

## On COFOG

BO is fond of COFOG. COFOG data are evidence of the first rank. They allow for comparison between countries, and reveal proportions between domains of public funding, furthermore they tell about trends over the years. BO uses these properties of COFOG to watch and benchmark public cultural funding in EU member countries.

The Classification of the Functions of Government was designed by the United Nations as early as 1970. Eurostat applies the version developed by the OECD. Public functions are divided into [ten classes](#), which are further broken down into subclasses.

Culture is part of the 8<sup>th</sup> class that has five subclasses (and a box for the remainder):

08 - Recreation, culture and religion

08.1 - Recreational and sporting services

08.2 - Cultural services

08.3 - Broadcasting and publishing services

08.4 - Religious and other community services

08.5 - R&D Recreation, culture and religion

08.6 - Recreation, culture and religion n.e.c. (not elsewhere classified)

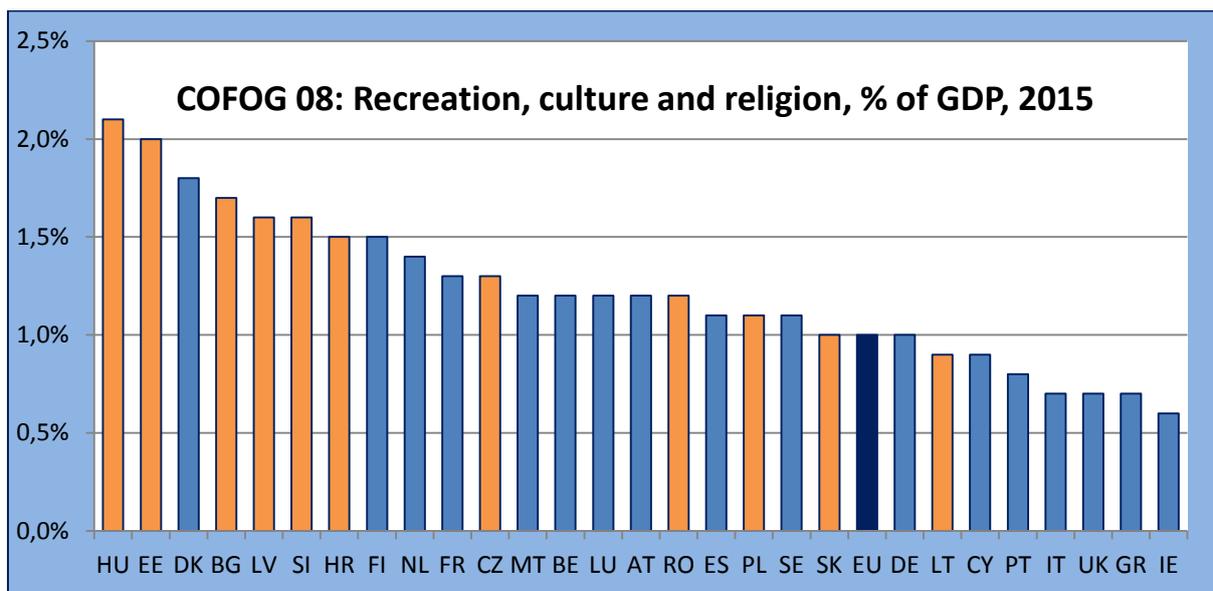
COFOG is about public funding, the expenditure of the state structure, which comprises all local governments in towns, villages and various regional units. Investments, i.e. building, maintenance and repair are also included.

Annual COFOG statistics are updated each spring by Eurostat, displaying data with a technical delay of a year: in March 2017 statistics are presented up to 2015. We shall go through a few charts that BO has devised on public cultural funding.

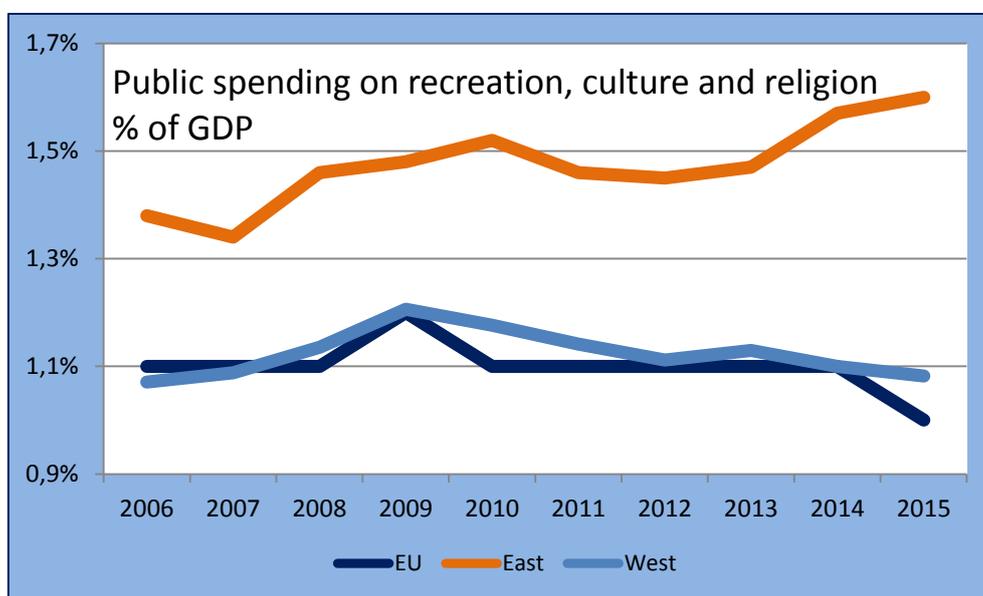
The diagrams explore public cultural funding in the countries of the European Union from 2004. Why 2004? Due to the availability of data, and also 2004 was the year of the first wave of the accession of post-communist countries to the EU. Why 26 countries in most cases? Because the Austrian and German administrative division to central and local has not been adjusted to the COFOG logic, which is an important division in the system.

### **Class 08 on “recreation”**

Indicators of top importance like growth of GDP, a country's government debt or the annual budget deficit are frequently corrected, changing sometimes many years backwards. Areas like recreation and religion are even more exposed to statistical redefinitions and adjustments, and at times raise eyebrows at some dubious figures. Yet before something fundamentally better arises, BO believes in COFOG, that is in Eurostat and its national clients.

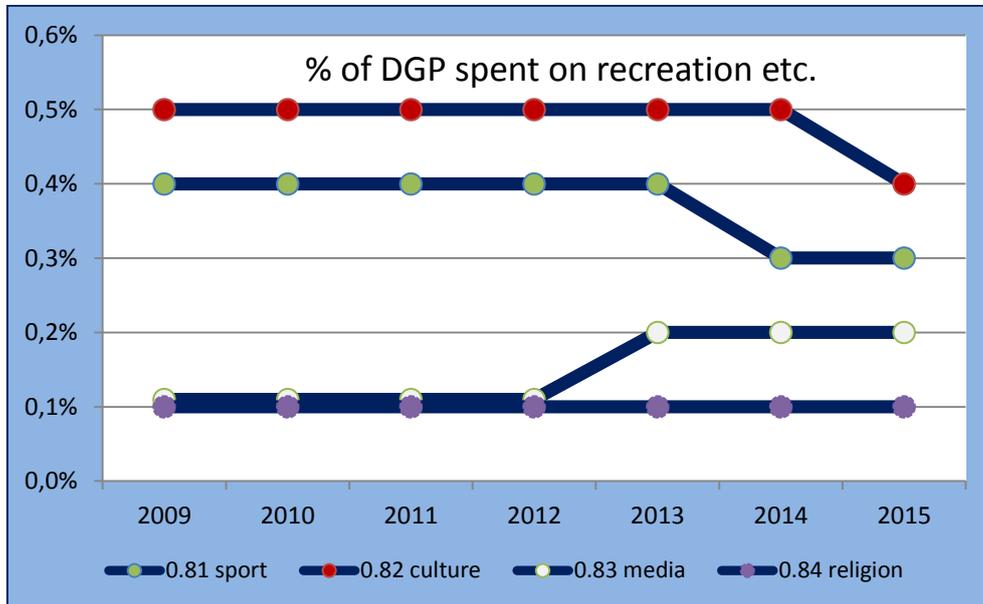


Our first chart ranks countries by the percentage of GDP they spend on “recreation”. The EU28 average sits on the 1% notch, together with Slovakia and Germany. Topped by Hungary’s 2.1%, almost all post-communist member states spend above the average on recreation, culture and religion. And increasingly so, as the next graph shows<sup>1</sup>. Question: is the growing proportion of GDP spent on recreation, culture and religion in the eastern countries a sign of consolidation, or else, a symptom of advances of populism?

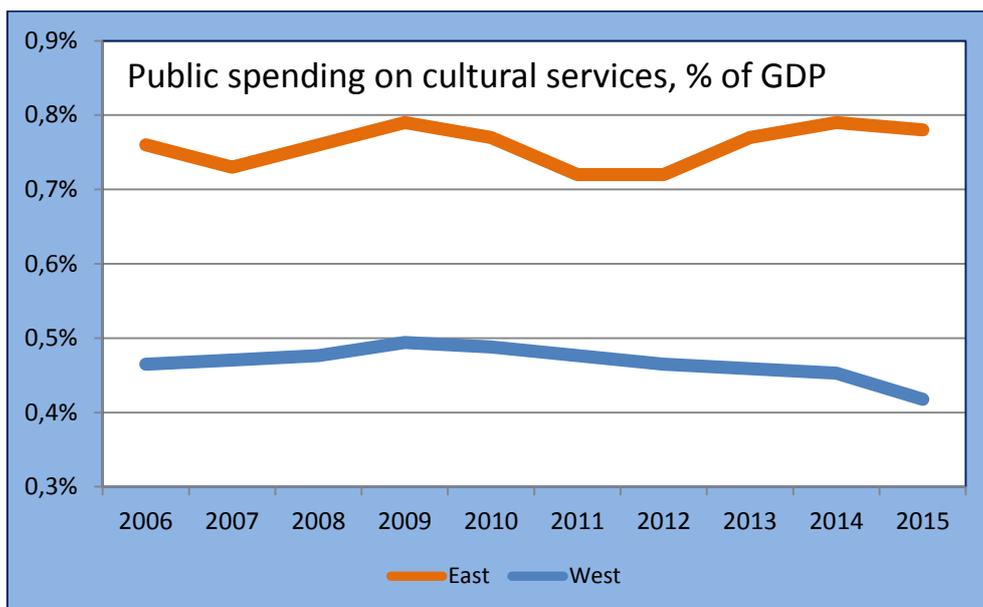


<sup>1</sup> COFOG uses GDP but it is not part of the system and we did not want to use outside data. This diagram and the next two of the same character are based on averages of country averages, which is unfair methodology (except for the EU figure). The graphs are nevertheless indicative of the proportions.

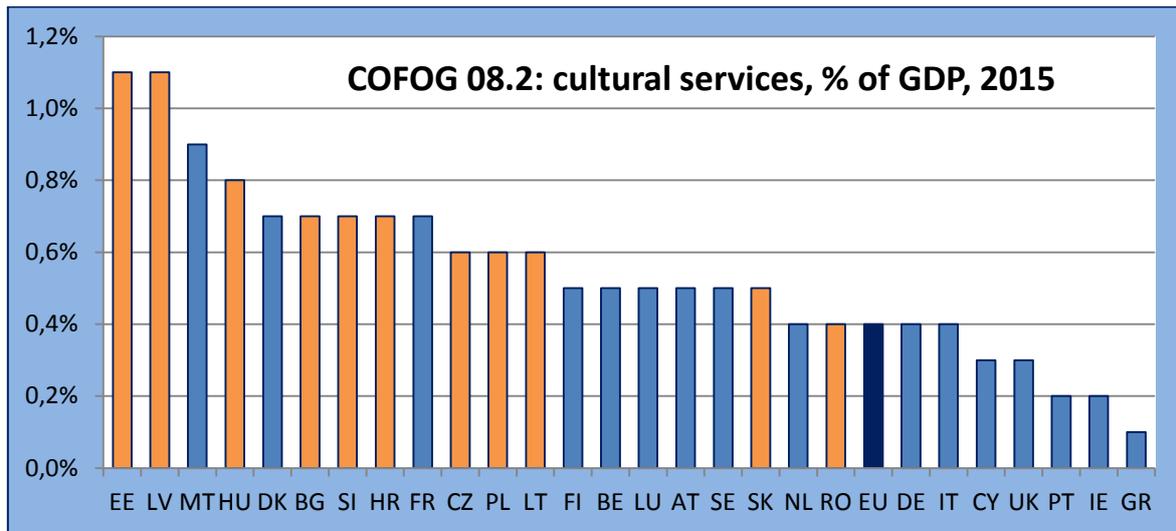
Culture represents about half of the colourful set of domains that absorbs about one per cent of the gross domestic product of the 28 countries in the EU. “Recreational and sporting services” receives somewhat less, followed by broadcasting and publishing and “religious and other community services”.



Unfolded from the larger COFOG 08 recreation group, the next diagram shows how the old democracies and the post-communist group spend on culture proper from the GDP. The difference in the ratio is large and seems to increase. In 2015 the share the eastern countries spend on culture is nearly double of the “west” (which is rather “the rest”, as Malta, Cyprus and Greece are also included here).

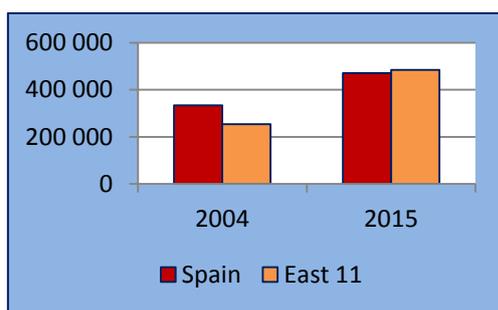


Next, the same indicator is shown by country. Estonia and Latvia spends over the proverbial 1% of the national income on culture from public coffers, while data report about an incredibly low percentage in Portugal, Ireland and Greece.



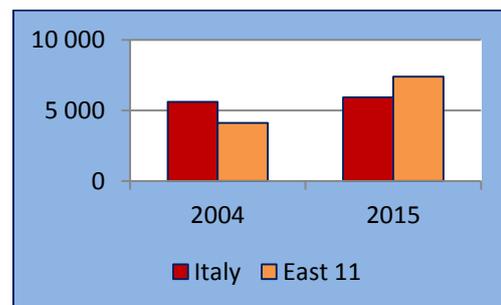
Having observed percentages, COFOG is showing us absolute figures expressed in euro. We shall proceed step by step.

First we shall take a look at the figures of **total expenditure**. The amount of money spent from the common sources is of course related to the richness of the country. The old democracies enjoy a considerable historic advantage in this regard, which the new democracies have managed to handle spectacularly during the past period – with the robust help of the old democracies. We have chosen one example to illustrate the issue.



In 2004 the entire public spending in Spain was (the equivalent of) over 330 million euro. This was more than what the eleven post-communist countries in the EU today spent in the same year. Eleven years later, in 2015, the eastern eleven have managed to spend for the first time more than Spain alone.

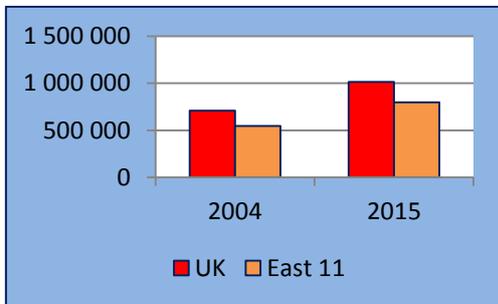
COFOG data prove that in the east proportionally more goes **on culture** than in the west. Now we shall see the same in absolute amounts. For this, Italy is the right match, which from 5609 million in 2004, after a few lean years, raised its cumulated public spending on cultural services to 5922 million euro in 2015.



In the same period the eleven eastern countries' joint cultural spending grew from 4100 to 7400 million, overcoming Italy!

The same success could not be achieved about the **total expenditure of the central governments**. The UK is not only one of the largest countries in Europe in most senses but also – contradicting opposite perceptions – one of the most centralised. This explains that despite the advances

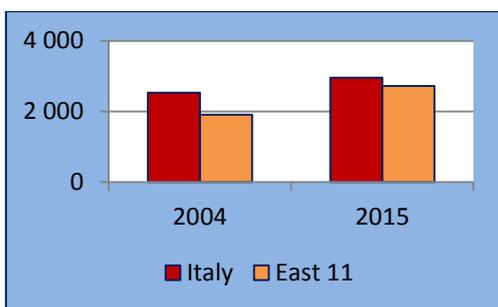
that the eastern countries have demonstrated also in this regard, they could not come closer to that of Britain by adding up their central government budgets.



Let us see absolute figures. UK – 709 million euro in 2004, 1014 million in 2015.

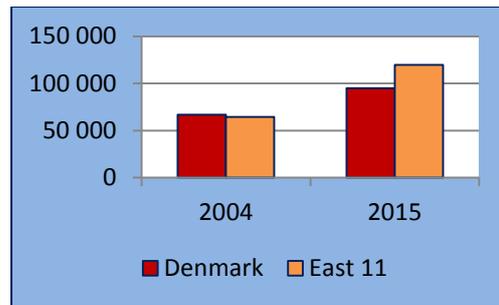
The eleven eastern member states – 545 million in 2004, and 796 million in 2015.

Statistics on total central spending serve to locate **culture in the central government budgets**. Owing to the size of the amount, in this regard again Italy lends itself as a benchmark. In 2004 the Italian government spent 2534 million on cultural services, which grew to 2956 million euro by 2015. These amounts comprise cultural expenditure from the central budget all over the country.



The total money earmarked to culture in the central budgets of the eleven states in the east also increased (from 1909 to 2720 million), but still have not reached the level of the Italian administration.

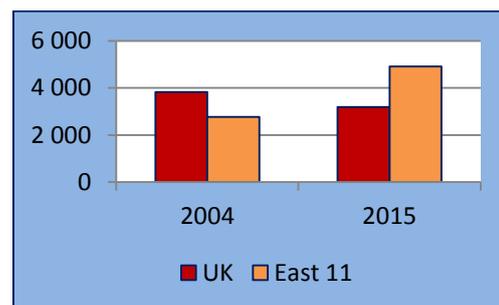
We are turning now towards the local sphere. COFOG will show at the very end of this paper that the past decade has brought along really important advances in **local public budgets** in the new democracies. This can be illustrated against the data from Denmark.



In 2004 Danish cities and regions spent more than the eleven countries together. In 2015 the respective eastern figure was a quarter higher than that of Denmark.

In this respect, too, the countries behaved differently. Total local public spending increased the most in Bulgaria and Romania, which implies a tendency of devolution. On the other hand, in Hungary and Ireland local governments spent less in 2015 than in 2004.

We have finally arrived at the amounts spent **on culture locally**. Once more, the output of the eastern eleven is matched against the United Kingdom, a country where devolution appears to have turned upstream. In 2015 less was spent on culture by the local governments than in 2004.

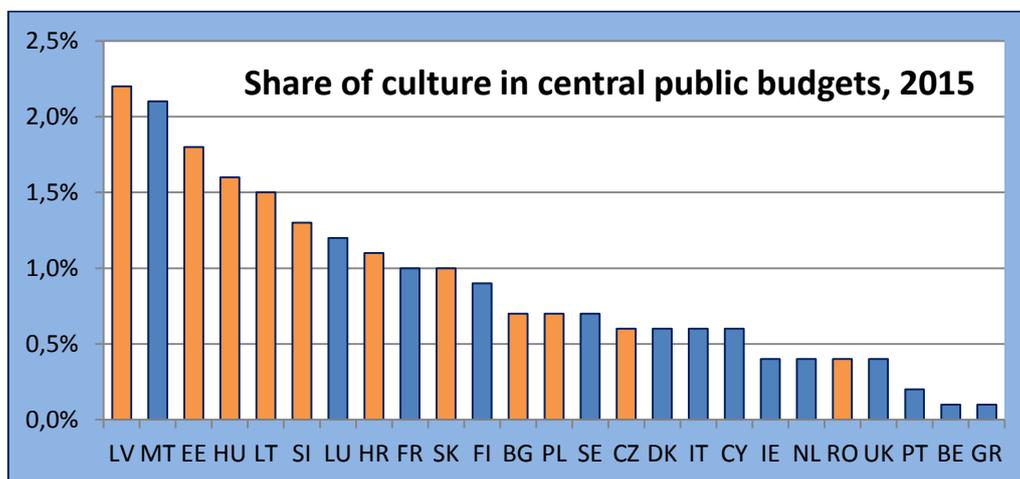


The opposite happened in the east. This is a field where the new democracies have manifested the greatest advance. The 4907 million euro that their cities and regions spent on culture in 2015 is 78% higher than the same index in 2004.

Besides the UK, two more countries spent less on local culture than what they did eleven years earlier: Ireland and Italy.

There are two countries where COFOG found practically almost nothing in 2004. By 2015 local cultural investment increased six times in Bulgaria, and 24 times (!) in Greece. We are aware of the difficulties in the two countries yet in such extreme cases one also suspects some technical retrospective re-categorisation in statistics.

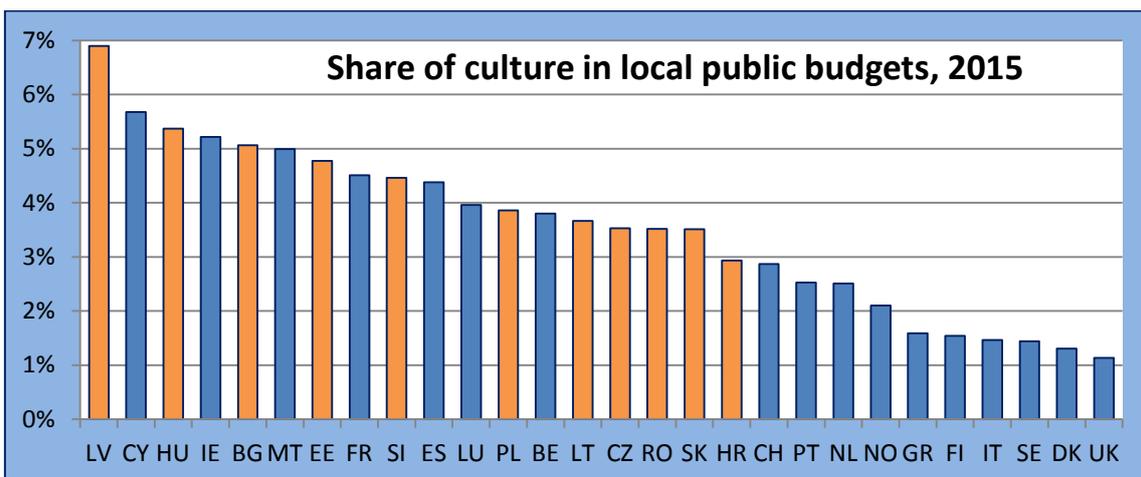
We have seen Latvia on top (hand in hand with Estonia) about public spending at the rate of 1.1% against the GDP. The explanation is seen on the following two diagrams. Latvia soars high in both.



This graph shows small figures and great variety. In Belgium and Portugal the somewhat larger share in the local budgets (next diagram) compensates for the tiny percentages in the central budget; in Greece it does not.

The next chart presents the percentage share of cultural allocations from local public resources. An average of 6.9% was spent on culture in the cities and regions of Latvia in 2015. Living or visiting there one must certainly feel the impact.

With that we do not mean that towns and counties in Britain must have become culturally bleak, with the lowest share in the EU devoted to culture from local budgets. There, as apparently in some Nordic and Mediterranean countries, local culture is to a great extent financed from central budgets. These are the nuances that COFOG figures cannot explain but can trigger questions and further exploration.

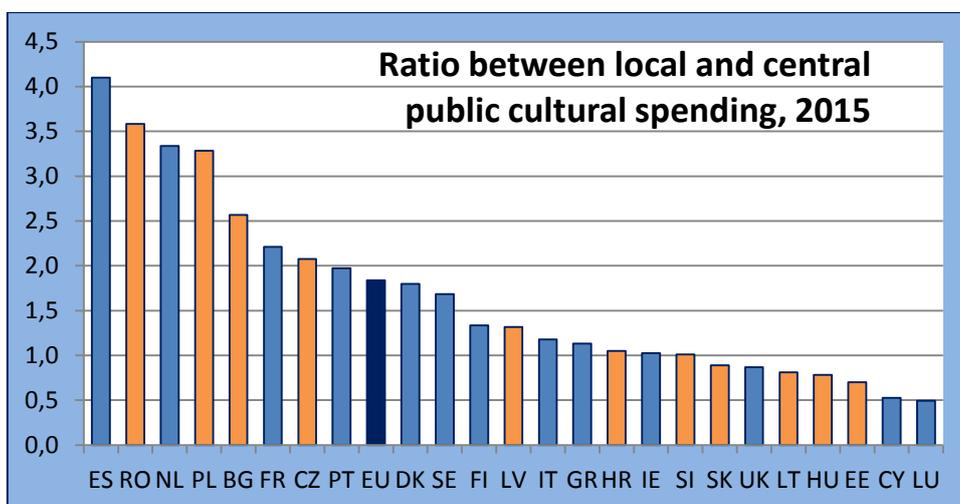


**Central versus total**

Having seen the weight of culture in total, central and local budgets respectively, COFOG helps us compare the absolute amounts of central versus local cultural expenditure.

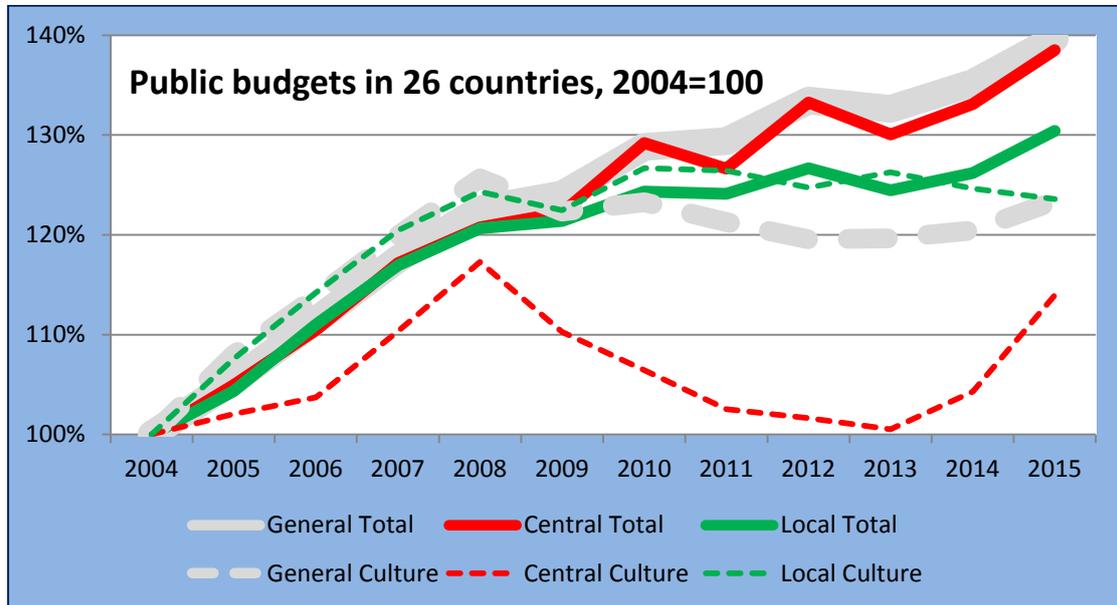
On the level of the 26 countries in the EU (excepting Austria and Germany), the ratio is 1.8, that is 80% more is spent locally than by the central government (which in most countries means a ministry in charge of culture). In 2004 this index was around 1:1.5, which shows a considerable shift towards the local in relation to central cultural funding.

1.01% in Slovenia practically expresses a fifty-fifty situation between central and local. To the right from Slovenia we find eight countries where less is spent on culture locally than centrally. Two countries with special circumstances are missing from the graph, Malta with 0.03% local share, and Belgium, where in the special federative framework almost everything counts as “local” (yet they are included in the EU average). Without these two extremities we find Spain at one end, where regions and municipalities spend 4.1 more than the central budget; and Luxembourg, where the ratio is 1:2 in favour of central funds.



### BO's favourite COFOG diagram

We have updated the graph that we think carries especially useful condense information on public funding of culture in the EU.



The diagram presents the dynamic of central (national) and local (municipal or regional) public cultural budgets related to total public expenditure since 2004.

How does the diagram read? The continuous lines show that till 2008 public spending in the EU (expressed in euro) grew at a similar space in the centre as locally. (It will take further exploration to find out why general funding is higher than the sum of central and local funding. More interestingly, why is the sum of central and local cultural funding sometimes higher than “general”, which is supposedly the total of cultural expenditure?)

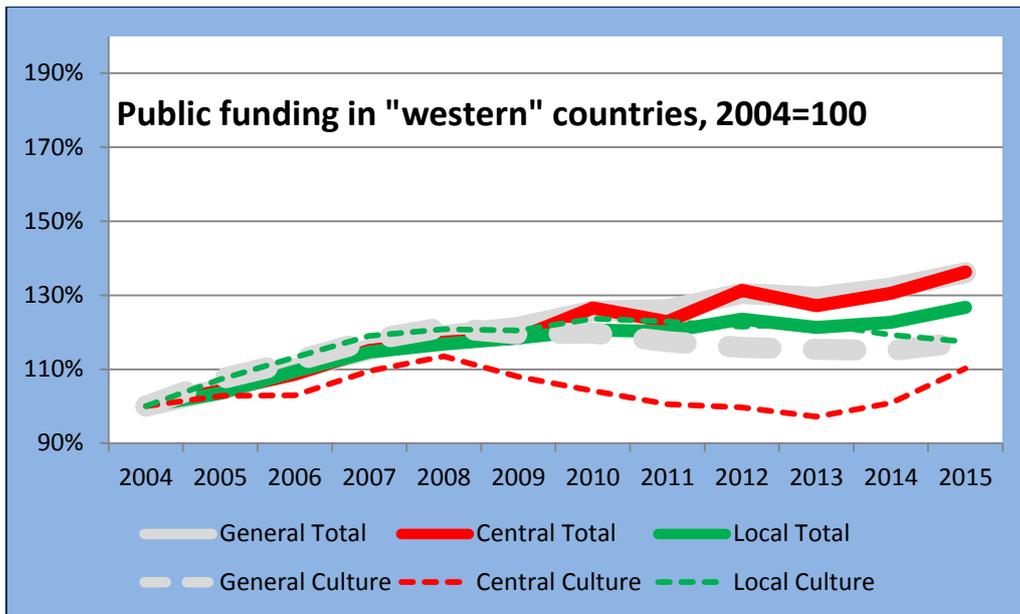
After the financial collapse in 2008, at EU aggregation, the central budgets followed a more hectic path, while local development slowed down. Both seem to have consolidated after 2013.

The real revelation of the graph is the difference between central and local cultural finances. Before 2008, due to increased investing in local culture, total cultural expenditure grew at a greater pace than public funding in general. The cultural allocations of central governments, however, lagged behind public expenses in general, and local cultural budgets in particular. After 2008 things turned really sour. While on the local level culture managed to keep the general pace, most central governments administered cruel cuts. Culture's share fell sharply by hitting the 2004 baseline in 2013. Despite the latest corrections, it is far from the position that cultural services held in the government budgets a decade ago.

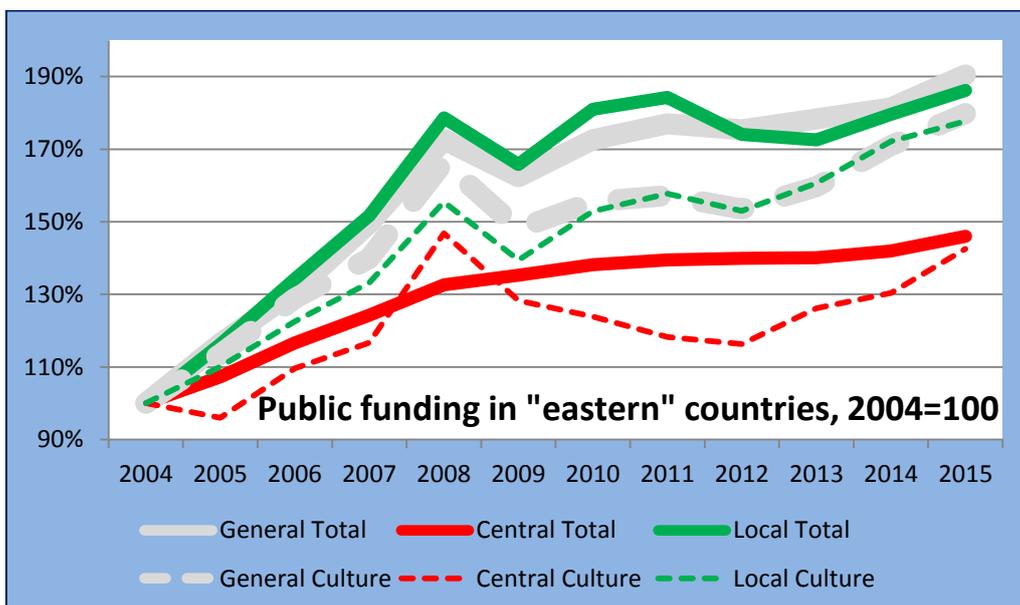
Interesting is the direction of the two curves, the decline in local and rise in central cultural funding. What do 2016 and 2017 bring: are the two going to be in the same position with regard to 2004? Is this the end of the decade long shift from the centre towards the towns and regions, which was particularly sharp in the few years after the 2008 credit crunch?

**Central and local in east and west**

After the divergences in some of the cases before, one is not surprised at the difference between the last two diagrams. The curves are based on budgetary figures, and we could see how important they are in comparison to the eastern figures, even they are added up from the eleven countries. The shape of the “western” lines therefore is rather close to the total of 26 countries. One critical thing is to know that in 2013 the amount of cultural expenditure in the 15 states remained 3 per cent below the 2004 level.



The drawing of the trends in the eleven eastern countries shows a number of interesting things. We see greater amplitudes. The rise was astounding between 2004 and 2008. And the drop appears to be shorter lived than what we tend to remember. Contrary to the majority trend, in the east local growth remained more decisive along the entire period. On the other hand, central budgets appear to have been cushioned against the credit crunch, their increase hardly slowed down.



The opposite can be said about cultural finances. In 2009 public funding plummeted deeper than in the west. The other disparity is positive: local cultural expenditure did not decline in the past couple of years, differently from the western countries.

### **The use of COFOG**

Its use is simple. [One surface](#) has all. Once you have learned how to use it you will hope it remains as it is for long.

It is numbers galore. One can download large tables and copy them into papers or can fabricate graphs as we do. Other than the BO perspective of EU total as well its “east-west” halves, research can focus on single countries or smaller groups like Nordic, Mediterranean etc. Hopefully, one day COFOG will go deeper than national aggregation, at least in case of federal states, enabling comparisons between Bavaria and Piedmont, or Wales and the Basque country. And that all European countries will be included.

However, amounts can lead to false conclusions without observing quality and efficiency. A country or city that spends more on culture does not necessarily serve culture better than one with lower figures. Collecting numbers is the first step. COFOG is of great help in this pursuit. It offers you the basis for searching for quality, ingenuity and efficiency in the use of public resources.