

4. CONNECTING TO GLOBAL RESEARCH

4.6. R&D funding from abroad

The sources of funding of business enterprise research and development (R&D) may be national or foreign and originate from private business, public institutions (government and higher education) or international organisations. R&D funding from abroad includes, for instance, R&D performed by foreign affiliates when funded by the foreign parent company.

On average, R&D funding from abroad plays quite an important role in the funding of business R&D. In the EU27, it represented around 10% of total business enterprise R&D in 2006. The weight of foreign multinationals in the economy and the domestic production of technology seem to matter in this respect. For Austria, Canada, Hungary, the Netherlands, the Slovak Republic and the United Kingdom, funds from abroad represented 15% or more of total business enterprise R&D funding. In Chile, Israel, Korea, Japan and Turkey, they represented less than 1%.

In most countries, the financing of business enterprise R&D from abroad comes mainly from other business enterprises. In a group of 17 countries for which data are available, only Greece, Portugal and Turkey reported more than 30% of funding from international organisations (namely the European Union), a share which has been steadily declining. Spain was the only country reporting more than 10% of finance originating from other governments and foreign higher education institutions.

For countries for which data are available, around two-thirds of funding from business sources abroad is intra-company funding. It represented more than 85% in Denmark, Finland and the Slovak Republic, and more than two-thirds in Austria, Belgium, the Czech Republic, Norway, and Sweden. However, in Slovenia, foreign R&D funding from non-affiliated enterprises accounted for more than 70% of all funds from abroad.

Measuring flows of R&D funds

R&D involves significant transfers of resources between units, organisations and sectors. In order to better measure and evaluate innovation policies and globalisation, it is important to trace the flow of R&D funds. According to the *Frascati Manual*, these transfers may be measured in two ways.

One is performer-based reporting of the sums which one unit, organisation or sector has received or will receive from another unit, organisation or sector for the performance of intramural R&D during a specific period.

The second is source-based reporting of extramural expenditures which are the sums a unit, organisation or sector reports having paid or committed itself to pay to another unit, organisation or sector for the performance of R&D during a specific period. The first of these approaches is strongly recommended.

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

- There must be a direct transfer of resources.
- The transfer must be both intended and used for the performance of R&D.

For further details on the identification of these criteria, see the *Frascati Manual*.

Sources

OECD, Main Science and Technology Indicators Database, June 2009.

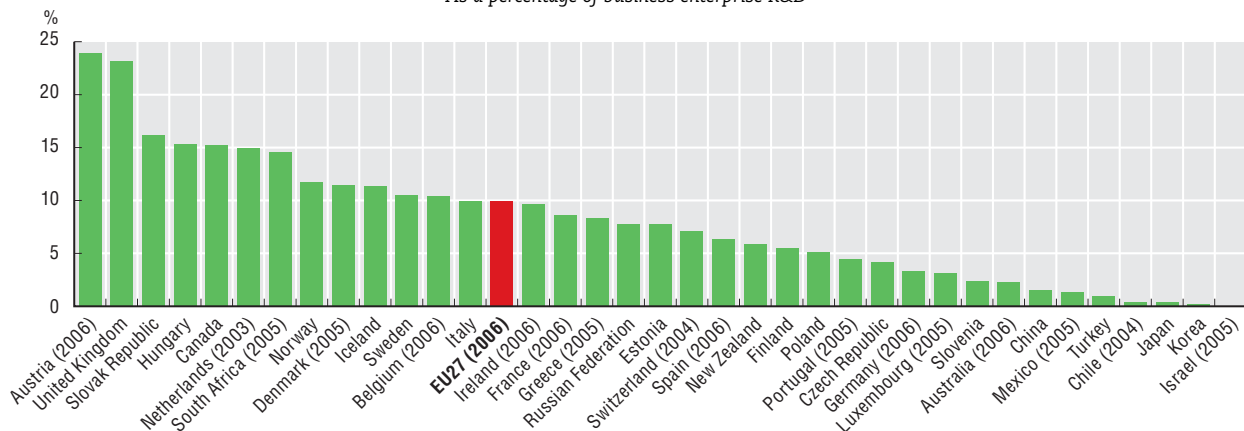
OECD, R&D Database, June 2009.

Going further

OECD (2002), *Frascati Manual: Proposed Standard Practice for Surveys on Research and Experimental Development*, OECD, Paris, www.oecd.org/sti/frascaticmanual.

R&D funds from abroad, 2007

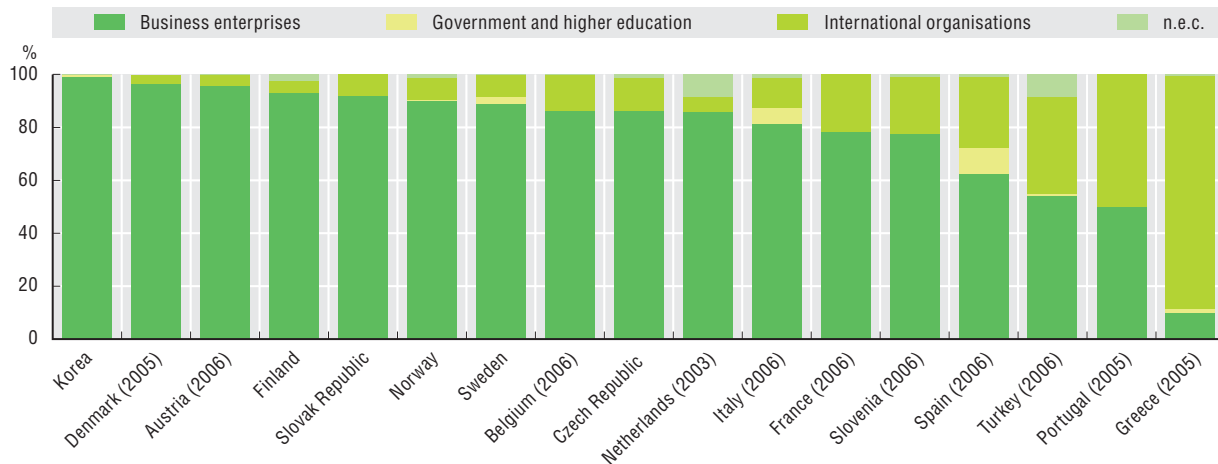
As a percentage of business enterprise R&D



StatLink <http://dx.doi.org/10.1787/746047260245>

Business enterprise R&D funded from abroad, 2007

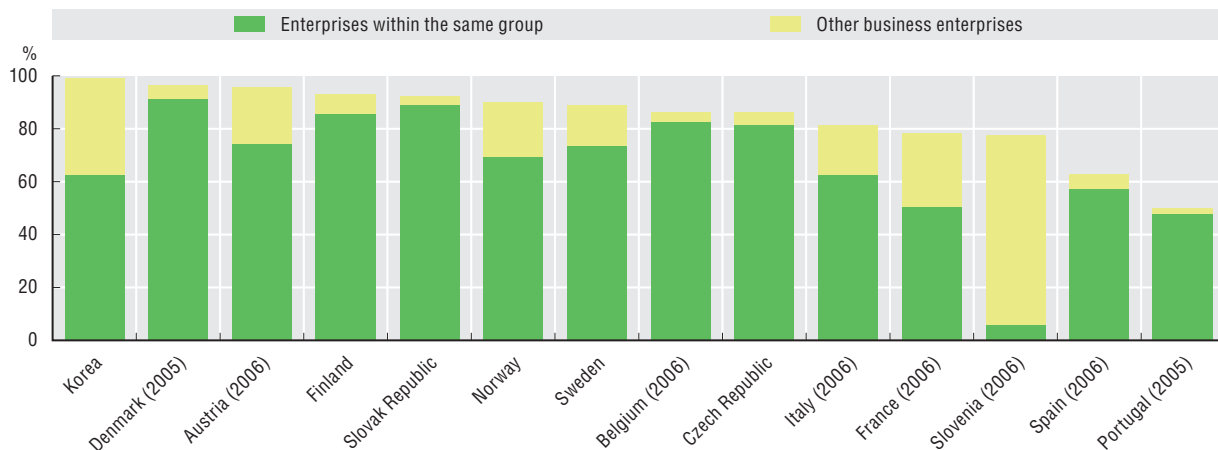
By source of funds



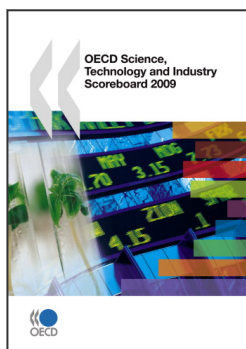
StatLink <http://dx.doi.org/10.1787/746176378108>

R&D funding from foreign enterprises, 2007

As a percentage of funds from abroad



StatLink <http://dx.doi.org/10.1787/746182766483>



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