

# **Manual on sources and methods for the compilation of COFOG Statistics**

## **Classification of the Functions of Government (COFOG)**

**2011 edition**



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## PREFACE

The compilation of government finance statistics (GFS) in the European Union has seen a rapid development in terms of methodological rules and practices, in a relatively short period of time. The main impetus has come from new EU policies, for which more timely and complete statistics are necessary, based on a common methodology. The underlying methodological framework remains the European System of Accounts (ESA 95), although the new version of the ESA, ESA 2010, has now been finalized and will be implemented in the near future.

User needs for government expenditure statistics according to function have grown rapidly in recent years. Policy makers and analysts have increasingly needed to assess the type of the expenditure, and this has meant more demands on data suppliers in terms of both quality and detail of these statistics. EU Member States have to compile annual data in accordance with the classification on COFOG (Classification of the Functions of Government), by ESA economic category, and report them to the European Commission (Eurostat). Most countries also now provide, on a voluntary basis, COFOG statistics at a more detailed (group) level, for some or all groups, as well as the simpler breakdown by division.

This Manual on sources and methods for the compilation of COFOG statistics is its second edition, the first having been produced in 2007. The structure is essentially the same as before, covering user requirements, the analytical framework, methodological guidance, links with other international statistics, and countries' compilation practices. However, many detailed parts have changed, reflecting the need to update and clarify the original text, when necessary. Moreover, further methodological guidance is given by the addition of new case studies discussed and agreed by the Task Force on COFOG.

On behalf of Eurostat, let me thank all the participants in the Task Force for their invaluable guidance in the updating of this manual, as well as other national and international contributors.

François LEQUILLER  
Director

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# 1. Background and purpose of the manual

Economic policy making in the European Union requires high quality statistics. Analysts increasingly need government expenditure broken down by the different functions of government (health, education and so on), to judge the quality of government expenditure, and to help deliver economic policy objectives. This manual on government expenditure statistics broken down by function aims to meet the requirements of Eurostat, data suppliers and data analysts for information on such statistics.

## 1.1. Existing guidance in this field

The Classification of Functions of Government (COFOG) is regarded as the appropriate basis to examine the structure of government expenditure. It is a 3-level classification with 10 “Divisions” at the top level, each of which is broken down to about 6 “groups” at the next level of detail, which in turn are subdivided into “classes”. This 3-level structure is shown in the appendix.

COFOG was developed by the Organization for Economic Cooperation and Development (OECD) and is published by the United Nations Statistical Division (UNSD). It can be applied to government expense and the net acquisition of non-financial assets. The [UN COFOG guide](#)<sup>1</sup> describes in detail the contents of each functional category but does not provide much practical information on its application, such as how it can be applied to the definition of government expenditure developed for the European System of National Accounts 1995, nor information on how it relates to other classifications of public expenditure.

## 1.2. Work of the Task Force on COFOG

The development of this COFOG manual was undertaken under the guidance of a dedicated Task Force on COFOG established by Eurostat in 2005. Eurostat, EU countries, candidate and other European non-EU countries, have participated in the annual meetings of the Task Force, as well as representatives from DG ECFIN, WG on QPF<sup>2</sup>, OECD and the ECB.

By way of political background, starting from the January 2006 ECOFIN Council meeting, institutional users had asked Eurostat and the National Statistical Offices, in co-operation with the Economic Policy Committee (EPC), to step up efforts on the availability of functional analysis of government expenditure, to facilitate the analysis of trends in the composition of public expenditure.

The objective of the Task Force is to ensure reliable, timely, uniform and comprehensive government expenditure data, using the COFOG classification, comparable across countries. It investigates details of the current COFOG compilation practices; examines problem areas; and proposes recommendations on specific cases where the UN COFOG guide is insufficient<sup>3</sup>. Since the beginning, the Task Force has considered as its main tasks: the improvement of data quality transmitted by Member States, the introduction of new data breakdowns (first in the form of the memorandum items and then as standardized transmissions), the provision of methodological guidance for the treatment of various kinds of expenditure, and the consistency of the COFOG data with other breakdowns of public and private expenditure by means of comparing the underlying functional specific classifications.

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<sup>1</sup> The recently updated 2008 SNA maintains COFOG and the other functional classifications without changing them in any detail.

<sup>2</sup> Economic Policy Committee, Working Group on the Quality of Public Finances.

<sup>3</sup> The Task Force on COFOG has set up an electronic discussion group (EDG) among its members, with the specific aim of discussing methodological issues and compilation practices, including specific case studies for the purpose of COFOG classification.

The ECOFIN Council has sent a clear message to support the collection of 2<sup>nd</sup> level COFOG data on a national level; this need has also been stressed in the preface<sup>4</sup> of the latest ESA95 transmission programme as one of the major improvements to be achieved for a better analysis on public expenditure. Meeting this request was the most significant challenge in the Task Force's objectives and considerable progress has been made in this area. Data availability has significantly improved since the COFOG Task Force was established, both in terms of 2<sup>nd</sup> level data and analysis by subsector. More than one third of Member States have delivered a complete 2<sup>nd</sup> level dataset starting at least in 1995, and a majority of them has provided a complete dataset for at least one year.

This progress was recognised in the conclusions of the May 2009<sup>5</sup> ECOFIN Council on the long-term sustainability and the quality of public finance. At the same time, the Council renewed its request to Member States and Eurostat to further step up their efforts in providing additional detailed data on government functional expenditure by COFOG 2<sup>nd</sup> level, and in extending the time series dataset.

These requests were further reinforced in the ECOFIN Council conclusions of November 2009<sup>6</sup>, in connection with the revision of the EFC Status Report on information requirements, which includes, as an Economic Policy Committee (EPC) priority, COFOG 2<sup>nd</sup> level details. It was pointed out that the major information need concerns environmental protection, health, education, social protection and R&D spending.

## 1.3. Users' requirements

### 1.3.1. European strategies and the Integrated Guidelines

The Lisbon Strategy was set out by the European Council in Lisbon on March 2000, as an action and development plan for the European Union intended to deal with the low productivity and stagnation of economic growth in the EU through the formulation of various policy initiatives to be taken by all EU member states. The goal of making "the EU the world's most dynamic and competitive economy" by 2010 was based on transforming Europe into the world's largest knowledge-based economy.

The Integrated Guidelines (the merge of the Broad Economic Policy Guidelines (BEPGs) and the Employment Guidelines) and the National Reform Programmes were the policy instruments forming a comprehensive strategy to achieve the Lisbon objectives. Timely and complete data sets on public expenditure breakdown have been requested to assess and review the progress achieved by Member States according to their National Reform Programmes. In particular, in the field of public finances, Guideline n°3 asked for second level COFOG data as follows:

"to promote a growth- and employment-orientated and efficient allocation of resources Member States should, without prejudice to guidelines on economic stability and sustainability, re-direct the composition of public expenditure towards growth-enhancing categories in line with the Lisbon strategy, adapt tax structures to strengthen growth potential, ensure that mechanisms are in place to assess the relationship between public spending and the achievement of policy objectives and ensure the overall coherence of reform packages."

The Broad Economic Policy Guidelines (BEPGs) of the Member States and the Community for the 2003-2005 period and the 2005 to 2008 period underlined the need of:

- a) controlling the sustainability of public finances by reducing government debt ratios and reforming pension and health care systems to verify the consistent allocation of public resources in line with the strategic objective of improving long-term growth;
- b) assessing the governments' fulfilments of their functions to verify if public resources were used in the most efficient and effective way. To this aim, the link of input data on public expenditure

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<sup>4</sup> The preface of Regulation 1392/2007 of the European Parliament and of the Council amending the Council Regulation (EC) No 2223/96 with respect to the transmission of National accounts data states that "A sound statistical basis for the composition of public budgets is crucial for economic reform in line with the Lisbon strategy and the transmission of health, education and social protection data would help in its achievement. The provision of such data should become mandatory after a phase of provision on a voluntary basis".

<sup>5</sup> [Press Release, 5th May 2009](#)

<sup>6</sup> [Press Release, 10th November 2009](#)

to outputs and policy outcomes - that correspond to money spent on different functions (e.g. comparing expenditure on education, health care or R&D with results achieved in terms of policy objectives) - is very relevant.

The Broad Economic Policy Guidelines (BEPGs) of the Member States and the Community for the 2008-2010 period<sup>7</sup>, in line with the previous documents, ask for:

- Macroeconomic policies for growth and jobs. To this aim countries are asked to secure economic stability for sustainable growth, by ensuring
  - the development of their public finances in line with the Stability and Growth Pact (SGP);
  - the implementation of structural reforms and fiscal policies to encourage the competitiveness of their markets in the case of current account deficits.
- Microeconomic reforms to raise Europe's growth potential; in this context Member States should increase investment in research and development.

The assessment of all these issues related to the quality of public finance requires a detailed level of functional expenditure data.

The new Europe 2020 strategy, designed by the European Commission for the new decade, puts forward the following three priorities:

- Smart growth: developing an economy based on knowledge and innovation.
- Sustainable growth: promoting a more resource efficient, greener and more competitive economy.
- Inclusive growth: fostering a high-employment economy delivering social and territorial cohesion.

To this aim, the Commission proposes five EU headline targets, to be translated into national targets and trajectories:

1. 75 % of the population aged 20-64 should be employed.
2. 3% of the EU's GDP should be invested in R&D.
3. The "20/20/20" climate/energy targets should be met (including an increase to 30% of emissions reduction if the conditions are right).
4. The share of early school leavers should be under 10% and at least 40% of the younger generation should have a tertiary degree.
5. 20 million less people should be at risk of poverty.

The targets must be measurable by using indicators - allowing to capture the differences among Member States when making comparisons - as the Commission will monitor progress towards them jointly with the evaluation of the SGP.

The targets are generally related to policy actions that have to be taken by governments; a part of them are related to the regulatory role that government must have with respect to the economic system and the society as a whole. Other targets, such as the need for ensuring education, training and lifelong learning, and the need for granting people that might be at risk of poverty, are closely related to direct public spending. In order to provide the Commission with indicators for monitoring the progress towards the targets, data related to public expenditure by function are of the utmost importance.

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<sup>7</sup> Council Recommendation 2008/390/EC of 14 May 2008 on the BEPG for the Member States and the Community (2008-2010), Official Journal L137 of 27/5/2008 ([BEPG 2008](#))

The Europe 2020 communication<sup>8</sup> from the Commission explicitly recognizes the importance of having a reliable analysis of public expenditure for orienting policies:

"To support the EU's economic growth potential and the sustainability of our social models, the consolidation of public finances in the context of the SGP involves setting priorities and making hard choices: coordination at EU can help Member States in this task and help address spill-over effects. In addition, the composition and quality of government expenditure matters: budgetary consolidation programmes should prioritise 'growth-enhancing items' such as education and skills, R&D and innovation and investment in networks, e.g. high-speed internet, energy and transport interconnections – i.e. the key thematic areas of the Europe 2020 strategy."

### **1.3.2. Reformed Stability and Growth Pact**

In the reformed Stability and Growth Pact (SGP), Member States recording a "temporary" deficit or one close to the 3% reference value will be tolerated where a Government refers to a series of "relevant factors" to avoid an excessive deficit procedure. Factors will include potential growth, the economic cycle, structural reforms (pensions, social security), policies supporting R&D, plus medium-term budgetary efforts consolidating during good economic times, debt levels, and public investment.

As a result, the issue of public expenditure composition has gained considerably relevance in the reformed SGP. Assessment of these "relevant factors" requires an analysis of government expenditure and, therefore, a complete and detailed data set of public spending is a pre-requisite to this aim.

With the autumn 2010 comprehensive package of legislative measures the Commission starts the process for a new EU economic governance, requiring even more than before the coordination of the Member States' economic policies. Extended controls of fiscal policies and structural reforms are foreseen and new enforcement mechanisms are designed for non-compliant Member States. It is intended to integrate all the revised and the new surveillance processes into a comprehensive economic policy framework for the EU and the euro area, in order to reach a more sustainable growth in line with the Europe 2020 strategy. The legislative package is made up of six pieces of legislation: two new regulations aim at detecting and addressing effectively emerging macroeconomic imbalances within the EU and the euro area, while four are related to fiscal issues, with a reform aimed at strengthening the SGP with prudent fiscal policy-making.

The monitoring of public finances will be based on the new concept of prudent fiscal policy-making and should ensure actual convergence towards the Medium-Term Objective (MTO). For Member States not having yet achieved the MTO, annual expenditure growth should be set below trend growth (unless extra revenues are collected) to ensure effective convergence towards the medium-term objective. Debt developments will also be followed more closely and brought into the picture. Namely, Member States whose debt lies in excess of 60% of GDP should take steps to reduce it at a satisfactory pace.

Public expenditure therefore has a key role in assessing public finance sustainability, and the analysis of its composition is fundamental in the context of the new SGP evaluations.

### **1.3.3. DG ECFIN's priorities**

Improving the availability of COFOG data has been a priority of DG ECFIN for several years. For example, the report *Public Finances in EMU 2001* noted:

"The quality of public finances...encompasses measures to shift the composition of public expenditure towards investment in human and physical capital... However, a lack of consistent and updated data, especially on the functional distribution of public spending, has so far hampered a thorough analysis of these issues which need to be addressed in future reports."

Such a more detailed analysis on 'quality' issues related to the recording of Government expenditure has been carried out in subsequent reports, which noted that sufficiently long time series were not available for many Member States, and that the COFOG 1<sup>st</sup> level only allowed for a very aggregate analysis, missing relevant data at the COFOG 2<sup>nd</sup> level such as R&D expenditure.

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<sup>8</sup> COM(2010) 2020

The 2004 report contained a detailed analysis of data availability and data needs. The report concluded with respect to COFOG while acknowledging the improvements made so far, the coverage was still far from complete, both across countries and over time. Moreover, there was missing data for certain COFOG categories, not allowing to assess changes in the composition of total expenditure with respect to important subcategories such as transport, primary, secondary and tertiary education, unemployment and pensions.

Overall, the need for a detailed and comprehensive dataset on public expenditure has been a recurrent topic in several issues of the PFR in order to allow a complete and thorough analysis of general government spending. Moreover, in its meeting of 14<sup>th</sup> May 2008 the ECOFIN Council underlined the need for Member States and Eurostat to make further efforts in the provision and dissemination of detailed data on government expenditure by function (COFOG) in the context of the analysis of the quality of public finances.

#### **1.3.4. Working Group on the Quality of Public Finances**

The main issue of the EPC Working Group on the Quality of Public Finances (WGQPF) has been making suggestions for the improvement of QPF by identifying the strengths and weaknesses, in order to allow comparisons among countries and reviewing developments over time. To achieve this aim the WGQPF recognized the need for using qualitative and country-specific information as well as a set of quantitative data and indicators. The provision of detailed COFOG data, representing one important input for the construction of composite indicators, has been an urgent request addressed to Eurostat and to the statistical authorities since the Working Group was established.

The January 2006 Council requested additional work on three issues:

- i) fiscal rules and institutions;
- ii) the measurement of public spending efficiency and effectiveness;
- iii) the monitoring of the public expenditure composition.

The two last requests couldn't effectively be fulfilled as appropriate data were missing. Specifically, the Council noted that longer time series of COFOG 2<sup>nd</sup> level were needed to facilitate the analysis of trends in public expenditure composition. Furthermore this kind of data would have supported the development of the measurement of public expenditure efficiency and effectiveness in line with the principle of improving the quality of public finances, given the limited resources to devote to public spending. Data availability on the composition of public expenditure is crucial for supporting long-term growth and the functional classification of public expenditure would allow a proper analysis in this respect. Furthermore such kind of data would have helped the implementation of both the Lisbon strategy and the guidelines on the format and content of Stability and Convergence Programmes.

The Economic Policy Committee produced a document on 22 May 2006 ("Statistical needs of the EPC") stating its statistical needs. Section 3 is devoted in particular to COFOG 2<sup>nd</sup> level data. The main requirements included in this document refer to the availability of data for individual expenditure items with a sufficient level of detail, in particular by facilitating the release of data for further countries, extending available time-series, improving timeliness, and making further progress on the methodological framework on the basis of the questionnaires on country practices and best practices. Detailed breakdowns were important for some functions: environmental protection (5), health care (7), education (9) and social protection (10). In addition to that some individual second level items, such as R&D, basic research, transport and communication would also be of utmost importance, jointly with an appropriate timely and long time series data release for all COFOG functions. On the other hand, the work of the Eurostat Task Force on COFOG received an important acknowledgement in *Public Finances in EMU 2009*, where it was recognised that significant progress had been made in the provision of COFOG data since the first transmission according to the ESA95 transmission programme:

"One core area in which significant progress on the provision of data has been made is government expenditure by functions of government (COFOG)"

One of the composite indicators, developed in the context of the work of the WGQPF, is the so-called QPF3<sup>9</sup>, *Composition, efficiency and effectiveness of expenditure*, based on COFOG data. It is composed of several sub-dimensions related to: a) Composition of public spending, b) Education, c) Health, d) R&D and Innovation, e) Public order, f) Public administration.

The Commission services, while acknowledging the progress made on COFOG statistics, still underlined the need for improving and enlarging the availability of information. As stated in the report on *Public Finances in EMU 2009*:

“The availability of COFOG detailed data has very substantially increased in recent years. Notwithstanding the methodological and practical difficulties, they provide a relevant input for the analysis of the quality of public finances. With the help of the countries represented in the Task Force on COFOG, significant progress has also been achieved in the comparability with other related statistics, analysis of country practices, and on methodological issues which have been collected in the COFOG manual. Eurostat reported to the EPC Working Group on Quality of Public Finances and to the EPC in March 2009, and the progress was acknowledged positively by both groups. It is expected that countries will further transmit more detailed information in next transmissions, in order to promote their use for institutional users, international organisations, and the public in general. Over the medium term, COFOG data could possibly also be extended to the regional level as indicated in a recent technical assistance study.”

### **1.3.5. OECD requirements**

The OECD as a whole is a strong user of COFOG data. Most Directorates use COFOG data. Concerning COFOG 2<sup>nd</sup> level data, the Statistics Directorate (STD) and the Economics Directorate (ECO) are mainly interested in data function rather than by economic activities (although it is useful to have gross fixed capital formation shown separately).

The OECD as a whole is very interested in obtaining COFOG level 2 data for the different levels of government.

#### **1.3.5.1. COFOG-Special classification**

In addition, the OECD’s Public Governance and Territorial Development Directorate (GOV), for its own work, has developed a classification that splits expenditures into those for collective versus individual service provision, and those for service provision in kind versus cash transfers, in addition to the split according to COFOG-groups. Moreover, this COFOG-Special classification distinguishes individual service provision in kind according to the main motives for government involvement. The COFOG-Special classification uses COFOG 2<sup>nd</sup> level data as its main source, complemented by other sources.

#### **1.3.5.2. Basic structure of the COFOG-Special classification**

The basic structure of the COFOG-Special classification is as follows:

##### **1. Collective goods**

- A. in kind
- B. in cash

##### **2. Individual goods**

- A. in kind
  - a) mainly provided for allocative motives
  - b) mainly provided for distributive motives
  - c) provided for mixed motives

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<sup>9</sup> For additional information see, table II.3.4 of [Public Finances in EMU, 2009](#).

## B. in cash

The COFOG-Special classification assumes that non-market recreation, culture and religion is mainly provided or supported by the government for allocative motives and that social services are mainly provided or supported by the government for distributive motives. Health and educational services as well as market subsidies may be provided for mixed motives (both allocative and distributive).

This leads to the following classification (COFOG-Special):

### **Collective goods in kind**

1. General governance services
2. Basic research
3. Defense
4. Public order and safety
5. Infrastructure and network services
6. Environmental protection, development and community services
7. Service regulation

### **Collective goods in cash**

8. Foreign aid transfers
9. General purpose and block grants
10. Interest

### **Individual goods in kind**

11. Non-market recreation, culture and religion
12. Social services
13. Health
14. Education
15. Market subsidies

### **Individual goods in cash**

16. Social cash transfers

### **1.3.5.3. Publication**

The OECD intends to publish expenditure data according to COFOG-Special as part of the OECD Public Finance and Employment Database (PFED) on its web-site [OECD.Stat](#). The PFED will gradually be extended to all OECD countries that produce COFOG 2<sup>nd</sup> level data. In addition the database will be extended by employment data according to the COFOG-Special classification.

### **1.3.6. ECB requirements**

To the ECB the availability of timely and detailed COFOG data is of high importance, as they are very helpful in analysing the effectiveness and efficiency of government spending. The ECB would welcome it, if all Member States supply Eurostat with complete and timely data at COFOG 2<sup>nd</sup> level, in particular for health, education and social protection. The ECB is moreover in favour of the timely publication of all COFOG 2<sup>nd</sup> level data for all Member States.

## 2. Analytical framework

### 2.1. The ESA95 Transmission Programme and the publication of government finance statistics

This manual considers COFOG in the context of national accounts as defined by the European System of Accounts 1995 (ESA95), which is based on the world-wide System of National Accounts 1993 (SNA93)<sup>10</sup>. The legal text of ESA95 is [Council Regulation \(EC\) No 2223/96](#) of 25 June 1996.

#### 2.1.1. The ESA95 Transmission Programme

EU Member States are obliged to deliver data to Eurostat in the field of national accounts. These data are structured within tables that constitute the ESA95 Transmission Programme, which is annex B of ESA95. Annex B lists, in the form of tables, the series to be delivered, their timeliness, and the length of back data. It also lists the derogations granted to individual countries, in terms of series coverage, timeliness, and backward data. The Transmission Programme has been revised in 2007, and Regulation ([EC](#)) No [1392/2007](#) of the European Parliament and of the Council has amended ESA95 Annex B.

The tables listed below are those relevant for analysis of Government finances. Unless otherwise indicated below, the data are accessible in Eurostat's public database within [Government statistics](#).

**Table 0200** reports general government revenue and expenditure as well as main aggregates. The timeliness is T+3 months and T+9 months (greater sub-sector detail). Countries report data on the sub-sectors of general government.

**Table 0600 and 0700** report the annual financial accounts and financial balance sheets of all sectors and sub-sectors of the economy ("flow of funds"), including general government. Data are reported both consolidated and non-consolidated (in terms of transactions between sub-sectors). Data are required within 9 months. Countries report data on "whom to whom" transactions, revaluations and other changes in volume on a voluntary basis. The data are accessible in Eurostat's public database under "[Financial accounts](#)".

**Table 0900** reports the annual detail of taxes and social contributions. The timeliness is T+9 months. Also to be provided with table 0900, is the full detail of the national classification of taxes and social contributions, with corresponding amounts and ESA95 codes.

**Table 1100** reports the detail of expenditure by functions (COFOG). The timeliness is T+12 months. Countries must report expenditure on each function broken down by economic nature (compensation of employees, intermediate consumptions, transfers and so on) using the ESA95 categories considered in the public expenditure definition according to EU Regulation 1500/2000. The description of the expenditure economic categories can be found at paragraph 2.4. A wider description of Table 1100 contents is given below.

**Table 2500** reports quarterly general government revenue and expenditure (non-financial accounts of general government). The timeliness is T+3 months.

**Table 2700** reports quarterly financial accounts of general government. The timeliness is T+3 months.

**Table 2800** reports quarterly general government debt as defined under the Excessive Deficit Procedure (by instruments and by sub-sectors). The timeliness is T+3 months.

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<sup>10</sup> [SNA93](#) has recently been wholly revised and a new version of the [SNA \(2008 SNA\)](#) has been produced. A new version of the ESA(ESA2010) is due to be approved, based on the 2008 SNA.

### 2.1.2. Table 1100 Expenditure of General Government by function: further details

The information on general government expenditure by function is reported in table 1100; the transmission of COFOG 1<sup>st</sup> level data is compulsory, whereas COFOG 2<sup>nd</sup> level data are presently transmitted on a voluntary basis. In the current revised ESA95 transmission programme, the legal requirement for expenditure of general government by function, concerning the period to be covered, has been limited to 1995 onwards, instead of 1990-onwards. However, Eurostat would welcome the transmission of data for years prior to 1995 if these data are available in Member States. The purpose of bringing the reporting period to 1995 is to ensure a complete time series of a reasonable length, taking into account the burden on countries.

The structure of Table 1100 is divided in 5 questionnaires – one for general government and one for each of the four sub-sectors – all of them with a breakdown by COFOG 2<sup>nd</sup> level. Each questionnaire provides a cross-classification of general government expenditure by function and economic nature.

In this way countries can transmit voluntary COFOG 2<sup>nd</sup> level detail for sub-sectors where these data are available. Eurostat encourages these data transmission as they facilitate the analysis of trends for public expenditure, and they help satisfy the data requirement of the institutional users, such as the EPC, and of the European Commission, the ECB and the OECD.

COFOG 1<sup>st</sup> and 2<sup>nd</sup> level data transmitted by Member States are available in the Eurostat public database. Whereas for COFOG 1<sup>st</sup> level all transmitted data are published, this is not the case for COFOG 2<sup>nd</sup> level. As these data are requested on a voluntary basis, Eurostat publishes this breakdown, if considered of sufficient quality, for those countries that agree to their publication or that are not explicitly opposed.

### 2.1.3. The publication of GFS

Eurostat presents government finance statistics (GFS) in an integrated way, in the publication '[Government finance statistics – summary tables](#)'. This publication provides tables by Member State, for the EU27 and Euro area, as well as for Iceland, Norway, and Switzerland. Government finance statistics (GFS) data show the economic activities of government in a harmonized and comparable way; as such, being based on national accounts concepts (ESA95) and EDP definitions, data differ noticeably from the budget presentations or public accounting presentations that are nationally specific and not harmonized between countries. GFS data include both the financial (borrowing and lending) and non-financial (income and expenditure) activities of government.

The tables contain data on government revenue, government expenditure, government deficit, transactions in assets, transactions in liabilities, other economic flows, and balance sheets. GFS data presentation is similar to that of business accounting where the profit and loss accounts and the balance sheet are presented together, in a linked manner. One of the major advantages of this presentation is that it is possible to see the links between datasets in a "complete picture". For example, if government expenditure exceeds revenue the financial accounts will show how the deficit is being financed through borrowing or running down financial assets such as bank accounts. Given that the data presented are based on national accounts concepts, there should be full consistency between them, but in practice, due to differences in source data and in the timing of data compilation, there might be discrepancies which are presented in separate lines within the tables. The sources for each line of the integrated presentation are described in the annex to the presentation and users will also find comprehensive metadata on the data in Eurostat's public database.

## 2.2. COFOG and other functional classifications

The SNA 93 includes four classifications of expenditure according to purpose<sup>11</sup> (formerly called functional classifications).

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<sup>11</sup> The revised SNA maintains the same four functional classifications, reference to which can be found in 2008 SNA chapter 29 "Satellite accounts and other extensions".

### 2.2.1. COICOP: Classification of Individual Consumption According to Purpose

COICOP is used to classify individual consumption expenditure of households, Not for Profit Institutions Serving Households (NPISHs), and General Government. The common classification of individual consumption expenditure of the three institutional sectors is useful when calculating Households actual final consumption<sup>12</sup>. COFOG and COICOP have many common definitions and classifications in COICOP category 14:

- 14 - Individual consumption expenditure of general government
  - Health
  - Recreation and culture
  - Education
  - Social protection

COFOG groups corresponding to individual consumption expenditure of general government are the main part of the COFOG divisions Health, Education, and Social protection, excluding only the groups related to R&D and other expenditure not elsewhere classified – see also chapter 3.5.

### 2.2.2. COPNI: Classification of the Purposes of NPISHs

COPNI is used to classify a range of transactions, including outlays on final consumption expenditure, intermediate consumption, gross capital formation and capital and current transfers, by NPISHs.

### 2.2.3. COPP: Classification of the Outlays of Producers According to Purpose

COPP is used to classify intermediate consumption and capital outlays of financial and non-financial corporate and unincorporated enterprises.

### 2.2.4. COFOG: Classification of the Functions of Government

Like COPNI, COFOG is used to classify a range of transactions, including outlays on final consumption expenditure, intermediate consumption, gross capital formation and capital and current transfers.

## 2.3. Definition of the general government sector

COFOG analyses government expenditure. For the purpose of COFOG-based data supplied to Eurostat, government expenditure is defined as a particular set of transactions undertaken by units in the general government sector as defined and recorded in national accounts under ESA95.

The general government sector and sub-sectors are defined in ESA95 paragraphs 2.68-2.74. General government sector is defined as all resident institutional units which are other non-market producers whose output is intended for individual and collective consumption, and/or all institutional units principally engaged in the redistribution of national income and wealth. Government units are mainly financed by compulsory payments, taxes and social contributions, made by units belonging to other sectors, and by transfers made by units belonging to the same sector. A resident unit is regarded as constituting an institutional unit if it has decision-making autonomy in respect of its principal function, and either keeps a complete set of accounts or it would be possible and meaningful, from both an economic and legal viewpoint, to compile a complete set of accounts if they were required.

Eurostat's [Manual on Government Deficit and Debt](#) gives guidance on the classification of units on the borderline of the general government sector.

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<sup>12</sup> ESA95 paragraph 3.81 and following paragraphs provide a full description of the relation between the concept of final consumption expenditure and actual final consumption, for which the COICOP classification is the guideline.

The general government sector comprises four sub-sectors:

a) Central government (S.1311)

This includes all administrative departments of the State, other central agencies, and non-profit institutions controlled by central government, whose competence extends normally over the whole economic territory, except for the administration of social security funds. The “State” is often used to describe a subset of central government units that are under the direct day-to-day control of government ministers.

b) State government (S.1312)

This includes government units, comprising non-profit institutions controlled by state government, having some of the functions of government at a level below that of central government and above that of the governmental institutional units existing at local level of government, except for the administration of social security funds. It applies to countries such as Spain, Germany, Austria and Belgium that have a federal level of Government. It does not apply in the majority of EU member states.

c) Local government (S.1313)

This sub-sector includes those type of government units and non-profit institutions controlled by local government whose competence extends to only a part of the economic territory, apart from local agencies of social security funds.

d) Social security funds (S.1314)

The sub-sector social security funds includes all central, state and local institutional units whose principal activity is to provide social benefits. It must happen that by law or by regulation certain groups of the population are obliged to participate in the scheme or to pay contributions, and that general government is responsible for the management of the institution in respect of the settlement or approval of the contributions and benefits independently from its role as supervisory body or employer (ESA95, paragraph 2.74). There is usually no direct link between the amount of contribution paid by an individual and the risk to which that individual is exposed. This sub-sector includes autonomous pension funds as long as they respect the two criteria above.

## 2.4. Definition of government expenditure

National accounts under ESA95 is an inter-linked system of accounts providing economic data on the whole economy, and sectors, in a variety of ways. The non-financial accounts show the resources and uses of each sector within each account as well as changes to non-financial assets (in the capital account). Total government revenue and expenditure can be defined in several different ways depending on which ESA95 transaction categories are included and, for example, the degree of netting and consolidation. For the purposes of supplying government revenue and expenditure data to Eurostat, and Eurostat's presentation of such data, the definitions of government revenue and expenditure have been defined in amendment to ESA95, that is the [Commission Regulation \(EC\) No 1500/2000](#). A major feature of these definitions is that government revenue minus government expenditure equals government net lending/net borrowing (B.9) - the “government deficit”<sup>13</sup>.

The components of government expenditure according to this definition are listed below. The first column shows the economic categories that are required for the analysis of COFOG by economic category supplied by Member States to Eurostat in table 1100 of the ESA95 transmission programme. The second column shows the ESA95 components of each category.

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<sup>13</sup> Government deficit = minus B.9

**Table 1: General Government Expenditure**

<b>Categories for COFOG analysis</b>	<b>ESA95 transactions</b>
Intermediate consumption + Other taxes on production payable + Current taxes on income, wealth, etc. payable + Adjustment for the change in net equity of households in pension funds reserves	P.2, D.29, D.5, D.8 uses
Compensation of employees	D.1 use
Subsidies payable	D.3 resource
Property income	D.4 use, D.41 consolidated within General Government
Social benefits other than social transfers in kind and social transfers in kind related to expenditure on products supplied to households via market producers, payable	D.62 uses D.6311 + D.63121 + D.63131 uses
Other current transfers payable	D.7 use consolidated within General Government
Capital transfers payable	D.9 use consolidated within General Government
Gross capital formation + Acquisitions less disposals of non-financial non-produced assets	P5 and K.2 net accumulation of assets
<b>TOTAL GOVERNMENT EXPENDITURE = TOTAL OF CATEGORIES ABOVE</b>	
<b>Memo items</b>	
Intermediate consumption	P.2 uses
Investment grants	D.92 uses
Acquisitions less disposals of non-financial non-produced assets	K.2 uses
Gross fixed capital formation	P.51 net acquisition
Final consumption expenditure	P.3 uses

#### 2.4.1. Description of the economic categories

The economic categories comprising government expenditure are described below. Data suppliers should consult ESA95 for a full description of each category and for the time of recording and valuation that allow the best approximation of the accrual recording. The explanations below are just designed to give users of COFOG data a general impression of the contents of each category.

##### **Intermediate consumption (P.2)**

This is the value of the goods and services consumed by government such as building rentals, office consumables, energy, consultancy services, medical appliances and equipment, and military supplies.

##### **Current taxes on income and wealth (D.5) and other taxes on production (D.29)**

These include all those types of taxes paid by government units, such as property taxes and road vehicle taxes even if paid to the same level of government, since these transactions are not consolidated.

##### **Compensation of employees (D.1)**

This is the total remuneration, in cash or in kind, paid by government to its employees. It includes employers' actual and imputed social contributions (D.12). Employers' actual social contributions (D.121) are actual payments into social security schemes and into funded autonomous pension schemes by government on behalf of its employees. Imputed contributions are the payments for social benefits

directly made by employers to their employees without involving any social security scheme or autonomous pension scheme.

#### **Subsidies (D.3)**

This category is uniquely recorded as the negative resource of the payer, rather than as a use, to keep it in the same part of the accounts as tax receipts. It is the only flow recorded on the resource side included in government expenditure. It excludes subsidies paid by institutions of the EU (S.212) to residents of the Member State since ESA95 records these as being paid by the Rest of the World rather than by Government. Subsidies are not consolidated in line with the ESA95 principle that transactions appearing in different accounts should not be consolidated.

Subsidies include any tax credits paid to corporations that are treated as government expenditure in national accounts, rather than less tax, and hence classified as subsidies.

#### **Property income (D.4)**

This includes interest, rents on land, and payments by government of royalties for sub-soil assets (normally government revenue rather than an expense, but payments are not impossible). It also includes payments of dividends by government, but again this is unlikely. Note that rent of buildings is recorded as intermediate consumption, and not as rent in this item.

#### **Recording interest (D.41)**

In ESA 95 the accrual recording of interest follows the “debtor principle” rather than the “marked-to-market principle” (also called the “creditor principle”). Under the debtor principle, the future interest to be recorded is determined for the whole life of the instrument when it is issued. This is calculated on the basis of the yield at issue, which depends on the issue price of the instrument and expected interest receipts. Under the creditor principle, interest is calculated as the market yield times the market value of the instrument at each recording point in the life of the instrument; and so the interest recorded changes in line with changes in market yields and market values.

#### **Social benefits (D.62)**

These are transfers to households, other than transfers in kind, intended to relieve them from the financial burden of a number of risks and needs. They include payments under occupational pension schemes for government employees and under state old age pension schemes, as well as social security and social assistance benefits in cash. It also includes any tax credits connected to social needs actually paid to households that are treated as government expenditure in national accounts and hence classified under D.62.

#### **Social transfers in kind via market producers (D.6311 + D.63121 + D.63131)**

These are goods and services produced by market producers and purchased by government, which supplies them to households without any transformation. This is the case of certain education and health services for example. They are distinguished from goods and services, intermediate consumption (P.2), bought by government to produce government output (P.1). Social transfers in kind via market producers and intermediate consumption are both included in government final consumption expenditure (P.3).

#### **Other current transfers (D7)**

Other current transfers paid cover the four categories below.

*Non-life insurance premiums (D.71)* paid relate to premiums payable under insurance policies taken out by government units. This item is the component of insurance policy premiums, and the imputed property income earned on such policies, that is redistributed in claims. It excludes amounts used to buy insurance services and acquire financial assets.

*Current transfers within general government (D.73)* are typically central government grants to local authorities. They are consolidated so do not appear in the table for total General Government expenditure but are recorded at the sub-sector level when registering the non-consolidated expenditure.

*Current international co-operation (D.74)* covers current transfers paid by government to foreign governments and international organisations. Typically this relates to development aid.

*Miscellaneous current transfers (D.75)* include the GNP-based fourth own resource paid by Member States to the EU, transfers to NPISHs such as educational institutions in the private sector, transfers to Households for individual needs that are not covered under social insurance schemes and other current transfers to corporations that are not subsidies.

#### **The adjustment for the change in net equity of households in pension funds reserves (D.8)**

Such an adjustment would be necessary only where government operates a funded pension scheme, which might exist for some government units even if it is not a common rule. In most countries D.8 is zero.

**Capital transfers (D.9)** consist of investment grants (D.92) paid by government and other capital transfers (D.99) including those imputations recorded as the counterpart to cancellation and assumption of debt by mutual consent. A longer list is given in ESA95 para. 4.165.

Note that there are special rules to distinguish between capital transfers and financial transactions in the case of payments between government and public corporations (see *Manual on Government Deficit and Debt*). For example, a capital injection from government to a public corporation might be described in legal terms as the acquisition of equity. In national accounts it would be classified as a capital transfer, not as a financial transaction, if government were not acting like a rational investor in expecting a financial return from its investment.

#### **Gross capital formation (P.5)**

This comprises the acquisition less sales of:

P.51: fixed capital<sup>14</sup> (buildings, vehicles, and machinery for example);

P.52: inventories (stocks of raw materials, work in progress and finished goods);

P.53: valuables (items held as stores of value, such as precious metals and art objects).

#### **Net acquisition of non-financial non-produced assets (K.2)**

This consists of tangible natural assets like land, sub-soil assets, and non-cultivated biological resources. It also includes intangible non-produced assets, such as contracts for the use of non-financial assets (for example property leases) that are subsequently traded, and UMTS licence receipts that have been classified as sales of assets.

#### **Consumption of fixed capital (K.1)**

This is usually computed through a perpetual inventory model rather than collected directly from government units measuring it themselves. Capital consumption is a similar concept to depreciation in business accounts, but the valuation rules might differ.

#### **Final consumption (P.3)**

Government final consumption is the sum of government's consumption of labour, goods, services, and fixed capital (depreciation), including taxes less subsidies on production, used to produce non-market output, minus sales<sup>15</sup> by non-market establishments, plus expenditure on goods and services supplied directly to households by market producers (classified as social transfers in kind via market producers<sup>16</sup> as defined above). Government final consumption is a component of the expenditure-based measure of GDP. It can be used to calculate the proportion of domestic production consumed by government activity.

General government final consumption expenditure can be divided into individual consumption expenditure (P.31) and collective consumption expenditure (P.32). ESA95 advises that the split between P.31 and P.32 should be based on COFOG<sup>17</sup>.

Individual consumption expenditure has the following characteristics: it satisfies the individual needs of household members; it is possible to observe the consumption of the goods and services by household

<sup>14</sup> Capital assets for purely military purposes are treated as intermediate consumption.

<sup>15</sup> Includes output for own final use (P.12) and payments for non-market output (P.131).

<sup>16</sup> D.6311 + D.63121 + D.63131

<sup>17</sup> See section 3.5 of this manual for further detail

members; households agree to consume the goods and services and take action to make it possible, for example by attending a school; and the consumption of the goods and services by one household means that there are less of those goods and services available for other households. In terms of the economic theory government individual consumption expenditure (P.31) is close to the definition of private and semi-public goods, having restrictions on their availability due to rivalry issues.

Collective consumption expenditure of general government has the following characteristics: the consumption by government is used to provide services simultaneously to all members of the community; households' use of such services is usually passive and does not require explicit agreement or active participation of all the households concerned; and the provision of the service to one household does not reduce the services available to others. In terms of the economic theory government collective consumption expenditure (P.32) approximates the definition of pure public goods, for which rivalry doesn't exist.

#### **2.4.2. Relationship between expenditure components and final consumption**

The components of final consumption (P.3) in terms of economic categories are:

Government output (P.1<sup>18</sup>), which is the sum of

Compensation of employees (D.1)

Intermediate consumption (P.2)

Taxes on production (D.2) less subsidies received (D3)

Consumption of fixed capital (K.1)

Net operating surplus of market establishments<sup>19</sup> (B.2n)

Less

Revenue items:

Market output (P.11)

Output for own final use (P.12)

Partial payments for other non-market output (P.131)

Plus:

Social transfers in kind via market producers<sup>20</sup> (D.6311 + D.63121 + D.63131)

The relationship between Government final consumption and the components of the ESA95 definition of government expenditure is shown in the table below.

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<sup>18</sup> P.1 = P.11 + P.12 + P.131 + P.132 (see Table 2.4.2)

<sup>19</sup> Where these establishments, exceptionally, exist.

<sup>20</sup> Social transfers in kind via market producers represents final consumption expenditure components but they are not part of government output.

Table 2: Relationship between expenditure components and final consumption

Eurostat expenditure items, and other items	Classification of the output and/or classification of the sale/transfer of the output by government		Sector consuming the output (either as final consumption or capital formation)
Social payments	<b>Social benefits in cash (D.62)</b>		<b>Part of household consumption (P.3)</b>
	<b>Current transfers to NPISHs (D.75)</b>		<b>Part of NPISH final consumption (P.3)</b>
	<b>Social transfers in kind of goods and services produced by market producers</b> <b>(D.6311 + D.63121 + D.63131)</b>		<b>Government individual final consumption (P.31)</b>
<i>Government output</i> = intermediate consumption + compensation of employees + taxes less subsidies + capital consumption + net operating surplus of market establishments	<b>Other government non-market output (P.132)</b> (net of payments for non-market output P.131)	<b>Social transfers in kind of goods and services produced by non-market producers</b> <b>(D.63122 + D.63132)</b>	
		<b>Other transfers of individual non-market goods or services (D.632)</b>	
		<b>Transaction internal to government</b>	<b>Government collective final consumption (P.32)</b>
	<b>Sales</b> (revenue item)	<b>Payments for government non-market output (P.131)</b>	Any sector: either final consumption or capital formation
		<b>Government market output (P.11)</b>	
		<b>Government output for own final use (P.12)</b>	<b>Government gross fixed capital formation (P.51)</b>

The table shows what would be recorded in national accounts if, for example, government employed construction workers, and bought some cement, to build a road. These costs would be recorded as government expenditure on the compensation of employees and intermediate consumption in the first column; as output for own final use in the second column; and as government fixed capital formation in the third column.

## 2.5. Accounting methods

### 2.5.1. Accruals recording

National accounts, and hence the COFOG analyses of Government expenditure, are recorded on an accruals basis. Accruals accounting records flows at the time economic value is created, transformed, exchanged, transferred or extinguished. This means that flows which imply a change of ownership are entered when ownership passes, services are recorded when provided, output at the time products are created and intermediate consumption when materials and supplies are being used. This time can be different to when the invoice is paid (cash recording).

### 2.5.2. Consolidation

Consolidation is the elimination of those transactions or debtor/creditor relationships that occur between two transactors belonging to the same institutional sector or sub-sector. As a rule, the entries in ESA95 are not consolidated.

The COFOG analysis of government expenditure follows the rules for transmission table 0200 as described in Council Regulation 1500/2000 on the definition of government revenue and expenditure: "The transactions D.41, D.7, D.92 and D.99 are consolidated. The other transactions are not consolidated."

However, D.4, D.7 and D.9 are consolidated at the level of general government but not at the sub-sector level. This means that the sum of the sub-sectors' expenditure is greater than general government expenditure because of the different treatment of D.4, D.7 and D.9 transactions between the sub-sectors. For example, grants paid by central government to local government would be shown as the expenditure of central government in the sub-sector analysis but would not be part of the expenditure of general government. As the consolidation principle holds, such grants are eliminated as they represent at the same time expenditure of central government and revenue of local government.

In sub-sector tables, grants paid by one part of government to another are classified in the category *Transfers of a general character between different levels of government* (01.8) when they are due to financing the whole activity of the receiving unit that can decide how to use it according to its own duties and unless there exists a specific function the grants are related to. In this latter case the function of the payer's expenditure will be the same of the function of the recipient's expenditure. In the general government expenditure table such grants would not appear because D.7 and D.9 are consolidated.

The non-consolidation of intermediate consumption needs careful treatment when one unit of government provides services to another for the payment of a fee (such as payroll or building maintenance services). In these cases, non-consolidation means that the provider will record intermediate consumption on the goods and services needed to produce the service. The recipient of the service will record intermediate consumption for the purchase of the service from the provider. It is important to check whether the provider is closely linked to the purchaser; in this case it might be more appropriate to treat the provider as an ancillary unit of the purchaser in which case consolidation would be appropriate.

### 2.5.3. Netting

Individual units or sectors may have the same kind of transaction both as a use and as a resource (e.g., they both pay and receive interest) and the same kind of financial instrument both as an asset and as a liability. Gross recording is when all elementary items are shown for their full values. Net recording is when some elementary items are offset against items on the other side of the account (for example, netting interest receipts off interest paid). In the case of Government expenditure there is no netting except for P.5 – gross capital formation which is net of sales of capital assets<sup>21</sup> and K.2 – acquisitions less disposals of non-produced non-financial assets.

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<sup>21</sup> It should be recalled that gross capital formation is "gross" of (before) depreciation, defined as Consumption of fixed capital (K.1) according to ESA95.

#### 2.5.4. Distinction between financial and non-financial transactions

The classification of a transaction between government and a public unit can be complicated because of the different roles played by government in the economy. For example a government might inject capital into a public corporation for the purpose of earning a profitable return in the future (classified as a purchase of equity: a financial transaction), or it might do as a way of giving a grant to cover previous trading losses or to fund some fixed capital formation that would not be economic without government support (treated as capital grants: non-financial transactions). The *Government Deficit and Debt Manual* describes further principles and cases.

#### 2.5.5. Reporting economic reality over legal form

Sometimes in national accounts it is necessary to look through the legal form of an institutional unit or economic flow, and to report the economic reality. This can apply both to the classification of units and to the classification of flows. For example this approach is important for the correct recording of Public Private Partnerships and securitisations. For more information on accounting rules see ESA95

### 2.6. Legal background

EU Council Regulations relating to ESA 95 and Government Finance Statistics are listed on the government finance statistics [legislation](#) page of Eurostat's web site. Among these Regulations the most important for COFOG statistics are those connected with the list of economic categories to be considered for calculating public expenditure (Commission Regulation (EC) No 1500/2000), the amendment to ESA95 for the revised classification of expenditure according to purpose (Commission Regulation (EC) No 113/2002), the updated ESA95 Transmission Programme (Regulation (EC) 1392/2007 of the European Parliament and of the Council).

### 2.7. COFOG classification structure

[COFOG](#) has three levels of detail<sup>22</sup>: Divisions, Groups, and Classes. The ten Divisions could be seen as the broad objectives of government, while the Groups and Classes detail the means by which these broad objectives are achieved. The list below gives the first and second level COFOG classes only (for the full structure, see Appendix).

#### [01](#) - General public services

- [01.1](#) - Executive and legislative organs, financial, fiscal, external affairs
- [01.2](#) - Foreign economic aid
- [01.3](#) - General services
- [01.4](#) - Basic research
- [01.5](#) - R&D General public services
- [01.6](#) - General public services n.e.c.
- [01.7](#) - Public debt transactions
- [01.8](#) - Transfers of a general character between different levels of government

#### [02](#) - Defence

- [02.1](#) - Military defence
- [02.2](#) - Civil defence
- [02.3](#) - Foreign military aid

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<sup>22</sup> COFOG has not been changed by 2008 SNA. The three levels of classification have been maintained. 2008 SNA Chapter 29 contains references on COFOG and the other functional classifications.

- [02.4](#) - R&D Defence
- [02.5](#) - Defence n.e.c.

[03](#) - Public order and safety

- [03.1](#) - Police services
- [03.2](#) - Fire-protection services
- [03.3](#) - Law courts
- [03.4](#) - Prisons
- [03.5](#) - R&D Public order and safety
- [03.6](#) - Public order and safety n.e.c.

[04](#) - Economic affairs

- [04.1](#) - General economic, commercial and labour affairs
- [04.2](#) - Agriculture, forestry, fishing and hunting
- [04.3](#) - Fuel and energy
- [04.4](#) - Mining, manufacturing and construction
- [04.5](#) - Transport
- [04.6](#) - Communication
- [04.7](#) - Other industries
- [04.8](#) - R&D Economic affairs
- [04.9](#) - Economic affairs n.e.c.

[05](#) - Environmental protection

- [05.1](#) - Waste management
- [05.2](#) - Waste water management
- [05.3](#) - Pollution abatement
- [05.4](#) - Protection of biodiversity and landscape
- [05.5](#) - R&D Environmental protection
- [05.6](#) - Environmental protection n.e.c.

[06](#) - Housing and community amenities

- [06.1](#) - Housing development
- [06.2](#) - Community development
- [06.3](#) - Water supply
- [06.4](#) - Street lighting
- [06.5](#) - R&D Housing and community amenities
- [06.6](#) - Housing and community amenities n.e.c.

[07](#) - Health

- [07.1](#) - Medical products, appliances and equipment
- [07.2](#) - Outpatient services
- [07.3](#) - Hospital services

- [07.4](#) - Public health services
- [07.5](#) - R&D Health
- [07.6](#) - Health n.e.c.

[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.

[09](#) - Education

- [09.1](#) - Pre-primary and primary education
- [09.2](#) - Secondary education
- [09.3](#) - Post-secondary non-tertiary education
- [09.4](#) - Tertiary education
- [09.5](#) - Education not definable by level
- [09.6](#) - Subsidiary services to education
- [09.7](#) - R&D Education
- [09.8](#) - Education n.e.c.

[10](#) - Social protection

- [10.1](#) - Sickness and disability
- [10.2](#) - Old age
- [10.3](#) - Survivors
- [10.4](#) - Family and children
- [10.5](#) - Unemployment
- [10.6](#) - Housing
- [10.7](#) - Social exclusion n.e.c.
- [10.8](#) - R&D Social protection
- [10.9](#) - Social protection n.e.c.

## 3. Methodological guidance

This chapter provides guidance on compiling COFOG statistics. It discusses general principles, clarifies some specific issues on compilation methods, recommends best practices, and lists 35 cases to illustrate some practical compilation difficulties. The guidance given is based on the discussions of the Eurostat COFOG Task Force.

Some government expenditure satisfies more than one function. For example, a government-supported programme to improve health by encouraging more people to participate in sport serves the functions of both health (07) and recreation (08). For the COFOG breakdown of total government expenditure it is important to avoid double counting of the expenditure; in cases where further indicators to split the total expenditure between the two different functions are missing, only one function – the main function, has to be used. In classifying such cases, where the main function is not clear, the nature of the government unit making the payments can give a good indication of the main function: for example, in the previous case, the ministry of health or ministry of sport.

### 3.1. Multipurpose functions

#### 3.1.1. Guidance

Whenever possible, where the expenditure data are missing, volume indicators should be used to split an item of government expenditure if it relates to more than one function. For example, government might provide an investment grant (ESA95, D92) to a retirement home, of both elderly and disabled people, classified in national accounts in the sector of non-profit institutions serving households (S15). The agreed methodology means that the investment grant would need to be allocated both to old age (10.2) and sickness and disability (10.1). One possibility would be to make such an allocation on the basis of the percentage of the number of elderly and disabled people.

#### 3.1.2. Background

In practice, the allocation of multi-purpose functions can face several difficulties whenever expenditure relates to more than one function. The country pages of this manual describe some of the difficulties and practices of Member States.

The UNSD *Classifications of Expenditure According to Purpose*<sup>23</sup> paragraph 18 discusses classifying government expenditure by a functional code. It says that it might be necessary to use a proxy, such as the classification of the agencies, offices, bureaux or project units within government departments, when it is not possible to classify each item of expenditure. However, when the units perform two or more government functions it will be best to make an approximate division of expenditure "among the different functions performed rather than to allocate them all to which is judged the largest". In such a case the following suggestion is given in paragraph 19: "smallest bodies that can be identified in the government accounts may perform more than one COFOG function. It may sometimes be possible to apportion outlays of multifunction bodies among COFOG functions by reference to the proportion of work-months devoted to the different functions".

### 3.2. Recording interest by function (including FISIM)

#### 3.2.1. Guidance

Government accounts in the framework of the *ESA95 Transmission Programme* are to be transmitted with the allocation of financial services indirectly measured (FISIM). This means that actual interest payments are split between pure interest (D.41) and a payment for a service that is classified as the

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<sup>23</sup> United Nations Statistical Division, Statistical paper, Series M, no. 84, *Classifications of Expenditure According to Purpose*, New York 2000

intermediate consumption (P.2) of the payer and the output (P.1) of financial corporations. This affects the composition of government expenditure but not its total. The COFOG Task Force agreed that both interest (D.41), and intermediate consumption (P.2) in respect of FISIM, should be recorded in public debt transactions (01.7).

### **3.2.2. Background**

Interest payments on government debt are to be recorded under general public services in the category “public debt transactions” (01.7)<sup>24</sup>. However, category 01.7 excludes the administrative costs of public debt management, which are recorded instead in general public services (01.1) since this includes all the financial affairs and services involved with the management of public funds and public debt. The service component of interest is judged to be different to those activities.

A second question would be whether both interest (D.41) and intermediate consumption (P.2) could be distributed across all the functions given that public debt finances all kinds of expenditure and one should classify government expenditure by function according to the main purpose. This is not appropriate given that there is a specific category for public debt transactions<sup>25</sup>.

On the other hand, there are some particular cases where it might be possible to establish a direct connection between interest paid and expenditure on a specific function; this is often the case for health expenditure and other functions where there exists a unique government institution, or a group of institutions, responsible for the expenditure function. In such a case the total amount of expenditure of that institution should be classified into its own function, and introducing the public debt transaction function (01.7) could be considered a misrepresentation of the specific duties/ activities of the government unit involved.

In any case, interest connected to delayed payments must be classified according to the appropriate function; they might often be related to the administrative costs inside COFOG division 1, or to the institution’s own function when the institution is mono-functional.

## **3.3. Consumption of fixed capital by function**

### **3.3.1. Guidance**

When allocating consumption of fixed capital (K.1) by function, the detailed perpetual inventory method (PIM) should be applied to each sub-sector of general government. This involves maintaining a complete dataset of fixed assets and branches by kind of economic activity. This data should then be bridged to information on functions (COFOG). This is Method 2 as described below; it is the preferred method as it allows allocating consumption of fixed capital by function by following the corresponding distribution of fixed asset.

Methods 5 and 6 should be avoided. These methods broadly correspond to the use of estimates based on gross fixed capital formation (P.51) by function in a given year respectively for the total of general government or for each of the sub-sectors.

### **3.3.2. Background**

Consumption of fixed capital (K.1) is one of the components of final consumption expenditure (P.3), which is one of the memo items requiring a COFOG breakdown in ESA95 transmission table 1100.

<sup>24</sup> “Public debt transactions” here refers to interest on general government debt. Public corporations’ debt and the connected interest payments, when the public units do not belong to the general government sector, are not included, respectively, in the general government debt and interest. .

<sup>25</sup> From a theoretical point of view, it might be relevant to classify interest according to the function of expenditure being financed by the corresponding issuance of government bonds. However, given that public debt is generally associated with public expenditure as a whole, the direct link between public debt and its cost (interest) and the expenditure functions is not straightforward.

ESA95 paragraph 6.04 says: “Consumption of fixed capital should be estimated on the basis of the stock of fixed assets and the probable average economic life of the different categories of those goods. For the calculation of the stock of fixed assets, the perpetual inventory method (PIM) is recommended whenever direct information on the stock of fixed assets is missing. The stock of fixed assets should be valued at the purchasers’ prices of the current period”.

### 3.3.3. Possible methods

In order to give methodological guidance enhancing the comparability of data among countries, Eurostat launched a questionnaire in 2006 to enquire about Member States’ practices when compiling COFOG statistics, which included a question on consumption of fixed capital by function. The following six methods were presented to Member States’ experts who were asked which methods were used in practice and which they would recommend as the best ones from a conceptual point of view.

Method 1: Detailed perpetual inventory method (PIM) for the total of general government sector, which involves maintaining fixed assets and branches. This information is then bridged with functions (COFOG).

Method 2: Detailed perpetual inventory method (PIM) for each sub-sector of general government sector, which involves maintaining fixed assets and branches. This information is then bridged with functions (COFOG). In some cases the method is applied in an even more detailed manner as there are countries that maintain databases on fixed assets and branches of economic activity by groups of institutions belonging to the subsectors.

Method 3: Estimations based on time-series of gross fixed capital formation (P.51) by function for the total of general government. K.1 by function is then calculated by applying the average structure of gross fixed capital formation by function on total K.1. This method assumes that the average time-series of the gross fixed capital formation by function is representative of the underlying stock of fixed assets. Furthermore, where there is no possibility of differentiating by sub-sector, there might be an incorrect representation of K.1 as the distribution of fixed assets at the level of sub-sector can be rather different, depending on the functions of each sub-sector.

Method 4: Estimations based on time-series of gross fixed capital formation (P.51) by function for each sub-sector of general government. K.1 by function is then calculated by applying the average structure of gross fixed capital formation by function on total K.1 of sub-sectors. This method assumes that the average time-series of the gross fixed capital formation by function is representative of the underlying stock of fixed assets.

Method 5: Estimations based on gross fixed capital formation (P.51) by function in a given year for the total of general government. K.1 by function is then calculated by applying the structure of gross fixed capital formation by function on total K.1. This method assumes that the gross fixed capital formation by function of a given year is representative. It must be adopted with caution, verifying the existence of specific investment in some functions in the reference year to avoid distortions in the resulting distribution of K.1 by function.

Method 6: Estimations based on gross fixed capital formation (P.51) by function in a given year for each sub-sector of general government. K.1 by function is then calculated by applying the structure of gross fixed capital formation by function on total K.1 of sub-sectors. This method assumes that the gross fixed capital formation by function of a given year is representative. It must be adopted with caution, verifying the existence of specific investment in some functions in the reference year to avoid distortions in the resulting distribution of K.1 by function.

### 3.3.4. Countries’ practices

From the conceptual point of view, most of the countries seem to agree that method 2 is the most appropriate method. Around three-quarters of the countries use the detailed perpetual inventory method (PIM) for each sub-sector of general government sector, which involves maintaining fixed assets and branches. This information is then bridged with COFOG (method 2). The remaining countries use methods 1, 4, and 6. The descriptions are, however, not always clear, and the one for Bulgaria does not seem to correspond to any of the six methods. It should be noted that in a few countries two methods are used.

## 3.4. Allocation of certain social contributions and benefits

### 3.4.1. Guidance

Employers' imputed social contributions (D.122) should be allocated to functions in a consistent way with wages and salaries (D.11) rather than with unfunded employee social benefits (D.623).

### 3.4.2. Background

This problem refers to the possible common data source for imputed contributions (D.122)<sup>26</sup> and unfunded employee social benefits (D.623).

According to ESA95, paragraph 4.99, the imputed social contributions should be based on actuarial considerations. In practice, this might not be possible and the only solution might be to use the amount of unfunded social benefits payable by general government, during the same accounting period, as an estimate of the imputed contributions. At present, this is a common practice by Member States. In such cases, some of the amounts recorded in three national accounts' categories (D.122, D.612 and D.623) would be based on one single item in public accounts. The three involved categories are necessary to represent imputed social contributions by means of a notional circuit which is consistent with the representation of actual social contributions (ESA95, paragraphs 4.98-4.102).

## 3.5. Individual and collective final consumption expenditure

### 3.5.1. Guidance

The split between individual and collective consumption is to be based on COFOG (2<sup>nd</sup> level). However, Member States still face some practical difficulties in following ESA95 so other estimation methods, such as those based on branches of economic activities (NACE), can be applied to reclassify data according to the functional classification. It can be observed that the split between individual and collective consumption is straightforward when the COFOG functional classification is used as the reference for classifying the public expenditure. In particular it is of the utmost importance to use COFOG for classifying the transactions entering the GDP calculation; in this way government production and government final consumption expenditure will be directly split into COFOG groups, automatically determining the individual and collective final consumption expenditure. Furthermore, it must be recalled that government individual final consumption expenditure is one of the components of households' actual consumption expenditure (ESA95, para. 3.81-3.86)) and its calculation is very relevant to give a measure of the part of goods and services that households consume but do not pay for.

### 3.5.2. Background

ESA95 defines the concepts of final consumption expenditure and how to make the split between individual and collective consumption. However, when ESA95 was published the final version of COFOG had not been approved and, later on, Commission Regulation (EC) No 113/2002 of 23 January 2002 amended ESA95 to this effect. Commission Regulation establishes the functions that are to be treated as individual consumption while the remaining functions are to be classified as collective.

ESA95 paragraph 3.75 says "Final consumption expenditure (P.3) consists of expenditure incurred by resident institutional units on goods or services that are used for the direct satisfaction of individual needs or wants or the collective needs of members of the community. Final consumption expenditure may take place on the domestic territory or abroad".

ESA95 paragraph 3.81 says "Goods and services for individual consumption ('individual goods and services') are acquired by a household and used to satisfy the needs and wants of members of that household".

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<sup>26</sup> In national accounts the flow D.122 corresponds to the imputed social contributions, D.612. These are the counterpart to social benefits (less eventual employees' social contributions) paid directly by employers to their employees or former employees and other eligible persons. Their value should, in principle, be based on actuarial considerations (ESA95, paragraph 4.98).

ESA95 paragraph 3.83 says “Services for collective consumption (‘collective services’) are provided simultaneously to all members of the community or all members of a particular section of the community, such as all households living in a particular region.

According to ESA95 paragraph 3.85<sup>27</sup>, the borderline between individual and collective goods and services is drawn on the basis of the COFOG groups (2<sup>nd</sup> level).

By convention, all government final consumption expenditure under each of the following headings should be treated as expenditures on individual consumption:

- a) 7.1 Medical products, appliances and equipment
- 7.2 Outpatient services
- 7.3 Hospital services
- 7.4 Public health services
- b) 8.1 Recreational and sporting services
- 8.2 Cultural services
- c) 9.1 Pre-primary and primary education
- 9.2 Secondary education
- 9.3 Post-secondary non-tertiary education
- 9.4 Tertiary education
- 9.5 Education not definable by level
- 9.6 Subsidiary services to education
- d) 10.1 Sickness and disability
- 10.2 Old age
- 10.3 Survivors
- 10.4 Family and children
- 10.5 Unemployment
- 10.6 Housing
- 10.7 Social exclusion n.e.c.

### 3.6. Social transfers in kind vs. individual consumption

#### 3.6.1. Guidance

Social benefits in kind (D631) should always be classified as a COFOG category that corresponds to individual final consumption, as can be seen from table 2.4.2 too. The corresponding COFOG divisions to be considered are: Health (07) and Social Protection (10), recalling that this transaction is related to social risks and events (ESA95, paragraph 4.105 and paragraph 4.84).

#### 3.6.2. Background

In some countries General Government purchases education services from market producers to give unemployed persons a better chance of getting a job. According to ESA95 paragraph 4.105 this should be recorded as social transfer in kind (D.63), which is to be treated as individual in nature (ESA95, paragraph 4.104). The category of social assistance benefits in kind (D.6313) also includes, if not covered

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<sup>27</sup> Commission Regulation (EC) No 113/2002 of 23 January amending Council Regulation (EC) No 2223/96 with regard to revised classifications of expenditure according to purpose.

by a social insurance scheme, the following: social housing, dwelling allowance, day nurseries, reductions on transport prices, professional training, and so on.

The question is whether these services should be allocated to 04.1.2 (general economic, commercial and labour affairs; general labour affairs), which is regarded as a collective service within final consumption. Or must they be allocated to 10.5 (social protection; unemployment), which is an individual service within final consumption? The function 10.5 includes benefits in kind, such as vocational training provided to persons (individuals) without a job.

### 3.7. Estimation methods for provisional year n-1

Member States might face problems when compiling COFOG statistics for the provisional year n-1 due to the lack of data.

#### 3.7.1. Guidance

The following method is recommended when compiling 1<sup>st</sup> and 2<sup>nd</sup> levels of COFOG statistics for provisional year n-1:

- Whenever data sources are not available for compiling COFOG statistics for the provisional year n-1 (i.e. the data sources used for compiling COFOG statistics for the final year n-2 are not yet ready), the most appropriate method would be to make this allocation on the basis of other public accounts' data sources, which are already available for the provisional year n-1, such as the breakdown of expenditure in budgetary plans. However, the allocation based on such data sources should be avoided when there is evidence that the composition of government expenditure by function changes significantly when comparing the budget proposal with the final outcomes.
- The only solution might be to base the compilation of COFOG statistics on previous year(s) i.e. applying relative structures of expenditures from the final year n-2 or using trend analysis. However, this practice should be minimized with the aim of better allocating expenditure by function in year n-1 and should be seen as a temporary option. The case of local government might be a special one and some flexibility is foreseen for compiling COFOG statistics for provisional year n-1 for local government, mainly due to practical reasons, as in most countries data sources for the local government institutions are not available with the same timeliness as they are for central government.

The reference to allocating by function based on a previous year is to be understood as allocating the amounts of ESA95 transactions compiled in year n-1 through a structure of government expenditure by function of year n-2, at a sub-sector level. Efforts should be made for allocating by function specific events/operations that can be easily identified as having taken place in year n-1. These particular operations can be easily derived from ESA95 Table 0200, Main aggregates of general government, and also by taking into consideration all the information set provided to Eurostat in the framework of the EDP Questionnaire and the related attachments.

#### 3.7.2. Countries' practices

Whenever data sources are not available for the provisional year (n-1), a common practice is to estimate COFOG statistics based on previous years, i.e. applying relative structures of expenditure from previous years or using trend analysis. Nevertheless, this practice can be a partial one, such as for sub-sectors – mostly local government – where no data sources might be available. One important aspect is that the structure by function of the previous year(s) should be applied separately to each of the transactions that form the ESA95 expenditure of year n-1. When applying the COFOG structure of previous year(s), a correction could be made for some noticeable events in the year which have a significant impact on a given COFOG category. This information could be derived, for example, from the EDP Questionnaire and the related attachments.

For most countries, the best practice related to the lack of data sources for provisional year n-1 would be other public accounts' data sources, which are already available for that year, such as expenditure broken down by budgetary chapters/ departments, or data in budgetary expenditure plans corrected for unforeseen, unpredictable, or exceptional events.

Other practices to derive estimations for the most recent year, such as using complementary information available for year n-1 derived from other statistics or statistical surveys, may not be considered as good estimation practice.

### 3.8. Reporting of negative values

In the context of reporting of COFOG statistics, following ESA95 rules of gross recording, all transactions are necessarily recorded with positive values, except for P.5 (Gross fixed capital formation) and K.2 (Acquisitions less disposals of non-financial non-produced assets). In these cases it might be possible to show negative values, if disposals are greater than acquisitions and in consistency with rules explained on paragraph 2.5.3 on netting. Reporting of negative values for K.2 can be found in connection with UMTS licence receipts as described in chapter 5 on countries' compilation practices.

If countries do report negative values for transactions other than for P.5 and K.2, the cases should be investigated. The problem might be a recording error, or more likely it might be the result of the compilation process, often in connection with the functional classification of final consumption expenditure P.3 and the distribution between the individual and collective components. Even in this latter case, however, the negative values should be eliminated because negative values of public expenditure have no economic significance.

### 3.9. Assigning an appropriate function: case studies

The following cases are described and guidance is given. It is not a complete list of difficult cases, but it serves to illustrate the kind of thinking needed to assign an appropriate function in cases where the correct classification is not obvious.

- Case 1 – Army forces involved in "humanitarian aid missions"
- Case 2 – Civil and military cemeteries
- Case 3 – Foreign aid to environmental protection
- Case 4 – Protection of youth
- Case 5 – Fight against discrimination (equal opportunities at work place)
- Case 6 – Cost of meals provided at school to poor pupils
- Case 7 – Payments to social insurance schemes of public enterprises
- Case 8 - Government support of sustainable energy or energy saving technology
- Case 9 - Water management to control the water level and to prevent flooding
- Case 10 - Schooling and training to integrate people into the labour market
- Case 11 - Women's protection and addiction
- Case 12 - Career break and time-credit allowances
- Case 13 - Claim compensation (directly paid) to victims of asbestos
- Case 14 - Retirement homes with nurses
- Case 15 – Elder care provided by specialized staff at home
- Case 16 - Ambulance services operated by hospitals
- Case 17 - Sale of UMTS licences
- Case 18 - Compensation to former owners of assets previously nationalised

- Case 19 - Commodity reserves
- Case 20 - Expenditure for organising external EU border, Schengen
- Case 21 – Recurrent payment made by state to Europol
- Case 22 - Disinfestations
- Case 23 – Lump sum received by employees when retiring
- Case 24 - Construction of stadiums for international events
- Case 25 – Transfers to domestic emergency medical services
- Case 26 – Subsidies to banks for foregone interest
- Case 27 – Administrative expenditure for the reimbursement of social benefits in kind related to health care
- Case 28 – Building and loan association bonuses.
- Case 29 – Disaster funds: transfers to the beneficiaries
- Case 30 – Health services: delimitation between day cases and outpatients
- Case 31 - R&D wage subsidies to companies
- Case 32 - Assigned lawyers in cases of low income
- Case 33 - Administration in commissions and councils in the political organization in the local government
- Case 34 - Payments of government to banks because of the financial crisis
- Case 35 - Old people in institutions.

The opinions of the Task Force on COFOG on each case are given in the lines entitled “guidance”.

### **3.9.1. Case 1 – army forces involved in "humanitarian aid missions"**

Guidance: *foreign military aid* ([02.3](#))

Army forces might be involved in “humanitarian aid missions”. The issue is whether the most appropriate method is to allocate these amounts under *foreign military aid* (02.3) rather than *foreign economic aid* (01.2). Group 01.2 covers both economic aid to developing countries, and to countries in transition, and economic aid routed through international organizations. As such it covers humanitarian aid delivered by civilian departments. However 01.2 does not include aid to international peacekeeping operations, which are to be recorded under group 02.3.

### **3.9.2. Case 2 – civil and military cemeteries**

Guidance: *other general services* ([01.33](#)), *defence n.e.c* ([02.5](#)).

In the case of civil cemeteries there is already guidance provided by the United Nations. The management of cemeteries should be allocated in general services (01.3) because the definition of this group says it “covers services that are not connected with a specific function and which are usually undertaken by central offices at various levels of government. It also covers those services connected with a particular function that are undertaken by such central offices.”

01.33 - *other general services* includes for instance, "operation of government owned or occupied buildings", a function that may be considered similar to management by the local authorities of property serving public needs such as a cemetery.

By analogy and due to the structure of COFOG divisions and groups which separately identifies defence (02), military services should be classified under 02.5 – *defence n.e.c*.

### **3.9.3. Case 3 – foreign aid for environmental protection**

Guidance: *foreign economic aid* ([01.2](#))

Some governments give aid to poor countries for the specific purpose of protecting the environment, for example grants to plant trees to prevent soil erosion. The majority view of the COFOG Task Force is that the national economy vis-à-vis the rest of the world should be highlighted and that those amounts should be preferably allocated to foreign aid. Then, if detailed information is available, the purpose of the project can be indicated as a memo item (e.g. environment).

### **3.9.4. Case 4 – protection of youth**

Guidance: *family and children* ([10.4](#)), *police services* ([03.1](#))

If government ensures protection of youth, for example through provision of food and accommodation or through a variety of benefits and cash or in kind, it should be classified under *family and children* (10.4). If protection of youth is exclusively related to any police action, it is to be assigned to *police services* (03.1).

### **3.9.5. Case 5 – fight against discrimination (equal opportunities at work place)**

Guidance: *general labour affairs* ([04.12](#))

This concerns the fight against discrimination to achieve equal opportunities in the work place. If the aim is to operate or support a given programme to reduce gender, race, age or other discrimination at work, COFOG advises classifying this expenditure under *general labour affairs* (04.12).

### **3.9.6. Case 6 – cost of meals provided at school to poor pupils**

Guidance: *family and children* ([10.4](#)), *subsidiary services to education* ([09.6](#))

Many Governments provide free meals at school for all pupils and/ or pupils in material destitution. In some countries the state budget allocates amounts designated to cover entirely or partially the costs of meals in the school canteens. School catering services receive these allocations. It is imperative that children attend the school regularly to be eligible for this kind of assistance.

The main purpose of this government policy is encouraging all pupils attending to school. Expenditure should be allocated to *subsidiary services to education* (09.6). In this case, government is providing meals to all children attending to school.

Government could also provide protection on an individual basis to each of the pupils (most of the time these benefits are paid on the basis of the number of pupils), which might lead to an allocation under social protection – *family and children* (10.4). Most probably, government would be assessing the level of income of the family in destitution before providing such benefits.

### **3.9.7. Case 7 – payments to social insurance schemes of public enterprises**

Guidance: *economic affairs* ([04](#)) *old age* ([10.2](#))

In some countries government makes payments to both unfunded and funded social insurance schemes of public enterprises.

Where the payment to public enterprises is earmarked as payment for granting pensions to their employees, then *old age* (10.20) should be used. The transaction should be classified as *miscellaneous current transfers* (D.75 – see ESA95, paragraph 4.139 b) when the payment is recurrent and whatever the form of the social insurance scheme; the same transaction holds in case of an extraordinary payment to an unfunded social insurance scheme. On the other hand in case of extraordinary payments to a funded scheme the transaction should be classified as *other capital transfers* (D.99 - ESA95, paragraph 4.165i).

Where a direct link between the payment and the pensions does not exist, the functional classification should be related to the activity of the corporations receiving the amount of money; therefore a reference to economic affairs is made in the guidance. The classification of the transaction is the same as in the case where there is a direct link between the payment and the pensions.

### **3.9.8. Case 8 - government support of sustainable energy**

Guidance: *pollution abatement* ([05.3](#))

This concerns government support of sustainable energy or energy saving technology. As a general rule it is proposed to record the amounts of energy conservation and renewable energy sources (i.e. hydro, solar...) under *pollution abatement* (05.3). This will be most applicable for investment grants or subsidies. To a lesser extent, *environmental protection n.e.c.* (05.5) could be used.

The allocation to some other functions could also be possible depending on the final purpose of providing a subsidy. Possible coding would be *Fuel and energy* (04.3) (*Electricity: thermal or hydro supplies and wind* 04.3.5 *or solar heat non-electric energy produced by wind or heat* 04.3.6). This classification is in line with the environmental accounts guidelines.

### **3.9.9. Case 9 - water management**

Guidance: *multipurpose development projects* ([04.74](#)), *agriculture* ([04.21](#))

This concerns water management to control the water level and to prevent flooding. *Multipurpose development projects* (04.74) is the preferred option. If expenditure is related to the agricultural activities, a possible classification could be *agriculture* (04.21).

### **3.9.10. Case 10 - schooling to help people find jobs**

Guidance: *unemployment* ([10.50](#))

This concerns schooling to help people integrate into the labour market, their retraining and extra training. The majority of the members of the Task Force thought that if vocational training is provided to persons without a job or retraining is provided to persons at risk of losing their job, then *unemployment* (10.50) should be used.

Category 10.50 should be used if the measures are devoted to individuals or to target groups such as training schemes for those intending to develop their potential for employment. *General labour affairs* 04.12 could also be used whenever those are general programmes or schemes applied to disadvantaged groups such as those with high rates of unemployment.

### **3.9.11. Case 11 - women's protection and addiction**

Guidance: *social exclusion n.e.c.* ([10.70](#))

Some governments provide specific services to women, such as refugees, to protect them from domestic violence, and rehabilitation services in the case of drug addiction. Category 10.70 should be used provided that the policies apply to a specific group of people socially excluded or at risk of social exclusion.

### **3.9.12. Case 12 - career break and time-credit allowances**

Guidance: - *old age* ([10.2](#)); *family and children* ([10.4](#)); *unemployment* ([10.5](#))

Some governments fund time-off work for certain employees in certain specific circumstances. For example there are schemes whereby mothers receive paid time off work for several months after childbirth; and schemes to finance early retirement to create jobs for younger persons. The suggested allocation is to social protection (10.x). The appropriate group will depend on the reasons for the career break or time-credit allowances. It should be noted that, if the beneficiaries are older than the standard retirement age the compensation should be classified under *old age* (10.20) which includes all partial retirement pensions paid either before or after the standard retirement age to older workers who continue working but reduce their working hours.

### **3.9.13. Case 13 - claim compensation (directly paid) to victims of asbestos**

Guidance: *disability* ([10.12](#))

This concerns compensations paid to former workers, in mines previously owned by the State, who are victims of asbestos. The appropriate coding in this case should be *disability* (10.12). As a general rule if the compensation is paid directly by State to the families concerned, then it falls under social protection.

### **3.9.14. Case 14 - retirement homes with nurses**

Guidance: *old age* ([10.20](#)), *nursing and convalescent home services* ([07.34](#)).

Some retirement homes financed by government exist solely to provide elderly people with suitable affordable housing, whereas other retirement homes have the specific purpose of also providing medical care and persons are admitted to such homes because of their medical needs.

*Old age* (10.20) has to be used in cases where government financing is related to lodging and board provided to elderly persons either in specialized institutions or staying in families in appropriate establishments. However, in case medical monitoring is an essential component, then 07.34 should be used.

It might be that retirement homes are not only offered to elderly persons but also to disabled persons (see multipurpose functions).

### **3.9.15. Case 15 – elder care provided by specialized staff at home**

Guidance: *paramedical services* ([07.24](#)), *nursing and convalescent home services* ([07.34](#)) *old age* ([10.20](#))

In this case nursing and convalescent home services are provided to people living in their own homes. The classification depends on the type of assistance provided. If it is to assist in daily tasks, not needed to be provided by nurses or other trained health care staff (non-medical assistance), then *old age* (10.20) should be used. Whenever health services are provided at home, the classification should be *paramedical services* (07.24), i.e. health services delivered in patients' homes. Other case would be *nursing and convalescent home services* (07.34), i.e. if those are in-patient services.

NB: In case when the same staff provides both services (under 07.24 and 07.34), the split of amounts between the two should be made.

### **3.9.16. Case 16 - ambulance services operated by hospitals**

Guidance: *general hospital services* ([07.31](#))

Many hospitals have ambulance services to transport immobile patients and to attend to emergency services. These services are sometimes run separately from hospitals. COFOG states that the category *paramedical services* (07.24) only includes ambulance services operated by institutions other than hospitals.

### **3.9.17. Case 17 - sale of UMTS licences**

Guidance: *communications* ([04.6](#))

This relates to the sale of third generation mobile phone licences (UMTS – Universal Mobile Telecommunications System) allocated to private operators between 1999 and 2001 in most of the Member States. The transaction commonly related to this operation is acquisitions less disposals of non-financial non-produced assets (K.2). In connection with this operation it is quite common to find negative values for K.2 and for the total expenditure in the function 04.6.

### **3.9.18. Case 18 – denationalisation and restitution**

Guidance: *financial and fiscal affairs* ([01.12](#))

This concerns financial compensation to former owners of assets previously nationalised or confiscated. Category 01.1.2 is appropriate because it includes all financial affairs and services at all levels of government.

In case when the transfer of property is made in kind (land, building), the code 04.9 (economic affairs n.e.c.) should be used.

### **3.9.19. Case 19 - commodity reserves**

Guidance: *social protection n.e.c.* ([10.9](#))

This concerns the supplies held for emergency use in the case of peacetime disaster or war, but also in the case of disorder on commodity market. Holding emergency such supplies is equivalent to other storage actions described under *social protection n.e.c.* (10.9) since that category includes expenditure on equipment and other supplies for emergency use in peacetime disasters.

### **3.9.20. Case 20 - expenditure for organising external EU border, Schengen**

Guidance: *executive and legislative organs, financial and fiscal affairs, external affairs* ([01.1](#)), *police services* ([03.1](#))

Various EU initiatives require Member States to implement common procedures and policing of the EU border with the rest of the world. Category 01.1 applies where a specific law is adopted for meeting EU requirements in relation to external borders with non-members of the EU. At the 3<sup>rd</sup> (class) level, the Task Force considered 01.12 to be relevant due to the involvement of the customs authorities. Category 03.1 could also be an option if it is related to more ordinary and common actions involving borders and traffic control.

### **3.9.21. Case 21 – recurrent payment made by state to Europol**

Guidance: *foreign affairs* ([01.13](#))

EU governments are required to make payments to Europol for the cross-border policing services that it supplies the Member States. Category 01.13 applies when the payments are made in order to cover operating expenses of an international body.

### **3.9.22. Case 22 – disinfestations**

Guidance: *agriculture* ([04.21](#)), *public health services* ([07.4](#));

Many governments finance services to eradicate harmful vermin from local communities such as laying poison to kill rats and spraying ponds to remove mosquito infestation. Category 04.21 applies when disinfestations concern agriculture. Category 07.4 applies when disinfestations are related to public health.

### **3.9.23. Case 23 - lump sum received by some employees when retiring**

Guidance: *law courts* ([03.3](#)) in case of magistrates; *military defence* ([02.1](#)) in case of military personnel; *police services* ([03.1](#)) in case of police personnel.

In some countries certain occupations such as magistrates, military personnel and police receive a lump sum from their employer when reaching the standard retirement age. Those amounts can be classified as D.11 or as D.122 (D.6223) depending on the existence of a collective agreement (ESA95 para. 4.103c and 4.03j). For the judges this would imply allocating D.122 to COFOG 03.3 and D.623 to COFOG 10.X. Similar treatment applies to D.11 and those lump sums are to be allocated to the functional code of the employer's activity.

### **3.9.24. Case 24 - construction of stadiums for international events**

Guidance: *recreational and sporting services (08.1)*

In some countries, sporting facilities have been constructed for international events such as the FIFA World Cup or the Olympic games.

Category 08.1 applies to operation or support of facilities for active sporting events. Those stadiums will most probably be used at national, regional or local level. This applies even when the facilities are needed for supranational sports events (e.g. world championship).

### **3.9.25. Case 25 – transfers to domestic emergency medical services**

Guidance: *paramedical services (07.24)*

In some countries, government institutions make transfers to domestic emergency medical services, like the Red Cross. In the case of these kinds of bodies belonging to the government sector, the transactions concerned are those of the production of public services, compensation of employees (D.1), etc.. When the institutions do not belong to the government sector the transfers should be registered as a social transfer in kind (D.631), unless a different agreement applies foreseeing a payment from the patient.

Category 07.24, included in the outpatient services group (7.2), applies to the provision of paramedical health services to outpatients; it is related, among others, to ambulance services other than those operated by hospitals.

### **3.9.26. Case 26 - Subsidies to banks for foregone interest**

Guidance: *Economic aid to developing countries and countries in transition (01.21)*

Some countries provide economic support to developing countries and countries in transition by paying subsidies to banks for foregone interest payments; another form of supporting such countries is debt cancellation in the framework of bilateral or supranational agreements, such those agreed in the framework of the Paris club.

Category 01.21 applies to economic aid in the form of grants or loans. As such the subsidies to banks must be considered as if they were paid to the developing countries and countries in transition for economic aid. The transaction concerned should be considered as a transfer to the Rest of the World (D.74) instead of a subsidy (D.3), as the latter case is in general related to the support given by government to the resident corporations as institutional units.

### **3.9.27. Case 27 - Administrative expenditure for the reimbursement of social benefits in kind related to health care**

Guidance: *medical products, appliances and equipment (07.1), outpatient services (07.2), hospital services (07.3), public health services (07.4)*

Administrative expenditure (mainly compensation of employees, D.1, and intermediate consumption, P.2) of general government bodies which are responsible for the reimbursement of social benefits in kind (D.6311) related to health care has to be classified in the appropriate health COFOG group (07.1 – 07.4) corresponding to the benefit itself. Such expenditure should not be recorded under COFOG 07.60 since these payments are related to services to individuals.

### **3.9.28. Case 28 - Building and loan association bonuses**

Guidance: *housing development (06.1), housing (10.6)*

These types of arrangements should be classified under COFOG 06.1, housing development, if they are targeted to households in general and are not related to supporting specific groups of population with a high degree of certain social risks. In the latter case it would be more appropriate using COFOG 10 social protection; the specific category is COFOG 10.6 (housing) as it relates to the provision of social protection in the form of benefits in kind to help households, who are means-tested, to meet the cost of housing. The support can be related to payments to tenants for rental costs, payments to owner-occupiers related to mortgages or interest, provision of low-cost or social housing.

### 3.9.29. Case 29 - Disaster funds: transfers to the beneficiaries

Guidance: *social protection n.e.c.* ([10.9](#)), *economic affairs* ([04](#)), *civil defence* ([02.2](#)), *fire protection services* ([03.2](#))

In case of damage to private property caused by fires, floods, earthquakes etc. government payments to households should be classified under COFOG group 10.90, where small farmers are considered as part of the household sector too. When payments to producers for damages caused by these kinds of disasters occur, one possibility is to classify them according to the suitable group inside COFOG division 04, economic affairs. The same classification holds also for preventive measures. In addition, COFOG 04 could be an option when control and supervision is with special agencies targeting specific areas like flood control agencies (04.21) and forest fire units (04.22). Concerning warning and alarm systems, these could lie within the responsibility of the civil defence to be classified under COFOG group 02.20. However, when the alarm system is an integrated part of the fire protection services the appropriate classification should be COFOG group 3.20.

The transactions generally involving disaster funds are D.75 in case of current transfers, and D.92 in case of capital transfers; there might also occur a D.99 transaction in cases where general government chooses a single payment to reimburse the beneficiaries, households or producers, for damages to their property due to disasters. When transfers are related to other government units, transactions to be considered are D.73 in case of current transfers and D.92, to other S.13 subsectors, in case of capital transfers.

### 3.9.30. Case 30 – Health services: delimitation between day cases and outpatients

Guidance: *outpatient services* ([07.2](#)), *hospital services* ([07.3](#))

It is sometimes difficult to classify health services between the outpatient services and the hospital services, especially given the increasing frequency of day-hospitalisation. To allow for a correct classification the difference between day case, considered as hospital services, and outpatients is recalled.

**Day case:** a day case is a patient who makes a planned attendance at hospital and requires the use of a bed or else trolley in lieu of a bed. The patient is not expected to (and does not) remain overnight, but does otherwise have the same characteristics as an inpatient. Day cases would therefore be classified to COFOG 07.3 hospital services.

**Outpatient:** all visitors to ambulatory care facilities, that are not day cases or overnight cases, inpatients, are considered outpatients and have to be classified under COFOG 07.2.

### 3.9.31. Case 31 - R&D wage subsidies to companies

Guidance: *R&D economic affairs* ([04.8](#)), *economic affairs* ([04](#))

Companies can submit proposals for R&D grants to a government agency, receiving a wage subsidy when certain criteria are met. The company can use the results of the R&D activity to develop new technologies and applications/products.

In cases where the R&D subsidies play a significant role in business results, a suitable classification of transfers to the corporations sector would be COFOG group 04.8, reflecting the government contribution to R&D expenditure of the total economy too. On the other hand wage subsidies may also be allocated to the other COFOG groups 4.1/4.2/4.3/4.4/4.5/4.6/4.7/4.9 (non R&D economic functions) depending on the industry the company is located in, if these subsidies are not very significant for the company's results.

### 3.9.32. Case 32 - Assigned lawyers in cases of low income

Guidance: *law courts* ([03.3](#)), *social exclusion n.e.c.* ([10.7](#))

When individuals with a low income are party in a lawsuit a lawyer can be assigned by the government. If the lawyer's duties mainly refer to legal services connected to the law courts, then the more appropriate allocation of government expenditure is COFOG group 03.3 and the government institution involved would probably be the Ministry of Justice. COFOG group 03.3 provides a specific reference to such

services: "legal representation and advice on behalf of the government or on behalf of others provided by the government in cash or in services".

However, if the lawyer's tasks are more related to the low income aspect, that is to say in connection with social protection risks, a better allocation would be under COFOG 10.7, involving government institutions such as the ministry of labour and social affairs, social security fund, municipalities and other institutions involved in managing social risks.

### **3.9.33. Case 33 - Administration in commissions and councils in the political organization in the local government**

Guidance: *executive and legislative organs, financial and fiscal affairs, external affairs (01.1), general services (01.3), general public services n.e.c. (01.6)*

When classifying the administration costs in the organization of government, both the political and the administrative side, problems might arise when dealing with local government units where the organisational structure is not always as wide as for the State. Broadly speaking COFOG group 01.1 can be seen as the best place to classify the political side of government not specific to a particular function, such as defence and public order and safety under COFOG divisions 02 and 03 respectively. COFOG group 01.3 can be considered for the operative administrative activities at the central level of government that are not peculiar to specific functions and might be common to the whole activity of government itself, as happens for centralized supply and purchasing services, operation of government owned or occupied buildings and the like. COFOG group 01.6 can be used for some particular activities -such as registration of voters, holding of elections and referendums and others listed in the COFOG description- and for all the activities in general public services that do not have a strict operational character as the other COFOG groups have.

### **3.9.34. Case 34 - Payments of government to banks because of the financial crisis**

Guidance: *general economic, commercial, and labour affairs (04.1), economic affairs n.e.c (04.9)*

Some countries have experienced serious troubles in some of their banks because of the 2008 financial crisis; to avoid bankruptcy transfers have been made to the banks, for example in the form of capital injections. These payments could be classified under COFOG 04.11 general economic and commercial affairs -as it includes formulation and implementation of general economic and commercial policies, grants, loans or subsidies to promote general economic and commercial policies and programs, supervision of the banking industry – or under COFOG 04.9 economic affairs n.e.c.

### **3.9.35. Case 35 - Old people in institutions**

Guidance: *hospital services (07.3), old age (10.2)*

The COFOG principle for allocating benefits in cash or in kind to old people is based on the main purpose of the provision of the service: if it is mainly related to the medical assistance provided to the patient it should be classified as a 07.34 (Nursing and convalescent home services), under Health services; on the other hand, when the assistance component is predominant the most suitable allocation is COFOG 10.2.

## 4. Links between COFOG and other international statistics

### 4.1. Science and Technology Indicators

#### 4.1.1. Research and Development (R&D) statistics: the Frascati Manual

The Frascati Manual was written by and for the national experts in OECD/Eurostat countries who collect and publish national R&D data and submit responses to OECD/Eurostat international R&D survey. It deals exclusively with the measurement of human and financial resources devoted to research and experimental development (R&D) - often referred to as R&D "input" data. They provide measures of the scale and direction of R&D in various countries, sectors, industries, scientific fields and other categories of classification.

The Frascati Manual has two parts. The first part consists of eight chapters presenting recommendations and guidelines on the collection and interpretation of established R&D data. The second part consists of eleven annexes, which interpret and expand upon the basic principles outlined in the preceding chapters in order to provide additional guidelines for R&D surveys or deal with topics relevant to R&D surveys.

The Manual is available in several languages. The [electronic version](#) is more frequently updated with new material. The Manual is consistent with UNESCO recommendations for *all* scientific and technological activities (UNESCO, 1978), but is specific to R&D. Because of the need to place R&D in a wider context, both conceptually and in terms of databases, other UN classifications are used as far as possible, such as the System of National Accounts (SNA); International Standard Industrial Classification (ISIC); International Standard Classification of Occupations (ISCO); and International Standard Classification of Education (ISCED).

#### 4.1.2. Research and Development (R&D) expenditure data

According to Frascati Manual, there are two ways of measuring government expenditure on R&D:

1. Expenditure of those units performing R&D activity (GERD),
2. Government budgetary expenditure on R&D, wherever the R&D activity is eventually performed (GBAORD).

Both of these datasets are reported by EU Member States, and countries, to Eurostat, which then publishes the data<sup>28</sup>. Data are also available for a wider range of countries from the OECD.

#### 1.GERD data

GERD data is broken down by sectors of performance, including the government sector and higher education sector. These data follow the accounting conventions of national accounts (COFOG data), in that expenditure should be measured on an accruals basis. Even if they are focused on the unit performing the R&D activity, transfers of resources from government to non-government units are available in the source of funds breakdown showing direct transfers between performing sectors. These transfers are included in government expenditure in the national accounts. This effect is particularly important for research undertaken by public universities, which may be substantially financed by government.

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<sup>28</sup> This transmission is based on Commission Regulation (EC) No 753/2004 on Statistics on science and technology. R&D data are available on Eurostat's public database under the "Science and Technology" theme.

## 2. GBAORD data

These data measure the budgetary outlays by all levels of government (except local government funds that should be excluded) on R&D, where those outlays are funded by taxation or other government revenues.

There is a netting principle that if government expenditure on R&D will be reimbursed by a third party, or if the expenditure is a loan to be repaid, this expenditure is not recorded in the GBAORD figures. Loans that may be forgiven should be included in GBAORD, but indirect support of industrial R&D via tax rebates or allowances should be excluded. Both capital and current costs are included, with multi-annual projects being allocated to the year(s) in which they are budgeted.

Data are usually based on budgetary sources (budget analysis). In general are considered to be less internationally comparable than performer-based data, but have an advantage of being more timely and reflecting current government priorities (expressed in socio-economic objectives).

GBAORD data are collected in two phases. Data from the provisional national budget (as approved by the parliament at the beginning of the budget year) by NABS (Nomenclature for the Analysis and comparison of scientific programmes and Budget) chapter are transmitted to Eurostat within six months of the end of the calendar year and published shortly thereafter. Data from the final budget (revised budget approved during the budget year) are transmitted within twelve months of the end of the calendar year.

Published GBAORD data are broken down according to the purpose of the R&D programme or project for which the expenditure is allocated. This breakdown is made in the NABS classification.

### **4.1.3. Coherence of COFOG R&D data with R&D expenditure data**

Whilst users may wish to directly equate COFOG R&D data with R&D expenditure data reported by countries under Science and Technology indicators, it is important to appreciate the differences of approach in these datasets, despite the ongoing convergence of the Frascati manual with national accounts.

COFOG expenditure data are based on the principles of national accounts, as set out in the 2008 SNA and ESA95. In concept the measurement principles for COFOG data are the same as the accruals concepts used for GERD, whereas GBAORD data are recorded on a budgetary basis (which means that they may be on a cash, accruals or commitments basis depending on the country's specific budget accounting system) and may relate for recent years to the final budget of the year in question, not necessarily to actual outlays.

COFOG expenditure data are measured for the general government sector in national accounts (with a breakdown in sub-sectors of government as appropriate). GERD data are divided into government's own R&D activities and activities of other bodies; public universities are usually classified in the general government sector in national accounts. GBAORD data are considerably closer in coverage to COFOG, since they consider all expenditure of government, whether on its own activities or transfers to other bodies. GBAORD data for some countries do not include local government expenditure.

The COFOG classification at 2<sup>nd</sup> level separates out R&D expenditure by one (or more) R&D sub-classes per COFOG class, based on a functional approach. The NABS classification, used in both GBAORD and GERD<sup>29</sup> data has an approach based on socio-economic objectives. Nevertheless it is possible to make a reasonable reconciliation between the classifications at the detailed level for many headings.

## **4.2. Environmental accounts**

### **4.2.1. Accounting systems and guidance manuals**

2008 SNA chapter 29 Satellite accounts and other extensions describe a satellite system for integrated environmental and economic accounting. The framework includes a description of how monetary and

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<sup>29</sup> In the European Union GERD data by NABS breakdown are only compiled on a voluntary basis, and are therefore incomplete. GAORD data by NABS are compulsory and are therefore much more complete.

physical environmental statistics can be combined in a SNA compatible way. The environmental accounting systems that the UN and the EU have developed according to the framework provided by SNA 93 chapter XXI are consistent with 2008 SNA chapter 29, which upgrades the guidance provided by SNA 93.

In 2003 the UN published a final draft of the Handbook of National Accounting – Integrated Environmental and Economic Accounting 2003, commonly referred to as [SEEA 2003](#). The SEEA elaborates in more detail what was in SNA 93. A [revised version of SEEA 2003](#), prepared with help from the [London Group](#) is expected to be in place starting from 2012. Environmental Accounts measure the contribution of the environment to the economy (e.g. raw materials, water, energy, and land) and the impact of the economy on the environment (e.g. emissions to air, soil, and water). It highlights certain environmental relevant monetary transactions within the SNA such as e.g. environmentally related taxes and subsidies, investments for environmental protection, and green jobs etc.

In 1994 Eurostat published the European System for the Collection of Economic Information on the Environment ([SERIEE](#)), which describes a satellite system specifically focussed on environment-related monetary transactions within the SNA. The corresponding part in SEEA 2003 is inspired by and consistent with SERIEE.

SERIEE provides guidance to assess and describe, in a way consistent with national accounts, the expenditure and the economic activities carried out by resident units of the national economy for protecting the environment against pollution and other degradation, as well as for managing and using natural resources.

Integration of physical data is a key objective of SERIEE, the goal being to bring together data on environmental protection or natural resource use and management expenditure and corresponding data relating to e.g. pollution emitted, resources used, etc. Although the system as such does not describe pollution, in the wider context of an integrated system such as the SEEA it allows the description of significant links between monetary flows and emission of pollutants.

SERIEE comprises the following:

- The Environmental Protection Expenditure Account (EPEA), describing the measures and related expenditures carried out to protect the environment from a qualitative perspective, i.e. against pollution and degradation phenomena;
- the natural Resource Use and Management Expenditure Account (RUMEA), describing the measures and related expenditures carried out to use the natural resources and to manage and save their stocks from a quantitative perspective, i.e. against depletion phenomena;
- a recording system for the eco-activities; these are economic activities which produce environmental goods and services, i.e. products that measure, control, restore, prevent, treat, minimise, research and sensitise natural resource depletion and environmental damages to air, water and soil as well as problems related to waste, noise, biodiversity and landscapes.

Among the three modules above, EPEA is the most developed one as regards the definition of accounting procedures, and both Eurostat and EU Member States have initially concentrated their efforts on its implementation.

For EPEA purposes SERIEE defines environmental protection as “all actions and activities that are aimed at the prevention, reduction and elimination of pollution as well as any other degradation of the environment.” All activities and transactions related to environmental protection are classified according to the Classification of Environmental Protection Activities and expenditures ([CEPA](#)). CEPA is a UN adopted classification used for classifying activities, products, actual outlays and other transactions related to environmental protection.

Despite the scope of RUMEA is well defined within both SERIEE and SEEA 2003, an international standard classification, like CEPA for EPEA, is still to be adopted. A draft Classification of Resource Use and Management Activities and expenditures (draft CRUMA 2009) has been developed and agreed upon by the London Group in April 2009 and submitted to the United Nations Expert Group (EG) on International economic and social classifications in September 2009 (see below paragraph 4.2.4).

In order to increase harmonization, reliability and comparability, Eurostat published the following handbooks and compilation guides, the majority of which is focused on environmental protection and EPEA implementation:

- in 2002, “SERIEE Environmental Protection Expenditure Accounts – [Compilation Guide](#)”. It aims at helping countries to implement the EPEA, by indicating for each institutional sector (including General Government) the main data sources and how to use basic data for calculating accounting figures. The Guide includes the last edition of CEPA (i.e. CEPA 2000).
- in 2005, the manual “Environmental expenditure statistics: [industry data collection handbook](#)”. This handbook examines expenditure by non-financial corporations<sup>30</sup> rather than by Government so is not directly relevant. It does however describe numerous types of expenditures and the extent to which they can be classified as “environmental protection”. Some of this analysis is relevant when considering the classification of government expenditure.
- in 2007, "Environmental expenditure statistics: [general government sector and specialized producers data collection handbook](#)". This handbook provides guidance for collecting data about Government spending on environmental protection along with producers specialized in environmental protection activities such as waste and waste-water management.
- In 2009, the handbook “The [Environmental Goods and Services Sector](#)” (EGSS). It provides a framework for collecting and recording data on eco-activities<sup>31</sup>. Tested in a pilot data collection, it covers activities producing goods and services for environmental protection purposes as well as activities producing goods and services for resource management purposes. The former are classified according to CEPA, while the latter are classified according to the Classification of Resource Management Activities (CReMA)<sup>32</sup>. All the institutional sectors carrying out economic activities producing environmental goods and services are covered by the EGSS statistics, including general government.

#### **4.2.2. COFOG related data collections by Eurostat - Environmental Accounts**

There are two data collections related to COFOG that are currently conducted in Eurostat- Environmental Accounts unit:

1. the most established is the OECD/Eurostat Joint Questionnaire on Environmental Protection Expenditure and Revenues (EPER);
2. the second is the newly established data collection on Environmental Goods and Services Sector.

EPER is since 1996 a biennial data collection conducted by OECD and Eurostat. The JQ covers all sectors of the economy and follows the definitions outlined in SERIEE for the Environmental Protection Expenditure Account (EPEA) as well as CEPA. EPER and EPEA figures are then consistent with each other; Conversion Guidelines<sup>33</sup> were published by Eurostat in 2005 to help countries in the translation from EPER statistics to EPEA and vice versa. General government environmental protection expenditure is recorded within Table 1 and Table 4a of the [JQ\\_EPER](#).

The newly established data collection on eco-activities is based on definitions and related data collection methodology provided in the EGSS handbook. Such definitions and methodology have been successfully tested by member countries of the Eurostat Task Force as well as by other countries in the European

<sup>30</sup> NACE Rev. 1.1\_divisions 01-99 (NACE Rev. 2 divisions 01-99), excluding public sector mainly NACE Rev. 1.1 division 75 (mainly NACE Rev. 2 division 84) and the activities of specialised producers mainly in NACE Rev. 1.1 division 90 (mainly NACE Rev. 2 divisions and classes 37, 38.1, 38.2 and 39).

<sup>31</sup> The handbook is intended to be a further development of the OECD/Eurostat 1999 Manual on "Eco-industry" and to a large extent follows its principles.

<sup>32</sup> CReMA is consistent with the draft CRUMA 2009, the former being a subset of the latter. As a matter of fact, in CReMA only resource management activities are included (e.g. natural resource reuse, recovery, recycling, savings, substitution, etc), while resource use activities (e.g. exploitation, distribution, exploration and discovery of new reserves, etc.), considered within CRUMA, are excluded. CReMA is the result of discussions at a European level and is seen as a step forward with respect to the description provided in the OECD/Eurostat 1999 manual.

<sup>33</sup> Namely the “OECD/Eurostat Environmental Protection Expenditure and Revenue Joint Questionnaire / SERIEE Environmental Protection Expenditure Account [Conversion Guidelines](#)”.

Statistical System. A trial data collection has been made in 2009<sup>34</sup>. Similar with EPER, the EGSS covers also all sectors of the economy and follows the definition outlined in SERIEE. Economic activities producing goods and services for environmental protection purposes are classified according to CEPA and those producing goods and services for resource management purposes are classified according to CReMA. General government figures are collected through the sheets called “Government – Turnover”, “Government – Value Added” and “Government – Employment” in the [EGSS questionnaire](#).

#### 4.2.3. Consistency with COFOG

Consistency between COFOG statistics and environmental accounts has to be analysed under a twofold perspective:

1. a *functional* perspective, concerning the definition and the breakdown of the purposes of the expenditure;
2. an *economic* perspective, concerning the definitions and breakdown of the transactions recorded.

#### COFOG AND CEPA

From a functional point of view COFOG statistics are consistent with EPER and EPEA figures.

The COFOG division 05 “Environmental Protection” is based upon the Classification of Environmental Protection Activities (CEPA). The six groups within the environmental protection division are based upon CEPA. The links between the classification systems and the categories of expenditures used in COFOG and CEPA are presented in the table below. As shown in the table, the definition of “environmental protection” according to COFOG division 05 as a whole equals the scope of CEPA, while the latter has a more detailed break-down than the former. This means that, from a functional perspective, EPER and EPEA figures can be used for compiling COFOG statistics, but on the contrary these statistics are not detailed enough for implementing fully the EPER or the EPEA.

This is also due to the units of classification that are often used for COFOG statistics. In principle, the units of classification are individual transactions in COFOG. But as noted previously, the ministry, agency, or administrative unit might be the de facto unit of classification for most outlays<sup>35</sup> where all the outlays are given the same COFOG code. This means that COFOG analyses are too rough and not sensitive enough for either EPER or EPEA compilations<sup>36</sup>.

However all expenditure is classified under one and only one category in COFOG. In some cases, COFOG division 05 could not include the total amount of the environmental protection expenditure due to the existence of possible multi-purpose activities or other indivisible units of classification which may be classified, even though they relate also to environmental protection, under a category other than environmental protection. For example, it could be economic aid to developing countries and countries in transition, over-all planning and statistical services, agriculture, multi-purpose development projects, housing development or cultural services.

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<sup>34</sup> The reporting received from 11 countries in this voluntary data collection exercise are available on the [Eurostat website](#); Sections: env\_ac\_egss1 and env\_ac\_egss2.

<sup>35</sup> Helen Stone Icie, (2002), “A note on the classifications of expenditure according to purpose”, John Hopkins University, London

<sup>36</sup> See chapter 5.2.1 of Eurostat’s “Environmental expenditure statistics: General Government and Specialised Producers data collection handbook” which gives, among other things, examples where COFOG is even inadequate for obtaining a measure of total expenditure on environmental protection.

**Table 3:** Comparison of classification system used within SERIEE and SEEA (CEPA 2000) and COFOG classification

EPE accounts		COFOG (05 environment protection)	SEEA (CEPA 2000)
Waste management	Collection and transportation	05.1.0 Waste management	3. Waste management
	Treatment and disposal		
	Other activities		
Wastewater management	Sewage networks	05.2.0 Wastewater management	2. Wastewater management
	Storm water networks		
	Other activities		
Pollution abatement	Protection of ambient air and climate	05.3.0 Pollution abatement	1. Protection of ambient air and climate
	Soil and groundwater protection		4. Protection and remediation of soil, groundwater and surface water
	Restoration and cleaning of water bodies		5. Noise and vibration abatement
	Noise and vibration abatement		7. Protection against radiation
	Protection against radiation		
	Other activities		
Protection of biodiversity and landscape	Landscape and habitat protection	05.4.0 Protection of biodiversity and landscape	6. Protection of biodiversity and landscapes
	Species protection		
	Rehabilitation of species populations and landscape		
Research and development		05.5.0 Research and development environment protection	8. Research and development
EPE n.e.c	General administration	05.6.0 Environment protection n.e.c.	9. Other environmental protection activities
	Education, training, information services		
	Other activities		

<sup>(\*)</sup> "Other activities" includes measurement, control, laboratories and the like, as well as administration, training, information and education activities specific to the domain, when they can be separated from other activities related to the same domain and similar activities related to other classes

### **COFOG and EPER / EPEA transactions**

From an economic point of view there is consistency between how transactions are defined in COFOG statistics and in EPER and EPEA. In particular transactions as defined in COFOG statistics are strictly consistent with those of EPEA which are in turn fully consistent with the core national accounts. The transactions of EPER can be obtained by grouping COFOG transactions as shown in the table below.

**Table 4: COFOG transactions and EPER**

List of the transactions	Label COFOG	Label JQ_EPER
D1	Compensation of employees	Internal Current expenditure + parts of Fees/Purchases
P2	Intermediate consumption	
D29_D5_D8	Other taxes on production + current taxes on income, wealth, etc. + adjustment for the change in net equity of households in pension funds reserves	parts of Fees/Purchases
D3	Subsidies	
D7CO	Other current transfers (consolidated)	Subsidies/Transfers
D9CO	Capital transfers (consolidated)	
D4CO	Property income (consolidated)	parts from Fees
D62_D6311_D63121_D63131 (also called D6O)	Social benefits other than social transfers in kind and social transfers in kind related to expenditure on products supplied to households via market producers	parts from Subsidies/Transfers
P5_K2	Gross capital formation + Acquisitions less disposals of non-financial non-produced assets	Investments - but without acquisitions less disposals of non-financial produced assets
TE = D1 + D3 + D4CO + D7CO + D9CO + D29_D5_D8 + P2 + P5_K2 + D6O	Total expenditure	Investments+ Internal current expenditure+ Fees/Purchases+ Subsidies/Transfers

#### **4.2.4. COFOG related new developments**

The main COFOG related new developments are:

1. the development of a standardised Resource Use and Management Expenditure Account (RUMEA) for complementing the Environmental Protection Expenditure Account (EPEA);
2. the development of harmonized statistics on government expenditures for climate change adaptation.

#### **COFOG AND RESOURCE USE AND MANAGEMENT EXPENDITURES**

The development of a Classification of Resource Use and Management Activities and expenditures (CRUMA) has been addressed as an important issue during the SEEA revision for inclusion in the standard which is envisaged to be adopted in 2012. This reflects the opinion, which emerged in the London Group, that the revision of SEEA 2003 should emphasize the EPEA accounting methodology as holding for all areas of environmental expenditure, while the main conceptual issues to be dealt with as far as RUMEA was concerned would relate to the scope and classification of resource use and management activities and expenditures.

Starting from the Italian Classification of Resource Use and Management Activities, developed by the Italian Statistical Office (Istat) since 2006, and with the help of the Eurostat Reflection Group on RUMEA, a draft Classification of Resource Use and Management Activities and expenditures (draft CRUMA 2009) has been developed within the London Group. The classification is fully consistent with the CEPA and is complementary to it by adding to its scope the resource use and management activities and expenditures.

In April 2009 the draft CRUMA has been accepted by the London Group which recommended that a single, unified classification system be established based on both CEPA and CRUMA. Furthermore the London Group proposed to submit the whole classification system (suggested name: Classification of Environmental Activities and expenditures – CEA) to the UN [Expert Group](#) on International Economic and Social Classifications, in order to have CRUMA included in the international family of classifications on the par with CEPA.

The UN Expert Group asked for a few changes that have been endorsed in the latest version of the draft CRUMA 2009 (Istat, 25 September 2009). The UN Expert Group agreed in principle to the proposal by the London Group to combine CRUMA and CEPA into a single classification of environmental activities and expenditures (CEA). It generally agreed that the conceptual basis of the classification was well thought out and strongly suggested that the classification be tested with data from several countries. While the full CRUMA has been applied successfully in Italy since 2006 for producing statistics and accounts on RUM expenditures carried out by the general government<sup>37</sup>, a sub-set of CRUMA, i.e. CReMA (Classification of Resource Management Activities), has been successfully tested within the pilot data collection on the Environmental Goods and Services Sector (EGSS) conducted by Eurostat in 2009.

The next step is a global consultation as regards the proposed new classification on Environmental Activities and Expenditures, namely CEA (CEPA + CRUMA). Concerning the accounting framework for the resource use and management activities and expenditure, this is an on-going work that is dealt in a Eurostat Task Force on RUMEA (Resource Use and Management Expenditure Account). All materials discussed can be found on [Circa](#).

The correspondence between the draft CRUMA 2009 (as well as CReMA) and COFOG are presented in the table below.

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<sup>37</sup> At the same time, with limitation to the management of water resources the same exercise has been made regularly for all institutional sectors.

**Table 5:** Comparison of classification system used within SERIEE and SEEA (draft CRUMA 2009) and COFOG classification

RUM accounts		COFOG		SEEA (draft CRUMA 2009)	
Use and management of water resources	water reuse, recycling, and savings use of substitutes of fresh water resources replenishment of water stocks exploitation, exploration and water distribution other activities	4.2.1  6.3.1	Agriculture (irrigation and drainage systems)  Water supply	10	use and management of water resources
	recovery, reuse, recycling, savings of forest products use of substitutes of forest products reforestation and afforestation of natural forest management and exploitation of natural forest areas other activities	4.2.2	Forestry		
Use and management of wild flora and fauna	use of alternative resources repopulation of wild flora and fauna stocks management and exploitation of wild flora and fauna stocks other activities	4.2.3	Fishing and hunting	12	use and management of wild flora and fauna
Use and management of fossil energy	savings of fossil fuels production of energy from renewable sources management and exploitation of fossil energy stocks exploration and discovery of new reserves other activities	4.3	Fuel and energy	13	use and management of fossil energy
use and management of minerals	recovery, reuse, recycling and savings of minerals use of substitutes of mineral resources management and exploitation of mineral resources exploration and discovery of new reserves other activities	4.4.1	Mining of mineral resources other than mineral fuels	14	use and management of minerals
Research and development		4.8.2	R&D Agriculture, forestry, fishing and hunting	15	R&D for natural resource use and management
		4.8.3	R&D Fuel and energy		
		4.8.4	R&D Mining, manufacturing and construction		
		6.5	R&D Housing and community amenities		

RUM accounts		COFOG	SEEA (draft CRUMA 2009)	
RUM n.e.c	General administration Education, training, information services Other activities	no specific correspondence the code "4.7.4 - Multi-purpose development projects" can be used for multi-purpose activities concerning several RUM activities falling within division 04	16	other natural resource use and management activities

(\*) "Other activities" includes measurement, control, laboratories and the like, as well as administration, training, information and education activities specific to the domain, when they can be separated from other activities related to the same domain and similar activities related to other classes.

It should be noted that the correspondence between CRUMA and COFOG is different from that between CEPA and COFOG.

There is an exact correspondence between the CEPA scope as a whole and the scope of division "05 Environmental protection" of COFOG: i.e. all EP activities and expenditures classified according to CEPA can be classified only within COFOG division 05, which in turn includes exclusively EP activities and expenditures that can be classified within CEPA.

Differently from CEPA, there is no exact correspondence between CRUMA and COFOG: i.e. all RUM activities and expenditures classified according to CRUMA can be classified appropriately within one (or sometimes more than one) COFOG category, which in turn includes also non-environmental activities and expenditures together with the RUM ones.

### COFOG AND CLIMATE CHANGE ADAPTATION COSTS

In addition to environmental protection expenditure, countries are also required to report government expenditures for climate change adaptation as part of the country level reporting to the UNFCCC in compliance with the Kyoto Protocol. Emissions data are reported every year and then periodically figures for government expenditures for climate change adaptation must be reported.

Eurostat is supporting the DG Clima with a project to develop more reliable ways of developing these data. Statistics Sweden is part of the consortium working on developing a new methodology to capture expenditure statistics and costing of adaptation measures in relation to government budgets. Part of the goal of this project is to provide a typology so as to identify expenditures in a systematic and clear way that is related to climate change adaptation. The COFOG classification is one type of typology that is of interest to use. It may be that some type of additional dimension to the COFOG type of classification will need to be developed.

The International Panel on Climate Change defines adaptation as "adjustment in natural or human systems in response to actual or expected climate stimuli or their effects, which moderates harm or exploits beneficial opportunities associated with climate change" (IPCC TAR 2001/IPCC 2007).

## 4.3. Health accounts

### 4.3.1. Background

The *System of Health Accounts* (SHA) provides a framework for a set of interrelated classifications used for the recording of health expenditure. SHA contains three classifications describing the health care expenditure:

- health care expenditure by function (ICHA-HC)<sup>38</sup>;
- health care expenditure by service provider (ICHA-HP);
- health care expenditure by financing schemes (ICHA-HF).

These classifications are defined in the International Classification for Health Accounts (ICHA). The SHA also offers possibilities to link expenditure data with non-monetary data such as employment and other resource statistics.

ICHA is based as far as possible on existing national and international classifications. For example, the ICHA classification of health care industries presents a refinement of the International Standard Industrial Classification (ISIC, Rev. 3, United Nations, 1990). Other classifications such as the Central Product Classification, Version 1 (United Nations, 1998a) and COFOG are referred to in the ICHA manual.

Definitions of government expenditure in the ICHA should be consistent or at least compatible with COFOG.

### **4.3.2. Differences between SHA and COFOG**

Although the SHA uses existing descriptions and classifications as far as possible to provide the information needed for the specific health needs, differences with these existing information sources are present. For example, SHA use various public and private information sources, while on the other hand COFOG is restricted to government administrative sources. The purpose of SHA is to provide a complete overview of all expenditure related to health care, while COFOG intends to classify transactions in government-funded health care. To fulfill this aim, SHA covers all economic units (both as primary producers of health care or secondary or ancillary producers); while COFOG uses governmental units in the determination of the health expenditure. COFOG functions (purposes) and SHA functions are also different in respect of the contents and level of aggregation.

The comparison of the two systems presented in the tables can only be interpreted as a reference overview of the possibilities of using COFOG in the construction of SHA-HC and the possible links between SHA functions and the purpose classification of COFOG.

### **4.3.3. Usability of COFOG for constructing ICHA-HC expenditure**

COFOG 07.2: In case co-payments exist the government share expressed in COFOG needs to be supplemented for SHA-HC. Additional information on the procedures governing these payments are necessary for SHA data compilation.

COFOG 07.3: Spending on army field hospitals is not included in COFOG 07.3 but is to be included in the SHA functional classification.

COFOG 07.4: Data on public health are partly used for the determination of SHA category HC.6. However these COFOG data may contain some data to be used for SHA category HC.7. Some of the public health data may also refer to topics dealt with in the HC.R (the health related) categories of SHA.

In using the two tables presented below, which provide a short overview of the health care items in both sets of classifications, these differences described above need to be taken into account.

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<sup>38</sup> The SHA function is not identical to the COFOG function, COICOP or the other classifications by purpose. Functions in the ICHA deal with specific sets of activities performed in relation to health care.

**Table 6: Usability of COFOG for SHA**

<b>COFOG</b>	<b>Title of headings</b>	<b>ICHA-HC</b>	<b>Title of headings</b>
07.1	Medical products, appliances and equipment	HC.5	Medical goods dispensed to outpatients
07.1.1	Pharmaceutical products (IS)	HC.5.1.1	Prescribed medicines
		HC.5.1.2	Over-the-counter medicines
07.1.2	Other medical products (IS)	HC.5.1.3	Other medical non-durables
07.1.3	Therapeutic appliances and equipment (IS)	HC.5.2	Therapeutic appliances and medical equip. (durables)
		HC.5.2.1	Glasses and other vision products
		HC.5.2.2	Orthopaedic appliances and prosthetics
		HC.5.2.3	Hearing aids
		HC.5.2.4	Medico-technical devices, including wheelchairs
		HC.5.2.9	All other miscellaneous medical goods
07.2	Outpatient services	HC.1.3	Outpatient curative care
		HC.1.4	Services of curative home care
		HC.2.3	Outpatient rehabilitative care
		HC.2.4	Services of rehabilitative home care
		HC.3.3	LTC home care
		HC.4	Ancillary services to health care
07.2.1	General medical services (IS)	HC.1.3.1	Basic medical and diagnostic services
		HC.2.3	Out-patient rehabilitative care
07.2.2	Specialized medical services (IS)	HC.1.3.3	All other specialised health care
07.2.3	Dental services (IS)	HC.1.3.2	Out-patient dental care
07.2.4	Paramedical services (IS)	HC.1.3.9	All other out-patient curative care
		HC.1.4	Services of curative home care
		HC.2.3	Out-patient rehabilitative care
		HC.2.4	Services of rehabilitative home care
		HC.3.3	Long-term nursing care: home care
		HC.4	Ancillary services to health care
		HC.4.1	Clinical laboratory
		HC.4.2	Diagnostic imaging
		HC.4.3	Patient transport and emergency rescue
		HC.4.9	All other miscellaneous ancillary services
07.3	Hospital services	HC.1.1	Inpatient curative care
		HC.1.2	Day cases of curative care
		HC.2.1	Inpatient rehabilitative care
		HC.2.2	Day cases of rehabilitative care
		HC.3.1	Inpatient LTC
		HC.3.2	Day cases of LTC
07.3.1	General hospital services (IS)		
07.3.2	Specialized hospital services (IS)		
07.3.3	Medical and maternity centre services (IS)		
07.3.4	Nursing and convalescent home services (IS)		
07.4	Public health services	HC.6 (excl. HC.6.4)	Prevention and public health services (excl. Occupational Medicine)
07.4.0	Public health services (IS)		
07.5	R&D Health	HC.R .3	R & D in health

COFOG	Title of headings	ICHA-HC	Title of headings
07.5.0	R&D Health (CS)		
07.6	Health n.e.c.	HC.7.1	Health administration and insurance (public)
07.6.0	Health n.e.c. (CS)		
	IS: Individual services CS: collective services		

#### 4.3.4. Usability of ICHA-HC categories for constructing expenditure by COFOG

In using the data created based on the SHA-HC for cross-checking the data collected according to COFOG, the differences the expenditure on health care in SHA need to be taken into account. There is not a single unique one-to-one relation for any of the items.

Table 7: Usability of SHA for COFOG

ICHA-HC	Title of headings	COFOG	Title of headings
HC.1	Services of curative care		
HC.1.1	In-patient curative care	07.3	Hospital services
HC.1.2	Day cases of curative care	07.3	Hospital services
HC.1.3	Out-patient curative care	07.2	Outpatient services
HC.1.3.1	Basic medical and diagnostic services	07.2.1	General medical services (IS)
HC.1.3.2	Out-patient dental care	07.2.3	Dental services (IS)
HC.1.3.3	All other specialised health care	07.2.2	Specialized medical services (IS)
HC.1.3.9	All other out-patient curative care	07.2.4	Paramedical services (IS)
HC.1.4	Services of curative home care	07.2.4 (07.3)	(Hospital services)
HC.2	Services of rehabilitative care		
HC.2.1	In-patient rehabilitative care	07.3	Hospital services
HC.2.2	Day cases of rehabilitative care	07.3	Hospital services
HC.2.3	Out-patient rehabilitative care	07.2.4, 07.2.1	Paramedical services (IS) General medical services (IS)
HC.2.4	Services of rehabilitative home care	07.2.4	Paramedical services (IS)
HC.3	Services of long-term nursing care		
HC.3.1	In-patient long-term nursing care	07.3	Hospital services
HC.3.2	Day cases of long-term nursing care	07.3	Hospital services
HC.3.3	Long-term nursing care: home care	07.2.4	Paramedical services (IS)
HC.4	Ancillary services to health care		
HC.4.1	Clinical laboratory	07.2.4	Paramedical services (IS)
HC.4.2	Diagnostic imaging	07.2.4	Paramedical services (IS)
HC.4.3	Patient transport and emergency rescue	07.2.4	Paramedical services (IS)
HC.4.9	All other miscellaneous ancillary services	07.2.4	Paramedical services (IS)
HC.5	Medical goods dispensed to outpatients		
HC.5.1	Pharmaceuticals and other medical non-durables		
HC.5.1.1	Prescribed medicines	07.1.1	Pharmaceutical products (IS)
HC.5.1.2	Over-the-counter medicines	07.1.1	Pharmaceutical products (IS)

ICHA-HC	Title of headings	COFOG	Title of headings
HC.5.1.3	Other medical non-durables	07.1.2	Other medical products (IS)
HC.5.2	Therapeutic appliances and medical equip. (durables)	07.1.3	Therapeutic appliances and equipment (IS)
HC.5.2.1	Glasses and other vision products	07.1.3	Therapeutic appliances and equipment (IS)
HC.5.2.2	Orthopaedic appliances and other prosthetics	07.1.3	Therapeutic appliances and equipment (IS)
HC.5.2.3	Hearing aids	07.1.3	Therapeutic appliances and equipment (IS)
HC.5.2.4	Medico-technical devices, including wheelchairs	07.1.3	Therapeutic appliances and equipment (IS)
HC.5.2.9	All other miscellaneous medical goods	07.1.3	Therapeutic appliances and equipment (IS)
HC.6	Prevention and public health services		
HC.6.1	Maternal & child health, family planning & counselling	07.4	Public health services
HC.6.2	School health services	07.4	Public health services
HC.6.3	Prevention of communicable disease	07.4	Public health services
HC.6.4	Prevention of non-communicable disease	07.4	Public health services
HC.6.5	Occupational health care		
HC.6.9	All other miscellaneous collective health services	07.4 07.6	Public health services Health n.e.c. (public)
HC.7	Health administration and health insurance		
HC.7.1	Health administration and health insurance:	07.6.0	Health n.e.c. (public)
HC.7.2	Health administration and health insurance: private		
			IS: Individual services CS: collective services

## 4.4. Education statistics

### 4.4.1. International Standard Classification of Education (ISCED)

ISCED was designed by the United Nations Educational, Scientific, and Cultural Organisation (UNESCO) in the early 1970's to serve 'as an instrument suitable for assembling, compiling and presenting statistics of education both within individual countries and internationally'<sup>39</sup>. The latest version, ISCED-97, was approved by the UNESCO General Conference in November 1997.

ISCED-97 explains that "ISCED covers all organized and sustained learning opportunities for children, youth and adults including those with special-needs education, irrespective of the institution or entity providing them or the form in which they are delivered. It is a multi-purpose system, designed for education policy analysis and decision-making, whatever the structure of the national education systems and whatever the stage of economic development of a country. It can be utilized for statistics on many different aspects of education such as statistics on pupil enrolment, on human or financial resources invested in education, or on the educational attainment of the population. The basic concept and definitions of ISCED are universally valid and invariant to the particular circumstances of a national education system."

<sup>39</sup> Quote from preface to publication ISCED 1997, UNESCO.

#### 4.4.2. UNESCO-UIS/OECD/EUROSTAT (UOE) data collection

The data collection covering formal education is administered jointly by the UNESCO Institute for Statistics (UNESCO / UIS), the OECD, and the Statistical Office of the European Union (EUROSTAT). It is referred to as the “UOE” data collection. These UOE data collections, and the Eurostat data collection on regional enrolments and foreign language learning, are currently carried out through a gentlemen’s agreement<sup>40</sup>. The methodological requirements are set up in cooperation with the participating countries, Eurostat and the two organisations. The definitions and methodological requirements of the UOE are available on [Circa](#). There are three parts:

- Volume 1 “UOE manual” explains the theoretical background of the UOE data collection and presents the concepts, definitions and classifications used for the UOE data collection. This is complemented each year with 2 additional volumes that are specific to the data collection year and provide more practical guidance to the UOE data providers:
  - Volume 2 “UOE tables and instructions for their completion and submission”;
  - Volume 3 “UOE electronic questionnaire – user guide”.

The “UOE manual” includes two chapters:

- Chapter 1 provides definitions, explanations, and instructions relating to the coverage of the data collection tables, the statistical units for which data are collected, and the classification categories that are used as breakdowns in the tables. It further provides guidelines for the implementation of these definitions in the countries.
- Chapter 2 provides instructions relating to the implementation of ISCED-97 in the UOE Data Collection and mapping of current education programmes for participating countries. The first part of the chapter describes the structure of ISCED-97, as well as the defining characteristics of the ISCED-97 levels and cross-classification categories, emphasizing the criteria that define the boundaries between educational levels. A qualitative description of selected programmes in OECD countries that meet specific classification criteria is also presented as example of how the criteria can be properly applied.

Eurostat’s Guide to Educational Expenditure Statistics is available [here](#).

#### 4.4.3. Consistency with COFOG

There are strong links between COFOG classification and the UOE data collection, as expenditure from COFOG (at the 2<sup>nd</sup> digit level) and in the UOE data collection are compiled according to the ISCED classification.

Some concepts and definitions are common to the UOE and COFOG analysis. Additionally, UOE Finance tables are being revised in order to make them more compatible with national accounts concepts. Major differences at the current stage can be detailed as follows:

- Both are based on ISCED-97. However, COFOG covers under function Education in category Education not definable by level (at the COFOG II level breakdown: 09.5) non-formal education, whereas UOE is interested only in formal education (educational programmes designated as "adult education" or "continuing education" which are not similar to regular education programmes, e.g. literacy programmes for adults, are excluded).
- Scope of general government sector: in UOE government dependent educational institutions (e.g. universities) are not part of the government. They are treated separately and the part of their expenditure that is financed by private sources is not taken into account when calculating public expenditure on education. In national accounts these units can be classified within or outside the general government sector. Whenever they are classified outside general government sector no differences between COFOG and UOE in this respect should be observed. However, if these units are part of general government in national accounts their expenditure on education financed

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<sup>40</sup> A Commission regulation implementing Regulation (EC) No 452/2008 of the European Parliament and of the Council concerning the production and development of statistics on education and lifelong learning as regards statistics on Education and Training Systems covering part of the UOE and Eurostat data collections is in preparation. It should enter into force from 2012 onwards.

from "private" sources (private donations, own resources) will also be included in COFOG government expenditure on education.

- Both statistics rely on actual outlays, rather than budgets, however UOE also includes under public expenditure loans for students that are treated as financial transactions in national accounts and thus not taken into account for COFOG data.
- Time of recording: Accrual (government exp.) vs. Cash accounting (UOE data collection), however in practice for some countries UOE data can be also on accrual or mixed accrual/cash basis.
- Data sources and compilation: In some Member States different data sources are used for compilation of UOE and COFOG data. Even when the same data sources are used they are treated independently, with independent compilation methods applied. Also, data are sometimes changed due to reconciliation processes between different accounts.
- Further breakdown of education expenditure: Detailed breakdown of COFOG function Education does not fully correspond to UOE breakdown, in particular for grouping of subsidiary services on education and R&D (allocated in UOE dataset directly to the corresponding ISCED heading but presented as separate groups in COFOG).
- Treatment of R&D expenditure: UOE includes in education expenditure any research conducted in tertiary educational institutions. On the other hand, COFOG classifies R&D expenditure conducted in tertiary educational institutions to the respective functions (e.g. 01.4 Basic Research, 07.5 R&D Health), and in function Education only R&D on education.
- Definition of government expenditure: Government final consumption expenditure corresponds in the UOE to government direct expenditure on educational institutions. UOE educational expenditure classified as "transfers or other payments from governments to households and other private entities" is part of social benefits, subsidies or other miscellaneous transfers in national accounts..

## 4.5. European Social Protection statistics

### 4.5.1. European System of integrated Social PROtection Statistics (ESSPROS)

The Commission and the Member States expects Eurostat to provide a variety of statistical indicators to help assess crucial social issues such as exclusion, active measures for employment promotion, equity, the role of private initiative in social provision in addition to government spending, the influence of the organisation of the health provision system and its impact in terms of cost, and so on. ESSPROS was developed in the late 1970s in response to these needs. It was further updated in the mid 1990s.

The ESSPROS aims to provide:

1. a comprehensive and coherent description of social protection in the Member States covering social benefits and their financing;
2. information comparable across the countries.

The ESSPROS consists of a "Core system" and two modules (on pension beneficiaries and on net social protection benefits). The Core system corresponds to the standard information on social protection receipts and expenditure published annually by Eurostat. The two modules contain supplementary statistical information on particular aspects of social protection.

The module on pension beneficiaries displays the number of pension beneficiaries in a country split by categories<sup>41</sup>. The module on net social protection benefits represents the netting of the Core (gross)

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<sup>41</sup> See [EP and Council Regulation no 458/2007](#) (Annex II) for the definition of pension beneficiaries.

expenditure by subtracting the value of taxes on income and social contributions paid on social protection benefits<sup>42</sup>.

These ESSPROS modules do not need applying in a strictly manner the definitions and conventions adopted for the Core system. Each module has its own methodology and, when possible, its own specific sources and methods of estimation.

The definitions, conventions and accounting rules in the ESSPROS Manual<sup>43</sup> are to a large extent harmonized with the national accounts in their main concepts. Differences are listed below.

#### 4.5.2. Scope of social protection

In ESSPROS, "social protection encompasses all interventions from public or private bodies intended to relieve households and individuals of the burden of a defined set of risks or needs provided that there is neither a simultaneous reciprocal nor an individual arrangement involved". The risks and needs (also called functions) are sickness/health care, disability, old age, survivors, family/children, unemployment, housing and social exclusion not elsewhere classified.

In the Core system the interventions/benefits (and their financing) surveyed are limited to (i) cash payments to protected people; (ii) reimbursements of expenditure made by protected people and, finally, to (iii) goods and services directly provided to protected people<sup>44</sup>. On the other hand the module on net social protection benefits can potentially take into consideration other interventions in the form of tax relieves<sup>45</sup>.

The national accounts do not identify social protection as such, but define social benefits and social contributions. In this respect there are three discrepancies between the two systems:

- i) the national accounts definition of social benefits includes the function Education, while the ESSPROS does not. (Note however that the ESSPROS records some expenditure connected with vocational training under the unemployment function);
- ii) the ESSPROS' definition of social benefits covers both current and capital transfers; the national accounts' definition refers to current transfers only;
- iii) A point that can easily give rise to misunderstandings is that the national accounts define a transaction category *Social transfers in kind* (D.63) which covers both transfers made with and without a social protection objective (sub-categories D.631 and D.632 respectively). D.632 in the national accounts refers to expenditures by government and non-profit institutions on sport, recreation, culture, etc.

#### 4.5.3. Statistical units

The System of National Accounts (SNA) discusses social insurance schemes without turning them into units of classification. Accordingly, social benefits are treated as being granted by a variety of institutional units. On the other hand, in the ESSPROS, social protection data are recorded by social protection scheme, that represents the ESSPROS statistical unit.

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<sup>42</sup> Actually the data on the expenditure are collected without any deduction of taxes and other obligatory levies payable on social benefits by beneficiaries and, therefore, considered as gross. The module on net social protection benefits improves the comparability of social protection statistics between countries by removing the impact of the fiscal system on gross expenditure.

<sup>43</sup> The [ESSPROS Manual](#) is currently under revision to include the methodology for the module on net social benefits.

<sup>44</sup> For further detail see ESSPROS Manual, Section One, paragraph 2.2 and following.

<sup>45</sup> Until now (2010) only the tax reliefs reducing the fiscal levy on benefits are accounted for in the module (for this reason the net methodology is called *restricted approach*). The accounting of other kinds of tax reliefs (e.g. tax credits for social protection reason) will be the target of a feasibility study.

A social protection scheme is:

- i) specifically defined for the ESSPROS, and must be clearly distinguished from legal entities or other types of statistical units in common use;
- ii) defined as a distinct body of rules, supported by one or more institutional units, governing the provision of social benefits and their financing;
- iii) identified by each Member State according to their own social protection system and to the rules of the ESSPROS Manual.

Such schemes can be run by one institutional unit or a group of institutional units. The concept of social protection schemes used in the ESSPROS includes non-contributory social protection schemes (schemes providing social assistance) as well as SNA-defined social insurance schemes.

#### **4.5.4. The dividing line between social benefits in cash and in kind**

There are two important differences between the national accounts and the ESSPROS in the way they distinguish social benefits in cash and kind:

- i) in the national accounts, the transaction category *social benefits in kind* (D.63) refers exclusively to benefits provided by non market units: government units (social security and social assistance) and non-profit institutions serving households (social assistance). In the ESSPROS, social benefits in kind may be granted by any type of scheme, including schemes run by commercial insurers and unfunded employers' schemes;
- ii) in the national accounts all benefits granted by social security funds and all social assistance benefits provided to, or received from, the Rest of the World are treated as cash benefits. The ESSPROS does not follow this convention.

#### **4.5.5. Special ways of recording**

The national accounts record certain transactions differently from the way most transactors would see them. This is done in order to clarify the underlying economic structures. In two instances the ESSPROS has not adopted the national accounts' way of recording:

- i) the ESSPROS does not split contributions by protected persons into payments for insurance services and net contributions available to finance benefits. The national accounts do split contributions this way where autonomous private funded schemes are involved;
- ii) the ESSPROS does not impute payments of property income and contribution supplements in respect of private funded schemes. Certain schemes retain property income on invested funds and use them to secure future social benefits. As these funds may be considered as property of the protected persons, the national accounts record in this case an imputed flow from the institutional unit running the scheme to households called *Property income attributed to insurance policy holders* (D.44) and a second flow, of equal value, from the protected persons back to the institutional unit running the scheme as additional social contributions.

Another difference between ESSPROS and national accounts should be underlined: COFOG is a classification of expenditure by function made from the government point of view, whereas ESSPROS classification by function is related to the kind of social protection event, whose corresponding payment is made for relieving the beneficiary from the burden of that risk or need. The ESSPROS represents a guide for the functional classification of government expenditure connected with social risks and events, as it allows to establish a link between the paying institutions and the beneficiaries' point of view.

### **4.6. Satellite accounts can give higher figures than COFOG**

Satellite accounts based on national accounts, such as for R&D, health, environment, and social protection, need not give the same results for expenditure on those functions as in the COFOG breakdown. Satellite accounts will generally give higher results because they count all of expenditure on the activity using a detailed breakdown, whereas in the COFOG classification the main activity is considered under the main purpose while the auxiliary activities are classified under the specific purposes.

COFOG data can differ from satellite accounts data related to the same topic because COFOG provides a classification of total government expenditure, and needs to reach a full consistency among the 10 divisions and their breakdowns. On the other hand, satellite accounts, using ad hoc classifications, provide specific focus on a single theme of expenditure and do not generally need to report to the total expenditure. In such a way satellite accounts are able to enlarge the scope of the classification issue with respect to the COFOG nomenclature, including activities that are auxiliary with respect to the main purpose according to the COFOG framework.

**Table 8:** Some examples of classification in satellite accounts

	COFOG statistics	R&D statistics	Health accounts	Environment accounts	Social protection statistics	Education statistics
Foreign aid for R&D into disease prevention	Foreign economic aid	Health R&D	R&D			
Study of impact of poverty on health	Health R&D	Health R&D	R&D		R&D	
Production of energy from renewable sources	Fuel & energy			Energy		
Training medical doctors	Tertiary education		Training			Medical

The table is not meant to give recording advice on the examples given but just to illustrate how COFOG is restricted to assigning an activity to one category, but the activity could appear in one or more satellite accounts and differ from the COFOG category.

## 5. INDIVIDUAL COUNTRIES' COMPIRATION PRACTICES

### 5.1. Introduction

#### 5.1.1. Sources of information

These country pages provide details of sources and methods for the compilation of COFOG statistics. In the meeting of the Task Force on COFOG of 20<sup>th</sup> May 2010, the country representatives agreed to update the information on individual countries' compilation practices contained in the first edition of the Manual (2007). Eurostat sent the relevant country pages to the representatives, and countries replied with an amended set of pages.

#### 5.1.2. Coding system for data sources

For each country, the section on "Availability and use of data sources" includes a table that uses the following coding system to describe different types of source data. These codes are listed and explained below.

##### A1: function code is available for each item of expenditure

This would mean that each item of expenditure is allocated to a function code (such as COFOG 1999) and to an ESA95 economic category (D.1, P.2 and so on). This system of cross-classification is usually specified and maintained by the accounting entity that is ultimately responsible for controlling the expenditure such as the Ministry of Finance in the case of central government.

##### A2: function code is available for some items of expenditure or for totals of expenditure only

This would mean that each item of expenditure is not allocated to both a function code and ESA95 economic category, such that a cross-classification for all ESA95 transactions by functional code does not exist. However, each item of expenditure is allocated to a function code.

One example of this category is where only some transactions (or aggregates of expenditure) are cross-classified with the function code. Another is where a summary table (for expenditure totals by function) is provided by the accounting entity but with no link to the ESA95 economic categories. Estimates are needed to link the economic and functional codes, and might be based on information from other sources.

##### A3: function code is attributed to a given entity or unit

This is where a function code is allocated to the entity or unit as a whole, perhaps at a second level, according to its main activity. This often occurs for units that are not in themselves government departments, and so not within the standard government financial reporting system, but are funded by Government and classified to the central government sector because of certain controls the government has over them.

##### E: function codes estimated using previous year's source data

This is where the data source containing the functional breakdown is not available when the COFOG statistics have to be compiled. The previous year's (t-2) functional breakdown is applied to the expenditure total in year t.

##### NA: not available

Source data for that year are not available.

##### U/NU: Used / Not Used

Available data will not necessarily be used.

### 5.1.3. Coding system for allocation of fixed capital consumption

These country pages may refer to six methods of allocating consumption of fixed capital (K.1) to functions (COFOG). For definitions of the methods, see chapter 3.3.

## 5.2. Belgium

### 5.2.1. Institutional arrangements

The Belgium National Bank (BNB) compiles the COFOG statistics on behalf of the Institute of National Accounts (ICN).

There are no other institutions involved in the data collection, specification and compilation processes other than the administrators of the General Data Base, studies of local finances undertaken by the banking group Dexia, and the Service Public Fédéral Sécurité Sociale which produces "Comptes économiques de la sécurité sociale".

### 5.2.2. Publication of data on a national level

The [COFOG analysis](#) is published by ICN.

### 5.2.3. Revisions policy

Table 1100 is usually completed at t+12 months. The figures are revised at the same time. In general 2 back years are revised as well as the new year, but revisions can concern longer periods.

### 5.2.4. National functional classification and compilation methodology

#### Central Government and State Government

Up to and including 1995, the Federal Government used the Benelux functional classification of expenditure and revenue of public authorities (Benelux 1972). Benelux 1972 is consistent with the functional classification of SNA68.

From 1996, the Federal Government classified its transactions on the basis of the Benelux functional classification of expenditure and revenue of general government (Benelux 1989) which is consistent with the old version (1981) of COFOG.

Since 2004, COFOG 1999 has been used.

The accounts of general government (tables 0200 and 0800 of the transmission programme) are compiled using breakdowns of expenditure and receipts compiled by each of the entities in the general government sector. In addition to the economic category breakdown, there is a breakdown outlining the tasks carried out by general government by social purpose (general administration, national defence, education, etc). The advantage of this classification is that it remains constant over time, unrelated to changes in ministerial portfolios and the practical distribution of tasks between the various authorities.

These sources make possible the tables of expenditure by general government sub-sectors be broken down by function and transaction (Table 1100 of the transmission programme) that are consistent with total government expenditure shown in table 0200.

Data are transmitted to the secretariat of the General Data Base which places them at the disposal of the Institute of National Accounts. The General Data Base was established following a cooperation agreement between the State, the communities, the joint community commission and the regions.

#### Local Government

The data are collected using the Benelux 1972 functional classification of the expenditure and revenue of general government. There is a bridging table between this classification and the 1999 COFOG classification.

The sub-sector of local government covers 10 provinces, 589 municipalities, 589 Public Welfare Assistance Centres (CPAS), and 196 police zones. Unlike central/ state government, the budgets and accounts of the provinces, municipalities, CPAS and police zones are not centralised electronically. Several sources of data have been used. The methods typically consist of sample surveys with an interval of 4 years. For example, the sample survey of municipalities is stratified according to the province to which the municipality belongs, and category of municipality based on total expenditure.

In most years, studies of local finances undertaken by the banking group Dexia and information from Federal and Community budgets have been used.

The sample results are extrapolated for those years for which there are no sample surveys. In some cases this supplemented by the studies by Dexia.

### Social security

A codification on basis of social risks and needs is used.

Most of the data used to compile the tables of the social security funds come from the "Comptes économiques de la sécurité sociale" published by the Service Public Fédéral Sécurité Sociale.

### Explanation of table

Ideally, the classification units are individual transactions. Each purchase, salary payment, transfer or other expenditure must receive a function code (COFOG) according to the function that the transaction fulfils. However, in the case of most expenditure, it is generally not possible to use transactions as classification units. Therefore function codes have to be assigned to the activity programmes, directorates, agencies, offices, and other units of government departments. In most of these cases, all the expenditure of the unit receives the same function code. In other cases, the smallest identifiable bodies in the national accounts carry out more than one function. Sometimes, it may be possible to divide the expenditure of multi-function bodies between functions using various data relating to their expenditure. However this is not always possible and all the expenditure of multi-function units is assigned to the function which appears to account for the major portion of this expenditure.

For the economic category classification, the classification units must be individual transactions (there is no derogation from this principle). If a budgetary article contains several elementary transactions, they must be broken down into as many economic codes as there are elementary transactions.

The functional classification is thus less detailed than the economic category classification. In view of the difficulties encountered by the Institute of National Accounts in assigning function codes (correspondence tables which are not one-to-one, incomplete basic data for certain sub-sectors, etc.), COFOG statistics are not compiled at class or even group level: they are compiled at division level only, except for those groups where a finer breakdown is needed to measure correctly the individual consumption component of final consumption.

Assigning function codes is more difficult in the sub-sectors of federal state government (S.1312) and local government (S.1313), than it is in the sub-sectors of central government (S.1311) and social security funds (S.1314).

### Indirect sources

In some years studies undertaken by the banking group Dexia have been used. Dexia publishes "Local Government Finance" which looks at personnel and operating costs, tax revenues, and so on.

### 5.2.5. Availability and use of data sources

Sub-sector	Provisional Year n-1		Final Year n-2 or n-3	
	1 <sup>st</sup> level	2 <sup>nd</sup> level	1 <sup>st</sup> level	2 <sup>nd</sup> level
<b>Central Government</b>				
"The State"	A1/U	A1/NU	A1/U	A1/NU
Central government bodies	A3/U	A3/NU	A3/U	A3/NU
Other:				
<b>State Government</b>				
State Government main unit	A1/U, E	A1/NU	A1/U	A1/NU
State government bodies	A3/U, E	A3/NU	A3/U	A3/NU
Other				
<b>Local Government</b>				
Municipalities (589 communes)	A1/NU; E	A1/NU	A1/U	A1/NU
Localities (10 provinces)	A1/NU; E	A1/NU	A1/U	A1/NU
Local government bodies (196 Police services and 589 Public Social welfare centres)	A1/NU; E A3/NU; E	A1/NU; A3/NU	A1/NU; E A3/NU; E	A1/NU; A3/NU
Other				
<b>Social Security Funds</b>				
Social Security main unit	A2/U	NA	A2/U	NA
Social security bodies	A2/U	NA	A2/U	NA
Other:				

### 5.2.6. Individual and collective final consumption expenditure

The accounts of general government of year t (table 0200 of the transmission programme) are compiled in March and September of year t+1; this is before the functional breakdown is available. The breakdown of final consumption expenditure (P.3) between individual consumption expenditure (P.31) and collective consumption expenditure (P.32) is therefore based on partial data and must be regarded as provisional. When the functional tables are drawn up in December of t+1, the individual/collective distinction is refined. The new results will then be included in the accounts in September t+2.

In each division 07, 08, 09 and 10 (level 1 of COFOG), expenditures on R&D and non-specified categories (n.e.c.) are classified as collective services. A breakdown into individual (08.1 and 08.2) and collective services (08.3 and 0.84) is made in division 08. These calculations are made with the "bridge tables".

Independently of the lack of basic data for the local government, there are problems with the "bridge tables". For some groups (level 2 of COFOG), it is not possible to establish a one-to-one correspondence.

### 5.2.7. Consumption of fixed capital expenditure

Method 2 is used.

Fixed capital consumption is calculated through the detailed perpetual inventory method (PIM) for each sub-sector of general government sector, which involves maintaining fixed assets and branches. This information is then allocated to COFOG but only for some functions (defence, economic affairs, education and social protection) and the rest is allocated entirely to "general public services".

### 5.2.8. Methodological soundness

There are good data sources; overhead costs generally classified to the appropriate function rather than general category; transfers within general government are handled correctly; division 9 is consistent with ISCED; division 10 is consistent with ESSPROS as far as it is possible to be, and the consolidation is done as required. When source data are not available in time, estimates are based on previous year's source data.

Two improvements are needed to improve the quality of the statistics: the collection of harmonised functional data of the different entities of the local government and the timely collection of the functional data of all the entities of the State Government.

### 5.2.9. One-off transactions

The functional data series of Belgium are very stable and do not show great fluctuations over time. Nevertheless, there are some specific large one-off transactions affecting COFOG time series (UMTS licence, sale of lands and buildings, capital injections, for example).

### 5.2.10. Multi-purpose functions

Both solutions are used (split according to each function, or allocate all to most important function). It depends on the information available. However, the principle of "attachment to the most important function" is generally preferred to the use of distribution keys where experience shows that, if they are too difficult to devise, they remain unchanged for too many years with the result that they are no longer a true reflection of reality.

### 5.2.11. Other comments

None.

## 5.3. Bulgaria

### 5.3.1. Institutional arrangements

The Bulgarian National Statistical Institute, National Accounts Division, is responsible for the COFOG statistics using data collected and provided by Ministry of Finance. There are no other institutions involved in the collection, specification and compilation process.

### 5.3.2. Publication of data on a national level

The [COFOG analysis](#) (1<sup>st</sup> level) is published by the NSI.

### 5.3.3. Revisions policy

The revisions policy for COFOG statistics is connected with annual national accounts revisions and with the EDP notifications.

### 5.3.4. National functional classification and compilation methodology

The compilation of the table 1100 is based on the Ministry of Finance (MF) reports for general government revenue and expenditures. The information on the execution of the State Budget is classified at a very detailed level on the expenditure side. There is information by function such that each function is broken-down by activity codes and each activity code is divided into paragraphs. The reports for the execution of the budget are prepared on the basis of the national budget classification. There is a bridge table that converts data from State Budget classification into COFOG codes.

COFOG, NACE and ESA95 classifications are added to the basic data supplied by the MF. This enables the compilation of the indicators that are needed for tables 0200, 0800, 0900 and 1100\_1, 1100\_2 and the supply and use table.

The sub-sectors existing are the ESA95 sub-sectors:

S.1311 - Central government (includes all units whose budget is included in the State Budget, Universities, Bulgarian National Television, Bulgarian National Radio, Extra-budgetary funds, among a few other units with a separate budget)

S.1313 - Local Government (includes all municipalities (280) and extra-budgetary funds linked to a local level)

S.1314 - Social Security Funds (include the National Social Insurance Institute, the Health Insurance Fund and the Teacher's Pension Fund).

### 5.3.5. Availability and use of data sources

	Provisional Year n-1		Final Year n-2 or n-3	
	1 <sup>st</sup> level	2 <sup>nd</sup> level	1 <sup>st</sup> level	2 <sup>nd</sup> level
Sub-sector				
<b>Central Government</b>				
"The State"				
Central government bodies	A1/A3/U	A1/A3/U	A1/A3/U	A1/A3/U
Other:				
<b>Local Government</b>				
Municipalities				
Localities				
Local government bodies	A1/U	A1/U	A1/U	A1/U
Other				
<b>Social Security Funds</b>				
Social Security main unit	A1/U	A1/U	A1/U	A1/U
Social security bodies				
Other:				

### 5.3.6. Individual and collective final consumption expenditure

Final consumption expenditure is broken down into individual and collective based on the COFOG classification. The distinction between individual consumer expenditure (P.31) and collective consumer expenditure (P.32) is made when the tables of general government expenditure by functions and operations are compiled.

### 5.3.7. Consumption of fixed capital expenditure

Amortisation rates are calculated for consumption of fixed capital for assets owned by corresponding branches. These rates are applied to the value of each type of asset owned by general government units.

### 5.3.8. Methodological soundness

Eurostat's consolidation rules are applied. The data are consolidated as required by table 0200.

### 5.3.9. One-off transactions

Following the major reform in 2000, public hospitals were established as non-profit companies. Over the period 2000-2005 the relevant proportions of funding from government and sales shows that they should be treated as non-market producers. They will be reclassified from the non-financial corporation sector to the general government sector.

### 5.3.10. Other comments

None.

## 5.4. Czech Republic

### 5.4.1. Institutional arrangements

The Czech Statistical Office (CZCO) compiles the COFOG statistics. The CZSO is responsible for methodology of expenditure classification and also for compilation of COFOG statistics.

### 5.4.2. Publication of data on a national level

The [COFOG analysis](#) is published annually (on the 1<sup>st</sup> and 2nd level) by the statistical office.

### 5.4.3. Revisions policy

The revisions policy for COFOG statistics is connected with annual national accounts revisions and with the EDP notifications. The data are transmitted to Eurostat at the end of each year. Backward data for n-1 (and also for n-2, n-3 and n-4) can be revised approximately four-times. We intend to revise national accounts in the 2011 as the part of the revision of the ESA95 in the time series from 1995.

### 5.4.4. National functional classification and compilation methodology

The Ministry of Finance (MOF) uses its own function classification. It differs from COFOG. The function classification contains 6 expenditure groups: (1) agricultural and forestry, (2) industry and other branches, (3) services for households, (4) social affairs and employment policy, (5) state security and legal protection and (6) general public administration and services. Each of the groups is split into sub-groups with a four-digit code.

The MOF introduced the functional classification in 1997 (so called “branches” classification), which was amended (more detail) with effect from 2007. Functional breakdowns before 1997 are not possible.

All budgetary organizations and state extra-budgetary funds that are fully connected with the State or local budgets use the MOF classification for economic categories and functions. Budgetary organisations cover all ministries, central bodies (for instance the Czech Statistical Office, the President's Office, and the Academy of Science), state extra-budgetary funds, regional and town offices, municipalities, voluntary association of municipalities and units established by those organizations (in education, health or social areas for example).

CZSO elaborated two classification bridges:

- a) a bridge between the expenditure of central and local budgetary organizations and state extra-budgetary funds introduced and used by the Ministry of Finance, and the international classification COFOG;
- b) a cross bridge between branches (NACE) classification and the functional classification (COFOG) for other government institutions, because information on expenditure of the units by functions are not available. Therefore each of semi-budgetary organizations, public universities and other government units (e.g. National property Fund, Czech Consolidation Agency or Railway Infrastructure Administration etc.) was classified into one class of COFOG. All expenditure of the institution (e.g. on intermediate consumption, compensations of employees, interest etc.) has been classified into the same class COFOG.

#### 5.4.5. Availability and use of data sources

	Provisional Year n-1		Final Year n-2 or n-3	
	1 <sup>st</sup> level	2 <sup>nd</sup> level	1 <sup>st</sup> level	2 <sup>nd</sup> level
Sub-sector				
<b>Central Government</b>				
"The State" (budgetary organizations)	A1/U	A1/U	A1/U	A1/U
Central government bodies State extra-budgetary funds	A1/U	A1/U	A1/U	A1/U
Semi-budgetary organizations	A3/U	A3/U	A3/U	A3/U
Other: Land Fund, Public universities, Public Research Institution, Vine-grower Fund, Support and Guarantee Agricultural and Forestry Fund, Railway Infrastructure Administration and PPP Centrum	A3/U	A3/U NA	A3/U	A3/U NA
<b>Local Government</b>				
Municipalities – Regional Offices, Town Councils, Voluntary Associations of Municipalities and Regional Councils of Cohesion Regions	A1/U	A1/U	A1/U	A1/U
Localities				
Local government bodies – Semi-budgetary organizations	A3/U	NA	A3/U	NA
Other:				
<b>Social Security Funds</b>				
Social Security main unit				
Social security bodies Health insurance companies	A3/U	A3/U	A3/U	A3/U
Other: Centre for Interstate Settlements, Association of Health Insurance Companies, Open Union of Health Insurance Companies, Union of health Insurance Companies	A3/U	A3/U	A3/U	A3/U

#### 5.4.6. Individual and collective final consumption expenditure

The calculation of Government individual and collective consumption has been based on a three-digit level branches' classification. The data have been converted to the COFOG classification and published for years from 1995.

#### 5.4.7. Consumption of fixed capital expenditure

Method 2 is used. (PIM method)

#### 5.4.8. Methodological soundness

To gradually achieve greater coherence between the COFOG data and the annual national accounts data, updated calculations of government deficit and debt, including basing the sub-division final government consumption expenditure on COFOG, have been used.

#### 5.4.9. One-off transactions

- a) One-off transactions have been classified in other capital transfers (D.99) and include called guarantees, sales of flats at prices which are different from market prices, and debt forgiveness (e.g. Syria debt in 2005).
- b) The delivery of military equipments (e.g. Gripen fighter planes in 2005) is classified in P.2 and P.3.

#### 5.4.10. Multi-purpose functions

No cases reported.

#### 5.4.11. Other comments

None.

## 5.5. Denmark

### 5.5.1. Institutional arrangements

The COFOG statistics are produced by Statistics Denmark.

No other institutions participate directly in the compilation of COFOG-statistics. However, Statistics Denmark has regular cooperation with some of the main users of the statistics, primarily the Ministry of Finance, concerning supplementary and more detailed information.

### 5.5.2. Publication of data on a national level

The [COFOG analysis](#) is published annually at a 2-digit modified level by the Statistical Office.

### 5.5.3. Revisions policy

Data for the latest year are updated three times in a year: March, June and November. Moreover, data for a given year are revised in November once a year the following two years after its first publication.

### 5.5.4. National functional classification and compilation methodology

The national functional classification follows the 2007 COFOG manual.

The basis for the functional classification is detailed accounting data from the state, regions and local government. Around 55.000 transactions are given a COFOG code.

It is generally possible to relate these expenses to a specific function. Some expenses, however, are related to several functions and so these expenses are divided according to the relevant functions, by coefficients that are calculated on the basis of supplementary information.

Transfers between government units are allocated by function of intended use.

### 5.5.5. Availability and use of data sources

Sub-sector	Provisional Year n-1		Final Year n-2 or n-3	
	1 <sup>st</sup> level	2 <sup>nd</sup> level	1 <sup>st</sup> level	2 <sup>nd</sup> level
<b>Central Government</b>				
“The State”	A1/U	A1/U	A1/U	A1/U
Central government bodies (extra budgetary units)	A1/U	A1/U	A1/U	A1/U
Other:	-	-	-	-
<b>Local Government</b>				
Municipalities (98 municipalities and 5 regions)	A1/U	A1/U	A1/U	A1/U
Localities	-	-	-	-
Local government bodies (extra budgetary units)	A1/U	A1/U	A1/U	A1/U
Other:	-	-	-	-
<b>Social Security Funds</b>				
Social Security main unit	A1/U	A1/U	A1/U	A1/U
Social security bodies (extra budgetary units)	A1/U	A1/U	A1/U	A1/U
Other:	-	-	-	-

### 5.5.6. Individual and collective final consumption expenditure

The division between collective and individual consumption (P.3) follows the COFOG manual.

### 5.5.7. Consumption of fixed capital expenditure

A combination of method 1 and 4 is used.

### 5.5.8. Methodological soundness

Classification of expenditure on education is not quite in line with COFOG, since the primary, secondary and post-secondary non-tertiary education of the Danish school system is not in accordance with the categories in ISCED. COFOG 9.1 is made up from COFOG 9.1 and 9.2.1, and COFOG 9.2 is made up from COFOG 9.2.2 and 9.3. Specifically as far as COFOG 9.3 goes, it is of an insignificant size.

Data are consolidated according to the COFOG manual.

### 5.5.9. One-off transactions

There is only one one-off transaction of significant size in the period 1995-2009. A EU court decision about the Danish taxation rules on deduction on pension payments resulted in an extra capital transfer (around 1 billion euro) to the household in 2008.

### 5.5.10. Multi-purpose functions

In most cases it is possible to assign expenditure to a specific function. In the case where expenditure belongs to more than one function, the expenditure is split accordingly if qualified information to do so is present. If a split is not possible, then the expenditure is assigned to the dominant function.

### 5.5.11. Other comments

None.

## 5.6. Germany

### 5.6.1. Institutional arrangements

All work (i.e. data collection, specification and compilation and improvement process) in connection with the production of the COFOG statistics is carried out by Statistisches Bundesamt.

### 5.6.2. Publication of data on a national level

Tables, giving expenditures by COFOG 1<sup>st</sup> level and sub-sectors of the general government sector, are published by the statistical office in table 3.4.3.17 of the annual Fachserie 14, Reihe 1.4.

The Fachserie 14, Reihe 1.4 (excel or pdf type) can be found [here](#).

### 5.6.3. Revisions policy

Initial results for the latest year (t) are generally calculated in August (t+1) and published in September. In connection with this, the results for the three previous years (t-1, t-2 and t-3) are updated.

### 5.6.4. National functional classification and compilation methodology

In all German budgets every revenue and expenditure item is assigned an eight-digit code that includes a three-digit code for the economic category of the revenue or expenditure and a three-digit code for the function, whereby every item in the budgets is classified under only one function - i.e. the most important one. The classification in the budgets is substantial for the allocation of expenditure items to COFOG 1<sup>st</sup> level as the classification for the function in the budgets fits well with the COFOG divisions. For the future compilation of figures on COFOG 2<sup>nd</sup> level (groups) an approach which exclusively orientates itself at the three-digit code for the function, given in the budgets, would lead to certain inaccuracies. For this reason alternative allocation procedures, depending on the amount of the expenditure items, are applied. These include amongst others a breakdown of a budget function on several COFOG groups by means of additional statistical information (e.g. ESSOS, national health accounts, national environmental accounts, national R&D survey, special surveys or special analysis), an allocation to the principal COFOG group (particularly if the expenditure item is "less important" or the function of the budget goes together with COFOG group) or in the case of the central budget by using additional information on individual budgets (e.g. Federal Ministry of Interior) or their subordinated units (e.g. Federal Statistical Office).

For the compilation of ESA95 aggregates (Table 11 in the transmission programme) the main information used is the economic kind of the revenues and expenditures (classification by object).

The nomenclature of the social security funds is different from the nomenclatures of other general government units described above, except for the Federal Employment Agency which has the same classification for the economic kind of receipts and expenditures as the central government. They use classifications called "Kontenpläne" (table of accounts) which are adapted to their specific tasks. Unlike the other nomenclatures, within these classifications an expenditure or revenue item is only allocated to one dimension. These tables of accounts are sufficiently detailed that an expenditure item can directly be assigned to a certain COFOG group.

### 5.6.5. Availability and use of data sources

	Provisional Year n-1		Final Year n-2 or n-3	
	1 <sup>st</sup> level	2 <sup>nd</sup> level	1 <sup>st</sup> level	2 <sup>nd</sup> level
Sub-sector				
<b>Central Government</b>				
"The State"	A1/U	A1/U <sup>1), 2)</sup>	A1/U	A1/U <sup>1), 2)</sup>
Central government bodies	A1/U	A1/U <sup>1), 2)</sup>	A1/U	A1/U <sup>1), 2)</sup>
Other: ( <i>please specify</i> )				
<b>State Government</b>				
State Government main unit	E*	E <sup>1), 2)</sup>	A1/U	A1/U <sup>1), 2)</sup>
State government bodies				
Other				
<b>Local Government</b>				
Municipalities	E*	E <sup>1), 2)</sup>	A3/U	A3/U <sup>1), 2)</sup>
Localities	E*	E <sup>1), 2)</sup>	A3/U	A3/U <sup>1), 2)</sup>
Local government bodies				
Other:				
<b>Social Security Funds</b>				
Social Security main unit	A2/U	A2/U <sup>1), 2)</sup>	A2/U	A2/U <sup>1), 2)</sup>
Social security bodies				
Other:				

E\* =      ESA95 economic category does exist.

1) =      Plus additional information from other statistical reporting systems and special analysis.

2) =      Data in preparation

### 5.6.6. Individual and collective final consumption expenditure

No problems.

### 5.6.7. Consumption of fixed capital expenditure

Method 2 for the calculation of K.1 on the first level of COFOG. The calculation of K.1 on the second level of COFOG is based on a model approach. Among others the following data have been considered in the model: K.1 on the first level of COFOG (perpetual inventory method), K.1 for industries (perpetual inventory method) and time series of gross fixed capital formation for each sub-sector of general government.

### 5.6.8. Methodological soundness

Overhead services are classified correctly to the relevant function rather than to a general function. Eurostat's preferred method for consolidation is applied.

### 5.6.9. One-off transactions

The revenues obtained (around 51 billion euro) by the UMTS auction has led to a one-off heavy increase (negative) in K2 (acquisitions less disposals of non-financial non-produced assets) in the year 2000. The figures usually amount to less than 2 billion euros for this aggregate in the time period 1998 to 2005.

In 2009 the German government established a car scrappage scheme for supporting sales of new cars and therefore for a cleaner environment due to a lower air pollution. For this reason there is a value of 4,12 billion euros in D7 in COFOG 5.3 in year 2009 where normally the item is zero.

### 5.6.10. Multi-purpose functions

In all German budgets every revenue and expenditure item is assigned to an eight-digit code that includes a three-digit code for the type of revenue or expenditure and a three-digit code for the function, whereby every item in the budgets is classified under only one function - i.e. the most important one. The classification in the budgets determines the classification of expenditure of general government by function (Table 11 in the transmission programme).

### 5.6.11. Other comments

None.

## 5.7. Estonia

### 5.7.1. Institutional arrangements

Statistics Estonia produces the COFOG statistics.

Since 2004 the data sources are the General Government Accounts, which are regulated by the Accounting Law and the General Guidance of the Public Sector Accounting. The accounting principles are fully accrual based and consistent with International Public Sector Accounting Standards (IPSAS). The Ministry of Finance arranges implementation of the General Guidance of the Public Sector Accounting and compilation of General Government Accounts. All general government units are obliged to report their account positions every month electronically to the information system, which can be accessed through the web application on the Ministry of Finance web page.

### 5.7.2. Publication of data on a national level

The [COFOG analysis](#)<sup>46</sup> is available in the published annually by the statistical office.

### 5.7.3. Revisions policy

The data for the latest year are regularly updated after the compilation of the national accounts and according to the supply and use tables. The updated time-series data of COFOG are published with the new data of previous year once a year in December.

### 5.7.4. National functional classification and compilation methodology

The General Government Accounts (GGA) data are used as the main source for compiling COFOG statistics. Every account entry includes code of reporting unit, account number and additionally, if required, code of counterpart unit, code of function, source code and cash flow code.

The functional classification in GGA is based on COFOG. GGA code of function is a five-digit code from which first three digits correspond to COFOG 2<sup>nd</sup> level (groups). But some inconsistencies between national functional classification and COFOG exist, for instance in the second level of COFOG 09 – education.

Particular problems arise in classifying expenditures on education by the level of education categories. In Estonia most educational institutions provide several levels of education. For example, gymnasiums provide from the primary until the secondary education but detailed data are available by institution and not by levels of education. In GGA expenditure of gymnasiums are allocated to function of secondary education.

For compiling COFOG statistics pupil numbers, on different levels/classes, are used to split the operating cost and investments of educational units. On the level of schools providing both primary and secondary levels, adjustment are made using the number of lesson per week as weights.

On the revenue side the functional classification is not used. Information is available only on the level of institutions and revenue accounts. COFOG is assigned using the bridge tables.

Interest expenses and FISIM are allocated to the COFOG group 01.7.

Social benefits, subsidies and other transfers are classified according to the purpose of the transaction using all available information: budgetary classification and budget explanatory notes, and the annual reports of other general government bodies that specify in which area they have given benefits or other support. If detailed data are not available then the amounts are allocated to the function of the unit. In the case of transfers with a general purpose between central and local government the amounts are classified under the COFOG group 01.8.

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<sup>46</sup> Go to: Economy/Finance/Government finances/Revenue, expenditure and debt -Table GF056: Expenditure of General Government by function and sub-sector).

### 5.7.5. Availability and use of data sources

	Provisional Year n-1		Final Year n-2 or n-3	
	1 <sup>st</sup> level	2 <sup>nd</sup> level	1 <sup>st</sup> level	2 <sup>nd</sup> level
Sub-sector				
<b>Central Government</b>				
"The State"		A1/U		A1/U
Central government bodies		A1/U		A1/U
Other				
<b>Local Government</b>				
Municipalities		A1/U		A1/U
Localities				
Local government bodies		A1/U		A1/U
Other				
<b>Social Security Funds</b>				
Social Security main unit		A1/U		A1/U
Social security bodies				
Other				

### 5.7.6. Individual and collective final consumption expenditure

The borderline between individual and collective final consumption is drawn on the basis of COFOG 2<sup>nd</sup> level.

### 5.7.7. Consumption of fixed capital expenditure

Method 2 is used to allocate K.1 to COFOG.

### 5.7.8. Methodological soundness

Eurostat's consolidation rule is applied.

### 5.7.9. One-off transactions

Starting from the year 2004 the GNP based fourth own resource and in 2006 excess stock fees paid to EU had an effect on D.7 in COFOG group 01.1.

Concerning COFOG 04 in 2006 there were significant increases in transaction D.3 related to agriculture subsidies and in D.9 caused by central government payments to the Estonian Oil Stockpiling Agency.

Since 2004 P.5 in COFOG group 04.5 increased due to the reconstructions of airport, train stations other similar facilities.

In 2006-2007 local government expenditure on construction of school buildings had an impact on P.5 in COFOG 09.

### 5.7.10. Multi-purpose functions

In the case of some multifunction units additional data sources are used to split amounts (for example: R&D expenditures of universities divided by objectives; the data on the wages and salaries of Ministry of Economic Affairs and Communications distributed by departments dealing with administration of economic, transport, communication, construction and energy services).

### 5.7.11. Other comments

None.

## 5.8. Ireland

### 5.8.1. Institutional arrangements

COFOG statistics are compiled by the Government Accounts unit of the Central Statistics Office.

### 5.8.2. Publication of data on a national level

A data series based on the old ESA79 coding of general government functions is published in tables 26-28 of the CSO's [National Income and Expenditure](#) publication. As of 2010, there is no national publication of the detailed COFOG statistics transmitted to Eurostat, but it is planned to commence publication of this data series by 2014 at the latest.

### 5.8.3. Revisions policy

The data for the latest year and up to five back years are updated once a year in the annual National Income Report, which is usually published in July.

### 5.8.4. National functional classification and compilation methodology

In general, a specific COFOG level 2 function and ESA transaction code are directly allocated to each item in the CSO's detailed database of government transactions. This database is in turn derived from the most detailed available administrative source data for government units.

Some transactions in the source data cannot be allocated to a single function. Where possible, in these cases further data are used to estimate the functional breakdown of the transaction, typically summary functional tables for the unit involved or special data collections. Important areas of expenditure for which this approach is used are listed below:

#### *Central Government*

- The Health Service Executive (HSE), a nationwide body responsible for public healthcare since 2005, and the Voluntary and Joint Board Hospitals: a functional summary of the HSE's operations, and data from the Department of Health's Health Statistics publication.
- Capital expenditure by the Office of Public Works: a special data collection.
- FÁS, the national training and employment authority: a functional summary from the FÁS annual report and a special data collection by the Department of Education.
- Department of Defence: a functional summary from the Department's annual report.

#### *Local Government*

- Health Boards (regional bodies responsible for public healthcare before 2005): data from the Department of Health's Health Statistics publication.
- Local Authorities (some transactions): functional summaries from the aggregated Local Authorities Annual Financial Statements.

Transfers between sub-sectors of government are allocated by function of intended use. As far as practicable, overheads are allocated to the appropriate function, not to general services.

### 5.8.5. Availability and use of data sources

Sub-sector	Provisional Year n-1		Final Year n-2 or n-3	
	1 <sup>st</sup> level	2 <sup>nd</sup> level	1 <sup>st</sup> level	2 <sup>nd</sup> level
<b>Central Government</b>				
"The State"		A1(A2)/U		A1(A2)/U
Central government bodies		A1(A2)/U;E		A1(A2)/U
Other				
<b>Local Government</b>				
Municipalities		E		A1(A2)/U
Localities		E		A1(A2)/U
Local government bodies		E		A1(A2)/U
Other				
<b>Social Security Funds</b>				
Social Security main unit		A1/U		A1/U
Social security bodies				
Other				

### 5.8.6. Individual and collective final consumption expenditure

No problems with the COFOG classification of (P3) Final consumption expenditure or with the COFOG classification of individual vs. collective expenditure.

### 5.8.7. Consumption of fixed capital expenditure

Method 2 is used.

K.1 is calculated using fixed depreciation rates (declining balance), except for CFC on roads, which is calculated using a dedicated retirement function. The bridging method is basic.

From 2011, Method 1 will be used: K1 will be calculated separately for each NACE component of government capital formation, with a dedicated retirement function used for each.

### 5.8.8. Methodological soundness

Eurostat's consolidation rules are followed.

As noted in 5.8.4 above, information on most transactions is available in sufficient detail for a single function and transaction code to be assigned to each item. The main exceptions to this are also shown in 5.8.4.

Further methodological developments planned for 2011-2014 are:

- Integration with other international statistical data series for Ireland (research and development, education, health, environmental protection, social protection and agriculture).
- Improvements to administrative data sources (particularly for Local Government and public health services) to allow direct cross-classification of items by function and transaction code, where this is not already possible.
- Introduction of new methodology for calculating K.1 (see 5.8.7 above).
- Introduction of a new computer system to improve data processing, in particular to allow automated splitting of multi-purpose functions.

### 5.8.9. One-off transactions

In 1999, the Government provided the pension fund of the former state owned corporation Telecom Éireann with a once off capital injection of €1.6 billion, following its privatisation. In the Irish National Accounts, this was treated as a capital transfer payment (D.9) and allocated to the Social Protection function.

Traditionally, in Ireland the public health service was organised and administered through a number of regionally based Health Boards that, for National Accounts purposes, were considered to be part of the Local Government Sector. In 2005, the health service was re-organised and the Health Boards replaced by a single central agency the Health Service Executive. This agency reports directly to the Minister for Health and Children and in the National Accounts is classified in Central Government. Between 2004 and 2005 there is therefore a significant shift in expenditure under the Health function between Central and Local Government.

In early 2009, the distressed Anglo-Irish Bank was brought into State ownership. Later in 2009, the Minister for Finance made a capital injection of €4 billion into the bank, which was recorded as a capital transfer (D.9) and assigned to function 4.11.

### 5.8.10. Multi-purpose functions

The treatment of these transactions depends on their size: in general, where multi-purpose transactions (or total transactions for a particular government unit) amount to less than approximately €50 million, they are assigned to the predominant function, while transactions (or total transactions for a unit) larger than that threshold are split into component functions using additional data sources (see 5.8.4 above).

### 5.8.11. Other comments

None.

## 5.9. Greece

### 5.9.1. Institutional arrangements

The COFOG statistics are produced by the Greek Statistical Office.

### 5.9.2. Publication of data on a national level

The COFOG analysis is not published by the statistical office but is available on Eurostat's web site.

### 5.9.3. Revisions policy

Data for the year t, t-1, t-2 and t-3 in the COFOG table are revised every year in December. Years before t-3 are considered final.

### 5.9.4. National functional classification and compilation methodology

For the general government sector for years t-1 and earlier, each transaction is classified according to ESA95 and to a COFOG function code. Data for the COFOG table compilation are aggregated and recorded in the COFOG table on a consolidated basis and in accordance with the data recorded in Table 0200.

For the year t, COFOG data are compiled using the structure observed in year t-1, and all the available information for year t, at the time of the compilation of the COFOG table.

### 5.9.5. Availability and use of data sources

Sub-sector	Provisional Year n-1		Final Year n-2 or n-3	
	1 <sup>st</sup> level	2 <sup>nd</sup> level	1 <sup>st</sup> level	2 <sup>nd</sup> level
<b>Central Government</b>				
"The State"		NA1 E		NA1 A2/U
Central government bodies		NA1 E		NA1 A3/U
Other		-		-
<b>Local Government</b>				
Municipalities		NA1 A2/NU E		NA1 A2/U
Localities				
Local government bodies				
Other				
<b>Social Security Funds</b>				
Social Security main unit		NA1 A2/NU E		NA1 A2/U
Social security bodies		-		-
Other		-		-

#### **5.9.6. Individual and collective final consumption expenditure**

The allocation of expenditure to individual and collective consumption is based on the functions.

#### **5.9.7. Consumption of fixed capital expenditure**

Method 2 is followed for each sub-sector and branch of activity of the general government sector.

#### **5.9.8. Methodological soundness**

The data are consolidated as required by Table 11.

#### **5.9.9. One-off transactions**

No cases reported.

#### **5.9.10. Other comments**

None.

## 5.10. Spain

### 5.10.1. Institutional arrangements

The Intervención General de la Administración del Estado (IGAE), Audit Office of the Ministry of Finance, produces the COFOG statistics.

### 5.10.2. Publication of data on a national level

The COFOG analysis is published by the IGAE in its annual release '[Cuentas de las Administraciones Públicas](#)'.

COFOG second level data for sub-sectors from 2000 upward are published. On the other hand, the National Statistics Institute (INE) includes the [COFOG data](#) in its National Accounts publications.

### 5.10.3. Revisions policy

IGAE produces a first approach for year t in t+1. The final data for year t are then given in t+2. During benchmark changes the complete series are revised.

### 5.10.4. National functional classification and compilation methodology

Generally there are no significant problems in assigning a specific item of spending to a certain division of COFOG.

The starting point is the Final Expenditure Budget, where the information is divided according to three criteria: functional by programmes, organizational and economic

This triple classification is similar for the four sub-sectors of general government although the state government has autonomy to make its own rules on budgeting.

The functional and programme structure is referred to the aim of units that manage expenditure. It is regulated by ministerial Orders every year<sup>47</sup>. This functional classification distinguishes: function groups, functions, sub-functions and programmes.

- a) The Function groups define the great institutional goals. There are five groups: general public services, protection and social promotion, production of preference public goods, economic affairs and general affairs.
- b) Functions consist of a set of programs with similar aims.
- c) Sub- functions represent a breakdown of functions.
- d) Programmes are the vehicles to reach the objectives.

The expenditure programmes of the Final expenditure budgets are studied one by one in order to identify their objectives. For this purpose we use the initial (former) budgets, where the objective of each programme is defined.

Once the objective has been identified, the programme will be allocated to a COFOG division/group.

Regarding to the compilation of COFOG Statistics in units following private accounting, every unit is classified into a COFOG division/group according to its main activity. Nevertheless, if the units have different activities or different corporate purposes, those activities are allocated to different COFOG divisions, in accordance with the information of the annual reports.

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<sup>47</sup> Public corporations are excluded from this structure.

### 5.10.5. Availability and use of data sources

	Provisional Year n-1		Final Year n-2 or n-3	
	1 <sup>st</sup> level	2 <sup>nd</sup> level	1 <sup>st</sup> level	2 <sup>nd</sup> level
Sub-sector				
<b>Central Government</b>				
"The State"	A1/U; E	A1/U; E		A1/U
Central government bodies	A1/U; E	A1/U; E		A1/U
Other	A3/U; E	A3/U; E		A3/U
<b>State Government</b>				
State Government main unit	NA1; E	NA1; E		A1/U
State government bodies	NA1; E	NA1; E		A1/U
Other	A3/U; E	A3/U; E		A3/U
<b>Local Government</b>				
Municipalities (Town Councils)	NA1, E NA2, E	NA1, E NA2, E		A1/U A2/U
Localities (County Councils)	NA1, E	NA1, E		A1/U
Local government bodies	NA1, E NA2, E	NA1, E NA2, E		A1/U A2/U
Other	NA3; E	NA3; E		A3/U
<b>Social Security Funds</b>				
Social Security main unit	A1/U; E	A1/U; E		A1/U
Social security bodies	A1/U; E	A1/U; E		A1/U
Other				

#### Explanation of table

The availability of data on the division classification of general government expenditure depends on the sub-sector (State, Autonomous Community or local authority) and on its public or private accounting system.

For the compilation of provisional figures for the central government, certain items of expenditure can be allocated to a function code and to an ESA95 economic category (A1). Estimations are then used to obtain the functional allocation of the rest of items of expenditure.

In the local authority sub-sector, the estimates are compiled on the basis of budgetary settlements made by the main local authorities (provincial authorities, capitals and municipalities with over 100 000 inhabitants) (A1); and from questionnaires compiled by the Ministry of Finance requesting information on the budgetary settlement of expenditure by division for the remaining bodies (A2).

The section entitled "other" includes bodies considered as general government bodies that apply the accounting rules for businesses. This system does not provide expenditure classified by division. A global allocation is made to one division for these bodies (A3).

### 5.10.6. Individual and collective final consumption expenditure

Once the expenditure has been classified into the COFOG categories, the split between individual and collective final consumption expenditure is made automatically according to the distinction between individual and collective categories introduced by Regulation 113/2002 of the Commission of the 23<sup>rd</sup> of January of 2002.

Problems arise when trying to allocate market output revenue (P.11) and other non-market output revenue (P.131) to the different divisions for the individual and collective split. The distribution is made taking into account the origin of those revenue.

#### **5.10.7. Consumption of fixed capital expenditure**

Method 2.

#### **5.10.8. Methodological soundness**

Overhead services are correctly allocated to the appropriate division, rather than to general services.

Eurostat's preferred option on consolidation is followed.

#### **5.10.9. One-off transactions**

In 2004 the Central Government assumed 3.659 million euro of RENFE'S debt. This amount was allocated to group 4.5 'Transport' as a capital transfer.

#### **5.10.10. Multi-purpose functions**

Occasionally the public accounting data have aggregates that cover a number of different divisions. For instance: expenses for the protection of biodiversity and the landscape (division 05) are occasionally recorded in the same budget program as spending on agriculture (division 04); and waste-water management expenses (division 05) are in the same program as water supply (division 06). This situation arises mainly in local government and the solution depends on the amount of spending to be classified. Thus if the amount is high, it is distributed among the divisions concerned. If small, the total amount is assigned to the principal division.

#### **5.10.11. Other comments**

With regard to division 07 'Health', it is not possible to distinguish between groups 07.2 'Outpatient services' and 07.3 'Hospital services'. Therefore, data for both groups are given together. Occasionally spending items in the budget (minor amounts), such as *other culture and sports expenses*, have to be split between groups 08.1 and 08.2.

## 5.11. France

### 5.11.1. Institutional arrangements

The COFOG statistics are produced by INSEE. But the first codification in the COFOG classification is compiled by the Direction Générale de la Comptabilité Publique (Ministry of Finance).

### 5.11.2. Publication of data on a national level

The [COFOG analysis](#) (first level) is published annually by INSEE.

### 5.11.3. Revisions policy

The provisional year is available in November n+1. This account is revised with the semi-final account which is available in November n+2, and also with the final account in November n+3.

### 5.11.4. National functional classification and compilation methodology

Accounts headings are classified at the most detailed level by the Direction Générale de la Comptabilité Publique (Ministry of Finance). This classification is estimated by INSEE for a provisional account and thus provides a functional classification, but the quality of the classification is better for the semi-final and final accounts.

The classification of each budget heading in terms of a specific function sometimes oversimplifies matters. This means that for some general government expenditure COFOG cannot be applied. In these cases the expenditure is classified to the predominant function, whereas it should be broken down according to the significance of each function. This applies especially to social security schemes that cover both the "health" and "social protection" functions. The same difficulty arises in the case of local government authorities.

Transfers paid give rise to a small imprecision. State transfers to local government authorities, when they are not assigned to a specific function, are classified under "general government transfers". This results in a slight bias compared with what would be the case if such transfers were broken down by the function of the expenditure of the recipient.

Classification at source is not available for years before 2000. For years 1995 to 1999, estimates were made based on the 1995 source data. Data for the years before 1995 are not available.

The expenditure of ministries can generally be "assigned" to a specific function, but INSEE only controls the first level.

The second level is available in the data sources transmitted by the Comptabilité Publique (with A1, A3 or E code source) for the semi-final and final accounts, except for local government for which second level is not available.

### 5.11.5. Availability and use of data sources

Sub-sector	Provisional Year n-1		Final Year n-2 or n-3	
	1 <sup>st</sup> level	2 <sup>nd</sup> level (*)	1 <sup>st</sup> level	2 <sup>nd</sup> level (*)
<b>Central Government</b>				
"The State"	A1/U	A1/NU	A1/U	A1/NU
Central government bodies	NA1, NA2, NA3 ; E	NA1, NA2, NA3 ; E/NU	NA1 ; NA2 ; A3/U	NA1 ; NA2 ; A3/NU
Other				
<b>Local Government</b>				
Municipalities	NA1, NA2, NA3 ; E	NA1, NA2, NA3 ; E/NU	A1/U	A1/NU
Localities	NA1, NA2, NA3 ; E	NA1, NA2, NA3 ; E/NU	A1/U	A1/NU
Local government bodies	NA1, NA2, NA3 ; E	NA1, NA2, NA3 ; E/NU	NA1 ; NA2 ; A3/U	NA1 ; NA2 ; A3/NU
Other				
<b>Social Security Funds</b>				
Social Security main unit	NA1, NA2, NA3 ; E	NA1, NA2, NA3 ; E, NU	NA1 ; NA2 ; A3/U	NA1 ; NA2 ; A3/U
Social security bodies	NA1, NA2, NA3 ; E	NA1, NA2, NA3 ; E, NU	NA1 ; NA2 ; A3/U	NA1 ; NA2 ; A3/U
Other				

(\*) local government data not available

### 5.11.6. Individual and collective final consumption expenditure

No problems reported.

### 5.11.7. Consumption of fixed capital expenditure

Method 4. K.1 by function follows the structure of P.51 by function and sub-sector. K.1 is allocated to functions according to the structure of P.51 over the present year broken down by function in each sub-sector.

### 5.11.8. Methodological soundness

The COFOG data are consistent with other functional classifications to the extent that the definitions and contents are the same.

INSEE is working to improve the quality of COFOG level 2 with the aim of transmitting it to Eurostat. This has been done, firstly, for the social security funds' sector from 2003.

### 5.11.9. One-off transactions

There are no such cases.

#### **5.11.10. Multi-purpose functions**

Current transfers (D.7) from the State to local government authorities are not broken down in terms of local authority expenditure when such transfers are not indicated as being for a specific function.

#### **5.11.11. Other comments**

None.

## 5.12. Italy

### 5.12.1. Institutional arrangements

COFOG statistics are compiled by ISTAT, the national statistical office, and are based on accounting data compiled by institutions belonging to general government or other statistical sources.

### 5.12.2. Publication of data on a national level

The COFOG analysis is published annually by ISTAT and can be found on its web site in the National Accounts section. The latest published time series are under the heading [\*Spesa delle Amministrazioni pubbliche per funzione \(Anni 1990-2009\)\*](#) for the ten COFOG divisions and [\*Spesa delle Amministrazioni pubbliche per funzione \(Anni 2000 - 2009\)\*](#) for the COFOG groups.

### 5.12.3. Revisions policy

The data for the latest year and 3 back years are updated once a year, in December or in January, in correspondence with the transmission of table 11 to Eurostat.

### 5.12.4. National functional classification and compilation methodology

The present COFOG version is currently applied to the State's data sources. Other Central Government bodies have, in general, no basic functional classification as their expenditure is classified by function based on their own institutional activity, that is often related to a single function.

The COFOG classification has been introduced as the State budget's own functional classification at the third level since 1999. Since 2008, with the introduction of the new purposes' classification by Mission and Programmes, there has been the need to ensure consistency between the two functional nomenclatures. This requested a hard work of comparison of the detailed levels of the two classifications, leading to backward revisions of NA COFOG time series mainly for the period 2005-2008. The new budget and accounting law (196/2009: Legge di contabilità e finanza pubblica), introducing the classification by Mission and programmes for the whole set of General government units according to ESA95 definition, states formally the need for the consistency between this classification and the COFOG. It is requested to establish the link between programmes and COFOG groups, using percentages when there is not a direct and unique correspondence between the two classifications.

A working group with the Ministry of Economy is working on this field to fulfil the accounting law requirements and to provide the National accounts a correct COFOG classification. This work might lead to a time series revision that would involve also backward data, to be included in the National Accounts estimations in correspondence with a next benchmark revision.

For Local Government units' budgets, COFOG has not been adopted yet so bridge matrices are used to convert data from the public accounts' functional classification to COFOG. Whenever a bridge matrix is used the correspondence is established at the third COFOG level; in any case this does not exclude that further investigations and revisions in the COFOG codes are sometimes required. At the local government level the basic functional classification of expenditure is generally quite precise, except for the Regions, where it is often necessary to make reclassifications with respect to the basic classification. This is possible, although rather resources demanding, by using the detailed data base that contains all the elementary items of expenditure.

There are no particular problems in assigning transactions to the 10 COFOG divisions. Problems arise sometimes regarding a more accurate classification into classes, especially for local government. This is partly because the functional classifications used by local government have categories not detailed as the COFOG classes (third level). It might happen for expenditure on economic affairs, environmental protection and housing and community amenities.

### 5.12.5. Availability and use of data sources

	Provisional Year n-1		Final Year n-2 or n-3	
	1 <sup>st</sup> level	2 <sup>nd</sup> level	1 <sup>st</sup> level	2 <sup>nd</sup> level
Sub-sector				
<b>Central Government</b>				
"The State"		A1/U; E		A1/U
Central government bodies		A3/U; E		A2/U
Other				
<b>Local Government</b>				
Municipalities, Provinces, Regions		A3/U; E		A1/U
Producers of the Health service at the Local level		A2/U; E		A2/U
Other local government bodies		A3/U; E		A1/U; A2/U; A3/U
<b>Social Security Funds</b>				
Social Security main unit		A3/U; E		A2/U
Other social security bodies		A3/U; E		A2/U

### 5.12.6. Individual and collective final consumption expenditure

In general there are no difficulties in splitting the final consumption expenditure between individual and collective services. P.3 is obtained by summing all the components, each with its own function class, so that the separation between P.31 and P.32 is straightforward.

### 5.12.7. Consumption of fixed capital expenditure

Method 2: The estimation method is based on the detailed perpetual inventory method (PIM) for each sub-sector of general government. The starting point is the allocation of Gross fixed capital formation (P.51) by function. Then the economic life of the assets is determined by analysis of the type of fixed capital, followed by the calculation of K1 by function and industrial branches. The economic lives of assets are calculated on the basis of the recommendation of the GNI Committee's Task Force on the consumption of fixed capital on roads, bridges etc. Classification by branches is relevant for determining the two aggregates, General Government output (as the sum of costs incurred) and final consumption expenditure, that enter in the GDP calculation as the Government's contributions, respectively to the supply side and the demand side.

### 5.12.8. Methodological soundness

The COFOG tables are presented both at the fully consolidated level, where only transfers to other institutional sectors are shown, and the non consolidated version. This second scheme has been introduced in 2004 following an Eurostat request of table 11 enlargement. The information set used is wider than that of the consolidated version.

Further improvements in the quality of the statistics, namely a more accurate second level classification, depend heavily on the availability of more detailed data sources, especially for the local government bodies. The standardisation of data sources for local government units would help in this direction. The already mentioned State budget and accounting law (196/2009) and the Federalism law (42/2009: *Delega al Governo in materia di federalismo fiscale, in attuazione dell'articolo 119 della Costituzione*) as amended by the 196/2009, will help in providing a better data base according to the functional aspect.

### 5.12.9. One-off transactions

Some large “not recurrent” transactions affecting COFOG time series are listed below.

Period	Transaction	Description	Cofog code	Sub-sector involved
1995-1998	D9	Reimbursement to the Households of the “integrations for the minimum level of the pensions” after the judgement of the Constitutional Court. The larger part of this operation has been registered in 1995	10.2.1	S.1311
1999	D9	Reimbursement to the Households of the 60% of the so-called “Special tax to Europe”	1.1.2	S.1311
2000	K2 (-)	Sale of UMTS licences classified as a negative K2	4.6.1	S.1311
2002	P51 (-)	Sales of buildings as a negative P51	6.1.1	S.1314
2001-2006	D9	Capital transfers to the Railways	4.5.3	S.1311
2002-2006	D9	Debt cancellation	1.2.1	S.1311
2006	D9	Capital levy reimbursements to the communication providers following the ruling of the Regional Administrative Tribunal (Lazio)	4.6.1	S. 1311
2006	D9	Securitization of farmer's social contributions	4.2.1	S. 1311
2007	D9	Capital transfers to publishing firms	4.6.1	S. 1311
2007 - 2009	D9	VAT reimbursements following the ruling of the European Court of Justice	4.1.1	S. 1311

### 5.12.10. Multi-purpose functions

In general the Italian authorities always try to split the amounts among the different functions concerned. One example is the treatment of compensation of employees paid by the Regions. In the Regions classification by sector (that is their own functional nomenclature) all the amounts are classified into a class related to general administration, except for the expenditure for Education paid by the autonomous provinces and the Regions having a special status (Val d'Aosta, Trentino Alto Adige etc.). This is because their special status attributes them competencies on that specific item. For a more precise classification into the various COFOG divisions, the employment structure by industry is used as parameter to analyse compensation of employees in order to obtain the correct classification for education of the bodies mentioned above. The amounts involved are nearly 0.8%, as percentage of total expenditure.

There are other cases where estimations are needed; they concern, in general, specific items of the bridge-matrices established between the institutions own functional classification and the COFOG, where it is not possible to ensure an exact correspondence at the COFOG groups. In those cases parameters are used, estimated on ad hoc information gathered on detailed analysis on the bodies' budget and sometimes on quantities' indicators.

### 5.12.11. Other comments

As the Italian General Government sector is composed by more than 10,000 units and a lot of them, especially at the local level, are very small in financial terms, the choice has been to not split their expenditure into several functions, as the connected amounts would have been not significant at all, but leave them into their principal function.

## 5.13. Cyprus

### 5.13.1. Institutional arrangements

The Cyprus Statistical Service is the only competent authority for the collection, specification and compilation processes of COFOG statistics.

### 5.13.2. Publication of data on a national level

The [COFOG analysis](#) is published annually by the statistical office.

### 5.13.3. Revisions policy

No major revisions are made.

### 5.13.4. National functional classification and compilation methodology

#### Central Government

All data concerning the transactions of the State are received from the National Treasury in an electronic form. The National Budget contains some 20,000 expenditure budget codes and around 1,000 revenue codes. Each code has a unique identification serial number, description and the group with a division in which it belongs. For example each ministry has a unique code that makes it distinguishable from the others, and each group is divided into divisions. The level of detail is sufficient enough and provides all the necessary information concerning the flows between various bodies of the same sub-sector and the other sub-sectors of general government.

The public sector accounts' division monitors all those budget codes on a monthly, quarterly and yearly basis.

All budget codes have been classified according to ESA95 classification codes as well as by NACE activities and by function (COFOG).

All new budget codes, established in the current year, are investigated and codified throughout the current year. The National Treasury provides all the information fifteen days after the closing of the "accounting period" (on a monthly basis), making it possible to meet all ESA95 transmission requirements.

#### Local Government

All data are collected from final economic accounts for all municipalities and community boards, where every single transaction is coded in accordance with ESA95.

The public sector accounts' division also monitors information in the government budget on government grants to the municipalities and community boards.

This makes it possible to compile and meet all ESA95 transmission requirements.

#### Social Security Funds

The Cyprus Statistical Service is the competent authority for producing and providing the accounts of the Social Security Funds' sub-sector. Data are collected from the Ministry of Labour and Social Insurance for each of the six units in the sub-sector. Data are collected from the final audited accounts at around 6 months after the closing of the year. No further adjustments need to be made by the national accountants since external auditors using international accounting standards and practices have examined these final accounts.

### 5.13.5. Availability and use of data sources

	Provisional Year n-1		Final Year n-2 or n-3	
	1 <sup>st</sup> level	2 <sup>nd</sup> level	1 <sup>st</sup> level	2 <sup>nd</sup> level
Sub-sector				
<b>Central Government</b>				
"The State"	A1/U	A1/U	A1/U	A1/U
Central government bodies	A1/U	A1/U	A1/U	A1/U
Other				
<b>Local Government</b>				
Municipalities	A1/U	A1/U	A1/U	A1/U
Localities	A1/U	A1/U	A1/U	A1/U
Local government bodies				
Other				
<b>Social Security Funds</b>				
Social Security main unit	A1/U	A1/U	A1/U	A1/U
Social security bodies	A1/U	A1/U	A1/U	A1/U
Other				

### 5.13.6. Individual and collective final consumption expenditure

Work is in progress gathering the necessary information for the breakdown of P3 Final consumption expenditure. No problems are expected.

### 5.13.7. Consumption of fixed capital expenditure

The basic prerequisite for the calculation of capital stock according to the PIM is the availability of long time series of investment data. These investment series should be as long as the average lifetime of capital goods. In Cyprus due to the existence of a relatively good statistical database it was not difficult to obtain data on investment for fixed assets, as back as 1960 for all the main categories of assets; namely Construction, Machinery, Transport. In recent years the three main asset groups were expanded to include new categories: construction was analysed further, and information was obtained about dwellings, non-residential buildings, roads, bridges, other civil machinery, computers and software. Finally, Transport was divided into motor vehicles, airplanes and ships, and one more asset was introduced, namely plantations.

The crucial parameter of the survival function is the estimated average asset life for each category. In principle a prior knowledge of the age composition of fixed capital assets provides useful information in capital stock calculations, since it can be used to establish a technically correct expected lifetime for each asset. In order to obtain such information knowledge it is necessary to either make ad-hoc surveys on specific types of capital equipment or to collect technical information on their behaviour.

The use of depreciation rates for tax purposes, as an indicator for the expected lifetimes, has been abandoned since these rates imply considerably shorter lifetimes. They need to be modified to arrive at more realistic lifetimes. It was discovered that the use of inverse "tax purpose" depreciation rates for each of the main groups of fixed assets provided reasonable lifetimes.

Information was collected from specialists on the life expectancy of computers, software, airplanes and ships. For Plantations, the specialised information on the type of tree or animal was used in conjunction with their number from the Census of Agriculture. The average life for each asset category is presented below:

<b>LIFE ASSUMPTION FOR ASSETS</b>	
ASSET	AVERAGE LIFE (YEARS)
Dwellings	75
Roads	55
Non-residential Buildings	60-75
Other Civil Engineering	75
Machinery	10-19
Computers	5
Motor Vehicles	10
Airplanes	25
Ships	30
Plantations	24

The percentage distribution by sector and NACE branch, based on the annual investment series, were applied to the capital stock to obtain an estimate of the capital consumption. The aforementioned rates were based on the findings of economic surveys from 2000 onwards. For the purpose of COFOG analysis the consumption of fixed capital of each and every NACE branch was bridged and distributed according with the COFOG functions.

#### **5.13.8. Methodological soundness**

Eurostat's consolidation rule is applied.

#### **5.13.9. One-off transactions**

No one-off transactions have taken place in the years 1995-2009.

#### **5.13.10. Multi-purpose functions**

No cases reported.

#### **5.13.11. Other comments**

None

## 5.14. Latvia

### 5.14.1. Institutional arrangements

The Central Statistical Bureau compiles the COFOG statistics.

The Ministry of Finance (Treasury) collects and prepares the data for table 1100.

### 5.14.2. Publication of data on a national level

The COFOG analysis is published annually by the statistical office and can be found on its web site from 2007.

### 5.14.3. Revisions policy

No special revisions' policy applies for COFOG statistics.

Revisions to government finance statistics are used to update the COFOG statistics to maintain consistency.

### 5.14.4. National functional classification and compilation methodology

All central government, local government and social security units use the national functional classification when compiling their accounts. The national classification is based on current version of COFOG, but there are some inconsistencies in the second level of COFOG 09-education.

On the revenue side functional classification is not used.

There are a few problems in the distribution of expenditure on education by levels of education. Majority of education institutions in Latvia ensure education by several levels. From 2009 expenditure distribution of compensation of employees by education level of schools which ensure primary and secondary education at the same time will be done pro rata to burden of education, for the distribution of the rest of expenditure the number of pupils in the respective education level will be used as weights. In previous years distribution of expenditure of such schools was carried out pro rata the number of pupils.

### 5.14.5. Availability and use of data sources

Sub-sector	Provisional Year n-1		Final Year n-2 or n-3	
	1 <sup>st</sup> level	2 <sup>nd</sup> level	1 <sup>st</sup> level	2 <sup>nd</sup> level
<b>Central Government</b>				
"The State"	A1/U	A1/U	A1/U	A1/U
Central government bodies	A1/U	A1/U	A1/U	A1/U
Other (Other government entities reclassified from S.11 to S.1311)	A3/U	A3/U	A3/U	A3/U
<b>Local Government</b>				
Municipalities	A1/U	A1/U	A1/U	A1/U
Localities	A1/U	A1/U	A1/U	A1/U
Local government bodies	A1/U	A1/U	A1/U	A1/U
Other (Other government entities reclassified from S.11 to S.1313)	A3/U	A3/U	A3/U	A3/U
<b>Social Security Funds</b>				
Social Security main unit	A1/U	A1/U	A1/U	A1/U
Social security bodies	A1/U	A1/U	A1/U	A1/U
Other	-	-	-	-

### 5.14.6. Individual and collective final consumption expenditure

The allocation of individual and collective final consumption is based on COFOG 2<sup>nd</sup> level.

### 5.14.7. Consumption of fixed capital expenditure

Method 2.

### 5.14.8. Methodological soundness

Eurostat's consolidation rule is applied. The data are consistent with ESA95 Table 2

### 5.14.9. One-off transactions

No large one-off transactions affecting COFOG time series except for the 2009 - Government investment in Parex Bank for 113.6 million. Ls, Capital transfer D.9, and Outstanding liabilities for pensions under COFOG 10.2 related to the transaction D.62.

### 5.14.10. Multi-purpose functions

If it is possible to split the item we allocate it to the accordant function but if it is no, we assign to the dominant function.

### 5.14.11. Other comments

None.

## 5.15. Lithuania

### 5.15.1. Institutional arrangements

Statistics Lithuania, national accounts division produces the COFOG statistics. Data are obtained from the Ministry of Finance, Social Security Funds and Public Hospitals.

### 5.15.2. Publication of data on a national level

Since 2005, the [COFOG data](#) have been published by the statistical office in annual publication "National accounts of Lithuania".

### 5.15.3. Revisions policy

Table 11 for the two last years is updated once per year in December. Back series are revised in line with revisions to other ESA aggregates.

### 5.15.4. National functional classification and compilation methodology

The present version of COFOG has been implemented in the basic sources (Central and Local Government) starting from 2004.

The Ministry of Finance provides quarterly and annual reports on expenditure of Central and Local Government and extra budgetary funds. Public hospitals provide their reports directly to the Statistics Lithuania.

The expenditure of social security funds are not available by COFOG, but most expense concerns only the divisions for Health (07) and Social Protection (10).

Before 2004 the old version of COFOG (14 functions) was used for the classification of the main data sources. That caused problems for compilation of Table 1100 (at 1st and 2nd digit level) and required additional efforts. All expenditure by 14 functions has been re-classified and bridged with new COFOG version. Data before year 2000 are not available due to the lack of data sources.

### 5.15.5. Availability and use of data sources

Sub-sector	Provisional Year n-1		Final Year n-2 or n-3	
	1 <sup>st</sup> level	2 <sup>nd</sup> level	1 <sup>st</sup> level	2 <sup>nd</sup> level
<b>Central Government</b>				
"The State"	A1/U	A1/U	A1/U	A1/U
Central government bodies	A3/U	A3/U	A3/U	A3/U
Other	A3/U	A3/U	A3/U	A3/U
<b>Local Government</b>				
Municipalities	A1/U	A1/U	A1/U	A1/U
Localities	-	-	-	-
Local government bodies	A3/U	A3/U	A3/U	A3/U
Other	A3/U	A3/U	A3/U	A3/U
<b>Social Security Funds</b>				
Social Security main unit	A3/U	A3/U	A3/U	A3/U
Social security bodies	A3/U	A3/U	A3/U	A3/U
Other	-	-	-	-

### 5.15.6. Individual and collective final consumption expenditure

No problems in splitting expenditure between P.31 and P.32.

### 5.15.7. Consumption of fixed capital expenditure

A combination of method 2 and method 4 is used. K.1 for each sub-sector of General Government is estimated using PIM. This information is then bridged with functions using the structure of time-series of P.51 by function and sub-sector (1st and 2nd level of COFOG).

### 5.15.8. Methodological soundness

Eurostat's methodological requirements for consolidation and allocation of FISIM are applied. The data are consistent with ESA95 Table 2.

### 5.15.9. One-off transactions

There was a large increase of D.9 due to the restitution of property to households in 2000 (S.1311) and recognition of unpaid pensions in 2007 (S.1314). Furthermore, there was a one-off transaction too related to the year 1997, concerning restitution of Ruble deposits recorded as D.9.

### 5.15.10. Multi-purpose functions

In most cases it is possible to assign expenditure to a specific function. If the primary source is not classified by COFOG codes, the expenditure is assigned to the appropriate function according to the purpose.

The expenditure of Social Security Funds are not available by COFOG, but most expense concerns only the divisions for Health (07) and Social Protection (10).

### 5.15.11. Other comments

Data sources in Central and Local Governments classified by present version of COFOG allows us to prepare Table 11 at 1<sup>st</sup> and 2<sup>nd</sup> level without any significant problems. Data on expenditure are available at very detailed level. However, the situation before 2004 is more complicated due to the application of old version of COFOG (14 functions).

## 5.16. Luxembourg

### 5.16.1. Institutional arrangements

STATEC compiles the COFOG statistics using source data provided by the Inspection Générale des Finances (IGF), the Inspection Générale de la Sécurité Sociale (IGSS) and the Ministry of the Interior. No other institutions are involved in the compilation process itself.

### 5.16.2. Publication of data on a national level

The [COFOG analysis](#) is published annually by the statistical office.

### 5.16.3. Revisions policy

The COFOG dataset is revised 2 times per year at the same time as the EDP notification and an update of ESA Table 1100 is sent to Eurostat on 1<sup>st</sup> April, and 1<sup>st</sup> October.

### 5.16.4. National functional classification and compilation methodology

Central government expenses and revenues are classified according to a national function classification and a national economic category classification. The different central administrations and ministries apply this classification. Local government expenses and revenues are classified according to an accounting scheme including both a functional and an economic category classification. While compiling table 1100, STATEC converts these 2 national functional classifications into the COFOG classification using a bridging table. There is no systematic checking of the accuracy of the functional classification (as done for the economic category classification). For social security the functional classification is made by STATEC on the basis of the accounting scheme of social security administrations. Generally items whose function is unknown are classified within 01 "general public services".

### 5.16.5. Availability and use of data sources

Sub-sector	Provisional Year n-1		Final Year n-2 or n-3	
	1 <sup>st</sup> level	2 <sup>nd</sup> level	1 <sup>st</sup> level	2 <sup>nd</sup> level
<b>Central Government</b>				
"The State"	A1/U	A1/NU	A1/U	A1/NU
Central government bodies	A1/U	A1/NU	A1/U	A1/NU
Other	-	-	-	-
<b>Local Government</b>				
Municipalities	A1/U	A1/NU	A1/U	A1/NU
Localities	-	-	-	-
Local government bodies	NA1, E	NA	NA1, E	NA
Other	-	-	-	-
<b>Social Security Funds</b>				
Social Security main unit	NA1; A2/U	NA	A1/U	A1/NU
Social security bodies	-	-	-	-
Other	-	-	-	-

### 5.16.6. Individual and collective final consumption expenditure

No problems.

### 5.16.7. Consumption of fixed capital expenditure

The capital stock is calculated by sector and branches (extended NACE classification) by using the Perpetual Inventory Method. K.1 is then broken down by detailed NACE and function on basis of a moving average applied on gross fixed capital formation (P.51).

### 5.16.8. Methodological soundness

Overheads correctly allocated to functions. Eurostat's consolidation rules are applied. Inter sub-sector flows are consolidated.

The bridge between the national function classification and the COFOG classification needs to be refined and improved in order to obtain viable 2<sup>nd</sup> level COFOG data.

### 5.16.9. One-off transactions

There was a one-off reduction of 423 million euro in expenditure in economic affairs ((0.4) in 2001 due to the Concession à SES Global (November 2001). The impact is shown below. It arose from the recording of a government receipt of 423 million euro in the category of non-produced intangible assets as a result of transaction in connection with a merger of financial institutions.

**Table 9: Government function in % of total expenditure**

LU	1999	2000	2001	2002	2003
04 Economic affairs	10,5	11,0	7,1	11,7	11,2

Concession to SES Global (November 2001):

After the merger between SES S.A. and GE Americom into the new corporation SES Global and the subsequent rise in capital, Government and SES Global exchanged the user rights of the Luxembourg geostationary position for ASTRA satellites for 25 years against a capital participation in SES Global of 85 376 910 type « B » shares. Before the merger, SES S.A. paid an annual royalty where the amount depended on the result of the corporation. Type « B » shares are held by Government, the SNCI and the BCEE (before the merger between SES S.A. and GE Americom, only SNCI and BCEE had type « B » shares). The type « B » shares represent 33.33% of the voting rights and 16.67% of the economic rights (type « B » shares represent 40% of economic rights of type « A » or type « C » shares). The transaction was on basis of 40% of the average price (quoted on the stock market) of type « A » shares during the first week of November 2001: 4.9588 euro, equal 40% of 12.4 euro. The operation summed up to a total of 423.4 million euro.

Recording in National Accounts:

+K.3 Economic appearance of non-produced assets	423.4
-K.222 Acquisitions less disposals of intangible non-produced assets	-423.4
+F.511 Shares	423.4

The effect on B.9 was 423.4 million euro. The operation does not figure in the official central government budget.

### 5.16.10. Multi-purpose functions

The first function code attributed by the administrations is used.

### 5.16.11. Other comments

None.

## 5.17. Hungary

### 5.17.1. Institutional arrangements

The Central Statistical Office (CSO) and Ministry of Finance (MoF) compile the COFOG statistics. MoF has been integrated in Ministry of National Economy (MoNE) since June 2010 in the new government structure. In this document we use the “MoF/MoNE” abbreviation to illustrate that the new ministry exercises the same MoF-functions in government statistics.

The primary data sources of functional classification are the national functional budget presentation of the Final Accounts of the legal government sector and annual financial reports of budgetary units and reclassified public corporations and non-profit institutions. Functional data collection and data process are integral part of those of annual financial reports. MAK (Hungarian State Treasury) fulfils this job in respect to legal government units.

Legal government units are determined by the Law on Public Finances, and comprises budgetary units: such as: central budget units: State + central budgetary institutions; budgeted Funds; budgeted Social Security Funds; local government units.

Data on reclassified non-budgetary units are collected and processed by CSO.

### 5.17.2. Publication of data on a national level

General government expenditure data by COFOG main groups are presented in percent of GDP among EU-members and EU-aggregates as an annex attached to the parliamentary documentation of Final Accounts of the legal government sector. No ESA/COFOG analysis has been published as this type of dataset (ESA95 Transmission program table 1100) is still under development.

National presentations of Annual Budget and Final Accounts include expenditure data by functions for legal government sector and sub-sectors (as well on a cash basis, and a functional analysis for central and local level of governments as part of the explanation of the execution of the Budget).

### 5.17.3. Revisions policy

There is no fixed revision policy as yet. The intention is parallel or close-to-parallel updating in line with revisions of other ESA-aggregates.

### 5.17.4. National functional classification and compilation methodology

The national classification introduced in 1998 was based on an interim draft version of COFOG (1999), which included the conceptual changes in COFOG methodology (such as the new class for environment protection; distribution of R & D and administration into the relevant classes; and some reclassification issues between general public services and cultural affairs). Thus the national classification mainly follows the present version of COFOG in content, with just a small difference in social protection.

The aim of the national classification is to classify budgetary line items according to their functions for the purpose of presenting the Budget. The budget covers all legal entities in the legal government sector. This consists of: the Central Budget with central budgetary institutions, budgeted Funds, budgeted Social Security Funds and Local Governments. The budgetary presentation covers only 47 presentation groups and 16 classes (they correspond to 10 COFOG divisions).

All budgetary institutions and local governments are also classified according to a national activity classification based on ISIC/NACE standards.

Functional/activity based data for non-financial public corporations and non-profit units classified in the General Government sector are available at the level of the units.

### 5.17.5. Availability and use of data sources

	Provisional Year n-1		Final Year n-2 or n-3	
	1 <sup>st</sup> level	2 <sup>nd</sup> level	1 <sup>st</sup> level	2 <sup>nd</sup> level
Sub-sector				
<b>Central Government</b>				
"The State"		A1/U		A1/U
Central government bodies		A1/U or A3/U		A1/U or A3/U
Other				
a) Budgeted funds		a) A1/U		a) 1/U
b) Non-financial public corporations		b) A3/U		b) A3/U
c) Non-profit institutions		c) A3/U		c) A3/U
<b>Local Government</b>				
Municipalities		A1/U		A1/U
Localities		A1/U		A1/U
Local government bodies		A1/U		A1/U
<b>Social Security Funds</b>				
Social Security main unit		A1/U		A1/U
Social security bodies		A1/U		A1/U

A1/U for most of 2<sup>nd</sup> level, except for R&D within main functions and some components of *Social protection*.

### 5.17.6. Individual and collective final consumption expenditure

Calculations of final consumption expenditures face the problem of dual data-sources. While COFOG expenditure data are mainly based on national functional classification data, general government consumption of fixed capital (CFC) and market output, output for own final use and payments for other non-market output and final consumption expenditure data in national accounts are estimated by using output and consumption of fixed capital data based on NACE aggregates. COFOG and NACE type expenses and payments for government services are too difficult to reconcile. At this stage, the Hungarian authorities are reluctant to report final consumption expenditure data by COFOG categories, but work on reconciliation.

### 5.17.7. Consumption of fixed capital expenditure

During the first half of this decade new estimates were made for the stock of fixed assets and consumption of fixed assets. The estimation is based on new data collections which were followed by PIM calculations for the consecutive years.

CFC expenditures are elaborated by CSO on an aggregated NACE-type activity basis of the main activity of the government units (in case of multifunctional units the CFC are attached to only the main activity), on aggregated and not institutional level. An experimental conversion bridge serves the allocation to COFOG categories with some estimation methods. (For example: expenditures/units classified as environment protection in the national Budget presentation are converted into environment protection, although the activities of these units are spread over in NACE activities, as no correspondent activity exist in NACE. NACE-type activity classification does not allow separating public administration cost for health, social protection, education and cultural services), in these cases total costs are the basis of splitting.

### 5.17.8. Methodological soundness

As it was highlighted in the previous section, composition of final consumption expenditures is compiled from two sources: NACE-type activity based data and from national functional budgetary presentations, resulting different figures, which have to be reconciled.

Property management of local governments are very often organised centrally and with multifunctional nature. Thus capital expenditures that are not dedicated to one specific activity are basically shown as expenditures of General public services under Executive and legislative organs, financial and fiscal affairs, external affairs item.

### 5.17.9. One-off transactions

Large one-off transactions affecting COFOG time series are the following:

1. Large debt-assumptions (D.99 Other capital transfer) affect COFOG totals in Transport function:
  - a) public railway: 36,5 HUF billion (0,24 % of GDP) in 2000, 119,3 HUF bn in 2002 (0,69 % of GDP), 110,6 HUF bn (0,44 % of GDP) in 2007, and capital injection (by conveying privatisation receipts) 102,5 HUF bn (0,39 % of GDP) in 2008;
  - b) motorways: 32,0HUF bn (0,19 % of GDP) in 2002;
  - c) Budapest capital public transport: 36,7 HUF bn (0,21 % of GDP) in 2002.
2. One-off government measure provided debt assumption and compensation of natural catastrophic losses (D.99 Other capital transfer) to agricultural producers in 2002, with the amount of 59,9 HUF bn (0,35 % of GDP).
3. Claim cancellation (D.99 Other capital transfer) against foreign countries in Foreign Economic Aid function:
  - a) against Russia 36,6 HUF bn (0,19 % of GDP) in 2003, although the claims originated from the general political and economic and military co-operation of former socialist countries in the region;
  - b) against Iraq 46,1 HUF bn (0,19 % of GDP) in 2006.
4. In mid '90s there were set of possibilities provided for households to purchase the local government owned flats which they lived in as tenants. As the most of these flats were not renewed earlier by local governments the prices were determined government by government. The most relevant scheme was to pay 25-30 % of the price at the time of changing the ownership and later instalment payments over 15-20-25 years. Later some actions for acceleration combined with partial debt cancellation were introduced. In local government subsector national accounts the privatisation of flats appears as negative gross fixed capital formation at the time of change of ownership, while in public budget accounts of local governments receipts are presented on cash flow basis, thus accrual adjustments have to be made. The negative impacts on gross fixed capital formation were extremely high in 1995 143,6 HUF bn (2,5 % of GDP) shown in Housing development function.
5. Revenues from mobile telephone concession (second generation) on accrual basis reached 77 HUF bn (0,66 % of GDP) in 1999 and 20 HUF bn (0,08 % of GDP), and from UMTS licence 52,5 HUF bn (0,28 % of GDP) in 2004 as negative acquisition of non-financial assets.<sup>6)</sup> Receipts from sale of carbon-dioxid emission quotas (Kyoto protocol) were accounted as negative acquisition of non-financial assets 28,2 HUF bn (0,11 % of GDP) in 2008 and 7,9 HUF bn (0,03 % of GDP) in 2009 under General public services function.
6. According to methodological guidelines, the lease of Gripen fighters over 15 years has to reclassified as financial lease, affecting the government expenditures at the time of physical possession of the crafts. This reclassification appears in 2006-2007 figures of 02.01 Military defence as one-off impact: 2006: 101,0 HUF bn (0,4% of GDP), 2007: 71,3 HUF bn (0,3 % of GDP).

7. Deficits of social security funds are financed by liquidity loans provided by the state budget during the budget year. These claims on funds are systematically cancelled by parliamentary decision when approving the annual accounts. As decisions on these cancellations are made in subsequent year, the capital transfers (D.99 Other capital transfer) improve the balance of SS funds in the subsequent year. These transactions hectically worsen the central government sub-sectoral COFOG expenditures in Health and Old age (pension) functions (see below), but not the totals of General government.

Expenditures of Central Government	1995	1996	1997	1998	1999	2000	2001	2002
Total transfers	41,6	104,7	53,6	54,5	90,8	43,6	80,1	28,8
In % of GDP	0,7%	1,5%	0,6%	0,5%	0,8%	0,3%	0,5%	0,2%
to Heath Care Fund	10,8	68,1	24,6	54,5	45,9	43,6	63,5	15,1
In % of GDP	0,2%	1,0%	0,3%	0,5%	0,4%	0,3%	0,4%	0,1%
to Pension Fund	30,8	36,7	29,0	0,0	44,9	0,0	16,7	13,7
In % of GDP	0,5%	0,5%	0,3%	0,0%	0,4%	0,0%	0,1%	0,1%

Expenditures of Central Government	2003	2004	2005	2006	2007	2008	2009
Total transfers	99,4	349,0	423,9	468,8	130,8	0,0	67,4
In % of GDP	0,5%	1,7%	1,9%	2,0%	0,5%	0,0%	0,3%
to Heath Care Fund	86,7	310,0	343,7	375,3	111,3	0,0	0,0
In % of GDP	0,5%	1,5%	1,6%	1,6%	0,4%	0,0%	0,0%
to Pension Fund	12,7	39,0	80,3	93,5	19,5	0,0	67,4
In % of GDP	0,1%	0,2%	0,4%	0,4%	0,1%	0,0%	0,3%

8. On the basis of EU Court decision (C-74/08) of 23 April 2009 VAT reimbursement (related to period between 1 April 2004 and 31 December 2005) is recorded 37.1 billion HUF is recorded under D.75 (VAT reimbursement claimed) in 2009, following the methodological guidance on treatment of court decisions with retroactive effect.

#### 5.17.10. Multi-purpose functions

In case of multifunctional government units, source data from their financial reports are used. That means for example that in case of a medical university, data on NACE-type budget task expenditures separate educational, health and R&D functions. Similarly, expenditures of a one-unit small local government are separated for services of public administration, pre-school and elementary education, basic health, social care, street-lighting, management of cemetery etc.

#### 5.17.11. Other comments

Large structural changes affecting COFOG time series are the following:

- Family tax credit was introduced in 1999 as an alternative way of increasing the payments of family allowances, including handicapped children allowances, this affects the level of social benefits in cash in 10.04 Family and children COFOG function, as this type of tax credits are non-payable (wastable), thus not included in expenditures.

**Table 10: Family tax-credit data (HUF bn and in % of GDP)**

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
44,8	78,6	91,1	62,9	80,7	79,9	13,8	13,4	13,5	13,5
0,3%	0,5%	0,5%	0,3%	0,4%	0,4%	0,1%	0,1%	0,1%	0,1%

2. Hungary introduced mandatory defined contribution funded pension scheme by establishing second pillar private pension funds beside the first pillar social security pension scheme in 1999. As Hungarian second pillar pension funds meet the classification criteria of being financial corporations (S.12) in ESA statistics, Central government subsector COFOG data reflect the budgetary transfers that compensate the revenue fall of social security contributions in Pension Fund of Social Security. This intra-governmental transfer does not affect the total expenditure on S.13 General Government level, but in time-series of Central government 10.02 Pension expenditures this intergovernmental transfers appears with significant amounts.

Intra-governmental transfer from Central Government to Social Security due to revenue loss of social security contribution in Pension Funds as part of social security contributions is paid into second pillar private pension funds (data are in HUF bn and in % of GDP).

1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
57,2	63,2	81,3	88,7	130,5	168,1	211,2	240,9	297,5	330,3	354,1
0,5%	0,5%	0,5%	0,5%	0,7%	0,8%	1,0%	1,0%	1,2%	1,2%	1,4%

3. After the accession to EU new expenditure item appears in General Public Services: the contribution to EU Budget – excl. VAT-base payment, that is negative VAT revenue – (data are in HUF bn and in % of GDP).

2004	2005	2006	2007	2008	2009
100,6	159,5	155,2	154,6	172,0	191,6
0,5%	0,7%	0,7%	0,6%	0,6%	0,7%

4. Reclassification of MÁV-START, a railway passenger transport company, reclassified into general government, after splitting the one national railway company into three corporations: infrastructure, passenger transport and cargo. As passenger transport has always been subsidised from the budget, net effect would characterise the structural change in 04.05 Transport COFOG expenditures. The composition of net effect of reclassification of MÁV START is the following, where data in 2007 reflect half-year operation, as MÁV START started its operation on 1 July 2007.

Composition of net effect of reclassification MÁV START	2007	2008	2007	2008
	HUF bn		In % of GDP	
Net effect of reclassification	22,8	213,6	0,1%	0,8%
Total Expenditure of MÁV START	99,4	394,3	0,4%	1,5%
of which P.2 intermediate consumption	86,8	191,9	0,3%	0,7%
of which D.1 Compensation of employees	11,1	23,8	0,0%	0,1%
Minus: Subsidies to railway passenger transport	-76,6	-180,6	-0,3%	-0,7%

## 5.18. Malta

### 5.18.1. Institutional arrangements

The National Statistics Office compiles the COFOG statistics. There are no other institutions involved in the data collection, specification and compilation process.

### 5.18.2. Publication of data on a national level

The [COFOG analysis](#) is published annually by the National Statistical Office.

A [news release](#) was published on the 2<sup>nd</sup> February 2011 covering data from 2005 to 2009 at 2<sup>nd</sup> digit level.

### 5.18.3. Revisions policy

The data for all the years are updated as necessary. Occasionally, updated tables are sent to Eurostat in order to ensure full consistency with the other data submissions on Government Finance aggregates (specifically ESA Table 0200).

### 5.18.4. National functional classification and compilation methodology

In Malta, the classification of the functions of government is available at 1<sup>st</sup> digit level from 1995, and at the 2<sup>nd</sup> level starts from 2001.

The General Government Sector in Malta is made up of the Central Government sub-sector and the Local Government sub-sector. The Central Government sub-sector includes the budgetary central government, made up of Government ministries and departments, and the Extra Budgetary Units (EBUs).

Data for the budgetary central government use a detailed expenditure breakdown and are obtained from the Treasury's Departmental Accounting System (DAS). Ministries and Departments, as well as their relevant cost and responsibility centres, are all coded according to the COFOG classification at 1<sup>st</sup> digit level. These data are available in real time at the National Statistics Office. On the other hand, data for the EBUs and Local Councils are available from their individual financial statements.

For the compilation of the 2<sup>nd</sup> level data for the budgetary central government, we use the individual expenditure data from the DAS at the 1<sup>st</sup> digit level and allocate them to the relevant principal COFOG group. Additional statistical information from the relevant responsible units are required, especially for the disaggregation of the education and health functions. If a unit performs more than one function or group, we split them appropriately, either through direct basic data or through estimations. Where this is not possible, in particular where amounts are small, we allocate the function or group to the principal activity of the unit.

### 5.18.5. Availability and use of data sources

	Provisional Year n-1		Final Year n-2 or n-3	
	1 <sup>st</sup> level	2 <sup>nd</sup> level	1 <sup>st</sup> level	2 <sup>nd</sup> level
Sub-sector				
<b>Central Government</b>				
"The State"	A1 / U	A1/U; E	A1 / U	A1/U
Central government bodies	A3 / U A1 / U	A3 / U A1 / U	A3 / U A1 / U	A3 / U A1 / U
Other	/	/	/	/
<b>Local Government</b>				
Municipalities	/	/	/	/
Localities	/	/	/	/
Local government bodies	A2 / U	A2 / U	A2 / U	A2 / NU
Other	/	/	/	/

### 5.18.6. Individual and collective final consumption expenditure

No problems reported.

### 5.18.7. Consumption of fixed capital expenditure

Method 4.

### 5.18.8. Methodological soundness

The COFOG exercise is based on the guidelines set out in the ESA95 and Eurostat's consolidation rules are followed. Overhead services are allocated to the appropriate division rather than to a general category. Data sources are good; however, when source data are not available on time, estimates are based on previous year's source data.

A good link exists between COFOG and other International Statistics. As far as ESSPROS and R&D data are concerned, these are computed within the same unit that produces COFOG data, and therefore consistency with COFOG data is guaranteed. Good consistency is achieved also with ISCED (Education Statistics) and EPEA (Environment accounts) as the COFOG data is the major data source input for their respective compilations.

The aim is to continuously monitor the quality of the COFOG 2<sup>nd</sup> level data. In this respect improvements are foreseen in distinguishing between groups 07.2 'Outpatient Services' and 07.3 'Hospital Services'.

### 5.18.9. One-off transactions

The following are the one-off transactions affecting COFOG time-series:

- a) 2003 – The MSC & MDD debt assumption adjustment effect – €123.2 million. This amount was allocated to group 4.5 'Transport' as capital transfer (D.92).
- b) 2008 – The reclassification of the Malta Shipyards within the general government sector and the payment of the voluntary retirement schemes to the Shipyards' employees impacted 2008 data by €118.0 million. This amount was allocated to group 4.5 'Transport'.

#### **5.18.10. Multi-purpose functions**

Any institutional unit that is identified as performing more than one COFOG function or group is split up accordingly, either through source data or through estimations. Concurrently, the expenditure of the local government sector is allocated to various COFOG categories (mainly general public services, public order and safety, economic affairs, environmental protection and recreation and culture) using their audited financial statements.

#### **5.18.11. Other comments**

None.

## 5.19. Netherlands

### 5.19.1. Institutional arrangements

Statistics Netherlands (CBS) produces the COFOG statistics.

### 5.19.2. Publication of data on a national level

The COFOG analysis is published annually by Statistics Netherlands in July when the full National Accounts are published. Data can be found in the publication [National Accounts of the Netherlands](#).

Data can also be found on the publication database of Statistics Netherlands ([Statline](#)).

Only first level COFOG data for general government are published; there is no breakdown into sub sectors and transactions.

### 5.19.3. Revisions policy

Statistics Netherlands publishes the annual National Accounts (including Government Finance Statistics) in July each year. Then the first provisional annual estimates for year T-1 are published, as well as half-final estimates for the year T-2 and final estimates for the year T-3. In August, the tables for the ESA transmission programme (including the COFOG table 11) are sent to Eurostat. No revisions of data are performed during the year, other than due to the annual publication in July.

From time to time a benchmark revision of the full Dutch national accounting system is undertaken. In that case, the whole time series is subject to revision. The latest benchmark revision was published in 2005 and 2006.

### 5.19.4. National functional classification and compilation methodology

In the Dutch National Accounts COFOG is used for a breakdown of expenditure into functions. However, source data are not according to COFOG.

#### Compilation of COFOG level I:

For the State<sup>48</sup>, from 2007 onwards, budget lines are assigned to COFOG functions by Statistics Netherlands. Before 2007, budget lines were translated into BNL functions of the so-called BNL-classification (BENELUX). These BNL functions were subsequently assigned to COFOG functions.

For the municipalities, provinces, communal arrangements and water boards until 2004 first level COFOG is compiled using industry information and additional functional information on total expenditure. From 2005 onwards COFOG is compiled by distributing transactions over functions using fixed ratios that were based on the year 2004.

For social security funds, very detailed information is available on social protection schemes which can be related to COFOG. Operational costs are assigned to *social protection* (10).

For other units within general government, every unit is assigned to a function. For example, all the expenditure of the government unit responsible for railway infrastructure is assigned to *Economic affairs* (04).

For all sub-sectors social benefits and subsidies are assigned to COFOG functions using detailed information.

#### Compilation of COFOG level II in preparation:

A project has been started to compile second level COFOG and to improve the quality of first level COFOG. For local government, functional information is available for municipalities, provinces and communal arrangements. However, the functional classification is a Dutch one, specifically for local government. There is no full bridge to COFOG. Moreover, due to the accounting rules of local

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<sup>48</sup> Part of central government

government, no functional data are available for capital expenditure. A bridge between the source data and COFOG will be made. For other government units other improvements in compiling COFOG will be achieved. For example, all the expenditure of the government unit responsible for railway infrastructure will be assigned to *transport* (04.5). The resulting time series is planned to be published in 2011.

#### Specific assignments:

Flood management and drainage are assigned to COFOG-function 4.7.4.

#### **5.19.5. Availability and use of data sources**

Sub-sector	Provisional Year n-1		Final Year n-2 or n-3	
	1 <sup>st</sup> level	2 <sup>nd</sup> level	1 <sup>st</sup> level	2 <sup>nd</sup> level
<b>Central Government</b>				
"The State"	A1/U	A1/NU	A1/U	A1/NU
Central government bodies	A3/U	A3/NU	A3/U	A3/NU
<b>Local Government</b>				
Municipalities	A2/U	A2/NU	A2/U	A2/NU
Localities	A2/U	A2/NU	A2/U	A2/NU
Local government bodies	A3/U	A3/NU	A3/U	A3/NU
<b>Social Security Funds</b>				
Social Security main unit	A1/U	A2/NU	A1/U	A2/NU
Social security bodies	A1/U	A2/NU	A1/U	A2/NU

#### **5.19.6. Individual and collective final consumption expenditure**

No problems reported.

#### **5.19.7. Consumption of fixed capital expenditure**

Method 6 is used for assigning consumption of fixed capital formation to functions. Some functions in some sub sectors are estimated using branch information on consumption of fixed capital formation. The new second level COFOG time series to be published in 2011 will use a method more like method 4.

#### **5.19.8. Methodological soundness**

Full consolidation is applied.

Special attention has to be paid in future to assigning operational and general costs to specific functions. For example, compensation of employees and intermediate consumption of social security funds is not available for all separate social security schemes, and thus cannot directly be assigned to the same functions as the social security benefits. The latter will be assigned to functions 7.1 to 7.3 and 10.1 to 10.5, depending on the social security scheme.

Some expenditure items are assigned to *General public services* (01) due to a lack of information.

#### **5.19.9. One-off transactions**

None reported.

### 5.19.10. Multi-purpose functions

In most cases it is possible to assign expenditure to a specific function. If it is known that an expenditure item is composed of expenditure that belongs to more than one function, Statistics Netherlands tries to divide the expenditure and allocate it to those functions. If that is not possible, the item is assigned to the dominant function.

Quite often the expenditure is divided. For instance, expenditure on social security benefits as part of the Exceptional Medical Health Act (AWBZ) is split into *Health* (07) and *Social protection* (10). These expenditures were € 21,045 million in 2007, so splitting is important not to distort the COFOG analysis. There are several other cases like this.

### 5.19.11. Other comments

None.

## 5.20. Austria

### 5.20.1. Institutional arrangements

Statistics Austria produces the COFOG statistics.

There are no other institutions involved in the data collection, specification and compilation processes.

### 5.20.2. Publication of data on a national level

The [COFOG analysis](#) is published by the statistical office.

### 5.20.3. Revisions policy

The data for the latest year and two back years are updated twice per year. This means that revisions of COFOG data are made in accordance with revisions of ESA table 2 data. Therefore COFOG data are usually available within April/October of the year. Updated COFOG data in April are only published on our webpage.

### 5.20.4. National functional classification and compilation methodology

Source data are not classified according to COFOG in Austria. The functional classification of source data of the State is based on a very old SNA classification (17 main divisions). Source data of the other institutional units of sector government have no functional classification.

Therefore source data are assigned to COFOG via a so-called “COFOG-key”. In general, transactions are assigned to COFOG (so-called “Posten” or aggregates of “Posten” according to the “Bundeshaushaltsgesetz” (Federal Budgeting Law) for the State and according to the “Voranschlags- und Rechnungsabschluss-Verordnung (VRV)” (Budget and Closed Accounts Regulation) for state government units, municipalities and localities).

The following transactions are classified en bloc to the following COFOG classes:

- Interest - *01.7.0 Public debt transactions*
- Pensions - *10.2.0 Old age*
- Benefits according to the unemployment insurance law - *10.5.0 Unemployment*
- Benefits according to the war victim law - *10.1.2 Disability*
- Family allowances - *10.4.0 Family and children*

But as an auxiliary solution mainly economic activities (so-called “Ansätze” of the closed accounts) are assigned to COFOG.

Small extra-budgetary units are usually classified as a whole (all transactions – except the above mentioned – are classified to the same function) according to their main function.

### 5.20.5. Availability and use of data sources

	Provisional Year n-1		Final Year n-2 or n-3	
	1 <sup>st</sup> level	2 <sup>nd</sup> level	1 <sup>st</sup> level	2 <sup>nd</sup> level
Sub-sector				
<b>Central Government</b>				
"The State"		A1/U		A1/U
Central government bodies		A3/U		A3/U
Other				
<b>State Government</b>				
State Government Unit		A1/U		A1/U
State Government bodies		A3/U		A3/U
Other				
<b>Local Government</b>				
Municipalities		A1/U		A1/U
Localities		A1/U		A1/U
Local government bodies		A3/U		A3/U
Other				
<b>Social Security Funds</b>				
Social Security main unit		A1/U		A1/U
Social security bodies		A3/U		A3/U
Other				

### 5.20.6. Individual and collective final consumption expenditure

No problems reported.

### 5.20.7. Consumption of fixed capital expenditure

Method 2

### 5.20.8. Methodological soundness

On the level of sector general government items D.4, D.7 and D.9 and their sub-items are consolidated. On the level of sub-sectors these transactions are shown without transfers within sub-sectors but with transfers between sub-sectors.

COFOG group 01.8: Data for sector general government have to be transmitted in the ESA95-transmission tables as "consolidated". Therefore intergovernmental expenditure of sector general government has to be identical to intergovernmental revenue. As this is not the case in practice a balancing mechanism is used. In the case of D.7 the balancing is made between D.73 and D.75 and in the case of D.9 the balancing is made between D.92 and D.99.

### 5.20.9. One-off transactions

The increase in total expenditure on military defence (02.1) in 2008 was produced by payments with regard to fighter aircraft.

A break of total expenditure on fuel and energy (04.3) was caused by the sale of rights of the "Vorarlberger Illwerke" in 1995 (classified as K.222 Disposals of intangible non-produced assets).

A strong increase in total expenditure on transport (04.5) was caused by debt cancellation and capital injection of federal government in the context of the reorganisation of the Austrian railways in 2004. The increase in total expenditure in this group in 2008 was mainly produced by payments of federal government for the "Austrian Airlines". Both transactions were classified as D.99 other capital transfers.

A break of total expenditure on communication (04.6) was due to the sale of UMTS-licenses in 2000 (classified as K.222 Disposals of intangible non-produced assets).

The decrease in total expenditure on waste management (05.1), waste water management (05.2), housing development (06.1) and water supply (06.3) in 1997 was caused by the reclassification of municipalities' establishments in the field of refuse collection, sewage disposal, construction and administration of residential/business buildings and water supply from sector general government to sector non-financial corporations following from a reorganization of these establishments (fulfilling from 1997 onwards the ESA95 criteria for a quasi-corporation).

In 1997 public hospitals became market producers as a consequence of a substantial change in hospital financing. Hospitals in some state governments which have been organized in quasi-corporations have been reclassified from sector general government to sector non-financial corporations in 1997. The decrease because of this reclassification was predominated by high subsidies and the expenditure of the newly founded state health funds (nine state health funds replaced in 1997 the federal health fund).

Hospitals in the remaining state governments have been organized in (quasi-)corporations in 2001 which has led to a further reclassification from sector general government to sector non-financial corporations. This has led to a large decrease in government expenditure on hospital services in 2001 whereas high subsidies and other capital transfers of state governments have increased government expenditure on hospital services in 2003.

The increase in 2007 in COFOG group 08.2 Cultural services was due to the recording of the exhibition "Batliner", which was lent to the museum "Albertina" on a permanent basis, as gross capital formation (Acquisitions less disposals of valuables).

The series break 2005/2006 in COFOG group 09.4 Tertiary education and in the R&D COFOG groups was caused by the inclusion of the R&D quotas for the universities and similar units from 2006 onwards.

The series break 2005/2006 in COFOG group 02.2 Civil defence was caused by the division of government expenditure on civilian service according to branches from 2006 onwards.

Both series breaks will be removed by the next benchmark National Accounts data revision scheduled for 2011.

### **5.20.10. Multi-purpose functions**

In general for technical reasons, on a very detailed level we use the most important function. This mainly concerns the 3-digit level.

The split of the expenditure of the universities and similar units into R&D and teaching was done according to the results of the R&D statistics of Statistics Austria.

The division of the expenditure of some forms of schools (for example lower and academic secondary schools) in pre-primary and primary education (09.1) and secondary education (09.2) was made according to information about the concerned ISCED-levels of the education statistics.

### **5.20.11. Other comments**

None.

## 5.21. Poland

### 5.21.1. Institutional arrangements

Central Statistical Office of Poland is responsible for compiling COFOG statistics. Data are collected mainly from Ministry of Finance. Data are obtain also from other ministries, National Bank of Poland and other units included in general government sector.

### 5.21.2. Publication of data on a national level

The Central Statistical Office currently publishes neither COFOG data nor COFOG analyses.

### 5.21.3. Revisions policy

The revision of COFOG statistics is connected with annual national accounts and with the EDP notification revisions.

### 5.21.4. National functional classification and compilation methodology

The basic data source is Budgetary Reporting for which statements of central and local government units are collected and aggregated by the Ministry of Finance. Budgetary Reporting is based on budgetary classification of revenues and expenditures. This classification consists of three levels: titles, chapters and paragraphs. The names of titles, chapters and paragraphs enable us to decide between which units the transactions take place. Data collected are on cash basis. However, the transition algorithms from cash data to accrual and from budgetary classification to COFOG have been elaborated so that it can be used as a source for functional data.

The budgetary classification is available since 2001 and it is amended every year.

Extra budgetary units (budgetary establishments, auxiliary units, special funds and appropriated funds) also use the budgetary classification.

Expenditures of units not included in Budgetary Reporting are classified according to their main activity.

### 5.21.5. Availability and use of data sources

Sub-sector	Provisional Year n-1		Final Year n-2 or n-3	
	1 <sup>st</sup> level	2 <sup>nd</sup> level	1 <sup>st</sup> level	2 <sup>nd</sup> level
<b>Central Government</b>				
The State	A2/U	A2/U	A2/U	A2/U
Central government bodies	A2/U	A2/U	A2/U	A2/U
Other: <i>public universities, central institutions of culture, the Polish Academy of Sciences and its dependent units, central health care institutions, special purpose funds, agencies.</i>	A3/U	A3/U	A3/U	A3/U
<b>Local Government</b>				
Municipalities	A2/U	A2/U	A2/U	A2/U
Localities	A2/U	A2/U	A2/U	A2/U
Local government bodies	A2/U	A2/U	A2/U	A2/U
Other: <i>local institutions of culture, local health care institutions, special purpose funds of local government</i>	A3/U	A3/U	A3/U	A3/U
<b>Social Security Funds</b>				
Social Insurance Institutions and funds managed by them	A3/U	A3/U	A3/U	A3/U
National Health Fund	A3/U	A3/U	A3/U	A3/U
Other: <i>Labour Fund</i>	A3/U	A3/U	A3/U	A3/U

### 5.21.6. Individual and collective final consumption expenditure

Final consumption expenditure is broken down into individual and collective using the budgetary classification (titles and paragraphs).

Individual consumption includes: the value of services in education, culture and national heritage, health care, social welfare, physical education and sport, tourism as well as housing subsidies for partial covering costs connected with maintaining housing resources and the value of the purchased services of the non-public health care units.

Collective consumption is final consumption that is not individual one. This category includes among others expenditures borne for public administration, national defence, scientific and research activity.

### 5.21.7. Consumption of fixed capital expenditure

Data on the stock and consumption of fixed capital by NACE form the basis of the estimation of K1 in the general government sector for the purposes of the table 1100. The estimation is based on the average annual value of fixed assets at replacement prices and depreciation rates differentiated for kinds of fixed assets and activities. The depreciation rates take into consideration the real economical lives of assets. Consumption of fixed capital by function for the general government sector is obtained through bridge between NACE and COFOG.

### 5.21.8. Methodological soundness

Eurostat's methodological requirements of consolidation are applied. Individual and collective final consumption expenditure have to be improved to be consistent with Table 0200.

### 5.21.9. One-off transactions

In the period 2003 to 2009 there were large one-off cancellations in respect of social contributions allocated in function 10.2: Old age in D9 - capital transfers. The amounts were: 2003 – 3960 mln PLN; 2004 – 1198 mln PLN; 2005 – 329 mln PLN; 2006 – 155 mln PLN, 2007 – 36 mln PLN; 2008 – 115 mln PLN; 2009 – 23 mln PLN.

### 5.21.10. Multi-purpose functions

If it is possible expenditure is attributed to a specific function, but the general rule is to allocate expenditure to the most important division, sometimes splitting them into groups when possible.

### 5.21.11. Other comments

None.

## 5.22. Portugal

### 5.22.1. Institutional arrangements

COFOG statistics are compiled by Instituto Nacional de Estatística.

### 5.22.2. Publication of data on a national level

The [COFOG data](#) is published annually on Statistics Portugal web site.

### 5.22.3. Revisions policy

The COFOG data is updated once a year, ready for Table 11 transmission, in December and published annually by the statistical office.

Usually, data of year t-2 reported in the December transmission, is final. In benchmark years time series transmitted are revised accordingly (the last benchmark year was 2006 and the data transmitted in December 2010 is revised from 1995 onwards).

### 5.22.4. National functional classification and compilation methodology

**State:** The expenditure of the General State Account, provided by the Ministry of Finance's Budget General Directorate (DG0), is classified by functions. This classification results from an adaptation of the functional classification used by the International Monetary Fund (1986), which is based on the previous version of COFOG. At National Accounts level, that classification is converted on the new COFOG, according to a conversion table.

**Remaining sectors of Central Government:** each institutional unit is allocated to a function according to its main activity.

**Regional Government:** Budget reporting using a functional classification, based on the previous version of COFOG, is converted into the version of COFOG currently used in the National Accounts.

**Local Government:** The headings regarding expenditure from Municipalities and Civil Parishes accounts are recorded according to the COFOG classification table.

**Social Security Funds:** The headings regarding expenditure from Social Security Funds accounts are recorded according to the COFOG classification table.

Each transaction is classified by function using the correspondent system. There are some items for which it is difficult to allocate the most appropriate function because detailed data are not available to identify different functions or even because the function is unknown. Whenever it is impossible to allocate the right function for the reasons mentioned, the figures are allocated into the function of their institutional unit. The item that is most affected by this problem is the market output.

### 5.22.5. Availability and use of data sources

Sub-sector	Provisional Year n-1		Final Year n-2 or n-3	
	1 <sup>st</sup> level	2 <sup>nd</sup> level	1 <sup>st</sup> level	2 <sup>nd</sup> level
<b>Central Government</b>				
“The State”		A1/U		A1/U
Central government bodies		A3/U		A3/U
Other				
<b>Local Government</b>				
Municipalities		NA3 E		A3/U
Localities		NA3 E		A3/U
Local government bodies		NA3 E		A3/U
Other				
<b>Social Security Funds</b>				
Social Security main unit		NA1 E		A1/U
Social security bodies				
Other				

### 5.22.6. Individual and collective final consumption expenditure

It is respected the breakdown pointed out in this Manual (§ 3.5 Individual and collective final consumption expenditure) related to COFOG Level 2, to split between individual and collective consumption.

Housing services and water supply are industries with all the characteristics of a private product (in terms of private versus public product). However Portugal respects the orientation of this Manual, classifying them as collective consumption.

### 5.22.7. Consumption of fixed capital expenditure

In Portugal a mixed methodology is applied at the moment:

- for branches that comprise multiple functions, it is used Method 6 mentioned on this manual that is, estimations are based on gross fixed capital formation (P.51) by function in a given year for each sub-sector of general government. K.1 by function is then calculated by applying the structure of gross fixed capital formation by function on total K.1 of sub-sectors.
- for branches concentrated in few functions, it is used Method 2, allocating the COFOG classification on the inputs of the model that estimates K.1, according to each sub-sector of general government and each branch.

### 5.22.8. Methodological soundness

No problems reported.

### 5.22.9. One-off transactions

In Portugal the National Health Service was restructured at the end of 2002 when the Government changed the legal status of 31 hospitals from public institutions (SPA) to hospital enterprises whose legal status was a corporation with limited liabilities. In 2005, 5 health care units also joined to the list of hospital corporations that had their status changed into a new legal designation called Entrepreneurial Public Entity (EPE). Since then this process has been carried on. These changes affected the COFOG division for health (07).

### 5.22.10. Multi-purpose functions

If it is possible to split up the item and the nature of the component transactions is known, the item is allocated across the respective functions. Otherwise, the total amount is classified in the most important function in value. Moreover when expenditure relates to a certain first level's function, but it gives rise to several functions that cannot be identified at the detailed level, the whole amount is classified in the n.e.c. class of the respective division.

There are some types of units with two functions. For example, there are units that are both pre-primary schools (whose function is education) and kindergartens (whose function is social action). These units produce only one set of accounts and it is impossible to separate the two functions or even to select the main one. Usually they are allocated to one or another but no specific methodology is used.

### 5.22.11. Other comments

None.

## 5.23. Romania

### 5.23.1. Institutional arrangements

The National Institute of Statistic (NIS) compiles the COFOG statistics. The NIS is responsible for the methodology of expenditure classification and also for compilation of COFOG statistics. The Ministry of Public Finance provides COFOG data.

### 5.23.2. Publication of data on a national level

COFOG 1<sup>st</sup> level data are published in each year in the brochure of Romanian National Accounts, since 2007 (with data starting 2003).

COFOG 2<sup>nd</sup> level data are published in the same publication for year 2007 and 2008 (Education and Defence). The publication is not available on the NIS website.

### 5.23.3. Revisions policy

The revision policy for COFOG statistics is connected with annual national account revision and with the EDP notifications.

The data are transmitted to Eurostat at the end of the each year in accordance with ESA95 Transmission Programme.

### 5.23.4. National functional classification and compilation methodology

The national functional classification is COFOG. The basis of the function classification is detailed accounts of data from the State, Local Government and Social Security Funds.

It is generally possible to relate the expenditure to a specific function.

In the functional classification of expenditures, the most significant are: general public services, defence, public order and safety, education, health, recreation, culture and religion, social protection, housing and community amenities, environmental protection, economic affairs (general economic, commercial and labour affairs, agriculture, forestry fishing and hunting, fuel and energy, mining, manufacturing and construction, transport and communication).

### 5.23.5. Availability and use of data sources

Sub-sector	Provisional Year n-1		Final Year n-2 or n-3	
	1 <sup>st</sup> level	2 <sup>nd</sup> level	1 <sup>st</sup> level	2 <sup>nd</sup> level
<b>Central Government</b>				
"The State"	A1/U	A2/U	A1/U	A2/U
Central government bodies	A1/U	A2/U	A1/U	A2/U
Other:	A1/U	A2/U	A1/U	A2/U
<b>State Government</b>				
State Government main unit	NA/NU	NA/NU	NA/NU	NA/NU
State government bodies	NA/NU	NA/NU	NA/NU	NA/NU
Other	NA/NU	NA/NU	NA/NU	NA/NU
<b>Local Government</b>				
Municipalities	A1/NU	A2/NU	A1/NU	A2/NU
Localities	A1/NU	A2/NU	A1/NU	A2/NU
Local government bodies	A1/U	A2/U	A1/U	A2/U
Other	A1/U	A2/U	A1/U	A2/U
<b>Social Security Funds</b>				
Social Security main unit	NA/NU	NA/NU	NA/NU	NA/NU
Social security bodies	A1/U	A2/U	A1/U	A2/U
Other:	NA/NU	NA/NU	NA/NU	NA/NU

### 5.23.6. Individual and collective final consumption expenditure

No problems reported.

### 5.23.7. Consumption of fixed capital expenditure

Method 2 is used.

Consumption of fixed capital is calculated through the detailed perpetual inventory method (PIM) for each sub-sector of general government sector. This information is then allocated to COFOG based on the structure of gross fixed capital formation.

### 5.23.8. Methodological soundness

The methodology for compiling statistics on central and local government and social security operations is loosely consistent with the statistical framework set out in COFOG. From January 2006 the budgetary Classification was harmonized with the ESA 95 and with the GFS Manual.

Eurostat's consolidation rules are followed.

### 5.23.9. One-off transactions

2004:

- A number of companies have been reclassified from S.11 into S.13 sector, as a result of applying the 50% rule. This reclassification has affected the COFOG division 04 - Economic affairs;
- The sale of UMTS licences classified as a negative K.2 has affected the COFOG division 04 – Economic affairs.

2007, 2008, 2009:

- one-off transactions have been classified in "Other capital transfers" (D.99) and include debt cancellation (Syria and Guinea debt in 2007; Congo and Mozambique debt in 2008; Mongolia debt in 2009) that affected the COFOG division 01- General public services.

### 5.23.10. Multi-purpose functions

No problem has been reported.

### 5.23.11. Other comments

None.

## 5.24. Slovenia

### 5.24.1. Institutional arrangements

COFOG statistics are compiled by the Statistical Office of the Republic of Slovenia. Other institutions participate indirectly by providing data and other information.

### 5.24.2. Publication of data on a national level

The [COFOG data](#) are published annually by the Statistical Office and can be found on its [web site](#).

### 5.24.3. Revisions policy

The data for the latest year and back years are updated once per year in December.

### 5.24.4. National functional classification and compilation methodology

The current version of COFOG is used. National functional classification (function/program) used in budgetary statistics is bridged into the COFOG classification. For indirect budgetary units, COFOG is assigned at unit level regarding activity and other information.

Budgetary statistics are compiled on cash basis and are prepared by the Ministry of Finance monthly. Balances are of central budget, local budgets, health social security fund and pension security fund. For compilation of COFOG statistics, an additional budgetary accounting report is used, i.e. central and local budget<sup>49</sup> transactions by unit, type and by function/program. All budget lines are bridged into COFOG by the Statistical Office. A problem is to assign COFOG for consumption of fixed capital (data at activity level), market output (data at unit level), sales of capital assets<sup>50</sup> and disposals of non-produced non-financial assets.

The data source for indirect budgetary units is annual accounting statements and COFOG is assigned at unit level by the Statistical Office. Quite often the unit carries out more than one function and we divide expenditure of multifunction when possible using additional statistical information, i.e. ESSPROS statistics, national health accounts, national R&D surveys, special analysis have to be included (see 5.24.10).

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<sup>49</sup> Data on local budgets by type and function/program are available from 2007 on.

<sup>50</sup> For sales of capital assets and disposals of non-produced non-financial assets usually COFOG general public service is assigned (013).

### 5.24.5. Availability and use of data sources

Sub-sector	Provisional Year n-1		Final Year n-2 or n-3	
	1 <sup>st</sup> level	2 <sup>nd</sup> level	1 <sup>st</sup> level	2 <sup>nd</sup> level
<b>Central Government</b>				
"The State"		A1/U A3/U		A1/U A3/U
Central government bodies		A3/U		A3/U
Other				
<b>Local Government</b>				
Municipalities		A1/U		A1/U
Localities		A3/U		A3/U
Local government bodies		A3/U		A3/U
Other				
<b>Social Security Funds</b>				
Social Security main unit		A1/U		A1/U
Social security bodies				
Other				

### 5.24.6. Individual and collective final consumption expenditure

Since COFOG data at the second level exist, a split could be made based on COFOG data, but in national accounts we applied a split according to activity. Individual services are activities of education, homes for students and pupils, health, social care activities, recreational, cultural and sporting activities and dwellings activities. Other activities are included in collective services.

The difference between a split based on COFOG and a split based on activity is on average 1% of general government final consumption expenditure.

### 5.24.7. Consumption of fixed capital expenditure

The estimation method is based on detailed perpetual inventory method (PIM) for the general government sector on the basis of values of stocks of fixed assets grouped according to service life. The model is based on a straight line of depreciation, i.e. the assets in each group are depreciated by a constant value each year in the whole service life. The stock of fixed assets at the beginning of 1995 was estimated with a special survey. The data were collected directly from main general government units at central and local level; the PIM model is maintained annually with data on gross fixed capital formation according to the annual statistical survey. The model is estimated and maintained at constant 1995 prices.

The PIM method is used for main activities of central and local government, for all budgetary units, education, health and social work. The cross bridge between activity classification and COFOG has been prepared.

For other units the relevant accounting data of depreciation are used. Accounting data are used for units within research and development, recreational, cultural and sporting activities and also for public funds, agencies and corporations.

### 5.24.8. Methodological soundness

We believe expenditure is correctly allocated to function. Eurostat consolidation rules are applied. Some further improvements in the quality are possible but major revisions are not expected.

### 5.24.9. One-off transactions

2001:

- K.2; -29336 Mio SIT; UMTS; Function economic affairs
- D.92; 23194 Mio SIT; Conversion of claims, capital transfer; Function economic affairs
- D.99; 17306 Mio SIT; Compensation for confiscated property pursuant to abrogation of the penalty of confiscation of property; Function general public services
- D.75; 22932 Mio SIT; Repayment of compensation to victims of war aggression; Function general public services

2001:

- K.2; -122 million "2007 SIT EUR"<sup>51</sup>; UMTS; Function economic affairs (046)
- D.99; 72 million "2007 SIT EUR"; Compensation for confiscated property pursuant to abrogation of the penalty of confiscation of property; Function general public services (011)
- D.75; 96 million "2007 SIT EUR"; Repayment of compensation to victims of war aggression; Function general public services (011)

### 5.24.10. Multi-purpose functions

#### Social protection

When applying COFOG we try to use the same methodological solutions as ESSPROS does. Indirect information was needed to divide pensions by groups. The problem is that national pension categories (old age, disability, survivors) are not the same as ESSPROS categories. ESSPROS old age pension includes national old age<sup>52</sup> pensions and also disability pensions to persons above the "retirement age". We received the relevant pension information from the pension database kept by the Statistical Office (individual information).

#### Health care

COFOG codes are assigned for the health care providers at the unit level, which could actually perform several functions (the same division but different groups). The problem could be solved by indirect estimation only. In the last couple of years the Statistical Office has managed to establish an additional data source from the Health Social Security Fund. We have information on amounts, reasons and recipients of all transactions on yearly basis (from 2003 on). The database was established in the process of preparing health accounts. Each transaction in the database is classified according to the Functional Classification of Health Care (ICHA-HC) and the Classification of Health Care Providers (ICHA-HP) defined in the System of Health Accounts. We also bridged data classified by ICHA-HC to the COFOG classification. The results show that expenditure for units with the main activities outpatient services and hospital services have to be divided into more functions.

#### Education

The first problem regards pre-school education. Kindergartens educate and care for children, they take care of nursing and nutrition and they are intended for children from age 1 to entering elementary school. Two general forms exist, for the first age group (1-3 years) and for the second age group (3-6 years). ISCED was applied by the decision that the first age group is a part of social protection division and the second age group is a part of education. Because of that the expenditure for kindergartens has to be divided. Estimation was made considering the price of programme and considering the number of children in each age group.

<sup>51</sup> Estimated at the fixed exchange rate of 239.64 SIT/EUR.

<sup>52</sup> Before 2006 ESSPROS old age pension includes also national survivors' pensions to persons above the "retirement age". Because of that we have a break in COFOG data in 2006, i.e. lower expenditure for old age and higher expenditure for survivors.

The second problem concerns expenditure of national basic education, which according to ISCED belongs into primary and lower secondary education. To divide expenditure of elementary schools, the numbers of employed teachers in each grade were used.

### **Research and development**

Research and development is connected with all COFOG divisions. We consider results from the national R&D survey for all units from the general government sector with activities research and development and tertiary education. The data on research and development are collected every year by statistical questionnaires. Reporting units are public research institutions, public higher education institutes and research organisation according to the law. The survey is based on the international Frascati methodology. From the survey we consider data on scope and goals, i.e. data classified by the Field of Science and Technology Classification and by the Nomenclature for the Analysis and Comparison of Scientific Programmes and Budgets. For all reported research the COFOG codes are assigned. In the second step the information on turnover from research for each COFOG was determined (for the unit) and compared with the turnover for the whole unit and relevant shares were calculated. The determined shares for assigned COFOG are than applied to all ESA95 expenditure categories for that unit.

#### **5.24.11. Other comments**

None.

## 5.25. Slovakia

### 5.25.1. Institutional arrangements

The Statistical Office of the Slovak Republic produces the COFOG statistics.

### 5.25.2. Publication of data on a national level

The COFOG data are not currently published by the Statistical Office.

### 5.25.3. Revisions policy

All COFOG data are revised once a year to comply with the latest data of table T0200.

### 5.25.4. National functional classification and compilation methodology

The Slovak COFOG classification has been used since 2003. There are four levels in it. The first 3 levels are fully in compliance with version of COFOG presented by Eurostat. The COFOG classification is used by all institutions in the general government sector.

COFOG data for Slovak Republic were compiled for the first time in 2004. Data were compiled for both COFOG levels for 2003 only. Backward data for 2002 – 1995 were compiled by structure after bilateral consultations with Eurostat.

Nowadays the COFOG data are compiled for both levels for previous year always; backward data are revised every year if case of need.

### 5.25.5. Availability and use of data sources

Sub-sector	Provisional Year		Final Year	
	1 <sup>st</sup> level	2 <sup>nd</sup> level	1 <sup>st</sup> level	2 <sup>nd</sup> level
<b>Central Government</b>				
“The State”	A1/U	A1/U	A1/U	A1/U
Central government bodies	A1/U	A1/U	A1/U	A1/U
Other	A1/U	A1/U	A3/U	A3/U
<b>Local Government</b>				
Municipalities	A1/U	A1/U	A1/U	A1/U
Localities	A1/U	A1/U	A1/U	A1/U
Local government bodies	A1/U	A1/U	A1/U	A1/U
Other				
<b>Social Security Funds</b>				
Social Security main unit	A1/U	A1/U	A1/U	A1/U
Social security bodies	A1/U	A1/U	A1/U	A1/U
Other				

#### Sub-sector breakdown used in the table (situation as of 2009)

##### Central Government

The State – State budgetary organisations

Central government bodies – State subsidised organisations (50% criterion) and State funds (i.e. Environmentalny fond, Statny fond rozvoja byvania, Narodny jadrovny fond)

Other - National Property Fund of the Slovak Republic (Fond narodneho majetku Slovenskej republiky), Slovenska konsolidacna a.s., The Slovak Land Fund (Slovensky pozemkovy fond), Public universities (Verejne vysoke skoly), Health Care Surveillance Authority (Urad pre dohlad nad zdravotnou starostlivostou), Nation's Memory Institute (Ustav pamati naroda), Slovak National Centre for Human Rights (Slovenske narodne stredisko pre ludske prava), Slovak Television (Slovenska televizia), Slovak Radio (Slovensky rozhlas), Audit Performance Surveillance Authority (Urad pre dohlad nad vykonom auditu), The News Agency of the Slovak Republic (Tlacova agentura Slovenskej republiky), Audiovizualny fond.

### **Local Government**

Municipalities – Municipalities

Localities – Higher territorial units

Local government bodies – Budgetary organisations administered by municipalities, subsidised organisations administered by municipalities, budgetary organisations administered by higher territorial units, subsidised organisations administered by higher territorial units.

### **Social Security Funds**

Social Security main unit – Social Insurance Company

Social security bodies – Health insurance companies

### **5.25.6. Individual and collective final consumption expenditure**

No problems reported.

### **5.25.7. Consumption of fixed capital expenditure**

“Method 2”. Detailed PIM is applied to each sub-sector of general government sector, which involves maintaining fixed assets and branches. This information is then bridged with COFOG functions.

### **5.25.8. Methodological soundness**

COFOG classification is included in accounting statements however there are still difficulties with correct allocating under COFOG by data providers (see 5.25.10). We intend to analyse this issue in more detailed way.

### **5.25.9. One-off transactions**

Data are still compiled on experimental basis because of data accuracy mistakes in data sources for some COFOG groups. We solve this problem by consultations with data providers. So at present it is not possible to provide any details of one-off transactions affecting COFOG time series.

### **5.25.10. Multi-purpose functions**

This issue needs more detailed analysis. In some cases all expenditures of the unit are assigned in accounting statements only to one COFOG code (according to the unit's main activity), despite the unit has various expenditures. In our opinion these expenditures should be assigned to different COFOG codes. SO SR discusses this issue with data providers.

### **5.25.11. Other comments**

COFOG data (both levels) are compiled in full compliance with data of table T0200. Some problems exist in source data which are solved continuously by consultations with data providers.

## 5.26. Finland

### 5.26.1. Institutional arrangements

The COFOG statistics are produced by Statistics Finland.

### 5.26.2. Publication of data on a national level

The [COFOG analysis](#) is published annually by the statistical office.

### 5.26.3. Revisions policy

The data for the latest year are updated once a year. Previous years are revised at the same time if needed, depending on the revisions in national accounts.

### 5.26.4. National functional classification and compilation methodology

The data concerning central government sector are in line with the COFOG divisions. The ministerial offices that are included in division 1 are the offices of Parliament, Ministry for Foreign Affairs, Ministry of Finance, State Provincial Offices, Government Institute for Economic Research, State Treasury, Tax Administration, Customs and Statistics Finland.

Transfers of a general character from central to local government cannot be classified according to their function and are included in sub-division 1.8.

Other land rents and indemnity insurance costs cannot be assigned to a specific function, but the amounts are insignificant.

For the central government sector S.1311 the classification according to function is made using the State's bookkeeping data and examining it at the most detailed level possible.

The Ministry of Social Affairs and Health cannot be divided between the divisions *Health* (7) and *Social protection* (10), and accordingly the ministry is as a whole classified into the division 10.

The functional codification used in local government statistics on financial statements differs from COFOG. It was created for many other purposes besides national accounting.

### 5.26.5. Availability and use of data sources

	Provisional Year n-1		Final Year n-2 or n-3	
	1 <sup>st</sup> level	2 <sup>nd</sup> level	1 <sup>st</sup> level	2 <sup>nd</sup> level
<b>Sub-sector</b>				
<b>Central Government</b>				
“The State”	A1/U	A1/U	A1/U	A1/U
Central government bodies (Extra-budgetary funds)	A3/U	A3/U	A3/U	A3/U
Other				
<b>Local Government</b>				
Municipalities	A2/U	A2/U	A2/U	A2/U
Localities				
Local government bodies	A2/U	A2/U	A2/U	A2/U
Other				
<b>Social Security Funds</b>				
Social Security main unit	A2/U	A2/U	A2/U	A2/U
Social security bodies	A3/U	A3/U	A3/U	A3/U
Other				

### **5.26.6. Individual and collective final consumption expenditure**

Final consumption expenditures (P.3) of individual vs. collective goods and services are not reconciled to table 11.

The data on final consumption expenditure (P.3) in general government sector is divided between individual and collective goods and services using the industrial classification in national accounts. Individual consumption is the final consumption expenditure of the industries: education, human health activities, veterinary activities, social work activities and recreational, and cultural and sporting activities. The two approaches (COFOG and industrial) don't give exactly the same results, because of e.g. veterinary activities (collective consumption in COFOG).

The industrial classification is used to separate individual and collective consumption because this division is needed in July (t+1) but the COFOG data are not available until the end of the year (t+1).

### **5.26.7. Consumption of fixed capital expenditure**

Method 2.

The "straight line" method is used, i.e. the value of a fixed asset is written off at a constant rate over the whole lifetime of the commodity. The Perpetual

Inventory Method (PIM) for calculating the stock of fixed assets uses long series of gross fixed capital formation (from 1975), price indices, and assumptions of service lives, survival/mortality functions and depreciation patterns.

### **5.26.8. Methodological soundness**

Eurostat method is used for consolidation.

### **5.26.9. One-off transactions**

There are no large one-off transactions in the years 1998-2008 affecting COFOG time series.

### **5.26.10. Multi-purpose functions**

For the central government sector S.1311 the classification according to function is made using the states bookkeeping data at as detailed level as possible. However, we are not able to divide the Ministry of Social Affairs and Health between the divisions *Health* (7) and *Social protection* (10), and accordingly the ministry is as a whole classified into the division 10. The total amount of the ministry's expenditure that is not distributable between the two divisions is around 30 million euro.

### **5.26.11. Other comments**

None.

## 5.27. Sweden

### 5.27.1. Institutional arrangements

Statistics Sweden compiles the COFOG statistics.

The General Government sector in Sweden consists of central government and local government. The Local Government sector consists of municipalities, county councils, municipal associations and municipally owned non-commercial organisations.

Statistics Sweden collects annual reports from municipalities, county councils and municipal associations where expenditures and incomes for each activity are reported. National Accounts division translates each activity to a suitable COFOG function.

The Swedish National Financial Management Authority collects information from central government authorities and provides data by transaction and COFOG function.

### 5.27.2. Publication of data on a national level

The [COFOG analysis](#) is published annually on the first level of COFOG by the statistical office.

### 5.27.3. Revisions policy

In November of year t provisional annual accounts are published for the year t-1. This is the first time the annual reports from county councils, municipalities and municipal associations are used for calculating totals. COFOG at current prices is also calculated in November for the year t-1. The annual reports are final data resources.

In November year t +1 yearly account are calculated and published for the year t-1 at COFOG second level. Some small revisions are made in current prices due to FISIM and some statistics concerning municipally owned non-commercial organisations. Also D73 transfers from the central government sector to local government sector may be revised. At this time COFOG at constant prices is calculated.

No more updates are made unless national accounts division has decided to implement new statistics in a general revision. The latest general revision took place in 2010 and it affected the COFOG figures as well as the totals for the government sector.

### 5.27.4. National functional classification and compilation methodology

The present version of COFOG is used.

Statistics Sweden collects annual reports for all municipalities, county councils and municipal associations once a year where expenditures and incomes are reported for each activity. Calculations at COFOG level are based on these reports.

For central government each part of the national budget is connected with a certain function and so is the outcome of the budget. Even revenues are connected with a certain function.

All interest is classified to COFOG 0170, except for interest relating to the Premium pensions system, which is classified to COFOG 1021.

There is no difference in the compilation practices between levels I and II.

### 5.27.5. Availability and use of data sources

Sub-sector	Provisional Year n-1		Final Year n-2 or n-3	
	1 <sup>st</sup> level	2 <sup>nd</sup> level	1 <sup>st</sup> level	2 <sup>nd</sup> level
<b>Central Government</b>				
"The State"				
Central government bodies	A1/U	A1/U	A1/U	A1/U
Other				
<b>Local Government</b>				
Municipalities	A1/U	A1/U	A1/U	A1/U
County councils	A1/U	A1/U	A1/U	A1/U
Municipal associations	A1/U	A1/U	A1/U	A1/U
Other			A1/U	A1/U
<b>Social Security Funds</b>				
Social Security main unit	A1/U	A1/U	A1/U	A1/U
Social security bodies				
Other				

### 5.27.6. Individual and collective final consumption expenditure

The allocation of individual and collective final consumption is based on COFOG.

### 5.27.7. Consumption of fixed capital expenditure

Sweden uses a detailed perpetual inventory method (PIM) for each sub-sector of general government on a semi-detailed level (approximately 20) of functions (COFOG). For further breakdown on detailed functions, the same structure as gross fixed capital formation is used for each sub-sector.

### 5.27.8. Methodological soundness

Eurostat's preferred consolidation method is applied.

### 5.27.9. One-off transactions

None reported.

### 5.27.10. Multi-purpose functions

The method of the most important function is used. For example health care within schools is included in education and waste water management (COFOG 052) is included in water supply (COFOG 063). We do not have the amounts available.

### 5.27.11. Other comments

None.

## 5.28. United Kingdom

### 5.28.1. Institutional arrangements

#### Central Government

Central Government sub-sector data are collected from government departments by the UK's economics and finance ministry (HM Treasury). The information was collected according to the concepts of Generally Accepted Accounting Practice (GAAP) in the UK, with further breakdowns required for monitoring departmental budgets and for compiling national accounts. From 2009-10 the information has been collected according to International Financial Reporting Standards (IFRS). Departmental annual accounts, ESA95 transactions, and COFOG detail, are all derived from the same dataset.

The finance ministry is responsible for the quality of the COFOG information, although it works closely with the supplying departments to ensure the best allocation has been made.

Functional information is currently provided at Level 2 COFOG, with more detailed sub-sets available in certain functional areas, notably with respect to Economic Affairs and Social Protection. The UK statistical office processes the data and checks quality and consistency with ESA95 standards.

#### Local Government

The Local Government sub-sector data are collected and published by the government departments responsible for the respective territories. In England, this is the Department for Communities and Local Government; in Scotland the Scottish Executive; and in Wales the Welsh Assembly Government. The Northern Ireland Executive reports directly to the UK finance ministry.

Data supplied are detailed expenditure on services provided by local authorities. The data are collected for a number of policy and accounting purposes. It is allocated to COFOG Level 2 categories by the UK statistical office, which is responsible for ensuring that the local government data can be converted to the ESA95 accounting standard.

### 5.28.2. Publication of data on a national level

The complete UK COFOG datasets for local government, central government and general government are available on the UK Office for National Statistics' website under the title "[ESA Table 11](#)". The tables provide cross tabulations of COFOG data by ESA transaction area. All data are presented by calendar year in terms of Level 2 COFOG and relate to 1996 onwards.

An alternative presentation of UK COFOG data can be found on the HM Treasury's website within their Public Expenditure Statistical Analyses ([PESA](#)) publication. Tables within this document present the Level 2 COFOG data for total public sector expenditure, as well as breakdowns by sector (i.e. local government, central government and public corporations), budgetary groupings and UK regions. Data are presented by fiscal year in terms of Level 2 COFOG and relate to 1999-00 onwards.

### 5.28.3. Revisions policy

The COFOG dataset is updated in its entirety once a year ready for the Table 1100 transmission to Eurostat in December. A number of subsets such as final consumption and subsidies are updated in March, June, September and December.

The data for the previous year can be updated each time quarterly accounts are produced for the current year. Revisions to earlier years can be made when there is a compelling case for change. This means that in principle data could be changed for years as far back as 1946 when the national accounts series begin. Such a change would usually only occur when a new system of accounts is introduced, or when an institutional entity is re-classified in or out of government. Normally revisions are restricted to the last few years.

#### 5.28.4. National functional classification and compilation methodology

UK Central Government expenditure is broken into several thousand different programmes and in the main these are at a low enough level to assign to COFOG category at the sub-division level. In a small number of cases it is not possible to assign a programme to a specific COFOG sub-division and so the expenditure for the programme is split between two COFOG sub-divisions.

For local government, most expenditure is classified by the supplier according to the type of service provided. These generally fit well with the COFOG categories.

Areas that are difficult to assign are property income (D4) and Net non-life insurance premia (D71).

Debt interest (D41) is not collected by functional category and is currently assumed for central government to relate to public debt transactions (COFOG 01.7) and for local government to relate to general services (COFOG 01.3). Net non-life insurance premia (D71) is an imputed transaction and derived from insurance surveys. Currently, the COFOG split of D71 is derived by proxy from other COFOG current expenditure data.

One other area where it is difficult to assign functional categories is Health expenditure. Currently the UK Department of Health is unable to provide a breakdown of their expenditure which fits into COFOG categories. Therefore, all expenditure for the Department of Health which is not broken down by COFOG is assumed by the Office for National Statistics to relate to hospital services (COFOG 07.3).

#### 5.28.5. Availability and use of data sources

Sub-sector	Provisional		Final	
	Year n-1	1 <sup>st</sup> level	1 <sup>st</sup> level	2 <sup>nd</sup> level
<b>Central Government</b>				
"The State"				
Central government bodies				
Other:	A1/U	A1/U	A1/U	A1/U
<b>Local Government</b>				
Municipalities				
Localities				
Local government bodies				
Other	(A3/E)/U	(A3/E)/U	A3/U	A3/U

#### 5.28.6. Individual and collective final consumption expenditure

No problems reported.

#### 5.28.7. Consumption of fixed capital expenditure

Method 2

#### 5.28.8. Methodological soundness

Full consolidation is carried out on sub-sector data in all relevant ESA transaction areas.

There is a problem with the use made of Local Government data allocated to 01 General Public Services for P.2 Intermediate Consumption. The figures are negative for some time periods. This seems to be because local authorities assign many overheads, such as payroll taxes, to the 01 General Public Services heading.

### **5.28.9. One-off transactions**

None.

### **5.28.10. Multi-purpose functions**

For Central Government a small number of expenditure programmes are split between two COFOG sub-divisions, but in general all programmes can be satisfactorily allocated to the COFOG sub-division relating to their predominant function.

For local government, we adhere to the top 10 divisional categories and below there are functional categories but they do not normally meet the COFOG classification as they are designed for other purposes.

### **5.28.11. Other comments**

None.

## 5.29. Iceland

### 5.29.1. Institutional arrangements

Statistics Iceland compiles the COFOG statistics.

### 5.29.2. Publication of data on a national level

COFOG data are not published on Statistics Iceland website. COFOG 1<sup>st</sup> and 2<sup>nd</sup> level data government total outlays by functions (COFOG) are published in pamphlets.

### 5.29.3. Revisions policy

The revision policy for COFOG statistics is connected with update of the COFOG standards.

The data are transmitted to Eurostat at the end of each year according with ESA 95 Transmission Programme.

### 5.29.4. National functional classification and compilation methodology

No information provided.

### 5.29.5. Availability and use of data sources

Sub-sector	Provisional Year n-1		Final Year n-2 or n-3	
	1 <sup>st</sup> level	2 <sup>nd</sup> level	1 <sup>st</sup> level	2 <sup>nd</sup> level
<b>Central Government</b>				
“The State”		NA		
Central government bodies		A3	FINAL	
Other:		NA		
<b>State Government</b>				
State Government main unit		NA		
State government bodies		NA		
Other		NA		
<b>Local Government</b>				
Municipalities		A3	FINAL	
Localities		NA		
Local government bodies		NA		
Other		NA		
<b>Social Security Funds</b>				
Social Security main unit		A1	FINAL	
Social security bodies		A1	FINAL	
Other:		NA		

### 5.29.6. Individual and collective final consumption expenditure

The split between individual and collective final consumption expenditure is easy to calculate from the COFOG data which are derived from administrative accounting data.

**5.29.7. Consumption of fixed capital expenditure**

No information provided.

**5.29.8. Methodological soundness**

No information provided.

**5.29.9. One-off transactions**

None reported.

**5.29.10. Multi-purpose functions**

No problem has been reported.

**5.29.11. Other comments**

None.

## 5.30. Norway

### 5.30.1. Institutional arrangements

The COFOG statistics are produced by the Division for Public Finances at Statistics Norway (SN). No other institutions participate directly in the compilation of COFOG-statistics. The general government sector in Norway consists of the central government and the local government sector.

The central government sector consists of the central government fiscal account, including the National Insurance Scheme, and extra-budgetary units such as public hospitals and universities and university colleges.

The local government sector consists of municipalities, county authorities, joint parish councils and non-market corporations classified within local government.

### 5.30.2. Publication of data on a national level

Annual data for [COFOG I](#) and [COFOG II](#) are published by Statistics Norway.

### 5.30.3. Revisions policy

Provisional revenue and expenditure, including COFOG 1<sup>st</sup> and 2<sup>nd</sup> level data, for general government and subsectors are published for the year t-1 in March of year t. Annual reports from municipalities, county authorities, joint parish councils and non-market corporations classified within local government are used. When data for some units are missing, they are estimated by Statistics Norway. For the central government, the final report for the budgetary account is utilised. With regard to extra-budgetary units, reports from the largest units are collected, while estimations are applied for the remaining units.

In November year t a full set of government unit accounts are collected. As a result, revised figures of the government sector revenue and expenditure are published. A final revision of year t-1 is published in year t+1.

No more updates are made except for main revisions. Such a revision is going to take place in 2011. This might affect the COFOG figures as well as the totals for the government sector. The revised figures will be published in the end of November.

The COFOG figures are published in current prices only.

The data are transmitted to EUROSTAT at the end of the each year according to the ESA 95 transmission programme.

### 5.30.4. National functional classification and compilation methodology

#### Central government

The budgetary sector account is classified into chapters (each government unit has its own chapter) and type of expenditure. This is the basis of the COFOG distribution, where each chapter is linked to the appropriate COFOG function. When further details are required, more information is collected from the responsible Ministry.

Extra budgetary units, except public hospitals, do not report data according to COFOG classification. Each unit is therefore linked to an appropriate COFOG function, based on judgement. For public hospitals, expenditure is reported according to activity, and each activity is then linked to the relevant COFOG function.

Other divisions at Statistics Norway also contribute to the distribution of expenditures to appropriate COFOG groups, e.g. the Division of environmental statistics, the Division of education statistics and the Division for health statistics.

#### Local government

Statistics Norway collects annual reports from the local government sector on standardized forms. Transactions are reported for each activity according to the local government chart of accounts ([KOSTRA](#)). Statistics Norway bridges each activity to a suitable COFOG function.

### 5.30.5. Availability and use of data sources

Sub-sector	Provisional Year n-1		Final Year n-2 or n-3	
	1 <sup>st</sup> level	2 <sup>nd</sup> level	1 <sup>st</sup> level	2 <sup>nd</sup> level
<b>Central Government</b>				
Budgetary sector inclusive the National Insurance Scheme	A3/U	A3/U	A3/U	A3/U
Central government extra-budgetary units except public hospitals	A3/U	A3/U	A3/U	A3/U
Public hospitals	A1/U	A1/U	A1/U	A1/U
<b>Local Government</b>				
Municipalities	A1/U	A1/U	A1/U	A1/U
County authorities	A1/U	A1/U	A1/U	A1/U
Joint parish councils	A1/U	A1/U	A1/U	A1/U
Non-market corporations classified within Local Government Other	A1/U	A1/U	A1/U	A1/U

### 5.30.6. Individual and collective final consumption expenditure

The calculation of individual and collective final consumption is done based on COFOG 3<sup>rd</sup> level.

### 5.30.7. Consumption of fixed capital expenditure

Method 2 is used.

### 5.30.8. Methodological soundness

The COFOG figures are consistent with ESSPROS, but not with ISCED-97.

D4 is not consolidated between the subsectors of general government. D7 is consolidated. For D9 no transfers are recorded between the subsectors.

Some small negative values have been observed. This is mainly due to reimbursements being higher than expenditure for a given COFOG function. This is caused by inaccurate time of recording due to cash principle being used by budgetary units.

### 5.30.9. One-off transactions

None reported.

### 5.30.10. Multi-purpose functions

Expenditure to universities and colleges: Ideally these should be split between R&D functions and education (09.04). These are all recorded as education, due to lack of data.

Expenditure to primary and lower secondary school should be divided into groups 09.01 and 09.02. We are lacking the data to do so, and have therefore assigned all expenditure to group 09.01.

Local government expenditure to home-based care for elderly and disabled persons is assigned for its total amount to COFOG group 10.01, corresponding to sickness and disability. The split between this group and "old age", group 10.02, is not possible.

#### 5.30.11. Other comments

None.

## 5.31. Switzerland

### 5.31.1. Institutional arrangements

The National Accounts Division of the Swiss Federal Statistical Office is responsible for the COFOG statistics using data collected and provided by the Federal Finance Administration (FFA). There are no other institutions involved in the collection and compilation process.

### 5.31.2. Publication of data on a national level

[COFOG 1<sup>st</sup> level data](#) are published annually at the end of April by the Swiss Federal Statistical Office.

### 5.31.3. Revisions policy

The Table 11, Expenditure of General Government by function, is transmitted to EUROSTAT at the end of the each year (t+12 months) according to the ESA 95 Transmission Program.

The revision policy for COFOG statistics is connected with annual national accounts revisions. Initial results for the latest year (t) are calculated in August (t+8 months). The data of the last two years are updated then in t+18 months and t+30 months.

### 5.31.4. National functional classification and compilation methodology

The Federal Finance Administration (FFA) provides the Statistical Office a cross-table where the expenditures and the revenues are allocated to a function code, following the national classification, which is in line with the COFOG.

The Swiss functional classification contains 10 groups. Each of these groups is split into sub-groups with a 3-digit code. The Statistical Office created a bridge between the functional classification of the FFA and the COFOG. Social security funds sector (S.1314) is totally allocated to COFOG division 10 "Social protection".

The Federal Finance Administration (FFA) provides the Statistical Office a cross-table where the expenditures and the revenues are allocated to a function code, following the national classification, which is in line with the COFOG.

The Statistical Office uses FFA data and some external sources to calculate the General government accounts. The external sources are allocated to a specific function. Using FFA cross-table and the allocation of the external sources, the Statistical Office calculates a percentage per function. The percentages obtained are applied to the ESA95 aggregates in order to split the ESA95 economic categories per COFOG function.

For the year t, Central government COFOG data are compiled using the actual structure of year t. On the other hand, for State and Local government, the structure observed in year t-1 has to be used because of the lack of actual functional data for the year t.

### 5.31.5. Availability and use of data sources

	Provisional Year n-1		Final Year n-2 or n-3	
	1 <sup>st</sup> level	2 <sup>nd</sup> level	1 <sup>st</sup> level	2 <sup>nd</sup> level
<b>Sub-sector</b>				
<b>Central Government</b>				
"The State"	A2/U	NA	A2/U	NA
Central government bodies	A2/U	NA	A2/U	NA
Other:				
<b>State Government</b>				
State Government main unit	E	NA	A2/U	NA
State government bodies	E	NA	A2/U	NA
Other				
<b>Local Government</b>				
Municipalities	E	NA	A2/U	NA
Localities				
Local government bodies	E	NA	A2/U	NA
Other				
<b>Social Security Funds</b>				
Social Security main unit		NA		NA
Social security bodies <sup>53</sup>	A3/U	NA	A3/U	NA
Other:				

### 5.31.6. Individual and collective final consumption expenditure

The breakdown of final consumption expenditure (P.3) between individual (P.31) and collective (P.32) consumption expenditure is made as follows:

- Individual consumption expenditure (P.31): functions COFOG 01 to 06
- Collective consumption expenditure (P.32): functions COFOG 07 to 10

The Table 0200 of the ESA95 transmission programme is compiled in t+8 months (August). At this stage, the breakdown between P.31 and P.32 is provisional, because based on the functional structure of previous year (for S.1311) and of year t-2 (for S.1312 and S.1313). Social security funds are always totally allocated to the function 10 of the COFOG. When compiling Table 11 in t+12 months, the individual/collective distinction is refined thanks to the integration of new sources, namely data for the year t for S.1311 and data for the year t-1 for S.1312 and S.1313. The new breakdown will then be included in Table 2 in t+18 months (June).

Consistency with Table 2 can be granted only in t+30 months (June).

<sup>53</sup> Social security funds are totally allocated to COFOG function 10 "Social protection".

### 5.31.7. Consumption of fixed capital expenditure

Method 6 is used.

### 5.31.8. Methodological soundness

Eurostat's consolidation rules are applied, apart from D.4. The data are consolidated as required by Table 2.

When source data are not available on time, estimates are based on previous year's source data.

Aspects of COFOG compilation that need to be improved to increase the quality of the results:

- to publish a time-series COFOG statistics from 2005
- to publish COFOG 2<sup>nd</sup> level data

### 5.31.9. One-off transactions

One-off transactions affecting COFOG time series are listed in the following table.

Period	Transaction	Description	COFOG code	Sub-sectors involved
2007	D.99	In year 2007, the central government decided to transfer 7 billion CHF resulting from the proceeds from the sale of the 1,300 tonnes of gold, to the Swiss Federal Social Security Fund and Survivors Insurance in order to cover losses accumulated over several years.	10	S.1311 S.1314
2008	D.73 D.3	Due to the new government finance statistics introduced in year 2008, the regular transfer of 2 billion CHF from S.1312 to S.1313 (D.73) for health purposes is now recorded directly as a transfer from S.1312 to the private health sector (D.3 to S.11).	07	S.1312 S.1313
2008	D.73 D.6313	Due to the 2008 Reorganisation of the Financial Equalization and Task Allocation, some tasks of the Social security funds (S.1314) have been shifted to the Cantons (S.1312). In the previous years the state government financed with regular transfers the Social security funds sector (D.73 for about 3.2 billion CHF), but since 2008 the state government finances directly the private institutions (D.6313 for about 1.7 billion CHF).	10	S.1312 S.1314
2008	D.99	Due to the 2008 Reorganisation of the Financial Equalization and Task Allocation, the National highways are now under the sovereignty of the Confederation (S.1311) and not of the Cantons anymore. Therefore, from 2008 onward, the central government doesn't pay the regular transfer (D.99) for highways maintenance and construction of about 1.8 billion CHF anymore.	04	S.1311 S.1312

### 5.31.10. Multi-purpose functions

The cross-tables by function and type of expenditure/revenue created by the Federal Finance Administration (FFA) are used.

### 5.31.11. Other comments

The growth rates 2007/2008 are affected by two important changes in 2008:

- Reorganisation of the Financial Equalization and Task Allocation, which implies a reallocation of tasks between government sub-sectors.
- Introduction of the new Government finance statistics: our source saw a complete overhaul, with all data being recorded, processed and evaluated in line with the new accounting models of the Confederation (NAM) and the Cantons (HRM2).

## 6. Appendix: COFOG 1999

The Classification of the Functions of Government (COFOG) was developed by the Organization for Economic Cooperation and Development and published by the United Nations Statistical Division. It can be applied to government expense and the net acquisition of non-financial assets. COFOG has three levels of detail: Divisions, Groups, and Classes. The Divisions could be seen as the broad objectives of government, while the Groups and Classes detail the means by which these broad objectives are achieved. The initials "CS" or "IS" follow the title of each Class in parentheses to indicate whether the services produced by general government units and included in this Class are collective or individual services.

### **01 - General public services**

- 01.1 - Executive and legislative organs, financial and fiscal affairs, external affairs
- 01.2 - Foreign economic aid
- 01.3 - General services
- 01.4 - Basic research
- 01.5 - R&D General public services
- 01.6 - General public services n.e.c.
- 01.7 - Public debt transactions
- 01.8 - Transfers of a general character between different levels of government

### **02 - Defence**

- 02.1 - Military defence
- 02.2 - Civil defence
- 02.3 - Foreign military aid
- 02.4 - R&D Defence
- 02.5 - Defence n.e.c.

### **03 - Public order and safety**

- 03.1 - Police services
- 03.2 - Fire-protection services
- 03.3 - Law courts
- 03.4 - Prisons
- 03.5 - R&D Public order and safety
- 03.6 - Public order and safety n.e.c.

### **04 - Economic affairs**

- 04.1 - General economic, commercial and labour affairs
- 04.2 - Agriculture, forestry, fishing and hunting
- 04.3 - Fuel and energy
- 04.4 - Mining, manufacturing and construction
- 04.5 - Transport
- 04.6 - Communication
- 04.7 - Other industries
- 04.8 - R&D Economic affairs
- 04.9 - Economic affairs n.e.c.

### **05 - Environmental protection**

- 05.1 - Waste management
- 05.2 - Waste water management
- 05.3 - Pollution abatement
- 05.4 - Protection of biodiversity and landscape
- 05.5 - R&D Environmental protection
- 05.6 - Environmental protection n.e.c.

**06 - Housing and community amenities**

- 06.1 - Housing development
- 06.2 - Community development
- 06.3 - Water supply
- 06.4 - Street lighting
- 06.5 - R&D Housing and community amenities
- 06.6 - Housing and community amenities n.e.c.

**07 - Health**

- 07.1 - Medical products, appliances and equipment
- 07.2 - Outpatient services
- 07.3 - Hospital services
- 07.4 - Public health services
- 07.5 - R&D Health
- 07.6 - Health n.e.c.

**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.

**09 - Education**

- 09.1 - Pre-primary and primary education
- 09.2 - Secondary education
- 09.3 - Post-secondary non-tertiary education
- 09.4 - Tertiary education
- 09.5 - Education not definable by level
- 09.6 - Subsidiary services to education
- 09.7 - R&D Education
- 09.8 - Education n.e.c.

**10 - Social protection**

- 10.1 - Sickness and disability
- 10.2 - Old age
- 10.3 - Survivors
- 10.4 - Family and children
- 10.5 - Unemployment
- 10.6 - Housing
- 10.7 - Social exclusion n.e.c.
- 10.8 - R&D Social protection
- 10.9 - Social protection n.e.c.

## **01. GENERAL PUBLIC SERVICES**

### **01.1 EXECUTIVE AND LEGISLATIVE ORGANS, FINANCIAL AND FISCAL AFFAIRS, EXTERNAL AFFAIRS**

#### **01.11 Executive and legislative organs (CS)**

Administration, operation or support of executive and legislative organs.

Includes: office of the chief executive at all levels of government - office of the monarch, governor general, president, prime minister, governor, mayor, etc.; legislative bodies at all levels of government, parliaments, chambers of deputies, senates, assemblies, town councils, etc.; advisory, administrative and political staffs attached to chief executive offices and legislatures; libraries and other reference services serving mainly executive and legislative organs; physical amenities provided to the chief executive, the legislature and their aides; permanent or ad hoc commissions and committees created by or acting on behalf of the chief executive or legislature.

Excludes: ministerial offices, offices of heads of departments of local governments, interdepartmental committees, etc. concerned with a specific function (classified according to function).

#### **01.12 Financial and fiscal affairs (CS)**

Administration of financial and fiscal affairs and services; management of public funds and public debt; operation of taxation schemes; operation of the treasury or ministry of finance, the budget office, the inland revenue agency, the customs authorities, the accounting and auditing services; production and dissemination of general information, technical documentation and statistics on financial and fiscal affairs and services.

Includes: financial and fiscal affairs and services at all levels of government.

Excludes: underwriting or flotation charges and interest payments on government loans (01.70); supervision of the banking industry (04.11).

#### **01.13 External affairs (CS)**

Administration of external affairs and services; operation of the ministry of external affairs and diplomatic and consular missions stationed abroad or at offices of international organizations; operation or support of information and cultural services for distribution beyond national boundaries; operation or support of libraries, reading rooms and reference services located abroad; regular subscriptions and special contributions to meet general operating expenses of international organizations.

Excludes: economic aid to developing countries and countries in transition (01.21); economic aid missions accredited to foreign governments (01.21); contributions to aid programs administered by international or regional organizations (01.22); military units stationed abroad (02.10); military aid to foreign countries (02.30); general foreign economic and commercial affairs (04.11); tourism affairs and services (04.73).

## **01.2 FOREIGN ECONOMIC AID**

### **01.21 Economic aid to developing countries and countries in transition (CS)**

Administration of economic cooperation with developing countries and countries in transition; operation of economic aid missions accredited to foreign governments; operation or support of technical assistance programs, training programs and fellowship and scholarship schemes; economic aid in the form of grants (in cash or in kind) or loans (regardless of interest charged).

Excludes: contributions to economic development funds administered by international or regional organizations (01.22); military aid to foreign countries (02.30).

#### **01.22 Economic aid routed through international organizations (CS)**

Administration of economic aid routed through international organizations; contributions in cash or in kind to economic development funds administered by international, regional or other multinational organizations.

Excludes: aid to international peacekeeping operations (02.30).

### **01.3 GENERAL SERVICES**

This group covers services that are not connected with a specific function and which are usually undertaken by central offices at the various levels of government. It also covers those services connected with a particular function that are undertaken by such central offices. For example, the compilation of industry, environment, health or education statistics by a central statistical agency is included here.

#### **01.31 General personnel services (CS)**

Administration and operation of general personnel services, including development and implementation of general personnel policies and procedures covering selection, promotion, rating methods, the description, evaluation and classification of jobs, the administration of civil service regulations and similar matters.

Excludes: personnel administration and services connected with a specific function (classified according to function).

#### **01.32 Overall planning and statistical services (CS)**

Administration and operation of overall economic and social planning services and of overall statistical services, including formulation, coordination and monitoring of overall economic and social plans and programs and of overall statistical plans and programs.

Excludes: economic and social planning services and statistical services connected with a specific function (classified according to function).

#### **01.33 Other general services (CS)**

Administration and operation of other general services such as centralized supply and purchasing services, maintenance and storage of government records and archives, operation of government owned or occupied buildings, central motor vehicle pools, government operated printing offices, centralized computer and data processing services, etc.

Excludes: other general services connected with a specific function (classified according to function).

### **01.4 BASIC RESEARCH**

Basic research is experimental or theoretical work undertaken primarily to acquire new knowledge of the underlying foundations of phenomena and observable facts, without any particular application or use in view.

#### **01.40 Basic research (CS)**

Administration and operation of government agencies engaged in basic research; grants, loans or subsidies to support basic research undertaken by non-government bodies such as research institutes and universities.

Excludes: applied research and experimental development (classified by function).

### **01.5 R&D GENERAL PUBLIC SERVICES**

Applied research is original investigation undertaken in order to acquire new knowledge, but directed primarily towards a specific practical aim or objective.

Experimental development is systematic work, drawing on existing knowledge gained from research and practical experience that is directed to producing new materials, products and devices; to installing new processes, systems and services; or to improving substantially those already produced or installed.

#### **01.50 R&D General public services (CS)**

Administration and operation of government agencies engaged in applied research and experimental development related to general public services; grants, loans or subsidies to support applied research and experimental development related to general public services undertaken by non-government bodies such as research institutes and universities.

Excludes: basic research (01.40).

#### **01.6 GENERAL PUBLIC SERVICES N.E.C.**

##### **01.60 General public services n.e.c. (CS)**

Administration, operation or support of general public services such as registration of voters, holding of elections and referendums, administration of non-self-governing and trust territories, etc.

Includes: general public services that cannot be assigned to (01.1), (01.2), (01.3), (01.4) or (01.5).

Excludes: public debt transactions (01.7); transfers of a general character between different levels of government (01.8).

#### **01.7 PUBLIC DEBT TRANSACTIONS**

##### **01.70 Public debt transactions (CS)**

Interest payments and outlays for underwriting and floating government loans.

Excludes: administrative costs of public debt management (01.12).

#### **01.8 TRANSFERS OF A GENERAL CHARACTER BETWEEN DIFFERENT LEVELS OF GOVERNMENT**

##### **01.80 Transfers of a general character between different levels of government (CS)**

Transfers between different levels of government that are of a general character and not allocated to a particular function.

#### **02. DEFENCE**

##### **02.1 MILITARY DEFENCE**

##### **02.10 Military defence (CS)**

Administration of military defence affairs and services; operation of land, sea, air and space defence forces; operation of engineering, transport, communication, intelligence, personnel and other non-combat defence forces; operation or support of reserve and auxiliary forces of the defence establishment.

Includes: offices of military attachés stationed abroad; field hospitals.

Excludes: military aid missions (02.30); base hospitals (07.3); military schools and colleges where curricula resemble those of civilian institutions even though attendance may be limited to military personnel and their families (09.1), (09.2), (09.3) or (09.4); pension schemes for military personnel (10.2).

##### **02.2 CIVIL DEFENSE**

##### **02.20 Civil defence (CS)**

Administration of civil defence affairs and services; formulation of contingency plans; organization of exercises involving civilian institutions and populations; operation or support of civil defence forces.

Excludes: civil protection services (03.20); purchase and storage of food, equipment and other supplies for emergency use in the case of peacetime disasters (10.90).

**02.3 FOREIGN MILITARY AID****02.30 Foreign military aid (CS)**

Administration of military aid and operation of military aid missions accredited to foreign governments or attached to international military organizations or alliances; military aid in the form of grants (in cash or in kind), loans (regardless of interest charged) or loans of equipment; contributions to international peacekeeping forces including the assignment of manpower.

**02.4 R&D DEFENSE**

Definitions of basic research, applied research and experimental development are given under (01.4) and (01.5).

**02.40 R&D Defence (CS)**

Administration and operation of government agencies engaged in applied research and experimental development related to defence; grants, loans or subsidies to support applied research and experimental development related to defence undertaken by non-government bodies such as research institutes and universities.

Excludes: basic research (01.40).

**02.5 DEFENSE N.E.C.****02.50 Defence n.e.c. (CS)**

Administration, operation or support of activities such as formulation, administration, coordination and monitoring of overall policies, plans, programs and budgets relating to defence; preparation and enforcement of legislation relating to defence; production and dissemination of general information, technical documentation and statistics on defence; etc.

Includes: defence affairs and services that cannot be assigned to (02.1), (02.2), (02.3) or (02.4).

Excludes: administration of war veterans' affairs (10.2).

**03. PUBLIC ORDER AND SAFETY****03.1 POLICE SERVICES****03.10 Police services (CS)**

Administration of police affairs and services, including alien registration, issuing work and travel documents to immigrants, maintenance of arrest records and statistics related to police work, road traffic regulation and control, prevention of smuggling and control of offshore and ocean fishing; operation of regular and auxiliary police forces, of port, border and coast guards, and of other special police forces maintained by public authorities; operation of police laboratories; operation or support of police training programs.

Includes: traffic wardens.

Excludes: police colleges offering general education in addition to police training (09.1), (09.2), (09.3) or (09.4).

**03.2 FIRE PROTECTION SERVICES****03.20 Fire protection services (CS)**

Administration of fire prevention and fire fighting affairs and services; operation of regular and auxiliary fire brigades and of other fire prevention and fire fighting services maintained by public authorities; operation or support of fire prevention and fire fighting training programs.

Includes: civil protection services such as mountain rescue, beach surveillance, evacuation of flooded areas, etc.

Excludes: civil defence (02.20); forces especially trained and equipped for fighting or preventing forest fires (04.22).

### **03.3 LAW COURTS**

#### **03.30 Law courts (CS)**

Administration, operation or support of civil and criminal law courts and the judicial system, including enforcement of fines and legal settlements imposed by the courts and operation of parole and probation systems; legal representation and advice on behalf of government or on behalf of others provided by government in cash or in services.

Includes: administrative tribunals, ombudsmen and the like.

Excludes: prison administration (03.40).

### **03.4 PRISONS**

#### **03.40 Prisons (CS)**

Administration, operation or support of prisons and other places for the detention or rehabilitation of criminals such as prison farms, workhouses, reformatories, borstals, asylums for the criminally insane, etc.

### **03.5 R&D PUBLIC ORDER AND SAFETY**

Definitions of basic research, applied research and experimental development are given under (01.4) and (01.5).

#### **03.50 R&D Public order and safety (CS)**

Administration and operation of government agencies engaged in applied research and experimental development related to public order and safety; grants, loans or subsidies to support applied research and experimental development related to public order and safety undertaken by non-government bodies such as research institutes and universities.

Excludes: basic research (01.40).

### **PUBLIC ORDER AND SAFETY N.E.C.**

#### **03.60 Public order and safety n.e.c. (CS)**

Administration, operation or support of activities such as formulation, administration, coordination and monitoring of overall policies, plans, programs and budgets relating to public order and safety; preparation and enforcement of legislation and standards for the provision of public order and safety; production and dissemination of general information, technical documentation and statistics on public order and safety.

Includes: public order and safety affairs and services that cannot be assigned to (03.1), (03.2), (03.3), (03.4) or (03.5).

## **04. ECONOMIC AFFAIRS**

### **04.1 GENERAL ECONOMIC, COMMERCIAL, AND LABOR AFFAIRS**

#### **04.11 General economic and commercial affairs (CS)**

Administration of general economic and commercial affairs and services, including general foreign commercial affairs; formulation and implementation of general economic and commercial policies; liaison among different branches of government and between government and business; regulation or support of

general economic and commercial activities such as export and import trade as a whole, commodity and equity markets, overall income controls, general trade promotion activities, general regulation of monopolies and other restraints on trade and market entry, etc.; supervision of the banking industry; operation or support of institutions dealing with patents, trademarks, copyrights, company registration, weather forecasting, standards, hydrologic surveys, geodesic surveys, etc.; grants, loans or subsidies to promote general economic and commercial policies and programs.

Includes: consumer education and protection.

Excludes: economic and commercial affairs of a particular industry (classified to (04.2) through (04.7) as appropriate).

#### **04.12 General labour affairs (CS)**

Administration of general labour affairs and services; formulation and implementation of general labour policies; supervision and regulation of labour conditions (hours of work, wages, safety, etc.); liaison among different branches of government and between government and overall industrial, business and labour organizations; operation or support of general programs or schemes to facilitate labour mobility, to reduce sex, race, age and other discrimination, to reduce the rate of unemployment in distressed or underdeveloped regions, to promote the employment of disadvantaged or other groups characterized by high unemployment rates, etc.; operation of labour exchanges; operation or support of arbitration and mediation services; production and dissemination of general information, technical documentation and statistics on general labour affairs and services; grants, loans or subsidies to promote general labour policies and programs.

Excludes: labour affairs of a particular industry (classified to (04.2) through (04.7) as appropriate); provision of social protection in the form of cash benefits and benefits in kind to persons who are unemployed (10.50).

### **04.2 AGRICULTURE, FORESTRY, FISHING AND HUNTING**

#### **04.21 Agriculture (CS)**

Administration of agricultural affairs and services; conservation, reclamation or expansion of arable land; agrarian reform and land settlement; supervision and regulation of the agricultural industry; construction or operation of flood control, irrigation and drainage systems, including grants, loans or subsidies for such works; operation or support of programs or schemes to stabilize or improve farm prices and farm incomes; operation or support of extension services or veterinary services to farmers, pest control services, crop inspection services and crop grading services; production and dissemination of general information, technical documentation and statistics on agricultural affairs and services; compensation, grants, loans or subsidies to farmers in connection with agricultural activities, including payments for restricting or encouraging output of a particular crop or for allowing land to remain uncultivated.

Excludes: multi-purpose development projects (04.74).

#### **04.22 Forestry (CS)**

Administration of forestry affairs and services; conservation, extension and rationalized exploitation of forest reserves; supervision and regulation of forest operations and issuance of tree-felling licenses; operation or support of reforestation work, pest and disease control, forest fire-fighting and fire prevention services and extension services to forest operators; production and dissemination of general information, technical documentation and statistics on forestry affairs and services; grants, loans or subsidies to support commercial forest activities.

Includes: forest crops in addition to timber.

#### **04.23 Fishing and hunting (CS)**

This class covers both commercial fishing and hunting, and fishing and hunting for sport. The fishing and hunting affairs and services listed below refer to activities that take place outside natural parks and reserves.

Administration of fishing and hunting affairs and services; protection, propagation and rationalized exploitation of fish and wildlife stocks; supervision and regulation of freshwater fishing, coastal fishing, ocean fishing, fish farming, wildlife hunting and issuance of fishing and hunting licenses; operation or

support of fish hatcheries, extension services, stocking or culling activities, etc.; production and dissemination of general information, technical documentation and statistics on fishing and hunting affairs and services; grants, loans or subsidies to support commercial fishing and hunting activities, including the construction or operation of fish hatcheries.

Excludes: control of offshore and ocean fishing (03.10); administration, operation or support of natural parks and reserves (05.40).

#### **04.3 FUEL AND ENERGY**

##### **04.31 Coal and other solid mineral fuels (CS)**

This class covers coal of all grades, lignite and peat irrespective of the method used in their extraction or beneficiation and the conversion of these fuels to other forms such as coke or gas.

Administration of solid mineral fuel affairs and services; conservation, discovery, development and rationalized exploitation of solid mineral fuel resources; supervision and regulation of the extraction, processing, distribution and use of solid mineral fuels; production and dissemination of general information, technical documentation and statistics on solid mineral fuel affairs and services; grants, loans or subsidies to support the solid mineral fuel industry and the coke, briquette or manufactured gas industries.

Excludes: solid mineral fuel transportation affairs (classified to the appropriate class of group 04.5).

##### **04.32 Petroleum and natural gas (CS)**

This class covers natural gas, liquefied petroleum gases and refinery gases, oil from wells or other sources such as shale or tar sands and the distribution of town gas regardless of its composition.

Administration of petroleum and natural gas affairs and services; conservation, discovery, development and rationalized exploitation of petroleum and natural gas resources; supervision and regulation of the extraction, processing, distribution and use of petroleum and natural gas; production and dissemination of general information, technical documentation and statistics on petroleum and natural gas affairs and services; grants, loans or subsidies to support the petroleum extraction industry and the industry refining crude petroleum and related liquid and gaseous products.

Excludes: petroleum or gas transportation affairs (classified to the appropriate class of group 04.5).

##### **04.33 Nuclear fuel (CS)**

Administration of nuclear fuel affairs and services; conservation, discovery, development and rationalized exploitation of nuclear material resources; supervision and regulation of the extraction and processing of nuclear fuel materials and of the manufacture, distribution and use of nuclear fuel elements; production and dissemination of general information, technical documentation and statistics on nuclear fuel affairs and services; grants, loans or subsidies to support the nuclear materials mining industry and the industries processing such materials.

Excludes: nuclear fuel transportation affairs (classified to the appropriate class of group 04.5); disposal of radioactive wastes (05.10).

##### **04.34 Other fuels (CS)**

Administration of affairs and services involving fuels such as alcohol, wood and wood wastes, biogases and other non-commercial fuels; production and dissemination of general information, technical documentation and statistics on availability, production and utilization of such fuels; grants, loans or subsidies to promote the use of such fuels for the production of energy.

Excludes: forest management (04.22); wind and solar heat (04.35) or (04.36); geothermal resources (04.36).

##### **04.35 Electricity (CS)**

This class covers both traditional sources of electricity such as thermal or hydro supplies and newer sources such as wind or solar heat.

Administration of electricity affairs and services; conservation, development and rationalized exploitation of electricity supplies; supervision and regulation of the generation, transmission and distribution of electricity;

construction or operation of non-enterprise-type electricity supply systems; production and dissemination of general information, technical documentation and statistics on electricity affairs and services; grants, loans or subsidies to support the electricity supply industry, including such outlays for the construction of dams and other works designed chiefly to provide electricity.

Excludes: non-electric energy produced by wind or solar heat (04.36).

#### **04.36 Non-electric energy (CS)**

Administration of non-electric energy affairs and services which chiefly concern the production, distribution and utilization of heat in the form of steam, hot water or hot air; construction or operation of non-enterprise-type systems supplying non-electric energy; production and dissemination of general information, technical documentation and statistics on availability, production and utilization of non-electric energy; grants, loans or subsidies to promote the use of non-electric energy.

Includes: geothermal resources; non-electric energy produced by wind or solar heat.

### **04.4 MINING, MANUFACTURING, AND CONSTRUCTION**

#### **04.41 Mining of mineral resources other than mineral fuels (CS)**

This class covers metal-bearing minerals, sand, clay, stone, chemical and fertilizer minerals, salt, gemstones, asbestos, gypsum, etc.

Administration of mining and mineral resource affairs and services; conservation, discovery, development and rationalized exploitation of mineral resources; supervision and regulation of prospecting, mining, marketing and other aspects of mineral production; production and dissemination of general information, technical documentation and statistics on mining and mineral resource affairs and services; grants, loans or subsidies to support commercial mining activities.

Includes: issuance of licenses and leases, regulation of production rates, inspection of mines for conformity to safety regulations, etc.

Excludes: coal and other solid fuels (04.31), petroleum and natural gas (04.32) and nuclear fuel materials (04.33).

#### **04.42 Manufacturing (CS)**

Administration of manufacturing affairs and services; development, expansion or improvement of manufacturing; supervision and regulation of the establishment and operation of manufacturing plants; liaison with manufacturers' associations and other organizations interested in manufacturing affairs and services; production and dissemination of general information, technical documentation and statistics on manufacturing activities and manufactured products; grants, loans or subsidies to support manufacturing enterprises.

Includes: inspection of manufacturing premises for conformity with safety regulations, protection of consumers against dangerous products, etc.

Excludes: affairs and services concerning the coal processing industry (04.31), the petroleum refinery industry (04.32) or the nuclear fuel industry (04.33).

#### **04.43 Construction (CS)**

Administration of construction affairs and services; supervision of the construction industry; development and regulation of construction standards; production and dissemination of general information, technical documentation and statistics on construction affairs and services.

Includes: issuance of certificates permitting occupancy, inspection of construction sites for conformity with safety regulations, etc.

Excludes: grants, loans and subsidies for the construction of housing, industrial buildings, streets, public utilities, cultural facilities, etc. (classified according to function); development and regulation of housing standards (06.10).

## **04.5 TRANSPORT**

### **04.51 Road transport (CS)**

Administration of affairs and services concerning operation, use, construction and maintenance of road transport systems and facilities (roads, bridges, tunnels, parking facilities, bus terminals, etc.); supervision and regulation of road users (vehicle and driver licensing, vehicle safety inspection, size and load specifications for passenger and freight road transport, regulation of hours of work of bus, coach and lorry drivers, etc.), of road transport system operations (granting of franchises, approval of freight tariffs and passenger fares and of hours and frequency of service, etc.) and of road construction and maintenance; construction or operation of non-enterprise-type road transport systems and facilities; production and dissemination of general information, technical documentation and statistics on road transport system operations and on road construction activities; grants, loans or subsidies to support the operation, construction, maintenance or upgrading of road transport systems and facilities.

Includes: highways, urban roads, streets, bicycle paths and footpaths.

Excludes: road traffic control (03.10); grants, loans and subsidies to road vehicle manufacturers (04.42); street cleaning (05.10); construction of noise embankments, hedges and other anti-noise facilities including the resurfacing of sections of urban highways with noise reducing surfaces (05.30); street lighting (06.40).

### **04.52 Water transport (CS)**

Administration of affairs and services concerning operation, use, construction and maintenance of inland, coastal and ocean water transport systems and facilities (harbours, docks, navigation aids and equipment, canals, bridges, tunnels, channels, breakwaters, piers, wharves, terminals, etc.); supervision and regulation of water transport users (registration, licensing and inspection of vessels and crews, regulations concerning passenger safety and freight security, etc.), of water transport system operations (granting of franchises, approval of freight tariffs and passenger fares and of hours and frequency of service, etc.) and of water transport facility construction and maintenance; construction or operation of non-enterprise-type water transport systems and facilities (such as ferries); production and dissemination of general information, technical documentation and statistics on water transport system operations and on water transport facility construction activities; grants, loans or subsidies to support the operation, construction, maintenance or upgrading of water transport systems and facilities.

Includes: radio and satellite navigation aids; emergency rescue and towing services.

Excludes: grants, loans and subsidies to shipbuilders (04.42).

### **04.53 Railway transport (CS)**

Administration of affairs and services concerning operation, use, construction or maintenance of railway transport systems and facilities (railway roadbeds, terminals, tunnels, bridges, embankments, cuttings, etc.); supervision and regulation of railway users (rolling stock condition, roadbed stability, passenger safety, security of freight, etc.), of railway transport system operations (granting of franchises, approval of freight tariffs and passenger fares and of hours and frequency of service, etc.) and of railway construction and maintenance; construction or operation of non-enterprise-type railway transport systems and facilities; production and dissemination of general information, technical documentation and statistics on railway transport system operations and on railway construction activities; grants, loans or subsidies to support the operation, construction, maintenance or upgrading of railway transport systems and facilities.

Includes: long-line and interurban railway transport systems, urban rapid transit railway transport systems and street railway transport systems; acquisition and maintenance of rolling stock.

Excludes: grants, loans and subsidies to rolling stock manufacturers (04.42); construction of noise embankments, hedges and other anti-noise facilities including the resurfacing of sections of railways with noise reducing surfaces (05.30).

### **04.54 Air transport (CS)**

Administration of affairs and services concerning operation, use, construction and maintenance of air transport systems and facilities (airports, runways, terminals, hangars, navigation aids and equipment, air control amenities, etc.); supervision and regulation of air transport users (registration, licensing and inspection of aircraft, pilots, crews, ground crews, regulations concerning passenger safety, investigation of air

transport accidents, etc.), of air transport system operations (allocation of routes, approval of freight tariffs and passenger fares and of frequency and levels of service, etc.) and of air transport facility construction and maintenance; construction or operation of non-enterprise-type public air transport services and facilities; production and dissemination of general information, technical documentation and statistics on air transport system operations and on air transport facility construction; grants, loans or subsidies to support the operation, construction, maintenance or upgrading of air transport systems and facilities.

Includes: radio and satellite navigation aids; emergency rescue services; scheduled and non-scheduled freight and passenger services; regulation and control of flying by private individuals.

Excludes: grants, loans and subsidies to aircraft manufacturers (04.42).

#### **04.55 Pipeline and other transport (CS)**

Administration of affairs and services concerning operation, use, construction and maintenance of pipeline and other transport systems (funiculars, cable cars, chairlifts, etc.); supervision and regulation of users of pipeline and other transport systems (registration, licensing, inspection of equipment, operator skills and training; safety standards, etc.); of pipeline and other transport systems operations (granting of franchises, setting tariffs, frequency and levels of service, etc.) and of pipeline and other transport systems construction and maintenance; construction or operation of non-enterprise-type pipeline and other transport systems; production and dissemination of general information, technical documentation and statistics on the operation and construction of pipeline and other transport systems; grants, loans or subsidies to support the operation, construction, maintenance or upgrading of pipeline and other transport systems.

#### **04.6 COMMUNICATION**

##### **04.60 Communication (CS)**

Administration of affairs and services concerning construction, extension, improvement, operation and maintenance of communication systems (postal, telephone, telegraph, wireless and satellite communication systems); regulation of communication system operations (granting of franchises; assignment of frequencies, specification of markets to be served and tariffs to be charged, etc.); production and dissemination of general information, technical documentation and statistics on communication affairs and services; grants, loans or subsidies to support the construction, operation, maintenance or upgrading of communication systems.

Excludes: radio and satellite navigation aids for water transport (04.52) and air transport (04.54); radio and television broadcasting systems (08.30).

#### **04.7 OTHER INDUSTRIES**

##### **04.71 Distributive trades, storage, and warehousing (CS)**

Administration of affairs and services concerning the distributive trade and the storage and warehousing industry; supervision and regulation of wholesale and retail trade (licensing, sales practices, labelling of packaged food and other goods intended for household consumption, inspection of scales and other weighing machines, etc.) and of the storage and warehousing industry (including licensing and control of government-bonded warehouses, etc.); administration of price control and rationing schemes operating through retailers or wholesalers regardless of the type of goods involved or intended consumer; administration and provision of food and other such subsidies to the general public; production and dissemination of information to the trade and to the public on prices, on the availability of goods and on other aspects of the distributive trade and the storage and warehousing industry; compilation and publication of statistics on the distributive trade and the storage and warehousing industry; grants, loans or subsidies to support the distributive trade and to the storage and warehousing industry.

Excludes: administration of price and other controls applied to the producer (classified according to function); food and other such subsidies applicable to particular population groups or individuals (10.).

##### **04.72 Hotels and restaurants (CS)**

Administration of affairs and services concerning construction, extension, improvement, operation and maintenance of hotels and restaurants; supervision and regulation of hotel and restaurant operations (regulations governing prices, cleanliness and sales practices, hotel and restaurant licensing, etc.);

production and dissemination of general information, technical documentation and statistics on hotel and restaurant affairs and services; grants, loans or subsidies to support the construction, operation, maintenance or upgrading of hotels and restaurants.

#### **04.73 Tourism (CS)**

Administration of tourism affairs and services; promotion and development of tourism; liaison with the transport, hotel and restaurant industries and other industries benefiting from the presence of tourists; operation of tourist offices at home and abroad, etc.; organization of advertising campaigns, including the production and dissemination of promotional literature and the like; compilation and publication of statistics on tourism.

#### **04.74 Multipurpose development projects (CS)**

Multipurpose development projects typically consist of integrated facilities for generation of power, flood control, irrigation, navigation and recreation.

Administration of affairs and services concerning construction, extension, improvement, operation and maintenance of multi-purpose projects; production and dissemination of general information, technical documentation and statistics on multi-purpose development project affairs and services; grants, loans or subsidies to support the construction, operation, maintenance or upgrading of multi-purpose development projects.

Excludes: projects with one main function and other functions that are secondary (classified according to main function).

### **04.8 R&D ECONOMIC AFFAIRS**

Definitions of basic research, applied research and experimental development are given under (01.4) and (01.5).

#### **04.81 R&D General economic, commercial, and labour affairs (CS)**

Administration and operation of government agencies engaged in applied research and experimental development related to general economic, commercial and labour affairs; grants, loans or subsidies to support applied research and experimental development related to general economic, commercial and labour affairs undertaken by non-government bodies such as research institutes and universities.

Excludes: basic research (01.40).

#### **04.82 R&D Agriculture, forestry, fishing and hunting (CS)**

Administration and operation of government agencies engaged in applied research and experimental development related to agriculture, forestry, fishing and hunting; grants, loans or subsidies to support applied research and experimental development related to agriculture, forestry, fishing and hunting undertaken by non-government bodies such as research institutes and universities.

Excludes: basic research (01.40).

#### **04.83 R&D Fuel and energy (CS)**

Administration and operation of government agencies engaged in applied research and experimental development related to fuel and energy; grants, loans or subsidies to support applied research and experimental development related to fuel and energy undertaken by non-government bodies such as research institutes and universities.

Excludes: basic research (01.40).

#### **04.84 R&D Mining, manufacturing, and construction (CS)**

Administration and operation of government agencies engaged in applied research and experimental development related to mining, manufacturing and construction; grants, loans or subsidies to support applied research and experimental development related to mining, manufacturing and construction undertaken by non-government bodies such as research institutes and universities.

Excludes: basic research (01.40).

#### **04.85 R&D Transport (CS)**

Administration and operation of government agencies engaged in applied research and experimental development related to transport; grants, loans or subsidies to support applied research and experimental development related to transport undertaken by non-government bodies such as research institutes and universities.

Excludes: basic research (01.40).

#### **04.86 R&D Communication (CS)**

Administration and operation of government agencies engaged in applied research and experimental development related to communication; grants, loans or subsidies to support applied research and experimental development related to communication undertaken by non-government bodies such as research institutes and universities.

Excludes: basic research (01.40).

#### **04.87 R&D Other industries (CS)**

Administration and operation of government agencies engaged in applied research and experimental development related to other sectors; grants, loans or subsidies to support applied research and experimental development related to other sectors undertaken by non-government bodies such as research institutes and universities.

Includes: distributive trades, storage and warehousing; hotels and restaurants; tourism and multi-purpose development projects.

Excludes: basic research (01.40).

### **04.9 ECONOMIC AFFAIRS N.E.C.**

#### **04.90 Economic affairs n.e.c. (CS)**

Administration, operation or support activities relating to general and sectoral economic affairs that cannot be assigned to (04.1), (04.2), (04.3), (04.4), (04.5), (04.6), (04.7) or (04.8).

## **05. ENVIRONMENTAL PROTECTION**

The breakdown of environmental protection is based upon the Classification of Environmental Protection Activities (CEPA) as elaborated in the European System for the Collection of Economic Information on the Environment (SERIEE) of the Statistical Office of the European Communities (Eurostat).

### **05.1 WASTE MANAGEMENT**

This group covers collection, treatment and disposal of waste. Waste collection includes sweeping of streets, squares, paths, markets, public gardens, parks, etc.; collection of all types of waste, whether selective by type of product or undifferentiated covering all waste, and their transport to place of treatment or discharge. Waste treatment includes any method or process designed to change the physical, chemical or biological character or composition of any waste so as to neutralize it, to render it non-hazardous, to make it safer for transport, to make it amenable for recovery or storage or to reduce it in volume. Waste disposal includes final placement of waste for which no further use is foreseen by landfill, containment, underground disposal, dumping at sea or any other relevant disposal method.

#### **05.10 Waste management (CS)**

Administration, supervision, inspection, operation or support of waste collection, treatment and disposal systems; grants, loans or subsidies to support the operation, construction, maintenance or upgrading of such systems.

Includes: collection, treatment and disposal of nuclear waste.

## **05.2 WASTE WATER MANAGEMENT**

This group covers sewage system operation and waste water treatment. Sewage system operation includes management and construction of the system of collectors, pipelines, conduits and pumps to evacuate any waste water (rainwater, domestic and other available waste water) from the points of generation to either a sewage treatment plant or to a point where waste water is discharged to surface water.

Waste water treatment includes any mechanical, biological or advanced process to render waste water fit to meet applicable environment standards or other quality norms.

### **05.20 Waste water management (CS)**

Administration, supervision, inspection, operation or support of sewage systems and waste water treatment; grants, loans or subsidies to support the operation, construction, maintenance or upgrading of such systems.

## **05.3 POLLUTION ABATEMENT**

This group covers activities relating to ambient air and climate protection, soil and groundwater protection, noise and vibration abatement and protection against radiation.

These activities include construction, maintenance and operation of monitoring systems and stations (other than weather stations); construction of noise embankments, hedges and other anti-noise facilities including the resurfacing of sections of urban highways or railways with noise reducing surfaces; measures to clean pollution in water bodies; measures to control or prevent the emissions of greenhouse gases and pollutants that adversely affect the quality of the air; construction, maintenance and operation of installations for the decontamination of polluted soils and for the storage of pollutant products; transportation of pollutant products.

### **05.30 Pollution abatement (CS)**

Administration, supervision, inspection, operation or support of activities relating to pollution abatement and control; grants, loans or subsidies to support activities relating to pollution abatement and control.

## **05.4 PROTECTION OF BIODIVERSITY AND LANDSCAPE**

This group covers activities relating to the protection of fauna and flora species (including the reintroduction of extinct species and the recovery of species menaced by extinction), the protection of habitats (including the management of natural parks and reserves) and the protection of landscapes for their aesthetic values (including the reshaping of damaged landscapes for the purpose of strengthening their aesthetic value and the rehabilitation of abandoned mines and quarry sites).

### **05.40 Protection of biodiversity and landscape (CS)**

Administration, supervision, inspection, operation or support of activities relating to the protection of biodiversity and landscape; grants, loans or subsidies to support activities relating to the protection of biodiversity and landscape.

## **05.5 R&D ENVIRONMENTAL PROTECTION**

Definitions of basic research, applied research and experimental development are given under (01.4) and (01.5).

### **05.50 R&D Environmental protection (CS)**

Administration and operation of government agencies engaged in applied research and experimental development related to environmental protection; grants, loans or subsidies to support applied research and experimental development related to environmental protection undertaken by non-government bodies such as research institutes and universities.

Excludes: basic research (01.40).

**05.6 ENVIRONMENTAL PROTECTION N.E.C.****05.60 Environmental protection n.e.c. (CS)**

Administration, management, regulation, supervision, operation and support of activities such as formulation, administration, coordination and monitoring of overall policies, plans, programs and budgets for the promotion of environmental protection; preparation and enforcement of legislation and standards for the provision of environmental protection services; production and dissemination of general information, technical documentation and statistics on environmental protection.

Includes: environmental protection affairs and services that cannot be assigned to (05.1), (05.2), (05.3), (05.4) or (05.5).

**06. HOUSING AND COMMUNITY AMENITIES****06.1 HOUSING DEVELOPMENT****06.10 Housing development (CS)**

Administration of housing development affairs and services; promotion, monitoring and evaluation of housing development activities whether or not the activities are under the auspices of public authorities; development and regulation of housing standards; slum clearance related to provision of housing; acquisition of land needed for construction of dwellings; construction or purchase and remodelling of dwelling units for the general public or for people with special needs; production and dissemination of public information, technical documentation and statistics on housing development affairs and services; grants, loans or subsidies to support the expansion, improvement or maintenance of the housing stock.

Excludes: development and regulation of construction standards (04.43); cash benefits and benefits in kind to help households meet the cost of housing (10.60).

**06.2 COMMUNITY DEVELOPMENT****06.20 Community development (CS)**

Administration of community development affairs and services; administration of zoning laws and land-use and building regulations; planning of new communities or of rehabilitated communities; planning the improvement and development of facilities such as housing, industry, public utilities, health, education, culture, recreation, etc. for communities; preparation of schemes for financing planned developments; production and dissemination of general information, technical documentation and statistics on community development affairs and services.

Excludes: plan implementation, that is, the actual construction of housing, industrial buildings, streets, public utilities, cultural facilities, etc. (classified according to function); agrarian reform and land resettlement (04.21); administration of construction standards (04.43) and housing standards (06.10).

**06.3 WATER SUPPLY****06.30 Water supply (CS)**

Administration of water supply affairs; assessment of future needs and determination of availability in terms of such assessment; supervision and regulation of all facets of potable water supply including water purity, price and quantity controls; construction or operation of non-enterprise-type of water supply systems; production and dissemination of general information, technical documentation and statistics on water supply affairs and services; grants, loans or subsidies to support the operation, construction, maintenance or upgrading of water supply systems.

Excludes: irrigation systems (04.21); multi-purpose projects (04.74); collection and treatment of waste water (05.20).

**06.4 STREET LIGHTING****06.40 Street lighting (CS)**

Administration of street lighting affairs; development and regulation of street lighting standards; installation, operation, maintenance, upgrading, etc. of street lighting.

Excludes: lighting affairs and services associated with the construction and operation of highways (04.51).

**06.5 R&D HOUSING AND COMMUNITY AMENITIES**

Definitions of basic research, applied research and experimental development are given under (01.4) and (01.5).

**06.50 R&D Housing and community amenities (CS)**

Administration and operation of government agencies engaged in applied research and experimental development related to housing and community amenities; grants, loans or subsidies to support applied research and experimental development related to housing and community amenities undertaken by non-government bodies such as research institutes and universities.

Excludes: basic research (01.40); applied research and experimental development into construction methods or materials (04.84).

**06.6 HOUSING AND COMMUNITY AMENITIES N.E.C.****06.60 Housing and community amenities n.e.c. (CS)**

Administration, operation or support of activities such as formulation, administration, coordination and monitoring of overall policies, plans, programs and budgets relating to housing and community amenities; preparation and enforcement of legislation and standards relating to housing and community amenities; production and dissemination of general information, technical documentation and statistics relating to housing and community amenities.

Includes: administration, operation or support activities relating to housing and community amenities that cannot be assigned to (06.1), (06.2), (06.3), (06.4) or (06.5).

**07 HEALTH**

Government outlays on health include expenditures on services provided to **individual** persons and services provided on a **collective** basis. Expenditures on individual services are allocated to groups (07.1) through (07.4); expenditures on collective services are assigned to groups (07.5) and (07.6). 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. However, overhead expenses connected with administration or functioning of a group of hospitals, clinics, surgeries, etc. are considered to be individual expenditures and are classified to groups (07.1) through (07.4) as appropriate.

**07.1 MEDICAL PRODUCTS, APPLIANCES, AND EQUIPMENT**

This group covers medicaments, prostheses, medical appliances and equipment and other health related products obtained by individuals or households, either with or without a prescription, usually from dispensing chemists, pharmacists or medical equipment suppliers. They are intended for consumption or use outside a health facility or institution. Such products supplied directly to outpatients by medical, dental and paramedical practitioners or to in-patients by hospitals and the like are included in outpatient services (07.2) or hospital services (07.3).

### **07.11 Pharmaceutical products (IS)**

Provision of pharmaceutical products such as medicinal preparations, medicinal drugs, patent medicines, serums and vaccines, vitamins and minerals, cod liver oil and halibut liver oil, oral contraceptives; administration, operation or support of the provision of pharmaceutical products.

### **07.12 Other medical products (IS)**

Provision of medical products such as clinical thermometers, adhesive and non-adhesive bandages, hypodermic syringes, first-aid kits, hot-water bottles and ice bags, medical hosiery items such as elasticated stockings and knee-pads, pregnancy tests, condoms and other mechanical contraceptive devices; administration, operation or support of the provision of prescribed other medical products.

### **07.13 Therapeutic appliances and equipment (IS)**

Provision of therapeutic appliances and equipment such as corrective eyeglasses and contact lenses, hearing aids, glass eyes, artificial limbs and other prosthetic devices, orthopaedic braces and supports, orthopaedic footwear, surgical belts, trusses and supports, neck braces, medical massage equipment and health lamps, powered and unpowered wheelchairs and invalid carriages, "special" beds, crutches, electronic and other devices for monitoring blood pressure, etc.; administration, operation or support of the provision of prescribed therapeutic appliances and equipment.

Includes: dentures but not fitting costs; repair of therapeutic appliances and equipment. Excludes: hire of therapeutic equipment (07.24).

## **07.2 OUTPATIENT SERVICES**

This group covers medical, dental and paramedical services delivered to outpatients by medical, dental and paramedical practitioners and auxiliaries. The services may be delivered at home, in individual or group consulting facilities, dispensaries or the outpatient clinics of hospitals and the like. Outpatient services include the medicaments, prostheses, medical appliances and equipment and other health-related products supplied directly to outpatients by medical, dental and paramedical practitioners and auxiliaries. Medical, dental and paramedical services provided to in-patients by hospitals and the like are included in hospital services (07.3).

### **07.21 General medical services (IS)**

This class covers the services provided by general medical clinics and general medical practitioners. General medical clinics are defined as institutions which chiefly provide outpatient services which are not limited to a particular medical specialty and which are chiefly delivered by qualified medical doctors. General medical practitioners do not specialize in a particular medical specialty.

Provision of general medical services; administration, inspection, operation or support of general medical services delivered by general medical clinics and general medical practitioners.

Excludes: services of medical analysis laboratories and x-ray centres (07.24).

### **07.22 Specialized medical services (IS)**

This class covers the services of specialized medical clinics and specialist medical practitioners. Specialized medical clinics and specialist medical practitioners differ from general medical clinics and general medical practitioners in that their services are limited to treatment of a particular condition, disease, medical procedure or class of patient.

Provision of specialized medical services; administration, inspection, operation or support of specialized medical services delivered by specialized medical clinics and specialist medical practitioners.

Includes: services of orthodontic specialists.

Excludes: dental clinics and dentists (07.23); services of medical analysis laboratories and x-ray centres (07.24).

### **07.23 Dental services (IS)**

This class covers the services of general or specialist dental clinics and dentists, oral hygienists or other dental operating auxiliaries. Dental clinics provide outpatient services. They are not necessarily supervised or staffed by dentists; they may be supervised or staffed by oral hygienists or by dental auxiliaries.

Provision of dental services to outpatients; administration, inspection, operation and support of dental services delivered by general or specialist dental clinics and by dentists, oral hygienists or other dental auxiliaries.

Includes: fitting costs of dentures.

Excludes: dentures (07.13); services of orthodontic specialists (07.22); services of medical analysis laboratories and x-ray centres (07.24).

#### **07.24 Paramedical services (IS)**

Provision of paramedical health services to outpatients; administration, inspection, operation or support of health services delivered by clinics supervised by nurses, midwives, physiotherapists, occupational therapists, speech therapists or other paramedical personnel and of health services delivered by nurses, midwives and paramedical personnel in non-consulting rooms, in patients' homes or other non-medical institutions.

Includes: acupuncturists, chiropodists, chiropractors, optometrists, practitioners of traditional medicine, etc.; medical analysis laboratories and x-ray centres; hire of therapeutic equipment; medically prescribed corrective-gymnastic therapy; outpatient thermal bath or sea-water treatments; ambulance services other than ambulance services operated by hospitals.

Excludes: public health service laboratories (07.40); laboratories engaged in determining the causes of disease (07.50).

### **07.3 HOSPITAL SERVICES**

Hospitalization is defined as occurring when a patient is accommodated in a hospital for the duration of the treatment. Hospital day-care and home-based hospital treatment are included, as are hospices for terminally ill persons.

This group covers the services of general and specialist hospitals, the services of medical centres, maternity centres, nursing homes and convalescent homes which chiefly provide in-patient services, the services of military base hospitals, the services of institutions serving old people in which medical monitoring is an essential component and the services of rehabilitation centres providing in-patient health care and rehabilitative therapy where the objective is to treat the patient rather than to provide long-term support.

Hospitals are defined as institutions which offer in-patient care under direct supervision of qualified medical doctors. Medical centres, maternity centres, nursing homes and convalescent homes also provide in-patient care but their services are supervised and frequently delivered by staff of lower qualification than medical doctors. The group does not cover facilities such as military field hospitals (02.1), surgeries, clinics and dispensaries devoted exclusively to outpatient care (07.2), institutions for disabled persons and rehabilitation centres providing primarily long-term support (10.12), retirement homes for elderly persons (10.20). Neither does it cover payments to patients for loss of income due to hospitalization (10.11).

Hospital services include medicaments, prostheses, medical appliances and equipment and other health-related products supplied to hospital patients. It also includes non-medical expenditure of hospitals on administration, non-medical staff, food and drink, accommodation (including staff accommodation), etc.

#### **07.31 General hospital services (IS)**

Provision of general hospital services; administration, inspection, operation or support of hospitals that do not limit their services to a particular medical specialty.

Excludes: medical centres not under the direct supervision of a qualified medical doctor (07.33).

#### **07.32 Specialized hospital services (IS)**

Specialized hospitals differ from general hospitals in that their services are limited to treatment of a particular condition, disease, or class of patient, for example, diseases of the chest and tuberculosis, leprosy, cancer, otorhinolaryngology, psychiatry, obstetrics, paediatrics, and so forth.

Provision of specialized hospital services; administration, inspection, operation or support of hospitals that limit their services to a particular medical specialty.

Excludes: maternity centres not under the direct supervision of a qualified medical doctor (07.33).

#### **07.33 Medical and maternity centre services (IS)**

Provision of medical and maternity centre services; administration, inspection, operation or support of medical and maternity centre services.

#### **07.34 Nursing and convalescent home services (IS)**

Nursing and convalescent homes provide in-patient services to persons recovering from surgery or a debilitating disease or condition that requires chiefly monitoring and administering of medicaments, physiotherapy and training to compensate for loss of function or rest.

Provision of nursing and convalescent home services; administration, inspection, operation or support of nursing and convalescent home services.

Includes: institutions serving old people in which medical monitoring is an essential component; rehabilitation centres providing in-patient health care and rehabilitative therapy where the objective is to treat the patient rather than to provide long-term support.

### **07.4 PUBLIC HEALTH SERVICES**

#### **07.40 Public health services (IS)**

Provision of public health services; administration, inspection, operation or support of public health services such as blood-bank operation (collecting, processing, storing, shipping), disease detection (cancer, tuberculosis, venereal disease), prevention (immunization, inoculation), monitoring (infant nutrition, child health), epidemiological data collection, family planning services and so forth; preparation and dissemination of information on public health matters.

Includes: public health services delivered by special teams to groups of clients, most of whom are in good health, at workplaces, schools or other non-medical settings; public health services not connected with a hospital, clinic or practitioner; public health services not delivered by medically qualified doctors; public health service laboratories.

Excludes: medical analysis laboratories (07.24); laboratories engaged in determining the causes of disease (07.50).

### **07.5 R&D HEALTH**

Definitions of basic research, applied research and experimental development are given under (01.4) and (01.5).

#### **07.50 R&D Health (CS)**

Administration and operation of government agencies engaged in applied research and experimental development related to health; grants, loans and subsidies to support applied research and experimental development related to health undertaken by non-government bodies such as research institutes and universities.

Includes: laboratories engaged in determining the causes of disease.

Excludes: basic research (01.40).

### **07.6 HEALTH N.E.C.**

#### **07.60 Health n.e.c. (CS)**

Administration, operation or support of activities such as formulation, administration, coordination and monitoring of overall health policies, plans, programs and budgets; preparation and enforcement of legislation and standards for the provision of health services, including the licensing of medical establishments and medical and paramedical personnel; production and dissemination of general information, technical documentation and statistics on health.

Includes: health affairs and services that cannot be assigned to (07.1), (07.2), (07.3), (07.4) or (07.5).

## **08. RECREATION, CULTURE, AND RELIGION**

Government outlays on recreation, culture, and religion include expenditures on services provided to **individual** persons and households and expenditures on services provided on a **collective** basis. Individual expenditures are allocated to groups (08.1) and (08.2); expenditures on collective services are assigned to groups (08.3) to (08.6). Collective services are provided to the community as a whole. They include activities such as formulation and administration of government policy; formulation and enforcement of legislation and standards for providing recreational and cultural services; and applied research and experimental development into recreational, cultural and religious affairs and services.

### **08.1 RECREATIONAL AND SPORTING SERVICES**

#### **08.10 Recreational and sporting services (IS)**

Provision of sporting and recreational services; administration of sporting and recreational affairs; supervision and regulation of sporting facilities; operation or support of facilities for active sporting pursuits or events (playing fields, tennis courts, squash courts, running tracks, golf courses, boxing rings, skating rinks, gymnasia, etc.); operation or support of facilities for passive sporting pursuits or events (chiefly specially equipped venues for playing cards, board games, etc.); operation or support of facilities for recreational pursuits (parks, beaches, camping grounds and associated lodging places furnished on a non-commercial basis, swimming pools, public baths for washing, etc.); grants, loans or subsidies to support teams or individual competitors or players.

Includes: facilities for spectator accommodation; national, regional or local team representation in sporting events.

Excludes: zoological or botanical gardens, aquaria, arboreta and similar institutions (08.20); sporting and recreational facilities associated with educational institutions (classified to the appropriate class of Division 09.).

### **08.2 CULTURAL SERVICES**

#### **08.20 Cultural services (IS)**

Provision of cultural services; administration of cultural affairs; supervision and regulation of cultural facilities; operation or support of facilities for cultural pursuits (libraries, museums, art galleries, theatres, exhibition halls, monuments, historic houses and sites, zoological and botanical gardens, aquaria, arboreta, etc.); production, operation or support of cultural events (concerts, stage and film productions, art shows, etc.); grants, loans or subsidies to support individual artists, writers, designers, composers and others working in the arts or to organizations engaged in promoting cultural activities.

Includes: national, regional or local celebrations provided they are not intended chiefly to attract tourists.

Excludes: cultural events intended for presentation beyond national boundaries (01.13); national, regional or local celebrations intended chiefly to attract tourists (04.73); production of cultural material intended for distribution by broadcasting (08.30).

### **08.3 BROADCASTING AND PUBLISHING SERVICES**

#### **08.30 Broadcasting and publishing services (CS)**

Administration of broadcasting and publishing affairs; supervision and regulation of broadcasting and publishing services; operation or support of broadcasting and publishing services; grants, loans or subsidies to support: the construction or acquisition of facilities for television or radio broadcasting; the construction or acquisition of plant, equipment or materials for newspaper, magazine or book publishing; the production of material for, and its presentation by, broadcasting; the gathering of news or other information; the distribution of published works.

Excludes: government printing offices and plants (01.33); provision of education by radio or television broadcasting (09.).

**08.4 RELIGIOUS AND OTHER COMMUNITY SERVICES****08.40 Religious and other community services (CS)**

Administration of religious and other community affairs; provision of facilities for religious and other community services, including support for their operation, maintenance and repair; payment of clergy or other officers of religious institutions; support for the holding of religious services; grants, loans or subsidies to support fraternal, civic, youth and social organizations or labour unions and political parties.

**08.5 R&D RECREATION, CULTURE, AND RELIGION**

Definitions of basic research, applied research and experimental development are given under (01.4) and (01.5).

**08.50 R&D Recreation, culture, and religion (CS)**

Administration and operation of government agencies engaged in applied research and experimental development related to recreation, culture and religion; grants, loans and subsidies to support applied research and experimental development related to recreation, culture and religion undertaken by non-government bodies such as research institutes and universities.

Excludes: basic research (01.40).

**08.6 RECREATION, CULTURE, AND RELIGION N.E.C.****08.60 Recreation, culture, and religion n.e.c. (CS)**

Administration, operation or support of activities such as formulation, administration, coordination and monitoring of overall policies, plans, programs and budgets for the promotion of sport, recreation, culture and religion; preparation and enforcement of legislation and standards for the provision of recreational and cultural services; production and dissemination of general information, technical documentation and statistics on recreation, cultural and religion.

Includes: affairs and services relating to recreation, culture and religion that cannot be assigned to (08.1), (08.2), (08.3), (08.4) or (08.5).

**09. EDUCATION**

Government outlays on education include expenditures on services provided to **individual** pupils and students and expenditures on services provided on a **collective** basis. Expenditures on individual services are allocated to groups (09.1) through (09.6); expenditures on collective services are assigned to groups (09.7) and (09.8).

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 administration or functioning of a group of schools, colleges, etc. are considered to be individual expenditures and are classified to groups (09.1) through (09.6) as appropriate.

The breakdown of education is based upon the level categories of the 1997 International Standard Classification of Education (ISCED-97) of the United Nations Educational, Scientific and Cultural Organization (UNESCO).

This division includes military schools and colleges where curricula resemble those of civilian institutions, police colleges offering general education in addition to police training and the provision of education by radio or television broadcasting. Expenditures so incurred are classified to groups (09.1) to (09.5) as appropriate.

**09.1 PRE-PRIMARY AND PRIMARY EDUCATION****09.11 Pre-primary education (IS)**

Provision of pre-primary education at ISCED-97 level 0; administration, inspection, operation or support of schools and other institutions providing pre-primary education at ISCED-97 level 0.

Excludes: subsidiary services to education (09.60).

**09.12 Primary education (IS)**

Provision of primary education at ISCED-97 level 1; administration, inspection, operation or support of schools and other institutions providing primary education at ISCED-97 level 1.

Includes: literacy programs for students too old for primary school.

Excludes: subsidiary services to education (09.60).

**09.2 SECONDARY EDUCATION****09.21 Lower-secondary education (IS)**

Provision of lower-secondary education at ISCED-97 level 2; administration, inspection, operation or support of schools and other institutions providing lower-secondary education at ISCED-97 level 2; scholarships, grants, loans and allowances to support pupils pursuing lower-secondary education at ISCED-97 level 2.

Includes: out-of-school lower-secondary education for adults and young people.

Excludes: subsidiary services to education (09.60).

**09.22 Upper-secondary education (IS)**

Provision of upper-secondary education at ISCED-97 level 3; administration, inspection, operation or support of schools and other institutions providing upper-secondary education at ISCED-97 level 3; scholarships, grants, loans and allowances to support pupils pursuing upper-secondary education at ISCED-97 level 3.

Includes: out-of-school upper-secondary education for adults and young people.

Excludes: subsidiary services to education (09.60).

**09.3 POST-SECONDARY NON-TERTIARY EDUCATION****09.30 Post-secondary non-tertiary education (IS)**

Provision of post-secondary non-tertiary education at ISCED-97 level 4; administration, inspection, operation or support of institutions providing post-secondary non-tertiary education at ISCED-97 level 4; scholarships, grants, loans and allowances to support students pursuing post-secondary non-tertiary education at ISCED-97 level 4.

Includes: out-of-school post-secondary non-tertiary education for adults and young people.

Excludes: subsidiary services to education (09.60).

**09.4 TERTIARY EDUCATION****09.41 First stage of tertiary education (IS)**

Provision of tertiary education at ISCED-97 level 5; administration, inspection, operation or support of universities and other institutions providing tertiary education at ISCED-97 level 5; scholarships, grants, loans and allowances to support students pursuing tertiary education at ISCED-97 level 5.

Excludes: subsidiary services to education (09.60).

**09.42 Second stage of tertiary education (IS)**

Provision of tertiary education at ISCED-97 level 6; administration, inspection, operation or support of universities and other institutions providing tertiary education at ISCED-97 level 6; scholarships, grants, loans and allowances to support students pursuing tertiary education at ISCED-97 level 6.

Excludes: subsidiary services to education (09.60).

**09.5 EDUCATION NOT DEFINABLE BY LEVEL****09.50 Education not definable by level (IS)**

Provision of education not definable by level (that is, educational programs, generally for adults, which do not require any special prior instruction, in particular vocational training and cultural development); administration, inspection, operation or support of institutions providing education not definable by level; scholarships, grants, loans and allowances to support students pursuing education programs not definable by level.

**09.6 SUBSIDIARY SERVICES TO EDUCATION****09.60 Subsidiary services to education (IS)**

Provision of subsidiary services to education; administration, inspection, operation or support of transportation, food, lodging, medical and dental care and related subsidiary services chiefly for students regardless of level.

Excludes: school health monitoring and prevention services (07.40); scholarships, grants, loans and allowances in cash to defray the costs of subsidiary services (09.1), (09.2), (09.3), (09.4) or (09.5).

**09.7 R&D EDUCATION**

Definitions of basic research, applied research and experimental development are given under (01.4) and (01.5).

**09.70 R&D Education (CS)**

Administration and operation of government agencies engaged in applied research and experimental development related to education; grants, loans and subsidies to support applied research and experimental development related to education undertaken by non-government bodies such as research institutes and universities.

Excludes: basic research (01.40).

**09.8 EDUCATION N.E.C.****09.80 Education n.e.c. (CS)**

Administration, operation or support of activities such as formulation, administration, coordination and monitoring of overall educational policies, plans, programs and budgets; preparation and enforcement of legislation and standards for the provision of education, including licensing of educational establishments; production and dissemination of general information, technical documentation and statistics on education.

Includes: education affairs and services that cannot be assigned to (09.1), (09.2), (09.3), (09.4), (09.5), (09.6) or (09.7).

**10. SOCIAL PROTECTION**

Government outlays on social protection include expenditures on services and transfers provided to **individual** persons and households and expenditures on services provided on a **collective** basis. Expenditures on individual services and transfers are allocated to groups (10.1) through (10.7); expenditures on collective services are assigned to groups (10.8) and (10.9).

Collective social protection services are concerned with matters such as formulation and administration of government policy; formulation and enforcement of legislation and standards for providing social protection; and applied research and experimental development into social protection affairs and services.

The social protection functions and their definitions are based on the 1996 European System of integrated Social Protection Statistics (ESSPROS) of the Statistical Office of the European Communities (Eurostat). In ESSPROS, social protection includes health care, but this division does not include health care. Health care is covered by Division 07. Hence, medical goods and services provided to persons who receive the cash benefits and benefits in kind specified in groups (10.1) through (10.7) are classified under (07.1), (07.2) or (07.3) as appropriate.

## **10.1 SICKNESS AND DISABILITY**

### **10.11 Sickness (IS)**

Provision of social protection in the form of cash benefits or benefits in kind that replace in whole or in part loss of earnings during a temporary inability to work due to sickness or injury; administration, operation or support of such social protection schemes; cash benefits, such as flat-rate or earnings-related sick leave payments, miscellaneous payments provided to help persons temporarily unable to work due to sickness or injury; benefits in kind, such as assistance with daily tasks provided to persons temporarily unable to work due to sickness or injury (home help, transport facilities, etc.).

### **10.12 Disability (IS)**

Provision of social protection in the form of cash benefits or benefits in kind to persons who are fully or partially unable to engage in economic activity or lead a normal life due to a physical or mental impairment that is either permanent or likely to persist beyond a minimum prescribed period; administration, operation or support of such social protection schemes; cash benefits, such as disability pensions paid to persons below the standard retirement age who encounter a disability which impairs their ability to work, early retirement benefits paid to older workers who retire before reaching the standard retirement age due to reduced capacity to work, care allowances, allowances paid to disabled persons undertaking work adapted to their condition or undergoing vocational training, other periodic or lump-sum payments paid to disabled persons for social protection reasons; benefits in kind, such as lodging and possibly board provided to disabled persons in appropriate establishments, assistance provided to disabled persons to help them with daily tasks (home help, transport facilities etc.), allowances paid to the person who looks after the disabled person, vocational and other training provided to further the occupational and social rehabilitation of disabled persons, miscellaneous services and goods provided to disabled persons to enable them to participate in leisure and cultural activities or to travel or to participate in community life.

Excludes: cash benefits and benefits in kind paid to disabled persons on reaching the standard retirement age (10.20).

## **10.2 OLD AGE**

### **10.20 Old age (IS)**

Provision of social protection in the form of cash benefits and benefits in kind against the risks linked to old age (loss of income, inadequate income, lack of independence in carrying out daily tasks, reduced participation in social and community life, etc.); administration, operation or support of such social protection schemes; cash benefits, such as old-age pensions paid to persons on reaching the standard retirement age, anticipated old-age pensions paid to older workers who retire before the standard retirement age, partial retirement pensions paid either before or after the standard retirement age to older workers who continue working but reduce their working hours, care allowances, other periodic or lump sum payments paid upon retirement or on account of old age; benefits in kind, such as lodging and sometimes board provided to elderly persons either in specialized institutions or staying with families in appropriate establishments, assistance provided to elderly persons to help them with daily tasks (home help, transport facilities etc.), allowances paid to the person who looks after an elderly person, miscellaneous services and goods provided to elderly persons to enable them to participate in leisure and cultural activities or to travel or to participate in community life.

Includes: pension schemes for military personnel and for government employees.

Excludes: early retirement benefits paid to older workers who retire before reaching standard retirement age due to disability (10.12) or unemployment (10.50).

### **10.3 SURVIVORS**

#### **10.30 Survivors (IS)**

Provision of social protection in the form of cash benefits and benefits in kind to persons who are survivors of a deceased person (such as the person's spouse, ex-spouse, children, grandchildren, parents or other relatives); administration, operation or support of such social protection schemes; cash benefits, such as survivors' pensions, death grants, other periodic or lump-sum payments to survivors; benefits in kind, such as payments towards funeral expenses, miscellaneous services and goods provided to survivors to enable them to participate in community life.

### **10.4 FAMILY AND CHILDREN**

#### **10.40 Family and children (IS)**

Provision of social protection in the form of cash benefits and benefits in kind to households with dependent children; administration, operation or support of such social protection schemes; cash benefits, such as maternity allowances, birth grants, parental leave benefits, family or child allowances, other periodic or lump-sum payments to support households and help them meet the costs of specific needs (for example, those of the lone parent families or families with handicapped children); benefits in kind, such as shelter and board provided to pre-school children during the day or part of the day, financial assistance towards payment of a nurse to look after children during the day, shelter and board provided to children and families on a permanent basis (orphanages, foster families, etc.), goods and services provided at home to children or to those who care for them, miscellaneous services and goods provided to families, young people or children (holiday and leisure centres).

Excludes: family planning services (07.40).

### **10.5 UNEMPLOYMENT**

#### **10.50 Unemployment (IS)**

Provision of social protection in the form of cash benefits and benefits in kind to persons who are capable of work, available for work but are unable to find suitable employment; administration, operation or support of such social protection schemes; cash benefits, such as full and partial unemployment benefits, early retirement benefits paid to older workers who retire before reaching the standard retirement age due to unemployment or job reduction caused by economic measures, allowances to targeted groups in the labour force who take part in training schemes intended to develop their potential for employment, redundancy compensation, other periodic or lump-sum payments to the unemployed, particularly the long-term unemployed; benefits in kind, such as mobility and resettlement payments, vocational training provided to persons without a job or retraining provided to persons at risk of losing their job, accommodation, food or clothes provided to unemployed persons and their families.

Excludes: general programs or schemes directed towards increasing labour mobility, reducing the rate of unemployment or promoting the employment of disadvantaged or other groups characterized by high unemployment (04.12); cash benefits and benefits in kind paid to unemployed persons on reaching the standard retirement age (10.20).

### **10.6 HOUSING**

#### **10.60 Housing (IS)**

Provision of social protection in the form of benefits in kind to help households meet the cost of housing (recipients of these benefits are means-tested); administration, operation or support of such social protection schemes; benefits in kind, such as payments made on a temporary or long-term basis to help tenants with rent costs, payments to alleviate the current housing costs of owner-occupiers (that is to help with paying mortgages or interest), provision of low-cost or social housing.

**10.7 SOCIAL EXCLUSION N.E.C.****10.70 Social exclusion n.e.c. (IS)**

Provision of social protection in the form of cash benefits and benefits in kind to persons who are socially excluded or at risk of social exclusion (such as persons who are destitute, low-income earners, immigrants, indigenous people, refugees, alcohol and substance abusers, victims of criminal violence, etc.); administration and operation of such social protection schemes; cash benefits, such as income support and other cash payments to the destitute and vulnerable persons to help alleviate poverty or assist in difficult situations; benefits in kind, such as short-term and long-term shelter and board provided to destitute and vulnerable persons, rehabilitation of alcohol and substance abusers, services and goods to help vulnerable persons such as counselling, day shelter, help with carrying out daily tasks, food, clothing, fuel, etc.

**10.8 R&D SOCIAL PROTECTION**

Definitions of basic research, applied research and experimental development are given under (01.4) and (01.5).

**10.80 R&D Social protection (CS)**

Administration and operation of government agencies engaged in applied research and experimental development related to social protection; grants, loans and subsidies to support applied research and experimental development related to social protection undertaken by non-government bodies such as research institutes and universities.

Excludes: basic research (01.40).

**10.9 SOCIAL PROTECTION N.E.C.****10.90 Social protection n.e.c. (CS)**

Administration, operation or support of activities such as formulation, administration, coordination and monitoring of overall social protection policies, plans, programs and budgets; preparation and enforcement of legislation and standards for the provision of social protection; production and dissemination of general information, technical documentation and statistics on social protection. Includes: provision of social protection in the form of cash benefits and benefits in kind to victims of fires, floods, earthquakes and other peacetime disasters; purchase and storage of food, equipment and other supplies for emergency use in the case of peacetime disasters; other social protection affairs and services that cannot be assigned to (10.1), (10.2), (10.3), (10.4), (10.5), (10.6), (10.7) or (10.8).



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