

**Inventory of the methods, procedures and sources
used for the compilation of deficit and debt data and
the underlying government sector accounts
according to ESA95**

Bulgaria

December 2013

Background

Compilation and publishing of the Inventory of the methods, procedures and sources used to compile actual deficit and debt data is foreseen by Council Regulation 479/2009, as amended.

According to Article 8.1: *“The Commission (Eurostat) shall regularly assess the quality both of actual data reported by Member States and of the underlying government sector accounts compiled according to ESA 95.... Quality of actual data means compliance with accounting rules, completeness, reliability, timeliness, and consistency of the statistical data. The assessment will focus on areas specified in the inventories of Member States such as the delimitation of the government sector, the classification of government transactions and liabilities, and the time of recording.”*

In line with the provisions of the Regulation set up in Article 9, *“Member States shall provide the Commission (Eurostat) with a detailed inventory of the methods, procedures and sources used to compile actual deficit and debt data and the underlying government accounts. The inventories shall be prepared in accordance with guidelines adopted by the Commission (Eurostat) after consultation of CMFB. The inventories shall be updated following revisions in the methods, procedures and sources adopted by Member States to compile their statistical data”*.

The content of the Inventory and the related guidelines have been endorsed by the Committee on Monetary, Financial and Balance of Payments statistics in June 2012 and are followed by all EU Member States.

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Annex I – list of general government units

Other Annexes – Organizational diagrams of BNSI, BNB and MoF

A. Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

This chapter provides a summary description on the general government sector components and specifies institutional responsibilities and basic data sources used for EDP tables and for the compilation of general government national accounts. Special attention is given to EDP tables: detailed description of components of the working balance and the transition into EDP B.9 (net lending/net borrowing); compilation of Maastricht debt and of stock-flow adjustments; explanation of the link between EDP table 2 and 3, balancing process and statistical discrepancies.

1. General Government

The general government sector in Bulgaria is composed by three sub-sectors: S.1311, S.1313 and S.1314. It includes:

1.1 Central government subsector (S.1311)

- Central budgetary organisations (ministries, central offices and organisations established and/or managed by ministries or other central authorities)

The State Budget (central budget, ministries' budgets, budget of the National Audit Office, and Judiciary Authorities' budget), which is ratified by the National Assembly in accordance with the Organic Budget Law. The budget of the Judiciary authorities includes summarized information on the budgets of courts, prosecution and the National Investigation Service;

- Autonomous budgets (public universities (39 units); Bulgarian Academy of Science, Bulgarian National Television, Bulgarian National Radio, Bulgarian News Agency). The National Assembly approves only transfers from the State Budget to these institutions, but their revenue, expenditure, transfers and financing are presented in the consolidated fiscal budget as separate budgets.

- Extra-budgetary accounts and funds of the ministries and government agencies. The Minister of Finance approves the budgets of extra-budgetary accounts. The Council of Ministers adopts the budgets of extra-budgetary funds, which are as specified in annex 1.

- Other central organisations (please detail and indicate the number of institutional units covered, e.g. under universities, hospitals, etc)

National Company Railway Infrastructure, the Fund for Local Authorities and Government (FLAG), State Consolidation Company, BDZ Passenger Services and hospitals with government ownership (70 units).

1.2 State government subsector (S.1312)

- State budgetary organisations (state offices and organisations established and/or managed by state offices or other state authorities)

Other Annexes – Organizational diagrams of BNSI, BNB and MoF

A. Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

- *Other state organisations (please detail and indicate the number of institutional units covered).*

In Bulgaria such subsector does not exist.

1.3 Local government subsector (S.1313)

- *Local budgetary organisations (regional offices, town councils, regional councils, municipalities, etc)*

There are 264 municipalities in Bulgaria. The budgets of the municipalities are autonomous units within the general government. Legal basis for preparation of the budget of local authorities is Law for the Municipal Budgets. The National Assembly ratifies only the subsidies from the central government to municipalities.

Extra-budgetary accounts and funds of municipalities are included in the local government sector.

- *Other local organisations (please detail and indicate the number of communities/municipalities)*

Hospitals with municipal ownership (141 units) and Steam power station “Shumen”.

1.4 Social security funds subsector (S.1314)

The Social security sub-sector includes:

- The National Social Security Institute, in charge of pension and many social benefits;
- Teachers’ Pension Fund;
- National Health Insurance Fund.

2. Institutional arrangements

This section provides general information on institutional arrangements relating to the production and dissemination of government deficit and debt statistics:

- responsibility of national authorities for compilation of individual EDP tables and underlying government national accounts, as defined by ESA95 Transmission Programme;
- institutional arrangements relating to public accounts which are used by statistical authorities for compilation of government national accounts and EDP tables;
- general overview about bookkeeping system used by public units, internal quality checks and external auditing;
- communication between individual national authorities involved in EDP;
- publishing of deficit and debt statistics.

Legal basis for the compilation of GFS and EDP data

Please specify if there is a special national law referring to the collection and compilation of fiscal data and GFS (e.g. some provisions set in the Constitution, financial/ budget bill or a separate statistical use).

2.1 Institutional responsibilities for the compilation of general government deficit and debt data

This section describes institutional responsibilities for compilation of Government Finance Statistics (national accounts for general government and EDP tables). Further related information is described in section 2.3 Communication.

National accounts data for general government are transmitted to Eurostat¹ via the following tables (see the related EU legislation)² :

Table 2 – Main aggregates of general government (annual data)

Table 6 – Financial accounts by sector (annual data)

Table 7 – Balance Sheets for financial assets and liabilities (annual data)

Table 9 – Detailed Tax and Social Contribution Receipts by Type of Tax or Social Contribution and Receiving Sub-sector including the list of taxes and social contributions according to national classification (annual data)

Table 11 – Expenditure of General Government by function (annual data)

Table 25 - Quarterly Non-financial Accounts of General Government

Table 26 – Balance sheets for non-financial assets (annual data)

Table 27 – Quarterly Financial Accounts of General Government

Table 28 – Quarterly Government Debt (Maastricht Debt) for General Government

Data on government deficits and debt levels are reported to Eurostat twice a year (in April and October) in EDP notification tables³.

¹ http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database

² http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/legislation

Other Annexes – Organizational diagrams of BNSI, BNB and MoF

A. Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

Table 1. - Institutional responsibilities for the compilation of general government national accounts and EDP tables

Institutional responsibilities <i>(the appropriate cells are crossed)</i>		NSI	MOF	NCB	Other	
Compilation of national accounts for General Government:						
Nonfinancial accounts	annual	x				
	quarterly	x				
Financial accounts	annual	x				
	quarterly			x		
Maastricht debt	quarterly		x			
Compilation of EDP Tables:						
EDP table 1	actual data	deficit/surplus	x			
		debt		x		
		other variables	x			
	planned data	deficit/surplus		x		
		debt		x		
		other variables		x		
EDP table 2 (actual data)	2A central government	x				
	2B state government	M				
	2C local government	x				
	2D social security funds	x				
EDP table 3 (actual data)	3A general government	x				
	3B central government	x				
	3C state government	M				
	3D local government	x				
	3E social security funds	x				
EDP table 4		x				

NSI - National statistical institute including units subordinated to the NSI (the latter is to be specified in comments)

MOF – Ministry of Finance/Economy including units subordinated to the MOF (to be specified in comments)

NCB – National Central Bank

Other – other national body, to be specified in comments

1. Provide official names of the institutions involved, in national language and in English
 Национален Статистически Институт (НСИ) - National Statistical Institute (NSI),
 Българска Народна Банка (БНБ) – Bulgarian National Bank (BNB)
 Министерство на Финансите (МФ) – Ministry of Finance (MoF)

- Explain who does what and provide further specifications in case: more than one institution is involved in compilation of the table

Other Annexes – Organizational diagrams of BNSI, BNB and MoF

A. Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

EDP data and annual financial accounts are prepared by Financial Statistics Division in BNSI; Non-financial accounts Division in BNSI compiles annual and quarterly non-financial accounts;

- BNB provides data for quarterly financial accounts (QFAGG);
- MoF is responsible for Maastricht debt - quarterly and annual data.

Since September 2008 the obligation to compile and submit the notification tables under the EDP procedure lays with the Bulgarian National Statistical Institute.

3. Specify which unit and institution gives a "final" approval of EDP data before sending to Eurostat.

NSI of Bulgaria - Financial Statistics Division, Macroeconomic Statistics Department gives a final approval of EDP data before sending to Eurostat.

4. Specify how are EDP tables transmitted to Eurostat: by which national institution, officially, signed, only via electronic form,...Is an affidavit regularly attached to the EDP data?

Completed EDP tables are transmitted to Eurostat by post and via eDAMIS officially from BNSI.

2.1.1 Existence of an EDP unit/department

1. Mention if a single unit/department responsible for EDP notification exists in your country. Please specify the institution (NSI, NCB, MoF, other?).

Financial Statistics Division in BNSI is responsible for EDP notification in Bulgaria.

2. Detail to whom the EDP unit reports, in which department/directorate is the EDP unit in the organigramme of the institution. Please provide a copy of the organigramme of the institution (in annex to the inventory).

The Financial Statistics Division is a unit in Macroeconomic Statistics Department of BNSI.

3. Detail what are the (legal?) duties of the staff in the EDP unit:

- a) are the duties only referring to EDP issues, or
- b) also to compilation of general government non-financial and/or financial accounts (e.g.: -only fills in the EDP tables, without making any adjustment?
 - fills in EDP tables and make some adjustments;
 - compiles the government non-financial accounts and fill in EDP tables;
 - compiles government financial accounts and fill in EDP tables;
 - other situation.

The staff of the Financial Statistics Division compiles annual financial accounts (Table 6 – Financial accounts by sector and Table 7 – Balance Sheets for financial assets and liabilities), Table 9 – Detailed Tax and Social Contribution Receipts by Type of Tax or Social Contribution and Receiving Sub-sector including the list of taxes and social contributions

Other Annexes – Organizational diagrams of BNSI, BNB and MoF

A. Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

according to national classification (annual data) and fill in EDP tables and related questionnaires.

4. If there is no EDP unit, mention this and describe under section 2.1 above (Institutional responsibilities) the process how the EDP tables are compiled.

Only one unit in BNSI is responsible for compiling EDP tables - Financial Statistics Division. Please see table 1 mentioned above. The data sources are from the three institutions, they are received officially. In practice, the analysis of borderline cases is carried out in working groups, but the final decision about the treatment of data is responsibility of BNSI.

2.1.2 Availability of resources for the compilation of GFS data

If a question from this section has been answered elsewhere, please provide a reference to the relevant section.

1. Describe organisation and responsibilities within the NSI in terms of compilation of GFS (EDP data and national accounts for general government - annual and quarterly data).

- EDP data and annual financial accounts are prepared by Financial Statistics Division in BNSI;
- Non-financial accounts Division in BNSI compiles annual and quarterly non-financial accounts.

2. Provide organisation chart and indicate the number of staff working in GFS.

Macroeconomic Statistics Department of BNSI. The staffs working on GFS data consists of 6 civil servants from **Financial Statistics Division** and 4 from **Non-Financial Accounts Division**.

The functions of **Financial Statistics Division** are:

- to develop and provide to Eurostat (EC) preliminary and final annual data on surplus / deficit and debt of general government - Notification tables and questionnaire to them;
- to develop and provide Eurostat (EC) annual financial accounts;
- to develop and provide Eurostat (EC) data for taxes and social contributions;
- to prepare and update statistical reports for the needs of financial statistics in order to ensure sufficient and reliable information;
- to prepare analytical materials on the basis of statistical information for Government Finance Statistics;
- to prepare questionnaires to Eurostat in the field of financial statistics.

Functions of the **Non-Financial National Accounts Division**:

- Elaboration of new and improvement of existing methodologies and methods of conducting statistical surveys regarding national accounts and government finance statistics in accordance with the requirements of Eurostat;
- Preparation of statistical data, macroeconomic indicators and information for distribution in the field of NA and GFS. Elaboration and presentation to Eurostat of quarterly and annual data on GDP, GNI, quarterly and annual non-financial accounts for General Government and the other institutional sectors;
- International exchange of statistical information in the field of macroeconomic statistics with Eurostat and the statistical divisions of international organizations as

Other Annexes – Organizational diagrams of BNSI, BNB and MoF

A. Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

well as fulfilment of BNSI obligations regarding the Program for European comparisons of purchasing power parities;

- Preparation and organization of work meetings on a national and international level as well as participation in projects of international bodies and organizations in the field of NA.

Treasury Directorate and Government Debt and Financial Markets Directorate of MoF

Treasury Directorate, GFS division:

The staffs of the GFS division consist of 5 civil servants, and the functions of the division are:

- to coordinate and produce the regular and annual reports on the cash execution of the Consolidated Fiscal Program, based on the reports of the First Level Spending Units;
- to coordinate the summary of reporting data for the assets, liabilities, revenues, expenditure and transactions of budget entities in accordance with the Accountancy Act;
- to prepare statistics by financial indicator for the public finances of the Republic of Bulgaria.

Government Debt and Financial Markets Directorate

Strategies, Analyses and Statistical Reporting Division

The functions of the division are:

- to prepare notification tables for the debt in line with the requirements of Eurostat;
- to prepare and regularly submit to Eurostat and BNB quarterly consolidated data on the debt of the general government sector and its sub-sectors;
- to provide and exchange information about government debt parameters between the Ministry of Finance and other state administrations, BNB, NSI;
- to regularly prepare and provide information to the National Audit Office on the utilization and payments under the external government and government-guaranteed debt.

The BNB Statistics Directorate has four divisions.

The *Financial Accounts and General Economic Statistics Division* is responsible for the Quarterly Financial Accounts for General Government (QFAGG) compilation in accordance with Regulation (EC) 501/2004 of the European Parliament and the Council on Quarterly Financial Accounts for General Government and for checking the consistency of the GFS data with other GFS statistics. The division consists of six experts, two of them are fully engaged and one of them is half time engaged in compiling the QFAGG.

3. *Indicate briefly to what extent is the staff involved in GFS compilation occupied also by the arrangements relating to data sources for government units (designing of the questionnaires, processing of statistical questionnaires, processing of public accounts, checking and analysis of data sources, etc.)*

The organisation and collecting of data are done by Business Statistics Department of BNSI, but the staff responsible for GFS data is participating in the designing of the questionnaires and checking of data, necessary for GFS tables. Treasury Directorate of MoF, the Government Finance Statistics Division is involved in processing of the accounts of the budget entities, checking and analysing the data sources.

4. *Indicate whether the same staff is involved into providing of data upon requests of other international and national organizations. Provide short details.*

The same staffs which is involved in compilation of GFS data is responsible for the providing of data upon requests from international and national organizations.

5. *Provide further related information when relevant.*

2.2 Institutional arrangements relating to public accounts

Generally, “public accounts” are basic source data for GFS compilation, i.e. EDP tables as well as annual and quarterly accounts for general government. Public accounts are used by public units and refer to accounting records and relating accounting outputs (e.g. financial statements) based on the accounting framework defined by a national legislation. This section provides a general overview on institutional responsibilities relating to public accounts. Further details on public accounts for individual government subsectors are described under relevant sections on data sources and EDP tables.

2.2.1 Legal / institutional framework

Explain briefly for each sub-sector the legal framework relating to public accounts:

1. *Specify if there is a general legal basis regulating the compilation of public accounts and the accounting rules.*

Administrative arrangements of the MoF provide special pre-set templates for the submission of cash reports and the trial balances on an accrual basis of the budgetary units at central and local level under concrete time-tables. There is generally good counterpart information available, as per the Accounting Law (Art 5A) the budgetary units apply the Unified Chart of Accounts for Budgetary Entities.

Art. 53 (1) of the Act on the National Audit Office provides that “annual financial statements of budget-funded organisations that are first-level spenders of budget appropriations, and of budget-funded organisations that are second-level spenders of budget appropriations implementing independent budgets pursuant to special laws are audited.”

The form and the substance of the annual financial statements of all budget entities are defined in special Order of the Minister of Finance (item 15 in Order of the Minister of Finance No 60/20.01.2005).

As per Art.33, item 6 of the Accountancy Act the reported data on assets, liabilities, income, expenses and transactions of all budget- funded enterprises shall be consolidated at the Ministry of Finance on the basis of trial balances and other information submitted by the budget-funded enterprises under terms, conditions, frequency periods and following a procedure established by the Minister of Finance.

The bookkeeping system of public corporations is on accrual basis in compliance with the **Accounting Act and the International and National accounting standards.**

2. *What kind of bookkeeping systems are used by government units and public corporations (cash, accrual, integrated data sources, etc)? Provide a reference to the related section of the inventory, where more detailed information could be found.*

The accounting records and evidence of all public units are regularised in the Accounting Act.

3. *Specify if accounting records and evidence of all public units are regularised by a related national legislation.*

Explain which institution and unit/units are responsible for:
- *bookkeeping standards used by public units,*

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A. Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

Budget Accounting and Payment Procedures Division in the Treasury Directorate of the MoF is responsible for the instructions for the budget entities how to apply the provisions set in the Accountancy Act. As a whole, the accounting of the public sector in Bulgaria is based on the same fundamental and conventional accounting principles and rules (accrual basis, substance over form principle, valuation and recognition rules etc.) applied in the national accounting legislation, as well as in the International Accounting Standards. The Unified Chart of Accounts (CoA) for the budgetary entities was developed in the MoF in parallel to the Accounting Act in force. The legal framework for the public sector accounting is defined in it. The definition as of 01.01.2002 of the budgetary entities, i.e. the scope of the budgetary sector in Bulgaria set in § 1, item 1 of the Accounting Act, introduces the following legal definition: “Budget entities are government and municipal bodies, their structural units and any economically independent persons that apply budgets, budgetary accounts, extra-budgetary funds and accounts in the context of the Organic Budget Law and the Municipal Budgets Law, as well as the government funds and institutions dealing with mandatory social and health insurance, state universities, Bulgarian Academy of Science, Bulgarian National TV, Bulgarian National Radio and other structural units, which accounts and operations are included in the General Government.”

- In compliance with the 2008 amendment of the Accountancy Act, the whole normative regulation related to the budget entities accounting, including the form and the substance of the interim and the annual financial reports, are elaborated and updated by the MoF and approved by the Minister of Finance. Art. 5a of the amended Accountancy Act stipulates the introduction of the requirements of the EU, IMF, and IPSA in the reporting framework of the budget entities.

- *designing of financial statements,*

The design of financial statements of the budgetary units is on the base of MoF accounting guidelines.

The design of financial statements of public corporations is in compliance with the International and National accounting standards.

- *data collection and processing,*

- Data for public corporation are collected by BNSI, data for budget entities are collected by MoF.

- *internal quality and consistency checks and validation (not external auditing)*
BNSI and MoF

5. Specify any foreseen changes in terms of bookkeeping system used by public units.

For the time being no changes are foreseen for public corporations.

The budgetary units CoA has been substantially upgraded as od 1.01 2014 .

2.2.2 Auditing of public accounts

2.2.2.1 General government units

1. Are accounts of **all** units, which are included in the general government sector according to ESA95, audited? If not, specify which units are not audited.
The data for April Notification is not audited. As for the October Notification the

Other Annexes – Organizational diagrams of BNSI, BNB and MoF

A. Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

accounts of all units are audited. Under the Accountancy Act: "Subject to independent financial audit, unless otherwise provided by a law, shall be the annual financial reports of:

- joint stock companies and partnerships limited by shares;
- units, which are issuers in the sense of the Law for Public Offering of Securities;
- (amend. - SG 108/06, in force from 29.12.2006) credit institutions, insurers and investment units, additional social insurance companies and the funds managed by them;
- units for which this requirement is provided by a law;
- all units, not indicated in items 1 – 4, except the undertakings, applying a simplified form of financial accountancy and the budget units.

2. The budgetary units are audited in accordance with Art. 53 (1) of the Act on the National Audit Office provides that "annual financial statements of budget-funded organisations that are first-level spenders of budget appropriations, and of budget-funded organisations that are second-level spenders of budget appropriations implementing independent budgets pursuant to special laws are audited."

3.

4. *What is the subject and coverage (scope) of auditing? Are **all flows and all accounts** of the unit audited, e.g. also those which are outside the budget, if any (e.g. so called extrabudgetary accounts)? If not, specify further what is not audited*

In accordance with the National Audit Office Act annual financial statements of budget entities that are first level spending units, as well as second level spending units implementing independent budgets pursuant to special laws shall be subject to an independent financial audit by the National Audit Office. Following an amendment in the National Audit Office Act since 2011 municipalities with a budget below 10 million BGN will be audited on the basis of a risk assessment and periodicity, decided upon by the National Audit Office. All flows and all accounts of the units are audited.

5. *When does the auditing of the accounts take place?*

6. *When are the results available to GFS compilers?*
The results are available for October Notification.

7. *When are the audit reports published and where (e.g. via internet)?*

The audit reports are published on the website of Bulgarian National Audit Office (<http://www.bulnao.government.bg/index.php?p=2062&lang=en>). By 30 June of the following year the business/public corporations shall publish their annual financial account and their consolidated financial report, the annual paper of the activity and the annual consolidated paper of the activity, adopted by the general meeting of the partners/the shareholders or by the respective body as follows:
- the traders in the sense of the Commercial Law – by filling and submitting for publication in the Commercial Register;
- the rest of the corporations – through an economic publication or in the Internet.

8. *Specify if these audit reports include also a risk analysis and relevant details, e.g. on payables, contingent liabilities.*

The audit reports include risk analysis and relevant details.

9. *Please attach as an annex to the inventory, a list of government units and/or groups of units, indicating names of the relevant auditing authorities (at least those auditing the main units), scope of auditing, when and where are audit reports publicly available in internet.*

2.2.2.2 Public units, not part of general government

1. *Are accounts of all units, which are included in the public corporation sector according to ESA95, audited? If not, explain which units are not audited.*
The reports received by BNSI are not audited, because under the national legislation all units, which are included in the public corporation sector, according to the Accountancy Act have to report the statements by 30th of March. BNSI requires the audited reports for the purposes of the EDP Notification.
2. *Which auditing authority is responsible for auditing of accounts of public corporations - please indicate the case when a national court of auditors is dealing also with auditing of public corporations (e.g. railways), if any.*
According to Bulgarian legislation the auditing of public/business corporations' accounts are performed by independent auditing bodies, but as of April Notification these audits are not completed. As of October Notification the accounts of public/business corporations are audited.
3. *What is the subject and scope of the auditing? Are all flows and all accounts of the unit audited, If not, explain further what is not audited.*
All flows and all accounts of the units are audited.
4. *When does the auditing of the accounts take place?*
5. *When are the results available to GFS compilers?*
The results are available after completion of audit in accordance with the respective schedule.
6. *When are the audit reports published and in which web address?*
By June 30th of the following year the business/public corporations shall publish their annual financial accounts and their consolidated financial report, the annual paper of the activity and the annual consolidated paper of the activity, adopted by the general meeting of the partners/the shareholders or by the respective body as follows:- the traders in the sense of the Commercial Law – by filling and submitting for publication in the Commercial Register;-the rest of the corporations – through an economic publication or in the Internet on the web address of the companies.
7. *Specify if these audit reports include also a risk analysis and relevant details, e.g. on payables, contingent liabilities.*
The audit reports cover risk analysis and relevant details only for those entities, included by the BNSI, whose reports have been requested directly by the BNSI.

2.3 Communication

2.3.1 Communication between actors involved in EDP

2.3.1.1 Agreement on co-operation

1. *Explain how is the co-operation between actors involved in EDP organised.*
By order of the heads of the three institutions - BNSI, BNB and Ministry of Finance - and based on an officially approved Memorandum of cooperation, an interinstitutional working group has been established with the responsibility to organize and execute the compilation of EDP tables.

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A. Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

2. *Indicate if there is any official agreement on co-operation / memorandum of understanding signed by national authorities involved in GFS compilation, delivery of related data sources etc. If yes, who signs the agreement? How often is the agreement reviewed and updated? The attachment of the agreement to the Inventory would be appreciated.*

Since September 2008 the obligation to compile and submit the notification tables under the EDP procedure lays with the Bulgarian National Statistical Institute. In accordance of Eurostat recommendations an updated Memorandum for cooperation between the three institutions - Bulgarian National Statistical Institute (BNSI), Ministry of Finance (MoF) and Bulgarian National Bank (BNB) was signed in January 2013. NSI express an independence position on the reported data and for the proper classification of institutional units within the GG sector in compliance with the EU legislation and ESA principles and takes the responsibility for their implementation. In practice, the analysis of borderline cases is carried out on a case by case basis in working groups in cooperation of experts from the three institutions where government finance statistics is subject for treatment – the BNB, BNSI and MoF. The BNSI and MoF may require from other institutions additional data for analysis.

3. *Provide further details on the responsibilities established in the official and/or unofficial agreement.*

The Memorandum defines the responsibilities of the involved institutions. It also describes the data sources used and the deadlines for their delivery.

4. *Explain how the co-operation is organised in practice – task forces, working groups, at official and/or unofficial level, what kind of issues are discussed, how often does a group meet, who initiates meetings, are reports, minutes prepared.*
The cooperation between institutions is organised with meetings of working groups at official level and minutes and reports are prepared.

5. *Explain what data are requested and received by the NSI, and/or provide references to tables/sections in the inventory.*

All data are described in the Memorandum of cooperation and this document also indicates the time schedule for providing the information.

6. *Can the NSI have a role/ is consulted in public accounts - designing of financial statements, timeliness, coverage of units? Describe.*

The design of financial statements of the budgetary units is on the base of international accounting standards MoF accounting guidelines. The design of financial statements of public corporations is in compliance with the International and National accounting standards. Depending on its current obligations and informational needs, BNSI can include additional statistical forms. The NSI may request any additional information based on The Statistics Act..

7.

8.

9. *Specify any foreseen changes in responsibilities of institutions and/or departments involved.*

At present no changes are foreseen.

2.3.1.2 Access to data sources based on public accounts

Other Annexes – Organizational diagrams of BNSI, BNB and MoF

A. Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

1. *Explain in which forms/means are public accounts data for individual units/groups of units delivered to national statistical authorities: on paper, in electronic format (excel, pdf, word?), another means, combined? Please specify.*

The data are delivered in different ways: on paper and on-line (electronic format).

2. *Mention if the source data used for EDP data compilation is "certified" by a signature of the responsible government institution?*
No.
3. *Do statistical authorities have also access to public accounts database, i.e. to a database of the Treasury, Ministry of Finance, etc? If yes, specify the coverage of units in the database and the level of details: aggregated, individual – in terms of coverage units as well as flows/stocks.*

In the GFS division in MoF data on flows and stocks of the individual First Level Spending Units (FLSU) are processed and aggregated data are provided to the BNSI and BNB.

4. *If data are available via different means (paper, electronic form, database, etc.), specify if all these are consistent. Indicate if the details, main aggregates and/or balancing items are fully identical in different documents.*
All reports of public corporations are recorded into a computer system by the BNSI staff and are available online. Data of budget units in electronic format are available in the MoF. The details, main aggregates and balancing items are fully identical in the different documents.

2.3.2 Publication of deficit and debt statistics

2.3.2.1 Publication of EDP data

1. *Please detail when EDP figures are published at national level in spring and autumn (April?) and (October?). Please indicate if data are published by other institution than the NSI. By which institution?*
The date for publishing the EDP figures (April and October) at national level is the same as Eurostat's. Data are published by BNSI.
2. *Please detail which EDP tables are published nationally. If the EDP tables are not published as such, please give the list of relating categories published: EDP B.9, Gross consolidated debt (total and/or by instruments), EDP D.41, other information - detail. Indicate also period.*
On its website the National Statistical Institute publishes **Table 1: Reporting of government deficit/surplus and debt levels and provision of associated data** (latest data for year n-1 and the 5 years' time series in the rubrics "latest data" and "time series").
3. *Please specify if any explanatory notes on the notified actual EDP data are regularly or occasionally published. By which institution?*
The National Statistical Institute publishes EDP metadata and methodological explanatory documents.
4. *If data are published before official validation and publication by Eurostat, indicate if the final/amended version of EDP data is always published nationally, in case of any*

Other Annexes – Organizational diagrams of BNSI, BNB and MoF

A. Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

changes after the assessment (by Eurostat) process.

The data are published after the official validation by Eurostat.

2.3.2.2 Publication of underlying government ESA95 accounts

- 1. Regarding national accounts for general government and ESA95 Transmission Programme tables, please explain briefly what and when is published. Data on national accounts for General government are published after the official validation by Eurostat as follows: Table 2 Annual Non-financial accounts of sector General Government - t+125 in April and October; Table 6 and 7 Annual financial accounts - t+13 month; Table 11 General government expenditure by function (COFOG) – in December with data for previous year; Table 9 Taxes and social contributions by type and sub-sectors of General Government - t+9 month; Table 25 Quarterly Non-Financial Accounts of General Government – t+90 for Q₁ and Q₃, t+125 for Q₂ and Q₄; Table 27 Quarterly Financial Accounts of General Government (QFAGG) – t+110 days; Table 28 General government gross debt - quarterly data - t+112 days.*
- 2. Indicate also if any metadata and/or other related explanatory documents are published and provide a www link. Metadata and methodological explanatory documents are published in rubrics Government Finance Statistics : <http://www.nsi.bg/otrasal-metodologiaen.php?otr=40;> and Financial Statistics <http://www.nsi.bg/otrasal-metodologiaen.php?otr=52;>*

EDP tables and data sources

This section reports on availability and use of basic data sources for the compilation of national accounts and EDP tables, by general government subsectors and main units/groups of units. It also aims at describing adjustments to basic data source in order to compile ESA95 based deficit/surplus; EDP tables compilation techniques, balancing practices; link between EDP table 2 and 3.

3.1 EDP table 1

EDP table 1 provides the core, summary information for the reporting period, as requested by the related EU legislation⁴: net borrowing(-)/net lending(+)(EDP B.9) for general government sector and its subsectors, outstanding amount of Maastricht debt by instruments, Gross Domestic Product (GDP), gross fixed capital formation (GFCF) for GG sector and data on interest expenditure (ESA95 D.41 and EDP D.41)⁵.

This section focuses on Maastricht debt only. A detailed description of EDP B.9 calculation and data sources for individual subsectors is covered under section 3.2.

3.1.1 Compilation of Maastricht debt

3.1.1.1 Specification of debt instruments

1. *Provide details and relevant specification separately for each Maastricht debt instrument AF.2, AF.331, AF.332, AF.41 and AF.42 (e.g. details on different debt instruments issued by government, valuation of individual debt instruments for individual units/groupings of units, maturities, creditors, interest rates inside and outside government, etc.).*

AF.331 – short – term government bills (with original maturity no more than 12 months) issued mainly from the CG to provide short-term liquidity for budget purposes. These are issued exclusively on the domestic market. These bills do not bear interest rate but are issued with discount/premium. They are paid by nominal value on the redemption date

AF.332 – long terms government bond (with maturity more than 12 months) issued both on domestic and international capital market. These bonds are issued at discount/premium and bearing fixed income in form of annual or semi-annual interest coupon payments.

The only exception consist the governments bonds with floating interest rate in form of government securities issued for structural reform in regards to Council of Ministers (CM) Decree 234 since 1992, Article 4 and 5 ZUNK of 1993 and CM Decree 2 since 1994

AF.41 – short term loans whose original maturity is one year or less and the loans are repaid on demand on redemption date. These are rare cases.

AF.42 – long – term loans whose original maturity is more than one year. These loans are granted mainly from international financial institutions like IBRD, EIB, EBRD. These loans bear predominately float rate linked to floating base like LIBOR or EURIBOR in the respective borrowed currencies. There were just few loans with fixed interest rate in the past. The regular repayment instalments are set under the repayment plan and usually consists principal and interest payment. The corporate loans of public entities reclassified inside the

⁴ http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/documents/council_reg_479-2009

⁵ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2001:344:0001:0004:EN:PDF>

GG are included in total debt under AF 4.2 and the hard copy of the loan agreements have been used to replicate the initial term and conditions with their creditors.

3.1.1.2 Data sources used for the compilation of Maastricht debt

1. *Provide a detailed description of data sources used for the compilation of Maastricht debt and of the availability of other data sources, by subsectors and further by groups of units/big units (particular attention is to be given to the state/federal budget).*

The main data source for the Central Government (CG) debt is the Official Register of Government and Government Guaranteed debt (ORGGGD), created and maintained by the MoF as per Article 38 (1) of State Debt Law.

The information of the Social security funds (SSF) debt is also included in the Register due to the specific characteristics of their debt instruments. The separation of the two sectors debt data is necessary in order to evaluate the debt according to the prescribed EDP rules. As a result the detached statistical module is created in the Register which gives the final EDP outcome.

The Local Government (LG) debt data are derived from the LG trial balances, sent to the MoF on a regular basis. According to the Municipal Debt Law, Article 51, the Central Register of Municipal debt (CRMD) has to be established at the MoF. All municipalities are obliged to keep, preserve and provide to the MoF information regarding the debt incurred by the municipalities in accordance with the requirements of the EU and the Bulgarian legislation on public sector accounts, statistics and budgeting (Art. 55). Whole collected debt data from the Local government units is kept and manipulated at the CRMD. Through the specially elaborated program interface LG debt information has been integrated in the ORGGGD, so that the availability of all GG sub sector debt information is guaranteed.

On the debt side of CG and SSF the information in the Official Register of Government and Government Guaranteed debt (ORGGGD) is used. The data of CG assets in the form of securities and loans are stored and available for further processing/elaboration at the MoF. The SSF debt figures from the Register are compared for identity with the data in the SSF trial balance reports. From the same reports, the assets data that represent other sub-sectors debt are derived. The similar method of approach is used for LG debt and asset. On the basis of reports send by each municipality the consolidated municipality trial balances are prepared/worked out at the MoF. All the information is structured in the identical form that allows the proper execution of the consolidation process. The integration of the CRMD data base into the ORGGGD will permit the full automation of the consolidation procedure through the described above statistical module.

2. *Specify institutional responsibilities for individual data sources, by subsectors and main units/groupings of units: data collection, verification, calculations of components.*

The MoF with the Official Register of Government and Government Guaranteed debt ORGGGD is responsible for individual data sources, by subsectors and main units.

3. *Timeliness - specify for each data source, when data are available.*

Only small revisions of the EDP figures are made after the April notification, mainly based on more accurate information for the year (n) end sub-sector debts and other asset/liability parameters.

4. *Describe data sources that may be used specifically in the context of the first notification. If actual data are not available for the April EDP notification, specify who makes estimations and explain in detail how these are made.*

S.1311

Data sources used for CG debt data are the final statistical module outcome, the figures computed according to the ESA 95 requirements. The initial input information is the ORGGGD data base that integrates detailed and reliable information for all CG debt instruments, fully consistent with the foreign creditor's debt records and final auction results. Estimations of the outstanding CG debt level for year (n) are made using the statistical module of the ORGGGD. Computations are executed for all foreign debt instruments as per complete amortisation schedules and disbursements plans, for the domestic debt respectively – designed yearly issue calendar and principal repayment plans, on the basis of the underlying budget parameters for the current year (foreign exchange rates and interest rate levels).

S.1313

The information for local government debt, used for the first notification is the annual trial balance for year (n-1), consolidated debt figures for all municipalities. Establishing the interface between the Central Register of Municipal debt (CRMD) and the ORGGGD will allow full automation of the process of all local government debt and assets parameters computation.

The CRMD stores all municipalities debt data and is applied as a main data source for information on outstanding volume of the LG liabilities for future periods.

S.1314

The sources for SSF debt are mainly the records in the ORGGGD. They are compared with the information in the annual trial balance for year (n-1) that contains the consolidated information for all SSF. The same data source is used for SSF assets figures that represent other sub-sectors debt.

Complete information of the conditions, disbursements and maturity scheme of the SSF debt is kept in the Official Register of Government Debt and Government Guaranteed Debt (ORGGGD) which is used as a base when projections are necessary.

5. *Detail the steps in the revision process of data, after the first notification.*

The Ministry of Finance double checks and makes sure that all disbursements and payments under incurred debt by the bill, bond and loans which consist government financial liabilities incurred under State Debt Law (CG and SSF) has been duly confirmed and properly executed in the ORGGGD. The data has been checked also by the National Audit Office as part of its responsibility under National Audit Office Act, Article 6, par. 2, point 7. The data derived from the balance sheet of the public enterprises (reclassified inside the GG sector) also included after respective audit executed by NAO or Public Financial Inspection Agency (PFIA).

The data coming from updated source from municipal (LG) and municipality hospitals are also revised on regular manner after respective Audits executed by NAO or due to internal control or PFIA.

3.1.1.3 Amendments to basic data sources

1. *Specify any deviations in terms of valuation of debt for individual GG units, etc.*

In case of public enterprises classified inside the GG sector, the debt recorded in their balance sheet under IAS represents sum of the nominal value of unpaid and due principal plus accrued and unpaid interest. As in EDP Annex 1 the difference between interest accrued (-) and paid (+) appears in separate row, we also separate the two indicators by using the data extracted by original contract agreement (hard copies) which are inputted in ORGGGD for detailed estimations.

2. *Detail sources of information for the adjustments relating to transactions in debt instruments that are not valued at the nominal (face) value of the instrument, for each government sub-sector.*

None.

3. *Provide sources of information used for the adjustments relating to a change in nominal debt that does not result from a transaction (other change in volume), for each government sub-sector.*

For all government sub – sectors the adjustment relating to a change in nominal debt comes from (1) Issuance above (-) / below (+) nominal value and (2) appreciation / depreciation of foreign – currency debt.

4. *Indicate any amendments of data using counterpart information.*

We do not amend data using counterpart information as we are in contacts with the creditors and paying agents (including BNB) before any disbursement and repayment of due amounts according the contract agreement. This is the usual practice with all institutions including WB, EIB, etc.

5. *Specify methodological adjustments: guarantees, debt assumption, financial leasing, etc.*

In case of three times call in a row, the stock of guaranteed debt under this repeat call is excluded from the stock of government guaranteed debt and included as a part of the stock of debt with the same amount as a debt assumption.

Financial leasing is considered and included as part of debt under instrument F.42. The military deliveries are assumed as finance leasing and they are treated methodologically as part of debt under instrument F.4

6. *Specify the use of financial accounts/balance sheets and the links between financial accounts/balance sheets and data on stocks of debt and on changes in debt, as reported in EDP tables.*

We use balance sheets in case of public enterprises classified inside the GG sector, which debt is recorded under IAS requirements and represents sum of the nominal value of unpaid and due principal plus accrued and unpaid interest. As in EDP Annex 1 the difference between interest accrued (-) and paid (+) appears in separate row, we also separate the two indicators by using the data extracted by original contract agreement (hard copies) which are inputted in ORGGGD for detailed estimations.

3.1.1.4 Consolidation of Maastricht debt

1. *Provide, when relevant, details on intra and inter-flows and positions - what units/groups of units are involved, what instruments, etc.:*

- *within central government*

FLAG (inside CG sub – sector) grants loans F.4 to municipalities (LG). These loans are considered as financial assets for CG and play its respective role during the consolidation process.

- *within state government*

Not applicable.

- *within local government*

LG may hold (buy) government bills F.3.1 and bonds F 3.2 issued by Central Governments. These are considered as financial assets for LG and play its respective role during the consolidation process.

- *within social security funds*

SOF holds (buys) government bills F.3.1 and bonds F 3.2 issued by Central Governments. These are considered as financial assets for SOF and play its respective role during the consolidation process.

2. *Describe available sources of information used for the consolidation of debt and the valuation of holdings at the level of each government sub-sector (intra-flows and positions) and at the level of general government sector (inter-flows and positions).*

Balance sheets are used as the only source for extracting the relevant information for the financial assets which play role during the consolidation process.

3. *Comment consistency of basic data on consolidation, when relevant:*

- *within central government*

Consolidated within the sub – sector;

- *within state government*

Not applicable.

- *within local government*

Consolidated within the sub – sector;

- *within social security funds*

Consolidated within the sub – sector;

- *between subsectors, within general government*

The financial liabilities issued by any sub – sector which become holdings of any of others sub - sectors are consolidated within the sectors of GG. All financial liabilities which become financial asset for other sub – sectors are measured at nominal (face) value and all other requirement (as currency exchange revaluation) are equivalent.

4. *How do you solve problems with inconsistencies in data on consolidation?*

We had some inconsistency in accounting of interest income on central government bonds on accrual basis, but we investigate this inconsistency with discussing this issue. We intend to continue the monitoring of these interest amounts in the future.

5. *Do you amend data due to consolidation of flows used from a counterpart subsector? If yes, explain further and specify whether*

- *the amendments impact debt or possibly B.9 and/or B.9f on the GG subsector or sector level (e.g. due to debt assumption).*
- *specify how are these amendments reflected in financial and possibly in non-financial accounts (for the latter, i.e. due to debt cancellation, debt assumption, etc)*
- *how do you ensure that consolidation is consistent in FA and NFA, when relevant (e.g. due to time of recording).*

We ensure the consolidation consistency in FA and NFA by using the same data sources.

3.2 Central Government sub-sector, EDP table 2A and 3B

Information provided in this section refers to data sources available for the Central Government (S.1311), indicates what sources are used for compilation of non-financial and financial accounts and EDP tables for S.1311, and explains the adjustments made in order to comply with ESA95.

3.2.1 Data sources for main Central Government unit : “The State”

This section describes data sources available and used for compilation of national accounts and EDP tables for the main Central Government unit:

- Basic data sources
 - Complementary data sources used for the purpose of special ESA95 adjustments (e.g. accrual adjustments, recording of specific government transactions, etc).
1. *Specify what does the main central government unit, as reported in the working balance of EDP T2A, refer to.*

The Central Government sub-sector (CG) includes the following transactions and operations:

- State Budget (central budget, ministries’ budgets, , budget of the National Assembly and Judiciary Authorities’ budget, budget of the National Audit Office), which is ratified by the Parliament in accordance with the Organic Budget Law.
- The budget of the Judiciary authorities includes summarized information on the budgets of courts, prosecution and the National Investigation Service;

2. *Complete table 2*

- *Column 1 - indicate for each available data source (even if not used) accounting basis (cash, or accrual, or mixed)*
- *Column 2 - indicate for each available data source (even if not used) periodicity: monthly, quarterly, annual, or other – the latter to be specified in comments.*
- *Column 5, item (9) - if other than the listed data source is available and used, indicate in the table*
- *Column 3 - indicate in days, approximate time of availability of the first, preliminary annual results for the previous year T-1 for each available data source (even if not used). For example, if the first, preliminary data are available on 10 March, indicate “T+70”.*
- *Column 4 - indicate for each available data source (even if not used) how many months after the end of the reporting year T-1, the final annual results are available. For example, if the final data are available in September, indicate in column 4 “T+9”.*
- *Column 6, 7 and 8 – cross those cells, referring to basic data source used for compilation of the WB, B.9 and B.9f, respectively. In case combination of several data sources is used, all relevant cells should be crossed.*

This table refers mainly to basic data sources and not to supplementary, analytical data sources used for the purpose of special ESA95 adjustments (e.g. accrual adjustments,

recording of specific government transactions, adjustments of the structure of inflows and outflows, etc). The latter is described in the dedicated section.

Table 2 – Availability and use of basic source data for the main central government unit

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+months</i>		<i>cross appropriate cells</i>		
				Budget Reporting			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
C	A	T+60	T+6	(3) Current and capital revenue and expenditure and financial transactions	x	x	x
A	A	T+60	T+8	(4) Balance sheets		x	x
				Financial Statements			
				(5) Profit and loss accounts			
				(6) Balance sheets			
				(7) Cash flow statement			
				Other Reporting			
				(8) Statistical surveys			
A	A	T+60	T+6	(9) Other:		x	x

Accounting basis (column 1): C- cash, A- accrual, M-mixed

Periodicity (column 2); M - monthly, Q - quarterly, A - accrual, O - other, to be specified.

Time of availability (column 4): availability of annual results for T-1 = number of months and days after the reporting period.

Column 6,7 and 8 – those cells are crossed which refer to data sources used for compilation of the WB, B.9 (non-financial accounts) and B.9f (financial accounts), respectively.

Empty cells in column 1,2,3 and 4 mean that the data source does not exist.

Explain information from table 2:

1. Column 1 - provide further specification on accounting basis, if needed, in particular for a mixed accounting basis used for WB or B.9 and B.9f.

The main data sources are:

- from the Consolidated Fiscal Program Execution Report on a cash basis;
- unit balances and trial balances on accrual basis;
- time adjusted cash data on taxes;
- data on letters of credit;
- data on vouchers from Central Depository;
- data on superdividends – from NRA and from annual reports of public corporations provided to NSI;
- data on EU flows corrections.

2. Column 2 – if there is “Other” periodicity, to be specified.

3. *Column 3, item (9) - if other than the listed data source is available and used, indicate in the table and provide specifications in comments. Additional rows might be added.*

For the purposes of the time adjusted cash method on taxes, the NRA sends the necessary data broken down by components. Data from the NRA on dividends paid and data from the statistical survey on profit is used to calculate superdividends. The Central Depository sends data on vouchers.

4. *Provide an explanation in the case for the **April EDP notification**, compilation of the WB, or B.9 or B.9f is based on different data sources. In such cases, explain how estimations are made and by which institution.*

The April Notification is based on preliminary data while the October Notification is compiled using final data; data sources for both are the same.

5. *Indicate cases when non-financial B.9 is calculated using the data on financial transactions (i.e. non-financial B.9 = B.9f).*
6. *Indicate if data used for financial accounts and B.9f compilation differ from those used for compilation of transactions reported in EDP T3.*
7. *Explain the reasons for not using the available accounting reports and criteria for choosing one of them (consistency with data sources used in other sub-sectors, accrual basis, etc) if two different accounting reports are available for the same unit.*

Monthly and quarterly reports on the execution of the budget, which are considered to contain preliminary data, are available, but the detailed annual data is used for the EDP as more accurate. This would normally be the provisional (in March, for year n-1), or final audited annual report on the execution of the State Budget presented to the Parliament for approval, in compliance with the Organic Budget Law.

In March fiscal notification the data on the execution of the budget for the year n-1 are not yet submitted to the Council of Ministers for consideration and further certification by the Audit Office and approval by the Parliament. The data for year n-1 on the execution of the Consolidated Fiscal Program is submitted to the Council of Ministers (CoM) at the end of June.

Trial balances for the year n-1 are available for April notification on preliminary basis and for the October notification procedure the data is final.

Budget entities do not produce profit and loss account. Data from balance-sheets and trial balances of the budget entities are used.

Statistical surveys based on financial statements for year n-1 are available for the April notification on a preliminary basis and for October notification data are final as the deadline for auditing the reports is end of July.

3.2.1.1 Details of the basic data sources

Data sources used for compilation of national accounts

This section should refer to the source data used for the compilation of national accounts for the main entity.

Recall whether data reported in the WB are also used for B.9 calculation. If not, recall which source data is used for national accounts and B.9 compilation.

The data reported in the WB are also used for B.9 calculation.

Detailed information is available for the following levels:

- by unit, and by category of transaction/instrument;
- aggregated for the whole subsector, by category of transactions/instrument;
- by groups of units, and for aggregated data;
- for the whole subsector, and for aggregated data;

Report on details in the available basic data sources for the purpose of national accounts compilation:

1. *distinguishing of flows of units classified in different sectors, subsectors that are to be excluded from calculations, when relevant*

There is detailed information by units and by subsectors for all stocks and transactions and when it is necessary we can exclude them from the data in Table 2.

2. *details in codification for the purpose of distinguishing of non/financial versus financial flows,*

There is a distinction between financial and non-financial flows in our data sources.

3. *is the structure of inflows and outflows appropriate (distinguishing different ESA95 categories)? What are the main problems possibly impacting B.9 (i.e. is it always possible to identify individual flows which are to be specifically treated/reclassified according to ESA95 requirements, e.g. from non-financial into financial transaction and vice versa)?*

Such a distinction exists and, when required, additional information is requested for the respective unit.

4. *is the structure of outstanding amounts of assets and liabilities in balance sheets appropriate for financial balance sheets and FA compilation? For example, is information on stocks consistent/integrated with the information on related transactions by individual instruments? Could you always identify "clean" stocks of AF.7; is the structure of AF.7 detailed enough to make adjustments due to different time of recording used in NFA, etc? Could you always identify different financial instruments, as defined by ESA95?*

In most cases identification is not a problem. Problems exist with the identification of F.7 by its subinstruments F.71 and F.79 which is obligatory for the Financial Account (FA).

5. *details in codification for the purpose of consolidation – i.e. can you distinguish flows and stocks which should be consolidated between GG units/subsectors?*

The cash reports data from basic sources are consolidated within the central government sector and within the general government. In compliance with the regulations of the MoF on the methodology of accrual accounting for budget entities, the reported data by the latter is summarized at hierarchical and organizational level, as well as by economic groups. Summarized trial balances of the budget entities are produced for the central government sector, the social security sector and the local government sectors, the consolidation being carried out on the same principles applied for cash reports. The structure of the Chart of Accounts for the budget entities allows direct identification and elimination of amounts of cash and non-cash transfers between budgetary entities, payments of taxes and social contributions and some other accounts receivable/payable..

Additional analysis and clarification of transaction via individual entities are also carried out. The statistical information for enterprises reclassified in the central government sector is not consolidated. Consolidation of the information for hospitals is made on the subsector's level.

6. *circumstances in which data available from basic sources is consolidated (i.e. if some intergovernmental flows and/or stocks are eliminated/consolidated in the basic data source, it should be investigated whether the consolidation applied in data source is in line with ESA95 rules, whether the consolidation is done consistently on both sides; explained whether non-consolidated amounts are available)*

The primary data are non-consolidated because they are requested from each unit separately. Non-consolidated amounts are available. Consolidation is performed on subsector's level.

7. *complementary codification at data source, by counterpart sector, other than S.13 - e.g. can you identify transfers to/from public corporations, private corporations, households, ROW?*

Regarding receivables, payables and loans, BNSI has included in its survey a special statistical report concerning inter-sector relations.

Working balance (WB)

Please use this section only if data, as reported in the WB (in the first line of EDP T2) are not used for compilation of B.9 and national accounts for the main entity.

If the data from the WB are used for compilation of national accounts and B.9, mention this and ignore the questions below.

Data from the WB is used for compilation of national accounts and B.9.

Detailed information is available aggregated for the whole subsector, by category of transactions/instruments; for the whole subsector, and for aggregated data.

Report on details in the WB:

1. *distinguishing/ identification of flows of units classified in different sectors, subsectors that are to be excluded from calculations, when relevant*

We have detailed information by subsectors for all stocks and flows and when needed we exclude them from the data.

2. *details in codification for the purpose of distinguishing of non/financial versus financial flows,*

We have a distinction between financial and non-financial flows in the working balance.

3. *is the structure of inflows and outflows appropriate? What are the main problems possibly impacting B.9?*

Such a distinction exists and, when required, additional information is requested for the respective unit.

4. *details in codification for the purpose of consolidation*

Yes, in most cases.

5. *circumstances in which data available from basic sources is consolidated*

The cash reports data from basic sources are consolidated within the central government sector and within the general government. In compliance with the regulations on the methodology of accrual accounting for budget entities, the reported by the latter data are summarized at hierarchical and organizational level, as well as by economic groups. Summarized trial balances of the budget entities are produced for the central government sector, the social security sector and the local government sectors, the consolidation being carried out on the same principles applied for cash reports. The structure of the Chart of Accounts for the budget entities allows direct identification and elimination of amounts.

6. *complementary codification at data source, by counterpart sector, other than S.13*

In the data sources such a distinction is made.

3.2.1.2 Statistical surveys used as a basic data source

If statistical surveys are used as a basic source data for nonfinancial accounts and for financial accounts compilation, indicate what kind of survey(s) is used, for which particular government units, and provide the following details separately for each survey:

Statistical surveys are used as a basic data source for the units, reclassified in S.13.

1. *Main variables collected*

2. *Is it exhaustive or sample survey?*

3. *Which government units does it concern? Indicate population size.*

4. *Survey response rate*

5. *Method used for imputing missing data (non-responds)*

6. *If sample survey, what is the sample size (in % of population?), which variable is used for grossing up the population.*

7. Provide an explanation in the case for the **April EDP notification**, results of the statistical survey are not available. Explain how estimations are made and by which institution.

For the April EDP notification, results of the statistical surveys are preliminary. BNSI is responsible for this information.

Do not delete this section if statistical surveys are not used as basic data source for B.9 compilation. In such a case indicate below the subtitle that it is not relevant.

3.2.1.3 Supplementary data sources and analytical information

This section describes supplementary data sources used to amend basic data sources when compiling national accounts. In order to meet ESA95 requirements, supplementary data could be used for e.g. for accrual adjustments, reclassification of specific transactions, consolidation, amendments of revenue and expenditure structure, amendments of structure of assets and liabilities, identification of a counterpart sector, etc.

Provide a brief description of what kind of supplementary information is used for compilation of (i) non-financial accounts and (ii) financial accounts and provide some specifications (the description is to be provided under relevant sections 3.2.1.4.1 and 3.2.1.4.2 below).

Examples of complementary sources, which are to be mentioned under relevant sections 3.2.1.3.1 and 3.2.1.3.2 :

- statistical surveys,

Yes

- other administrative sources,

Yes

- special reports on dedicated operations/instruments and analytical evidence

Yes

- counterpart information- Money and banking statistics

Yes

- counterpart information - BoP statistics,

Yes

- counterpart information – financial reports for counterpart sectors,

Yes

- securities database,

Yes

- other indirect information, etc.

3.2.1.3.1 Supplementary data sources used for the compilation of non-financial accounts

Please list all main supplementary sources and explain in detail

1. what, why and when it is used,

From statistical surveys – data on an accrual basis are used for enterprises, which are reclassified in the General Government sector. The annual reports of these entities, collected at the NSI on a regular basis, are used for this compilation;

From other administrative sources – information on taxes by components and superdividends; securities database - information on vouchers. Additional information is requested for ensuring a full coverage of the S.1311 flows such as debt cancellation, debt assumption, guarantee calls and etc.

2. *which government units are involved,*

MoF; NRA; Central depositary; Customs Agency

3. *whether the information is available to statisticians on a regular basis and when, for which years*

The information is available and regular for the whole period required by ESA'95.

4. *whether the related adjustments lead to changes in B.9, to changes of the revenue and/or expenditure level, etc.*

Yes

3.2.1.3.2 Supplementary data sources used for the compilation of financial accounts

Please list all main supplementary sources and explain in detail

5. *what, why and when it is used,*

From statistical surveys – data on an accrual basis are used for enterprises, which are reclassified in the General Government sector. The annual reports of these entities, collected at the NSI on a regular basis, are used for this compilation;

From other administrative sources –monetary and banking statistics and BoP; information on taxes by components and superdividends; securities database - information on vouchers. Additional information is requested for ensuring a full coverage of the S.1311 flows such as debt cancellation, debt assumption, guarantee calls and etc.

6. *which government units are involved,*

BNB; MoF; NRA; Central depositary; Customs Agency

7. *whether the information is available to statisticians on a regular basis and when, for which years*

The information is available and regular for the whole period required by ESA'95.

8. *whether the related adjustments lead to changes in B.9f, to changes of the financial assets and/or liabilities level, etc.*

Yes

3.2.1.4 Extra-budgetary accounts (EBA)

Usually, not all flows of a non-financial nature are recorded in the so called budgetary accounts which enter the WB, as reported in the first line of EDP table 2. Some funds could be put aside as reserves, special purpose funds and are booked in so called “extra-budgetary accounts” - EBA. In some cases, according to national legislation, transactions which are not scrutinized by budgetary rules can be booked in EBA and not in ordinary budgetary accounts. It is very important that all non-financial flows of the main entity, including those entering EBA, are appropriately incorporated into calculations of deficit.

1. *Provide some general, summary introductory information on EBA of the central government units, in particular of the main entity.*

In the process of structural budgetary optimization starting from 1999 a large part of the extra-budgetary funds and accounts were closed or were incorporated into the corresponding budgets. The extra-budgetary funds and accounts which are currently functioning are listed each year in an appendix to the annual Budget Appropriation Law. The list of the extra-budgetary funds and accounts that function in 2013 is specified in Appendix 1 of the inventory.

The order regarding raising and expending of extra-budgetary resources is stipulated in the Budget Organic Law. In accordance with this Act, reports of the extra-budgetary accounts and funds shall be compiled and submitted along with the reports on the implementation of the respective budgets and budgetary accounts. The accounting rules, reporting methodology and the form of the financial reports applicable to the extra-budgetary accounts and funds are the same as these applicable to the budgets of the budgetary organizations.

In accordance with the new Public Finance Act, effective since 01.01.2014, all extra-budgetary accounts and funds shall be terminated and their revenues and expenditures shall be included in the corresponding budgets, except for accounts for the European Union funds.

Non-financial flows recorded in EBA

2. *Indicate if all non-financial transactions of the main entity are recorded in the WB.*

All non-financial transactions of EBA are not part of WB.

3. *If not, list the so called “extra-budgetary accounts”, where are these flows recorded in the public account?.*

All non-financial transactions of EBA are reported in row **Net borrowing or net lending of other central government bodies.**

4. *Explain separately for each EBA- what are main inflows, outflows, significance of the amounts involved, relationships with the WB.*

Regarding most of the EBA - the National Fund; the Agricultural State Fund and the extra budgetary accounts of beneficiaries (budgetary units) - their inflows and outflows are related to EU flows and funds. These flows are eliminated in the EDP Notification tables with adjustments made in the “Other adjustments” section. As for the other EBA flows, inflows are generated from:

Fines, sanctions and penalty interests; Transfers from the CB; Social contributions; Property income.

Main outflows are for Maintenance; Acquisition of tangible and intangible assets.

5. *What kind of non-financial revenue could be recorded in EBA?*

Non tax revenues: property income, fees, fines, sanctions, etc.

6. *Do all revenues of EBA come from the WB? If not, from which unit/sector, what kind of transaction?*

No, most come from the European funds.

7. *What kind of non-financial expenditure could be recorded in EBA?*

Maintenance, construction of infrastructure objects, capital transfers, etc.

8. *Do all expenditure of EBA transit via the WB? If not, which expenditure do not transit via the WB?*

No, EBA flows are not recorded in the WB

9. *Specify if detailed data on inflows and outflows are available and used for the compilation of NA*

Yes, the available data is on the same level and detail as for the budgetary accounts.

10. *If not available, how do you solve the problem?*

11. *Specify if data for appropriate consolidation with flows recorded in the WB or in other government units are available*

Yes.

Financial flows recorded in EBA

1. *What transactions in financial assets are booked in EBA and not in the WB? Specify by instrument.*

F2 assets - Municipal privatization proceeds (since 2014 in accordance with the Public Finance Act these proceeds shall be included into the budget accounts)

F7 assets – EU flows receivables and other receivables.

2. *What transactions in financial liabilities are booked in EBA and not in the WB? Specify by instrument.*

F7 liabilities – EU flows payables and other payables.

3. *Are flows relating to interest booked in EBA? Are they taken into account for calculation of deficit?*

Not specifically.

4. *Specify if these data are used for the compilation of financial accounts and EDP table*
3.

Yes.

5. *Indicate if data for appropriate consolidation are available*

Yes.

3.2.2 Data sources for other Central Government units

This section describes data sources available and used for compilation of national accounts and EDP tables for other Central Government units (those not reported in the working balance in EDP T2A).

1. Specify which other central government units/groupings of units are classified in S.1311.

- Autonomous budgets (public universities; Bulgarian Academy of Science, Bulgarian National Television, Bulgarian National Radio; Bulgarian News Agency). The Parliament approves the transfers from the State Budget to these institutions, and their revenue, expenditure, transfers and financing are presented in the consolidated fiscal budget as separate budgets.
- Other central government units for the notification purpose are public corporations reclassified in S13. The data sources for these entities are their balance-sheets and income statements.

2. Complete table 3 on available and used data sources for other central government units, or, for each group of units separately, in the case of differences in availability and use of basic data sources. In the case several tables are to be completed, use the following numbering: 3a, 3b...3c. Indicate also the name of the unit/groups of units in the title of each table and provide further specifications and comments below the table.

Table 3a – Availability and use of basic source data for other central government units:
- **Autonomous budgets**

Available source data				Source Data Accounting	Source data used for compilation of	
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			B.9 (NFA)	B.9f (FA)
		First results	Final data			
1	2	3	4	5	7	8
		<i>T + days</i>	<i>T+months</i>			
				Budget Reporting		
				(1) Current revenue and expenditure		
				(2) Current and capital revenue and expenditure		
C	A	T+60	T+6	(3) Current and capital revenue and expenditure and financial transactions	x	x
A	A	T+60	T+8	(4) Balance sheets	x	x
				Financial Statements		
				(5) Profit and loss accounts		
				(6) Balance sheets		
				(7) Cash flow statement		
				Other Reporting		
				(8) Statistical surveys		

				(9) Other:		

See notes to table 2, on the used abbreviations.

**Table 3b – Availability and use of basic source data for other central government units:
- Public corporations reclassified in S13**

Available source data				Source Data Accounting	Source data used for compilation of	
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			B.9 (NFA)	B.9f (FA)
		First results	Final data			
1	2	3	4	5	7	8
		<i>T + days</i>	<i>T+months</i>			
				Budget Reporting		
				(1) Current revenue and expenditure		
				(2) Current and capital revenue and expenditure		
				(3) Current and capital revenue and expenditure and financial transactions		
				(4) Balance sheets		
				Financial Statements		
A	A	T+75	T+8	(5) Profit and loss accounts	x	x
A	A	T+75	T+8	(6) Balance sheets	x	x
A	A	T+75	T+8	(7) Cash flow statement		
				Other Reporting		
A	A	T+75	T+8	(8) Statistical surveys	x	x
				(9) Other:		

See notes to table 2, on the used abbreviations.

Explain information from table 3a:

1. Column 1 - provide further specification on accounting basis, in particular for a mixed accounting basis.

The main sources of information for Autonomous budgets are data from the Consolidated Fiscal Program Execution Report on a cash basis; unit balances and trial balances on accrual basis.

The main sources of information for public corporations reclassified in S13 are financial statements and statistical reports on accrual basis for year n-1. Data are collected by BNSI.

2. Column 2 – if there is “Other” periodicity, to be specified.

3. Column 3, item (9) - if other than the listed data source is available and used, indicate in the table and provide specifications in comments. Additional rows might be added.

4. Provide an explanation in case compilation of B.9 or B.9f is not based on the available data sources as listed in the table for the April EDP notification. Explain by whom and how estimations are made.

The April Notification is based on preliminary data while the October Notification is compiled using final data; data sources for both are the same.

5. *Indicate cases when non-financial B.9 is calculated using the data on financial transactions (i.e. non-financial B.9 = B.9f).*
6. *Indicate if data used for financial accounts and B.9f compilation differ from those used for compilation of transactions reported in EDP T3.*
7. *Explain the reasons for not using the available accounting reports and criteria for choosing one of them (consistency with data sources used in other sub-sectors, accrual basis, etc) if two different accounting reports are available for the same unit.*

Explain information from table 3b:

1. *Column 1 - provide further specification on accounting basis, in particular for a mixed accounting basis.*

The main sources of information are financial statements and statistical reports on accrual basis for year n-1. Data are collected by BNSI.

2. *Column 2 – if there is “Other” periodicity, to be specified.*
3. *Column 3, item (9) - if other than the listed data source is available and used, indicate in the table and provide specifications in comments. Additional rows might be added.*
4. *Provide an explanation in case compilation of B.9 or B.9f is not based on the available data sources as listed in the table for the April EDP notification. Explain by whom and how estimations are made.*

The April Notification is based on preliminary data while the October Notification is compiled using final data; data sources for both are the same.

5. *Indicate cases when non-financial B.9 is calculated using the data on financial transactions (i.e. non-financial B.9 = B.9f).*
6. *Indicate if data used for financial accounts and B.9f compilation differ from those used for compilation of transactions reported in EDP T3.*
7. *Explain the reasons for not using the available accounting reports and criteria for choosing one of them (consistency with data sources used in other sub-sectors, accrual basis, etc) if two different accounting reports are available for the same unit.*

Statistical surveys based on financial statements for year n-1 are available for the April notification on a preliminary basis and for October notification data are final as the deadline for auditing the reports is end of July.

3.2.2.1 Details of the basic data sources

Report on details in the available basic data sources for the purpose of national accounts compilation:

1. *identification of flows of units classified in different sectors, subsectors that are to be excluded from calculations, when relevant*

There is detailed information for all stocks and transactions and when it is necessary we can exclude them from the data in Table 2.

2. *details in codification for the purpose of distinguishing of non/financial versus financial flows,*

There is a distinction between financial and non-financial flows in our data sources.

3. *is the structure of inflows and outflows appropriate (distinguishing different ESA95 categories)? What are the main problems possibly impacting B.9 (i.e. is it always possible to identify individual flows which are to be specifically treated/reclassified according to ESA95 requirements, e.g. from non-financial into financial transaction and vice versa?)?*

Such a distinction exists and, when required, additional information is requested for the respective unit.

4. *is the structure of outstanding amounts of assets and liabilities in balance sheets appropriate for financial balance sheets and financial accounts compilation? For example, is information on stocks consistent/integrated with the information on related transactions by individual instruments? Could you always identify "clean" stocks of AF.7; is the structure of AF.7 detailed enough to make adjustments due to different time of recording used in NFA, etc? Could you always identify different financial instruments, as defined by ESA95?*

In most cases identification is not a problem. Problems exist with the identification of F.7 by its subinstruments F.71 and F.79 which is obligatory for the Financial Account (FA).

5. *details in codification for the purpose of consolidation – i.e. can you identify flows and stocks which should be consolidated between GG units/subsectors?*

Additional analysis and clarification of transaction via individual entities are also carried out. The statistical information for enterprises reclassified in the central government sector is not consolidated. Consolidation of the information for hospitals is made on the subsector's level.

6. *circumstances in which data available from basic sources is consolidated (i.e. if some intergovernmental flows and/or stocks are eliminated/consolidated in the basic data source, it should be investigated whether the consolidation applied in data source is in line with ESA95 rules, whether the consolidation is done consistently on both sides; explain whether non-consolidated amounts are available)*

The primary data are non-consolidated because they are requested from each unit separately. Consolidation is performed on subsector's level.

7. *complementary codification at data source, by counterpart sector, other than S.13 - e.g. can you identify transfers to/from public corporations, private corporations, households, ROW?*

Regarding receivables, payables and loans, BNSI has included in its survey a special statistical report concerning inter-sector relations.

3.2.2.2 Statistical surveys used as a basic data source

If different surveys are used for nonfinancial accounts and for the compilation of financial accounts, indicate what kind of survey(s) is used and provide the following details separately for each survey

The same statistical surveys are used as a basic data source for compilation of nonfinancial accounts and for the compilation of financial accounts for all units (public corporations), reclassified in S.13.

1. *Main variables collected*

Annual financial reports – balance sheets, profit and loss accounts, statistical report for receivables and payables etc.

2. *Is it an exhaustive or a sample survey?*

According to the Accounting Law and the National statistical programme of BNSI all enterprises are obliged to report their financial statements.

3. *Which government units does it concern? Indicate the, population size,*
Public corporations, reclassified in S.13.

4. *Survey response rate,*
The surveys are exhaustive.

5. *Method used for imputing missing data (non-responds),*

6. *If it is a sample survey, what is the sample size (in % of population), which variable is used for grossing up the population.*

3.2.2.3 Supplementary data sources and analytical information

This section describes supplementary data sources which are used to amend basic data sources while compiling national accounts. In order to meet ESA95 requirements, supplementary data could be used for, e.g., accrual adjustments, reclassification of specific transactions, consolidation, amendments of revenue and expenditure structure, amendments of structure of assets and liabilities, identification of a counterpart sector, etc.

Provide a brief description of what kind of supplementary information is used for compilation of (i) non-financial accounts and (ii) financial accounts and provide some specifications (the description is to be provided under relevant sections 3.2.2.4.1 and 3.2.2.4.2 below).

Examples of complementary sources, which are to be mentioned under relevant sections 3.2.2.4.1 and 3.2.2.4.2 :

- *statistical surveys,*
- *other administrative sources,*
- *special reports on dedicated operations/instruments and analytical evidence*
- *counterpart information- Money and banking statistics*
- *counterpart information - BoP statistics,*
- *counterpart information – financial reports for counterpart sectors,*
- *securities database,*
- *other indirect information, etc.*

3.2.2.3.1 Supplementary data sources used for the compilation of non-financial accounts

Please list all main supplementary sources and explain

1. *what, why and when is used,*
2. *which government units are involved,*
3. *whether the information is available to statisticians on a regular basis,*
4. *whether the related adjustments lead to changes in B.9 or B.9f, to changes of the revenue and/or expenditure level, etc.*

3.2.2.3.2 Supplementary data sources used for the compilation of financial accounts

Please list all main supplementary sources and explain

- 1. what, why and when it is used,*
- 2. which government units are involved,*
- 3. whether the information is available to statisticians on a regular basis,*
- 4. whether the related adjustments lead to changes in B.9 or B.9f, to changes of the revenue and/or expenditure level, etc.*

3.2.3 EDP table 2A

This section provides detailed information on individual lines reported in EDP T2A.

3.2.3.1 Working balance - use for the compilation of national accounts

Recall whether data sources used for the compilation of WB are used for NFA and also B.9 and if not, provide a brief explanation.

WB is used for compilation of NFA and also B.9.

3.2.3.2 Legal basis of the working balance

- 1. Specify the legal status of the WB (is there a special national legislation?, etc).*

The working balance for the central government subsector as a starting line of table 2A is a result from all cash operations in revenue and expenditures executed during the fiscal year in compliance with the annual state budget. The budgetary balance (which is the WB) is defined in the new Public Finance Act as difference between revenue, grants, expenditures and transfers.

- 2. Indicate if it is voted by the Parliament. When?*

The working balance is voted by the Parliament with the Budget Appropriation Act and the report on its execution is also voted by the Parliament. The Budget Appropriation Act is voted in the end of the previous year and the Report on its execution is voted till the end of the next year.

- 3. Specify if it is audited by a national auditing authority. Provide the name of this authority in English and in the national language.*

In accordance with the National Audit Office Act annual financial statements of budget entities that are first level spending units, as well as second level spending units implementing independent budgets pursuant to special laws shall be subject to an independent financial audit by the National Audit Office (Сметна палата на Република България).

- 4. Indicate when data are audited.*

According to Article 6 of the Law on the National Audit office:

(1) the National Audit Office shall audit:

1. the state budget;
2. the budget of the public social security scheme;
3. the budget of the National Health Insurance Fund;

4. the budgets of municipalities;
5. other budgets adopted by the National Assembly.

(2) The National Audit Office shall also audit:

1. the budgets and extra-budgetary accounts and funds of spenders of budget appropriations under the budgets referred to in paragraph (1) and the management of their property;
2. the autonomous budgets of the Bulgarian Academy of Sciences, the universities, the Bulgarian National Radio and the Bulgarian National Television;
3. the budgetary and extra-budgetary funds granted to entities engaged in business activities;
4. any resources coming from European Union funds and programmes, including their management by the relevant authorities and by the end users of such resources;
5. the budget expenditure of the Bulgarian National Bank (BNB) and the management thereof;
6. the generation of any annual surplus of income over the expenditure of the BNB that is payable into the state budget, and any other dealings of the Bank with the state budget;
7. the generation and management of the government debt, the government guaranteed debt, the municipal debt and the use of the debt instruments;
8. the privatisation and the granting of concession of state and municipal property, as well as the public funds and public assets placed at the disposal of parties outside the public sector;
9. the execution of international agreements, treaties, conventions or other international instruments, where so provided for in the respective international instrument or assigned by an empowered authority;
10. other public resources, assets and activities, where so assigned by law.

The audits should conclude t+8 months after the year t.

5. *Indicate if the result from auditing is publicly available and provide the www link.*

The results from auditing are published on the website of Bulgarian National Audit Office (<http://www.bulnao.government.bg/index.php?p=2062&lang=en>).

6. *As a result of the auditing, could there be any changes impacting B.9 or B.9f? When?*

If there are any changes in data from auditing it leads to impacting in B.9 or B. 9f for October notification.

3.2.3.3 Coverage of units in the working balance

Two adjustment lines due to sector delimitation appear in EDP T2. The purpose of the first adjustment is to exclude flows relating to units which do not belong to the government sector (or to the particular subsector) according to ESA95 definition. The second adjustment refers to B.9 of other units which are classified within the particular government subsector, but related inflows/outflows are not included in the working balance.

3.2.3.3.1 Units to be classified outside the subsector, but reported in the WB

1. *Are there any units reported in the working balance which do not belong to the government sector as defined by ESA95?*

- If yes, which units are these? specify further.

All units reported in the WB belong to the government sector as defined by ESA'95.

- Indicate if these are really institutional units.

Yes.

- Specify if you apply the market/nonmarket test (including the 50% criterion) for these units.

No.

- Indicate if the balance of these units is excluded in EDP T2 via the line "WB of entities not part of xx subsector".

No.

- Where are these classified?

- Are detailed data sources available to identify precisely all related flows which should be excluded, or some estimation should be done?

- Indicate if the related data sources are available in April for T-1?

- Are there any flows reported in the WB, which do not reflect government activities, but activities of units classified outside government? If yes, specify.

2. Are there any government units reported in the working balance which do not belong to the particular government subsector?

- If yes, which units are these, specify.

All units reported in the WB belong to the particular government subsector.

- In which government subsector are these classified?

- Indicate if the balance of these units is excluded in EDP T2 via the line "WB of entities not part of "xx" subsector"?

3.2.3.3.2 Units to be classified inside the subsector, but not reported in the WB

1. Specify what units are reported under the line B.9 of other government units

The following units classified inside the sector, but not reported in the WB are:

- Autonomous budgets (public universities; Bulgarian Academy of Science, Bulgarian National Television, Bulgarian National Radio; Bulgarian News Agency).
- Public corporations reclassified in central government subsector. , , Extrabudgetary accounts, incl. National Fund and Agricultural Fund.

-

2. Is B.9 of these units, as reported in EDP table 2 (the line: Net borrowing (-) or net lending (+) of other central government bodies), on accrual basis? If not, where are related accrual adjustments reported in EDP T2?

Data on public corporations reclassified in central government subsector as reported in EDP Table 2 in line Net borrowing (-) or net lending (+) of other central government bodies are on accrual basis. Data on autonomous budgets are on a cash basis and the related accrual adjustments are reported in lines **Other accounts receivable/payable**.

3. Is the impact of methodological imputations/reclassifications relating to these units (e.g. debt cancellations, debt assumptions, EU flows, dividends, capital injections, etc) reflected in their B.9 as reported in EDP T2 (line: Net borrowing (-) or net lending (+) of other central government bodies), or are they reported separately under other adjustment lines in EDP T2? If yes, specify.

The methodological imputations/reclassifications are reported separately under other adjustment lines in EDP T2.

4. Indicate if a full sequence of ESA95 accounts is available for individual units/groups of government units.

Yes.

3.2.3.4 Accounting basis of the working balance

1. Indicate what is the accounting basis of the WB (Cash / accrual / mixed).

The accounting basis of the WB is cash.

2. *If it is accrual accounting basis, specify whether it follows an international accounting standard and if yes which.*
3. *If mixed balance is used, provide detailed explanation on the accounting basis of individual flows and specific transactions.*
4. *If cash balance is used, is it pure cash (in line with transactions in F.2) or are there any deviations? Specify.*

Generally on a cash basis. Some transactions are treated as cash transactions (acquisition of assets by financial leasing)

5. *Specify any cases when a "non-validated" expenditure by an auditing institution are not included in the working balance (e.g. expenditure relating to the actual acquisition of goods and services, either actually paid or not).*
6. *Specify any cases when expenditure related to the previous period not validated in the past is included in the working balance.*
7. *Specify any cases when revenue or expenditure not recorded in the past due to different reasons were included in the current WB.*
8. *Specify any case when planned (budgeted) expenditure not actually spent (when none goods/services have been delivered) in the current year is recorded in the WB as an "actual" expenditure.*

3.2.3.4.1 Accrual adjustment relating to interest D.41, as reported in EDP T2

1. *What accounting basis is used for recording of interest expenditure and revenue in the WB? If it is an accrual basis, is it in line with ESA95 guidance? Specify.*

The interest as reported in the WB is on a cash basis.

2. *Are all interest expenditure of the main entity recorded in the WB? If not, what is recorded outside the WB and where?*

The accrued interest is recorded outside of the WB.

3. *Is payment of discount recorded in the WB? If yes, can you identify amounts?*

As interest expenses.

4. *Indicate if inflow from premium is recorded in the WB.*

As a negative interest expense.

5. *Specify in detail what is recorded in EDP T2 under line Difference between interest paid and accrued. Are there reported only adjustments for expenditure or also for revenue? Is there an adjustment for premium? Does it refer only to the main entity or also to other government bodies?*

We extract data from ORGGGD which represents the difference of all interest paid during a given (+) calendar year and the proportional part of the interest amount for the same calendar year which will be accrued (-) up to 31st Dec of that same year but it will be actually paid anytime in the following calendar year. This implies for all financial instruments bearing interest.

6. *Are adjustments to accrual interest for the main entities reported also under other adjustment lines in EDP T2? If yes, where?*

No.

7. *Where are the adjustments to interest revenue reported in EDP T2?*

3.2.3.4.2 Accrual adjustments reported under other accounts receivable/payable F.7 in EDP T2

1. *List which non-financial transactions are amended on an accrual basis via receivables F.7*

EU flows; expenditures (advances to suppliers); non-tax revenue and tax revenue (time-adjusted cash flows).

2. *List which non-financial transactions are adjusted on an accrual basis via payables F.7*

EU flows; expenditures; non-tax revenues (advances from customers and prepaid income).

3. *Provide references to the relevant sections in EDP inventory, where more detailed explanation could be found, when relevant.*

4. *Provide explanation in case the adjustment does not refer to replacement of cash flow by accrual one. (e.g. when the WB is on a mixed basis, or when accrual flow in the WB is replaced by time adjusted flow etc).*

5. *Specify whether accrual adjustments in EDP table 2 are fully consistent with F.7 reported in EDP T3 and financial accounts.*

Accrual adjustments in EDP table 2 are fully consistent with F.7 reported in EDP T3 and financial accounts for other accounts receivables/ payables, time-adjusted data on taxes and reclassified entities – hospitals and other public corporations.

For the purposes of implementation of time adjusted cash procedure by type of taxes and social security contribution the following legal regulations related to the procedures and rules of payment and refunding are used: Value added tax Act; Excise duties and tax warehouse Acts; Law on fuel taxes to the Republican Road Infrastructure and to the National Environmental Fund; Corporate Income Tax Act; Income Taxes of Natural Persons Act, Personal income tax; Social security code; Law on health insurance.

The following leading principles are set out in the established compilation procedures:

- Using as much as possible direct information sources;
- Using the data with monthly or at least quarterly frequency;
- Using detailed information by elements of total cash receipts/payments in order to apply relevant periods for time adjustment;
- Applying the method for the whole time series since 1995 – ensuring the consistent time series of NA indicators;
- Ensuring consistence between quarterly and annual data.

3.2.3.4.3 Other accrual adjustments in EDP T2

1. *Are there any other accrual adjustments reported in EDP T2? If yes, specify (what, where – which line).*

Accrual adjustments related to classification of other entities in the central government sector (such as hospitals with government ownership, NRIC, FLAG and etc.), are regularly implemented.

With the 2011 October notification the method of reporting the elimination of EU flows has changed. Up to that point the acting method was to perform corrections in the net borrowing/net lending of other central government bodies of sub-sector Central Government in Table 2A of the notification with the relevant amounts and respectively their elimination from the financial instrument Deposits from table 3B. Following ESA 95 regulations and the guidelines of the Manual on Government Deficit and Debt the method of neutralizing of EU funds was changed in order to achieve a more precise and correct calculation.

The European funds are included in the cash report on the execution of the budget. A particular part of the cash report is designed and dedicated to reporting the operations of the beneficiaries – budget entities under the EU projects and the National Fund and the Agricultural Fund. These reports provide information which allows identifying directly the incoming and outgoing cash flows, classified in accordance with the Unified Budget Classification. For the purpose of eliminating the impact of the EU flows on the NLB in the fiscal notification the revenue and expenditures of European funds reported on a cash basis is indicated in **Other Adjustments** in table 2.

- all cash transactions between the EU and the National Fund/Agricultural Fund which are recorded as revenue from grants from the EU are reclassified as receivables/payables with the EU.

- the part of the reported amounts of subsidies and capital transfers to non-budget entities (entities outside the general government sector) attributable to EU funds' contribution in total financing are reclassified as receivables/payables), thus only amounts corresponding to national co-financing remain reported as expenditure.

- additional corrective record is introduced concerning the expenditures reported by the beneficiaries- budget entities,

- the amount corresponding to the EU financing is recognized as revenue from the EU grants for the same reporting period when expenditures are paid against other accounts receivable/payable

The above adjustments on a cash basis are supplemented by an adjustment on an accrual basis with the total amount of the net change of receivables and payables of ultimate beneficiaries – budget entities which are recorded with the corresponding accounts (payables to suppliers, employees and other contractors, receivables from advance payments to suppliers etc.) in the separate trial balances of the budget entity. Here we refer to the separate trial balances of budget entities dedicated to the EU projects.

3.2.3.5 Completeness of non-financial flows covered in the working balance

1. *Specify what is recorded under the adjustment "Non-financial transactions not included in the working balance".*

Under the adjustment "Non-financial transactions not included in the working balance" we record some transactions related to acquisition or sales of shares of the government from the capital of public corporations not included in the WB.

2. *Does it refer to non-financial flows put aside in the WB and booked in extra-budgetary accounts? Explain further.*

3.2.3.6 Financial transactions included in the working balance

1. *Specify which transactions in financial assets could be recorded in the WB according to the national legislation.*

Not relevant for Bulgaria.

2. *Specify which transactions in financial liabilities are/could be recorded in the WB according to the national legislation.*

3. *Have there been any cases when financial transactions were recorded above the line in public accounts?*

4. *If yes, provide details and explain how you identify such transactions and how you treat them.*

5. *List transactions which have been recently reported in EDP table in the adjustment line "Financial transactions included in the WB" and explain each adjustment.*

3.2.3.7 Other adjustments reported in EDP T2

Each adjustment line which is reported in EDP T2 under "Other adjustments" should be described. A reason for all the adjustments should be clearly explained. In case the adjustment line in EDP T2 combines several kinds of methodological adjustments, please specify them (e.g. adjustment "foreign claims" could include debt cancellation, interest, etc). See also previous version of EDP inventory.

Example:

*"The item **bad foreign claims** corresponds to transactions relating to foreign claims that are not reflected in the working balance: debt cancellation recorded as capital transfer expenditure (negative sign), debt repayments in kind recorded as intermediate consumption (negative sign), accrued interest revenue (positive sign). Cash receipts from the sale of bad foreign claims and debt repayments in cash are not included in this item, since they are already excluded from the working balance in the context of the item "financial transactions considered in the working balance" (negative sign)."*

The **compensation vouchers** of all types can be traded or used in the privatization process only upon registration at the Central Depository (CDAD). The CDAD supplies data on newly issued used vouchers and the stock of vouchers at nominal value and average market prices on an annual and quarterly basis to the MoF, NSI and BNB. The register maintained by the CDAD contains the complete information on transactions carried out with compensation vouchers since 2002. The average price is calculated by dividing the accumulated total amount of one type of the compensation instruments used during the year to the number of vouchers of that, traded out at the stock-exchange (used) during the same year.

The number of newly issued vouchers during the year is multiplied by the average price for that type of vouchers for the same year, and the total of the three types of vouchers is recorded in the notification tables as capital transfer of the central/general government (EDP Table 2), adjusting the net lending / borrowing.

The NSI carried out an investigation on the availability of **super-dividends** paid by all public enterprises.

The difference between the dividends paid and the operating profit recorded for the previous year are reflected respectively as reduction of shares and equity in table 3B (F.5 (-)) and in table 2A as negative adjustment to the surplus from 2006 on.

In case the payments of the central bank to the government for a given year exceed the operating profit from the previous year, the surplus is treated as a financial transaction and the equity of the bank is decreased. To that end, a revision of the net lending/borrowing for the years 2003 and 2004 was carried out, due to the fact that the payments of the BNB to the government exceeded the operating surplus for the previous year. The respective amounts were excluded from the revenue (an adjustment in 2A) and were reflected as transaction in equity (reduction of Shares and other equity F.5) in table 3B. The financial results of the BNB and the central government cash reports were used for source data.

Capital injections are identified in the accounts of the budget entities upon close considerations of the financial statements of the public corporation concerned. To identify capital injections into public corporations, the balance-sheets and income statements of these corporations are collected, the government regulations authorizing the transfers are carefully studied and spending is analysed.

The cash reports of the budget and extra-budgetary entities are used for obtaining data related to **privatization** receipts.

Information on transactions of **debt assumption, debt cancellation and securitisation** is provided by the MoF. Information on the cash transactions is received from the cash report on the execution of the central budget.

Information for the appropriate economic treatment in the government accounts of the cash transactions on debt cancellation is derived from the clauses of the bilateral agreements, which are scrutinized at the MoF. Such is the case with treating the transactions under the Iraqi debt to Bulgaria recorded in 2008; Syrian and Vietnamese debt in 2010 as well.

According to the national methodology, the amounts reserved and blocked in the special **Letter of Credit (L/C)** accounts (before the delivery of goods/services occurs) are recorded as expenditure of the spending units in their cash reports, respectively they are consolidated and presented as expenditures in the State Budget's report to the Parliament and impact the working balance (line working balance in table 2A). In the monetary statistics of the BNB these amounts are included as assets of the general government. In that line, the net change

(decrease/increase) of the L/C deposits for the respective year is included in the notification with the respective sign (decrease/increase of these amounts has a negative/positive impact on the net lending / borrowing).

3.2.3.8 Net lending/net borrowing of central government

Recall whether B.9, as reported in the last line in EDP T2, is derived from the same source data used when calculating the WB, or is based on different data source.

B.9 is derived from the same source data used for calculation of WB with adding the adjustments mentioned above.

If the same source data is used for the WB and B.9 (main entity) calculation, ignore the questions below.

If different data sources is used for national accounts and B.9 calculation than those reported in the WB, recall which data source and provide further details, as requested below.

1. *What is the legal status of data sources, is it audited and published? Provide details on when it is audited, by whom, and on whether the results are publicly available.*
2. *What is the coverage of units in the data sources used for the compilation of national accounts and B.9 and what kind of adjustments are done in this respect while compiling national accounts?*
 - *Are all central government units covered? Are separate data used for the main entity and for other central government bodies? Explain further.*
 - *Specify if there are any units which should be excluded.*
3. *What is the accounting basis:*
 - *cash, accrual, mixed...explain further.*
 - *What kind of adjustments are made in terms of time of recording in order to meet ESA95 requirements?*
 - *Describe differences with the WB in terms of time of recording of individual transactions.*
 - *Are transactions in F.7, as reported in EDP T3 and in financial accounts fully consistent with accrual recording of transactions impacting B.9, as reported in the last line of EDP T2?*
4. *Indicate if all non-financial flows are covered in the source data used for national accounts and B.9 compilation. What kind of adjustments are made in this respect?*
5. *Specify any cases when expenditures "non-validated" by an auditing institution are not included in the data sources used for B.9 calculation (e.g. expenditure relating to the actual acquisition of goods and services, either actually paid or not).*
 - *Indicate any flows which are excluded while calculating B.9.*
 - *Which flows from the data source are not taken into account while calculating B.9?*
6. *What kind of methodological and other adjustments are made while calculating B.9? List and explain all the specific adjustments.*

3.2.4 EDP table 3B

3.2.4.1 Transactions in financial assets and liabilities

1. Recall whether financial accounts are used for the compilation of EDP T3 and if not explain why

For the April notification mainly data on transactions are used, whilst for the October notification priority is given to data on stocks, because there are available final data from balance sheets. For some adjustments only data for transactions are available.

Table 4. Data used for compilation of transactions and of stocks of financial assets and liabilities

	Assets						Liabilities					
Source Data	F.2	F.3	F.4	F.5	F.6	F.7	F.2	F.3	F.4	F.5	F.6	F.7
Calculation of transactions												
Transaction data (integrated in public accounts)			X			X			X			X
Other transaction data		X						X				
Stock data	X		X	X		X	X		X	X		X
Calculation of stocks												
Transaction data												
Stock data	X	X	X	X	X	X	X	X	X	X	X	X

Complete the table (cross appropriate cells) and specify for **each instrument separately**:

1. What are the main data sources. Indicate if these are exhaustive. Do you have available individual data?

The main data sources used for the compilation of EDP Table 3 are:

- from the Consolidated Fiscal Program Execution Report on a cash basis (in the part of financing);
- unit balances and trial balances on accrual basis;
- data on an accrual basis are used for enterprises, which are reclassified in the General Government sector. The annual reports of these entities, collected at the NSI on a regular basis, are used for this compilation – these data are available individual.

2. What are supplementary data sources? How do you use these?

- time adjusted cash data on taxes;
- data on letters of credit;
- data on vouchers from Central Depository;
- data on other transactions: debt assumption, debt cancellation and guarantee calls;
- data on superdividends – from NRA and from annual reports of public corporations provided to NSI.

3. *Indicate if you use direct data sources on transactions.*

For the April notifications are used mainly data on transactions whilst for the October notification is given the priority of data on stocks, because there are available final data from balance sheets.

4. *Specify if the data which you use are integrated data in public accounts.*

5. *Do you compare results from basic data sources with counterpart data and other information? Specify.*

Yes, if it is needed.

6. *Indicate if you amend data using counterpart information. If this is a case, do you change total assets and/ or liabilities, or do you keep totals and change the structure of individual assets/liabilities, as reported in the basic data source (e.g. balance sheet)? Specify.*

No.

7. *Indicate if you amend data using MBS, or other supplementary data. If this is a case, do you change total assets and/ or liabilities, or do you keep totals and change the structure of individual assets/liabilities, as reported in the basic data source (e.g. balance sheet)? Specify.*

8. *What are regular amendments to data sources, due to specific transactions reflected in financial accounts: debt cancellation, debt assumption, superdividends, capital injections, etc. Indicate what is already reflected in data sources and no imputations are needed?*

No amendments of data are made. The information does not change.

9. *Do you amend data due to consolidation? If yes, explain how you do it (e.g. using a direct counterpart information, or some estimations, etc) and whether there is an impact on B.9 for individual units/sub-sectors. Specify whether these adjustments are in line with non-financial accounts (e.g. when is F.7 adjusted)?*

The cash reports data from basic sources are consolidated within the central government sector and within the general government. Consolidation of the financial transactions, related to different indicators is based on information from the trial balances, the statistical information for enterprises classified in the central government sector, etc. There is consolidation of interest (D.41). Additional analysis and clarification of transactions via individual entities are also carried out. These adjustments are in line with non-financial accounts.

10. *Do you record financial transactions on an accrual basis (e.g. when cash receipts from privatisation are collected in the following years)? Explain further.*

Most of financial transactions are recorded on an accrual basis. The cash receipts from privatisation are recorded when they are collected.

11. *Specify the time of recording.*

When the receipts are collected.

12. *Explain the valuation of transactions (market values? Specify when other than market value is recorded)*

Market values.

13. *Do you compare, when relevant, direct data on transaction with change in stocks? How do you deal with high differences?*
We use as main source the change in stocks.
14. *If transactions in F.5 liability are reported, provide details* No.
15. *Detail the estimations due to unavailability of data sources – when, what, why*
Not relevant.
16. *Specify whether for all transactions the same coverage of units is ensured*
For all transactions the same coverage of units is ensured.

3.2.4.2 Other stock-flow adjustments

1. *Explain in detail what you record under "Issuance above/below nominal value", and how you obtain data, etc.*

We record under “Issuance above/below nominal value” the amounts of other valuation effects which occur due to issuance not at face value of security notes. These reflect the yield paid/received to/from the investors during the bond bidding auctions in response of the prevailing market conditions. In this context this represents the adjustment between the amount, contractually agreed, that the government will have to refund to its creditors at maturity and the cash amount received. In case of “above” nominal value the amount represents a cash flow in excess (premium) of the nominal (face) value and it is recorded as negative adjustment. In case of “below” nominal (face) value there is discount which means that the cash flow is less than the nominal amount and it is recorded as positive adjustment. The auctions are technically executed by BNB which is MoF’s fiscal agent on domestic issuance bills and bonds or the platforms organized by the bank managers in case of international issuance where the bidding tickets during the book - building process are inputted. The achieved market results once generated and approved by the Minister of Finance are inputted in ORGGGD.

2. *Explain briefly what you record under "Difference between interest accrued and paid", or provide reference*

We extract data from ORGGGD which represents the difference of all interest paid during a given (+) calendar year and the proportional part of the interest, discount or premium amount for the same calendar year which will be accrued (-) up to 31st Dec of that same year but it will be actually paid anytime in the following calendar year. This implies for all financial instruments bearing interest

3. *Explain in detail what you record under interest flow attributable to swaps and FRAs, or provide reference.*

Not relevant for Bulgaria

4. *Explain in detail what you record under "Redemptions of debt above/below nominal value" and how you obtain data, etc.*

In case of decisions driven from optimizing debt portfolio purposes and depending on the market conditions MoF may decide to examine a redemption part of the existing debt. If the

amount cash spend for redemption is above the nominal (face) value of the notes it is recorded as a positive adjustment (reflects the increased expenditure from the budget for this purpose). If the amount of cash spent for redemption is below their nominal (face) value of the notes it is recorded as an negative adjustment (reflects realized savings for the budget)

expense. If the amount of cash spent for redemption is below their nominal (face) value of the notes it is recorded as an income.

5. *Provide some details on the item "Appreciation/depreciation of foreign currency debt", and describe data sources.*

Appreciation/depreciation of foreign currency debt means the difference between outstanding of the debt (denominated in currencies different than national currency (BGN) and participating currency EUR, where BGN is pegged to the EUR) revaluated as the end of the year **n** and **n-1** taking into account the amount of disbursed and repaid debt during year **n** as the date of relevant debt disbursements and payments. The data source of major foreign currency is the currency fixing of BNB announced each business day – a source which is linked to ORGGGD. In case a currency is not quoted by BNB, MoF uses data for exchange rates from Reuters.

6. *Provide some details on the recent cases reported in the item "Changes in sector classifications".*

No recent cases reported in the item "Changes in sector classifications".

7. *Provide some details on the recent cases reported in the item "Other volume changes in financial liabilities".*

No recent cases reported in the item "Other volume changes in financial liabilities".

3.2.4.3 Balancing of non-financial and financial accounts, transactions in F.7

This section aims at describing of techniques and methods for balancing non-financial and financial accounts applied generally for the whole general government sector.

Allocation of discrepancy B.9 vs B.9f

1. *Do you try to allocate the observed difference in B.9f and B.9 at the level of source data (i.e. at the level of each unit or groups of units)?*

No, the source data are the same.

If yes:

a. *By changing some data deemed weak (i.e. based on counterpart information) on the non-financial side and therefore changing B.9?*

b. *By allocating some difference across the non-financial side and therefore changing B.9?*

c. *By changing some data deemed weak (i.e. based on counterpart information) on the financial side and therefore changing B.9f?*

d. *By allocating some difference across the financial side and therefore changing B.9f?*

e. *By allocating the difference in F.7 and therefore changing B.9f?*

Changes to intermediate data

1. *Do you use counterpart data to obtain the final statistics in NFA?*

a. *If yes, with impact on B.9?*

No.

2. Do you use counterpart data to obtain the final statistics in FA?
a. If yes, with impact on B.9f?

No.

3. Do you allocate the discrepancy at the final stage? If yes

Yes

- a. Across the accounts in the NFA?
b. In specific categories in the NFA?
c. Across the accounts in the FA? In assets? In liabilities?

Yes

- d. In specific categories in the financial accounts, except F.7?
e. In F.7? In assets? In liabilities?

Complementary elements on stocks/

1. If the discrepancy was allocated to financial instruments, is the balance sheet information changed, except AF.7?

No.

2. Is AF.7 changed? If yes, explain further.

No.

Accruals

1. Do you consider that the observed discrepancy (i.e. before the statistical adjustment) result from time of recording problems?

No.

If yes, exclusively, mainly, or partially in S.1311, and/or S.1312, and/or S.1313, and/or S.1314?

Ex-post monitoring

1. Specify whether there are any mechanisms to launch an enquire when discrepancies are too high.

The source data are the same and we think that this is the reason to report not too high discrepancies.

2. Indicate the specific thresholds, if relevant.

3.3 State government sub-sector, EDP table 2B and 3C

In Bulgaria such subsector does not exist.

If this section is not applicable, mention this and delete all the questions and tables under 3.3.

3.4 Local government sub-sector, EDP table 2C and 3D

3.4.1 Data sources for Local Government main unit:

**Table x – Availability and use of basic source data for main local government units
264 municipalities**

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+months</i>		<i>cross appropriate cells</i>		
				Budget Reporting			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
C	A	T+60	T+6	(3) Current and capital revenue and expenditure and financial transactions	x	x	x
A	A	T+60	T+8	(4) Balance sheets		x	x
				Financial Statements			
				(5) Profit and loss accounts			
				(6) Balance sheets			
				(7) Cash flow statement			
				Other Reporting			
				(8) Statistical surveys			
A	A	T+60	T+6	(9) Other:		x	x

Accounting basis (column 1): C- cash, A- accrual, M-mixed

Periodicity (column 2); M - monthly, Q - quarterly, A - accrual, O - other, to be specified.

Time of availability (column 4): availability of annual results for T-1 = number of months and days after the reporting period.

Column 6,7 and 8 – those cells are crossed which refer to data sources used for compilation of the WB, B.9 (non-financial accounts) and B.9f (financial accounts), respectively.

Empty cells in column 1,2,3 and 4 mean that the data source does not exist.

3.4.1.1 Details of the basic data sources

The main data sources are:

- from the Consolidated Fiscal Program Execution Report on a cash basis. In compliance with the Law on the municipal budgets, the data on execution of the municipal budgets are presented on a cash basis.
- unit balances and trial balances on accrual basis. Since 2006 trial balances on a quarterly basis are collected by the MoF;
- data on letters of credit;
- data on EU flows corrections.

4. 4.Revision policy used for annual GFS

3.4.1.2 Statistical surveys used as a basic data source

Statistical surveys are used as a basic data source for the units, reclassified in S.1313.

3. Supplementary data sources and analytical information

3.4.1.3.1 Supplementary data sources used for the compilation of non-financial accounts

From statistical surveys – data on an accrual basis are used for enterprises, which are reclassified in the General Government sector. The annual reports of these entities, collected at the NSI on a regular basis, are used for this compilation. At present such entities are the hospitals and other public corporations with municipal ownership; Data on letters of credit for the municipalities.

4.1.3.2 Supplementary data sources used for the compilation of financial accounts

From statistical surveys – data on an accrual basis are used for enterprises, which are reclassified in the General Government sector. The annual reports of these entities, collected at the NSI on a regular basis, are used for this compilation. At present such entities are the hospitals and other public corporations with municipal ownership; Data on letters of credit for the municipalities.

3.4.2 Data sources for other Local Government units

Table x – Availability and use of basic source data for other local government unit - hospitals and other public corporations with municipal ownership

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+months</i>		<i>cross appropriate cells</i>		
				Budget Reporting			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
				(3) Current and capital revenue and expenditure and financial transactions			
				(4) Balance sheets			
				Financial Statements			
A	A	T+75	T+8	(5) Profit and loss accounts		x	
A	A	T+75	T+8	(6) Balance sheets		x	x
A	A	T+75	T+8	(7) Cash flow statement			
				Other Reporting			
				(8) Statistical surveys			
A	A	T+75	T+8	(9) Other:		x	x

4. 4.Revision policy used for annual GFS

Accounting basis (column 1): C- cash, A- accrual, M-mixed

Periodicity (column 2); M - monthly, Q - quarterly, A - accrual, O - other, to be specified.

Time of availability (column 4): availability of annual results for T-1 = number of months and days after the reporting period.

Column 6,7 and 8 – those cells are crossed which refer to data sources used for compilation of the WB, B.9 (non-financial accounts) and B.9f (financial accounts), respectively.

Empty cells in column 1,2,3 and 4 mean that the data source does not exist.

3.4.2.1 Details of the basic data sources

The information concerning units that are not classified in the local government sector under the national methodology is commonly available and is derived from the financial statements of corporations and other statistical data submitted to the NSI on a regular annual basis in compliance with the Law on Statistics and the National Statistical Program.

At present such entities are the hospitals and other public corporations with municipal ownership.

3.4.2.2 Statistical surveys used as a basic data source

Statistical surveys are used as a basic data source for the units, reclassified in S.1313.

3.4.2.3 Supplementary data sources and analytical information

3.4.2.4 Extra-budgetary accounts

This section provides information on the so called "extra-budgetary accounts" of the main local government entities, i.e. about flows, which are not recorded in budgetary accounts which enter the WB, as reported in the first line of EDP table 2.

EBA of municipalities are drawn up in compliance with the Law for the Municipal Budgets, and approved by the respective municipal councils. Data on EBA of municipalities are on cash basis.

All non-financial transactions of EBA of the main local government entities are reported in row **Net borrowing or net lending of other local government bodies**.

3.4.3 EDP table 2C

3.4.3.1 Working balance - use for the compilation of national accounts

Data from the WB are used for compilation of national accounts and B.9.

3.4.3.2 Legal basis of the working balance

Legal basis for preparation of the budget of local authorities is Law for the Municipal Budgets. The National Assembly ratifies the subsidies from the central government to municipalities only.

3.4.3.3 Coverage of units in the working balance

There are 264 municipalities in Bulgaria. The budgets of the municipalities are autonomous units. They are drawn up in compliance with the Law for the Municipal Budgets, and approved by the respective municipal councils. The subsidies from the central government to the municipalities are approved within the State Budget. The local governments carry out the

4. 4.Revision policy used for annual GFS

activities in the fields of: education, health, culture, and community services. The local government budgets include consolidated information on the incomes, outlays and financing of all budget and extra-budgetary activities of the municipalities.

3.4.3.3.1 Units to be classified outside the subsector, but reported in the WB

For the time being such units are not identified.

3.4.3.3.2 Units to be classified inside the subsector, but not reported in the WB

Public corporations with municipal ownership reclassified in S.1313 such as hospitals and other public corporations with municipal ownership.

3.4.3.4 Accounting basis of the working balance

In compliance with the Law on the municipal budgets, the data on execution of the municipal budgets are presented on a cash basis.

3.4.3.4.1 Accrual adjustments relating to interest D.41, as reported in EDP T2C

We extract data from ORGGGD which represents the difference of all interest paid during a given (+) calendar year and the proportional part of the interest amount for the same calendar year which will be accrued (-) up to 31st Dec of that same year but it will be actually paid anytime in the following calendar year. This implies for all financial instruments bearing interest.

3.4.3.4.2 Accrual adjustments reported under other accounts receivable/payable F.7 in EDP T2C

The information used for calculation of other accounts receivable/payable F.7 in EDP T2C is on an accrual basis from data in trial balances of municipalities and statistical reports of receivables and payables of public corporations reclassified in S.1313.

3.4.3.4.3 Other accrual adjustments in EDP T2C

Information on letter of credits;
EU flows corrections.

3.4.3.5 Completeness of non-financial flows covered in the working balance

For the time being all non-financial flows are covered in the WB of the municipalities.

3.4.3.6 Financial transactions included in the working balance

Such transactions do not exist for the purposes of Table 2C.

3.4.3.7 Other adjustments reported in EDP T2C

For the purpose of eliminating the impact of the EU flows on the NLB in the fiscal notification the revenue and expenditures of European funds reported on a cash basis is indicated in **Other Adjustments** in table 2 and letters of credit.

4. 4.Revision policy used for annual GFS

Net lending/net borrowing of local government

B.9 of local government is derived from the same source data used for calculation of WB with adding the adjustments mentioned above.

3.4.4 EDP table 3D

3.4.4.1 Transactions in financial assets and liabilities

Table x. Data used for compilation of transactions and of stocks of financial assets and liabilities

Source Data	Assets						Liabilities					
	F.2	F.3	F.4	F.5	F.6	F.7	F.2	F.3	F.4	F.5	F.6	F.7
Calculation of transactions												
Transaction data (integrated in public accounts)			X			X			X			X
Other transaction data		X						X				
Stock data	X		X	X		X	X		X	X		X
Calculation of stocks												
Transaction data												
Stock data	X	X	X	X	X	X	X	X	X	X	X	X

3.4.4.2 Other stock-flow adjustments

"Difference between interest accrued and paid"

We extract data from ORGGGD which represents the difference of all interest paid during a given (+) calendar year and the proportional part of the interest amount for the same calendar year which will be accrued (-) up to 31st Dec of that same year but it will be actually paid anytime in the following calendar year. This implies for all financial instruments bearing interest.

Provide some details on the item "Appreciation/depreciation of foreign currency debt", and describe data sources.

Appreciation/depreciation of foreign currency debt means the difference between outstanding of the debt (denominated in currencies different than national currency (BGN) and participating currency EUR, where BGN is pegged to the EUR) revaluated as the end of the year **n** and **n-1** taking into account the amount of disbursed and repaid debt during year **n** as the date of relevant debt disbursements and payments. The data source of major foreign currency is the currency fixing of BNB announced each business day – a source which is linked to ORGGGD. In case a currency which is not quoted by BNB MoF uses data for exchange rates from Reuters.

4. 4.Revision policy used for annual GFS

3.5 Social security sub-sector, EDP table 2D and 3E

3.5.1 Data sources for Social Security Funds main unit:

Table x – Availability and use of basic source data for social security funds

The Social security sub-sector includes the National Social Security Institute, in charge of pension and many social benefits; Teachers Pension Fund and National Health Insurance Fund.

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+months</i>		<i>cross appropriate cells</i>		
				Budget Reporting			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
C	A	T+60	T+6	(3) Current and capital revenue and expenditure and financial transactions	x	x	x
A	A	T+60	T+8	(4) Balance sheets		x	x
				Financial Statements			
				(5) Profit and loss accounts			
				(6) Balance sheets			
				(7) Cash flow statement			
				Other Reporting			
				(8) Statistical surveys			
				(9) Other:			

Accounting basis (column 1): C- cash, A- accrual, M-mixed

Periodicity (column 2); M - monthly, Q - quarterly, A - accrual, O - other, to be specified.

Time of availability (column 4): availability of annual results for T-1 = number of months and days after the reporting period.

Column 6,7 and 8 – those cells are crossed which refer to data sources used for compilation of the WB, B.9 (non-financial accounts) and B.9f (financial accounts), respectively.

Empty cells in column 1,2,3 and 4 mean that the data source does not exist.

3.5.1.1 Details of the basic data sources

The original source of data is the annual cash report and the trial balances of the Social Security sub-sector.

3.5.1.2 Statistical surveys used as a basic data source

No statistical surveys are used as a basic data source for completing the data for S.1314.

4. 4.Revision policy used for annual GFS

3.5.1.3 Supplementary data sources and analytical information

3.5.1.3.1 Supplementary data sources used for the compilation of non-financial accounts

3.5.1.3.2 Supplementary data sources used for the compilation of financial accounts

3.5.2 Data sources for other Social Security units

Table x – Availability and use of basic source data for other social security units – for the time being other social security units in Bulgaria do not exist

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+months</i>		<i>cross appropriate cells</i>		
				Budget Reporting			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
				(3) Current and capital revenue and expenditure and financial transactions			
				(4) Balance sheets			
				Financial Statements			
				(5) Profit and loss accounts			
				(6) Balance sheets			
				(7) Cash flow statement			
				Other Reporting			
				(8) Statistical surveys			
				(9) Other:			

Accounting basis (column 1): C- cash, A- accrual, M-mixed

Periodicity (column 2); M - monthly, Q - quarterly, A - accrual, O - other, to be specified.

Time of availability (column 4): availability of annual results for T-1 = number of months and days after the reporting period.

Column 6,7 and 8 – those cells are crossed which refer to data sources used for compilation of the WB, B.9 (non-financial accounts) and B.9f (financial accounts), respectively.

Empty cells in column 1,2,3 and 4 mean that the data source does not exist.

3.5.2.1 Details of the basic data sources

3.5.2.2 Statistical surveys used as a basic data source

3.5.2.3 Supplementary data sources and analytical information

4. 4.Revision policy used for annual GFS

3.5.2.4 Extra-budgetary accounts -

For the time being for Bulgaria EBA in S.1314 do not exist.

This section provides information on the so called "extra-budgetary accounts" of the main social security entities, i.e. about flows, which are not recorded in budgetary accounts which enter the WB, as reported in the first line of EDP table 2.

3.5.3 EDP table 2D

3.5.3.1 Working balance - use for national accounts compilation

Data from the WB for S.1314 are used for compilation of national accounts and B.9.

3.5.3.2 Legal basis of the working balance

The budgetary balance (which is the WB) is defined in the Organic Budget Law as difference between revenue, grants, expenditures and transfers. The working balance is voted by the Parliament with the Social Security Fund Budget Appropriation Act and the Health Insurance Fund Budget Appropriation Act and the reports on the executions of both budgets is also voted by the Parliament.

3.5.3.3 Coverage of units in the working balance

The WB of Social security sub-sector is a result from all cash operations in revenue and expenditures executed during the fiscal year in compliance with the annual state budget. for the National Social Security Institute, in charge of pension and many social benefits funds (General Illness and Maternity Fund, Industrial Injuries and Professional Illness Funds and others, Employees' Receivables Guarantee Fund (since 2005)), Teachers Pension Fund and National Health Insurance Fund.

3.5.3.3.1 Units to be classified outside the subsector, but reported in the WB

For the time being such units are not identified in the WB of SSF sub-sector.

3.5.3.3.2 Units to be classified inside the subsector, but not reported in the WB

For the time being such units are not identified.

3.5.3.4 Accounting basis of the working balance

The WB of SSF subsector is on cash basis.

3.5.3.4.1 Accrual adjustments relating to interest D.41, as reported in EP T2D

We extract data from ORGGGD which represents the difference of all interest paid during a given (+) calendar year and the proportional part of the interest amount for the same calendar year which will be accrued (-) up to 31st Dec of that same year but it will be actually paid anytime in the following calendar year. This implies for all financial instruments bearing interest.

4. 4.Revision policy used for annual GFS

3.5.3.4.2 Accrual adjustments reported under other accounts receivable/payable F.7 in EDP T2D

The information used for calculation of other accounts receivable/payable F.7 in EDP T2D is on an accrual basis from data in trial balances of units belonging to SSF subsector.

3.5.3.4.3 Other accrual adjustments in EDP T2D

3.5.3.5 Completeness of non-financial flows covered in the working balance

For the time being all non-financial flows are covered in the WB of S.1314.

3.5.3.6 Financial transactions included in the working balance

Such transactions do not exist for the purposes of Table 2D.

3.5.3.7 Other adjustments reported in EDP T2D

3.5.3.8 Net lending/net borrowing of social security funds

B.9 of SSF subsector is derived from the same source data used for calculation of WB with adding the adjustments under accounts receivable/payable F.7 mentioned above.

3.5.4 EDP table 3E

3.5.4.1 Transactions in financial assets and liabilities

Table x. Data used for compilation of transactions and of stocks of financial assets and liabilities

Source Data	Assets						Liabilities					
	F.2	F.3	F.4	F.5	F.6	F.7	F.2	F.3	F.4	F.5	F.6	F.7
Calculation of transactions												
Transaction data (integrated in public accounts)			X			X			X			X
Other transaction data		X						X				
Stock data	X		X	X		X	X		X	X		X
Calculation of stocks												
Transaction data												
Stock data	X	X	X	X	X	X	X	X	X	X	X	X

3.5.4.2 Other stock-flow adjustments

Explain briefly what you record under "Difference between interest accrued and paid", or provide reference

We extract data from ORGGGD which represents the difference of all interest paid during a given (+) calendar year and the proportional part of the interest amount for the same calendar year which will be accrued (-) up to 31st Dec of that same year but it will be actually paid

4. 4.Revision policy used for annual GFS

anytime in the following calendar year. This implies for all financial instruments bearing interest.

3.6 Link between EDP T2 and related EDP T3

The monitoring of the link between the individual adjustments in EDP T2 and the related transactions reported in EDP T3 is important for the assessment of GFS data quality.

It is not expected that the adjustments from EDP T2 would be clearly identified in EDT3.

- First, this is due to different coverage of units, because the adjustments in EDP T2 should refer only to the main entity reported in the WB, while transactions in EDP T3 reflect the whole subsector.
- Second, due to the accounting basis and coverage of transactions reported in the WB. For the former, if the WB is on accrual basis, theoretically there is no need for adjustments in other accounts receivable/payable F.7 in EDP T2, but it should be ensured that the accrual recordings in non-financial accounts are linked to transactions in F.7 reported in EDP T3 and in FA. For the latter (coverage of transactions), the WB balance as reported in EDP T2 typically does not cover all financial flows, since some are booked in the so called extra-budgetary accounts of the main entity.
- Third, adjustments/transactions reported in EDP T2A are non-consolidated, since they refer to the main entity only, as recorded in the working balance (e.g. loans, other accounts receivable/payable, etc), while financial transactions recorded in EDP T3 refer to the whole subsector and are consolidated.

As far as specific imputations are concerned, such as debt cancellation, debt assumption etc, which are reported in EDP T2, these should be reflected also in financial accounts and EDP T3 under the related financial instrument.

Therefore, in order to ensure consistency between non-financial and financial accounts and quality of GFS data, statisticians are to be able to explain and to quantify a link between flows reported in EDP T2 and EDP T3.

3.6.1 Coverage of units

1. Recall briefly, separately for each subsector, whether the same register of units is used for non-financial and financial accounts compilations, and for EDP table 2 and 3.

The same register of units is used for non-financial and financial accounts compilations, and for EDP table 2 and 3 for all subsectors.

2. Specify, separately for each subsector, whether any possible deviations in sector delimitation may occur in data used for EDP T2 and EDP T3 compilation, e.g. due to different/other supplementary data sources used for compilation of some transactions.

No.

3. If this is not the case, confirm that the coverage of units reported in EDP table 2 and 3 is identical and possibly provide further specifications.

The coverage of units reported in EDP table 2 and 3 is identical.

4. 4.Revision policy used for annual GFS

3.6.2 Financial transactions

1. Explain, if relevant, what is the link between financial transactions which are excluded from the WB as reported in EDP T2 and financial transactions reported in financial accounts and EDP T3.
2. Focus on financial transactions (FT) undertaken by the main entity reported in the WB and list all the reasons for different figures on FT reported in the working balance and in financial accounts, e.g. why there is different coverage of financial flows, possible differences in valuation, etc.
3. Do you use data on financial transactions reported in the WB for EDP T3 and FA compilation? If yes, specify further.
4. If you do not use the data on FT as reported in the WB for compilation of financial accounts and EDP T3, explain why.
5. List all the adjustments which should be done in order to reconcile financial transactions reported in EDP T2 and T3.
6. The explanations should be provided separately for different financial transactions in assets: F.3, F.4, F.5, F.7; and for transactions in liabilities (including F.7), when relevant.
7. **The explanations are to be provided separately for each subsector.**

3.6.3 Adjustments for accrued interest D.41

1. Recall briefly, whether the adjustment in EDP T2 for accrued interest refers to interest expenditure or also interest revenue.

The adjustment in EDP T2 for accrued interest refers mainly to the interest expenditure, because the difference between cash revenue and accrued is not significant.

2. Explain the reasons for differences in the adjustment for accrued interest in EDP T2 and T3. Apart from the differences due to sector coverage, other reasons should be explicitly mentioned, e.g. which interest flows are included in the working balance and which not, for which financial instruments, etc. If some interest flows are not included in the WB, explain where these are booked in public accounts and reported in EDP T2.

In general the amounts for accrual adjustment on interest the same in EDP table 2A and 3B. Only in specific cases data differ slightly.

One of the explanations could be consolidation within sub-sector.

3. List all the adjustments which should be done in order to reconcile figures reported in EDP table 2 and table 3 in the adjustment line for accrual D.41.

The explanations are to be provided separately for each sub-sector.

3.6.4 Other accounts receivable/payable F.7

1. Explain the reasons for differences in the figures reported in EDP T2 and T3 in accrual adjustments under other accounts receivable and other accounts payable F.7. Focus the explanations on the main entity reported in the working balance.

4. 4.Revision policy used for annual GFS

The other accounts receivables/payables (F7) as reported from the trial balances of the budget entities do not differ in EDP T2 and T3. However in T3s there are some additional data included – adjustments for EU flows, F7 of other government entities, etc.

2. Specify whether accrual adjustments reflected in non-financial accounts are identical to those reported in financial accounts in F.7. If not, explain further.

Yes.

3. Specify what kind of accrual adjustments relating to financial transactions are reflected in financial accounts and in EDP table 3, e.g. due to privatization proceeds paid in several instalments.

We are not making adjustments because such proceeds are not significant

4. List the adjustments which should be done in order to reconcile transactions in F.7 as reported in EDP T2 and T3.

The explanations are to be provided separately for receivables and for payables.

The explanations are to be provided separately for each subsector.

3.6.5 Other adjustments/imputations

1. Specify where are the methodological adjustments reported under the heading “other adjustments” in EDP T2 reflected in EDP T3. For example, how exactly is the adjustment due to debt assumption, debt cancellation, superdividends, PPP etc. reflected in EDP T3 and FA, under which financial category, is the amount identical, etc.

The adjustment due to debt assumption, debt cancellation, superdividends and etc in EDP Table 2 are recorded in EDP Table 3 like increase or decrease in the relevant financial instruments.

The adjustments due to debt assumption recorded in Table 2 are recorded in EDP Table 3 in line Central government contribution to general government debt.

The adjustments due to debt cancellation in Table 2 are recorded in EDP Table 3 in instrument F4 assets.

The adjustments due to superdividends in Table 3 are recorded in EDP Table 3 in instrument F5 assets.

2. Specify whether related imputations are done in financial accounts by statisticians or it is assumed that these are already reflected in data sources used for compilation of FA.

The related imputations are done in financial accounts by statisticians with using additional information.

The specification should be done separately for each adjustment line from EDP T2.

The explanations are to be provided separately for each subsector.

3.7 General comments on data sources

- 1. Provide additional comments and explanation on common features of different data sources, for different subsectors, when appropriate.*
- 2. Mention the consistency/inconsistency of classifications used in the Budget Reporting of different General Government units.*
- 3. Indicate briefly whether changes in the accounting rules are foreseen in the near future, if any and provide a reference to the related part of the EDP inventory for detailed explanation.*

The accounting guidelines applicable to the budget entities since 2001 are developed in a good compliance to the SNA 93, and the ESA 95. They are intended to supply appropriate financial information for macroeconomic and fiscal analysis purposes.

3.8 EDP table 4

Table 4 – The statements on the provision of additional data contained in the Council minutes of 23/11/1993 request the submission of trade credits and advances, amounts outstanding in the government debt from the financing of public undertakings, differences between the face value and the present value of government debt and GNI at market prices.

3.8.1 Trade credits and advances

- 1. Please describe the data sources and calculation of the stock of liabilities in trade credits and advances (AF.71L) against units outside general government.*

The main data sources for calculation of the stock of liabilities in trade credits and advances (AF.71L) against units outside general government are the trial balances of budget units and balances and statistical reports on receivables and payables of public corporations reclassified in GG sector S.13.

- 2. Please explain how you ensure the consistency between this item and the line "net incurrence of other liabilities" in EDP T 3.*

The coverage of sources and the units is the same.

3.8.2 Amount outstanding in the government debt from the financing of public undertakings

- 1. In case the government in your country borrows on behalf of public enterprises, please detail the calculation of the figure reported in this item.*

4. 4.Revision policy used for annual GFS

4.Revision policy used for annual GFS

This section relates to the revision policy concerning annual non-financial and financial government accounts. It describes the country policy for revisions with and without impact on the deficit (non-financial accounts for general government) and debt (financial accounts for general government).

4.1. Existence of a revision policy in your country

Please describe shortly the revision policy related to the EDP data and the underlying ESA95 government accounts (e.g. data finalisation/ major benchmark revisions/ occasional revisions/ revisions due to methodological reasons/ reclassifications, etc). Please specify in each case the number of years which are in general revised and how the revisions are integrated in the revisions of the whole national accounts data framework.

The main purpose of revision policy of Bulgarian EDP tables is to achieve better recording of the current economic phenomena. Consistency of the indicators of EDP notification and the annual and quarterly financial accounts (respectively compiled by the NSI and BNB) and net borrowing/ net lending of all tables related to government accounts should be ensured.

Different operations and methodological issues are discussed in the frame of inter-institutional working group in order to achieve better presentation of the economic events, related to the government deficit / surplus and debt.

The revisions carried out for October notifications are not based on a different methodological approach than that for the April notifications. The new annual data coming from trail balances, annual exhaustive information derived from the statistical surveys on public enterprises, reclassified in the General Government sector requires the revision of the preliminary EDP tables.

In general, the current revision policy of data for the year n-1 is used in order to make amendments of the information of EDP tables.

5. Sector delimitation – practical aspects - 5.1 Sector classification of units

4.1.1 Relating to deficit and non-financial accounts

1. *If the revision has an impact on the deficit (B.9), please detail*
2. *If the revision does not have a material impact on the deficit (B.9), please detail*

4.1.2 Relating to debt and financial accounts

1. *If the revision has an impact on the debt or B.9f, please detail*
2. *If the revision does not have a material impact on the debt or B.9f, please detail*

4.2. Reasons for other than ordinary revisions

1. *Please detail in case the revisions are due to the existence of new figures for state budget outcome (e.g. after audit).*

For the April notification are used data from consolidated fiscal programme, which has not yet been reviewed by the Council of Ministers, not certified by the National Audit Office and not approved by Parliament and assessments for reclassified public corporations in "General government" sector which under the Accounting Act should be reported in BNSI as of 31.03. For the October notification are available final data from annual balances and trial balances of budget units, which in accordance with the National Audit Office Act are subject to an independent financial audit by the National Audit Office. BNSI requires the audited reports of the public corporations reclassified in "General government" sector and data on taxes largely final. The policy of the Bulgarian authorities is aimed at shortening the terms of the final reporting of the annual data to minimize the differences between April and October data.

2. *Please detail in case the revisions are due to the existence of new data sources/details, which were not available in the past (this does not refer to the normal update of data sources)*
3. *Please detail in case the revisions are due to changes in methodology*

From 2010, in order to precise the data and to achieve more accurate reporting and in accordance with the requirements of the Manual on deficit and debt were carried out the following major methodological revisions:

- The coverage of other accounts receivable / payable - calculation of F7 Other Accounts Receivable/Other Accounts Payable on a more detailed level – reviewing each account and its balance and calculating on an account-by account basis for the period 2007-2010.
- Elimination of EU funds is also reflected in other accounts receivable / payable for the period 2007-2010.

4. *Please detail in case the revisions are due to other reasons (e.g. errors) (please specify)*

4.3. Timetable for finalising and revising the accounts

Special attention is paid to the revision policy of the Notification tables to ensure consistency of data in order to:

- a) reduce the statistical discrepancy in Table 3 and
- b) to achieve better consistency between data in Notification tables and annual and quarterly financial accounts (respectively compiled by the NSI and BNB).

B. Methodological issues

5. Sector delimitation – practical aspects

5.1 Sector classification of units

General government is defined by ESA95 para. 2.68 as "...all institutional units which are other non-market producers whose output is intended for individual and collective consumption and mainly financed by compulsory payments made by units belonging to other sectors and/or all institutional units principally engaged in the redistribution of national income and wealth".

It is necessary to determine:

- a. if it is an institutional unit (ESA95 2.12 describes the rules according to which an entity can be considered as an institutional unit)
- b. if it is a public institutional unit (MGDD 1.2.3 – control by the government "ability to determine the general policy or programme of an institutional unit by appointing appropriate directors or managers, if necessary")
- c. if it is a non-market public institutional unit - reference to "Market-non-market distinction"

1. *Please describe if the subsectors include only institutional units, which are treated as non-market producers according to ESA95.*

In Bulgaria, the General Government (Consolidated Fiscal Program) consists of:

The Central Government sub-sector (CG) includes:

- State Budget (central budget, ministries' budgets, budget of the National Audit Office, and Judiciary Authorities' budget), which is ratified by the Parliament in accordance with the Organic Budget Law. The budget of the Judiciary authorities includes summarized information on the budgets of courts, prosecution and the National Investigation Service;
- Autonomous budgets (public universities; Bulgarian Academy of Science, Bulgarian National Television, Bulgarian National Radio, Bulgarian News Agency). The Universities and the Bulgarian Academy of Science have executed their budgets according to their special laws outside of the State Budget since 1998, the Bulgarian National Television and the Bulgarian National Radio – since 2000 and Bulgarian News Agency – from 2012. The Parliament approves the transfers from the State Budget to these institutions, and their revenue, expenditure, transfers and financing are presented in the consolidated fiscal budget as separate budgets.
- Extra-budgetary accounts and funds of the ministries and government agencies. The Minister of Finance approves the budgets of extra-budgetary accounts, and the Council of Ministers - of the extra-budgetary funds. Back in the years before 1998 their number was very high. In recent years a large part of them have been incorporated in the corresponding budgets.

The Social security sub-sector includes the National Social Security Institute, in charge of pension and many social benefits funds (General Illness and Maternity Fund, Industrial Injuries and Professional Illness Funds and others, Employees' Receivables Guarantee Fund (since 2005)), Teachers Pension Fund and National Health Insurance Fund.

5. Sector delimitation – practical aspects - 5.2 Existence and classification of specific units

Local governments sub-sector: Legal basis for preparation of the budget of local authorities is Law for the Municipal Budgets. The National Assembly ratifies the subsidies from the central government to municipalities only. Extra-budgetary accounts and funds of municipalities are included in the local government sub-sector.

In general, the data sources for the General Government are the annual cash reports on the execution of the budget and the summarized trial balance as of December 31st. for the following institutions:

- Budgetary central government: the central budget, ministries, the National Audit Office, the National Assembly and the President’s office, government agencies and committees, judiciary authority. The above central government bodies and the judiciary authority’s budget constitute the State Budget, ratified by the Parliament.
- the Bulgarian National Radio, the Bulgarian National Television, the Bulgarian Academy of Science, the state universities and Bulgarian News Agency ;
- The National Social Security Institute, the National Health Insurance Fund;
- Extra-budgetary units/entities: Agriculture Fund, Privatization Fund, National Fund, Enterprise for Management of Environmental Activities (EMEPA).
- Municipalities’ budgets: There are 264 municipalities in Bulgaria. The budgets of the municipalities are autonomous units within the state budget. They are drawn up in compliance with the Law for the Municipal Budgets, and approved by the respective municipal councils. The subsidies from the central government to the municipalities are approved within the State Budget. The local governments carry out the activities in the fields of: education, health, culture, and community services. The local government budgets include consolidated information on the incomes, outlays and financing of all budget and extra-budgetary activities of the municipalities.
- Other entities, included in the local government: hospitals with local ownership and Steam Power Station Shumen. The data sources for the above entities are their balance-sheets and income statements.

Other entities, included in the central government for the notification tables purposes are: the Fund for Local Authorities and Government (FLAG), National Company Railway Infrastructure, BDZ Passengers, State Consolidation Company and hospitals with government ownership.

2. Please describe how you apply the 50% criterion for market / nonmarket distinction and provide all relevant details, e.g.:

- are all public corporations regularly tested?

BNSI performs the test for all public corporations.

- which public units classified in S.13 are tested, if any?

The following public corporations, classified in GG sector are tested with the 50% criterion: National Company Railway Infrastructure, BDZ Passengers and Steam Power Station Shumen.

- how often do you conduct the test?

BNSI conducts the test once a year.

5. Sector delimitation – practical aspects - 5.2 Existence and classification of specific units

- how many years are covered?

The 50% criterion for market / nonmarket covered three years in line

- are individual data used or are some units grouped (and which)?

For the purposes of the test individual data of the units are used.

3. Do you consider qualitative aspects for sector/subsector classification? Please specify.

4. Please explain how you find out when a new unit is created.

The establishment or closure of budget entities is a prerogative of the Council of Ministers.

If a new public corporation is created it is obliged to report its activity to BNSI according to the Law of Statistics and according to the National statistical program.

5. Please specify which institution and/or department decide on the classification.

The final responsibility for the proper classification of institutional units within the GG sector in compliance with the ESA 95 principles lies with the BNSI, Financial Statistics Division.

5.1.1 Criteria used for sector classification of new units

What are the criteria for classification of new units inside general government?

- legal status

- economically significant prices

- ownership

- NACE

- specific units, specific approach, please detail

- other, please specify

The criteria for classification of new units inside general government sector are as follows: The legal status; the economically significant prices; the ownership; the NACE and the results from market/non-market test of the unit.

5.1.2 Updating of the register

More practical aspects of the updating of the register are to be described here, if not explained above. Please mention also whether all details relevant for the sector classification are available in the register for each individual unit, (e.g. ownership public/private). Is the information on the ownership regularly updated in the register – if yes, how?

1. Re-examination of the sector classification and updating of the register - which units, on a regular/irregular basis (how often), individual basis/groups of units

BNSI makes re-examination of the sector classification on a regular annual basis by applying the 50% test on all public corporations.

2. 50% test – data sources

- availability of appropriate details (what is the detail available and what is considered in national accounts),

-timing (when and how often is data available),

5. Sector delimitation – practical aspects - 5.2 Existence and classification of specific units

- calculation (which items enter the calculation),
- difficulties, etc

The main data sources for applying the market/non-market test are the annual financial reports of the units.

3. Updated register versus national accounts – backward revisions, when are the changes implemented in national accounts, etc

5.1.3 Consistency between different data sources concerning classification of units

1. What are the checks undertaken to see whether a unit is classified in the same way in public accounts and in statistical surveys?

Please describe separately by subsectors, if relevant:

- S.1311
- (S.1312)
- S.1313
- S.1314

2. What are the checks undertaken to see whether a unit is classified in the same way in statistical register and in Money and Banking Statistics

Money and Banking Statistics uses the same statistical register of units and the same data sources for the units.

Please describe separately by sub-sectors, if relevant:

- S.1311
- (S.1312)
- S.1313
- S.1314

3. What are the checks undertaken to see whether a unit is classified in the same way in non financial accounts and in financial accounts

For the purposes of non-financial accounts and financial accounts is used the same statistical register of units and the same data sources for the units.

Please describe separately by sub-sectors, if relevant:

- S.1311
- (S.1312)
- S.1313
- S.1314

5.2 Existence and classification of specific units

1. **Non-profit institutions (NPI)** – please specify whether non-profit institutions (and of what kind) are included in the general government sector (please list the main institutions, if possible by subsectors). Explain also how you determine whether the NPI is a public or a private institutional unit.

For the time being no non-profit institutions are included in the GG sector.

2. **Quasi-corporations** - please specify whether quasi-corporations (and of what kind) exist in your country (please list the main quasi-corporations, if possible by subsectors).

3. **Infrastructure companies** – please specify the sector classification of the following types of companies (when relevant) and provide some further details relating to their sector classification, for each company separately (e.g. what is included in sales, economic significant prices, could you clearly identify subsidies on products and production, do you use depreciation or ESA95 based consumption of fixed capital for the 50% test; indicate if all non-financial assets used by the company are included in its accounts or some are booked in the government balance sheet; specify if these companies benefit from government financial support, via transfers, loans, equity injections in cash and/or in kind; indicate if they have fiscal arrears against government, etc):

etc):

- railways
- roads
- metro
- public utility companies
- ports, airports

For all public corporations for the purposes of 50% test we include the following components :

Expenditure (Production cost)

Expenditure on raw materials and materials

Expenditure on external services

Expenditure on depreciation

Personnel costs - wages and other remuneration

Personnel costs - Social security and allowances

Other expenditure

Total expenditure on operating activity

Revenues from sales

Revenues from financing from government are excluded.

Based on financial results and on the results from market/non-market test the National Railway Infrastructure Company (NRC) was reclassified in the General Government sector in 2007. For the same reason the company BDZ Passengers was reclassified in GG sector in 2011.

4. **Universities, schools** - please specify the sector classification and provide some further details relating to their sector classification

The Universities and the Bulgarian Academy of Science have executed their budgets according to their special laws outside of the State Budget since 1998. They are included in CG sector.

5. Sector delimitation – practical aspects - 5.2 Existence and classification of specific units

5. Public TV and radio- please specify the sector classification and provide some further details (including classification of fees) relating to their sector classification.

The Bulgarian National Television and the Bulgarian National Radio have executed their budgets according to special laws – since 2000. They are included in CG sector.

6. Public hospitals - please specify the sector classification and provide some further details (including determination of sales) relating to their sector classification. Specify if these are regularly tested; On an individual basis? Indicate if they receive equity injections; Loans – from whom? Indicate if they benefit from debt cancellations, debt assumptions. Indicate if they have fiscal arrears against government.

All government hospitals are reclassified in sub-sectors Central Government or Local Government. Based on the annual reports of hospitals the BNSI prepares the data on Net Lending/Borrowing for them and includes this data in the General Government.

The financial results of all hospitals are included directly in data of General government. For this reason BNSI does not regularly test them on an individual basis. All transactions are recorded by financial instruments in assets and liabilities.

7. SPV – please specify whether SPVs (and of what kind) are included in the general government sector (please list the main SPVs, in case some of them are classified in other subsector than central government, please specify)

8. Specific public units involved in financial activities – please list the main public units/groups of units and specify their sector classification (e.g. privatisation agencies, defeasance structures, export-import bank, development banks, etc)

The Fund for Local Authorities and Governments (FLAG) is also reclassified in GG sector.

FLAG was established in March 2007 by the Council of Ministers with funding provided through the Bulgarian National Budget. FLAG is an instrument of the central government policy for regional development. Its aim is to provide financial assistance to municipalities for the absorption of as much funds as possible from the Structural Funds and the Cohesion Fund of the EU. It is structured as a revolving mechanism for financing the development and implementation of economically and financially viable projects in the area of municipal infrastructure and for supporting capacity building of municipalities with a view to absorbing funds from the structural and cohesion funds. The Fund is designed as a financial mechanism to overcome the problem of ensuring cash funds to municipalities when they develop project proposals or finance approved projects in the framework of the Operational Programmes, co-financed by the EU funds.

The Bulgarian Development Bank is a 100% government-owned bank, operating at market basis. It is classified as a financial corporation in sector S.12.

The Privatisation Agencies are part of the general government sector.

. Other specific units - please specify whether other specific units (and of what kind) are included in general government sector (please list the main institutions, if possible by subsectors)

As other specific unit BNSI reclassified State Consolidated Company. SCC is a 100 % owned by the government. It was established in 2010 and its main

5. Sector delimitation – practical aspects - 5.2 Existence and classification of specific units

activity is meant to be “acquisition, management, evaluation and sale of shares of different companies”. SCC sold the minority shares of government in private electricity companies. The shares were sold on the Bulgarian Stock Exchange through the Privatization and Post-Privatization Control Agency as an investment mediator.

6. Time of recording

This section describes the time of recording for taxes and social contributions, EU flows, military expenditure, interest and other transactions (subsidies, current and capital transfers and financial transactions).

The time of recording is defined in ESA95 para. 1.57. It is the accrual basis, meaning when economic value is created, transformed or extinguished, or when claims and obligations arise, are transformed or are cancelled.

6.1 Taxes and social contributions

Council Regulation 2516/2000 amended the Regulation on European system of national and regional accounts in the Community (ESA) 95 as concerns taxes and social contributions and clarified the rules concerning both the time of recording and the amounts to be recorded.

6.1.1 Taxes

This section describes the methods of recording of taxes on an accrual basis. The time of recording is defined in ESA95 para. 4.26 and para. 4.82 as the time "...when the activities, transactions or other events occur which create the liabilities to pay taxes".

1. Please detail the data sources used: cash data, assessment data, receivable, payable, write-offs, other data needed for compilation of individual taxes, separately for the first and second EDP notification, in case they differ.

The information on taxes and social security contributions in the State Budget is on a cash basis. To comply with the ESA 95 requirements, applied with the fiscal notification for the EDP, NSI demands more detailed information for taxes and social security contributions. In 2008 the time adjusted cash approach was developed by BNSI and approved by the Eurostat authorities.

The new method was implemented for the first time for the October 2010 notification. The time adjustment method is introduced for the following types of taxes: Value added tax (VAT), Excise tax, and Corporate Income Tax (CIT) and Personal Income Tax (PIT).

For the purposes of implementation of time adjusted cash procedure by type of taxes and social security contribution the following legal regulations related to the procedures and rules of payment and refunding are used: Law on VAT; Law on excise duties and tax warehouses; Law on fuel taxes to the Republican Road Infrastructure and to the National Environmental Fund; Law on Corporate income taxation; Law on taxes on the income of natural persons, Personal income tax; Social security code; Law on health insurance.

The following leading principles are set out in the established compilation procedures:

- Using as much as possible direct information sources;
- Using data with monthly or at least quarterly frequency;
- Using detailed information by elements of total cash receipts/payments in order to apply relevant periods for time adjustment;
- Applying the method for the whole time series since 1995 – ensuring the consistent time series of NA indicators;
- Ensuring consistency between quarterly and annual data.

6. Time of recording – 6.1 Taxes and social contributions - 6.2 EU flows

2. Please shortly describe which of the following methods you use: A. Assessed amounts adjusted by a coefficient

B. Assessed amounts recorded entirely as revenue, the amount of taxes unlikely to be collected is recorded as capital transfers

C. Time adjusted cash amounts which are attributed to the period when the activity takes place.

BNSI uses time adjusted cash method.

3. Please indicate which institution collects the information and which institution compiles the data for EDP tables and related questionnaires.

The Bulgarian National Revenue Agency provides data for all taxes. The estimated time adjusted cash data for excise taxes are based on the tax declarations collected by the Custom agency. BNSI compiles data on taxes for the purposes of GFS and EDP tables and related questionnaires. The information by type of taxes is as follows:

Value Added Tax (VAT)

The information is delivered by the National Revenue Agency (NRA) on regular monthly basis at T+25 days after the tax period. The tax period is one month as defined in the Law on VAT, art. 87 (2). The monthly data is available since 1998. The structure of files provided by the NRA includes declared amounts, cash payments and refunds.

Excise taxes

The estimated time adjusted cash data for excise taxes are based on the tax declarations collected by the Custom agency. Monthly data on cash basis on paid and refunded excise taxes on imports and on the domestic transactions are the main sources of information for application of time adjustments on cash data. The following cash elements are distinguished: for licensed warehouse holders according to the Law on excise tax and other traders.

Corporate Income Tax (CIT)

The Bulgarian National Revenue Agency provides data on an annual basis from 2003. Quarterly data are available from the executive state budget on a cash basis.

Tax on dividends and income tax

According to tax legislation, these taxes exist since 1997. More detailed cash data by elements are available on annual basis from 2003 on. Quarterly data are available since 1997. For the purpose of classification the taxes according to their origin entry in respective year, the following amounts of taxes were reclassified in previous years:

- receipts from tax audits;
- payments for past years.

6. Time of recording – 6.1 Taxes and social contributions - 6.2 EU flows

Other corporative taxes

Taking into account the national legislation concerning Corporate income tax, the following main types of taxes are included in the category “Other corporative taxes”:

- representative expenditures tax;
- social expenditures tax;
- taxes on donations and sponsoring;
- gambling taxes;
- expenditures for motor vehicles taxes;
- tax on the net tonnage of ships

The available detailed data on annual basis from 2003 on is used for implementation of time adjusted cash method. These taxes exist since 1999. The data for other corporative taxes are available in the executive budget of general government on quarterly basis and they are taken into consideration.

Income taxes

In general, according to the Law on Taxes on the Income of Natural Persons the following types of taxes are distinguished:

- personal income tax for employees working on regular contract;
- tax on income of free professions (advocates, artists, etc.), sole traders, services performed by employee under honorary contract, etc.;
- patent tax;
- other

The time-adjusted cash method is implemented for elaboration of income taxes time series for all years since 1995.

Personal income tax for employee working on regular contract

More detailed cash data for personal income taxes are available on annual basis since 2003. In addition, the data available from executive budget on quarterly basis are taken into accounts also. The reconciliation between the two main data sources is done.

Annual information was the main data source for implementation of cash time adjusted method. The main elements containing cash data, provided by the National Revenue Agency are:

- Regular payments during the year;
- Cash payments made in January each year, regarding the previous year - the time lag is one month;
- The receipts from tax audits;
- The amounts reported under item “Revenue from the past year”.
- Tax refund

Taxes on revenue coming from free professions, sole traders, services made by employee under honorary contract, etc.

The detailed data on cash tax receipts from income of free professions, sole traders, services made by employee under honorary contract are available on annual basis from 2003. This information is provided by the NRA. Amounts of cash payments available in executive state

6. Time of recording – 6.1 Taxes and social contributions - 6.2 EU flows

budget on a quarterly basis are also taken into account in elaboration of taxes by application of cash time adjusted methods. A procedure for reconciliation and unification of the two types of data is pursued.

Main data source is the annual information of cash payments for the period since 2003. The main elements reported in the cash data are:

- Regular payments during the year;
- The amounts from tax audits;
- The amounts reported under items “Revenues from past years” and additional amounts paid by taxpayer after submission of tax declarations to the tax authorities up to 30th of April of the calendar year.

Patent taxes

The tax on patent is in force since 1997. It is connected to the revenue of activities of individuals, including sole traders and others, which carry out activities listed in special annex of the Law on taxes on income of natural persons (Appendix to Chapter Seven, Types of patent activities and annual amounts of the tax). According to the Bulgarian legislation, the amounts on patent tax should be paid by the taxpayer in four equal payments during the current year.

Data source is the annual information on cash payments since 2003. The main elements that are moved in the previous year from the cash data are:

- the amounts from tax audits;
- the amounts reported under item revenue from past years;
- tax refund.

Other

Other taxes include Final taxes on local and foreign persons under articles 37 and 38 of the Law on the taxation of income of physical persons as well as taxes on dividends of local and foreign persons.

4. In case the coefficient is used, please specify who decides on the coefficient and on which basis.

Taxes are time-adjusted.

5. Please describe how you record the following: reimbursements and refunds, final settlement, interest on late payments, fines and penalties for non payment, amnesties.

These components are part of the process of calculation of taxes with time adjusted cash method and for recording of taxes split on assets and liabilities. More detailed information for recording of the components by kind of different taxes is provide under **6.1.1 Taxes**.

6. Please mention the time when the final data for the year t should become available. Possibly, a table specifying the requested information on individual taxes, could be provided. The final data for the year t become available for the October notification t+1.

6. Time of recording – 6.1 Taxes and social contributions - 6.2 EU flows

6.1.2 Social contributions

The time of recording of social contributions is defined in ESA95 para. 4.96 as "... the time when the work that gives rise to the liability to pay the contribution is carried out..." for employers and employees social contributions, and as "... when the liabilities to pay are created" for self-employed and non-employed persons.

1. Please detail the data sources used: cash data, assessment data, receivable, payable, write-offs, other data needed for compilation of social contributions, separately for the first and second EDP notification, in case they differ.

The data sources are used on a cash basis from the consolidated fiscal program and from NRA.

2. Please shortly describe which of the following methods you use:

- A. Assessed amounts adjusted by coefficient*
- B. Assessed amounts recorded entirely as revenue, the amount of social contributions unlikely to be collected is recorded as capital transfers*
- C. Time adjusted cash amounts which are attributed to the period when the activity takes place.*

According to the Social Insurance Code in Bulgaria all social security contributions are considered due and paid in the same period, which is why there is no need to introduce assessments on an accrual basis in the EDP notification figures with regard to social security contributions receipts.

3. Please indicate which institution collects the information and which institution compiles the data for EDP tables and related questionnaires.

The National Revenue Agency is a government agency within the structure of the MoF, which incorporated since 2006 the collection and administration of government taxes and the mandatory social security contributions. BNSI is responsible institution for compiling data on social contributions for the purposes of EDP tables and related questionnaires

4. In case the coefficient is used, please specify who decides on the coefficient and on which basis.

5. Please describe how you record the following: reimbursements and refunds, interest on late payments, fines and penalties for non payment, amnesties.

6. Please mention the time when the final data for the year t should become available.

The final data for the year t should become available in year t + 8 months.

6.2 EU flows

The issue of recording EU flows is important for national accounts, especially government accounts, because – due to the institutional arrangements – in general all amounts transit via government accounts. In order to avoid potential effects on the level of government deficits, countries have to eliminate these flows from public accounts. Eurostat, after the consultation

6. Time of recording - 6.2 EU flows

with Member States, released a decision in February 2005. Chapter II. 6 of the ESA Manual on government deficit and debt details the rules concerning the recording of these flows.

6.2.1 General questions

1. Please describe which central agency is involved/designated to receive payments from the EU for all flows in Structural funds, Agricultural funds, and Pre accession funds. Please provide names and sector classification in national accounts (In case S.13 please mention sub-sector).

The two central government bodies through which the EU flows are distributed are the National Fund and the Agricultural Fund. Their data is adjusted in sub-sector S.1311. The beneficiaries of the EU funds provide additional information, which is reported accordingly in S 1311 or S 1313.

2. What institution is the source of data for EU flows (the agencies mentioned under point 1 (balance sheets, profit and loss accounts, other?)/ Ministry of Finance/ within budget reporting).

Ministry of Finance is the main source of data for EU funds.

3. Indicate if you are able to collect data on EU flows on central/state/local government level?

BNSI can provide data on EU flows on CG and LG level.

4. Specify whether you have reliable data on date of expenditure (are you on a claim or time of expenditure basis?).

Time of expenditure basis.

5. Specify if you have information on the final beneficiary (government, non-governmental unit).

There is information on final beneficiary - government, non-governmental units.

6. Specify whether you are able to distinguish these for national accounts purposes.

For national accounts purposes the statisticians are able to distinguish the final beneficiaries.

7. Specify whether you are able to distinguish advances/reimbursements.

8. Are amounts from the EU entering the working balance? Please specify for central/state/local government level. Please provide information asked above for all funds: the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD), The European Fisheries fund (EEF) the European Regional Development Fund (ERDF), the European Social Fund (ESF), Cohesion Fund).

Generally no, amounts from EU are not shown in the WB with the exception of Schengen facility. All the EU funds are shown in line Net borrowing (-) or net lending (+) of other central/ local government bodies for central and local government sectors.

6. Time of recording - 6.2 EU flows

9. *Where is the accrual adjustment done in EDP tables 2 (receivables/payables, other adjustments)? Please provide above asked information for all funds.*

In line Other adjustments, Detail 2 line EU flows corrections.

10. *Are you able to quantify both receivable and payable data or do you simply carry out the neutralization on a cash flow basis (net receivables)?*

We provide data on EU flows both receivable and payable in Table 3.

11. *In case advances are received, are these recorded as an asset of government? Where is this money kept (Treasury account (separate, not separate), another account)?*

The received money is kept in extrabudgetary accounts.

12. *In case an advance is an asset of government, is there a matching payable recorded in EDP T3?*

13. *Could you please describe where you make the adjustments in EDP tables for the third resource?*

Please provide further information on EU flows recording in public and national accounts, if relevant.

With the 2011 October notification the method of reporting the elimination of EU flows has changed. Up to that point the acting method was to perform corrections in the net borrowing/net lending of other central government bodies of sub-sector Central Government in Table 2A of the notification with the relevant amounts and respectively their elimination from the financial instrument Deposits from table 3B.

Following ESA 95 regulations and the guidelines of the Manual on Government Deficit and Debt the method of neutralizing of EU funds was changed in order to achieve a more precise and correct calculation.

- all cash transactions between the EU and the National Fund/Agricultural Fund which are recorded as revenue from grants from the EU are reclassified as receivables/payables with the EU.

- the part of the reported amounts of subsidies and capital transfers to non-budget entities (entities outside the general government sector) attributable to EU funds' contribution in total financing are reclassified as receivables/payables), thus only amounts corresponding to national co-financing is remain reported as expenditure.

- additional corrective record is introduced concerning the expenditures reported by the beneficiaries- budget entities,

- the amount corresponding to the EU financing is recognized as revenue from the EU grants for the same reporting period when expenditures are paid against other accounts receivable/payable.

6. Time of recording - 6.2 EU flows

The above adjustments on a cash basis is supplemented by an adjustment on an accrual basis with the total amount of the net change of receivables and payables of ultimate beneficiaries – budget entities which are recorded with the corresponding accounts (payables to suppliers, employees and other contractors, receivables from advance payments to suppliers etc.) in the separate trial balances of the budget entity. Here we refer to the separate trial balances of budget entities dedicated to the EU projects.

The above adjustments is implemented on the general government level as well as on the level of the sub-sectors subject to the availability of improved data sources in particular **in the local government sub-sector** which relates to Structural and Cohesion funds (SCF) and Agricultural funds.

6.2.2 Cash and Schengen facility:

The time of recording of payments received by the beneficiary Member States through Schengen and Transitional Facilities would be accounted according to the Eurostat decision on EU flows, while the time of recording of Cash-flow Facility is when the transfers are to be made by the Commission. In practice, in this particular case, the amounts would be recorded as revenue in the years in which they were received by the beneficiary countries.

1. *Specify if your country received cash through transitional or Schengen facility.*

Yes.

2. *Please describe the recording of cash and Schengen facility in national accounts in and in EDP tables (time of recording, assets/liabilities, EDP table line if adjustment is necessary).*

The adjustment for Schengen facility was made with the adjustment on EU flows – the last one is for year 2009.

6.2.3 Jeremie/Jessica

The European Commission and the European Investment Bank Group and other International Financial Institutions on financial engineering in cohesion policy, the European Commission drew up new initiatives for improving access to finance of European corporations. These initiatives require the involvement of EU governments (as in the case for other cohesion and structural policy instruments). EU Member States implement the JEREMIE and JESSICA initiatives by establishing a Holding Fund funded through their Structural Fund receipts from the European Commission and national contributions. The Holding Fund (HF) can be managed either by the EIF or by other financial institutions, according to the EU Structural Funds legislation applicable. In this context, the "Managing Authorities" can award management either directly to the EIF or any national institution which benefits from public procurement exemption under national law through a grant agreement, or indirectly by way of tender to a financial institution through a service contract. Holding Funds can be set up either

6. Time of recording - 6.2 EU flows

as “*ring-fenced blocks of finance*” or as bank accounts managed by the Holding Fund manager on behalf of and in the name of the Managing Authority, or as an independent legal entity (Special Purpose Vehicle – SPV).

1. Indicate if you have the *Jeremie/Jessica programmes implemented in your country*.

Bulgaria receives part of the European Structural Funds through both Jeremie and Jessica programmes. The holding fund “JEREMIE Holding Fund Bulgaria” EAD (“JHFB” EAD), operating with Jeremie, aims to improve the access to finance for Small and Medium-sized Enterprises (SMEs) through various financial engineering instruments. The “Regional Fund for Urban Development” AD (“RFUD” AD), responsible for dealing with JESSICA initiative allocates part of the EU Structural Funds for investments in projects forming part of relevant integrated plans for sustainable urban development and regeneration for the six most populated cities in Bulgaria.

2. *In which sector is the Holding Fund classified?*

The Holding Fund is classified in Non-financial corporations sector.

3. *What is the proportion of the Holding Fund funding from government and Structural Funds?*

The proportion of both “JHFB” EAD and “RFUD” AD funding from government and ERDF is 15 to 85 per cent. of which 15 % are from the government.

4. *What is the nature of government transfer to the Holding Fund (loan, deposit, grant)?*

5. *Who is the final beneficiary from national accounts point of view – government, non-government unit (Holding Fund, other)?*

The beneficiary of the funds related to the JEREMIE initiative for the period before 2015 is a non-government unit - the holding fund.

6.2.4 Market Regulatory Agencies

Market regulatory agencies are bodies whose intervention activities are mostly characterised by buying and selling products, often on behalf of the EU, with an aim to stabilize prices and to maintain purchasing prices to farmers at a sufficiently high level: they offer buying agricultural products from domestic producers at a predetermined price (often higher than "market" prices) and reselling them usually at a lower price later on and occasionally arranging for giving them away free of charge. These agencies can be involved in storing agricultural inventories, or in arranging for storage, as well as in distributing subsidies.

The question is whether the principle of re-arranging EU transactions would also apply to the recording of changes in inventories (P.52) arising from the interventions of agricultural market regulatory agencies in the market. According to the guidance, in those circumstances

6. Time of recording - 6.2 EU flows

where a market regulatory agency acting on behalf of the EU is classified inside general government, the creation of a unit in S.11 is recommended in order to capture the changes in agricultural inventories, and to avoid that such changes in inventories are recorded in national government accounts (as changes in government inventories, with an impact on the government deficit/surplus) or in the rest of the world accounts (as exports and imports). The unit to be created to capture these changes in inventories is a quasi-corporation, rather than a notional unit, in order to ensure an equality of treatment with cases where market regulatory agencies are classified outside government. This is also appropriate because any temporary difference in value arising from changes in market value of these inventories not yet covered by subsidies is likely to be small and on average zero.

1. *Indicate if you have MRAs in your country.*

Yes, the Payment Agency in the Agricultural Fund

2. *Where are these classified?*

Central Gov – S.1311

3. *In case these are classified in S.13, how do you record changes in inventory?*

They are not recorded as changes in inventory. For the purposes of monitoring and control, in their trial balances these stocks and changes of such inventories are recorded as off-balance sheet items. On cash basis they are recorded as financing items.

4. *Specify whether units are created to capture changes in inventory.*

No.

5. *Do those units have the form of a quasi-corporation or notional unit?*

6. *Where are these classified?*

6.3 Military expenditure

The ESA95 principle on accrual recording, when applied to military expenditure, is generally the time when the economic ownership of the good occurs, which is usually when delivered. Chapter II.5 in Part II of the MGDD details the rules concerning the recording of military expenditure.

6.3.1 Types of contracts

Please describe the following:

1. Data sources used for compilation of military equipment expenditure

BNSI receives from Ministry of Defense data concerning military equipment expenditure.

For the purposes of debt data compilation - when the military equipment is obtained through any special financial schemes (financial leasing, long term trade credits, etc.) these are classified under the relevant type of instrument (predominately F.4 – Loans) which consist part of stock of GG debt figure.

2. Types of contracts used by military forces for the procurement of military equipment (if possible, please, give an indication on the frequency and on the average share in equipment expenditure)

- 1. Arrangements within the government sector (manufacturing by government units)*
- 2. Sales agreed in advance with industrial suppliers, with or without government pre-financing*
- 3. Long-term rental contracts (please describe the nature of the lessor - industrial supplier, special purpose entity, etc. - and the coverage of the contract as regards services provided during the contract)*
- 4. Trade credits (payments after delivery)*
- 5. Purchasing through an international special agency*
- 6. Others.*

The types of contracts used by the Bulgarian military forces are:

- Arrangements within government sector (manufacturing by government units)
- Sales agreed in advance with industrial suppliers, with or without government pre-financing
- Long term rental contracts
- Trade credits (payments after delivery)
- Purchasing through an international special agency
- Other

3. Please mention which institution (Ministry of Defence, Ministry of Finance, other) provides the data to INS for the recording of military equipment

Ministry of Defence is the institution which provides the data to BNSI for the recording of military equipment.

6. Time of recording - 6.3 Military expenditure

6.3.2 Borderline cases

1. *Please describe any borderline cases relating to classification of military goods or other equipment used by military forces.*

6.3.3 Recording in national accounts

1. *Please describe the time of recording in national accounts and EDP tables for each of the above mentioned types of contracts: 1.1; 1.2; 1.3; 1.4; 1.5; 1.6.*

Issues related to recording of contracts on military equipment have been considered by the MoF and NSI in the light of the EUROSTAT decision from March 2006 on recording of military equipment expenditure.

The position was worked out that adjustment of the cash flows with the corresponding data on receivables/payables and the specific conditions of the delivery should be carried out, and withhold of adjustment should be admitted only with very small consignments of non-essential amounts or when the period between the date of payment and the date of delivery is less than a year, the aim being not to replace the accrual accounting with cash based data but to achieve a reasonable approximation to the accounting on accrual basis.

6. Time of recording -Interest

6.4 Interest

This part aims at describing accrual adjustment for interest.

ESA 4.50 reads: "Interest is recorded on an accrual basis: that is, interest is recorded as accruing continuously over time to the creditor on the amount of principal outstanding. The interest accruing in each accounting period must be recorded whether or not it is actually paid or added to the principal outstanding. When it is not actually paid, the increase in the principal must also be recorded in the Financial Account as a further acquisition of that kind of financial asset by the creditor and an equal acquisition of a liability by the debtor. "

MGDD part II, chapter II.4 is dealing with some practical aspects of the recording of interest.

6.4.1 Interest expenditure

Table x Availability and basis of data on interest

Instrument	S.1311		S.1312		S.1313		S.1314	
	State	OCGB	Main unit	OSGB	Main unit	OLGB	Main unit	OSSB
Deposits (AF.2)			M	M				
Securities other than shares (AF.3)	Cash/accrual	Cash/accrual	M	M	Cash/accrual	Cash/accrual	Cash/accrual	Cash/accrual
Loans (AF.4)	Cash/accrual	Cash/accrual	M	M	Cash/accrual	Cash/accrual	Cash/accrual	Cash/accrual
Other accounts receivable (AF.7)			M	M				

Cash/accrual, M (not applicable) or L (not available)

Please complete the table above and provide a description.

1. What data sources are being used?

In term of interest incurred on principal outstanding the source of information is the contract agreement or the result from actions and bond’s coupon. For principal of accruing the due interest till the end of the calendar year is calculated automatically by ORGGGS.

2. Is data on interest cash, accrual or both?

Both.

3. Please indicate whether data on instrument by instrument basis are available to the NSI.

Yes, the interest accrued and paid by type of instrument. are available to the NSI.

4. Indicate if you have information on interest in State/Local government and social security funds subsector.

Yes.

6. Time of recording -Interest

5. Please clarify, whether the principle of recording accrued interest under instrument is being followed for all instruments? If not, where interest is allocated (F.7 or other)?

Yes, accrued interest is being followed by all instruments in compliance with the rule that accrued interest is reinvested under the instrument.

6. As a general practice, are amounts for accrual adjustment on interest the same in EDP table 2A and 3B. If not, are you able to reconcile those?

In general the amounts for accrual adjustment on interest are the same in EDP table 2A and 3B. Only in specific cases data differ slightly.

6.4.2 Interest Revenue

Please describe:

1. Source data for interest accrued and received.

Trial balances and cash reports

2. Where are related accrual adjustments implemented in EDP tables?

6.4.3 Consolidation

Please describe:

1. How you implement consolidation on interest?

We do not implement consolidation, but we have data.

2. What source data is used for consolidation?

3. Indicate whether consolidation is applied for all subsectors.

4. How does consolidation impact B.9?

6.4.4. Recording of discounts and premiums on government securities

1. Please specify whether flows associated to premium and discount enter the Working balance of EDP tables 2 and on what basis are those flows (cash/accrual/other).

Yes, on a cash basis.

2. In case the working balance includes premium/discount, where in EDP table 2 are these flows neutralised?

These flows are neutralised in the line Difference between interest accrued and paid.

3. Do entities reported under "other government bodies" in EDP tables 2 issue debt above/below par?

If yes, where in EDP tables 2 is the accrual adjustment recorded?

4. Specify whether premiums and discounts are spread over the life of an instrument. .

Yes.

5. How are premiums treated (as revenue or as negative expenditure)?

6. Time of recording -Interest

In national accounts the premiums are treated as negative expenditure (decrease of expenditure).

6. Specify whether the repayment of discount is identifiable from the repayment of debt?

The repayment of discount could be identified clearly as a separate flow.

6. Time of recording -6.5 Time of recording of other transactions

6.5 Time of recording of other transactions

1. General questions

- do you record all transactions on accrual basis according to ESA95 rules? Indicate any deviations from ESA95 rules.

Data on accrual basis are used from balance sheets of budget entities and from financial statements of reclassified public corporations. For April notification are used more cash data, whilst for the October notification are used more accrual data.

- do you use accrual data sources or do you use cash and make accrual adjustments?

For some transactions where we have only cash data are made accrual adjustments in Table 2.

- how do you ensure that accrual data coming from financial statements are in line with ESA95 rules (e.g. for GFCF, subsidies, investment grants and other transfers, dividends, etc)? According to the Accounting Law all entities are obliged to record their data on accrual basis.

- indicate if accrual non-financial flows are consistent with F.7 recorded in financial accounts.

- indicate whether you check if all receivables, as booked in public accounts, are finally cashed (e.g. revenue from fees, penalties, etc)

- it was observed in some countries that payables (and so expenditure) have not been always booked in public accounts due to different reasons (exceeded limit of the budget, insufficient funds to pay subsidies, etc). Are you aware of such cases? How do you ensure that all payables are taken into account? Are public accounts audited in this respect?

- specify if you are aware of accumulated arrears / payables of government?

2. In particular, please specify the time of recording of the following transactions in your national accounts by sub-sectors (separate description by sub-sectors is only needed when the recording differs among sub-sectors):

- subsidies payable

Data on D3 Subsidies are available for all sub-sectors.

The sources data:

- data from the report of cash execution of the consolidated state budget from Ministry of Finance;

- additional administrative information from the Ministry of Agriculture and Food.

- current and capital transfers payable

Data on D7 Other current transfers, payable, are available for all sub-sectors.

The sources data are:

- Data from the report of cash execution of the consolidated state budget from Ministry of Finance;

- Data from statistical survey for non-financial enterprises – BNSI on an accrual basis;

- additional administrative information from Ministry of Finance for other accounts and adjustments – on an accrual basis;

- Balance of Payments from the Bulgarian National Bank.

Data on capital transfers, payable, are available for all sub-sectors.

The sources data are:

6. Time of recording -6.5 Time of recording of other transactions

- Data from the report of cash execution of the consolidated state budget from Ministry of Finance;
- additional administrative information from Ministry of Finance.

- *gross capital formation*

Data on P5 Gross capital formation are available for all sub-sectors.

The sources data:

- data from the report of cash execution of the consolidated state budget from Ministry of Finance;
- data from statistical survey for non-financial enterprises - BNSI.
- additional information from Ministry of Finance (trial balances) which is necessary to transform basic data on accrual basis in line with ESA95 concepts and rules.

- *dividends (and interim dividends) receivable*

Data on dividends are available for all sub-sectors.

The sources data:

- Data from the report of cash execution of the consolidated state budget from Ministry of Finance;
- Data from statistical surveys for non-financial enterprises – BNSI – on an accrual basis.

- *social benefits payable*

Data on social benefits are available for all sub-sectors.

The sources data is the report of cash execution of the consolidated state budget from Ministry of Finance.

There are two main groups of social benefits:

- social security benefits paid in cash from social security system - as pension, illness compensations, taking care of ill people and quarantine compensations, life and labour accidents compensations, pregnancy, birth and small child compensations, for unemployed people and other;
- in the second group are benefits paid from Central Government and Local Government in accordance with the Law on defence, recovery and social integration of disabled, the Social assistance Law and other administrative acts – monthly or one-time benefits, earmarked grants for rents, heating, disabled people or other benefits under decision of the Municipal Council.

- *possibly other transactions non-financial transactions*

- *financial transactions (when cash is not paid at the time when the transaction in financial instrument took place, e.g. privatisation)*

Most financial transactions are recorded on an accrual basis. The cash receipts from privatisation are recorded when they are collected – on a cash basis.

For each transaction

- *Please detail, separately, the basic and supplementary (if relevant) data sources used. Specify any accrual adjustments you make to the basic data sources.*

7. Specific government transactions

Methodological rules applicable for recording of specific government transactions are set up in the Manual on Government Deficit and Debt (implementation of ESA95), 2010 edition⁶.

7.1 Guarantees, debt assumptions

Generally, government guarantees are recorded off-balance sheet in government accounts (contingent liability), and neither government debt nor deficit is impacted. However, when a guarantee is activated (called), the payment made by government on behalf of the debtor is normally recorded as government expenditure. In case of repeated guarantee calls, the whole outstanding amount of the guaranteed debt should be assumed by government. The latter leads to a one-off increase of government debt as well as of deficit. The accounting rules are explained in the Chapter VII.4 on Government guarantees of the ESA95 Manual on government deficit and debt. This chapter describes also specific cases and related treatment in national accounts.

7.1.1 Guarantees on borrowing

7.1.1.1 New guarantees provided

Recording in public accounts

1. *Provide some background information and explain the mechanism related to guarantees; which units provide guarantees, who are beneficiaries, existence of guarantees on borrowing and on assets, etc.*

Guarantees are provided as contingency liabilities at the expense of the central budget. These guarantees are on borrowing from financial institutions with original debtor SOE (one-off guarantees). The beneficiaries are SOE or municipalities who are obliged to pay all due amounts in full extent and unconditionally.

A separate scheme has been introduced for individuals under “Student and Doctoral – candidates Loan Act” in form of standardised guarantees. These guarantees are on borrowing on behalf of eligible students and candidate - doctorate from domestic financial institutions. The guarantees are planned and provided from the budget of the Ministry of education and science. These guarantees are on borrowing and these are not connected with underlying assets or any pledges on behalf of the borrower.

2. *Are the related accounting records on government guarantees kept exclusively in government public accounts? Or are there any kept by a unit outside government?*

All accounting records on government guarantees are kept exclusively in government public account. These are replicated in ORGGGD.

⁶ http://epp.eurostat.ec.europa.eu/portal/page/portal/product_details/publication?p_product_code=KS-RA-09-017

7. Specific government transactions - 7.1 Guarantees, debt assumptions

3. *Is the information on government guarantees made public? If yes, what details are published?*

Yes, the government guarantee information is public. It is published on MoF web-site.

4. *Specify a typology of guarantees: on assets (e.g. deposit, export insurance, housing loans, student loans, other) and on borrowing (public corporations, other), etc?*

The government guarantees are on borrowing of public corporations from their creditors (mainly IFI) and on the student loans which are considered as borrowings too.

5. *How are granted guarantees recorded in public accounts?*

As a part of the government guaranteed debt the granted guarantees are imputed in ORGGGD.

6. *Indicate any cases of debt assumption at inception.*

None.

7. *Specify cases when since inception, government pays regularly interest.*

Not relevant.

Recording in national accounts

1. *What kind of data and details on guarantees provided by government are available for statisticians?*

As a part of the government guaranteed debt the granted guarantees are imputed in ORGGGD. All relevant information is derived from the original loan agreements.

2. *How are guarantees provided by government treated in national accounts?*

As the government guaranteed debt is not part of GG debt under CR 479/2009, these figures are imputed as contingent liabilities in the relevant tables for guarantee recording in "Questionnaire related to EDP Notification tables (Annex 3).

3. *Indicate any cases of debt assumption at inception in national accounts.*

Not relevant.

4. *Specify the recording in national accounts of cases when, since inception, it is foreseen that government will pay regularly interest.*

Not relevant.

7.1.1.2 Treatment of guarantees called

Recording in public accounts

1. *How are guarantee calls recorded in public accounts? Mention and describe all possible cases:*

- expenditure?

7. Specific government transactions - 7.1 Guarantees, debt assumptions

- claim?
- nothing since early repayment is expected?

2. If a claim is recorded, is recoverability regularly assessed in public accounts and reflected via provisions? 3. If a claim was recorded, have there been any related debt cancellations recorded in public accounts? What are the rules in public accounts for recording of debt cancellation or write-off?

4. Have there ever been recorded in public accounts an assumption of the outstanding amount of debt? When, why, whose debt?

Recording in national accounts

1. How is a guarantee call recorded in national accounts? Describe all possible cases and explain when and why a guarantee call is recorded as:

- expenditure (partial call - cash payment)
- claim against the guaranteed unit or against a third party
- assumption of the whole outstanding debt
- other (e.g. nothing is recorded, equity injection...)

Indicate also counterpart transactions.

If there are guarantee calls up to three times (excluding non – performing due to short liquidity mismatch solved in very short period) the guarantee cash calls are recorded as expenditure. The counterpart transaction is decrease of cash.

In case when the guarantee call exceeds three times, the whole outstanding amount of guaranteed debt is assumed as debt (capital transfer), which is classified under the relevant type of instrument (F.33; F.4).

The counterpart transaction is a financial transaction resulting in the rise of stock of debt.

2. Who decides on the way of recording, on the basis of what information, decision, etc? Is this decision taken independently by statisticians? To what extent is it based on public accounts recordings, government decision, etc.?

The decision is taken by BNSI in compliance with rules set in MGDD. The information source is MoF and it is based on clauses stipulated in the agreement between the financial institution (creditor) from one side and the debtor and its guarantor (government) from the other side and the subsequent correspondence regarding all actions for serving the loan. There are strict rules about monitoring and reporting the financial situation of SOEs and the government is fully aware about their capability to serve their loans.

3. If a claim is recorded in national accounts,

- indicate if recoverability is assessed by statisticians.
- is the claim recorded at its nominal value or is an "effective" value estimated? If the latter, how is the estimation done?
- indicate any related debt cancellations recorded in national accounts. When, who decided, why? Specify if it is always linked to recording in public accounts.

Not relevant for Bulgaria for the time being.

4. How do you treat repeated guarantee calls?

7. Specific government transactions - 7.1 Guarantees, debt assumptions

If the number of repeated guaranteed calls do not exceed three and which are not repaid in short time (in case of short liquidity mismatch only), the cash payment is considered as expenditure.

In case when the guarantee call exceeds three times the whole outstanding amount is assumed as debt and it is classified under the relevant type of instrument.

5. Have you recorded assumption of the outstanding amount of debt? When, who decided?

Yes, this is the case regarding the guaranteed debt of just one SOE toward World Bank. It was recorded as a debt in 2012 after 3 consecutive guarantee calls. The decision is taken in line with MGGD rules under the leading role of BNSI.

8. Cases of regular call for payments of interest by GG on behalf of debtor – describe treatment in national accounts.

The basic provision is that the order of payment of due liabilities are as follows: taxes, interest and principal. The treatment in national accounts of executed payment for due and unpaid interest is expenditure on behalf of GG.

7.1.1.3 Treatment of repayments related to guarantees called

Recording in public accounts

1. How are repayments by the original debtor/third party recorded in public accounts:

- revenue?
- financial transaction?
- it depends- explain further.
- both – revenue and financial transaction? Explain further.
- nothing?

Recording in national accounts

1. Explain in detail how repayments by the original debtor/third party are recorded in national accounts.

The repayments by the original debtor are recorded in national accounts negative (opposite) expenditure.

7.1.1.4 Treatment of write-offs by government in public accounts of government assets that arose from calls, if any

1. Provide some details and explain how they are recorded in national accounts.

According to the local legislation, if there is a guarantee call the debtor is obliged to recover the executed expenditure in full extent. The MoF passes the collection of the spent amount to the National Revenue Agency which is the institution responsible for taking the necessary steps to enforce the original debtor and to collect the respective amounts as repayments. Covering of the executed expenditure from the budget funds are treated with priority by NRA.

7. Specific government transactions - 7.1 Guarantees, debt assumptions

7.1.1.5 Data sources

1. Specify whether *individual* data on stocks of guarantees and related flows (calls by year and by beneficiary) are available. If only aggregated or partial data are available, specify further.

Individual data on stock of guarantees and related flows are available in case when beneficiaries of guarantees are mainly SOE or financial institutions. These data are imputed in ORGGGD according to the clauses stipulated in the loan contracts.

Aggregate data is available for the guarantees provided under “Student and Doctoral – candidates Loan Act”. The source of information is the Ministry of Education and Science. The stock of debt is imputed in ORGGGD.

2. Do related flows enter the WB, or are these recorded in extra budgetary accounts (EBA)? If the latter, explain further.

WB only replicates the imputed data in ORGGGD.

3. Indicate if you have related information at state and local level.

State level is not applicable.

Local level – we have similar information for guarantees issued by municipalities. The data are inputted in CRMD and the necessary reports are generated automatically.

7.1.2 Guarantees on assets

Please complete the section on guarantees on assets via answering the questions from section 7.1. on guarantees on borrowing.

7.1.2.1 New guarantees provided

Recording in public accounts

Recording in national accounts

7.1.2.2 Treatment of guarantees called

Recording in public accounts

Recording in national accounts

7.1.2.3 Treatment of repayments related to guarantees called

Recording in public accounts

Recording in national accounts

7. Specific government transactions - 7.1 Guarantees, debt assumptions

7.1.2.4 Treatment of write-offs

7.1.2.5 Data sources

7. Specific government transactions - Capital injections in public corporations

7.2 Claims, debt cancellations and debt write-offs

Providing loan capital is generally a financial transaction not impacting the net borrowing/net lending (B.9). Government, as a lender, is expecting that the debtor will be in a position to repay the loans, according to a schedule agreed at inception. However, if the loan is non-recoverable, the recording of government expenditure might be considered. The related accounting rules are set up in ESA95 and further clarified in the Chapter III.2 on Capital injections and Chapter VII.2 on Debt assumption and cancellation of the ESA95 Manual on government deficit and debt.

7.2.1 New lending

1. Explain briefly what kind of loans are granted by government, who are beneficiaries, at what interest rates are loans granted, maturity, which government units can grant loans and which not, etc.

The government grants loans and temporary financial help to enterprises, non-profit organizations and households. The maturity depends on the time period of the loan granted – for short-term loans – 1 year; for long-term loans – 1 to 5 years. The interest rate is defined as per cent of the basic interest rate of the Bulgarian national bank. The government units that can grant loans are “FLAG” AD; National Agricultural fund.

The Fund for Local Authorities and Governments (FLAG) provides loans only to Beneficiaries eligible for funding from the EU Funds and which are either:

- municipalities or a group of municipalities in Bulgaria (for development of project proposals or for implementation of investment projects, approved by the Managing authority of the Operational programme), or
- public utilities operating in Bulgaria, owned or controlled by municipalities, local governments or local government agencies in the Republic of Bulgaria (only for implementation of investment projects, approved by the Managing authority of the Operational programme).

2. Specify whether you have direct data on transactions on new lending and on the related repayments, or are net transactions derived from the stocks?

BNSI receives data from balance sheets and net transactions are derived from the stocks.

3. If data on transactions and also stocks are available, are these integrated data sources?

4. What data (details) are available for statisticians?

The available data are annual balance sheets of units.

7. Specific government transactions - Capital injections in public corporations

5. Do you consider regularly recoverability of a loan when it is granted? If yes, how it is done, does it relate only to big amounts, or for all cases, or only for specific units? Explain further.

It is responsibility of the relevant government entity. In accordance with accounting guidelines loans and other financial assets should be tested for impairment.

6. Have there been any cases of granted loans which were recorded as a transfer (expenditure) in national accounts instead of financial transaction? If yes,
a. who decided about the treatment?
b. why?
c. which units were involved?

No.

7. Specify integrated data on stocks and transactions in F.4 available for all GG units, including state and local level.

For the budget entities there are integrated data on stocks and transactions by subsectors of GG from trial balances. For reclassified hospitals there are also data on stocks and transactions from the balance sheets.

7. Are there any cases when government claims are kept in books of public corporation (it means outside GG)? If yes, specify.
Yes, there is information in specific statistical survey on payables and receivables for public corporations.

Please ensure that it is always clear when the description relates to public accounts and when to national accounts recording.

Yes.

9.2.2 Debt cancellations

1. When, under which circumstance is a debt cancellation recorded in public accounts – legislation, official decision – at what level, decision of public accountant, provisions, ...?>2. Specify the official rules for public bookkeeping on debt cancellation. When could a claim be cancelled?

The debt cancellations are recorded in public accounts after official decision of the Council of Ministers of the Republic of Bulgaria.

3. How does it come to your knowledge that there was a debt cancellation?

The information on debt cancellations comes from the Ministry of finance.

4. What is the impulse for recording a debt cancellation in national accounts? Is it always based on government decisions and/or recording in public bookkeeping records?

7. Specific government transactions - Capital injections in public corporations

The debt cancellation is always based on government decisions.

5. Explain cases when a debt cancellation is recorded on the basis of a decision of statisticians.
6. Do you record debt cancellation also on F.7 other accounts receivable? Specify.
7. In case you use accrual data sources, specify if you could identify flows on debt cancellation. Indicate if the details are available.
8. How do you treat loans or F.7 other accounts receivable which are clearly non-recoverable, but there is no official decision on debt cancellation?

In accordance with accounting guidelines, the nominal value of all such loans and receivables should be adjusted by recording provision for bad debts up to 100 % and can be written off when legally become void by prescription.

9. For the latter case, do you record accrued interest revenue?
10. In case you use accrual data sources, is accrued interest on bad loans an “other claims” (e.g. AF7) included in revenue and so in national accounts?
11. Specify whether you have data on debt cancellations, stocks on bad loans and related accrued interest revenue available at all government levels.
There is available information on debt cancellations, stocks and accrued interest revenue at all government levels.
12. Do you investigate significant differences between the change in stocks of claims and transactions in order to identify possible occurrence of a debt cancellation? How do you treat these differences?
13. What is the time of recording of debt cancellation in national accounts?

The time of recording of debt cancellation in national accounts is when there is an official government decision.

14. Specify whether the amount of debt cancellation includes also interest accrued.
Yes, the amount of debt cancellation includes also interest accrued.
15. In the specific case when foreign claims, governed by the Paris club agreements or by other agreements, are maintained in the books of public corporations instead of in those of the Treasury, have you recorded a capital transfer in the accounts of government at time of debt cancellation? Specify further.
16. How do you treat in national accounts provisions on claims from public bookkeeping records?

7.2.3 Repayments of claims

1. Recall briefly the recording of repayments of claims in ESA95 accounts - general case.
2. How do you record receipts from repayments of claims which were previously cancelled?
3. How do you record repayments in kind, e.g. via delivery of goods and services or via transfer of assets? Do you record an expenditure?
4. Where do the related data come from? What kind of data and details are available to statisticians?

7. Specific government transactions - Capital injections in public corporations

We have not identified such transactions.

7.2.4 Debt write-offs

*1. How are recorded in national accounts debt write-offs (loan or F.7) which are booked in public accounts? When, under which circumstance is a **write-off** recorded in public accounts? Specify under which conditions a claim could be **cancelled** (and not written-off) in public accounts. Specify the related official rules applied in the public accounts bookkeeping.*

Debt write-offs are recorded in public accounts when the claim can no longer be collected because of bankruptcy of the debtor and if not a bilateral agreement on debt cancellation is made. In accordance with accounting guidelines, the nominal value of all such loans or F7 should be adjusted by recording provision for bad debts up to 100 % and can be written off when legally become void by prescription.

*2. How does it come to your knowledge that there is a debt write-off?
When debt become void by prescription legally.*

*3. Specify whether you have information available for all government units, also at state and local level.
No, by individual items.*

*4. Have you recorded debt write-offs in national accounts (via other changes in volume account), which have not followed public accounts recordings?
Accounts on write-off expenses are segregated from transaction accounts (accounts for grants provided by debt forgiveness) and are included in Chart of accounts in accounts group 69 "Other volume changes"*

5. If yes, explain further why, when, who decided, what units were involved, etc.

It depends on the responsible unit

7.2.5 Sale of claims

*1. Have there been any cases of sales of bad loans AF.4 (including foreign claims)?
If yes, provide details, focus on the valuation issue (nominal value versus the sale price), and specify the treatment in national accounts.
*We have not identified such transactions.**

*2. Have there been any cases of sales of well performing loans?
If yes, provide details, focus on the sale price versus nominal value, and specify the recording in national accounts.
*We have not identified such transactions.**

*3. Have there been any cases of sales of claims in AF.7 (including foreign claims)?
If yes, provide details and specify the recording in national accounts.*

7. Specific government transactions - Capital injections in public corporations

We have not identified such transactions.

4. How does it come to your knowledge that there was a sale of a claim?

5. Specify whether you have information available for all government units, including at state and local level.

7. Specific government transactions - Capital injections in public corporations

7.3 Capital injections in public corporations

Government capital injections are transactions which occur when governments provide assets (in cash or in kind) to public corporations (or assume liabilities), in their capacity of owner / shareholder, with an aim to capitalize or recapitalize them. The accounting rules are set out in ESA95 and clarified in the Chapter III.2 on Capital injections of the ESA95 Manual on government deficit and debt. This chapter devotes considerable space to set the operational rules for the recording of capital injections in national accounts either as transactions in equity (financial transaction = financing = “below-the-line”), or as capital transfers (non-financial transaction = expenditure = “above-the-line”).

It is recalled that the MGDD also indicates that payments by government to public units, structured in the legal form of a loan or a bond, might be considered in specific circumstances as capital injections, to be classified as either a capital transfer D.9 or as an acquisition of equity F.5.

1. How does it come to your knowledge that there is a capital injection (either in cash or in kind)?

Case by case

2. Specify whether you have knowledge about (both in non-financial or financial assets)

Yes.

3. How do you apply the capital injection test (both to the ones in kind or the ones in cash)?

a. who does it,

b. when,

c. from what data sources do you have data,

d. do you apply it for only big amounts or all cases?

4. How do you control capital injections at the local/state government level?

5. How do you record capital injections into quasi-corporations?

7.4 Dividends

It is recalled, that the ESA95 Manual on Government Deficit and Debt chapter III.5 indicates that large and exceptional payments out of reserves which significantly reduce the own funds of the corporation should be treated as superdividends, i.e. transaction in shares and other equity (a capital withdrawal).

Total distributions could therefore comprise one part recorded as property income, D.42, and another recorded as transactions in equity, F.5. The former data is reported to Eurostat in ESA95 table 2, but the latter is included within transactions in equity in financial accounts. Within the latter, for the benefit of analysis, one should also distinguish between amounts received from the National Central Bank, and amounts received from other public corporations.

1. What is the data source on dividends received by the government (central/state/local)?

7. Specific government transactions - Dividends - Privatization-

The main data sources on dividends received by the government are consolidated fiscal program and annual financial statements of public corporations. BNSI receives from NRA detailed information by units with paid dividends to government.

2. *When and how do you apply the superdividend test?*

a. *who does it,*

b. *when,*

c. *from what data sources do you have data,*

d. *do you apply it for only big amounts or all cases,*

e. *What kind of profit do you use (e.g. Ordinary income, income before tax)?*

The NSI carried out an investigation on the availability of **super-dividends** paid by all public enterprises.

The difference between the dividends paid and the operating profit recorded for the previous year are reflected respectively as reduction of shares and equity in table 3B (F.5 (-)) and in table 2A as negative adjustment to the surplus.

3. *Specify if government receive interim dividends.*

No.

4. *How are interim dividends recorded?*

5. *How do you test dividends on state/local government level?*

The NSI carries out investigation of availability of super-dividends paid by public enterprises with municipal ownership and if a case is registered it is respectively reported in the notification tables. No cases have yet been registered for the Local Government sub-sector.

7.5 Privatization

The proceeds collected by government when disposing of shares in public corporations are often called privatization proceeds. The counterpart entity (i.e. the acquirer of shares) is the private sector. Privatization can be indirect when the proceeds are forwarded to government after the sale of a subsidiary. The MGDD chapter V.2 indicates that such indirect privatization proceeds are not government revenue.

Chapter V.3.1 of the ESA95 Manual on government deficit and debt mentions that in some EU Member States, holding companies have been set-up by the government to restructure the public sector with the aim of making the enterprises more competitive and profitable and, in the long run, disengaging the government. Often their main activity is to organise the privatisation efficiently and transfer the proceeds of the sale of shares to other public corporations (owned by the holding company or not), through grants, loans or capital injections.

The main issue is: what is the relevant sector classification of this sort of unit managing privatisation and possibly making grants to other enterprises? Should this activity been considered as taking place on behalf of the government?

1. *Indicate if there is a separate institutional unit/ extra-budgetary fund involved in privatization.*

7. Specific government transactions - Dividends - Privatization-

There are separate extra-budgetary funds – one covering the privatization expenses and control in state-owned enterprises and one on local (municipalities). In their reports according the national methodology privatization is recorded in a way that does not affect their cash surplus/deficit.

2. *Please provide the name both in English and in your national language.*

- Privatization Expenses in State-Owned Enterprises Fund – “Фонд за покриване на разходите за приватизация и следприватизационен контрол”.

- Privatization Expenses of Municipalities Fund - art.10, item 1 (LPPPC) – “Фонд за покриване разходите от приватизация към общините”

3. *Where is this unit classified?*

The units are classified inside general government sector.

4. *Indicate if privatization income goes through the working balance.*

No.

5. *In case yes, where do you make the neutralization on B.9 in EDP table 2A?*

6. *Specify whether you can separate privatization and sale of shares at state/local government level.*

Yes

7. *Specify whether you record transactions in F.5 due to privatisation on an accrual basis (when the cash is paid in tranches).*

7.6 Public Private Partnerships

The term “Public-Private Partnerships” (PPPs) is widely used for many different types of long-term contracts between government and corporations for the provision of public infrastructure. In these partnerships, government agrees to buy services from a non-government unit over a long period of time, resulting from the use of specific “dedicated assets”, such that the non-government unit builds a specifically designed asset to supply the service. ESA95 Manual on government deficit and debt Chapter VI.5 deals with this issue.

The key statistical issue is the classification of the assets involved in the PPP contract – either as government assets (thereby immediately influencing government deficit and debt) or as the partner’s assets (spreading the impact on government deficit over the duration of the contract). This is an issue similar to the one of distinguishing between operating leases and finance leases, which is explained in annex II of ESA95 (see also chapter VI.4).

As a result of the methodological approach followed, in national accounts the assets involved in a PPP can be considered as non-government assets only if there is strong evidence that the partner is bearing most of the risk attached to the asset of the specific partnership. In this context, it was agreed among European statistical experts that, for the interpretation of risk assessment, guidance should focus on three main categories of risk: “construction risk” (covering events like late delivery, respect of specifications and additional costs), “availability risk” (covering volume and quality of output) and “demand risk” (covering variability of demand).

PPP assets are classified in the partner's balance sheet if both of the following conditions are met: the partner bears the construction risks and the partner bears at least one of either availability or demand risk, as designed in the contract.

If the conditions are not met, or *if government assumes the risks through another mechanism*, (e.g. guarantees, government financing) then the assets are to be recorded in the government's balance sheet. The treatment is in this case similar to the treatment of a financial lease in national accounts requiring the recording of government capital expenditure and borrowing. In borderline cases it is appropriate to consider other criteria, notably what happens to the asset at the end of the PPP contract.

1. Indicate if PPPs common in your country.

A PPP Act was adopted in 2012, effective 01.01.2013, but still no PPP projects are under realization.

2. How do you distinguish PPPs from concessions or operative lease?

According to the PPP Act, the main difference between PPP and Concession is in the source of revenues – in Concession the revenues for the private side come from the end users of the respective service, while in PPP – revenues for the private partner come from the public partner (in the form of availability payments, depending on the quality of service or in the form of granting of limited rights over other real estate property).

3. Is there a specific unit established in your country to deal with PPPs?

7. Specific government transactions - Public Private Partnerships

The PPP Act does not set up a specific PPP unit. According to Art.25, methodological directions for the application of the PPP Act shall be given by a directorate within the administration of the Council of Ministers.

Art.17 stipulates that ministers shall implement the governmental policy on PPP in their respective fields of competence, whereas the minister of finance shall implement the governmental policy regarding the effective and efficient usage of public funds in PPP.

According to Art. 18 the policy on municipal PPP shall be determined by the respective municipal council with the municipal development plan and shall be implemented by the municipality mayor.

For the purposes of public finance accounting and statistics, the minister of finance may require from the parties to a PPP contract to submit reports and other information, and shall specify the content, form and deadline for submission (Art. 25).

A department within the Ministry of Finance also deals with state PPPs (as part of its functions), regarding the programming, planning, reporting, maintaining PPP register, reviewing financial-economic analyses, participation in international PPP organizations, etc.

4. At what level you are aware of PPPs – central, state, local?

5. If there is no specific unit, how does the NSI get to know new PPP projects?

6. Who is assessing the risks associated and who bears the risks? (NSI, special unit)

For the time being no PPP projects are under realization.

7. Indicate if the NSI gets the contracts and assesses the risks or if is it another unit providing results to the NSI.

8. If the latter, which unit is this?

9. Specify whether government provides guarantees for the private partner.

The government does not provide guarantees for the private partner.

10. What kind of other government financing is involved?

Apart from the described in Question 2 (availability payments, granting of rights), no other government financing is provided for state PPPs.

7. Specific government transactions – 7.7 Financial derivatives

7.7 Financial derivatives

This part describes the use of financial derivatives and the recording of derivative related flows in EDP tables and national accounts.

Regulation 2558/2001 added a new annex to ESA95 which specified that: *"For the purpose of the Member States' reports to the Commission under the excessive deficit procedure..., "Government deficit" is the balancing item "net borrowing/net lending" of General Government, including streams of interest payments resulting from swaps arrangements and forward rate agreements. This balancing item is codified as EDPB9. For this purpose, interest includes the abovementioned flows and is codified as EDPD41of streams of interest payments. "*

Eurostat guidance note on Financial derivatives was published on 13 March 2008.

7.7.1 Types of derivatives used

1 Please describe what kind of derivatives are being used by general government (e.g. FRAs, options, swaps (please list what kind of swaps)).

The derivatives like FRAs, options and swaps are not applicable for Bulgaria.

Under **financial derivatives of the central government sector (F.34 in EDP Table3)** BNSI records data only on compensation vouchers.

2 Please specify whether derivatives are used at the level of "other central government bodies", state/local government, social security funds.

7.7.2 Data sources

1. What data sources are being used? Indicate if the NSI receives cash or accrual data. Specify whether you record swap related flows (interest flows) on an accrual basis. Are derivative related flows in national accounts reported on asset, on liability side or both?

The compensation vouchers of all types can be traded or used in the privatization process only upon registration at the Central Depository (CDAD).

The CDAD supplies data on newly issued used vouchers and the stock of vouchers at nominal value and average market prices on an annual and quarterly basis to the MoF, NSI and BNB. The register maintained by the CDAD contains the complete information on transactions carried out with compensation vouchers since 2002. The average price is calculated by dividing the accumulated total amount of one type of the compensation instruments used during the year to the number of vouchers of that, traded out at the stock-exchange (used) during the same year.

The number of newly issued vouchers during the year is multiplied by the average price for that type of vouchers for the same year, and the total of the three types of vouchers is recorded in the notification tables as capital transfer of the central/general government (EDP Table 2),

7. Specific government transactions – 7.7 Financial derivatives

adjusting the net lending / borrowing, and as an increase of liabilities under financial derivatives of the central government sector (F.34 in EDP Table3).

The number of used compensation vouchers by types as of the end of the year is multiplied by the average price for the same type and year. The total of three amounts is recorded in the notification tables (EDP Table3) as decrease of the shares and equities of central government (F5), and as decrease in liabilities under financial derivatives of the central government (F34). These amounts have no impact on the net lending / borrowing of the central/general government sector.

2. What are the data sources for derivatives used in "other central government bodies", in state/local government, social security funds? Specify whether appropriate adjustments are implemented in EDP tables.

Not applicable.

7.7.3 Recording

1. Have there been occurrences of swaps (IRS, currency, other) or FRA cancellations over the period 2000-2009. Please describe the recording practices.

2. Have there been occurrences of off-market swaps (IRS, currency, other) over the period 2000-2009. Please describe the recording practices.

3. Specify whether information on cash or on, accrual basis on streams of interest payments from swaps and FRAs is available. Do you apply the accrual recording?

4. Indicate if you record swap and FRA interest related flows on a net basis. Are those net amounts reported under asset and liability side in national accounts?

5. Specify any threshold for swap operations which you apply (i.e. amounts below this threshold are considered negligible and thus rules on cancellations or off-market swaps are not applied).

7.8 Payments for the use of roads

The main issue is whether payments for road, both in the case of tolls and vignettes, should be considered as sale of services or as a tax, when the infrastructures are owned by public units. The issue is important also because the classification of payments made for the usage of roads, either as sales or taxes, influences the assessment of the 50% criterion, which is fundamental for the purpose of assessing whether a given institutional unit (in some cases, a government-controlled entity receiving the payment of the toll or vignette) is a market or a non-market producer.

Payments for the use of roads will generally be classified as a sale of a service in the case of tolls. They will also be classified as a sale of a service in the case of vignettes whenever users have sufficient choice both in terms of selecting specific roads and of choosing a determined length of time for the vignette.

7. Specific government transactions – 7.7 Financial derivatives

1. *Indicate if you have tolls or vignettes in your country (except for the vignette system for trucks).*

We have vignettes system for all type of vehicles.

2. *In case you have vignettes, is there a sufficient choice both in terms of selecting specific roads and of choosing a determined length of time?*

The users of roads can choose between a daily, weekly, monthly and annual vignette for trucks and buses and weekly, monthly and annual for cars.

3. *How do you classify income from the vignettes (tax, revenue)?*

The income is classified as non-tax revenue – fees.

4. *Where is the institutional unit collecting toll/vignette revenues classified in national accounts?*

The institutional unit collecting vignette revenues is Ministry of Regional Development through Road Infrastructure Agency and it is classified inside General Government sector.

7.9 Emission permits

There are two main trading systems, where European Union Member States can participate:

The Kyoto Protocol is a 1997 international treaty which came into force in 2005. In the treaty, most developed nations agreed to legally binding targets for their emissions of the six major greenhouse gases.[33] Emission quotas (known as "Assigned amounts", AAUs) were agreed by each participating 'Annex 1' country,

The European Union Emission Trading Scheme (or EU ETS) is the largest multi-national, greenhouse gas emissions trading scheme in the world. It is one of the EU's central policy instruments to meet their cap set in the Kyoto Protocol. The so-called EU emission Allowance (EUA) is traded.

1. *Are you aware of emission permits (either AAU or EUA) sold by your government? Please list cases with dates and amounts.*

Yes, Government sold in 2012 43.3 BGN Mln. emission permits, but they can be used for the period 2013 – 2020.

2. *How do you record in national accounts and EDP tables these occurrences of sale of emissions?*

We will record the amounts in D29 as “Other taxes on production” in the year of surrender of the permits.

7.10 Sale and leaseback operations

7. Specific government transactions - Securitisation - UMTS licenses

Government sells an asset and immediately leases it back from the purchaser. The issue is whether the sale is to be considered as a "true sale" (transaction in GFCF improving B.9) or the transaction is to be treated differently and an asset should remain on government's balance sheet.

MGDD part VI, chapter VI.3 is dealing with sale and lease back operations

1. Please provide a description, have there been occurrences of sale and lease back operations over the period 2000-2009\?

We have not identified such transactions.

2. Specify the procedures in place for NSI to be informed on the new operations undertaken by government.

3. Indicate if information is available for Local/State government.

4. Specify if contracts for these operations are available to the NSI.

7.11 Securitisation

Securitisation is when a government unit transfers the ownership rights over financial or nonfinancial assets, or the right to receive specific future cash flows, to a special-purpose vehicle (SPV) which in exchange pays the government unit by way of financing itself by issuing, on its own account, asset backed bonds.

The classification of the proceeds received by government as disposal of an asset may lead to an impact on the government deficit, when the asset is a nonfinancial asset or if it is determined that a revenue should accrue. All securitisation of fiscal claims should be treated as borrowing, as well as all securitisation with a deferred purchase price clause and all securitisation with a clause in the contract referring to the possibility of substitution of assets. Also if the government compensates the SPV ex-post, although this was not required according to the contract, the operation should be reclassified as government borrowing.

MGDD part V, chapter V.5 and the Eurostat decision of 25 June 2007, "[Securitisation operations undertaken by general government](#)" are dealing with securitisation operations.

1. Have there been occurrences of securitisation operations over the period 2000-2009?. If yes please identify what kinds of assets were securitized. How were these operations recorded?

We have not identified such transactions.

2. Indicate if procedures are in place for NSI to be informed on the new operations undertaken by government.

3. Indicate if information is available at Local/State government level.

4. Specify if contracts for these operations are available to the NSI.

7.12 UMTS licenses

The sale of UMTS licenses is to be recorded as the sale of a non-financial asset (the license) at the time the license is allocated. Thus, sale proceeds have a positive effect on B.9 in the

7. Specific government transactions - Securitisation - UMTS licenses

year when the license is allocated. The actual payment of cash payment does not influence the recording of this transaction.

In some special cases, the sale of UMTS could be seen as a rent for the use of a non-financial asset, recorded over the life time of the license. In this case, the impact on government B.9 is spread over the duration of the license.

MGDD part V, chapter V.2 and Eurostat decision of 14 July 2000 on the allocation of mobile phone licences (UMTS) are dealing with the sale of UMTS licenses.

1. Has there been any sale of UMTS licenses over the period 2000-2009? If yes please explain how these operations were recorded.

Yes, and on cash basis they were recorded as financing items.

7.13 Transactions with the Central Bank

The management of asset portfolios and interventions in foreign exchange markets for monetary policy purposes, may generate capital gains for central banks which are liable to be distributed to general government. The amounts involved may sometimes be very large. Capital gains are not income in national accounts and therefore payments to government financed out of capital gains cannot be recorded as property income but have to be recorded as financial transactions.

It also proposes to apply the rules on capital injections when government makes a payment to the Central Bank. Such payments by government may be made to cover losses made by the Central Bank. Capital losses may occur due to foreign exchange holding losses. Operational losses may occur due to the fact that interest and other operational income do not cover operational costs made by the central bank. Capital losses can not be recorded as equity injection, therefore capital gains and losses are somehow not treated symmetrically. This asymmetrical treatment is nevertheless justified for the purpose of appropriately measuring government deficit.

1. Please describe transactions between general government and the Central Banks and their treatment in national accounts.

Concerning transactions between General government and the Central Banks the financial results of the BNB and the central government cash reports are used for source data. In case the payments of the Central bank to the government for a given year exceed the operating profit from the previous year, the surplus is treated as a financial transaction and the equity of the bank is decreased. The respective amounts are excluded from the revenue (an adjustment in 2A) and are reflected as transaction in equity (reduction of shares and other equity F.5) in table 3B.

7.14 Lump sum pension payments

The related accounting rules are described in the Chapter III.6 on payments to government from transfer of pension obligations, in the ESA95 Manual on government deficit and debt.

1. Have there been any occurrences of lump sum pension payments?

7. Specific government transactions - Transactions with the Central Bank - Lump sum pension payments - Pension schemes

Yes.

2. If yes, provide details and specify how it was recorded in national accounts.

The lump sum payments were treated as revenue for government at time of transfer.

7.15 Pension schemes

Definition of pensions

Since 2000 the so-called three-pillar pension system has been in place in Bulgaria.

Pillar I is the public pension system, a standard pay-as-you-go system (PAYG) under which the working population pays contributions for the pensions of the retired. It is mandatory and covers all individuals working on a labour contract, as well as self-insured, farmers, individuals working without a formal labour contract and other, nearly 30 insured types. All the types of individuals covered by this pillar are specified in Art. 4 of the Social Security Code. As provided in Art. 3 of the Social Security Code, the principles this pillar abides are:

1. mandatory and all-comprehensive generality of the subjects;
2. solidarity of the secured individuals;
3. equality of the secured individuals;
4. social dialogue in the management of the social security system;
5. funded organisation of the social contributions (the social contributions are collected and managed in special funds)

There are three main types of pension benefits in Bulgaria under pillar I: old age pensions, disability pensions and survival pensions. Pensions are exempted from tax. There are also so-called social pensions, financed entirely by the state budget. The social pension is the minimum pension level, and the ceiling is 35% of the maximum insurable income. The contributions rates for the first pillar are determined on an annual basis as a percentage of the gross remuneration, but not lower than the minimum insurable income and not higher than maximum insurable income.

Since 1.01.2012 entitlement to a contributory-service and retirement-age pension shall be acquired upon attainment of the age of 60 years for women and 63 years for men and 34 years of contributory service for women and 37 years of contributory service for men. As from 31 December 2011, the retirement age shall be increased, from the first day of each successive calendar year, by 4 months for both women and men until reaching the age of 63 years for women and 65 years for men.

As from 31 December 2011, the length of contributory service under Paragraph 1 shall be increased, from the first day of each successive calendar year, by 4 months for both women and men until reaching the sum total of 37 years for women and 40 years for men.

If a person is not entitled to the pension prior to 31 December 2011 the person shall acquire the entitlement to a pension upon attainment of the age of 65 years for both women and men provided that the person has at least 15 years of actual contributory service. As from the 31 December 2011, the retirement age shall be increased, from the first day of each successive calendar year, by 4 months until reaching the age of 67 years.

7. Specific government transactions - Transactions with the Central Bank - Lump sum pension payments - Pension schemes

Pillar II is the supplementary mandatory pension insurance. It is based on a defined contribution fully funded principle, which means that each individual pension is determined on the basis of the amount accumulated with the individual account. The amount accumulated depends on the contributions paid and the return of the investment. The Pillar II was started in 2000 as an alternative to PAYG system, and it is mandatory for individuals born after 31.12.1959.

Pillar III is based on voluntary individual contributions as all persons at age 18 and older may participate in the voluntary insurance system.

Both Pillar II and Pillar III are managed by licensed pension insurance companies.

The flows related to the Pillar I are recorded in the consolidated fiscal program in the national accounts. The stock is consolidated in the balance-sheets of the Social security sub-sector.

Classification of pension schemes

The above mentioned features of the Pillar I of social security classify it in the sub-sector Social Security Funds (S.1314), as defined in ESA 95, as it fully complies with of the two following criteria:

- a) By law or by regulation certain groups of the population are obliged to participate in the scheme or to pay contributions;
- b) General government is responsible for the management of the institution in respect of the settlement or approval of the contributions and benefits independently from its role as supervisory body or employer.

The Pillars II and III are classified outside the government sector.

The fund “Pensions not related to labour” can be defined as social assistance, not social insurance. The revenue of this fund comes from transfers from the republican budget, fees, interest, dividend and donations (as per Art. 22a of the Social Security Code).

The fund covers the following types of pensions (Art.23b) which are not incurred by mandatory contributions, as well as their indexation and increase.

- b/ increase of the pensions for war veterans;
- c/ pensions for civil inability;
- d/ old age social pensions;
- e/ increase as provided for in the Law on political and civil rehabilitation of repressed individuals;
- f/ social old age pensions (when social contribution is lacking);
- g/ pension for special merits;
- h/ personal pensions;
- i/ social assistance for prophylactics and rehabilitation.

Classification of social insurance pension schemes

The government pension scheme (the Pillar I), as well as the Pillar II are defined contribution schemes. The whole working population is covered in the government pension scheme on a compulsory basis.

7. Specific government transactions - Transactions with the Central Bank - Lump sum pension payments - Pension schemes

Classification of institutional units supporting pension schemes; borderline cases

No borderline cases are identified.