

# News Release



Date: 31 January 2007  
No. : 18/2007  
Time of release: 11.00 hrs

**Theme:**  
**Economy and Finance**

**Compiled by:**  
**Government Finance Unit**  
e-mail: [govtfinance.nso@gov.mt](mailto:govtfinance.nso@gov.mt)  
Tel: 25997249

## Government Finance

### Expenditure of General Government Sector by function 2001-2005

*In 2005 outlay on Social Protection takes up more than 30% of total general government expenditure followed by General Public Services (16.3%) and Health (14.7%).*

The tables in this release represent expenditures by the general government sector for the indicated time span as classified by the Classification of Functions of Government (COFOG); and all the aggregates have been compiled in accordance with the ESA95 methodology.

Total general government expenditure for 2005 increased by almost Lm36.0 million compared to the previous year. Expenditure on health and on social protection added Lm15.6 million and Lm12.7 million respectively. These increases were brought about by additional outlays on the construction of the Mater Dei Hospital and by more expenditure on social benefits in cash. Other increases were recorded under education, under recreation, culture and religion, and under environment protection. On the other hand expenditure under the economic affairs category declined by Lm3.3 million.

Table 2 analyses the expenditure by function as a percentage of the total general government expenditure. By and large the composition of the expenditure is consistent across the years, with outlay on social protection making up more than 30 per cent of the total expenditure in 2005. At the other end of the scale, expenditure on recreation, culture and religion made up 1.6 per cent of total expenditure.

Compared to the release on COFOG as published on the 31 January 2006, the major revisions to the 2004 data were in the economics affairs division. Updated information covering a capital transfer in kind in favour of a major Government entity resulted in a decline in gross capital formation (in respect of buildings) and in net acquisitions of land. However this transaction has no effect on the total expenditure as this outflow is compensated under capital transfers. The property income for all years (reported under the general public services category) was also revised downwards due to the re-allocation of FISIM during the course of 2006.

The share of total general government expenditure as a percentage of GDP declined marginally to 47.0 per cent for 2005, compared to a share of 47.3 per cent for the previous year. Table 3 traces the ratio of government expenditure as a percentage of GDP for the years 2001-2005 ■

European statistics comparable to data in this News Release are available at:

[EUROSTAT Website/Homepage/Economy and finance/Data](http://europa.eu.int/press/pr060118.htm)

- >Economy and finance
  - >Government statistics
    - >Annual government finance statistics
      - >General government expenditure function (COFOG)

For further assistance send a request from:

[http://www.nso.gov.mt/adhoc/adhoc\\_contact\\_details.aspx](http://www.nso.gov.mt/adhoc/adhoc_contact_details.aspx)

The monthly calendar of NSO News Releases may be consulted on the Office's website at [www.nso.gov.mt](http://www.nso.gov.mt)

**National Statistics Office**  
**Library & Information Unit**  
Lascaris, Valletta CMR 02, Malta  
Tel: (+356) 25997219  
Fax: (+356) 25997205  
e-mail: [nso@gov.mt](mailto:nso@gov.mt)  
<http://www.nso.gov.mt>

**Table 1. General Government expenditure by function**

Lm 000's

COFOG	2001	2002	2003	2004	2005
General public services	109,112	116,047	116,090	150,976	149,572
Defence	13,290	13,545	16,418	19,187	19,284
Public order and safety	30,066	30,643	33,015	32,195	33,099
Economic affairs	119,987	124,492	191,689	135,364	132,100
Environment protection	15,428	13,615	16,816	18,221	21,087
Housing and community amenities	25,851	24,362	27,882	21,079	20,864
Health	90,662	107,253	115,914	119,261	134,860
Recreation, culture and religion	9,815	10,214	10,742	11,647	15,008
Education	101,582	109,834	115,614	111,062	116,392
Social protection	232,052	243,751	256,333	265,293	278,010
<b>Total</b>	<b>747,845</b>	<b>793,755</b>	<b>900,513</b>	<b>884,287</b>	<b>920,276</b>

**Table 2. General Government expenditure by function as a % of total expenditure**

COFOG	2001	2002	2003	2004	2005
General public services	14.6	14.6	12.9	17.1	16.3
Defence	1.8	1.7	1.8	2.2	2.1
Public order and safety	4.0	3.9	3.7	3.6	3.6
Economic affairs	16.0	15.7	21.3	15.3	14.4
Environment protection	2.1	1.7	1.9	2.1	2.3
Housing and community amenities	3.5	3.1	3.1	2.4	2.3
Health	12.1	13.5	12.9	13.5	14.7
Recreation, culture and religion	1.3	1.3	1.2	1.3	1.6
Education	13.6	13.8	12.8	12.6	12.6
Social protection	31.0	30.7	28.5	30.0	30.2
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

**Table 3. General Government expenditure by function as a % of GDP\***

COFOG	2001	2002	2003	2004	2005
General public services	6.3	6.4	6.3	8.1	7.6
Defence	0.8	0.7	0.9	1.0	1.0
Public order and safety	1.7	1.7	1.8	1.7	1.7
Economic affairs	6.9	6.9	10.3	7.2	6.7
Environment protection	0.9	0.8	0.9	1.0	1.1
Housing and community amenities	1.5	1.3	1.5	1.1	1.1
Health	5.2	5.9	6.3	6.4	6.9
Recreation, culture and religion	0.6	0.6	0.6	0.6	0.8
Education	5.9	6.1	6.2	5.9	5.9
Social protection	13.4	13.4	13.8	14.2	14.2
<b>Total</b>	<b>43.1</b>	<b>43.7</b>	<b>48.6</b>	<b>47.3</b>	<b>47.0</b>

\* Source: Gross Domestic Product for September Quarter 2006, 7th December 2006, News Release No. 277/2006.

Table 4. Components of the General Government expenditure by function 2001-2005 ...

Lm 000's

COFOG	Gross capital formation	Acquisitions less disposals of non-financial non-produced assets	Compensation of employees	Subsidies	Property income	Social benefits and social transfers in kind	Intermediate consumption	Current taxes on income, wealth, etc.	Other current transfers	Capital transfers	Total expenditure	Final consumption expenditure
<b>2001</b>												
General public services	8,229	0	24,564	0	54,787	0	19,437	0	2,095	0	<b>109,112</b>	46,281
Defence	169	0	11,750	0	0	0	1,371	0	0	0	<b>13,290</b>	14,484
Public order and safety	3,068	0	23,548	0	0	0	2,839	0	610	0	<b>30,066</b>	28,361
Economic affairs	16,602	0	44,761	17,088	3,146	0	16,347	0	11,795	10,248	<b>119,987</b>	60,677
Environment protection	3,758	0	10,049	0	0	0	1,466	0	154	0	<b>15,428</b>	12,508
Housing and community amenities	7,683	-1,597	5,358	10,376	952	0	1,254	0	67	1,759	<b>25,851</b>	1,205
Health	16,723	0	52,555	0	0	4,933	16,450	0	0	0	<b>90,662</b>	81,179
Recreation, culture and religion	2,773	0	4,700	150	0	0	2,180	0	13	0	<b>9,815</b>	6,438
Education	7,622	58	63,595	882	0	7,637	10,542	0	11,246	0	<b>101,582</b>	84,524
Social protection	2,140	0	16,824	0	0	210,624	1,323	0	1,141	0	<b>232,052</b>	21,576
<b>Total</b>	<b>68,767</b>	<b>-1,539</b>	<b>257,704</b>	<b>28,495</b>	<b>58,885</b>	<b>223,195</b>	<b>73,211</b>	<b>0</b>	<b>27,121</b>	<b>12,007</b>	<b>747,845</b>	<b>357,234</b>
<b>2002</b>												
General public services	7,717	0	25,682	0	61,864	0	19,506	0	1,278	0	<b>116,047</b>	48,006
Defence	336	0	11,837	0	0	0	1,371	0	0	0	<b>13,545</b>	14,459
Public order and safety	2,767	0	24,896	0	0	0	2,764	0	215	0	<b>30,643</b>	30,596
Economic affairs	17,776	151	42,784	27,992	3,190	6,569	20,668	0	1,799	3,563	<b>124,492</b>	62,969
Environment protection	3,152	0	9,322	0	0	0	1,141	0	0	0	<b>13,615</b>	11,794
Housing and community amenities	1,489	-50	5,769	9,709	634	0	4,652	0	332	1,826	<b>24,362</b>	2,387
Health	29,937	0	55,042	0	0	6,419	15,826	0	29	0	<b>107,253</b>	87,701
Recreation, culture and religion	3,267	27	4,890	150	0	0	1,452	0	428	0	<b>10,214</b>	5,868
Education	12,158	296	66,840	823	0	8,253	10,152	0	11,313	0	<b>109,834</b>	87,639
Social protection	3,270	0	18,164	0	0	217,785	3,607	0	912	13	<b>243,751</b>	25,184
<b>Total</b>	<b>81,869</b>	<b>424</b>	<b>265,227</b>	<b>38,673</b>	<b>65,688</b>	<b>239,026</b>	<b>81,138</b>	<b>0</b>	<b>16,307</b>	<b>5,403</b>	<b>793,755</b>	<b>376,602</b>

... Table 4. Components of the General Government expenditure by function 2001-2005

Lm 000's

COFOG	Gross capital formation	Acquisitions less disposals of non-financial non-produced assets	Compensation of employees	Subsidies	Property income	Social benefits and social transfers in kind	Intermediate consumption	Current taxes on income, wealth, etc.	Other current transfers	Capital transfers	Total expenditure	Final consumption expenditure
<b>2003</b>												
General public services	8,219	717	27,617	0	61,704	36	17,423	0	375	0	<b>116,090</b>	46,971
Defence	2,375	0	12,407	0	0	0	1,636	0	0	0	<b>16,418</b>	16,221
Public order and safety	3,060	0	26,204	0	0	0	3,546	0	204	0	<b>33,015</b>	33,045
Economic affairs	23,801	13	43,419	30,597	2,359	3,673	22,809	236	8,116	56,666	<b>191,689</b>	66,522
Environment protection	3,844	0	9,397	0	0	0	3,251	0	324	0	<b>16,816</b>	13,715
Housing and community amenities	3,527	-1,037	6,244	9,593	464	0	5,996	0	21	3,075	<b>27,882</b>	1,990
Health	31,308	0	58,216	0	0	6,905	18,359	0	1,127	0	<b>115,914</b>	93,203
Recreation, culture and religion	2,757	0	4,700	135	0	0	2,284	3	761	101	<b>10,742</b>	6,209
Education	15,080	0	70,124	700	1	9,002	10,089	0	10,617	0	<b>115,614</b>	92,057
Social protection	3,006	0	19,295	0	0	229,492	3,485	0	1,055	1	<b>256,333</b>	26,532
<b>Total</b>	<b>96,977</b>	<b>-307</b>	<b>277,623</b>	<b>41,025</b>	<b>64,527</b>	<b>249,107</b>	<b>88,879</b>	<b>240</b>	<b>22,599</b>	<b>59,844</b>	<b>900,513</b>	<b>396,465</b>
<b>2004</b>												
General public services	15,758	0	29,296	0	66,015	13	20,686	0	19,208	0	<b>150,976</b>	52,297
Defence	4,833	0	12,639	0	0	0	1,715	0	0	0	<b>19,187</b>	15,340
Public order and safety	1,938	0	26,397	0	0	0	3,638	0	221	0	<b>32,195</b>	33,025
Economic affairs	-24,221	-10,920	40,770	28,180	4,488	2,126	22,533	282	4,837	67,290	<b>135,364</b>	64,409
Environment protection	2,303	0	5,972	0	0	0	9,935	1	10	0	<b>18,221</b>	13,741
Housing and community amenities	2,535	-5,669	6,659	8,210	142	0	6,098	0	57	3,047	<b>21,079</b>	2,011
Health	27,319	0	61,417	0	0	7,923	22,526	67	9	0	<b>119,261</b>	103,067
Recreation, culture and religion	3,106	0	5,296	135	3	0	2,649	0	420	38	<b>11,647</b>	6,187
Education	5,883	0	73,727	622	0	9,420	9,830	0	11,580	0	<b>111,062</b>	96,290
Social protection	1,828	0	20,248	0	0	237,676	4,195	2	992	352	<b>265,293</b>	27,354
<b>Total</b>	<b>41,282</b>	<b>-16,590</b>	<b>282,422</b>	<b>37,146</b>	<b>70,649</b>	<b>257,158</b>	<b>103,806</b>	<b>351</b>	<b>37,334</b>	<b>70,728</b>	<b>884,287</b>	<b>413,720</b>

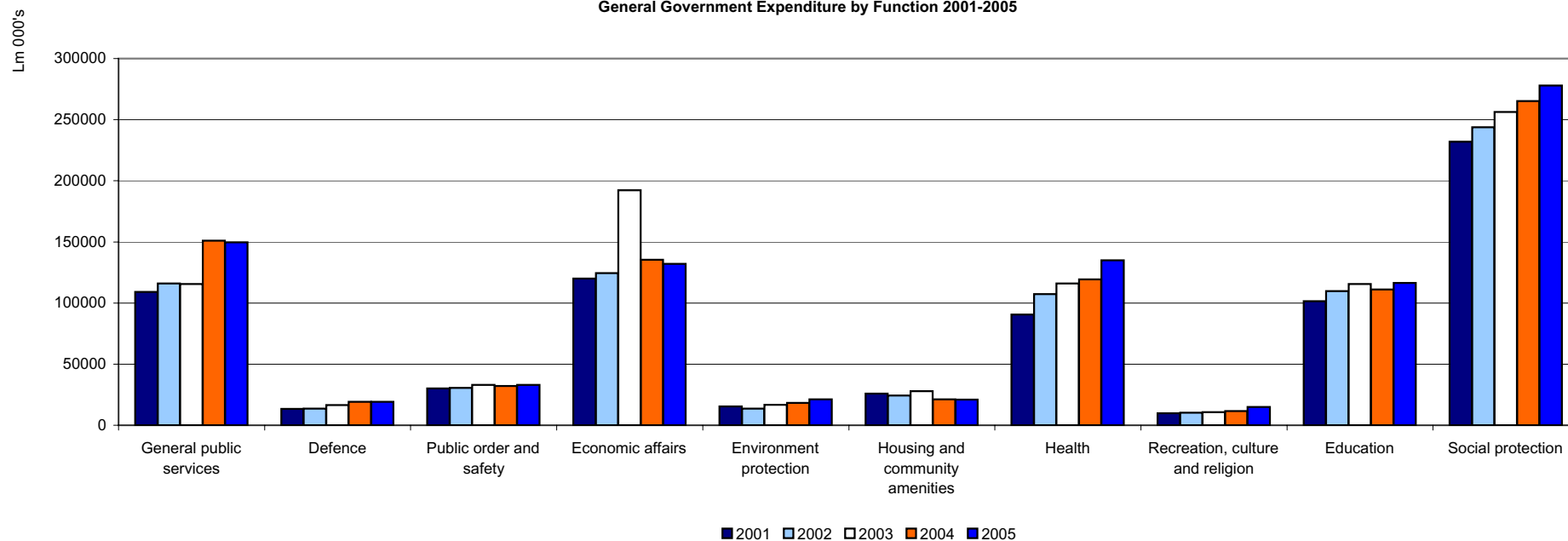
... Table 4. Components of the General Government expenditure by function 2001-2005

Lm 000's

COFOG	Gross capital formation	Acquisitions less disposals of non-financial non-produced assets	Compensation of employees	Subsidies	Property income	Social benefits and social transfers in kind	Intermediate consumption	Current taxes on income, wealth, etc.	Other current transfers	Capital transfers	Total expenditure	Final consumption expenditure
<b>2005</b>												
General public services	9,743	0	30,297	0	75,359	0	17,860	0	15,704	609	<b>149,572</b>	48,118
Defence	4,218	0	12,784	0	0	0	2,282	0	0	0	<b>19,284</b>	16,507
Public order and safety	2,435	0	27,111	0	0	0	3,343	0	210	0	<b>33,099</b>	31,494
Economic affairs	28,188	-10,372	40,545	33,275	1,160	1,541	25,102	1,337	1,475	9,849	<b>132,100</b>	68,519
Environment protection	4,815	0	5,563	0	0	0	8,902	1	1,806	0	<b>21,087</b>	11,881
Housing and community amenities	2,727	-3,385	6,904	7,540	175	0	4,425	0	95	2,383	<b>20,864</b>	4,413
Health	42,278	0	62,392	0	0	9,080	21,136	-44	18	0	<b>134,860</b>	104,367
Recreation, culture and religion	2,088	0	4,946	1,078	5	0	2,558	0	85	4,248	<b>15,008</b>	6,173
Education	7,543	0	76,694	466	0	9,733	9,988	0	11,968	0	<b>116,392</b>	99,762
Social protection	3,023	0	19,711	0	0	249,754	4,123	3	967	429	<b>278,010</b>	27,593
<b>Total</b>	<b>107,059</b>	<b>-13,757</b>	<b>286,948</b>	<b>42,359</b>	<b>76,700</b>	<b>270,108</b>	<b>99,717</b>	<b>1,296</b>	<b>32,328</b>	<b>17,518</b>	<b>920,276</b>	<b>418,827</b>

5

General Government Expenditure by Function 2001-2005



## **Methodological Notes**

The General Government sector in Malta is made up of the Central Government (Government Ministries and Departments, the Extra Budgetary Units, and the Local Councils). It should be noted that the main transactions (property income, current and capital transfers) taking place between the different sub-sectors are consolidated. In other words, such transactions are excluded from the figures shown.

The COFOG exercise is based on the guidelines set out in the ESA95 (as established by Council Regulation 2223/96 of 25 June 1996). Commission Regulation No 113/2002 of 23 January 2002 integrated the COFOG classifications under ten main headings in order to reflect the revisions carried out by the United Nations in 1999. These have now been published in the Government Statistics Manual issued by the IMF in 2001. EU Member states are required to report annual data within twelve months from the end of the reference year<sup>2</sup>.

### **Classification of Functions of Government**

The classifications of the Functions of Government (COFOG) was developed by the Organisation for Economic Co-operation and Development, and published by the United Nations Statistical Division. Within the ESA95 reporting framework, each EU member state is legally bound to transmit the annual government expenditure by COFOG.

There are 10 first-level, or two-digit, categories which are referred to as divisions. All outlays for a particular function are collected in one category of COFOG regardless of how the outlays are implemented. COFOG permits trends in government outlays on particular functions or purposes to be examined over time. Conventional government accounts are not usually suitable for this purpose because they reflect the organizational structures of governments. COFOG is also used for making international comparisons to the extent to which governments are involved in economic and social functions.

The COFOG divisions are:

#### **1. General Public Services**

Includes expenses related to executive and legislative organs, financial and fiscal affairs, external affairs, foreign economic aid, general services, research and development, debt interest payments and other expenses related to debt. However, the category excludes expenditure on such items specifically related to one of the other functions (for example, research and development related to defence is included in the category 'defence').

#### **2. Defence**

Military defence, civil defence and foreign military aid.

#### **3. Public Order and Safety**

Essentially made up of all police services. Fire Protection Services, the Law Courts, and well as Correctional Facilities (prisons), are also included.

#### **4. Economic Affairs**

This division includes all outlays related to general economic, commercial and labour affairs. Agriculture, Manufacturing and Construction, as well as Transport and Communication activities (including the administration of tourism affairs and ancillary services) are all classified under this heading.

#### **5. Environment Protection**

Waste Management, Waste Water Management and related activities.

#### **6. Housing and Community Amenities**

Housing and Community Development, Water Supply, and Street Lighting.

#### **7. Health**

Government outlays on health include expenditures on services provided to individual persons and services provided on a collective basis. Collective health services are concerned with matters such as formulation and administration of government policy; setting and enforcement of standards for medical and paramedical personnel and for hospitals, clinics, surgeries, etc.; regulation and licensing of providers of health services; and applied research and experimental development into medical and health-related matters. All hospital services, both in-patient as well as in-patient activities, as well as provision of public health services are classified within this division.

#### **8. Recreation, Culture & Religion**

This division is made up of government outlays on cultural services, and broadcasting and publishing services. Any outlays related to religious (or related community services) as well as recreational activities are also included here.

#### **9. Education**

Government outlays on education include expenditures on services provided to individual pupils and students and expenditures on services provided on a collective basis. Collective educational services are concerned with matters such as formulation and administration of government policy; setting and enforcement of standards; regulation, licensing and supervision of educational establishments; and applied research and experimental development into education affairs and services. However, overhead expenses connected with the administration or functioning of a group of schools, colleges, etc. are considered to be individual expenditures.

<sup>2</sup>ESA reporting table 11.

## 10. Social Protection

The division 'social protection' mainly covers government outlays in the form of benefits for sickness and disability, old age, survivors of deceased persons, family and children, unemployment, housing, and other forms of social benefits.

### General note

The definitions set out above are for illustration purposes only, and may not be exhaustive. A detailed composition of the COFOG classification is available from the Government Finance Unit at the NSO. Eurostat has established a Task Force with the specific aim of assisting Member States to report annual government expenditure data on the second (more detailed) level of COFOG categories. Malta is a participating member of this Task Force.

### Components of General Government Expenditure

Table 4 presents the components of the General Government Expenditure. These components are based on the ESA95 classification.

#### Gross Capital Formation

These are acquisitions, less disposals, of fixed assets during a given period plus certain additions to the value of non-produced assets realized by the productive activity of an institutional unit.

Acquisitions less disposals of non-financial non-produced assets

Non-financial non-produced assets consist of land (major component) and other tangible non-produced assets that may be used in the production of goods and services, as well as intangible non-produced assets.

#### Compensation of employees

This is defined as the total remuneration, in cash or in kind, payable by an employer to an employee in return for work done by the latter during the period under review. This includes both wages and salaries in cash and in kind, as well as the employers' actual and imputed social contributions.

#### Subsidies

Subsidies are current unrequited payments which general government makes to resident producers, with the objective of influencing their levels of production, their prices or the remuneration of the factors of production.

#### Property income

Income receivable by the owner of a financial asset or a tangible non-produced asset in return for providing funds to, or putting the tangible non-produced asset at the disposal of another institutional unit. The most common form of property income is interest receivable, and rent on land.

#### Social Benefits in cash and in kind

Social benefits are transfers to households, in cash or in kind, intended to relieve them from the financial burden of a number of risks or needs. The list of risks or needs which may give rise to social benefits is as follows: sickness, invalidity, disability, occupational accident or disease, old age, survivors, maternity, family, promotion of employment and unemployment.

#### Intermediate Consumption

For the general government sector, this is essentially made up of the value of consumed goods and services.

#### Other Current Transfers

Other current transfers are non-life insurance claims, current international cooperation and miscellaneous current transfers (including transfers to non-profit institutions serving households).

#### Capital Transfers

Capital transfers are different from current transfers by the fact that they involve the acquisition or disposal of an asset, or assets, by at least one of the parties to the transaction.

#### Final Consumption Expenditure

Final consumption expenditure by government includes two main categories of expenditures: the value of the goods and services produced by general government itself (other than own-account capital formation and sales). The category also includes purchases by general government of goods and services produced by market producers that are supplied to households as social transfers in kind. Final consumption expenditure by government is calculated as:

	Intermediate consumption
plus	Compensation of employees
plus	Consumption of fixed capital
=	Output
minus	Market output
minus	Output for own final use
plus	Social transfers in kind via market producers
=	<b>General Government Final Consumption Expenditure</b>

The data in this news release are subject to revision. The next release in this series will be published in January 2008.