

DEPENDENCE BETWEEN THE DYNAMICS OF GOVERNMENT EXPENDITURES, ACCORDING THE CLASSIFICATION OF THE FUNCTIONS OF GOVERNMENT (COFOG), IN SOME EU MEMBER STATES AND THE EUROPE 2020 STRATEGY

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Abstract

European Commission in the Europe 2020 strategy focuses on achieving three priorities: smart growth, sustainable growth and inclusive growth. Namely, the goals set in the strategy are related to the amount of expenditure of the Government sector by functions of the Classification of the functions of government (COFOG). The focus is placed on the existence of dependence between the dynamics of government expenditure in the general government sector on the functions of COFOG in some EU member states and the results they report in terms of the objectives set in the Europe 2020 strategy. In connection with the latter, the main goal of the present study is to examine the degree of achievement of the objectives set in the strategy Europe 2020 by monitoring the dynamics of government expenditures in the Government sector by COFOG functions in some EU member states.

Keywords: government expenditures, EU, Europe 2020 strategy, results, dynamics, goals to be achieved.

JEL: H50, H51, H52, H55.

Introduction

The main goal of the present study is to examine the degree of achievement of goals set in the Europe 2020 strategy by observing the dynamics of government expenditure in the Government sector by COFOG functions in some EU member states.

1. Government expenditure and goals in the Europe 2020 Strategy

Through the objectives set in the Europe 2020 strategy, the European Commission focuses on the amount of expenditure of the General government expenditure by function (COFOG). The following three priorities are outlined in the strategy [13]:

1. Smart growth: establishment an economy based on knowledge and innovation.
2. Sustainable growth: promoting a greener and more competitive economy with more efficient use of resources.
3. Inclusive growth: stimulation high-employment economy that leads to social and territorial cohesion.

To measure progress towards the objectives of the strategy, five headline goals for the European Union have been identified:

1. Employment for 75% of the population aged 20–64 years.
2. Investment in research and development (R&D) amounting to 3% of GDP.
3. Achieving the 20/20/20 climate/energy goals (including reducing emissions by an additional 30% if conditions are suitable).
4. Less than 10% relative share of early school leavers and at least 40% relative share of

the young generation with completed higher education.

5. Reducing the number of people at risk of poverty by 20 million [13].

The above is associated with major challenges for European countries, which in order to meet the goals set, need to rethink their government programs and macroeconomic policies. The accomplishment of the goals set in the Europe 2020 strategy leads to additional costs by the state in the field of education, social protection, labour market, energy and research and development. The increase in government spending is associated with an increase in the economic power of the state and the growing role it plays in economic life.

One of the main challenges set in the Europe 2020 strategy is to promote investment in research and development in all EU member states, reaching 3% of total investment in GDP. Inevitably, this goal is related to the reorganization of research and innovation funding across the EU. The new funding mechanism for research and innovation should address three main areas set out in the Europe 2020 strategy, namely:

- top achievements in the scientific base;
- addressing public challenges;
- creating industrial leadership and increasing competitiveness.

On the other hand, unemployment and persistently high levels of poverty call for action at both national and EU level. The latter implies taking into account the uneven development of the regions, the difficulties for the development of small and medium-sized businesses, the instability of the national labour markets, the educational level in the

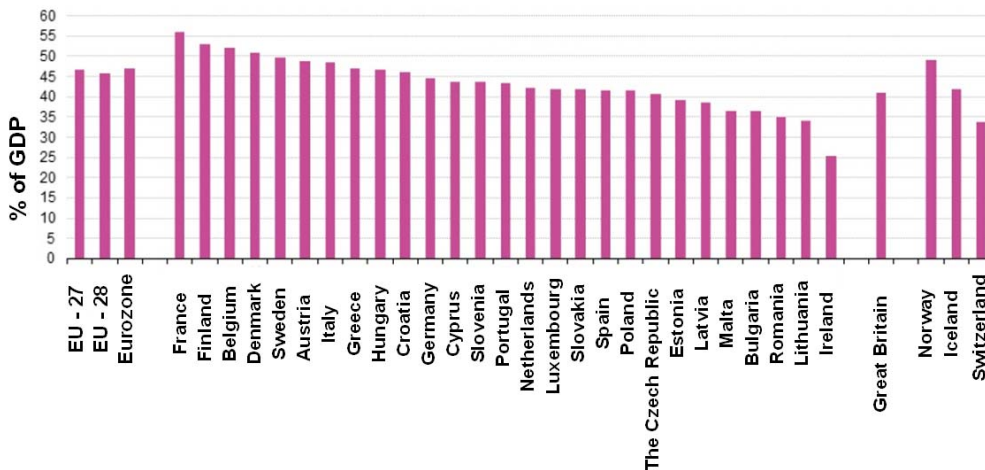
EU member states, as well as the need for social inclusion. Of course, in order to meet the objectives set out in the strategy, actions are needed to re-structure both the European budget and all national ones in terms of expenditure policy.

2. Dynamics of government expenditure in some EU member states

In recent decades, the interference of the modern state in economic and social life has been a widely discussed topic and is the subject of conflicting opinions. The latter covers two different directions: for one part of the society the state intervention, expressed in the functioning of the government, is too excessive, while another part believes that the state should increase the degree of its influence. There is also a third social group, according to which the main function of the government is to solve big problems. Here it is necessary to clarify that it is impossible to achieve unanimity in society regarding state intervention in the economy. However, one thing is clear - the scope of government programs has grown significantly: from a small

share of the economy in the early 1900s up to 30–50% of GDP in modern market-oriented countries. Against this ever-increasing government quota in the economy (measured by the ratio of total government spending to GDP), businesses each year give up a significant amount of their income to pay the taxes and fees needed to finance government spending [7– 9].

Figure 1 shows the total government expenditure of the EU-27. In 2018, they are 46.7% of EU GDP, remaining unchanged in comparison to 2017 [11]. As a ratio to GDP in 2018, the highest levels of government spending were found in France (56.0% of GDP), followed by Finland (53.1% of GDP), Belgium (52.1% of GDP) and Denmark (50.9% of GDP), while the lowest were reported in Ireland (25.4%), Lithuania (34.0% of GDP), Romania (34.9% of GDP), Bulgaria (36.5 % of GDP) and Malta (36.6% of GDP). Switzerland (33.7% of GDP) reports the lowest level among the EFTA countries (European Free Trade Association, or EFTA) [6, 12].



Source: [4].

Figure 1. Total government expenditure for 2018 (% of GDP)

The statistical data for 2018 shows, that the majority of expenditure is related to the economic functions *Social protection* (41.2% of total expenditures) and *Health* (15.0% of total expenditures). As a percentage of GDP, expenditure for *Social protection* represents 19.2% and those on health – 7.0%. Other government expenditure by economic functions with a large share of total government expenditures is expenditure for *General public services* (12.9% of total government expenditure or 6.0% of GDP), *Education* (9.9% of total expenditure or 4.6% of GDP) and *Economic affairs* (9.4% of total expenditure or 4.4% of GDP). In 2018, expenditure on economic functions *Public order and safety* (1.7%

of GDP), *Defence* (1.2% of GDP), *Recreation, culture and religion* (1.1% of GDP), *Environmental protection* (0.8% of GDP) and *Housing and community amenities* (0.6% of GDP) in the EU are lower [4, 12].

A. Dynamics of government expenditure in Bulgaria by function *Social protection*

In the EU Member States, as well as in the EFTA countries, government expenditure on *Social protection* is the most important function. In 2018, government spending on social protection in the EU-27 amounted to 2 591 billion EUR and amounted to 19.2% of GDP, compared to 19.4% of

GDP in 2017. The share of expenditure on *Social protection* as a part of total expenditure decreased from 41.5% in 2017 to 41.2% of total expenditure in 2018. During the period 2001–2018, the share of expenditure for *Social protection* in total expenditure at EU level has increased from 38.1% of total expenditure to 41.2% of total expenditure [12].

B. Dynamics of government expenditure in Bulgaria by function *Education*

In addition to spending on *Social protection*, European economies need to meet other objectives related to the need to provide education, training and lifelong learning. Between 2007 and 2018, government expenditure for *Education* in the EU increased from 4.7% of GDP in 2007 to 5.1% of

GDP in 2009, and then gradually decreased, reaching 4.6% of GDP in 2018 [12].

C. Dynamics of government expenditure in Bulgaria by function *Health*

For the same period, there has been a steady increase in government spending on *health*. Their share in total government spending increases from 13.2% of GDP in 2001 to 15.0% of GDP in 2018. In the context of the current global pandemic, public health expenditure planning is an important element in structuring government financial chart of accounts [12]. Table 1 shows the evolution of government expenditure of the EU-27 general government subsector for the period 2001–2018, as a percentage of GDP and as a percentage of total government expenditure [4, 12].

Table 1. Government expenditure of General Government subsector of the EU-27 for the period 2001–2018, (% of GDP and % of total expenditures)

% of GDP	2001	2002	2003	2004	2005	2006	2007	2008	2009
General public services	7.8	7.6	7.4	7.2	7.1	6.8	6.8	7.0	7.1
Defence	1.4	1.4	1.4	1.3	1.3	1.3	1.3	1.3	1.4
Public order and safety	1.6	1.7	1.7	1.7	1.7	1.6	1.6	1.7	1.8
Economic affairs	4.6	4.6	4.5	4.5	4.5	4.5	4.3	4.6	5.0
Environmental protection	0.7	0.8	0.8	0.7	0.8	0.8	0.8	0.8	0.8
Housing and community amenities	0.9	0.9	0.9	0.9	0.8	0.8	0.8	0.8	0.9
Health	6.2	6.4	6.5	6.5	6.6	6.6	6.5	6.7	7.3
Recreation, culture and religion	1.1	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.3
Education	4.8	4.9	5.0	4.8	4.8	4.8	4.7	4.7	5.1
Social protection	18.0	18.1	18.6	18.4	18.3	18.0	17.6	17.9	19.8
Total expenditure by function	47.1	47.6	48.0	47.2	47.1	46.4	45.6	46.7	50.5
% of total expenditure	2001	2002	2003	2004	2005	2006	2007	2008	2009
General public services	16.6	16.0	15.4	15.2	15.1	14.8	15.0	15.0	14.3
Defence	2.9	2.9	2.9	2.8	2.8	2.8	2.7	2.7	2.7
Public order and safety	3.4	3.5	3.5	3.5	3.5	3.5	3.6	3.6	3.5
Economic affairs	9.7	9.6	9.5	9.6	9.6	9.7	9.5	9.8	10.0
Environmental protection	1.6	1.6	1.6	1.6	1.6	1.7	1.7	1.7	1.7
Housing and community amenities	1.8	1.9	1.9	1.8	1.8	1.7	1.8	1.8	1.8
Health	13.2	13.4	13.6	13.7	14.0	14.2	14.3	14.3	14.3
Recreation, culture and religion	2.4	2.5	2.4	2.5	2.5	2.5	2.6	2.6	2.5
Education	10.3	10.4	10.4	10.3	10.3	10.3	10.3	10.2	10.0
Social protection	38.1	38.2	38.8	38.9	38.9	38.8	38.7	38.4	39.2

Source: [4].

Table 2. Government expenditure of General Government subsector of the EU-27 for the period 2001 - 2018, (% of GDP and % of total expenditures)

% of GDP	2010	2011	2012	2013	2014	2015	2016	2017	2018
General public services	7.2	7.2	7.4	7.2	7.0	6.6	6.3	6.1	6.0
Defence	1.3	1.3	1.3	1.2	1.2	1.2	1.2	1.2	1.2
Public order and safety	1.8	1.7	1.7	1.7	1.7	1.7	1.7	1.6	1.7
Economic affairs	5.5	4.8	4.9	4.6	4.6	4.6	4.3	4.3	4.4
Environmental protection	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Housing and community amenities	0.8	0.7	0.7	0.7	0.6	0.6	0.6	0.5	0.6
Health	7.2	7.1	7.1	7.1	7.1	7.1	7.0	7.0	7.0
Recreation, culture and religion	1.3	1.2	1.2	1.2	1.2	1.1	1.1	1.1	1.1
Education	5.0	4.9	4.9	4.9	4.9	4.8	4.7	4.6	4.6
Social protection	19.7	19.4	19.8	20.0	19.9	19.7	19.7	19.4	19.2
Total expenditure by function	50.6	49.1	49.8	49.4	49.0	48.2	47.4	46.6	46.6
% of total expenditure	2010	2011	2012	2013	2014	2015	2016	2017	2018
General public services	14.0	14.7	14.8	14.6	14.3	13.7	13.3	13.3	12.9

(continued)

Defence	2.6	2.6	2.5	2.5	2.4	2.4	2.6	2.6	2.6
Public order and safety	3.5	3.5	3.4	3.5	3.5	3.5	3.5	3.5	3.6
Economic affairs	10.8	9.7	9.8	9.3	9.3	9.5	9.0	9.3	9.4
Environmental protection	1.7	1.7	1.7	1.7	1.7	1.7	1.6	1.6	1.7
Housing and community amenities	1.6	1.5	1.4	1.3	1.3	1.3	1.2	1.2	1.2
Health	14.2	14.2	14.2	14.4	14.6	14.7	14.8	14.9	15.0
Recreation, culture and religion	2.5	2.5	2.4	2.4	2.4	2.3	2.4	2.4	2.5
Education	10.0	10.0	9.8	9.9	9.9	9.9	10.0	9.9	9.9
Social protection	39.1	39.5	39.8	40.4	40.7	40.9	41.7	41.5	41.2

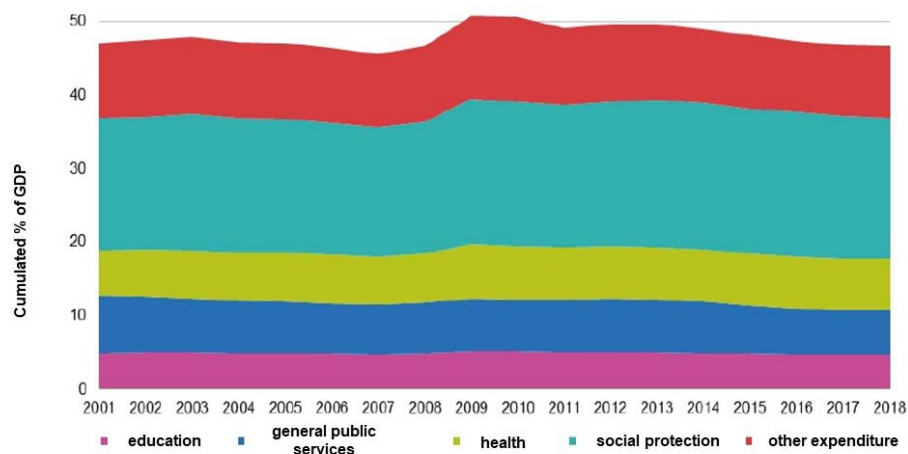
Source: [4].

As can be seen from Table 1 and Table 2, total general government expenditure decreased as a ratio of GDP from 47.1% of GDP in 2001 to 45.6% of GDP in 2007. This decline is mainly reflected in the item *Total expenditure by function*. It is noteworthy that during the first three years of the economic and financial crisis (2007–2009), government spending as a percentage of GDP increased in the EU. It increased from 45.6% of GDP in 2007 to 50.6% in 2009, partly due to lower GDP. Total expenditure by EU-27 function showed an increasing trend between 2011 and 2012, from 49.1% of GDP to 49.7% of GDP. After this period of increase in total expenditures by functions relative to GDP, there is a tendency to gradually decrease and achieve a stable level of 46.7% of GDP in the period 2017 and 2018. This gradual decrease is a result of the imposed measures for fiscal consolidation, renewed economic growth and countercyclical responses to government spending [4, 12].

In the context of the analysis of the total expenditure by functions in EU-27, it is necessary to take into account the fact that in recent years the exclusive costs for support of financial institutions have been decreasing. In addition, not all functions of government spending show the same trend, typical for the period 2007–2018. Some of the functions have a natural tendency to be countercyclical, even

without a change in policy. For example, government expenditure on unemployment compensations (part of the cost of social protection) is more likely to show a natural countercyclical evolution than other expenditure by function, such as government expenditure on education [1, 12]. During an economic crisis, a large proportion of economically active people remain unemployed, while the number of pupils and students is more affected by demographic change. Between 2007 and 2009, unemployment spending in the EU increased from 1.5% of GDP to 1.9%, after which it gradually declined, reaching 1.3% of GDP in 2018 [4, 12].

Expenditure on *Social protection* as a whole increased from 17.6% of GDP in 2007 to 19.8% in 2009. In the period 2016–2018, they decreased by 19.7% of GDP in 2016 to 19.2% of GDP in 2018. Compared to the share of total expenditure, the amount of expenditure for *Social protection* in 2008 is equal to 38.4% of total expenditures, then increase to 41.7% of total costs in 2016. In the period 2017–2018, their share decreased from 41.5% in 2017 to 41.2% in 2018 compared to total costs. It should be noted here, that the growing share of expenditure on *Social protection* in recent years has been accompanied by declining GDP growth rates in the period 2014–2018 [12].



Source: [4].

Figure 2. Dynamics of total government expenditures in the period 2001 - 2018 (% of GDP)

Table 3 and Table 4 show the expenditure by economic functions of the EU member states in the period 2008 - 2018 as a percentage of GDP. Their dynamics over the years are the result of the macroeconomic policy of individual countries, as well as the common European economic policy. In the last few years, European economic policy has been subordinated to the goals set in the Europe 2020 strategy. Achieving smart, sustainable and inclusive

growth is inevitably associated to the type and amount of government expenditure of the Central Government subsector by functions of the classification of government functions (COFOG). They allow revealing the priorities in the provision of public services related to social protection, health, education, defence and security, etc., which are set in the Europe 2020 strategy [2, 5, 6].

Table 3. Government expenditure by function of the EU member states for the period 2008–2018, (% of GDP)

Function Year	Public Services		Defence		Safety		Economic Affairs		Environment	
	2008	2018	2008	2018	2008	2018	2008	2018	2008	2018
Belgium	8.7	7.1	1.1	0.8	1.8	1.7	6.1	6.6	1.0	1.3
Germany	6.6	5.7	0.9	1.1	1.5	1.6	3.7	3.4	0.5	0.6
Estonia	3.2	3.8	1.7	2.0	2.7	1.9	4.9	4.0	1.1	0.7
Ireland	3.8	3.1	0.4	0.3	1.7	1.0	5.2	2.3	1.1	0.4
Greece	11.4	8.3	3.0	2.0	1.6	2.1	5.7	4.4	0.9	1.3
Spain	5.2	5.6	1.0	0.9	2.0	1.8	5.5	4.1	1.0	0.9
France	7.2	6.2	1.7	1.8	1.5	1.7	4.6	5.8	0.9	1.0
Italy	9.5	7.9	1.3	1.3	1.8	1.8	3.9	3.8	0.8	0.8
Cyprus	8.6	7.0	1.6	1.9	1.9	1.7	3.4	9.9	0.3	0.3
Latvia	3.9	4.0	1.5	2.1	2.2	2.2	6.6	5.4	0.8	0.6
Lithuania	4.0	3.5	1.4	1.7	1.9	1.4	4.6	3.0	0.8	0.3
Luxembourg	4.9	5.1	0.3	0.5	0.9	1.1	4.5	5.2	1.1	0.9
Malta	7.3	5.2	0.6	0.5	1.4	1.2	6.7	5.5	1.5	1.2
Netherlands	5.7	4.2	1.2	1.2	1.8	1.8	4.3	3.8	1.5	1.4
Austria	7.2	5.9	0.9	0.6	1.3	1.3	6.3	5.9	0.5	0.4
Portugal	7.4	7.4	1.2	0.8	1.8	1.6	3.9	3.8	0.7	0.6
Slovenia	5.2	5.3	1.4	1.0	1.7	1.5	4.8	4.7	0.8	0.5
Slovakia	4.2	5.0	0.8	1.0	2.3	2.2	4.6	5.5	0.8	0.8
Finland	7.0	8.0	1.4	1.2	1.2	1.1	4.6	4.2	0.3	0.2
EA	7.1	6.1	1.2	1.2	1.6	1.7	4.5	4.3	0.8	0.8
Bulgaria	5.0	3.3	1.2	1.1	2.6	2.5	6.2	6.7	0.7	0.7
Czechia	4.3	4.5	1.0	0.9	1.9	1.9	6.7	6.0	0.9	0.9
Denmark	7.1	6.6	1.4	1.2	1.0	0.9	2.8	3.3	0.5	0.4
Poland	5.3	4.4	1.9	1.6	2.4	2.1	5.6	5.0	0.7	0.5
Sweden	7.9	7.1	1.5	1.2	1.3	1.3	4.3	4.3	0.5	0.5
Croatia	5.4	5.4	1.6	1.1	2.3	2.4	9.5	6.7	0.8	0.7
Hungary	9.4	8.3	1.0	0.9	2.0	2.3	5.8	7.7	0.6	0.4
Romania	4.6	4.6	1.4	1.7	2.1	2.2	7.8	4.2	0.5	0.8
EU27	7.0	6.0	1.3	1.2	1.7	1.7	4.6	4.4	0.8	0.8

Source: [3].

Table 4. Government expenditure by function of the EU member states for the period 2008–2018, (% of GDP)

Function Year	Housing		Health		Culture		Education		Social Protection	
	2008	2018	2008	2018	2008	2018	2008	2018	2008	2018
Belgium	0.4	0.3	7.3	7.6	1.2	1.3	5.7	6.2	17.5	19.3
Germany	0.7	0.4	6.5	7.2	1.1	1.1	3.9	4.2	18.8	19.4
Estonia	0.6	0.3	5.1	5.1	2.4	2.0	6.5	6.2	11.4	13.0
Ireland	1.6	0.5	6.9	5.0	0.8	0.5	4.7	3.2	15.5	9.0
Greece	0.3	0.2	6.5	5.0	0.7	0.8	3.8	3.9	17.0	19.0
Spain	1.1	0.5	6.1	6.0	1.6	1.1	4.2	4.0	13.8	16.9
France	1.2	1.1	7.4	8.1	1.4	1.4	5.4	5.1	21.8	23.9
Italy	0.6	0.5	7.0	6.8	0.7	0.8	4.3	4.0	18.0	20.8
Cyprus	2.4	1.5	2.7	2.7	1.2	0.8	6.0	5.2	10.2	12.5
Latvia	1.2	1.1	4.3	4.0	1.8	1.6	6.3	5.8	9.1	11.6
Lithuania	0.4	0.5	5.6	5.9	1.1	1.1	6.1	4.6	12.1	12.1
Luxembourg	0.7	0.6	4.4	4.7	1.2	1.3	4.8	4.6	16.8	18.0

(continued)

Malta	0.7	0.4	5.3	5.3	0.6	1.0	5.2	5.2	13.3	10.9
Netherlands	0.5	0.3	6.6	7.6	1.4	1.2	5.2	5.1	14.7	15.5
Austria	0.4	0.3	7.5	8.2	1.3	1.2	4.8	4.8	19.6	20.1
Portugal	0.8	0.5	7.3	6.3	1.1	0.8	6.0	4.5	15.2	17.1
Slovenia	0.8	0.4	6.2	6.6	1.7	1.4	6.1	5.4	16.5	16.7
Slovakia	0.6	0.5	6.8	7.3	0.9	1.1	3.7	4.0	12.4	14.3
Finland	0.4	0.3	6.7	7.0	1.1	1.5	5.8	5.5	19.3	24.1
EA	0.8	0.6	6.8	7.1	1.2	1.1	4.6	4.5	18.1	19.6
Bulgaria	1.5	1.1	4.4	5.0	0.8	0.8	4.0	3.5	10.7	12.0
Czechia	0.9	0.8	6.9	7.6	1.4	1.5	4.7	4.6	11.9	12.0
Denmark	0.4	0.2	7.9	8.3	1.8	1.6	6.1	6.4	21.6	21.9
Poland	0.8	0.6	5.0	4.8	1.3	1.3	5.6	5.0	15.5	16.2
Sweden	0.6	0.7	6.6	7.0	1.3	1.3	6.4	6.9	20.0	19.5
Croatia	3.4	1.7	3.7	6.6	2.0	1.5	3.2	5.3	13.9	14.7
Hungary	0.9	0.7	4.9	4.7	1.5	3.2	5.3	5.1	17.4	13.3
Romania	1.3	0.9	3.6	4.7	1.1	1.0	4.3	3.2	11.0	11.6
EU27	0.8	0.6	6.7	7.0	1.2	1.1	4.7	4.6	17.9	19.2

Source: [3].

The following findings can be made from the data in Table 3 and Table 4 [3]:

- In 2018, expenditure by *Social protection* function, including: expenditures for pensions, unemployment compensations, sickness and disability, represent the main expenditure area in the EU countries. Their share on average for the EU-27 is 19.2% of GDP. For individual EU Member States, the figures range from 24.1% of GDP in Finland, followed by 23.9% of GDP in France to 9.0% of GDP in Ireland [3].
- The second highest share of government spending is related to the item *Health*, reaching 7.0% of total EU government spending. Denmark has the highest level of health expenditure at 8.4% of GDP, while Cyprus has the lowest national level at 2.7% of GDP.
- Government expenditure for *General public services* represents 6.0% of total EU government expenditure. The EU member states, Greece and Hungary have the highest public service expenditure relative to GDP – both countries account for 8.3% of GDP, while Ireland has the lowest share in this item, with 3, 1% of GDP.
- Government expenditure on *Education* represents on average 4.6% GDP in the EU. Sweden is the European country with the highest value of this type of government spending, amounting to 6.9% of GDP, while Ireland and Romania report the lowest levels of 3.2% of GDP.
- Government spending on the *Recreation, culture and religion* function averages 1.1% across the EU. Such distributions range from the highest value recorded in Hungary at 3.2% of GDP to the lowest value recorded in Ireland at 0.5% of GDP.
- Government spending on the *Economic affairs* represents on average 4.4% of EU GDP. In the structure of this type of costs, the largest share belongs to the costs related to transport, including the costs of roads and railways. The least money under this item is spent by Ireland – 9.9% of GDP, and the largest share of this type of expenditure is in Cyprus – 2.3% of GDP.
- Government expenditure under the *Public order and safety* function amounts to an average of 1.7% of GDP. Bulgaria has the highest percentage - 2.5% of GDP, followed by Latvia, Slovakia, Croatia, Hungary and Romania. Denmark and Ireland are the EU member states with the lowest share of spending on this item.
- Government expenditure related to the *Defence* function, although relatively low compared to other expenditure by function, shows differences ranging from the highest value in Latvia – 2.1% of GDP, followed by Greece and Estonia – 2.0 % of GDP, to 0.3% of GDP in Ireland.
- Government spending on the economic function of *Environmental protection* on average for the EU is 0.8% of GDP, with a focus on waste management. Greece, the Netherlands, Malta and Belgium are the only EU countries to show expenditures above 1.0% in the Environmental Protection category, while Finland has the lowest levels of 0.2% of GDP.
- In 2018, government spending on the economic function *Housing and community amenities* is on average about 0.6% of GDP for the EU-27.

Based on the findings in the dynamics of government expenditure by the functions of COFOG

and the goals set in the Europe 2020 strategy, concerning the knowledge economy, innovation, labour market, environmentally friendly and sustainable growth, the following conclusions can be made:

- Dynamics of expenditure by economic function *Education*, the lowest level in this item is noted by Ireland, Romania and Bulgaria. With the highest level of this type of costs are Sweden, Denmark, Belgium and Estonia. Government expenditure by economic function *Education* on average for the EU-27 is 4.6% of GDP.
- Dynamics of expenditure by economic function *Social protection* – the lowest level in this item is noted in Ireland, Latvia, Romania and Bulgaria. The highest levels of this type of expenditure have Finland, France, Denmark and Italy. Government expenditure by economic function *Social protection* average for the EU-27 is 19.2% of GDP.
- Dynamics of expenditure by economic function *Environmental protection* – the lowest level in this item is noted by Finland, Cyprus, Lithuania, Hungary, Denmark, Austria and Ireland. The highest levels of this type of costs are in the Netherlands, Belgium, Greece and Malta. Government spending on the economic function of *Environmental protection* on average for the EU-27 is 0.8% of GDP.
- Dynamics of expenditure by economic function *Economic affairs* – the lowest level in this item is noted in Ireland, Lithuania, Germany and Denmark. The highest levels of this type of expenditure are in Cyprus, Hungary, Romania, Bulgaria and Belgium. Government spending on the economic function of *Economic affairs* averages 4.4% of GDP for the EU-27.

Implications

- Most of the expenditure in the EU-27 are related to the economic functions *Social protection* (41.2% of the total expenditures) and *Health* (15.0% of the total expenditures);
- In 2018, government spending on *Social protection* in the EU-27 amounted to 2 591 billion EUR and amounted to 19.2% of GDP, compared to 19.4% of GDP in 2017.
- Between 2007 and 2018, government spending on *Education* in the EU increased from 4.7% of GDP in 2007 to 5.1% of GDP in 2009, and then gradually decreased, reaching 4.6% of GDP in 2018.
- During the analysed period, there is a steady increase in government expenditure on health. Their share in total government

expenditure increased from 13.2% of GDP in 2001 to 15.0% of GDP in 2018.

- Taking into account the goals set in the Europe 2020 strategy, there is an increase in government spending on the *Health* function; reduction of government spending on education and maintaining a trend towards a constant level of government spending on social protection over the last few years, while being the largest in EU-27 spending.

Conclusion

Goods and services produced by the public sector generate a certain amount of costs. In the Europe 2020 strategy, the European Commission outlines three priorities for the future development of European economies. The goods and services produced by the public sector, present in the government programs of the EU member states and compliant with the Europe 2020 strategy, are related to the generation of a certain amount of expenditures, with an emphasis on the expenditures of the General government expenditure by function of COFOG. These costs are the result of the key priority areas set in the strategy.

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ЗАВИСИМОСТ МЕЖДУ ДИНАМИКАТА НА ДЪРЖАВНИТЕ РАЗХОДИ ПО ФУНКЦИИ, СЪГЛАСНО КЛАСИФИКАЦИЯТА НА ФУНКЦИИТЕ НА ДЪРЖАВНО УПРАВЛЕНИЕ (КОФОГ), В СТРАНИ ЧЛЕНКИ НА ЕС И СТРАТЕГИЯ „ЕВРОПА 2020”

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Резюме

Европейската комисия в стратегия „Европа 2020“ поставя акцент върху постигането на три приоритета: интелигентен растеж; устойчив растеж и приобщаващ растеж. Именно, заложените в стратегията цели са свързани с размера на разходите на сектор „Държавно управление“ по функции съгласно Класификацията на функциите на държавно управление (КОФОГ). Вниманието е фокусирано върху наличието на зависимост между динамиката на държавните разходи на сектор „Държавно управление“ по функции на КОФОГ в някои страни членки на ЕС и резултатите, които те отчитат по отношение на заложените цели в стратегия „Европа 2020“. Във връзка с последното, основна цел на настоящото изследване е да се изследва степента на постигане на заложените цели в стратегия „Европа 2020“ чрез проследяване динамиката на държавните разходи на сектор „Държавно управление“ по функции на КОФОГ в някои страни членки на ЕС.

Ключови думи: държавни разходи, ЕС, стратегия Европа 2020, резултати, динамика, цели за постигане.