

PRIME MINISTER



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## Assessment of public spending in the European Union and Member States: main points

The *Assessment of public spending in the EU and Member States* from the Centre d'analyse stratégique is the first study to gather data on the spending carried out by the EU and all of its Member States in all sectors of the public field.

The Community data used was taken from the EU's OJ L 71 of the 14<sup>th</sup> of March 2008, Eurostat national data or the OECD. This data relates to 2006 since the figures for spending actually carried out by all Member States of the EU are available later than those for Community spending (the 2006 data was the most recent data available for Member States). Wherever possible, the European data obtained was compared with the data gathered for the United States, Canada, Japan and Switzerland.

The Assessment of public spending in the EU and Member States is broken down into two sections, dealing respectively with:

- an overall view of the level and structure of European public spending; and
- sectorial views of the spending carried out in particular domains.

All of these elements are available on the Centre d'analyse stratégique website, at: [www.strategie.gouv.fr/article.php3?id\\_article=986](http://www.strategie.gouv.fr/article.php3?id_article=986)

The Assessment reveals the main points set out below, concerning the following issues:

1. the overall level of European public spending (Member States + EU),
2. the share of European public spending allocated to each specific sector,
3. the distribution of public spending between the national and the Community level,
4. the relative weight of Community public spending.

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## 1. Main points on the overall level of European public spending (spending of Member States and Community spending)

1.1. Total European public spending emerges as being higher than the spending recorded in the USA, Canada, Japan and Switzerland.

Total level of public spending in 2006 (in % of GDP)					
	EU	USA	Canada	Japan	Switzerland
Total spending	47.6%	33.3%	37.8%	33.7%	34.5%
Spending excluding social welfare and health	22.9%	18.7%	22.1%	15.7%	25.7%

1.2. European public spending is higher overall than the spending recorded in the USA, Canada and Japan in certain sectors.

Total level of public spending by sector in 2006 (in % of GDP)					
	EU	USA	Canada	Japan	Switzerland
Social welfare	18.2%	7.1%	7.8%	11.4%	7.1%
Education and training	5.2%	4%	3.8%	3.6%	10.7%
Development aid and humanitarian aid	0.5%	0.1%	0.2%	0.2%	0.5%

1.3. European public spending in 2006 is in an intermediate position (i.e. sometimes higher and sometimes lower) than the spending recorded for the USA, Canada and Japan in several sectors.

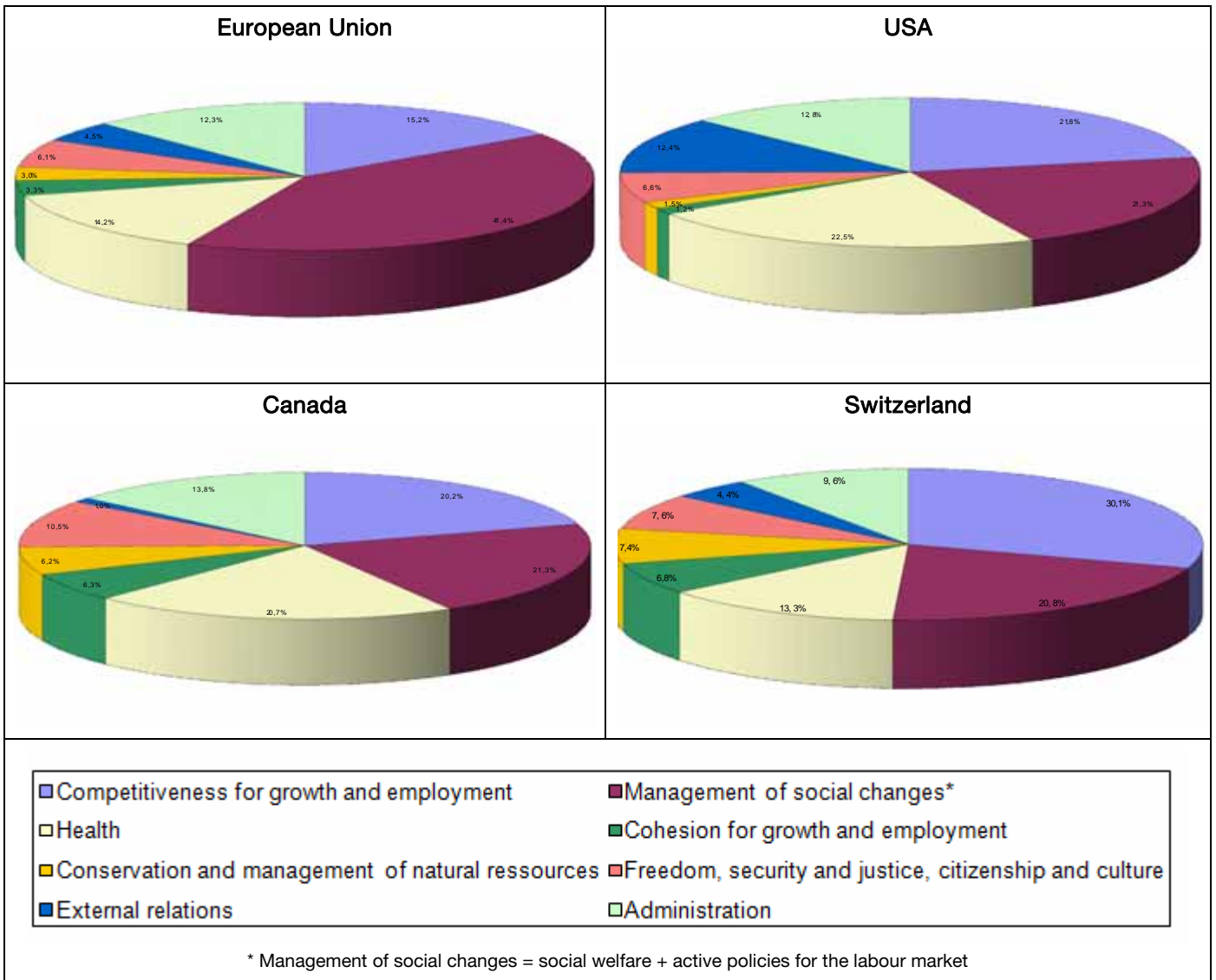
Total level of public spending by sector in 2006 (in % of GDP)					
	EU	USA	Canada	Japan	Switzerland
Health	6.5%	6%	5.2%	6.6%	7.5%
Freedom, security and justice	1.8%	1.6%	2%	1.3%	2.9%
Defence	1.5%	3.1%	0.2%	0.9%	1.7%
Regional cohesion and housing	1.5%	0.3%	1.5%	?	2.3%
Conservation and management of natural resources	1.4%	0.3%	1.6%	?	4.3%
of which agriculture	0.5%	0.2%	0.4%	0,1 %	2.4%
Higher education	1%	1%	1.4%	0.5%	1.4%
Research and development	0.7%	0.8%	0.9%	0.7%	0.3%
Environment	0.7%	0.2%	0.7%	1.1%	?

This changing international hierarchy of spending levels per sector reflects the differences in spending distribution by sector between the EU, the USA, Canada, Japan and Switzerland (see 2.).

## 2. Main points on the breakdown of public spending by sector

2.1. The breakdown of public spending by financial heading reflects the strong priority given by European countries to social welfare (and health) spending and to other spending devoted to 'competitiveness and growth'.

Total European public spending by heading in 2006 (as a % of total)



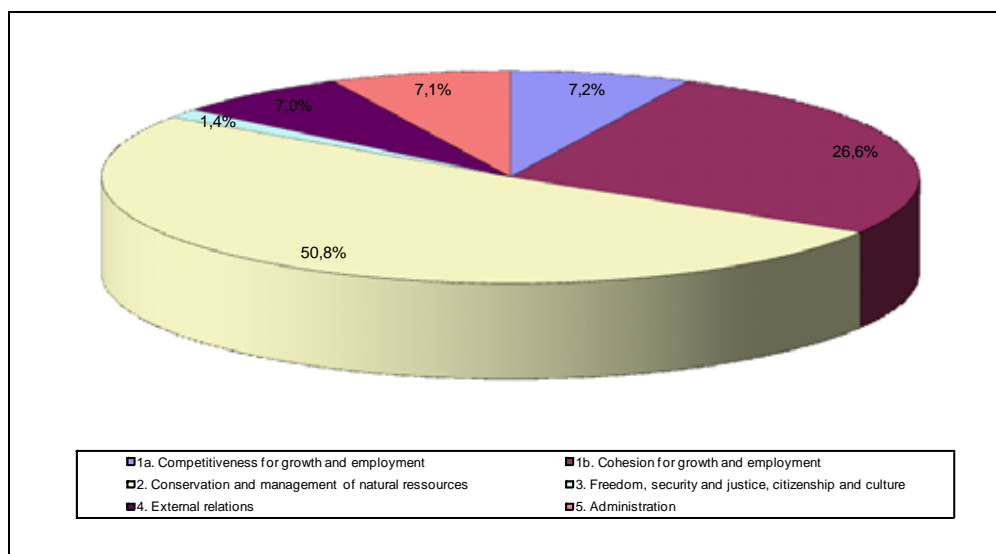
2.2. The breakdown of European public spending by sector shows the different degrees of priority given to each type of spending.

Management of social changes*	41.4%
Health	14.2%
Education and training	11.3%
Administration	6.5%
Debt servicing	5.8%
Freedom, security and justice	3.8%
Foreign and defence policy	3.4%
Citizenship and culture	2.3%
Energy and transport	2.2%
Research and development	1.5%
Agriculture	1.1%
Cohesion	1.1%

\* Management of social changes = social welfare + active policies for the labour market

2.3. The sectorial breakdown of Community spending is very atypical with regard to the breakdown into national spending and total spending.

Community spending by heading in 2006 (as a % of the total)



Spending under the heading of 'Conserving and managing natural resources' essentially comprises agricultural spending (over three quarters of the total) and spending on rural development, fishing and the environment.

This atypical sectorial breakdown of EU spending shows an equally atypical distribution of European public spending between the national and the Community level (cf. 3.).

### 3. Main points on the distribution of public spending between the national and the Community level

3.1. The vast majority of European public spending is carried out at a Member State level, in contrast to the situation in the USA, Canada and Switzerland:

Distribution of total public spending in 2006 (as a % of total spending)				
	EU	USA	Canada	Switzerland
Regional/national level for EU	98.1%	38.6%	61.2%	68.7%
Central/Community level for EU	1.9%	61.4%	38.2%	31.3%

3.2. The overall distribution of European spending between the 'regional' level (Member States) and the 'central' level (EU) is atypical<sup>1</sup> for several sectors in comparison with the distribution seen in the USA, Canada and Switzerland:

Weight of central public spending ('Community' spending for the EU) by sector in 2006 (as a % of total spending)				
	EU	USA	Canada	Switzerland
Research and development	5.4%	89%	84%	100%
Regional cohesion and housing	16.4%	84%	81%	100%
External relations	3.1%	100%	100%	94.1%
of which development aid and humanitarian aid	12.6%	100%	100%	100%

<sup>1</sup> For example, the distribution of European public spending is deemed to be 'atypical' where a sector is not very centralised in the EU but highly centralised everywhere else (weight of central spending > 50% of total public spending).

3.3. The overall distribution of European spending between the 'regional' level (Member States) and the 'central' level (EU) is in line<sup>2</sup> with the distribution observed in the USA, Canada and Switzerland in some sectors:

Weight of central public spending ('Community' spending for the EU) by sector in 2006 (as a % of total spending)				
	EU	USA	Canada	Switzerland
Agriculture (direct interventions)	72%	82.8%	52.4%	54.2%
Energy and transport	0.9%	36%	12%	47%
Citizenship and culture	0.5%	16.4%	28.9%	10.2%
Education and training	0.1%	10.2%	6.3%	11.5%

3.4. The distribution of European spending between the 'regional' level (Member States) and the 'central' level (EU) is in an intermediate position in some sectors, i.e. close to certain countries (generally Canada and Switzerland) but far from others (most frequently the USA).

Weight of central public spending ('Community' spending for the EU) by sector in 2006 (as a en% of total spending)				
	EU	USA	Canada	Switzerland
Conservation and management of natural resources	34.5%	71%	33%	36.2%
Freedom, security and justice	0.2%	54.1%	29.3%	3.8%
Health	0.1%	65.2%	18.7%	0.8%
Management of social change	0.1%	85%	55%	40%

This sometimes atypical distribution of European spending between the central and the regional level fuels the debate on what constitutes the optimum geographical location of spending within the EU, and more precisely, the consideration given to the level and structure of the Community budget (see 4.).

## 4. Main points on the weight of Community spending

4.1. The total weight of community spending is very limited.

Year 2006	Weight of Community spending	Weight of 'distributed' Community spending*
As a % of GDP	0.9%	0.8%
As a % of total public spending (including social welfare and health)	1.94%	1.73%
As a % of total public spending (excluding social welfare and health)	4.3%	3.9%

\* Distributed spending represents the presumed spending carried out within the territory of EU Member States.

4.2. The weight of Community spending may nevertheless be substantial in certain countries.

The relative weight of 'distributed' Community spending varies widely from country to country, first of all because this spending is spread differently (more agricultural spending in agricultural countries, etc.), but also and especially because of the heterogeneity in EU countries:

<sup>2</sup> The distribution of European public spending is considered to be 'in line' with the spending observed in the USA, Canada and Switzerland:

- either because one sector is equally centralised within the EU and everywhere else (weight of central spending > 50% of total public spending);
- or because one sector is equally decentralised within the EU and everywhere else (weight of central spending < 50% of total public spending);

- **heterogeneity in terms of absolute wealth levels**, which vary from 1 to 457 (discrepancy between Malta and Germany), **leading to a differentiated impact of distributed Community spending**, which fluctuates around the European average of 0.8% of GDP;
- **heterogeneity in terms of the level of national public spending** with regard to the Community average (46.7% of GDP), because this level varies from 54.3% (Sweden) to 31.7% (Slovakia) of GDP, with the figure for France being around 53%, **also leading to a very differentiated impact from the weight of distributed Community spending**, which fluctuates around the European average of 4.3% of public spending excluding social welfare and health.

Relative weight of distributed Community spending*				
	EU 25	Netherlands	France	Lithuania
As a % of GDP (EU or Member State)	0.80%	0.4%	0.72%	3.33%
As a % of total public spending	1.84%	0.94%	1.56%	9.8%
As a % of total public spending (excluding social welfare and health)	4.31%	2%	4%	17.17%

\* Distributed spending represents the presumed spending carried out within the territory of EU Member States.

#### 4.3. Community spending is very limited compared to national spending in numerous sectors and is more substantial in certain others:

Type of European public spending by sector in 2006		
Exclusively national (weight of national spending)	Partially 'Communitarised' (weight of Community spending)	Heavily 'Communitarised' (weight of Community spending)
Energy and transport (99%) Education and training (99%) 'Competitiveness and innovation' (97%) Management of social changes (99%) Housing (100%) Environment (99%) Freedom, security and justice (99%) Citizenship and culture (99%) Health (99%) Foreign and defence policy (99%)	Public development aid (11.6%) Humanitarian aid (36.7%) Research and development (6.9%)	Agriculture (72% for direct budgetary aid) Fishing (71.8%) Rural development (67%) 'Structural and cohesion policy' (50%)

#### 4.4. Significant non-Community European spending exists in certain sectors.

Although the Europeanisation of public spending occurs chiefly via the EU budget (at a level of 0.9% of GDP), the debate on the distribution of spending between the national and Community level must also take account of the existence of non-Community European spending. This spending currently focuses largely on two sectors:

- **external relations**, where spending was 4.6 billion euros in 2006, almost two thirds of the Community spending for that sector; and
- **technological research and development**, where spending was over 3.8 billion euros in 2006, almost three quarters of the Community spending.