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# Scoreboard of European public spending

An aggregated approach  
to clarify the organisation  
of public finance in the EU (2012)

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## INTRODUCTION

## The multi-level governance of public finance in the European Union

The negotiations on the European Union “Financial Framework” (hereinafter EU) for 2014-2020 provide the opportunity to look at desirable changes in the Community budget. These changes have a dual perspective: they are about “better overall spending” and deepening European integration, in compliance with the political organisation of the Union. The first is made vital by the common undertaking of the EU countries to consolidate their budget with the aim of controlling public deficits; the second historically follows from the increased “communautarisation” of the Union’s financing and public policies.

### ➤ What is the “aggregated” approach?

The « aggregated » measurement of European public expenditure<sup>1</sup> proposed by this Scoreboard, the updated version of the one released in June 2009, provides an overview of the financing committed by the Union to the two levels of governance: National and Community. Its added value is therefore one of offering a statistical overview of the expenditure made by the National public authorities (central governments, federal State governments, local governments and social security administrations) and of Community executed expenditure, considered overall as constituting a whole, so as to thereby enable its structure to be analysed.

In this Scoreboard, the aggregated approach specifically allows:

- ✓ To evaluate the overall level of public expenditure and the main priorities in the EU (by public policy objective and/or by sector of intervention);
- ✓ To identify the fields of intervention that have essentially become those of the Community and those that remain exclusively National prerogatives,
- ✓ To highlight those fields where powers are shared between the Community level and the National level, with the majority of expenditure financed at the Community level quite often being accompanied by fairly significant National public expenditure;
- ✓ To envisage changes in the distribution of powers between the National and Community levels in order to optimise the allocation of some expenditure.

Finally, even though National expenditure continues to represent the overwhelming majority of the expenditure made in the EU (98% in this case), the aggregated approach allows international comparisons to be made. Despite the precautions that are necessary when comparing dissimilar political entities and the need to keep matters in proportion, the structure and organisation of European public expenditure can be compared with that of other

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<sup>1</sup> In this study, the term “European” refers both to the Community level and the National level, in other words the EU overall made up of the National and Community power (and not only the EU as the expression of the Community authority).

confederal or federal entities<sup>2</sup>. In this regard, the United States and Canada are held as being two “models”, but they are also relatively different in terms of the allocation of budgetary powers and the degree of autonomy at the decentralised level. These elements of comparison enable a reflection on the possible options for optimising the allocation of public spending in the EU. Within the framework and needs of the analysis, the comparisons are often made “excluding expenditure on social protection and health”. Indeed the importance of this expenditure in European national budgets has a tendency to “crush” other expenditure items proposed for the comparison, with this methodological approach being explained below.

➤ **An exercise constrained by the institutional framework and the statistical data**

The need to use the Community framework of public finance expressed by the Financial Framework, has broadly determined the Scoreboard presentation choices. However, the 2007-2013<sup>3</sup> Financial Framework was adapted to include all National public finance.

Finally, the framework used (CAS framework) combines the headings by objective from the Community Financial Framework (objectives 1a, 1b, 2, 3, 4 and 5) and disaggregates these objectives by sector of intervention (R&D, energy, transport...). These sectors correspond to expenditure categories used in National budgets (see table below). It is this combined framework that forms the basis of the aggregated approach.

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<sup>2</sup> A “fiscal federation” can be defined as a specific public finance organisation characterised by the coexistence of different levels of budgetary authority that share powers. In this system, the lower authority levels enjoy a certain degree of autonomy and are linked by financial transfers determined at the higher level of the budgetary authority.

<sup>3</sup> Officially, adopted on 17 May, 2006 in the inter-institutional agreement on budgetary discipline and good financial management and appearing in the OJ of the EU no. C 139 dated 14 June 2006.



Financial framework 2007-2013	CAS framework
<b>1. Sustainable growth</b>	<b>1. Sustainable growth</b>
<b>1a. Competitiveness for growth and employment</b>	<b>1a. Competitiveness for growth and employment</b> Technological research and development Energy Transport Communication Education and training Competitiveness and innovation
<b>1b. Cohesion for growth and employment</b>	<b>1b. Cohesion for growth and employment</b> Regional cohesion Housing Management of social changes - Social protection Health
<b>2. Conservation and management of natural resources</b>	<b>2. Conservation and management of natural resources</b> Agriculture Fishing Rural développement Environment
<b>3. Citizenship, freedom, security and justice</b>	<b>3. Freedom, security and justice, citizenship and culture</b>
3a. Freedom, security and justice	Freedom, security and justice
3b. Citizenship	Citizenship and culture
<b>4. The EU as a global partner</b>	<b>4. External relations</b> External aid Defence External relations (excluding defence and external aid)
<b>5. Administration</b>	<b>5. Administration</b> Functioning spending Servicing the public debt

The status of the available data also largely determined the exercise. Consequently, the data used are taken from 2009, the last available year at the Community level for *executed* expenditure, in other words actuals. Moreover, the field of international or inter-state comparisons has been limited when the data relating to expenditure committed to such and such a sector were not available. Finally, where accurate financial data were not available, arbitration was carried out allowing approximations which is reported wherever necessary.

Community data come from *OJEU* L68 of 15 March 2011<sup>4</sup> which indicates expenditure carried out within the "general budget of the European Union", and which presents the European Community budget we refer to below as "Community" budget, for each fiscal year. As far as National data are concerned, this comes from the OECD and Eurostat. Data for the United States, Canada and Japan are taken either from domestic sources or from the OECD. The methodological appendix specifies the source of all data used.

Notwithstanding these constraints on the exercise, the Scoreboard provides "orders of magnitude" highlighting on the one hand, from an overall perspective, the nature and level of European public expenditure (Part 1) and on the other hand, the allocation of expenditure between the two levels, National and Community (Part 2).

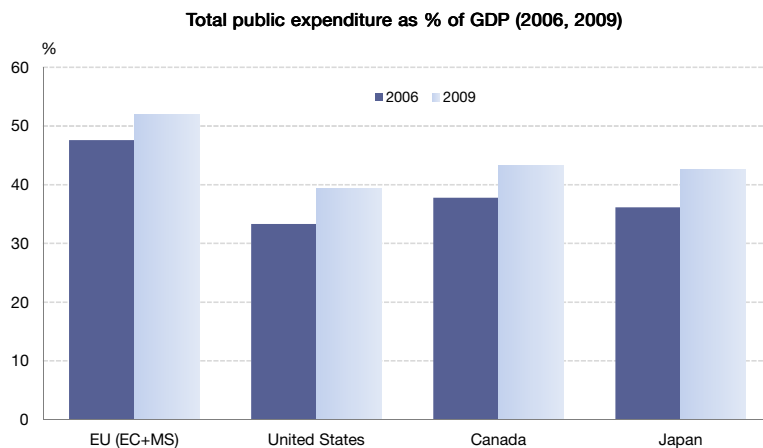
<sup>4</sup>The data concerning the Community budget actually executed is available eighteen months after the end of the year in question (consequently, expenditure executed in 2009 is only available in March 2011).



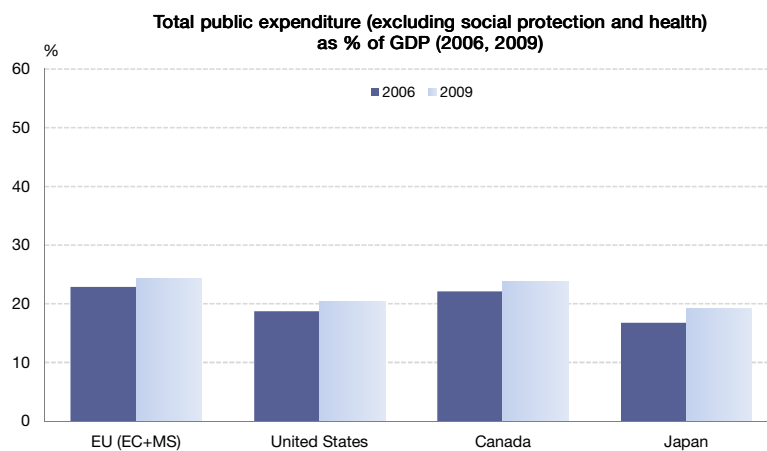
## Level and nature of total public expenditure

### 1.1. Very high European public expenditure despite heavy disparities between Member States

Over the 2006-2009 period, total public expenditure grew for each of the countries (see table below). This change can be explained to a large extent by the increase in expenditure on social protection and health, the expenditure excluding social protection and health remaining fairly stable over time. In 2009, European public expenditure (98% of which is made at the National level) nevertheless remains the highest, with more than 50% of the EU's GDP, still far behind the United States (40 % of GDP), Japan (42 % of GDP) or even Canada (43 % of GDP).



Sources: OECD, Eurostat, OJ EU L71 2008 and L68 2011, BEA (USA), Canada Statistics, CAS calculations



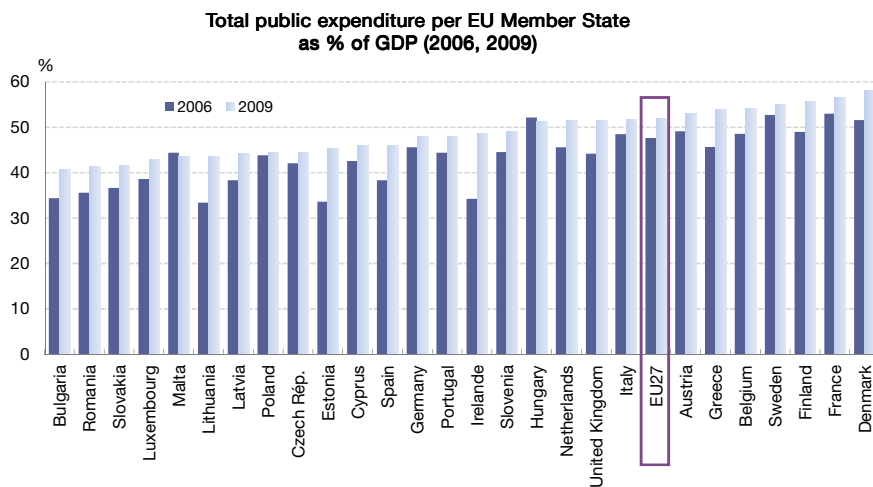
Sources: OECD, Eurostat, OJ EU L71 2008 and L68 2011, BEA (USA), Canada Statistics, CAS calculations

## Change in total public expenditure in GDP points (2006-2009)

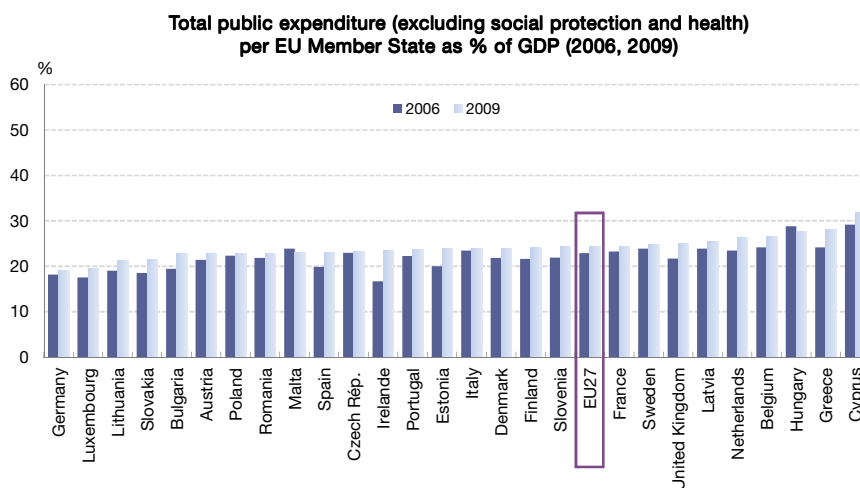
	Total	Excluding social protection and health	Social protection and health
UE (MS + EC)	4.3	1.4	2.9
United States	6.0	1.7	4.3
Canada	5.5	1.7	3.8
Japan	6.4	2.5	3.9

*Sources: Eurostat, OECD, OJ EU L68 2011, BEA (USA), Canada Statistics, CAS calculations*

➤ Within the EU 27, a comparison between Member States in 2009 reveals significant disparities between the majority of the CEEC<sup>5</sup> (whose level of public expenditure never exceeds 45% of their GDP) and the Nordic countries such as France, which on the contrary has a level of public expenditure higher than 55 % of their GDP. A gap of 17 points separates the least interventionist country, Bulgaria (with a rate of 41% of GDP) from the country whose public intervention is the highest, Denmark (58 % of GDP). This gap was 20 points in 2006 (33% of GDP for Lithuania and 53 % for France). This significant heterogeneity is somewhat slightly mitigated, however, 13 points of GDP in 2009 and 2006, once the adjusted level of public expenditure on social protection expenditure and health, and the ranking between countries is thereby significant changed.



Sources: Eurostat, CAS calculations



Sources: Eurostat, CAS calculations

<sup>5</sup> CEEC (Central and Eastern European Countries): Bulgaria, Estonia, Hungary, Latvia, Lithuania, Poland, Czech Republic, Romania, Slovakia, Slovenia.

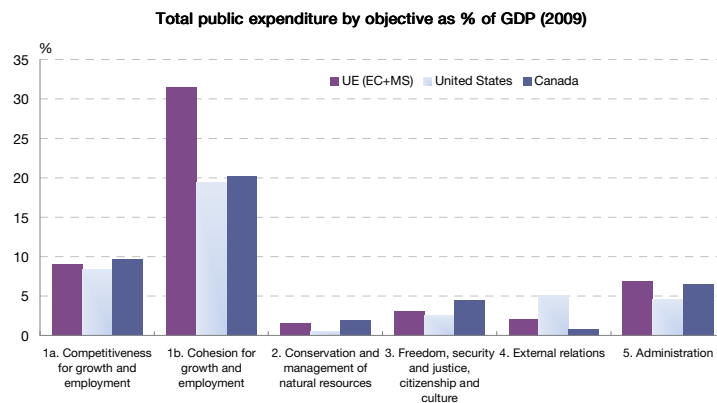
## 1.2. European public expenditure mainly in favour of growth and competitiveness

### Methodological framework - The concept of “objective” in public expenditure

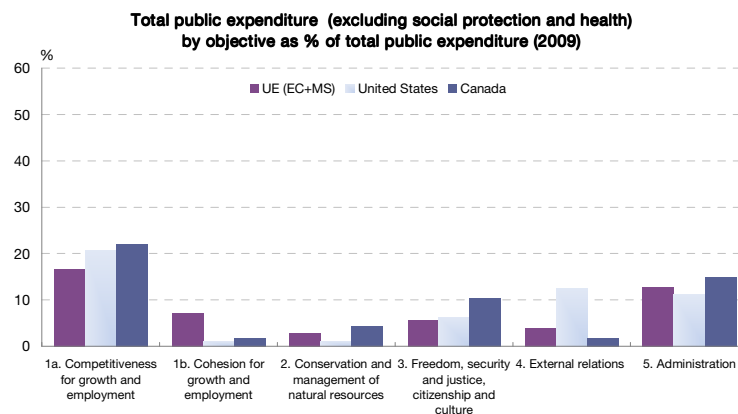
Public expenditure is presented here by “objectives as defined in the 2007-2013 Financial Framework which distinguishes six strategic priorities:

- 1a – Competitiveness for growth and employment (R&D, energy, transport, communication, education and training, competitiveness and innovation),
- 1b – Cohesion for growth and employment (regional cohesion, housing, social protection, health),
- 2 – Conservation and management of natural resources (agriculture, fishing, rural development, environment),
- 3 – Freedom, security and justice on the one side; Citizenship and culture on the other side,
- 4 – External relations (defence, external aid, other),
- 5 – Administration (functioning spending, debt servicing).

➤ The hierarchy of total public expenditure is identical in the EU to that of the United States and Canada for the first items. **Cohesion and competition for growth and employment** are in 1st and 2nd position respectively (owing to the weight of education expenditure) and **administration**, in 3rd (2nd excluding social protection and health). Beyond this, the order of priorities diverges with the EU particularly standing out owing to the importance given to cohesion for growth and employment (although this specificity fades if social protection and health are excluded).

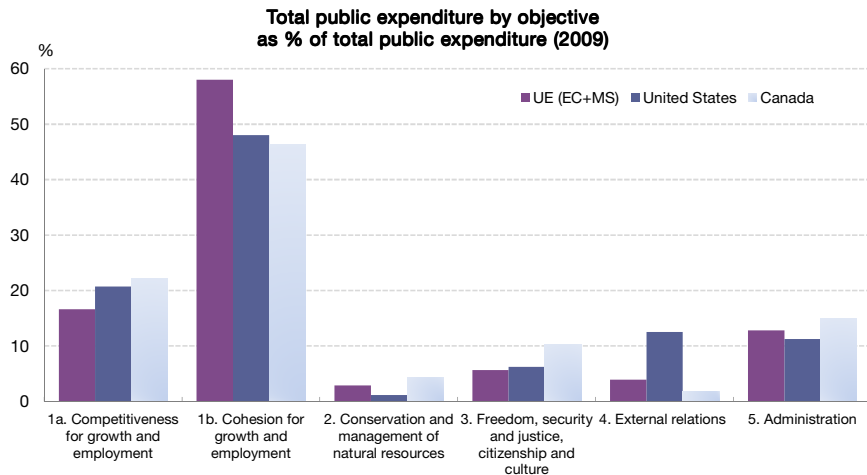


Sources: OECD, Eurostat, OJ EU L68 2011, BEA (USA), Canada Statistics, CAS calculations

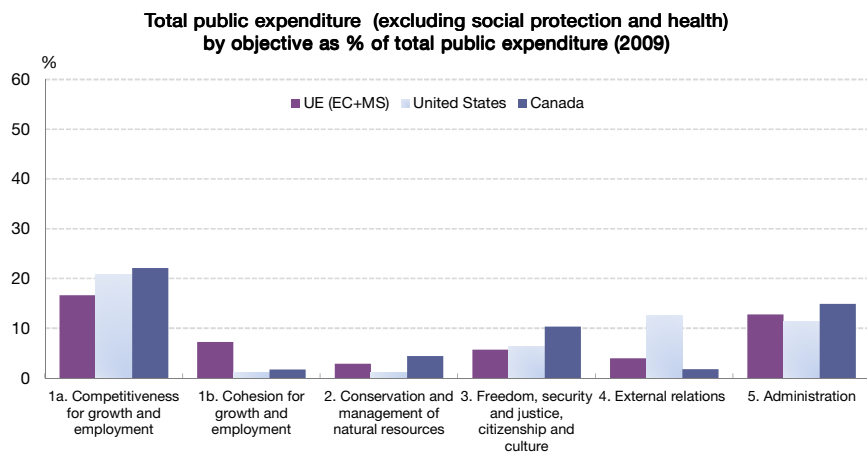


Sources: OECD, Eurostat, OJ EU L68 2011, BEA (USA), Canada Statistics, CAS calculations

➤ Even if the order of priorities seems relatively convergent between the EU, the United States and Canada, their weighting in overall public expenditure varies considerably from one to another. Whereas **cohesion for growth and employment** represents almost 60% of overall public expenditure in the EU, it only represents 50% in the United States and Canada. Conversely, **external relations** amounts for 12.5 % of total public expenditure in the United States compared to less than 5% in the EU and Canada.



Sources: OECD, Eurostat, OJ EU L68 2011, BEA (USA), Canada Statistics, CAS calculations

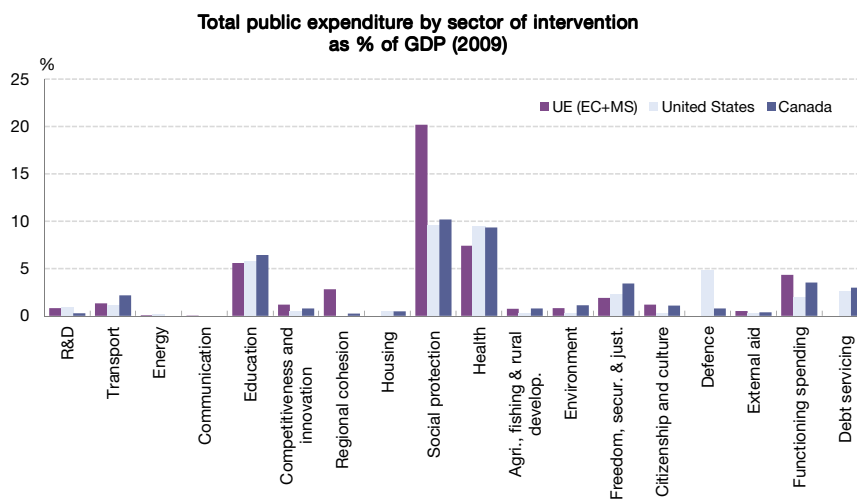


Sources: OECD, Eurostat, OJ EU L68 2011, BEA (USA), Canada Statistics, CAS calculations

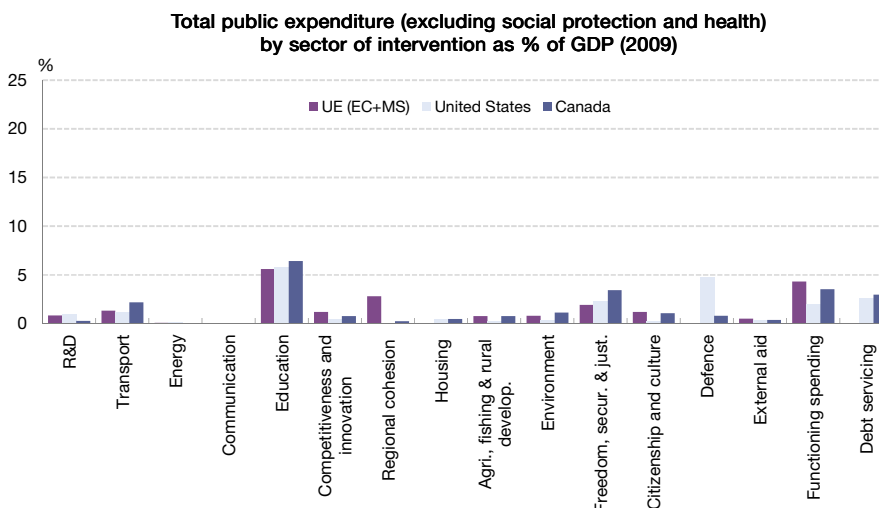
### 1.3. Social protection, health and education: priority sectors of intervention

To reach each of the “objectives” of the Community Financial Framework, public policies of different kinds are put in place at the National level in certain “sectors of intervention”.

➤ More than half of total public expenditure is used to finance social protection, health and education, both in the EU (National and Community spending), as well as in the United States or in Canada. Conversely, the resources attributed to State functions (defence, freedom, security and justice) seem much more unequal, with expenditure in the United States being almost three times higher than that of the EU and twice that of Canada. This heterogeneity is less marked for the other sectors (notably R&D, transport, housing, external aid...)<sup>6</sup>.



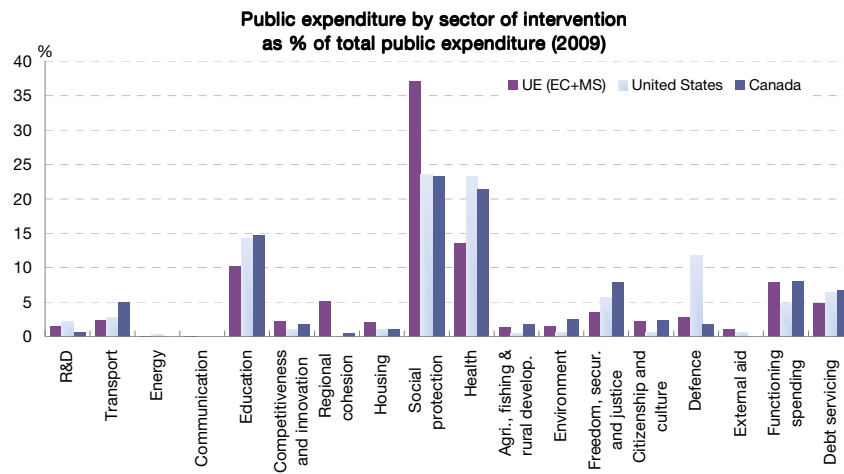
Sources: OECD, Eurostat, OJ EU L68 2011, BEA (USA), Canada Statistics, CAS calculations



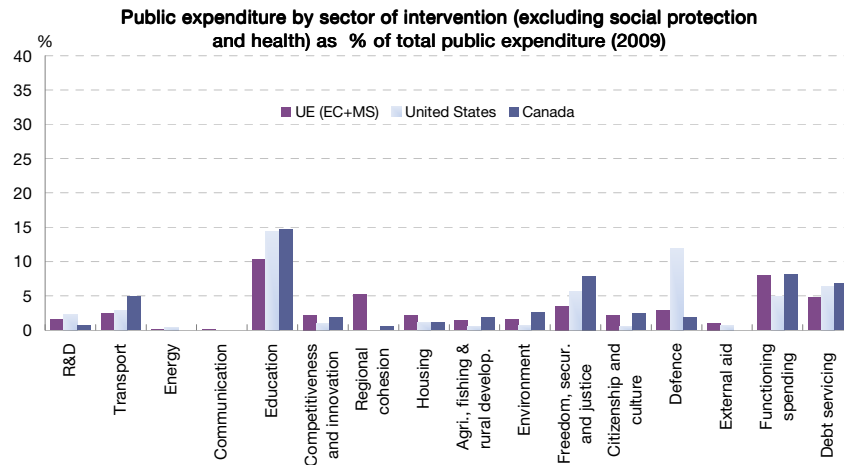
Sources: OECD, Eurostat, OJ EU L68 2011, BEA (USA), Canada Statistics, CAS calculations

<sup>6</sup> See also Appendix 1.





Sources: OECD, Eurostat, OJ EU L68 2011, BEA (USA), Canada Statistics, CAS calculations



Sources: OECD, Eurostat, OJ EU L68 2011, BEA (USA), Canada Statistics, CAS calculations

## Multi-level governance of public finance in the European Union

➤ In the EU, the governance of public finance is *de facto* a multi-level governance since the European institutions commit public expenditure (albeit modest) alongside that of Member States.

### Multi-level governance of public finance in the EU in few figures

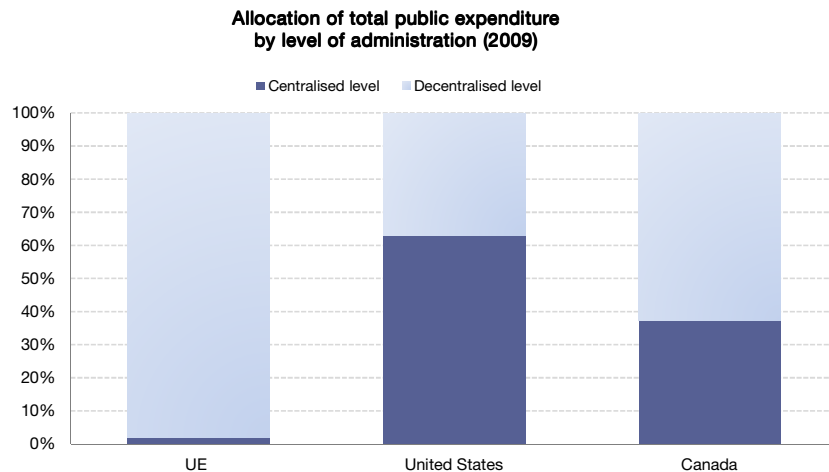
	Public expenditure		
	Community	National	Total
In millions of euros	118345	5985115	6103460
As % of GDP	1.0	50.9	52
As % of overall public expenditure	1.9	98.1	100
As % of overall public expenditure (excluding social protection and health)	3.5	96.5	100

*Sources: Eurostat, OJ EU L68 2011, CAS calculations*

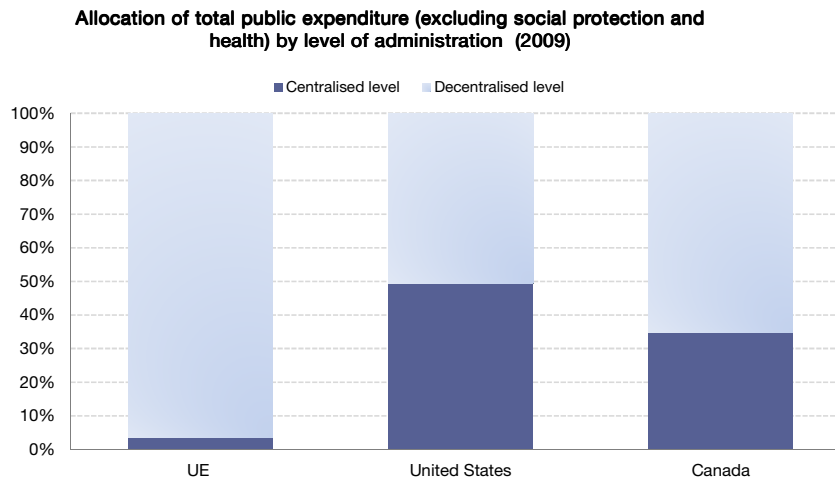
➤ It is instructive to identify the features of this multi-level governance of public finance in the EU and to isolate its common characteristics and its particularities compared to other models. To the extent that these “models” being looked at are not strictly comparable, significant differences are clearly noticeable which do not prevent some common characteristics from appearing when the distribution is looked at in more detail.

## 2.1. Community expenditure whose weight is globally limited ...

➤ For more than 98%, European public expenditure remains provided at the National level, whereas it is much more centralised elsewhere (63 % in the United States and 37 % in Canada). By excluding expenditure on social protection and health (all National in the EU), Community expenditure now accounts for 3.5% of total public expenditure in the EU.



Sources: OECD, Eurostat, OJ EU L68 2011, BEA (USA), Canada Statistics, CAS calculations



Sources: OECD, Eurostat, OJ EU L68 2011, BEA (USA), Canada Statistics, CAS calculations

## 2.2. ... but substantial for some objectives

➤ The analysis by objective qualifies the initial finding.<sup>7</sup> The share of Community expenditure for the **conservation and management of natural resources (agriculture, fishing, rural development and environment)** is as high as it is in Canada for example. Similarly, the European model does not seem far from the other models in terms of public expenditure on **freedom, security and justice** and **citizenship and culture** which remain as heavily centralised in the United States as they are in Canada, with their weighting in total public expenditure being relatively different according to the country as pointed out previously.

➤ International comparisons of expenditure on **administration (functioning spending and debt servicing)**, however should be treated carefully since the total decentralisation in the EU can be explained both by the fact that the Community institutions cannot become indebted (therefore 100% of the expenditure linked to debt interest is National expenditure) and by the extremely reduced size of the Community public sector (which explains that 99.5% of functioning spending is National expenditure).

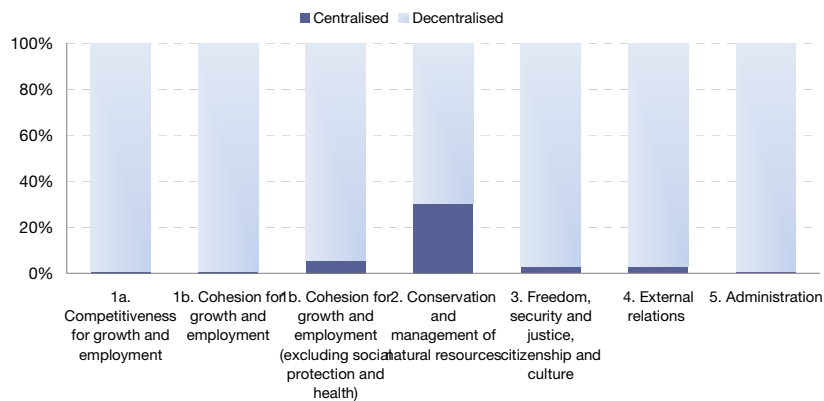
➤ Overall, the originality of European public finance essentially is based on expenditure linked to competitiveness and cohesion. This comparative analysis actually highlights:

- the modest Community implication (despite its weighting in the Community budget) in favour of **cohesion for growth and employment (regional cohesion, housing, social protection, health)** whereas it is much more important in the United States and in Canada;
- the huge decentralisation of public expenditure linked to **competitiveness for growth and employment (R&D, education, transport, energy, competitiveness and innovation)** whereas they are relatively more centralised elsewhere.

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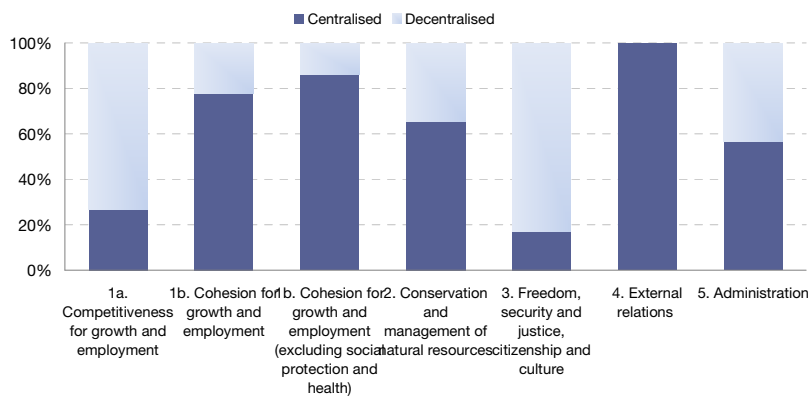
<sup>7</sup> See also Appendix 2.

**Allocation of total public expenditure by objective and by level of administration in the EU (2009)**



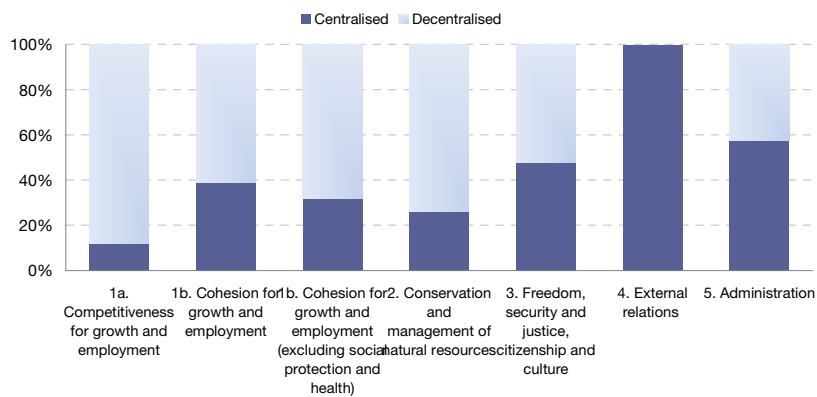
Sources: OECD, Eurostat, OJ EU L68 2011, CAS calculations

**Allocation of total public expenditure by objective and by level of administration in the United States (2009)**



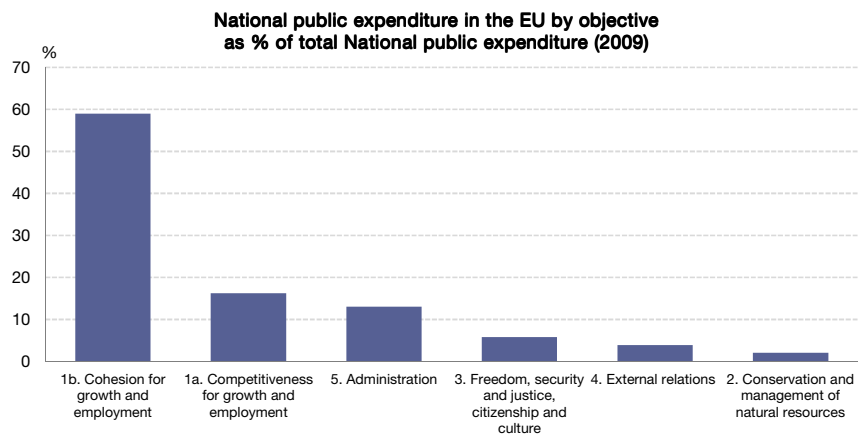
Sources: OECD, Eurostat, BEA (USA), CAS calculations

**Allocation of total public expenditure by objective and by level of administration in Canada (2009)**

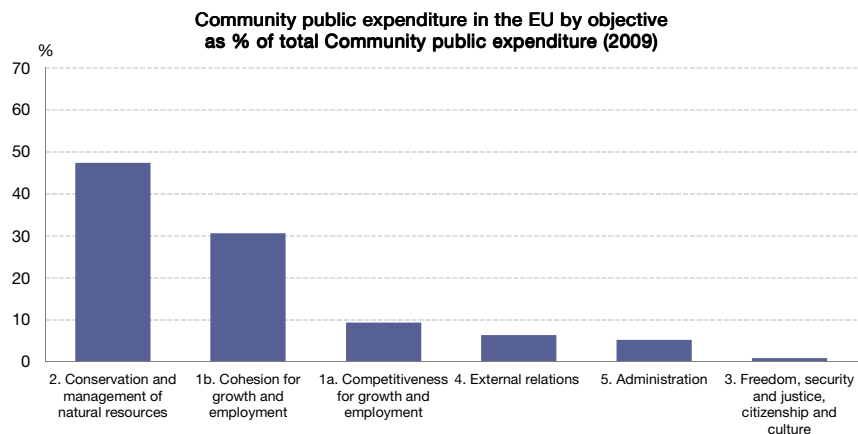


Sources: OCDE, Canada Statistics, CAS calculations

➤ In the EU-27, **cohesion** and **competitiveness** feature among the 1st items of public expenditure both at the National and Community levels. Conversely, at the Community level, the **conservation and management of natural resources** remains the 1st item of interest whereas it is the last one at the National level. On the other hand, **administration** spending (60 % of which relate to debt servicing at the National level) constitute the 3rd item of interest at the National level where it features among the last at the Community level.

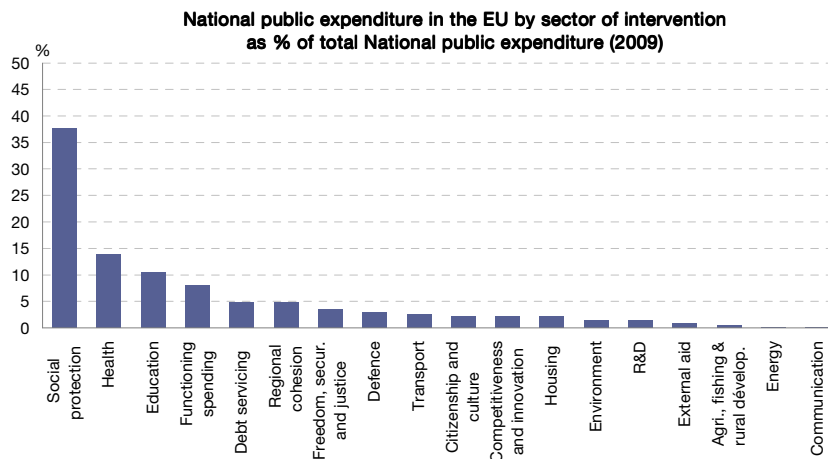


Sources: OECD, Eurostat, OJ EU L68 2011, CAS calculations

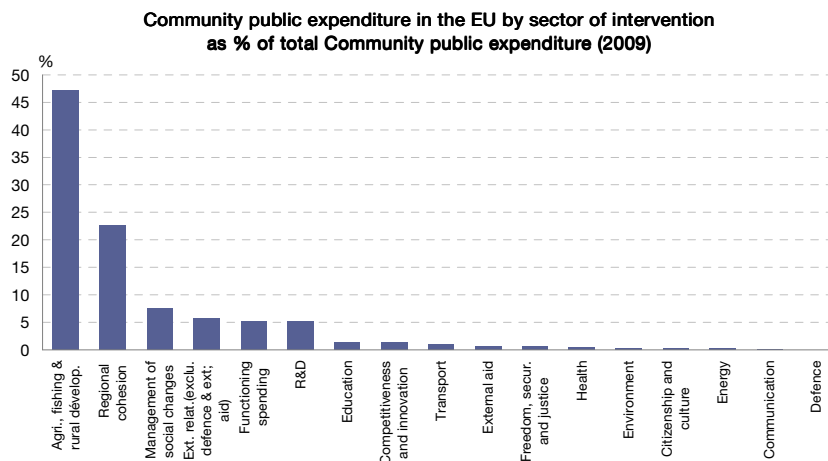


Sources: OECD, Eurostat, OJ EU L68 2011, CAS calculations

More precisely, in the EU 27, although **social protection, health and education** (more than 60% of National public expenditure) constitute the three first National priorities, Community expenditure essentially focuses on **agriculture, fishing and rural development**, on the one hand and on **regional cohesion** on the other (more than 70 % of the Community budget). Social change management comes in 3rd place at the Community level owing to the major weighting of the European Social Fund. It seeks to support employment in Member States, but also to promote social and economic cohesion.



Sources: OECD, Eurostat, OJ EU L68 2011, CAS calculations

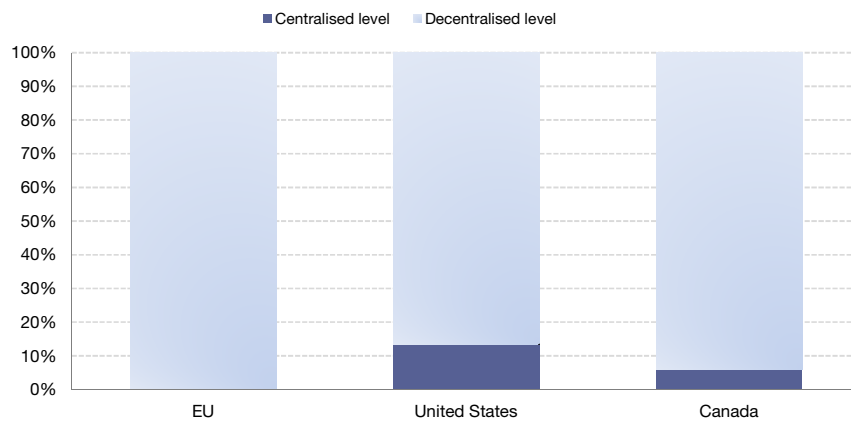


Sources: OECD, Eurostat, OJ EU L68 2011, CAS calculations

### 2.3. A European model that has similarities with those of the United States and of Canada ...

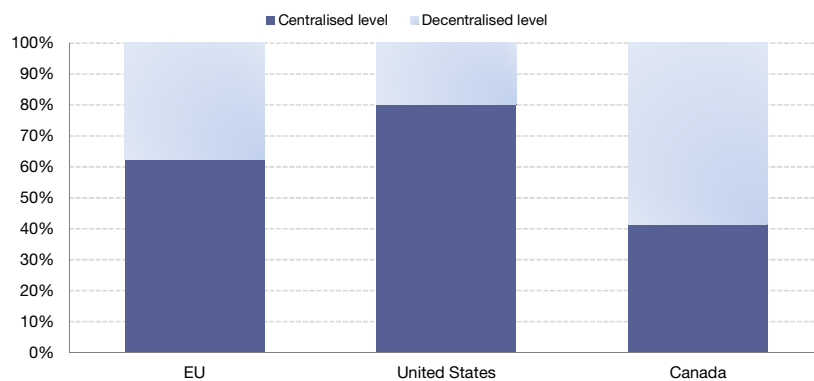
An approach by sector of intervention allows this analysis by objectives to be refined.<sup>8</sup> The degree of decentralisation in the EU does not seem to diverge particularly from that of Canada or the United States for **education, freedom, security and justice** or **citizenship and culture**. Indeed, public spending in these sectors appears to be provided everywhere at the decentralised level, the closest level to local preferences. Conversely, spending on **agriculture, fishing** and **rural development** appears to be centralised, mainly for economic efficiency reasons.

**Allocation of public expenditure on education by level of administration as % of total public expenditure on education (2009)**



Sources: OECD, Eurostat, OJ EU L68 2011, BEA (USA), Canada Statistics, CAS calculations

**Allocation of public expenditure on agriculture, fishing and rural development by level of administration as % of total public expenditure on agriculture, fishing and rural development (2009)**

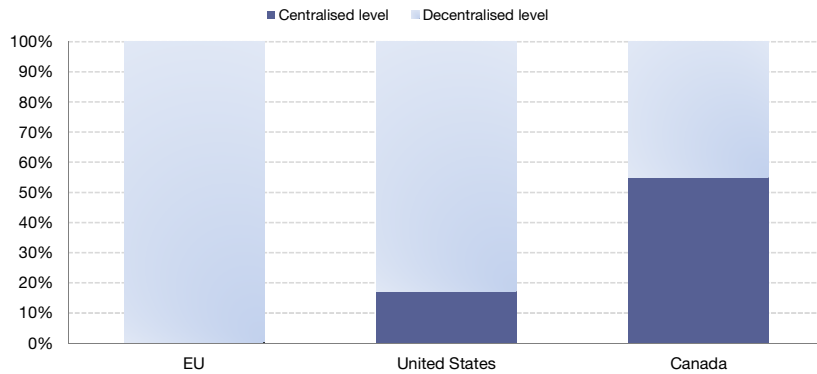


Sources: OECD, Eurostat, OJ EU L68 2011, BEA (USA), Canada Statistics, CAS calculations

<sup>8</sup> See also Appendix 3.

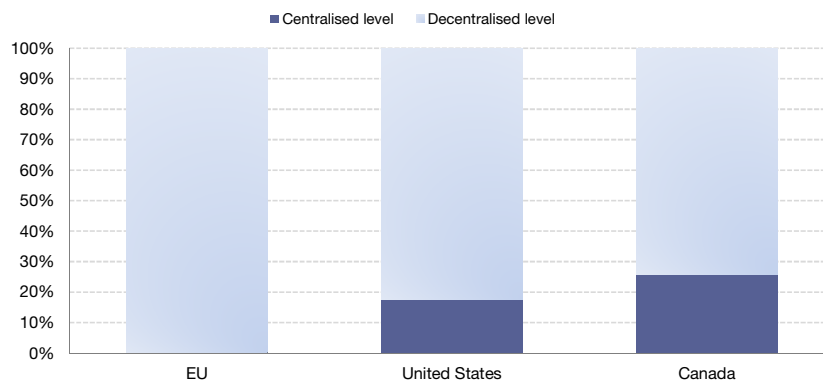


**Allocation of public expenditure on freedom, security and justice by level of administration as % of total public expenditure on freedom, security and justice (2009)**



Sources: OECD, Eurostat, OJ EU L68 2011, BEA (USA), Canada Statistics, CAS calculations

**Allocation of public expenditure on citizenship and culture by level of administration as % of total public expenditure on citizenship and culture (2009)**

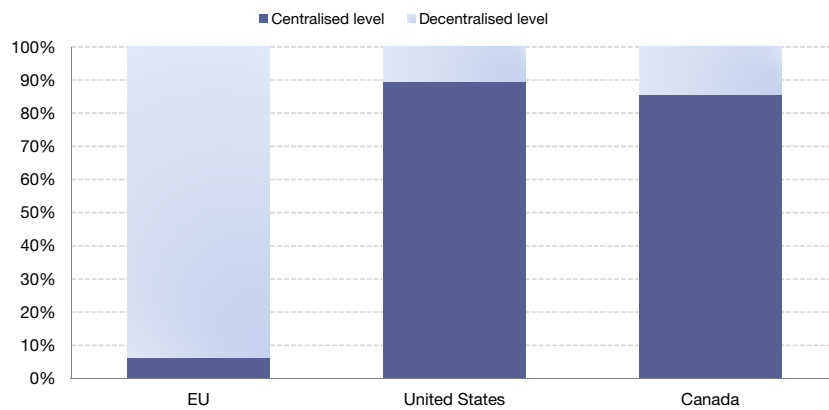


Sources: OECD, Eurostat, OJ EU L68 2011, BEA (USA), Canada Statistics, CAS calculations

## 2.4. ... but which differs for some strategic expenditure

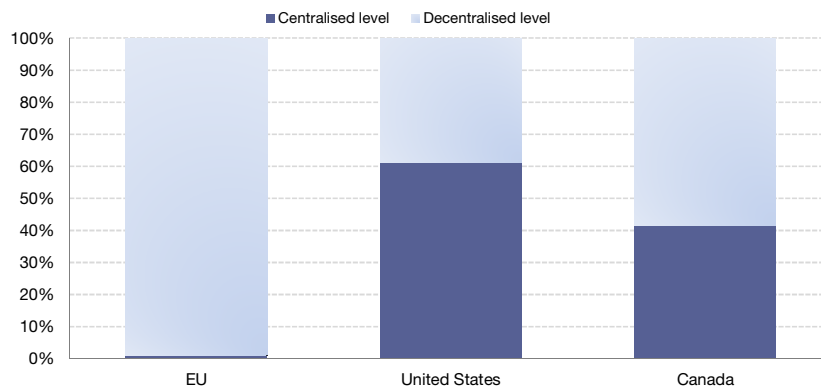
➤ Among the public expenditure on competitiveness for growth and employment, the sharing of the tasks between the Community level and the National level appears different for **R&D** and **competitiveness and innovation** expenditure. Although this expenditure is largely centralised everywhere, it essentially remains decentralised in the EU.

**Allocation of public expenditure on R&D by level of administration as % of total public expenditure on R&D (2009)**



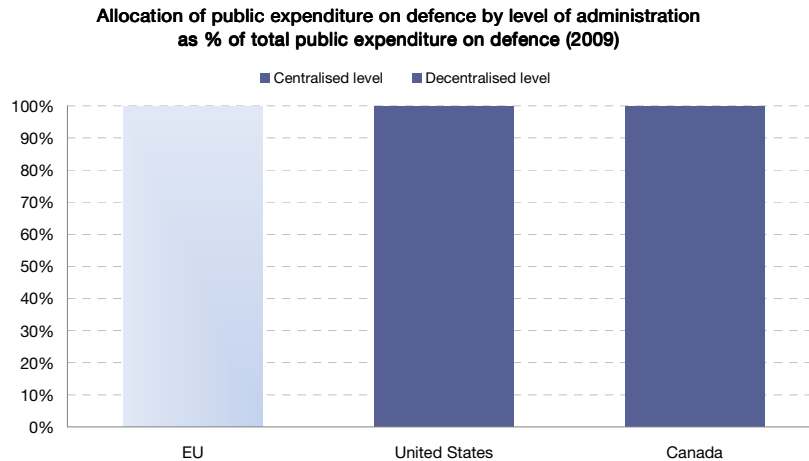
Sources: OECD, Eurostat, OJ EU L68 2011, BEA (USA), Canada Statistics, CAS calculations

**Allocation of public expenditure on competitiveness and innovation by level of administration as % of total public expenditure on competitiveness and innovation (2009)**

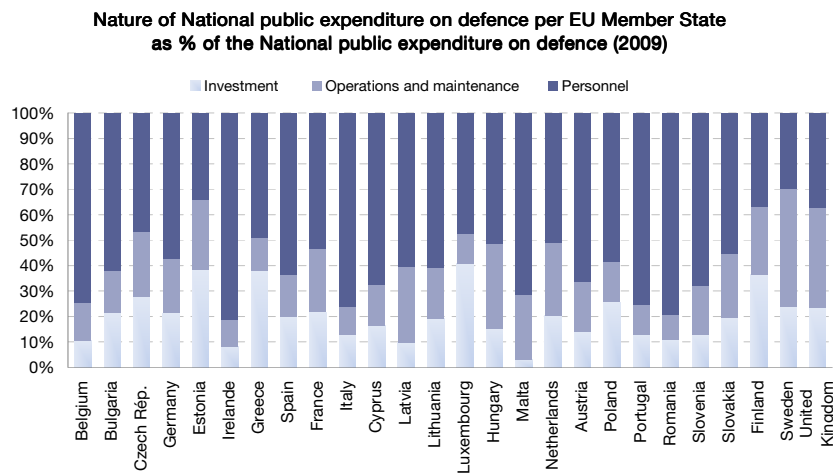


Sources: OECD, Eurostat, OJ EU L68 2011, BEA (USA), Canada Statistics, CAS calculations

Similarly, expenditure for external relations remains totally decentralised. For **defence**, this can be explained by the relatively circumscribed role of the Community level to crisis management within the framework of the ESDP (European Security and Defence Policy). At the National level, an analysis by nature shows that more than half of the defence expenditure is on personnel (55 % average in the EU), except for Finland, Sweden and the United Kingdom.



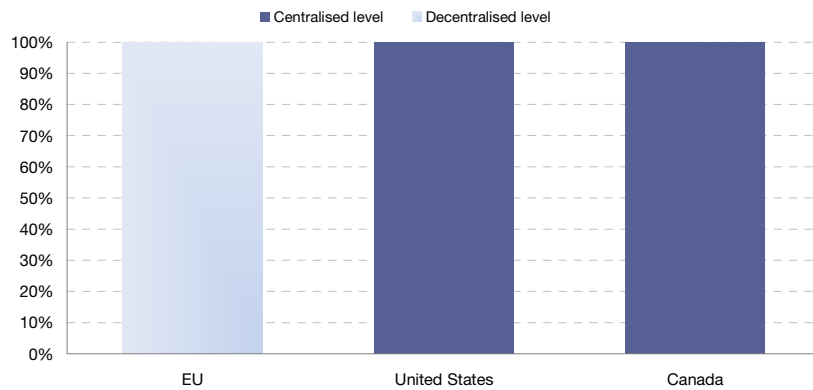
Sources: OECD, Eurostat, OJ EU L68 2011, BEA (USA), Canada Statistics, CAS calculations



Sources: European Defence Agency, CAS calculations

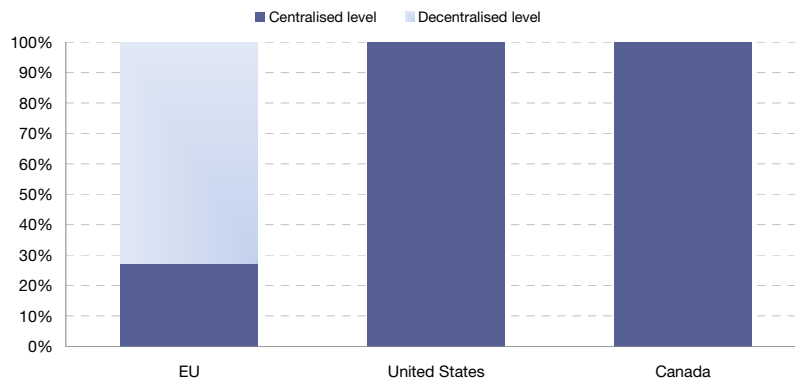
➤ For **external aid**, even if this appears to be very centralised, the Community influence is nevertheless significant for humanitarian aid, but it comes up against a lack of consensus on the “communautarisation” of public development aid.

**Allocation of public expenditure on public aid to development by level of administration as % of this expenditure (2009)**



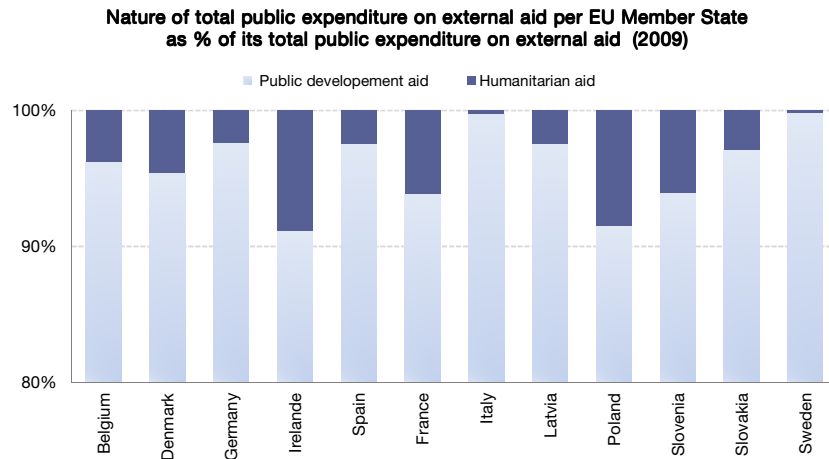
Sources: OECD, Eurostat, OJ EU L68 2011, BEA (USA), Canada Statistics, CAS calculations

**Allocation of public expenditure on humanitarian aid by level of administration as % of this expenditure (2009)**



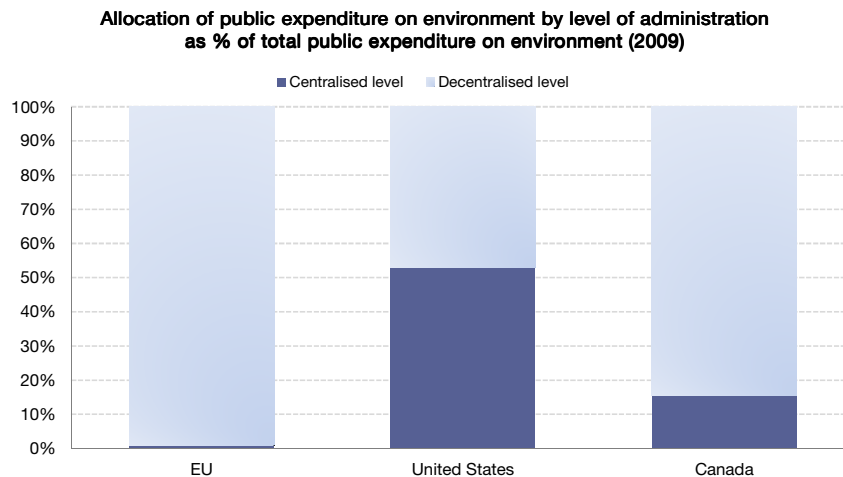
Sources: OECD, Eurostat, OJ EU L68 2011, BEA (USA), Canada Statistics, CAS calculations

➤ At the National level, expenditure on **external aid** is therefore essentially made up of development aid (accounting for more than 90 % of the National public expenditure on external aid).



Sources: OECD, CAS calculations

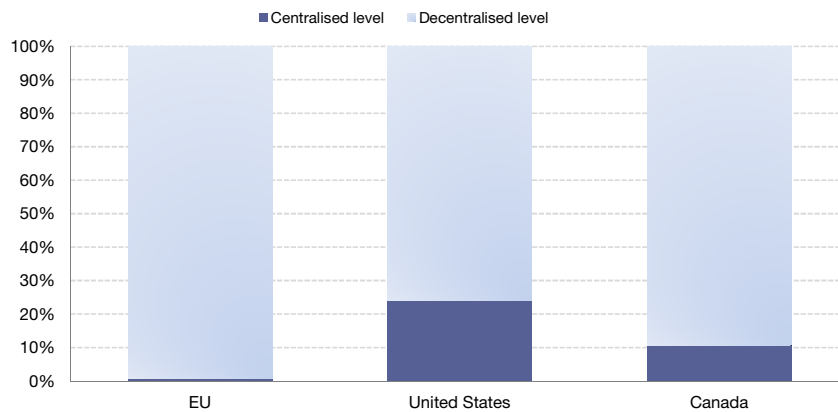
➤ Public expenditure on **environment** remains totally decentralised in the EU, whereas central intervention is much stronger in the United States and, to a lesser extent, in Canada. Indeed, the main Community actions on environmental issues are regulatory interventions, by definition less finance consuming.



Sources: OECD, Eurostat, OJ EU L68 2011, BEA (USA), Canada Statistics, CAS calculations

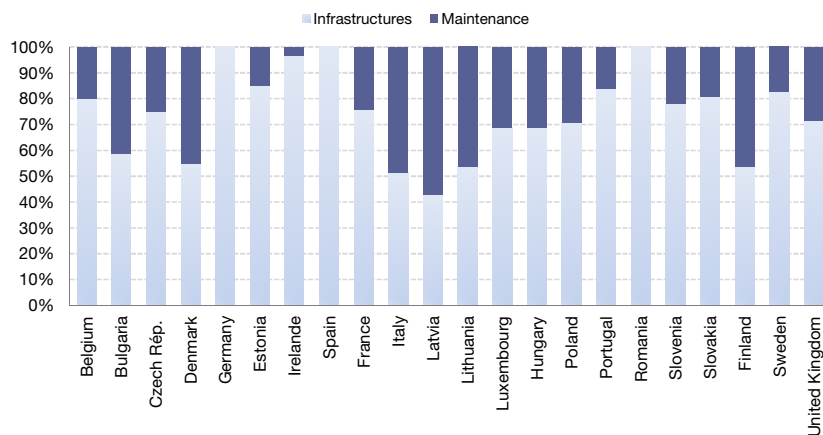
Even if less marked, impact of the central level is nevertheless significant in the United States and in Canada for public expenditure on **transport**, whereas it is largely decentralised in the EU. Probably due to weak spending at the EU level, over 70% of this transport expenditure is spent on Trans European Network on transport (TEN-T). Nationally, these costs are mainly on infrastructure spending (nearly 75% on average in the EU) with maintenance costs being much smaller (except in Italy, Latvia, Lithuania and Finland). Some countries like Germany, Spain and Romania conversely choose to outsource the bulk of these maintenance costs.

Allocation of public expenditure on transport by level of administration as % of total public expenditure on transport (2009)



Sources: OECD, Eurostat, OJ EU L68 2011, BEA (USA), Canada Statistics, CAS calculations

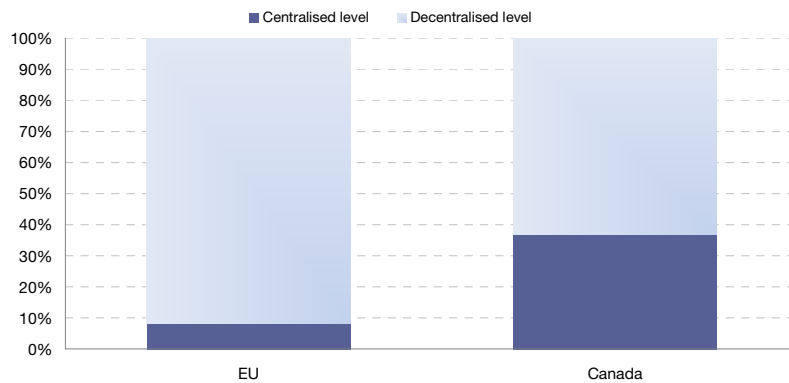
Nature of National public expenditure on transport per EU Member State as % of National public expenditure on transport (2009)



Sources: OCDE, CAS calculations

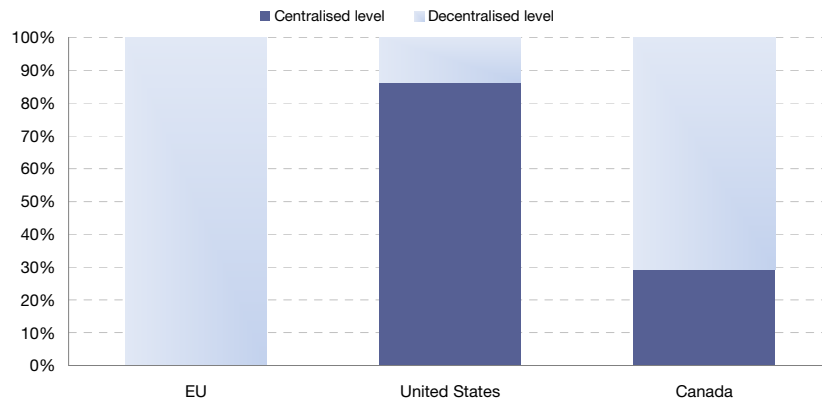
➤ For public expenditure on **regional cohesion** and **housing**, the trend seems to be more towards centralisation in the United States (for housing) and conversely more towards decentralisation in Canada. No doubt that on this topic, this result reflects one of the major differences between budgetary organisation in the United States and Canada.

**Allocation of public expenditure on regional cohesion by level of administration as % of total public expenditure on regional cohesion (2009)**



Sources: OECD, Eurostat, OJ EU L68 2011, Canada Statistics, CAS calculations

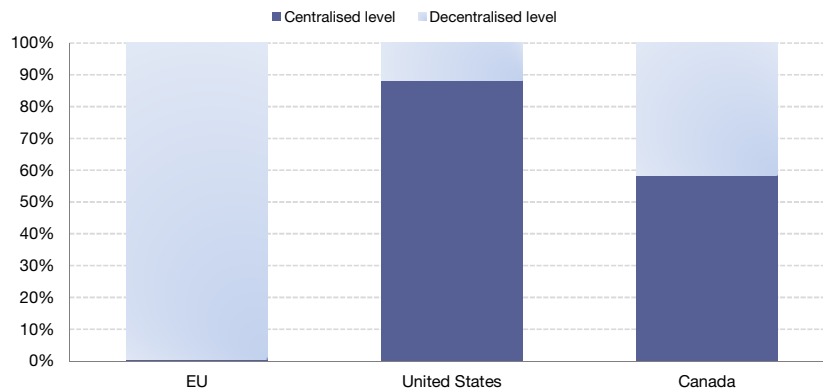
**Allocation of public expenditure on housing by level of administration as % of total public expenditure on housing (2009)**



Sources: OECD, Eurostat, OJ EU L68 2011, BEA (USA), Canada Statistics, CAS calculations

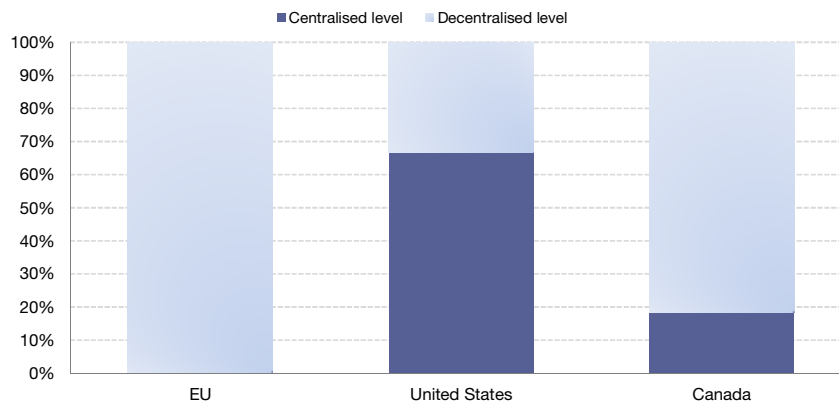
Similarly, international comparisons for **social protection** and **health** suggest that there is no reference model for an optimal sharing of tasks between the centralised and decentralised level. The European model is completely decentralised. The importance of this differentiated expenditure in national budgets also illustrates the heterogeneity of social patterns between the EU Member States.

**Allocation of public expenditure on social protection by level of administration as % of total public expenditure on social protection (2009)**



Sources: OECD, Eurostat, OJ EU L68 2011, BEA (USA), Canada Statistics, CAS calculations

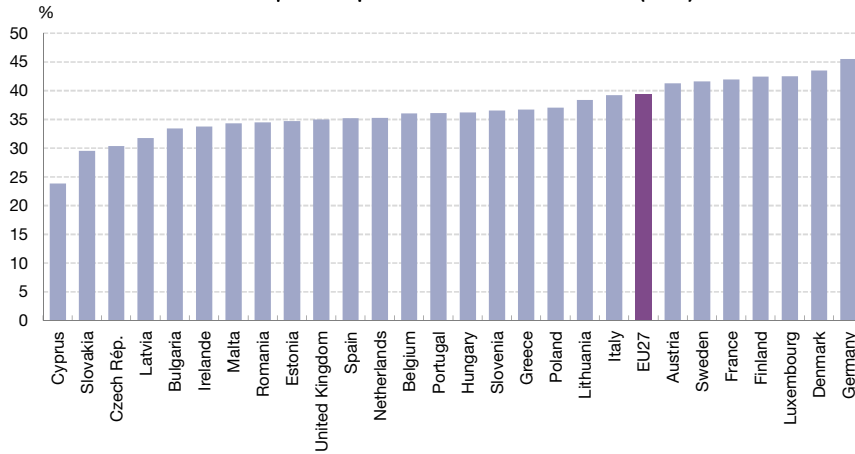
**Allocation of public expenditure on health by level of administration as % of total public expenditure on health (2009)**



Sources: OECD, Eurostat, OJ EU L68 2011, BEA (USA), Canada Statistics, CAS calculations

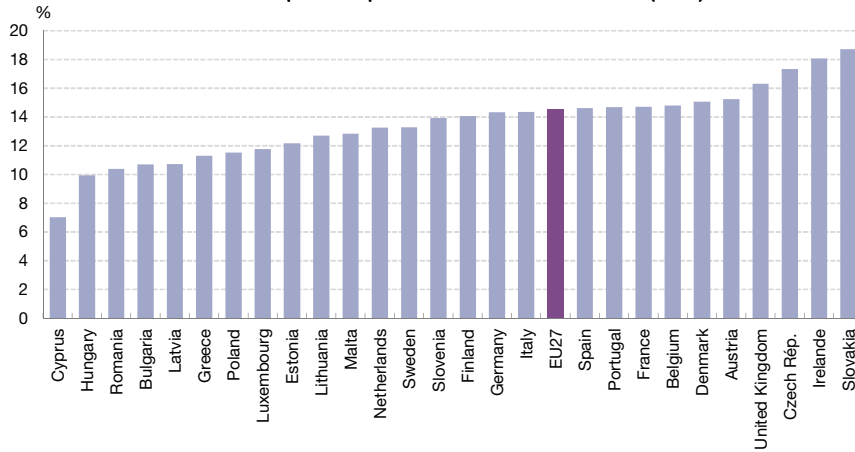


**Public expenditure on social protection per EU Member State as % of total public expenditure of the Member State (2009)**



Sources: Eurostat, CAS calculations

**Public expenditure on health per EU Member State as % of total public expenditure of the Member State (2009)**



Sources: Eurostat, CAS calculations

## CONCLUSION

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This benchmarking study of European public expenditure provides data that can help for designing some ways for improving the EU budget, balancing optimisation in the allocating of spending, further European integration and respect for the current political model of the Union.

The comparative analysis of the structure of EU spending tends to show that R&D, competitiveness and transport are almost exclusively funded nationally, although there are sectors of intervention that might benefit from economies of scale through increased centralisation. However, only a thorough analysis of the benefits of such pooling could provide the required clarification for any political decision taken in this regard.

## APPENDICES

## Appendix 1

Total public expenditure by sector of intervention  
as percentage of GDP (2009)

	European Union	United States	Canada
R&D	0.8	0.9	0.3
Transport	1.3	1.1	2.2
Energy and communication	0.1	0.1	nd
Education	5.6	5.8	6.4
Competitiveness and innovation	1.2	0.4	0.8
Regional cohesion	2.8	nd	0.2
Housing	1.1	0.4	0.5
Social protection	20.2	9.5	10.2
Health	7.4	9.4	9.3
Agriculture, fishing, rural development	0.8	0.2	0.8
Environment	0.8	0.3	1.1
Freedom, security and justice	1.9	2.3	3.4
Citizenship and culture	1.2	0.2	1.1
Defence	1.6	4.8	0.8
External aid	0.5	0.3	0.4
Functioning spending	4.3	2.0	3.5
Debt servicing	2.6	2.6	3.0
Total	54.3	40.4	44.0

Sources: Eurostat, OECD, OJ EU L68 2011, BEA (USA), Canada Statistics, CAS calculations

## Appendix 2

The multi-level governance of the public finance by objective  
as percentage of total public expenditure (2009)

	European Union		United States		Canada	
	Centralised	Decentralised	Centralised	Decentralised	Centralised	Decentralised
1a. Competitiveness for growth and employment	1.0	99.0	26.8	73.2	12.2	87.8
1b. Cohesion for growth and employment	1.0	99.0	77.7	22.3	38.8	61.2
1b. Cohesion for growth and employment (excluding social protection and health)	5.7	94.3	86.3	13.7	31.9	68.1
2. Conservation and management of natural resource	30.4	69.6	65.2	34.8	26.0	74.0
3. Freedom, security and justice, citizenship and cult	3.0	99.7	17.2	82.8	48.0	52.0
4. External relations	3.0	97.0	100.0	0.0	100.0	0.0
5. Administration	0.8	99.2	56.6	43.4	57.7	42.3

Sources: Eurostat, OECD, OJ EU L68 2011, BEA (USA), Canada Statistics, CAS calculations

## Appendix 3

The multi-level governance of the public finance by sector of intervention  
as percentage of total public expenditure (2009)

	European Union		United States		Canada	
	Centralised	Decentralised	Centralised	Decentralised	Centralised	Decentralised
R&D	6.3	93.7	89.6	10.4	85.5	14.5
Transport	0.8	99.2	24.0	76.0	10.7	89.3
Energy	4.2	95.8	100.0	0.0	nd	nd
Communication	6.4	93.6	nd	nd	nd	nd
Education	0.3	99.7	13.5	86.5	5.9	94.1
Competitiveness and innovation	1.1	98.9	61.2	38.8	41.5	58.5
Regional cohesion	8.1	91.9	nd	nd	37.1	62.9
Housing	0.0	100.0	86.3	13.7	29.3	70.7
Social protection	0.4	99.6	88.2	11.8	58.2	41.8
Health	0.1	99.9	66.7	33.3	18.3	81.7
Agriculture, fishing, rural development	62.3	37.7	80.1	19.9	41.5	58.5
Environment	1.0	99.0	52.9	47.1	15.5	84.5
Freedom, security and justice	0.3	99.7	17.1	82.9	55.0	45.0
Citizenship and culture	0.2	99.8	17.5	82.5	25.6	74.4
Defence	0.0	100.0	100.0	0.0	100.0	0.0
External aid	0.0	100.0	100.0	0.0	100.0	0.0
Functioning spending	1.2	98.8	38.9	61.1	71.8	28.2
Debt servicing	0.0	100.0	70.2	29.8	40.9	59.1

Sources: Eurostat, OECD, OJ EU L68 2011, BEA (USA), Canada Statistics, CAS calculations

## Appendix 4

## Methodology

The Community data used relate to 2009. The source is the *Official Journal of the EU* L68 dated 15 March 2011<sup>9</sup>, which gives the expenditure executed for the “general budget of the European Union”, a document which presents all of the income and expenditure of the European Union and the European Atomic Agency Community for each period. It is therefore the budget of the European Community described in the “Community” budget document.

Unless otherwise stated, National data are for 2009 and are taken from COFOG data (Classification of the Functions of Government) provided to Eurostat by the statistical authorities of EU Member States. COFOG data correspond to annual data on government sectors (central governments, federal governments, local governments and social security administrations) as defined in the ESA 95 (European System of National Accounts) that provides a common accounting framework for EU countries and allows a high degree of harmonization between their National accounts.

<sup>9</sup> The data concerning the Community budget actually executed are only available eighteen months after the end of the year in question (consequently, expenditure executed in 2009 are available in March 2011).

## *Classification of the Functions of Government (COFOG)*

1. **General public services**
- 1.1. Executive and legislative organs, financial and fiscal affairs, external affairs
- 1.2. Foreign economic aid
- 1.3. General services
- 1.4. Basic research
- 1.5. R&D General public services
- 1.6. General public services n.e.c.
- 1.7. Public debt transactions
- 1.8. Transfers of a general character between different levels of government
2. **Defence**
- 2.1. Military defence
- 2.2. Civil defence
- 2.3. Foreign military aid
- 2.4. R&D Defence
- 2.5. Defence n.e.c.
3. **Public order and safety**
- 3.1. Police services
- 3.2. Fire-protection services
- 3.3. Law courts
- 3.4. Prisons
- 3.5. R&D Public order and safety
- 3.6. Public order and safety n.e.c.
4. **Economic affairs**
- 4.1. General economic, commercial and labour affairs
- 4.2. Agriculture, forestry, fishing and hunting
- 4.3. Fuel and energy
- 4.4. Mining, manufacturing and construction
- 4.5. Transport
- 4.6. Communication
- 4.7. Other industries
- 4.8. R&D Economic affairs
- 4.9. Economic affairs n.e.c.
5. **Environmental protection**
- 5.1. Waste management
- 5.2. Waste water management
- 5.3. Pollution abatement
- 5.4. Protection of biodiversity and landscape
- 5.5. R&D Environmental protection
- 5.6. Environmental protection n.e.c.
6. **Housing and community amenities**
- 6.1. Housing development
- 6.2. Community development
- 6.3. Water supply
- 6.4. Street lighting
- 6.5. R&D Housing and community amenities
- 6.6. Housing and community amenities n.e.c.
7. **Health**
- 7.1. Medical products, appliances and equipment
- 7.2. Outpatient services
- 7.3. Hospital services
- 7.4. Public health services
- 7.5. R&D Health
- 7.6. Health n.e.c.
8. **Recreation, culture and religion**
- 8.1. Recreational and sporting services
- 8.2. Cultural services
- 8.3. Broadcasting and publishing services
- 8.4. Religious and other community services
- 8.5. R&D Recreation, culture and religion
- 8.6. Recreation, culture and religion n.e.c.
9. **Education**
- 9.1. Pre-primary and primary education
- 9.2. Secondary education
- 9.3. Post-secondary non-tertiary education
- 9.4. Tertiary education
- 9.5. Education not definable by level
- 9.6. Subsidiary services to education
- 9.7. R&D Education
- 9.8. Education n.e.c.
10. **Social protection**
- 10.1. Sickness and disability
- 10.2. Old age
- 10.3. Survivors
- 10.4. Family and children
- 10.5. Unemployment
- 10.6. Housing
- 10.7. Social exclusion n.e.c.
- 10.8. R&D Social protection
- 10.9. Social protection n.e.c.

More precisely:

- Public expenditure on technological research and development: CPBRD totals 2009 (Eurostat) except for Greece (2008 data)
- Public expenditure on transport: 2009 OECD data
- Public expenditure on energy: section 4.3. of the COFOG
- Public expenditure on communication: section 4.6. of the COFOG
- Public expenditure on education: section 9 of the COFOG (after deduction of section 9.7.)
- Public expenditure on competitiveness and innovation: sections 4.1. + 4.4. + 4.7. + 4.9. of the COFOG
- Public expenditure on regional cohesion: Evaluating National public expenditure on regional cohesion is a delicate exercise. There are a significant number of obstacles to the defining and calculating of this type of public expenditure. Firstly, there is no official definition of “expenditure on cohesion”, which makes the gathering and comparing of National data particularly complicated. Secondly, there is no indicator currently available at the European level that might make it possible to combine National public expenditure in the area of cohesion equivalent to that financed by European policy. This is the reason why the National effort in favour of cohesion is measured using indicators that constitute an approximation of the expenditure on cohesion with regard to “eligible areas for cohesion policy. The indicators that are used the most are the Gross Formation of Fixed Capital (P51 in the Eurostat list) and capital transfers (D9\_CO). These are supplemented by an indicator that includes most of the equivalent expenditure from the European Social Fund. This method is inspired by the expenditure for development concept calculated for the 2000-2007 period by DG Regional Policy (see *Distribution of competences in relation to regional development policies in the Member States of the European Union*, February 2010)
- Public expenditure on housing: section 6 of the COFOG (after deduction of section 6.5.)
- Public expenditure on social protection: section 10 of the COFOG (after deduction of section 10.8.). Social protection expenditure includes all services in the areas of sickness and invalidity, the elderly, survivors, family and children, unemployment, housing, social exclusion
- Public expenditure on health: section 7 of the COFOG (after deduction of section 7.5.). Health expenditure includes all expenses linked to products, equipment and medical materials, out-patient services, hospital services, public health services
- Public expenditure on agriculture, fishing and rural development: section 4.2. of the COFOG and GSSE data (OECD)
- Public expenditure on environment: section 5 of the COFOG (after deduction of section 5.5.)
- Public expenditure on freedom, security and justice: section 3 of the COFOG (after deduction of section 3.5.)
- Public expenditure on citizenship and culture: section 8 of the COFOG (after deduction of section 8.5.)
- Public expenditure on defence: section 2 of the COFOG (after deduction of section 2.4.) and European Defence Agency

- Public expenditure on external aid: OECD
- Functioning spending: section 1 of the COFOG (after deduction of sections 1.2., 1.4., 1.5. and 1.7.)
- Debt servicing: Eurostat

Data for the United States and Canada come from National sources, those for Japan are from the OECD:

- United States: National Economic Accounts
- Canada: Statistics Canada

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