

A guide to educational expenditure statistics



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Preface

All European countries are nowadays knowledge based economies and information societies. Therefore, human capital is becoming a more and more important asset for the present and future success and prosperity of countries. This necessity has been already recognised by the governments and has led to the strategic goal for Europe set by the Lisbon European Council in March 2000 to become by 2010 "the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion".

The key role of education that is still in majority financed by public funds and the need to spend the scarce resources efficiently have led to a considerable demand in good financial indicators and performant educational expenditure statistics.

Educational expenditure statistics being a very complex subject the guide to educational expenditure statistics has been created to satisfy the growing demand on qualified information concerning educational expenditure statistics. It shall be used as background document to better understand what are the scope, concepts and definitions of educational expenditure statistics. Its content is fully compatible with the sections on educational expenditure of the UOE data collection manual.

This guide does not explain what kind of indicators exists in educational expenditure statistics, nor does it provide metadata that is information on the financing of the education system.

The guide is limited to general and vocational education as it is defined in the data collection on education statistics that is administered jointly by the United Nations Educational, Scientific, and Cultural Organisation Institute for Statistics (UNESCO / UIS), the Organisation for Economic Cooperation and Development (OECD), and the Statistical Office of the European Union (EUROSTAT). Its content takes into account the latest changes of UOE financial tables introduced during the 2005 revision of the UOE data collection.

The guide is addressed to experts familiar with education statistics making in depth analysis of financial data collected in the UOE data collection.

Table of contents

1- INTRODUCTION.....	5
2- WHAT IS UOE DATA COLLECTION?	6
2.1- OBJECTIVE OF THE UOE DATA COLLECTION	6
2.2- DATA COLLECTION INSTRUMENTS	6
2.3- ALIGNMENT OF THE DATA ON STUDENTS ENROLLED AND EDUCATIONAL FINANCE	7
2.4- DATA DISSEMINATION	7
3- CONCEPTS, DEFINITIONS AND CLASSIFICATIONS.....	8
3.1- LEVELS OF EDUCATION (ISCED CLASSIFICATION).....	8
3.2- PROGRAMME ORIENTATION	9
3.3- EDUCATIONAL INSTITUTIONS	10
3.3.1- <i>Basic definition of educational institutions.....</i>	<i>10</i>
3.3.2- <i>Instructional and non-instructional educational institutions</i>	<i>10</i>
3.3.3- <i>Classifying between public and private educational institutions.....</i>	<i>11</i>
4- COVERAGE OF THE FINANCE DATA COLLECTION	14
4.1- ACCOUNTING PRINCIPLES	14
4.2- THE FRAMEWORK FOR EDUCATIONAL EXPENDITURE	14
4.3- SCOPE OF UOE FINANCE TABLES	16
5- DIFFICULT CASES	18
5.1- EXPENDITURE ON RETIREMENT	18
5.2- RESEARCH AND DEVELOPMENT (R&D).....	19
5.3- EXPENDITURE FOR TEACHING HOSPITALS	19
5.4- ANCILLARY SERVICES	20
5.5- DAY AND EVENING CHILD CARE	21
5.6- EDUCATIONAL EXPENDITURE OF THE WORK BASED COMPONENT OF EDUCATIONAL PROGRAMMES	21
5.7- STUDENTS AND HOUSEHOLDS EXPENDITURE ON EDUCATIONAL SERVICES AND GOODS PURCHASED OUTSIDE EDUCATIONAL INSTITUTIONS.....	22
5.8- STUDENT LIVING COSTS	22
6- SOURCES AND TRANSFERS OF FUNDS: THE EXPENDITURE CATEGORIES OF TABLE FINANCE 1	24
6.1- THE STRUCTURE OF TABLE FINANCE 1	24
6.2- GOVERNMENT (PUBLIC) SOURCES	25
6.2.1- <i>Classification of levels of government.....</i>	<i>25</i>
6.2.2- <i>Direct expenditure on educational institutions (rows C1 to C5, R1 to R5 and L1 to L5)</i>	<i>26</i>
6.2.3- <i>Direct expenditure designated for capital (rows C5a, R5a and L5a).....</i>	<i>27</i>
6.2.4- <i>Direct expenditure designated for ancillary services</i>	<i>27</i>
6.2.5- <i>Direct expenditure for R&D activities.....</i>	<i>27</i>
6.2.6- <i>Intergovernmental transfers (rows C7, C8, C9 and R8).....</i>	<i>27</i>
6.2.7- <i>Transfers and payments for education to private entities (rows C10 to C14, R10 to R14 and L10 to L14)</i>	<i>28</i>
6.2.8- <i>Total expenditure by level of government (rows C20, R20, and L20).....</i>	<i>33</i>
6.2.9- <i>Consolidated educational expenditure by the public sector (all levels of government combined; rows G1 to G20).....</i>	<i>33</i>
6.2.10- <i>Funds from international agencies and other foreign sources (rows F1 to F20)</i>	<i>34</i>
6.3- PRIVATE SOURCES	36
6.3.1- <i>Definition of private sources.....</i>	<i>36</i>
6.3.2- <i>Household expenditure</i>	<i>36</i>
6.3.3- <i>Expenditure of other private entities</i>	<i>39</i>
6.3.4- <i>Total private expenditure (rows P1 to P20).....</i>	<i>41</i>
6.4- TOTAL EDUCATIONAL EXPENDITURE FROM ALL SOURCES (ROWS N1 TO N20).....	42

7-	TABLE FINANCE 2: EDUCATIONAL EXPENDITURE BY NATURE, RESOURCE CATEGORY, AND LEVEL OF EDUCATION.....	43
7.1-	THE STRUCTURE OF TABLE FINANCE-2.....	43
7.2-	EXPENDITURE BY TYPE OF INSTITUTION: PUBLIC AND PRIVATE INSTITUTIONS	43
7.3-	EXPENDITURE BY RESOURCE CATEGORY	44
7.3.1-	<i>Current expenditure</i>	44
7.3.2-	<i>Capital expenditure</i>	46
7.3.3-	<i>Adjustments for changes in fund balances</i>	47
7.3.4-	<i>Expenditure on ancillary services</i>	47
7.3.5-	<i>Expenditure on R&D activities</i>	47
7.3.6-	<i>Total current and capital expenditure</i>	48
8-	INSTRUCTIONS FOR SUPPLEMENTAL TABLE ON DEBT SERVICE (TABLE FINANCESUP-2)49	
8.1-	DEFINITIONS OF EDUCATION DEBT AND DEBT SERVICE EXPENDITURE	49
8.2-	BORROWERS AND LENDERS	50
8.3-	DISAGGREGATION BY LEVEL OF EDUCATION	50
8.4-	DISAGGREGATION BY PAYER	50
9-	INSTRUCTIONS FOR SUPPLEMENTAL TABLE ON EXPENDITURE FOR RESEARCH AND DEVELOPMENT OF TABLE FINANCESUP-3.....	52
9.1-	DEFINITION OF EXPENDITURE ON RESEARCH AND DEVELOPMENT.....	52
9.2-	COVERAGE OF RESEARCH EXPENDITURE	52
9.3-	SEPARATION OF EXPENDITURE ON R&D	53
9.4-	RELATIONSHIP TO THE R&D STATISTICS.....	53
9.5-	EXPENDITURE ON SEPARATELY FUNDED OR SEPARATELY BUDGETED RESEARCH.....	54
10-	CONCLUDING REMARKS.....	55
	ANNEX 1: EXCERPT FROM THE FRASCATI MANUAL.....	56
3.	INSTITUTIONAL CLASSIFICATION.....	56
3.7	HIGHER EDUCATION SECTOR	56
3.7.1	<i>Coverage</i>	56
6.	MEASUREMENT OF EXPENDITURES DEVOTED TO R&D.....	58
	INTRODUCTION	58
	INTRAMURAL EXPENDITURES	59
6.1.1	<i>Definition</i>	59
6.1.2	<i>Current expenditures</i>	59
6.1.3	<i>Capital expenditures</i>	62
	SOURCES OF FUNDS	63
6.1.4	<i>Methods of measurement</i>	63
6.1.5	<i>Criteria for identifying flows of R&D funds</i>	64
6.1.6	<i>Identifying the sources of flows of R&D funds</i>	65
	EXTRAMURAL EXPENDITURES	67
	NATIONAL TOTALS	68
6.1.7	<i>Gross domestic expenditure on R&D (GERD)</i>	68
6.1.8	<i>Gross national expenditure on R&D (GNERD)</i>	68
ANNEX 2.	EXCERPT FROM SYSTEM OF NATIONAL ACCOUNTS 1993.....	69
ANNEX 3.	GUIDELINES FOR PRACTICAL IMPLEMENTATION OF IMPUTED SOCIAL CONTRIBUTIONS.....	70
1.	OVERVIEW:.....	70
2.	ESA AND SNA PRINCIPLES:	70
3.	METHODS CURRENTLY USED IN OLD MEMBER STATES OF THE EUROPEAN UNION	72
ANNEX 4:	SCHEMATIC REPRESENTATION OF TABLES FINANCE-1 AND FINANCE-2.....	77
ANNEX 5:	TABLES OF UOE FINANCE QUESTIONNAIRE.....	81

1- Introduction

The data collection on education statistics is administered jointly by the United Nations Educational, Scientific, and Cultural Organisation Institute for Statistics (UNESCO / UIS), the Organisation for Economic Cooperation and Development (OECD), and the Statistical Office of the European Union (EUROSTAT). In the following it is referred to as UOE data collection. The present guide is limited to educational expenditure statistics. Complementary information will be given on non-monetary education statistics where necessary.

First of all, the guide briefly explains what the UOE data collection is. Then the theoretical framework describing the scope of the finance data collection is presented. Concepts, definitions and classifications are introduced before focussing on some difficult cases that may create comparability problems across countries. Finally, before some concluding remarks as kind of outlook, the main part of the user guide deals with the finance questionnaires used to collect data on educational expenditure statistics within the UOE data collection. In an annex the complex links between the different parts of the questionnaires finance 1 and 2 is depicted as diagram.

2- What is UOE data collection?

2.1- Objective of the UOE data collection

The UOE data collection is administered jointly by the United Nations Educational, Scientific and Cultural Organisation Institute for Statistics (UNESCO / UIS), the Organisation for Economic Co-operation and Development (OECD), and the Statistical Office of the European Union (EUROSTAT). These are referred to as the *data requesters*.

The objective of the UIS/OECD/EUROSTAT (UOE) data collection on education statistics is to provide internationally comparable data on key aspects of education systems, specifically on the participation and completion of education programmes, as well as the cost and type of resources dedicated to education.

The Member countries cooperate to gather the information, to develop and apply common definitions and criteria for the quality control of the data, to verify the data and to provide the information necessary to interpret and report the submitted data.

Member countries are committed to make all reasonable efforts to report according to the definitions, classifications, and coverage specified in the UOE data collection manual. Where deviations from international standards, estimations, or data aggregations are necessary, it is essential that these be documented correspondingly. *The documentation of data is an integral part of the data collection* and is of crucial importance for the future credibility of international education statistics.

Altogether, in over 60 countries worldwide data providers now complete the UOE electronic questionnaire.

2.2- Data collection instruments

The basic finance tables are:

- Table FINANCE-1: Education expenditures by level of education, source and type of transaction.
- Table FINANCE-2: Education expenditures by level of education, service provider and expenditure category.

In addition, one table is containing enrolments aligned on finance data:

- Table FIN_ENRL-2: Number of students with coverage adjusted to statistics on educational finance by level of education, programme orientation, programme destination, type of institution and mode.

Moreover, two supplemental tables are collected in the UOE data collection:

- Table FINANCESUP-2: Expenditure for debt service.
- Table FINANCESUP-3: Expenditure for research.

All the UOE data collection instruments (questionnaires and manuals) are available at the address:

http://forum.europa.eu.int/Public/irc/dsis/edtcslibrary?l=/public/unesco_collection

2.3- Alignment of the data on students enrolled and educational finance

In cases where the coverage of the data on students enrolled and educational finance differs, these differences must be indicated in table FIN_ENRL-2. This table collects data on the number of students enrolled by level of education with some breakdowns by type of programme and by type of institution with a coverage aligned to the finance data.

For example, if the statistics on educational finance do not cover expenditures for a particular type of institution, then the students enrolled in this type of institution should be excluded from Table FIN_ENRL-2.

2.4- Data dissemination

Data on educational expenditure statistics are widely disseminated by Eurostat. The data are disseminated through databases or publications.

Data are published in the Eurostat reference database New Cronos under theme 3 population and social conditions, in the domain called *education and training* under the collection indicators on *education finance*. Information about New Cronos is available on the following link of the Eurostat web page:

<http://forum.europa.eu.int/Members/irc/dsis/edtes/library?l=/public/publications&vm=detailed&sb=Title>

Data on educational expenditure statistics in many thematical publications widely disseminated by Eurostat:

List of publications with Reference:

Publication	Reference
Statistics in Focus ¹	Mary Dunne, Education in Europe 2000/01, Statistics in Focus, Theme 3 - 13/2003, European Communities, 2003
	Pascal Schmidt, Public Expenditure on Education in the EU in 1999, Statistics in Focus, Theme 3 - 22/2003, European Communities, 2003
	Pascal Schmidt, Public Expenditure on Education in the Accessing Countries in 1999, Statistics in Focus, Theme 3 - 23/2003, European Communities, 2003
Education across Europe	Education across Europe 2003, European Commission, 2003
Key data on education	Key Data on Education in Europe 2002, Eurydice, ECSC-EC:EAEC, Brussels Luxembourg, 2002
The social situation in Europe	The Social Situation in Europe in 2004, European Communities, 2004
Eurostat Yearbook	Eurostat Yearbook 2004, European Commission 2004

¹ All Statistics in Focus on education statistics can be downloaded for free at the Eurostat web page under Publication / Statistics in Focus / Population and Social Condition. The URL is: http://epp.eurostat.cec.eu.int/portal/page?_pageid=2173,45972494&_dad=portal&_schema=PORTAL&mo=contain_sany&ms=&saa=&p_action=SUBMIT&l=us&co=equal&ci=1130657,0&po=matchany&pi=1130671,0&ob=41,0

3- Concepts, definitions and classifications

3.1- Levels of education (ISCED classification)

ISCED (International Standard Classification of Education) is a classification set up by Unesco in 1976. It is an instrument suitable for compiling statistics on education internationally. It covers two cross-classification variables: levels and fields of education with the complementary dimensions of general/vocational/pre-vocational orientation and educational/labour market destination. The current version, ISCED 97² was implemented, in EU countries, for the first time, for the collection of data from the school year 1997/98. The change in the ISCED classification has affected the comparability of chronological series, especially for level 3 (upper secondary education) and for level 5 (tertiary education). ISCED 97 introduced a new level - level 4: post-secondary non-tertiary education (previously included in ISCED levels 3 and 5). ISCED 97 level 6 only relates to Ph.D. or doctoral studies. ISCED 97 distinguishes seven levels of education.

Empirically, ISCED assumes that several criteria exist which can help to allocate education programmes to levels of education. Depending on the level and type of education concerned, there is a need to establish a hierarchical ranking system between main and subsidiary criteria (typical entrance qualification, minimum entrance requirement, minimum age, staff qualification, etc.). As the complementary dimensions orientation and destination are not used in the financial table only the broad levels are described below:

Level 0: Pre-primary education

Pre-primary education is defined as the initial stage of organised instruction. It is school- or centre-based and is designed for children aged at least three years.

Level 1: Primary education

This level begins between four and seven years of age, is compulsory in all countries and generally lasts from five to six years.

Level 2: Lower secondary education

It continues the basic programmes of the primary level, although teaching is typically more subject-focused. Usually, the end of this level coincides with the end of compulsory education.

Level 3: Upper secondary education

This level generally begins at the end of compulsory education. The entrance age is typically 15 or 16 years. Entrance qualifications (end of compulsory education) and other minimum entry requirements are usually needed. Instruction is often more subject-oriented than at ISCED level 2. The typical duration of ISCED level 3 varies from two to five years.

² http://portal.unesco.org/uis/ev.php?URL_ID=2867&URL_DO=DO_TOPIC&URL_SECTION=201

Level 4: Post-secondary non-tertiary education

These programmes straddle the boundary between upper secondary and tertiary education. They serve to broaden the knowledge of ISCED level 3 graduates. Typical examples are programmes designed to prepare students for studies at level 5 or programmes designed to prepare students for direct labour market entry.

Level 5: Tertiary education (first stage)

Entry to these programmes normally requires the successful completion of ISCED level 3 or 4. This level includes tertiary programmes with academic orientation (type A) which are largely theoretically based and tertiary programmes with occupation orientation (type B) which are typically shorter than type A programmes and geared for entry into the labour market.

Level 6: Tertiary education (second stage)

This level is reserved for tertiary studies that lead to an advanced research qualification (Ph.D. or doctorate).

A mapping of national educational programmes to ISCED levels is available at the address:

http://forum.europa.eu.int/Public/irc/dsis/edtcslibrary?l=/public/unesco_collection/programmes_isced97

This mapping is updated annually since 2001 as an integral part of the UOE data collection.

3.2- Programme orientation

Programmes at levels of education 2, 3 and 4 can also be subdivided into three categories based on the degree to which a programme is specifically oriented towards a specific class of occupations or trades and leads to a labour-market relevant qualification:

- Type 1 (general): Covers education which is not designed explicitly to prepare participants for a specific class of occupations or trades or for entry into further vocational or technical education programmes. Less than 25 percent of the programme content is vocational or technical.
- Type 2 (pre-vocational or pre-technical): Covers education that is mainly designed to introduce participants to the world of work and to prepare them for entry into further vocational or technical education programmes. Successful completion of such programmes does not lead to a labour-market relevant vocational or technical qualification. For a programme to be considered as pre-vocational or pre-technical education, it should comprise at least 25 per cent of vocational or technical content.
- Type 3 (vocational or technical): Covers education that prepares participants for direct entry, without further training, into specific occupations. Successful completion of such programmes leads to a labour-market relevant vocational qualification.

Note that in some cases the first few months or first year of a Type 3 programme have Type 2 elements. For the purpose of mapping to ISCED-97, however, only whole programmes that meet the above criteria for Type 2 should be classified in that category.

Note that in the tables **FINANCE-1** and **FINANCE-2** programme orientation at ISCED levels 2, 3 and 4 is broken down into **general** as well as **pre-vocational and vocational**.

3.3- *Educational institutions*

3.3.1- *Basic definition of educational institutions*

Educational institutions are defined as entities that provide instructional services to individuals or education-related services to individuals and other educational institutions.

Whether or not an entity qualifies as an educational institution is not contingent upon which public authority (if any) has responsibility for it.

Remark: Even if an entity is classified as an educational institution, this does not imply that all of its expenditure is included.

Example: Most obvious examples are general-purpose units of public authorities. In their case, expenditure needs to be broken down by function in order to identify educational expenditure. Other entities which are clearly deemed to be educational institutions may provide, besides instruction, services that do not fall under the scope of the UOE data collection, e.g. child care services.

3.3.2- *Instructional and non-instructional educational institutions*

Educational institutions are subdivided into:

- *Instructional* Educational Institutions (e.g. schools, universities etc.) and
- *Non-Instructional* Educational Institutions (e.g. Ministry of Education).

The term “*instructional*” is used to imply the direct provision of teaching and learning.

Non-Instructional Educational Institutions are of special importance for comparable coverage of the data on educational finance and include the following entities:

- *Entities administering educational institutions* include institutions such as national, state, and provincial ministries or departments of education; other bodies that administer education at various levels of government (e.g. administrative offices of local education authorities and education officers of municipalities); and analogous bodies in the private sector (e.g. diocesan offices that administer Catholic schools, and agencies administering admissions to universities).
- *Entities providing support services* to other educational institutions include central agencies responsible for the remuneration of staff or pension payments and institutions that provide educational support and materials as well as operation and maintenance services for buildings. These are commonly part of the general-purpose units of public authorities.
- *Entities providing ancillary services* cover separate organisations that provide such education-related services as vocational and psychological counselling, placement, transportation of students, and student meals and housing.
- *Institutions administering student loan or scholarship programmes* see their total volume of transfers to students reported as loans or grants, while the administrative costs of the

educational institutions administering such programmes should be reported as expenditure on educational institutions.

- *Entities performing curriculum development, testing, educational research and educational policy analysis* are classified as educational institutions.

3.3.3- *Classifying between public and private educational institutions*

3.3.3.1- Basic classification criteria

Educational institutions are classified as either public or private according to whether a public agency or a private entity has the ultimate power to make decisions concerning the institution's affairs.

A **public** institution:

- Is controlled and managed directly by a public education authority or agency or,
- Is controlled and managed either by a government agency directly or by a governing body (Council, Committee etc.), most of whose members are appointed by a public authority or elected by public franchise.

A **private** institution is controlled and managed by a non-governmental organisation (e.g. a Church, Trade Union or business enterprise), or if its Governing Board consists mostly of members not selected by a public agency.

Remarks:

- i.* Ultimate management control: In practice the management of schools may be shared between public and private bodies in such a way that composition of a school governing board may not be a critical factor. In general the question of who has the ultimate management control over an institution is decided with reference to the power (a) to determine the general activity of the school and (b) to appoint the officers managing the school. Therefore the above recommendation is intended only as a practical guideline.
- ii.* Source of funding: The extent to which an institution receives its funding from public or private sources does not determine the classification status of the institution. It is possible, for example, for a privately managed school to obtain all of its funding from public sources and for a publicly controlled institution to derive most of its funds from tuition fees paid by households.
- iii.* Ownership. The issue of whether or not a public or private body owns the buildings and site of a school is not crucial to the classification status. The term “ownership” may refer to the ownership of school buildings and site, or alternatively ownership of the institution in the sense of ultimate management control. Only in the latter sense is ownership a relevant concept in classifying institutions.
- iv.* Publicly regulated and publicly funded private schools. The extent of the regulation or control which public authorities exercise over privately managed but publicly funded schools should not in general affect their classification provided that they are ultimately subject to private control.

This regulation may extend to areas such as :

- Curriculum,
- Staffing appointments,
- Admissions policies, etc.

In practice, problems of classification may arise in cases where the extent of regulation is **equivalent** to that of publicly controlled schools.

This may especially be the case at tertiary level where institutions may be autonomous and self-governing but subject to considerable public control. Control over such functions as:

- The selection and dismissal of staff,
- The setting of curricula,
- The examination and testing of students, and
- The admission of students

may be shared between a public authority and a Governing Board. It is not uncommon for private schools in many countries to be required to teach a national curriculum and be subject to more or less the same regulations as public schools, in return for public funding of these schools.

- v. Legal basis: In the case of some institutions, a legal basis for its foundation may exist in a Public Charter, Deed of Trust, or even legislation enacted by Parliament. In general, the legal instrument on which the institution is founded affects its classification status only to the extent that such a legal instrument enables a public authority to exercise ultimate authority or control over the institution. The issue of public recognition or licensing of private schools should not be confused with the issue of overall control.

3.3.3.2- Difficult cases for classification between public and private institutions

- Public authorities in many countries lay down minimum conditions for private schools (both Government-Dependent and Independent) in relation to curriculum or qualifications of staff.
- Some countries have autonomous, self-governing universities, nonetheless owned and managed by self-perpetuating governing boards made up of private members, that are publicly chartered and considered to be performing a “public” function.
- A public agency may have granted so much educational and fiscal autonomy to individual schools (sometimes vesting authority in school governing boards composed of private members) that few significant elements of public control or governance remain.
- In still other cases, the degree of public regulation of nominally privately owned and managed institutions may be so great that few vestiges of private decision-making authority remain.

3.3.3.3- Classification between government dependent and independent private institutions

Private institutions are distinguished between “*government-dependent*” and “*independent*”. These terms refer only to the degree of a private institution's dependence on funding from government sources; they do not refer to the degree of government direction or regulation (see below).

A **government-dependent private** institution is one that receives **more than 50 %** of its core funding from government agencies. Institutions should also be classified as government dependent if their **teaching personnel are paid by a government agency** (either directly or through government). Tuition fees and other fees paid to institutions by students should not be considered government funds, even if the fees are financed by government scholarships or loans to the students or households. In some instances, however, financial aid to students may be primarily an indirect method of channelling general government support to the institutions.

An **independent private** institution is one that receives less **than 50 %** of its core funding from government agencies.

“Core funding” refers to the funds that support the basic educational services of the institutions.

It does not include:

- Funds provided specifically for research projects,
- Payments for services purchased or contracted by private organisations, or
- Fees and subsidies received for ancillary services, such as lodging and meals.

4- Coverage of the finance data collection

4.1- Accounting principles

In keeping with the system used by many countries to record government expenditures and revenues, the UOE educational expenditure data are compiled on a cash accounting rather than an accrual accounting basis. That is to say that expenditure (both capital and recurrent) is recorded in the year in which the payments occurred.

This means in particular that:

- Capital acquisitions are counted fully in the year in which the expenditure occurs;
- Depreciation of capital assets is not recorded as expenditure, though repairs and maintenance expenditure is recorded in the year it occurs;
- Expenditure on student loans is recorded as the gross loan outlays in the year in which the loans are made, without netting-off repayments from existing borrowers.

One noted exception to the cash accounting rules is the treatment of retirement costs of educational personnel in situations where there is no (or only partial) on-going employer contributions towards the future retirement benefits of the personnel. In these cases countries are asked to impute these expenditures in order to arrive at a more internationally comparable cost of employing the personnel.

A consequence of the accounting basis used is that sharp fluctuations in expenditure can occur from year to year owing to the onset or completion of school building projects which, by their nature, are sporadic.

4.2- The framework for educational expenditure

IDEALLY, for the purposes of international comparison educational expenditure should be defined as goods and services purchased which are related to educational programmes within the scope of the UOE data collection.

IN PRACTICE, because of the historical evolution of statistics on educational expenditure, it is not goods and services which are the main defining units of expenditure, but rather *educational institutions*. Traditionally, countries have been interested in how much schools and universities cost, or even more narrowly, how much governments spend on schools and universities.

Expenditure reported should represent the value of educational expenditure and of capital assets **acquired or created during the year** in question regardless of whether they were financed from current revenues or by borrowing.

For the purposes of this data collection and in order to define educational expenditure in an internationally comparable way the following dimensions are taken into account:

- How much schools and universities cost or even more narrowly, how much governments spend on schools and universities.
- Whether services provided by educational institutions are purchased or provided inside or outside schools and universities.

- The source of funds public, private and international sources of funds should be included.

Figure 1 presents the matrix underlying the reporting for the UOE data collection. In order to determine the coverage of this data collection, educational expenditure first needs to be classified according to the three dimensions explained above:

- Location (inside or outside educational institutions);
- Goods and services; and
- Source of funds.

The coverage of this data collection, as shown in Figure 1, can be summarised as follows:

- Direct public, private and international expenditure on educational institutions;
- Private expenditure on educational goods and services purchased outside educational institutions; plus
- Public subsidies to students for student living costs.

All public educational expenditure is covered, regardless of whether it is spent on institutions or on transfers to private entities, either for living costs or for educational services.

In the case of private expenditure, only that directly related to educational goods and services is taken into account.

Figure 1. framework for educational expenditure

Type of goods and services	Location	
	Educational Institutions	Outside institutions
Educational core goods and services	Public funds	Subsidised (books, materials, extra tuition)
	Subsidised private	
Educational R&D peripheral goods and services	Private funds (tuition fees, other private entities)	Private funds
	Public funds	
	Private funds (other private entities)	
	Non-instruction	
	Public funds	Subsidised private (living costs, transport , ...)
	Ancillary services: (meals, transport to schools, housing on the campus)	
	Subsidised private	
	Private funds (fees for services)	Private funds

Public funds	Private funds (net of subsidies)	Public subsidies to private entities	Expenditure not within the scope of this data collection
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The rows in figure 1 reflect the different goods and services provided to students or purchased by students.

- The first row, labelled “instructional core services”, includes all expenditure that is directly related to instruction and education. This should cover all expenditure on teachers, school buildings, teaching materials, books, tuition outside schools, and administration of schools.
- The second row, labelled “R&D” (Research and Development) covers all expenditure related to R&D. For the purposes of the education indicators, only R&D carried out in educational institutions needs to be taken into account. This category normally applies only to the tertiary sector.
- The third row labelled “non-instruction”, covers all expenditure broadly related to student living costs.

The columns in figure 1 reflect the location of the different service providers in relation to educational institutions (i.e. inside or outside educational institutions).

- The first column, “educational institutions”, covers expenditure on educational institutions. Educational institutions include instructional institutions and non-instructional institutions, such as ministries, local authorities and student unions.
- The second column, “outside institutions”, covers expenditure on educational services purchased outside institutions, e.g. books, computers, external tuition, etc. It also deals with student living costs and costs of student transport not provided by institutions.

The third dimension in the framework – **sources of funds** – is represented by the colours in the diagram.

- Public sector and international agencies sources of funds are indicated by horizontally shading
- Households and other private entities are indicated by the dark shading
- Private expenditure on education that is subsidised by public funds is indicated by the vertically shading.

The white, un-shaded cells indicate the parts of the framework that are excluded from the coverage of the data collection on finance.

4.3- Scope of UOE finance tables

Thus coverage of the finance data:

INCLUDED

- Instruction (i.e., teaching);
- Educational goods (books, materials, etc) provided by institutions;

- Training of apprentices and other participants in mixed school and work-based educational programmes at the workplace.
- Administration;
- Capital expenditure and rent;
- Student transportation, school meals, student housing, boarding;
- Guidance, student health services, special educational needs;
- Services for the general public provided by educational institutions;
- Educational research and curriculum development;
- Research and development performed at higher education institutions;

EXCLUDED

- Child care or day care provided by schools and other instructional institutions,
- Expenditure on educational activities outside the scope of the UOE data collection (e.g. private language courses, continuous education),
- Activities of public authorities (e.g. Ministries etc.) that is not directly related to education (e.g. culture, sports, youth activities etc.) unless it is provided as ancillary service,
- Teaching hospitals' expenditure as it relates to patient care and other non-education related general expenditure,
- Debt servicing (i.e. payments of interest or repayments of the principal)³,
- Student living costs **that are not subsidised** by public and private scholarships, grants or loans,
- Evening courses provided by schools or universities for adults that are rather to be classified **as leisure courses and fall not** under the scope of the UOE data collection,
- ANY foregone earning,
- Depreciation of capital assets and capital charges, and
- Research and Development outside of educational institutions.

³ Information on debt services is collected in table FINANCESUP2

5- Difficult cases

The following chapter provides special instructions concerning categories of spending on educational institutions that have posed problems for international comparability in the past. Specific technical explanations are given later in this guide in the corresponding sections of questionnaires Finance1 and 2.

5.1- Expenditure on retirement

Employee costs reported for educational institutions should **include** the cost to the employer of contributions for retirement schemes for the currently active educational employees.

Retirement expenditure is defined, in principle, as the actual or imputed expenditure by *employers or third parties* (e.g. social security agencies, pension agencies or finance ministries) to finance retirement benefits for *current* educational personnel. Pension contributions made by the employees themselves, whether deducted automatically from their gross salaries or otherwise, are **not included** in retirement expenditure of educational institutions.

Depending on the types of retirement schemes in operation in a country, estimates will need to be provided.

Three different types of pension systems exist:

- In a **fully funded**, contributory pension system, employers pay contributions for each of their current employees into a fund which is sufficient to pay the required pension when the employees retire. In this case, the expenditure on retirement to be reported equates to the current employer contribution to the pension fund.
- In a **completely unfunded** retirement system, there are no ongoing contributions into a fund by the employer and instead the government meets the cost of retirement as it arises. This is the type of scheme (sometimes called “pay as you go”) used to provide pensions for civil servants in many countries. In this case, the expenditure on retirement must be estimated or imputed.
- Likewise, in **partially funded systems** where employers contribute to a retirement system but the contributions are inadequate to cover the full costs of future pensions, it is necessary to impute the contributions which make-up the short fall. Thus, retirement expenditure is the sum of actual employers (or third party) contributions and the imputed contribution necessary to cover the projected funding gap.

UOE educational finance data providers of countries having partly funded or unfunded pension systems **should follow the definitions of the System of National Accounts 1993 (SNA93) as well as the European System of Accounts (ESA95) for EU countries to report imputed social contributions** to the international organisations administering the UOE data collection.

In practice, **two different methodologies** delivering identical results are accepted by experts in National Accounts at international level:

- The *benefits-paid method* which is used by several Member States of the European Union to impute social contributions estimates all or most of government imputed social contributions based on the unfunded employee social benefits paid, less employees' contributions.
- The *wage-share method* which is used by some other Member States of the European Union to impute social contributions by deriving wage shares from various sources such as the contribution rates used in other (funded or unfunded) schemes or contribution rates derived from actuarial estimates undertaken by government for its employer's schemes.

UOE educational finance data providers **should apply the methodology the National Accountants of their country use to estimate imputed social contributions when assembling National Accounts data according to SNA93 or ESA95 (see also annexes 2 and 3 of the UOE data collection manual – volume 1: concepts, definitions and classifications).**

5.2- Research and development (R&D)

Inconsistent coverage of expenditure on research and development R&D has proved to be the most significant problem in past comparisons of spending on tertiary education. While some countries have essentially included all R&D expenditures in tertiary spending, others have excluded substantial amounts of separately funded or separately budgeted research. As a result, tertiary expenditure in the latter countries has been understated relative to that in the former.

Therefore, countries should **include** in tables FINANCE-1 and FINANCE-2 **all expenditure on research performed at universities and other institutions of tertiary education**, regardless of whether the research is funded from general institutional funds or through separate grants or contracts from public or private sponsors. This includes all research institutes and experimental stations operating under the direct control of, or administered by, or associated with, higher education institutions.

Note that, as a general rule the UOE data collection should cover all R&D that is covered as Higher Education R&D (HERD) in R&D statistics. Decisions on inclusion or exclusion should be made on the basis of the Frascati Manual.

5.3- Expenditure for teaching hospitals

Expenditure by or on teaching hospitals (sometimes referred to as academic hospitals or university hospitals) is EXCLUDED from educational expenditure, particularly all costs of patient care and other general expenses of academic hospitals, even if such expenses are paid by the education authorities.

However, expenditure by or on teaching hospital that it is directly and specifically related to the training of medical personnel, all expenditure on R&D at teaching hospitals that is covered as Higher Education R&D (HERD) in R&D statistics are included.

5.4- Ancillary services

Expenditure on ancillary services poses a special problem for international comparability because countries differ with respect to :

- Which ancillary services their institutions provide,
- Whether, or to what degree, expenditure on ancillary services is included in statistics on educational spending.

The purpose of collecting separate data on expenditure for ancillary services and its sources is, first, to determine what each country has included and, second, **to permit international comparisons of education spending net of ancillary services outlays.**

“Ancillary services” are services provided by educational institutions that are peripheral to the main educational mission.

The two main components of ancillary services are:

- **Student welfare services** - at ISCED levels 0-3 - include such things as meals, school health services, and transportation to and from school. At the tertiary level, they include halls of residence (dormitories), dining halls, and health care
- **Services for the general public** include such things as museums, radio and television broadcasting, sports, and recreational or cultural programmes.

All such ancillary services in educational institutions are included in the coverage of the expenditure data except for day or evening child care provided by pre-primary and primary institutions.

Difficult cases:

The classification of some public expenditure is ambiguous, since it may be classified either as ancillary services or as public subsidies to students in-kind.

Example: In exceptional cases special public subsidies to students will be paid to educational institutions as fees for ancillary services, i.e. for lodging, meals, health services, or other welfare services furnished to students by the educational institutions. **Those payments that go to institutions have to be carefully singled out** in order to attribute them as public subsidies to the institutions receiving them.

Free or subsidised transport can be provided to students in the form of *special school buses* organised to bring the students to the school **or** through *free/subsidised tickets* for (local) transport companies which can either be for the students’ general use or for the main purpose of funding the students’ transport to school.

- **Special school buses** - Free or subsidised transportation of students provided through a special school bus service is classified as an ancillary service offered by the educational institution.
- **Free/subsidised tickets for (local) transport companies** - if the main purpose of the expenditure is to fund the students’ transport to school, the expenditure is classified as expenditure on an ancillary service. If, however, the purpose of the expenditure is to fund the general use of the transport system by the student, then the expenditure is recorded as subsidies to students’ in kind. Note also in the latter case, that the allocation of the subsidy must be contingent on the recipient being a student

5.5- Day and evening child care

In some countries, institutions providing pre-primary and primary education also provide extended day or evening child care. In the interest of international comparability, a country where institutions provide these extended day or evening services should attempt to exclude the cost of such services from any reported expenditure statistics, especially at ISCED levels 0 and 1.

5.6- Educational expenditure of the work based component of educational programmes

A number of European countries organise educational programmes with work based components (e.g. apprenticeship programmes, programmes of training in alternation) at the upper secondary and post-secondary non-tertiary level of education. Given the significant amount of private expenditure at the workplace to train participants for apprenticeship programmes in some countries (e.g. up to 1 per cent of GDP in Germany), inconsistent inclusion or omission of this kind of expenditure is a **potential source of severe comparability problems**.

Expenditure by private companies on certain combined school and work-based programmes that take place at the workplace, and public subsidies for such programmes, should be regarded as **expenditure by independent educational institutions** for the purposes of this data collection.

Expenditure on these programmes is limited to expenditure on training per se (e.g. salaries and other compensation of instructors and other personnel, and costs of instructional materials and equipment). It does not include salaries or other compensation paid to students or apprentices.

Remark:

Countries that cannot provide data on expenditure at the workplace need to adjust the coverage of full-time equivalents in table ENRL-2 to reflect only the school-based part of the programme, for which expenditure is included.

Educational programmes with work based components covered in the UOE data collection are classified into two categories:

- Programmes should be classified as **school-based** if at least 75 per cent of the curriculum is presented in the school environment (covering the whole educational programme) where distance education is included.
- Programmes are classified as **combined school- and work-based** if less than 75 per cent of the curriculum is presented in the school environment or through distance education. The 75 per cent cut-off point should be regarded as a general guideline that may need to be operationalised differently across countries.

Note that:

- The amount of instruction provided in-school should be counted over the whole duration of the programme.

- An institution providing school- and work-based programmes is classified as either public or private according to the sole school-based component.
- Data providers are requested to provide separate data for the school-based and the work-based component of the combined school-and work based programmes for full-time equivalent students enrolled.

EXCLUDE:

Entirely work-based education and training (i.e. with at least a minimum of **90 per cent work-based content** and for which no formal education authority has oversight) should not be covered in this data collection.

5.7- *Students and households expenditure on educational services and goods purchased outside educational institutions*

It INCLUDES:

- Expenditure on educational goods which are requested for participation in the programmes and which are therefore imposed on the student either directly or indirectly by the educational institutions. Examples are school uniforms, books requested for instruction, athletic equipment, materials for arts lessons.
- Expenditure on educational goods which are not required by institutions, but which students and households choose to buy in support of their study in the programmes in scope of the data collection. Examples are additional books or computer, learning software to be used at home.
- Fees for private out of school tuition related to the educational programmes being pursued. This will be the main type of educational service purchased outside institutions. Outside school tuition is restricted to tuition intended to support the participation in programmes that fall under the scope of the data collection Expenditure on tuition that is not related to programmes in scope of the data collection must be excluded.
- Purchases from commercial enterprises operated or sponsored by educational institutions (e.g. university bookstores) are regarded as expenditure outside educational institutions.

Expenditure on educational goods and services purchased outside institutions will usually be measured by household expenditure surveys, so the definition of goods and services will tend to be dictated by those used in the national survey instrument. Care therefore needs to be taken to ensure that this does not result in double counting with expenditure on educational institutions and that student living costs are not included.

5.8- *Student living costs*

Student living costs are only included if it is subsidised through financial aid to students by public or private entities. The rationale for including these subsidies is that in many countries, public and private scholarships, grants, or loans are provided to students not primarily or

exclusively to cover the tuition fees charged by educational institutions but rather to subsidise student living expenses. It is therefore desirable to capture this expenditure in order to maintain a complete picture of total investment by public and other private entities in education.

Note, however, that fees paid by private households to educational institutions for ancillary services (i.e. student and household expenditure for living costs which are paid to educational institutions) as for student accommodation is included in private expenditure regardless of whether it is subsidised or not.

6- Sources and transfers of funds: the expenditure categories of table FINANCE 1

6.1- The structure of table FINANCE 1

Table FINANCE-1 is headed “Educational expenditure by source, type of transaction, and level of education”.

The expenditure is classified by sources of funds:

- **Government (central, regional, local),**
- **International agencies and other foreign sources,**
- **Households** and
- **Other private entities** (including firms and religious institutions and other non-profit organisations).

Moreover, three types of financial transactions can be distinguished:

- Direct expenditure/payments on educational institutions;
- Intergovernmental transfers for education and
- Transfers to students or households and to other private entities.

The table disaggregates direct expenditure according to the type of service provider to which, or for which, the payments are made - that is:

- Public institutions,
- Government-dependent private institutions, and
- Independent private institutions.

Individual rows in the table FINANCE-1 are identified by combinations of letters and numbers, in which the letters correspond to funding sources, as follows:

C = central government expenditure

R = regional government expenditure

L = local government expenditure

G = government expenditure (all levels of government combined)

F = funds from international agencies and other foreign sources

H = household expenditure

E = expenditure by other private entities

P = private-sector expenditure (households and other private entities combined)

N = combined public and private expenditure

6.2- Government (Public) sources

Public expenditure refers to spending of public authorities at all levels. Expenditure that is not directly related to education (e.g., culture, sports, youth activities, etc.) is not included unless provided as ancillary services. Expenditure on education by other ministries or equivalent institutions, for example Health and Agriculture is included. It includes subsidies provided to households and other private entities (often in the form of financial aid to students) which can be attributable to educational institutions (e.g. fees) or not (e.g. private living costs outside of institutions).

Table FINANCE-1 recognises three main types of government expenditure on education:

- Direct expenditure on educational institutions,
- Intergovernmental transfers for education and
- Transfers or other payments from governments to households and other private entities.

6.2.1- Classification of levels of government

The sections on government expenditure distinguish between different levels of government. All government sources (apart from international sources) should be classified in three levels:

- Central (national) government (C),
- Regional government (province, state, Land, etc.) (R),
- Local government (municipality, district, commune, etc.) (L).

This applies for expenditure at central, regional and local levels of government.

Remarks:

- **Ambiguities of classification:** The classification of governments by level is clear in most cases, but there are some ambiguities. If a country only has two levels of government, the lower level usually must be designated local, not regional. If there are four or more levels, the second level usually must be designated regional and the third, local. If a city (such as the national capital) has dual status as both regional and local government, its expenditure is reported as expenditure of regional level of government (e.g. the Stadtstaaten Hamburg, Bremen and Berlin in Germany).

- **Regional and local government responsibilities:** The terms “regional” and “local” apply to governments whose responsibilities are exercised within certain geographical subdivisions of a country. They do not apply to government bodies whose roles are not geographically circumscribed but are defined in terms of responsibility for particular services, functions, or categories of students.

6.2.2- *Direct expenditure on educational institutions (rows C1 to C5, R1 to R5 and L1 to L5)*

Direct expenditure on educational institutions by a government may take either of two forms:

- **Purchases** by a government agency of educational resources to be used by educational institutions (direct payments of teachers' salaries by a central or regional education ministry, direct payments by a municipality to building contractors for the construction of school buildings and procurement of textbooks by a central or regional authority for subsequent distribution to local authorities or schools).

Examples include direct payments of teachers' salaries by a central or regional education ministry, direct payments by a municipality to building contractors for the construction of school buildings, and procurement of textbooks by a central or regional authority for subsequent distribution to local authorities or schools.

- **Payments** by a government agency to educational institutions that have the responsibility of purchasing educational resources themselves (government appropriation or block grant to a university, which the university then uses to pay staff salaries and to buy other resources, government allocations of funds to fiscally autonomous public schools, government subsidy to private schools; and government payments under contract to private companies conducting educational research).

Examples of such payments include a government appropriation or block grant to a university, which the university then uses to pay staff salaries and to buy other resources, government allocations of funds to fiscally autonomous public schools, government subsidy to private schools; and government payments under contract to private companies conducting educational research.

Note that direct expenditure by central government (C) on public institutions, government-dependent private institutions and independent private institutions should be entered in rows C1, C2 and C3, respectively.

Direct private expenditure for private institutions by central government (row C4) is the sub-total of expenditure for government-dependent and independent private institutions. Countries which have no separate data for government-dependent private institutions, and independent private institutions may enter figures for both types of private institutions combined in row C4.

Expenditure of all three types of institution combined corresponds to the total direct expenditure by central government (row C5).

The same is true for the regional (R) and local (L) levels of government.

The following list provides an indication of what expenditure needs to be included or excluded.

INCLUDE:

Expenditure on retirement

EXCLUDE:

- Expenditure on servicing debts (i.e. payments of interests on the amounts borrowed for educational purposes and repayments of the principal).
- Tuition fees that the families of students enrolled in public educational institutions are paying to regional or local government rather than directly to the educational institutions **to avoid double counting** as they are included under household payments to institutions.

6.2.3- *Direct expenditure designated for capital (rows C5a, R5a and L5a)*

Table FINANCE-1 request data on direct expenditure designated for capital in specific rows (C5a, R5a, L5a and G5a).

Note that the concept reflected in these data categories is that the expenditure in question has been explicitly designated, or “earmarked,” for capital. Actual capital expenditure (on buildings, equipment, etc.) may exceed the amounts designated for capital if funds not specifically earmarked by governments for capital formation are used to finance capital outlays.

6.2.4- *Direct expenditure designated for ancillary services*

Table FINANCE-1 request data on public expenditure designated for ancillary services in row G5b.

Note that the concept reflected in this category is that the expenditure in question has been explicitly designated, or “earmarked,” for ancillary services. The amounts actually spent for ancillary services may exceed the amounts designated for ancillary services by public and other private sources plus fees paid by households in cases where funds not specifically earmarked by governments are used to finance ancillary services.

6.2.5- *Direct expenditure for R&D activities*

Table FINANCE-1 request data on Direct public expenditure for R&D activities in rows G1 to G5, and also separately in row G5c.

Note that although direct public expenditure for R&D activities is now reported separately, it is still desirable to include them in rows G1 to G5.

Note that the concept reflected in this category is the amount actually spent on R&D activities which are **financed by central, regional or local levels of government.**

6.2.6- *Intergovernmental transfers (rows C7, C8, C9 and R8)*

In table FINANCE-1, net transfers payments for education from central to regional government should be reported in row C7, central to local transfers should be reported in row C8, and total central government transfers (C7 + C8) should be reported in row C9. Transfers from regional to local government should be reported in row R8.

“**Intergovernmental transfers**” are transfers of funds designated for education from one level of government to another. They are defined as **net transfers from a higher level to a lower level of government**.

Every transfer from one level to another level needs to be reported as expenditure at the level of government receiving the funds. The design of the UOE table ensures that double counting in total expenditure by all level of government (G1 to G20) is avoided. Expenditure that is only reported as a transfer, but not as expenditure at the receiving level of government is to be excluded from the totals.

For example, the regional authorities spend from their own sources 100 million LCU on educational institutions, and receive an additional 200 million LCU as transfers from the Ministry of Education for expenditure on educational institutions. The ministry also spends 50 million LCU directly on educational institutions. In that case 200 million LCU should be reported in row C7 as a transfer, 300 million LCU (200+100) should be reported as spending by the regional level on educational institutions in row R5 and 50 million LCU as central spending in row C5. The total public spending on institutions (row G5) will be calculated as to 350 million LCU, C5 plus R5.

Remarks:

Negative transfers: It appears, however, that in a few situations (specifically in the Nordic countries), transfers from local to regional authorities may be greater than transfers from regional to local authorities. Where such situations occur, the resulting net flows of funds should be reported as **negative transfers by the higher-level government**.

Passing of central government transfers to local government through regional government: Sometimes, central government transfers to local governments are “passed through” regional governments; that is, the regional governments are responsible for disbursing central government funds to local authorities. In cases where this disbursement is compulsory (i.e., regional governments may not retain the funds for their own use), the payments in question should be classified as central government transfers to local rather than to regional governments.

6.2.7- Transfers and payments for education to private entities (rows C10 to C14, R10 to R14 and L10 to L14)

Transfers and payments for education to private entities can be divided into two distinct categories:

- **Public subsidies to households** (e.g. in the case of financial aid to students, a distinction is made between two forms of aid,

- (1) Scholarships and other grants
- (2) Child allowances contingent to student status,
- (3) Special public subsidies in cash or in kind that are contingent on student status and
- (4) Student loans, including those not attributable to household payments for educational institutions, such as subsidies for student living costs.

- **Public subsidies to other private entities** (e.g. government transfers and certain other payments (mainly subsidies) to other private entities such as commercial companies and non-profit organisations).

Transfers to households and other private entities **EXCLUDE**:

- **Any tax benefits** to students or their families, such as tax credits or deductions from taxable income

- **Allowances that are independent of the educational status of a child.**

Remark on reporting practice: government scholarships, child allowances contingent on student status and loans must be attributed to the level of government directly responsible for providing funds to students, even if another level of government ultimately covers some or all of the cost.

For example, if students receive loans from provincial authorities, who in turn are reimbursed fully or partly by the central government, the loans should still be reported as coming from regional (i.e., provincial) governments. The reimbursements of the provinces by central government must be included in intergovernmental transfers from central to regional governments.

6.2.7.1- Scholarships and other grants (rows C10, R10 and L10)

In table FINANCE-1, Government scholarships and other government grants to students and households are reported in rows C10, R10 or L10, depending on which level of government provides them. The amounts entered in these rows should include the following items:

- Scholarships and grants;
- Special public subsidies in cash and kind; and
- Family allowances or child allowances which are contingent upon student status.

Classification criteria for scholarships and other grants are summarised in Figure 2.

Figure 2: Classification criteria to distinguish the different types of scholarships and grants:

Classification criteria	Type of scholarship and other grants to student/household		
	Grants	Special subsidies	Child or family allowances (contingent on student status)
Target group	for specific population	for all	for all
For what kind of expenses?	tuition, student living costs	tuition, student living costs	tuition, living costs
To whom?	student	provider (money), student (vouchers)	family
In cash or in kind?	cash	cash, kind (e.g. vouchers)	cash
Do you need to apply for it?	yes	no	yes

6.2.7.1.1- Scholarships and grants:

This category **INCLUDES**

- Public scholarships and
- All kinds of similar public grants, such as fellowships, awards and bursaries for students.

Government scholarships that are channelled through educational institutions for administrative purposes are considered government transfers to students.

6.2.7.1.2- Special public subsidies in cash and kind:

Special public subsidies are all those transfers to households that are linked to specific spending by students and are contingent upon the student status.

The special subsidies **EXCLUDE**

- all kind of tuition costs, with the exception of tuition and other fees paid to institutions abroad. Only in exceptional cases will the payments go to educational institutions as fees for ancillary services, i.e. for lodging, meals, health services, or other welfare services furnished to students by the educational institutions. Those payments that go to institutions have to be treated with care so that subsidies attributable to institutions are separated out.

The special subsidies **INCLUDE**

- Special subsidies for transport;
- Special subsidies for medical expenses;
- Special subsidies for books and supplies;
- Special subsidies for social and recreational purposes;
- Special subsidies for study abroad; and
- Other special subsidies.

Special public subsidies should cover the total value of special subsidies provided to students, either in cash or in kind, such as reduced-price travel on public transport systems.

6.2.7.1.3- Family allowances or child allowances:

Family allowances or child allowances

- **INCLUDE** allowances that are **contingent upon student status**
- **EXCLUDE** allowances that are **independent of the educational status of a child**

For example, if a country provides family allowances for all children up to age 18 regardless of educational status and provides additional allowances for young people aged 19-25 who are enrolled an educational institution, the allowances for young people 19-25 are included in scholarships and other grants, but the allowances for those aged 18 and below are excluded.

6.2.7.1.4- Scholarships and other grants attributable to educational institutions

In FINANCE-1, Row **G10a** contains data on public grants to households that are attributable to educational institutions. This includes grants for payment of tuition fees and other fees to educational institutions. Row **G10b** contains data on public grants to households that are *not* attributable to educational institutions.

Some subsidies are clearly earmarked to cover tuition or other fees paid to institutions, whereas subsidies for general purposes can be used for tuition fees or other expenditure. In many cases, countries have to estimate, from certain assumptions, surveys or other information, what proportion of these subsidies should be attributed to payment for tuition.

Some grants are clearly attributable to payment for tuition. Other subsidies can be clearly identified as expenditure other than on educational institutions.

These are:

- Specific subsidies in cash and kind; and
- All subsidies to students not obliged to pay for tuition.

In the case for many other subsidies, the distinction is less clear. In that of subsidies for general purposes, the ideal (but probably impossible) breakdown attribution would be by destination of payment at the household level.

Example: Suppose that a country has 1,000,000 tertiary students, each of whom must pay a tuition fee of GBP 1,000 to his or her tertiary institution. Suppose that of the 1,000,000 students, 200,000 receive grants (say, on the basis of low family income), amounting to GBP 2,500 per student. We can say that of the total volume of grants of GBP 500 million (200,000 x 2,500), GBP 200 million is accounted for by required tuition payments (200,000 x 1,000). This amount is shown in row G10a. The remaining GBP 300 million in financial aid is available for payments other than to educational institutions, such as to purchase books, supplies and other personal items used in education for housing, meals, and other living costs. This amount is reported as subsidised expenditure outside institutions, mainly on student living expenses, in row G10b.

6.2.7.2- Student loans (rows C11, R11 and L11)

In table FINANCE-1, Public loans to students and/or households are reported in rows C11, R11, L11 and G11 depending on which level of government provides them.

Student loans are reported on a gross basis - that is, without subtracting or netting out repayments or interest payments from the borrowers (students or households). Thus, student loan expenditure represents the total value of loans paid by government to students during the reference year. The cost to government of servicing these loans (i.e. interest rate subsidies and the cost of default payments) is not included.

Student loans

INCLUDE

- Public loans to students and/or households (gross amount)

EXCLUDE

- Interest payments and repayment of the principal,
- Government subsidy to private lenders of student public sector loans (included in public subsidies to other private subsidies),
- Government payments to compensate for defaults under programmes of government-guaranteed private loans (included in public subsidies to other private subsidies).

Remarks:

Governments also support loans paid to students by private financial institutions (e.g. through interest subsidies, the cost of guaranteeing the loans, the cost of default payments). These are *not included* as public subsidies to households but as public transfers to other private entities (rows C13, R13, L13 or G13).

Student loans provided by private financial institutions (rather than directly by a government) are reported as loans from other private entities to students (row E11).

6.2.7.3- Transfers and payments to other private entities (rows C13, R13 and L13)

In table FINANCE-1, Government transfers and certain other payments (mainly subsidies) to other private entities (commercial companies and non-profit organisations), reported in rows C13, R13, and L13, **INCLUDE**, for example:

- Transfers to business or labour associations that provide adult education within scope of the collection;
- Subsidies to private companies (or labour organisations or associations of such entities) for the provision of training at the workplace as part of combined school and work-based programmes, including apprenticeship programmes; and,
- Interest rate subsidies or defaults guarantee payments to private financial institutions that provide student loans.

Remark:

Before payments are classified as transfers to other private entities, it needs to be determined whether the receiving entities should be classified as educational institutions. For example, non-profit organisations that provide student housing or student meals are most likely to be classified as non-instructional educational institutions and transfer to them consequently as **direct expenditure** on government-dependent or independent private educational institutions.

Similarly, government purchases of services from private companies or non-profit organisations are reported as direct **government expenditure** on private institutions.

Examples of expenditure on such services include government payments for research or evaluation performed by private research organisations, payments to private organisations that develop or administer examinations, and fees paid to private financial institutions that operate student loan programmes.

6.2.7.4- Public subsidies to other private entities for the provision of training at the workplace in combined school and work-based programmes

Public subsidies to other private entities for the provision of training at the workplace are reported as public subsidies to other private entities in rows C13, R13 and L13.

Consequently they are included as well in rows E3 and E5a as spending by other private entities.

Note that it is crucial to report all public payments for expenditure at the workplace also as subsidies in G13 and as expenditure in E3 and E5a.

6.2.8- *Total expenditure by level of government (rows C20, R20, and L20)*

In table FINANCE-1, Total educational expenditure by central government, regional governments, and local governments should be reported in rows C20, R20, and L20, respectively.

Note that these totals are gross expenditure figures, which include intergovernmental transfers and other transfer payments and subsidies. They cannot be summed without first netting out duplication through intergovernmental transactions.

6.2.9- *Consolidated educational expenditure by the public sector (all levels of government combined; rows G1 to G20)*

In table FINANCE-1, **consolidated educational expenditure** by the public sector (all levels of education combined) is calculated in rows G1 to G20. All entries on these rows are calculated values, based on data reported in parts C, R and L.

No expenditure should be included in these totals if they have not also been included in expenditure by individual levels of government.

A distinction is made between:

- Direct public expenditure on education by service provider (rows G1 to G5),
- Direct expenditure designated for capital (row G5a),
- Direct expenditure designated for ancillary services (row G5b),
- Direct expenditure designated for R&D activities (row G5c)
- Public transfers and other payments to students and to other private entities (rows G10 to G14) and
- The combined total of direct public expenditure on educational institutions and public transfers and payments to the private sector appears (row G20).

Note that **intergovernmental transfers do not appear in part G** of the table because all such transfers are internal to the public sector and are netted out when total public-sector spending on education is calculated.

6.2.10- Funds from international agencies and other foreign sources (rows F1 to F20)

The UOE data collection distinguishes between two types of funds from international organisations:

- Funds from international sources paid to governments and
- International funds paid directly to educational institutions.

International funds consist of funds from public multilateral organisations for development aid to education. These organisations include multilateral development banks (the World Bank and regional development banks), the United Nations agencies and other intergovernmental organisations, bilateral development co-operation government agencies and international NGO agencies established in the receiving country. International funds also include other foreign grants for R&D at tertiary institutions.

Note that the UOE tables on finance

- **INCLUDE** all expenditure in the year of reference, regardless of whether the expenditure was financed from current revenue or by borrowing. Consequently, educational expenditure based on loans from intergovernmental organisations, such as World Bank loans, are fully included as funds from intergovernmental organisations.
- **EXCLUDE** repayments to international organisations are included. They are only reported in the supplementary table, FINANCESUP-2, providing data on debt servicing.

International funds are reported as follows in FINANCE-1:

- Direct foreign payments to public, government-dependent private and independent private institutions, respectively, in rows F1, F2 and F3. An example would be a research grant from a foreign corporation to a public university.
- Direct foreign payments to all type of educational institutions for R&D activities, already included in rows F1 to F5, are reported separately in row F5c. Note that although payments for R&D activities are now reported separately, it is still desirable to include them in rows F1 to F5. For example, a grant from a foreign corporation to a public university should be reported in rows F1, F5 and F5c.
- Sub-totals of direct expenditure on private or all educational institutions, respectively in rows F4 and F5 are provided for sub-totals of direct expenditure on private (F4) or all educational institutions (F5).
- Transfers of funds from international sources to central, regional, and local governments respectively in rows F6, F7 and F8.
- Total of all transfers to governments in row F9.
- Total funds from international sources (the sum of rows F5 and F9) in row F20.

Note that transfers of funds from international sources to governments are not automatically included in the total of expenditure on educational institutions. Like all transfer payments reported in UOE, payments need to be reported as expenditure at the level of the recipient of the funds, i.e. in sections C, R, L or G. All totals in the UOE data collections are calculated in such a way, that funds are only taken into account once. If transfers are not reported again as expenditure, they will not be included in the totals and the total expenditure will be underestimated.

For example, a transfer of education funds from the European Union to a provincial authority should be reported in row F7. The funds received are used by the provincial authority to pay for special programmes at public schools. This expenditure needs to be included as direct expenditure on educational institutions by regional government in row R1.

6.3- *Private sources*

6.3.1- *Definition of private sources*

The tables recognise two private sources of education funds: Households and other private entities.

- “**Households**” means students and their families.
- “**Other private entities**” includes private businesses and non-profit organisations, including religious organisations, charitable organisations, and business and labour associations. It also includes expenditure by private companies on the work-based element of school and work-based training of apprentices and students.

Note that private educational institutions are regarded as **service providers**, not funding sources. All the funds available to these institutions are regarded as coming from the public, private or international funding sources.

For example, if a private university earns interest on its investments or obtains rental income by leasing buildings or land, the interest receipts or rental payments should be classified as funds from “other private entities.”

6.3.2- *Household expenditure*

In general, the living expenses of students (costs of housing, meals, clothing, recreation, etc.) are **excluded**.

However, the following expenses are **included**:

- Transfers to households and students (public and private scholarships, grants, or loans), although the student living costs themselves are not to be taken into account,
- Fees on ancillary services furnished by educational institutions and
- Costs borne by private households for the purchase of educational goods and services.

6.3.2.1- Payments to educational institutions (rows H1 to H5)

In most countries, **fees** paid to educational institutions represent the main form of direct household expenditure on education.

These consist of:

- Tuition fees
- Other fees charged for educational services (such as registration fees, laboratory fees, and charges for teaching materials) plus fees paid for lodging, meals, health services, and
- Fees paid for other welfare services furnished to students by the educational institutions.

Table FINANCE-1 provides separate rows (H1, H2 and H3) to report total student and household payments to public institutions, government-dependent private institutions, and independent private institutions respectively. In row H4 (the sub-total for the two types of private institutions), countries that have no separate data for government-dependent and independent

private institutions may enter figures for both types of private institutions combined. Row H5 is simply the total of rows H1, H2 and H3 or, equivalently, H1 plus H4.

Note that:

- Payments from students and households to institutions are reported as **net amounts** - that is, after subtracting any scholarships or other forms of financial aid (such as reductions in tuition fees or waivers of fees) provided to students by the educational institutions themselves.

For example, if the normal university tuition fee is USD 2,000 per student but some students are offered free tuition or charged only USD 1,000, the figures entered in rows H1 to H5 should reflect the reduced amounts actually paid by students, not the hypothetical full tuition fees.

- Scholarships and other financial aid to students from governments or other private entities are not be netted out, even if such aid is administered by, or passed through, the institutions.

Student/household payments to public educational institutions

- INCLUDE** tuition fees that the families of students enrolled in public educational institutions are paying to regional or local government rather than directly to the educational institutions

- **BUT** in order to avoid double counting of such payments, the tuition fees received by governments are not counted as part of government expenditure on the institutions in question. For example, the tuition fee paid by an upper secondary student attending a municipally operated school to the municipality is counted only as student/household tuition fee paid to a public institution. It should not also be counted as part of the municipality's expenditure on upper secondary schools.

6.3.2.2- Fees paid to institutions for ancillary services (row H5b):

In FINANCE-1, private fees on ancillary services, already included in rows H1 to H5, are reported separately in row H5b. Note that although fees for ancillary services are now reported separately, it is still desirable to include them in rows H1 to H5. Similar rows on ancillary services by source of funds are provided for the public sector (G5b) and for other private entities (E5b).

6.3.2.3- Payments for other services and goods purchased other than by educational institutions (rows H15 to H18)

In FINANCE-1, rows H15 to H18 report expenditure on educational goods and services purchased by households and students outside educational institutions, in the free market.

It is understood that many countries do not have the detailed student or household survey data needed to quantify these direct purchases and thus may be compelled to enter the symbol for “not available” in row H15 to H18. Some may have data for certain levels of education but not for other levels. However, countries are invited to include estimates of spending on direct purchases if there is a reasonable basis for doing so.

Note that double counting must be avoided. Amounts reported in rows H1, H2 and H3 as fees paid to educational institutions - e.g. for laboratory use or teaching materials, - should not be reported again in rows H16 or H17.

6.3.2.1.3.1- Payments on goods requested directly or indirectly by educational institutions, i.e. purchasing IMPOSED by institutions (row H15)

Expenditure on educational goods purchased outside institutions, which are directly or indirectly imposed by institutions to participate in the programmes.

Examples are:

- Books not supplied by educational institutions,
- School supplies, paper,
- School uniforms,
- Athletic equipment,
- Calculators etc.

6.3.2.1.3.2- Payments on goods not directly needed for participation, purchasing NOT imposed by educational institutions (row H16)

Expenditure by households on educational goods not requested by institutions, but bought by households with the intention to support learning in UOE type education. Here the criterion is the perception of the households on the purpose for purchasing the goods (i.e. goods purchased by the household for educational matters).

Examples are:

- Additional books,
- Computer,
- Learning software to be used at home etc.

6.3.2.1.3.3- Payments for private tutoring (row H17)

Educational services purchased outside institutions will mainly consist of **private expenditure on private tutoring outside school**. A clear linkage to the UOE programmes students participate in should be given. Outside school tuition should be restricted to tuition intended to support the participation in programmes that fall under the scope of the UOE.

EXCLUDE:

Expenditure on courses that are not related to the UOE programmes that students participate in (e.g. language courses of languages not instructed at school).

Note that expenditure on educational goods and services purchased outside institutions is typically measured by **Household Budget Surveys**. Therefore, the definition of goods and services needs to match that in the national survey instrument.

Fees that students are required to pay to institutions for such things as laboratory materials and art supplies should not be reported as educational goods purchased outside institutions but should be **included** in rows H1, H2, and H3 (and in the corresponding rows in FINANCE-2).

6.3.2.4- Total household expenditure (rows H20)

In FINANCE-1, total household payments to educational institutions are shown in row H5. Total household expenditure other than on educational institutions is shown in row H18. Total educational expenditure by households (the sum of row H5 and row H18) should be entered in row H20.

6.3.3- *Expenditure of other private entities*

The table FINANCE-1 allows for two types of expenditure by other private entities:

- Direct payments to educational institutions and
- Financial aid to students or households.

6.3.3.1- Payments to educational institutions (rows E1 to E5)

Direct payments by other private entities to educational institutions **INCLUDE** such things as:

- Contributions or subsidies to vocational and technical schools by business or labour organisations;
- Payments by private companies to universities under contracts for research, training, or other services;
- Grants to educational institutions from non-profit organisations, such as private foundations;
- Charitable donations to educational institutions (other than from households);
- Rents paid by private organisations; and earnings from private endowment funds; and
- Expenditure by private employers on the training of apprentices and other participants in mixed school- and work-based educational programmes.
- Public subsidies to other private entities for the provision of training at the workplace (already reported in rows C13, R13 and L13) are included as well in rows E3 and E5a as spending by other private entities.

Payments by other private entities to public institutions, government-dependent private institutions, and independent private institutions are reported in rows E1, E2 and E3, respectively. Row E4 is the sub-total of rows E2 and E3 but may also be used by countries that do not have separate data for government-dependent and independent private institutions to report expenditure on both combined. Row E5 is the total for all three types of educational institutions combined.

6.3.3.2- Payments of private enterprises for specified educational activities (row E5a)

Expenditure made by businesses within the work-based element of the combined school-and-work-based educational programmes which fall within the scope of the UOE data collection are included. It is considered as expenditure by other private entities on independent private schools, and hence reported in row E3.

Because of the scale of expenditure of private companies in some countries on the work-based element of school and work-based training of apprentices and students, a special row (E5a) has been added to table FINANCE-1 to distinguish this expenditure from other expenditure of private entities other than households.

Public subsidies to other private entities for the provision of training at the workplace is reported as public subsidies to other private entities in rows C13, R13 and L13. Consequently, they are included in rows E3 and E5a as spending by other private entities.

INCLUDE:

- Salaries and other compensation of instructors and other personnel,
- Costs of instructional materials and equipment.

EXCLUDE:

- Salaries or other compensation paid to students or apprentices.

6.3.3.3- Fees paid to institutions for ancillary services (row E5b)

In FINANCE-1 private fees on ancillary services, already included in rows E1 to E5, are reported separately in row E5b. Note that although fees for ancillary services are now reported separately, it is still desirable to include them in rows E1 to E5. Similar rows on ancillary services by source of funds are provided for the public sector (G5b) and for other private entities (H5b).

6.3.3.4- Payments of other private entities designated for R&D activities (row E5c)

In FINANCE-1 payments of other private entities for R&D activities, already included in rows E1 to E5, are reported separately in row E5c. Note that although payments designated for R&D activities are now reported separately, it is still desirable to include them in rows E1 to E5. Similar rows on payments designated for R&D activities by source of funds are provided for the public sector (G5c) and for international agencies and other foreign sources (F5c).

6.3.3.5- Financial aid to students (rows E10 to E12)

In FINANCE-1, Total private financial aid to students (scholarships plus loans) is reported in row E12.

Financial aids to students include:

- Scholarships and other grants provided to students by other private entities (reported in row E10). These include scholarships provided by businesses and religious or other non-profit organisations.
- Student loans from banks and other private lenders (reported in row E11, even if such loans are guaranteed or subsidised by government, or made through programmes of private lending organised by the government). Like the government loans, private loans must be reported as gross amounts, without the subtraction of payments of interest or repayments of the principal by the borrowers.

Note that public subsidies related to private loans that are guaranteed or subsidised by the government, or made through programmes of private lending organised by the government, must also be reported as public subsidies to other private entities in row G13.

6.3.3.6- Total expenditure of other private entities (row E20)

In FINANCE-1 expenditure of other private entities is classified as follows:

- Total payments by other private entities to educational institutions in row E5.
- Total financial aid from other private entities to students or households in row E12.
- Total educational expenditure by other private entities (the sum of rows E5 and E12) in row E20.

6.3.4- Total private expenditure (rows P1 to P20)

In FINANCE-1 total expenditure by the private sector, consisting of expenditure by students and households and expenditure by other private entities, are reported in part P of the table.

They are classified by type of institution:

- Payments to public institutions (row P1),
- Payments to government-dependent private institutions (row P2),
- Payments to government-independent private institutions (row P3).

Rows P1, P2 and P3 (payments to educational institutions) are the sums of payments to institutions reported in parts H and E of the table (e.g. $P1 = H1 + E1$).

Row P4 is the sub-total of P2 and P3. P5, the sum of P1, P2 and P3, or equivalently, $P1 + P4$, gives the total of private-sector payments to all three types of educational institutions.

Household payments other than to educational institutions (H18) represent the only other element of total private expenditure. Total private education expenditure, row P20, is the sum of P5 and H18.

Note that private expenditure on financial aid to students does not appear in Part P because **such financial aid is internal** to the private sector and has been netted out in calculating total private spending.

6.4- Total educational expenditure from all sources (rows N1 to N20)

In FINANCE-1 total educational expenditure from all sources - public, private, and international - is reported in part N of the table. Again they are classified by type of institution:

- Payments to public institutions (row N1),
- Payments to government-dependent private institutions (row N2),
- Payments to government-independent private institutions (row N3)

Rows N1, N2 and N3, expenditure on educational institutions, are the sums of payments to institutions reported in parts G, F and P of the table.

For example, $N1 = G1 + F1 + P1$. N4 is the sub-total of N2 and N3. N5, the sum of N1, N2 and N3 or equivalently, $N1 + N4$, is total expenditure on all types of educational institutions from all funding sources combined.

Combined public, private and international expenditure designated for ancillary services, already included in rows N1 to N5, is reported separately in row N5b. Note that although combined public, private and international expenditure designated for ancillary services is now reported separately, it is still desirable to include them in rows N1 to N5.

Combined public, private and international expenditure for R&D activities, already included in rows N1 to N5, is reported separately in row N5c. Note that although combined public, private and international expenditure for R&D activities is now reported separately, it is still desirable to include them in rows N1 to N5.

The only other element of total educational spending is household payments other than to educational institutions (H18). Total educational expenditure, row N20, is the sum of N5 and H18.

Note that the total expenditure shown for public, government-dependent private, and independent private educational institutions **in rows N1, N2, and N3 of table FINANCE-1 should correspond, to the totals shown in table FINANCE-2.**

7- Table FINANCE 2: Educational expenditure by nature, resource category, and level of education

7.1- The structure of table FINANCE-2

In table FINANCE-2 “Education expenditure by service provider, expenditure category, and level of education”, the expenditure is classified by:

- Expenditure categories (current and capital expenditure)
- Type of service provider (public institutions, government-dependent private institutions, and independent private institutions), *without regard to sources of funds (whether they are public or private)*. These expenditure figures are intended to represent the total cost of services provided by each type of institution.

The function of this table is to obtain the data needed to construct indicators of the cost of education (total and per student) and the composition of educational expenditure by nature and type of resource, disaggregated by both level of education and service provider.

7.2- Expenditure by type of institution: public and private institutions

Table FINANCE-2 consists of five parts. Individual rows in the table FINANCE-2 are identified by combinations of letters and numbers, in which the letters correspond to funding sources, as follows:

- A = Public and private institutions;
- X = Public institutions;
- W = All private institutions;
- Y = Government dependent private institutions and
- Z = Independent private institutions.

Note that the expression “expenditure by or on (...) institutions” **is used to make clear that countries should include both expenditure by the institutions themselves** (e.g. salaries paid by a fiscally autonomous university) **and expenditure by governments on, or on behalf of, the institutions** (e.g. salaries paid by a national education ministry directly to the individual teachers employed in public or private schools).

Remarks:

- **Unavailable/missing data:** Although table FINANCE-2 is designed to obtain data concerning all three types of educational institution, it is recognised that not all countries can supply complete expenditure figures for their private institutions. **A country unable to provide expenditure figures for either its government-dependent or independent private institutions, for some or all ISCED levels, is invited to indicate this by inserting appropriate missing data codes in the relevant columns of parts Y and Z.**

- **Consistency with data from table Fin-ENRL2:** Countries are asked to report enrolment data in table Fin-ENRL2 which are fully compatible with the scope of the finance table. **Moreover, efforts should be made to ensure complete consistency between missing codes used in tables Fin-ENRL2 and FINANCE-2.**

- **Complete data:** Countries are asked to carefully review whether the expenditure on the different types of private institution is complete. If large portions of the budgets of the relevant institutions are missing, the whole section must be reported as missing rather than with understated figures.

7.3- Expenditure by resource category

In table FINANCE-2, within educational institutions, expenditure is classified into current expenditure and capital expenditure. The distinction between these two categories is the standard one used in national income accounting.

- **Current expenditure (rows A6 to A14, X1 to X14, W6 to W14, Y1 to Y14 and Z1 to Z14)** is expenditure on goods and services consumed within the current year, i.e., expenditure that needs to be made recurrently in order to sustain the production of educational services. Minor expenditure on items of equipment, below a certain cost threshold, is also reported as current spending.

- **Capital expenditure (rows A15, X15, W15, Y15 and Z15)** is expenditure on assets that last longer than one year. It includes spending on construction, renovation and major repair of buildings and expenditure on new or replacement equipment. (It is understood that most countries report small outlays for equipment, below a certain cost threshold, as current rather than capital spending.)

Separate rows for identification of any expenditure on ancillary services (rows A30, X30, W30, Y30 and Z30) and on R&D activities (rows A40, X40, W40, Y40 and Z40), included in current and capital spending, are included in table FINANCE-2.

7.3.1- Current expenditure

Current expenditure is broken down, into expenditure on compensation of personnel, and expenditure on other (non-personnel) resources.

7.3.1.1- Expenditure on compensation of personnel

In table FINANCE-2 expenditure on compensation of personnel (rows A6, X6, W6, Y6 and Z6) is classified in two ways:

- by type of personnel (rows X1, X5, Y1, Y5, Z1, Z5)
- by type of compensation (rows X7 to X9, Y7 to Y9)

7.3.1.1.1- Categories of educational personnel

Table FINANCE-2 recognises two categories of educational personnel: teachers, and non-teaching staff.

- The “**teachers**” category includes only personnel who participate directly in the instruction of students. Under expenditure for on compensation of teachers, (rows X1, Y1 and Z1), countries should report the full compensation of full-time teachers plus appropriate portions of the compensation of staff who teach part-time.

For example, if the head-teachers or principals of a country's primary schools teach for a quarter of their time, on average, and perform administrative functions for the other three quarters of their time, only one quarter of head-teachers' compensation is included in compensation of teachers. The remaining three quarters are included in compensation of other educational, administrative and professional personnel.

- The **Non-teaching staff category** includes, in addition to head-teachers and other administrators of schools, supervisors, counsellors, school psychologists, school health personnel, librarians or educational media specialists, curriculum developers, inspectors, educational administrators at the local, regional, and national level, clerical personnel, building operations and maintenance staff, security personnel, transportation workers, food service workers, etc. The exact list of occupations included in this category will vary from one country to another.

Expenditure on compensation of the two categories of personnel is reported in rows X1 and X5 respectively, and on the corresponding rows of parts Y and Z of the table.

7.3.1.1.2- Breakdown of expenditure on compensation of personnel

Total expenditure on compensation of personnel, shown in rows X6 and Y6 are broken down by type of compensation as follows:

Salaries (rows X7 and Y7) means the gross salaries of educational personnel, before deduction of taxes, contributions for retirement or health care plans, and other contributions or premiums for social insurance or other purposes.

Expenditure on retirement, i.e. pension schemes (rows X8 and Y8), means actual or imputed expenditure by employers or third parties **to finance retirement benefits for current educational personnel**. This expenditure does not include pension contributions made by the employees themselves, or deducted from their gross salaries. The reference to third parties is included to cover situations in which costs of retirement are not borne by the education authorities directly but rather by other public authorities, such as social security or pension agencies or finance ministries (see specific instructions included in section 5.1 of this user guide).

Expenditure on other non-salary compensation (row X9 and Y9) (fringe benefits) includes spending by employers or third parties on employee benefits other than pensions. These benefits may include such things as health care or health insurance, disability insurance, unemployment compensation, maternity and childcare benefits, other forms of social insurance, non-cash supplements (e.g. free or subsidised housing), free or subsidised child care, and so forth. The list of employee benefits varies from country to country, and often between sectors or categories of personnel within the same country.

Note that the breakdown of compensation of personnel into salaries and non-salary components is not requested for independent private institutions as it has not been possible to obtain these data for a significant number of countries. The underestimation of non-salary compensation,

especially in countries where no reliable estimates exist for future pension liabilities of current expenditure, remains a significant potential bias in comparisons of expenditure data.

7.3.1.2- Current expenditure other than compensation of personnel

In table FINANCE-2 all expenditure on goods and services used in education other than compensation of educational personnel is reported in rows A13, X13, W13, Y13 and Z13. This type of current expenditure includes the following categories:

- **Expenditure on contracted and purchased services** is expenditure on services obtained from outside providers, as opposed to services produced by the education authorities or educational institutions themselves using their own personnel. The services most commonly obtained under contracts are:

- Support services, such as maintenance of school buildings, and
- Ancillary services, such as preparation of meals for students.
- Rents paid for school buildings and other facilities are also included in this category. In a few rare cases, the educational authorities may even contract out teaching services by engaging a private company to operate certain schools. The providers of contracted services may be private companies or public agencies.

An example of services under contracts is a private company that cleans school buildings.

An example of rent payments is when a general public building authority that constructs school buildings and leases them to the education authorities.

- **Expenditure on other resources** covers the purchases of other resources used in education, such as teaching and learning materials, other materials and supplies, items of equipment not classified as capital, fuel, electricity, telecommunications, travel expenses, and insurance.

- **Required payments other than expenditure on educational resources and services.**

For example, the property taxes that educational institutions are required to pay in some countries are reported here.

Remark:

Financial aid to students **is not included** in Finance 2 **UNLESS it is provided by the institution's own funds** in form of a reduction in tuition fees or waivers of fees **and it exceeds household payments to institutions.**

7.3.2- Capital expenditure

The capital expenditure reported in FINANCE-2 represents the value of educational capital assets acquired or created during the year in question - that is, the *amount of capital formation* - regardless of whether the capital expenditure was financed from current revenue or by borrowing. In other words, capital outlays must be recorded in the years in which they are made. The cost of the depreciation of capital assets is not included.

For example, if a school building costing 10 million Euros is constructed in 2004, the full 10 million Euros should be reported as capital expenditure for 2004, even if the building is financed by a loan, with repayment spread over 20 years. If the building was constructed over the two-year period, 2003 to 2004, with 7 million Euros of the cost of construction paid in the first year and 3 million Euros in the second year, capital outlays of 7 and 3 million, respectively, should be included in the 2003 and 2004 data.

Capital expenditure **EXCLUDE** expenditure on debt servicing (e.g. interest payments, repayments of the principal). This means that neither interest payments nor repayments of the principal should be counted as part of capital or current spending.

7.3.3- Adjustments for changes in fund balances

In table FINANCE-2 adjustments for changes in fund balances are reported in rows A21, X21, W21, Y21 and Z21 (a reduction is entered as a negative amount).

The total funds received by educational institutions from all sources may not be precisely equal to total expenditure in the reference period. This is because the institutions have either added to or reduced their fund balances during the period in question.

An increase or reduction in fund balances can not be attributed to current or capital expenditure. They would distort the distribution by expenditure category. Therefore special rows are provided to record adjustments for changes in fund balances. These rows account for potential differences in funds reported in FINANCE-1 and expenditure by educational institutions reported in FINANCE-2.

7.3.4- Expenditure on ancillary services

In table FINANCE-2, if for a certain type of service provider (public and private, public, all private, government dependent private, private independent) expenditure on ancillary services is contained under current or capital expenditure, it should be reported separately as well in rows A30, X30, W30, Y30, Z30.

Note that the **expenditure on ancillary services** shown in row A30 of table FINANCE-2 should correspond to row N5b of table FINANCE-1.

7.3.5- Expenditure on R&D activities

In table FINANCE-2, if for a certain type of service provider (public and private, public, all private, government dependent private, private independent) expenditure on R&D activities is contained under current or capital expenditure, it should be reported separately as well in rows A40, X40, W40, Y40, Z40. Note that the **expenditure on R&D activities** shown in row A40 of table FINANCE-2 should correspond to row N5c of table FINANCE-1 and to row SR3 of table FINANCE-SUP3.

7.3.6- *Total current and capital expenditure*

Total current plus capital expenditure (X14 + X15) is reported in row X20. . Similarly, the totals in sections A, W, Y and Z are reported in rows A20, W20, Y20 and Z20

The tables FINANCE-1 and FINANCE-2 relate to each other as follows:

Row FINANCE-1 N1 equals row X20 + X21 of FINANCE-2;

Row FINANCE-1 N2 equals row Y20 + Y21 of FINANCE-2;

Row FINANCE-1 N3 equals row Z20 + Z21 of FINANCE-2;

Row FINANCE-1 N4 equals row W20 + W21 of FINANCE-2;

Row FINANCE-1 N5 equals row A22 of FINANCE-2.

8- Instructions for supplemental table on debt service (Table FINANCESUP-2)

This section provides instructions for table FINANCESUP-2, the supplementary financial table covering expenditure on educational debt servicing.

Expenditure on educational debt servicing is specifically excluded from tables FINANCE-1 and FINANCE-2. It is not considered part of either current expenditure or capital expenditure.

The reasons for seeking information on debt servicing expenditure are (1) to help ensure the comparability of expenditure figures between countries that do and do not rely on debt financing, (2) to permit assessment of the full budgetary impact of the financing of education, and (3) to permit the interest portion of debt servicing expenditure to be counted as part of the economic cost of education.

In principle, debt servicing expenditure could be disaggregated in the same way as current and capital expenditure – that is, by level of education, type of service provider, and source of funds. In recognition, however, that most countries cannot provide detailed breakdowns, table FINANCESUP-2 calls only for a much more limited breakdown of spending of debt servicing. It is also recognised that some countries cannot report debt servicing outlays for education because such outlays are inseparable from debt servicing expenditure for non-educational purposes. These countries should indicate this in their data submissions.

8.1- *Definitions of education debt and debt service expenditure*

The stock of educational debt is the **cumulative amount of funds borrowed for educational purposes by educational service providers or funding sources and not yet repaid to the lenders**. Such debt is usually incurred to finance capital expenditure but may also be incurred, on occasion, to finance portions of current expenditure.

For example, if a school building costing EUR 5 million is constructed in 2003, the full EUR 5 million should be reported as capital expenditure for 2003, even if the building is financed by a loan, with repayment spread over 20 years. If the building was constructed over the two-year period, 2003 to 2004, with EUR 3 million of the cost of construction paid in the first year and EUR 2 million in the second year, capital outlays of 3 and 2 million, respectively, should be included in the 2003 and 2004 data.

Expenditure on debt servicing consists of

- (1) payments of interest on the amounts borrowed for educational purposes and
- (2) repayments of the principal. Table FINANCESUP-2 allows for the separate reporting of these two components.

For the purposes of this data collection, the term educational debt **does not include** any funds borrowed by students or households (student loans) to help finance students' educational costs or living expenses. No transactions concerning student loans should be reported in table FINANCESUP-2.

8.2- *Borrowers and lenders*

Depending on how responsibility for financing education is allocated in each country, the entities that borrow funds for education may include service providers, funding sources, or both.

For example, in some countries, individual universities may borrow money to pay for construction of buildings, whereas in other countries funds for that purpose would be borrowed, if at all, by the national or regional ministry responsible for the financing of higher education.

Table FINANCESUP-2 allows for either public authorities or institutions to be the borrowers.

The lenders of funds for education are usually banks or other private financial institutions but may be public-sector lending agencies in some cases. However, table FINANCESUP-2 does not differentiate by type of lender.

8.3- *Disaggregation by level of education*

Table FINANCESUP-2 distinguishes between two levels:

- Education below the tertiary level (i.e., pre-primary, primary, secondary and non-tertiary post-secondary education combined) and
- Education at the tertiary level.

Countries report the two components of debt servicing expenditure, interest payments and repayment of principal, **for each level** in columns (1) to (4). The totals for all levels of education combined should be reported in columns (5) and (6). The latter columns should also be used by countries that can report debt servicing expenditure for all levels of education combined but cannot differentiate between the two levels represented in columns (1) to (4).

8.4- *Disaggregation by payer*

The rows of Table FINANCESUP-2 are used to identify the two types of payers of debt servicing expenditure:

(1) **Governments, classified by level.** Debt servicing expenditure by central, regional and local governments is reported in rows D1, D2 and D3 respectively, with the total for all levels of government reported in row D4

(2) **Institutions (service providers), classified by type.** Debt service expenditure of public institutions, government-dependent private institutions, and independent private institutions is reported on rows D5, D6 and D7, respectively, with the total for all types of institutions reported on row D8. Total debt servicing expenditure by all payers (unduplicated) is reported on row D9.

Duplication or double-counting of expenditure must be avoided. A given item of expenditure on for debt servicing should be reported either as expenditure by government or as expenditure by a type of institution, but not both.

For example, debt servicing expenditure on account of funds borrowed to construct buildings at a public university should be reported as central government expenditure if a national ministry makes the payment or as expenditure by public institutions if the university is responsible for making its own payments.

Usually, the borrower of funds will also be the payer of the corresponding debt servicing expenditure, but in some cases one entity may make payments on behalf of another. For instance, the national government may cover some portion of the debt servicing obligations incurred by regional or local governments or institutions. In such cases, expenditure is reported by payer. In the event that one entity provides transfers (subsidies) to another entity to cover debt servicing expenditure, the expenditure is classified according to the final rather than the initial payer.

9- Instructions for supplemental table on expenditure for research and development of Table FINANCESUP-3

This section provides instructions for table FINANCESUP-3, the supplementary table concerning expenditure on Research and Development (R&D) in institutions of tertiary education.

The purposes of this table are:

- (1) To help assess the comparability of the statistics on tertiary expenditure,
- (2) To determine the relationship between the coverage of R&D expenditure that is covered by the UOE data collection on education statistics and the statistics on Higher Education R&D (HERD) expenditure and
- (3) To provide the data needed for comparisons of expenditure on tertiary education net of certain expenditure on research.

9.1- *Definition of expenditure on Research and Development*

Expenditure on R&D is defined according to the Frascati Manual.

Include in tables FINANCE-1 and FINANCE-2 all expenditure on research performed at universities and other institutions of tertiary education, regardless of whether the research is financed from general institutional funds, through separate grants, or from contracts from public or private sponsors.

Exclude expenditure on independent, organisationally separate, government research institutions in cases where the connection between universities and research institutions is purely administrative.

Remark:

General university budgets: Where R&D expenditure is embedded within general university budgets, problems can arise in the separation of expenditure on R&D from total expenditure. This embedded expenditure includes, for example, spending on the compensation of teaching staff who work part of their time on R&D. These elements need to be identified and staff costs need to be broken down for education and R&D activities. The Frascati Manual suggests standard practices for the separation.

9.2- *Coverage of research expenditure*

The first two rows of the table are intended to clarify the coverage on expenditure for research in the figures on expenditure on tertiary education presented in tables FINANCE-1 and FINANCE-2.

Row SR1: Enter total expenditure on institutions of tertiary education (all types of institution combined), as reported in row A20, column 9 of table FINANCE-2.

Row SR2: Indicate by marking yes or no in the right-hand column, whether the figure on row 1 includes ALL expenditure on research in institutions of tertiary education.

Mark “yes” in row 2 if all research spending other than the type specifically mentioned above as an exception has been included.

Mark “no” in row 2 if any other category of research spending has been omitted. A country indicating “no” is asked to itemise the omitted components of research expenditure in the space provided and, if possible, indicate the corresponding amounts of omitted spending in the right-hand column. Estimates can be provided if the exact amounts of omitted research spending are unknown.

9.3- Separation of expenditure on R&D

Row SR3: Enter total expenditure attributable to R&D. This includes expenditure on separately funded or separately budgeted research as well as those portions of the general university budget attributable to R&D activities.

Note that row SR3 should correspond to row N5c of table FINANCE-1 and row A40 of table FINANCE-2.

Row SR4: Indicate by marking yes or no in the right-hand column, whether the figure on row SR3 includes ALL expenditure on research in institutions included in SR1. It is recognised, that the amounts not separable from row SR1 cannot be quantified. However, data providers are asked to list the types of expenditure in rows SR4a to SR4f without amounts.

Examples of expenditure related to R&D that cannot be separated may include expenditure on staff time, or portions of capital expenditure, devoted to R&D.

Remarks:

If there is full consistency between the UOE and OECD/DSTI data collections, row SR3 is equal to row SR5.

Countries which do not attain full consistency, or which do not participate in surveys on R&D statistics, need to indicate in row SR3 the amount included in SR1 that is attributable to R&D activities.

9.4- Relationship to the R&D statistics

Rows SR5, 6, and 7 of the table are intended to clarify the relationship between the research expenditure included in table FINANCE-2 and the Higher Education R&D (HERD) expenditure reported in R&D statistics.

Row SR5: Enter total expenditure on Higher Education Research and Development (HERD), as reported in R&D statistics using the same financial year as the educational expenditure reported in the UOE finance tables.

Rows SR6 and SR7: These rows are intended to clarify any differences between the coverage of research expenditure in the UOE data collection and in R&D statistics.

Remarks:

Indicate by marking yes or no in the right-hand column of **row SR4**, whether the figure for Higher Education R&D (HERD) expenditure on **row SR3** includes any expenditure that is not also included in the figure for expenditure by tertiary institutions given in **row SR1**.

Countries are asked to answer “yes” if, for example, the HERD figure includes R&D expenditure by institutions not considered institutions of tertiary education (e.g. hospitals or independent research centres) and therefore not reflected in the UOE finance tables.

Countries answering “yes” in **row SR6** are asked to itemise in the space provided the types of R&D expenditure that are included in **row SR5** but not in **row SR1**. The corresponding expenditure amounts can be reported in the right-hand column.

Indicate by marking yes or no in the right-hand column of **row SR7**, whether the figure for total expenditure by tertiary institutions in **row SR1** includes any research expenditure not included in the figure for HERD expenditure in **row SR5**.

Countries are asked to answer “yes” if, for example, the portion of the activities of university teaching staff that might be considered research, rather than teaching is not fully reported in R&D statistics.

Countries answering “yes” on **row SR7** are asked to itemise in the space provided the types of research expenditure included in **row SR1** but not in **row SR5**. The corresponding expenditure amounts can be reported in the right-hand column.

9.5- Expenditure on separately funded or separately budgeted research

Row SR8: This row is intended to provide information about the portion of the research performed at tertiary institutions that is **separately funded or separately budgeted**, and hence potentially separable from other institutional expenditure. Enter the amount of separately funded or separately budgeted research expenditure included in total expenditure by tertiary institutions (**row SR1**).

Research expenditure is considered separately funded if the funds derive from:

- (1) Explicit research contracts or grants from public or private research sponsors or
- (2) Specifically designated research portions of the funds provided to tertiary institutions by public education authorities. In addition, some research that is supported out of general university funds (hence not separately funded) may qualify as separately budgeted research if funding is specifically allocated to organised research activities (institutes, research centres, projects, etc.) in institutional budgets.

10- Concluding remarks

This update of the short user guide is reflecting the scope, definitions, concepts and classifications of the UOE data collection on educational expenditure statistics that are applied based on agreements between the UIS, OECD, EUROSTAT and the participating countries. These agreements have been revised in 2005 as participating countries and international organisations have been intensively working to further improve the comparability of the educational expenditure statistics by upgrading the methodology. Furthermore, there is sometimes a time lag between the moment when a new methodology is adopted and its implementation by the participating countries. Therefore, there are some breaks in series and as a result data are often not comparable over time.

Eurostat has been working on three main issues to further improve the comparability of the data both across countries and in particular also across time. One milestone has been the survey on country profiles which gave more background information on the financing of education systems for European countries and on the level to which countries have already implemented the agreed UOE definitions into their data submissions.

Another step Eurostat has been exploring is how results from the Households Budget Surveys could be used to gather some information on what the private households are spending for educational goods and services.

Finally, a comparative analysis of the methodology of the UOE data collection with that followed by the National Accounts within the framework of ESA 95 will permit to further harmonise the UOE definitions and will contribute to close some data gaps.

Luxembourg, July 2005

Annex 1: Excerpt from the Frascati Manual

3. Institutional Classification

3.7 Higher education sector

3.7.1 COVERAGE

190. This sector is composed of:

-All universities, colleges of technology, and other institutes of post-secondary education, whatever their source of finance or legal status. It also includes all research institutes, experimental stations and clinics operating **under the direct control of or administered by or associated with** higher education establishments.

191. This sector is not a SNA sector. It has been separately identified by the OECD (and by UNESCO) because of the important role played by universities and similar institutions in the performance of R&D.

192. The above definition describes the general coverage of the sector. However, it is difficult to provide clear guidelines which ensure internationally comparable reporting of data because it is not backed by SNA. As it is based on mixed criteria, it is particularly susceptible to varying interpretation resulting from national policy preoccupations and definitions of the sector.

193. The core of the sector in all countries is made up of universities and colleges of technology. Where treatment does vary, it does so with respect to other institutes of post-secondary education and above all to several types of institutes that are linked to universities and colleges. The main borderline problems are considered below:

- post-secondary education;
- university hospitals and clinics;
- borderline research institutions.

3.7.1.1 POST-SECONDARY EDUCATION

194. The sector includes all establishments whose **primary activity** is to provide post-secondary (third level) education regardless of their legal status. They may be corporations, quasi-corporations belonging to a government unit, market NPIs or NPIs controlled and mainly financed by government or by NPSHs. As noted above, the core is made up of universities and colleges of technology. The number of units in the sector has grown as new universities and specialised post-secondary educational institutions have been set up and secondary level units, some of which may supply education services at both secondary and post-secondary level, have been upgraded. If such units supply post-secondary education as a primary activity, they are always part of the higher education sector. If their primary activity is the provision of secondary level education or in-house training they should be allocated by sector in line with the other

general rules (market or non-market production, sector of control and institutional funding, etc.). If, however, their post-secondary activities can be identified separately, they may be judged under the “associated” rule (see below).

3.7.1.2 UNIVERSITY HOSPITALS AND CLINICS

195. Inclusion of university hospitals and clinics in the higher education sector is justified both because they are post-secondary educational institutions (teaching hospitals) and because they are research units “associated with” higher education institutions (e.g. advanced medical care in clinics at universities).

196. Academic medical research is traditionally funded from many sources: out of the institutions’ general “block grant” (GUF); from the institution’s “own funds”; directly or indirectly (via a medical research council, for instance) from government funds or from private funds.

197. Where all or nearly all activities in the hospital/medical institution have a teaching/training component, the entire institution should be included as part of the higher education sector. If, on the other hand, only a few of the clinics/departments within a hospital/medical institution have a higher education component, **only** these teaching/ training clinics/departments should be classified as part of the higher education sector. All other non-teaching/training clinics/departments should, as a general rule, be included in the appropriate sector (corporations, quasi-corporations belonging to a government unit, and market NPIs in the business enterprise sector; NPIs controlled and mainly financed by government in the government sector, NPIs controlled and mainly financed by NPSHs in the PNP sector). Care must be taken to avoid double-counting of R&D activities between the various sectors concerned.

3.7.1.3 BORDERLINE RESEARCH INSTITUTIONS

198. Traditionally universities have been major centres of research, and when countries have wished to expand their R&D in specific fields, they have frequently been considered appropriate locations for setting up new institutes and units. Most such institutions are principally government-financed and may even be mission-oriented research units; others are financed by private non-profit sector funds and latterly by the business enterprise sector.

199. A particular case arises when special funds are used to set up and finance mainly basic research managed by agencies which not only pay grants to universities proper, but also have their “own” research institutes, which may or may not be situated on university campuses.

200. One factor which determines the classification of such research institutions is the purpose for which the research is being carried out. If it is predominantly to serve government’s needs, countries may decide to classify the institution as part of the government sector. This is the case of “mission-oriented” R&D institutions financed from the budget of their sponsoring ministry or department. Alternatively, if the R&D is basic in nature and adds to the general body of knowledge in a country, then some Member countries may have opted to classify the institutions as part of the higher education sector, regardless of its teaching/training activities.

201. A higher education unit may have “links” with other research institutions not directly concerned with teaching or other non-R&D functions. One example might be the mobility of personnel between the higher education units and the research institution concerned (or *vice versa*), and another the sharing of equipment facilities between institutions classified in different sectors.

202. Furthermore, in some countries, such borderline institutions may have a private legal status and carry out contract research for other sectors, or may be government financed research institutions. It is difficult to decide, in such cases, whether the links between the units are strong enough to justify including the “external” unit in the higher education sector.

203. A more recent development concerns the “science parks” situated at or near universities and colleges which host a range of manufacturing, service, and R&D institutions. It is recommended that, for science parks and other borderline institutions, physical location and use of common resources with the higher education sector should not be used as a classification criterion for the institutions associated with them, except when individuals, such as postgraduate students or fellows financed by direct grants or their own resources, perform R&D using higher education facilities are not actually on the university payroll (or that of any other sector, see Section 3.6.1).

204. Units administered by post-secondary teaching units (including teaching hospitals) as defined above, which are not primarily market producers of R&D, should be included in the higher education sector. The same applies if they are mainly financed from university block grants. If they are primarily market producers of R&D, they should be included in the business enterprise sector despite any links with higher education units; this is particularly relevant for science parks.

205. In the case of science parks also, any units controlled and mainly financed by government should be included in the government sector, while those controlled and mainly financed by the private non-profit sector should be included in the private non-profit sector.

206. In the case of classic associated “research institutes”, it is not possible to give more definite instructions; further detailed discussion will be found in the supplement to the 1980 Frascati Manual (OECD, 1989c).

207. It is recommended that R&D expenditure and personnel of all institutes at the borderline with the higher education sector be reported separately.

6. Measurement of Expenditures Devoted to R&D

Introduction

333. Expenditures on R&D may be spent within the statistical unit (intramural) or outside it (extramural). The full procedures for measuring these expenditures are:

- a) to identify the intramural expenditure on R&D performed by each statistical unit;
- b) to identify the sources of funds for these intramural R&D expenditures as reported by the performer;
- c) to identify the extramural R&D expenditures of each statistical unit;
- d) to aggregate the data, by sectors of performance and sources of funds, in order to derive significant national totals. Other classifications and distributions are then compiled within this framework.

334. Nevertheless, it is the first two stages which are essential and which generally suffice for stage d). R&D expenditure data should be compiled on the basis of performers reports of intramural expenditures. The collection of extramural expenditures is, however, also desirable as a supplementary source.

Intramural expenditures

6.1.1 DEFINITION

335.

Intramural expenditures are all expenditures for R&D performed within a statistical unit or sector of the economy, whatever the source of funds.

336. Expenditures made outside the statistical unit or sector but in support of intramural R&D (e.g. purchase of supplies for R&D) are included. Both current and capital expenditures are included.

6.1.2 CURRENT EXPENDITURES

337. Current expenditures are composed of labour costs and other current costs (see also Section 6.2.3.3).

6.1.2.1 LABOUR COSTS OF R&D PERSONNEL

338. These comprise annual wages and salaries and all associated costs or fringe benefits such as bonus payments, holiday pay, contributions to pension funds and other social security payments, payroll taxes, etc. The labour costs of persons providing indirect services and which are not included in the personnel data (such as security and maintenance personnel or the staff of central libraries, computer departments, or head offices) should be excluded and included in other current costs.

339. Labour costs are almost always the largest component of current expenditure. Member countries may find it useful to collect or otherwise secure labour costs by personnel element (e.g. researchers, technicians and equivalent staff, other supporting staff, etc.). These extra classifications will be particularly helpful in the construction of cost indices for R&D expenditures.

6.1.2.1.1 Labour costs of postgraduate students engaged in R&D

340. Calculation of the salary element for postgraduate students poses a problem in most countries. Only those postgraduate students who are on universities' payrolls (as research assistants, for instance), and/or in receipt of external funds for R&D (such as research scholarships) should be included in the statistics. Very often, the monies they receive are lower than the "market value" of their work. Frequently, such students supplement their low R&D income with monies from non-R&D activities or from personal resources. The measure of R&D labour costs should, at least in theory, include these personal funds.

341. There may be a temptation to inflate R&D labour costs to take account of the difference between the "market value" mentioned above and the amounts actually spent in order to derive a "true" value of their R&D activities. This is, however, a questionable approach.

342. Only the actual “salaries”/stipends and similar expenditures associated with postgraduate students should be reported in the R&D statistics and accordingly no inflated values should be derived.

6.1.2.2 OTHER CURRENT COSTS

343. These comprise non-capital purchases of materials, supplies and equipment to support R&D performed by the statistical unit in a given year. Examples are: water and fuel (including gas and electricity); books, journals, reference materials, subscriptions to libraries, scientific societies and so on; imputed or actual cost of small prototypes or models made outside the research organisation; materials for laboratories (chemicals, animals, etc.). Administrative and other overhead costs (such as interest charges and office, post and telecommunications, and insurance costs) should also be included, pro-rated if necessary to allow for non-R&D activities within the same statistical unit. All expenditures on indirect services should be included here, whether carried out within the organisation concerned or hired or purchased from outside suppliers. Examples of such services are security; storage; use, repair and maintenance of buildings and equipment; computer services; and printing of R&D reports.

6.1.2.3 INDIRECTLY PAID CURRENT COSTS

344. R&D activities may incur costs that are often not paid by the sector itself but are borne by institutions classified in other sectors of the economy, usually the government sector. Two examples are discussed in the following sections.

6.1.2.3.1 Rents for research facilities

345. In many countries, responsibility for “housing” public institutions (including universities, etc.) is undertaken by a central agency which is most likely to be included in the government sector in R&D surveys and whose accounts would not reflect the functional breakdown between R&D and “other” activities. This may apply to the administration of ongoing accommodation and temporary arrangements concerning premises and equipment. This is particularly relevant for the higher education sector.

346. In some cases, such facilities are available to institutions free of charge, or are not accounted for in the institutions’ books. If a realistic cost of R&D is to be assessed, all fees/rents, etc., associated with R&D should be included in expenditure data. Where the fee or rent is charged to a unit within a sector, this is easily done. If, however, there is no such charge, it might still be desirable, for reasons of international comparability, to include a notional amount which represents an actual payment known to have been made between agencies in different sectors. This might be, for example, an estimated “market value”, to be included in “other current costs”. Care must be taken to avoid “double-counting” of costs between the suppliers and the recipients of these services.

347. Provided actual payments are made (even if not necessarily revealed by the R&D surveys), an adjustment – to account, for instance, for the estimated market value of the facilities concerned – should be made by the national authorities in their data series. It should be classified as “other current cost” in the receiving sector and should be subtracted, as appropriate, from the accounts of the other donating sectors concerned. If no actual provisions and/or payments exist, no such adjustments should be made.

6.1.2.3.2 Social security costs and pensions for R&D personnel

348. Labour costs of R&D personnel “comprise annual wages and salaries and all associated costs or fringe benefits such as bonus payments, holiday pay, contributions to pension funds and other social security payments, payroll taxes, etc.” (para. 338).

349. While there is no ambiguity as to whether pension and other social security payments should be included in R&D cost data, the problem is that identification of such funds is extremely difficult in a sector such as higher education, where R&D is not readily identifiable as a separate area of activity. This problem is compounded by the complexity of national health, social security, retirement, and other systems.

350. Where there is an actual provision for social security and/or pensions for R&D personnel, such amounts should be included in R&D labour costs. These provisions need not necessarily be visible in the bookkeeping accounts of cost to the sector concerned but may often involve transactions within or between sectors. Care should be taken to avoid double-counting of such expenditure.

6.1.2.4 VALUE ADDED TAX (VAT)

351. Data on R&D expenditure on both a provider and funder basis should be at factor cost. This means excluding VAT and similar sales taxes from the measured cost of the R&D and specifically of R&D financed by government (for the treatment of subsidies, see Section 6.3.2). Not only will this aid in making valid international comparisons, but it will also assist countries' internal analyses, for example when looking at the opportunity cost of funds devoted to R&D or when deriving ratios using national income and government expenditure statistics, which generally exclude VAT.

352. In the case of the business enterprise sector, this should present very few problems since separate recording of VAT input costs is part of standard accounting procedures and is reclaimable if offset against any VAT charged on outputs. In the case of the government sector, VAT on input costs may generally be reclaimable, and therefore separately identifiable.

353. More difficulties may arise in the higher education and private non-profit sectors where VAT included in goods and services purchased as part of an R&D project may not be reclaimable and will therefore be regarded by the respondents as a legitimate part of their expenditures. Countries should make every effort to exclude VAT from expenditure figures for these sectors, making an adjustment centrally if necessary. It is recommended, therefore, that the figures returned to the OECD should be exclusive of VAT.

6.1.2.5 EXCLUSION OF DEPRECIATION

354. All depreciation provisions for building, plant, and equipment, whether real or imputed, should be excluded from the measurement of intramural expenditures. This approach is proposed for three reasons:

- a) If depreciation (an allowance to finance the replacement of existing assets) were included in current expenditures, then the addition of capital expenditures would result in double-counting.
- b) The actual sums set aside for depreciation are useless for purposes of international comparison because of differences in tax laws.

- c) In the government sector, no provision is normally made for depreciation of fixed assets. Consequently, even within a country, comparisons between sectors cannot be made unless depreciation provisions are excluded, and aggregates for a national series cannot be compiled unless the sector totals are put on a comparable basis.

6.1.3 CAPITAL EXPENDITURES

355. Capital expenditures are the annual gross expenditures on fixed assets used in the R&D programmes of statistical units. They should be reported in full for the period when they took place and should not be registered as an element of depreciation (see para. 354).

They are composed of expenditures on:

- land and buildings;
- instruments and equipment.

6.1.3.1 LAND AND BUILDINGS

356. This comprises land acquired for R&D (e.g. testing grounds, sites for laboratories and pilot plants) and buildings constructed or purchased, including major improvements, modifications, and repairs.

357. The R&D share of the costs for new buildings is often difficult to quantify and many countries ignore this element of R&D expenditure (in the higher education sector), or at best estimate it, based on scheduled use (see Section 6.2.3.4).

358. Purchase of new research equipment is often included in the cost of new buildings, without being separately identifiable. This can result, in some years, in an underestimation of the “instruments and equipment” component in total capital R&D expenditures.

359. Countries should maintain a consistent methodology with regard to these costs.

6.1.3.2 INSTRUMENTS AND EQUIPMENT

360. This comprises major instruments and equipment acquired for use in the performance of R&D.

6.1.3.3 CONVENTIONS FOR DISTINGUISHING BETWEEN CURRENT AND CAPITAL ITEMS

361. In measuring actual capital expenditure, small tools and instruments and minor improvements to existing buildings will normally be excluded, as in most accounting systems these items are usually carried on current expenditure accounts. The boundary between “minor” and “major” items varies slightly among countries according to taxation practices and among different firms and organisations in the same country according to accounting practices. But these differences are rarely significant, and it is neither necessary nor practical to insist on any rigid standard for this purpose. Thus, national conventions will govern allocations to current or to capital expenditures. Nevertheless, in those countries where expenditures on very expensive prototypes (e.g. aircraft) or equipment with a limited life (e.g. launching rockets) are considered current expenditures, such conventions should always be made explicit.

6.1.3.4 IDENTIFYING THE R&D CONTENT OF CAPITAL EXPENDITURES

362. Occasionally, the R&D term of a fixed asset may be known at the time of acquisition. In this case, only a portion of the cost should be attributed to R&D capital expenditures. Similarly, when a fixed asset will be used for more than one activity and neither the R&D nor the non-R&D activities predominate (e.g. computers and associated facilities; laboratories used for R&D, testing, and quality control), the costs should be prorated between R&D and other activities. In the first case, the R&D share could be based on R&D term compared to the expected life of the asset. In the second case, the proportion could be based on numbers of R&D personnel using the facility, compared to total personnel, or on administrative calculations already made (e.g. the R&D budget may be charged a certain portion of the capital cost; a certain proportion of time or floor space may be assigned to R&D).

6.1.3.5 SALE OF R&D CAPITAL GOODS

363. The sale or transfer of fixed assets originally acquired for R&D creates a problem. The disposal of such assets could be considered as a disinvestment in R&D. However, no adjustment to recorded capital expenditures should be made. The statistical unit's capital R&D expenditures should not be reduced accordingly, either currently or retrospectively (for the years in which the capital costs were recorded). Current revisions can cause anomalies such as negative intramural R&D expenditures. Retrospective revisions are difficult and confusing.

6.1.3.6 LIBRARIES

364. Another case worthy of attention is that of libraries. Even though payments for the current purchase of books, periodicals, and annuals should be assigned to "other current costs", expenditure for the purchase of complete libraries, large collections of books, periodicals, specimens, etc., should be included in the data reported to UNESCO under expenditure on major equipment", especially when made at the time of equipping a new institution (see Section 3.2.1 of UNESCO, 1984c).

365. Each country should adopt the UNESCO approach in reporting data to the OECD. If this is not possible, a consistent methodology should be maintained with regard to the classification of the above costs, thus making it possible to observe changes in the pattern of such expenditure.

Sources of funds

6.1.4 METHODS OF MEASUREMENT

366. R&D is an activity where there are significant transfers of resources between units, organisations, and sectors. Every effort should be made to trace the flow of R&D funds. These transfers may be measured in two ways:

- **Performer-based** reporting of the sums which one unit, organisation, or sector has received from another unit, organisation, or sector for the performance of intramural R&D.

- **Source-based** reporting of extramural expenditures which are the sums a unit, an organisation, or a sector reports having paid to another unit, organisation, or sector for the performance of R&D.

367. The first of these approaches is strongly recommended.

6.1.5 CRITERIA FOR IDENTIFYING FLOWS OF R&D FUNDS

368. For such a flow of funds to be correctly identified, two criteria must be fulfilled:

- there must be a direct transfer of resources;
- this transfer must be both intended and used for the performance of R&D.

6.1.5.1 DIRECT TRANSFER

369. Such transfers may take the form of contracts, grants, or donations and may take the form of money or of other resources (e.g. staff or equipment lent to the performer). When there is a significant non-monetary transfer, the current value has to be estimated since all transfers must be expressed in financial terms.

370. Resources may be transferred in a number of ways, not all of which may be considered direct.

371. Contracts or grants paid for the performance of current or future R&D are clearly identifiable as a transfer of funds. Transfer of funds from the government to other sectors is particularly important to the users of R&D data.

372. Two categories of such government funds may be identified:

- a) those which are specifically for the procurement of R&D, i.e. the results of the R&D belong to the recipient of the output or product of the R&D, who is not necessarily the funder of the R&D;
- b) those which are provided to the performers of R&D in the form of grants or subsidies, with the results of the R&D becoming the property of the R&D performers.

373. It is recommended that, if possible, both categories of transfer of government R&D funds be identified in the R&D data of the business enterprise sector. If possible, a similar breakdown should be made for government funds going to the higher education sector.

374. In theory, when a government allows a firm or university to use, free of charge, facilities such as a wind-tunnel, observatory or launching site while carrying out R&D, the value of the service (an imputed rental) should be identified as a transfer. In practice the beneficiary would not normally be able to make such an estimate, and the donor might not be able to do so either.

375. In some cases, a firm's R&D project may be financed by loans from a financial institution, an affiliated company, or a government. Loans which are to be repaid are not to be considered transfers; loans which may be forgiven are to be considered transfers (by convention).

376. There are also a variety of other government incentives for R&D in the business enterprise sector. Examples are the remission of income taxes for industrial R&D, the payment by a government, on demand and after audit, of a certain portion of some or all of a firm's R&D expenditures, bonuses added to R&D contracts to encourage a firm in its own R&D, remission of taxes and tariffs on R&D equipment, and the reimbursement of part of a firm's costs if it hires more R&D staff. For the present, even where these transfers can be separately identified, they should not be counted as direct support for R&D. The statistical units should therefore report gross expenditures as incurred, even when their actual costs may be reduced because of remissions, rebates, or post-performance grants.

6.1.5.2 TRANSFER BOTH INTENDED AND USED FOR R&D

377. In many R&D transfers this criterion can be taken for granted. There are instances, however, where its application can clarify the situation (particularly where there is a difference between the performer's and the funder's report):

- a) In one case, a unit gives funds to another in return for equipment or services needed for its own R&D. If the provision of this equipment or these services does not require the second unit to carry out R&D, it cannot report that it performed R&D funded by the first unit. For example, a government laboratory buys standard equipment or uses an outside computer to perform calculations required for an R&D project. The equipment supplier or the computer service firm carry out no R&D themselves and would report no R&D funded by the government. These expenditures should be considered by the government laboratory, for R&D statistics, to be intramural capital and intramural other current costs, respectively.
- b) In a second case, there are transfers of funds which are loosely described by the source as "development contracts" for "prototypes", but no R&D is performed by the funder and very little by the recipient. For example, the government places a contract with an industrial firm to "develop" a "prototype" civil aircraft for a specific use (e.g. treatment of oil slicks). The aircraft is largely constructed by the performer using existing materials and existing technology, and R&D is only needed to meet the new specifications. Only this portion of the contract should be reported by the performer as R&D financed by the government sector, even though the funder's accounts may suggest at first sight that the entire contract was for R&D.
- c) In a third case, one unit receives money from another and uses it for R&D although the funds were not paid out for that purpose. For example, a research institute may finance some of its work through receipts from royalties and profits from the sales of goods and services. Although these funds are received from other units and other sectors, they should not be considered as transfers for R&D but as coming from the "retained receipts" of the performing unit itself, as the purchasers of the institute's goods and services did not intend to transfer funds for R&D.

6.1.6 IDENTIFYING THE SOURCES OF FLOWS OF R&D FUNDS

378. Performers are usually asked to distribute their intramural expenditures between funds of the performing unit (own funds), funds from other units in the same sector or subsector, and from other sectors and subsectors. They can usually do so relatively easily, but there are one or two problem areas.

6.1.6.1 INFLUENCE OF THE TYPE OF THE STATISTICAL UNIT

379. The amount of transferred funds reported will be affected by the type of statistical unit on which the data are based. This particularly concerns flows between organisations within the same sector. For instance, government departments may well charge one another for the performance of R&D, but this will usually be considered as intramural to the government sector. Similarly, a business enterprise may, for accounting reasons, charge for the R&D done by one of its establishments for another, but consider the work to be intramural as far as the enterprise is concerned. The decision on where to draw the boundary is an arbitrary one, and the important point again is to comment fully in any published tables.

6.1.6.2 SUBCONTRACTING AND INTERMEDIARIES

380. Further problems arise when money passes through several organisations. This can occur when R&D is subcontracted, as is sometimes the case in the business enterprise sector. The performer should indicate, so far as possible, the original source of the funds for R&D. In some countries, intermediary non-performing organisations play an important role in the financing of R&D by distributing among performers grants received from several different sources but not “earmarked” for specific purposes. Well-known examples are the Stifterverband für die Deutsche Wissenschaft and the Deutsche Forschungsgemeinschaft in Germany. In such cases it is acceptable to regard these organisations as the source, although it is preferable to attempt to trace the funds to their original sources.

6.1.6.3 PUBLIC GENERAL UNIVERSITY FUNDS (GUF)

381. Probably the largest single area of disagreement about sources of funds occurs with public general university funds (GUF). Universities usually draw on three types of funds to finance their R&D activities:

- a) R&D contracts and earmarked grants received from government and other outside sources. These should be credited to their original source.
- b) Income from endowments, shareholdings, and property, plus receipts from the sale of non-R&D services such as fees from individual students, subscriptions to journals, and sales of serum or agricultural produce. These retained receipts are clearly the universities’ “own funds”. In the case of private universities, these may be a major source of funds for R&D.
- c) The general grant they receive from the Ministry of Education or from the corresponding provincial or local authorities in support of their overall research/teaching activities. This case gives rise to a conflict between the principle of tracing the original source and that of using the performer’s report and also to some disagreement about how the criterion concerning the intentions of the funder (para. 377) should be applied. In the first approach one argues that, as government is the original source and has intended at least part of the funds concerned to be devoted to R&D, the R&D content of these public general university funds should be credited to government as a source of funds. Using the second approach, one argues that it is within universities that the decisions are taken to commit money to R&D out of a pool which contains both “own funds” as narrowly defined in b) and public general university funds; therefore, the sums concerned should be credited to higher education as a source of funds. While no recommendation can be made for national practice, government-financed GUF should be credited to the public

sector as a source of funds for the purposes of international comparisons. For clarity, publicly financed GERD is divided into two sub-categories:

- direct government funds;
- GUF.

382. In line with the findings of a study by a group of experts, the following procedures should be adopted:

- a) GUF should be separately reported and any adjustments to the R&D costs series should take account of real or imputed social security and pensions provisions, which should be credited to GUF as a source of funds;
- b) monies from the higher education “block grant” should be classified as GUF, and other monies generated by the sector should be considered as “own funds”;
- c) adjustments related to “other current costs” to account for real or imputed payments of rents, etc., should be debited to direct government funds.

Extramural expenditures

383. Data on the extramural R&D expenditures of statistical units are a useful supplement to the information collected on intramural expenditures. These extramural expenditure data are essential for providing statistics on R&D performed abroad but financed by domestic institutions. They may also be helpful to those analysing the flows of funds reported by performers, particularly if there are gaps in the survey coverage.

384. The concept of “techno-globalism” is a rapidly evolving one in the context of the increasingly world-wide organisation of R&D. As the focus of R&D data is necessarily on the individual country, it is very difficult to track international flows of R&D funds. In the future, more use should be made of analysis of extramural R&D funds to address this problem. The internationalisation of R&D activities mainly affects the business enterprise sector, and it is therefore recommended that analysis of business enterprise extramural R&D expenditure be done according to the institutional subclassification described in the sector “Abroad” (paras. 217-219), with the following subclassification system:

- subsidiary or associated company;
- joint ventures;
- other business enterprise company located abroad;
- foreign government;
- EC;
- international organisations;
- other.

National totals

6.1.7 GROSS DOMESTIC EXPENDITURE ON R&D (GERD)

385.

GERD is total intramural expenditure on R&D performed on the national territory during a given period.

386. It includes R&D performed within a country and funded from abroad but excludes payments made abroad for R&D. GERD is constructed by adding together the intramural expenditures of the four performing sectors. It is often displayed as a matrix of performing and funding sectors (see Table 6.1). The GERD and GERD matrix are fundamental to the international comparison of R&D expenditures. They also provide the accounting system within which the institutional classifications and functional distributions may be applied.

387. It would be useful to have separate tables for defence and civil GERD, in order to map how trends in these areas affect the level and structure of total GERD. This is particularly true for those countries with significant defence R&D programmes.

6.1.8 GROSS NATIONAL EXPENDITURE ON R&D (GNERD)

388. The GNERD is an optional supplementary aggregate which comprises total expenditure on R&D financed by institutions of a country during a given period. It includes R&D performed abroad but financed by national institutions or residents; it excludes R&D performed within a country but funded from abroad. It is constructed by adding the domestically financed intramural expenditures of each performing sector and the R&D performed abroad but financed by domestic funding sectors (see Table 6.2).

389. To allow the identification of R&D activities of international organisations, the “Abroad” sector should have as a subcategory “International Organisations” as recommended in the institutional subclassification (see Section 3.8.3).

Annex 2. Excerpt from System of National Accounts 1993

8.71. An entry is needed in the secondary distribution of income account for the imputed social contributions payable by employees when employers operate unfunded social insurance schemes. For convenience, the discussion of the corresponding item in chapter VII, paragraphs 7.45 to 7.47 is repeated here.

8.72. Some employers provide social benefits themselves directly to their employees, former employees or dependants out of their own resources without involving an insurance enterprise or autonomous pension fund, and without creating a special fund or segregated reserve for the purpose. In this situation, existing employees may be considered as being protected against various specified needs, or circumstances, even though no payments are being made to cover them. Remuneration should therefore be imputed for such employees equal in value to the amount of social contributions that would be needed to secure the de facto entitlements to the social benefits they accumulate. These amounts depend not only on the levels of the benefits currently payable but also on the ways in which employers' liabilities wider such schemes are likely to evolve in the future as a result of factors such as expected changes in the numbers, age distribution and life expectancies of their present and previous employees. Thus, the values that should be imputed for the contribution ought, in principle, to be based on the same kind of actuarial considerations that determine the levels of premiums charged by insurance enterprises.

8.73. In practice, however, it may be difficult to decide how large such imputed contributions should be. The enterprise may make estimates itself, perhaps on the basis of the contributions paid into similar funded schemes, in order to calculate its likely liabilities in the future, and such estimates may be used when available. Otherwise, the only practical alternative may be to use the unfunded social benefits payable by the enterprise during the same accounting period as an estimate of the imputed remuneration that would be needed to cover the imputed contributions. While there are obviously many reasons why the value of the imputed contributions that would be needed may diverge from the unfunded social benefits actually paid in the same period, such as the changing composition and age structure of the enterprise's labour force, the benefits actually paid in the current period may nevertheless provide the best available estimates of the contributions and associated imputed remuneration.

8.74. The two steps involved may be summarized as follows:

- (a) Employers are recorded, in the generation of income account, as paying to their existing employees as a component of their compensation an amount, described as imputed social contributions, equal in value to the estimated social contributions that would be needed to provide for the unfunded social benefits to which they become entitled;
- (b) Employees are recorded, in the secondary distribution of income account, as paying back to their employers the same amount of imputed social contributions (as current transfers) as if they were paying them to a separate social insurance scheme.

Annex 3. Guidelines for practical implementation of imputed social contributions

1. Overview:

Member States of the European Union use different methods to estimate government D.122. Several Member States of the European Union estimate all or most of government D.122 based on the unfunded employee social benefits paid (D.623), less employees' contributions. This method is called the *benefits-paid method*. Some other Member States of the European Union use a percentage of wages and salaries as the main method (*wage-share method* for short). The wage-shares are derived from various sources such as the contribution rates used in other (funded or unfunded) schemes or contribution rates derived from actuarial estimates undertaken by government for its employer's schemes. In some cases, the source data are *notional employer's social contributions* explicitly shown in the accounts of government. These are amounts calculated actuarially by government but which are not actually paid to a fund or social security unit. Some Member States of the European Union use different methods for different groups of government employees or for different government sub-sectors.

The methods chosen often reflect the specific situation in a country. The importance of unfunded schemes operated by government for its own employees varies a lot across countries. In some countries these schemes have been largely or completely abandoned. Also the characteristics of the schemes are very different. The schemes may cover all or most government employees or only specific groups (only officials, only the military, etc.). The unfunded benefits may include those paid to current employees (such as health insurance or maternity leave) or pensions for former employees. Employees may or may not pay some contribution to the schemes. In some countries the number of employees covered by the scheme has been increasing. In other countries the government policy is to reduce the number of employees covered by such schemes gradually, or to change to a different scheme at once. This diversity makes clear that a method that produces good estimates for one country or scheme may be inadequate for the circumstances in another country or scheme.

ESA 95 (§ 4.99) is clear that the benefits-paid method may result in a weak estimate of D.122 (i.e. employer's imputed social contributions) if a significant proportion of D.623 (i.e. unfunded employee social benefits) is pension payments and if the ratio of current employees to pensioners in the unfunded scheme changes significantly.

2. ESA and SNA principles:

ESA and SNA classify social insurance schemes into 3 categories:

- *Social security schemes* operated by government (often pay-as-you-go (PAYG) schemes, benefits not necessarily linked to contributions, units classified in S.1314, no service charge)
- *Private funded social insurance schemes* (benefits typically linked to contributions)
 - Insurance companies and autonomous pension funds (units classified in S.125, service charge)
 - Non-autonomous funds (units classified in the sector of the employer, no service charge)

- *Unfunded social insurance schemes* operated by employers (no separate units, transactions are classified in the sector of the employer, no service charge)

Social insurance schemes organised by government for their own employees are classified either as private funded schemes (if special reserves are recognised) or as unfunded social insurance schemes. (SNA 8.63) Employers' imputed social contributions (D.122) are associated to employers operating unfunded social insurance schemes. These employers may be regarded as operating 'ancillary social security funds'. In practice, unfunded social benefits paid (D.623) are observable whereas the associated D.122 as part of compensation of employees (D.1) needs to be estimated. D.122 is imputed to get a complete measure of labour costs at the time when the work is done. These imputed transactions are then re-routed in the same way as employers' actual social contributions to households and back to the employers' sectors (i.e. to the ancillary social security funds), as households' imputed social contributions (D.612).

ESA 95 (§ 4.99) and SNA 93 (§§ 7.45-7.47) state that, in principle, the amount of D.122 should be determined by reference to the employers' future obligations to provide benefits. Their value should be based on the same kind of actuarial considerations that determine the levels of premiums charged by insurance enterprises. The imputed value should be equal to the amount of social contributions that would be needed to secure the de facto entitlements to the social benefits the employees accumulate. These amounts depend not only on the levels of the benefits currently payable but also on the ways in which employers' liabilities under such schemes are likely to evolve in the future as a result of factors such as expected changes in the numbers, age distribution and life expectancies of their present and previous employees.

Both ESA and SNA accept that the actuarial estimation of imputed social contributions is often not possible in practice. The ESA (§ 4.99) states that "in practice, however, it may be difficult to decide how large such imputed contributions should be. The enterprise may make estimates itself, perhaps on the basis of the contributions paid into similar funded schemes, in order to calculate its likely liabilities in the future. Otherwise, the only practical alternative may be to use the unfunded social benefits payable by the enterprise during the same accounting period (after deducting actual contributions made by employees themselves) as an estimate of the imputed remuneration that would be needed to cover the imputed contributions. While there are obviously many reasons why the value of the imputed contributions that would be needed may diverge from the unfunded social benefits actually paid in the same period, such as the changing composition and age structure of the enterprise's labour force, the benefits actually paid in the current period (less employees' social contributions) may nevertheless provide sufficient estimates of the contributions and associated imputed remuneration."

For pensions, the ESA (ESA 95 § 4.99) specifies that "when *as a result of political events or economic changes*, the ratio between the number currently employed and the number receiving pensions changes appreciably and becomes abnormal, the value of the imputed contributions for current employees should be estimated, and will be different from the actual value of the pensions paid out. A reasonable percentage of wages and salaries paid to current employees can be used for this purpose."

For wages and salaries which employers continue to pay temporarily in the case of sickness, injury, maternity, disability, redundancy etc. the ESA 95 (§ 4.07 b) specifies that "these payments are treated as unfunded employee social benefits (D.623), with the same amounts being shown under employers' imputed social contributions (D.122);"

And footnote to § 4.10 states that "employers' imputed social contributions include an amount equal in value to the wages and salaries which employers temporarily continue to pay in the

event of the sickness, maternity, industrial injury, disability, redundancy, etc. of their employees, if that amount can be separated.”

As to the time of recording the ESA (§ 4.101) makes a distinction between compulsory and voluntary social benefits. The imputed social contributions which represent the counterpart of compulsory direct social benefits are to be recorded at the time the obligation to pay the benefits arises, i.e. (in principle) in the period during which the work is done by the employees. Imputed social contributions which represent the counterpart of voluntary direct social benefits are to be recorded at the time the benefits are provided. This introduces a potentially difficult distinction when in practice the benefits-paid method is used to estimate D.122 and D.612 from D.623. For voluntary benefits (and ignoring any employees' contributions), the total amounts recorded under headings D.122, D. 612 and D.623 would always have to be identical by definition so that for voluntary contributions the only correct method would be benefits-paid. For contributions that are the counterpart of compulsory social benefits actuarial estimates of the imputed contributions should, in principle, be made. The amounts recorded under D.122 and D.612 would then differ from the benefits recorded under D.623. In practice, this distinction is not very important as voluntary benefits (e.g. ad hoc grants in cases of hardship) can be assumed to be small.

3. Methods currently used in old Member States of the european union

This section describes the methods used by some Member States and the key features of the employers' unfunded schemes. Many governments have two categories of employees: officials and other employees. Often the social insurance arrangements for these two categories are different.

Belgium

Uses the *benefits-paid method*. These benefits concern government officials' *pensions and family allowances*. Public administrative staff not having the status of officials are insured in the private sector. These imputed social security contributions are currently estimated as being equal to actual social security benefits (less employees' social security contributions). For government, the sources are the final accounts. The continued payment of wages and salaries in the event of sickness or maternity cannot be separated and is included in D.11.

Denmark

D.122 for government is estimated based on the *benefits-paid method with correction factor*. D.122 only concerns the pensions of the government officials ("tjenestemænd"). The system has been very stable in the past. Recent policy changes have resulted in the number of officials to decrease so that there are plans to adapt the method.

The central government has introduced employers' contribution of 15% of the gross salary of the officials that are paid to the Ministry of Finance. While these payment are 'notional' in the sense that the budgets of ministries have been raised by the amount of the contributions to be paid, the economic effect is that for a ministry the officials become more expensive than other government employees and that there is an incentive to reduce the number of officials. These notional contributions are probably not based on detailed actuarial calculations and are so far not used in the national accounts. Statistics Denmark plans to investigate how exactly the contribution rates were determined with a view to perhaps use this information in future.

Germany

In German national accounts mainly the wage-share method is used for non-market producers. Only about 5% of total government D.122 is estimated based on the benefits-paid method. For central, state and local governments a *wage-share method* is used: to the pension rate of the general social security scheme 7 percentage points are added and this rate is applied to the wages and salaries of active government officials. The full pension rate is used (i.e. the employers' and the employees' rates taken together). This rate was 19.1% in 2001 (declining from 20.3 in 1997 and 1998). The 7 percentage points top-up mainly serves to cover the health insurance of pensioners, special cover for permanent care (Pflegeversicherung) and an allowance for a pension top-up for non-officials. As to health benefits the system for officials foresees a reimbursement of about 50% of health costs.

Social benefits paid to current employees (i.e. excluding pensions and health benefits to pensioners) are added (*benefits-paid method*). For NPISHs (church officials) the same wage-share is used. The officials now working for the German Railways are still government employees (with the unit classified under corporations). D.122 is estimated as for government (*wage-share method*). The officials now working for the German mail and telecom are covered by a special funded scheme to which government contributes a transfer. For the sub-sector social security funds (S.1314) the *benefits-paid method* is used (S1314 represents about 5% of total government D.122). The Bundesbank provides data for the Bundesbank officials' pensions payments (*benefits-paid method*) – this unit is classified under financial corporations.

The main reasons for Germany to predominately use the wage-share method are (a) historically the effects of the 2nd world war (with many former officials that received pensions), (b) a major wave of making many government employees officials in the 70s and (c) a trend since the early 90s to reduce the number of officials. These effects would have resulted in the benefits-paid method producing weak estimates. The sub-sector social security funds is not affected by such biases: the ratio between active employees and pensioners seems to be reasonably stable so that the benefits-paid method is considered reliable for this small sub-sector.

Greece

For central government the benefits-paid method is used. This flow refers to *pensions*. According to New Cronos, D.122 occurs nearly exclusively for central government (97% of the total).

Spain

For former government officials, the government pays benefits related to *pensions* (incl. survivors' pensions), disability and death. Imputed social contributions are estimated to be an amount equal to the value of the benefits paid minus the social contributions paid by the employees (benefits-paid method). The share of D.122 in D.1 for central government increased significantly in the late 90s. One reason was the re-classification of government units from the central to the regional government.

France

The benefits-paid method is used. The dominant element of government D.122 is central government employees' pensions. There are also some small supplementary benefits included.

Ireland

Public sector pensions are largely unfunded and a special calculation is undertaken annually to assess the value of these schemes to existing employees. This calculation uses the results of an actuarial assessment of unfunded public sector pension schemes undertaken for the year 1997 (i.e. a wage-share type method). Since 1995 new Irish civil servants have been put into the standard social security scheme, so they are not in the unfunded government scheme any more.

Italy

For government units in section L of the NACE, imputed social contributions are calculated as the sum of the costs entered in the budget for social benefits granted to the body's own employees, former employees and their families (i.e. benefits-paid method). These are mainly pensions paid directly and not through a social security fund, various grants, family allowances and compensation for occupational accidents.

Until 1995 the pensions of central government officials were paid by the Treasury. No payments of social contributions were recorded in the budget (therefore they were imputed). Starting from 1996 all public administrations transfer social contributions to the INPDAP (National Institute for Social Security of workers of the Administration).

For non-market activities of NPISHs, imputed contributions were determined by applying to the level of pay the percentage rate in that branch as determined for the whole economy.

Luxembourg

The benefits-paid method is used. The main element of government D.122 is pensions for central government. The employees pay contributions equal to 8% of their gross salary (these contributions are deducted from the benefits paid). For central government, the share of D.122 in D.1 declined in the 90s. The main reason for this was that the employees' contribution rate was raised from 3% to 8% in steps of 1% per year and the pension system was changed (phased-in increase in retirement age, lower rate of increase for pensions paid). The re-classification of some units had also a small effect. Local government employees are not covered by an employer's unfunded scheme.

Netherlands

D.122 of government is quite significant (some 4.4 billion euro in 2001, 18% of D.1 in the case of central government). Only about 12% of government D.122 refers to pension payments for retired military personnel, some 24% refer to insurance against unemployment (wage share method), 18% to health insurance (wage-share method) and some 40% to the continued payment of wages and salaries in the case of sickness (estimate based on absentee rates). Some 7% are other types of social protection (benefits-paid method). For the military pension scheme, a *benefits-paid method with correction factor* has been used up to now. However, as the scheme is small and the method requires a lot of data, this will be changed to a pure benefits-paid method with the next revision.

Austria

The benefits-paid method is used. Benefits covered include the pensions and family allowances paid by federal and state governments and municipalities, less employees' contributions (only federal state). The sources are the final accounts of these governments.

Portugal

The benefits-paid method is used. The unfunded benefits are mainly health benefits of government employees. The government employees are covered by the general social security pension system.

Finland

Mainly refers to payment of pensions. The inventory is not quite clear as to the method used. It seems that initially the benefits-paid method was used but that since the early 1990s the wage-share method is used. In 1988, local government changed over to a funded pension insurance system. The central government continued to pay the pensions of comprehensive and upper secondary school teachers directly to local government. Imputed social contributions are obtained by multiplying the total wages and salaries of comprehensive and upper secondary school teachers by the imputed employment pension insurance percentage. In the accounts of local government, the imputed pension appropriations of such teachers have been entered under employers' imputed social contributions. Until 1997, all pension appropriations of comprehensive and upper secondary school teachers were imputed. Starting in 1998, the future pensions of such teachers also have been progressively funded. The share paid by local government is being raised each year. Consequently, imputed social contributions have gradually declined since 1998.

Sweden

The imputed pension contributions for departments and agencies of central and local government and for State corporations and public service activities are obtained as the difference between contributions actually paid and calculated contributions (i.e. wage-share method). The calculated contribution rates for Swedish government employees are kept in line with other funded schemes operated for the Swedish public sector.

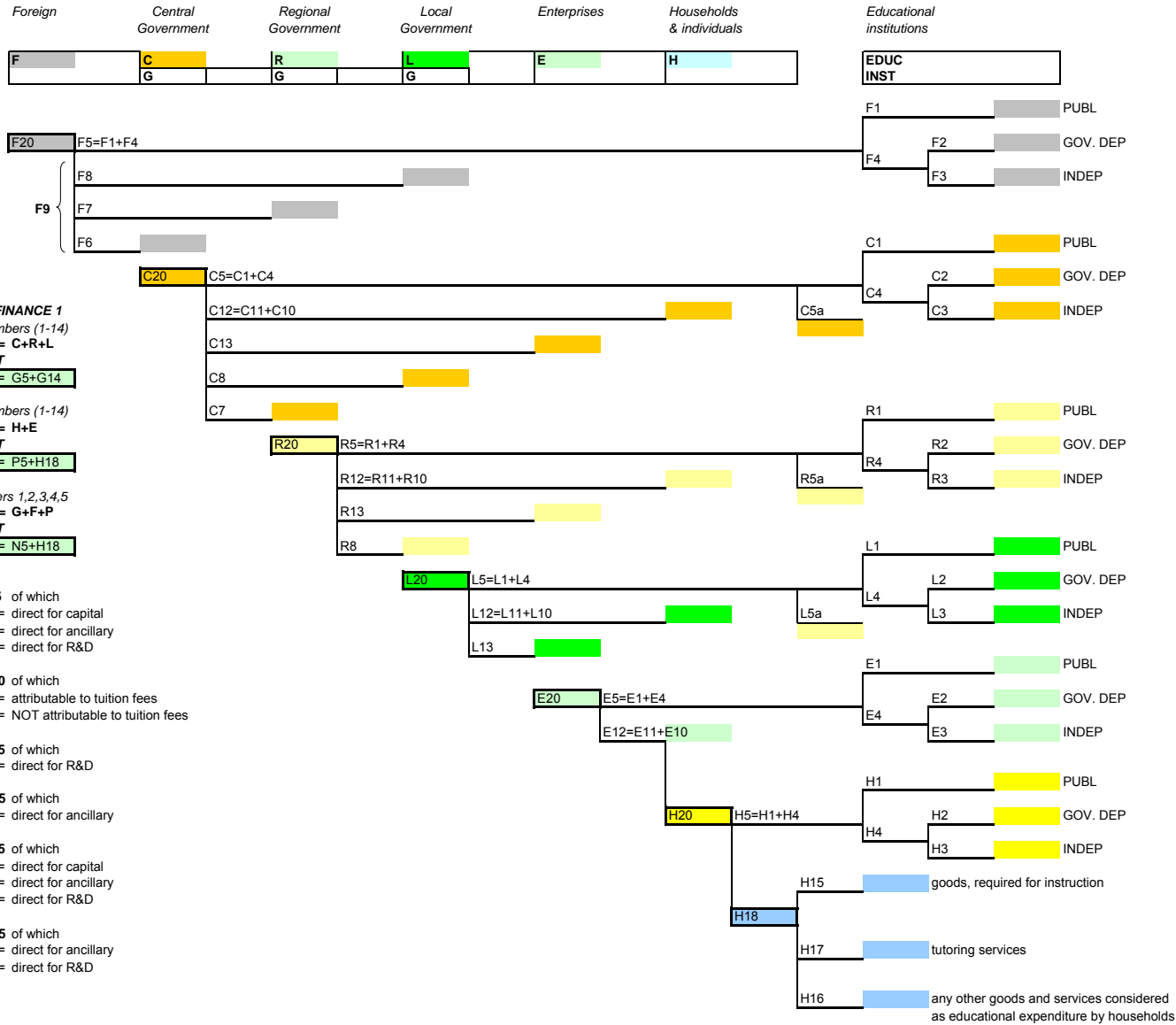
UK

- According to the inventory, total economy D.122 for 1995 was 9.5 billion pounds. Of this, roughly:
- 5 bn was redundancy and sick and maternity pay. The method is *benefits-paid*. Some 750 million of this falls on government (Eurostat estimate).
- 1.4 bn were pension top-up payments from central government to local governments' retired teachers (the base pension is a funded scheme, only the top-up is unfunded). The method is *benefits-paid*.
- 0.9 bn were unfunded pensions to former local government police and firemen. Method is *benefits-paid*.
- 2.2 bn was central government pensions (civil servants and army). The method is based on *assessed superannuation liability contributions* (ASLCs) paid which is a kind of *wage-share method*. The ASLCs are *notionally* included in the accounts of central government departments (as payments to the Treasury) so that there is a direct data source for the imputed contributions. The ASLCs are established based on actuarial estimates and include a social component (lower rates for low salary earners, higher rates for high salary earners). Benefits include pensions, survivors' pensions, death benefits and invalidity. Employees pay 1.5% to cover survivors' pensions.

For central government, the share of D.122 in D.1 increased significantly in the 90s. The main reason for this was the re-classification of units that were not covered by the unfunded employer's scheme (such as hospitals) so that D.1 (but not D.122) was falling.

**Annex 4: schematic representation of tables FINANCE-1
and FINANC**

SCHEMATIC REPRESENTATION OF TABLE FINANCE-1



SCHEMATIC REPRESENTATION OF TABLE FINANCE-2

A= public and private
 X= public
 W= all private
 Y= private gov. Dep.
 Z= priv ind.

$A_r = X_r + Y_r + Z_r$

$W_r = Y_r + Z_r$

for rows r =

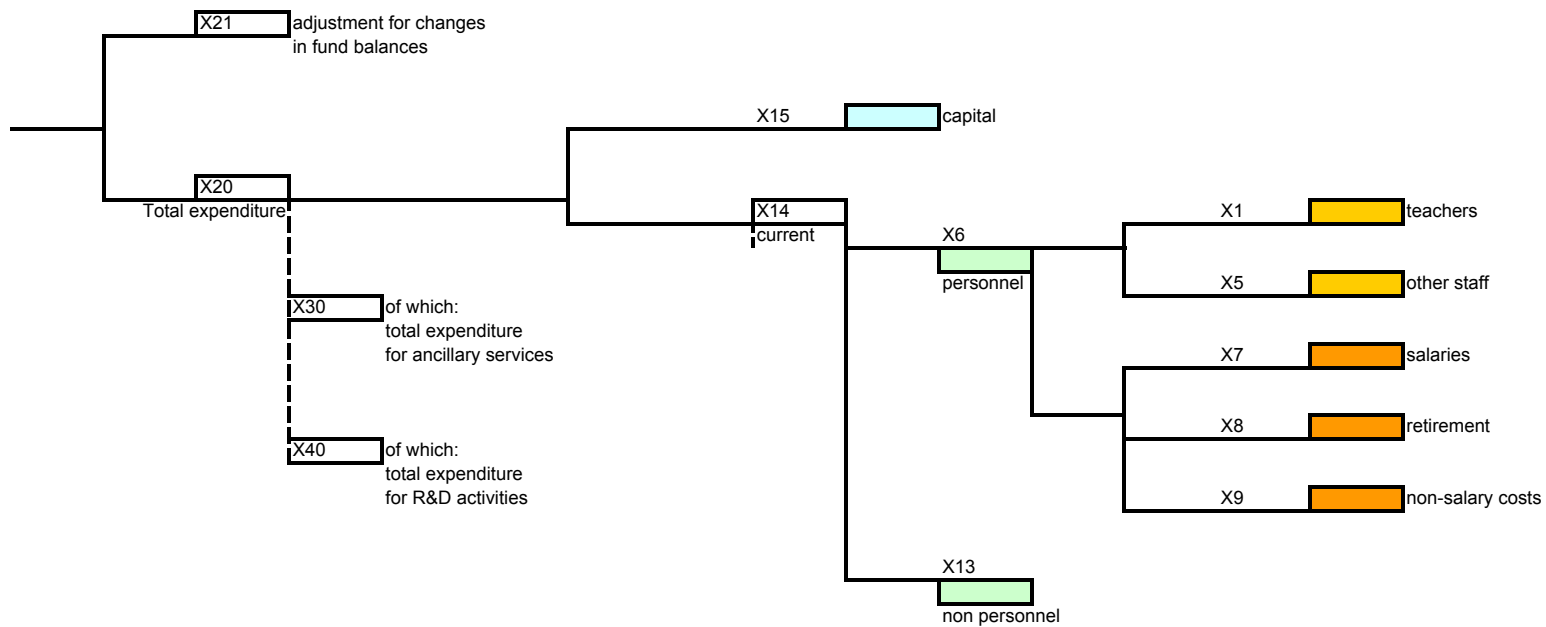
- 6
- 13
- 14
- 15
- 20
- 21
- 30
- 40

and

$A_{22} = A_{20} + A_{21}$
 = N5 in table FINANCE1

and rows =

$W_{22} = W_{20} + W_{21}$
 = N4 in table FINANCE1



Annex 5: Tables of UOE FINANCE questionnaire

Row Instructions		Missing Value Codes:		ENRL2 NUMBER OF STUDENTS WITH COVERAGE ADJUSTED TO STATISTICS ON EDUCATIONAL FINANCE													
Block Check		Global Check & Save		COUNTRY BY LEVEL OF EDUCATION, PROGRAMME ORIENTATION, PROGRAMME DESTINATION, TYPE OF INSTITUTION, AND MODE OF STUDY													
		School year, data collection period: <i>Please indicate the dates in table ENRL1.1a. Put a note here, if they are not the same.</i>															
LEVEL OF EDUCATION	Pre-primary	Primary	Lower Secondary (ISCED 2)		Upper Secondary (ISCED 3)			Primary + Secondary	Post secondary, non-tertiary (ISCED 4)		Tertiary (ISCED 5/6)			Not Allocated by Level	Total All Levels		
	(ISC 0)	(ISC 1)	All educational programmes (ISC 2)	Programme orientation (ISC 2)		All educational programmes (ISC 3)	Programme orientation (ISC 3)		(ISC 123)	All educational programmes (ISC 4)	Programme orientation (ISC 4)		Tertiary type B (ISC 5B)	Tertiary Type A and advanced research programme (ISC 5A/6)	All educational programmes (ISC 5/6)	16	17
				General (ISC 2)	Pre-vocational and vocational (ISC 2)		General (ISC 3)	Pre-vocational and vocational (ISC 3)			General (ISC 4)	Pre-vocational and vocational (ISC 4)					
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
TOTAL PUBLIC AND PRIVATE INSTITUTIONS			(4+5)		(7+8)			(2+3+6)		(11+12)		(13+14)			(1+9+10+15+16)		
FULL-TIME																	
A1	Total (aligned to data on educational finance)	(B1+C1)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
PART-TIME																	
A2	Total (aligned to data on educational finance)	(B2+C2)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
FULL-TIME EQUIVALENT																	
A3	Total (matching data on educational finance)	(B3+C3)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
PUBLIC INSTITUTIONS																	
FULL-TIME																	
B1	Total (aligned to data on educational finance)			0		0			0	0					0	n	0
PART-TIME																	
B2	Total (aligned to data on educational finance)			0		0			0	0					0	n	0
FULL-TIME EQUIVALENT																	
B3	Total (aligned to data on educational finance)			0		0			0	0					0	n	0
ALL PRIVATE INSTITUTIONS																	
FULL-TIME																	
C1	Total (aligned to data on educational finance)	(C4+C7)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
PART-TIME																	
C2	Total (aligned to data on educational finance)	(C5+C8)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
FULL-TIME EQUIVALENT																	
C3	Total (aligned to data on educational finance)	(C6+C9)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GOVERNMENT DEPENDENT PRIVATE INSTITUTIONS																	
FULL-TIME																	
C4	Total (aligned to data on educational finance)			0		0			0	0					0	n	0
PART-TIME																	
C5	Total (aligned to data on educational finance)			0		0			0	0					0	n	0
FULL-TIME EQUIVALENT																	
C6	Total (aligned to data on educational finance)			0		0			0	0					0	n	0
INDEPENDENT PRIVATE INSTITUTIONS																	
FULL-TIME																	
C7	Total (aligned to data on educational finance)			0		0			0	0					0	n	0
PART-TIME																	
C8	Total (aligned to data on educational finance)			0		0			0	0					0	n	0
FULL-TIME EQUIVALENT																	
C9	Total (aligned to data on educational finance)			0		0			0	0					0	n	0

SOURCE OF FUNDS AND TYPE OF TRANSACTION		Pre-primary	Primary	Lower Secondary (ISCED 2)		Upper Secondary (ISCED 3)		Primary + Secondary	Post secondary, non-tertiary (ISCED 4)		Tertiary (ISCED 5/6)			Not Allocated by Level	Total All Levels			
		(ISC 0)	(ISC 1)	All educational programmes	Programme orientation		All educational programmes	Programme orientation		All educational programmes	Programme orientation		Tertiary type B	Tertiary Type A and advanced research	All educational programmes	(16)	(17)	
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
				(4+5)			(7+8)			(2+3+6)	(11+12)					(13+14)		(1+9+10+15+16)
GOVERNMENT EXPENDITURE																		
CENTRAL GOVERNMENT EXPENDITURE																		
Direct expenditure for educational institutions																		
C1	Direct expenditure for public institutions			0			0			0	0					0	n	0
C2	Direct expenditure for government-dependent private institutions			0			0			0	0					0	n	0
C3	Direct expenditure for independent private institutions			0			0			0	0					0	n	0
C4	Subtotal: Direct expenditure for private institutions (C2+C3)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	n	0
C5	Total: Direct expenditure for all types of institutions (C1+C4)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	n	0
C5a	(of which direct expenditure designated for capital)			0			0			0	0					0	n	0
Intergovernmental transfers for education																		
C7	Transfers to regional governments (net)			0			0			0	0					0	n	0
C8	Transfers to local governments (net)			0			0			0	0					0	n	0
C9	Total: Intergovernmental transfers (C7+C8)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	n	0
Transfers and payments for education to private entities																		
C10	Scholarships and other grants to students/households			0			0			0	0					0	n	0
C11	Student loans			0			0			0	0					0	n	0
C12	Total: Financial aid to students (C10+C11)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	n	0
C13	Transfers and payments to other private entities			0			0			0	0					0	n	0
C14	Total: Transfers and payments to the private sector (C12+C13)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	n	0
C20	Total: Central government expenditure for education (C5+C9+C14)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	n	0
REGIONAL GOVERNMENT EXPENDITURE																		
Direct expenditure for educational institutions																		
R1	Direct expenditure for public institutions			0			0			0	0					0	n	0
R2	Direct expenditure for government-dependent private institutions			0			0			0	0					0	n	0
R3	Direct expenditure for independent private institutions			0			0			0	0					0	n	0
R4	Subtotal: Direct expenditure for private institutions (R2+R3)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	n	0
R5	Total: Direct expenditure for all types of institutions (R1+R4)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	n	0
R5a	(of which: direct expenditure designated for capital)			0			0			0	0					0	n	0
Intergovernmental transfers for education																		
R8	Transfers to local governments (net)			0			0			0	0					0	n	0
Transfers and payments for education to private entities																		
R10	Scholarships and other grants to students/households			0			0			0	0					0	n	0
R11	Student loans			0			0			0	0					0	n	0
R12	Total: Financial aid to students (R10+R11)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	n	0
R13	Transfers and payments to other private entities			0			0			0	0					0	n	0
R14	Total: Transfers and payments to the private sector (R12+R13)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	n	0
R20	Total: Regional government expenditure for education (R5+R8+R14)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	n	0

		Pre-primary (ISC 0)	Primary (ISC 1)	Lower Secondary (ISCED 2)		Upper Secondary (ISCED 3)		Primary + Secondary (ISC 123)	Post secondary, non-tertiary (ISCED 4)		Tertiary (ISCED 5/6)			Not Allocated by Level 16	Total All Levels 17	
				All educational programmes (ISC 2)	Programme orientation (ISC 2)		All educational programmes (ISC 3)		Programme orientation (ISC 3)		All educational programmes (ISC 4)	Programme orientation (ISC 4)				Tertiary type B (ISC 5B)
1	2	3	4		5	6		7	8	9		10	11	12	13	
SOURCE OF FUNDS AND TYPE OF TRANSACTION				(4+5)		(7+8)		(2+3+6)	(11+12)				(13+14)		(1+9+10+15+16)	
LOCAL GOVERNMENT EXPENDITURE																
Direct expenditure for educational institutions																
L1	Direct expenditure for public institutions			0		0		0	0			0		0	n	0
L2	Direct expenditure for government-dependent private institutions			0		0		0	0			0		0	n	0
L3	Direct expenditure for independent private institutions			0		0		0	0			0		0	n	0
L4	Subtotal: Direct expenditure for private institutions (L2+L3)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
L5	Total: Direct expenditure for all types of institutions (L1+L4)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
L5a	(of which direct expenditure designated for capital)			0		0		0	0			0		0	n	0
Transfers and Payments for Education to Private Entities																
L10	Scholarships and other grants to students/households			0		0		0	0			0		0	n	0
L11	Student Loans			0		0		0	0			0		0	n	0
L12	Total: Financial aid to students (L10+L11)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
L13	Transfers and payments to other private entities			0		0		0	0			0		0	n	0
L14	Total: Transfers and payments to the private sector (L12+L13)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total: Local government expenditure for education																
L20	Total: Local government expenditure for education (L5+L14)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
EXPENDITURE OF ALL LEVELS OF GOVERNMENT COMBINED																
Direct expenditure for educational institutions																
G1	Direct expenditure for public institutions (C1+R1+L1)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
G2	Direct expenditure for government-dependent private institutions (C2+R2+L2)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
G3	Direct expenditure for independent private institutions (C3+R3+L3)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
G4	Subtotal: Direct expenditure for private institutions (G2+G3)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
G5	Total: Direct expenditure for all types of institutions (G1+G4)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
G5a	of G5: direct expenditure designated for capital (C5a+R5a+L5a)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
G5b	of G5: direct expenditure designated for ancillary services			0		0		0	0			0		0	n	0
G5c	of G5: direct expenditure for R&D activities	X	X	X	X	X	X	X	X	X	X	X	X	0	x	0
Transfers and payments for education to private entities																
G10	Scholarships and other grants to students/households (C10+R10+L10)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
G10a	(Of which: Public grants attributable for tuition fees to educational institutions)			0		0		0	0			0		0	n	0
G10b	(Of which: Public grants NOT attributable for tuition fees to educational institutions)			0		0		0	0			0		0	n	0
G11	Student loans (C11+R11+L11)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
G12	Total: Financial aid to students (G10+G11)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
G13	Transfers and payments to other private entities (C13+R13+L13)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
G14	Total: Transfers and payments to the private sector (G12+G13)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
All government expenditure																
G20	Total: Education expenditure for all levels of government combined (G5+G14)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
FUNDS FROM INTERNATIONAL AGENCIES AND OTHER FOREIGN SOURCES																
F1	International payments direct to public educational institutions			0		0		0	0			0		0	n	0
F2	International payments direct to government-dependent private institutions			0		0		0	0			0		0	n	0
F3	International payments direct to independent private institutions			0		0		0	0			0		0	n	0
F4	Subtotal: International payments direct to private institutions	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
F5	Total: International payments direct to all types of institutions	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
F5c	of F5: international payments to all type of institutions for R&D expenditure	X	X	X	X	X	X	X	X	X	X	X	X	0	n	0
F6	Transfers from international sources to central government			0		0		0	0			0		0	n	0
F7	Transfers from international sources to regional governments			0		0		0	0			0		0	n	0
F8	Transfers from international sources to local governments			0		0		0	0			0		0	n	0
F9	Total: Transfers from international sources to all level of governments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
F20	Total: Funds received from international sources (F5+F9)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

SOURCE OF FUNDS AND TYPE OF TRANSACTION		Pre-primary	Primary	Lower Secondary (ISCED 2)		Upper Secondary (ISCED 3)		Primary + Secondary	Post secondary, non-tertiary (ISCED 4)			Tertiary (ISCED 5/6)			Not Allocated by Level	Total All Levels	
		(ISC 0)	(ISC 1)	All educational programmes	Programme orientation		All educational programmes	Programme orientation		All educational programmes	Programme orientation		Tertiary type B	Tertiary Type A and advanced research	All educational programmes	16	17
					General	Pre-vocational and vocational		General	Pre-vocational and vocational		General	Pre-vocational and vocational					
				(ISC 2)	(ISC 2)	(ISC 2)	(ISC 3)	(ISC 3)	(ISC 3)		(ISC 4)	(ISC 4)	(ISC 4)	(ISC 5B)	(ISC 5A/6)		
1	2	3 (4+5)		6 (7+8)		9 (2+3+6)	10 (11+12)			15 (13+14)			16	17 (1+9+10+15+16)			
PRIVATE EXPENDITURE																	
EXPENDITURE OF HOUSEHOLDS																	
Payments to educational institutions																	
H1	Payments to public institutions (net)						0		0	0				0	n	0	
H2	Payments to government-dependent private institutions (net)			0			0		0	0				0	n	0	
H3	Payments to independent private institutions (net)			0			0		0	0				0	n	0	
H4	Subtotal: Payments to private institutions (net)	(H2+H3)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
H5	Subtotal: Payments to all types of institutions (net)	(H1+H4)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
H5b	of H5: fees paid to institutions for ancillary services			0			0		0	0				0	n	0	
Payments for Educational services and goods purchased other than by educational institutions																	
H15	Payments on goods requested directly or indirectly by educational institutions. (Purchasing IMPOSED by institutions.)			0			0		0	0				0	n	0	
H16	Payments on goods not directly needed for participation, purchasing NOT imposed by educational institutions			0			0		0	0				0	n	0	
H17	Payments for private tutoring			0			0		0	0				0	n	0	
H18	Total: Payments for educational goods and services other than to educational institutions	(H15+H16+H17)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
All household expenditure																	
H20	Total: Educational expenditure of households	(H5+H18)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
EXPENDITURE OF OTHER PRIVATE ENTITIES (including firms and religious institutions and other nonprofit organizations, but not educational institutions)																	
Payments to educational institutions																	
E1	Payments to public institutions			0			0		0	0				0	n	0	
E2	Payments to government-dependent private institutions			0			0		0	0				0	n	0	
E3	Payments to independent private institutions			0			0		0	0				0	n	0	
E4	Subtotal: Payments to private institutions	(E2+E3)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
E5	Total: Payments to all types of institutions	(E1+E4)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
E5a	(Of which: Payments of private enterprises for specified educational activities)			0			0		0	0				0	n	0	
E5b	of E5: fees paid to institutions for ancillary services			0			0		0	0				0	n	0	
E5c	of E5: payments of other private entities for R&D expenditure		X	X	X	X	X	X	X	X	X	X	X	0	x	0	
Financial aid to students																	
E10	Scholarships and other grants to students/households			0			0		0	0				0	n	0	
E11	Student loans			0			0		0	0				0	n	0	
E12	Total : Financial aid to students			0			0		0	0				0	0	0	
All expenditure from other private entities																	
E20	Total : Education expenditure of other private entities	(E5+E12)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
TOTAL PRIVATE EXPENDITURE																	
Payments to educational institutions																	
P1	Payments to public institutions	(H1+E1)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
P2	Payments to government-dependent private institutions	(H2+E2)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
P3	Payments to independent private institutions	(H3+E3)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
P4	Subtotal: Payments to private institutions	(P2+P3)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
P5	Total: Payments to all types of institutions	(P1+P4)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
P20	Total: Private education expenditure	(P5+H18)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	

SOURCE OF FUNDS AND TYPE OF TRANSACTION		Pre-primary	Primary	Lower Secondary (ISCED 2)			Upper Secondary (ISCED 3)			Primary + Secondary	Post secondary, non-tertiary (ISCED 4)			Tertiary (ISCED 5/6)			Not Allocated by Level	Total All Levels
		(ISC 0)	(ISC 1)	All educational programmes	Programme orientation		All educational programmes	Programme orientation		(ISC 123)	All educational programmes	Programme orientation		Tertiary type B	Tertiary Type A and advanced research	All educational programmes		
					General	Pre-vocational and vocational		General	Pre-vocational and vocational			General	Pre-vocational and vocational					
				(ISC 2)	(ISC 2)	(ISC 2)	(ISC 3)	(ISC 3)	(ISC 3)		(ISC 4)	(ISC 4)	(ISC 4)	(ISC 5B)	(ISC 5A/6)	(ISC 5/6)		
1	2	3		4	5	6	7	8	9	10	11	12	13	14	15	16	17	
		(4+5)		(7+8)		(2+3+6)		(11+12)		(13+14)		(1+9+10+15+16)						
COMBINED PUBLIC, PRIVATE AND INTERNATIONAL EXPENDITURE																		
Expenditure for educational institutions																		
N1	Expenditure for public institutions (should equal rows X20+X21, Table FINANCE 2)	(G1+P1+F1)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
N2	Expenditure for government-dependent private institutions (should equal rows Y20+Y21, Table FINANCE2)	(G2+P2+F2)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
N3	Expenditure for independent private institutions (should equal rows Z20+Z21, Table FINANCE2)	(G3+P3+F3)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
N4	Subtotal: Expenditure for private institutions	(N2+N3)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
N5	Total: Expenditure for all types of institutions (should equal row A22, Table FINANCE2)	(N1+N4)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
N5b	of N5: expenditure designated for ancillary services (should equal row A30 of table FINANCE-2)	(G5b+H5b+E5b)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
N5c	of N5: expenditure for R&D activities (should equal row A40 of table FINANCE-2)	(G5c+F5c+E5c)	X	X	X	X	X	X	X	X	X	X	X	0	0	0	X	0
Total: Education expenditure																		
N20	Total: Education expenditure	(N5+H18)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

UOE Data Collection: Table FINANCE2

Row Instructions		Missing Value Codes:		Country	Financial year start (mm/yy):	end (mm/yy):		Data collection period	Currency Unit:	Sources:								
Block Check		Global Check & Save		Finan2	Education Expenditure by Level of Education, Nature and Resource Category						Methods:							
SERVICE PROVIDER AND EXPENDITURE CATEGORY	Pre-primary	Primary	Lower Secondary (ISCED 2)		Upper Secondary (ISCED 3)			Primary + Secondary	Post secondary, non-tertiary (ISCED 4)		Tertiary (ISCED 5/6)			Not Allocated by Level	Total All Levels			
	(ISC 0)	(ISC 1)	All educational programmes	Programme orientation		All educational programmes	Programme orientation		All educational programmes	All educational programmes	Programme orientation		Tertiary type B	Tertiary Type A and advanced research programmes	All educational programmes	(ISC 5/6)	(16)	(17)
				General	Pre-vocational and vocational		General	Pre-vocational and vocational			General	Pre-vocational and vocational						
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)		
		(4+5)		(7+8)			(2+3+6)	(11+12)		(13+14)			(1+9+10+15+16)					
EXPENDITURE IN PUBLIC AND PRIVATE INSTITUTIONS (PUBLIC AND PRIVATE SOURCES)																		
A6	Total current expenditure for personnel compensation	(X6+Y6+Z6)																
A13	Total current expenditure other than for the compensation of personnel	(X13+Y13+Z13)																
A14	Total current expenditure	(A6+A13)																
A15	Total capital expenditure (excludes payments for debt service)	(X15+Y15+Z15)																
A20	Total current and capital expenditure	(A14+A15)																
A21	Adjustments for changes in fund balances	(X21+Y21+Z21)																
A22	Total funds: current and capital expenditure PLUS Adjustments for changes in fund balances (should equal row N5, Table FINANCE 1)	(A20+A21)																
A30	Of A20: Total expenditure for ancillary services (should equal row N5c of table FINANCE-1)	(X30+Y30+Z30)																
A40	Of A20: Total expenditure for R&D activities in public and private institutions (should equal row N5c of table FINANCE-1)	(X40+Y40+Z40)	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	
EXPENDITURE IN PUBLIC INSTITUTIONS (PUBLIC AND PRIVATE SOURCES) -CURRENT EXPENDITURE																		
Expenditure for compensation of personnel																		
X1	Teachers (with active teaching responsibilities)															n	0	
X5	Other pedagogical, administrative, and professional personnel + support personnel															n	0	
X6	Total personnel compensation	(X1+X5) should equal (X7 to X9)														n	0	
X7	Salaries (salary portion of amount shown on row X6)															n	0	
X8	Expenditure for retirement (pensions) (retirement portion of amount shown on row X6)															n	0	
X9	Other nonsalary compensation (portion of amount on row X6 expended for nonsalary benefits other than retirement)															n	0	
Current expenditure other than for compensation of personnel																		
X13	Current expenditure other than compensation of personnel															n	0	
Total current expenditure																		
X14	Total current expenditure	(X6+X13)														n	0	
CAPITAL EXPENDITURE																		
X15	Total capital expenditure (excludes payments for debt service)															n	0	
CURRENT PLUS CAPITAL EXPENDITURE																		
X20	Total current plus capital expenditure	(X14+X15)														n	0	
Adjustments for changes in fund balances																		
X21	Adjustments for changes in fund balances (X20 plus X21 should equal row N1, Table FINANCE 1)															n	0	
EXPENDITURE FOR ANCILLARY SERVICES IN PUBLIC INSTITUTIONS (PUBLIC AND PRIVATE SOURCES)																		
X30	Of X20: Total expenditure for ancillary services															n	0	
EXPENDITURE FOR R&D ACTIVITIES IN PUBLIC INSTITUTIONS (PUBLIC AND PRIVATE SOURCES)																		
X40	Of X20: Total expenditure for R&D activities		x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	
EXPENDITURE IN ALL PRIVATE INSTITUTIONS (PUBLIC AND PRIVATE SOURCES)																		
W6	Total current expenditure for personnel compensation	(Y6+Z6)																
W13	Total current expenditure other than for the compensation of personnel	(Y13+Z13)																
W14	Total current expenditure	(W6+W13)																
W15	Total capital expenditure (excludes payments for debt service)	(Y15+Z15)																
W20	Total current and capital expenditure	(W14+W15)																
W21	Adjustments for changes in fund balances	(Y21+Z21)																
W22	Total funds: current and capital expenditure PLUS Adjustments for changes in fund balances (should equal row N4, Table FINANCE 1)	(W20+W21)																
W30	Of W20: Total expenditure for ancillary services	(Y30+Z30)																
W40	Of W20: Total expenditure for R&D activities in public and private institutions	(Y40+Z40)	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	

UOE Data Collection: Table FINANCE2

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RowNotes ColumnNotes CellNotes

SERVICE PROVIDER AND EXPENDITURE CATEGORY

SERVICE PROVIDER AND EXPENDITURE CATEGORY	Pre-primary	Primary	Lower Secondary (ISCED 2)				Upper Secondary (ISCED 3)			Primary + Secondary	Post secondary, non-tertiary (ISCED 4)			Tertiary (ISCED 5/6)			Not Allocated by Level	Total All Levels
	(ISC 0)	(ISC 1)	All educational programmes	Programme orientation		All educational programmes	Programme orientation		All educational programmes	All educational programmes	Programme orientation		Tertiary type B	Tertiary Type A and advanced research programmes	All educational programmes			
				General	Pre-vocational and vocational		General	Pre-vocational and vocational			General	Pre-vocational and vocational						
			(ISC 2)	(ISC 2)	(ISC 2)	(ISC 3)	(ISC 3)	(ISC 3)		(ISC 4)	(ISC 4)	(ISC 5B)				(ISC 5A/6)		
1	2	3 (4+5)		6 (7+8)		9 (2+3+6)	10 (11+12)		11		12	13	14	15 (13+14)	16	17 (1+9+10+15+16)		

EXPENDITURE IN GOVERNMENT DEPENDENT PRIVATE INSTITUTIONS (PUBLIC AND PRIVATE SOURCES)

CURRENT EXPENDITURE

Expenditure for compensation of personnel

Y1	Teachers (with active teaching responsibilities)				0			0			0	0				0	n	0
Y5	Other pedagogical, administrative, and professional personnel + support personnel				0			0			0	0				0	n	0
Y6	Total personnel compensation	(Y1+Y5) should equal (Y7 to Y9)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	n	0
Y7	Salaries (salary portion of amount shown on row Y6)				0			0			0	0				0	n	0
Y8	Expenditure for retirement (pensions) (retirement portion of amount shown on row Y6)				0			0			0	0				0	n	0
Y9	Other nonsalary compensation (portion of amount on row Y6 expended for nonsalary benefits other than retirement)				0			0			0	0				0	n	0

Current expenditure other than for compensation of personnel

Y13	Total current expenditure other than compensation of personnel				0			0			0	0				0	n	0
-----	--	--	--	--	---	--	--	---	--	--	---	---	--	--	--	---	---	---

Total current expenditure

Y14	Total current expenditure	(Y6+Y13)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	n	0
-----	---------------------------	----------	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---

CAPITAL EXPENDITURE

Y15	Total capital expenditure (excludes payments for debt service)				0			0			0	0				0	n	0
-----	--	--	--	--	---	--	--	---	--	--	---	---	--	--	--	---	---	---

CURRENT PLUS CAPITAL EXPENDITURE

Y20	Total current plus capital expenditure (should equal row N2, Table FINANCE 1)	(Y14+Y15)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	n	0
-----	---	-----------	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---

Adjustments for changes in fund balances

Y21	Adjustments for changes in fund balances (Y20 plus Y21 should equal row N2, Table FINANCE 1)				0			0			0	0				0	n	0
-----	--	--	--	--	---	--	--	---	--	--	---	---	--	--	--	---	---	---

EXPENDITURE FOR ANCILLARY SERVICES IN GOVERNMENT DEPENDENT PRIVATE INSTITUTIONS (PUBLIC AND PRIVATE SOURCES)

Y30	of Y20: Total expenditure for ancillary services				0			0			0	0				0	n	0
-----	--	--	--	--	---	--	--	---	--	--	---	---	--	--	--	---	---	---

EXPENDITURE FOR R&D ACTIVITIES IN GOVERNMENT DEPENDENT PRIVATE INSTITUTIONS (PUBLIC AND PRIVATE SOURCES)

Y40	Of Y20: Total expenditure for R&D activities		x	x	x	x	x	x	x	x	x	x	x	x	x	0	x	0
-----	--	--	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---

EXPENDITURE IN INDEPENDENT PRIVATE INSTITUTIONS (PUBLIC AND PRIVATE SOURCES)

CURRENT EXPENDITURE

Expenditure for compensation of personnel

Z1	Teachers (with active teaching responsibilities)				0			0			0	0				0	n	0
Z5	Other Pedagogical, administrative, and professional personnel + Support personnel				0			0			0	0				0	n	0
Z6	Total personnel compensation	(Z1+Z5)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	n	0

Current expenditure other than for compensation of personnel

Z13	Total current expenditure other than compensation of personnel				0			0			0	0				0	n	0
-----	--	--	--	--	---	--	--	---	--	--	---	---	--	--	--	---	---	---

Total current expenditure

Z14	Total current expenditure	(Z6+Z13)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	n	0
-----	---------------------------	----------	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---

CAPITAL EXPENDITURE

Z15	Total capital expenditure (excludes payments for debt service)				0			0			0	0				0	n	0
-----	--	--	--	--	---	--	--	---	--	--	---	---	--	--	--	---	---	---

CURRENT PLUS CAPITAL EXPENDITURE

Z20	Total current plus capital expenditure (should equal row N3, Table FINANCE 1 - (X40+Y40+Z40))	(Z14+Z15)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	n	0
-----	---	-----------	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---

Adjustments for changes in fund balances

Z21	Adjustments for changes in fund balances (Z20 plus Z21 should equal row N3, Table FINANCE 1)				0			0			0	0				0	n	0
-----	--	--	--	--	---	--	--	---	--	--	---	---	--	--	--	---	---	---

EXPENDITURE FOR ANCILLARY SERVICES IN INDEPENDENT PRIVATE INSTITUTIONS (PUBLIC AND PRIVATE SOURCES)

Z30	of Z20: Total expenditure for ancillary services				0			0			0	0				0	n	0
-----	--	--	--	--	---	--	--	---	--	--	---	---	--	--	--	---	---	---

EXPENDITURE FOR R&D ACTIVITIES IN INDEPENDENT PRIVATE INSTITUTIONS (PUBLIC AND PRIVATE SOURCES)

Z40	Of Z20: Total expenditure for R&D activities		x	x	x	x	x	x	x	x	x	x	x	x	x	0	x	0
-----	--	--	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---

Missing Value Codes: Country: Financial year start (mm/yy): Data collection period:
 FinanceSup2 Expenditure for debt Service end (mm/yy): Currency Unit:

Payer (LEVEL OF GOVERNMENT OR TYPE OF INSTITUTION)
EXPENDITURE FOR DEBT SERVICE

GOVERNMENT EXPENDITURE FOR DEBT SERVICE
 (Do not duplicate amounts shown on rows SD5 to SD8)

		Preprimary + Primary + Secondary+Post secondary, non-tertiary (ISC 01234)		All Tertiary (ISC 56)		Total All Levels Col 10 (5+8)	
		Interest Payments	Repayment of Principal	Interest Payments	Repayment of Principal	Interest Payments	Repayment of Principal
		5a	5b	8a	8b	10a	10b
SD1	Central government					0	0
SD2	Regional government					0	0
SD3	local government					0	0
SD4	All levels of government combined (SD1+SD2+SD3)	0	0	0	0	0	0

INSTITUTIONAL EXPENDITURE FOR DEBT SERVICE
 (Do not duplicate amounts shown on rows SD1 to SD4)

SD5	Public institutions					0	0
SD6	Government-dependent private institutions					0	0
SD7	independent private institutions					0	0
SD8	All types of institutions combined (SD5+SD6+SD7)	0	0	0	0	0	0

TOTAL: EXPENDITURE FOR DEBT SERVICE -- All payers combined

SD9	Total: Expenditure for debt service -- All payers combined (SD4+SD8)	0	0	0	0	0	0
-----	--	---	---	---	---	---	---

Sources: _____
Methods: _____

UOE Data Collection: Table FINANCESUP3

Missing Value Codes:

Country: **FinanceSup3** Expenditure for Research

Financial year start (mm/yy): Data collection period: Sources:
 end (mm/yy): Currency Unit: Methods:

RowNotes ColumnNotes CellNotes

All Tertiary (ISC 56)

Expenditure for Research

SR1	Total expenditure for institutions as shown in FINANCE1, row N5	FINANCE1/N5	
	Does the amount shown on row SR1 include ALL expenditure for research in instruction of tertiary education? If not, indicate below the types of research expenditure that have been omitted from table FINANCE1 and show the amount in the right hand column	Yes/No	
SR2	Research expenditure NOT included in row SR1		
	Type of research expenditure		
SR2a			
SR2b			
SR2c			
SR2d			
SR2e			
SR2f			
	Separation of expenditure on R&D		
	of row SR1: Expenditure on R&D (should correspond to row N5c of table FINANCE-1 and to row A40 of table FINANCE-2)		
SR3	Does the amount shown on row SR3 include ALL expenditure for research in instruction of tertiary education included in row SR1? If not, indicate below the types of research expenditure that can not be separated from the total expenditure	Yes/No	
SR4	Research expenditure included in row SR1 and NOT included in SR3		
	(It is recognised, that mostly the amounts not separable from row SR1 can not be quantified. However, the types of expenditure should be listed in any case without amounts.)		
	Type of research expenditure		
SR4a			
SR4b			
SR4c			
SR4d			
SR4e			
SR4f			
	Relationship of research expenditure in table FINANCE1 to higher education R&D (HERD) expenditure reported in the OECD/DSTI data collection		
SR5	Total expenditure for higher education R&D (HERD) as reported in the OECD DSTI data collection		
SR6	Does the amount on row 3 include any expenditure for research (or R&D) not included in the figure for total expenditure for tertiary institutions on row 1? If yes indicate below the types of HERD expenditure not included in row 1 and show the amounts.	Yes/No	
	Expenditure included in row 5, but NOT included in row 1		
	Type of HERD expenditure		
SR6a			
SR6b			
SR6c			
SR6d			
SR6e			
SR6f			
SR7	Does the amount on row 1 include any expenditure for research not included in the figure for HERD expenditure on row 5? If yes indicate below the types of tertiary research expenditure not included in HERD and show the amounts.	Yes/No	
	Expenditure included in row 1, but NOT included in figures for HERD in row 5		
	Type of tertiary research expenditure		
SR7a			
SR7b			
SR7c			
SR7d			
SR7e			
SR7f			
	Expenditure for separately funded or separately budgeted research		
SR8	Of the total expenditures for institutions of tertiary education shown on row 1, what portion consists of expenditure for separately funded or separately budgeted research?		