

## General Government expenditure trends 2005-2010: EU countries compared

**In 2010, general government expenditure amounted to 50.3% of EU-27 GDP. More than half is devoted to social protection and health. The other functions of government spending mainly concern general public services, education and economic affairs.**

**This publication analyses the main trends related to general government expenditure, particularly looking at the purpose/function, i.e. the socio-economic objective of the government expenditure in question.**

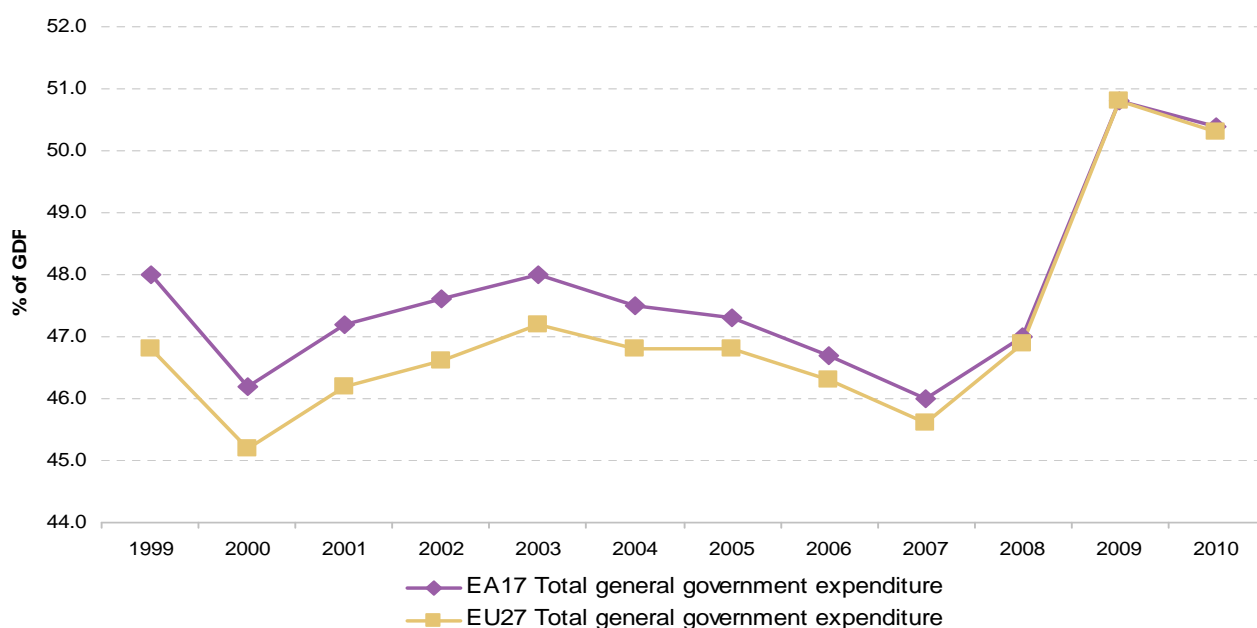
### 2010: general government expenditure still high

For the EU-27, general government expenditure, including central, state and local governments and social

security funds amounted to 6182 billion euro in 2010, or 50.3% of GDP.

2010 has seen only a slight reduction in public expenditure in absolute terms in the EU, following the substantial, post financial crisis, increase recorded between 2007 (45.6% of EU-27 GDP, the smallest proportion since 2002) and 2009 (50.8%, the highest amount reported in the last 10 years). Government spending relative to GDP progressively decreased in the EU-27 between 2003 and 2007, followed by a rise in 2008 and a more emphatic increase in 2009. The trend is very similar for the euro area, differences with the EU-27 curve becoming progressively narrower. The expenditure ratio to GDP observed in the last three years is almost identical between the euro area and EU as a whole.

**Figure 1: General Government expenditure in the EU as a percentage of GDP (1999-2010)**



Source: Eurostat (online data code : [gov\\_a\\_main](#))

For most of the countries, total government expenditure as a % of GDP reached its highest level of the last six years either in 2009 or in 2010, following a progressive decrease of the ratio since 2005 (in fact, the drop had generally started in 2003 and even before in some countries, including most of those that joined the EU-27 in 2004). It is only in Malta and Switzerland that the most recent figures did not catch up with the levels recorded in 2005.

Government expenditure in terms of GDP slightly decreased in a majority of countries between 2009 and 2010, although the cut was more substantial in Bulgaria, Estonia and Lithuania (-3.0, -5.2 and -2.7 percentage point respectively). In a few countries (France, Austria and Slovenia), no change was recorded between the two years whereas the rise continued in Cyprus, Poland, Portugal, Romania and above all in Ireland (see below).

The Member States with the lowest levels of government expenditure as a proportion of GDP in 2010

were Bulgaria, Estonia and Romania (close to or below 40%). The highest levels (53% of GDP or more) were found in Belgium, Austria, Sweden, Denmark, France and Finland.

Government expenditure reached 67% of GDP in Ireland in 2010, whereas it was among the countries with the lowest levels until 2008. This jump is largely explained by specific government support to banks during the financial crisis, in the form of capital injections. This type of support is classified as government expenditure in certain conditions.

The consequences of the economic and financial crisis and the related need for public intervention are the main factors behind the upward trend between 2008 and 2009, and its remaining high level in 2010, as the breakdown of expenditure by functions confirms. The main contributors to the increase in expenditures were social protection and health.

**Table 1: Total general government expenditure by country, 2005-2010 (% of GDP and millions of euro and in 2010)**

|      | Expenditure in % of GDP |      |      |      |      |      | Expenditure in millions of euro |
|------|-------------------------|------|------|------|------|------|---------------------------------|
|      | 2005                    | 2006 | 2007 | 2008 | 2009 | 2010 | 2010                            |
| EU27 | 46.8                    | 46.3 | 45.6 | 46.9 | 50.8 | 50.3 | 6181643                         |
| EA17 | 47.3                    | 46.7 | 46.0 | 47.0 | 50.8 | 50.4 | 4641819                         |
| BE   | 52.2                    | 48.7 | 48.4 | 50.1 | 54.1 | 53.1 | 187041                          |
| BG   | 39.7                    | 34.4 | 39.7 | 37.6 | 40.7 | 37.7 | 13577                           |
| CZ   | 45.0                    | 43.7 | 42.5 | 42.9 | 45.9 | 45.2 | 65594                           |
| DK   | 52.8                    | 51.6 | 50.8 | 51.9 | 58.4 | 58.2 | 136490                          |
| DE   | 46.8                    | 45.3 | 43.6 | 43.8 | 47.5 | 46.6 | 1164100                         |
| EE   | 33.6                    | 33.6 | 34.4 | 39.9 | 45.2 | 40.0 | 5794                            |
| IE   | 34.0                    | 34.5 | 36.7 | 42.8 | 48.2 | 67.0 | 103196                          |
| EL   | 44.0                    | 45.2 | 46.6 | 49.7 | 52.9 | 49.5 | 113887                          |
| ES   | 38.4                    | 38.4 | 39.2 | 41.3 | 45.8 | 45.0 | 477773                          |
| FR   | 53.6                    | 53.0 | 52.4 | 52.9 | 56.2 | 56.2 | 1094489                         |
| IT   | 48.2                    | 48.7 | 47.9 | 48.8 | 51.8 | 50.3 | 782470                          |
| CY   | 42.9                    | 42.6 | 41.2 | 41.7 | 45.8 | 46.6 | 8139                            |
| LV   | 35.6                    | 38.2 | 35.8 | 38.8 | 44.2 | 42.9 | 7702                            |
| LT   | 33.3                    | 33.6 | 34.8 | 37.4 | 44.0 | 41.3 | 11311                           |

Source: Eurostat (online data code: [gov\\_a\\_main](#))

|    | Expenditure in % of GDP |      |      |      |      |      | Expenditure in millions of euro |
|----|-------------------------|------|------|------|------|------|---------------------------------|
|    | 2005                    | 2006 | 2007 | 2008 | 2009 | 2010 | 2010                            |
| LU | 41.5                    | 38.6 | 36.2 | 36.9 | 42.2 | 41.2 | 17156                           |
| HU | 50.2                    | 52.0 | 50.0 | 48.8 | 50.5 | 48.9 | 48091                           |
| MT | 44.6                    | 44.3 | 42.6 | 43.5 | 43.2 | 42.3 | 2642                            |
| NL | 44.8                    | 45.5 | 45.3 | 46.0 | 51.4 | 51.2 | 302948                          |
| AT | 50.3                    | 49.5 | 49.0 | 49.3 | 53.0 | 53.0 | 150401                          |
| PL | 43.4                    | 43.9 | 42.2 | 43.2 | 44.5 | 45.7 | 161935                          |
| PT | 45.8                    | 44.5 | 44.4 | 44.7 | 49.8 | 50.7 | 87493                           |
| RO | 33.6                    | 35.5 | 36.3 | 38.3 | 40.6 | 40.8 | 49727                           |
| SI | 45.3                    | 44.6 | 42.5 | 44.1 | 49.0 | 49.0 | 17663                           |
| SK | 38.0                    | 36.6 | 34.3 | 35.0 | 41.5 | 41.0 | 27021                           |
| FI | 50.2                    | 49.0 | 47.2 | 49.3 | 56.3 | 55.1 | 99339                           |
| SE | 53.9                    | 52.7 | 51.0 | 51.7 | 55.2 | 53.0 | 183564                          |
| UK | 44.1                    | 44.2 | 44.0 | 47.4 | 51.4 | 50.9 | 862103                          |
| IS | 42.2                    | 41.6 | 42.3 | 57.8 | 50.9 | 50.0 | 4759                            |
| NO | 42.1                    | 40.5 | 41.1 | 40.6 | 46.3 | 45.9 | 143717                          |
| CH | 35.3                    | 33.5 | 32.3 | 32.2 | 33.7 | :    | :                               |

## Functional expenditure of general government

In the framework of the European System of National and Regional Accounts (ESA 95), Eurostat collects data on government expenditure by function according to the international Classification of the Functions of Government (COFOG).

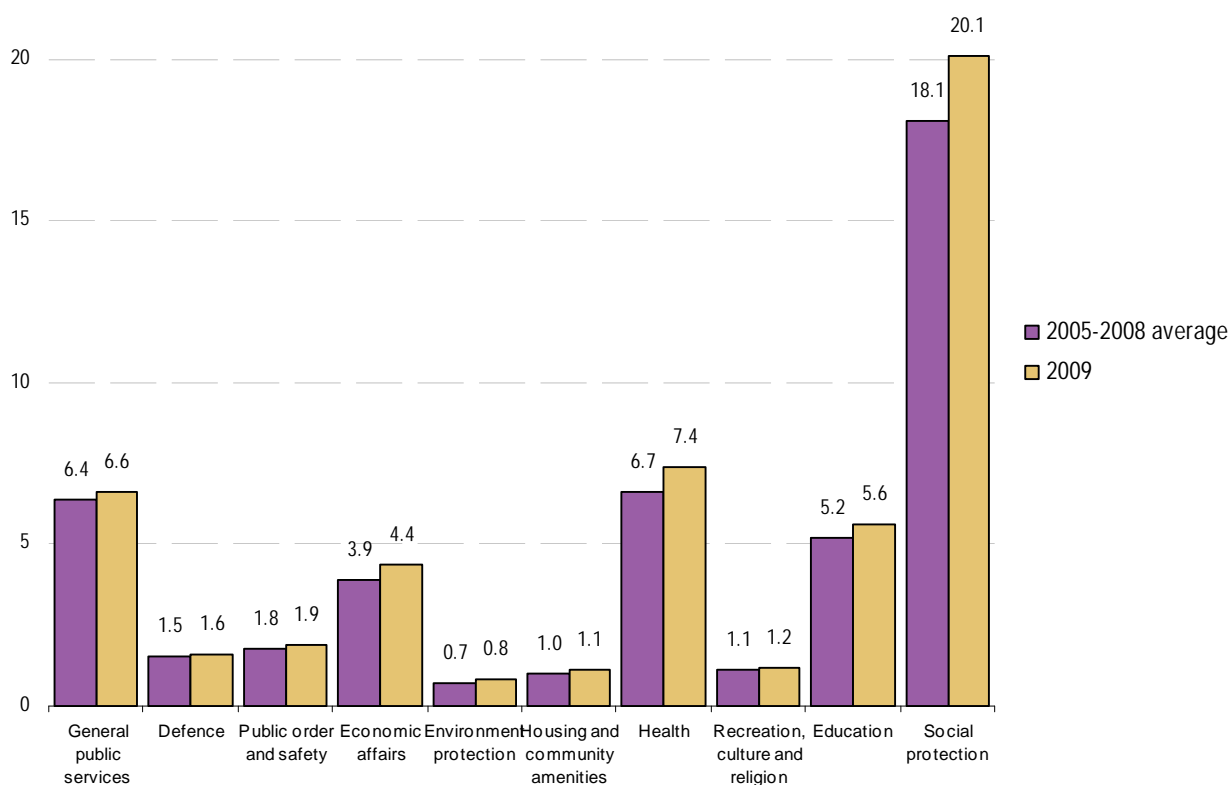
In the EU as a whole, as well as in all individual Member states, social protection is the most important function of government expenditure. In 2009 (the latest year for which data on public expenditure by economic function is available), social protection spending by government in the EU-27 was equivalent to 20.1% of

GDP, whereas it was between 17.7% and 18.5% in 2005-2008, reflecting social interventions in response to the recession.

The next most important functions in terms of government expenditure are health and general public services amounting to 7.4% and 6.6% respectively of GDP in the EU-27. Education (5.6% of GDP) and

economic affairs (4.4% of GDP) follow. The remaining functions - composed of defence, public order and safety, environmental protection, housing and culture - represented 6.6% of EU-27 GDP in 2009.

**Figure 2: General Government expenditure by main function in the EU-27 as a percentage of GDP (2005-2008 average and 2009)**



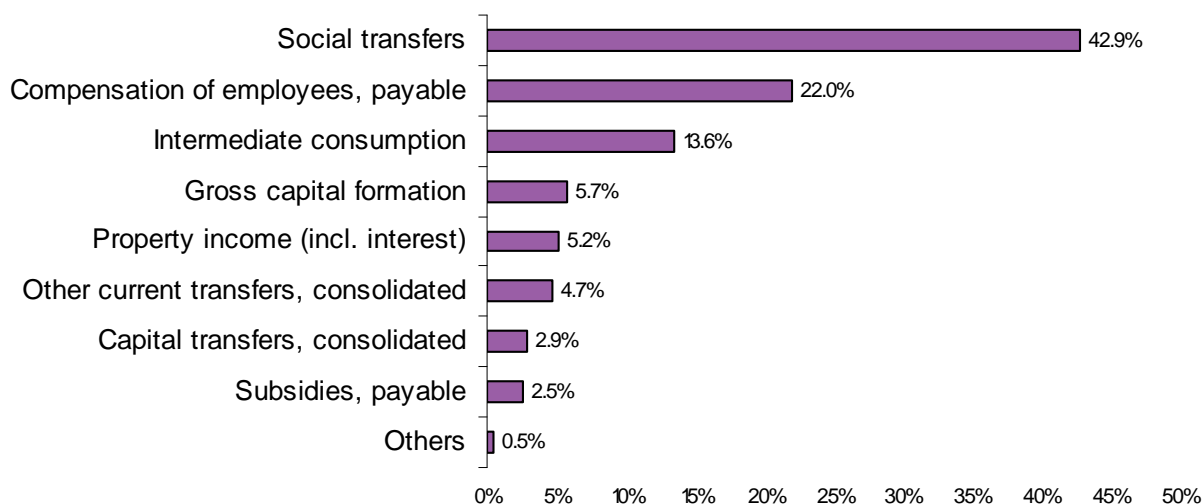
Source: Eurostat (online data code: [gov\\_a\\_exp](#))

In ESA 95, total general government expenditure is also defined by reference to a list of economic categories: intermediate consumption, gross capital formation, compensation of employees, other taxes on production, subsidies, payable property income, current taxes on income, wealth, social benefits, social transfers, other current transfers, adjustments, capital transfers, and transactions on non-produced assets.

In terms of the economic category of the expenditure, the largest proportion (42.9% of the EU-27 total in

2009) concerned the redistribution of income in the form of social transfers in cash or in kind (see figure 3). The next largest category was compensation for employees (22.1%), while 13.5% related to intermediate consumption. Interest on borrowing and rent paid by government accounted for 5.2% of the total, while public investment spending (gross capital formation) represented 5.7% of government expenditure. The remainder was for other current transfers (4.6%), capital transfers (2.9%) and other components such as subsidies and taxes paid (3.0%).

**Figure 3: Composition of total general government expenditure by economic category in 2009 in the EU-27**



Source: Eurostat (online data code: [gov\\_a\\_exp](#))

## Coverage of social risks – more than half of total government expenditure

When adding together government expenditure on social protection and that related to health, they account for 54% of total government spending of EU-27.

Social protection is by far the most important item of government expenditure, equal to 20.1% of EU GDP in 2009. This includes spending on sickness and disability, old age, family and children, unemployment, housing in the form of benefits in kind, and social exclusion.

The highest spending on social protection is found in Denmark (25.4%), Finland (23.9%), France (23.5%) and Sweden (23.0%). At the other end of the scale are Slovakia (12.2%) and Cyprus (10.9%).

At the level of EU-27, social protection increased in volume every year from 2043 billion euro in 2005 to reach 2365 billion euro in 2009 (+15.8%). This rise even reached 85% or higher in Bulgaria, Romania and in the

three Baltic states. On the other hand, public spending on social protection decreased in Sweden and in the UK since 2007 (also in Iceland between 2007 and 2008).

As a percentage of GDP, social protection remained relatively stable between 2005 and 2008. However, it significantly increased by 2.0 percentage points at EU level in 2009 compared to 2008, notably in the three Baltic States (+4 percentage points or more) and also in Denmark and Finland, +3 and +3.5 percentage points respectively. In countries for which detailed data is available, the rise in social protection spending is particularly noticeable in the COFOG 'old age' group (which is close to or higher than 10% of GDP in eleven Member States). Public expenditure on 'unemployment' and in 'family and children' have also substantially increased between 2008 and 2009.

**Table 2: Total general government expenditure on social protection by country, 2005-2009 (% of GDP and millions of euro in 2009)**

|      | Expenditure in % of GDP |      |      |      |      | Expenditure in millions of euro |    | Expenditure in % of GDP |      |      |      |      | Expenditure in millions of euro |
|------|-------------------------|------|------|------|------|---------------------------------|----|-------------------------|------|------|------|------|---------------------------------|
|      | 2005                    | 2006 | 2007 | 2008 | 2009 | 2009                            |    | 2005                    | 2006 | 2007 | 2008 | 2009 | 2009                            |
| EU27 | 18.5                    | 18.1 | 17.7 | 18.1 | 20.1 | 2365467.3                       | LU | 17.4                    | 16.4 | 15.3 | 15.5 | 18.0 | 6833.4                          |
| EA17 | 19.1                    | 18.7 | 18.4 | 18.7 | 20.6 | 1843931.2                       | HU | 17.0                    | 17.6 | 17.4 | 17.7 | 18.3 | 16996.6                         |
| BE   | 17.9                    | 17.6 | 17.2 | 17.9 | 19.5 | 66264.6                         | MT | 14.0                    | 14.1 | 14.1 | 13.9 | 14.8 | 866.8                           |
| BG   | 11.0                    | 10.9 | 10.7 | 11.2 | 13.6 | 4761.1                          | NL | 16.5                    | 16.2 | 15.9 | 16.2 | 18.1 | 103651.0                        |
| CZ   | 12.8                    | 12.7 | 12.9 | 12.9 | 14.0 | 19233.1                         | AT | 20.7                    | 20.3 | 19.9 | 19.9 | 21.8 | 59813.8                         |
| DK   | 23.2                    | 22.5 | 22.0 | 22.4 | 25.4 | 56543.2                         | PL | 17.0                    | 16.9 | 15.6 | 15.6 | 16.5 | 51105.9                         |
| DE   | 21.9                    | 21.0 | 19.9 | 19.7 | 21.6 | 518730.0                        | PT | 15.2                    | 15.5 | 15.3 | 15.7 | 17.4 | 29259.1                         |
| EE   | 9.8                     | 9.4  | 9.5  | 11.7 | 15.7 | 2174.2                          | RO | 10.4                    | 10.4 | 10.6 | 11.8 | 14.2 | 16709.0                         |
| IE   | 10.8                    | 11.0 | 11.7 | 13.7 | 16.5 | 26388.4                         | SI | 16.8                    | 16.4 | 15.5 | 15.8 | 17.9 | 6339.3                          |
| EL   | 15.8                    | 16.0 | 16.5 | 17.9 | 19.5 | 45915.0                         | SK | 13.2                    | 12.3 | 10.6 | 10.1 | 12.2 | 7719.6                          |
| ES   | 12.9                    | 12.9 | 13.0 | 14.0 | 16.1 | 169917.0                        | FI | 21.1                    | 20.5 | 19.8 | 20.4 | 23.9 | 40918.0                         |
| FR   | 21.8                    | 21.8 | 21.6 | 21.9 | 23.5 | 447757.0                        | SE | 23.0                    | 22.2 | 21.1 | 21.1 | 23.0 | 66802.3                         |
| IT   | 18.1                    | 18.1 | 18.2 | 18.8 | 20.4 | 309532.0                        | UK | 15.8                    | 15.3 | 15.3 | 15.9 | 18.0 | 282345.6                        |
| CY   | 10.6                    | 10.3 | 9.5  | 9.7  | 10.9 | 1852.0                          | IS | 9.1                     | 8.3  | 8.5  | 8.9  | 11.3 | 980.5                           |
| LV   | 9.8                     | 9.5  | 8.4  | 9.5  | 14.0 | 2600.0                          | NO | 16.4                    | 15.5 | 15.7 | 15.5 | 17.9 | 48868.1                         |
| LT   | 9.9                     | 9.9  | 10.9 | 12.4 | 16.7 | 4439.2                          | CH | :                       | :    | 12.9 | 12.7 | 13.8 | 49092.7                         |

Source: Eurostat (online data code: [gov\\_a\\_exp](#))

Health is also a significant item of government spending, including expenditure on services provided to individual persons (e.g. medical and pharmaceutical products or equipment intended for consumption or use outside a health institution, outpatient and public health services), and services provided on a collective basis (e.g. administration and operation of government agencies involved in applied research and experimental development related to health).

In 2009, health became the second largest function of government spending. After having remained stable

at around 6.6% of GDP between 2005 and 2008, it went up to 7.4% of EU GDP in 2009.

Government health spending ranges from less than 5% of GDP in Cyprus, Bulgaria, Romania and Latvia to 8.9% in Ireland and 8.8% in Denmark.

Although the share of health has increased since 2007 in almost all countries, it is still below 2005 levels relative to GDP in Bulgaria, Hungary and Malta. On the other hand, substantial increases have been reported in Ireland and in the Netherlands (+2.2 and +2.4 percentage points respectively).

**Table 3: Total general government expenditure on health by country, 2005-2009 (% of GDP and millions of euro in 2009)**

|      | Expenditure in % of GDP |      |      |      |      | Expenditure in millions of euro |
|------|-------------------------|------|------|------|------|---------------------------------|
|      | 2005                    | 2006 | 2007 | 2008 | 2009 | 2009                            |
| EU27 | 6.6                     | 6.7  | 6.6  | 6.8  | 7.4  | 875107.8                        |
| EA17 | 6.6                     | 6.7  | 6.6  | 6.8  | 7.4  | 660776.8                        |
| BE   | 7.1                     | 6.9  | 6.9  | 7.4  | 8.0  | 27226.2                         |
| BG   | 5.4                     | 4.0  | 4.1  | 4.5  | 4.4  | 1523.8                          |
| CZ   | 7.2                     | 7.2  | 7.1  | 7.2  | 8.0  | 10956.0                         |
| DK   | 7.2                     | 7.3  | 7.5  | 7.8  | 8.8  | 19584.8                         |
| DE   | 6.2                     | 6.2  | 6.1  | 6.3  | 6.9  | 164780.0                        |
| EE   | 4.1                     | 4.2  | 4.4  | 5.2  | 5.6  | 775.4                           |
| IE   | 6.7                     | 6.7  | 7.0  | 7.8  | 8.9  | 14148.6                         |
| EL   | 4.9                     | 5.3  | 5.4  | 5.6  | 6.0  | 14124.0                         |
| ES   | 5.7                     | 5.7  | 5.7  | 6.1  | 6.7  | 71134.0                         |
| FR   | 7.9                     | 7.8  | 7.8  | 7.9  | 8.4  | 157831.0                        |
| IT   | 6.9                     | 7.0  | 6.8  | 7.1  | 7.5  | 113588.0                        |
| CY   | 3.1                     | 3.1  | 2.9  | 3.0  | 3.3  | 551.3                           |
| LV   | 4.3                     | 4.9  | 4.3  | 4.6  | 4.7  | 877.6                           |
| LT   | 4.9                     | 4.6  | 4.6  | 5.0  | 5.6  | 1471.2                          |

|    | Expenditure in % of GDP |      |      |      |      | Expenditure in millions of euro |
|----|-------------------------|------|------|------|------|---------------------------------|
|    | 2005                    | 2006 | 2007 | 2008 | 2009 | 2009                            |
| LU | 5.2                     | 4.6  | 4.4  | 4.4  | 5.0  | 1917.3                          |
| HU | 5.6                     | 5.6  | 4.9  | 4.9  | 5.0  | 4666.6                          |
| MT | 6.4                     | 6.4  | 5.8  | 5.3  | 5.5  | 324.1                           |
| NL | 4.4                     | 5.8  | 5.9  | 5.9  | 6.8  | 38952.0                         |
| AT | 7.4                     | 7.5  | 7.6  | 7.7  | 8.2  | 22521.6                         |
| PL | 4.4                     | 4.6  | 4.5  | 5.1  | 5.1  | 15934.7                         |
| PT | 7.2                     | 6.7  | 6.6  | 6.3  | 7.1  | 11915.8                         |
| RO | 3.4                     | 3.3  | 3.7  | 3.8  | 4.4  | 5123.8                          |
| SI | 6.3                     | 6.3  | 5.9  | 6.1  | 6.9  | 2420.9                          |
| SK | 4.8                     | 5.8  | 6.4  | 6.9  | 7.8  | 4898.8                          |
| FI | 6.9                     | 6.9  | 6.6  | 7.0  | 8.0  | 13668.0                         |
| SE | 6.7                     | 6.6  | 6.6  | 6.9  | 7.4  | 21608.9                         |
| UK | 6.9                     | 7.1  | 7.1  | 7.5  | 8.5  | 132583.6                        |
| IS | 8.1                     | 7.9  | 7.9  | 7.9  | 8.4  | 723.4                           |
| NO | 7.3                     | 6.9  | 7.1  | 6.9  | 7.9  | 20987.8                         |
| CH | :                       | :    | 1.8  | 1.8  | 1.9  | 6697.9                          |

Source: Eurostat (online data code: [gov\\_a\\_exp](#))

## 'Traditional' collective functions: 10% of GDP

By traditional collective functions is meant the grouping of three COFOG divisions: general public services, defence, and public order and safety. These functions are often considered as the main state prerogatives.

The division 'general public services' includes expenses related to executive and legislative organs, financial and fiscal affairs, external affairs, foreign economic aid, basic research and expenses related to debt. The function 'defence' is both military and civil defence, as well as foreign military aid, while the public order and safety function covers police and fire services, law courts and prisons.

Spending on these traditional functions amounted to 1193 billion euro (10.1% of EU-27 GDP) in 2009, only a slight increase compared to previous years. Within this group, 'general public services' is the most important with 6.6% of EU-27 GDP.

'Defence' and 'public order and safety' have fairly similar shares, 1.6% and 1.9% of GDP respectively in EU27, which both remained quite stable over the last five years.

Among countries, expenditure on traditional functions is relatively homogeneous within the EU: most of the countries have figures between 8% and 12% of GDP. It is essentially Luxembourg and Ireland at the lower end (5.6% and 6.3% of GDP respectively) and Cyprus and Greece at the top end (both 16.2% of GDP) that diverge from the global picture. For the latter two, it is explained by a relative higher share of spending in general public services (compared to the EU average), combined with a relative high share of expenditure in the defence function in the case of Greece (3.6% of GDP versus 1.6% at the EU-27 level).

**Table 4: Total general government expenditure on traditional collective functions by country, 2005-2009 (% of GDP and millions of euro in 2009)**

|      | Expenditure in % of GDP |      |      |      |      | Expenditure in millions of euro |
|------|-------------------------|------|------|------|------|---------------------------------|
|      | 2005                    | 2006 | 2007 | 2008 | 2009 | 2009                            |
| EU27 | 9.9                     | 9.6  | 9.6  | 9.7  | 10.1 | 1193446.50                      |
| EA17 | 10.0                    | 9.6  | 9.6  | 9.7  | 10.2 | 916879.8                        |
| BE   | 11.9                    | 11.2 | 11.3 | 11.4 | 12.2 | 41050.3                         |
| BG   | 12.0                    | 9.0  | 12.6 | 9.0  | 10.9 | 3837.7                          |
| CZ   | 9.2                     | 7.8  | 7.6  | 7.7  | 8.0  | 10961.8                         |
| DK   | 9.2                     | 9.2  | 9.1  | 9.4  | 10.2 | 22707.2                         |
| DE   | 8.8                     | 8.7  | 8.5  | 8.6  | 9.0  | 214530.0                        |
| EE   | 6.3                     | 6.5  | 6.5  | 7.3  | 8.3  | 1157.3                          |
| IE   | 5.0                     | 4.7  | 5.0  | 5.8  | 6.3  | 10070.2                         |
| EL   | 13.5                    | 13.4 | 14.1 | 14.5 | 16.2 | 38111.0                         |
| ES   | 7.6                     | 7.4  | 7.4  | 7.7  | 8.3  | 88090.0                         |
| FR   | 10.5                    | 10.1 | 10.0 | 10.2 | 10.5 | 198197.0                        |
| IT   | 12.3                    | 11.9 | 11.9 | 12.2 | 12.3 | 185748.0                        |
| CY   | 14.5                    | 14.4 | 14.5 | 14.1 | 16.2 | 2737.4                          |
| LV   | 7.3                     | 8.4  | 8.1  | 7.7  | 7.8  | 1438.2                          |
| LT   | 7.4                     | 7.5  | 7.6  | 7.2  | 7.6  | 2030.7                          |

|    | Expenditure in % of GDP |      |      |      |      | Expenditure in millions of euro |
|----|-------------------------|------|------|------|------|---------------------------------|
|    | 2005                    | 2006 | 2007 | 2008 | 2009 | 2009                            |
| LU | 5.7                     | 5.1  | 4.9  | 5.1  | 5.6  | 2129                            |
| HU | 12.9                    | 13.3 | 12.8 | 12.1 | 13.1 | 12180.2                         |
| MT | 9.3                     | 9.1  | 8.5  | 8.8  | 9.6  | 563                             |
| NL | 10.7                    | 10.5 | 10.4 | 10.5 | 11.2 | 64021                           |
| AT | 9.4                     | 9.4  | 9.1  | 8.9  | 9.3  | 25370                           |
| PL | 9                       | 8.9  | 8.8  | 8.7  | 8.8  | 27050.1                         |
| PT | 10                      | 9.7  | 9.9  | 10   | 10.5 | 17825.7                         |
| RO | 8.4                     | 8    | 8.4  | 8.4  | 8.1  | 9463.6                          |
| SI | 8.8                     | 8.7  | 8.4  | 8.1  | 9    | 3184.6                          |
| SK | 9.7                     | 8.5  | 7.2  | 7.2  | 9.5  | 5979.4                          |
| FI | 9.7                     | 9.3  | 8.8  | 9.4  | 10.6 | 18116                           |
| SE | 10.6                    | 10.7 | 10.3 | 10.4 | 10.4 | 30310.7                         |
| UK | 9.5                     | 9.5  | 9.4  | 9.6  | 10   | 156586.3                        |
| IS | 6.5                     | 6.3  | 7.2  | 8.1  | 11.8 | 1029.8                          |
| NO | 6.6                     | 6.8  | 6.9  | 6.9  | 7.7  | 20673.3                         |
| CH | :                       | :    | 6.5  | 6.6  | 6.4  | 22947.4                         |

Source: Eurostat (online data code: [gov\\_a\\_exp](#))

As regards the breakdown of expenditure by economic category or transaction, the picture is quite different between these three functions. For defence and public order and safety, the main part is principally concentrated in two economic transactions: compensation of employees (48.9% of the total EU-27 spending on defence and 68.2% for public order and safety) and intermediate consumption (42.7% and 23.1% respectively) – which is partly explained for the defence function by the fact that in the current system of

accounts, military weapons of destruction are considered as intermediate consumption goods.

These two transactions are also significant in the total expenditure for general public services (22.7% for compensation of employees and 14.7% for intermediate consumption); however, property income and other current transfers are more important, accounting for 39.0% and 16.1% respectively of total spending on this function.

## Government expenditure on economic affairs

The category 'economic affairs' covers support programmes, subsidies and public infrastructure spending in the mining, manufacturing, agricultural, energy, construction, transport, communication and other service industries.

There is sometimes considerable variation over time in the amounts recorded by countries under this function, as they may be influenced by operations of an extraordinary nature, such as reclassification of public

companies into the general government sector, sale of UMTS (mobile phone) licences or capital injections into public corporations for instance.

Government expenditure on economic affairs was equal to 4.4% of EU GDP in 2009, marking a progressive rise since 2007. The highest amounts were recorded in the Czech Republic, Ireland and Latvia, with 7.6%, 7.4% and 7.3% of GDP respectively. By contrast, expenditure in both France and Denmark was 3.1% of GDP.

**Table 5: Total general government expenditure on economic affairs by country, 2005-2009 (% of GDP and millions of euro in 2009)**

|      | Expenditure in % of GDP |      |      |      |      | Expenditure in millions of euro |
|------|-------------------------|------|------|------|------|---------------------------------|
|      | 2005                    | 2006 | 2007 | 2008 | 2009 | 2009                            |
| EU27 | 3.8                     | 3.8  | 3.7  | 4.2  | 4.4  | 518812.4                        |
| EA17 | 3.9                     | 3.9  | 3.8  | 3.9  | 4.3  | 386601.4                        |
| BE   | 7.1                     | 4.9  | 5.0  | 5.4  | 5.9  | 20150.7                         |
| BG   | 4.6                     | 4.2  | 5.2  | 5.7  | 4.0  | 1413.6                          |
| CZ   | 6.9                     | 7.1  | 6.9  | 7.2  | 7.6  | 10356.2                         |
| DK   | 3.1                     | 3.0  | 2.9  | 2.7  | 3.1  | 6917.6                          |
| DE   | 3.5                     | 3.2  | 3.1  | 3.3  | 3.6  | 86780.0                         |
| EE   | 4.0                     | 4.6  | 4.6  | 4.8  | 5.1  | 706.6                           |
| IE   | 3.8                     | 4.1  | 4.2  | 5.9  | 7.4  | 11742.7                         |
| EL   | 4.6                     | 5.0  | 5.0  | 5.6  | 5.3  | 12387.0                         |
| ES   | 4.8                     | 4.8  | 5.1  | 5.2  | 5.6  | 59247.0                         |
| FR   | 3.0                     | 2.9  | 2.9  | 2.9  | 3.1  | 59125.0                         |
| IT   | 3.7                     | 4.8  | 4.0  | 3.8  | 4.4  | 67089.0                         |
| CY   | 4.3                     | 4.2  | 3.6  | 3.5  | 3.5  | 595.8                           |
| LV   | 5.3                     | 5.5  | 5.2  | 6.5  | 7.3  | 1356.2                          |
| LT   | 3.9                     | 4.2  | 4.2  | 4.7  | 4.0  | 1049.1                          |

Source: Eurostat (online data code: [gov\\_a\\_exp](#))

Total expenditure for EU-27 in the economic affairs function is split between gross capital formation (22.4% of the total), subsidies (20.2%), capital transfers

|    | Expenditure in % of GDP |      |      |      |      | Expenditure in millions of euro |
|----|-------------------------|------|------|------|------|---------------------------------|
|    | 2005                    | 2006 | 2007 | 2008 | 2009 | 2009                            |
| LU | 4.4                     | 4.7  | 4.0  | 4.2  | 4.8  | 1833.4                          |
| HU | 5.6                     | 6.3  | 6.4  | 5.7  | 5.5  | 5132.3                          |
| MT | 6.3                     | 6.1  | 5.9  | 7.3  | 5.0  | 293.6                           |
| NL | 4.7                     | 4.7  | 4.8  | 4.9  | 5.8  | 32897.0                         |
| AT | 4.9                     | 4.9  | 4.6  | 4.9  | 5.0  | 13579.0                         |
| PL | 3.9                     | 4.5  | 4.7  | 4.9  | 5.3  | 16587.9                         |
| PT | 4.2                     | 3.6  | 3.5  | 2.8  | 3.9  | 6507.2                          |
| RO | 5.3                     | 6.9  | 6.7  | 6.8  | 6.8  | 7955.2                          |
| SI | 3.9                     | 4.1  | 4.1  | 4.7  | 5.0  | 1753.3                          |
| SK | 3.8                     | 3.9  | 4.1  | 5.0  | 5.2  | 3261.0                          |
| FI | 4.7                     | 4.7  | 4.4  | 4.7  | 5.1  | 8653.0                          |
| SE | 4.3                     | 4.1  | 4.0  | 4.2  | 4.7  | 13679.7                         |
| UK | 2.9                     | 3.0  | 2.9  | 4.8  | 4.3  | 67763.3                         |
| IS | 5.8                     | 5.9  | 5.8  | 19.4 | 6.0  | 522.7                           |
| NO | 3.9                     | 3.6  | 3.7  | 3.8  | 4.5  | 11910.3                         |
| CH | :                       | :    | 4.0  | 4.1  | 4.2  | 14779.8                         |

(18.7%), intermediate consumption (17.2%) and compensation of employees (12.0%), and other transactions (9.5%).



## Government expenditure on culture and education

Functions relating to 'recreation, culture and religion' and 'education' recorded a relatively substantial increase in 2009, reaching 6.8% of EU-27 GDP compared to 6.3-6.4% previously.

It is essentially the function 'education' embracing the various levels of formal education (from pre-primary to tertiary education) as well as education not definable by level, which explains this rise. At the level of EU-27, government expenditure on education increased in relative terms, moving from 5.2-5.3% of GDP during the period 2005-2008, to reach 5.6% of GDP in 2009.

However, in absolute terms, there is almost no change between 2008 and 2009 and several countries even had a decrease in education spending.

In 2009, government spending on education as % of GDP was the highest in Iceland (8.6%), Denmark (8.0%), Sweden (7.3%), Cyprus (7.1%), and Estonia (7.0%). The lowest percentages were found in Romania (4.1%), Slovakia (4.3%), Germany and Bulgaria (both 4.4%), and Greece (4.5%).

Iceland is also the country with the largest proportion of government expenditure in the 'recreation, culture and religion' function (3.7% of GDP in 2009). Within the EU, Estonia is the only Member States for which this share exceeds 2%.

**Table 6: Total general government expenditure on recreation, culture and education by country, 2005-2009 (% of GDP and millions of euro in 2009)**

|      | Expenditure in % of GDP |      |      |      |      | Expenditure in millions of euro |
|------|-------------------------|------|------|------|------|---------------------------------|
|      | 2005                    | 2006 | 2007 | 2008 | 2009 | 2009                            |
| EU27 | 6.4                     | 6.3  | 6.3  | 6.3  | 6.8  | 797880.3                        |
| EA17 | 6.0                     | 6.0  | 5.9  | 6.0  | 6.5  | 576056.3                        |
| BE   | 7.2                     | 7.1  | 7.0  | 7.2  | 7.6  | 26031.4                         |
| BG   | 5.2                     | 4.4  | 4.5  | 5.0  | 5.2  | 1807.2                          |
| CZ   | 6.0                     | 6.2  | 6.0  | 5.9  | 6.5  | 8835.8                          |
| DK   | 8.9                     | 8.6  | 8.3  | 8.6  | 9.7  | 21704.5                         |
| DE   | 4.8                     | 4.7  | 4.6  | 4.7  | 5.1  | 120500.0                        |
| EE   | 8.3                     | 8.1  | 7.9  | 9.0  | 9.3  | 1293.1                          |
| IE   | 5.2                     | 5.3  | 5.5  | 6.3  | 6.5  | 10294.4                         |
| EL   | 4.3                     | 4.6  | 4.5  | 4.7  | 5.1  | 12018.0                         |
| ES   | 5.7                     | 5.8  | 6.0  | 6.3  | 6.8  | 71390.0                         |
| FR   | 7.6                     | 7.5  | 7.4  | 7.4  | 7.9  | 149210.0                        |
| IT   | 5.6                     | 5.4  | 5.4  | 5.3  | 5.7  | 86293.0                         |
| CY   | 7.7                     | 7.7  | 7.7  | 8.0  | 8.4  | 1416.5                          |
| LV   | 6.8                     | 7.6  | 7.6  | 8.4  | 8.3  | 1551.7                          |
| LT   | 6.4                     | 6.4  | 6.2  | 6.9  | 8.0  | 2135.0                          |
| LU   | 7                       | 6.1  | 6    | 6.1  | 6.9  | 2611.8                          |
| HU   | 7.5                     | 7.4  | 6.8  | 6.6  | 6.7  | 6213.7                          |
| MT   | 6.3                     | 6.3  | 6    | 5.9  | 6.1  | 357.5                           |
| NL   | 6.5                     | 6.5  | 6.5  | 6.6  | 7.5  | 42780.0                         |
| AT   | 6.8                     | 6.2  | 6.3  | 6.3  | 6.9  | 18822.5                         |
| PL   | 7.1                     | 7.1  | 6.8  | 7    | 6.9  | 21444.7                         |
| PT   | 8.1                     | 7.7  | 7.1  | 7.4  | 7.8  | 13175.0                         |
| RO   | 4.3                     | 5.1  | 5    | 5.7  | 5.2  | 6085.7                          |
| SI   | 7.9                     | 7.7  | 7.1  | 7.7  | 8.5  | 3011.8                          |
| SK   | 5                       | 4.8  | 4.6  | 4.4  | 5.4  | 3404.2                          |
| FI   | 7.3                     | 7.1  | 6.8  | 7    | 7.8  | 13447.0                         |
| SE   | 8                       | 8    | 7.8  | 7.9  | 8.5  | 24685.8                         |
| UK   | 7.3                     | 7.1  | 7.2  | 7.5  | 8.1  | 127359.9                        |
| IS   | 11.6                    | 11.9 | 11.9 | 12.1 | 12.3 | 1063.0                          |
| NO   | 6.8                     | 6.4  | 6.5  | 6.4  | 7.6  | 20210.4                         |
| CH   | :                       | :    | 6.2  | 6.3  | 6.6  | 23414.7                         |

Source: Eurostat (online data code: [gov\\_a\\_exp](#))

## Government expenditure on environmental protection and housing

Government spending on 'environmental protection' and 'housing and community amenities' together amounted to 1.9% of EU-27 GDP in 2009, showing a slight increase in relative terms compared to previous years.

These functions include on the one hand waste management, pollution abatement, protection of biodiversity and landscape, and on the other hand, all outlays relating to housing development, community development, water supply and street lighting.

Of the ten COFOG first-level functions, these two divisions are often the least significant from the point of view of government expenditure in countries.

Cyprus, Ireland and France recorded the largest values under these functions combined (3.5%, 3.4% and 3.0% respectively of GDP) in 2009, followed by Bulgaria and the UK (both 2.6% of GDP). The lowest percentages were found in Switzerland, Belgium and Finland (less than 1% of GDP).

**Table 7: Total general government expenditure on environmental protection, housing and community amenities, 2005-2009 (% of GDP and millions of euro in 2009)**

|      | Expenditure in % of GDP |      |      |      |      | Expenditure in millions of euro |
|------|-------------------------|------|------|------|------|---------------------------------|
|      | 2005                    | 2006 | 2007 | 2008 | 2009 | 2009                            |
| EU27 | 1.8                     | 1.7  | 1.7  | 1.7  | 1.9  | 231634.3                        |
| EA17 | 1.8                     | 1.7  | 1.7  | 1.7  | 1.9  | 171343.9                        |
| BE   | 1.1                     | 1.0  | 1.0  | 1.0  | 0.9  | 3165.7                          |
| BG   | 1.4                     | 1.8  | 2.7  | 2.2  | 2.6  | 892.1                           |
| CZ   | 2.8                     | 2.8  | 2.1  | 2.1  | 1.9  | 2655.9                          |
| DK   | 1.2                     | 1.0  | 1.1  | 1.0  | 1.1  | 2468.1                          |
| DE   | 1.5                     | 1.4  | 1.2  | 1.1  | 1.4  | 33390.0                         |
| EE   | 1.1                     | 0.8  | 1.5  | 1.7  | 1.1  | 153.7                           |
| IE   | 2.4                     | 2.6  | 3.3  | 3.2  | 3.4  | 5421.0                          |
| EL   | 0.9                     | 0.9  | 0.9  | 0.9  | 1.1  | 2426.0                          |
| ES   | 1.8                     | 1.7  | 1.8  | 2.0  | 2.2  | 22872.0                         |
| FR   | 2.6                     | 2.8  | 2.8  | 2.7  | 3.0  | 55627.0                         |
| IT   | 1.6                     | 1.5  | 1.5  | 1.6  | 1.7  | 26701.0                         |
| CY   | 2.8                     | 2.8  | 3.1  | 3.2  | 3.5  | 601.0                           |
| LV   | 2.0                     | 2.2  | 2.2  | 2.2  | 2.0  | 362.8                           |
| LT   | 0.9                     | 1.1  | 1.2  | 1.3  | 1.7  | 442.8                           |

|    | Expenditure in % of GDP |      |      |      |      | Expenditure in millions of euro |
|----|-------------------------|------|------|------|------|---------------------------------|
|    | 2005                    | 2006 | 2007 | 2008 | 2009 | 2009                            |
| LU | 1.8                     | 1.6  | 1.5  | 1.6  | 1.9  | 719.8                           |
| HU | 1.5                     | 1.8  | 1.7  | 1.8  | 1.9  | 1712.5                          |
| MT | 2.2                     | 2.3  | 2.2  | 2.3  | 2.1  | 120.4                           |
| NL | 2                       | 1.8  | 1.8  | 1.8  | 2    | 11413.0                         |
| AT | 1.1                     | 1.1  | 1.1  | 1    | 1.2  | 3419.7                          |
| PL | 2.1                     | 1.9  | 1.8  | 1.8  | 1.9  | 5722.6                          |
| PT | 1.2                     | 1.4  | 1.3  | 1.4  | 1.3  | 2272.2                          |
| RO | 1.9                     | 1.9  | 1.9  | 1.8  | 2    | 2334.7                          |
| SI | 1.3                     | 1.4  | 1.4  | 1.7  | 1.8  | 636.1                           |
| SK | 1.5                     | 1.4  | 1.4  | 1.3  | 1.5  | 907.3                           |
| FI | 0.6                     | 0.6  | 0.6  | 0.7  | 0.9  | 1498.0                          |
| SE | 1.2                     | 1.1  | 1.1  | 1.1  | 1.2  | 3365.3                          |
| UK | 1.7                     | 2    | 2.1  | 2.1  | 2.6  | 40333.8                         |
| IS | 1.1                     | 1.3  | 1.1  | 1.2  | 1.2  | 101.4                           |
| NO | 1.2                     | 1.2  | 1.2  | 1.2  | 1.4  | 3713.7                          |
| CH | :                       | :    | 0.8  | 0.7  | 0.7  | 2682.8                          |

Source: Eurostat (online data code: [gov\\_a\\_exp](#))

## ➤ ESSENTIAL INFORMATION – METHODOLOGICAL NOTES

### General government

Expenditure presented in this Statistics in focus refer to the ESA 95 definition of the general government sector. This includes central government, state government – when relevant, local government and social security funds.

### Classification of functional expenditure of government

The Classification of the Functions of Government (COFOG) is one of the four classifications of expenditure according to purpose (functional classifications) used in national accounts. COFOG classifies government expenditure into ten main categories (Divisions – seen as broad objectives of government and known as the 'COFOG I level' breakdown): general public services; defence; public order and safety; economic affairs; environmental protection; housing and community affairs; health; recreation, culture and religion; education; social protection.

These divisions are further broken down into 'groups' (COFOG II level). The following headings and sub-headings of COFOG are treated as expenditures on individual consumption services (except R&D and 'not elsewhere classified' categories): Education, Health, Social protection, recreational and sporting services and cultural services. The remaining functions represent collective final consumption expenditure.

### Reporting of data to Eurostat

The European Commission (Eurostat) receives detailed information on the general government sector and its sub-sectors (central government, state government – when relevant, local government and social security funds) in the framework of the European System of Accounts (ESA 95) transmission programme.

According to [Regulation 1392/2007](#) on the ESA95 transmission programme, Member States are requested to transmit, among other tables, table 1100, 'Expenditure of general government by function'. The legal requirement for transmission of data by EU Member States is twelve months after the end of the reference period.

Table 1100 provides information about expenditure of the general government sector divided into main COFOG functions and ESA95 categories. The transmission of COFOG I level breakdown is compulsory for the years 1995 onwards, whereas information on the more detailed COFOG II level is provided on a voluntary basis.

2010 figures for expenditure were extracted from ESA table 0200, 'Main aggregates of general government', which is transmitted at t+3 and t+9 months.

Total government expenditure provided in both table 0200 and table 1100 should be the same, except for differences resulting from the deadline of reporting.

At the time of extraction, Table 1100 data for Greece were still to be considered as provisional.

### Government expenditure

As they are compiled under the ESA95 framework, COFOG data on government expenditure follow the methodological guidelines set out in ESA95 and the conventions adopted by national accountants.

The breakdown of government expenditure by economic category is (ESA95 classification and codes):

P.2: Intermediate consumption

P.5: Gross capital formation

D.1: Compensation of employees, payable

D.3: Subsidies, payable

D.4: Property income paid (including interest)

D.60: Social benefits other than social transfers in kind, payable and social transfers in kind related to expenditure on products supplied to households via market producers

D.7: Other current transfers payable

D.9: Capital transfers payable

Other expenditure principally covers: Other taxes on production +Current taxes on income, wealth, etc. +adjustment for the change in net equity of households in pension funds reserves (D.29\_D.5\_D.8) and acquisitions less disposals of non-financial non-produced assets (K2)

### Consolidation

General government data reported in ESA tables 0200 and 1100 must be consolidated, meaning that specific transactions between institutional units within the general government sector – D.4, D.7 and D.9 – are eliminated. For sub-sector data, consolidation should be made within each sub-sector but not between sub-sectors. The data at sector level should equal the sub-sector data, except items D.4, D.7 and D.9 for which consolidation between sub-sectors should be made.

### Data comparability issues

For various reasons, caution is needed when comparing COFOG data: For instance:

- The size and the borderline of the general government sector and the extent to which infrastructure projects are financed by the private sector may be very different between countries
- Large exceptional transactions in a country can have a significant impact on data for a particular function in a particular year
- Different methods are used to split expenditure of an institutional unit between its functions where the data source does not provide sufficient information.

Further information on the methodology is available in the Eurostat ['Manual on sources and methods for the compilation of COFOG Statistics'](#).

### Further data

Data used in this report is collected from Member States by the European Commission. Further data can be found in Eurostat's online database under the theme Economy and finance (online data code: [gov\\_a\\_exp](#)).

## Further information

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Eurostat Website: <http://ec.europa.eu/eurostat>

Data on 'Government finance statistics'

[http://epp.eurostat.ec.europa.eu/portal/page/portal/government\\_finance\\_statistics/data/database](http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/data/database)

Select 'Annual government finance statistics'

Further information about 'Government finance statistics'

[http://epp.eurostat.ec.europa.eu/portal/page/portal/government\\_finance\\_statistics/introduction](http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/introduction)

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