

ANNEX B

Classification of the Functions of Government (COFOG)

First- and second-level COFOG

Developed by the OECD, the Classification of the Functions of Government (COFOG) classifies government expenditure data from the System of National Accounts by the purpose for which the funds are used. As Table B.1 illustrates, first-level COFOG splits expenditure data into ten “functional” groups or sub-sectors of expenditures (such as defence, education and social protection), and second-level COFOG further splits each first-level group into up to nine sub-groups. While first-level COFOG data are available for 27 out of the 30 OECD member countries, second-level COFOG data are currently only available for 13 OECD European member countries.¹

Table B.1. **First and second level COFOG**

First-level	Second-level
General public services	<ul style="list-style-type: none"> ● Executive and legislative organs, financial and fiscal affairs, external affairs ● Foreign economic aid ● General services ● Basic research ● R&D general public services ● General public services n.e.c. ● Public debt transactions ● Transfers of a general character between different levels of government
Defence	<ul style="list-style-type: none"> ● Military defence ● Civil defence ● Foreign military aid ● R&D defence ● Defence n.e.c.
Public order and safety	<ul style="list-style-type: none"> ● Police services ● Fire-protection services ● Law courts ● Prisons ● R&D public order and safety ● Public order and safety n.e.c.
Economic affairs	<ul style="list-style-type: none"> ● General economic, commercial and labour affairs ● Agriculture, forestry, fishing and hunting ● Fuel and energy ● Mining, manufacturing and construction ● Transport ● Communication ● Other industries ● R&D economic affairs ● Economic affairs n.e.c.

Table B.1. **First and second level COFOG (cont.)**

First-level	Second-level
Environmental protection	<ul style="list-style-type: none"> ● Waste management ● Waste water management ● Pollution abatement ● Protection of biodiversity and landscape ● R&D environmental protection ● Environmental protection n.e.c.
Housing and community amenities	<ul style="list-style-type: none"> ● Housing development ● Community development ● Water supply ● Street lighting ● R&D housing and community amenities ● Housing and community amenities n.e.c.
Health	<ul style="list-style-type: none"> ● Medical products, appliances and equipment ● Outpatient services ● Hospital services ● Public health services ● R&D health ● Health n.e.c.
Recreation, culture and religion	<ul style="list-style-type: none"> ● Recreational and sporting services ● Cultural services ● Broadcasting and publishing services ● Religious and other community services ● R&D recreation, culture and religion ● Recreation, culture and religion n.e.c.
Education	<ul style="list-style-type: none"> ● Pre-primary and primary education ● Secondary education ● Post-secondary non-tertiary education ● Tertiary education ● Education not definable by level ● Subsidiary services to education ● R&D education ● Education n.e.c.
Social protection	<ul style="list-style-type: none"> ● Sickness and disability ● Old age ● Survivors ● Family and children ● Unemployment ● Housing ● Social exclusion n.e.c. ● R&D social protection ● Social protection n.e.c.

n.e.c.: "not elsewhere classified".

COFOG-Special

COFOG-Special is a method for classifying government expenditures into individual and collective goods, and cash transfers and goods and services in kind.² It was developed by the OECD beginning in 2004 at the request of the OECD Working Party of Senior Budget Officials and is based on second-level COFOG expenditure data.³ Table B.2 illustrates how second-level COFOG data are split into collective or individual goods and services, and as cash transfers or goods and services in kind. It should be noted that some first-level COFOG groups do not need to be split further because all of their expenditures are similar in terms of individual/collective and cash transfers/in-kind goods and services. For example, all expenditures on defence and public order and safety can be classified as collective and in kind.

Further details about the COFOG-Special methodology are available in OECD (2009), "Manual Public Finance and Employment Database", OECD, Paris.

Table B.2. **Methods used to construct COFOG-Special data**

Collective/individual	Cash/in kind	COFOG-Special	Source (Tables 1101 and 1102) and National Accounts	
			COFOG 1st and 2nd level	Economic classification
R&D collective goods	<i>In kind</i>	General governance services	Remainder <i>General public services</i> (701)	All
		Basic research	<i>Basic research</i> (7014) ¹	All
		Defence	<i>Defence</i> (702)	All
		Public order and safety	<i>Public order and safety</i> (703)	All
		Infrastructure and network services	Remainder <i>Economic affairs</i> (704)	All minus subsidies
		Environmental protection, development and community services	Remainder <i>Environmental protection</i> (705)	All minus subsidies
			Remainder <i>Housing and community amenities</i> (706)	All minus subsidies
		Service regulation	<i>General economic, commercial and labour affairs</i> (7041) ²	Intermediate consumption, compensation of employees, gross capital formation
			<i>Agriculture, forestry, fishing and hunting</i> (7042) ²	Intermediate consumption, compensation of employees, gross capital formation
			<i>Mining, manufacturing, and construction</i> (7044) ²	Intermediate consumption, compensation of employees, gross capital formation
			<i>Other industries</i> (7047) ²	Intermediate consumption, compensation of employees, gross capital formation
			<i>R&D Economic affairs</i> (7048) ²	Intermediate consumption, compensation of employees, gross capital formation
			<i>Not elsewhere classified Economic affairs</i> (7049) ²	Intermediate consumption, compensation of employees, gross capital formation
			<i>R&D Environmental protection</i> (7055) ²	Intermediate consumption, compensation of employees, gross capital formation
			<i>Not elsewhere classified Environmental protection</i> (7056) ²	Intermediate consumption, compensation of employees, gross capital formation
			<i>R&D Housing and community amenities</i> (7065) ²	Intermediate consumption, compensation of employees, gross capital formation
			<i>Not elsewhere classified Housing and community amenities</i> (7066) ²	Intermediate consumption, compensation of employees, gross capital formation
	<i>R&D Health</i> (7075)			
	<i>Not elsewhere classified Health</i> (7076) ²	Intermediate consumption, compensation of employees, gross capital formation		
	<i>R&D Recreation, culture and religion</i> (7085) ²	Intermediate consumption, compensation of employees, gross capital formation		
	<i>Not elsewhere classified Recreation, culture and religion</i> (7086) ²	Intermediate consumption, compensation of employees, gross capital formation		
	<i>R&D Education</i> (7097) ²	Intermediate consumption, compensation of employees, gross capital formation		
	<i>Not elsewhere classified Education</i> (7098) ²	Intermediate consumption, compensation of employees, gross capital formation		
	<i>R&D Social protection</i> (7108) ²	Intermediate consumption, compensation of employees, gross capital formation		
	<i>Not elsewhere classified Social protection</i> (7109) ²	Intermediate consumption, compensation of employees, gross capital formation		
	<i>Foreign aid transfers</i>	<i>Foreign economic aid</i> (7012) ¹	Current and capital transfers	
	General purpose and block grants	<i>Transfers of a general character between different levels of government</i> (7018) ³	Other current transfers between sub-sectors	
	Interest		National accounts, Interest payable	

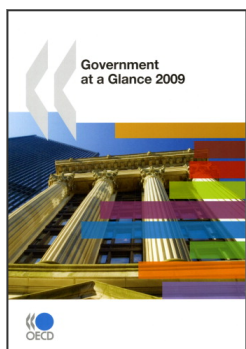
Table B.2. **Methods used to construct COFOG-Special data (cont.)**

Collective/individual	Cash/in kind	COFOG-Special	Source (Tables 1101 and 1102) and National Accounts		
			COFOG 1st and 2nd level	Economic classification	
Individual goods	<i>In kind</i>	Non-market recreation, culture and religion	Remainder <i>Recreation, culture and religion</i> (708)	All minus subsidies	
		Social services	Remainder <i>Social protection</i> (710)	All	
		Health	Remainder <i>Health</i> (707)	All	
		Education	Remainder <i>Education</i> (709)	All	
		Market subsidies	<i>Economic affairs</i> (704)	Subsidies	
			<i>Environmental protection</i> (705)	Subsidies	
			<i>Housing and community amenities</i> (706)	Subsidies	
			<i>Recreation, culture and religion</i> (708)	Subsidies	
		<i>Cash</i>	Social cash transfers	Cash part of Social protection (710)	Social benefits

1. The general government figure is attributed to central government (source Table 1102).
2. The figures for the sub-sectors are computed on the basis of the proportion of service regulation in the COFOG-Special groups in general government, separately for intermediate consumption, compensation of employees and gross capital formation (source Table 1102).
3. For the sub-sectors estimated by taking all other current transfers between sub-sectors in first level COFOG Group *General Public services* (706) except the imputed other current transfers on *Basic research* and *Foreign economic aid*.

Notes

1. First-level COFOG data are not available for Mexico, Switzerland and Turkey. Until recently, second-level COFOG data were available in some national statistical offices, but were not collected by international organisations. Moreover, the second-level COFOG data were not comparable among countries because the SNA guide and the International Monetary Fund Manual on Government Finance Statistics do not provide much practical information on the application of COFOG concepts. However, in 2005, Eurostat established a task force to develop a manual on the application of COFOG to national account expenditure data and to discuss the collection of second-level COFOG data for European countries. Second-level COFOG data are not available for Switzerland and all non-European member countries of the OECD: Australia, Canada, Japan, Korea, Mexico, New Zealand and the United States. In addition, these data are not yet available for some members of the EU. Efforts are underway to reach agreement with these countries about the submission of these data to the OECD.
2. Collective goods and services benefit the community at large and include expenditures on defence, public safety and order, legislation, and regulation. Individual goods and services mainly benefit individuals and include education, health and social insurance programmes. Cash transfers refer to monies provided to beneficiaries by governments and are not required to be spent on a specific good or service. Examples of cash transfers include pensions and unemployment benefits. In-kind transfers mean that the government pays only for specific goods or services, either by providing (or contracting for the provision of) goods and services directly or by reimbursing households for their expenses. Examples of in-kind transfers include housing vouchers and most health and education services.
3. Due to statistical adjustments, sometimes totals at the second COFOG level are different than at the first COFOG level.



From:
Government at a Glance 2009

Access the complete publication at:
<https://doi.org/10.1787/9789264075061-en>

Please cite this chapter as:

OECD (2009), "Classification of the Functions of Government (COFOG)", in *Government at a Glance 2009*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/9789264061651-37-en>

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgment of OECD as source and copyright owner is given. All requests for public or commercial use and translation rights should be submitted to rights@oecd.org. Requests for permission to photocopy portions of this material for public or commercial use shall be addressed directly to the Copyright Clearance Center (CCC) at info@copyright.com or the Centre français d'exploitation du droit de copie (CFC) at contact@cfcopies.com.