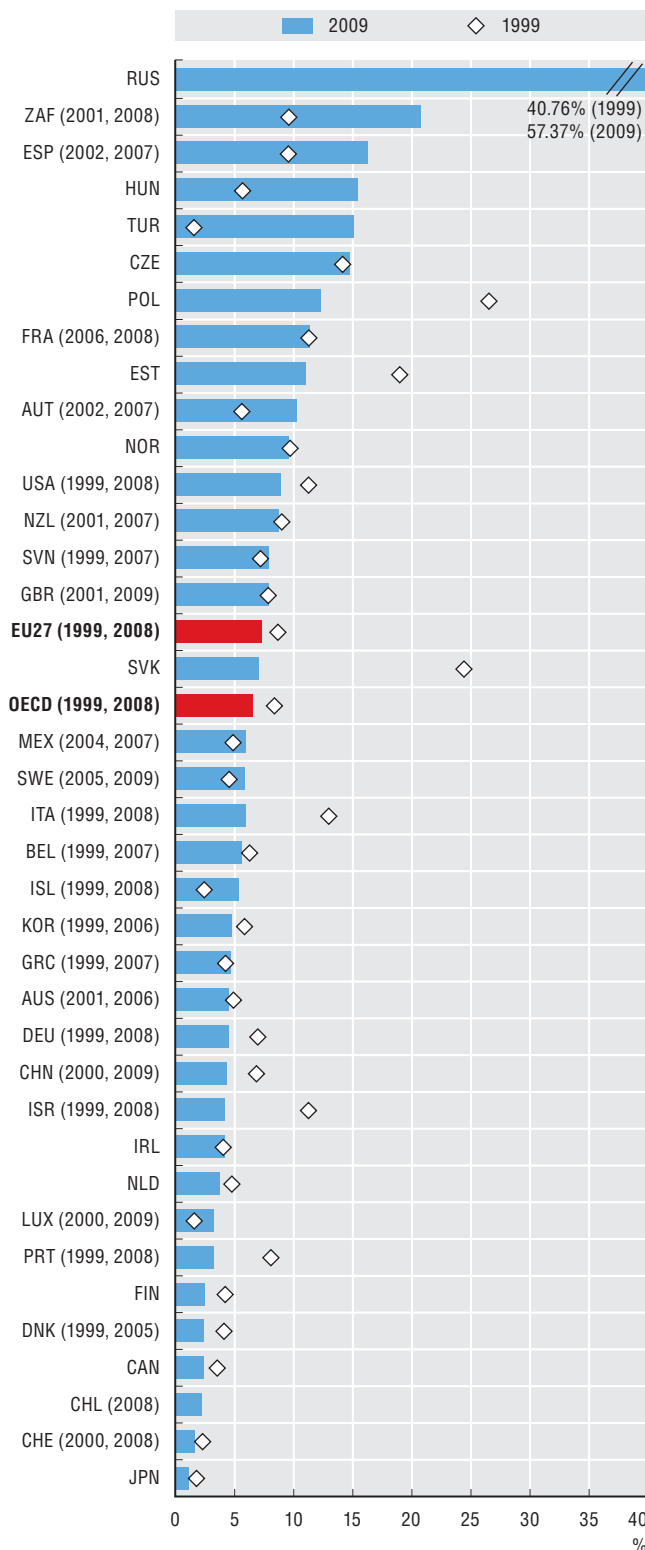


3. CONNECTING TO KNOWLEDGE

1. Public-private cross-funding of R&D

Government-financed R&D in business, 1999 and 2009

As a percentage of R&D performed in the business sector



Source: OECD, Research and Development Database, June 2011. See chapter notes.

StatLink <http://dx.doi.org/10.1787/888932486165>

There is a complex interplay between the public and private sectors in the funding and performance of R&D. Governments choose among various tools to leverage business sector R&D. Traditionally, they fund R&D activities directly via grants or procurement. More than 15% of business R&D (BERD) is funded directly by government in the Russian Federation, South Africa, Spain, Hungary and Turkey. In the OECD area, the government funds nearly 7% of total BERD, down from nearly 9% in 1999. The countries with the largest funding by government have had the largest increases; in the Russian Federation it rose from 40% to 57%. Poland, Estonia, the Slovak Republic, Italy, Israel (which excludes defence R&D) and Portugal had the sharpest reductions in the relative importance of government funding. Reductions have been smaller in the United States, Germany and China.

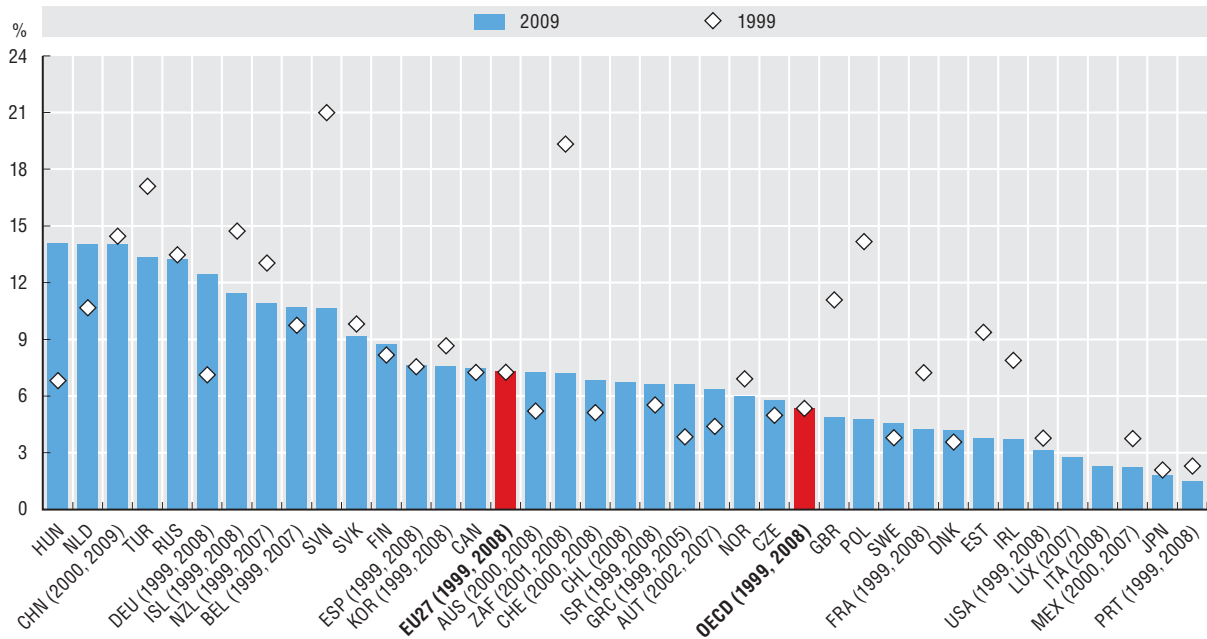
Countries differ significantly in their “public” systems of R&D performance, with varying combinations of government research institutes and private or public universities relying to different degrees on government funding. To analyse the business sector’s contribution to R&D performed in this quasi-public domain, the government and higher education sectors are pooled in order to improve international comparability. Business-sector funding of R&D in the domestic higher education and government sectors is highest in Hungary, the Netherlands, China, Turkey, the Russian Federation and Germany. Across the OECD, the situation has not changed significantly over time in this respect, but there are substantial increases in Germany, the Netherlands and Hungary and substantial decreases in Slovenia, South Africa, Poland and the United Kingdom.

Definitions


Government-funded business R&D is the component of BERD that companies attribute to direct government (central, regional or local) funding when describing the sources of funds for intramural R&D expenditures. It includes grants, some types of loans and procurement, but not R&D tax incentives or equity investments as in the case of public corporations. *Business-funded R&D* in the higher education and government sectors (in the form of grants, donations and contracts) is the domestic business enterprise sector’s contribution to intramural R&D expenditures in those sectors.

Business-funded R&D in the higher education and government sectors, 1999 and 2009

As a percentage of R&D performed in these sectors (combined)



Source: OECD, Research and Development Database, May 2011. See chapter notes.

StatLink  <http://dx.doi.org/10.1787/888932486184>**Measurability**

Estimating cross-sector funding flows for R&D relies mainly on the ability of surveys and other statistical instruments to identify the various sources of funding for intramural R&D expenditures. According to the OECD Frascati Manual, identification of a flow of funds requires a direct transfer of resources and the transfer must be both intended and used for the performance of R&D. Loans to be repaid under normal market conditions are not considered transfers and therefore are not covered by the definition. Because some loans may ultimately not be repaid in full, it can be complex to identify in advance which types of loans should be excluded in practice. The existence of subcontracting and intermediaries also raises a challenge for identifying the ultimate source of funds, for example in the case of funding from supranational organisations that is distributed by national intermediaries.



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