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# Public expenditure: state of the art and country experiences

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The EMCDDA is the hub of drug-related information in the European Union. The agency works on the premise that sound information is the key to effective drug strategies and policies. Amidst other tools, the EMCDDA utilises standardised data collection forms (standard tables) to gather factual, objective, reliable and comparable information.

A contemporary and important component of the drug policy debate is how much governments should spend on different kinds of programmes (public expenditure<sup>(1)</sup>). With public spending of all kinds under intense scrutiny, it is more important than ever to ensure that the funds available are serving society's highest priorities efficiently.

In response to the European Union drugs action plan 2005–08, and in collaboration with the European information network on drugs and drug addiction (Reitox), the EMCDDA has developed a new standard table to be used as a regular monitoring tool of drug-related public expenditure in Europe. This poster is aimed at introducing the new tool (hereafter called STPE).

The new STPE contains 10 variables that Reitox will use to report a detailed account of the labelled<sup>(2)</sup> and non-labelled<sup>(3)</sup> drug-related public expenditure in a given year.

**Table 1.** Dictionary of the variables to be included in the EMCDDA's new standards table on public expenditure

Variable name	Data type	Width	Variable label	Possible values	Description/Remarks
NFP	String	2	Reporting national focal point	Member State ID	Based on ISSO 3166 Code Lists ( <a href="http://www.iso.org">http://www.iso.org</a> ).
EXPEND	Numeric	10	Expenditure in national currency	> 0	In national currency.
PURPOSE	String	240	Detailed purpose of the expenditure	Free text	Briefly describes the purpose of the expenditure in English.
YEAR	Numeric	4	Fiscal year of the expenditure	> 2005	Most up-to-date or at least current year minus two (t-2). If the financial year (e.g. 2005–06) does not correspond exactly to a natural year, please refer to the natural year that is most represented by the fiscal year (e.g. 2005 or 2006), and add a note of clarification in the variable CONTEXT.
SOURCE	Numeric	1	Source of the information	(1) Year-end report (2) Budget documents (3) Accounting systems (4) Parliamentary answers (5) Research study (6) Estimation (7) Other (please explain in the CONTEXT variable)	Report the document/informant the expenditure comes from. The use of year-end reports is recommended.
COFOG1	String	4	COFOG 1st level (Divisions)	See <a href="http://unstats.un.org/unsd/cr/registry/regcst.asp?CL=4">http://unstats.un.org/unsd/cr/registry/regcst.asp?CL=4</a> for details	The Classification of Functions of Government (COFOG) is the basis used to examine the structure of government expenditure. It is a three-level classification with 10 'Divisions' at the first level.
COFOG2	String	6	COFOG 2nd level (Classes)	See <a href="http://unstats.un.org/unsd/cr/registry/regcst.asp?CL=4">http://unstats.un.org/unsd/cr/registry/regcst.asp?CL=4</a> for details	COFOG is broken down to about 6 'Groups' at the second level of detail, which in turn are sub-divided into 'Classes' (not used here).
SECTOR	String	5	General government sector	(1) Central government (2) State government (3) Local government (4) Social security funds	Identifies the general government sector reporting the expenditure (as defined by the European System of National and Regional Accounts).
TRACE	Numeric	1	Origin of the expenditure	(1) Labelled expenditure (0) Non-labelled expenditure	Defines the labelled/non-labelled nature of the expenditure.
CONTEXT	String	2 400	Meaning of the expenditure	Free text	For LABELLED: give here any further clarification on the expenditure. For NON-LABELLED: describe here the procedure used to model/estimate the expenditure.

The Classification of Functions of Government (COFOG) is used to examine the structure of government expenditure. COFOG data is complemented by other important features of the expenditure being reported (e.g. purpose, source and origin of the expenditure). Labelled expenditure will be traced back by an in-depth review of official financial reporting documents. Non-labelled drug-related expenses will be calculated through modelling/estimation approaches.

A former version of the STPE was pilot-tested as part of the Reitox national reporting exercise for 2007. The results of this collaborative process have been published in detail elsewhere<sup>(4)</sup>. In brief, for 2005 a total of EUR 15.4 billion of drug-related public expenditure was identified in 11 countries. By extrapolating these figures, the total drug-related public expenditure in Europe for that year was estimated to be around EUR 34 billion, equivalent to 0.3 % of the sum of the GDP of all of the countries considered. This means that on average, for each million EUR of a European country's GDP in 2005, EUR 3 000 were publicly spent on drug-related matters. This represents an average expenditure of EUR 60 per European citizen per year.

The overall results of this pilot test suggested that although it has some limitations, the STPE dual methodology (labelled versus non-labelled) proposed for producing estimates of public expenditure has proven to be feasible and scientifically robust.

Results also indicated that comprehensive approaches to precisely estimate public expenditure are currently beyond the technical, resource or human capabilities of some Reitox national focal points. This situation should be resolved over time by providing simple, clear and straightforward guidelines on how to fill in the new STPE presented here. The EMCDDA would be in a position to play a leading role in this action by compiling different strategies available for identifying expenditure, once it has received reports from the countries on their experiences in using the new tool.

(1) 'Public Expenditure' is defined as the particular set of transactions related to illegal drugs undertaken by units in general government (i.e. central government, state government, local government and social security funds).

(2) The ex-ante planned public expenditure made by the general government in the budget that reflects a country's voluntary commitment in the field of drugs.

(3) The non-planned, ex-post, public expenditure faced by the general government in tackling drugs, not identified as drug-related in the budget.

(4) EMCDDA (2008), Towards a better understanding of drug-related public expenditure in Europe, Selected issue No1, European Monitoring Centre for Drugs and Drug Addiction, Lisbon.

Full report available here: <http://www.emcdda.europa.eu/publications/selected-issues/public-expenditure>