

Manual on sources and methods for the compilation of COFOG statistics

CLASSIFICATION OF THE FUNCTIONS OF GOVERNMENT (COFOG)

2019 edition



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Manuscript completed in September 2019

Printed by the Publications Office in Luxembourg

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Luxembourg: Publications Office of the European Union, 2019

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Collection: Manuals and guidelines

Theme: Economy and finance

Print:	ISBN: 978-92-76-09696-2	ISSN 2363-197X	doi: 10.2785/498446	KS-GQ-19-010-EN-C
PDF:	ISBN 978-92-76-09695-5	ISSN 2315-0815	doi: 10.2785/110841	KS-GQ-19-010-EN-N

Preface

The compilation of government finance statistics (GFS) in the European Union has seen a rapid development in terms of methodological rules and practices within a relatively short period of time. The main impetus has come from new EU policies, for which more timely and complete statistics based on a common methodology are necessary. The underlying methodological framework has changed to the European System of Accounts (ESA 2010), although the functional classification (COFOG 99) has remained stable.

User needs for government expenditure statistics according to function have grown rapidly in recent years. Policy makers and analysts have increasingly needed to assess the type of the expenditure, and this has meant more demands on data suppliers in terms of both quality and detail of these statistics. EU Member States have to compile annual data in accordance with the classification on COFOG (Classification of the Functions of Government), by ESA economic category, and report them to the European Commission (Eurostat).

The reporting of COFOG by EU and EFTA countries has been developed in a relatively short time-frame by national compilers. The revised and more detailed reporting of COFOG divisions has been implemented since 2004 and the 2007 revision of the ESA 95 transmission programme allowed for the voluntary reporting of COFOG groups. With the introduction of ESA 2010 reporting in 2014, the reporting of COFOG groups for the general government sector became compulsory. By then, all EU and three EFTA countries were in a position to fulfil this requirement.

This Manual on sources and methods for the compilation of COFOG statistics is in its third edition, the first having been produced in 2007 and the second in 2011. The structure is essentially the same as before, covering user requirements, the analytical framework, methodological guidance, links with other international statistics, and countries' compilation practices. However, many detailed parts have changed reflecting the need to update and clarify the original texts.

Moreover, further methodological guidance is given by the addition of new case studies discussed and agreed by the Task Force on COFOG. The previously developed 35 case studies were reviewed for their compatibility with ESA 2010. Additionally, 16 new case studies discussed in the COFOG TF in recent years have been added.

Reporting countries have updated national recording practices following the development of COFOG group data in all countries, the methodological changes associated with ESA 2010 as well as the development of new data sources.

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

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Acknowledgements

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The COFOG Task Force & EDP Statistics Working Group and Eurostat colleagues from satellite accounts	

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1

Background and purpose

1.1. Introduction

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

- guide COFOG compilers and thus provide an overview of the harmonisation efforts of Eurostat COFOG Task Force, which brings together European COFOG compilers, key data users and Eurostat;
- inform users of COFOG statistics on the state of play on the harmonisation of European COFOG statistics and provide them with an overview of specific countries' recording practices.

The reporting of COFOG by EU and EFTA countries has been developed in a relatively short time-frame by national compilers. The revised and more detailed reporting of COFOG divisions has been implemented since 2004. The 2007 revision of the ESA 95 transmission programme then allowed for the voluntary reporting of COFOG groups. With the introduction of ESA 2010 reporting in 2014, the reporting of COFOG groups for the general government sector became compulsory. By then, all 28 EU and three EFTA countries were in a position to fulfil this requirement.

In addition to the quantity of data reported, the quality of it has also improved.

1.2. 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 one of four functional classifications commonly used in national accounts. COFOG is a 3-level classification with 10 'divisions' at the top level, each of which is broken down into between 6 and 9 'groups' at the next level of detail, which in turn are partly sub-divided further into 'classes'. This 3-level structure is shown in the appendix, together with a COFOG TF/ Eurostat commentary on the content. COFOG class data are not currently collected by Eurostat or other international agencies nor nationally published.

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 (outlays). The [UN COFOG guide](#)¹ describes in detail the contents of each functional category but does not provide sufficient practical information on its application (for ESA 2010/ 2008 SNA based compilers), such as how it can be applied to the definition of government expenditure developed for the European System of National Accounts 1995 and 2010, nor information on how it relates to other classifications of public expenditure.

ESA 2010, the current European national accounts methodology, – in contrast to ESA 95 – provides a strong overview of the relations of the functional classifications with each other, which is further described in the next chapters.

1.3. Work of the Task Force on COFOG

The development of the first version of the COFOG manual and its subsequent updating have been undertaken under the guidance of a dedicated Task Force on COFOG established by Eurostat in 2005. Eurostat, EU countries, candidate and EFTA countries, have participated in the annual meetings of the Task Force, as well as representatives from DG ECFIN, WG on QPF², OECD and the ECB.

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

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

The ECOFIN Council has sent a clear message to support the collection of 2nd level COFOG data on a national level; this need had also been stressed in the preface³ of the revised ESA95 transmission programme as one of the major improvements to be achieved for a better analysis on public expenditure. Meeting this request was the most significant challenge in the Task Force's objectives and considerable progress has been made in this area. Data availability had significantly improved since the COFOG Task Force was established, both in terms of 2nd level data and analysis by subsector.

This progress was recognised in the conclusions of the May 2009⁴ ECOFIN Council on the long-term sustainability and the quality of public finance. At the same time, the Council renewed its request to Member States and Eurostat to further step up their efforts in providing additional detailed data on government functional expenditure by COFOG 2nd level, and in extending the time series dataset.

¹ 2008 SNA and ESA 2010 maintain COFOG and the other functional classifications without changing them in any detail.

² Economic Policy Committee, Working Group on the Quality of Public Finances.

³ The preface of Regulation 1392/2007 of the European Parliament and of the Council amending the Council Regulation (EC) No 2223/96 with respect to the transmission of National accounts data states that "A sound statistical basis for the composition of public budgets is crucial for economic reform in line with the Lisbon strategy and the transmission of health, education and social protection data would help in its achievement. The provision of such data should become mandatory after a phase of provision on a voluntary basis".

⁴ [Press Release, 5th May 2009](#).

These requests were further reinforced in the ECOFIN Council conclusions of November 2009⁵, in connection with the revision of the EFC Status Report on information requirements, which includes, as an Economic Policy Committee (EPC) priority, COFOG 2nd level details. It was pointed out that the major information need concerns environmental protection, health, education, social protection and R&D.

COFOG 2nd level data were included as a requirement in the ESA 2010 transmission programme (Annex B of [Regulation of the European Parliament and of the Council \(EU\) No. 549/2013](#)). By 2013, all 28 EU Member States and three EFTA countries were already in a position to provide COFOG 2nd level data. The ESA 2010 transmission programme was implemented in 2014.

Since 2009 and up until today, COFOG statistics have been regularly included in the annual EPC report on structural statistics and have occasionally featured in ECOFIN conclusions.

1.4. Users' requirements

1.4.1. European strategies and the Integrated Guidelines

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

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

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

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

- a) controlling the sustainability of public finances by reducing government debt ratios and reforming pension and health care systems to verify the consistent allocation of public resources in line with the strategic objective of improving long-term growth;
- b) assessing the governments' fulfilments of their functions to verify if public resources were used in the most efficient and effective way. To this aim, the link of input data on public expenditure to outputs and policy outcomes - that correspond to money spent on different functions (e.g. comparing expenditure on education, health care or R&D with results achieved in terms of policy objectives) - is very relevant.

⁵ [Press Release, 10th November 2009.](#)

The Broad Economic Policy Guidelines (BEPGs) of the Member States and the Community for the 2008-2010 period⁶, in line with the previous documents, ask for:

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

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

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

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

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

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

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

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

The Europe 2020 communication⁷ from the Commission explicitly recognizes the importance of having a reliable analysis of public expenditure for orienting policies:

⁶ Council Recommendation 2008/390/EC of 14 May 2008 on the BEPG for the Member States and the Community (2008-2010), Official Journal L137 of 27/5/2008 ([BEPG 2008](#)).

⁷ [COM\(2010\)2020](#).

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

1.4.2. Reformed Stability and Growth Pact

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

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

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

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

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

1.4.3. DG ECFIN's priorities

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

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

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

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

Overall, the need for a detailed and comprehensive dataset on public expenditure has been a recurrent topic in several issues of the Public Finance Report (PFR) in order to allow a complete and thorough analysis of general government spending.

1.4.4. Working Group on the Quality of Public Finances

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

The January 2006 Council requested additional work on three issues:

1. fiscal rules and institutions;
2. the measurement of public spending efficiency and effectiveness;
3. the monitoring of the public expenditure composition.

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

The Economic Policy Committee produced a document on 22 May 2006 ("Statistical needs of the EPC") stating its statistical needs. Section 3 is devoted in particular to COFOG 2nd level data. The main requirements included in this document refer to the availability of data for individual expenditure items with a sufficient level of detail, in particular by facilitating the release of data for further countries, extending available time-series, improving timeliness, and making further progress on the methodological framework on the basis of the questionnaires on country practices and best practices. Detailed breakdowns were important for some functions: environmental protection (05), health care (07), education (09) and social protection (10). In addition to that some individual second level items, such as R&D, basic research, transport and communication would also be of utmost importance, jointly with an appropriate timely and long time series data release for all COFOG functions.

On the other hand, the work of the Eurostat Task Force on COFOG received an important acknowledgement in *Public Finances in EMU 2009*, where it was recognised that significant progress had been made in the provision of COFOG data since the first transmission according to the ESA95 transmission programme:

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

One of the composite indicators, developed in the context of the work of the WG QPF, was the so-

called QPF3⁸, *Composition, efficiency and effectiveness of expenditure*, based on COFOG data. It was composed of several sub-dimensions related to: a) Composition of public spending, b) Education, c) Health, d) R&D and Innovation, e) Public order and f) Public administration.

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

Eurostat reports annually on the availability and quality of COFOG statistics to the Economic Policy Committee (EPC) in the context of the report on structural statistics.

1.4.5. European Semester uses

Introduced in 2010, the European Semester enables the EU member countries to coordinate their economic policies throughout the year and address the economic challenges facing the EU.

Goals of the European Semester are to

- ensure sound public finances (avoiding excessive government debt)
- prevent excessive macroeconomic imbalances in the EU
- supporting structural reforms, to create more jobs and growth
- boost investment.⁹

The country-specific recommendations are supported by statistical data, for example COFOG data on health, education and social protection is used in this context.

1.4.6. Expenditure on 'law courts'

In the context of both the Sustainable Development Goals indicators and in the EU Justice Report, COFOG expenditure on 'law courts' (group 03.3) is used as a regular indicator.

1.4.7. OECD requirements

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

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

COFOG-Special classification

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

⁸ For additional information see, table II.3.4 of [Public Finances in EMU, 2009](#).

⁹ Adapted from https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/eu-economic-governance-monitoring-prevention-correction/european-semester/framework/european-semester-why-and-how_en.

Basic structure of the COFOG-Special classification

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

1. Collective goods
 - A. in kind
 - B. in cash
4. Individual goods
 - C. in kind
 - a) mainly provided for allocative motives
 - b) mainly provided for distributive motives
 - c) provided for mixed motives
 - D. in cash

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

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

Collective goods in kind

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

Collective goods in cash

1. Foreign aid transfers
2. General purpose and block grants
3. Interest

Individual goods in kind

1. Non-market recreation, culture and religion
2. Social services
3. Health
4. Education
5. Market subsidies

Individual goods in cash

1. Social cash transfers

Publication

The OECD publish expenditure data according to COFOG-Special as part of the OECD Public Finance and Employment Database (PFED) on its web-site [OECD.Stat](https://data.oecd.org/pfed/). The PFED is extended to all

OECD countries that produce COFOG 2nd level data. In addition the database contains employment data according to the COFOG-Special classification.

OECD also publishes the COFOG 2nd level data as transmitted by Eurostat.

1.4.8. ECB requirements

The availability of timely and detailed COFOG data is of high importance, as they are very helpful in analysing the effectiveness and efficiency of government spending. The ECB welcomes that all Member States supply Eurostat with complete and timely data at COFOG 2nd level, in particular for health, education and social protection. These data are essential for preparation of the macroeconomic forecasts and fiscal analyses.¹⁰

1.4.9. IMF requirements

Since the introduction of the IMF's Government Finance Statistics Manual 2014 (GFSM2014), COFOG 2nd level data have been fully included into the Government Finance Statistics Yearbook questionnaire (GFSY) in Table 7. Table 7 only covers total outlays, but requests COFOG 2nd level data for the subsectors of general government.

¹⁰ For example see the ECB Economic Bulletin articles [“The composition of public finances in the euro area”](#) and [“Social spending, a euro area cross-country comparison”](#).

2

Analytical framework

2.1. The ESA 2010 Transmission Programme and the publication of government finance statistics

This manual considers COFOG in the context of national accounts as defined by the European System of Accounts 2010 (ESA 2010), which is based on the world-wide System of National Accounts 2008 (2008 SNA). The legal text of ESA 2010 is the [Regulation of the European Parliament and of the Council \(EU\) No. 549/2013](#).

2.1.1. The ESA 2010 Transmission Programme

EU Member States are obliged to deliver data to Eurostat in the field of national accounts. These data are structured within tables that constitute the ESA 2010 Transmission Programme, which is annex B of ESA 2010. Annex B¹¹ lists, in the form of tables, the series to be delivered, their timeliness, and the length of back data. A Commission Implementing Decision ([Commission Implementing Decision on granting derogations to Member States with respect to the transmission of statistics pursuant to Regulation \(EU\) No. 549/2013](#)) lists the derogations granted to individual countries, in terms of series coverage, timeliness, and backward data.

The tables listed below are those relevant for analysis of government finances. Unless otherwise indicated, 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. Countries report data on the subsectors of general government on a compulsory basis. Recently, a number of countries have started supplying additional, voluntary data in the context of ESA table 2. Among other items, the voluntary data transmissions cover social benefits other than social transfers in kind for three COFOG groups within the social protection division¹², interest before FISIM adjustments as well as breakdowns of property income and other current transfers.

Table 0900 reports the annual detail of taxes and social contributions. The timeliness is T+9 months. Also to be provided with table 0900, is the list of taxes and social contributions according to the national classification, with corresponding amounts and ESA 2010 codes.

Table 1100 reports the detail of expenditure by functions (COFOG). The timeliness is T+12 months.

¹¹ The ESA 2010 Transmission Programme is an update of the ESA95 Transmission Programme, amended in 2007, with respect to the original ESA 95 Annex B, by the Regulation (EC) [No 1392/2007](#) of the European Parliament and of the Council.

¹² 10.2 'old age', 10.3 'survivors' and 10.5 'unemployment'.

Countries must report expenditure on each function broken down by economic nature (compensation of employees, intermediate consumptions, transfers and so on) using the ESA 2010 categories considered in the public expenditure definition as described in ESA 2010 chapter 8, paragraph 8.100, and chapter 20, paragraph 20.91. The description of the expenditure by economic categories can be found in [chapter 2.4](#). A complete description of table 1100 contents is provided below in section 2.1.2.

Table 2700 reports quarterly financial accounts of general government. The timeliness of T+85 days applies to provisional data for Member States whose currency is the euro and the deadline is T+3 months for other Member States as well as for finalised data for euro area members.

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

Additionally, **table 2500** – under a gentlemen's agreement – covers the quarterly non-financial accounts of general government with a timeliness of T+3 months after the reference quarter.

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

The information on general government expenditure by function is reported in table 1100.

The transmission of COFOG level I data (divisions) is compulsory from the reference year 1995 onwards.

The transmission of COFOG level II data (groups) is compulsory for general government from 2001 onwards.

The following ESA transactions categories have to be provided for general government and its subsectors: OP5ANP, P.5, NP, D.1, D.3, D.4, D.62+D.632, D.62¹³, D.632¹⁴, P2+D.29+D.5+D.8, P.2, D.29+D.5+D.8, D.7, D.9, TE, P.3, P.31, P.32.

P.31 and P.32 are only compulsory at total level, i.e. there is no legal requirement to transmit them at COFOG level I or II.

P.51g and D.92 are compulsory at general government level and voluntary for subsectors.

Intra-flows in D.4, D.7 and D.9 can be provided on a voluntary basis.

Some countries have requested and been granted derogations on the transmission of certain historical years or detailed breakdowns. The related Commission Implementing Decision is linked in chapter 2.1.1.

It should be noted that most countries provide more detailed breakdowns than required by the Regulation. For example, 29 countries provided COFOG level II data for subsectors at the end of 2017 and 28 countries provided a breakdown of P.31 and P.32 at COFOG group level.

In the ESA 2010 transmission programme, the legal requirement for expenditure of general government by function is limited to 1995 onwards. However, Eurostat welcomes the transmission of data for years prior to 1995 if these data are available in Member States. The purpose of maintaining the reporting period from 1995 onwards is to ensure a complete time series of a reasonable length, taking into account the burden this reporting imposes on Member States' statistical offices. Eurostat also welcomes the provision of other voluntary information, such as the provision of COFOG level II data for subsectors of general government.

The structure of table 1100 provides for 5 sections within one single questionnaire — one for general government and one for each of the four subsectors — all of them with a breakdown by COFOG

¹³ Compulsory from 2012 onwards, can be provided on a voluntary basis for earlier years.

¹⁴ Compulsory from 2012 onwards, can be provided on a voluntary basis for earlier years.

level II. The section for general government has to be compiled on a compulsory basis for both COFOG level I and level II data, divisions and groups. The sections for the subsectors are requested on a voluntary basis for the COFOG level II data (groups) and certain breakdowns of transactions (see above). The questionnaire provides a cross-classification of general government expenditure, and of its subsectors, by function and economic nature.

This arrangement allows countries to transmit, on a voluntary basis, COFOG level II detail for subsectors where these data are available. Eurostat encourages these data transmission as they facilitate the analysis of trends for public expenditure, and they help satisfy the data requirement of the institutional users, such as the EPC, European Commission users, the ECB, the IMF and the OECD.

2.1.3. Transmission to Eurostat and data validation

The legal deadline for delivery of the table is t+12 months, i.e. 12 months after the end of the reference period. In practice, Eurostat gladly receives COFOG data once these are ready or once there is a need for revision.

Data should be transmitted to Eurostat using Edamis, data flow ESAP2CFG_1100_A in SDMX-ML (compact SDMX) format. Data can either be prepared for transmission using the dedicated Excel templates available on [Circabc](#) or directly extracting from a compatible database. The Excel transmission templates contain already a number of validation checks (aggregate consistency, sector consistency, COFOG consistency) as described below.

When data is received by Eurostat, a report on the transmission is prepared and sent to the compiler for comments.

This report contains the outcomes of the following verifications.

Completeness and coding

Completeness of the data is verified both against previous transmissions (newly missing amounts, either not provided or coded as "L" – not available) and against the compulsory observations to be provided.

Basic consistency checks

Aggregate consistency checks verify the following accounting identities across all subsectors and COFOG groups:

$$TE = D.1 + D.3 + D.4 + D.6M + P.2 + (D.29 + D.5 + D.8) + D.7 + D.9 + OP5ANP$$

$$OP5ANP = P.5 + NP$$

$$OEC = OED + P.2$$

$$P.3 = P.31 + P.32$$

$$D.6M = D.62 + D.632$$

Additionally, the following two inequalities are verified:

$$D.9 \geq D.92$$

$$P.31 \geq D.632$$

Sector consistency and consolidation verification check the following:

For any transaction except D.4, D.7, D.9 and TE and any COFOG detail

$$S.13 = S.1311 + S.1312 + S.1313 + S.1314.$$

For D.4, D.7, D.9 and TE and any COFOG detail

$$S.13 \leq S.1311 + S.1312 + S.1313 + S.1314$$

Where ever intraflows on D.4, D.7 and D.9 are provided, the following is additionally verified for all COFOG breakdowns:

$S.13 = (S.1311 + S.1312 + S.1313 + S.1314)$ - flows between subsectors.

COFOG consistency

This check verifies that "TOTAL" equals the sum of divisions and that divisions equal the sum of their groups for all transactions, S.13 and all subsectors.

In all of the above verifications, a coding of the data as "L" – missing - prevents the calculation of the check if more than one "L" is provided for the breakdown. If an "L" is provided for an aggregate, the test is not performed if at least one breakdown is also coded "L". Otherwise the test is performed and the observation coded "L" is indicated as potentially containing a false coding.

A coding of "M" will for all practical purposes be treated in the same way as a numerical zero.

Negative values

The only negative values routinely expected in COFOG transmissions would be: P.5/ P.51g, NP and therefore OP5ANP and possibly TE (and in some countries D.8).

For this reason, all negative values occurring in other transactions are routinely pointed out and correction and/ or clarification is requested.

Comparison with ESA table 2 / 25:

ESA table 11 should be consistent with ESA tables 2 and 25.

However, as described in chapter 2.1.3, the transmission deadlines for ESA table 2 and 11 differ from each other.

This may lead to the occurrence of vintage differences.

- 1) Either new data sources could become available between the compulsory transmission of ESA table 2 at end-September and the compilation of ESA table 11 at end-December, or
- 2) The compilation final consumption expenditure (P.3) according to COFOG may lead to differences in the breakdown between P.31 (individual) and P.32 (collective) supplied previously in ESA table 2.

In the former case, table 25 should be updated and hence consistent with ESA table 11 – this has coinciding transmission deadlines with ESA table 11. In such cases, the majority of compilers prefer to retransmit a revised ESA table 2 outside the legal deadlines.

In the latter case, the new estimates for P.31/P.32 should be incorporated into table 25 and a revised ESA table 2 should be supplied at the first opportunity for revision. In practice, many countries prefer to update ESA table 2 immediately in such cases.

Generally, aligned transmissions outside the legal deadlines are encouraged, but vintage differences are accepted. Differences not due to data vintage have not occurred in recent years (with exception of P.31/P.32).

Revisions

An explanation is requested for larger revisions or for revisions that appear to lead to a break in time series.

Growth rates

An explanation is requested for unusual year-on-year changes in particular for large one-off events, where the cause is not known or for large changes in transactions expected to be relatively stable (such as D.1).

Coherence and plausibility

The coherence of the COFOG allocation and the ESA transaction recorded is checked along the lines described in the comments to the COFOG classification in the [Appendix](#) and the ESA

transaction in [chapter 2.8](#). The proportion of expenditure recorded in not elsewhere classified groups is also verified systematically. Other ad-hoc verifications against other data sources are performed as appropriate.

Finally, at each meeting of the COFOG TF, a comparison across countries is presented.

2.1.4. Eurostat GFS publications

[COFOG level I and level II data](#) transmitted by Member States are available in the Eurostat public database. For both COFOG level I and level II all transmitted data are published by default, unless a non-publishable status is indicated by the Member State. Member States are encouraged to limit embargoes on publication as far as possible.

Eurostat presents government finance statistics (GFS) in an integrated way, in the '[annual government finance statistics](#)' and the '[quarterly government finance statistics](#)' publications. This publication currently provides tables by Member State, for the EU and the euro area in aggregate, as well as for Iceland, Norway, and Switzerland. Government finance statistics (GFS) data show the economic activities of government in a harmonised and comparable way. Since these tables are based on national accounts concepts (ESA 2010) and EDP definitions, data differ noticeably from the budget presentations or public accounting presentations that are Member state specific and not harmonized between countries. GFS data include both the financial (borrowing and lending) and non-financial (income and expenditure) activities of government.

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

Detailed publications are produced for taxes and social contributions and for COFOG. COFOG data for all EU Member States as well as Iceland, Norway and Switzerland is presented in an [online publication](#).

2.2. COFOG and other functional classifications

The 2008 SNA and ESA 2010 include four classifications of expenditure according to purpose (so-called functional classifications¹⁵).

¹⁵ 2008 SNA chapter 29 "Satellite accounts and other extensions" as well as ESA 2010 chapter 22 "Satellite accounts".

2.2.1. Coicop: Classification of Individual Consumption by Purpose

Coicop is used to classify individual consumption expenditure of households, not for profit institutions serving households (NPISHs), and general government. The common classification of individual consumption expenditure of the three institutional sectors is useful for calculating households' actual final consumption (P.4)¹⁶.

Coicop is structured into 14 divisions. Divisions 01-12 concern (individual) consumption expenditure of households, division 13 concerns (individual) consumption expenditure of NPISHs¹⁷ and division 14 concerns individual consumption expenditure of general government.

COFOG and Coicop have common definitions and classifications in Coicop Division 14 as described explicitly in ESA 2010 paragraph 3.105.

Coicop division 14 - Individual consumption expenditure of general government

- 14.1 Housing (equivalent to COFOG group 10.6)
- 14.2 Health (equivalent to COFOG groups 07.1-07.4)
- 14.3 Recreation and culture (equivalent to COFOG groups 08.1-08.2)
- 14.4 Education (equivalent to COFOG groups 09.1-09.6)
- 14.5 Social protection (equivalent to COFOG groups 10.1-10.5 and 10.7)

COFOG groups corresponding to individual consumption expenditure of general government are the main part of the COFOG divisions 07 health, 09 education, and 10 social protection, excluding only the groups related to R&D and other expenditure not elsewhere classified (n.e.c.) but including social exclusion n.e.c. As far as COFOG division 08 recreation, culture and religion is concerned, the groups corresponding to general government individual consumption expenditure are the first two: 08.1 recreational and sporting services and 08.2 cultural services.

COFOG and Coicop thus have a consistent definition of individual consumption expenditure of general government.

In the ESA 2010 transmission programme, Coicop compilation is foreseen within ESA table 5, but only for divisions 01-12 concerning households. Therefore a data comparison is only possible at national level, wherever the two classifications are simultaneously used for general government.

For further details on general government individual and collective consumption expenditure see also chapter 3.6, of this handbook.

2.2.2. COPNI: Classification of the Purposes of NPISHs

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

2.2.3. COPP: Classification of the Outlays of Producers by Purpose

COPP is used to classify intermediate consumption and capital outlays of financial and non-financial

¹⁶ ESA 2010 paragraphs 3.93-3.109 provide a full description of the relation between the concept of final consumption expenditure, for which the COICOP classification is the guideline, and actual final consumption.

¹⁷ Not-for-Profit Institutions Serving Households – S.15.

corporate and unincorporated enterprises.

2.2.4. COFOG: Classification of the Functions of Government

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

2.3. Definition of the general government sector

COFOG analyses government expenditure. For the purpose of COFOG-based data supplied to Eurostat, government expenditure is defined as a particular set of transactions undertaken by units in the general government sector as defined and recorded in national accounts under ESA 2010¹⁸.

The general government sector and subsectors are defined in ESA 2010 paragraphs 2.111-2.117 and in more detail in ESA 2010 chapter 20 “the government accounts”. The general government sector is defined as consisting of “resident institutional units which are non-market producers whose output is intended for individual and collective consumption”¹⁹, and/or all institutional units principally engaged in the redistribution of national income and wealth.

Government units are mainly financed by compulsory payments, taxes and social contributions, made by units belonging to other sectors, and by transfers made by units belonging to the same sector.

A resident unit is regarded as constituting an institutional unit if it has decision-making autonomy in respect to 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 of said unit’s activities if such account were required.

ESA 2010 chapter 20, on “the government accounts” and Eurostat’s [Manual on Government Deficit and Debt – Implementation of ESA 2010](#) give guidance on the classification of units on the borderline of the general government sector.

According to the ESA 2010 definitions, the general government sector consists of four subsectors:

a) Central government (excluding social security funds) (S.1311)

This subsector includes all administrative departments of the State, other central agencies, and non-profit institutions controlled by central government, whose competence extends normally over the whole economic territory, except for the administration of social security funds. ESA 2010 (paragraph 20.08 and following) distinguishes between budgetary and extra-budgetary units. The main budgetary unit (budgetary central government), present in all EU countries at the central government level, exercises national executive, legislative and judiciary powers and its revenue and expenditure are directly regulated and controlled by the Ministry of Finance, or its equivalent, by means of a general budget approved by the legislature. This primary entity can be present also in the state and the local government subsectors, based on the related geographic areas of interest. In addition to these primary units there are other central government bodies with their own, separate, budgets. These units generally have their own

¹⁸ ESA 2010, paragraph 8.100 and chapter 20.

¹⁹ ESA 2010, paragraph 2.111.

resources but also receive substantial transfers from the budgetary units.

b) State government (excluding social security funds) (S.1312)

This subsector includes those types of public administration units which are separate institutional units in a federal system of government having a state or regional competence, consisting of non-market non-profit institutions controlled by state government. These units have some of the functions of government at a level below that of central government and above that of the governmental institutional units existing at the local level of government, except for the administration of social security funds.

Amongst EU and EFTA countries, Belgium, Germany, Spain, Austria and Switzerland have both a central and state levels of government. State government thus does not exist in the majority of EU Member States.

c) Local government (excluding social security funds) (S.1313)

This subsector includes those types of public administration units which are separate institutional units, consisting of non-market non-profit institutions controlled by local government whose competence extends to only a part of the economic territory, apart from local agencies administering the social security funds.

d) Social security funds (S.1314)

The subsector *social security funds* includes all central, state and local institutional units whose principal activity is "the operation of social security schemes" (ESA 2010 para. 20.12). According to ESA 2010 para. 20.12 "social security schemes are social insurance schemes covering all or a large part of the community as a whole, which are imposed and controlled by government. A social security fund is an institutional unit if it is organised separately from the other activities of government units, holds its assets and liabilities separately, and engages in financial transactions on its own account." ESA 2010 para. 17.41 further explains that "The use of the term social security funds does not mean that there is always an actual fund of assets created within the scheme. Social security funds and social security schemes are synonymous terms." There is usually no direct link between the amount of contribution paid by an individual and the risk to which that individual is exposed (ESA 2010, paragraph 2.117). ESA 2010 para. 2.117 also specifies that general government is responsible for the approval of contributions and benefits, independently from its role as supervisory body or employer.

2.4. Definition of government expenditure

National accounts under ESA 2010 are 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 total expenditure are defined according to ESA 2010²⁰ chapter 8 (the sequence of accounts), paragraph 8.100, and chapter 20 (the government accounts), paragraphs 20.76 and 20.108.

Given that the comparability of total revenue and total expenditure are dependent on the degree of netting and consolidation, common rules for consolidation are developed in ESA 2010 chapter 20, paragraphs 20.152-20.161. These paragraphs prescribe the consolidation of D.4 property income, D.7 other current transfers and D.9 capital transfers. Other transactions should not be consolidated.

One major feature of the definitions of total revenue and total expenditure is that total government revenue minus total government expenditure equals government net lending/ net borrowing (B.9) -

²⁰ ESA95 did not contained the list of government total revenues and total expenditure; the Commission Regulation (EC) No 1500/2000 defined total revenue and total expenditure in relation to ESA95 categories. The definition is now included in ESA 2010.

the “government surplus or deficit”²¹, paragraph 20.71.

The components of total 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 ESA 2010 transmission programme. The second column shows the ESA 2010 components of each category. Economic categories are listed in their consolidated version within general government, according to ESA 2010 consolidation rules.

Table 1: General Government Total Expenditure

Economic categories for COFOG analysis	ESA 2010 transactions
gross capital formation + acquisitions less disposals of non-financial non-produced assets	OP5ANP (P.5+NP) uses
compensation of employees	D.1 uses
subsidies payable	D.3 negative resources (reported as positive amount in the GFS tables)
property income payable	D.4 uses, consolidated
social benefits other than social transfers in kind and social transfers in kind - purchased market production, payable	D.6M (D.62 + D.632) uses
intermediate consumption+ other taxes on production + current taxes on income, wealth, etc.+ adjustment for the change in pension entitlements	OEC (P.2+D.29+D.5+D.8) uses
other current transfers payable	D.7 uses
capital transfers payable	D.9 uses
Total Government Expenditure = total of categories above	
Additional detail	
gross fixed capital formation	P.51g net acquisition
intermediate consumption	P.2 uses
other taxes on production + current taxes on income, wealth, etc.+ adjustment for the change in pension entitlements	OED (D.29+D.5+D.8) uses
social benefits other than STIK	D.62 uses
social transfers in kind – purchased market production	D.632 uses
investment grants payable	D.92 uses
final consumption expenditure	P.3
individual consumption expenditure	P.31
collective consumption expenditure	P.32

2.4.1. Description of the economic categories

The economic categories comprising government expenditure are described below, according to the ESA 2010 consolidation rules which imply netting expenditure between government subsectors related to the following transactions: *property income (D.4)*, *other current transfers (D.7)*, *investment grants within general government (D.92)*, *other capital transfers within general government (D.99)*.

Data compilers should consult ESA 2010 for a full description of each category and for the time of recording and valuation that allow the best approximation of the accrual recording. The explanations

²¹ Government deficit = minus B.9.

below are 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 in the production process, during the accounting period. The government intermediate consumption corresponds to goods and services such as building rentals, office consumables, energy, consultancy services, medical appliances and equipment.

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

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

Taxes²² are excluded from the transactions to be consolidated when calculating general government expenditure; this is necessary to provide a representation of government production in a consistent manner with respect to the other institutional producers into the framework of national accounts.

Compensation of employees (D.1)

This is the total remuneration, in cash or in kind, paid by government to its employees. It includes *wages and salaries in cash or in kind (D.11)* and *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 (D.122)* are the counterparts to future payments of social benefits minus actual contributions directly made by employers to their employees without involving any social security scheme or autonomous pension scheme. Compensation of employees and intermediate consumption are governments' production costs.

Subsidies (D.3)

This category is – in the sequence of accounts – uniquely recorded as the negative resource of the government, rather than as a use, to keep it in the same part of the accounts as taxes. This approach is necessary in order to calculate the GDP at market prices according to the production approach. GDP corresponds to the sum of the value added by all activities (industries in the NA terminology) which produce goods and services, plus taxes less subsidies on products, which are not allocated to sectors but rather retained in the goods and services account²³; for further details see ESA 2010 para. 1.133. In GFS tables, subsidies are nonetheless reported as positive numbers.

It is the only flow recorded on the resource side that is included in government expenditure. It excludes subsidies paid by institutions of the EU (S.212) to residents of the Member State since ESA 2010 records these as being paid by the rest of the world rather than by government. Subsidies are not consolidated, in line with the ESA 2010 principle that transactions appearing in different accounts should not be consolidated.

Subsidies may include some tax credits payable to corporations that are treated as government expenditure in national accounts, rather than a reduction of revenues from taxes, and hence classified as subsidies for their total amount. The treatment of tax credits in the government accounts as well as the distinction between non-payable and payable tax credits, is discussed in ESA 2010 chapter 20, para. 20.167-20.168. Expenditure related to payable tax credits can also be recorded in other ESA transactions, notably D.62, D.75 and D.9.

²² The same gross treatment holds for social contributions received for government employees, and for social benefits paid to government employees as well.

²³ Taxes and subsidies on products are not allocated to sectors given that to do so would imply assumptions on the relative elasticities of supply and demand.

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) and other non-produced assets. It also conceptually includes payments of dividends by government, although the existence of any is unlikely. Note that rental of buildings is recorded as intermediate consumption, part of government output calculated as the sum of the incurred production costs, and not as property income. Other investment income is to be recorded in cases where government operates funded pension schemes.

Interest (D.41)

In ESA 2010 interest is recorded as accruing continuously over time to the creditor on the amount of principal outstanding.

The accrual recording of interest follows the debtor approach, under which the interest to be recorded is determined for the whole life of the financial instrument based on the rate or yield prevailing at the time of creation. This is calculated on the yield at issue, which depends on the issue price of the instrument and expected interest receipts²⁴.

According to ESA 2010 chapter Annex 5.1, interest is the type of property income associated with the following financial instruments: F.12 *SDR holdings/ allocations*; F.22/29 *deposits*, F.3 *debt securities*; F.4 *loans*; F.8 *other accounts*. As there are several financial instruments that comprise governments' interest-paying (debt) instruments- e.g., loans, bills, securities, government bonds or notes, discounted and zero-coupons bonds, index-linked securities, - specific treatments for each are to be followed in the corresponding calculations of interest.

Social benefits (other than social transfers in kind) (D.62)

These are transfers to households, other than transfers in kind, intended to relieve them from the financial burden of a number of social risks and needs (see ESA 2010 para. 4.84).

They are made up of three sub-headings:

- *social security benefits in cash (D.621)* provided under social security schemes to households by social security funds;
- *other social insurance benefits (D.622)* corresponding to social benefits payable by social insurance schemes other than social security to contributors to the schemes, their dependents or their survivors;
- *social assistance benefits in cash (D.623)* consisting of current transfers payable to households by government institutions (except for social security funds) to meet the same needs guaranteed by social insurance benefits but not made under a social insurance scheme that requires the participation by means of social contribution; this last component is usually financed out of budgetary resources of the ministries for labour and social security.

Each of the sub-headings are further broken down into pension and non-pension benefits. Compilation of the ESA transaction at this level of detail thus provides for an easier COFOG classification.

Social benefits also 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.

Finally, this category also includes payable tax credits connected to social needs actually paid to households that are treated as government expenditure in national accounts and hence classified under D.62.

²⁴ Under the "creditor" principle, interest is calculated at the market yield times the market value of the instruments. 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 transfers in kind–purchased market production (D.632)

These are goods and services of two kinds:

- a) reimbursement by social security funds of approved expenditure made by households on specific goods and services;
- b) individual goods and services produced and provided directly to the households by market producers and purchased by government, which supplies them to households without any transformation (see ESA 2010 para. 4.109).

This means that social transfers in kind via market producers (D.632) do not enter into the government production process; for example, they correspond to certain education, health, and assistance services.

For general government D.63 *social transfers in kind* consists of *social transfers in kind – general government non-market production (D.631)* and *social transfers in kind – purchased market production (D.632)*.

D.63 corresponds to P.31 *individual consumption expenditure*.

Thus, even though D.63 and D.631 are not explicitly transmitted in the context of GFS, they can be derived from the transmissions/ compilations of P.31 and D.632.

D.631 and P.32 are the only items from the uses side of the accounts that do not enter government total expenditure. On the resources side, this is balanced by not including P.132 in the calculation of government total revenue.²⁵

D.632 is distinguished from goods and services, intermediate consumption (P.2), bought by government to produce government output (P.1, partly P.132, partly D.631).

Other current transfers (D.7)

Other current transfers paid cover the four categories below.

Non-life insurance premiums (D.71) relates 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 usually grants from central government to other lower levels of government, typically to local authorities for their general maintenance expenditure and for delegated functions. This category also includes transfers to social security funds in order to finance social assistance and security not fully covered by social contributions. Transfers in this category are consolidated, so they do not appear in the table for total general government expenditure but are recorded at the subsector level when registering the non-consolidated expenditure. Current transfers within general government exclude taxes, subsidies, investment grants and other capital transfers.

Current international cooperation (D.74) covers current transfers in cash or in kind between government and foreign governments and international organisations. Typically this relates to development aid, contributions of government to international organisations; it includes the EU Member States' contributions to the European Development Fund (EDF) that is the EU's main instrument for providing development aid to African, Caribbean and Pacific (ACP) countries and to overseas countries and territories (OCTs).

Miscellaneous current transfers (D.75) include transfers to the institutional sectors that are not included in the other current expenditure categories. For NPISHs these might refer to transfers given to educational institutions in the private sector. For the households such transfers might be related to

²⁵ See also remarks on the recording of D.3 above.

individual needs that are not covered under social insurance schemes; for corporations these are other current transfers that are not subsidies.

VAT- and GNI-based EU own resources (D.76) are current transfers paid by the general government of each Member State to the institutions of the EU as contributions to the budget of the Union institutions. The third EU own resource (D.761) is a VAT-based contribution; the fourth EU own resource (D.762) is a GNI-based contribution. The first two EU own resources, mainly customs duties on imports from outside the EU and sugar levies, are considered as taxes on production and imports paid by each Member State to the institutions of the European Union and recorded directly in the accounts of the institutions of the EU. The heading D.76 also includes miscellaneous contributions of a Member State's government to the institutions of the EU (D.763).

Adjustments for the change in pension entitlements (D.8)

Such adjustments are recorded only where government operates a funded pension scheme. For most countries D.8 is not applicable here.

Capital transfers (D.9p)

Capital transfers 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 of cases is given in ESA 2010 paragraphs 4.152-4.165.

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 ESA 2010 chapter 20 and Manual on Government Deficit and Debt – Implementation of ESA 2010). 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 was 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, which are measured gross of consumption of fixed capital, of:

P.51g: fixed capital - gross fixed capital formation (e.g. buildings, vehicles, machinery and weapons system);

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

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

Acquisition less disposal of non-produced assets (NP)

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.

2.4.2. Relationship between expenditure components and final consumption

Final consumption expenditure (P.3)

Government final consumption is an aggregate calculated as the sum of government's consumption of labour, goods, services, and fixed capital (very loosely similar to "depreciation"), including taxes payable less subsidies on production receivable, less payments for government output, plus expenditure on goods and services supplied directly to households by market producers (classified as social transfers in kind – purchased market production as defined above).

Government final consumption is a component of the expenditure-based measure of GDP at market

prices, representing the government consumption to be added to the consumption of households and NPISHs.

General government final consumption expenditure can be divided into individual consumption expenditure (P.31) and collective consumption expenditure (P.32). ESA 2010 defines the split between P.31 and P.32 on the basis of COFOG²⁶.

Individual consumption expenditure has the following characteristics:

- it satisfies the individual needs of household members;
- it is possible to observe the consumption of the goods and services by household members;
- households agree to consume the goods and services and take action to make it possible, for example by attending a school; and
- the consumption of the goods and services by one household means that there are less of those goods and services available for other households.

In terms of the economic theory government individual consumption expenditure (P.31) is close to the definition of private and semi-public goods, given restrictions on their availability due to rivalry issues.

Government individual consumption expenditure is equal to social transfers in kind (D.63), an item that is not explicitly shown in GFS tables and which is part of the 'redistribution of income in kind account'. This in turn implies that the difference between final consumption and actual final consumption of government is $P.31=D.63$; that is, actual final consumption (P.4) is equal to collective consumption expenditure (P.32).

Collective consumption expenditure of general government has the following characteristics:

- the consumption by government is used to provide services simultaneously to all members of the community;
- households' use of such services is usually passive and does not require explicit agreement or active participation of all the households concerned; and
- the provision of the service to one household does not reduce the services available to others.

In terms of the economic theory, government collective consumption expenditure (P.32) approximates the definition of public goods.

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

Government output (P.1²⁷), which is the sum of

Compensation of employees (D.1)

Intermediate consumption (P.2)

Taxes on production payable (D.29) less subsidies receivable (D.39)

Consumption of fixed capital (P.51c)

Net operating surplus²⁸ (B.2n)

Less

Revenue items:

²⁶ See section 3.6 of this manual for further detail.

²⁷ $P.1 = P.11 + P.12 + P.131 + P.132$ (see Table 2 below).

²⁸ The net operating surplus is due to secondary market activities, as described in ESA 2010 para. 20.43.

Market output (P.11)

Output for own final use (P.12)

Payments for other non-market output (P.131)

Plus:

Social transfers in kind – purchased market production²⁹ (D.632)

Equivalently, government final consumption expenditure is equal to non-market output, other (P.132, non-market output for which government does not receive any payment) plus social transfers in kind – purchased market production (D.632).

Consumption of fixed capital (P.51c)

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 as the computation is not based on the depreciation allowed for tax purposes. P.51c is not reported in COFOG, however, as P.51c is a component of output of general government and thus of final consumption expenditure, it is necessary to distribute P.51c and thus fixed assets by COFOG.

Net operating surplus (B.2n)

Net operating surplus (B.2n) is calculated on market output (P.11). While the majority of output of government is either provided 'for free' or sold at not economically significant prices, market output can exist as 'incidental sales' or as output by market establishments that cannot be considered as quasi-corporations (see ESA 2010 para. 20.43 and 20.107). For such market output of market local KAU, it is necessary to calculate net operating surplus and to allocate it by COFOG. Not doing so can lead to occurrences of negative final consumption expenditure. Net operating surplus is only calculated on market output, implying that the difference between P.11, P.12 and P.131 and P.1 is balanced in P.132.

The relationship between Government final consumption expenditure and the components of the ESA 2010 definition of government expenditure is shown in the table below.

²⁹ Social transfers in kind via market producers represents final consumption expenditure components but they are not part of government output.

Table 2: Relationship between expenditure components and final consumption

Eurostat expenditure items, and other items	Classification of the output and/or classification of the sale/transfer of the output by government		Sector consuming the output (either as final consumption or capital formation)
Social payments	Social benefits other than social transfers in kind (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.632)		Government individual final consumption (P.31)
Government output	Government non-market output, other (P.132=P.13-P.131) (net of payments for non-market output P.131)	Social transfers in kind of individual goods and services – government non-market production of individual goods and services (D.631)	
=		Government collective non-market output, other related to collective goods and services (P.132-D.631)	Government collective final consumption (P.32)
+ compensation of employees	"Sales" (revenue item)	Payments for government non-market output (P.131)	Any sector: part of final consumption or part of capital formation
+ taxes less subsidies		Government market output (P.11)	
+ capital consumption		Government output for own final use (P.12)	Part of government gross fixed capital formation (P.51g)
+ net operating surplus of market establishments			

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 gross fixed capital formation in the third column.

2.5. Accounting methods

2.5.1. Accruals recording

National accounts, and hence the COFOG analysis of government total expenditure, are recorded on an accrual basis. Accrual accounting records flows at the time when economic value is created, transformed, exchanged, transferred or extinguished. This means that flows which imply a change of ownership are entered when ownership passes over, 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 entities belonging to the same institutional sector or subsector. As a rule, the entries in ESA 2010 are not consolidated.

The COFOG analysis of government expenditure follows the rules for table 0200 transmission foreseeing that for S.13 as a whole the transactions D.4, D.7, and D.9 (and their sub-items) are consolidated between subsectors when presented at general government level.

The other transactions are not consolidated. Consolidation rules for government sector and its subsectors are set up in ESA 2010 paragraphs 20.152-20.161.

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

In subsector tables, grants paid by one part of government to another are classified according to the specific function the grants are related to and the function of the payer's expenditure will be the same of the function of the recipient's expenditure. However in case the grants are given to finance the general activity of the receiving unit, who can then decide how to use the grants according to its own duties and without any constraint from the financing unit, the COFOG group *Transfers of a general character between different levels of government* (01.8) should be used. In the general government expenditure table such grants should not appear because D.7 and D.9 are consolidated, which implies that at the general government level COFOG group 01.8 should always be zero.

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 provider³⁰.

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 at their full values. Net recording³¹ is when some elementary items are offset against items on the other side of the account (e.g. netting interest receipts off interest paid). In the case of government expenditure there is no netting except for: P.5 – gross capital formation which is net of sales of capital assets³²; NP – acquisitions less disposals of non-produced assets; D.8 – adjustments for households' pension entitlements; and non-payable tax credits³³.

³⁰ See also case 50.

³¹ It should be mentioned that, as of ESA 2010 para. 1.111 "Netting is implicit in various transaction categories, the most outstanding example being 'changes in inventories', which underlines the analytically significant aspect of overall capital formation rather than tracking daily additions and withdrawals."

³² It should be recalled that gross capital formation is "gross" of (before) depreciation, defined as Consumption of fixed capital (P.51c) according to ESA 2010.

³³ The non-payable tax credits result in a reduction of government tax revenue as their value to the taxpayer is limited to the size of their tax liability; the same happens in the case of tax allowances, exemptions, and deductions, as they enter directly into the calculation of

Netting in other transactions typically leads to negative amounts appearing at detailed COFOG level, which will however require a revision of other GFS tables as well as COFOG.

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: in this case classification as a purchase of equity - a financial transaction - would be appropriate. Alternatively the injection might be made to cover previous trading losses or to fund some fixed capital formation that would not be viable without government support; here the transaction is classified as a capital grant which is a non-financial transaction. ESA 2010 chapter 20 in the section capital injections paragraphs 20.197-20.200 and the *Manual on Government Deficit and Debt – Implementation of ESA 2010* describe further principles and cases.

2.5.5. Reporting economic reality over legal form

Sometimes in national accounts it is necessary to look beyond 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 and routing of flows. For example, this approach is important for the correct recording of Public Private Partnerships and securitisations. ESA 2010 chapter 20 provides more information on accounting rules concerning the classification of government units and transactions.

2.6. Legal background

EU Council Regulations relating to ESA 2010 and Government Finance Statistics are listed on the government finance statistics [legislation](#) page of Eurostat's web site. Among these Regulations the most important for COFOG statistics are ESA 2010, the main text and the *Transmission Programme of Data*. Another fundamental tool, even if it is not a regulation, is the [Manual on Government Deficit and Debt](#). The aim of the manual is to assist Member States in the interpretation of the ESA 2010 rules and aid in their efforts to appropriately calculate the government deficit and debt.

2.7. COFOG classification structure

COFOG is published by the United Nations Statistical Division. It has three levels of detail³⁴: 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. For the full structure, including a commentary, see [Appendix](#).

the tax liability. On the other hand, this is not the case for payable tax credits, which by definition can affect non taxpayers as well as taxpayers. As they are payable, payable tax credits are classified as expenditure and recorded as such for their total amount. For further explanations, please refer to ESA 2010 paragraph 20.168.

³⁴ COFOG99 has not been changed by 2008 SNA. The three levels of classification have been maintained. 2008 SNA Chapter 29 and ESA 2010 chapter 23 contains references on COFOG and the other functional classifications.

Table 3: COFOG classification structure

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.
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2.8. Correspondences among COFOG classification and economic transactions

This section aims at analysing possible correspondences between COFOG functions (divisions and groups) and economic transactions according to ESA 2010 in order to provide help in compiling table 1100. Comments in the [Appendix](#) provide the converse view, i.e. they indicate which transactions are not expected in certain COFOG groups.

This could help COFOG compilers in reaching a consistent classification of government expenditure

among Member States and thus ensuring the comparability and consistency of key data for EU economic decisions.

The correspondence across classifications is designed along the following lines:

1. Total and absolute correspondence between economic categories and COFOG functions; this means that the economic category under analysis must show expenditure on certain COFOG functions. If this is not the case, then a problem is likely to exist in the classification process.
2. Possible correspondence between the economic category and the COFOG function; a transaction might show expenditure on a certain function, but not necessarily.
3. Non-recurrent correspondence: this might be the case of one-off expenditure, typically related to the capital account, connected to peculiar exigencies such as debt cancellations, emergencies, natural disaster, etc. This is a specific case of transactions such as other capital transfers (D.99) and other current transfers (D.75).
4. Impossible correspondence between categories and functions. This relates to cross classifications that indicate possible problems in the functional classification or in the ESA classification. For example, an obvious problem would be indicated where social benefits other than social transfers in kind (D.62) appear in COFOG divisions 01-06. Such impossible cross classifications should be excluded in the compilation as they either indicate a problem in the COFOG allocation or in the ESA transaction used.

The correspondences are examined using the transactions order in table 1100, and examining each economic category rather than their aggregations (e.g. P.51g - gross fixed capital formation – rather than OP5ANP - gross capital formation + acquisitions less disposals of non-financial non-produced assets).

In some cases additional economic categories, not separately requested in the table 1100 compilation, are examined, such as P.52 + P.53 - changes in inventories and acquisitions less disposals of valuables, as they can either be implicitly observed or impact economic categories supplied in table 1100.

OP5ANP – gross capital formation + acquisitions less disposals of non-financial non-produced assets:

- **P.51g** – gross fixed capital formation can be connected to all COFOG divisions. However, no amounts of P.51g should be observed in COFOG groups 01.7 and 01.8. Only small or one-off amounts are expected in groups where government performs only regulatory functions (e.g. 04.1).
- **P.52 + P.53** – inventories are mainly expected in division 02 defence, group 04.2 'agriculture' and group 04.3 'fuel and energy', the latter when connected to a central stockholding entity for oil and gas. Additionally, inventories might be expected in group 02.2 'civil defence' and group 10.9 'social exclusion n.e.c.'. Valuables might occur mainly in division 08 'recreation, culture and religion', particularly in group 08.2 'cultural services'. P.52 + P.53 should not be found in groups 01.7 and 01.8.
- **NP** – acquisitions less disposals of non-produced assets: the nature of this transaction, consisting of tangible natural assets and intangible non-produced assets, makes it possible to find corresponding expenditure in several COFOG groups. NP should not be found in groups 01.7 and 01.8.

For recording sales of land (NP.1), three options can be conceptually considered. A majority of compilers consider a recording in line with the entity making the sale as appropriate. This option should primarily be used. In cases of centralised entities selling land, a recording in group 01.3 can be envisaged. In case of sales within central government, and a transaction conveying a benefit (coupled with a capital transfer in kind), recording in line with the future use by units buying the land can be considered.

- **D.1** – compensation of employees and **P.2** – intermediate consumption: both transactions

are likely to be observed in the majority of COFOG groups.

In collective groups, both should be strongly correlated with the amount of P.3 observed, but less so in division 04, where consumption of fixed capital is likely to have a higher share in P.1 and thus P.3.

In COFOG group 01.7 only P.2 related to FISIM should be recorded. No amounts for D.1 should be recorded in group 01.7 (as there is no other revenue or expenditure impacting P.3 in group 01.7, P.2 should be equal to P.3).

D.1 amounts in other groups excluding administrative expenditure should be small.

In division 10 'social protection', D.1 and P.2 are expected to be small in relation to social benefits in cash (D.62) and social transfers in kind – purchased market production (D.632), unless government directly produces social assistance services.

No amounts are expected to be recorded for D.1 and P.2 in COFOG group 01.8.

- **D.3** – subsidies: expenditure for this transaction is mainly linked to economic activities performed by market units belonging to the S.11 and S.12 institutional sectors. The prevalent correspondence is found with division 04–Economic affairs, all groups. On the other hand, other fields of economic activity supported by government exist outside this division excluding sovereign government activities such as 01– general public services (except R&D groups 01.4 and 01.5), 02– defence, 03– public order and safety. For instance, subsidies might be paid to market producers³⁵ producing services related to recreation and culture (COFOG division 08), to education (COFOG division 09), to housing services (COFOG division 06), and to services related to environmental protection (COFOG division 05). Government might also pay subsidies in connection with health services (COFOG division 07). However, government most often provides health services through its own production, mainly compensation of employees and intermediate consumption, or by services provided by means of conventions with market producers, whose corresponding expenditure is considered as social transfers in kind – purchased market production (D.632).

No amounts of D.3 should be observed in COFOG division 01, 02 as well as in division 10 (with exception of R&D groups).

- **D.4** – property income: D.41 interest, payable should be only recorded in COFOG group 01.7 'public debt transactions'. Other property income, payable with counterpart D.614 households' social contributions supplements should be classified in groups 10.2 and/ or 10.3. Other categories of property incomes might exist for government; their classification generally corresponds to the activities of the involved units.
- **D.62** – social benefits other than social transfers in kind: this expenditure is related to transfers paid to households in cash for social security schemes and insurances, and social assistance. A prevalence should be in division 10 'social protection' (groups 10.1-10.7) as well as division 07 'health' (groups 07.1-07.3).

Due to the link with social risks and needs (ESA 2010 4.84) as well as their nature in benefitting households (ESA 4.83), amounts for D.62 are not expected to occur in COFOG divisions 01, 02, 03, 04, 05 and 06.

- **D.632 (and P.31)** – social transfers in kind – purchased market production: corresponds to COFOG groups 07.1-4, 08.1-2, 09.1-6 and 10.1-10.7. Since D.632 is part of P.31, amounts recorded in P.31 in any one group must be equal to or exceed amounts recorded for D.632, the difference being D.631.

OEB—other taxes on production and current taxes on income, wealth, etc. and adjustments for the change in pension entitlements

³⁵ Or non-market producers based on general regulations according to ESA 2010 4.36.

- **D.29** - other taxes on production and **D.5** – current taxes on income, wealth, etc.: taxes and social contributions are recorded on a gross basis according to ESA 2010 in order to ensure the comparability of economic behaviour among institutional sectors by calculating the same aggregates and balancing items. Amounts are likely to be observed in groups where extra-budgetary units at any level of government are concentrated. No amounts should be observed in groups 01.7 and 01.8.
- **D.8** – adjustments for the change in pension entitlements: this transaction is only applicable where governments operate funded pension schemes. It should be classified in COFOG group 10.2 'old age' and/or COFOG group 10.3 'survivors'. No amounts are expected in other groups.
- **D.7** – other current transfers: this transaction is usually related to transfers to other institutional sectors (NPISHs, households, public and private corporations). This requires that COFOG groups and classes to be considered should be consistent with the activities performed by the units receiving transfers. In case of NPISHs, the most recurrent COFOG items are related to education, culture, recreation, environmental protection. In the case of households, the common COFOG references are related to the services used by households excluding those consumed as P.31, for which government pays the production costs; this might be typically the case of services related to the COFOG division 05 and 06.

In case the beneficiaries are corporations the target COFOG groups should be related to economic affairs, environmental protection.

D.76 amounts should wholly recorded in group 01.1. D.74 amounts should normally be recorded in group 01.2 foreign economic aid or in group 02.3 foreign military aid.

Due to consolidation, no D.7 amounts should be observed in group 01.8 at general government level.

- **D.9** – capital transfers; this transaction is composed of investment grants (D.92) and other capital transfers (D.99), paid by government, as described above in paragraph 2.4.1. As far as the correspondence with the COFOG functions analysed in this paragraph is concerned, there are no relevant differences in the behaviour of the two transactions. However, different correspondences might be found with respect to the recipients of these government transfers that, theoretically, could belong to each institutional sector. As far as the households are concerned, D.92 investment grants could be paid, for instance, in connection with COFOG division 06 housing and community amenities, in correspondence to an expenditure for investment of the households. Due to consolidation, no D.9 amounts should be observed in group 01.8 at general government level. No amounts are expected to be observed for group 01.7.
- **D.92 and D.99** – breakdown of investment grants and other capital transfers: In general, debt assumptions, debt write-offs, guarantee calls and capital injections to be treated as capital transfers should be recorded as other capital transfers (D.99) and not as investment grants.

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 41 cases to illustrate how to cope with some practical compilation difficulties. The guidance is based on the discussions of the Eurostat COFOG Task Force.

Broadly speaking some government expenditure can serve more than one purpose. For example, a government-supported programme to improve health by encouraging participation in sport activities serves the functions of both health (07) and recreation (08). For the COFOG breakdown of total government expenditure it is important not to double count this expenditure so as to ensure consistency with the total in Table 0200. In cases where there are no physical indicators available to split the total expenditure between the different functions, only one function — the main function, should be used. In classifying such cases, if 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, is the expenditure being made by the ministry of health or the ministry of sport. When smaller units are involved guidance can also be taken by comparing their functions and activities with those of the financing or the controlling units.

3.1. Multipurpose functions

3.1.1. Guidance

Whenever possible, where the expenditure breakdown is missing, volume indicators should be used to split the related government expenditure by function. For example, government might provide an investment grant (ESA 2010, D.92) to a retirement home for both elderly and disabled people which is classified in national accounts in the sector of non-profit institutions serving households (S.15). The agreed methodology requires the investment grant to be allocated between old age (10.2) and sickness and disability (10.1). A possible allocation could be based on the use of physical indicators to calculate the percentage of expenditure to be split between the two functions. Figures taken from demographic and social statistics might be suitable indicators for dividing such public expenditure. Standard production costs related to the provision of public services by government units can also be used.

3.1.2. Background

In practice, the allocation of multipurpose functions can be difficult when expenditure relates to more than one function. The country pages of this manual describe some of these difficulties and the

approach taken by Member States.

The UNSD *Classifications of Expenditure According to Purpose*³⁶ paragraph 18 discusses classifying government expenditure by a functional code, indicating that it might be necessary to use a proxy. For example the classification of the agencies, offices, bureaux or project units within government departments, may provide this guidance when it is not possible to classify each item of expenditure. However, when the units perform two or more government functions it may 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". For such a case the following suggestion is given in paragraph 19: "smallest bodies that can be identified in the government accounts may perform more than one COFOG function. It may sometimes be possible to apportion outlays of multifunction bodies among COFOG functions by reference to the proportion of work-months devoted to the different functions".

3.2. Recording interest by function (including FISIM)

3.2.1. Guidance

Government accounts in the framework of the *ESA 2010 Transmission Programme of data* 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 revenue³⁷ and expenditure but not its net lending/ net borrowing (B.9). The COFOG Task Force agreed that both interest (D.41) and intermediate consumption (P.2) in respect of FISIM (on loans as well as on deposits) should be recorded in public debt transactions (01.7). Furthermore, FISIM should be considered to be solely on non-market output so that P.2 is expected to equal P.32 in this group.

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)³⁸. However, as group 01.7 excludes the administrative costs of public debt management, these costs should be recorded in 'executive and legislative organs, financial and fiscal affairs, external affairs' (01.1) as this includes³⁹ all the financial affairs and services involved with the management of public funds and public debt.

This approach is relatively straightforward and avoids any complications which would be encountered by an attempt to split the cost of debt between the different COFOG groups funded by the debt. For example, a question might arise on the classification of interest (D.41) and the related allocation of FISIM inside intermediate consumption (P.2) across all the COFOG functions as public debt finances all kinds of expenditure. Given that government debt is generally associated with government

³⁶ United Nations Statistical Division, Statistical paper, Series M, no. 84, *Classifications of Expenditure According to Purpose*, New York 2000.

³⁷ As FISIM is also calculated on deposits, thus affecting also D.41, receivable and P.2.

³⁸ "Public debt transactions" here refers to interest on general government debt. Public corporations' debt and the connected interest payments, when the public units do not belong to the general government sector, are not included, in the general government debt and interest.

³⁹ The correspondent class to be considered is 1.12 Financial and fiscal affairs that, among other activities, includes "management of public funds and public debt".

expenditure as a whole, the direct link between government debt and its cost (interest), and the different expenditure functions is not straightforward. Furthermore, conceptually the entities performing one or more different COFOG functions within general government may or may not have features of being institutional units. When they cannot be considered institutional units, it may also not be given that they can enter into financial transactions in their own account and that a separate balance sheet (to which interest payments on debt liabilities can be associated) can be distinguished.

Fortunately, this complex analysis is rendered unnecessary given that there is a specific category for these public debt transactions.

The rationale for also including FISIM on deposits in group 01.7 has both conceptual and practical reasons.

As regards conceptual reasons, it can be argued that managing public debt is closely associated with managing public deposits. As regards practical reasons, the inclusion of FISIM on deposits enables a cross-country comparison between countries where the COFOG allocation of expenditure is made before the intermediated consumption related FISIM on deposits is allocated, and between countries using P.2 including total FISIM allocation.

It could be argued from a conceptual point of view that direct service charges in managing government debt (ESA 2010 para. 3.68-3.73) should be treated in the same manner as FISIM on loans. For countries where the holding of assets and management of debt is highly centralised, this could be a good conceptual option. However, in many cases, lack of detailed data is likely to prevent such an allocation and was not considered practical.

3.3. Consumption of fixed capital by function

3.3.1. Guidance

When allocating consumption of fixed capital (P.51c) by function, the detailed perpetual inventory method (PIM) should be applied to each subsector of general government. This involves maintaining a complete dataset of fixed assets and branches by kind of economic activity. This data should then be bridged to information on functions (COFOG). This is Method 2 as described below; it is the preferred method as it allows allocating consumption of fixed capital by function by following the corresponding distribution of fixed assets.

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

3.3.2. Background

Consumption of fixed capital (P.51c) is one of the components of final consumption expenditure (P.3), which is one of the memorandum items requiring a COFOG breakdown in ESA 2010 transmission table 1100.

ESA 2010 paragraph 3.141 states: "Consumption of fixed capital is estimated on the basis of the stock of fixed assets and the expected 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 applied whenever direct information on the stock of fixed assets is missing. The stock of fixed assets is valued at the purchasers' prices of the current period".

3.3.3. Possible methods

In order to give methodological guidance enhancing the comparability of data among countries,

Eurostat launched a questionnaire in 2006 to enquire about Member States' practices when compiling COFOG statistics, which included a question on consumption of fixed capital by function. The following six methods were presented to Member States' experts who were asked which methods were used in practice and which they would recommend 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 subsector of general government sector, which involves maintaining details of fixed assets and branches of economic activities (NACE). This information is then bridged with functions (COFOG). In some cases the method is applied in an even more detailed manner as there are countries that maintain databases on fixed assets and branches of economic activity by groups of institutions belonging to the subsectors.

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

Method 4: estimations based on time-series of gross fixed capital formation (P.51g) by function for each subsector of general government. P.51c by function is then calculated by applying the average structure of gross fixed capital formation by function on total P.51c of subsectors. This method assumes that the average time-series of the gross fixed capital formation by function is representative of the underlying stock of fixed assets.

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

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

3.3.4. Countries' practices

From the conceptual point of view, most of the countries seem to agree that method 2 is the most appropriate method. Around three-quarters of the countries use the detailed perpetual inventory method (PIM) for each subsector of general government sector, which involves maintaining fixed assets and branches. This information is then bridged with COFOG (method 2). The remaining countries use methods 1, 4, and 6. It should be noted that in a few countries a combination of two methods are used. The methods used by each country are described in [chapter 5](#).

3.4. Recording of consumption of fixed capital on own account R&D production

ESA 2010 chapter 7 defines assets and the asset boundary. Notably the description of Research and Development (R&D) assets (AN.1171) states that "Research and development that will not provide a benefit to the owner is not classified as an asset and is instead recorded as intermediate consumption."

The OECD Handbook on Deriving Capital Measures of Intellectual Property Products (IPP) indicates that for "pragmatic reasons", freely available IPPs produced by government should be recorded as though they were assets. The inclusion within the asset boundary of freely available knowledge products should be understood as a convention forming an exception to the definition of an asset in ESA 2010 paragraphs 7.15-7.18 as well as the definition of produced non-financial assets (AN.1) and R&D assets (AN.1171) in ESA 2010 Annex 7.1. The Manual on changes from ESA 95 to ESA 2010 and the Manual on measuring Research and Development in ESA 2010 follow the approach of the OECD Handbook.

The joint Eurostat–OECD Task Force on land and other non-financial assets (TF) has issued its report on IPP. One of the recommendations of the report is that consumption of fixed capital (P.51c) of R&D assets should be excluded from the estimation of own account production of R&D for non-market producers. At the same time the TF considered that P.51c on own-account R&D needed to be recorded and that the sum of cost approach for measuring the output of non-market producers should be applied. That is, P.51c should be recorded on R&D assets and this P.51c should feed fully into the production costs used for the measurement of non-market output. The TF considered that P.51c on R&D should enter the production costs of "other production" rather than own account production costs of R&D. The TF further considered that "the way in which this recommendation [...] should be elaborated should be taken forward by GFS experts." The recommendation on the P.51c of own-account R&D avoids overstating general government output (P.1), gross fixed capital formation (P.51g), total revenue and total expenditure.

Given the TF report, the 15th meeting of the COFOG TF in June 2019 concluded that final consumption expenditure (P.3) resulting from the P.51c on freely available own account R&D should be recorded as collective consumption expenditure (P.32). This was because the P.51c on own account R&D does not meet key criteria to be classified as individual consumption expenditure (P.31) such as the existence of rivalry and observability of consumption, as well as 2008 SNA paragraph 9.100 stating that research not recorded as capital formation should be recorded as collective consumption.

The 15th meeting of the COFOG TF considered that assigning a particular function or socio-economic purpose on the P.51c of own-account R&D would create further difficulty and was thus to be avoided. Therefore, the COFOG TF considered that P.51c on own account R&D should be recorded in R&D groups (all collective consumption groups), notably the group in which P.51g was recorded.

It should be noted that the presently applied recording approaches for P.51c on own account R&D are not yet harmonised.

3.5. Allocation of certain social contributions and benefits

3.5.1. Guidance

Employers' imputed social contributions (D.122), as part of compensation of employees (D.1), should be allocated to functions consistent with wages and salaries (D.11) rather than with other social insurance benefits (D.622). In summary, the COFOG classification of D.122, as part of D.1, should be the same as D.1. On the other hand, the functional classification of correspondent benefits (D.622) depends on the kind of risk to which it is related. According to ESA 2010 para. 4.104 the definition of D.622 includes: the payment of benefits connected with absence from work as a result of ill health, accident, maternity (COFOG 10.1, 10.4); the payment of family, education or other allowances in respect of dependants (COFOG 10.4 and 10.5); the payment of retirement or survivors' pensions to ex-employees or their survivors (COFOG 10.2 and 10.3); and other kinds of benefits connected with functions of social protection.

3.5.2. Background

This problem refers to the possible common data source for imputed contributions (D.122)⁴⁰ and other social insurance benefits (D.622). Using a unique data source derived from public accounts to determine the amount to be imputed might cause some doubts in classifying the transactions into the appropriate functions. To solve this problem, it should be kept in mind that D.122, being part of D.1, must follow the same COFOG classification used for wages and salaries in cash and in kind (D.11). However, the correspondent benefit expenditure (D.622) must have the COFOG classification corresponding to the covered risk.

According to ESA 2010, paragraphs 4.10 and 4.97, the imputed social contributions (D.612) should be based on actuarial considerations. In practice, this might not always be fully possible and the only solution might be to base the estimate on a percentage of wages and salaries paid to current employees or use the amount of other social insurance benefits (D.622) by general government, during the same accounting period, as an estimate of the imputed contributions (D.122) that form part of D.1 as a component of employers' social contributions (D.12). In such cases, some of the amounts recorded in three national accounts' categories (D.122, D.612 and D.622) would be equal and based on one single item in public accounts. For D.122, this must be decomposed nonetheless according to the COFOG classification of wages and salaries (D.11), while the D.622 must be recorded in the relevant social protection function. The three categories involved are necessary to represent imputed social contributions by means of a notional circuit which is consistent with the representation of actual social contributions (ESA 2010, paragraphs 4.97-4.99). In any case, the equality between D.122 and D.612 must be maintained.

⁴⁰ In national accounts the flow D.122 corresponds to the employers' imputed social contributions, D.612. These are the counterpart to other social insurance benefits (D.622) (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 (ESA 2010, paragraph 4.97).

3.6. Individual and collective final consumption expenditure

3.6.1. Guidance

The split between individual and collective consumption is to be based on COFOG level II according to ESA 2010 paragraphs 3.104-3.107.

The breakdown between individual and collective final consumption expenditure features in a number of ESA 2010 tables, such as table 0102 (GDP expenditure approach), table 2 (Main aggregates of general government), sector accounts, etc. The split between P.31 and P.32 naturally determines actual final consumption (P.4) of general governments and households. In practice, it may also affect total final consumption expenditure of general government in previous years' prices given the underlying practical assumptions.

A key difficulty for many Member States is the timing of the availability of COFOG data sources and compilation (by t+12 months after the reference year) versus the timing of key tables of the ESA 2010 transmission programme (e.g. table 0102 by t+2 months after the reference year).

Therefore, in practice, for national accounts main aggregates, often other methods and indicators are used to split P.31 and P.32. Insofar as these are unbiased, and other national accounts data could be revised following the compilation of COFOG level II P.3, vintage differences for recent periods but no persistent systematic differences should occur.

In practice, in isolated cases, persistent differences with either ESA table 2 and 25 or between ESA table 2/ 25 and tables 1/ 8 (for more countries) etc. do occur.

Such persistent differences, which are not eliminated at the next opportunity to revise data, are an indication of a restrictive revision policy coupled with a biased indicator (such as being based on NACE) used in other tables.

It can be observed that the split between individual and collective consumption is straightforward when the COFOG functional classification is used as the reference for classifying the public expenditure. It is particularly important to use COFOG to classify the transactions entering the GDP calculation; in this way government production and government final consumption expenditure will be fully consistent as the split into COFOG groups automatically determines the split into individual and collective final consumption expenditure.

Furthermore, as government individual final consumption expenditure is one of the components of households' actual consumption expenditure (ESA 2010, paragraphs 3.100-3.107) and its calculation is required to provide a measure of that part of goods and services that households consume but do not pay for.

In practice, Eurostat acknowledges vintage differences between ESA table 11 and ESA table 2. Some countries choose to update ESA table 2 when compiling COFOG, while others choose to update ESA table 2 at the next regular revision opportunity.

In any case, the split between P.31 and P.32 should not be constrained to the preliminary split obtained for compilation of ESA table 2 and other tables, but rather vintage differences should be tolerated and if possible, aligned.

3.6.2. Background

ESA 2010 defines the concepts of final consumption expenditure and of actual final consumption, as well as the split between individual and collective consumption, which is based on the COFOG classification.

ESA 2010 paragraph 3.94 states that "[f]inal 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”.

ESA 2010 paragraph 3.101 states that “[g]oods 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”.

ESA 2010 paragraph 3.102 states that “[c]ollective services are services for collective consumption that 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 ESA 2010 paragraph 3.104, the borderline between individual and collective goods and services is drawn on the basis of the COFOG groups (level II).

All government final consumption expenditure under each of the following headings corresponding to COFOG groups should be treated as expenditure on individual consumption:

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

3.7. Social transfers in kind vs. individual consumption

3.7.1. Guidance

Social transfers in kind on goods and services produced by market producers (D.632) should always be classified as a COFOG category that corresponds to individual final consumption, as can also be seen from table 2. The corresponding COFOG divisions to be considered are mainly health (07) and social protection (10) but also the groups in divisions 08 and 09 containing individual consumption

expenditure. According to the definition of D.6 in ESA 2010 paragraph 4.83 and 4.84 this transaction is related to social risks and needs, thus covering the individual groups in divisions 07, 09 and 10. ESA 2010 paragraph 4.110 (and paragraphs 3.104-106) also cover social transfers "outside the scope of social risks and needs such as recreational, cultural and sport services" – justifying the inclusion of some groups in division 08 in individual consumption expenditure.

3.7.2. Background

According to ESA 2010 paragraph 4.109-4.110, social transfers in kind (D.63) are to be treated as individual in nature. The category of social transfers in kind on goods and services produced by market producers (D.632) also includes, if not covered by a social insurance scheme, the following: social housing, dwelling allowance, day nurseries, reductions on transport prices, professional training, and so on.

Classification doubts might arise in relation to professional training and other services linked with education.

For example, in some countries general government purchase training services from market producers to improve an unemployed person's employment prospects. 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 to 10.5 (social protection; unemployment), which is an individual service within final consumption.

COFOG group 10.5 includes benefits in kind, such as vocational training provided to persons (individuals) without a job. This case has been discussed in the COFOG Task Force with the decision described in the following [case 10](#), chapter 3.9.10. The rationale adopted for the classification of such educational services is based on the boundary between the provision for those individuals who are unemployed, at risk of unemployment or willing to develop their potential for employment (10.5), and the classification of more general provision.

3.8. Estimation methods for provisional year n-1

Member States might face problems when compiling COFOG statistics for the provisional year n-1 due to the lack of data. Data sources for compiling public finance statistics are usually based on budget reporting data. This is particularly true for the consolidated data (up to t-2) for which the approved budget reports are usually available.

The deadline for budget approval may not take place at the same time for all public bodies within the general government sector, thus resulting in a delay in ensuring a consistent and representative data source. This often happens at the local government level which has a large variety of units performing different activities and having different COFOG functions.

3.8.1. Guidance

The following method is recommended when compiling levels I and II 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 available for the provisional year n-1. Actual COFOG statistics of public expenditure relate to budget reports data rather than budget forecasts. In case of missing data sources from the Budget reports, the breakdown of

expenditure by function (purposes, missions or other functional classification used for the budget forecasts) in budgetary plans should be used. However, the allocation based on such data sources should be used with care 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 other alternative solution might be to base the compilation of COFOG statistics on previous year(s) by applying relative structures of expenditure from the final year n-2 or using trend analysis. However, this practice should be minimized and should be seen as a temporary option. The case of (some) local government (entities) might be a special one and some flexibility is foreseen in the compilation of provisional COFOG statistics for year n-1 as most countries' local government data sources are not available with the same timeliness as they are for central government.

The reference to allocation by function based on a previous year is to be understood as allocating the amounts of ESA 2010 transactions compiled in year n-1 through the structure of expenditure by function of year n-2 at the subsector level, or even better, directly referring to the single institution for which updated data sources are available. Efforts should be made to allocate by function specific events/operations - often in connection with one-off measures - that can be easily identified as having taken place in year n-1. These particular operations, where they involve relevant expenditure, may be derived from ESA 2010 table 2 *Main aggregates of general government* and also by taking into consideration the information already compiled and provided to Eurostat in the framework of the EDP Questionnaire and the related attachments.

3.8.2. Countries' practices

Whenever data sources are not available for the provisional year (n-1), a common practice is to estimate COFOG statistics based on previous years, i.e. applying relative structures of expenditure from previous years or using trend analysis. This practice will mostly be a partial one, such as for subsectors or specific entities — mostly local government — where data sources are lacking. One important aspect is that the structure by function of the previous year(s) should be applied separately to each of the transactions that form the ESA 2010 expenditure of year n-1. When applying the COFOG structure of previous year(s), a correction could be made for any noticeable events in the year which have a significant impact on a given COFOG category. This information could be derived, for example, from the EDP Questionnaire and the related attachments.

For most countries, the best practice related to the lack of data sources for provisional year n-1 would be other public accounts' data sources, which are already available for that year, such as expenditure broken down by budgetary chapters/ departments, or data in budgetary expenditure plans corrected for unforeseen, unpredictable, or exceptional events. Cash data, available with a short time delay with respect to the reference period, are not usually split by function.

Other practices to derive estimations for the most recent year, such as using complementary information available for year n-1 derived from other statistics or statistical surveys, may not be considered as good estimation practice as they may focus on selected areas of public expenditure in connection with satellite accounts definitions. In these cases, such complementary information might not provide reliable coverage in terms of total public expenditure.

3.9. Reporting of negative values

In the context of reporting of COFOG statistics, following ESA 2010 rules of gross recording, all transactions are necessarily recorded with positive values, except for P.5 (gross capital formation) and its breakdowns, NP (acquisitions less disposals of non-financial non-produced assets), D.8 adjustments for the change in pension entitlements as well as resulting aggregates (OP5ANP, OEC, OED and total expenditure). In these cases genuine negative values can be observed, if disposals

are greater than acquisitions and in consistency with rules explained on paragraph 2.5.3 on netting. For P.5 negative amounts can, for example, be observed in connection with sales of government building as described in chapter 5 on countries' compilation practices.

Genuine negative amounts can also occur in case of tax refunds (D.29p or D.5p negative).

If countries do report negative values for transactions other than for P.5, NP and D.8, the cases should be investigated. The problem might be a recording error, or more likely it might be the result of the compilation process, often in connection with the functional classification of final consumption expenditure P.3 and the distribution between the individual and collective components. Even in this latter case the negative values should be eliminated because negative values of public expenditure have no economic significance.

3.10. Assigning an appropriate function: case studies

The practice of functional classification and the establishment of a coherent and consistent picture of public expenditure require careful use of the COFOG classification glossary available at the end of this Manual. Like all classification glossaries this is a powerful tool which requires careful reading. However, it should be remembered that it is impossible to provide descriptions regarding all the potential cases relating to each functional classification. As a result, this section provides guidance for classification cases for which the correct COFOG assignment is not straightforward. For example, this may occur where: more than one COFOG choice seems suitable, the expenditure has different characteristics, a direct link with the glossary does not exist, or the corresponding economic expenditure categories are not listed into the COFOG glossary. This last case is particularly true for capital expenditure.

Whilst not a complete list of difficult cases, the examples below serve to illustrate the kind of thinking needed to assign an appropriate function wherever the correct classification is not obvious. The lines entitled "guidance" are based on the opinions of the Task Force on COFOG on each case.

3.10.1. 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 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 (as clearly stated by the corresponding COFOG description "foreign military aid includes (...) contributions to international peacekeeping forces including the assignment of manpower".)

3.10.2. Case 2 – civil and military cemeteries

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

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

Other general services (01.33) 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 identify defence (02), military services should be classified under 02.5 defence n.e.c.

3.10.3. Case 3 – foreign aid for environmental protection

Guidance: *foreign economic aid* (01.2)

Some governments give aid to less developed countries for the specific purpose of protecting the environment; for example grants to plant trees to prevent soil erosion. The expenditure classification should be based, first of all, on the kind of transfer paid by the donors. In this case it is a transfer to the rest of the world to provide help to less developed countries. Because a specific class related to this classification exists, that is economic aid to developing countries and countries in transition (01.21), it must be the first choice to be considered in classifying the expenditure. Actually the foreign aid is the prevalent purpose; the environmental protection can be considered as the suggested use of the transfer. Then, if detailed information is available, the purpose of the project can be indicated as a memo item (e.g. environment).

3.10.4. Case 4 – protection of youth

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

If government ensures protection of youth with the aim of providing social assistance, for example, through provision of food and accommodation, or through a variety of benefits in cash or in kind, it should be classified under family and children (10.4). The guidance for classifying such expenditure related to ensuring against such risks should be based on the nature of the risk. If it is a social risk (ESA2010 para. 4.84), it should be classified under COFOG division 10 and related groups and classes. If it is not related to such risks, the nature of the expenditure must be deeply investigated. If protection of youth is exclusively related to any police action, it is to be assigned to police services (03.1).

3.10.5. Case 5 – fight against discrimination (equal opportunities at work place)

Guidance: *general labour affairs* (04.12)

This concerns the fight against discrimination to achieve equal opportunities in the work place. If the aim is to operate or support a given programme to reduce gender, race, age or other discrimination at work, COFOG advises classifying this expenditure under general labour affairs (04.12). In this case the main risk is not related to providing social assistance (COFOG division 10) but more to achieve equal opportunities in the work place. A typical expenditure related to this case concerns the amount of money used for paying the operating costs of an office for equal opportunities, including psychological consultants when needed.

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

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

Many Governments provide free meals at school for all pupils and/or pupils in material destitution. In some countries, state and local government budgets allocate 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 to encourage all pupils to attend school. Expenditure related to payment to partially or totally cover the cost of meals in school canteens for all pupils should be allocated to subsidiary services to education (09.6). In this case, government is providing meals to all children attending school.

On the other hand, 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 likely government would be assessing the level of income of the family in destitution before providing such mean-tested benefits.

3.10.7. Case 7 – payments to social insurance schemes of public enterprises

Guidance: - *economic affairs* (04), *old age* (10.2)

Guidance removed due to changes in ESA, notably the introduction of ESA 2010 paragraphs 20.273-275.

3.10.8. Case 8 – government support of sustainable energy

Guidance: *pollution abatement* (05.3), *fuel and energy* (04.3), *housing development* (06.10)

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. The classification under environmental protection n.e.c. (05.6) should be avoided as far as possible.

The allocation to some other functions could also be possible depending on the main purpose of providing a subsidy. Possible coding, in case the subsidies are paid to corporations, would be fuel and energy (04.3) (electricity: thermal or hydro supplies and wind 04.3.5 or solar heat, non-electric energy produced by wind or heat 04.3.6). This classification is in line with the environmental accounts guidelines. In case the beneficiaries of the government support are households, for instance the support takes the form of tax credit allowances for home renovations and improvements, the grants could also be classified as miscellaneous current transfers (D.759 paid to households) in COFOG 6.10 housing development.

3.10.9. Case 9 – water management

Guidance: *multipurpose development projects* (04.74), *agriculture* (04.21), *water supply* (06.30)

This concerns water management to control the water level and to prevent flooding. The class multipurpose development projects (04.74) is the preferred option as the COFOG classification states that “typically consist of integrated facilities for generation of power, flood control ...”. If expenditure is related to agricultural activities, a possible classification could be agriculture (04.21). Where water management is connected to the water supply process, water supply (06.30) should be used.

3.10.10. Case 10 – schooling to help people find a job

Guidance: *unemployment* (10.50)

This concerns schooling to help people integrate into the labour market, their retraining and extra training. When vocational training is provided to persons without a job, or retraining is provided to persons at risk of losing their job, then unemployment (10.50) should be used.

Class 10.50 should also be used if the measures are devoted to individuals or to specific target groups. For example, training schemes for those who are unable to find suitable work and are improving their potential for employment.

General labour affairs (04.12) could also be used for general programmes or schemes promoting employment for disadvantaged groups such as those with high rates of unemployment.

3.10.11. Case 11 – women’s protection and addiction

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

Some governments provide specific services to women, such as refugees. These may include psychological support and other kinds of assistance to protect them from domestic violence, and rehabilitation services in the case of drug addiction. Group 10.70 social exclusion n.e.c. should be used provided that the policies apply to a specific group of people socially excluded or at risk of social exclusion.

3.10.12. Case 12 – career break and time-credit allowances

Guidance: - *old age* (10.2), *family and children* (10.4), *unemployment* (10.5)

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

3.10.13. Case 13 – claim compensation (directly paid) to victims of asbestos

Guidance: *disability* (10.12)

This concerns compensations paid to former workers in mines previously owned by the State and who are victims of asbestos. It also applies in cases of other similar compensations to target groups such as victims of medical injuries and the like. All these disadvantages are considered as reducing the capacity to conduct a normal life. The appropriate coding in this case should be disability (10.12). As a general rule if the compensation is paid directly by State to the families concerned, then it falls under social protection.

3.10.14. Case 14 – retirement homes with nurses

Guidance: *old age* (10.2), *nursing and convalescent home services* (07.34), *disability* (10.12).

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 where persons are admitted to such homes because of their medical needs.

Old age (10.2) has to be used in cases where government financing is related to lodging and board provided to elderly persons either in specialized institutions or staying in families in appropriate establishments. However, in case medical monitoring is an essential component of the expenditure, then (07.34) nursing and convalescent home services should be used.

It might be that retirement homes are not only offered to elderly persons but also to disabled persons (see multipurpose functions, section 3.1 above). The appropriate classification is (10.12) Disability.

3.10.15. Case 15 – elder care provided by specialized staff at home

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

In this case nursing and convalescent home services are provided to people living in their own homes. These social benefits in kind are usually services provided directly by government employees or paid for by government; in this latter case they are considered as social transfers in kind - purchased via market producers (D.632). The functional classification depends on the type of assistance provided. If it is to assist in daily tasks, not needed to be provided by nurses or other trained health care staff (non-medical assistance), then old age (10.20) should be used. Whenever health services are provided at home, the classification should be paramedical services (07.24), i.e. health services delivered in patients' homes. Other case would be nursing and convalescent home services (07.34), i.e. if those are in-patient services.

NB: In case when the same staff provides both services (under 07.24 and 07.34), one should allocate amounts between the two.

3.10.16. Case 16 - ambulance services operated by hospitals

Guidance: *general hospital services* (07.31)

Many hospitals have ambulance services to transport immobile patients and to attend to emergency services. Note that even if these services are not directly provided by hospital employees but are paid for by the hospital they are considered as hospital services. These services are sometimes run separately from hospitals. COFOG states that the class paramedical services (07.24) only includes ambulance services operated by institutions other than hospitals. The rationale for the classification of these ancillary services is to have them considered into the same COFOG group as the service using them.

3.10.17. Case 17 - sale of UMTS licences

Guidance: *communications* (04.6)

Guidance removed due to being outdated. Notably, Eurostat issued a [guidance note in 2017 on mobile phone licences, exploration rights and other licences](#). This guidance note prescribes the treatment of revenue from the sale of UMTS licences as rent (D.45r).

3.10.18. Case 18 – denationalisation and restitution

Guidance: *financial and fiscal affairs* (01.12)

This concerns financial compensation to former owners of assets previously nationalised or confiscated. Category 01.12 is appropriate because it includes all financial affairs and services at all levels of government.

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

3.10.19. Case 19 – commodity reserves

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

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

3.10.20. Case 20 – expenditure for organising external EU border, Schengen

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

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

3.10.21. Case 21 – recurrent payment to Europol

Guidance: *foreign affairs* (01.13)

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

3.10.22. Case 22 – disinfestations

Guidance: *agriculture* (04.21), *public health services* (07.4)

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

3.10.23. Case 23 - lump sum received by some employees when retiring

Guidance: law courts (03.3) in case of magistrates; military defence (02.1) in case of military personnel; police services (03.1) in case of police personnel

In some countries certain occupations such as magistrates, military personnel and police receive a lump sum from their employer when reaching the standard retirement age. Those amounts can be classified as D.11 or as D.122 (D.622) depending on the existence of a collective agreement (ESA 2010 para. 4.104 and 4.03i). For judges this would imply allocating D.122 to COFOG 03.3 and D.622 to COFOG 10.X. A similar treatment applies to D.11 and those lump sums are to be allocated to the functional code of the employer's activity.

3.10.24. 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, including the construction of stadiums involving capital expenditure such as investments and investment grants. Those stadiums will most probably be used at national, regional or local level. The same classification applies even when the facilities are needed for supranational sports events.

3.10.25. Case 25 – transfers to domestic emergency medical services

Guidance: *paramedical services* (07.24)

In some countries, government institutions make transfers to domestic emergency medical services, like the Red Cross. In case these kinds of bodies belong to the government sector the related transfer, codified as a D.73, is classified under COFOG 07.24 and the concerned transactions of the recipient, coded as COFOG 7.24 as well, are those of the production of public services, compensation of employees (D.1), intermediate consumptions, etc. When the institutions do not belong to the government sector the transfers should be registered as social transfers in kind - purchased market production (D.632), unless a different agreement applies foreseeing a payment from the patient.

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

3.10.26. Case 26 –subsidies to banks for foregone interest

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

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

Category 01.21 applies to economic aid in the form of grants or loans. As such the subsidies to

banks must be considered as if they were paid to the developing countries and countries in transition for economic aid. The transaction concerned should be considered as a transfer to the rest of the world. Current international co-operation (D.74) instead of a subsidy (D.3), as the latter case is in general related to the support given by government to the resident corporations as institutional units.

3.10.27. Case 27 –administrative expenditure for the reimbursement of social benefits in kind related to health care

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

Administrative expenditure (mainly compensation of employees, D.1, and intermediate consumption, P.2) of general government bodies which are responsible for the reimbursement of social transfers in kind - purchased market production (D.632) related to health care has to be classified in the appropriate health COFOG group (07.1-07.4) corresponding to the benefit itself. The COFOG glossary states that administration, inspection, operation or support of health care services has to be classified into the same category of the service itself. Such expenditure should not be recorded under COFOG 07.60 since these payments are related to services to individuals.

3.10.28. Case 28 –building and loan association bonuses

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

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

3.10.29. Case 29 –disaster funds: transfers to the beneficiaries

Guidance: *social protection n.e.c.* (10.9), *economic affairs* (04), *civil defence* (02.2), *fire protection services* (03.2), *housing development* (06.10)

In case of damage to private property caused by fires, floods, earthquakes etc., government payments to households should be classified under COFOG group 10.90, where small farmers are considered as part of the household sector too. When payments to producers for damages caused by these kinds of disasters occur, one possibility is to classify them according to the suitable group inside COFOG division 04, economic affairs. In case of preventive measures a suitable classification for transfers targeted to households would be under COFOG 6.10 housing development foreseeing, among others, "grants, loans or subsidies to support the expansion, improvement or maintenance of the housing stock". In addition, COFOG 04 could be an option when control and supervision is with special agencies targeting specific areas like flood control agencies (04.21) and forest fire units (04.22). Concerning warning and alarm systems, these could lie within the responsibility of the civil defence to be classified under COFOG group 02.20. However, when the alarm system is an integrated part of the fire protection services the appropriate classification should be COFOG group 3.20.

The transactions generally involving disaster funds are D.75 in case of current transfers, and D.92 in

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

3.10.30. Case 30 – health services: delimitation between day cases and outpatients

Guidance: *outpatient services* (07.2), *hospital services* (07.3)

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

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

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

3.10.31. Case 31 - R&D wage subsidies to companies

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

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

In cases where the R&D subsidies play a significant role in business results, a suitable classification of transfers to the corporations sector would be COFOG group 04.8, which also reflects the government contribution to R&D expenditure of the total economy. On the other hand, wage subsidies may also be allocated to the other COFOG groups 04.1/ 04.2/ 04.3/ 04.4/ 04.5/ 04.6/ 04.7/ 04.9 (non-R&D economic functions) depending on the industry the company is located in, if these subsidies are only partially linked with R&D and their amount does not significantly affect the company's results.

3.10.32. Case 32 - assigned lawyers in cases of low income

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

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

However, if the lawyer's tasks are more related to the low income aspect, that is to say in connection with social protection risks, a better allocation would be under COFOG group 10.7, involving

government institutions such as the Ministry of Labour and Social affairs, social security fund, municipalities and other institutions involved in managing social risks.

3.10.33. Case 33 - administration in commissions and councils in the political organisation in the local government

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

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

3.10.34. Case 34 –capital injections treated as capital transfers to financial corporations, guarantee fees, expenditure of deposit insurance guarantee funds

Guidance: *general economic, commercial, and labour affairs* (04.1)

Capital injections treated as capital transfers (D.99) to financial corporations should be classified under general economic and commercial affairs (04.1), as this COFOG group includes 'formulation and implementation of general economic and commercial policies, grants, loans or subsidies to promote general economic and commercial policies and programs, supervision of the banking industry'. The classification under 'economic affairs n.e.c.' (04.9) should be avoided as payments to banks have their own classification.

Bank resolutions are also to be recorded in COFOG group 04.1.

A similar guidance applies for the classification of guarantee fees, in as far as they are recorded as payments for non-market production (P.131, thus affecting final consumption expenditure) and not as a tax (D.29).

Any expenditure of deposit insurance guarantee funds should be allocated to COFOG class 04.11 general economic and commercial affairs. This includes the 'regulation or support of general economic and commercial activities, [...], supervision of the banking industry'.

3.10.35. Case 35 - old people in institutions

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

The COFOG principle for allocating benefits in cash or in kind to old people is based on the main purpose of the provision of the service: if it is mainly related to the medical assistance provided to the patient it should be classified as a 07.34 (nursing and convalescent home services), under health

services; on the other hand, when the assistance component is predominant the most suitable allocation is COFOG 10.2. This case resembles case 14 – *retirement homes with nurses* and case 15 – *elder care provided by specialized staff at home* for which similar guidance is provided.

3.10.36. Case 36 - subsidies to employers for partial retirement

Guidance: *appropriate group and class in economic affairs* (04.(...)), *old age* (10.2)

In some countries, in cases of partial retirement, government grants a refund to the employer to cover part or all of the financial outlays due to the partial retirement. Government policy may be intended to stimulate the economy by supporting producers and subsidising part of their labour costs, to reduce the risks of certain groups falling outside the labour market, and/or to support social protection via partial retirement incentives. It may also happen that the employee is directly the beneficiary of the incentive.

In the first two cases, the payment from government to the employer should be recorded as subsidies on production (D.39), refer to ESA 2010 para. 4.37 a), and the COFOG classification would be the one that reflects most appropriately the activity of the benefitting unit or, in case of lack of appropriate information, COFOG class 04.12 general labour affairs. In case of supporting social protection giving partial retirement incentives, this corresponds to reduced social contributions to be paid by employer. This has to be considered as a reduction of labour costs just as in the first two cases and the COFOG classification is according to the appropriate group of the economic affairs. It should be noted that since employers' social contributions (D.611) are equivalent to part of compensation of employees (D.121), that the actual social contributions should be grossed up for the amount of subsidy (D.39) (ESA 2010 para. 1.74).

However, reductions from social contributions affecting all employees are likely to result in a reduction of eventual entitlements to social benefits. Such general reductions should be netted in social contributions.

When the beneficiary is the employee himself, the payment should correspond to social benefits (D.62) and the COFOG group should be 10.2 old age.

However, government policies are often multipurpose, which can make the statistical treatment difficult (see the paragraph 3.1 'Multipurpose functions' for further guidance on this issue). This case reaffirms the importance of showing subsidies (D.3) as such, and of not netting out subsidies with social payments or receivables. It is expected that in most cases a recording as subsidies to the corporation is the most appropriate. A recording as social benefits (possibly rerouted as a D.73 transaction via S.11 to S.14) should be specifically motivated.

3.10.37. Case 37 - administration costs in the administrative and political organisation of local government

Guidance: *executive and legislative organs, financial and fiscal affairs, external affairs* (01.1), *general services* (01.3)

Administration costs in government units must be allocated according to the function they are supporting. In general, the activities of ministries and departments are to be classified according to their activities as a first best solution and according to the main function of the unit as a second best solution. This also applies to local government and implies that the expenditure related to the mayor and the municipality council has to be classified as COFOG 01.1, corresponding to the centralised political side of a local government including executive and legislative bodies, fiscal and external affairs. COFOG 01.3 should be used for the operating costs related to the administrative side, centralized supply and purchasing services, maintenance and storage of government records and

archives, e.g. statistical offices. On the other hand, all administrative and operational costs connected to the municipal police, including the compensation of its chief, have to be classified into COFOG 03.1 police services. The same holds true for the head of division for public security of the ministry of interior in case of the State. This case is very similar to case 33.

3.10.38. Case 38 - funding of R&D activities as part of tertiary education studies

Guidance: *Tertiary education* (09.4)

Some students engaged in tertiary education participate in R&D projects as part of their studies (e.g. Masters and PhD students). Some of them, for example post-graduate students, are even paid, that is, if their research is a part of a funded project or as part of employment as teaching and research assistants. The expenditure directly related to students involved in R&D activities themselves has to be considered as some specific form of education, and the group 09.4 tertiary education must be used. In case it is possible to allocate part of this expenditure to one R&D function, e.g. proportionally to the time the student spends in R&D, the correspondent R&D group should be used and the economic transaction to be recorded, corresponding to the fellowship, is usually D.75 to households.

In the field of R&D in tertiary education, a clarification should be made between the activities of university researchers as employees, which is to be considered as compensation of employees, and the activities of students participating in R&D projects in tertiary education as part of their studies. The funding of R&D projects produced by university researchers has to be classified as research expenditure in one of the R&D functions: 01.4, 01.5, 02.4, 03.5, 04.8, 05.5, 06.5, 07.5, 08.5, 09.7, and 10.8, depending on the type of research conducted. For example, research on legal matters is to be coded as 03.5 if it deals with applied research. Although group 09.7, R&D Education, has to be considered, it applies only when the topic of the research explicitly concerns education-related projects.

3.10.39. Case 39 - expenditure related to a yachting harbour

Guidance: *Water transportation* (04.52)

Government, especially at the local level, may be engaged in the maintenance of yachting harbours. Countries having wide sea borders usually have dedicated bodies in charge of the management of activities connected to the security, traffic and control of the use of the harbours. The expenditure related to yachting harbours run for the primary purpose of ensuring personal and freight transport, but only secondarily used as a facility for other transportation types (e.g. for boat trips or sightseeing tours), should be recorded under class 04.52 water transportation. This ensures a consistent registration of expenditure by primary function. In case other purposes in the use of harbours exist and detailed information is available to separate between the primary purpose, water transportation, and the secondary use, it is possible to split the total expenditure among transportation and leisure activities by using COFOG 08.10 recreational and sporting services, and tourist activities by using COFOG 04.73 tourism. The availability of additional information to split the expenditure among the main purpose and the other purposes would guarantee a reliable consistency between COFOG expenditure and satellite accounts (e.g. tourism account).

It must be noted that in case of military harbours the expenditure has to be considered into COFOG division 2 defence.

3.10.40. Case 40 - imputed social contributions for military and police personnel due to shorter careers

Guidance: *Military defence* (02.1), *Police services* (03.1)

In several countries, the social contribution rate for military and police staff is higher than the rate for other civil servants. This is due to their shorter career as service personnel generally retire earlier. Activities related to defence and public order and safety are generally more exposed to safety risks than other civil servants and often give rise to the right to an earlier retirement. As a result, this leads to higher levels of D.1 for COFOG 02 and COFOG 03. It can be observed that this issue is not specifically a matter of COFOG classification being relevant, but rather to reflect economic balance in the pension system for civil servants.

According to the guidance provided in paragraph 3.5.1 of this Manual, such imputed social contributions should be allocated in a consistent way with wages and salaries rather than with other social insurance benefits (D.622). In this way the proportionally higher allocation of employer's imputed social contributions to group 02.1 military defence, and to group 03.1 police services, appears to correctly reflect the situation in the concerned countries.

3.10.41. Case 41 - classification of the disposal of Assigned Amount Units

Guidance: *Pollution abatement* (05.3)

Assigned Amount Units (AAUs) are tradable emission permits under the Kyoto protocol representing allowances to emit a certain amount of greenhouse gases. The disposal of AAUs is recorded as the disposals of non-produced assets (negative NP), and the COFOG classification to be adopted, into division 05 environmental protection, is pollution abatement (05.3) which includes "measures to control or prevent the emission of greenhouse gases". The recording into the group 05.60 environmental protection not elsewhere classified would imply not only a loss of information but also a lack of inter-country comparison. It should be noted that the recording of AAUs is currently under discussion. Hence this guidance relates only to cases where negative NP is currently being recorded.

3.10.42. Case 42 –contributions to the EU budget

Guidance: Executive and legislative organs, financial and fiscal affairs, external affairs (01.1)

COFOG class 01.13 external affairs includes 'regular subscriptions and special contributions to meet general operating expenses of international organizations', which can be considered to cover MS contributions to the EU budget, although it could be debated whether the own resource contributions to the EU budget cover only operating expenses. It excludes contribution to aid programmes administered by international and regional organisations, which should be classified in class 01.22 economic aid routed through international organisations. The VAT- and GNI- based EU own resources (D.76) should be allocated to COFOG group executive and legislative organs, financial and fiscal affairs, external affairs (01.1). This includes the UK rebate (also included within D.76), which is considered to not meet the nature of foreign economic aid (01.2), due to it being the result of negotiations between Member States also covering a range of other reductions and adjustments.

3.10.43. Case 43 – tax-subsidy scheme designed to encourage the use of renewable energy

Guidance: *Pollution abatement* (05.3)

A tax-subsidy scheme is designed to encourage generation of electricity from eligible renewable

sources in a Member State. An obligation is placed on licensed electricity suppliers in the Member State to source an increasing proportion of electricity from renewable sources. Suppliers meet their obligations by presenting certificates to the regulator. Where suppliers do not have sufficient certificates to cover their obligation, a payment is made into a buyout fund. The proceeds of the buyout fund are paid back to suppliers in proportion to how many certificates they have presented.

Amounts for the certificates are shown in the National Accounts as both a tax received by government and as a subsidy paid by government. More specifically, the certificates are recorded as a tax received on products excluding VAT and import taxes (D.214) and as a subsidy on products paid by government (D.31).

The intention of the scheme is not to subsidise the energy providers but rather to regulate the energy sector with a view to protecting the environment. Environmental protection is the main purpose of the scheme. For this reason, pollution abatement (05.3) is the most appropriate group for the expenditure component.

3.10.44. Case 44 – reform (phasing out) of an early retirement pension scheme

Guidance: *General public services n.e.c.* (01.6)

An early retirement pension scheme, which had the purpose of social protection and prevention of youth unemployment was phased out. The contributors to the scheme were refunded (D.99 other capital transfer).

The open question was whether to record the capital transfer to the initial contributors (refunding) according to the original purpose of the scheme (COFOG groups 10.2 and 10.5, which was not fulfilled) and consider this as a reimbursement for a 'missed right' to an early pension, or to record this as general, miscellaneous expenditure under COFOG group 01.6.

The COFOG TF considered that the refunding of the contributions has no social protection purpose, in contrast to the original purpose of the scheme. Thus, the capital transfers to households should be allocated to COFOG group 01.6.

3.10.45. Case 45 – rural environment protection scheme

Guidance: *Protection of biodiversity and landscape* (05.4)

A rural environment protection scheme which concerns EU co-funded agri-environmental programmes under which farmers are paid to undertake actions which target environmental challenges (halting the loss of biodiversity, contributing to the improvement of water quality and combating climate change). The payments are classified as other subsidies on production (D.39) in COFOG 05.4 protection of biodiversity and landscape, with the possibility of making a split between 05.3 pollution abatement, and 05.4 if more detailed data is available.

3.10.46. Case 46 – R&D expenditure in universities

Guidance: According to *R&D function* (01.4, 01.5, 02.4, 03.5, 04.8, etc.)

R&D expenditure undertaken in universities is not, per se, related to the socio-economic purpose education. For this reason, R&D expenditure undertaken in universities should be split into respective purpose such as basic research (01.4), R&D on health (07.5), R&D on economic affairs (04.8), etc. Practical difficulties related to source data may occur and need to be resolved by estimating a split by purpose based on reasonable indicators. (See also [case 38](#)).

3.10.47. Case 47 – Transfers to a health care fund

Guidance: distinction of two cases

The case concerns amounts being transferred from central government (S.1311) to a health care fund (S.1314), with the aim of financing health care for people under the age of 18 (in addition to social security fund incomes, which are sourced from social contributions).

The health care fund finances health care of the general population (all ages included). The outgoing payments of the health care fund are concerned with medical products (07.1), outpatient care (07.2) and inpatient care (07.3).

Two cases must be distinguished:

1. Transfers to health fund covering shortfalls due to insuring children's health care in addition to insured persons. No individualised legal entitlements are created.
2. Individual (legal) entitlements are generated by the transfer.

In the first case, a transaction for the (recipient) subsector S.1314 from S.1311, which is then directly responsible for the payment of health care for young people should be recorded. Then, the classification would concern COFOG 07 health, and depend on the function of the recipient's expenditure (medical products, outpatient care, hospital services, n.e.c. etc.). Group 07.6 should be used where the main function of the unit is not known. The transaction is likely to be recorded as D.73. In this case, P.3 (individual/ collective split) is not affected.

Grants paid by one part of government to another are classified in the category, transfers of a general character between different levels of government (01.8) when they are due to financing the whole activity of the receiving unit that can decide how to use it according to its own duties and unless there exists a specific function the grants are related to. In this latter case the function of the payer's expenditure will be the same of the function of the recipient's expenditure."

In the second case, a social assistance benefit (D.623) payment from S.1311 to S.14 (households) is recorded and classified depending on the purpose of programme under COFOG 07 health groups. S.14 is then contributing compulsory social contributions by the non-employed (D.613cn) to S.1314.

Here central government pays social contributions on behalf of persons without their own income.

ESA 2010 para. 4.103 covers social assistance benefits in cash (D.623): "social assistance benefits in cash are current transfers payable to households by government units or NPISHs to meet the same needs as social insurance benefits but which are not made under a social insurance scheme requiring participation usually by means of social contributions."

Payments made by central government meet the same needs as social insurance benefits and are on behalf of final beneficiaries (rerouting).

ESA2010 4.105 (b): "although a social insurance scheme, or schemes, may exist, the households in question do not participate and are not eligible for social insurance benefits"

The list of risks or needs, which may give rise to social benefits include sickness (ESA2010 4.84) and thus covers S.1311 ensuring that children are covered by the social security scheme and thus covered against sickness risks.

3.10.48. Case 48 – Issuing passports and identification documents

Guidance: 01.3 or 03.1

Expenditure related to the issuance of passports and identification documents can either be considered as related to general public services (01.3, multi-functional documents) or to public order and safety (03.1).

3.10.49. Case 49 –Recording of expenditure related to single emergency numbers

Guidance: 03.1, 03.2, 07.3 where possible.

In Europe, a single European emergency number (112) has been established, through which police, fire brigade, ambulances, rescue services and coast guards can be reached.

Expenditure on operating single emergency number is multi-purpose.

COFOG group 03.2 'fire protection services' contains – apart from fire protection, also other civil protection services such as mountain rescue and beach surveillance.

Police services (and coast guards) are classified in group 03.1.

In the description of division 07 health, no mention is made of the operation of ambulance services. However, case 25 on transfers to domestic emergency medical services mentions that ambulance services should be included in this group, whenever not delivered by hospitals (07.3).

Conceptually, the expenditure related to single emergency numbers should be split across the impacted COFOG groups, such as health groups and 03.1, 03.2, etc.

3.10.50. Case 50 – Borderline between transfers and payments for services and price subsidies in public transport constituting a social transfer in kind (D.63)

Guidance: in individual groups according to the purpose of the price reduction in the specific example. However, a careful examination of the nature of the transaction is required.

Example

For the example in question, a public transport company was reclassified to general government and price reductions to transport services were financed by other units within general government targeting specific groups of users of public transport such as students and pensioners.

Before the reclassification of the public transport entity, social transfers in kind - purchased market production (D.632) had been recorded in the relevant individual groups (such as 09.6 for students, 10.2 for pensioners).

After reclassification of the public transport company in government, under assumption that the nature of the transaction was initially correct, general government should still record P.31 individual consumption expenditure.

The P.31, however is now constituted of D.631 social transfers in kind provided by general government units.

The question is in which unit/ entity should be showing the P.31, and whether the recording should be accompanied by recording of a sale of service between the two units involved or not?

This case was discussed in both the GFS TF and the COFOG TF in several meetings. A final proposal was presented to the EDPS WG.

It helped in raising and resolving two general issues

- under which conditions should grants within general government be recorded, and under which conditions should sales of service be recorded?
- as a subset of the first issue, but posing additional recording difficulties: How can the provision of a social transfer in kind by one government unit where another government unit is responsible for the specific task be best recorded?

Guidance on the borderline between transfers and payments for services

In these guidelines for the delineation of current transfers from payments for services a non-exhaustive approach was taken.

Distinction between current transfers between different levels of government and payments for services

Payments between government units, where at least one of the following conditions holds (each one sufficient):

- the amounts are based on the cost of production, rather than output produced;
- the amounts are determined ex-ante such as subject of a legislative negotiation (budget);
- there are no similar payments to private or other market producers;
- where such a payment is the principal funding source for the recipient government unit in the case of social transfers in kind

should be regarded as current transfers within general government (D.73).

Payments between government units where at least one of the aforementioned conditions holds are neither genuine purchases of goods or services nor other subsidies on production. Rather they depend on the division of responsibilities between different units in general government, which is determined by the legal structure and resulting distribution of government in every country.

Current transfers between different levels of government (D.73) should then be recorded unless

- the payment results from holding assets (D.4) or
- it relates to fines, compensations or penalties (D.75) or it has the nature of a capital transfer (D.9).

Required payments between general government units, where the following two conditions hold (jointly necessary):

- being dependant on the volume of output produced and
- where there are similar payments to or from private or other market producers (e.g. private hospitals, social transfers in kind related to transport) or households

can be considered as genuine purchases of services and should be recorded as sales/ intermediate consumption (in some cases also social transfers in kind, D.631).

Unrequited payments from one general government unit to another where there are similar payments to private or other market producers (e.g. private hospitals, social transfers in kind related to transport) can often be considered as other subsidies on production, unless one of the conditions to consider it as a current transfer within general government (D.73) holds.

Specific case of social transfers in kind (D.631)

Regarding the specific case of social transfers in kind supplied by a government unit (D.631), the following principles should be followed.

Wherever a social transfer in kind is paid for by one government unit and provided by another government unit, the social transfer in kind must not be treated as collective final consumption (P.32).

There are two recording options, which should be applied depending on whether the payments meets the conditions for being considered a general sale (see conditions mentioned above) of the unit providing the social transfers in kind to the unit responsible for funding the social transfer or not.

In case 1, the payment meets the criteria above to be a sale. In this case, D.631 and thus P.31 is recorded in the unit funding the social transfer in kind.

Compared to the provision of the social transfer in kind by a market producer (D.632), government output and government expenditure and revenue increases by the size of the social transfer in kind.

There are intra-governmental sales equal to the amount of the social transfer in kind.

The COFOG allocation of the S.13 unit paying for the social transfer in kind is also unchanged when comparing to payments to a market producer and individual and collective consumption expenditure groups according to COFOG are matched.

Case 1 is illustrated below.

Case 1: The payment meets the criteria to be a sale

S.13 unit Service provider		S.13 unit (paying)		S.14	
U	R	U	R	U	R
	80 P.131	P.2 80	80 P.132		
		D.631 80			80 D.631
		P.4 0		P.4 80	
B.9 80		B.9 -80		B.9 0	
F.2 80		F.2 -80			
		P.31 80			

In case 2, the payment between the government units does not meet the criteria to be a sale and should be treated as current transfers within general government (D.73).

According to this option, government overall individual consumption expenditure is unchanged.

No possible contradiction with the ESA2010 quantitative market/non-market test could arise.

However, the individual consumption expenditure is now recorded for the service provider instead of the unit making the payment/ responsible for assuring the provision of the service.

Also, the other current transfers indicate the payment to be unrequited, whereas in fact one S.13 entity may be considered as paying another to provide a service.

In terms of COFOG allocation, this implies the recording of individual consumption expenditure. Hence, in the service provider's accounts, an amount equalling the social transfer in kind must be recorded within an 'individual' COFOG group.

In some cases, this may be counter-intuitive at first (e.g. to record part of the consumption expenditure of an entity providing public transport as individual). The socio-economic purpose of the expenditure of the unit providing the service might, in some cases, be more intuitively considered as part of collective consumption expenditure.

Case 2 is illustrated below.

Case 2: The payment does not meet the criteria to be a sale

S.13 unit Service provider		S.13 unit (paying)		S.14	
U	R	U	R	U	R
	0 P.131				
D.631 80	80 P.132				80 D.631
	80 D.73	D.73 80			
P.4 0		P.4 0		P.4 80	
B.9 80		B.9 -80		B.9 0	
F.2 80		F.2 -80			
P.31 80		P.31 0			

Development of this guidance

In the ESA framework, the production account is not to be consolidated (ESA 2010 para. 20.157), while transactions in other current transfers are consolidated.

The conceptual difficulties with a consolidation of the production account are mainly: difficulties in determining the counterpart transactor, and different prices (basic and purchaser) used for output and intermediate consumption (ESA 2010 para. 20.157). A treatment of intra-government sales as other current transfers has an impact on sector accounts as well as on COFOG.

It was noted that the level of sales (P.11+P.12+P.131) varies widely between EU and EFTA countries and might lack cross-country comparability introducing differences in the measurement of government revenue/expenditure. The introduction of a common definition of government revenue/expenditure in 2000 was precisely to establish cross-country comparability.

The GFSTF then looked into possible differences between countries in the treatment of intra-governmental sales, subsidies and current transfers within general government and tried to establish common guidelines on distinguishing between sales, subsidies and current transfers within general government.

Accounting provisions distinguishing sales and transfers

Payments made by non-market producers to other non-market producers may lack a market price, since we should not expect a non-market producer to charge one. Therefore, the price paid may possibly have more of the features of a current transfer than a sale.

ESA 2010 does not contain a specific section on the distinction between sales and other current transfers.

However, the key distinction between sales and other current transfers is described at a more general level in ESA: ESA 2010 para. 1.71 explains that sales are required transactions, for which a counterpart obtains a good or service in exchange for an immediate or later payment, i.e., a financial transaction in F.2 or F.8. Sales are thus 'something for something' as defined in the same paragraph. In contrast to this, transfers, including other current transfers are distributive transactions; they are called 'unrequited' or 'something for nothing'.

In the ESA 2010 framework, 'output for own final use' is recorded for all institutional sectors, including general government (see for example ESA para. 1.69). ESA para. 1.69 also covers output for own intermediate consumption within units. These should be recorded in the system, insofar as they are between different local KAUs.

For general government, this is relevant where public entities are classified to the general government sector because they fail the criteria for being an institutional unit and where no quasi-corporation can be recognised according to ESA 2010 para. 20.40 and ESA 2010 para. 2.13f (i.e., the producer is not a market producer and/or does not keep a complete set of accounts).

For sales between different government units, ESA 2010 para. 20.157 defines that these are not to be consolidated.

Current transfers within general government are described in ESA 2010 para. 4.118 to 4.120. Aside from the general distinction, and distinctions related to taxes, no further examples of what to include in current transfers within general government, D.73, are given.

ESA 2010 contains one very illustrative example on the distinction between sales and current transfers (including within general government). ESA 2010 para. 3.36 reads "In applying the criterion of comparing sales and production costs of private or public NPIs, including in sales, all the payments linked to volume of output may be misleading in some specific cases. This can be the case, for example, in relation to the financing of private and public schools. Payments by general government can be linked to the number of pupils but be the subject of negotiation with general government. In such a case, those payments are not recorded as sales, although they may have an explicit link with a measure of the volume of output, such as the number of pupils. This implies that a school mainly financed by such payments is a non-market producer."

ESA 2010 para. 4.36 specifies that non-market producers can receive other subsidies on production only if payments are based on general regulations applicable to market and non-market producers.

In the case of public schools being a non-market producer and there is negotiation, the payment from the other government unit is neither intermediate consumption nor other subsidies on production. It must therefore be classified as a current transfer within general government.

From ESA 2010 para. 4.36 and a footnote in MGDD in the context of the quantitative market test (I.2.4.3 paragraph 30, reading "payments made irrespectively of the actual amount of tickets sold to final users, under the form of a global lump sum to cover operating deficit resulting for the insufficient coverage of costs by pricing, would not be added to the sales for the 50% test" and "any subsidy for which the total amount to be paid has been fixed ex-ante (possibly already partially or totally paid before the whole activity has been carried out), generally in the context of global budget negotiations focusing on factors such as maintenance of buildings, investment in technical equipment, payment for compensation of employees, are excluded from "sales" when applying the market quantitative test"), we could consider some conditions should be satisfied for payments within government to be considered a sale or a subsidy:

- There is a clear link to volume of output;
- The payment does not (only?) depend on cost of production;
- The payment is not subject to (legislative) negotiation, or is merely due to division of responsibilities between different units of government, where one unit is responsible for providing a service/ good and the other unit is obliged to fund it. In such cases, the size of the payment may be determined ex ante;
- (possibly) the government unit making the payment is responsible for the provision of the good or service (to households or as part of actual final consumption of government) and can choose to do so in a number of ways: own-account production, purchase from a market producer or delegation to another non-market unit in government.

However, where payments for a service or good are dependent on the volume of output produced and these services or goods could equally be purchased from market producers, there is an indication that the payments should be classified as sales. Examples are purchases by general government units that are classified as social transfers in kind/ intermediate consumption e.g. treatment-based payments in public hospitals or volume-related price reductions according to social need in public transport.

For some services forming part of individual consumption expenditure of a government unit, there is likely to be no market alternative. An example of this in many countries would be ambulance and rescue services. If the service providers are not controlled by general government they will be classified as NPISH (S.15). According to the definition of current transfers to NPISH (D.751) in ESA 2010 para. 4.126c, assistance and grants from general government, which are not to finance capital expenditure, are part of D.751, indicating that, in conjunction with ESA 2010 para. 3.36, a clear link to volume of output (e.g. payment per casualty transported to hospital) and absence of negotiation over general payments is needed in order to classify the payments as purchases of services.

As regards payments not forming part of individual consumption expenditure of a government unit, a payment can only be considered a subsidy on production if it specifies the conditions in ESA 2010 para. 4.36, i.e., it is based on general regulations applicable to all producers (both market and non-market producers) providing that good/ service. This in itself is sufficient to preclude the recording of a subsidy on production in the case of a (bilateral) negotiation between the units. A sale, following the same logic, can only be considered if the government entity purchasing decides on the basis of prices charged by both market and non-market producers; that is, in practice, if the service or good forms part of secondary market output (at economically significant price according to ESA2010 para. 3.19) of a non-market producer classified in general government. In case of payments for non-market production, typically some similar purchases should be made from market producers.

The introduction of a criterion related to the payment not being the "main funding source" ensures a

symmetry with cases where payments to other units outside government would be treated as D.75 despite being volume-based, e.g. to schools. It also ensures conceptual symmetry for units classified to S.13 under ESA 2010 para. 20.23-20.29 because the "sales" are not considered sales and thus a recording as sales should be avoided post-reclassification.

3.10.51. Case 51 – Recording of sales of land (NP.1)

For the recording of sales of land (NP.1), three options can be conceptually considered. These are outlined below, along with their advantages and disadvantages by the COFOG TF.

Option 1: under general public services (either 01.1 or 01.3 or 01.6)	Option 2: in line with the entity making the sale (any COFOG)	Option 3: to future use by units buying the land (division 04, 05, 06, 07, 08, 09)
• + consistent with D.41/FISIM approach. • + negative expenditure has no purpose. • + shows financial position of the entity (in case of centralised entities selling land). • - land might be sold for a purpose such as housing development. • - considered more challenging in terms of source data than option 2 and may prove impossible to implement in case of small entities buying and selling. • - may understate expenditure in group 01.3 in case of transactions within general government and in case of capital transfer in kind and overstate expenditure in groups of future use.	• + shows financial position of the entity (generally - case of centralised entities selling land, this amounts to option 1) • + might show the purpose in cases where the use of land does not change, e.g. government agricultural land continuing to be used for agriculture (example restitutions in former communist countries). • + least challenging in terms of source data. • - there might not be a link between the use by the government entity and the entity using the land after the sale. • - COFOG is a classification by purpose and not by entity. • - depends on the entity being single-purpose.	• example is classification in housing development. • + may be appropriate in case of the use being the same before and after the sale. • + should be used primarily when associated with capital transfers in kind and for transactions within general government. • + consistent with (now outdated guidance on mobile phone. • + transactions cancel out when the entity is in government. • - not consistent with the guidance on D.41p/ FISIM. • - future use may not be known. • - most challenging in terms of source data.

A majority of the COFOG compilers considered a recording in line with the entity making the sale as appropriate (option 2). This option should be primarily used. Where centralised entities are selling land a recording in group 01.3 (option 1) can be envisaged. In case of sales within general government, and of transactions conveying a benefit – coupled with a transfer in kind – option 3 can be considered.

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 countries who collect and publish national R&D data and submit responses to the OECD and Eurostat R&D surveys. 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, field of R&D and other categories of classification.

The Frascati Manual has three parts. Part I presents definitions as well as general guidelines on the collection and interpretation of established R&D data, Part II provides sector specific guidance, and Part III guidance on the measurement of government support for R&D.

The Manual is available in several languages. The [electronic version](#) is more frequently updated with new material. The Manual is consistent with UNESCO recommendations for *all* scientific and technological activities (UNESCO, 1978), but is specific to R&D. Because of the need to place R&D in a wider context, both conceptually and in terms of databases, it uses UN classifications 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).

The latest version of the Frascati Manual published is the 2015 version. The new revision “contains improved guidelines reflecting recent changes in the way R&D takes place and is funded and the wider use of R&D statistics and definitions. It provides new chapters dedicated to the practical aspects of collecting R&D data in different sectors, as well as new guidance on capturing different aspects of public support for R&D such as tax incentives.”⁴¹

There are five specific objectives of the revision, as directly recognised by OECD: (1) reflect changes in the nature of R&D, (this includes arrangements among countries, firms and the use of R&D definitions for tax and accounting purposes); (2) recognise the widespread and increasing use of the Manual’s guidelines among developing countries, working in partnership with other international organisations in this field; (3) highlight methodological approaches for addressing new survey challenges and making best use of complementary data sources; (4) ensure that the Frascati Manual provides an effective, “living” tool for the STI community, becoming an easily accessible online repository of knowledge and a pathway to other relevant sources; and (5) propose developments that

⁴¹ <http://www.oecd.org/innovation/inno/frascati-manual.htm>

facilitate the use of R&D statistics in other statistical frameworks. This last objective applies in particular to the use of R&D statistics for National Accounts purposes, in light of the treatment of R&D as capital formation.

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

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

1. Expenditure of those units performing R&D activity (GERD - Gross domestic expenditure for R&D),
2. Government budget allocations for R&D, wherever the R&D activity is eventually performed (GBARD).

EU Member States report both datasets to Eurostat, which then publishes the data⁴². Data are also available for an additional range of countries from the OECD.

1. GERD data

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

2. GBARD data

These data measure the government funding for R&D by all levels of government (except local government funds that should be excluded⁴³) on R&D, where those allocations 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 GBARD figures. Loans that may be forgiven should be included in GBARD, but indirect support of industrial R&D via tax rebates or allowances should be excluded. Both capital and current costs are included, with multi-annual projects being allocated to the year(s) in which they are budgeted.

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

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

Published GBARD data are broken down according to the objective of the R&D programme or

⁴² 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.

⁴³ Paragraph 12.5 of the Frascati Manual 2015: "To minimise the potential reporting burden and ensure timeliness, local government budget funds may not be included if their contribution is not deemed to be significant or if the data cannot be collected."

project for which the expenditure is allocated. This breakdown is made in the NABS classification.

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

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

COFOG expenditure data are based on the principles of national accounts, as set out in the 2008 SNA and ESA 2010. In concept the measurement principles for COFOG data are the same as the accruals concepts used for GERD, whereas GBARD 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 allocations.

COFOG expenditure data are measured for the general government sector in national accounts (with a breakdown in subsectors of government as appropriate). GERD data are reported along the 'sectors of R&D performance'⁴⁴. GERD for the government sector (i.e. the government's own R&D activities) is reported separately from the GERD for the higher education sector, whereas in national accounts, public universities are usually classified in the general government sector. GBARD 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. GBARD data for some countries do not include local government expenditure. Government units acting at the state or local level may have only small amounts of expenditure on R&D (except for public universities, when classified into the local government subsector).

The COFOG groups, classification at level II, separates out R&D expenditure by one (or more⁴⁵) R&D COFOG groups in each division, based on a functional approach. The NABS classification, used in both GBARD and GERD⁴⁶ 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. Conceptual and reporting framework

2008 SNA chapter 29 satellite accounts and other extensions and ESA 2010 chapter 22 satellite accounts describe a satellite system for integrated environmental and economic accounting. The framework⁴⁷ includes a description of how monetary and physical environmental statistics can be combined in a SNA compatible way.

⁴⁴ 'Business enterprise', 'Government', 'Higher Education', 'Private non-profit', 'Rest of the world'.

⁴⁵ The correspondence between COFOG groups and COFOG classes for R&D expenditure is always one to one except for the COFOG Division 4 Economic activities, where COFOG group 4.8 R&D Economic affairs is broken down into the following seven classes: 04.81 R&D General economic, commercial, and labour affairs, 04.82 R&D Agriculture, forestry, fishing and hunting, 04.83 R&D Fuel and energy, 04.84 R&D Mining, manufacturing, and construction, 04.85 R&D Transport, 04.86 R&D Communication, 04.87 R&D Other industries.

⁴⁶ 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.

⁴⁷ The environmental accounting systems, developed by the UN and the EU according to the framework provided by SNA 93 chapter XXI, are consistent with 2008 SNA chapter 29, which upgrades the guidance provided by SNA 93.

The first international statistical standard for environmental-economic accounting, the System of Environmental-Economic Accounting — SEEA Central Framework, was adopted by the United Nations Statistical Commission in 2012. The statistical standard is compatible with the System of National Accounts (2008 SNA). The EU has its own framework for the collection, compilation, transmission and evaluation of European environmental economic accounts, set out in Regulation (EU) No 691/2011 of the European Parliament and of the Council. The regulation lays down relevant concepts, classifications and reporting requirements. It also provides for a regular review of data quality and related reporting burden, and it mandates the European Commission to propose an extension of the set of mandatory accounts.

The primary purpose of the environmental economic accounting is to present the interactions between the economy and the environment, and to describe changes in the stocks of environmental assets. Environmental Accounts measure the natural resources (e.g., raw materials, water and land) used as inputs to the economic activities and the impact of the economy on the environment (e.g. emissions to air, soil, and water). They also trace production activities and jobs related to environmental products and environmentally relevant monetary transactions such as environmental taxes and subsidies and investments in environmental protection.

Designed as a set of satellite accounts to the European System of Accounts (ESA 2010), the EU environmental economic accounts broadly follow ESA definitions, classifications and accounting rules, enlarging the scope of the accounting framework, introducing additional concepts and combining classifications and/or extending their breakdowns to capture relevant economic transactions and related flows. In many cases, macroeconomic statistics provides source or reference data for compilers of environmental accounts. In this context, COFOG statistics is an important source of information on government transactions relating to environmental protection and resource management which are also covered in monetary environmental accounts.

Regulation 691/2011 sets out that some environmental accounts data should be reported broken down by environmental activity. The environmental activities have been defined for two broad environmental purposes: environmental protection and resource management. For each of the purposes, a separate classification has been designed. Consequently, there are two classifications of environmental activities:

- Classification of environmental protection activities (CEPA 2000) and
- Classification of resource management activities (CReMA).

Both classifications are multipurpose generic classifications, designed to classify activities and transactions. For this reason, they have features of both types of ESA statistical classifications: (i) classifications of economic activities and products and (ii) functional classifications. Whilst, at least in conceptual terms, there is a clear one-to-one correspondence between COFOG division 05 II level breakdown and CEPA, the link between COFOG and CReMA is less straightforward, with CReMA activities relating to various COFOG divisions and groups.

Even though the work on the conceptual framework for environmental accounts started over twenty years ago, the regular compilation of environmental accounts in the EU and reporting of the data to Eurostat have been in place for a relatively short period and this statistical field is still under development. The overall objectives and measures to take to meet the users' needs in the short and medium term are presented in the European Strategy for Environmental Accounts⁴⁸ (updated every four-five years after an extensive discussion within the European Statistical System on priorities and resources constraints). The key priority at this stage is to improve the availability, quality and cross-country comparability of the reported data. To this end, Eurostat seeks also to:

- provide better guidance on methods and sources to be used for data compilation and

⁴⁸ <https://ec.europa.eu/eurostat/documents/1798247/6191525/European+Strategy+for+Environmental+Accounts/>

- clarify reporting conventions and outstanding scope, classification and valuation issues, in particular whether certain activities or products should be covered in environmental accounts and, if so, under which environmental category they should be reported and how the relevant amounts should be calculated.

In this context, the review of the classification of environmental activities (by Eurostat's Task Force on the Classification of Environmental Activities) and work on consolidation and integration of the monetary environmental accounts were initiated in 2017 and might in the long-term lead to changes to the reporting framework for the environmental accounts.

4.2.2. Eurostat's data collections in environmental accounts and their linkages to COFOG

Eurostat collects, on an annual basis, data for six modules of the EU environmental economic accounts:

- Air emissions accounts (AEA),
- Economy-wide material flow accounts (EW-MFA),
- Physical energy flow accounts (PEFA),
- Environmental taxes by economic activity (ETEA),
- Environmental goods and services sector accounts (EGSS),
- Environmental protection expenditure accounts (EPEA).

The first three modules (AEA, EW-MFA, PEFA) are also referred to as 'physical environmental accounts' whilst ETEA, EGSS and EPEA are key environmental activity accounts, also referred to as 'monetary environmental accounts'.

Monetary environmental accounts (MEA), given their scope, definitions and classifications, have strong linkages with COFOG or other GFS data. The accounts measure the value of transactions undertaken for environmental purposes or for preserving natural resources. For an overview of the modules, methodological reference documents and reporting requirements, see table 4.

Apart from the three mandatory monetary environmental accounts datasets, Eurostat collects on a regular basis data on environmental subsidies and similar transfers (ESST), and it has developed resource management expenditure accounts (ReMEA), for which up to now no data have been collected. For the sake of completeness, the table covers also ETEA, a dataset with no linkages to COFOG, sourcing its information from the National Tax List and ESA table 9, i.e., another data collection within government finance statistics.

Table 4: Modules of monetary environmental accounts

Module	EPEA	EGSS	ESST	ReMEA	ETEA
Purpose	Cover supply and demand of environmental protection specific services, such as wastewater and waste management, related goods and distributional transactions, seeking to measure the national expenditure on environmental protection (NEEP).	Focused on the supply side and competitiveness of the domestic economy, and measure output, value added, employment in production, and exports of environmental specific products and of cleaner and more resource efficient products.	Focused on current and capital transfers made with the aim of supporting activities which protect the environment or reduce the use and extraction of natural resources.	Cover supply and demand of resource management specific services, such as production of energy from renewable sources, forest and water management, materials recovery.	Seek to capture the value of taxes imposed on products or activities that have proven negative impact on the environment (such as taxes on fossil fuels and motor vehicles), and how the tax burden is shared between tax payers.

Module	EPEA	EGSS	ESST	ReMEA	ETEA
Classifications and breakdowns used for data reporting	ESA classification of economic transactions as well as of institutional sectors, classification of environmental protection activities CEPA, NACE, distinction between specific services and connected and cleaner products, distinction between corporations as specialist and secondary producers and as ancillary producers.	ESA classification of economic transactions, classifications of environmental activities CEPA and CReMA, distinction between specific products and cleaner and more resource efficient products.	ESA categories of transfers as well as of institutional sectors, classification of environmental activities CEPA, CReMA, NACE.	ESA classification of economic transactions as well as of institutional sectors, classification of resource management activities CReMA, distinction between specific and more resource efficient products.	Type of environmental taxes (energy, transport, pollution, resources), sector of tax payer (households, businesses and non-residents), NACE.
Guidelines	Eurostat's EPEA handbook	Eurostat's EGSS handbook and practical guide	ESST guidelines	Draft ReMEA guidelines (under revision)	Eurostat's statistical guide on environmental taxes
Status of the data collection	Mandatory	Mandatory	Voluntary	n/a	Mandatory
Frequency of the data collection	Annual	Annual	Annual	n/a	Annual
Reference period covered	2014 onwards mandatory; 2006-2013 optional	2014 onwards mandatory; data for years prior to 2014 are optional	Years (n-5) – (n-2)	n/a	2008 onwards mandatory; 1995-2007 optional
Deadline for reporting	T+24 months after the end of the reference period (calendar year)	T+24 months after the end of the reference period (calendar year)	T+20.5 months after the end of the reference period (calendar year)	n/a	T+21 months after the end of the reference period (calendar year)

Table 5 provides additional information on the reporting frame for EPEA, EGSS, ESST and ReMEA and their linkages with COFOG statistics, which are described further in this section, in more detail, for EPEA.

Table 5: MEA reporting frame and linkages with COFOG

Definitions, delimitations and classifications		Monetary environmental accounts (MEA)				
		Reporting obligation	EPEA	EGSS	ESST	ReMEA
Sector coverage	General government (S.13)	See specific modules	Covered jointly with S.15 as a separate EPEA sector.	No explicit distinction; optional reporting of data on P.13 of environmental products, and related gross value added and employment.	S.13 as a payer of ESST transfers to other sectors (+split – see below) and as a recipient of transfers from other S.13 units.	Covered jointly with S.15 as a separate ReMEA sector.

Definitions, delimitations and classifications		Monetary environmental accounts (MEA)				
		Reporting obligation	EPEA	EGSS	ESST	ReMEA
	Other institutional sectors	<i>See specific modules</i>	Other sectors of the economy also covered for relevant transactions. For the corporations sectors, distinction between 'specialist' producers of environmental protection services (NACE 37-39) and other producers.	No explicit distinction.	S.2 as a payer of transfers (no split by recipient); for transfers payable by S.13, breakdown by counterpart sector (recipient); for transfers payable by S.13 to the corporations sector, breakdown by counterpart NACE industry (recipient).	Corporations (distinguishing between market and ancillary producers), households and S.2 (transfers).
Economic transactions/ reporting variables	Items included in Table 11 of ESA transmission programme	<i>Mandatory in MEA</i>	For S.13: P.51g, P.3, D.3_D.7_D.92_D.99 payable	-	-	-
		<i>Voluntary in MEA</i>	For S.13: P.2, D.1, (D.29-D.39)	-	D.3, D.6_D.7, D.9.	See EPEA mandatory and optional reporting items.
	Other reporting items	<i>Mandatory in MEA</i>	For S.13: P.1, P.11, P.13, D.3_D.7_D.92_D.99 receivable from S.2.	P.11 of environmental products, related gross value added, employment and exports	-	-
		<i>Optional in MEA</i>	For S.13: P.51c, B.2n, employment	Non-market/ own-account/ ancillary output, related gross value added, employment.	Tax abatements.	See EPEA mandatory and optional reporting items.
Functional breakdown ⁴⁹	COFOG 05 (I level - division)	<i>Mandatory in MEA</i>	For S.13: covered (reported as "Total CEPA").	-	-	-
		<i>Optional in MEA</i>		Covered and reported as 'Total CEPA'.	Covered and reported as 'Total CEPA'	-
	COFOG 05 (II level - groups)	<i>Mandatory in MEA</i>	For S.13: all COFOG groups covered within CEPA breakdown.	Some COFOG groups covered within CEPA breakdown: CEPA 2, 3, 6.	-	-

⁴⁹ Please see also section 4.2.3 for explanation on classification used in EU environmental economic monetary accounts, i.e. CEPA and CReMA, and comparison with COFOG

Definitions, delimitations and classifications	Monetary environmental accounts (MEA)				
	Reporting obligation	EPEA	EGSS	ESST	ReMEA
	<i>Optional in MEA</i>		Some COFOG groups covered within CEPA breakdown: CEPA 8, 9	CEPA 2, CEPA 3, CEPA 1_4_5_7, CEPA 8_9	-
More detailed level of COFOG 05	<i>Mandatory in MEA</i>		In CEPA breakdown: CEPA 1, 4, 5	-	-
	<i>Optional in MEA</i>	<u>For S.13:</u> Detailed breakdown of COFOG group 05.3 by CEPA categories 1, 4, 5, 7.	In CEPA breakdown: CEPA 7	-	-
Other COFOG categories (other than COFOG 05)	<i>Mandatory in MEA</i>	-	Where overlapping with CReMA breakdown.	-	-
	<i>Optional in MEA</i>	-	Where overlapping with CReMA breakdown.	Where overlapping with CReMA breakdown.	Where overlapping with CReMA breakdown.
Accounting rules and reporting convention (relevant for comparison with COFOG statistics)	-	Transfers are consolidated within the S.13 and S.15 sector; Transactions in assets relating to emissions permits not covered.	-	Data not consolidated within S.13.	See EPEA
Eurostat's data validation	-	Cross-checks with COFOG statistics included in EPEA validation reports.	Only cross-checks with EPEA.	Cross-checks with COFOG statistics included in ESST validation reports.	n/a
Deadline for reporting	-	1Y time lag compared to COFOG	1Y time lag compared to COFOG	9-10 months' time lag compared to COFOG	n/a

EPEA and COFOG transactions

Of the three mandatory sets of monetary environmental accounts, EPEA has the closest linkages with COFOG. In many countries COFOG is used as one of the main data sources for compilation of EPEA.

EPEA contains data on the economic resources devoted to all activities and actions which have as their main purpose the prevention, reduction and elimination of pollution and of any other degradation of the environment, by institutional sector. The EPEA questionnaire covers seven main tables and a number of sub-tables:

EPEA Table 1: General government and NPISH

EPEA Table 2: Corporations as specialist and secondary producers of market EP services

EPEA Table 3: Corporations: other (also covering the producers of ancillary EP services)

Sub-tables Tables 3a to 3e: Ancillary production of EP services by NACE section and division

Table 3a: Mining and quarrying

Table 3b: Total manufacturing
 Table 3b_Add: Detailed manufacturing industries
 Table 3c: Electricity, gas and steam supply
 Table 3d: Water supply
 Table 3e: "Other NACE divisions"

EPEA Table 4: Total supply of environmental protection services (completed with data from other EPEA tables)

EPEA Table 5: Households

EPEA Table 6: EP transfers

EPEA Table 7: Summary and calculation of national expenditure on environmental protection (NEEP)

Table 7.1: Total economy by CEPA

Table 7.2: Total economy and rest of the world, total CEPA, by institutional sector

Table 7.3: Total economy, total CEPA, by institutional sector (calculation and country reporting of NEEP)

Data on environmental protection (EP) activities of general government and related transactions are collected under EPEA Table 1 and Table 6. The mandatory variables of EPEA Table 1 include:

- output of EP services, broken down into market output and non-market output,
- gross fixed capital formation and acquisition less disposals of non-financial, non-produced assets (such as land) for the production of EP services and
- final consumption of EP services by the units of the general government and NPISH institutional sectors.

Environmental transfers on environmental protection, payable and receivable by general government are reported in EPEA Table 6. More detailed data on environmental transactions of S.13 are provided in EPEA questionnaire on a voluntary basis and cover: intermediate consumption, compensation of employees, consumption of fixed capital, other taxes less subsidies on products.

COFOG data are the main source for compilation of EPEA Table 1 data, in particular for its detailed functional breakdown (for correspondence between the classifications, see section 4.2.3). COFOG data are also used in the validation process of data provided by countries for the general government sector.

Table 6 provides an overview of the ESA economic categories collected both in COFOG statistics and in EPEA.

Table 6: Correspondence between COFOG variables and EPEA characteristics

COFOG (variables relevant for EPEA)	EPEA		
	Coverage	EPEA table	Legal reporting status
OP5ANP			
P.5			
P.51g	P.51G_NP	1	Mandatory
NP		1	Mandatory
P.2	P.2	1	Voluntary
D.29+D.5+D.8	D.29	1	Voluntary
D.1	D.1	1	Voluntary
P.3	P.3_EPS	1	Mandatory
D.3	D.3_D.7_D.92_D.99_PAY_GG	6	Mandatory
D.7			
D.9			
D.92			

4.2.3. Classifications of environmental activities and consistency with COFOG

Environmental monetary accounts break down activities and transactions according to:

- the classification of environmental protection activities and expenditure (CEPA 2000),
- the classification of resource management activities and expenditure (CReMA).

[CEPA 2000](#) is an internationally recognised classification whilst CReMA was set out in Regulation 691/2011 on European environmental economic accounts for compilation of EGSS.

COFOG and CEPA

CEPA is used to classify activities, products, expenditure and other transactions whose primary purpose is environmental protection. Consequently, its scope overlaps with the scope of COFOG division 05 'environmental protection'. In general, all EP activities and expenditure classified according to CEPA can be classified only within COFOG division 05. In turn, COFOG division 05 includes exclusively EP activities and expenditure that is classified within CEPA.

There is a nearly one-to-one correspondence between this COFOG division and I level breakdown of CEPA (see table 7). With its nine main environmental domains (I level), broken down into up to eight sub-categories (some of which are split even further), CEPA provides a much more detailed structure of environmental protection purposes than COFOG.

Table 7: Correspondence between COFOG and CEPA classifications

COFOG (05 environmental protection)	CEPA 2000 (I level breakdown)
05.1 Waste management	3. Waste management
05.2 Waste water management	2. Wastewater management
	1. Protection of ambient air and climate
	4. Protection and remediation of soil, groundwater and surface water
05.3 Pollution abatement	5. Noise and vibration abatement
	7. Protection against radiation
05.4 Protection of biodiversity and landscape	6. Protection of biodiversity and landscapes
05.5 Research and development environment protection	8. Research and development
05.6 Environmental protection n.e.c.	9. Other environmental protection activities (*)

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

Despite this close correspondence between COFOG and CEPA, some differences between the two classifications may exist, given that:

- COFOG classifies expenditure under one and only one function. Consequently, some multi-purpose activities might be classified under a COFOG category other than environmental protection, even if they serve also a (secondary) purpose of environmental protection. Examples are economic aid to developing countries and countries in transition, overall planning and statistical services, agriculture, multi-purpose development projects, housing development or cultural services, etc.
- COFOG function 05 may record expenditure not related to environmental protection. Even though the compilers are supposed to classify individual transactions to specific COFOG categories, it might happen, that, in practice, the classification is decided following the predominance principle and, as a result, all expenditure of a ministry, agency, or administrative unit are assigned to the same COFOG code.

This might lead to discrepancies between COFOG and EPEA data for the countries which, even though relying principally on COFOG as a data source, are in a position to complement the source data with a detailed budget analysis.

COFOG and CReMA

While waiting for the internationally agreed upon version of the classification of resource management activities (as part of the family of the UNSD classifications), CReMA has been used at the European level to classify the relevant activities. CReMA breakdown for the mandatory reporting of the EGSS data is set out in Regulation 691/2011. Its more detailed structure and definitions are presented in annex 5 of the [EGSS handbook](#).

It is not straightforward to establish a correspondence between CReMA and COFOG classifications. table 5 below seeks to indicate for each CReMA I level categories COFOG groups that (at least partially) cover relevant expenditure. It should, however, be noted that transactions related to the resource management (RM) can be assigned to a number of COFOG divisions and groups, which have overall a broader coverage, i.e., they include apart from RM-related transactions also non-environmental activities and expenditure.

As presented in table 8, RM expenditure of S.13 is broadly classified within COFOG divisions 04 'economic affairs' and 06 'housing and community amenities', together with other non-environmental expenditure. In this context, it should be noted that the on-going review of the classification of environmental activities aims at better clarifying definitions and scope of specific RM activities, which, in turn, might lead to a need to reconsider their linkages with COFOG categories.

Table 8: Correspondence between COFOG and CReMA classification

COFOG		CReMA	
04.21	agriculture (irrigation and drainage systems)	10	management of water resources
06.31	water supply		
04.22	forestry	11	management of forest resources
04.23	fishing and hunting	12	management of wild flora and fauna
04.3	fuel and energy	13	management of energy resources
04.41	mining of mineral resources other than mineral fuels	14	management of minerals
04.82	R&D agriculture, forestry, fishing and hunting	15	R&D activities for resource management
04.83	R&D fuel and energy		
04.84	R&D mining, manufacturing and construction		
06.5	R&D housing and community amenities		
	no specific correspondence the class 04.74 'multi-purpose development projects' can be used for multipurpose activities concerning several RM activities falling within division 04	16	other resource management activities

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

4.3. Health accounts

4.3.1. Background

Health accounts provide a systematic description of the financial flows related to the consumption of health care goods and services. The aim is to describe a health system from an expenditure perspective. The *System of Health Accounts 2011* (SHA-2011⁵⁰) updates the SHA 1.0 (OECD, 2000)

⁵⁰ The formal process of producing SHA-2011 started in 2007 as a co-operative activity of health accounts experts from the OECD, WHO and Eurostat, known as the International Health Accounts Team (IHAT).

and provides a framework for a set of interrelated classifications used for the recording of health expenditure.

SHA-2011 introduces a number of changes and improvements compared with SHA 1.0. It reinforces the tri-axial relationship that is at the root of the System of Health Accounts and its description of health care and long-term care expenditure — that is, what is consumed has been provided and financed. SHA-2011 offers more complete coverage within the functional classification in areas such as prevention and long-term care; a more concise picture of the universe of health care providers, with closer links to standard industry classifications; and a precise approach for tracking financing in the health care sector using the new classification of financing schemes. Based on this tri-axial approach to health care expenditure, SHA-2011 also develops three analytical interfaces — the health care consumer, provision, and financing interfaces. These interfaces allow countries to focus on specific areas of national health policy interest and, by expanding health accounts in this direction, also facilitates a more comprehensive analysis.

SHA-2011 contains three classifications describing the health care expenditure:

- health care expenditure by function (ICHA-HC)⁵¹ setting the boundaries of health care activities from an international perspective;
- health care expenditure by service provider (ICHA-HP), serving the purpose of classifying all organisations that contribute to the provision of health care goods and services;
- health care expenditure by financing schemes (ICHA-HF), explaining the main types of financing arrangements through which health services are paid for and obtained by people.

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 is based on the International Standard Industrial Classification (ISIC, Rev. 4, UN, 2008) and NACE Rev. 2 (Eurostat, 2008). Other classifications such as the Central Product Classification, Version 2 (UN, 2008), the CPA Rev. 2 (Classification of Products by Activity, Eurostat 2008) 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-2011 and COFOG

Although the SHA uses, as far as possible, existing descriptions and classifications 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 coverage 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 (both as primary producers of health care or secondary or ancillary producers), while COFOG uses governmental units in the determination of the health expenditure. COFOG functions (purposes) and SHA functions are also different in respect of the contents and level of aggregation.

The comparison of the two systems presented in the tables can only be interpreted as a reference overview of the possibilities of using COFOG in the construction of SHA-HC and the possible links between SHA functions and the purpose classification of COFOG. They have been derived from the SHA-2011 Annex A *Relationship of the ICHA to Other Classifications*, with particular references to

⁵¹ 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.

the correspondence between the functional classifications of SHA and SNA.

4.3.3. ESA 2010

Unlike ESA95, and following on from the developments in 2008 SNA, ESA 2010 contains a specific chapter (chapter 22) on satellite accounts.

Health accounts are discussed in ESA 2010 para. 22.79-22.88.

ESA 2010 para. 22.83 explains that the production boundary of SHA is expanded in two cases compared to national accounts – first for occupational health care, which is not considered an ancillary service (if financed by employers) and second for cash transfers to households for home care for the sick and disabled.

For general government and COFOG the second would have an impact on the comparability of the type of transaction.

ESA 2010 para. 22.87 mentions that in SHA an alternative perspective of recording involves tracing back sources of financing of health care. This approach of taking into account intra-governmental transfers, tax deductions, subsidies contrasts with consolidation approaches for grants in the general government sector.

4.3.4. Usability of COFOG for constructing ICHA-HC expenditure

Table 9 examines COFOG groups and classes related to health expenditure in order to find a link with the correspondent SHA-2011 classification, the health care expenditure by function⁵² (ICHA-HC) looking at health care from the consumers side.

COFOG 07.2: In case co-payments exist the government share expressed in COFOG needs to be supplemented for ICHA-HC. Additional information on the procedures governing these payments is 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 ICHA-HC category HC.6. However these COFOG data may contain some data to be used for ICHA-HC 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 ICHA-HC.

COFOG 07.5: Research and development is not part of the population's health final consumption. It has been excluded from the health care-related classes and is now a memorandum item of the capital account in SHA 2011.

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

Table 9: 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 non- specified by function
07.1.1	Pharmaceutical products (IS)	HC.5.1.1	Prescribed medicines
		HC.5.1.2	Over-the-counter drugs

⁵² The reference for the ICHA-HC can be found on the SHA-2011 Manual, Table 5.1 Classification of health care functions, chapter I.5. CLASSIFICATION OF HEALTH CARE FUNCTIONS (ICHA-HC).

COFOG	Title of headings	ICHA– HC	Title of headings
07.1.2	Other medical products (IS)	HC.5.1.3	Other medical non-durables goods
07.1.3	Therapeutic appliances and equipment (IS)	HC.5.2	Therapeutic appliances and other medical goods
		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	All other medical durables including medical technical devices
		HC.5.2.9	All other medical durables, including medical technical devices
07.2	Outpatient services	HC.1.3	Outpatient curative care
		HC.1.4	Home-based curative care
		HC.2.3	Rehabilitative outpatient care
		HC.2.4	Rehabilitative home-based care
		HC.3.3	Outpatient long-term care (health)
		HC.4	Ancillary services non- specified by function
07.2.1	General medical services (IS)	HC.1.3.1	General curative outpatient care
		HC.1.4	Home-based curative care
07.2.2	Specialized medical services (IS)	HC.1.3.3	Specialised curative outpatient care
		HC.2.3	Rehabilitative outpatient care
07.2.3	Dental services (IS)	HC.1.3.2	Dental curative outpatient care
07.2.4	Paramedical services (IS)	HC.1.4	Home-based curative care
		HC.2.3	Rehabilitative outpatient care
		HC.2.4	Rehabilitative home-based care
		HC.3.3	Outpatient long-term care (health)
		HC.4	Ancillary services non- specified by function
		HC.4.1	Laboratory services
		HC.4.2	Imaging services
		HC.4.3	Patient transportation n.s.f.
07.3	Hospital services	HC.1.1	Inpatient curative care
		HC.1.2	Day curative care
		HC.2.1	Inpatient rehabilitative care
		HC.2.2	Rehabilitative day care
		HC.3.1	Long term inpatient care
		HC.3.2	Day cases of long term care
		HC.4.3	Patient transportation n.s.f.
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)	HC.2.4	Rehabilitative home-based care
07.4	Public health services	HC.6 (excl. HC.6.5. HC. 6.6)	Preventive care (excl. Epidemiologic surveillance and risk and disease control programmes and Preparing for disaster and emergency response programmes)
07.4.0	Public health services (IS)		
07.5	R&D Health		
07.5.0	R&D Health (CS)		
07.6	Health n.e.c.	HC.7.1	Governance and health system administration:
		HC.7.2	Administration of health financing
07.6.0	Health n.e.c. (CS)		

IS: individual services

CS: collective services

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

Table 10⁵³ examines SHA-2011 classification headings, related to the health care expenditure by function (ICHA-HC) looking at health care from the consumers side, in order to determine a correspondence with COFOG groups and classes related to health expenditure.

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

Table 10: Usability of SHA for COFOG

ICHA-HC	Title of headings	COFOG	Title of headings
HC.1	Curative care		
HC.1.1	Inpatient curative care	07.3	Hospital services
HC.1.2	Day curative care	07.3	Hospital services
HC.1.3	Outpatient curative care	07.2	Outpatient services
HC.1.3.1	General curative outpatient care	07.21	General medical services (IS)
HC.1.3.2	Dental curative outpatient care	07.23	Dental services (IS)
HC.1.3.3	Specialised curative outpatient care	07.22	Specialized medical services (IS)
HC.1.4	Home-based curative care	07.24	Paramedical services (IS)
HC.2	Rehabilitative care		
HC.2.1	Inpatient rehabilitative care	07.3	Hospital services
HC.2.2	Rehabilitative day care	07.3	Hospital services
HC.2.3	Rehabilitative outpatient care	07.22	Specialized medical services (IS)
HC.2.4	Rehabilitative home-based care	07.24, 07.34	Paramedical services (IS) Nursing and convalescent home services (IS)
HC.3	Long-term care (health)		
HC.3.1	Long-term inpatient care (health)	07.34	Nursing and convalescent home services (IS)
HC.3.2	Day cases of long-term care (health)	07.32, 07.34	Specialised hospital services (IS) Nursing and convalescent home services (IS)
HC.3.3	Outpatient long-term care (health)	07.24	Paramedical services (IS)
HC.3.4	Home-based long-term care (health)	07.24, 10.11, 10.12	Paramedical services (IS) Sickness (IS) Disability (IS)
HC.4	Ancillary services non-specified by function		
HC.4.1	Laboratory services	07.24	Paramedical services (IS)
HC.4.2	Imaging services n.s.f.	07.24	Paramedical services (IS)
HC.4.3	Patient transportation n.s.f.	07.24, 07.3	Paramedical services (IS) Hospital services

⁵³ Table 10 is based on the correspondences between the SHA-2011 classifications and the SNA functional classification of expenditure as reported on SHA-2011 *Table A.1.5 Cross-check of the classification of health care functions (ICHA-HC) with SNA classifications* and *Table A.1.6 Correspondence between classification of health care functions (ICHA-HC) and COFOG and COICOP-Households*.

ICHA-HC	Title of headings	COFOG	Title of headings
HC.5	Medical goods non-specified by function	07.1	Medical products, appliances and equipment
HC.5.1	Pharmaceuticals and other medical non-durable goods		
HC.5.1.1	Prescribed medicines	07.11	Pharmaceutical products (IS)
HC.5.1.2	Over-the-counter drugs (OTC)	07.11	Pharmaceutical products (IS)
HC.5.1.3	Other medical non-durable goods	07.12	Other medical products (IS)
HC.5.2	Therapeutic appliances and other medical goods	07.13	Therapeutic appliances and equipment (IS)
HC.5.2.1	Glasses and other vision products	07.13	Therapeutic appliances and equipment (IS)
HC.5.2.2	Orthopaedic appliances and other prosthetics	07.13	Therapeutic appliances and equipment (IS)
HC.5.2.3	Hearing aids	07.13	Therapeutic appliances and equipment (IS)
HC.5.2.4	All other medical durables including medical technical devices	07.13	Therapeutic appliances and equipment (IS)
HC.6	Preventive care		
HC.6.1	Information, education and counselling programmes	07.4, 07.6	Public health services Health n.e.c. (public)
HC.6.2	Immunisation programmes	07.4, 07.6	Public health services Health n.e.c. (public)
HC.6.3	Early disease detection programmes	07.4, 07.6	Public health services Health n.e.c. (public)
HC.6.4	Health condition monitoring programmes	07.4, 07.6	Public health services Health n.e.c. (public)
HC.6.5	Epidemiologic surveillance and risk and disease control programmes	07.6	Health n.e.c. (public)
HC.6.6	Preparing for disaster and emergency response programmes	07.6	Health n.e.c. (public)
HC.7	Governance and health system & financing administration	07.6	Health n.e.c. (public)
HC.7.1	Governance and health system administration:	07.6	Health n.e.c. (public)
HC.7.2	Administration of health financing	07.6, 10.90	Health n.e.c. (public) Social protection n.e.c. (public)
HC.9	Other health care services not elsewhere classified (n.e.c.)		
HC.RI	Reporting items		
HC.RI.1	Total pharmaceutical expenditure (TPE)		
HC.RI.2	Traditional, Complementary and Alternative Medicines (TCAM)		
HC.RI.2.1	Inpatient TCAM		
HC.RI.2.2	Outpatient and home-based TCAM		
HC.RI.2.3	TCAM goods		

ICHA-HC	Title of headings	COFOG	Title of headings
HC.RI.3	Prevention and public health services	07.4	Public health services (IS)
HC.RI.3.1	Maternal and child health, family planning and counselling	07.4	Public health services (IS)
HC.RI.3.2	School health services	07.4	Public health services (IS)
HC.RI.3.3	Prevention of communicable diseases	07.4	Public health services (IS)
HC.RI.3.4	Prevention of non-communicable diseases	07.4	Public health services (IS)
HC.RI.3.5	Occupational health care	07.4, 07.6	Public health services (IS) Health n.e.c. (public)
HC.RI.3.6	All other miscellaneous public health services	07.4, 07.6	Public health services (IS) Health n.e.c. (public)
HC.R	Health care related classes		
HC.R.1 Long-term care (social)	Long-term care (social)	10.12, 10.20, 10.70	Disability (IS) Old age (IS) Social exclusion n.e.c. (IS)
HC.R.1.1 In-kind long-term social care	In-kind long-term social care	10.12, 10.20, 10.70	Disability (IS) Old age (IS) Social exclusion n.e.c. (IS)
HC.R.1.2	Long-term social care cash benefits	10.12, 10.20, 10.70	Disability (IS) Old age (IS) Social exclusion n.e.c. (IS)
HC.R.2	Health promotion with multi-sectorial approach		Activities under this item are part of various COFOG functions COFOG, 04 Economic Affairs (various industries); and 06.3 Water supply which includes Supervision and regulation of water purity).

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 support the understanding and interpretation of the inputs, processes and outcomes of education systems from a global perspective. Furthermore, by applying its standard framework, it ensures the international data comparability of the education statistics. The ISCED framework has been occasionally updated in order to better capture new developments in education systems worldwide; a first revision took place in 1997, giving rise to the ISCED-97, and the latest version, ISCED-2011, was approved by the UNESCO General Conference at its 36th session in November 2011⁵⁴. The new ISCED 2011 "includes improved definitions for types of education and

⁵⁴ The previous version, ISCED-97, was approved in November 1997 by the UNESCO General Conference and entered into force in the following years. The COFOG classification of expenditure for Division 9 — Education is fully consistent with ISCED-97: at the COFOG

clarifies their application to ISCED. Categories have been added to the classification of levels in recognition of the expansion of early childhood education and restructuring of tertiary education”⁵⁵. Among the new features is the introduction of educational qualifications as a related statistical unit alongside the education programme, a three-digit coding schemes for the levels of education programmes and educational attainment, and a section on ISCED governance, and an expanded glossary.

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

The data collection covering formal education is administered jointly by the UNESCO Institute for Statistics (UNESCO / UIS), the OECD, and Eurostat. It is referred to as the 'UOE' data collection. This UOE data collection, and the Eurostat data collection on regional enrolments and foreign language learning, are carried out on the basis of the Commission Regulation (EU) No 912/2013⁵⁶. 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 [Circabc](#). The UOE manual explains the theoretical background of the UOE data collection and presents the concepts, definitions and classifications used for the UOE data collection⁵⁷.

The UOE manual includes three chapters:

- Chapter 1: Coverage provides definitions, explanations, and instructions relating to the coverage of the data collection tables. The formal education, both initial and adult, is defined; early childhood education programmes are described as being one of the main changes of ISCED-2011 with respect to the ISCED-97 as concerns the ISCED level 0. ISCED-2011 foresees two categories of ISCED level 0 programmes: ISCED 010 — early childhood educational development (introduced as a new category and not covered by ISCED-97) and ISCED 020 — pre-primary education. Other topics dealt with in chapter 1 concern special needs education, vocational or technical education, geographic coverage, and the framework for educational expenditure including the accounting principles⁵⁸.
- Chapter 2: *Cross-cutting concepts* provides instructions relating to the implementation of ISCED-2011 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-2011, as well as the defining characteristics of the ISCED-2011 levels and cross-classification categories, emphasizing the criteria that define the boundaries between educational levels. There is a further analysis allowing the distinction of programme orientation between general and vocational programmes. The fields of education used in the UOE data collection are then described having the ISCED-F 2013 Fields of Education and Training⁵⁹ classification as the reference. Other contents of chapter 2 concern definitions and guidelines on the dimensions of the data collection: the type of educational institutions, the grade of educational programmes (holding for initial education at ISCED levels 1 and 2), the concept

class level, the correspondence with the ISCED-97 level is reported as the following example “Provision of (...) education at ISCED-97 level (...)”.

⁵⁵ Quote from preface to publication ISCED 2011, UNESCO.

⁵⁶ The Commission Regulation (EU) No 912/2013 concerns the implementation of the Regulation (EC) No 452/2008 of the European Parliament and of the Council concerning the production and development of statistics on education and lifelong learning, as regards statistics on education and training systems.

⁵⁷ The UOE Manual in use, dated 20 of June 2019, is the “UOE data collection on formal education - Manual on concepts, definitions and classifications”.

⁵⁸ The UOE educational expenditure data are compiled on a cash accounting rather than an accrual accounting basis. This is an important difference with respect to the accounting principle of national accounts, based on the accrual accounting.

⁵⁹ ISCED Fields of Education and Training (ISCED-F 2013), UNESCO-UIS 2014 <http://uis.unesco.org/sites/default/files/documents/isced-fields-of-education-and-training-2013-en.pdf>

of full-time equivalents (both for students and educational personnel), the age (both for students and educational personnel), the international learning mobility, the region (this characteristic holds for pupils/students) for statistics by NUTS classification, and the foreign language the pupils/students are learning as part of their educational programmes.

- Chapter 3: *Statistical units* provides definitions concerning the units for which data are collected in the UOE Data Collection and the two further dimensions related to the class size and the expenditure on education. The following definitions of statistical units are presented: students enrolled, repeaters, new entrants, graduates and first-time graduates, and educational personnel.

4.4.3. Consistency with COFOG

There are strong links between COFOG classification and the UOE data collection, as expenditure from COFOG (at the II digit level) and in the UOE data collection are compiled according to the ISCED classification, although are based on different versions of the classification.

Some concepts and definitions are common to the UOE and COFOG analysis. Additionally, UOE Finance tables and their links with National Accounts are being discussed in a dedicated Task Force on UOE Finance established by Eurostat in 2018. EU and EFTA countries, participate in the meetings of the Task Force, as well as representatives from DG EAC, DG EMPL, OECD and UNESCO-UIS.

Major differences at the current stage can be detailed as follows:

- Both UOE and COFOG are based on ISCED. However, COFOG relies on ISCED-97 whilst UOE has adopted ISCED-2011. The main difference concerns COFOG level II 9.11 pre-primary education based on the ISCED-97 level 0. This corresponds to only a part of the new ISCED-2011 as it does not include early childhood educational development (ISCED level 01). The "enlarged" ISCED-2011 level 0 includes education expenditure at ISCED level 01 that COFOG classifies according to its main purpose as child care services under social protection, in group 10.4 family and children⁶⁰.
- COFOG covers non-formal education in group 09.5 'education not definable by level', whereas UOE collects only 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 from UOE but not COFOG;
- main purpose: UOE considers programmes as part of formal education (and includes them in UOE) if there is a significant educational content (above 10%). COFOG, such expenditure may be considered as having another main purpose.
- boundaries of general government expenditure: in UOE public expenditure on education does not take into account the part of expenditure of public units that is financed by private sources. In national accounts, public units inside government may have other sources of financing in addition to public funds (e.g. for universities in many countries). When these educational units spend their financing funds for their activities, the corresponding amounts are included in the COFOG government expenditure on education, unless they are related to secondary market output for which they have a net operating surplus. On the other hand, whenever the institutional units involved in education are classified outside general

⁶⁰ COFOG 10.4 family and children foresees "provision of social protection in the form of cash benefits and benefits in kind to households with dependent children(...) cash benefits, such as (...) child allowances, other periodic or lump-sum payments to support households and help them meet the costs of specific needs (...); 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 (...)." From a practical point of view, given that COFOG assigns expenditure by main purpose, the adoption of ISCED-2011 in the COFOG classification would be neutral on the current classification of child care services in group 10.4 family and children.

government sector, no differences between COFOG and UOE in this respect should be observed;

- both statistics rely on actual outlays, rather than budgets, however UOE also includes under public expenditure government loans for students, some of which may meet the criteria to be treated as financial transactions in national accounts and thus may not be taken into account for COFOG data⁶¹;
- 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 depending on the budgetary basis.
- data sources and compilation: in some Member States different data sources are used for compilation of UOE and COFOG data. Even when the same data sources are used they are treated independently, with independent compilation methods applied. Also, data are sometimes changed due to reconciliation processes between different accounts;
- further breakdown of education expenditure: the detailed breakdown of COFOG function education does not fully correspond to UOE breakdown, in particular for grouping of subsidiary services on education (allocated in UOE dataset directly to the corresponding ISCED heading but presented as separate groups in COFOG) and R&D;
- treatment of R&D expenditure: UOE includes in education expenditure any research conducted in tertiary educational institutions. On the other hand, COFOG classifies R&D expenditure conducted in tertiary educational institutions to the respective functions (e.g. 01.4 basic research, 07.5 R&D health), and in the division 09 education only R&D on education;
- definition of government expenditure: government final consumption expenditure corresponds in the UOE to government direct expenditure on educational institutions. UOE educational expenditure classified as "transfers or other payments from governments to households and other private entities" is part of social benefits, subsidies or other miscellaneous transfers in national accounts, except for student loans insofar as they meet the criteria of being financial transactions in national accounts, are not considered as government expenditure for education according to COFOG data.

4.5. European Social Protection statistics

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

The Commission and the Member States expects Eurostat to provide a variety of statistical indicators to help assess crucial social issues such as exclusion, active measures for employment promotion, equity, the role of private initiative in social provision in addition to government spending, the influence of the organisation of the health provision system and its impact in terms of cost, and so on. ESSPROS was developed in the late 1970s in response to these needs. It was further updated in the mid-1990s. The last update is dated 2016.

The ESSPROS aims to provide:

1. a comprehensive and coherent description of social protection in the Member States covering social benefits and their financing;

⁶¹ Guidance on the appropriate treatment of student loans is given in the [Manual on Government Deficit and Debt](#), chapter 4.7.

2. information comparable across the countries.

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

The module on pension beneficiaries displays the number of pension beneficiaries in a country split by categories⁶². The module⁶³ on net social protection benefits represents the netting of the core (gross) expenditure by subtracting the value of taxes on income and social contributions paid on social protection benefits⁶⁴.

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

The definitions, conventions and accounting rules in the ESSPROS Manual are to a large extent harmonised with the national accounts in their main concepts. Differences are listed below.

4.5.2. Scope of social protection

ESSPROS provides a general definition of the scope of social protection as follows⁶⁵, “social protection encompasses all interventions from public or private bodies intended to relieve households and individuals of the burden of a defined set of risks or needs provided that there is neither a simultaneous reciprocal nor an individual arrangement involved”. The risks and needs (also called functions) are sickness/ health care, disability, old age, survivors, family/ children, unemployment, housing and social exclusion not elsewhere classified.

In the core system the interventions/benefits (and their financing) surveyed are limited to (i) cash payments to protected people; (ii) reimbursements of expenditure made by protected people and, finally, (iii) goods and services directly provided to protected people⁶⁶. On the other hand the module on net social protection benefits can potentially take into consideration other interventions in the form of tax relieves.

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’s definition of social benefits covers both current and capital transfers; the national accounts’ definition refers to current transfers only; nonetheless capital transfers

⁶² See Regulation (Annex II) for the definition of pension beneficiaries. On the issue of pension beneficiaries it might also be useful the Commission Regulation (EC) No 1322/2007 implementing Regulation (EC) No 485/2007 above as “regards the appropriate formats for transmission, results to be transmitted and criteria for measuring quality for the ESSPROS Core system and the module on pension beneficiaries”.

⁶³ As far as the module on net social protection benefits is concerned, there are two Commission Regulations, forming the legal basis of the ESSPROS Net social benefits module. Commission Regulation (EU) No 110/2011 concerning the appropriate formats for the transmission of data, the results to be transmitted and the criteria for measuring quality for the ESSPROS module on net social protection benefits; Commission Regulation (EU) No 263/2011 concerning the launch of full data collection for the ESSPROS module on net social protection benefits.

⁶⁴ Actually the data on the expenditure are collected without any deduction of taxes and other obligatory levies payable on social benefits by beneficiaries and, therefore, considered as gross. The module on net social protection benefits improves the comparability of social protection statistics between countries by removing the impact of the fiscal system on gross expenditure.

⁶⁵ ESSPROS Manual, 2016 edition, Part 1 “General principles and core system”, chapter 2 “The conventional definition of social protection <http://ec.europa.eu/eurostat/documents/3859598/7766647/KS-GQ-16-010-EN-N.pdf/3fe2216e-13b0-4ba1-b84f-a7d5b091235f>.”

⁶⁶ For further detail see ESSPROS Manual, Section One, paragraph 2.2 and following.

may occur in COFOG social protection division 10;

- iii. a point that can easily give rise to misunderstandings is that the national accounts define a transaction category *social transfers in kind* (D.63), which covers both transfers made with and without a social protection objective. In ESA 2010 para. 4.110 social transfers in kind meeting risks and needs are described but also complemented by the following examples: "social housing, dwelling allowances, day nurseries, professional training, reductions on transport prices (provided there is a social purpose), and similar goods and services in the context of social risks and needs". ESA 2010 para. 4.110 goes on to indicate that "outside the scope of social risks and needs, when government provides individual households with goods and services such as recreational, cultural or sport services for free or at prices that are not economically significant, these are treated as social transfers in kind..." The national accounts scope of social transfers in kind thus exceeds the one used in ESSPROS.

4.5.3. Statistical units

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

A social protection scheme is:

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

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

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

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

- i. in the national accounts, the transaction category Social benefits other than social transfers in kind (D.62) is made up of three sub-headings: social security benefits in cash (D.621); other social insurance benefits (D.622); and social assistance benefits in cash (D.623). As such D.62 refers mainly, even if not exclusively⁶⁷, 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 include those granted by schemes run by commercial insurers, and unfunded employers'

⁶⁷ ESA 2010 introduced the sub-heading *Other social insurance benefits (D.622)* that correspond to benefits payable by employers in the context of other employment related social insurance schemes. Other employment-related social insurance benefits are social benefits (in cash or in kind) payable by social insurance schemes other than social security to contributors to the schemes, their dependants or their survivors. The sectors or subsectors paying for the *Other social insurance benefits (D.622)* transaction to the beneficiaries might be the sector or subsector of employer, insurance corporations and pension funds or non-profit institutions serving households, as of ESA 2010 para. 17.02 and table 17-1 representing Social insurance schemes,

schemes outside general government and NPISHs;

- ii. in the national accounts social transfers in kind provided to, or received from, the rest of the world are registered as D.62 by convention following on from 2008 SNA para. 9.120 even though the near equalities mentioned there may not hold in the EU context⁶⁸. In such cases, the ESSPROS records social benefits in kind provided to the Rest of the World, but does not record any benefit provided to residents by the Rest of the World.

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 schemes⁶⁹. 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 scheme⁷⁰ to households called Investment income attributable to insurance policy holders (D.441) and a second flow, of equal value, from the protected persons back to the institutional unit running the scheme as additional social contributions.

On the other hand, ESSPROS distinguishes between expenditure for social benefits and expenditure for administration of social benefits. In COFOG, the costs of administration of government benefits are included in social transfers in kind (D.631).

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

ESA 2010 chapter 22 discusses ESSPROS and its differences with national accounts in para. 22.110-22.120.

4.6. Satellite accounts can give higher figures than COFOG

Satellite accounts based on national accounts, such as for R&D, health, environment, and social

⁶⁸ ESA 2010 para. 4.111 and para. 3.109.

⁶⁹ Taking as a reference the definition of social protection as given before "social protection encompasses all interventions from public or private bodies intended to relieve households and individuals of the burden of a defined set of risks or needs provided that there is neither a simultaneous reciprocal nor an individual arrangement involved" it is straightforward that private funded schemes and the related investment incomes are not considered as a part of ESSPROS.

⁷⁰ For the full description of this notional circuit inside the National accounts, please refer to ESA 2010, para. 4.68.

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

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

Table 11: Some examples of classification in satellite accounts

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

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

More information on satellite accounts can be found in ESA 2010 chapter 22, 2008 SNA chapter 29 as well as in the corresponding Manuals and Handbooks of satellite accounts compiled at European level.

5

Individual countries' compilation practices

5.1. Introduction

5.1.1. Sources of information

These country pages provide details of sources and methods for the compilation of COFOG statistics. In the meeting of the Task Force on COFOG of 20th May 2015, the country representatives agreed to update the information on individual countries' compilation practices contained in the first edition of the Manual (2007). Eurostat sent the relevant country pages to the representatives, and countries replied with an amended set of pages.

5.1.2. Coding system for data sources

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

A1: function code is available for each item of expenditure

This would mean that each item of expenditure is allocated to a function code (such as COFOG 1999) and to an ESA 2010 economic category (D.1, P.2 and so on). This system of cross-classification is usually specified and maintained by the accounting entity that is ultimately responsible for controlling the expenditure such as the Ministry of Finance in the case of central government.

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

This would mean that each item of expenditure is not allocated to both a function code and ESA 2010 economic category, such that a cross-classification for all ESA 2010 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 ESA 2010 economic categories. Estimates are needed to link the economic and functional codes, and might be based on information from other sources.

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

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

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

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

NA: not available

Source data for that year are not available.

U/NU: Used / Not Used

Available data will not necessarily be used.

5.1.3. Coding system for allocation of fixed capital consumption

These country pages may refer to six methods of allocating consumption of fixed capital (P.51c) to functions (COFOG). For definitions of the methods, see chapter 3.3.

5.2. Belgium

5.2.1. Institutional arrangements

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

The source data are provided by: the General Documentary Base for the federal and state government; the Federal Public Service Social Security for the social security sector; and the supervising authorities for the local government accounts. The General Documentary Base was established by a cooperation agreement between the federal state and the state governments, being the communities and regions, in order to have harmonised budgetary reporting.

5.2.2. Publication of data on a national level

The COFOG analysis is published on the website of the National Bank of Belgium (www.nbb.be). An additional level of detail, compared to the tables published by Eurostat, is available for each individual community and region which comprises part of the state government subsector S.1312.

5.2.3. Revisions policy

The COFOG statistics, table 1100 of the ESA transmission program, are transmitted at t+12 months. These figures are consistent with table 0200 on general government accounts transmitted to Eurostat at t+9 months. The revisions policy of the COFOG statistics is therefore in line with the revision policy for the government accounts. Usually, the four latest years are open for revision. Revisions only concerning COFOG data, thus not changing the totals in the general government accounts, are allowed for the entire time series. This means that the distribution of P.31/P.32 can change within COFOG resulting in inconsistencies with table 0200 where revisions are not allowed.

5.2.4. National functional classification and compilation methodology

Central (federal) Government and State Governments

From 1996, the federal government classifies its transactions on the basis of the Benelux functional classification of expenditure and revenue of general government (Benelux 1989) which is consistent with COFOG 1981. Since 2004, COFOG 1999 has been used.

The COFOG accounts of general government are compiled using breakdowns of expenditure and revenue for each of the entities in the general government sector. For the main states there is, in addition to the economic category breakdown, a breakdown outlining the tasks carried out by general government by purpose. The advantage of this latter classification is that it remains stable over time and is not influenced by changes in the practical distribution of tasks amongst the various authorities. For the other entities not included in the main states, the administration assigns one COFOG code which is used for all of their economic transactions.

These data sources for the main states and the other entities make it possible to compile the COFOG table consistent with government expenditure shown in table 0200.

Data concerning the years t-1 and t-2 are transmitted by 15 June year t by the authorities to the General Documentary Base which places them at the disposal of the National Accounts Institute.

Local Government

In 2017 the subsector of local government covered 10 provinces, 589 municipalities, 589 welfare centres, 187 police zones, 34 aid zones and other local public entities not providing market services. Their accounting system is determined by the supervising authorities. For the police and aid zones the supervising authority is the federal government. For the municipalities and social welfare centres the supervising authorities are the state governments (mainly regions and the German speaking community).

Since 2008 the data sources for the compilation of the COFOG accounts are increasingly based on the individual accounts of the local entities. Each year the supervising authorities collect the individual accounts and transmit them to the NAI at t+8 months. Notwithstanding that the accounting systems can be quite different, all accounts contain a code that indicates the economic nature of the expenditure and also a function code. These data are used to compile consistent local government accounts and COFOG data.

Previously, several data sources were used. The methodology essentially consisted of surveys every four years. The sample results were extrapolated for years between surveys. In addition, information found in studies of local finances undertaken by the banking group Dexia, and information from Federal and state government budgets, was used.

Social security

A codification on the basis of the social risks and needs is used for these entities. 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 Federal Public Service Social Security.

Explanation of table

Ideally, the classification is applied to individual transactions. Each purchase, salary payment, transfer or other expenditure receives a COFOG function code according to the purpose it fulfils. This is done for the main units at the level of S.1311 and S.1312, and the main local entities. The information is available in their budgets.

However, this approach is generally not possible for most expenditure by other units. Therefore, a functional code is assigned to the whole unit, resulting in the expenditure receiving the same function code. In some instances, the smallest identifiable bodies in the national accounts may carry out more than one function. In these cases it may be possible to divide the expenditure of multi-function bodies between functions using various data relating to their expenditure. When this is not possible, all the expenditure of the multi-function unit is assigned to the function corresponding to the major portion of the expenditure.

5.2.5. Availability and use of data sources

Subsector	Provisional Year n-1		Final Year n-2 or n-3	
	1 st level	2 nd level	1 st level	2 nd level
Central Government				
Main federal government unit	A1/U	A1/U	A1/U	A1/U
Central government bodies	A3/U	A3/U	A3/U	A3/U
State Government				
State Government main units	A1/U	A1/U	A1/U	A1/U
State government bodies	A3/U	A3/U	A3/U	A3/U
Local Government				
589 Municipalities and 598 Public social welfare centres	A1/U	A1/U	A1/U	A1/U
10 Provinces	A1/U	A1/U	A1/U	A1/U
Other local government bodies	A3/U	A3/U	A3/U	A3/U

Subsector	Provisional Year n-1		Final Year n-2 or n-3	
	1 st level	2 nd level	1 st level	2 nd level
Social Security Funds				
Social Security main units	A2/U	A2/U	A2/U	A2/U
Social security bodies	A2/U	A2/U	A2/U	A2/U

The coding used in the table is described in section 5.1.2.

5.2.6. Individual and collective final consumption expenditure

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

The COFOG data is used as the basis to divide final consumption expenditure into individual and collective consumption. However, as the COFOG data are only recalculated after current revisions, an estimate of the revision in COFOG has to be used in table 0200. If these estimates are not confirmed by the final COFOG data, inconsistencies between general government accounts and COFOG statistics can become systematic as the time series in table 0200 can only be revised at the time of current revisions.

P.51c on own-account created R&D assets is being recorded in R&D groups, i.e., in the group where the asset was created. As a result this expenditure is collective expenditure.

5.2.7. Consumption of fixed capital expenditure

Method 2 is used where fixed capital consumption is calculated through the detailed perpetual inventory method (PIM) for each subsector of general government sector. This information is then assigned to a limited set of COFOG groups such as basic research, military defence, transport, waste management, education not defined by level, and social exclusion n.e.c. The rest is allocated entirely to the COFOG group general public services.

5.2.8. Methodological soundness

These data sources are considered of good quality. Overhead costs are generally classified to the appropriate function rather than a generic category. Consolidations are made as required.

The distribution of R&D over the COFOG groups is not complete; there is no detailed information on the R&D performed by universities and high schools and the total amount is therefore recorded in COFOG group 01.4 basic research.

5.2.9. One-off transactions

The functional data series of Belgium are stable but can be influenced by state reforms creating breaks in series at a subsector level. Some large one-off transactions, such as important reimbursement of taxes, are recorded as capital transfers and receive the code 04.1 general economic, commercial and labour affairs.

5.2.10. Multi-purpose functions

Both solutions are used: expenditure is either split according to each function, or allocated to the most important function depending on the information available. However, the principle of "attachment to the most important function" is the preferred approach when the expenditure splits are difficult to devise, as experience shows that they remain unchanged for too many years with the result that they no longer reflect reality.

5.2.11. Other comments

Sales of land (NP.1) are recorded in the group of the entity selling the land and so according to former use.

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 the Ministry of Finance. There are no other institutions involved in the collection, specification and compilation process.

5.3.2. Publication of data on a national level

The [COFOG analysis](#) (1st level) is published by the NSI. Table 1100 is usually completed at t+12 months.

5.3.3. Revisions policy

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

5.3.4. National functional classification and compilation methodology

The compilation of table 1100 is based on the Ministry of Finance (MF) reports for general government revenue and expenditure. 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 ESA 2010 classifications are added to the basic data supplied by the MF. This enables the compilation of the indicators that are needed for tables 0200, 0800, 0900 and 1100, and the supply and use table.

The general government sector of Bulgaria comprises 3 subsectors: S.1311, S.1313 and S.1314 as follows:

Central government subsector (S.1311), which includes:

The State Budget (central budget, Ministries' budgets, the budget of the National Assembly, the budget of the National Audit Office, Judiciary Authorities' budget, the budgets of the executive bodies, and the budgets of the other state authorities), which is adopted by the National Assembly in accordance with the Public Finance Act. The budget of the Judiciary authorities includes summarised information on the budgets of courts and prosecution.

Other budgetary organizations included in the central government subsector: public universities (38 units), Bulgarian Academy of Science, Bulgarian National Television, Bulgarian National Radio, Bulgarian Telegraph Agency, Enterprise for Management of Environmental Protection Activities (EMEPA), National company "Unified System Operator", Fund "Security of the Electricity System". Their budgets are adopted by their managing bodies in accordance with the laws regulating their status. The National Assembly approves only transfers from the State Budget to these institutions, but their revenue, expenditure, transfers and financing are presented in the consolidated fiscal program as separate budgets.

EU Funds accounts have the characteristics of extra-budgetary accounts. In 2014 the new Public Finance Act was introduced and, according to it, the extra-budgetary accounts of all budgetary

entities were liquidated, except for the EU Funds accounts.

Other state enterprises that have been reclassified as they meet the criterion under ESA 2010: Hospitals with state government ownership, National Company Railway Infrastructure, the Fund for Local Authorities and Government (FLAG) and others.

Local government subsector (S.1313), which includes:

265 municipalities in Bulgaria. The legal basis for preparation of the budgets of the municipalities is the Public Finance Act. The National Assembly ratifies only the transfers from the central government to municipalities. EU funds accounts of the municipalities are included in the local government sector.

Other local organisations includes hospitals with municipal ownership, sports property management – Pomorie – and others.

Social security funds subsector (S.1314), which includes:

National Health Insurance Fund (NHIF), which is responsible for the collection and the management of health insurance contributions is included in S.1314. The budget of the National Health Insurance Fund is adopted by the National Assembly by means of a separate legislative act (the NHIF Budget Act) for the relevant budget year.

Pension funds: The National Social Security Institute; Teachers' Pension Fund and Fund for guaranteed receivables of workers and employees.

The National Social Security Institute (NSSI) is the administrator of the Government social security system as well as the Teachers' Pension Fund and the Fund for guaranteed receivables of workers and employees. NSSI reports its activities to the National Assembly which adopts, with an independent law, the budget of the State Social Security.

5.3.5. Availability and use of data sources

Subsector	Provisional Year n-1		Final Year n-2 or n-3	
	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				

The coding used in the table is described in section 5.1.2.

5.3.6. Individual and collective final consumption expenditure

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

5.3.7. Consumption of fixed capital expenditure

Amortisation rates are calculated for consumption of fixed capital for assets owned by corresponding branches. These rates are applied to the value of each type of asset owned by general government units. Method 2 is used (PIM method) to allocate P.51c to COFOG.

5.3.8. Methodological soundness

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

5.3.9. One-off transactions

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

In 2014 D.9 is high because a major bank was declared bankrupt and a deposit insurance fund made a payment to cover the guaranteed deposits of the failed bank. This was the reason for the reclassification of the Guarantee Fund in the general government sector.

In 2016 there were 21 reclassified enterprises in the general government sector. Most are allocated to economic affairs (division 04). Reclassified hospitals are allocated to health (division 07).

5.3.10. Multi-purpose functions

In most cases the expenditure can be allocated to a specific function.

5.3.11. Other comments

The sale of land is broken down by function depending on the activity in which the transaction is reflected.

5.4. Czechia

5.4.1. Institutional arrangements

The Czech Statistical Office (CZCO) compiles and publishes the COFOG statistics.

5.4.2. Publication of data on a national level

Data on expenditure of the government sector and subsectors by COFOG 1st and 2nd level are published at the beginning of January every year after the transmission of table 1100 to Eurostat. Relevant tables can be found [here](#).

5.4.3. Revisions policy

The revisions policy for COFOG statistics is connected with annual national accounts revisions and with the EDP notifications. The COFOG data are transmitted to Eurostat once a year at the end of December. At this time they are in line with the most recent EDP notification for the latest four year time period. Revision of the complete time series is only carried out when the national accounts data are revised as a whole.

5.4.4. National functional classification and compilation methodology

The Ministry of Finance (MOF) uses its own function classification which 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, the so called “branches” classification, which was amended to provide more detail with effect from 2007. Functional breakdowns before 1997 are not possible.

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

The CZSO drew up a bridge table between the classification introduced and used by the Ministry of Finance, and the international classification COFOG. This bridge table is used for compilation of COFOG statistics for central and local budgetary organisations and state extra-budgetary funds.

For units which do not use the MOF classification for economic categories and functions, it is necessary to apply another procedure. This means that each of the semi-budgetary organisations, public universities, public research institutions, public hospitals and other government units, for example, National Property Fund, Czech Consolidation Agency and Railway Infrastructure Administration, are classified separately into one COFOG group according to their prevailing activity. All expenditure of each institution, for example, intermediate consumption, compensations of employees and interest, are therefore classified into this one COFOG group.

The COFOG division 09 education is an exception for which there is a specific treatment. Firstly, as

for other COFOG divisions, semi-budgetary organisations are classified into division 09 according to their prevailing activity. All expenditure of these units are then converted, according to coefficients obtained from the Ministry of Education, into 3 digit partial COFOG groups within the division. These coefficients are based on a division of education in accordance with ISCED classification.

5.4.5. Availability and use of data sources

Subsector	Provisional Year n-1		Final Year n-2 or n-3	
	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 and state extra-budgetary funds	A1/U	A1/U	A1/U	A1/U
Semi-budgetary organizations	A3/U	A3/U	A3/U	A3/U
Other central government units	A3/U	A3/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 and semi-budgetary organisations	A3/U	A3/U	A3/U	A3/U
Other local government units	A3/U	A3/U	A3/U	A3/U
Social Security Funds				
Social security bodies and health insurance companies	A1/U	A1/U	A1/U	A1/U
Other government bodies classified in S.1314	A1/U	A1/U	A1/U	A1/U

The coding used in the table is described in section 5.1.2.

5.4.6. Individual and collective final consumption expenditure

The calculation of government individual and collective consumption is based on COFOG (2nd level).

5.4.7. Consumption of fixed capital expenditure

Method 2 is used. The detailed perpetual inventory method (PIM) is applied, according to NACE classification, to each subsector and branch of general government. The data are then bridged into individual functions of government according to COFOG.

5.4.8. Methodological soundness

Eurostat's consolidation rule is applied. Consistency of COFOG statistics with annual sector accounts as well as with other data transmissions – typically table 0200 - is ensured.

5.4.9. One-off transactions

There are some specific large one-off transactions affecting COFOG time series. For example, church restitutions which affected D.413 from 2013, and financial lease of military aircraft which affected P.51g in 2005 and 2015.

5.4.10. Multi-purpose functions

It is possible to assign expenditure to specific functions in most cases.

In special cases where expenditure belongs to more than one function and additional information is available, the expenditure is split according to that additional information. This approach is used to allocate the R&D expenditure undertaken in public universities to compensation of employees and intermediate consumption in line with information on research COFOG groups obtained from statistical surveys. Where sufficient information by division is not available, expenditure is assigned according to the prevailing function.

5.4.11. Other comments

Sales of land (NP.1) are recorded in the group of the entity selling the land and so are recoded according to former use.

5.5. Denmark

5.5.1. Institutional arrangements

The COFOG statistics are produced by Statistics Denmark.

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

5.5.2. Publication of data on a national level

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

5.5.3. Revisions policy

Data for year t-1 are updated three times a year: in March, June and November. Moreover, data for t-2 and t-3 are revised in November.

From 2020 onwards the revision policy will be changed. Data for t-1 will still be updated three times a year: in March, June and now September. However, in September only a few variables not affecting GDP will be revised. Data for t-2 and t-3 will be revised in June instead of November.

5.5.4. National functional classification and compilation methodology

The present version of the COGOG manual is used for the national functional classification.

The basis for the functional classification is the detailed accounting data from the state, regions and local government. Around 55 000 transactions are given a COFOG code.

It is generally possible to relate these expenses to a specific function. However, some expenses relate to several functions and these are allocated to the relevant functions using coefficients that are calculated on the basis of supplementary information.

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

5.5.5. Availability and use of data sources

Subsector	Provisional Year n-1		Final Year n-2 or n-3	
	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 (extra budgetary units)	A1/U	A1/U	A1/U	A1/U
Local Government				
Municipalities (98 municipalities and 5 regions)	A1/U	A1/U	A1/U	A1/U
Local government bodies (extra budgetary units)	A1/U	A1/U	A1/U	A1/U
Social Security Funds				
Social Security main unit	A1/U	A1/U	A1/U	A1/U
Social security bodies (extra budgetary units)	A1/U	A1/U	A1/U	A1/U

The coding used in the table is described in section 5.1.2.

5.5.6. Individual and collective final consumption expenditure

The division between collective (P.32) and individual consumption (P.31) follows the COFOG manual.

P.51c on R&D assets created on own account are recorded in the group of purpose.

5.5.7. Consumption of fixed capital expenditure

A combination of method 1 and 4 is used.

5.5.8. Methodological soundness

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

Data are consolidated according to the COFOG manual.

5.5.9. One-off transactions

The reform of the early retirement system introduced by the Danish government in 2012 has been the most significant one-off transaction in recent years in Denmark. It resulted in an extra capital transfer of EUR 3.7 billion recorded in COFOG group 01.6, general public services n.e.c.

5.5.10. Multi-purpose functions

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

5.5.11. Other comments

Sales of land (NP.1) are recorded in the group of the entity selling the land and so are recorded according to former use.

5.6. Germany

5.6.1. Institutional arrangements

All work, that is, the data collection, specification and compilation 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 on COFOG data are published by the statistical office in the annual Fachserie 18, Reihe 1.4 (final results).

The Fachserie 18, Reihe 1.4 is available as an [Excel file](#) or in [PDF format](#).

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 is classified under only one function - i.e. the most important one. The classification in the budgets is important for the allocation of expenditure items to COFOG 1st level as the classification for the function in the budgets fits well with the COFOG divisions.

For the compilation of figures at COFOG 2nd level (groups) an approach which relies exclusively on the three-digit code for the function allocated in the budgets would lead to certain inaccuracies. Therefore, alternative allocation procedures, depending on the value of the expenditure items, are applied. These include: a breakdown of a budget function on several COFOG groups by means of additional statistical information (e.g. ESSPROS, 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 ESA 2010 aggregates - table 1100 in the transmission programme - the main information used is the economic kind of the revenues and expenditure (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 expenditure 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

Subsector	Provisional Year n-1		Final Year n-2 or n-3	
	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				
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* =ESA 2010 economic category does exist.

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

2) =Data in preparation

The coding used in the table is described in section 5.1.2.

5.6.6. Individual and collective final consumption expenditure

No problems are encountered when breaking down final consumption expenditure into individual and collective final consumption expenditure.

P.51c on own-account created R&D assets is being recorded in R&D groups, i.e. in the group where the asset was created and this is recorded as collective consumption.

5.6.7. Consumption of fixed capital expenditure

Method 2 is used for the calculation of P.51c on the first level of COFOG. The calculation of P.51c on the second level of COFOG is based on a model approach. Among others the following data have been considered in the model: P.51c on the first level of COFOG (perpetual inventory method), P.51c for industries (perpetual inventory method) and time series of gross fixed capital formation for each subsector 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 2009 the German government established a car scrap scheme for supporting sales of new cars and therefore for a cleaner environment due to a lower air pollution. For this reason there is a value of EUR 4.12 billion in D.7 in COFOG group 05.3, pollution abatement, in year 2009 whereas in other years the item is zero.

5.6.10. Multi-purpose functions

As detailed above, in all German budgets every expenditure item is classified under only one function, the main function. This classification determines the classification of expenditure of general government for COFOG and table 1100 in the ESA transmission programme.

5.6.11. Other comments

Sales of land (NP.1) are recorded in COFOG groups 01.1, relating to financial and fiscal affairs, and 01.3 general services.

5.7. Estonia

5.7.1. Institutional arrangements

Statistics Estonia produces the COFOG statistics.

Since 2004 the data sources are the Public Sector Financial Statements (PSFS). Public sector accounting is regulated by the Accounting Act and the General Rules for Public Sector Accounting. The accounting principles are fully accrual based and consistent with International Public Sector Accounting Standards (IPSAS). The State Shared Service Centre (SSSC) arranges implementation of the General Rules for Public Sector Accounting and compilation of PSFS. All general government units are obliged to report their account positions every month electronically to the information system, which can be accessed through the web application on the SSSC web page.

5.7.2. Publication of data on a national level

The [COFOG analysis](#)⁷¹ is published annually by Statistics Estonia.

5.7.3. Revisions policy

The data for the latest years, generally from t-4 onwards, are regularly updated after the compilation of the national accounts and according to the supply and use tables. The updated COFOG data are then published once a year in December.

5.7.4. National functional classification and compilation methodology

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

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

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

For the compilation of COFOG statistics, pupil numbers at different levels/ classes are used to split the operating cost and investments of educational units. For schools providing both primary and secondary level education, adjustments are made using the number of lessons per week as weights.

On the revenue side the functional classification is used for educational activities and grants received. Other information is only available at the level of institutions and revenue accounts.

⁷¹ Go to: Economy/Finance/Government finances/Revenue, expenditure and debt -Table GF056: Expenditure of General Government by function and subsector).

COFOG is assigned using the bridge tables.

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

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

5.7.5. Availability and use of data sources

Subsector	Provisional Year n-1		Final Year n-2 or n-3	
	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
Local government bodies		A1/U		A1/U
Other		-		-
Social Security Funds				
Social Security main unit		A1/U		A1/U
Other		-		-

The coding used in the table is described in section 5.1.2.

5.7.6. Individual and collective final consumption expenditure

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

P.51c on own-account created R&D assets is being recorded in R&D groups, i.e. in the group where the asset was created. This will result in recording as collective consumption expenditure.

5.7.7. Consumption of fixed capital expenditure

Method 2 is used to allocate P.51c to COFOG.

5.7.8. Methodological soundness

Eurostat's consolidation rule is applied.

5.7.9. One-off transactions

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

Concerning COFOG division 04, in 2006 there were significant increases in transaction D.3 relating to agricultural subsidies.

Since 2005, the classification of the Estonian Oil Stockpiling Agency to S.13 has had an impact on

government sector P.52 expenditure in COFOG group 04.3, fuel and energy.

Since 2004, P.5 in COFOG group 04.5 transport increased due to the reconstruction of the airport, train stations and other similar facilities. In 2006-2007 local government expenditure on construction of school buildings had an impact on P.5 in COFOG division 09, education. In 2013 P.5 in COFOG 08.2 cultural services increased as a result of acquisitions of buildings by several museums.

In 2013-14 most of the transactions in COFOG group 04.5 transport are mainly affected by the reclassification of public transport enterprises into the government sector: Tallinna Linnatranspordi AS was reclassified in 2013 and AS Eesti Liinirongrid in 2014.

5.7.10. Multi-purpose functions

In the case of some multifunction units additional data sources are used to split amounts. For example: R&D expenditure of universities are split according to objectives; and data on the labour costs and operating expenses of Ministry of Economic Affairs and Communications are distributed by department according to whether they are dealing with the administration of economic, transport, communication, construction or energy services.

5.7.11. Other comments

Sales of land (NP.1) are recorded in the group of the entity selling the land (according to former use).

5.8. Ireland

5.8.1. Institutional arrangements

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

5.8.2. Publication of data on a national level

As of 2018, there is no national publication of the detailed COFOG statistics transmitted to Eurostat. It is planned to develop the domestic publication of this data series by 2020.

5.8.3. Revisions policy

The data for the latest year and up to four back years are updated based on the October EDP data. Any change in methodology will be implemented in earlier years if relevant.

5.8.4. National functional classification and compilation methodology

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

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

Central Government

- Department of Public Expenditure and Reform covering expenditure for all government departments.
- The Health Service Executive (HSE), a nationwide body responsible for public healthcare since 2005, and the Voluntary and Joint Board Hospitals: a functional summary of the HSE's operations, and data from the Department of Health's Health Statistics publication.
- Compensation of Employment data provided by the employer end of year return to Revenue Commissioners.
- Department of Defence: a functional summary from the Department's annual report.

Local Government

- Local Authorities' functional summaries from the aggregated Local Authorities Annual Financial Statements.

Transfers between subsectors 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

Subsector	Provisional Year n-1		Final Year n-2 or n-3	
	1 st level	2 nd level	1 st level	2 nd level
Central Government				
“The State”		A1(A2)/U		A1(A2)/U
Central government bodies		A1(A2)/U;E		A1(A2)/U
Other		-		-
Local Government				
Municipalities		E		A1(A2)/U
Localities		E		A1(A2)/U
Local government bodies		E		A1(A2)/U
Other		-		-
Social Security Funds				
Social Security main unit		NA		NA

The coding used in the table is described in section 5.1.2.

5.8.6. Individual and collective final consumption expenditure

There are no problems with the COFOG classification of (P.3) final consumption expenditure or with the COFOG classification of individual vs. collective expenditure.

P.51c on own-account created R&D assets is being recorded in R&D groups, i.e. in the group where the asset was created.

5.8.7. Consumption of fixed capital expenditure

Method 2: The perpetual inventory method (PIM) for each subsector of general government is used. This involves maintaining details of fixed assets and branches of economic activities (NACE). This information is then bridged with COFOG functions.

P.51c is calculated using fixed depreciation rates (declining balance).

5.8.8. Methodological soundness

Eurostat's consolidation rules are followed.

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

Further methodological developments planned for 2018-2020 are:

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

5.8.9. One-off transactions

In early 2009, the distressed Anglo-Irish Bank was brought into State ownership. Later in 2009, the Minister for Finance made a capital injection of EUR 4 billion into the bank, which was recorded as a capital transfer (D.9) and assigned to function 04.11.

Changed treatment of sale of mobile telephony (UMTS) licences

On 27 March 2017 Eurostat published a Guidance Note *Mobile phone licences, exploration rights and other licences* on the recording of revenues arising from the sale of licences by government. See <https://ec.europa.eu/eurostat/web/government-finance-statistics/methodology/guidance-on-accounting-rules>.

This clarifies the rules for whether sales of licences by government for use of natural resources (e.g. use of the electromagnetic spectrum for mobile phone transmissions) should be treated as the direct sale of an asset resulting in a one-off revenue, or alternatively as the rent of an asset over a prolonged period resulting in a series of revenues over the period of the licence. In Ireland the UMTS receipts are now recorded as rent of a natural asset (D.45) rather than the previous treatment which had recorded the sale of an asset.

European Financial Stability Facility (EFSF)

The first loan to Ireland under EFSF was drawn down in February 2011 and had an original maturity date of 18 July 2016. In accordance with the arrangements for EFSF borrowing at that time, a prepaid margin of EUR 530 million was deducted from the loan amount on disbursement and held as a cash reserve, essentially as a form of security. The total amount shown on the general government debt for Ireland in relation to this loan was EUR 4 194 million. This sum includes the full repaid margin of EUR 530 million. There was also a counterbalancing asset equal to the amount of the margin shown in the accounts.

Following a decision by the Heads of State and Government on 21 July 2011, the margin was no longer applicable to new loans, and the reimbursement of the prepaid margin, plus interest earned over the period fell due to Ireland and the member state guarantors (EUR 485 million and EUR 45 million respectively) in proportion to the duration of the loan before and after 21 July 2011. For Ireland therefore, this reimbursement fell due on the 18 July 2016*. On this date a payment of EUR 554.9 million (D.9) was received. This payment comprises the portion of the pre-paid margin due to the Exchequer (covering the period from 21 July 2011 onwards) plus interest income.

*In 2013 the original loan was extended and split into two separate loans, with maturity dates in 2032 and 2033. However, the agreement to reimburse the prepaid margin on the maturity date of the original loan held was under new arrangements.

Following clarification from Eurostat the original margin of EUR 530 million has been recorded as interest expenditure over the period of the loan (2011-2016) and the rebate of EUR 554.9 million has been treated as a one-off capital transfer revenue in 2016. This treatment is specific to this particular loan. It does not apply to other loans drawn down from the ESFS, or other programme funding accessed by Ireland during the financial crisis.

5.8.10. Multi-purpose functions

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

5.8.11. Other comments

The proceeds of sales of land must be relinquished to the central fund for redistribution within the system and so will be recorded in group 01.1 general public services. However, if the selling entity can retain the funds and use them for their own purposes then the proceeds are recorded in the function of the selling entity.

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 website.

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'. Nonetheless, revisions for previous years may occur for consistency with ESA Table 0200.

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 ESA 2010 and to a COFOG function code. Data for the COFOG table compilation are aggregated and recorded in the COFOG table on a consolidated basis and in accordance with the data recorded in ESA 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

Subsector	Provisional Year n-1		Final Year n-2 or n-3	
	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		-		-
Local Government				
Municipalities		A1/U		A1/U
Localities		A1/U		A1/U
Local government bodies		A3-E/U		A3-E/U
Other				
Social Security Funds				
Social Security main unit		A1-A2- A3/U		A1-A2- A3/U
Social security bodies		-		-
Other		-		-

The coding used in the table is described in section 5.1.2.

5.9.6. Individual and collective final consumption expenditure

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

All capital consumption of R&D expenditure is in collective consumption. It is allocated to COFOG group 01.5, R&D general public services.

5.9.7. Consumption of fixed capital expenditure

Method 1 is followed for each subsector and branch of activity of the general government sector.

5.9.8. Methodological soundness

The data are consolidated as required by ESA table 1100.

5.9.9. One-off transactions

The only cases reported are the bank-related transactions during the financial crisis (mainly in 2013 and 2015).

5.9.10. Multi-purpose functions

No problem has been reported.

5.9.11. Other comments

Sales of land (NP.1) are generally recorded, either in general public services under 01.3 or in line with the selling unit.

5.10. Spain

5.10.1. Institutional arrangements

The COFOG statistics are compiled by the National Accountability Bureau of the General Intervention Board of the State of Administration (IGAE). These statistics are produced on the basis of data provided by the entities that are part of the general government sector.

5.10.2. Publication of data on a national level

The COFOG statistics are published on the IGAE website under the National Accounts theme⁷². The data are available for general government and its subsectors, by division and by group, from 1995.

The first level of COFOG is also published on the National Statistics Institute website, under the Annual Non-Financial Accounts by Institutional Sectors theme from 1999.

5.10.3. Revisions policy

In December of year *n*, the first estimate of the COFOG statistics for year *n*-1 is made. In the same month, the data for year *n*-2 are updated. Estimates for previous years are generally not revised since ESA table 11 is always consistent with ESA table 2 transmitted to Eurostat in the month of September and, in this table, data for years *n*-3 and *n*-4 are not usually revised. In the benchmark revisions, if necessary, COFOG statistics would be updated from 1995.

5.10.4. National functional classification and compilation methodology

The methods for the compilation of COFOG statistics depend on whether the entity is subject to public or private accounting. In the first case, the most common, the main source is the expenditure budget settlement, where the information is presented on the basis of three criteria:

- Purposes or objectives that the budget aims to achieve. The spending programs constitute the basic unit of this classification, and without prejudice of its separate presentation by Large Management Centers, will be added in groups of programs, spending policies and spending areas, which successively constitute the higher levels of this structure. There are five spending areas: basic public services, social protection and promotion measures, production of public goods of preferential character, economic measures and performances of a general nature.
- Organisation of the different bodies.
- Economic nature of expenses.

The large number of existing programmes and the analysis of these budget classifications allow, in general, the allocation of expenditure items to the different COFOG groups. In some cases, initially, it is not possible to assign a programme to a specific function but it can be assigned with the help of supplementary information as the budgetary implementation or the annual statement of the accounts.

Regarding the compilation of COFOG statistics for units following private accounting, every unit is

⁷² <http://www.igae.pap.hacienda.gob.es/sitios/igae/es-ES/Contabilidad/ContabilidadNacional/Publicaciones/Paginas/Publicaciones.aspx>

classified into a specific function according to its main activity. Nevertheless, if the units have different activities or different corporate purposes, those activities are allocated to different groups, in accordance with the information provided in the annual reports.

The available information for compilation of the COFOG statistics for the first estimate of a given year depends on the subsector and on its public or private accounting system. In general, the available information is not complete or is not available well in advance for all units. In these cases it is necessary to apply the functional breakdown from the previous year.

5.10.5. Availability and use of data sources

Subsector	Provisional Year n-1		Final Year n-2 or n-3	
	1 st level	2 nd level	1 st level	2 nd level
Central Government				
“The State”	A1/U	A1/U		A1/U
Central government bodies	A1/U	A1/U		A1/U
Other	A3/U	A3/U		A3/U
State Government				
State Government main unit	A1/NA; E	A1/NA; E		A1/U
State government bodies	A1/NA; E	A1/NA; E		A1/U
Other	A3/U	A3/U		A3/U
Local Government				
Municipalities (Town Councils)	A1/NA; E	A1/NA; E		A1/U
	A1/NU: E	A1/NU: E		
Localities (County Councils)	A1/NA; E	A1/NA; E		A1/U
	A1/NU: E	A1/NU: E		
Local government bodies	A1/NA; E	A1/NA; E		A1/U
	A1/NU: E	A1/NU: E		
Other	A3/U	A3/U		A3/U
Social Security Funds				
Social Security main unit	A1/U	A1/U		A1/U
Social security bodies	A1/U	A1/U		A1/U
Other				

The coding used in the table is described in section 5.1.2.

5.10.6. Individual and collective final consumption expenditure

Once the expenditure by transaction has been classified to level II of the COFOG categories, the split between individual and collective final consumption expenditure is automatically determined.

P.51c on R&D assets produced for own account is recorded in the group of purpose.

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.

The preferred option on consolidation in the Manual is followed.

5.10.9. One-off transactions

The more relevant one-off transactions have been a RENFE debt assumption of EUR 3.7 billion in 2004, and interventions to support financial institutions totalling EUR 5.1 billion in 2011, EUR 39.1 billion in 2012 and EUR 3.0 billion in 2013. These transactions were recorded as capital transfers (D.9) and assigned to group 04.5, Transport in the case of RENFE, and the financial support to group 04.1, general economic, commercial and labour affairs.

5.10.10. Multi-purpose functions

Occasionally the public accounting data have aggregates that cover a number of different functions. For instance, in local government, the water resources programme includes expenses that can be reflected both in the 05.2 waste water management function and in the 06.3 water supply function or the general administration of commerce, tourism and small and medium enterprises programme where the objective of the expenditure may be intended to different groups of the division 04, economic affairs. In these cases, if the amount is significant, supplementary information as the budgetary implementation or the annual statement of the accounts is used.

5.10.11. Other comments

With regard to division 07 health, in the classification by organisational units, the management centres (units with budgetary differentiation and with responsibility in the management of the programs) of outpatient services and hospital services generally coincide. Accordingly, information of both groups is provided jointly. Studies are currently underway to provide the expenditure associated with each group separately.

Sales of land (NP.1) are recorded in the group of the entity selling the land (according to former use).

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 des Finances Publique (Ministry of Finance, DGFIP).

5.11.2. Publication of data on a national level

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

5.11.3. Revisions policy

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

5.11.4. National functional classification and compilation methodology

Accounts headings are classified at the most detailed level by the DGFIP. This classification is estimated by INSEE for a provisional account and thus provides a functional classification. The quality of the classification is improved for the semi-final and final accounts. INSEE also makes the necessary conceptual corrections to the basic DGFIP data source, for example FISIM, consistent with all GFS tables.

The classification in COFOG is made for each subsector and each expenditure item in the DGFIP database. Within central government, for 'the State', the classification is made in each of the budget headings (by programme). Concerning other central agencies and bodies, a COFOG code is allocated to each unit for all of the expenditure. For local government the classification is included in the public accounting (named "classification fonctionnelle"). For social security funds, the classification is made by units but some specific corrections are made by INSEE for benefits (social transfers in kind or benefits in cash), in order to split into health and social protection functions, or to allocate at the second level within health or social protection.

Concerning transfers, when they are not assigned to a specific function they are classified under "transfers of a general character between different levels of government" (01.8). 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.

5.11.5. Availability and use of data sources

Subsector	Provisional Year n-1		Final Year n-2 or n-3	
	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	-	-	-	-

Subsector	Provisional Year n-1		Final Year n-2 or n-3	
	1 st level	2 nd level	1 st level	2 nd level
Local Government				
Municipalities	A2/U	A2/U	A1/U	A1/U
Localities	A2/U	A2/U	A1/U	A1/U
Local government bodies	A1/A2/U	A1/A2/U	A1/A2/U	A1/A2/U
Other	-	-	-	-
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	-	-	-	-

The coding used in the table is described in section 5.1.2.

5.11.6. Individual and collective final consumption expenditure

P.51c on R&D assets created on own account are recorded in the group of purpose.

5.11.7. Consumption of fixed capital expenditure

Method 4 is used. P.51c by function follows the structure of P.51 by function and subsector. P.51c is allocated to functions according to the structure of P.51g in the year, broken down by function in each subsector.

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.

5.11.9. One-off transactions

There are no such cases.

5.11.10. Multi-purpose functions

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

5.11.11. Other comments

For sales of land (NP.1) the COFOG classification is included in DGFIP database, following the public accounting "classification fonctionnelle".

5.12. Croatia

5.12.1. Institutional arrangements

The COFOG statistics are produced by the national accounts department in the Croatian Bureau of Statistics. No other institutions participate directly in the compilation of COFOG statistics.

The general government sector in Croatia consists of central government, local government and social security funds.

The central government sector comprises: central government units, including ministries, universities, hospitals, agencies; and extra-budgetary units, for example, Croatian Motorways, Croatian Waters, Croatian Roads, and Croatian Railways. The local government sector consists of municipalities, county authorities, local hospitals, schools, kindergartens and other units.

The main data sources for government expenditure are the annual reports on the State Budget execution and financial reports and statements of all units included in general government sector. The data is received from Ministry of Finance and from FINA (service for collecting data). This basic data from the financial reports of individual units is given COFOG codes according to main activity of the unit and bridge tables are then used to allocate transactions from the financial reports to ESA 2010.

5.12.2. Publication of data on a national level

COFOG statistics are not currently published on a national level but the plan is to make this data available in the near future. ESA table 0200 for S.13 and table 9 for S.13 are published on the [Croatian Bureau of Statistics website](#): label National Accounts/ Government Finance Statistics.

5.12.3. Revisions policy

The COFOG statistics, table 1100 of the ESA transmission programme, are transmitted at t+12 months. These figures are consistent with table 0200 on general government accounts transmitted to Eurostat at t+9 months. No special revisions policy applies for COFOG statistics. Revisions of government finance statistics are used to update the COFOG statistics in order to maintain consistency between all GFS/EDP tables.

5.12.4. National functional classification and compilation methodology

The current national functional classification is published in the Ordinance on budgetary classifications (official gazette „Narodne novine“- NN, No. 26/10 and 120/13). It was initially introduced by the Instruction on economic and functional classification of expenditure/outlays and revenues/inflows (NN, No.93/2001), to be implemented for budgetary purposes as of 2002. It comprises expenditure classified according to their purpose/function. On the revenue side functional classification is not applied. Codes and titles have been adopted from, and are consistent with, COFOG. International functional classifications were also in use for statistical reporting related to budget execution prior to 2002.

At the planning phase, functions are assigned to activities and projects. In relation to the State budget, within the main part of the budget, for the 3-years period, total expenditure are classified by division and group, i.e., at the 1st and 2nd level of COFOG (published in the official gazette as a separate table as of the 2019 Budget and projections 2020-2021). In accordance

with the Ordinance on semi-annual and annual report on budget execution (NN, No 24/13 and 102/17), in the annual report on execution of the State budget the execution of expenditure is also presented on the levels of divisions and groups.

All budgetary and extra-budgetary users of the State Budget, and units of local and regional self-government, are then required to submit a report on expenditure by functional classification. The report is submitted annually for each budget year from 2002 using the template 'RAS-funkcijski', within the deadlines prescribed for different categories of reporting units. The breakdown according to function in the template applies to the total of expenditure, without cross-classification with economic classification.

The compilation of COFOG data takes this basic data from the financial reports of individual units with COFOG codes allocated according to the main activity of the unit, and then uses bridge tables to allocate the main ESA 2010 categories. This provides data for transaction categories D.1, P.2, P.11 and P.131. For other economic categories, a combination of data sources is used. Some of the additional data sources include the Execution of Budget for CG and biggest cities (S.1313) and the yearly report of Croatian Health Insurance Fund.

5.12.5. Availability and use of data sources

Subsector	Provisional Year n-1		Final Year n-2 or n-3	
	1 st level	2 nd level	1 st level	2 nd level
Central Government				
“The State”	A2/A3/U	A2/A3/U	A2/A3/U	A2/A3/U
Central government bodies	A2/A3/U	A2/A3/U	A2/A3/U	A2/A3/U
Other	A3/U	A3/U	A3/U	A3/U
Local Government				
Municipalities	A2/A3/U	A2/A3/U	A2/A3/U	A2/A3/U
Localities	A2/A3/U	A2/A3/U	A2/A3/U	A2/A3/U
Local government bodies	A3/U	A3/U	A3/U	A3/U
Other	-	-	-	-
Social Security Funds				
Social Security main unit	A3/U	A3/U	A3/U	A3/U
Other	-	-	-	-

The coding used in the table is described in section 5.1.2.

5.12.6. Individual and collective final consumption expenditure

Once the expenditure has been classified into the COFOG categories, the split between individual and collective final consumption expenditure is made in line with the COFOG Manual. Problems arise for some economic transaction categories when trying to allocate them to the different divisions for the individual and collective split. Problem of allocation to COFOG groups mainly refers to P.51c. The distribution is made on an assumption based on split the split for D.1 and P.2.

5.12.7. Consumption of fixed capital expenditure

Consumption of fixed capital expenditure P.51c is estimated for the general government sector according to NACE classification using method 2. The split of P.51c according to COFOG is an assumption based on existing COFOG split of compensation of employees and intermediate consumption taken from FINA database of financial reports with dedicated COFOG codes (main data source).

5.12.8. Methodological soundness

The broad approach to the allocation of expenditure by function is believed to be sound. Eurostat consolidation rules are applied. However, some further improvements in the quality are expected as intensive cooperation, data comparison and alignment with other units dealing with education statistics (ISCED), environment accounts (EPEA) and social statistics (ESSPROS) has begun. It is planned to establish solid links between these areas in order to ensure consistent data of high quality.

Some aspects of COFOG compilation need to be improved to increase the quality of the results, in particular, the allocation of expenditure for some categories of local government and consolidation issues for D.7 and D.9.

5.12.9. One-off transactions

Most one off transactions belong to D.9, capital transfers, and relate to debt assumptions and capital injection. They are allocated to COFOG 01.1.

Other one off transactions are allocated according to their nature, for example, on balance sheet PPPs are allocated to P.51g in COFOG 04.5, as well as an adjustment for the reclassification of assets for the road company.

5.12.10. Multi-purpose functions

For the central government sector S.1311, the classification according to function is made using the financial statements of all units classified to S.13 in line with their predominant function. In general, the majority of programmes can be satisfactorily allocated to the COFOG sub-division in this way. However, for some expenditure the budget execution by programmes is used to provide a more accurate split. Some local government expenditure remain problematic and additional analyses are used, for example, to allocate D.7 and D.9 for S.1313. In this case, the Budget execution of the 3 biggest cities with the highest level in D.7 or D.9, is used to allocate expenditure to COFOG groups.

5.12.11. Other comments

None.

5.13. Italy

5.13.1. Institutional arrangements

COFOG statistics are compiled by the National Institute of Statistics (Istat) and are based on accounting data compiled by institutions belonging to general government or other statistical sources.

5.13.2. Publication of data on a national level

Istat disseminates general government expenditure by COFOG annually on its data warehouse (I.Stat) under the National Accounts theme for [final consumption expenditure](#) and [expenditure items](#). COFOG data are consistent with the latest GFS data produced and sent to Eurostat in the autumn.

The latest published time series are under the heading *Uscite annuali per funzione e sottosettore: voci d'uscita*. The COFOG analysis is available by division from 1995 and by group from 2001 for both general government and its subsectors.

5.13.3. Revisions policy

Unless there is an extraordinary event that requires an exceptional revision, the data for the latest year and 3 back years are updated once a year in December with the transmission of table 1100 to Eurostat.

5.13.4. National functional classification and compilation methodology

The COFOG compilation methodology differs by subsector and within subsectors for each group of bodies according to the availability and detail of the functional information within the individual data sources.

At the central government level the current version of COFOG is applied to 'the State's' data sources. This COFOG classification has been available at the third level since 1999.

In general, other central government bodies' expenditure is classified by function on the basis of their main activity which usually relates to a single function. For research bodies, expenditure is allocated to COFOG using a bridge matrix between the NABS nomenclature (used for the research expenditure classification and adopted by the OECD Frascati Manual) and COFOG. In general, expenditure transactions are split among the different functions concerned.

The COFOG classification has yet to be adopted in local government units' budgets, so bridge matrices are used to convert data from the public accounts' functional classification to COFOG. Whenever a bridge matrix is used the correspondence is established at the third COFOG level; however, this does not exclude that further investigations and revisions in the COFOG codes are sometimes required. At the local government level the basic functional classification of expenditure is generally quite precise, except within the regions, where reclassifications are often necessary with respect to the basic classification. Although resource intensive, this is possible using the detailed database that contains all the elementary items of expenditure.

For social security funds, data sources supply detailed functional information for the main economic expenditure categories that are easily bridged to the COFOG classification.

Since 2008 a new classification by Mission and Programme has been in place, requiring consistency between the two functional nomenclatures to be established. The budget and accounting law (196/2009: Legge di contabilità e finanza pubblica), introduced the classification by Mission and

programme for all general government units according to ESA definitions. This stated formally the need for consistency between this new classification and COFOG. Where there was not a direct and unique correspondence between the two classifications, the link between programmes and COFOG groups was established using percentages. A joint Istat - Ministry of the Economy task force produced a bridge table between COFOG and the programmes with the aim of fulfilling the accounting law requirements and providing the national accounts with COFOG classifications.

Although this new classification was implemented very early for the main central government body ('the State'), it has only been adopted at a local level from 2016. As a consequence, inclusion in national accounts compilation practices may lead to an improvement in COFOG data at the next benchmark revision planned for 2019.

5.13.5. Availability and use of data sources

Subsector	Provisional Year n-1		Final Year n-2 or n-3	
	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		A2/U
Other				
Local Government				
Municipalities, Provinces, Regions		A3/U; E		A1/U
Localities				
Producers of the Health service at the Local level		A2/U; E		A2/U
Other local government bodies		A3/U; E		A1/U; A2/U; A3/U
Social Security Funds				
Social Security main unit		A3/U; E		A2/U
Other social security bodies		A3/U; E		A2/U
Other				

The coding used in the table is described in section 5.1.2.

5.13.6. Individual and collective final consumption expenditure

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

From the 2019 transmission onwards, P.51c on R&D assets created on own account are recorded in the group of R&D production.

5.13.7. Consumption of fixed capital expenditure

Istat applies Method 2 to estimate consumption of fixed capital (CFC) by COFOG. The Istat methodology is based on the perpetual inventory method (PIM) applied to a complete data set on fixed assets and branches of economic activity for the groups of institutions belonging to the general government subsectors.

5.13.8. Methodological soundness

In the December edition the Italian COFOG tables are consistent with the other GFS and ESA tables

disseminated by Istat in the preceding autumn round.

The methodological guidance and the rules concerning the valid correspondence between COFOG classification and economic transactions are applied. Some exceptions are possible, for example in the case of FISIM and interest. However, as the recording of expenditure on interest and FISIM in COFOG 01.7 is applied to the whole time series, where negative values of FISIM are recorded, this recording might lead to a negative value for P.3 in COFOG 01.7 at the subsector level without loss of methodological soundness.

Eurostat consolidation rules for D.41, D.7 and D.9 (D.92) are applied to the data. Thus, at the general government level these aggregates will only include transfers to other institutional sectors, whereas, at the subsector level the same aggregates will include transfers to other general government subsectors. The estimation of the transfers between subsectors by COFOG is complex and time consuming and requires a wider dataset than the consolidated data.

Further improvements in the quality of the statistics, namely a more accurate second level classification, depends heavily on the availability of more detailed data sources, especially for the local government bodies. The standardisation of data sources for local government units should help here. The State budget and accounting law (196/2009) and the Federalism law (42/2009: *Delega al Governo in materia di federalismo fiscale, in attuazione dell'articolo 119 della Costituzione*) as amended by 196/2009 mentioned above, should help to provide a better database for the functional allocation.

With the 2019 transmission of data the time series for FISIM is aligned with Eurostat guidance; estimates of transfers between general government subsectors are revised; and new information on functions at local government level is introduced.

5.13.9. One-off transactions

Some large “non recurrent” transactions affecting COFOG time series are listed below.

Period	Transaction	Description	Cofog code	Sub-sector involved
1999	D9	Reimbursements to Households of the 60% of the so-called “Special tax to Europe”	01.1	S.1311
2004	D9	Reclassification of a body from S.13	01.1	S.1311
2012 onwards	D9	Imputation of non-standardised guarantees	01.1	S.1311
2016-17	D9	Payments made within the framework of the compulsory scheme FITD (Fondo di Tutela dei Depositi) and the Solidarity Fund	01.1	S.1311
2002-2006	D9	Debt cancellation	01.2	S.1311
2002	D9	Tax credit for employment	04.1	S.1311
2007 - 2009	D9	VAT reimbursements following a ruling of the European Court of Justice	04.1	S.1311
2014 onwards	D9	Reimbursement of the tax on productive activities	04.1	S.1311
2006	D9	Securitisation of farmers' social contributions	04.2	S.1311
2006	D9	Capital transfers to the Railways	04.5	S.1311
2007	D9	Capital transfers to publishing firms	04.6	S.1311
2006	D9	Reimbursements to phone operators following the ruling of the Regional Administrative Court of Lazio	04.6	S.1311
2002	P51g (-)	Sales of buildings as a negative P51g	06.1	S.1314

Period	Transaction	Description	Cofog code	Sub-sector involved
2012 and 2016	D9	Transfers for earthquake	06.1	S.1311
1995 and 1998	D9	Reimbursement to Households for 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	S.1311

5.13.10. Multi-purpose functions

In general, where the expenditure breakdown is missing, Istat attempts to allocate the amounts among the different functions concerned by means of ad hoc information gathered on detailed analysis of the bodies' budget and sometimes using volume indicators.

However, as the Italian government sector is composed of more than 10,000 units and many, especially at local government level, are very small in financial terms, a decision has been made not to split this expenditure into insignificant amounts across various functions, but to allocate only within their principal function.

5.13.11. Other comments

With the decision on R&D treatment at the 15th meeting of the COFOG TF, Istat has adopted this approach to R&D recording. Hence Istat records the expenditure made in the production of R&D, the own-produced R&D assets (GFCF) and the related consumption of fixed capital (CFC) in the COFOG groups devoted to R&D.

Sales of land (NP.1) are recorded in the group, or groups, of the entity selling the land and so are recorded according to the former use. Sometimes the group corresponds to 01.3 general services.

5.14. Cyprus

5.14.1. Institutional arrangements

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

5.14.2. Publication of data on a national level

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

5.14.3. Revisions policy

No major revisions are made to the data. However, revisions to previous years may occur for consistency with ESA table 0200.

5.14.4. National functional classification and compilation methodology

Central Government

All data concerning the transactions of the State are received from the National Treasury in 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. The level of detail is sufficient and provides all the necessary information concerning the flows between various bodies of the same subsector and the other subsectors of general government.

The Public Finance Statistics section (PFS) of CYPSTAT monitors all budget codes on a monthly, quarterly and yearly basis.

All budget codes have been classified according to ESA 2010 as well as by NACE and by function (COFOG).

Any new budget codes, established in the current year, are investigated and codified in real time. The National Treasury provides all the information required within twenty days from the end of each month, making it possible to meet all ESA 2010 transmission requirements.

Local Government

All local authorities are required to submit, to the National Treasury, summarised reports concerning their monthly revenue and expenditure on a monthly basis within twenty days of the end of the month. Annual reports are provided as soon as they become available.

Upon submission of these data to CYPSTAT all transactions are coded according to ESA 2010. Budget flows to local government are counter-checked by PFS using central government data.

Social Security Funds

All transactions concerning the social security subsector are recorded in FIMAS and extracted by PFS on a monthly cash basis.

Annual financial reports for the six social security funds, which fall under Ministry of Labour and Social Insurance jurisdiction, are also collected on an annual basis.

5.14.5. Availability and use of data sources

Subsector	Provisional Year n-1		Final Year n-2 or n-3	
	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
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	-	-	-	-

The coding used in the table is described in section 5.1.2.

5.14.6. Individual and collective final consumption expenditure

The distribution between individual (P.31) and collective (P.32) consumption expenditure is finalised upon compilation of the COFOG table according to COFOG methodology and classifications.

The allocation of P.31 and P.32 is based on COFOG methodology.

Consumption of fixed assets (P.51c) relating to own-account R&D is allocated to the COFOG group where it was created and therefore is recorded as collective consumption expenditure.

5.14.7. Consumption of fixed capital expenditure

CYSTAT applies Method 2 to estimate consumption of fixed capital (CFC) through the detailed perpetual inventory model (PIM) for each subsector of general government.

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
R&D	10

5.14.8. Methodological soundness

Eurostat's consolidation rule is applied.

5.14.9. One-off transactions

Equity injections to restore the capital base of the Cooperative Central Bank, of EUR 1 500 million in 2014 and EUR 175 million in 2015 are recorded as capital transfers in group 04.1, general economic, commercial and labour affairs.

5.14.10. Multi-purpose functions

No cases reported.

5.14.11. Other comments

Sales of land (NP.1) are recorded in the COFOG group of the unit making the sale.

5.15. Latvia

5.15.1. Institutional arrangements

The Central Statistical Bureau (CSB) is responsible for the compilation of COFOG statistics according to ESA 2010 in close cooperation with the Treasury.

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

5.15.2. Publication of data on a national level

COFOG data is regularly published on the CSB website, in both Latvian and English, for general government and its subsectors from 2005: www.csb.gov.lv/en/statistics/statistics-by-theme/economy/government-finance.

5.15.3. Revisions policy

The revisions policy for COFOG statistics is connected with annual national accounts revisions and the with the EDP notifications. The updated COFOG data are then published once a year in January.

5.15.4. National functional classification and compilation methodology

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

There are a few problems in the distribution of expenditure on education by level of education. The majority of education institutions in Latvia provide education at several levels. From 2009, the expenditure distribution of compensation of employees by education level of schools which provide both primary and secondary education is split and allocated to the appropriate COFOG group. For the distribution of the remaining expenditure, the number of pupils in the respective education level is used as the relevant weight. In previous years, the distribution of all expenditure of such schools was allocated pro rata, according to the number of pupils.

5.15.5. Availability and use of data sources

Subsector	Provisional Year n-1		Final Year n-2 or n-3	
	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 (Other government entities reclassified from S.11 to S.1311)	A1/U	A1/U	A1/U	A1/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

Subsector	Provisional Year n-1		Final Year n-2 or n-3	
	1 st level	2 nd level	1 st level	2 nd level
Other (Other government entities reclassified from S.11 to S.1313)	A1/U	A1/U	A1/U	A1/U
Social Security Funds				
Social Security main unit	A1/U	A1/U	A1/U	A1/U
Other	-	-	-	-

The coding used in the table is described in section 5.1.2.

5.15.6. Individual and collective final consumption expenditure

Final consumption expenditure is broken down into individual expenditure and collective expenditure based on the COFOG 2nd level classification. The distinction between individual consumption expenditure (P.31) and collective consumption expenditure (P.32) is made when the tables of general government expenditure and operations are compiled.

5.15.7. Consumption of fixed capital expenditure

Fixed capital consumption (P.51c) is calculated through the detailed perpetual inventory method (PIM) for each subsector of general government (Method 2).

P.51c on own account created R&D assets is recorded within the R&D groups, that is, in the group where the asset was created.

5.15.8. Methodological soundness

Eurostat's consolidation rule is applied. The data are consistent with ESA 2010 table 0200.

5.15.9. One-off transactions

Some one-off transactions affecting COFOG time series are listed below.

Period	Transaction	Description	Cofog code	Sub-sector involved
2009-2010	D.9	Government investment in Parex Bank	04.1	S.1311
2009-2011	D.9	Government investment in Mortgage and Land Bank	04.1	S.1311
2011	D.9	Capital transfer to Airbaltic	04.5	S.1311
2013	D.9	Guarantee call relating to Liepajas metalurgs	04.4	S.1311
2015	P.51	Correction of BCE Ezerparks PPP project	01.1	S.1311

5.15.10. Multi-purpose functions

If it is possible to split the expenditure an allocation is made between the relevant functions but, if not, the expenditure is assigned to the dominant function.

5.15.11. Other comments

Sales of land (NP.1) are recorded in the group of the entity selling the land according to the former use.

5.16. Lithuania

5.16.1. Institutional arrangements

Statistics Lithuania, government finance statistics division produces the COFOG statistics. Data are obtained from the Ministry of Finance and social security funds.

5.16.2. Publication of data on a national level

The [COFOG data](#) are published by the statistical office on its database with data from 1995.

5.16.3. Revisions policy

Table 1100 is updated once per year in December. Back series are revised in line with revisions to other ESA aggregates.

5.16.4. National functional classification and compilation methodology

The present version of COFOG has been implemented in the basic sources (central and local government) starting from 1995.

The Ministry of Finance provides quarterly and annual reports on expenditure of central and local government and extra budgetary funds. Public hospitals and higher education institutions data are obtained from the Public sector accounting and reports consolidation information system (VSAKIS) database of the Ministry of Finance. Quarterly statistical surveys and financial statements are used for public enterprises.

The expenditure of social security funds are not available by COFOG, but most expenditure concerns only the divisions for Health (07) and Social Protection (10).

Data before year 2000 are available at division level only.

5.16.5. Availability and use of data sources

Subsector	Provisional Year n-1		Final Year n-2 or n-3	
	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
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	-	-	-	-

The coding used in the table is described in section 5.1.2.

5.16.6. Individual and collective final consumption expenditure

There are no problems in splitting expenditure between P.31 and P.32.

P.51c on own-account created R&D assets is being recorded in R&D groups, i.e. in the group where the asset was created.

5.16.7. Consumption of fixed capital expenditure

A combination of method 2 and method 4 is used. P.51c for each subsector of general government is estimated using PIM. This information is then bridged with functions using the structure of time-series of P.51 by function and subsector (1st and 2nd level of COFOG).

5.16.8. Methodological soundness

Eurostat's methodological requirements for consolidation and allocation of FISIM are applied. The data are consistent with ESA 2010 table 2.

5.16.9. One-off transactions

There was a large increase of D.9 in several years due to: the restitution of property to households in 2000 (S.1311), compensation to deposit holders in 2011 and 2013 (S.1311), recognition of unpaid pensions in 2007 and 2014 (S.1314), and compensation relating to civil servants wages in 2015 (S.1311). Furthermore, there was a one-off transactions related to the year 1997, concerning restitution of rouble deposits recorded as D.9.

5.16.10. Multi-purpose functions

In most cases it is possible to assign expenditure to a specific function. If the primary source is not classified by COFOG codes, the expenditure is assigned to the appropriate function according to the purpose.

The expenditure of social security funds are not available by COFOG, but most expenditure concerns only the divisions for health (07) and social protection (10).

5.16.11. Other comments

Data sources in central and local governments classified by the current version of COFOG allows us to prepare table 1100 at 1st and 2nd level without any significant problems. Data on expenditure is available at a very detailed level

Sales of land (NP.1) are recorded in group 01.6.

5.17. Luxembourg

5.17.1. Institutional arrangements

COFOG statistics are compiled by the Government Accounts unit (MAC4) of the national statistical institute STATEC.

5.17.2. Publication of data on a national level

COFOG statistics, by division, are published on the STATEC website:

http://www.statistiques.public.lu/stat/ReportFolders/ReportFolder.aspx?IF_Language=eng&MainTheme=5&FldrName=2

5.17.3. Revisions policy

The COFOG dataset is revised twice a year with the EDP notification. An update of ESA table 11 is in general sent to Eurostat with, or shortly after, the EDP notification. The results of the three previous years are also updated at this time.

5.17.4. National functional classification and compilation methodology

Central government

Budgetary central government appropriations provided by the General Finance Inspection are allocated to a function code according to a central government functional classification. STATEC allocates a COFOG code to each budget appropriation with a bridge table that converts the central government function codes into COFOG codes.

For other budgetary and extra-budgetary central government entities, COFOG codes are allocated on a case by case basis. In order to split revenue and expenditure of the university between Education and Research and Development (R&D), and to allocate R&D revenue and expenditure to the different R&D COFOG groups, the results of a STATEC survey on R&D inside government sector are applied.

Local government

The same as for central government appropriations, local government revenues and expenditure are provided with a function code. This classification is very similar to COFOG. Again, STATEC allocates the COFOG codes using a bridge table that converts these local government function codes into COFOG codes.

Social security funds

Social security funds data are not provided with any function codes. The COFOG codes allocation made by STATEC are mainly based on the social security risk covered by the Social security funds entity. When necessary, specific expenses are adjusted on a case by case basis.

5.17.5. Availability and use of data sources

Subsector	Provisional Year n-1		Final Year n-2 or n-3	
	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	-	-	-	-
Local Government				
Municipalities	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	A3/U	A3/U	A3/U	A3/U
Social security bodies	A3/U	A3/U	A3/U	A3/U
Other	-	-	-	-

The coding used in the table is described in section 5.1.2.

5.17.6. Individual and collective final consumption expenditure

The allocations are made using functional classifications in line with ESA 2010 para. 3.104-3.106.

5.17.7. Consumption of fixed capital expenditure

The capital stock is calculated by sector and branches (extended NACE classification) by using the Perpetual Inventory Method (PIM). So, for the estimation of consumption of fixed capital (P.51c), the preferred method 2 is used: the PIM is applied by subsector and NACE, and then bridged with COFOG.

As gross fixed capital formation on own account R&D is calculated before the Perpetual Inventory Model is applied, P.51c on own account R&D is allocated to the division that it belongs to. For example, according to a survey where a university's main activities in R&D are in basic research, the P.51c of the university's R&D will be allocated to COFOG division 1, general public services.

5.17.8. Methodological soundness

Expenditure is accurately allocated to functions. However, as the central government and local government functional classifications do not perfectly match the COFOG classification, the results of the bridge table are constantly monitored to guarantee correct 2nd level COFOG data.

ESA 2010 consolidation rules are applied.

5.17.9. One-off transactions

In recent years there have been no significant one-off transactions.

5.17.10. Multi-purpose functions

Where government expenditure serves more than one function, the main function code by value which is attributed by the administrations is used.

5.17.11. Other comments

Sales of land (NP.1) are recorded according to function whenever a function can be identified. If the function is unknown, sales of land tend to be recorded in COFOG division 01, general public services.

The largest amounts of division 07, health, are due to social transfers in kind from social security funds. In division 07, the social benefits other than social transfers in kind (D.62) reported as outpatient services (07.2) are the social transfers in kind from the national health insurance fund to the rest of the world. According to ESA 2010 paragraph 4.111, these transfers are recorded as D.62.

The other social transfers in kind of the national health insurance fund, as well as the social transfers in kind of the national accident insurance fund, are recorded as medical products, appliances and equipment (07.1).

5.18. Hungary

5.18.1. Institutional arrangements

The Central Statistical Office (CSO) and Ministry of Finance (MoF) compile the COFOG statistics. The MoF was integrated within the Ministry of National Economy (MoNE) from June 2010 until May 2018. In these pages the single "MoF" abbreviation is used to illustrate the MoF functions in government finance 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. All budgetary units – including local governments and their institutions – report COFOG compatible cross-classified budgetary expenditure on a cash basis. Functional data collection and data processing are an integral part of those annual financial reports. MAK (Hungarian State Treasury) fulfils this job in respect of legal government units.

Legal government units are determined by the Law on Public Finances, and comprise budgetary units, such as: central budget units; state and central budgetary institutions; budgeted funds; budgeted social security funds; and local government units.

Data on reclassified non-budgetary units are collected and processed by CSO.

5.18.2. Publication of data on a national level

Currently the CSO publishes final consumption expenditure at a COFOG 2-digit level from 2010. Data are available on the publication database of CSO (Stadat). In the near future it is planned to publish table 1100 with a time series beginning in 1995.

The publication of MoF general government expenditure data by the main COFOG groups is presented as a percentage of GDP among EU-members and EU-aggregates within an annex attached to the parliamentary documentation of Final Accounts for the legal government sector. Data for the Final Account of the Budget in 2016 are available on the following links: Final account of the Budget and ESA data of MS's including COFOG.

5.18.3. Revisions policy

There is no fixed revision policy for COFOG data. If there is a revision in back data this takes place in December at the transmission of table 1100. The intention is for a parallel or close-to-parallel update in line with revisions of other ESA aggregates.

5.18.4. National functional classification and compilation methodology

The national classification for parliamentary presentation introduced in 1998 was based on an interim draft version of COFOG (1999), which included the conceptual changes in COFOG methodology, such as: the new class for environment protection; distribution of R & D and administration into the relevant classes; and some reclassification issues between general public services and cultural affairs. Thus the national classification mainly follows the present version of COFOG in content, with just a small difference in social protection.

The aim of the national classification is to classify budgetary line items according to their functions for the purpose of presenting the Budget. The budget covers all legal entities in the legal government

sector. This consists of: the central budget with central budgetary institutions, budgeted funds, budgeted social security funds and local governments. The budgetary presentation covers only 47 presentation groups and 16 classes which correspond to 10 COFOG divisions.

5.18.5. Availability and use of data sources

Subsector	Provisional Year n-1		Final Year n-2 or n-3	
	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) Budgeted funds		a) A1/U		a) A1/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
Other				
Social Security Funds				
Social Security main unit		A1/U		A1/U
Social security bodies		A1/U		A1/U
Other				

A1/U for most of 2nd level, except for R&D within main functions and some components of *Social protection* (for years 1995-2009).

The coding used in the table is described in section 5.1.2.

5.18.6. Individual and collective final consumption expenditure

Reconciliation of dual data-sources, specifically COFOG type national classification and NACE type activity based classification in budgetary expenditure, has been completed for years 1995-2009. From 2010 onwards the final consumption expenditure data are calculated using the same process as COFOG data.

Consumption of fixed capital expenditure (P.51c) related to own account R&D activity is recorded under R&D COFOG functions, so the final consumption expenditure component of this activity is of a collective nature. No further information is available about the specific areas where the final use of the results of the R&D activities takes place.

One methodological contradiction remains unresolved in the time series relating to the treatment of final consumption expenditure of MÁV START Zrt (Hungarian Railway Passenger Transportation Co.): this expenditure is recorded as individual consumption expenditure in government sector accounts in line with COICOP classifications, whilst COFOG classifies all transport functions as collective consumption by definition. When MÁV-Start was part of non-financial corporations sector, its consumption was accounted according to COICOP, which contains only individual groups. When it was reclassified into GG sector, according to COFOG its consumption should be recorded as collective despite the fact, that the feature of the service is unchanged.

5.18.7. Consumption of fixed capital expenditure

Method 2 is used where consumption of fixed capital expenditure is calculated using the perpetual

inventory method (PIM) at subsector level using NACE. These data are converted into COFOG using a bridge table and some additional estimation methods.

5.18.8. Methodological soundness

Conversion of the time series from ESA 95 to ESA 2010 generated an opportunity to review the whole time series and data sources with the aim of improving the data quality, especially by enhancing the methodological consistency. Nevertheless, COFOG calculations for the years 1995-2009, and the new time period from 2010, use different data sources due to developments in the accounting system.

Between 2009 and 2010 there is a break in the time series due both to the use of different data sources and compilation methods for COFOG statistics. For budgetary institutions before 2010 data sources were, on the one hand national classifications for parliamentary presentation introduced in 1998 (based on an interim version of COFOG 1999), and on the other hand annual financial reports of budgetary institutions from which the activity type classification was used mainly for the local government subsector. In 2010, as part of the annual financial reports of budgetary institutions, a new Hungarian classification was introduced on which NACE and COFOG statistics of general government sector have been based.

Following recommendations from Eurostat from the next benchmark revision all D.41 data will be accounted for within COFOG group 01.7 public debt transactions.

5.18.9. One-off transactions

Large one-off transactions affecting COFOG time series are as follows:

1. Large debt-assumptions (D.99, Other capital transfer) affect COFOG totals in group 04.5 transport:
 - a. public railway: HUF 36.5 billion (0.24 % of GDP) in 2000, HUF 119.3 billion in 2002 (0.69 % of GDP), HUF 110.6 billion (0.44 % of GDP) in 2007, capital injection (by conveying privatisation receipts) HUF 102.5 billion (0.39 % of GDP) in 2008, and railway infrastructure HUF 23.4 billion (0.1% of GDP) in 2015;
 - b. motorways: HUF 32.0 billion (0.19 % of GDP) in 2002;
 - c. Budapest capital public transport: HUF 36.7 billion (0.21 % of GDP) in 2002, HUF 52.3 billion (0.2% of GDP) in 2015.
2. One-off government measure provided debt assumption and compensation of natural catastrophic losses (D.99, Other capital transfer) to agricultural producers in 2002, with the amount of 59.9 HUF billion (0.35 % of GDP) recorded in function 04.2 agriculture.
3. Large claim cancellation (D.99, other capital transfer) against foreign countries in group 01.2 foreign economic aid:
 - a. against Russia HUF 36.6 billion (0.19 % of GDP) in 2003, although the claims originated from the general political and economic and military co-operation of former socialist countries in the region;
 - b. against Iraq HUF 46.1 billion (0.19 % of GDP) in 2006.
4. In the mid '90s there were a set of possibilities provided for households to purchase the local government owned flats which they lived in as tenants. As the majority of these flats were not renewed earlier by local governments, the prices were determined government by government. The most relevant scheme was to pay 25-30 % of the price at the time of the change of ownership with further instalment payments over 15-20-25 years. Later some actions to accelerate this process, combined with partial debt cancellations, were introduced. In the local government subsector in national accounts, the privatisation of flats appears as

negative gross fixed capital formation at the time of change of ownership. However, in public budget accounts of local governments, receipts are presented on a cash flow basis, thus accrual adjustments have to be made. The negative impacts on gross fixed capital formation were extremely high in 1995 at HUF 143.6 billion (2.5 % of GDP) shown in group 06.1 housing development.

5. Receipts from the sale of carbon-dioxide emission quotas (Kyoto protocol) were accounted as negative acquisitions of non-financial assets for HUF 28.2 billion (0.11 % of GDP) in 2008, and HUF 7.9 billion (0.03 % of GDP) in 2009 under group 01.1 of general public services.
6. According to methodological guidelines, the lease of Gripen fighters over 15 years was classified as a financial lease, affecting the government expenditure at the time of delivery of the aircrafts. This effective reclassification appears in 2006-2007 in group 02.1 military defence as one-off impact in P.51g gross fixed capital formation recorded in 2006 at HUF 101.0 billion (0.4% of GDP), in 2007 at HUF 71.3 billion (0.3 % of GDP), and in 2016 at HUF 15 billion (0.04% of GDP) due to the replacement of one following an accident.
7. Deficits of social security funds are financed by liquidity loans provided by the state budget during the budget year. These claims on funds are systematically cancelled by parliamentary decision when approving the annual accounts. As decisions on these cancellations are made in the subsequent year, the capital transfers (D.99, Other capital transfer) improve the balance of social security funds in that subsequent year. These transactions worsen the central government subsectoral COFOG expenditure in health and old age (pension) functions (see below), but not the general government totals.

Expenditure of Central Government	1995	1996	1997	1998	1999	2000	2001	2002
Total transfers	41.6	104.7	53.6	54.5	90.8	43.6	80.1	28.8
In % of GDP	0.7%	1.5%	0.6%	0.5%	0.8%	0.3%	0.5%	0.2%
to Health Care Fund	10.8	68.1	24.6	54.5	45.9	43.6	63.5	15.1
In % of GDP	0.2%	1.0%	0.3%	0.5%	0.4%	0.3%	0.4%	0.1%
to Pension Fund	30.8	36.7	29	0	44.9	0	16.7	13.7
In % of GDP	0.5%	0.5%	0.3%	0.0%	0.4%	0.0%	0.1%	0.1%

Expenditure of Central Government	2003	2004	2005	2006	2007	2008	2009	2010
Total transfers	99.4	349	423.9	468.8	130.8	0	67.4	157.7
In % of GDP	0.5%	1.7%	1.9%	2.0%	0.5%	0.0%	0.3%	0.6%
to Health Care Fund	86.7	310	343.7	375.3	111.3	0	0	149.5
In % of GDP	0.5%	1.5%	1.6%	1.6%	0.4%	0.0%	0.0%	0.6%
to Pension Fund	12.7	39	80.3	93.5	19.5	0	67.4	7.2
In % of GDP	0.1%	0.2%	0.4%	0.4%	0.1%	0.0%	0.3%	0.0%

Expenditure of Central Government	2011	2012	2013	2014	2015	2016
Total transfers	95.4	83.7	117.6	0.5	0	30.1
In % of GDP	0.3%	0.3%	0.4%	0.0%	0.0%	0.1%
to Health Care Fund	91.7	83.4	46.9	0.5	0	30.1
In % of GDP	0.3%	0.3%	0.2%	0.0%	0.0%	0.1%
to Pension Fund	3.7	0.2	70.6	0	0	0
In % of GDP	0.0%	0.0%	0.2%	0.0%	0.0%	0.0%

8. On the basis of EU Court decision (C-74/08) of 23 April 2009, a VAT reimbursement related to the time period between 1 April 2004 and 31 December 2005 of 37.1 billion HUF is recorded under D.75 (VAT reimbursement claimed) in 2009 in group 01.1 of general public services. This is in line with the relevant methodological guidance on treatment of court

decisions with retroactive effect.

9. Government transferred the privatisation receipts from the sale of MÁV Cargo to MÁV (Hungarian Railway Infrastructure Co.) in 2008. 102.5 billion HUF (0.4% of GDP) was recorded as government expenditure in group 04.5 transport.
10. Government decisions on the assumption of local government debt were made in a number of steps: 2011 59.0 billion HUF, 2013 592.6 billion HUF, 2014 401 billion HUF (0.2%, 2.0% and 1.3% of GDP respectively). The transactions only affected Central government subsector expenditure but not that of General government due to consolidation. The transactions are recorded under function 01.8 Transfers of a general nature between level of government, except in 2011 when 3.7 billion of the 59.0 billion HUF reported related to environmental protection and so was accounted for under 05.6 environmental protection n.e.c.
11. A subsidy to MÁV Zrt. (Hungarian Infrastructure Co.), financed by an issuance of guaranteed securities, increased government expenditure by HUF 35 billion (0.1% of GDP) in 2011 under group 04.5 transport.
12. Government measures in the field of debt relief for households, indebted in foreign currency, resulted in government accounts recording an imputed transfer to households related to the early repayment of mortgage loans: 2011 HUF 48.7 billion, 2012 HUF 54.9 billion (both representing 0.2% of GDP) recorded in group 06.1 housing and development.
13. There is a sharp decrease in central government subsector D.1 data between 2011 and 2012 in 02.10 military defence. Earmarked social security contributions paid by the Ministry of Defence related to a military employment early retirement scheme which no longer exists but are now financed as social assistance benefits paid from the central budget from general sources (taxes).
14. EU decisions on financial corrections related to irregularities in the use of EU funds resulted in a 43.9 billion HUF (0.1% of GDP) payment to the EU in 2013 under group 01.1 of general public services.

5.18.10. Multi-purpose functions

In case of multifunctional government units, source data from their financial reports are used. This means, for example, that for a medical university, data on NACE-type budget task expenditure are used to separate educational, health and R&D functions. Similarly, expenditure from a one-unit small local government are separated to provide expenditure relating to services of public administration, pre-school and elementary education, basic health, social care, street-lighting, management of cemetery etc.

5.18.11. Other comments

Large structural changes affecting COFOG time series are as follows:

1. Family tax credits were introduced in 1999 as an alternative way of increasing the payments of family allowances, including handicapped children allowances, which affects the level of social benefits in cash recorded in COFOG function 10.4 family and children. These family tax credits are non-payable (wastable), thus not included in expenditure.

Family tax-credit data (HUF bn and in % of GDP)										
2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
44.8	78.6	91.1	62.9	80.7	79.9	13.8	13.4	13.5	13.5	12.6
0.3%	0.5%	0.5%	0.3%	0.4%	0.4%	0.1%	0.1%	0.1%	0.1%	0.1%

From 2011 tax credit was replaced by tax-base decreasing family tax allowance.

2. In 1999, Hungary introduced a mandatory defined contribution funded pension scheme by establishing a second pillar private pension fund alongside the first pillar social security pension scheme. In 2011 a modification in the law made it possible for individuals to return to the compulsory social security system. The one-off receipt from the transfer of the asset portfolio of the mandatory second pillar private pension fund could be treated as revenue before the introduction of ESA 2010. However, from September 2014 and the introduction of ESA 2010, the treatment changed. Following MGDD guidelines, imputed interest expenditure must be accounted for in relation to the transferred pension obligation taken over by government from the mandatory private pension funds. This new treatment increases government expenditure under 01.7, public debt transactions.

2012	2013	2014	2015	2016	2017
83.7	85.4	85.6	85.5	85.4	85.1
0.3%	0.3%	0.3%	0.2%	0.2%	0.2

3. Reclassification of MÁV-START, a railway passenger transport company, into general government, after splitting this one national railway company into three corporations: infrastructure, passenger transport and cargo. As passenger transport has always been subsidised from the budget, the net effect would characterise the structural change in expenditure in COFOG transport function 04.5. The composition of the net effect of reclassification of MÁV START is as follows, where data in 2007 reflect half-year operation, as MÁV START started its operation on 1 July 2007.

As indicated under the paragraph on individual and collective final consumption expenditure above, the final consumption expenditure of MÁV START Zrt. Are treated as individual consumption expenditure in COICOP, but in COFOG are automatically classified under the transport function which is collective.

Composition of net effect of reclassification MÁV START	2007	2008	2009	2010	2011	2012	2013	2014
	HUF bn							
Net effect of reclassification	32.6	233.7	255.9	67.0	74.2	66.8	73.4	106.1
Total Expenditure of MÁV START	99.4	394.3	408.6	216.8	226.9	221.8	224.0	264.1
of which P.2 intermediate consumption	86.8	191.9	195.1	186.1	195.1	188.7	187.6	160.4
of which D.1 Compensation of employees	11.1	23.8	25.5	26.1	27.4	27.9	28.9	69.3
Minus: Subsidies to railway passenger transport	-66.8	-	-	-	-	-	-	-
		160.5	152.7	149.7	152.7	155.0	150.5	158.0

Composition of net effect of reclassification MÁV START	2015	2016
	HUF bn	
Net effect of reclassification	166.5	129.1
Total Expenditure of MÁV START	312.6	277.2
of which P.2 intermediate consumption	156.1	161.3
of which D.1 Compensation of employees	68.9	73.0
Minus: Subsidies to railway passenger transport	-	-
	146.2	148.1

Composition of net effect of reclassification MÁV START	2007	2008	2009	2010	2011	2012	2013	2014
	In % of GDP							
Net effect of reclassification	0.1	0.9	1	0.2	0.3	0.2	0.2	0.3
Total Expenditure of MÁV START	0.4	1.4	1.5	0.8	0.8	0.8	0.7	0.8
of which P.2 intermediate consumption	0.3	0.7	0.7	0.7	0.7	0.7	0.6	0.5
of which D.1 Compensation of employees	0	0.1	0.1	0.1	0.1	0.1	0.1	0.2
Minus: Subsidies to railway passenger transport	-0.3	-0.6	-0.6	-0.5	-0.5	-0.5	-0.5	-0.5

Composition of net effect of reclassification MÁV START	2015	2016
	In % of GDP	
Net effect of reclassification	0.5	0.4
Total Expenditure of MÁV START	0.9	0.8
of which P.2 intermediate consumption	0.5	0.5
of which D.1 Compensation of employees	0.2	0.2
Minus: Subsidies to railway passenger transport	-0.4	-0.4

Recording of sales of land (NP.1) is either recorded in line with the selling entity, where this provides a reliable data source, or under function 01.1 of General public services. For example, in 2016 HUF100.94 billion of negative expenditure (i.e. revenue) is recorded in function 01.1 relates to the sale of state land to farmers.

5.19. Malta

5.19.1. Institutional arrangements

The National Statistics Office compiles the COFOG statistics. There are no other institutions involved in the data collection, specification and compilation process.

5.19.2. Publication of data on a national level

The COFOG analysis is published annually by the National Statistical Office at the beginning of each year, reporting data for the previous five consecutive years.

The [latest news release](#) was published on the 30th of January 2019, covering data from 2013 to 2017 at 2nd digit level.

5.19.3. Revisions policy

The data for all the years are updated as necessary. Occasionally, updated tables are sent to Eurostat in order to ensure full consistency with the other data submissions on Government Finance aggregates (specifically ESA Table 0200).

5.19.4. National functional classification and compilation methodology

In Malta, the classification of the functions of government is available at 1st digit level from 1995, and at the 2nd level from 2001.

The general government sector in Malta is made up of the central government and the local government subsectors. The central government subsector includes the budgetary central government, made up of Government ministries and departments, and the Extra-Budgetary Units (EBUs).

Data for the budgetary central government use a detailed expenditure breakdown and are obtained from the Treasury's Departmental Accounting System (DAS). Ministries and Departments, as well as their relevant cost and responsibility centres, are all coded according to the COFOG classification at 1st digit level. These data are available in real time at the National Statistics Office. On the other hand, data for the EBUs and local councils are available from their individual financial statements.

For the compilation of the 2nd level data for budgetary central government, the individual expenditure data from the DAS at the 1st digit level is used and then these are allocated to the relevant principal COFOG groups. Additional statistical information from the relevant responsible units are required, especially for the disaggregation of the education and health functions. If a unit performs more than one function or group, the expenditure is split appropriately, either through direct basic data or through estimation. Where there is a lack of information, particularly when amounts are small, the function or group is allocated to the principal activity of the unit.

5.19.5. Availability and use of data sources

Subsector	Provisional Year n-1		Final Year n-2 or n-3	
	1 st level	2 nd level	1 st level	2 nd level
Central Government				
“The State”	A1/U	A1/U;E	A1/U	A1/U
Central government bodies	A3/U	A3/U	A3/U	A3/U
Other	A1/U	A1/U	A1/U	A1/U
	-	-	-	-
Local Government				
Local government bodies	A2/U	A2/U	A2/U	A2/NU
Other	-	-	-	-

The coding used in the table is described in section 5.1.2.

5.19.6. Individual and collective final consumption expenditure

No problems are reported.

P.51c on own-account created R&D assets is being recorded in R&D groups, i.e. in the group where the asset was created.

5.19.7. Consumption of fixed capital expenditure

Method 4 is used.

5.19.8. Methodological soundness

The COFOG exercise is based on the guidelines set out in ESA 2010 and Eurostat's consolidation rules are followed. Overhead services are allocated to the appropriate division rather than to a general category. Data sources are reliable; however, when source data are not available on time, estimates are based on the previous year's source data.

A good link exists between COFOG and other International Statistics. As far as ESSPROS and R&D data are concerned, these are computed within the same unit that produces COFOG data, and therefore consistency with COFOG data is guaranteed. Good consistency is also achieved with ISCED (International Standard Classification of Education) and EPEA (Environmental Protection Expenditure Accounts) as the COFOG data is the major data source input for their respective compilations.

The aim is to continuously monitor the quality of the COFOG 2nd level data. In this respect improvements are foreseen in distinguishing between groups 07.2 'Outpatient Services' and 07.3 'Hospital Services' and keeping the expenditure figures in 'n.e.c.' for each COFOG category as small as possible by assigning each expenditure to its respective category.

5.19.9. One-off transactions

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

1. 2003 – The MSC & MDD debt assumption adjustment effect – EUR 123.2 million. This amount was allocated to group 04.5 'transport' as a capital transfer (D.9).
2. 2008 – The reclassification of the Malta Shipyards within the general government sector and

the payment of the voluntary retirement schemes to the Shipyards' employees impacted 2008 data by €118.0 million. This amount was allocated to group 04.5 'Transport'.

5.19.10. Multi-purpose functions

Any institutional unit that is identified as performing more than one COFOG function or group is split up accordingly, either through source data or through estimations. Concurrently, the expenditure of the local government sector is allocated to various COFOG categories (mainly general public services, public order and safety, economic affairs, environmental protection and recreation and culture) using their audited financial statements.

5.19.11. Other comments

Sales of land (NP.1) are recorded in group 01.3.

5.20. Netherlands

5.20.1. Institutional arrangements

Statistics Netherlands (CBS) produces the COFOG statistics.

5.20.2. Publication of data on a national level

Detailed second level COFOG data with breakdowns into subsectors and transactions can be found on the publication database of Statistics Netherlands [Statline](#).

5.20.3. Revisions policy

The publication of COFOG data follows from the regular Government Finance Statistics (GFS) revision policy. Generally the first provisional annual COFOG estimates for year t-1 and final estimates for year t-2 are published in the summer. We also have the possibility for a yearly revision of the COFOG structure for the whole time series, as long as it does not change GFS and NA figures in other tables. The figures are fully aligned with the GFS and National Accounts (NA), except for a small difference in the breakdown of consumption into individual and collective components in the provisional estimate.

Every five years Statistics Netherlands conducts a benchmark revision of GFS and NA. In that case, the whole time series is subject to revision. The latest benchmark revision was published in 2018.

5.20.4. National functional classification and compilation methodology

Source data classification are not according to COFOG. Therefore, Statistics Netherlands translates administrative functional information to COFOG functions based on the most detailed available source data.

For the State, which is the main entity of central government, individual budget lines are assigned to COFOG functions and economic categories by Statistics Netherlands.

The municipalities, provinces, local governmental institutions and water boards provide a matrix of administrative functions and economic categories which is translated to ESA classifications. For some economic categories, such as gross fixed capital formation, administrative functional classification is at a very high level. Statistics Netherlands has to make additional estimates to split this data.

For social security funds, very detailed information on social benefits is available for social protection schemes which can be related to COFOG. Operational costs are assigned to functions according to the amounts of the social benefits.

For other units within general government, every unit is assigned to a function. For example, all the expenditure of the government unit responsible for railway infrastructure is assigned to transport (04.5).

5.20.5. Availability and use of data sources

Subsector	Provisional Year n-1		Final Year n-2 or n-3	
	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,E	A3/U	A3/U
Other	-	-	-	-
Local Government				
Municipalities, provinces & public water boards	A2/U	A2/NU	A2/U	A2/U
Local government bodies	A3/U,E	A3/U,E	A3/U	A3/U
Other	-	-	-	-
Social Security Funds				
Social Security main unit	A2/U	A2/U	A2/U	A2/U
Other	-	-	-	-

The coding used in the table is described in section 5.1.2.

5.20.6. Individual and collective final consumption expenditure

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

Consumption of fixed capital (P.51c) related to own-account created R&D assets is being recorded in the R&D groups where the asset was created and thus is recorded as collective consumption.

5.20.7. Consumption of fixed capital expenditure

Method 6 is used for assigning consumption of fixed capital formation (P.51c) to functions. Some functions in some sub sectors are estimated using industry information on consumption of fixed capital formation.

5.20.8. Methodological soundness

Full consolidation is applied.

Special attention is paid to high amounts in the functions n.e.c., and consistency between paid transfers to a subsector and the expenditure by the receiving subsector.

5.20.9. One-off transactions

In 1995, a capital transfer of EUR 16 billion in the function housing development (06.1) relates to settlements of future subsidies to social housing corporations by local government, which was financed by the state through transfers to municipalities.

5.20.10. 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 Long Term Care Act (WLZ) is split into health (07.2, 07.3) and social protection (10.1, 10.2). These expenditure were EUR 17 858 million in 2016, so splitting is important not to distort the COFOG analysis. There are several other cases like this.

5.20.11. Other comments

Sales of land (NP.1) are recorded in the group of the entity selling the land according to the former use, or according to future use where there is a specific purpose for the sales or capital transfers of land.

5.21. Austria

5.21.1. Institutional arrangements

Statistics Austria produces the COFOG statistics.

There are no other institutions involved in the data collection, specification and compilation processes.

5.21.2. Publication of data on a national level

The COFOG analysis is published by the statistical office and can be found on its web site at

http://www.statistik.at/web_en/statistics/Economy/Public_finance_taxes/public_finance/government_expenditure_by_function/index.html.

5.21.3. Revisions policy

The data for the latest year and two back years are updated twice per year. This means that revisions of COFOG data are made in accordance with revisions of ESA table 0200 data. Therefore COFOG data are usually available within April/ October of the year. Updated COFOG data in April are only published on our web page.

5.21.4. 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 "Konten"/"Posten" or aggregates of "Konten"/"Posten" according to the "Bundeshaushaltsgesetz (BHG)" (Federal Budgeting Law) for the State and according to the "Voranschlags- und Rechnungsabschluss-Verordnung (VRV)" (Budget and Closed Accounts Regulation) for state government units, municipalities and localities).

The following transactions are classified en bloc to the following COFOG classes:

- Interest - 01.7 public debt transactions
- Pensions - 10.2 old age
- Benefits according to the unemployment insurance law - 10.5 unemployment
- Benefits according to the war victim law - 10.12 disability
- Family allowances - 10.4 family and children

But as an auxiliary solution, mainly economic activities (so-called "Detailbudgets" according to BHG and "Ansätze" according to VRV), are assigned to COFOG.

Small extra-budgetary units are usually classified as a whole (all transactions – except the above mentioned – are classified to the same function) according to their main function.

5.21.5. Availability and use of data sources

Subsector	Provisional Year n-1		Final Year n-2 or n-3	
	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 main 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		A1/U		A1/U
Social security bodies		A3/U		A3/U
Other				

The coding used in the table is described in section 5.1.2.

5.21.6. Individual and collective final consumption expenditure

No problems reported.

5.21.7. Consumption of fixed capital expenditure

Method 2.

5.21.8. Methodological soundness

At the general government level, items D.4, D.7 and D.9 and their sub-items are consolidated. On the level of subsectors these transactions are shown without transfers within subsectors, but with transfers between subsectors.

COFOG group 01.8, transfers of a general nature between different levels of government: Data for the general government sector have to be transmitted in the ESA 2010 transmission tables as "consolidated". Therefore, intergovernmental expenditure of the general government sector has to be identical to intergovernmental revenue. As this is not the case in practice, a balancing mechanism is used. In the case of D.7, the balancing is made between D.73 and D.75 and, in the case of D.9, the balancing is made between D.92 and D.99.

5.21.9. One-off transactions

The development of expenditure in COFOG group 04.1 general economic, commercial and labour affairs from 2009 onwards can be attributed to payments for banks ("Bankenpaket").

A break of total expenditure on fuel and energy (COFOG group 04.3) was caused by the sale of

rights of the “Vorarlberger Illwerke” in 1995 (classified as NP.2).

A strong increase in total expenditure on transport (COFOG group 04.5) was caused by debt cancellation and capital injection of federal government in the context of the reorganisation of the Austrian railways in 2004. This was classified as D.99 other capital transfers. The Austrian railway organisations “ÖBB Personenverkehr AG” and “ÖBB Infrastruktur AG” were included into sector government from 2005 onwards in COFOG group 04.5 transport.

The decrease in total expenditure on waste management (COFOG group 05.1), waste water management (COFOG group 05.2), housing development (COFOG group 06.1) and water supply (COFOG group 06.3) in 1997 was caused by the reclassification of municipalities' establishments in the field of refuse collection, sewage disposal, construction and administration of residential/business buildings and water supply from sector general government to sector non-financial corporations following from a reorganization of these establishments (fulfilling from 1997 onwards the ESA criteria for a quasi-corporation).

The increase in 2007 in COFOG group 08.2 Cultural services was due to the recording of the exhibition “Batliner”, which was lent to the museum “Albertina” on a permanent basis, as gross capital formation (P.53, Acquisitions less disposals of valuables).

5.21.10. Multi-purpose functions

In general, for technical reasons at a very detailed level we use the most important function. This mainly concerns the 3-digit level.

The split of the expenditure of the universities and similar units into R&D and teaching was done according to the results of the R&D statistics of Statistics Austria.

The division of the expenditure of some forms of schools (for example lower and academic secondary schools) in pre-primary and primary education (09.1) and secondary education (09.2) was made according to information about the concerned ISCED-levels of the education statistics.

5.21.11. Other comments

Sales of land (NP.1) are mainly recorded within general public services in group 01.1, and group 01.3 general services.

5.22. Poland

5.22.1. Institutional arrangements

Central Statistical Office of Poland is responsible for compiling COFOG statistics. Data are collected mainly from the Ministry of Finance. Data are also obtained from other ministries, National Bank of Poland and other units included in the general government sector.

5.22.2. Publication of data on a national level

The COFOG data is published by the statistical office in the annual publication "Statistical Yearbook of the Republic of Poland".

5.22.3. Revisions policy

The revision of COFOG statistics is connected with annual national accounts and with the EDP notification revisions.

5.22.4. National functional classification and compilation methodology

The basic data source is Budgetary Reporting for which statements of central and local government units are collected and aggregated by the Ministry of Finance. Budgetary Reporting is based on budgetary classification of revenues and expenditure. This classification consists of three levels: titles, chapters and paragraphs. The names of titles, chapters and paragraphs enable us to decide between which units the transactions take place. Data collected are on cash basis. However, the transition algorithms from cash data to accrual and from budgetary classification to COFOG have been elaborated so that it can be used as a source for functional data.

The budgetary classification is available since 2001 and it is amended every year.

Extra budgetary units, that is budgetary establishments, auxiliary units, special funds and appropriated funds, also use the budgetary classification.

The expenditure of units not included in Budgetary Reporting are classified according to their main activity.

5.22.5. Availability and use of data sources

Subsector	Provisional Year n-1		Final Year n-2 or n-3	
	1 st level	2 nd level	1 st level	2 nd level
Central Government				
"The State"	A2/U	A2/U	A2/U	A2/U
Central government bodies	A2/U	A2/U	A2/U	A2/U
Other: public universities, central institutions of culture, the Polish Academy of Sciences and its dependent units, central health care institutions, special purpose funds, agencies.	A3/U	A3/U	A3/U	A3/U
Local Government				
Municipalities	A2/U	A2/U	A2/U	A2/U
Localities	A2/U	A2/U	A2/U	A2/U

Subsector	Provisional Year n-1		Final Year n-2 or n-3	
	1 st level	2 nd level	1 st level	2 nd level
Local government bodies	A2/U	A2/U	A2/U	A2/U
Other: local institutions of culture, local health care institutions, special purpose funds of local government	A3/U	A3/U	A3/U	A3/U
Social Security Funds				
Social Insurance Institutions and funds managed by them	A3/U	A3/U	A3/U	A3/U
National Health Fund	A3/U	A3/U	A3/U	A3/U
Other: Labour Fund	A3/U	A3/U	A3/U	A3/U

The coding used in the table is described in section 5.1.2.

5.22.6. Individual and collective final consumption expenditure

Final consumption expenditure is broken down into individual and collective components 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. This category includes, among others, expenditure borne for public administration, national defence, scientific and research activity.

Consumption of fixed capital (P.51c) related to own-account created R&D assets is being recorded in the R&D group where the asset was created.

5.22.7. Consumption of fixed capital expenditure

Data on the stock and consumption of fixed capital by NACE form the basis of the estimation of P.51c in the general government sector for the purposes of 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 a bridge between NACE and COFOG.

5.22.8. Methodological soundness

Eurostat's methodological requirements of consolidation are applied. The data are consistent with table 0200.

5.22.9. One-off transactions

In the period 2003 to 2009 there were large one-off cancellations in respect of social contributions allocated in function 10.2: Old age in capital transfers (D.9). The amounts were: 2003 – PLN 3960 million; 2004 – PLN 1198 million; 2005 – PLN 329 million; 2006 – PLN 155 million, 2007 – PLN 36 million; 2008 – PLN 115 million; 2009 – PLN 23 million.

5.22.10. Multi-purpose functions

If it is possible expenditure is attributed to a specific function, but the general rule is to allocate expenditure to the most important division, splitting them into groups when possible.

5.22.11. Other comments

Sales of land (NP.1) are recorded in line with the selling entity.

5.23. Portugal

5.23.1. Institutional arrangements

COFOG statistics are compiled by Instituto Nacional de Estatística – Statistics Portugal.

5.23.2. Publication of data on a national level

The [COFOG data](#) is published annually on Statistics Portugal web site.

5.23.3. Revisions policy

The COFOG data are updated once a year, ready for table 1100 transmission, in December and published annually by the statistical office.

Usually, data for year t-2 reported in the December transmission is final. In benchmark years the time series transmitted are revised accordingly. The last benchmark year was 2011 and data transmitted in December 2018 was revised from 1995 onwards.

5.23.4. National functional classification and compilation methodology

State: Each item of the expenditure of General State Account, provided by the Ministry of Finance's Budget General Directorate (DGO), is allocated to a function code, taking into account the ministry and the state secretariats in question. This is revised once the government changes. Some particular expenditure, for example subsidies, ESA code D.3, and other transfers D.6 and D.7, are studied in more detail.

Remaining sectors of Central Government: each institutional unit is allocated to a function according to its main activity.

Regional Government: Each item of the expenditure of Regional Governments, provided by Regional Finance Secretariats of Azores and Madeira, is allocated to a function code, taking into account the regional secretariat in question. This is revised once the regional government changes. Subsidies – ESA code D.3 – and other transfers – D.6 and D.7, are studied in more detail.

Local Government: The expenditure from Municipalities is treated by two methods, according to the following:

- until 2010, where accounts' data were compiled by Statistics Portugal – each item of the expenditure is allocated to a function code, taking into account the municipality department in question;
- from 2011 onwards, where accounts' data is compiled by Local Government General Directorate (DGAL) – the expenditure is classified by functions once per base year (being the last one in 2011). From that year, a table of COFOG coefficients is produced for each ESA code, to be applied for the remaining years of the base.

Civil Parishes accounts are estimated by sampling, so only the items of the expenditure of the Parishes in the sample are allocated to a function code. The results are then extrapolated.

Social Security Funds: The headings regarding expenditure from Social Security Funds accounts are recorded according to the COFOG classification table.

Each transaction is classified by function using the correspondent system. There are some items for

which it is difficult to allocate the most appropriate function because detailed data are not available to identify different functions. Whenever it is impossible to allocate the right function for the reasons mentioned, the figures are allocated into the main function of their institutional unit. The item that is most affected by this problem is the market output (P.11).

5.23.5. Availability and use of data sources

Subsector	Provisional Year n-1		Final Year n-2 or n-3	
	1 st level	2 nd level	1 st level	2 nd level
Central Government				
"The State"		A1 (for D.1 and P.2 only) / U and E* / NU		A1 / U
Central government bodies		A3 (for D.1 and P.2 only) / U and E* / NU		A3 / U
Other				
Local Government				
Municipalities		E / NA		E / NA
Localities		E / NA		A1 (sample) / U
Local government bodies		E / NU		A3 / U
Other				
Social Security Funds				
Social Security main unit		E / NU		A1 / U
Social security bodies				
Other				

*the relative structures of expenditure from the final year n-2 used are adjusted to account for some one-off events that might occur in year n-1.

The coding used in the table is described in section 5.1.2.

5.23.6. Individual and collective final consumption expenditure

The breakdown between individual and collective consumption expenditure identified in this manual (§ 3.6 Individual and collective final consumption expenditure) related to COFOG level 2 is respected.

Housing services and water supply are industries with all the characteristics of a private product (in terms of private versus public product). However, Portugal respects the orientation of this Manual, classifying this expenditure as collective consumption expenditure.

Consumption of fixed capital (P.51c) on R&D assets created on own account are recorded in the group of creation. This means that R&D assets are retained in the R&D groups where they were performed. Thus, consumption of fixed capital will always be collective consumption expenditure.

5.23.7. Consumption of fixed capital expenditure

In Portugal a mixed methodology is applied at the moment:

- for branches that comprise multiple functions Method 6 is used, that is, estimations are based on gross fixed capital formation (P.51) by function in a given year for each subsector of general government. P.51c by function is then calculated by applying the structure of gross fixed capital formation by function on total P.51c for the subsectors.
- for branches concentrated in a few functions Method 2 is used, allocating the COFOG classification on the inputs of the model that estimates P.51c, according to each subsector of general government and each branch.

5.23.8. Methodological soundness

No problems reported.

5.23.9. One-off transactions

In Portugal the National Health Service was restructured at the end of 2002 when the Government changed the legal status of 31 hospitals from public institutions (SPA) to hospital enterprises whose legal status was a corporation with limited liability. In 2005, five health care units also joined the list of hospital corporations that had their status changed to a new legal designation called Entrepreneurial Public Entity (EPE). Since then, this process has continued. These changes affected the COFOG division for health (07).

5.23.10. Multi-purpose functions

If it is possible to split the item and the nature of the component transactions is known, the item is allocated across the respective functions. Otherwise, the total amount is classified in the most important function by value. Moreover, when expenditure relates to a certain first level function, but it gives rise to several functions that cannot be identified at the detailed level, the whole amount is classified in the n.e.c. class of the respective division.

There are some types of units with two functions. For example, there are units that are both pre-primary schools (whose function is education) and kindergartens (whose function is social protection). These units produce only one set of accounts and it is impossible to separate the two functions or even to select the main one. Usually they are allocated to one or another but no specific methodology is used.

5.23.11. Other comments

Regarding the allocation for sales of NP.1 assets (land) we use the following methodology. If the amounts involved are small, the function is determined in line with the selling entity. If the amounts are large, normally there is sufficient information to classify the expenditure in the corresponding COFOG group (this include also the possibility of land's future use).

5.24. Romania

5.24.1. Institutional arrangements

The National Institute of Statistics (NIS) compiles the COFOG statistics. The NIS is responsible for the methodology of expenditure classification and also for compilation of COFOG statistics. The Ministry of Public Finance provides COFOG data.

5.24.2. Publication of data on a national level

The COFOG data (1st and 2nd level) are published in each year in the brochure of Romanian National Accounts and on the NIS website on the following link:

<http://www.insse.ro/cms/ro/content/nivelul-datoriei-si-deficitului-guvernamental>

5.24.3. Revisions policy

The revision policy for COFOG statistics is connected with annual national account revision and with the EDP notifications. ESA table 1100 Expenditure of General Government by function is aligned with ESA table 0200 Main aggregates of General Government.

The data for the year t-1 are transmitted to Eurostat at the end of the each year in accordance with the ESA 2010 Transmission Programme.

5.24.4. National functional classification and compilation methodology

The national functional classification is COFOG. The basis of the function classification is the detailed accounts of data from the State, Local Government and Social Security Funds.

It is generally possible to relate the expenditure to a specific function.

In the functional classification of expenditure, 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).

5.24.5. Availability and use of data sources

Subsector	Provisional Year n-1		Final Year n-2 or n-3	
	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

The coding used in the table is described in section 5.1.2.

5.24.6. Individual and collective final consumption expenditure

No problems reported.

P.51c on R&D assets created on own account are recorded in the group of purpose.

5.24.7. Consumption of fixed capital expenditure

Method 2 is used. Consumption of fixed capital is calculated through the detailed perpetual inventory method (PIM) for each subsector of general government sector. This information is then allocated to COFOG based on the structure of gross fixed capital formation.

5.24.8. 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. The budgetary classification is harmonized with the ESA 2010 and with the GFS Manual.

Eurostat's consolidation rules are followed.

5.24.9. One-off transactions

One-off transactions have been classified in “Other capital transfers” (D.99) and include debt cancellation: Syria and Guinea debt in 2007; Congo and Mozambique debt in 2008; Mongolia debt in 2009. These affected COFOG division 01- General public services.

The Romanian contribution to the fund “Turkey Refugee Facility” is recorded as other capital

transfers (D.99) with the counterpart in "Institution of the EU" (S.212) in 2016. This was allocated to the COFOG division 01- General public services.

5.24.10. Multi-purpose functions

No problems have been reported.

5.24.11. Other comments

Sales of land (NP.1) are recorded in line with the selling entity.

5.25. Slovenia

5.25.1. Institutional arrangements

COFOG statistics are compiled by the Statistical Office of the Republic of Slovenia.

5.25.2. Publication of data on a national level

The [COFOG analysis](#) is published annually by the Statistical Office. Data can also be found in the publication database [SISat](#).

5.25.3. Revisions policy

Regular revisions of data are usually carried out once a year, along with the regular release of data for t-1. The data are in line with the September release of data on the main aggregates of the general government sector. Data on general government expenditure by function can also be revised due to changes in the sources used and methodological improvements.

5.25.4. National functional classification and compilation methodology

The current version of COFOG is used. National functional classification (function/ programme) used in budgetary statistics is bridged into the COFOG classification. For indirect budgetary units, COFOG is assigned at unit level regarding activity and other information.

Budgetary statistics are compiled on a cash basis and are prepared by the Ministry of Finance. They record current and financial accounting transactions in line with the economic transactions and recommendations of the International Monetary Fund. There are balances for the central budget, local budgets⁷³, the Pension and Disability Insurance Institute and the Health Insurance Institute of Slovenia. For compilation of COFOG statistics, an additional budgetary accounting report is used, i.e. central and local budget transactions by unit, type and by function/ program. All budget lines are classified to ESA 2010 transaction codes as well as classified into COFOG function codes by the Statistical Office. Indirect methods are used to assign COFOG for consumption of fixed capital and market output.

The data source for indirect budgetary units are the annual accounting statements and COFOG is assigned at unit level by the Statistical Office. Often the unit carries out more than one function and this expenditure, where possible, is divided using additional statistical information, i.e. social protection statistics, national health accounts, national R&D surveys and special analysis (see 5.24.10).

⁷³ Data on local budgets by type and function/program are available from 2007 onwards.

5.25.5. Availability and use of data sources

Sub-sector	Provisional Year n-1		Final Year n-2 or n-3	
	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		A3/U		A3/U
Local Government				
Municipalities		A1/U		A1/U
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		A3/U		A3/U
Other		-		-

The coding used in the table is described in section 5.1.2.

5.25.6. Individual and collective final consumption expenditure

COFOG classification is used to allocate final consumption between individual and collective final consumption expenditure. Up to the benchmark revision in 2019 the NACE classification is/was used to divide final consumption expenditure in GDP statistics.

Fixed capital expenditure (P.51c) on R&D assets created on own account are recorded in the group of creation.

5.25.7. Consumption of fixed capital expenditure

Method 2 is used for estimation consumption of fixed capital expenditure (CFC).

CFC for general government subsectors by activity is bridged with functions. With benchmark revisions in 2019 the CFC allocation to COFOG groups will be improved by using information on gross stocks of fixed assets and gross fixed capital formation by function.

5.25.8. Methodological soundness

Overhead services are classified correctly to the appropriate COFOG group rather than to a general group. Eurostat's preferred consolidation method is applied. Some further improvements are possible but major revisions are not expected.

5.25.9. One-off transactions

There are some one-off transactions affecting COFOG time series recorded as capital transfers, gross fixed capital formation or acquisitions less disposals of non-produced assets. In recent years the largest one-off transaction was the capital injections into banks in 2013. These were recorded in group 04.1 General economic, commercial and labour affairs and totalled EUR 3 633 million, or 10.1% of GDP.

5.25.10. Multi-purpose functions

Social protection

When allocating pensions to COFOG groups, the same methodological solutions are used as in ESSPROS. Indirect information is needed to divide pensions by groups as national pension categories (old age, disability, survivors) are not the same as ESSPROS categories. ESSPROS old age pension includes both national old age⁷⁴ pensions and disability pensions to persons above the "retirement age". The relevant information is obtained from the pension database kept by the Statistical Office.

Health care

COFOG codes are assigned for the health care providers at the unit level. As each unit will perform several functions within the same division, indirect estimation is necessary. The Statistical Office established an additional data source in the process of preparing health accounts using information prepared by the Health Insurance Institute of Slovenia. Each transaction in the database is classified according to the Functional Classification of Health Care (ICHA-HC) and the Classification of Health Care Providers (ICHA-HP) defined in the System of Health Accounts. The expenditure classified by ICHA-HC is bridged to COFOG groups.

Education

The first issue relates to pre-school education. Kindergartens educate and care for children, they take care of nursing and nutrition and they are intended for children from age 1 up to entry into elementary school. Considering ISCED-97 definitions the first age group (1-3 years) relates to the social protection division, and the second age group (3-6 years) to education. The split is made according to the cost of the programme and the number of children in each age group.

The second issue relates to national elementary schools which, according to ISCED definitions, relate to primary and lower secondary education. To divide the expenditure of elementary schools, the numbers of teachers employed in each grade is used.

Research and development

Research and development is connected with all COFOG divisions. To estimate expenditure for all general government units, results from the national R&D survey are used. The data on research and development are collected every year using statistical questionnaires. Reporting units are public research institutions, public higher education institutes and research organisations. The survey is based on the international Frascati methodology and data on scope and goals, i.e. data classified by the Field of Science and Technology Classification and by the Nomenclature for the Analysis and Comparison of Scientific Programmes and Budgets are considered. For all reported research the COFOG codes are assigned. As a second step in the estimation process the information on turnover from research for each unit is determined and compared with the total turnover for the whole unit and relevant shares calculated. The share determined for the assigned COFOG code is then applied to all ESA expenditure categories for that unit.

5.25.11. Other comments

Sales of land (NP.1) are recorded in line with the selling entity. Sales of land of the centralised entity are recorded in group 01.3 general services.

⁷⁴ Before 2006 ESSPROS old age pension includes also national survivors' pensions to persons above the "retirement age". Because of that we have a break in COFOG data in 2006, i.e. lower expenditure for old age and higher expenditure for survivors.

5.26. Slovakia

5.26.1. Institutional arrangements

The Statistical Office of the Slovak Republic produces the COFOG statistics.

5.26.2. Publication of data on a national level

COFOG data are not published on a national level. COFOG methodological issues are published on our website

https://slovak.statistics.sk/wps/portal/ext/metadata/cofog/!ut/p/b1/jY_BDolwEEQ_qUNapB4XYmgViW1sxF5ID8ZgBDwYv18kXjxY3dsk781kmWcN80N4dOdw78YhXF_ZL1qTaZnnCQHbTQHNTI52QRaTMBxAvDICJ--r00Kek-70q5FApG-_Qjw135RkhJZBciqTKFJObs0nIP4L__A_lzEGmYg8mKtxv7Ebr1zDS7iCQv5jQc!/dl4/d5/L2dJQSEvUUt3QS80SmtFL1o2X1ZMUDhCQjFBMDBNNDQwQTlyRkZWOEcyNFEw/

5.26.3. Revisions policy

All COFOG data are revised once a year to comply with the latest data published in ESA table 0200.

5.26.4. National functional classification and compilation methodology

The Slovak COFOG classification has been used since 2003. There are four levels in it and the first 3 levels are fully in compliance with version of COFOG presented by Eurostat. The COFOG classification is used by all institutions in the general government sector.

COFOG data for Slovak Republic were compiled for the first time in 2004. Data were compiled for both COFOG levels for 2003 only. Backward data for 2002 – 1995 were compiled by structure after bilateral consultations with Eurostat.

Nowadays the COFOG data are compiled for both levels for previous year always; backward data are revised every year if case of need.

5.26.5. Availability and use of data sources

Subsector	Provisional Year n-1		Final Year n-2 or n-3	
	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

Subsector	Provisional Year n-1		Final Year n-2 or n-3	
	1 st level	2 nd level	1 st level	2 nd level
Social security bodies	A1/U	A1/U	A1/U	A1/U
Other				

The coding used in the table is described in section 5.1.2.

Subsector breakdown used in the table (situation as of 2009)

Central Government

The State – State budgetary organisations

Central government bodies – State subsidised organisations (50% criterion) and State funds (i.e. Enviromentalny fond, Statny fond rozvoja byvania, Narodny jadrový fond)

Other - National Property Fund of the Slovak Republic (Fond narodneho majetku Slovenskej republiky), Slovenska konsolidacna a.s., The Slovak Land Fund (Slovensky pozemkový fond), Public universities (Verejne vysoke skoly), Health Care Surveillance Authority (Urad pre dohľad nad zdravotnou starostlivosťou), Nation's Memory Institute (Ustav pamati naroda), Slovak National Centre for Human Rights (Slovenske narodne stredisko pre ľudske prava), Slovak Television (Slovenska televizia), Slovak Radio (Slovensky rozhlas), Audit Performance Surveillance Authority (Urad pre dohľad nad vykonom auditu), The News Agency of the Slovak Republic (Tlacova agentura Slovenskej republiky), Audiovizálny fond.

Local Government

Municipalities – Municipalities

Localities – Higher territorial units

Local government bodies – Budgetary organisations administered by municipalities, subsidised organisations administered by municipalities, budgetary organisations administered by higher territorial units, subsidised organisations administered by higher territorial units.

Social Security Funds

Social Security main unit – Social Insurance Company

Social security bodies – Health insurance companies

5.26.6. Individual and collective final consumption expenditure

No problems reported.

P.51c on own-account created R&D assets is being recorded in R&D groups, i.e. in the group where the asset was created.

5.26.7. Consumption of fixed capital expenditure

We use "Method 2". The detailed PIM is applied to each subsector of general government sector, which involves maintaining fixed assets and branches. This information is then bridged with COFOG functions.

5.26.8. Methodological soundness

We apply Eurostat's consolidation method.

5.26.9. One-off transactions in the years 1995-2014

We did not identify any large one-off transactions affecting COFOG time series.

5.26.10. Multi-purpose functions

Generally we use the most important function method. The issue often needs more detailed analysis. SO SR discusses it with data providers individually.

5.26.11. Other comments

Sales of land (NP.1) are recorded in the group of the entity selling the land, i.e., they are recorded according to the former use.

5.27. Finland

5.27.1. Institutional arrangements

The COFOG statistics are produced by Statistics Finland.

5.27.2. Publication of data on a national level

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

5.27.3. Revisions policy

The data for the latest year is updated once a year. Previous years are revised at the same time if needed, depending on the revisions in national accounts.

5.27.4. National functional classification and compilation methodology

The data concerning central government sector are in line with the COFOG divisions. The ministerial offices that are included in division 1 are: the offices of Parliament, Ministry for Foreign Affairs, Ministry of Finance, State Provincial Offices, Government Institute for Economic Research, State Treasury, Tax Administration, Customs and Statistics Finland.

Transfers of a general character from central to local government cannot be classified according to their function and are included in sub-division 1.8.

Other land rents and indemnity insurance costs cannot be assigned to a specific function, but the amounts are insignificant.

For the central government sector S.1311 the classification according to function is made using the State's bookkeeping data and examining it at the most detailed level possible.

The functional codification used in local government statistics on financial statements differs from COFOG. It was created for many other purposes besides national accounting.

5.27.5. Availability and use of data sources

Subsector	Provisional Year n-1		Final Year n-2 or n-3	
	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				
Local Government				
Municipalities	A2/U	A2/U	A2/U	A2/U
Localities				
Local government bodies	A2/U	A2/U	A2/U	A2/U
Other				
Social Security Funds				
Social Security main unit	A2/U	A2/U	A2/U	A2/U
Social security bodies	A3/U	A3/U	A3/U	A3/U
Other				

The coding used in the table is described in section 5.1.2.

5.27.6. Individual and collective final consumption expenditure

Consumption of fixed capital (P.51c) on own-account created R&D assets is being recorded in R&D COFOG groups, that is in the group where the asset was created. As a result this expenditure will be recorded as collective expenditure.

5.27.7. 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 asset. This 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.

5.27.8. Methodological soundness

The Eurostat method is used for consolidation.

5.27.9. One-off transactions

There are no large one-off transactions in the years 1998-2017 affecting COFOG time series.

5.27.10. Multi-purpose functions

For the central government sector S.1311 the classification according to function is made using the states bookkeeping data at as detailed a level as possible.

5.27.11. Other comments

Sales of land (NP.1) can be recorded either to the function of the unit selling the land where they will relate to the former use, or in 06.1 housing development where the sales are by municipalities for the purpose of housebuilding.

5.28. Sweden

5.28.1. Institutional arrangements

Statistics Sweden compiles the COFOG statistics.

The general government sector in Sweden consists of central government and local government and social security funds. The local government sector consists of municipalities, county councils, municipal associations, municipally owned non-commercial organisations and hospital owned by county councils.

Statistics Sweden collects annual reports from municipalities, county councils and municipal associations where expenditure and incomes for each activity are reported. The 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.

5.28.2. Publication of data on a national level

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

5.28.3. 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. At this time, the COFOG calculations are in current prices. The annual reports from the local governments are the final data resources.

In September, Statistics Sweden publishes a definitive version of the annual accounts for the year $t-2$ including new COFOG compilations. In this version the main source for general government and social security funds are also final. Revisions to local government can be made due to changes in other data sources other than the annual reports, such as additional data sources for R&D and software. At this time, COFOG at current prices are recompiled and values at fixed prices are also calculated and published.

During benchmark revisions, which takes place every five years, any year of the time series can be revised. The next benchmark revision will be in 2019.

5.28.4. National functional classification and compilation methodology

Statistics Sweden collects annual reports for all municipalities, county councils and municipal associations once a year where expenditure and income are reported for each activity. The calculation of COFOG groups are based on these reports.

For central government each part of the national budget is coded to a certain function and so is the outcome of the budget. Even certain revenues are coded to certain functions.

All interest is classified to COFOG 01.7, except for interest relating to the transition period of the Premium pensions system (while the money is held by central government), which is classified to COFOG 10.21. The interest recorded in 10.21 will be moved to 01.70 in the 2019 benchmark revision.

5.28.5. Availability and use of data sources

Subsector	Provisional Year n-1		Final Year n-2 or n-3	
	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
Localities	A1/U	A1/U	A1/U	A1/U
Local government bodies	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				

The coding used in the table is described in section 5.1.2.

5.28.6. Individual and collective final consumption expenditure

The allocation of individual and collective final consumption is based on COFOG.

Consumption of fixed capital (P.51c) of R&D is allocated to the same COFOG function where the investment (P.51) was created.

5.28.7. Consumption of fixed capital expenditure

Sweden uses a detailed perpetual inventory method (PIM) for each subsector of general government. Statistics Sweden has disaggregated calculations of the consumption of fixed assets for the non-market sector and 18 different types of capital assets are used for non-market producers. The government sector is broken down by subsector and function. As described above, there are 7 groupings of units within general government and the number of functions depends on subsector, with a maximum of about 28 functions.

5.28.8. Methodological soundness

Eurostat's preferred consolidation method is applied.

5.28.9. One-off transactions

During the years 1999 to 2001 there was a restructuring of the Swedish pension system. Central government took over responsibility for some pension schemes from social security funds. This was recorded as a D.9 in COFOG group 10 and the amounts were 45 billion SEK for 1999 and 2000, and 155 billion SEK for 2001.

In 2005 there was a capital transfer (D.9) from central government to the non-financial sector amounting to SEK 4.1 billion, to be used for the decommissioning of a nuclear power plant.

5.28.10. Multi-purpose functions

If a measured expenditure item relates to different functions, the item is split up and allocated to the functions in question. At times allocation to the dominant function is used. For example, health care within schools is included in education. However, the majority of expenditure is split into appropriate functions.

5.28.11. Other comments

Concerning sales of land (NP.1), there are methodological differences between different subsectors. For central government, sales of land is allocated to COFOG by looking at the selling entity and at the budget item against which the sale is booked. For local governments there is a problem with data availability. COFOG 01.33 is used for county councils. For municipalities there is a lack of information regarding sales of land and the COFOG allocation is assumed to be the same as the allocation of purchased land, for which there is data, in a given year.

5.29. United Kingdom

5.29.1. Institutional arrangements

Central Government

Central government subsector data are collected from government departments by the UK's economics and finance ministry (HM Treasury). From 2009-10 the information has been collected according to International Financial Reporting Standards (IFRS), with further breakdowns required for monitoring departmental budgets and for compiling national accounts. Previously, the information was collected according to the concepts of Generally Accepted Accounting Practice (GAAP). Departmental annual accounts, ESA2010 transactions, and COFOG detail, are all derived from the same dataset.

The finance ministry is responsible for the quality of the COFOG information, although it works closely with the supplying departments to ensure the best allocation has been made.

Functional information is currently provided at Level 2 COFOG, with more detailed sub-sets available in certain functional areas, notably with respect to Economic Affairs and Social Protection. The UK statistical office processes the data and checks quality and consistency with ESA 2010 standards.

Local Government

The Local Government subsector data are collected and published by the government departments responsible for the respective territories. In England, this is the Ministry for Housing, Communities and Local Government; in Scotland the Scottish Government; and in Wales the Welsh Government. The Northern Ireland Executive reports directly to the UK finance ministry.

Data supplied are detailed expenditure on services provided by local authorities. The data are collected for a number of policy and accounting purposes. It is allocated to COFOG Level 2 categories by the UK statistical office, which is responsible for ensuring that the local government data can be converted to the ESA 2010 accounting standard.

5.29.2. Publication of data on a national level

The complete UK COFOG datasets for local government, central government and general government are available on the UK Office for National Statistics' website under the title "[ESA Table 11](#)". The tables provide cross tabulations of COFOG data by ESA transaction area. All data are presented by calendar year in terms of Level 2 COFOG and relate to 1995 onwards.

An alternative presentation of UK COFOG data can be found on the HM Treasury's website within their Public Expenditure Statistical Analyses ([PESA](#)) publication. Tables within this document present the Level 2 COFOG data for total public sector expenditure, as well as breakdowns by sector (i.e. local government, central government and public corporations), budgetary groupings and UK regions. Data are presented by fiscal year in terms of Level 2 COFOG and relate to 2004-05 onwards.

5.29.3. Revisions policy

The COFOG dataset is updated in its entirety once a year ready for the table 1100 transmission to Eurostat in December. A number of subsets such as final consumption and subsidies are updated in March, June, September and December.

The data for the previous year can be updated each time quarterly accounts are produced for the current year. Revisions to earlier years can be made when there is a compelling case for change. This means that in principle data could be changed for years as far back as 1946 when the national

accounts series begin. Such a change would usually only occur when a new system of accounts is introduced, or when an institutional entity is re-classified in or out of government. Normally revisions are restricted to the last few years.

5.29.4. National functional classification and compilation methodology

UK Central Government expenditure is broken into several thousand different programmes and in the main these are at a low enough level to assign to COFOG category at the sub-division level. In a small number of cases it is not possible to assign a programme to a specific COFOG sub-division and so the expenditure for the programme is split between two COFOG sub-divisions.

For local government, most expenditure is classified by the supplier according to the type of service provided. These generally fit well with the COFOG categories.

Areas that are difficult to assign are Net non-life insurance premia (D.71) and health expenditure.

Net non-life insurance premia (D.71) is an imputed transaction and derived from insurance surveys. Currently, the COFOG split of D.71 is derived by proxy from other COFOG current expenditure data.

Currently the UK Department of Health is unable to provide a breakdown of their expenditure which fits into COFOG categories. Therefore, all expenditure for the Department of Health which is not broken down by COFOG is assumed by the Office for National Statistics to relate to hospital services (COFOG 07.3).

5.29.5. Availability and use of data sources

Subsector	Provisional Year n-1		Final Year n-2 or n-3	
	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	A1/U	A1/U
Local Government				
Municipalities	A2/E	A2/E	A2/U	A2/U
Localities	A2/E	A2/E	A2/U	A2/U
Local government bodies	A3/U	A3/U	A3/U	A3/U
Other	(A3/E)/U	(A3/E)/U	A3/U	A3/U

The coding used in the table is described in section 5.1.2.

5.29.6. Individual and collective final consumption expenditure

No problems reported.

5.29.7. Consumption of fixed capital expenditure

Method 2 is used.

5.29.8. Methodological soundness

Full consolidation is carried out on subsector data in all relevant ESA transaction areas.

There is a problem with the use made of local government data allocated to division 01 general public services for P.2 intermediate consumption. The figures are negative for some time periods. This seems to be because local authorities assign many overheads, such as payroll taxes, to the 01 general public services heading.

5.29.9. One-off transactions

None.

5.29.10. Multi-purpose functions

For central government a small number of expenditure programmes are split between two COFOG sub-divisions, but in general all programmes can be satisfactorily allocated to the COFOG sub-division relating to their predominant function.

For local government, we adhere to the top 10 divisional categories and below there are functional categories but they do not normally meet the COFOG classification as they are designed for other purposes.

5.29.11. Other comments

None.

5.30. Iceland

5.30.1. Institutional arrangements

Statistics Iceland compiles the COFOG statistics.

The general government sector in Iceland consists of central government, local government and the social security fund.

The Icelandic Financial Management Authority collects information from central government and social security fund authorities. Information on local government is primarily derived from the local authorities' reporting unit, which collects and processes very detailed financial data from all local authorities. The National Accounts division translates each activity to a suitable COFOG function.

Statistics Iceland has cooperation with some of the main users of the statistics, primarily the Ministry of Finance, The Financial Management Authority and Association of Municipalities, concerning classification of functions and more detailed supplementary information.

5.30.2. Publication of data on a national level

COFOG 1st and 2nd level data are published annually on Statistics Iceland website.

5.30.3. Revisions policy

Statistics Iceland publishes the annual Government Finance Statistics in September each year. In December, the tables for the ESA transmission programme, including the COFOG table 1100, are sent to Eurostat according with ESA 2010 Transmission Programme. Occasionally a benchmark revision of the national accounting system is undertaken and the whole time series is subject to revision. This last general revision took place in 2018 and affected the COFOG figures.

The next benchmark revision is scheduled in 2020. However, outside the benchmark revision exercise, the revision policy for COFOG statistics is limited to auditing standards.

5.30.4. National functional classification and compilation methodology

In the national accounts, the central government subsector is mainly based on accounting information from the Budgetary Central Government Annual Account (the State Account). The State Account gives relatively detailed data on the overall incomes and expenditure, as well as key figures for every institution included in the central government account. In the A-part of the account, data is available on both public and quasi-public institutions such as schools and hospitals. The Icelandic Financial Management provides Statistics Iceland with annual data in May-June each year, and quarterly data is provided in February, May, August and November each year. Quarterly data are not as detailed as annual data.

The data on the social security subsector is based on accounting information from the State Account and annual reports from social security institutes such as the Social Insurance Administration, Directorate of Labour and the Icelandic Health Insurance. Like the central government data, the Icelandic Financial Management provides Statistics Iceland with annual data in May-June each year and quarterly data is provided in February, May, August and November each year. Quarterly data are not as detailed as annual data.

The information on the local government subsector is primarily derived from the Local Authorities' Reporting Unit, which is an information unit established in co-operation between the Association of Local Authorities, Statistics Iceland and the Ministry of Transport and Local Government. Local

Authorities submit data from the previous year's annual accounts from early May to late June. Quarterly figures, mainly from the income statement, are also submitted by the reporting unit at the latest 50 days after the end of the quarter.

The Communal Equalization Fund is recorded as a part of the local government sector. Its main purpose is to equalize the different economic conditions of local authorities. The Fund receives a contribution from the central government amounting to 2.1% of total tax revenue as well as direct contributions from central and local governments. These incomes are then redistributed to local governments following definite criteria in order to equalize the economic performance.

5.30.5. Availability and use of data sources

Subsector	Provisional Year n-1		Final Year n-2 or n-3	
	1 st level	2 nd level	1 st level	2 nd level
Central Government				
“The State”		NA		
Central government bodies		A3	FINAL	
Other		NA		
State Government				
State Government main unit		NA		
State government bodies		NA		
Other		NA		
Local Government				
Municipalities		A3	FINAL	
Localities		NA		
Local government bodies		NA		
Other		NA		
Social Security Funds				
Social Security main unit		A1	FINAL	
Social security bodies		A1	FINAL	
Other		NA		

The coding used in the table is described in section 5.1.2.

5.30.6. Individual and collective final consumption expenditure

The split between individual and collective final consumption expenditure is easy to calculate from the COFOG data which are derived from administrative accounting data. Individual consumption expenditure is the main part of COFOG expenditure classified to health, education and social protection, excluding R&D and other expenditure not elsewhere classified.

5.30.7. Consumption of fixed capital expenditure

Method 2, the “straight line” method is used to calculate consumption of fixed capital expenditure, where the value of capital stock is written off at a constant rate over the lifetime of the asset.

5.30.8. Methodological soundness

The Eurostat method is used for consolidation.

By law on Public Finance in 2016, Statistics Iceland, The Icelandic Financial Management and Ministry of Finance work together to coordinate COFOG classification, and Statistics Iceland is leading that work. Since the law was enacted there have been some initial difficulties and data has been received later than usual. Statistics Iceland and the Ministry of Finance are establishing a Memorandum of Understanding for reporting of GFS source data and metadata including a split of responsibility and deadlines.

Statistics Iceland is now undergoing improvements to its data sources which will improve data processing.

5.30.9. One-off transactions

Large one-off transactions affecting COFOG time series are the following:

A contribution to the Government Employees Pension Fund of ISK 105.1 billion is included in 2016 as capital transfer (D.9). This transfer had an effect in COFOG group 10.2 old age.

A one-off capital transfer of ISK 32.0 billion from local government to Brú Pension Fund in 2017. This transfer had an effect in COFOG group 01.6 general public services n.e.c.

The transfer of Hvalfjörður road tunnel in 2018 from Spölur ehf to the state. The transfer of the tunnel was in accordance with the original concession contract from 1995 which stipulated that the state would acquire the asset, together with the associated structures, free of charge at the end of the contract period. As from the 4th quarter of 2018 the asset is recorded on the government's balance sheet through GFCF based on a preliminary valuation and matched by capital transfer revenue, with no impact on government net lending/borrowing. The impact on total GFCF is also neutral as the increase in public investment is matched with a corresponding decrease in business sector investment. This transfer will have an effect in COFOG group 04.5 transport.

5.30.10. 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 Iceland tries to divide the expenditure and allocate it to those functions. If that is not possible, the item is assigned to the dominant function.

5.30.11. Other comments

Statistics Iceland is undergoing improvements in sector accounts which will improve and affect the COFOG classification. The next benchmark revision is scheduled in 2020.

5.31. Norway

5.31.1. Institutional arrangements

The COFOG statistics are produced by the Division for Public Finances at Statistics Norway. No other institutions participate directly in the compilation of COFOG-statistics.

In Norway the general government sector consists of the central and local government subsectors.

Central government consists of the core budgetary units (ministries, directorates, etc.) including the National Insurance Scheme, public hospitals, the Government Pension Fund, extra-budgetary units such as universities and research institutes, non-market corporations and self-governing institutions controlled by central government.

Local government consists of municipalities, county authorities, municipal companies (KF/FKF), inter-municipal companies (IKS), joint parish councils, non-market corporations and self-governing institutions controlled by local government.

5.31.2. Publication of data on a national level

Annual COFOG 1st and 2nd level data for general government and both subsectors are published by Statistics Norway: www.ssb.no/en/offinnut.

5.31.3. Revisions policy

Provisional COFOG 1st and 2nd level expenditure data for general government and both subsectors are published for the year *n* in June of year *n*+1. Data are updated in September year *n*+1 and are finalised in September year *n*+2.

The COFOG figures are published in current prices only.

The data are transmitted to Eurostat each year according to the ESA 2010 transmission programme.

5.31.4. National functional classification and compilation methodology

Central government

The budgetary sector account is classified into chapters (each government unit has one chapter or a set of dedicated chapters) and type of expenditure. The chapters are the basis of the COFOG allocation, and each chapter is linked to the appropriate COFOG function. The general rule is that the chapters are not split into several functions as each one is allocated to the predominant function. There are some notable exceptions:

- Social security contributions on behalf of government employees are allocated to the relevant functions.
- R&D subsidies related to non-wastable tax credits are COFOG allocated based on the industry in which the recipients are engaged.

In the accounts of public hospitals, expenditure is reported according to activities/functions. There are 12 activities/functions and each one is linked to the predominant COFOG function using a bridge table.

Extra-budgetary units, non-market corporations and self-governing institutions do not report data according to a functional classification. Each unit is therefore linked to an appropriate COFOG

function, with the exception of D.62 expenditure (social benefits), which are split between the relevant COFOG groups.

Local government

Statistics Norway collects accounts from all municipalities, county authorities, joint parish councils, and a large number of other local government units through the Municipality State Reporting System: www.ssb.no/en/offentlig-sektor/kostra. These accounts all have a classification of expenditure according to both type and function. There are approximately 150 functions in the local government chart of accounts, each one representing an activity or purpose of government. The functions are converted into COFOG using a bridge table.

Non-market corporations and self-governing institutions do not report data according to a functional classification. Each unit is therefore linked to an appropriate COFOG function.

5.31.5. Availability and use of data sources

Sub-sector	Provisional Year n-1		Final Year n-2 or n-3	
	1 st level	2 nd level	1 st level	2 nd level
Central Government				
Budgetary units incl. National Insurance Scheme	A2/U	A2/U	A2/U	A2/U
Public hospitals	A1/U	A1/U	A1/U	A1/U
Extra-budgetary units	A3/U	A3/U	A3/U	A3/U
Non-market corporations and self-governing inst.	A3/E/U	A3/E/U	A3/E/U	A3/E/U
Local Government				
Municipalities and county authorities	A1/U	A1/U	A1/U	A1/U
Municipal companies/ inter-municipal companies	A1/U	A1/U	A1/U	A1/U
Joint parish councils	A1/U	A1/U	A1/U	A1/U
Non-market corporations and self-governing inst.	A3/E/U	A3/E/U	A3/E/U	A3/E/U

The coding used in the table is described in section 5.1.2.

5.31.6. Individual and collective final consumption expenditure

The calculation of individual and collective final consumption is done based on COFOG 2nd level.

P.51c on R&D assets created on own account are mainly recorded in the group of use.

5.31.7. Consumption of fixed capital expenditure

Method 2 is used.

5.31.8. Methodological soundness

The COFOG figures are broadly in line with ESSPROS. Differences exist regarding the classification of vocational training benefits and services. In addition, the delineation between the COFOG groups 07.3 (hospital services), 10.1 (sickness and disability) and 10.2 (old age) are different. Finally, the splitting up of government consumption into individual and collective consumption is done at a more detailed level in ESSPROS compared to the general COFOG statistics, resulting in some discrepancies.

The COFOG figures are not fully consistent with ISCED 2011.

Only D.7 (current transfers) is consolidated between the subsectors of general government. D.4 (property income) is not consolidated, but the amounts that are not consolidated are assumed to be

small. For D.9 (capital transfers), no transfers are recorded between the subsectors.

Some small negative values have been observed. This is mainly due to reimbursements exceeding expenditure for a given COFOG function, and is caused by inaccurate time of recording due to cash principle being used by budgetary units. For years prior to 2013, the recording of D.632 in collective COFOG groups causes some implicit negative values.

5.31.9. One-off transactions

None reported.

5.31.10. Multi-purpose functions

Expenditure in universities and university colleges: these are split between group 09.4 (tertiary education) and R&D functions based on data collected and published by The Nordic Institute for Studies in Innovation, Research and Education (www.nifu.no/en/statistics-indicators).

Expenditure related to kindergartens is assigned for the total amount to COFOG group 10.4 (family and children). No split between this group and 09.1 (pre-primary and primary education) is made.

Expenditure on primary and lower secondary schools should be divided into groups 09.1 and 09.2. Statistics Norway is lacking the data to do so, and have therefore classified all expenditure in group 09.01 (pre-primary and primary education).

Expenditure related to home-based care for elderly and disabled persons is assigned for its total amount to COFOG group 10.1 (sickness and disability). The split between this group and group 10.2 (old age), is not possible.

5.31.11. Other comments

Sales of land (NP.1) are mainly recorded in the groups in which the land was previously used (e.g. military land 02.1, road-rail construction land 04.5, former church land 08.4).

5.32. Switzerland

5.32.1. Institutional arrangements

Swiss COFOG statistics are compiled by the Financial Statistics Division at the Federal Finance Administration (FFA) in accordance with the Swiss Federal Statistical Office (SFSO, National Accounts Division). There are no other institutions involved in the collection and compilation process.

5.32.2. Publication of data on a national level

ESA table 1100 is transmitted together with tables 0200 and 0900 to Eurostat at t+9 months (September).

The [COFOG data](#) are published annually by the SFSO and can be found on its website (www.bfs.admin.ch).

5.32.3. Revisions policy

The revision policy for Swiss GFS statistics is in line with the annual national accounts revision schedule:

Ongoing revisions:

Provisional figures on the previous year and revised data on the two preceding years are published at the end of August / beginning of September.

Comprehensive revisions:

In addition to the ongoing revisions, there are also comprehensive revisions due to methodological changes (as e.g. changes to the reference works for financial statistics such as the GFS, ESA or SNA and basic data changes). The full time series are always revised in these cases. Comprehensive revisions of National Accounts data are in general revised in accordance with Eurostat's revision schedule. The next revision is planned for 2020.

5.32.4. National functional classification and compilation methodology

The Federal Finance Administration (FFA) collects data from public units based on national accounting standards (coded by nature and function). The FFA uses bridge tables to map the national classification to ESA 2010 and COFOG. These bridge tables were developed jointly by FFA and SFSO.

The financial statistics data is recorded, processed and evaluated in accordance with national (FS model) and the international (GFS model and ESA model) standards. The FS model is based on the Harmonised Accounting Model of 2008 for the Cantons and Municipalities (HAM2).

The HAM2 takes account of international standards (e.g. COFOG as implemented by Eurostat, IMF and OECD), as well as Switzerland's specific federal circumstances. The previous classification of task areas, based on the 1981 handbook on accounting for government units (HAM1), deviated only slightly.

5.32.5. Availability and use of data sources

Subsector	Provisional Year n-1		Final Year n-2 or n-3	
	1 st level	2 nd level	1 st level	2 nd level
Central Government				
Central government, Budgetary	A1/U	A1/U	A1/U	A1/U
Central government, Extra budgetary	A2/U	A2/U	A2/U	A2/U
Other	-	-	-	-
State Government				
State government, Budgetary	A1/U	A1/U	A1/U	A1/U
State government, Extra budgetary	A2/U	A2/U	A2/U	A2/U
Other	-	-	-	-
Local Government				
Local government, Budgetary	A1/U	A1/U	A1/U	A1/U
Local government, Extra budgetary	A2/U	A2/U	A2/U	A2/U
Other	-	-	-	-
Social Security Funds				
Social Security units	A2/U	A2/U	A2/U	A2/U
Other	-	-	-	-

The coding used in the table is described in section 5.1.2.

5.32.6. Individual and collective final consumption expenditure

The breakdown of final consumption expenditure (P.3) between individual (P.31) and collective (P.32) consumption expenditure is made in line with the guidance in this manual.

Consumption of fixed capital (P.51c) on R&D assets created on own account are recorded in the group of purpose.

5.32.7. Consumption of fixed capital expenditure

In the past method 6 has been used, where the consumption of fixed capital (P.51c) is assigned to the functions of each subsector by applying the structure of P.51g.

Consumption of fixed capital (P.51c) for two categories of fixed assets were directly assigned to a function (P.51c for military weapon systems (COFOG 02.1) and P.51c for R&D (COFOG 01.4)). The remaining share of P.51c was allocated in a first estimate to other general services (01.33).

Within the scope of the next revision, Switzerland plans to use more in depth information from the source data to achieve a more detailed and precise allocation of the P.51c to each function.

5.32.8. Methodological soundness

Eurostat's consolidation rules are applied as required by ESA 2010, apart from D.4, property income. Due to a lack of counterpart information, D.4 cannot be consolidated although the amounts involved are probably negligible.

Due to the considerable workload involved in the compilation and harmonisation of the data within the federal structure of government, there is generally a time lag of some 20 months before publication of the final data for each fiscal year. However, data based projections are used to provide up-to-date statements and forecasts for the general government sector and subsectors, i.e., the Confederation, Cantons, municipalities and social security funds.

5.32.9. One-off transactions

One-off transactions affecting COFOG time series are listed in the following table.

Period	Transaction	Description	COFOG code	Subsectors involved
2007	D.99	In year 2007, the central government decided to transfer CHF 7 billion resulting from the proceeds from the sale of 1 300 tonnes of gold to the Swiss Federal Social Security Fund and Survivors Insurance in order to cover losses accumulated over several years.	10.2	S.1311 S.1314
2008	D.99	Capital transfer of central government amounting to CHF 954 million to its pension fund (PUBLICA) to compensate for the additional cover required by reducing the technical interest rate on old age, disability and survivors' pensions. On July 1, 2008, the Federal Pension Fund PUBLICA commences its activities as a collective institution. At the same time, the switch from defined benefit to defined contribution scheme takes place. ⁷⁵	01.33	S.1311 S.129
2011	D.99	Capital transfer of central government amounting to CHF 1 148 million to the pension fund of Swiss Federal Railways (SBB) to reduce the underfunding of their pension fund. The Swiss Federal Pension Fund SBB was financed by the central government on January 1, 1999 to cover 100%.	01.33	S.1311 S.11

5.32.10. Multi-purpose functions

If it is known that an expenditure item is composed of expenditure from more than a function, FFA allocates the expenditure, as far as possible, to the appropriate function. Where this is not possible the expenditure is allocated to the dominant function. The same procedure is applied on the revenue side.

5.32.11. Other comments

The introduction of new accounting systems can lead to breaks in the related time series. In 2007 the Confederation introduced the New Accounting Model (NAM), which is based on the International Public Sector Accounting Standards (IPSAS). The canton of Zurich changed its accounting system to IPSAS in 2009. This transition process to the new Harmonised Accounting Model for the Swiss cantons and municipalities (HAM2) is still ongoing. HAM2 has been harmonised with the federal government accounting model and meets the requirement of financial statistics. However, FFA eliminates breaks in the series that are politically motivated wherever possible.

2008 is special for the Confederation's financial statements primarily because of the introduction of a new system of fiscal equalisation and the division of tasks between the Confederation and the cantons (NFE). Consequently, there can be significant series breaks in 2008 in the affected areas (e.g. responsibility for motorways was transferred from the cantons to the Confederation).

Sales of non-produced assets (NP) are recorded in line with the selling entity.

⁷⁵ Various capital transfers to underfunded pension funds do exist also at the level of cantons and municipalities.

Appendix: COFOG 1999 with comments

Overview

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 (UNSD). It can be applied to government expense and the net acquisition of non-financial assets (outlays). 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, and thus whether individual and collective final consumption expenditure should be recorded in respective functions. This is in line with provisions in ESA 2010 para. 3.104-3.107.

The description of the COFOG classification as published by the UNSD is reproduced in this appendix. To this description, COFOG TF has added comments on the ESA transaction to be used.

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

Comment: In division 01, no amounts for D.62, D.632, P.31 and D.8 are expected.

01.1 EXECUTIVE AND LEGISLATIVE ORGANS, FINANCIAL AND FISCAL AFFAIRS, EXTERNAL AFFAIRS

Comment: In group 01.1, VAT- and GNI-related EU own resources (D.76) should be recorded in their entirety. No amounts are expected for D.41 and D.3.

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

Comment: In group 01.2, normally no consolidating amounts and no expenditure at subcentral level is expected. No amounts are expected for D.41 and D.3.

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

Comment: No amounts are expected for D.41 and D.3.

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)

Comment: No amounts are expected for D.41.

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

Comment: No amounts are expected for D.41.

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.

Comment: No amounts are expected for D.41 and D.3.

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

Comment: This group should contain all interest, payable (D.41) of general government as well as all FISIM-related P.2 (including FISIM on deposits). Thus, only transactions D.4, P.2, TE and P.32/P.3 are expected to be observed. Furthermore, FISIM should be considered to be solely on non-market output so that P.2 is expected to equal P.32 in this group.

The rationale for also including FISIM on deposits in group 01.7 has both conceptual and practical reasons.

As regards conceptual reasons, it can be argued that managing public debt is closely associated with managing public deposits. As regards practical reasons, the inclusion of FISIM on deposits enables a cross-country comparison between countries where the COFOG allocation of expenditure is made before the intermediated consumption related FISIM on deposits is allocated, and between countries using P.2 including total FISIM allocation.

It could be argued from a conceptual point of view that direct service charges in managing government debt (ESA 2010 para. 3.68-3.73) should be treated in the same manner as FISIM on loans. For countries where the holding of assets and management of debt is highly centralised, this could be a good conceptual option. However, in many cases, lack of detailed data is likely to prevent such an allocation and was not considered practical.

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

Comment: In this group, at the level of subsectors of general government, only transactions in D.4N, D.7 (D.73 and D.75) and D.9 and thus TE are expected.

At the level of general government, all amounts should consolidate, implying that total expenditure of general government in this group should equal zero.

For consolidating transfers in D.7 and D.9, to which a function cannot be assigned, this group should be used in priority.

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

Comment: In division 02, no amounts for D.3 (other than R&D), D.62, D.632, P.31, D.41 and D.8 are expected.

02.1 MILITARY DEFENCE

Comment: In group 02.1, amounts for D.3 are unlikely to occur. No expenditure at subcentral level or consolidating amounts are normally expected in this group. Subsidies for the defence industry should be recorded under group 04.4.

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 DEFENCE

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

Comment: In group 02.3, no consolidating amounts and expenditure at subcentral level of government is expected.

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 DEFENCE

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 DEFENCE 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

Comment: In division 03, no amounts for D.62, D.632, P.31, D.41 and D.8 are expected.

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 firefighting affairs and services; operation of regular and auxiliary fire brigades and of other fire prevention and firefighting services maintained by public authorities; operation or support of fire prevention and firefighting 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

Comment: In division 04, no amounts for D.62, D.632, P.31, D.41 and D.8 are expected. An allocation of D.3 amounts is expected.

04.1 GENERAL ECONOMIC, COMMERCIAL, AND LABOUR 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

Comment: In division 05, no amounts for D.62, D.632, P.31, D.41 and D.8 are expected.

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

Comment: In division 06, no amounts for D.62, D.632, P.31, D.41 and D.8 are expected.

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

Comment: In division 07, no amounts for D.41 and D.8 are expected.

Government outlays on health include expenditure 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); expenditure 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 expenditure and are classified to groups (07.1) through (07.4) as appropriate.

07.1 MEDICAL PRODUCTS, APPLIANCES, AND EQUIPMENT

Comment: In this group no amounts for P.32 are expected. In this group amounts recorded in P.31 must be equal to or exceed the amounts recorded for D.632, the difference being D.631.

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

Comment: In this group no amounts for P.32 are expected. In this group amounts recorded in P.31 must be equal to or exceed the amounts recorded for D.632, the difference being D.631.

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

Comment: In this group no amounts for P.32 are expected. In this group amounts recorded in P.31 must be equal to or exceed the amounts recorded for D.632, the difference being D.631.

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), and 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

Comment: In this group no amounts for P.32 are expected. In this group amounts recorded in P.31 must be equal to or exceed the amounts recorded for D.632, the difference being D.631.

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

Comment: In R&D groups, no amounts for D.62, D.632 and P.31 are expected.

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.

Comment: In this group no amounts for D.632 and P.31 are expected.

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

Comment: In division 08, no amounts for D.41 or D.8 are expected. P.53 amounts could be concentrated in this division.

Government outlays on recreation, culture, and religion include expenditure on services provided to **individual** persons and households and expenditure on services provided on a **collective** basis. Individual expenditure are allocated to groups (08.1) and (08.2); expenditure 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

Comment: In this group no amounts for P.32 are expected. In this group amounts recorded in P.31 must be equal to or exceed the amounts recorded for D.632, the difference being D.631.

08.10 RECREATIONAL AND SPORTING SERVICES (IS)

Provision of sporting and recreational services; administration of sporting and recreational affairs; supervision and regulation of sporting facilities; operation or support of facilities for active sporting pursuits or events (playing fields, tennis courts, squash courts, running tracks, golf courses, boxing rings, skating rinks, gymnasia, etc.); operation or support of facilities for passive sporting pursuits or events (chiefly specially equipped venues for playing cards, board games, etc.); operation or support of facilities for recreational pursuits (parks, beaches, camping grounds and associated lodging places furnished on a non-commercial basis, swimming pools, public baths for washing, etc.); grants, loans or subsidies to support teams or individual competitors or players.

Includes: facilities for spectator accommodation; national, regional or local team representation in sporting events.

Excludes: zoological or botanical gardens, aquaria, arboreta and similar institutions (08.20); sporting and recreational facilities associated with educational institutions (classified to the appropriate class of Division 09.).

08.2 CULTURAL SERVICES

Comment: In this group no amounts for P.32 are expected. In this group amounts recorded in P.31 must be equal to or exceed the amounts recorded for D.632, the difference being D.631.

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

Comment: In this group no amounts for D.632 and P.31 are expected.

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

Comment: In this group no amounts for D.632 and P.31 are expected.

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

Comment: In R&D groups, no amounts for D.62, D.632 and P.31 are expected.

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.

Comment: In this group no amounts for D.632 and P.31 are expected.

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

Comment: In division 09, no amounts for D.41 or D.8 are expected.

Government outlays on education include expenditure on services provided to **individual** pupils and students and expenditure on services provided on a **collective** basis. Expenditures on individual services are allocated to groups (09.1) through (09.6); expenditure 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 expenditure 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

Comment: In this group no amounts for P.32 are expected. In this group amounts recorded in P.31 must be equal to or exceed the amounts recorded for D.632, the difference being D.631.

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

Comment: In this group no amounts for P.32 are expected. In this group amounts recorded in P.31 must be equal to or exceed the amounts recorded for D.632, the difference being D.631.

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

Comment: In this group no amounts for P.32 are expected. In this group amounts recorded in P.31 must be equal to or exceed the amounts recorded for D.632, the difference being D.631.

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

Comment: In this group no amounts for P.32 are expected. In this group amounts recorded in P.31 must be equal to or exceed the amounts recorded for D.632, the difference being D.631.

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

Comment: In this group no amounts for P.32 are expected. In this group amounts recorded in P.31 must be equal to or exceed the amounts recorded for D.632, the difference being D.631.

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

Comment: In this group no amounts for P.32 are expected. In this group amounts recorded in P.31 must be equal to or exceed the amounts recorded for D.632, the difference being D.631.

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

Comment: In R&D groups, no amounts for D.62, D.632 and P.31 are expected.

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.

Comment: In this group no amounts for D.632 and P.31 are expected.

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

Comment: In division 10, no amounts for D.3 and D.41 are expected. D.62 amounts are expected to be concentrated in division 10. D.1 and P.2 are expected to be small in comparison with D.62 and D.632 in division 10.

Government outlays on social protection include expenditure on services and transfers provided to **individual** persons and households and expenditure on services provided on a **collective** basis. Expenditures on individual services and transfers are allocated to groups (10.1) through (10.7); expenditure 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

Comment: In this group no amounts for P.32 or D.8 are expected. In this group amounts recorded in P.31 must be equal to or exceed the amounts recorded for D.632, the difference being D.631.

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

Comment: Any D.8 amounts should be recorded in this group and / or 10.3 - survivors. In this group no amounts for P.32 are expected. In this group amounts recorded in P.31 must be equal to or exceed the amounts recorded for D.632, the difference being D.631.

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

Comment: In this group no amounts for P.32 are expected. D.8 amounts may be recorded in this group and/or in 10.2 – old age. In this group amounts recorded in P.31 must be equal to or exceed the amounts recorded for D.632, the difference being D.631.

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

Comment: In this group no amounts for P.32 or D.8 are expected. In this group amounts recorded in P.31 must be equal to or exceed the amounts recorded for D.632, the difference being D.631.

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

Comment: This group contains transactions with households as counterpart, implying that no subsidies on payroll or workforce (ESA2010 para. 4.37a) are to be recorded here. In this group no amounts for P.32 or D.8 are expected. In this group amounts recorded in P.31 must be equal to or exceed the amounts recorded for D.632, the difference being D.631.

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

Comment: In this group no amounts for P.32 or D.8 are expected. In this group amounts recorded in P.31 must be equal to or exceed the amounts recorded for D.632, the difference being D.631.

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.

Comment: In this group no amounts for P.32 or D.8 are expected. In this group amounts recorded in P.31 must be equal to or exceed the amounts recorded for D.632, the difference being D.631.

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

Comment: In R&D groups, no amounts for D.62, D.632, D.8 and P.31 are expected.

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.

Comment: In this group no amounts for D.62, D.632, D.8 and P.31 are expected.

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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Manual on sources and methods for the compilation of COFOG statistics

This manual has been developed and agreed by the Task Force on COFOG in response to an increasing interest in high quality, comparable statistics on government expenditure broken down by purpose, according to the Classification of the Functions of Government (COFOG). It is its third edition. The manual covers user requirements, the analytical framework, methodological guidance, links with other international statistics, and countries' compilation practices. In comparison to previous editions, the manual was completely updated, most importantly to reflect the ESA 2010 (European System of Accounts) framework. Further guidance is given by the addition general guidance on the recording of consumption of fixed capital on own-account research and development (R&D) and correspondences among the COFOG classification and economic transactions used in the ESA 2010 framework as well as of sixteen new case studies.

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