of total SNG spending, but 9.5% of state expenditure vs 33% of local government expenditure, showing that one of the main functions of local governments is to invest in local infrastructures. Local investment accounted for 26% of total public investment (and 0.8% of GDP) vs 46% (and 1.3% of GDP) for the state level.

In 2016, the increase in SNG investment was primarily driven by the Commonwealth's fiscal stimulus packages to support state infrastructure projects, primarily transport infrastructures and reconstruction following natural disasters as well as local infrastructure projects. Several funding schemes have been implemented by the federal government to finance infrastructure investments, including since 2016, the new Building Better Regions Fund (BBRF), to support infrastructure and community initiatives in areas outside of major cities (replacing the National Stronger Regions Fund); the Community Development Grants

Programme to support needed infrastructure that promotes stable, secure and viable local and regional economies; and the Stronger Communities Programme (SCP). SCP provides grants to community organisations and local governments for small capital projects that deliver social benefits for local communities. As a result, capital grants represented 10% of total grants in 2016.

The Council of Australian Governments plays a crucial role for effective public investment at all levels of government in the country. It enabled the federal and subnational governments to endorse national guidelines on public-private partnerships, to agree to a national port strategy, and to conclude intergovernmental agreements on heavy vehicles, rail and maritime safety. The Council also receives regular reports from Infrastructure Australia, a statutory body established at the federal level to support nationwide infrastructure investment and to advise governments and other investment stakeholders. In particular, Infrastructure Australia works with states, territories, local governments, and the private sector on the basis of rigorous cost-benefit analysis to identify investment priorities and the policy and regulatory reforms necessary to enable timely and co-ordinated delivery of national infrastructure investment. It also advises Australian subnational governments on how to manage infrastructure gaps and bottlenecks that hinder economic growth.

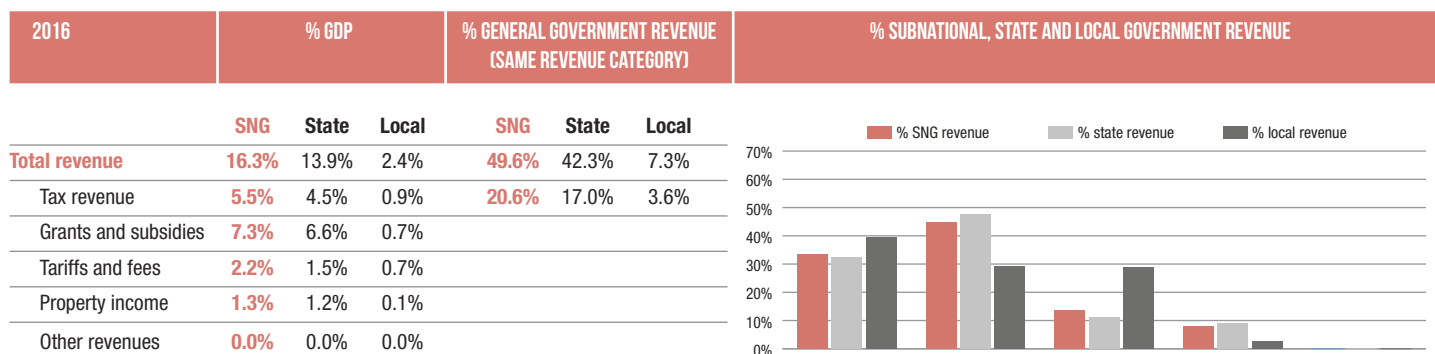
SUBNATIONAL GOVERNMENT EXPENDITURE BY FUNCTIONAL CLASSIFICATION – COFOG (OR OTHER CLASSIFICATION OR ESTIMATION)



Australian SNGs are below the OECD average regarding the share of subnational spending in most economic sectors, with the exception of the health sector. Therefore, health and education/research, which are the main responsibilities of state and territory governments, represent overall the two largest areas of subnational expenditure, and in particular of regional governments' expenditure (respectively 27.8% and 23.4% of state expenditures). In these two sectors, regional governments are in charge of approximately half of total public spending. Infrastructure, transport and planning is the third biggest spending area for SNGs (17.5%, a slight increase since 2013). Australian states and territories play a significant role also in security and public order and housing and community amenities (they are responsible for respectively 81.6% and 53% of total public spending).

Major expenditure items for local government include transport and communications, general public services and recreation, culture and religion. For the latter, local government areas are responsible for the majority of public spending (52%). They also play a key role in environmental protection and management of green areas, being responsible for 61% of SNG spending in this sector, amounting to 42% of total public spending.

SUBNATIONAL GOVERNMENT REVENUE BY CATEGORY



GENERAL DESCRIPTION. Australia's subnational finance system is characterised by a particularly high degree of vertical fiscal imbalance. Almost 45% of SNG revenues come from grants and subsidies, which is high by international comparisons: 37.2% in the OECD on average in 2016, especially when compared to the OECD average for federal countries (31.5%). By contrast, the share of taxes in SNG revenues is lower than in the OECD on average (44.6%) or in the OECD federations (47.5% on average in 2016). While the share of tariffs and fees is in line with the OECD average, that of property income is particularly high (8.1% vs 2.0% on average in the OECD), resulting from the importance of revenues from mining activities.

Vertical fiscal imbalance is particularly significant at state level, as the share of grants and subsidies reached almost 48% of their revenues in 2016 while

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that of taxes amounted to only 32%. At local level, the share of tax in local government revenues is significantly higher than at state level (almost 40%) while that of grants and subsidies is lower. Among local government areas, local councils located in rural and remote areas have fewer own-source resources than their urban counterparts, being less reliant on user charges, which constitute a significant share of local revenues on average. Overall local government areas raise up to 70% of revenues from taxes and other own-source revenues, state governments have limited tax and own-source revenues to finance their spending responsibilities, depending largely on grants and subsidies.

TAX REVENUE. SNG tax revenue in 2016 was lower in Australia than in the OECD on average (7.1% of GDP and 31.9% of public tax revenues, especially compared to the average of other OECD federations (8.8% of GDP, 42.4% of public tax revenue). The bulk of tax revenues are allocated to the state and territories' level which accounted for 83% of total SNG tax revenues in 2016 while local governments accounted for the remaining part (17%).

Except for the land property tax, there is no co-occupancy of tax bases between the centre and the states, unlike in other federations. Therefore, there are no shared taxes in Australia but only own-sources taxes.

Regional governments' tax revenues mostly comprise property-related taxes, i.e. around 42% of states' tax revenue, including the land property tax (32% of property tax revenues) and the tax on financial and capital transactions (68% of property tax revenue). The tax on immovable property accounted for 13.2% of state tax revenue and 4.3% of their revenue. States and territories also receive payroll taxes (29% of state tax revenues), vehicle-related taxation on registration and transfers (15%) and taxes on specific services (15%). States have the right to set their own tax rates and bases for the taxes they control. Thus far, only one jurisdiction, Australian Capital Territory, has embarked on a major reform that would leverage the land tax and reduce their reliance on inefficient taxes. The reform intends to increase land taxes, reduce transfer duties on conveyances and abolish insurance taxes.

There is only one tax for local government: the land property tax, which they share with the state and territory governments. It accounted for 39% of their revenues in 2016. Each piece of state or territory government legislation sets out a framework within which local governments can levy rates within its jurisdiction. In most cases, local governments have some discretion as to the rates they set. In the states of Victoria and New South Wales, council-proposed rates increases cannot exceed caps set by the state government. Revenue from property taxes accounted for approximately 39% of total local government revenue in 2016.

Overall, total SNG taxes on immovable property accounted for 28.3% of SNG tax, 9.5% of SNG revenue and 1.5% of GDP which is higher than in the OECD on average in 2016 (1.1%). Local governments accounted for 61% of recurrent property tax receipts and states for the remaining part (61%).

GRANTS AND SUBSIDIES. Grants and subsidies are the primary source of funding for SNGs on average (45%), but especially for states and territories. They represented around 48% of state revenues, compared to 29% of local revenues on average.

The system of intergovernmental transfers from the federal governments to states and territories was reviewed and amended in 2008 by the IGAFRR in order to be more flexible. It is based on two types of transfers: transfers for specific projects or sectors (National Specific Purpose Payments-SPPs), National Partnership Payments-NPPs); and transfers for "general revenue assistance", which mainly includes the Goods and Services Tax (GST), to be used by the states for any purpose. SPPs are allocated to the States based on population shares, and are earmarked for specific sectors or programmes agreed in partnership with the Commonwealth government.

The GST reallocation is also used for horizontal equalisation between states themselves. Indeed, even though the Australian Constitution does not refer to fiscal equalisation as such, the federal government considers that its mission is to ensure that all states have the same per capita fiscal capacity to provide services and the associated infrastructure to their residents. The equalisation system is based on asymmetric vertical grants composed of VAT transfers (i.e. Goods and Services Tax – GST) calculated on "per capita relativities". Allocation is made through the Commonwealth Grants Commission (CGC), an independent advisory body created in 1933. A 2017 report from the CGC states that despite achieving a high degree of equalisation, the system has the potential to discourage states from pursuing efficiency-enhancing reforms. The relevant GST legislation prescribes that neither the rate nor the base can be changed without unanimous agreement of federal and state Parliaments. Other transfers from the federal government to states and territories include a National Health Reform Fund, and National Partnership payments, as incentives for the delivery of specified outputs or projects, and to reward states and territories that deliver on nationally significant reforms. The framework and amount of the transfer from the Commonwealth, the states and territories is to be reviewed periodically, and at least every five years.

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 on a per capita basis, for distribution to local government via state grants commissions, based on local councils' revenue-raising capacity and expenditures. Framed by the Australian Government Local Government (Financial Assistance) Act 1995, FAGs amounted to approximately AUD 2.29 billion nationally in 2016 (compared to AUD 1.14bn in 2015), representing about 5% of total local government revenue on average, but they may make up half the revenue of some small and remote councils.

Other transfers to local governments include small earmarked grant programmes for infrastructure, capacity building, etc. SNG funding programmes primarily include funding for roads recovery, public transport and metro projects. Local government also receive grants and subsidies from states or territory governments. At the subnational level, there is no national horizontal fiscal equalisation system, but state-level schemes that may take the form of Disaster Resilience Funds, and funding to support indigenous councils and their communities. This issue is currently being debated, with some suggesting that the CGC should introduce a "national distribution" model, providing General Purpose grants directly from the Commonwealth to Local Governments (bypassing the States), based on their relative "need" rather than their state's population (horizontal equalisation).

OTHER REVENUES.

Tariffs and fees. The level of tariffs and fees in SNG revenues is close to the OECD average (14.9% in 2016), but there are large difference across levels of SNGs. Tariffs and fees accounted for almost 30% of local government revenues, which is particularly high, compared to 11% for the state level. At local level, these revenues come from user charges for council services ranging from water supply, sewerage services, garbage collection, to dog registration and council hall hire. This is a main source of revenue particularly for local governments in urban areas.

Property income. The share of property income in SNG revenue is particularly high in Australia, compared to the OECD. It is particular high for the state level (9% of their revenues, i.e. 1.2% of GDP) while it amounted to 2.7% of local government revenues. A large part of these revenues come from mining activities as all states but one collect royalties from the extraction of mineral and energy resources. 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). These revenues are very unevenly distributed among the states. Over AUD 44 billion in royalty revenue was redistributed between states for the ten years to 2016-17, of which 86% was redistributed away from the resource-rich state of Western Australia. Revenue from government-owned corporations are another source of revenue for states and territories, increasing for jurisdictions that have mandated increases in the dividends paid by the corporations.

Other property income include interest income, dividends from regional and local public corporations, and developer charges.

■ SUBNATIONAL GOVERNMENT FISCAL RULES AND DEBT

2016	DOLLARS PPP/INH.			% GDP			% GENERAL GOVERNMENT DEBT			% SNG DEBT			% SNG FINANCIAL DEBT		
	SNG	State	Local	SNG	State	Local	SNG	State	Local	SNG	State	Local	SNG	State	Local
Total outstanding debt	10 279	10 279		19.8%	19.8%		29.1%	29.1%		100%	100%	100%			
Financial debt*	4 427	4 427		8.5%	8.5%		22.6%	22.6%		43.1%	43.1%		100%	100%	100%

* Currency and deposits, loans and bonds

FISCAL RULES. The amendment of the Intergovernmental Agreement on Federal Financial Relations in 2008 aimed to enhance the transparency of public performance reporting, based on monitoring and assessment. The Australian Loan Council also operates on a voluntary basis and emphasises transparency of public sector financing. These arrangements are designed to enhance financial market scrutiny of public sector borrowing and facilitate informed judgments about each government's financial performance, even though the Local Council cannot provide direct sanctions on states and territories.

Fiscal rules for state and local governments vary from state to state, and tend to be self-imposed and non-binding. Typically, councils may be required to prepare and publish detailed corporate and management plans, quarterly reviews and annual reports, updated corporate plan and draft budgets. Performance indicators and comparative data for local councils are published annually.

DEBT. The Australian Loan Council (including the federal and state governments) was set up in 1929 to co-ordinate and monitor government borrowing on the basis of fiscal positions and infrastructure needs. Jurisdictions may be requested to make adjustments if borrowing plans are at odds with Council's macroeconomic objectives. The Australian states can borrow on their own account with no limits imposed by the central government. Financial markets and rating agencies act in this case as important discipline mechanisms. Nowadays, the Loan Council is primarily responsible for enhancing the transparency and accountability of public sector finances (including through comprehensive data reporting requirements), rather than, as it used to in the past, securing adherence to strict borrowing limits. The Commonwealth and each state government are required to submit their net financing requirements (so called, Loan Council Allocations) for the coming year.

Australian SNG debt as a share of GDP is lower than the OECD average (24.5% of GDP in 2016), especially when considering the OECD average for federal countries (31.3% of GDP). As a share of public debt, SNG debt in Australia is higher than the OECD average (20.7%) and slightly higher than the OECD average for federal countries (27.1%). SNG debt is mainly composed of state and territory 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 45% of total SNG outstanding debt, whereas SNG financial debt accounts for 43% and other accounts payable 12% (commercial debt, arrears). Financial debt is almost exclusively composed of loans (98%). Despite this low share of bonds in total outstanding debt, it is important to note that Australian states are very active on the capital markets. However, these actions are carried out by their corporations (e.g. New South Wales Treasury Corporation, Treasury Corporation of Victoria, Queensland Treasury Corporation, etc.), which issue debt for the states and in turn guarantee their debts.



Lead responsible: OECD
Last update: 02/ 2019

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Socio-economic indicators: OECD // World Bank // UNDP // UN DESA // ILO // Australian Bureau of Statistics.

Fiscal data: OECD National Accounts Statistics // OECD Revenue Statistics // OECD (2018) Subnational Government in OECD countries: key data (brochure and database) // IMF-GFS // Australian Bureau of Statistics // Australian Taxation Office.

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