

**Manual on sources and methods
for the compilation of COFOG Statistics**
Classification of the Functions of Government (COFOG)

2007 edition

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PREFACE

Government is an important actor in the economy. Its expenditure, which reaches 40-50% of GDP in many European countries, provides for public services and re-distributive flows, such as social benefits.

There is an increasing interest in the purposes of government expenditure and the way in which these purposes change over time. The focus on the quality of public finances, work led in Europe by the Economic Policy Committee under the direction of the ECOFIN council, requires high quality and comparable data on the functional breakdown of government expenditure.

The functional breakdown of government expenditure is based on COFOG (Classification of Functions of Government) which was developed by the OECD and adopted as a standard in national accounts. Eurostat collects and publishes COFOG data from European countries based on the harmonised accounting principles in the European System of Accounts 1995 (ESA95).

Until recently COFOG data has only been available in Europe on a higher aggregated level (COFOG level I), however there is now a strong user demand for more detailed (COFOG level II) data which breaks down government expenditure into 69 different functional groups. European countries are now making major efforts to develop COFOG level II data.

This manual provides a methodological background, practical guidance, national sources and methods for the compilation of COFOG data. It has been developed by the Task Force on COFOG, made up of all European countries, and will be updated in future in line with ongoing developments.

I welcome the publication of this manual as an important step to inform users and provide assistance to compilers, and I congratulate the Task Force on its work.

Laurs NØRLUND

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 in it helping to 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 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 sub-divided 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 is available online at the following link:

<http://unstats.un.org/unsd/cr/registry/regcst.asp?Cl=4>

The UN guide 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 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, most EU countries, DG ECFIN, WG on QPF¹, OECD and the ECB have participated in the annual meetings of the Task Force.

By way of political background, the WG QPF chair informed COFOG TF members that the January 2006 ECOFIN Council meeting had invited Eurostat and the National Statistical Offices, in co-operation with the EPC², to step up efforts on the availability of functional analyses of government expenditure in order to facilitate the analysis of trends in the composition of public expenditure.

¹ EPC Working Group on the Quality of Public Finances.

² EPC – Economic Policy Committee

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. The Task Force considers the introduction of new data breakdowns in a form of the memorandum items complemented by corresponding methodological guidance, and it investigates the consistency of the COFOG data with other breakdowns of public and private expenditure.

The ECOFIN Council has sent a clear message to support the collection of 2nd level COFOG data on a national level. Meeting this request was the most significant challenge in the Task Force's objectives.

1.3 Users' requirements

1.3.1 Lisbon strategy and the Integrated Guidelines

The Lisbon Strategy was set out by the European Council in Lisbon on March 2000. It is an action and development plan for the European Union that intends 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. It aims to make "the EU the world's most dynamic and competitive economy" by 2010. This is to be achieved by transforming Europe into the world's largest knowledge-based economy. The main fields are economic, social, environmental renewal and sustainability. The Lisbon Strategy is heavily based on the economic concepts of:

- Innovation as the motor for economic change
- The "learning economy"
- Social and environmental renewal

Under the strategy, a stronger economy will drive job creation in the EU, alongside social and environmental policies that ensure sustainable development and social inclusion, which will themselves drive economic growth even further.

The Integrated Guidelines are the merger of the Broad Economic Policy Guidelines (BEPGs)³ and the Employment Guidelines. The National Reform Programmes and the Integrated Guidelines are the policy instruments that form a comprehensive strategy to achieve the Lisbon objectives. Timely and complete data sets are needed to assess and review the progress achieved by Member States according to their National Reform Programmes. In particular, in the field of public finances, the need for second level COFOG data can be demonstrated by Guideline n°3 which says:

³http://ec.europa.eu/economy_finance/publications/european_economy/broadeconomypolicyguidelines2005_en.htm

"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"

On 26 June 2003, the European Council adopted the Broad Economic Policy Guidelines (BEPGs) of the Member States and the Community for the 2003-2005 period⁴. These BEPGs constituted the EU's medium-term economic policy strategy. They focused on the contribution that economic policies can make to the fulfillment of the strategic Lisbon goal. In this regard, the European Council on 20 June 2003 highlighted the following key policy priorities.

- a) Growth and stability-oriented macroeconomic policies to create the best economic conditions to promote growth. Firstly by providing a platform for increased domestic demand and job creation, and secondly by pursuing greater competitiveness and dynamism through: investment in human and physical capital and R&D; improving the economy-wide application of technology and exploitation of research; fully integrating EU financial markets; fostering entrepreneurship; and improving the framework conditions for industry.
- b) Economic reforms to raise Europe's growth potential, in particular: reforms to create more and better jobs in order to promote full employment; making labour markets more efficient, inclusive and adaptable; adapting tax and benefit systems to make work pay; increasing labour market participation in line with the Lisbon targets; promoting a new balance between flexibility and security; facilitating labour mobility; and improving and updating skills to achieve higher productivity and better quality jobs.
- c) Strengthening the sustainability of public finances, in particular by further reducing government debt ratios and by reforming pension and health care systems now while the demographic window of opportunity is still open, thus ensuring that a massive burden is not left for future generations, as well as by increasing employment rates.

These messages were developed further in the BEPGs for the 2005 to 2008 period:

http://ec.europa.eu/economy_finance/publications/european_economy/2005/ee405en.pdf

One aim is to assess how well governments fulfil their functions by linking input data (public expenditure) 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). In the context of the Lisbon strategy, this involves asking the following questions:

⁴ Council recommendation of 26 June 2003 on the broad guidelines of economic policies of the Member States and the Community (for the 2003-05 period), 2003/555/EC, published in the Official Journal No. L 195/1 of 1 August 2003.

- (1) Is the allocation of resources in line with the strategic objective of improving long-term growth?
- (2) In implementing policies, are public resources used in the most efficient and effective way?

Functional expenditure data are particularly relevant for assessing issues related to the quality of public finance.

1.3.2 Reformed Stability and Growth Pact

In the reformed Stability and Growth Pact, 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.

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 (PFR 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 was carried out in PFR 2004. Its analysis was based on COFOG level 1, which was all that was available then. The main problems encountered were that:

- (i) sufficiently long time series for the purposes of the analysis were not available for many member states; and
- (ii) COFOG level 1 only allows for a very aggregate analysis (for example, R&D expenditure is not part of COFOG level 1).

The report therefore contained a detailed analysis of data availability and data needs. The report concluded with respect to COFOG:

“Data availability has improved during recent years, but the coverage is still far from complete, both across countries (since data for the new Member States are not yet available) and over time (EU aggregates are available for three years only). In addition, no data are available for the subcategories, so that it is not possible 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. Thus, an improvement in the analysis of changes in the composition of public expenditure hinges on the availability of longer time series for the functional classification and its subcategories for all Member States.”

Overall, the need for a detailed and comprehensive data set 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.

1.3.4 Working Group on the Quality of Public Finances (WGQPF)

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 cannot effectively be fulfilled unless appropriate data are available. Specifically, The Council noted that longer time series of Cofog 2nd level were needed. The Council concluded as follows.

"The Council also underlines that some spending trends call for increased attention in order to avoid the squeezing out of growth-enhancing expenditure items or the resurgence of unsustainable fiscal deficits. It invites Eurostat and the National Statistical Offices, in co-operation with the EPC, to step up efforts on data availability in order to facilitate the analysis of trends in public expenditure composition. This will help the implementation of both the Lisbon strategy and the guidelines on the format and content of Stability and Convergence Programmes."

"The Council stresses the importance of further improving efficiency and effectiveness of public spending in order to enhance the quality of public finances. It invites the EPC to further develop the measurement of public expenditure efficiency, by assisting Member States in improving the information content of budgets, and the exchange of best practices in the evaluation of public spending."

As noted above, the 2004 implementation report of the 2003-2005 BEPGs highlighted a lack of timely and comprehensive data as the main obstacle for analysing trends in the composition of total public expenditure. Recent analyses by the European Commission and the EPC Working group on the Quality of Public Finances (WGQPF) reconfirmed (i) the importance of issues related to the composition of public expenditure for supporting long-term growth; (ii) the crucial role of the functional classification of public expenditure to allow a proper analysis in

this respect; and (iii) the lack of available data for effective analysing the trends in the composition of public expenditure.

The key issue, as identified by the WGQPF, was to improve data availability for the second level of the COFOG classification. In this respect, Regulation 113/2002, with regard to revised classifications of expenditure according to purpose, includes the second level of the COFOG classification, but standardised transmission tables had only been defined for the first level. The EFC Status Report on Information Requirements in EMU, as endorsed by the ECOFIN in June 2004, stated that:

“The analysis of the quality of public finance receives an increasing importance and would benefit from the availability for all Member States of statistics on the functional classification of government expenditure (COFOG), in accordance with the Commission proposal for the revision of the ESA 95 transmission programme. Complete expenditure data for general government on the second COFOG level would provide the best basis for aggregate analysis.”

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 level II 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. In particular, these needs focus on:

- (1) Ensuring that a first set of substantial data can become publicly available by the end of 2006, notably by putting a priority on:
 - the larger EU countries to allow for meaningful analysis of the EU as a whole;
 - detailed breakdowns for particularly important functions in particular: environmental protection (5), health care (7), education (9) and social protection (10). Some individual second level items, such as R&D, basic research, transport and communication would also be of utmost importance;
 - an appropriate timely data release for all COFOG functions allowed to using well-timed policy assessment and recommendations.
- (2) Assuring that an adequate length of time series is available to monitor properly public expenditure developments. This would imply, wherever possible, that time series should be enlarged to the period 1998-2005 by the end of 2006.
- (3) Making progress on the methodology used on the basis of the questionnaires on country practices and best practices.

1.3.5 OECD requirements

The OECD as a whole is a strong user of COFOG data. Most Directorates use COFOG data as set out by SNA93 and provided by Member States. Concerning COFOG level 2 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 Motives for public funding

In addition, the OECD's Public Governance and Territorial Development Directorate (GOV), for its own work, classify public expenditures according to the motives for public funding. This COFOG-Special classification uses COFOG as its main source, complemented by other sources.

Basis of COFOG-Special classification compared to other classifications of expenditures

Economic Classification	National Accounts
Functional classification (COFOG)	Objectives of government action
Budgetary classification	Appropriations structure
COFOG-Special	Motives for public funding

Expenditures are divided according to their purpose into individual and collective goods and then further on into sub-categories. The COFOG-Special classification is essentially a reclassification of COFOG categories using the Economic classification.

1.3.5.2 Important distinctions concerning motives for public funding

1. Rival (individual) versus non-rival (collective) goods
2. Goods in kind versus cash transfers
3. Individual goods in kind provided for distributive versus allocative purposes (social benefits versus external effects)

Since subsidies in many COFOG categories as well as the entire COFOG categories of education and health cannot be easily split according to the allocative versus distributive motive distinction, the basic format of the COFOG-Special classification is as follows:

1. Collective goods

- A. in kind
- B. in cash

2. Individual goods**A. in kind**

- a. allocative motive
- b. distributive motive
- c. health
- d. education
- e. subsidies

B. in cash

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

Collective goods in kind

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

Collective good in cash

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

Individual goods in kind

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

Individual goods in cash

- 16. Social cash transfers

2 INTRODUCTION TO COFOG STATISTICS

2.1 The ESA95 Transmission Programme

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)⁵. ESA95 is Council Regulation (EC) No 2223/96 of 25 June 1996, and can be found here:

http://www.europa.eu.int/eur-lex/en/consleg/pdf/1996/en_1996R2223_do_001.pdf

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. Annex B is modified by way of a voluntary understanding between national institutes and Eurostat. The Transmission Programme is currently in process of revision, and the new version was adopted in 2007.

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" which can be found here: http://epp.eurostat.ec.europa.eu/portal/page?_pageid=0,1136173,0_45570701&_dad=portal&_schema=PORTAL

Table 0900 reports the annual detail of taxes and social contributions. The timeliness is T+9 months.

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 (wages, transfers, procurement and so on) using the ESA95 categories. The information reported covers sub-sectors.

⁵ <http://unstats.un.org/unsd/sna1993/toctop.asp?L1=3>

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

2.2 COFOG and other functional classifications

The SNA 93 includes four classifications of expenditure according to purpose (formerly called functional classifications).

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. COFOG and COICOP have many common definitions and classifications in COICOP category 14:

14 - Individual consumption expenditure of general government

14.1 - Housing

14.2 - Health

14.3 - Recreation and culture

14.4 - Education

14.5 - Social protection

The main difference is that COFOG separately identifies R&D.

<http://unstats.un.org/unsd/cr/registry/regcst.asp?Cl=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.

<http://unstats.un.org/unsd/cr/registry/regcst.asp?Cl=6>

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.

<http://unstats.un.org/unsd/cr/registry/regcst.asp?Cl=7>

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.

<http://unstats.un.org/unsd/cr/registry/regcst.asp?Cl=4>

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.

ESA95 defines the general government sector as all resident institutional units that are other non-market producers whose output is intended for individual and collective consumption, and are mainly financed by compulsory payments made by units belonging to other sectors, and/or all institutional units principally engaged in the redistribution of national income and wealth. 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.

The definition of the general government sector excludes institutional units that are market producers. These are units that derive their income from sales of goods and services rather than transfers. Such units are classified to the corporations' sectors. These sectors include government owned and controlled market units, known as public corporations, such as government-owned postal and transport services. However, the general government sector can include institutional units that have market sales as a secondary activity (for example a government statistical office might sell books of statistics) or receive partial payments for services provided (for example there might be nominal charges for certain health services supplied by government units).

Eurostat's deficit and debt manual gives guidance on the classification of units on the borderline of the general government sector. The manual is available at the following link:

http://epp.eurostat.cec.eu.int/portal/page?_pageid=1073,46587259&_dad=portal&_schema=PORTAL&p_product_code=KS-BE-04-004

The general government sector comprises four sub-sectors:

a) Central government (S.1311)

This includes government departments, agencies, parliamentary bodies, military forces, and non-budgetary institutions serving households that are controlled by central government.

The “State” is sometimes 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 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 is the level of government applying at the level of cities and towns and other geographically limited entities below the level of regions.

d) Social security funds (S.1314)

This includes autonomous pension funds if they are obligatory by law or by regulation and if general government is responsible for the management of the institution in respect of the settlement or approval of the contributions and benefits. It also includes schemes established by government to fund health care and social benefits where there are separate institutional units administering the contributions and benefits.

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. A major feature of these definitions is that Government revenue minus government expenditure equals government net lending/net borrowing (B.9) - the “Government Deficit”⁶. Details can be found at:

http://eur-lex.europa.eu/LexUriServ/site/en/oj/2000/l_172/l_17220000712en00030010.pdf

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.

⁶ Government deficit = minus B.9

General Government Expenditure

Categories for COFOG analysis	ESA95 transactions
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, 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
Total Government Expenditure = total of categories above	
Memo items	
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. 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 and military supplies.

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

These include all those types of tax 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 estimate of the accruing pension liability in employers' unfunded defined-benefit schemes.

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 SNA 93 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 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 certain education and health services for example. They are distinguished from goods and services bought by government to produce government output (intermediate consumption, P.2). Both are included in government final consumption expenditure (P.3).

Other current transfers (D7) 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.

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, and transfers to NPISHs such as educational institutions in the private sector.

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 is unusual, and so D8 is usually 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 ESA 95 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 Part IV

of the *Government Deficit and Debt Manual*). 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 capital⁷ (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 sales⁸ by non-market establishments, plus expenditure on goods and services supplied directly to households by market producers (classified as social transfers in kind⁹). 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 COFOG¹⁰.

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

⁷ Capital assets for purely military purposes are treated as intermediate consumption.

⁸ Includes output for own final use (P.12) and payments for non-market output (P.131).

⁹ D.6311 + D.63121 + D.63131

¹⁰ See section 3.5 of this manual for further detail

services by household 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.

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.

The components of final consumption in terms of economic categories are:

Compensation of employees (D.1)

Intermediate consumption (P.2)

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

Consumption of fixed capital (K.1)

Net operating surplus of market establishments¹¹ (B.2n)

Less

Market output (P.11)

Output for own final use (P.12)

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

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

¹¹ Where these establishments, exceptionally, exist.

2.4.2 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	Social benefits in cash (D.62)		Part of household consumption (P.3)
	Current transfers to NPISHs (D.75)		Part of NPISH final consumption (P.3)
	Social transfers in kind of goods and services produced by market producers (D.6311 + D.63121 + D.63131)		Government individual final consumption (P.31)
Government output = intermediate consumption + compensation of employees + taxes less subsidies + capital consumption + net operating surplus of market establishments (See footnote 11)	Other government non-market output (P.132) (note that this is net of payments for non-market output P.131)	Social transfers in kind of goods and services produced by non-market producers (D.63122 + D.63132)	
		Other transfers of individual non-market goods or services (D.632)	
		Transaction internal to government	Government collective final consumption (P.32)
	Sales (Eurostat revenue item)	Payments for government non-market output (P.131)	Any sector: either final consumption or capital formation
		Government market output (P.11)	
		Government output for own final use (P.12)	In government capital formation (P.51)

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 2 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, D4, D7 and D9 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 D4, D7 and D9 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.

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) and not to the function of the recipient’s expenditure since the actual expenditure of the recipient would already include that expenditure. In the general government expenditure table such grants would not appear because D7 and D9 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 this double counting could have been avoided by treating the service provider as a corporation or a quasi corporation, in cases where the provider is closely linked to the purchaser 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 P5 – gross capital formation which is net of sales of capital assets¹² and K2 – acquisitions less disposals of non-produced non-financial assets.

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 the following link:

<http://unstats.un.org/unsd/sna1993/tocLev8.asp?L1=3&L2=3>

2.6 Legal background

EU Council Regulations relating to ESA 95 and Government Finance Statistics are listed below.¹³

Council Regulation (EC) No 3605/93: on the application of the excessive deficit procedure, defines deficit and debt.

Council Regulation (EC) No 2223/96: introduces ESA 95 and specifies the transmission programme.

Council Regulation (EC) No 475/2000: adapts the excessive deficit procedure to ESA95.

¹² but “gross” of (before) depreciation

¹³ The full texts of the regulations can be found at http://europa.eu.int/eur-lex/en/search/search_lif.html.

Commission Regulation (EC) No 1500/2000: implements Council Regulation (EC) No 2223/96 with respect to general government revenue and expenditure.

Council Regulation (EC) No 2516/2000: modifies ESA 95 for the accrual recording of taxes and social contributions.

Commission Regulation (EC) No 264/2000: implements Council Regulation (EC) No 2223/96 with respect to short-term public finance statistics: specifies the requirement to report certain government revenues and expenditures quarterly.

Regulation (EC) No 2558/2001 of the European Parliament and of the Council: amends ESA 95 to record net settlement flows under swaps as financial transactions rather than as interest, and introduces EDP B.9 – a version of general government net borrowing in which swaps are treated as interest.

Commission Regulation (EC) No 351/2002: amends Council Regulation (EC) No 3605/93 to reflect the introduction of new identities in ESA 95 relating to the reclassification of settlements under swap arrangements and under Forward Rate Agreements (FRAs).

Regulation (EC) No 1221/2002 of the European Parliament and of the Council: specifies the requirement to report government non-financial accounts quarterly, including the definitions and breakdowns of revenue and expenditure.

2.7 COFOG classification structure

COFOG has three levels of detail: 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, with links to the third level at

<http://unstats.un.org/unsd/cr/registry/regcst.asp?Cl=4>

(See also 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
- 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 twenty four 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 necessary to classify the expenditure to only one function – the main function. 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 the minister of sport.

3.1 Multipurpose functions

3.1.1 Guidance

Whenever possible, 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.

SNA93 (par. 18.10) 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, bureau or project units within government departments, when it is not possible to classify each item of expenditure. In addition, 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".

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 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)¹⁴. 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 kind 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.

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 fixed assets and branches. This data should then be bridged to information on functions (COFOG). This is Method 2 as described below.

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.

ESA95 par. 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.*

¹⁴ “Public debt transactions” here refers to interest on general government debt, not the debt whole public sector which includes public corporations as well as general government units.

3.3.3 Possible methods

Eurostat launched a questionnaire to enquire about Member States' practices when compiling 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).

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.

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.

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.

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.

3.3.4 Member States' Practices

Methods differ significantly among MS.

Eight countries (among 22 replying) 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.)

Four countries use alternative methods to those presented in the questionnaire.

From the conceptual point of view, most of the MS seem to agree that method 2 is the most appropriate method.

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)¹⁵ and unfunded employee social benefits (D.623).

According to ESA95, par. 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 in one single item in public accounts.

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 (2nd level). However, Member States still face some practical difficulties in following ESA95 so other estimation methods, such as those based on branches (NACE), can be applied temporarily.

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 par. 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".

¹⁵ 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, par. 4.98).

ESA95, par. 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”.

ESA95, par. 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, par. 3.85¹⁶, the borderline between individual and collective goods and services is drawn on the basis of the COFOG (2nd 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

¹⁶ 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.

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.

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 par. 4.105 this should be recorded as social transfer in kind (D.63), which is to be treated as individual in nature (ESA95, par. 4.104). The category of social assistance benefits in kind (D.6313) also includes, if not covered by a social insurance scheme, the following: social housing, dwelling allowance, day nurseries, reductions on transport prices, and so on as well as professional training.

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

Many Member States 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 1st and 2nd level 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 break down 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 trends 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.

The reference of 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-sectors 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.

3.7.2 Member States' practices

Whenever data sources are not available for the provisional year, the most common practice (9 Member States (MS)) has been 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. Even when applying the previous year's COFOG structure, a correction can be made for some events of the year. France, for example, states that it uses the structure available of the final year n-2 but corrected for noticeable events that have a significant impact on a given COFOG category. Other public accounts data sources, such as expenditure broken down by budgetary chapters/departments are used by 4 MS: Estonia, Spain, Lithuania and the Netherlands.

One important aspect underlined by Italy, is that the structure by function of the previous year (n-2) is to be applied separately to each of the transactions that form the ESA95 expenditure of year n-1. We assume that this is the common practice among the other countries.

MS were asked to rank the preferred options from best to worse, reflecting which would be, in concept, the best practice. For most MS the data sources that could be used to overcome a temporary lack of data sources in a provisional year n-1 would be other public accounts' data sources, which are already available for the provisional year n-1, such as data in budgetary expenditure plans.

The second best option at a conceptual level seems to be to estimate COFOG statistics based on previous year (s) i.e. applying relative structures of expenditures from previous years(s) or using trends analysis.

MSs' views on worst option differ a lot. Using complementary information, already available for the provisional year n-1 and derived from other statistics or statistical surveys, has been selected by several MS as a worst option.

3.8 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 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 - Woman'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

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

3.8.1 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.

3.8.2 Case 2 – civil and military cemeteries

Guidance: *other general services* (01.3.3), and *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.”

01.3.3 - *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.*.

3.8.3 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).

3.8.4 Case 4 – protection of youth

Guidance: *family and children* (10.4), or *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).

3.8.5 Case 5 – fight against discrimination

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 sex, race, age or other discrimination at work, COFOG advises classifying this expenditure *under general labour affairs* (04.12).

3.8.6 Case 6 – cost of meals provided at school to poor pupils

Guidance: *family and children* (10.4), or *subsidiary services to education* (09.6)

Many Governments provide free meals at school for all pupils an/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.

3.8.7 Case 7 – payments to social insurance schemes of public enterprises

Description: General Government makes payments both to unfunded and funded social insurance schemes of public enterprises. The recurrent payments to unfunded social insurance schemes are classified as *miscellaneous current transfers* (D.75 – see ESA95, par. 4.139 b) and extraordinary payments to funded schemes are classified as *other capital transfers* (D.99 - ESA95, par. 4.165i).

The majority of the COFOG Task Force thought that if such expenditure is earmarked as payment for pensions, than then the *old age* 10.20 should be used. If this is not the case, the payment should be classified according to activity of the corporations receiving these it and responsible for paying the pensions.

3.8.8 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.

3.8.9 Case 9 - water management

Guidance: *multipurpose development projects* (04.7.4), or *agriculture* (04.2.1)

This concerns water management to control the water level and to prevent flooding. *Multipurpose development projects* (04.7.4.) is the preferred option. If expenditure is related to the agricultural activities, a possible classification could be *agriculture* (04.2.1).

3.8.10 Case 10 - schooling to help people find jobs

Guidance: *unemployment* (10.5.0)

This concerns schooling to help people integrate into the labour market, their retraining and extra training. The majority of the members of the TF 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* (10.5.0) 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* 04.1.2 could also be used whenever those are general programmes or schemes applied to disadvantaged groups such as those with high rates of unemployment

3.8.11 Case 11 - woman's protection and addiction

Guidance: *social exclusion n.e.c.* (10.7.0)

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 10.7.0 should be used provided that the policies apply to a specific group of people socially excluded or at risk of social exclusion.

3.8.12 Case 12 - career break and time-credit allowances

Guidance: - *old age* (10.2); *family and children* (10.4); or *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. Allocate 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 65 the compensation should be classified under *old age* (10.2.0) 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.

3.8.13 Case 13 - claim compensation (directly paid) to victims of asbestos

Guidance: *disability* (10.1.2)

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* (10.1.2) As a general rule if the compensation is paid directly by State to the families concerned, then it falls under social protection.

3.8.14 Case 14 - retirement homes with nurses

Guidance: *old age* (10.2.0), or *nursing and convalescent home services* (07.3.4).

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 (10.2.0) because it includes 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 07.3.4 should be used.

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

3.8.15 Case 15 – elder care provided by specialized staff at home

Guidance: *paramedical services* (07.2.4), *nursing and convalescent home services* (07.3.4) or *old age* (10.2)

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* (10.2) should be used. Whenever health services are provided at home, the classification should be *paramedical services* (07.2.4), i.e. health services delivered in patients' homes. Other case would be *nursing and convalescent home services* (07.3.4), i.e. if those are in-patient services.

NB: In case when the same staff provides both services (under 07.2.4 and 07.3.4, the split of amounts between the two should be made).

3.8.16 Case 16 - ambulance services operated by hospitals

Guidance: *general hospital services* (07.3.1)

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* (07.2.4) only includes ambulance services operated by institutions other than hospitals.

3.8.17 Case 17 - sale of UMTS licences

Guidance: *communications* (4.6)

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.

3.8.18 Case 18 – denationalisation and restitution

Guidance: *financial and fiscal affairs* (01.1.2)

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.

3.8.19 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.

3.8.20 Case 20 - expenditure for organising external EU border, Schengen

Guidance: *general services* (01.3), or *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 01.3 applies where a specific law is adopted for meeting EU requirements in relation to external borders with non-members of the EU. Category 03.1 could also be an option if it is related to more ordinary and common actions involving borders and traffic control.

3.8.21 Case 21 – recurrent payment made by state to Europol

Guidance: *foreign affairs* (01.1.3)

EU governments are required to make payments to Europol for the cross-border policing services that it supplies the Member States. Category 01.1.3 applies when the payments are made in order to cover operating expenses of an international body.

3.8.22 Case 22 – disinfestations

Guidance: *agriculture* (04.2.1) or *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 04.2.1 applies when disinfestations concern agriculture. Category 07.4 applies when disinfestations are related to public health.

3.8.23 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 D11 or as D122 (D6223) depending on the existence of a collective agreement (ESA95 pars 4.103-c and 4.03-j). For the judges this would imply allocating D122 to COFOG 03.3 and D623 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.

3.8.24 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).

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 seven 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 published, in English or French, both as a paper version and an electronic version available on the Internet. The electronic version is more frequently updated with new material, and may be found at the following link:

<http://www1.oecd.org/publications/e-book/9202081E.PDF>

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 data¹⁷. Data are also available for a wider range of countries from the OECD.

¹⁷ 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.

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 focussed 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.

2. GBAORD data

These data measure the budgetary outlays by all levels of government (in principle – some countries do not include Local Government) 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) and reflect the views of funding agencies. 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 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 research area for which the expenditure is made. This breakdown is made in the "NABS" (Nomenclature for the Analysis and comparison of scientific programmes and Budget) 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 SNA93 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 and GERD data for some countries do not include Local Government expenditure.

The COFOG classification at second 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 GERD¹⁸ 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

SNA 93 chapter XXI *Satellite analysis and accounts*, describes a satellite system for integrated environmental and economic accounting. The framework describes how monetary and physical statistics can be combined to highlight and verify the link between the environment and the economy consistent with national accounts.

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 2003¹⁹. The SEEA elaborates in more detail what was in SNA 93.

In 1994 Eurostat published the *European System for the Collection of Economic Information on the Environment* (SERRIE). This system created a conceptual framework for a monetary description of environmental protection activities. It was updated in 2002²⁰.

SERRIE defines environmental protection activities 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 expenditure related to environmental protection expenditure is allocated according to the Classification of Environmental Protection Activities (CEPA). CEPA is a UN adopted classification used for classifying activities, products, actual outlays and other transactions related to environmental protection.

¹⁸ 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.

¹⁹ <http://www4.statcan.ca/citygrp/london/seea2003.pdf>

²⁰ http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-BE-02-001/EN/KS-BE-02-001-EN.PDF

In order to increase harmonisation, reliability and comparability, Eurostat published *Environmental expenditure statistics: industry data collection handbook*²¹. This handbook examines expenditure by businesses 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.

A second handbook is the *Environmental expenditure statistics: government sector and specialised producers environmental protection expenditure handbook*²². This handbook focuses on Government spending on environmental protection along with producers specialising in environmental protection such as waste and waste-water management. It is planned to publish it in the second half of 2007.

4.2.2 Data collection

Every second year OECD and Eurostat conduct a Joint Questionnaire (JQ) on "Environmental Protection Expenditure and Revenues". The JQ covers all sectors of the economy and follows the definition outlined in SERIEE and the CEPA.

4.2.3 Consistency with COFOG

COFOG is based upon the Classification of Environmental Protection Activities (CEPA). The 6 groups within the environmental protection division are based upon the CEPA. The links between the classification system and the categories of expenditures used in COFOG and CEPA are presented in the table below.

However all expenditure is classified under one and only one category in COFOG. In some cases, EP expenditure or multi-purpose activities may be classified 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.

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 outlays²³ where all the outlays are given the same COFOG code. This means that COFOG analyses are too rough and not sensitive enough for either EPEA compilations or JQ reporting. Cases 5.1, 5.2 and 5.5 in chapter 5.2.1 of Eurostat's *Environmental expenditure statistics: General Government and Specialised Producers data collection handbook* give examples where COFOG is inadequate for obtaining a measure of total expenditure on environmental protection.

²¹ http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-EC-05-002/EN/KS-EC-05-002-EN.PDF

²² http://forum.europa.eu.int/Public/irc/dsis/envirmeet/library?l=/20070206_specialised&vm=detailed&sb=Title

²³ Helen Stone Ice, (2002), “A note on the classifications of expenditure according to purpose”, John Hopkins University, London

Comparison table of classification system used with 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		
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
	Noise and vibration abatement		5. Noise and vibration abatement
	Protection against radiation		7. 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		
	Restoration and cleaning of water bodies		
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		

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)²⁴;
- 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 fulfil this aim, SHA covers all economic units (be they 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.

²⁴ 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.

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, providing a short overview of the health care items in both sets of classifications, these differences described above need to be taken into account.

Usability of COFOG for SHA

COFOG	Title of headings	ICHA–HC	Title of headings
07.1	Medical products, appliances and equipment	HC.5	Medical goods dispensed to out patients
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	Out patient curative care
		HC.1.4	Services of curative home care
		HC.2.3	Out patient rehabilitation care
		HC.2.4	Services of rehabilitative home care
		HC.3.3	LTC home care
		HC.4	Ancillary services to health care

COFOG	Title of headings	ICHA–HC	Title of headings
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)

COFOG	Title of headings	ICHA–HC	Title of headings
07.4.0	Public health services (IS)		
07.5	R&D Health	HC.R .3	R & D in health
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.

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)

ICHA-HC	Title of headings	COFOG	Title of headings
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 out-patients		
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)
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		

ICHA-HC	Title of headings	COFOG	Title of headings
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'²⁵ The latest version, ISCED-97, was approved by the UNESCO General Conference in November 1997.

ISCED97 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

²⁵ quote from preface to publication ISCED 1997, UNESCO.

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.”

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

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 carried out through a gentlemen’s agreement. 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 at:

http://forum.europa.eu.int/Members/irc/dsis/edtcsl/library?l=/public/unesco_collection/2006&vm=detailed&sb=Title

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, emphasising 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:

http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-BF-05-002/EN/KS-BF-05-002-EN.PDF

4.4.3 Consistency with COFOG

There are strong links between COFOG classification and the UOE data collection, as expenditure from COFOG (at the 2nd 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 also Education not definable by level (at the COFOG II level breakdown: 09.5) 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 dependant 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 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. COFOG 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 expenditure on any research conducted in educational institutions that is classified in COFOG to the respective functions, not only to Education.

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, the influence of the organisation of medical care on its growing 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 Manual describes the “Core system” which corresponds to the standard information on social protection receipts and expenditure published annually by Eurostat. There are also modules that contain supplementary statistical information on particular aspects of social protection: these need not apply the definitions and conventions adopted for the Core so strictly. Each module has its own methodology, and possibly its own specific sources and/or methods of estimation.

ESSPROS’s objectives are to provide a comprehensive, realistic and coherent description of social protection in the Member States covering social benefits and their financing, that are internationally comparable. The definitions, conventions and accounting rules in the ESSPROS Manual 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

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) the ESSPROS records certain reductions on taxes and other obligatory levies (non-wastable tax expenditures) payable by households where they meet all the following conditions:
 - they answer the general definition of social protection;
 - the benefits are paid in cash where the taxable income of eligible households is too low to benefit from a reduction;
 - they are granted as flat rate allowances.

The treatment of these tax credits is under review in the national accounts.

A point that can easily give rise to misunderstandings is that the national accounts define a transaction category *Social transfers in kind* (D63) which covers both transfers made with and without a social protection objective (sub-categories D631 and D632 respectively). D632 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 Core of the ESSPROS, social protection transactions are described as expenditures and receipts of social protection schemes. 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.

4.6 Satellite accounts can give higher figures than COFOG

Satellite accounts based on national accounts, such as for RD, health, environment, and social protection need not give the same results for expenditure on those functions as in the COFOG breakdown of total expenditure. This because these satellite accounts count all of the relevant expenditure on the activity whether or not it is the main purpose for COFOG purposes.

Some examples

	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	
Subsidies for wind power	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' COMPILATION PRACTICES

5.1 Introduction

5.1.1 Sources of information

The information in these country pages has been assembled from the replies to three Eurostat questionnaires to Member States, plus answers to some follow-up questions. These questionnaires covered:

- a) issues related to the compilation and transmission of ESA95 table 11 (COFOG) and to consolidation of sub-sectors for ESA95 tables 2 and 11 (September 2003);
- b) the extension of the dataset on general government expenditure by function (December 2004);
- c) some selected MS practices in COFOG statistics compilation (February 2006);

In addition, the document takes account of amendments supplied by MSs to the draft country pages of this manual.

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 (D1, P2 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**5.1.3 Coding system for allocation of fixed capital consumption**

The February 2006 Eurostat questionnaire asked about the allocation of fixed capital consumption (K.1) to functions (COFOG). The responses used the coding system below, and the method numbers below are used in the country section of this document.

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.

Method 2. Detailed PIM for each sub-sector of general government sector, which involves maintaining fixed assets and branches. This information is then bridged with functions.

Method 3. Estimates based on time-series of gross fixed capital formation (P.51) by function for general government. K.1 by function follows the structure of P.51 by function.

Method 4. Estimates based on time-series of P.51 by function for each sub-sector of general government. K.1 by function follows the structure of P.51 by function and sub-sector.

Method 5. Estimates based on P.51 by function in a given year for general government. K.1 by function follows the structure of P.51 by function.

Method 6. Estimates based on P.51 by function in a given year for each sub-sector of general government. K.1 by function follows the structure of P.51 by function and sub-sector.

Method 7. Other

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 and can be found on its web site at

<http://www.nbb.be/belgostat/GlobalDispatcher?TARGET=/TreeviewLinker&rowID=109&prop=treeview&action=open&Lang=E#112>

5.2.3 Revisions policy

Table 11 is usually completed at $t+10$ 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 2 and 8 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 11 of the transmission programme) that are consistent with total government expenditure shown in table 2.

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

	Provisional Year n-1		Final Year n-2 or n-3	
Sub-sector	1 st level	2 nd level	1 st level	2 nd level
Central Government				
"The State"	A1/U	A1/NU	A1/U	A1/NU
Central government bodies	A3/U	A3/NU	A3/U	A3/NU
Other:				
State Government				
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				
Local Government				
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				
Social Security Funds				
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 2 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 October 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 in the years 1998-2005

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 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.

5.3 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

At the end of 2007 the annual COFOG data will be published by the statistical office and will be on its web site in the National Accounts section.

5.3.3 Revisions policy

The revisions policy for COFOG statistics is connected with annual national accounts revisions and with the EDP notifications. Data for 2003-2006 will be transmitted at the end of 2007 and data for 2000-2002 will be provided to Eurostat in 2008. Table 11 level 1 and level 2 will be completed at t+12 months.

5.3.4 National functional classification and compilation methodology

The compilation of the table 11 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 2, 8, 9 and 11_1, 11_2 and the supply and use table.

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

S1311 - 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)

S1313 - Local Government (includes all municipalities (280) and extra-budgetary funds linked to a local level)

S1314- 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	
Sub-sector	1 st level	2 nd level	1 st level	2 nd level
Central Government				
"The State"				
Central government bodies	A1/A3/U	A1/A3/U	A1/A3/U	A1/A3/U
Other:				
Local Government				
Municipalities				
Localities				
Local government bodies	A1/U	A1/U	A1/U	A1/U
Other				
Social Security Funds				
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 (P31) and collective consumer expenditure (P32) is made when the tables of general government expenditure by functions and operations are compiled.

5.3.7 Consumption of fixed capital expenditure

Method 7. 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 2.

5.3.9 One-off transactions in the years 1998-2005

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 corporations sector to the general government sector

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 by the statistical office and can be found on its web site at:

http://www.czso.cz/eng/redakce.nsf/i/government_expenditure_by_funcion_cofog

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.

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 Scientific), 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	
Sub-sector	1 st level	2 nd level	1 st level	2 nd level
Central Government				
"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, National Property Fund, Consolidation Agency and its subsidiaries, Public universities, Vine fund	A3/U	A3/U NA	A3/U	A3/U NA
Local Government				
Municipalities	A1/U	A1/U	A1/U	A1/U
Localities				
Local government bodies	A3/U	NA	A3/U	NA
Other: semi-budgetary units				
Social Security Funds				
Social Security main unit				
Social security bodies Health insurance companies	A3/U	A3/U	A3/U	A3/U
Other:				

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 will be converted to the new COFOG classification and published for years from 2004.

5.4.7 Consumption of fixed capital expenditure

Method 2 is used.

5.4.8 Methodological soundness

Aspects of COFOG compilation that need to be improved to increase the quality of the statistics and meet Eurostat's requirements better are listed below.

- a) To publish a time-series COFOG statistics from 1997.
- b) To gradually achieve greater coherence between the COFOG data and the annual national accounts data, and updated calculations of government deficit and debt, including basing the subdivision final government consumption expenditure on COFOG.
- c) Government expenditure by functions (table 11) on the three-digit level COFOG classification (into 69 groups) for the years 2004 and 2005. These have been compiled only experimentally and have not been published.

5.4.9 One-off transactions in the years 1998-2005

- 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 Grippen fighter planes in 2005, classified in P.2 and P.3.

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 consultations with some of the main users of the statistics, primarily the Ministry of Finance, on appropriate coding and borderline cases.

5.5.2 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 at

<http://www.statbank.dk/statbank5a/default.asp?w=1024>

COFOG data is published nationally partly at a 2-digit level.

5.5.3 Revisions policy

The data for the latest year and back years are updated three times per year in February, May and October.

5.5.4 National functional classification and compilation methodology

The national functional classification is COFOG.

The basis of the function classification is detailed accounting data from the state, counties and local government. It is generally possible to relate these expenses to a specific function, however some expenses relate to several functions, and these expenses are divided according to the different functions.

Sub-division 1.8 is not used, since transfers between different levels of government have all been allocated to the particular functions.

5.5.5 Availability and use of data sources

	Provisional Year n-1		Final Year n-2 or n-3	
Sub-sector	1 st level	2 nd level	1 st level	2 nd level
Central Government				
"The State"		NA1; A3/U		NA1; A3/U
Central government bodies		NA1; A3/U		NA1; A3/U
Other:
Local Government				
Municipalities		A1/NU; A3/U		A1/NU; A3/U
Localities		.		.
Local government bodies	.	A1/NU; A3/U	.	A1/NU; A3/U
Other:
Social Security Funds				
Social Security main unit		A3/U		A3/U
Social security bodies		A3/U		A3/U
Other:	.		.	

5.5.6 Individual and collective final consumption expenditure

The division between collective and individual follows the COFOG guidance.

5.5.7 Consumption of fixed capital expenditure (K1)

A combination of methods 1 and 3 is used.

K1 for industrial branches is estimated using PIM on fixed assets for the total of general government sector. K1 is then distributed across COFOG-groups according to a 10-year moving average of gross capital formation within each group. K1 is distributed according to 10-year moving average of P51.

5.5.8 Methodological soundness

Consolidation follows Eurostat's preference apart from D.4. Statistics Denmark has plans to consolidate D.4 in the near future. Classification of expenditure on education is not quite in line with COFOG, since the primary and secondary level of the Danish school system is not in accordance with the primary and secondary schooling categories in ISCED

5.5.9 One-off transactions in the years 1998-2005

None reported.

5.5.10 Multi-purpose functions

The basis of the functional classification of government expenses is detailed account data from State, Counties and local governments. It is generally possible to relate these expenses to a specific function, however some expenses relate to several functions, and these expenses are divided according to the different functions. The specification of these would involve a quite comprehensive data set, and the expenditures are not specified here.

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 level 1 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 on its web site at

<https://www-ec.destatis.de/csp/shop/sfg/bpm.html.cms.cBroker.cls?cmspath=struktur,sfgsuchergebnis.csp>

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 Level 1 as the classification for the function in the budgets fits well with the COFOG divisions. For the future compilation of figures on COFOG Level 2 (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	
Sub-sector	1 st level	2 nd level	1 st level	2 nd level
Central Government				
"The State"	A1/U	A1/U^(1), 2)	A1/U	A1/U^(1), 2)
Central government bodies	A1/U	A1/U^(1), 2)	A1/U	A1/U^(1), 2)
Other: <i>(please specify)</i>				
State Government				
State Government main unit	E*	E^(1), 2)	A1/U	A1/U^(1), 2)
State government bodies				
Other				
Local Government				
Municipalities	E*	E^(1), 2)	A3/U	A3/U^(1), 2)
Localities	E*	E^(1), 2)	A3/U	A3/U^(1), 2)
Local government bodies				
Other:				
Social Security Funds				
Social Security main unit	A2/U	A2/U^(1), 2)	A2/U	A2/U^(1), 2)
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 in the years 1998-2005

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.

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).

5.7 Estonia

5.7.1 Institutional arrangements

The Statistical Office of Estonia produces the statistics.

Since 2004, the Ministry of Finance has been collecting the data for general government accounts.

All general government units must report their accounts electronically to the Ministry of Finance.

5.7.2 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 at²⁶

http://pub.stat.ee/px-web.2001/Dialog/varval.asp?ma=GF056&ti=EXPENDITURE+OF+GENERAL+GOVERNMENT+BY+FUNCTION+AND+SUB%2DSECTOR+%28CONSOLIDATED%29&path=../I_Databas/Economy/08Finance/06Government_finances/&lang=1

5.7.3 Revisions policy

The data for the latest year are regularly updated after the compilation of the national accounts (the deadline is t+18 months).

5.7.4 National functional classification and compilation methodology

From 2004 all general government units use the national functional classification when compiling their accounts. The national classification is based on COFOG, but there are some inconsistencies, for instance in the second level of COFOG 09 – education.

On the revenue side the functional classification is not used. Information is available only on the level of institutions and revenue accounts.

Currently the general government accounts data are used only for the calculation of gross fixed capital formation and as additional information for other transactions where no existing data source is available.

State budgetary data do not include any functional codification. Other central government units (extra-budgetary foundations, public-legal institutions) were not obliged to use the functional classification until 2004.

²⁶ Other government data can be found at:

http://pub.stat.ee/px-web.2001/I_Databas/Economy/08Finance/06Government_finances/06Government_finances.asp (Table GF056: Expenditure of General Government by function and sub-sector).

For local government, the functional classification based on the present version of COFOG was implemented starting from 2003. Before 2003 (from 1996 to 2002) a national functional classification was used.

Social security funds such as the Health Insurance Fund and the Unemployment Fund use own budgetary classifications that are harmonised with the economic categories. The second COFOG level is available from this.

Local government administrative costs are divided by function using the structure obtained from their accounts and the bridge table from the national functional classification to COFOG. The administrative costs of budgetary units and other government institutions are classified according to the function of the institution using the bridge table.

Particular problems arise in classifying expenditures of education by the level of education categories. In Estonia most educational institutions provide several levels of education. Pupil numbers, on different levels/classes, are used to split the operating cost 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.

Gross fixed capital formation is estimated and allocated to the COFOG functions using the basic data available from the general government accounts.

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.

5.7.5 Availability and use of data sources

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

5.7.6 Individual and collective final consumption expenditure

Since 2004, the information on receipts by institution is available from general government accounts. Some problems exist in the second level, namely negative final consumption when allocated to functions.

5.7.7 Consumption of fixed capital expenditure

A simplified PIM is used with estimates based on the application of depreciation and asset lives to gross capital stocks (cumulative time-series of P.51) for each government sub-sector. K.1 is allocated to functions in same proportions as the gross capital stock of a given year.

5.7.8 Methodological soundness

Eurostat's consolidation rule is applied.

Further investigation is needed to find appropriate indicators that could be used to split all transactions with multipurpose functions between the related functions.

5.7.9 One-off transactions in the years 1998-2005

Full COFOG time series are not yet available. However, the years 2001-2002 and 2005 have been already compiled.

5.7.10 Multi-purpose functions

In general multifunction units allocate the amounts to one function that is predominant.

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).

5.8 Ireland

5.8.1 Institutional arrangements

COFOG statistics are compiled by the Central Statistical Office.

5.8.2 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 <http://www.cso.ie/>

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

Classification is based on the old ESA79 2-digit coding of General Government functions and the expenditure data are mapped to the 1999 version of COFOG. As a consequence of this it is not possible to allocate codes at subdivision levels. It is planned during 2007 to introduce the new COFOG and re-classify all expenditure transaction items with new COFOG codes.

Transfers between parts 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

	Provisional Year n-1		Final Year n-2 or n-3	
Sub-sector	1 st level	2 nd level	1 st level	2 nd level
Central Government				
"The State"	E	NA	A1/U	A2/NU
Central government bodies	E	NA	A1/U	A2/NU
Other				
Local Government				
Municipalities				
Localities				
Local government bodies	E	NA	A1/U	A2/NU
Other				
Social Security Funds				
Social Security main unit	E	NA	A1/U	A2/NU
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.

K.1 is calculated using fixed depreciation rates (declining balance). The bridging method is basic.

5.8.8 Methodological soundness

Eurostat's consolidation rules are followed. Environmental expenditure has been already separately identified. Later in 2007, the CSO will provide additional 2-digit details for some of the more important functions including Education and Social Protection.

Information for the Central Government and Social Security Sectors is available at a detailed level and can normally be allocated satisfactorily to the appropriate functions. The data available for Local Government are less detailed with the result that the functional codifications used by these entities have sometimes to be mapped to the COFOG functions using approximate allocation keys.

5.8.9 One-off transactions in the years 1998-2005

In 1999, the Government provided the pension fund of the former state owned corporation 'Telecom Eireann' with a once off capital injection of €1.6b, 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 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.

5.8.10 Multi-purpose functions

As a general rule, items of expenditure relating to more than one function are split accordingly.

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 according 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

	Provisional Year n-1		Final Year n-2 or n-3	
Sub-sector	1 st level	2 nd level	1 st level	2 nd level
Central Government				
"The State"		NA1 E		NA1 A2/U
Central government bodies		NA1 E		NA1 A3/U
Other		-		-
Local Government				
Municipalities		NA1 A2/NU E		NA1 A2/U
Localities				
Local government bodies				
Other				
Social Security Funds				
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 (method 2) 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 in the years 1998-2005

No cases reported.

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', and it can be found on its web site at:

http://www.igae.pap.meh.es/Internet/Cln_Principal/InformesCuentas/Informes/InicioPublicaciones.htm.

Last publication includes data for year 2004. In addition, IGAE will shortly release COFOG first level statistics for sub-sectors for the period 1995-2005 on its website.

On the other hand, the National Statistics Institute (INE) includes the COFOG data in its National Accounts publications. This information can be found at:

http://www.ine.es/en/daco/daco42/cne00/anexas_en.xls.

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, except for local government, there are no significant problems in assigning a specific item of spending to a certain division of COFOG.

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.

Problems arise at the COFOG second level. This is the case of division 07 'Health', where 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.

5.10.5 Availability and use of data sources

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

Due to the problems mentioned above for compiling COFOG second level data, there are minor difficulties for calculating the individual and collective consumption expenditure. However, more relevant problems arise when allocating market output revenue (P.11) and other non-market output revenue (P.131) to the different divisions for the individual/collective split.

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 the years 1998-2005

In 2004 the Central Government assumed 3.659 million euros 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.

5.11 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 and can be found on its web site at:

S13: http://www.insee.fr/fr/indicateur/cnat_annu/base_2000/secteurs_inst/xls/t_3311a.xls

S13111: http://www.insee.fr/fr/indicateur/cnat_annu/base_2000/secteurs_inst/xls/t_3312a.xls

S13112: http://www.insee.fr/fr/indicateur/cnat_annu/base_2000/secteurs_inst/xls/t_3313a.xls

S1313: http://www.insee.fr/fr/indicateur/cnat_annu/base_2000/secteurs_inst/xls/t_3314a.xls

S1314: http://www.insee.fr/fr/indicateur/cnat_annu/base_2000/secteurs_inst/xls/t_3317a.xls

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. At the time of writing the data at the second level have been transmitted to Eurostat only for Social security Funds (S1314) until 2003. But, even for this subsector, the data transmitted to Eurostat cannot be published because of the quality of the data.

5.11.5 Availability and use of data sources

	Provisional Year n-1		Final Year n-2 or n-3	
Sub-sector	1 st level	2 nd level (*)	1 st level	2 nd level (*)
Central Government				
"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				
Local Government				
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				
Social Security Funds				
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. K1 is allocated to functions according to the structure of P51 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 in the years 1998-2005

There are no such cases.

5.11.10 Multi-purpose functions

Current transfers (D7) 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.

5.12 Italy

5.12.1 Institutional arrangements

COFOG statistics are compiled by ISTAT and are based on 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 the statistical office 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 Serie Sec95 anni 1990-2005*](#).

5.12.3 Revisions policy

The data for the latest year and 3 back years are updated once a year, in December or at the beginning of January, for 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 but their expenditure is classified by function based on the activity of each body. For Local Government, COFOG has not been adopted yet so bridge matrices are used to convert data from the public accounts' functional classification to COFOG.

The State has used COFOG since 1999. At the local government level the basic functional classification of expenditure is generally quite precise. When dealing with the Regions, it is often necessary to make reclassifications with respect to the basic classification. This is possible, although rather resources demanding, through having a very detailed data set that contains all the elementary items of expenditure as described in the EDP inventory section on Local government.

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 wider categories than the COFOG classes (third level). It might happen for expenditure on economic affairs, environmental protection and housing and community amenities. For the State, the *Altre Operazioni di Tesoreria* (AOT) are linked to the management of certain expenditure items that are not accounted inside the *Rendiconto generale dello Stato* (RGS - State accounting department), but nevertheless are considered in the definition of ESA95 transactions. Being that these operations don't have the functional classification, they are distributed according to the main structure of expenditure by COFOG of the corresponding categories of the *Rendiconto generale dello Stato*. The functional distribution of the AOT operations is discussed and validated with the RGS counterpart. In some cases additional information are provided to achieve a more precise classification. For research bodies, expenditure is allocated to COFOG using a bridge matrix between the Nomenclature for the Analysis and Comparison of Scientific Programmes and Budgets (NABS - used for the research expenditure classification and adopted by OECD

Frascati Manual) and COFOG. In general, expenditure transactions are split among the different functions concerned.

5.12.5 Availability and use of data sources

	Provisional Year n-1		Final Year n-2 or n-3	
Sub-sector	1 st level	2 nd level	1 st level	2 nd level
Central Government				
"The State"		A1/U; E		A1/U
Central government bodies		A3/U; E		A3/U
Other				
Local Government				
Municipalities, Provinces, Regions		A3/U; E		A1/U
Producers of the Health service at the Local level		A3/U; E		A3/U
Other local government bodies		A3/U; E		A1/U; A3/U
Social Security Funds				
Social Security main unit		A3/U; E		A3/U
Other social security bodies		A3/U; E		A3/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. P3 is obtained by summing all the components, each with its own function class, so the separation between P31 and P32 is automatic.

5.12.7 Consumption of fixed capital expenditure (K1)

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 fully consolidated so that only transfers outside the GG sector are shown.

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.

5.12.9 One-off transactions in the years 1998-2005

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

Period	Transaction	Description	Cofog code	Sub-sector involved
1998	D99	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	D99	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
2001-2005	D9	Capital transfers to the Railways	4.5.3	S.1311
2002-2005	D9	Debt cancellation	1.2.1	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 TE.

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 and can be found on its web site at www.mof.gov.cy/cvstat

5.13.3 Revisions policy

No major revisions are made.

5.13.4 Data sources used and their codification

5.13.5 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 ESA 95 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 ESA 95.

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

This makes it possible to compile and meet all ESA 95 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.

5.13.5.1 Availability and use of data sources

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

LIFE ASSUMPTION FOR ASSETS	
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 in the years 1998-2005

No one-off transactions have taken place in the years 1998-2005.

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 will be published annually by the statistical office and will be 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

A classification based on the 1980 UN classification of government functions is used for the government budget accounting. This classification covers 14 government functions. The Ministry of Finance is now developing a new classification of government functions that would comply with the 1999 COFOG. The new classification is still under preparation and it is planned to introduce it on 1 January 2007.

Quality data on 2nd level COFOG for the general government sector could be provided in 2008 on the basis of data for 2007.

5.14.5 Availability and use of data sources

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

5.14.6 Individual and collective final consumption expenditure

No problems expected.

5.14.7 Consumption of fixed capital expenditure

Method 5.

5.14.8 Methodological soundness

The current statistics use the 1980 UN system of functional classification but the new UN system will be introduced in 2007.

5.14.9 One-off transactions in the years 1998-2005

No large one-off transactions affecting COFOG time series.

5.14.10 Multi-purpose functions

If it's possible to split the item we allocate it to the accordant function but if it isn't - we assign to the dominant function. We hope that situation will change when there will be new classification.

5.15 Lithuania

5.15.1 Institutional arrangements

Statistics Lithuania, national accounts division compiles 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”. The data can be found on its web site at:

<http://db1.stat.gov.lt/statbank/SelectVarVal/Define.asp?Maintable=M6020205&PLanguage=1>

5.15.3 Revisions policy

The data for the previous year are revised 10 months after the end of the year. Back series are updated once per year.

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) 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 is 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 11 (at 1st and 2nd digit level) and requires additional effort. All expenditure by 14 functions has to be re-classified and bridged with new COFOG version.

5.15.5 Availability and use of data sources

	Provisional Year n-1		Final Year n-2 or n-3	
Sub-sector	1 st level	2 nd level	1 st level	2 nd level
Central Government				
"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
Local Government				
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
Social Security Funds				
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 expected.

5.15.7 Consumption of fixed capital expenditure

Method 6 is applied.

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.

Consumption of fixed capital (K.1) by function is still allocated using Method 6, which is not recommended, and therefore improvements are necessary. The perpetual inventory method will be introduced in the near future.

5.15.9 One-off transactions in the years 1998-2005

The large increase of D.9 due to the restitution of property to households in 2000.

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 is not available by COFOG, but most expense concerns only the divisions for *Health* (07) and *Social Protection* (10).

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 and can be found on its web site at <http://www.statistiques.public.lu/fr/economie/index.html>

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 11 is sent to Eurostat on 1st April, and 1st 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 11, 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

	Provisional Year n-1		Final Year n-2 or n-3	
Sub-sector	1 st level	2 nd level	1 st level	2 nd level
Central Government				
"The State"	A1/U	A1/NU	A1/U	A1/NU
Central government bodies	A1/U	A1/NU	A1/U	A1/NU
Other	-	-	-	-
Local Government				
Municipalities	A1/U	A1/NU	A1/U	A1/NU
Localities	-	-	-	-
Local government bodies	NA1, E	NA	NA1, E	NA
Other	-	-	-	-
Social Security Funds				
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. K1 is then broken down by detailed NACE and function on basis of a moving average applied on gross fixed capital formation (P51).

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 2nd level COFOG data.

5.16.9 One-off transactions in the years 1998-2005

There was a one-off reduction of 423 millions euros 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 euros in the category of non-produced intangible assets as a result of transaction in connection with a merger of financial institutions.

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 Euros, equal 40% of 12.4 Euros. The operation summed up to a total of 423.4 million Euros.

Recording in National Accounts:

+K3 Economic appearance of non-produced assets	423.4
-K222 Acquisitions less disposals of intangible non-produced assets	-423.4
+F511 Shares	423.4

The effect on B.9 was 423.4 million Euros. 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.

5.17 Hungary

5.17.1 Institutional arrangements

The Central Statistical Office (CSO) and Ministry of Finance (MoF) compile the COFOG 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; Extra-budgetary Funds; 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

National presentations of Annual Budget and Final Accounts include expenditure data by functions for legal government sector and sub-sectors (as defined in point 1.1.1) on a cash basis, and a functional analysis for central and local level of governments.

No ESA/COFOG analysis has been published as this type of dataset (ESA95 Transmission program T11 table) is still under development.

5.17.3 Revisions policy

There is no fixed revision policy as yet, since the very first compilation of 2-digit level COFOG data is still being developed from year 2001. The intention is parallel, or close-to-parallel, updating in line with revisions to 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 the reclassification 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 government sector. This consists of: the Central Budget, Extra-budgetary Funds, Social Security

Funds and Local Government. 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	
Sub-sector	1 st level	2 nd level	1 st level	2 nd level
Central Government				
"The State"		A1/U		A1/U
Central government bodies		A1/U or A3/U		A1/U or A3/U
Other				
a) Extra-budgetary 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
Local Government				
Municipalities		A1/U		A1/U
Localities		A1/U		A1/U
Local government bodies		A1/U		A1/U
Social Security Funds				
Social Security main unit		A1/U		A1/U
Social security bodies		A1/U		A1/U

A1/U for most of 2nd level, except for R&D within main functions and some components of *Social protection*.

5.17.6 Individual and collective final consumption expenditure

First 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 final consumption expenditure data of 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 difficult to reconcile. At this stage, the Hungarian authorities are reluctant to report final consumption expenditure data by COFOG categories.

5.17.7 Consumption of fixed capital expenditure (K1)

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 following years.

CSO allocate K.1 expenditures to NACE-type activities. A conversion bridge allocates this to COFOG categories. Some estimates are needed for example: expenditure or units classified as environment protection in the national Budget presentation are converted into environment protection, although the activities of these units are spread over several NACE activities, as no corresponding activity exist in NACE; NACE-type activity classification does not allow separating public administration costs for health, social protection, education and cultural services. In these cases total costs are split amongst COFOG categories on an experimental basis.

5.17.8 Methodological soundness

The composition of final consumption expenditure is compiled from two sources: NACE-type activity based data and from national COFOG-oriented functional budgetary presentations, resulting in different figures, which have yet to be reconciled.

5.17.9 One-off transactions in the years 1998-2005

Some debt-assumptions affect COFOG totals in the *Transport* function:

- a) public railway: 36,5 HUF billion in 2000, 118,6 HUF billion in 2002,
- b) motorways: 16,7 HUF billion in 2002,
- c) Budapest public transport: capital 36,7 HUF billion in 2002.

There was a claim cancellation against Russia of 35,6 HUF billion in Foreign Economic Aid function classified as a capital transfer, although the claims originated from the general political, economic and military co-operation of the former socialist countries in the region.

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 decisions when approving the final annual accounts. As decisions on these cancellations are made in a subsequent year, the capital transfers affect the balance of SS funds in the subsequent

year. These transactions affect the central government sub-sector breakdown of COFOG expenditures in the Health and Pension functions, but not the General Government totals.

As there is no separate functional item (code) identified for the national contribution to the EU budget, the integration of these expenditures causes a sharp increase in General public services function from the date of EU-accession²⁷. The amounts are the following: 2004: 100,6, 2005: 159,5 HUF billion.²⁸

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.

²⁷ CSO and MoF remarks that a separate code or memo item would help to analysis and compare national data on *General public services on COFOG I level*, such as separating debt service cost, and general purpose contributions to international organisations on COFOG I and II level.

²⁸ CSO is unsure where to put this item in 2-digit level COFOG, whether it belongs to 7011/70113 External affairs, or 7018 Transfer of a general character between different levels of government.

5.18 Malta

5.18.1 Institutional arrangements

The National Statistics Office develops 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 statistical office and can be found on its web site at:

http://www.nso.gov.mt/statdoc/document_view.aspx?id=1874

A news release was published on the 31st January 2007 covering data from 2001 to 2005 at 1st 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 Table 2).

5.18.4 National functional classification and compilation methodology

The classification of the functions of government in Malta is done at 1st digit level for all years. Starting from data covering 2005, the classification will be made available in a disaggregated format at the 2nd digit level. The compilation uses the following data:

- a) detailed expenditure breakdown for the central government budget;
- b) financial statements of the Extra Budgetary Units (EBU) forming part of the General Government sector;
- c) financial statements of the individual local councils.

5.18.5 Availability and use of data sources

	Provisional Year n-1		Final Year n-2 or n-3	
Sub-sector	1 st level	2 nd level	1 st level	2 nd level
Central Government				
"The State"	A1 / U	NA1; A2/NU; E	A1 / U	NA1; A2/NU; E
Central government bodies	A3 / U	A3 / NU	A3 / U	A3 / NU
Other	/	/	/	/
Local Government				
Municipalities	/	/	/	/
Localities	/	/	/	/
Local government bodies	A3 / U	A3 / NU	A3 / U	A3 / 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 following are the improvements currently in hand:

- Providing missing backward data, 1995 to 1997 (at 1st digit level) by the 31st December 2007.
- Improving the quality of the COFOG data at the 2nd level. The first delivery of the data at the 2nd level was submitted for the first time, for the years 2005 and 2006, on the 31st December 2007.

5.18.9 One-off transactions in the years 1998-2005

The following is the one-off transactions affecting COFOG time-series:

- a) 2003 – The MSC & MDD debt assumption adjustment effect – Lm52.9 million

5.18.10 Multi-purpose functions

Going back to 2005, any institutional unit that can be identified as performing more than one COFOG function will be split up accordingly. Concurrently the expenditure of the local government sector will be split according to the various COFOG categories (mainly general public services, environmental protection and recreation and culture).

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 on its publication database on the internet (Statline) at:

<http://statline.cbs.nl/StatWeb/table.asp?STB=G1&LA=nl&DM=SLNL&PA=37842nr&D1=747-756&HDR=T>

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 11²⁹) 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 carried out during 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 in general:

For the State³⁰, budget lines are translated into functions and transactions by Statistics Netherlands. Before 2007, the so-called BNL-classification (BENELUX) was used. From 2007 on, the COFOG classification will be used, on at least the 2nd level of classes, starting from the reporting year 2005.

²⁹ In 2006 and 2007, table 11 was sent a few months later than the other ESA transmission tables.

³⁰ part of central government

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 government, no functional data are available for capital expenditure. Due to these problems, COFOG data are not available for local government at the 2nd level at present. A project has been started to achieve a bridge between the source data and COFOG.

For social security funds, very detailed information is available on social protection schemes which can be related to COFOG.

For other units within general government, use is made of type of activity (=industry). For example, all the expenditure of the government unit responsible for railway infrastructure is classified to *transport* (04.5).

Specific assignments:

Flood management and drainage are assigned to COFOG-function 4.7.4.

5.19.5 Availability and use of data sources

	Provisional Year n-1		Final Year n-2 or n-3	
Sub-sector	1 st level	2 nd level	1 st level	2 nd level
Central Government				
"The State"	A1/U	A1/NU	A1/U	A1/NU
Central government bodies	A3/U	A3/NU	A3/U	A3/NU
Local Government				
Municipalities	E/U	NA	A2/U	NA
Localities	E /U	NA	A2/U	NA
Local government bodies	E/U	NA	A3/U	NA
Social Security Funds				
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 2 is used for assigning consumption of fixed capital formation to functions. However, the PIM in the Netherlands only gives information for the government sub-sectors and the branches (by means of a matrix). This does not yield enough detail to make estimates for detailed functions. Further, splitting into functions is mainly established using a proportional distribution from the gross fixed capital formation by function (like in method 6).

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 are currently assigned to function 10.9, and thus not to the same functions as the social security benefits. The latter are 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 in the years 1998-2005

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 € 20,760 million in 2006, so splitting is important not to distort the COFOG analysis. There are several other cases like this.

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 annually by the statistical office and can be found on its web site at http://www.statistik.at/fachbereich_02/staatsausgaben_txt.shtml

5.20.3 Revisions policy

The data for the latest year and two back years are updated once per year. This means that revisions of COFOG data are made in accordance with revisions to ESA table 2 data. Depending on resources to do the work, revisions of COFOG data are made in practice mainly between September and December. An exception of this revision policy is the planned comprehensive revision in 2007 which will encompass the years 1995 to 2006.

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-groups:

- Interest, Cash discount expenses – 01.7.0 *Public debt transactions*
- Pensions – 10.2.0 *Old age*
- Family allowances – 10.4.0 *Family and children*
- *Benefits according to the unemployment insurance law* - 10.5.0 *Unemployment*
- War victim - 10.1.2 *Disability*
- Unfunded employee social benefits for families - 10.4.0 *Family and children*

But as an auxiliary solution mainly economic activities (so-called “Ansätze” of the closed accounts) are assigned to the COFOG category of the Ministry.

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	
Sub-sector	1 st level	2 nd level	1 st level	2 nd level
Central Government				
"The State"		A1/U		A1/U
Central government bodies		A3/U		A3/U
Other				
State Government				
State Government Unit		A1/U		A1/U
State Government bodies		A3/U		A3/U
Other				
Local Government				
Municipalities		A1/U		A1/U
Localities		A1/U		A1/U
Local government bodies		A3/U		A3/U
Other				
Social Security Funds				
Social Security main unit		A3/U		A3/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 still shown unconsolidated (i.e. for instance including transfers between different units of central government).

5.20.9 One-off transactions in the years 1998-2005

A break in total expenditure for economic affairs was caused by the Sale of UMTS-licenses in 2000 (classified as K.222 Sale of intangible non-produced assets).

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-) corporation have been reclassified from sector general government to sector non-financial corporations in 1997.

Hospitals in the remaining state governments were organized into quasi-corporations in 2001 which has led to a further reclassification from the general government sector to sector non-financial corporations. This has led to a reduction of total expenditure for health in 2001 whereas high subsidies have increased total expenditure for health in 2002.

5.20.10 Multi-purpose functions

For technical reasons, on a very detailed level we use the most important function. This mainly concerns the 4-digit level.

5.21 Poland

5.21.1 Institutional arrangements

COFOG is under development by Statistics Poland. The bridges from cash (reporting) data to accrual (COFOG) data as well as from budgetary classification to COFOG have been developed in co-operation with Ministry of Finance.

5.21.2 Publication of data on a national level

The Central Statistical Office publishes neither COFOG data nor COFOG analyses.

5.21.3 Revisions policy

There is no policy for regular revisions. Source data for table 11 have the status of final data. However, revisions might be made in the future if there are changes of data sources, budgetary classifications, or the composition of the government sectors.

5.21.4 National functional classification and compilation methodology

The basis for the Polish budgetary classification of revenues and expenditures is the Public Finance Act of 30 June 2005 (Journal of Laws No. 249, item 2104 with later amendments). Since 2001, the budgetary classification is generally based on the economic activity classification and is used for budgetary reporting purposes. 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 has been available since 2001 and it is amended every year. It has three levels of details: titles, chapters and paragraphs.

Extra budgetary units (budgetary establishments, auxiliary units, special funds and appropriated funds) also use the budgetary classification.

Legal entities belonging to general government sector are classified according to their main activity.

5.21.5 Availability and use of data sources

	Provisional Year n-1		Final Year n-2 or n-3	
Sub-sector	1 st level	2 nd level	1 st level	2 nd level
Central Government				
"The State"	A3/U	A3/U	A3/U	A3/U
Central government bodies	A3/U	A3/U	A3/U	A3/U
<i>Other: public higher education institutions, central institutions of culture, the Polish Academy of Sciences and its dependent units, central health care institutions, agencies.</i>	A3/U	A3/U	A3/U	A3/U
Local Government				
Municipalities	A3/U	A3/U	A3/U	A3/U
Localities	A3/U	A3/U	A3/U	A3/U
Local government bodies	A3/U	A3/U	A3/U	A3/U
<i>Other: local institutions of culture, local health care institutions.</i>	A3/U	A3/U	A3/U	A3/U
Social Security Funds				
Social Security main unit	A3/U	A3/U	A3/U	A3/U
Social security bodies	A3/U	A3/U	A3/U	A3/U
<i>Other: Labour Fund, Open Pension Funds</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

There is a possibility that the expenditure of general government sector units will be classified according to a new classification system that is more consistent with COFOG. It will influence process of compiling COFOG and will lead to increase of data quality.

5.21.9 One-off transactions in the years 1998-2005

In the period 2003 to 2005 there were large one-off cancellations in respect of social contributions. The amounts were: 2003, 3960 mln PLN; 2004, 1198 mln PLN; and in 2005, 329 mln PLN. They are allocated in function 10.2: Old age in D9 - capital transfers.

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 function.

5.22 Portugal

5.22.1 Institutional arrangements

Instituto Nacional de Estatística produces the COFOG statistics.

5.22.2 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 at www.ine.pt (national accounts publication).

5.22.3 Revisions policy

The data for the two last years are updated once per year, in December.

5.22.4 National functional classification and compilation methodology

The functional classification of the government source data is an adaptation of the functional classification used by the International Monetary Fund (1986), which is based on the old COFOG. Each transaction is classified by function using this system. The institutional unit is also allocated to a function. There are some items for which it is difficult to allocate a specific 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 to the function of the institutional unit to which they belong. The item most affected by this problem is market output.

There is negative consumption expenditure for some functions at a disaggregated level. The negative figures have to do with the fact some non-market units have secondary market output (such as some social service units engaged in social action whose main function/activity is to receive and distribute transfers). As such units are non-market, their total output is the sum of the production costs. When measuring the final consumption expenditure (P3), the sales are deducted from the non-market output making P3 negative in some cases.

5.22.5 Availability and use of data sources

	Provisional Year n-1		Final Year n-2 or n-3	
Sub-sector	1 st level	2 nd level	1 st level	2 nd level
Central Government				
"The State"		NA1 A2/NU E		A1/U
Central government bodies		NA3 A2/NU E		A3/U
Other				
Local Government				
Municipalities		NA3 E		A3/U
Localities		NA3 E		A3/U
Local government bodies		NA3 E		A3/U
Other				
Social Security Funds				
Social Security main unit		NA1 E		A1/U
Social security bodies		NA3 E		A3/U
Other				

5.22.6 Individual and collective final consumption expenditure

Housing services and water supply are industries with all the characteristics of a private product (in terms of private versus public product). However the new COFOG has determined that these COFOG categories are collective consumption unlike the previous determination in ESA95-§3.85 which let some of these categories be individual if it is possible to identify them.

5.22.7 Consumption of fixed capital expenditure

Method 6.

5.22.8 Methodological soundness

No problems reported

5.22.9 One-off transactions in the years 1998-2005

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 enterprises that had their status changed to a new legal designation called Entrepreneurial Public Entity (EPE).

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. Whenever it is not possible to split up the item it is classified to the most important function in value. When it is known that the expenditure relates to a certain function (at the two digit level), but at the detailed level it gives rise to several functions that cannot be identified, the whole amount is classified to the n.e.c class of the 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 to do so is used.

5.23 Romania

5.23.1 Institutional arrangements

The National Statistics Institute produces the COFOG statistics.

The Ministry of Public Finance is involved also in the collection of COFOG data.

5.23.2 Publication of data on a national level

COFOG data have not yet been published at national level, but will begin this year.

5.23.3 Revisions policy

Table 11 level 1 is sent at T+12 months. Data have been transmitted for COFOG level one for 2002-2005. Usually COFOG data are revised at the same time as revisions to general government data, which is usually at T+24 months.

5.23.4 National functional classification and compilation methodology

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 2001.

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

	Provisional Year n-1		Final Year n-2 or n-3	
Sub-sector	1 st level	2 nd level	1 st level	2 nd level
Central Government				
"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
State Government				
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
Local Government				
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
Social Security Funds				
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

At present there are no data available for calculating the individual and collective final consumption expenditures using COFOG.

5.23.7 Consumption of fixed capital expenditure

Method 1 is used for total general government and its sub-sectors. It is not allocated to COFOG.

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 2001.

5.23.9 One-off transactions in the years 1998-2005

There is no large one-off transaction affecting COFOG data.

5.24 Slovenia

5.24.1 Institutional arrangements

The Statistical Office of the Republic of Slovenia compiles the COFOG statistics.

5.24.2 Publication of data on a national level

The COFOG data are published annually by the Statistical Office in a “First Release” and can be found on its web site at

http://www.stat.si/eng/tema_ekonomsko_nacionalni.asp

http://www.stat.si/eng/novica_prikazi.aspx?id=653

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.

Data on expenditure and receipts for all general government units are available at a unit level.

There are more problems with assigning COFOG to local budgetary units. All relevant data on economic transactions, and aggregated information using the national functional classification, are available but the classifications are not linked to each other. The linked data will be fully available in the couple of years for all units. In the meantime, the structure of the economic and COFOG classifications of municipalities, for which the relevant information are available, are applied to all local government expenditure after also considering information from other statistical sources.

5.24.5 Availability and use of data sources

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

¹ Data source is not fully available.

5.24.6 Individual and collective final consumption expenditure

Final consumption expenditure is divided between individual and collective consumption according to type of activity since COFOG on the second level is not yet calculated.

5.24.7 Consumption of fixed capital expenditure

Method 1.

5.24.8 Methodological soundness

When all the necessary COFOG information is available, for direct budgetary units at the local government level, the estimates will be rechecked. Large revisions are not expected.

A bridge table from type of activities to COFOG for estimating gross capital formation will be produced. At present the differences between cash and accrual data is divided among functions according to the cash data.

5.24.9 One-off transactions in the years 1998-2005

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

5.24.10 Multi-purpose functions

For direct budgetary units in the central government sector, COFOG is assigned for each line of the accounting report. In case of expenditure relating to different functions, the predominant function is assigned.

COFOG for indirect budgetary units in the central and local government sectors is assigned at unit level. In the case of a unit with more than one function, expenditures are allocated to the different functions.

COFOG for social security funds are assigned on transaction level.

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 in December to comply with the latest table T0200 data.

5.25.4 National functional classification and compilation methodology

The SK-COFOG classification has been used since 2002. There are four levels. The first 3 are fully in harmony with present version of COFOG. It is used by all institutions in the GG Sector.

5.25.5 Availability and use of data sources

	Provisional Year (2004)		Final Year (2003)	
Sub-sector	1 st level	2 nd level	1 st level	2 nd level
Central Government				
"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
Local Government				
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				
Social Security Funds				
Social Security main unit	A1/U	A1/U	A1/U	A1/U
Social security bodies	A1/U	A1/U	A1/U	A1/U
Other			A3/U	A3/U

Sub-sector breakdown used in the table (Situation as of October 2007)

Central Government

The State – Budgetary organisations

Central government bodies – Subsidised organisations and State purpose funds

Other - National Property Fund of the Slovak Republic, Slovenska konsolidacna a.s., Slovak Land Fund, Public universities, Authority on Health Care Supervision, Nation's Memory Institute, Slovak National Centre for Human Rights, Slovak Television, Slovak Radio.

Local Government

Municipalities – Municipalities

Localities – Higher territorial units

Local government bodies – Municipal budgetary and subsidised organisations and Higher territorial units budgetary and subsidised organisations

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 in the years 1998-2005

COFOG data for Slovak Republic was compiled for the first time for 2003. The data for 2003, 2004 and 2005 were compiled on an experimental basis. For backward data (1995 – 2002), the Slovak Republic has a derogation until 2008. That is why 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 intends to discuss this issue with The Ministry of Finance.

5.26 Finland

5.26.1 Institutional arrangements

Statistics Finland produces the COFOG statistics.

Insurance Supervisory Authority collects financial statement data for pension insurance companies, pension funds, pension foundations, unemployment funds, employee sickness funds, and funeral and redundancy relief funds. All these units are under the supervision of Insurance Supervisory Authority, which maintains a list of them, and prepares summary financial statements for each category mentioned. These data are used in the compilation of social security sector account in national accounts

The Centre for Research and Development of Welfare and Health collects the detailed health care data from hospitals and health centres and prepares summaries on them in accordance with Statistics Finland's specifications. These data are used in the compilation of local government sector account in national accounts

5.26.2 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 at http://tilastokeskus.fi/til/jul_en.html

5.26.3 Revisions policy

The data for the latest year and 1 back year are updated once per year in month of December.

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.

Local government interest payments cannot be classified according to function.

The 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 S1311 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.

The expenditure of Local Government social and health administration is assigned to the COFOG divisions in relation to their portion of total output.

5.26.5 Availability and use of data sources

	Provisional Year n-1		Final Year n-2 or n-3	
Sub-sector	1 st level	2 nd level	1 st level	2 nd level
Central Government				
"The State"	NA1 A2/U	NA1 A2/U	NA1 A2/U	NA1 A2/U
Central government bodies (Extra-budgetary funds)	NA1/NA2 A3/U	NA1/NA2 A3/U	NA1/NA2 A3/U	NA1/NA2 A3/U
Other				
Local Government				
Municipalities	NA1 A2/U	NA1 A2/NU	NA1 A2/U	NA1 A2/NU
Localities				
Local government bodies				
Other				
Social Security Funds				
Social Security main unit	A2/U	A2/NU, E	A2/U	A2/NU, E
Social security bodies	A3/U	A3/NU, E	A3/U	A3/NU, E
Other				

5.26.6 Individual and collective final consumption expenditure

Final consumption expenditures (P3) 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, social work activities and recreational, and cultural and sporting activities. The two approaches (COFOG and industrial) give the same results because the administration and research & development are classified under the respective industries i.e. NACE classes 75 and 73 and the other industries do not cover any of these activities.

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 in the years 1998-2005

There are no large one-off transactions in the years 1998-2005 affecting COFOG time series.

5.26.10 Multi-purpose functions

For the central government sector S1311 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 euros.

The expenditure of Local Government social and health administration is assigned to the COFOG divisions in relation to their portion of total output.

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 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 Association of Local authorities and Regions collects annual reports from county councils concerning expenditures and incomes for their different activities. Even here 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 and can be found on its web site at http://www.scb.se/templates/Product_11042.asp.

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. The annual reports are final data resources.

In December year t COFOG calculations for year $t-1$ (second level), based on the annual reports, are made in current prices. The totals published in November and the total of all COFOG categories are equal.

In November year $t+1$ yearly accounts 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. Under the year 2007 a general revision is going to take place that will affect the COFOG figures as well as the totals for the government sector. The revised figures will be published in the end of November.

5.27.4 National functional classification and compilation methodology

The present version of COFOG is used.

All interest is classified to COFOG 0170.

Statistics Sweden collects annual reports for all municipalities and municipal associations once a year and Swedish Association of Local authorities and Regions collects annual reports from all county councils 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.

5.27.5 Availability and use of data sources

	Provisional Year n-1		Final Year n-2 or n-3	
Sub-sector	1 st level	2 nd level	1 st level	2 nd level
Central Government				
"The State"				
Central government bodies	A1/U	A1/U	A1/U	A1/U
Other				
Local Government				
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
Social Security Funds				
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.

There are some difficult issues for which better guidance is needed. For example, the central government agency for pharmaceutical products provides information on contagions: is that individual or collective? It is classified as individual in Sweden.

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 in the years 1998-2005

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. We do not have the amounts available.

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 finance ministry. The information is 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. 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 1 COFOG, with a number of further sub-sets available. The finance ministry is in the process of allocating departmental information to Level 2 COFOG. The UK statistical office expects to submit Level 2 COFOG data by the end of 2007.

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 National Assembly for Wales. 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 1 categories by the UK statistical office, which is responsible for ensuring that the local government data can be converted to the ESA95 accounting standard. The UK statistical office and finance ministry are working together to compile Level 2 COFOG and expects to submit Level 2 COFOG data by the end of 2007.

5.28.2 Publication of data on a national level

PDF of tables are on the ONS web site, giving economic category by COFOG level 1, in table 11.2 of the annual "Blue Book".

http://www.statistics.gov.uk/downloads/theme_economy/BlueBook2006.pdf

5.28.3 Revisions policy

The COFOG dataset is updated in its entirety once a year ready for the Table 1100 transmission 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 data may change for years as far back as 1946 when the national accounts series begin.

5.28.4 National functional classification and compilation methodology

Latest UN COFOG.

In general there are no significant problems for Central Government. Central Government expenditure is broken into more than 1000 different programmes and in the main these are at a low enough level to assign to COFOG category at the sub-division level. Debt interest is not split by function.

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), Net non-life insurance premia (D71) and Net acquisition of non-produced non-financial assets (K2).

Debt interest (D41) is not collected by service category and is currently in the not-allocated category. 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. The K2 information is not collected by COFOG category and estimates are obtained using other capital expenditure information.

For local government there is only sufficient information to allocate at the total divisional level and no sub divisions are used. Category 01 contains the corporate and democratic activities of the headquarters of the local authorities. It does not contain administration linked to a specific service such as education.

For Central Government we do not split any of the 1000 plus expenditure programmes. These are all allocated to the 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.

For Central Government, category 1.1.1 has been used for some ministerial offices which cover more than one function. Examples include, the ministerial offices for Wales, Scotland and Northern Ireland, the Office of the Deputy Prime Minister (which covers Housing and Local Government).

For local government, the category “general public services” does not contain multi-functional categories.

5.28.5 Availability and use of data sources

	Provisional Year n-1		Final Year n-2 or n-3	
Sub-sector	1 st level	2 nd level	1 st level	2 nd level
Central Government				
"The State"				
Central government bodies				
Other:	A2/U	A2/NU	A2/U	A2/NU
Local Government				
Municipalities				
Localities				
Local government bodies				
Other	(A3/E)/U	(A3/E)/NU	A3/U	A3/NU

5.28.6 Individual and collective final consumption expenditure

The following division of COFOG are considered to be individual consumption; 07, health, 08, recreation, 09, education, 10, social protection, and housing where expenditure can be linked to an individual. The remaining divisions are considered to be collective consumption.

When the UK moves to COFOG Level 2, any collective categories in individual consumption can be correctly allocated.

5.28.7 Consumption of fixed capital expenditure

Method 2

5.28.8 Methodological soundness

Full consolidation.

The UK needs to meet the COFOG Level 2 requirement. This work is in hand and a submission is expected at the end of 2007. However we do not currently have the means to submit data on prior to 2000.

There is a problem with the use made of Local Government data allocated to 01 General Public Services for P2 Intermediate Consumption. The figures are negative for some time periods.

5.28.9 One-off transactions in the years 1998-2005

None.

5.28.10 Multi-purpose functions

For Central Government we do not split any of the 1000 plus expenditure programmes. These are all allocated to the 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.

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).

03.6 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, gymnasias, 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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