

**Inventory of the methods, procedures and sources  
used for the compilation of deficit and debt data and  
the underlying government sector accounts  
according to ESA 2010**

*Germany*

**February 2021**

## 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. This version introduces references to the ESA 2010 and the updates mirroring the changes introduced by the ESA 2010. It also includes changes introduced by the August 2019 MGDD version.

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**Annex I** – list general government units

## **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 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**

This section describes the coverage of the General Government sector and the sub-sectors for Germany.

According to ESA 2010, paragraph 2.111 the sector of general government includes 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.

The general government sector is composed by 4 sub-sectors: S.1311, S.1312 S.1313 and S.1314. It includes:

#### **1.1 Central government subsector (S.1311)**

The sub-sector central government includes all administrative departments of the “State” and other central agencies whose competence extends normally over the whole economic territory, except for the administration of social security funds.

The sub-sector also includes those non-profit institutions which are controlled by central government and whose competence extends over the whole economic territory (ESA 2010, paragraph 2.114). In principle<sup>1</sup>, this does not differ from the reporting population of public finance statistics (see also Annex I “List of general government units”).

In general, all units included in the federal budget and all special assets of the German federal government are included in the central government sector. In addition, non-market producers controlled by central government and non-profit institutions controlled by central government are classified in this sub-sector. Examples for central government units are

- federal ministries,
- Finanzmarktstabilisierungsfonds (SoFFin, Financial Market Stabilisation Fund),

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<sup>1</sup> In individual cases there may be short-term discrepancies, when newly created special funds have not yet been included in the reporting population of public finance statistics. When establishing revenue and expenditure in the framework of national accounts, the data for these special funds are compiled based on from special reports of the Federal Ministry of Finance.

- FMS Wertmanagement (bad bank of the “Hypo Real Estate”),
- Bundesanstalt für Immobilienaufgaben (BImA, Institute for Federal Real Estate),
- Deutsches Biomasseforschungszentrum gGmbH (DBFZ, German Biomass Research Centre),
- Deutsches Zentrum für Luft- und Raumfahrt e.V. (DLR, German Aerospace Center).

For a list of units see Annex I.

## 1.2 State government subsector (S.1312)

The sub-sector state government consists of state governments (“Länder”), which are separate institutional units exercising some of the functions of government at a level below that of central government and above that of the governmental institutional units existing at local level (see Annex I).

In general, all units included in the state budgets and the special assets of the state governments are included in the state government sub-sector. In addition, non-market producers controlled by state government and non-profit institutions controlled by state government are classified in this sub-sector. Examples for state government units are

- state ministries,
- public universities,
- Sondervermögen “Versorgungsfonds des Landes Schleswig-Holstein”,
- Erste Abwicklungsanstalt (EAA, First winding-up Agency, bad bank of the former “WestLB”),
- DEGES Deutsche Einheit Fernstraßenplanungs- und -bau GmbH,
- Stiftung Hessischer Naturschutz.

For a list of units see Annex I.

### **1.3 Local government subsector (S.1313)**

The sub-sector local government (municipalities – “Gemeinden”) includes those types of public administration whose competence extends to only a local part of the economic territory.

In general, all municipalities and municipality associations (“Gemeindeverbände”) are included in the local government sub-sector. In addition, non-market producers controlled by local government (for example certain municipal special purpose associations – “Zweckverbände”) and non-profit institutions controlled by local governments are classified in this sub-sector. Public producers organised as public corporations or, by virtue of special legislation, recognised as independent legal entities, or quasi-corporations (e.g. “Eigenbetriebe”), when any of these are market producers, are not included in the government sector, but in the corporations sector. These are e.g. transport companies, hospitals, saving banks, utilities in the energy and water distribution sectors or waste disposal. Examples for local government units are

- municipality of the City of Munich,
- Zweckverband Museumsverbund Nordfriesland,
- Eigenbetrieb Städtische Betriebe Beckum,
- Stiftung Jugend und Wissenschaft Heidelberg GmbH.

For a list of units see Annex I.

## 1.4 Social security funds subsector (S.1314)

The sub-sector social security funds includes all central, state and local institutional units whose principal activity is to provide social benefits and which fulfil each of the following two 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.

There is usually no direct link between the amount of the contribution paid by an individual and the risk to which that individual is exposed (ESA 2010, paragraph 2.117).

In general, all German social insurance agencies are included in the social security funds sub-sector. In addition, non-market producers controlled by social security funds are classified in this sub-sector. Examples for units included in the social security funds sub-sector are:

- Deutsche Rentenversicherung Bund,
- Barmer Ersatzkasse,
- Bundesagentur für Arbeit (Federal Employment Agency),
- spectrumK GmbH,
- Berufsgenossenschaftliches Schulungszentrum Stuttgart e.V.

For a list of units see Annex I.

Further details relating to practical aspects of sector classification for individual units into general government sector could be found in Chapter B, section 1.

## 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 ESA 2010 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;
- publication of deficit and debt statistics.

### Legal basis for the compilation of GFS and EDP data

In Germany, the Law on the Statistics of Public Finance and Public Service Personnel (“Finanz- und Personalstatistikgesetz” – FPStatG) regulates the statistical collection and compilation of national fiscal data, which are the main data sources for the general government sector in national accounts.

The national responsibility for the provision of government finance statistics (GFS) data according to ESA 2010 is set out in the Federal Statistics Act (“Gesetz über die Statistik für Bundeszwecke” – BStatG). According to § 3 (1) No. 13 BStatG it is the duty of the Federal Statistical Office to compile and to publish national accounts data for national purposes. According to § 19 BStatG the Federal Statistical Office has to compile national accounts data for purposes of the European Union and of international organisations and to transmit these data to the European Union.

### 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 Eurostat<sup>2</sup> via the following tables (see the related EU legislation)<sup>3</sup>

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

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<sup>2</sup> <https://ec.europa.eu/eurostat/data/database>

<sup>3</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1581327918231&uri=CELEX:32013R0549>

Table 6 – Financial accounts by sector (annual data)

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

Table 801 – Non-financial accounts by sector (quarterly)

Table 9 – Detailed Tax and Social Contribution Receipts by Type of Tax or Social Contribution and Receiving Sub-sector (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 tables<sup>4</sup>.

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<sup>4</sup> <https://ec.europa.eu/eurostat/web/government-finance-statistics/excessive-deficit-procedure/edp-notification-tables>



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

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

The completed EDP tables are transmitted to Eurostat by the Federal Statistical Office via electronic form (EDAMIS). An affidavit does not exist.

The official names of the German institutions involved are

- NSI: Statistisches Bundesamt (Destatis) – English: Federal Statistical Office (FSO),
- MOF: Bundesministerium der Finanzen (BMF) – English: Federal Ministry of Finance,
- NCB: Deutsche Bundesbank – English: German Central Bank.

### **2.1.1 Existence of an EDP unit/department**

In Germany, the section D 203 “General Government Sector, EU Stability Pact” of the Federal Statistical Office is responsible for the EDP notification of government deficit and government non-financial transactions. Section D 203 reports to the head of Division D 2 “National Income, Sector Accounts, Employment”, which belongs to Department D “National Accounts, Prices”. An organisational chart of the Federal Statistical Office is available on the following website:

[https://www.destatis.de/EN/AboutUs/SeniorManagementOrganisation/OrganisationChart.pdf?\\_\\_blob=publicationFile](https://www.destatis.de/EN/AboutUs/SeniorManagementOrganisation/OrganisationChart.pdf?__blob=publicationFile)

The duties of the staff in the EDP unit are the following:

- compilation of general government non-financial accounts
- sector classification of public units
- classification of transactions concerning the general government (including sub-sectors)
- compilation of the general government (including sub-sectors) tables according to the ESA transmission programme
- international data transmissions (e.g. OECD, IMF)
- participation in the EDP Statistics Working Group and Task Forces
- processing of CMFB consultations
- duties referring to EDP issues:
  - completion of EDP tables
  - special calculations for EDP purposes in order to comply with EDP accounting rules
  - preparation and follow-up of EDP dialogue visits
  - participation in EDP dialogue visits

### **2.1.2 Availability of resources for the compilation of GFS data**

In Germany, the sections D 203 “General Government Sector, EU Stability Pact” and D 204 “Government Final Consumption Expenditure” of the Federal Statistical Office are responsible for the compilation of GFS data. Generally, section D 203 is responsible for the sector classification of units, the compilation of annual and quarterly national accounts data for central government and for the EDP data for all government sub-sectors. Annual and quarterly national accounts data for state government, local government and social security funds are compiled in section D 204. Section D 203 currently consists of 9 staff members and section D 204 has 9 staff members who are all working in GFS (see organisational chart of Department D).

In 2015, a new section D 206 “Quality Assurance of EDP Data” with currently 8 staff members has been established. The main tasks of this new section are the automation of IT processes, quality assurance and documentation as well as risk management.

The staff working in GFS is also occupied by processing of data:

- For the compilation of GFS data, the public finance statistics as unique data source is not sufficient. To provide the relevant information, numerous different data sources have to be integrated for the compilation process based on different accounting systems.

Examples are data directly provided by the Ministry of Finance, annual and quarterly business reports, balance of payments data, reports from the budget committee, direct information from certain units, Working Party on Tax Revenue Estimates, “Zentrale Datenstelle der Landesfinanzminister” (ZDL) etc.

- Preparation of bridge tables providing information on the transition of the data from public finance statistics or business accounts to ESA 2010 transactions.
- Performing of automatic and manual data checks and validation procedures (e.g. compilation of growth rates, year over year comparisons and reconciliation with background information such as business reports). Reconciliation with the financial accounts.
- Estimation of missing data, in particular current data.
- Estimation of data via model compilations in case that statistical surveys do not provide the relevant information.
- Compilation of revenue and expenditure transactions as well as the overall balance (net borrowing/net lending) of general government.
- Preparation of files for general government as well as the government sub-sectors including the notification tables and the associated Annex tables.
- Presentation of results for the general government sector and its sub-sectors (i.e. revenues, expenditures and net lending/net borrowing).
- Checking whether the compilations are accurate, proper and consistent. Comparisons with previous reporting periods, analyses of inconsistencies.
- Detailed analyses of unexplained deviations still existing after the validation step and presentation of the results against the background of the economic situation.
- Finalisation of results for the transmission to Eurostat. Providing of additional information and explanations for the interpretation of the data as well as reference to data limitations.

Designing of questionnaires and processing of statistical questionnaires is generally not part of the regular duties of the staff involved in GFS compilation. In Germany, the data collection is carried out in the responsible Public Finance Statistics sections. In order to produce GFS data compliant with ESA 2010 and EDP requirements, the national accounts GFS sections and the Public Finance Statistics sections co-operate to the extent that the Public Finance Statistics amends questionnaires and data collection characteristics accordingly.

In addition, the staff responsible for GFS compilation is involved in the periodic transmission of data to Eurostat according to the ESA 2010 Transmission Programme and to IMF within the framework of SDDS. Providing of data upon request takes place in connection with data deliveries to OECD, to Deutsche Bundesbank, to national ministries, to research institutes and to other interested data users.

## 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

In Germany, the accounting systems for government units are regulated in the German law on public accounts, which determines fiscal accounting rules as well as rules for a double-entry accounting system for public accounts. The federal budget (i.e. the core budget of central government sector) follows fiscal accounting rules, state budgets and local budgets (i.e. core budgets of state or local government sector) follow either fiscal accounting rules or rules for a double-entry accounting system for public accounts. The fiscal accounting system is, in principle<sup>5</sup>, a cash-based system whereas the double-entry accounting system for public accounts is an accrual system. Extra-budgetary units use either a fiscal accounting system (e.g. special assets funds or several special purpose associations) or a double-entry accounting system according to German laws on financial accounting (e.g. public corporations).

The legal sources for the core budget units are the “Law on Budgetary Procedures” for central and state government (“Haushaltsgrundsatzgesetz”), the Federal Budgetary Regulations (“Bundeshaushaltsordnung”), the State Budgetary Regulations (“Landeshaushaltsordnungen”), the local government laws (“Gemeindeordnungen”), the communal budget ordinances (“Gemeindehaushaltsordnungen”) and the “Eigenbetriebsverordnungen” for owner-operated municipal enterprises (“Eigenbetriebe”). The federal budget is enacted as an annex of the Federal Budget Act, the state governments enact state budget acts. The local budgets are adopted by budget bye-laws.

For accounting records of extra-budgetary units, different legal sources apply depending on their respective legal form. The German Commercial Code (“Handelsgesetzbuch” – HGB) is the main legal source for the accounting of public corporations. The accounting of other extra-budgetary units is regulated by their statutes or their establishment act and is thus subject to the regulations of either the German Commercial Code or the German laws on public accounts.

The German Law on Budgetary Procedures (“Haushaltsgrundsatzgesetz” – HGrG) defines principles for the budget law of the federal government and the Länder. §49a HGrG determines the tasks of a committee responsible for the standardisation of public accounts. This committee develops uniform standards for the accounting systems for the federal government and the Länder, regularly reviews the common budget classifications and modifies them if necessary. The committee is responsible for the fiscal classifications (“Gruppierungsplan” = classification by types of expenditure and revenue, and “Funktionenplan” = classification by functions of government) and for the classifications of double-entry accounting for the federal and state level

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<sup>5</sup> In the first weeks of the year (so-called “Auslaufperiode”) it is possible to record closing entries backwards to the previous year. Thus, the used cash accounting system has also elements of an accrual accounting system on an annual basis.

(“Verwaltungskontenrahmen” = chart of accounts for types of expenditure and revenue, and “Integrierter Produktrahmen” = product frame for government services).

The German law on public accounts and the German Commercial Code determine the design of financial statements of the particular public unit.

In Germany, the public finance statistics is responsible for data collection and processing as well as for internal quality and consistency checks and for validation of upstream data. The national accounts section D 203 of the Federal Statistical Office is responsible for internal quality and consistency checks and for validation of compiled EDP data.

In the near future, no fundamental changes are foreseen in terms of accounting systems used by public units. At the level of municipalities, the transition from cash-based accounting to municipal double-entry accounting is still on-going.

## **2.2.2 Auditing of public accounts**

### **2.2.2.1 General government units**

In Germany, at the central government level, there is an institution called the “Bundesrechnungshof” (Federal Audit Office). The Bundesrechnungshof examines the performance, regularity and compliance of the financial management of the central government. Audit missions cover annual central government revenues and expenditures. As an independent body of government auditing, the Bundesrechnungshof is subject only to the law. No other government institution may instruct it to perform an audit. Apart from that, the Bundesrechnungshof does not evaluate policy decisions made in compliance with applicable legislation.

State governments (Länder): Similar to the central government level, there are Courts of Audit in each state (Land) which audit the Länder budgets annually.

Local governments: annual auditing. Municipal supervisory authorities have to approve the budget and supplementary budgets. Municipalities with financial difficulties can be obliged to implement consolidation programmes. In particular cases, the supervisory agencies can also temporarily take over the administration of the municipality.

Social security system: The Federal Ministry of Labour and Social Affairs and the Federal Ministry of Health audit the respective social security agency on an annual basis. The Bundesrechnungshof makes additional checks.

The auditing and advisory functions of the Bundesrechnungshof are as follows<sup>6</sup>:

The financial management of the Federation and its trust funds are subject to the audit of the Bundesrechnungshof (e.g. Federal Railway Assets Fund, Inherited Debt Fund). This applies also to public corporations established under federal law (e.g. the Federal Employment Agency), including those federal enterprises of the same legal form, and social security institutions established under federal or state laws, receiving grants from the Federal Government or where the Federation has entered into guarantee commitments (e.g. German

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<sup>6</sup> Cf. [https://www.bundesrechnungshof.de/en/bundesrechnungshof/institution/organisation-auditing-and-advisory-functions/auditing-and-advisory-functions-organisation?set\\_language=en](https://www.bundesrechnungshof.de/en/bundesrechnungshof/institution/organisation-auditing-and-advisory-functions/auditing-and-advisory-functions-organisation?set_language=en), <https://www.bundesrechnungshof.de/en/zusammenarbeit/landesrechnungshoefe>

Federal Pension Insurance, Pension Insurance for Miners, Railway Workers and Seamen as well as statutory health insurance funds).

The Bundesrechnungshof may also carry out examinations of bodies or other third parties outside the federal administration if they receive or handle federal funds (e.g. the constituent states, local authorities, or grantees).

Each year, the Bundesrechnungshof carries out some 900 audit missions and reports on the relevant audit findings to the audited bodies, i.e. the federal departments in most of the cases. The audited bodies may comment on the shortcomings found and outline their views on how to address the problems stated. At a later stage in the procedure the Bundesrechnungshof follows up on the action taken in response to the audit recommendations made. In accordance with applicable legislation the results of these audit procedures are not made public.

Each year, the Bundesrechnungshof submits an annual report on major audit findings and audit recommendations to both Houses of the German Parliament and to the Federal Government (cf. section 97 Federal Budget Code). This report is also used by Parliament to approve the accounts for preceding years. The annual report also highlights saving potentials or options for increasing revenue. The audit recommendations are discussed by the Public Accounts Committee and usually most of them are supported by the Committee. The observations are not limited to the year for which approval is sought. Most of them deal with topical issues that are still open for remedial action. One example is the Bundesrechnungshof's presentation of information about trends in federal financial management.

In the last quarter of each year, the annual report is presented to the public at a press conference by the Bundesrechnungshof's President. In addition to annual reporting, the Bundesrechnungshof may at any time inform the legislative bodies and the Federal Government of matters of particular significance (cf. section 99 Federal Budget Code). Examples are the Report on The Implementation of the Basic Security for Job Seekers –Adequacy of Housing and Heating Allowance pursuant to Art. 22.1 of Book II of the Social Security Code -; the Report on the Organisation and Procedures of the Financial Control Section of the Federal Customs Administration and the Report on the Transparency of the Tax Subsidies.

It is mainly when the budget estimates are prepared that the Bundesrechnungshof makes its audit experience available. It participates in the budget negotiations between the Federal Ministry of Finance and the departments and provides testimony to Parliament in the course of preparatory talks with the rapporteurs of the Appropriations Committee and during that Committee's deliberations. In the implementation phase of the budget, audit emphasis is on financial management. Audit findings may lead to adjustments at a stage early enough for spending cuts to become effective during the on-going financial year. As a result, in many cases expenditures proposed but inefficient are cancelled.

The Bundesrechnungshof makes recommendations on the basis of the lessons learnt from earlier audit work and provides advice to the audited bodies, to Parliament and the Federal Government. Its consultant activities have continuously increased and set out significant recommendations for quality improvement, pointing up the potential for savings or increases in revenue.

The Bundesrechnungshof may at any time submit special reports on matters of major significance to both Houses of Parliament and to the Federal Government. The Bundesrechnungshof does not only provide advice to the executive and legislative branches by

including recommendations for improvement in its management letters and annual reports, but also by commenting – orally or in written form – on topical issues such as government bills and major procurement projects, or in the course of the annual budget procedure.

The auditing procedures of the Bundesrechnungshof are as follows<sup>7</sup>: The Bundesrechnungshof audits receipts, expenditures and commitment authorisations, federal assets and federal debts. In addition, the audit mandate covers all government programmes that have financial implications even if expenditures have not yet been incurred (such as the contract awarding procedure for a management consultant as part of a privatisation project). However, audit work can be initiated only once a decision has been made.

Particularly large-scale programmes comprise a multitude of individual decisions any of which may be examined separately. This approach allows the Bundesrechnungshof to detect and address shortcomings at an early stage.

The Bundesrechnungshof is free to determine the timing and nature of audit work. It may conduct field work. It has the right of access to any pertinent information, records and vouchers it requires for audit work. Audit matters are selected when drawing up annual audit programmes. The Bundesrechnungshof is free to set audit priorities and arrange for sample audits. A major purpose of audit programming is to provide a reliable overview of federal financial management and to avoid any audit gaps to the extent possible. When selecting audit topics the Bundesrechnungshof relies on any information gathered during audit work but also on petitions from citizens or on issues reported by the public media. In addition, the Bundesrechnungshof bases its selection on a systematic analysis of major government programmes having a major financial impact or presenting a high audit risk. Audit requests submitted by Parliament or its committees are met to the extent possible.

The Bundesrechnungshof carries out both financial audits and performance audits. In its audit of regularity and compliance the Bundesrechnungshof examines whether the laws, the budget and pertinent regulations, provisions and rules have been observed. Performance audits under the criteria of economy, efficiency and effectiveness are carried out to ensure that good value for money is obtained. Auditors pay special attention to the staff resources employed and to the effectiveness of public sector management. Effectiveness auditing has become increasingly important to determine whether the desired objective has actually been achieved and whether adequate programme evaluation has been carried out. This applies particularly to large-scale government programmes or government projects.

The Bundesrechnungshof sets out the audit findings in management letters that are sent to the audited bodies. These are required to submit their comments on the audit findings and conclusions within a time frame set by the Bundesrechnungshof. The Bundesrechnungshof may also communicate audit findings to other government bodies and the Appropriations Committee. In addition, significant audit findings of a basic nature or those having major financial implications are brought to the attention of the Federal Ministry of Finance.

The Courts of Audit of the Länder work in a similar manner.

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<sup>7</sup> <https://www.bundesrechnungshof.de/en/bundesrechnungshof/booklet/booklet-the-bundesrechnungshof-pdf>

In addition to the auditing carried out by the Courts of Audit, the annual financial statements of extra-budgetary units which are incorporated enterprises have to be audited by auditors of annual accounts, according to the German Commercial Code<sup>8</sup>.

#### **2.2.2.2 Public units, not part of general government**

In Germany, the public corporation sector is not separately compiled and reported. The explanations given in section 2.2.2.1 also apply to public units, not part of general government.

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<sup>8</sup> Cf. §§ 316 ff. HGB.



## 2.3 Communication

### 2.3.1 *Communication between actors involved in EDP*

#### 2.3.1.1 Agreement on co-operation

In Germany, a number of actors are involved in the EDP process. Data compilers are the EDP section of the Federal Statistical Office, the Deutsche Bundesbank and the Federal Ministry of Finance. The EDP section of the Federal Statistical Office establishes for each of the previous four years the actual data on government deficit, on government investment expenditure and on interest expenditure for the sub-sectors of general government as well as on gross domestic product. Estimates of the planned data for the current year are provided by the Federal Ministry of Finance (BMF). They are based on the general government accounts according to ESA 2010. The actual data on the government debt at the end of each year and the factors influencing the variation in the level of government debt are provided by the Deutsche Bundesbank for the previous years.

Formally, it is the Federal Statistical Office which submits the EDP tables for Germany to the European Commission in the context of the excessive deficit procedure, after it has received the results from the Federal Ministry of Finance and from the Deutsche Bundesbank.

In November 2014, the Federal Statistical Office and the Deutsche Bundesbank signed a Memorandum of Understanding to formalise the existing co-operation in the area of statistics<sup>9</sup>. An annex to this Memorandum of Understanding contains specific provisions concerning the compilation of GFS and EDP data (for example, responsibilities of both institutions, co-operation on methodological issues, data exchange).

Data providers in connection with the EDP process are the public finance statistics sections of the Federal Statistical Office, the Federal Ministry of Finance and the Deutsche Bundesbank. Public finance statistics is a system of various statistical surveys on public finances carried out partly in a centralised way by the Federal Statistical Office and partly in a decentralised way by the statistical offices of the Länder. The aggregation of the different collected data to the result of the overall public budget is carried out by the Federal Statistical Office. In addition, the Federal Ministry of Finance delivers basic data for the central government sub-sector (Bund), which are the baseline data for the compilation of government accounts according to ESA 2010. Furthermore, the Deutsche Bundesbank provides results from balance of payments statistics as well as various banking and capital market statistics to the EDP section of the Federal Statistical Office.

The general features of German official statistics are codified in the Law on Statistics for Federal Purposes (“Bundesstatistikgesetz” – BStatG), amongst others the duty of the Federal Statistical Office to prepare and further develop statistics methodologically and technically in consultation with the statistical offices of the Länder as well as to ensure that the collection and processing programmes of federal statistics are uniformly and duly carried out by the Länder.

The co-operation between the Federal Statistical Office and the statistical offices of the Länder in the area of public finance statistics is regulated by law: the Law on the Statistics of Public Finance and Public Service Personnel (“Finanz- und Personalstatistikgesetz” – FPStatG)

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<sup>9</sup> [https://www.destatis.de/EN/AboutUs/OurMission/Bundesbank\\_MoU.html](https://www.destatis.de/EN/AboutUs/OurMission/Bundesbank_MoU.html)

stipulates the division of labour between the Federal Statistical Office and the Statistical Offices of the Länder. Survey units, survey variables, periodicity and obligation to disclosure are also stated in the FPStatG. For a detailed description of data sources received by the Federal Statistical Office, see section 3.

For several special issues, the “Zentrale Datenstelle der Landesfinanzminister” (ZDL, central data authority of the ministries of finance of the Länder) co-operates with the Federal Statistical Office for gaining information on state government level which is not included in the regular surveys of public finance statistics, but which is required for EDP purposes. In this context the ZDL carries out surveys among the ministries of finance of the Länder on the respective special issues. The co-operation between the ZDL and the Federal Statistical Office is organised at an informal level.

In July 2012, an expert group (“Expertengruppe EU-Stabilitätspaktdaten”) was established to formalise the co-operation of the involved parties in calculating EDP statistics. Members of this expert group are representatives of the Federal Statistical Office (both national accounts and public finance statistics), the Statistical Offices of the Länder (in particular the Statistical Office of Berlin-Brandenburg, which is the godparent statistical office for public finance statistics), the German Central Bank, the Federal Ministry of Finance, two state government Ministries of Finance and representatives of local government associations. The expert group does not have a legal existence and its outcome is not legally binding. Generally, the expert group meets once a year, more often if required. The Federal Statistical Office initiates the meetings and prepares the minutes. Issues discussed are data requirements for EU/EDP purposes, the extent to which these requirements can be met by Germany or which actions should be taken to comply with European requirements. In this context the expert group should initiate further development of public finance statistics.

In Germany, public accounts including design of financial statements, timeliness, coverage of units etc. are regulated by law at national level outside the control of the Federal Statistical Office. However, the Federal Statistical Office can influence the design of the surveys on public finance statistics and the budgetary classification system as a member of specific committees responsible for the structure and further developments of the budgetary classification<sup>10</sup>.

No changes in responsibilities of institutions involved are foreseen in the near future.

### **2.3.1.2 Access to data sources based on public accounts**

Public accounts data are delivered to statistical authorities mostly in electronic format via online data collection tools. The content of this data transmission is related to the requirements of the public finance statistics law (FPStatG).

The reported data are source data used for EDP data compilation.

Public finance statistics in the Federal Statistical Office and the Statistical Offices of the Länder share one electronic system for the management of public finance statistics surveys (i.e. which units have to answer to which surveys), the so-called “Berichtskreismanagementsystem” (BKM). This system is defacto a registry of entities controlled by general government with information for example on the owners, shareholdings, sector classification, used accounting

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<sup>10</sup> The relevant committees are the §49a HGrG Committee at central and state government level and committees of the Standing Conference of the Länder Ministers of the Interior at local government level.

system and legal form of the unit. The FSO and the statistical offices of the Länder have different access rights.

Neither the federal nor the state statistical authorities have direct or indirect access to public accounts databases.

### **2.3.2 Publication of deficit and debt statistics**

#### **2.3.2.1 Publication of EDP data**

At national level, the publication of EDP figures is in line (a small time-lag is possible) with the Eurostat publication of the figures. The Federal Statistical Office publishes the complete EDP tables 1 to 4 on its website. Up to now no explanatory notes on the notified actual EDP data are published.

#### **2.3.2.2 Publication of underlying government ESA 2010 accounts**

Germany complies with the ESA 2010 Transmission Programme regarding the provision of ESA 2010 accounts for general government. At national level, national accounts results are published in subject-matter series 18 “National accounts” (“Fachserie 18: Volkswirtschaftliche Gesamtrechnungen”). The online edition of the subject-matter series is available on the website of the Federal Statistical Office:

[https://www.destatis.de/DE/Themen/Wirtschaft/Volkswirtschaftliche-Gesamtrechnungen-Inlandsprodukt/\\_inhalt.html#sprg233858](https://www.destatis.de/DE/Themen/Wirtschaft/Volkswirtschaftliche-Gesamtrechnungen-Inlandsprodukt/_inhalt.html#sprg233858)

<https://www.destatis.de/EN/Publications/Specialized/Nationalaccounts/NationalAccounts.html>

The subject-matter series 18 covers annual tables on revenue and expenditure of general government and quarterly tables on government final consumption expenditures. The quarterly results are published around 55 days after the particular reporting quarter, first annual results (estimates) with figures on government final consumption expenditures are published around 15 days after the reporting year, detailed annual results with data on revenue and expenditure of general government are published around 2 months after the reporting year.

General government financial accounts are published by the Deutsche Bundesbank on its website:

<https://www.bundesbank.de/en/statistics/macroeconomic-accounting-systems/financial-accounts>.

In addition, explanatory publications on revenue and expenditure of general government are regularly (twice a year) provided in “Wirtschaft und Statistik” (WISTA), the statistical magazine of the Federal Statistical Office:

<https://www.destatis.de/DE/Publikationen/WirtschaftStatistik/WirtschaftStatistik.html>.

### 3. 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 ESA 2010 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 data, a summary for the reporting period, as requested by the related EU legislation<sup>11</sup>: net borrowing(-)/net lending(+)(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 (D.41).

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

##### 3.1.1 *Compilation of Maastricht debt*<sup>12</sup>

###### 3.1.1.1 Specification of debt instruments

###### ▪ **Currency and deposits (AF.2)**

Only **central government** is entitled to mint Euro coins. Therefore, all Euro coins in circulation are classified as debt of central government. However, commemorative coins are excluded. Additionally, the central bank (Deutsche Bundesbank) together with one other depository institution hold all coins minted but not in circulation. However, by law, the nominal value of this stock credited to central government can only amount 10 % of coins currently in circulation. This partial amount is also recorded as central government debt.

Until 2012, central government issued daily callable bonds (Tagesanleihen). With no defined maturity, daily interest accrual, no listing, and the possibility to be purchased and returned on a daily basis, this instrument is very similar to money market deposit accounts. Therefore, outstanding amounts are treated as deposits and not recorded as short-term securities<sup>13</sup>.

The central government accounting system comprises so-called suspense accounts (Verwahrkonten). Amongst other purposes, they may be used (at national level) for non-governmental entities (like the EU Commission) to deposit and withdraw money (within the management of EU own resources). Amounts due on such accounts are also treated as deposit liabilities of government.

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<sup>11</sup> [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L\\_.2014.069.01.0101.01.ENG](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2014.069.01.0101.01.ENG)

<sup>12</sup> See also Deutsche Bundesbank, Maastricht debt: methodological principles, compilation and development in Germany, Monthly Report, April 2018, p. 57-78, for a detailed description of the methodology.

<sup>13</sup> All outstanding amounts have been cancelled at the end of 2019. For the sake of simplicity the (negligible) not yet reimbursed amounts are still recorded as deposits.

### ▪ **Short-term debt securities (AF.31)**

**Central government** currently issues mainly one type of short-term securities with an original maturity of up to one year: Treasury Discount Papers (Bubills), which are by far the most important money market instruments, are not listed but traded over the counter and pay an interest in the form of a discount.

Also one-year Federal Treasury Financing Papers (Einjaehrige Finanzierungsschaetze) had been issued up to the end of 2012. They are not listed securities and cannot be bought by monetary financial institutions (MFIs). They pay an interest in the form of a discount. Since the end of 2013, there is no remaining volume outstanding<sup>14</sup>.

Furthermore, central government has short-term security liabilities issued by FMS Wertmanagement (FMSW), which is a government “defeasance structure” (classified inside general government) resulting from the bailout of the former Hypo Real Estate.

**State governments** issue State Treasury Notes (Einjaehrige Laenderschatzanweisungen) with an original maturity up to one year. These instruments are usually listed securities and pay a regular interest.

Additional short-term security liabilities are issued by the state governments’ “defeasance structures” (classified inside general government) EAA (Erste Abwicklungsanstalt, part of former WestLB, interim renamed “Portigon”) and hsh portfoliomanagement AöR.

**Local governments** do not currently “issue” money market instruments or equivalents. minorMinor figures had been published in the past, but revealed to be misreportings of short remaining maturity instead of short original maturity.

### ▪ **Long-term debt securities (AF.32)**

**Central government** issues various capital market instruments. These securities are by volume the main refinancing source of central government. Federal Bonds (Bunds) are the most important instrument covering a maturity of ten to thirty years. Central government also issues Federal Notes (Bobls) which are similar to Bunds but have an original maturity of five years. Inflation-linked securities are issued by central government with an original maturity of five or ten years. Further instruments with a medium-term maturity are Federal Treasury Notes (Bundesschatzanweisungen) which are securities with a maturity of two years. Other long-term instruments are so-called federation-and-states bonds (Bund-Laender-Anleihe). Central government and (some) state governments issued together such bonds with an original maturity of about seven years. However, all participating issuers were only liable for a pre-defined percentage of the issued volume (no joint liability and no over-collateralisation). The Bund-Laender-Anleihe expired on 15 July 2020. All these instruments are listed securities and pay a regular interest.

In the past, additional long-term securities were six-year (type A) and seven-year (type B) Federal Saving Notes (Bundesschatzbrieft). Type A Federal Saving Notes were not listed securities and paid an annual but increasing interest. In contrast, type B Federal Saving Notes (also not listed securities) bore a compounded interest to be paid at maturity. All remaining Bundesschatzbrieft expired in 2019. Furthermore, up to the end of 2012 two-year Federal Treasury Financing Papers (Zweijaehrige Finanzierungsschaetze) had been issued. Two-year

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<sup>14</sup> This excludes minor residual stocks towards creditors who have not asked for redemption yet (so-called “Restanten”).

Federal Treasury Financing Papers are not listed securities and cannot be bought by monetary financial institutions. They pay an interest in the form of a discount. Since the end of 2014, there is no remaining volume outstanding<sup>15</sup>.

Additional long-term security liabilities of a minor volume stem from the First and Second World War, so-called funding debentures (Fundierungsschuld).minor

Other long-term securities result from securitisation transactions of the German Postal Pension Service (Postbeamtenversorgungskasse – BPS-PT; classified inside central government sector) with claims related to pension obligations against Deutsche Post AG and Deutsche Telekom AG after their privatisation.

Furthermore, central government has long-term security liabilities which result from the transfer of liabilities (and assets) of Hypo Real Estate to FMSW (defeasance structure).

**State governments** issue medium- and long-term State Treasury Notes (Mehrjaehrige Laenderschatzanweisungen). These instruments are usually listed securities and pay a regular interest.

There was also a federation-and-states-bond (Bund-Laender-Anleihe) which expired on 15 July 2020 (For details please refer to central government above). Furthermore, state governments also issue joint state government bonds (“Jumbo”-Länderanleihen) with separate liabilities according to the agreed shares.

Additional long-term security liabilities come from transfers of liabilities (and assets) of WestLB (renamed as “Portigon”) to EAA (defeasance structure). In the meantime, also Portigon has been reclassified into the government sector. Therefore, long-term security liabilities of Portigon are included. Furthermore, long-term security liabilities arise from the transfer of liabilities (and assets) of HSH Nordbank to hsh portfoliomangement AöR (defeasance structure). A somewhat different construction was chosen to isolate risks of some on-balance assets of Landesbank Baden-Wuerttemberg (LBBW). There is a government guarantee of the state Baden-Wuerttemberg fully backed by a cash deposit of an extra-budgetary unit (“Garantieportfolio Baden-Wuerttemberg”; classified inside state government) and funded through long-term securities.

**Local governments** rarely issue Local Government Treasury Notes. minor

▪ **Short-term loans (AF.41)**

**Central, state and local governments** use so-called (short-term) cash advances (Kassenverstaerkungskredite) to bridge liquidity shortages. Also central, state and local government as well as social security funds borrow in the form of short-term loans. In addition, for all government subsectors trade credits with specific features (cases of factoring without recourse and renegotiation of claims) are recorded as short-term loans based on a Eurostat decision from 2012.

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<sup>15</sup> Except for minor residual stocks towards creditors who have not asked for redemption yet (so-called “Restanten”).

A rather complex part of short-term credit liabilities are those resulting from cash pool arrangements. Due to its specificity the following two paragraphs introduce the topic.

To different extents, several public units in Germany use (different forms of) common liquidity management arrangements, so called “cash pools”. In each such arrangement, there is a dedicated cash pool leader, to whom the assets and liabilities of the cash pool are attributed. The cash pool leader collects liquidity surpluses of cash pool members and bridges their liquidity needs in a quasi-mechanical manner (but possibly within some bounds). From the perspective of the members, cash pool leaders quasi assume the role of a bank granting a credit line and taking deposits. Thus, the cash pool leader intermediates between the members. In many cases, this arrangement also involves an actual credit institution. For instance, if the cash pool shows a positive net position, the amount is deposited with a bank (that said, non-deposit investments of a common liquidity surplus seem to occur at least in some cases). If, on the contrary, the cash pool has a net financing need, the cash pool leader may incur a liability towards a bank or balance the cash pool with own cash surplus or reserves.

Until the reporting year 2018, cash pool liabilities from cash pool members and leaders had to be reported in ADS as short-term cash advances (“Kassenverstärkungskredite”). The cash pool leader was expected to report its position as pure counterpart to the other participating cash pool members. But there was widespread uncertainty on the side of reporting units on what had to be reported and how, as well as on the compilers’ side on what was reported and how.

In order to better reflect the national user needs, in particular with regard to the concept of “Kassenverstärkungskredite”, and to improve consistency across asset and liability side statistics, the reporting of cash pooling claims and liabilities was systematically revised in ADS and FASS. The basic concept can be described as follows:

The cash pool leader has a (gross) liability towards each member with paid-in liquidity surplus as well as a (gross) claim against each member who recurred to the cash pool for any financing needs. By convention, the cash pool leader also reports as a simple cash pool member in addition to its reporting as cash pool leader as soon as it either uses the cash pool for storing own liquidity surpluses or financing own liquidity shortcomings, respectively. Storing own surplus liquidity therefore requires the cash pool leader to report the following at the same time: a) a liability as cash pool leader (against itself as a member), and b) a claim as cash pool member (against itself as cash pool leader) with both amounts of the same magnitude. In analogy, a cash pool leader bridging own liquidity needs via the cash pool equally reports at the same time and magnitude: a) a claim as cash pool leader (against itself as a member), and b) a liability as cash pool member (against itself as cash pool leader). Finally, it is also possible that the cash pool leader injects money into the cash pool or withdraws money from the cash pool not primarily out of own liquidity considerations but in order to balance the cash pool account. Then it neither acts nor reports as a supplementary cash pool member. Such balancing transactions represent purely financial transactions without changing the financial net position of the cash pool leader since the cash pool’s financial position is, by definition, attributed to the cash pool leader. (Note that in any case, the cash pool leader reports all gross claims and gross liabilities toward other members.)

Each reported cash pool liability (in ADS) mirrors a cash pool asset, equally to be reported if held by a government unit (in FASS). The cash pool liability reported by a government unit, whether cash pool leader or member, enters the debt of the government subsector to which it belongs as far as it is not counterpart to a claim of a unit belonging to the same government subsector (i.e. to be consolidated). General government debt is only increased by cash pool

liabilities as far as these are not counterparts to claims held by other general government units. Thus, the counterpart would be a (public) non-government unit (not covered by FASS).

With the reporting year 2019, cash pool liabilities have been collected in an extensive manner for the first time. It has to be distinguished between the way of collection and the subsequent presentation in ADS as the concept of “Kassenverstärkungskredite” (to finance budgetary needs) should be preserved:

First of all, ADS now distinguishes cash pool leaders’ cash pool liabilities in their function as cash pool leader from their other short-term cash advances (“Kassenverstärkungskredite”). This part of their cash pool liabilities is collected and presented separately. It is now excluded from the national debt figures (but not necessarily from Maastricht-debt depending on the sector classification of the creditor counterparts). (Currently, the changes only apply to the ADS, while QDS still follow the old standards).

Cash pool liabilities resulting from the use of cash pool funds for budgetary financing needs are now collected separately, as well – for all cash pool members including the cash pool leader in its function as cash pool member. In the publication of ADS, they are still merged with “Kassenverstärkungskredite”, because they also serve to bridge liquidity needs. A memo item informs which part of “Kassenverstärkungskredite (owed to public sector)” results from cash pool arrangements.

Finally, another memo item under “Kassenverstärkungskredite (owed to non-public sector)” allows cash pool leaders to indicate the amount of credit incurred in order to finance liquidity needs of the cash pool in contrast to their own liquidity needs.

With the change from the QDS of the fourth quarter of 2019 (old format) to the ADS of 2019 (new format), it was possible to estimate state-by-state the amount of cash pool related debt not reported so far for the local and state government subsectors. These estimated amounts have been added to government Maastricht debt from 2015 on. They also apply to the interim quarters starting with the year 2020 until better estimates are available. The central government subsector did not experience any change in figures due to the new reporting. For the social security subsector the effect was negligible and therefore not used for forward and backward calculation.

Additionally, **general government entities** receive cash-collaterals from derivative transactions (swap transactions). These collaterals are recorded as short-term debt.

Cash collaterals for swaps and other financial transactions are also received by Postbeamtenversorgungskasse (BPS-PT) which is an extrabudgetary unit of central government.

Furthermore, central government has short-term loans which result from the transfer of liabilities (and assets) of Hypo Real Estate to FMSW (defeasance structure). Additionally, minor short-term loans are recorded for various central government extrabudgetary units.

For **state government**, Annual and Quarterly Debt Statistics reveal some mismatches between intra-state liabilities and claims when compared to the FASS. A possible explanation for that might be that ESA provides for a dynamic concept of defining government. But German reporting units are still unable to determine in an automatic manner whether counterparts are government units or not. Therefore, national finance statistics distinguish counterparts in way



not fully compatible to ESA. This complicates consolidation. In order to consolidate, compilers have to subtract from debt the claims of non-core government units toward core government units (for further details, see below under 3.1.1.2 Data Sources used for...). Short-term loan liabilities of (core) government units vis-à-vis public units (comprising all extra-budgetary units and possibly some non-government units, as well) may well exceed short-term claims of extra-budgetary government units vis-à-vis core government. But these short-term liabilities should never fall short of the mentioned short-term claims (of extra-budgetary units toward core government units). Nevertheless, such cases exist at local and state government level. Apparently, in certain circumstances, government units (at least implicitly) disagree on the nature or volume of their financial relationships.<sup>16</sup> Without further correction, government debt would then be consolidated by amounts at least partly not included in the unconsolidated debt. Therefore, state (and local) core government debt is increased by the amount of excess financial claims reported and identified on a state-by-state analysis (“**mismatch correction**”). For interim quarters, where no FASS are available, the last Annual financial stocks statistics is used as a proxy.

Furthermore, there are short-term loans provided by “public funds, institutions and enterprises (PFIE)”. However, these loans include partly governmental creditors. Therefore, a separation is conducted as described in chapter 3.1.1.2.

Additional short-term loans come from transfers of liabilities (and assets) of WestLB (renamed as “Portigon”) to EAA (defeasance structure) as well as from transfers of liabilities (and assets) of HSH Nordbank to hsh portfoliomanagement AöR (defeasance structure). In the meantime, also Portigon has been reclassified to the government sector. Therefore, short-term loans of Portigon are recorded.

**Local governments** have (as state governments) liabilities stemming from short-term loans provided by PFIEs. However, these loans include partly governmental creditors. Therefore, a separation is conducted as described in chapter 3.1.1.2.

As for state governments, statistics may also reveal mismatches of intra-government claims and liabilities of local governments. The quarterly estimated state-by-state mismatch is much smaller for local government. It is corrected in the same way as for state government (see (“**mismatch correction**”) above).

#### ▪ **Long-term loans (AF.42)**

**Central, state and local government** as well as social security funds borrow in the form of long-term loans.

**Central government** has also long-term liabilities which are so-called equalisation claims of the German central bank and other outstanding debt as well as debentures from the First and Second World War (Entschädigungsschuldverschreibungen) with negligible amounts. They are administered by the German finance agency (Bundesrepublik Deutschland Finanzagentur GmbH).

However, there are also long-term loans of central government which are not administered by the German finance agency. These loans are only of minor importance and include liabilities

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<sup>16</sup> Of course it might also happen that extra-budgetary units choose the wrong counterpart flag, i.e. reporting a loan to core government even though the counterpart is a non-core government public unit of the respective subsector.

resulting from a former levy to support investments (Investitionshilfeabgabe), also loans stemming from the currency conversion in East Germany in 1990 as well as liabilities originating from deposits of citizens of the Federal Republic of Germany (West Germany) holding frozen accounts in the Soviet occupied zone and Berlin before May 9, 1945. Additionally, there are liabilities resulting from purchases of land and residential housing.

Furthermore, central government has long-term (notional) loans resulting from Public Private Partnerships (PPPs), Energy Performance Contracts (EPCs), off-market swaps, equity-injection plans for multi-lateral development banks (the redemption follows the actual injection of the “equity” which is conducted in multi-annual instalments) and so-called Credit equivalent legal transactions (kreditaehnliche Rechtsgeschaeft). The latter is only of minor importance and contains liabilities which come from the purchases of with mortgages encumbered land (Hypothecken-, Grund- und Rentenschulden), outstanding purchase prices (Restkaufgelder) and financial leasing.

Concerning long-term loans resulting from equity injections into multi-lateral development banks, the encashment period is spread over various years, while the recording of the capital increase is recognised at time of decision to increase the capital.

Other long-term (notional) loans result from so-called holding arrangements with the Kreditanstalt fuer Wiederaufbau (KfW). KfW acquired shares of Deutsche Telekom AG and Deutsche Post AG (Platzhaltergeschaefte) as well as of the European Aeronautic Defence and Space Company (EADS) to sell them at the stock market at a later point in time or to hold them for an unspecified time period. Given that KfW is acting on behalf of central government in these cases, transactions are to be rearranged. They are treated as equity holdings of central government financed by notional loans provided by KfW. The (notional) loans are redeemed when KfW sells the shares at the stock market. Furthermore, several loans provided by KfW for specific purposes are rearranged via the central government sector. In these cases KfW is considered to act on behalf of central government. In addition, central government provided explicit (asset) guarantees to KfW which serve to cover the associated financial risks. Therefore, these transactions are recognized as notional long-term loans.

In addition, the bilateral loans provided by Germany to Greece in the context of the financial and sovereign debt crisis were advanced by KfW on behalf of central government and thus rearranged through central government accounts (notional loans provided by KfW to German central government, and at the same time notional German central government lending to Greece). Overall, a general survey for rearrangement cases with central government owned promotional banks is in place to cover all relevant rearrangement transactions. Government liabilities arising from this data are recorded as notional long-term loans.

In the same way as the bilateral loans provided by Germany via KfW to Greece, the lending transactions of the European Financial Stability Facility (EFSF) are to be recorded (notional loans provided by EFSF to German central government, and at the same time notional German central government lending to EFSF programme countries).

Central government also owes long-term loans via various extra-budgetary units, which are, however, only of minor importance.

Finally, central government long-term loans result from the transfer of liabilities (and assets) of Hypo Real Estate to FMSW (defeasance structure).

**State governments** do not only borrow through (ordinary) long-term loans but also have long-term (notional) liabilities resulting from PPPs, Energy Performance Contracts (EPCs), off-market swaps and so-called Credit equivalent legal transactions (kreditaehnliche Rechtsgeschaeft). The latter contain liabilities from purchases of land encumbered with mortgages (Hypotheken-, Grund- und Rentenschulden), outstanding purchase prices (Restkaufgelder) and financial leasing.

Furthermore, there are long-term loans provided by PFIEs. However, these loans include partly liabilities lent by governmental creditors. Therefore, a separation is conducted as described in chapter 3.1.1.2.

Since the introduction of ESA 2010 several governmental holdings were identified and reclassified to the state government sector. For the years when these new entities had not yet been included in the annual debt surveys of Destatis the liabilities of those entities were completely recorded as long-term loans (see chapter 3.1.1.2).

Other long-term (notional) loans result from rearrangement of transactions undertaken by public promotional banks. A general survey for rearrangement cases with state promotional banks is in place covering data since the end of 2011.

Additional long-term loans result from transfers of liabilities (and assets) of WestLB (renamed as “Portigon”) to EAA (defeasance structure). In the meantime, also Portigon has been reclassified to the government sector. Therefore, long-term loans of Portigon are recorded.

Furthermore, the liabilities of the (Irish) SPV Sealink Funding which was established in the context of the financial crisis to the benefit of the former SachsenLB contributed to long-term loans (until 2018) as the unit was considered as a defeasance structure acting on behalf of state government.

In the context of the resolution of the financial relationship between the German “Bayerische Landesbank” (BayernLB) and the Austrian wind-down entity of “Hypo Alpe Adria” (named Heta) – in economic terms – a kind of cash collateral was provided by Austria to the state government of Bavaria in 2015 being repayable depending on the outcome of the wind-down process of Heta. Therefore, this rather long-term cash collateral has been recorded as long-term loan. However, in 2016 this liability was assumed by BayernLB (“Freistellungsvereinbarung”). In return, the Bavarian state government released BayernLB from an equivalent amount of its silent participation.

In the course of the 2019 benchmark revision, the public broadcasting agencies have been classified to general government with rather limited outstanding debt (long-term loans).

Some state governments provide financial support to local governments to relief their debt burden. In exchange local governments have to implement a consolidation programme. In some cases as for the state of Lower-Saxony a long-term notional loan is recorded (see chapter 3.1.1.2).

Besides (ordinary) long-term loans, **local governments** also enter long-term loan liabilities stemming from PPPs (notional loans), Energy Performance Contracts (EPCs) (notional loans) and from so-called Credit equivalent legal transactions (kreditaehnliche Rechtsgeschaeft, see above).

Other long-term loans are provided by PFIEs. However, these loans include partly governmental creditors. Therefore, a separation is conducted as described in chapter 3.1.1.2.

Since the introduction of ESA 2010 several governmental holdings were identified and reclassified to the local government sector. For the years when these new entities had not yet been included in the annual debt surveys of Destatis the liabilities of those entities were completely recorded as long-term loans (see chapter 3.1.1.2).

Some state governments provide financial support to local governments to relieve them of their debt burden. In exchange, local governments have to implement a consolidation programme. In some cases as for the local governments of Hesse long-term notional loans are recorded (see chapter 3.1.1.2).

### **3.1.1.2 Data sources used for the compilation of Maastricht debt**

#### **▪ General remark / terminology**

The annual debt statistics (ADS) are one of the main underlying statistical sources for government debt. The ADS distinguish between liabilities to non-public creditors and liabilities to public creditors. Marketable debt instruments (debt securities) are by definition liabilities to non-public creditors.

Liabilities to the public sector are broken down by liabilities to all core budget government sub-sectors as well as public special purpose associations (PSPA; Zweckverbaende; PSPAs are extrabudgetary units of the local government sub-sector) and to “public funds, institutions and enterprises” (PFIE). PFIEs consist of non-core budget /extrabudgetary government units and non-government public units. Additionally, they are divided into “public funds, institutions and special funds” (loans of governmental units of this category are provided to the controlling governmental sub-sector; association to the same governmental level) and “other public special accounts” (loans of governmental units of this category are provided to the other non-controlling governmental sub-sectors; association to other governmental level). However, the distinction between government and non-government is not displayed.

The system of the financial asset stock statistics (FASS) (used to enhance consolidation) is the same.

#### **▪ April EDP notification**

In general, the ADS and FASS are applied. However, in the April EDP notification for the latest reporting year the ADS and FASS are not available yet. Therefore, other sources are used as explained in the following paragraphs.

For **central government** the main data sources are the so-called “Modules for Debt Reporting” (Debt Module; “Module zur Schuldenberichterstattung”)<sup>17</sup>. This source covers data on both, securities and loans. The statistic is provided by the German finance agency (Bundesrepublik Deutschland Finanzagentur GmbH) on a monthly basis with a time-lag of about one month. Furthermore, the Debt Module also comprises special reports covering loan notes by creditors (“Schuldscheindarlehen nach Glaebigerklassen”), issuances by ISIN for Treasury Discount

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<sup>17</sup> Up to the end of 2017 the “Statistic of Federal Government Debt” (SFGD; Statistik der Bundesschuld) was used. Since the introduction of the Debt Module in 2016 the SFGD was used alongside the Debt Module. The Debt Module is based on a newly developed database. Nevertheless, in general, the Debt Module and the SFGD provide the same data.

Papers (Bubills) and residual stocks of debt instruments towards creditors who have not asked for redemption yet (“Restanten”).

Short-term loans of central government are distinguished with the help of a special report which is provided by the German finance agency on a quarterly basis with a time-lag of about one month.

Data on coins in circulation and overall holdings of coins not in circulation are made available by the “Directorate General C - Controlling, Accounting and Organisation” of Deutsche Bundesbank. To eliminate commemorative coins in circulation data is provided by the “Directorate General H – Cash Management” of Deutsche Bundesbank.

The Ministry of Finance at central government level provides on demand one time per year before the April Notification the required data on suspense accounts (Verwahrkonten).

For multi-lateral development banks (MDB) a special report is provided by the “Directorate General S – Statistics” of Deutsche Bundesbank on a quarterly basis with a time-lag of about two months. Information on capital contributions to MDBs is available at the Deutsche Bundesbank serving the depository agent for specific promissory notes issued in the context of capital increases of MDBs by the German finance agency.

For the face-value correction of Treasury Discount Papers (Bubills) a special report is compiled by the German finance agency on a quarterly basis with a time-lag of about one month. Up to 2013 for the face-value correction of Federal Treasury Financing Papers data was provided by the “Directorate General M – Markets” of Deutsche Bundesbank. Since 2014 no Federal Treasury Financing Papers are outstanding anymore<sup>18</sup>.

Data on PPPs’ liabilities and Off-market swaps are provided by Destatis covering annual figures which are sent with a time-lag of about two months. Also for EPCs data on government liabilities are provided by Destatis, however, with a time-lag of about seven months.

Data on the securitisation of pension claims against Deutsche Post AG and Deutsche Telekom AG are taken from press releases and additional reporting of BPS-PT. In addition, special reports of cash collaterals for swaps and other financial transactions of BPS-PT are directly provided by BPS-PT on a quarterly basis with a time-lag of about two months.

The Ministry of Finance (MoF) provides in the context of the survey on rearrangement cases with KfW directly all relevant data on a quarterly basis with a time-lag of about two months.

A special report on EFSF rerouting is made available by Eurostat on a monthly basis with a time-lag of about one month.

A special report on liabilities of further central government extrabudgetary units is provided by Destatis on a quarterly basis with a time-lag of about two and a half months.

Data on FMSW are provided through the “monthly balance sheet statistics” (Bista) of Deutsche Bundesbank collected by the “Directorate General S – Statistics” with a time-lag of about one month.

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<sup>18</sup> This excludes minor residual stocks towards creditors who have not asked for redemption yet (so-called “Restanten”).

Finally, information on the specific forms of trade credits (cases of factoring without recourse and renegotiation of claims) is included in the ADS since the reporting year 2012. For the April notifications first preliminary results of the ADS are used.

Main data sources for short- and long-term securities as well as loans of **state governments** are the so-called SFK4-report and the (preliminary) quarterly debt statistics (QDS). The SFK4-report is provided by the MoF on a quarterly basis with a time-lag of about two months. The QDS are compiled by Destatis on a quarterly basis with a time-lag of about two and a half months. Both statistics are consistent concerning core budgets. They follow the same delimitation as the ADS for government entities and main debt instruments.

For extrabudgetary units the SFK4-Report cannot be used as the SFK4-report covers only core budgets. However, the QDS provides data for extrabudgetary units with a split in total securities, cash advances (“Kassenkredite”) and other loans. Therefore, short-term loans (excluding cash advances) as well as debt securities are estimated (excluding debt data of EAA, hsh portfoliomanagement AöR and “Guarantee Portfolio Baden-Wuerttemberg” (GPBW)) based on the ratios of the split of instruments of the last ADS available (which is only released with a time-lag of about 7 to 8 months). Then the estimated short-term loans and debt securities are subtracted from total loans as well as debt securities reported in the QDS to obtain long-term loans and debt securities. Before 2010 not all extrabudgetary units were included even in the ADS. However, main extrabudgetary units were covered through a special report provided by Destatis on a quarterly basis with a time-lag of about two months.

In the course of the 2019 benchmark revision, public broadcasting agencies have been classified to general government. However, these entities are currently not covered by the ADS and QDS. Therefore, publicly available information is used (time-lag two years).

Additionally, we conducted backward calculations to correct debt levels before the fourth quarter of 2010. These calculations are based on the cumulative debt effect of newly integrated extrabudgetary units on the basis of the ADS and the annual deficits of these units before 2011.

Since the SFK4-report is earlier available than the QDS but the QDS is regularly revised, the QDS is used for updating figures taken from the SFK4-report.

Debt stemming from Credit equivalent legal transactions is added to the debt amounts of the QDS because the QDS does not in total cover these instruments. The debt figures for Credit equivalent legal transactions are estimated by taking the respective debt figures of the last ADS available.

Furthermore, since the introduction of ESA 2010 governmental holdings (which are not so-called head offices) have been reclassified to the state government sector. For these new entities backward calculations before the reporting year 2014 were implemented. For the – in terms of debt – largest governmental holdings publicly available balance sheet data (if available) and annual deficits (provided by Destatis) were used to calculate the relevant debt figures before 2014. Nevertheless, because for the reporting years 2014 and before the reclassified governmental holdings did not have to report under the ADS but general debt figures, no split of instruments was available. Therefore, the debt amounts of governmental holdings for the reporting years 2014 and before are treated as long-term loans.

For Credit equivalent legal transactions (kreditaehnliche Rechtsgeschaeft) no data are included in the SFK4-report or QDS. Therefore, the figures are left unchanged until a new ADS becomes available (insignificant impact).

Furthermore, there are loans provided by PFIEs. However, these loans include partly governmental creditors. Data on PFIEs became first available in the ADS for the reporting year 2010. To separate governmental and non-governmental creditor units for these positions a special report conducted by Destatis was used for 2010. For later reporting years the FASS compiled by Destatis on an annual basis with a time-lag of about 8 months were used to identify consolidation elements (i.e. governmental and non-governmental creditors). Since the ADS and FASS are not available for the April notification, data on PFIEs from the QDS and unchanged values of the latest FASS are used to calculate loans provided by governmental as well as non-governmental PFIEs to state governments.

Comparing ADS with FASS may reveal an excess of claims reported by extra-budgetary units towards core government in comparison with corresponding liabilities reported by core government towards public non-core government units (extra-budgetary and non-government public units. Thus, there is a need for the “**mismatch correction**” (see above). This excess had already been estimated in the past, whenever such discrepancies stood out. In preparation of the October notification, a systematic and more comprehensive analysis is launched for short-term loans for local and state government.

To cover notional liabilities stemming from rearrangement cases of state-owned public promotional banks data is provided via a survey on rearrangement cases conducted by Destatis on a quarterly basis with a time-lag of about two month.

Data on (notional) PPPs’ and EPCs’ debt has the same sources as described for central government. Data on Off-market swaps (including swap restructurings) is collected via an annual survey conducted by Destatis covering core state governments with a time-lag of about two months.

Some state governments provide financial support to local governments to relief their debt burden. In exchange local governments have to implement a consolidation programme. In the case of Lower-Saxony local governments receive via an extrabudgetary unit redemption and interest support. Some of the local governments sold these claims to NORD/LB Norddeutsche Landesbank Girozentrale (NordLB) and used the proceeds to redeem (part of) its debt. At the same time the state of Lower-Saxony agreed with NordLB to pay redemptions and interest for the sold claims directly to NordLB. However, no (notional) loan is recorded/ reported by the state of Lower-Saxony. Therefore, a special report is provided by Destatis on the outstanding amount of the notional loan. In case of the Hessian debt relief programme (Hessenkasse), information is provided by WIBank on a quarterly basis.

Data on EAA, Portigon (which is the residual entity of former WestLB) and hsh portfoliomanagement AöR are (like for FMSW) provided through the Bista of Deutsche Bundesbank collected by the “Directorate General S – Statistics” with a time-lag of less than one month.

Finally, information on the specific forms of trade credits (cases of factoring without recourse and renegotiation of claims) is included in the ADS since the reporting year 2012. For the April notifications first preliminary results of the ADS are used.

Data on liabilities of **local governments** are mainly taken from the QDS which are provided by Destatis on a quarterly basis with a time-lag of about two and a half months. The QDS follow the same delimitation as the ADS for government entities and main debt instruments. However, there is only a split of cash advances (“Kassenkredite”), other loans and total debt securities. Hence, a split of short-term and long-term other loans and debt securities is not available.

To obtain the share of short-term loans the value for cash advances reported in the QDS is taken and other short-term loans are added. However, because other short-term loans are not available an estimation is conducted: First, the percentage share of other short-term loans on total loans for core state governments are calculated by using the information from the QDS. It is assumed that this share is the same for local governments. Then this percentage is applied to total loans of local governments as provided by the QDS in order to receive an estimation for other short-term loans. To derive long-term debt securities total debt securities are taken from the QDS and the unchanged value of short-term debt securities of the latest ADS is subtracted. Hence, it is assumed that short-term debt securities stay unchanged (minor impact). Before the reporting year 2010 no differentiation in short- and long-term securities is included in the ADS. To distinguish between short- and long-term securities before 2010 a special report by the “Directorate General S – Statistics” of Deutsche Bundesbank on a quarterly basis with a time-lag of about one month is used.

Credit equivalent legal transactions (kreditaehnliche Rechtsgeschaeft) are not covered by the QDS. Credit equivalent legal transactions comprise purchases of mortgages encumbered land (Hypotheken-, Grund- und Rentenschulden), outstanding purchase prices (Restkaufgelder) and financial leasing. Therefore, the unchanged values of the latest available ADS are used as an estimate for credit equivalent legal transactions.

Furthermore, since the introduction of ESA 2010 governmental holdings (which are not so-called head offices) have been reclassified to the local government sector. For these new entities backward calculations before the reporting year 2014 were implemented. For the, in terms of debt, largest governmental holdings, publicly available balance sheet data (if available) and annual deficits (provided by Destatis) were used to calculate the relevant debt figures before 2014. Nevertheless, because for the reporting years 2014 and before the reclassified governmental holdings did not have to report under the ADS but general debt figures, no split of instruments was available. Therefore, the debt amounts of governmental holdings for the reporting years 2014 and before are treated as long-term loans.

Furthermore, there are loans provided by PFIEs which partly include governmental creditors. Data based on these creditors became first available in the ADS for the reporting year 2010. To separate governmental and non-governmental creditor units for these positions the FASS compiled by Destatis on an annual basis is used (time-lag of about 8 months). Since the ADS and FASS are not available for the April notification, data on PFIEs from the QDS and unchanged values of the latest FASS are used to calculate loans provided by governmental as well as non-governmental PFIEs to local governments.

Comparing ADS with FASS may reveal an excess of claims reported by extra-budgetary units towards core government in comparison with corresponding liabilities reported by core government towards public non-core government units (extra-budgetary and non-government public units. Thus, there is a need for the “**mismatch correction**” (see above). This excess had already been estimated in the past, whenever such discrepancies stood out. In preparation of the October notification, a systematic and more comprehensive analysis is launched for short-term loans for local and state government.



Before 2010 not all extrabudgetary units were included even in the ADS. Therefore, backward calculations to correct debt levels before the fourth quarter of 2010 were conducted. These calculations are based on the cumulative debt effect of newly integrated extrabudgetary units on the basis of the ADS and the annual deficits of these units before 2011.

Some state governments provide financial support to local governments to relieve them of their debt burden. In exchange local governments have to implement a consolidation programme. In the case of Hesse (Kommunaler Schutzschirm), the designated liabilities were taken over by the Wirtschafts- und Infrastrukturbank Hessen (WIBank) which reduces the recorded/ reported liabilities of local governments. The state of Hesse provides the redemption of these liabilities and partial interest payments. Nevertheless, no (notional) loan is recorded/ reported at state government level. Also, the state of Hesse can reverse the financial support in the case local governments do not comply with the consolidation programme. Hence, local governments still bear the responsibility for these liabilities. Therefore, a special report is provided by Destatis to record a notional loan which corresponds to the face value of the transferred liabilities to WIBank at local government level.

Data on (notional) PPPs' and EPCs' debt have the same source as described for central government.

minorFinally, information on the specific forms of trade credits (cases of factoring without recourse and renegotiation of claims) is included in the ADS since the reporting year 2012. For the April notifications first preliminary results of the ADS are used.

Debt of **social security funds** is only recognized in the form of short- and long-term loans. Counterpart information is used to compile these positions. All loans provided by monetary financial institutions to social security funds are included. The data become available through the Bista of Deutsche Bundesbank compiled by the "Directorate General S – Statistics" with a time-lag of less than one month. Since 2010, debt of social security funds is included by the ADS. However, the Bista data source is still used because the debt reported has only a minor impact. Furthermore, the Bista is still used following the principle of prudence because the ADS still, systematically show lower figures.

Starting with the refined collection of cash pooling (in 2019) information of cash pooling liabilities to public entities are available and have to be consolidated. The consolidated net impact on debt is insignificant. As for the other subsectors, data on FASS is not available in April. Therefore, unchanged values of the latest FASS are to be used.

Finally, information on the specific forms of trade credits (cases of factoring without recourse and renegotiation of claims) is included in the ADS since the reporting year 2014. For the April notifications first preliminary results of the ADS are used.

#### ▪ **October EDP notification**

The sources used for the October notification for **central government** debt are the same as for the April notification. The data for FMSW are taken from the audited annual report of FMSW.

Additional information is directly provided by FMSW on accrued interest and derivative instruments contained in balance sheet positions if not explicitly stated in the report. Furthermore, FMSW provides a special report on the basis of the annual report for foreign currency asset and liability positions. In addition, FMSW provides a special report to adjust

zero-coupon bonds and zero-coupon bond-like registered loans to calculate the face value (minor impact).

The data for Credit equivalent legal transactions (kreditaehnliche Rechtsgeschaeft) of central government are taken from the ADS.

Information on specific forms of trade credits of central government are collected via the ADS and are accordingly recorded in the October notification.

Main data source for securities and loans of **state governments** as well as their differentiation in short- and long-term maturities is the ADS which are collected by Destatis with a time-lag of about 7 months.

This source is also used to capture debt of extrabudgetary units (excluding EAA and hsh portfoliomanagement AöR). Before the reporting year 2010 even the ADS did not include all extrabudgetary units. Therefore, a backward calculation as described above for the April notification was conducted.

Also, before 2010 the ADS did not include a differentiation between short- and long-term securities and loans. To distinguish between short- and long-term securities and loans for the reporting years before 2010 a special report on short-term securities produced by the “Directorate General S – Statistics” of Deutsche Bundesbank and for short-term loans the Bundesbank survey on loans (SoL) conducted on a quarterly basis among all core budget state governments were used.

The data for Credit equivalent legal transactions (kreditaehnliche Rechtsgeschaeft) are taken from the ADS.

Since the ADS and the FASS are available for the October notification, the same calculations for loans provided by PFIEs are performed as described above for the April notification. In addition, the “**mismatch correction**” is performed, as described above.

Since the introduction of ESA 2010 in the October notification 2014 the general procedure for reclassifications of state government entities, which is conducted by Destatis (National Accounts) every year during the so-called “summer revision”, requires backward calculations for the debt amounts of the reclassified units for the last four reporting years. The backward calculation is conducted by applying retro-actively the annual deficits/surpluses on the latest debt amount of the reclassified units available. The deficits/surpluses and debt amounts for the reclassified units are provided by Destatis in a special report.

The data for EAA are taken from the audited annual report of EAA and a special report provided by EAA on accrued interest. Furthermore, EAA provides a special report on the basis of the annual report for foreign currency asset and liability positions. In addition, EAA provides a special report to adjust zero-coupon bonds and zero-coupon bond-like registered loans to calculate the face value (minor impact).

The data for Portigon are taken from the audited annual report of Portigon and – for consolidation elements – from the Bista.

Information on specific forms of trade credits are collected via the ADS and are accordingly recorded in the October notification.

For all other positions the same sources as for the April notification apply.

Instead of the QDS, the main data source on short- and long-term securities and loans of **local governments** is the ADS which are collected by Destatis with a time-lag of about 7 months. However, before the reporting year 2010 the ADS did not distinguish between short- and long-term securities and loans.

To receive short-term securities a special report is provided by the “Directorate General S – Statistics” of Deutsche Bundesbank as described above for the April notification.

For short-term loans before 2010 cash advances from the ADS and estimations for other short-term loans are added up. Before 2010, the other short-term loans were exactly estimated as described above for the April notification except that total loans of overall budget local governments are not calculated on the basis of the QDS but on the ADS.

The data for Credit equivalent legal transactions (kreditaehnliche Rechtsgeschaeft) are taken from the ADS.

Concerning loans from PFIEs the same calculations as described above for the April notification but using the newly available ADS and FASS are applied. In addition, the “**mismatch correction**” is performed as described above.

Since the introduction of ESA 2010 in the October notification 2014 the general procedure for reclassifications of local government entities, which is conducted by Destatis (National Accounts) every year during the so-called “summer revision”, requires backward calculations for the debt amounts of the reclassified units for the last four reporting years. The backward calculation is conducted by applying retro-actively the annual deficits/surpluses on the latest debt amount of the reclassified units available. The deficits/surpluses and debt amounts for the reclassified units are provided by Destatis in a special report.

Information on specific forms of trade credits are collected via the ADS and are accordingly recorded in the October notification.

For all other positions the same sources and calculations as described above for the April notification are applied.

For **social security funds** the same sources are used as described above for the April notification. In addition, information of FASS also became available for consolidating cash pool liabilities.

Information on specific forms of trade credits of social security funds are collected via the ADS and are accordingly recorded in the October notification.

### **3.1.1.3 Amendments to basic data sources**

For **central government** a nominal value correction is conducted for Federal Treasury Financing Papers and Treasury Discount Papers (Bubills). Because these securities are recorded with a discount in the Debt Module a correction is needed to obtain the nominal (face) value. Until 2013, for Federal Treasury Financing Papers data were provided by the “Directorate General M – Markets” of Deutsche Bundesbank. Since 2014 no Federal Treasury Financing Papers are outstanding. For the correction of the nominal value of Treasury Discount Papers

(Bubills) a special report is compiled by the German finance agency on a quarterly basis with a time-lag of about one month.

For FMSW, information on accrued interest and on derivative instruments contained in balance sheet positions “liabilities to banks” and “liabilities to customers” are used for correction. The data are directly provided by FMSW. Additionally, FMSW provides on a quarterly basis with a time-lag of about two months a special report on zero-coupon bond-like registered loans which are not recorded at their face value in the annual report and Bista. Therefore, in this evaluation the required adjustment amounts are reported.

EAA (state government level) provides on a quarterly basis with a time-lag of about two months a special report on zero-coupon bonds and zero-coupon bond-like registered loans which are not recorded at their face value in the annual report and Bista. Therefore, in this report the required adjustment amounts are reported.

For short and long-term loans of **social security funds** counterpart information is used as described in chapter 3.1.1.2.

Adjustments for “other changes in volume” (i.e. not related to transactions) are not necessary to compile as the debt statistics are based on the relevant stocks.

As regards the use of financial accounts balance sheets it has to be noted that the calculation of Maastricht debt (at face value) is the underlying basis for the calculation of the financial accounts liability side (at market value). The valuation in financial accounts is based on an average market price index for government securities.

#### **3.1.1.4 Consolidation of Maastricht debt**

##### **▪ Intra-flows**

For **central government** intra-subsectoral consolidation is performed for short- and long-term securities and loans. Especially flows between core budget and extrabudgetary units have to be consolidated.

Short-term securities include securities which are held by other central government units. Information on intra-subsectoral holdings of central government short-term securities is taken from the FASS. Since the FASS are only available with a time-lag of about 8 month the unchanged value of the latest FASS is used for the April notification.

Also long-term securities are held by other central government units. Information on such holdings of special funds (Sondervermögen) which are directly managed by the Deutsche Bundesbank are provided by the “Directorate General M – Markets” of Deutsche Bundesbank on a quarterly basis with a time-lag of about one month. Additionally, data on central government security holdings are directly provided by FMSW on a quarterly basis with a time-lag of about two months.

Since their reclassification into general government (2020), the institutional protection schemes of the savings banks (DSGV) and of the cooperative banks (BVR) also provide provisional information for debt consolidation purposes.

Short-term loans also contain intra-subsectoral loans. The German finance agency provides a special report on a quarterly basis which discloses intra-subsectoral borrowing of core budget central government from other central government units.

For long-term loans provided by other central government units to core budget central government the Debt Module supplied by the German finance agency on a quarterly basis with a time-lag of about one month provides a special report on loan notes by creditors (“Schuldscheindarlehen nach Gläubigerklassen”). In addition, the Debt Module provides information on debt incurred for refinancing FMSW (via SoFFin). The information of these refinancing operations (starting in 2019) is also available from the counterpart side (FMSW sources).

Intra-subsectoral consolidation for **state governments** is recognized for short- and long-term securities and loans. Not only flows between core budget and extrabudgetary units are consolidated but also flows between different core budget state governments.

For short- and long-term securities data from the FASS are used. However, since the FASS are not available before 8 months after the end of the reporting year, an estimate is performed for the April notification. From the Securities holdings statistics (Statistik über Wertpapierinvestments, formerly named Depotstatistik), which is provided by the “Directorate General S – Statistics” of Deutsche Bundesbank, the development of overall state government security holdings by state governments is derived and applied to the latest available values of the FASS to extrapolate for the April notification. Because the FASS became first available for the reporting year 2010, backward calculations using the development of the same Securities holdings statistics are conducted to estimate values before 2010.

To consolidate intra-flows for short- and long-term loans, especially the credit relationships between core budget state governments and their special funds have to be recognized. Before the year 2010 the reporting of loans provided by extra-budgetary funds according to the ADS was not fully homogeneous. To gather more detailed information an annual survey among all state governments was/is conducted to receive data on loans provided by state governments special funds (in particular related to the build-up of pension reserves) to core budget state governments. The survey is conducted with a time-lag of about two months. Since the reporting year 2010, when the structure of the ADS was changed, these relationships are also not explicitly identifiable. They are included in loans provided by public entities under the position “public funds, institutions and special funds” (PFIEs). Because this position includes loans provided by same sub-sector governmental and non-governmental public creditors, only loans from non-governmental public entities are to be included. Please see chapter 3.1.1.2 for the differentiation between governmental and non-governmental loans using FASS and ADS for the October notification. Please see also chapter 3.1.1.2 for the treatment of governmental and non-governmental loans using unchanged values from the latest available FASS in the context of the April notification. For the calculation, the QDS provides the required data on PFIEs in the same delimitation as the ADS.

Concerning the debt relationship between EAA (bad bank of former WestLB) and Portigon (residual entity of former WestLB) which are both state government units the consolidation on the asset and liability side is completely conducted in the accounts of Portigon using data from the Bista of Deutsche Bundesbank (see chapter 3.1.1.2).

For **local governments** no intra-subsectoral consolidations are conducted except for short- and long-term loans. As for state governments especially the relationships between core budget

local governments and their special funds have to be recognized. Since the reporting year 2010 these relationships are included in overall loans provided by public entities in the position “public funds, institutions and special funds” (PFIEs). For the October notification the ADS is used and therefore the same procedure as described for state governments applies. For the April notification the QDS provides the required data on PFIEs in the same delimitation as the ADS. Hence, the same procedure as for state governments applies using the unchanged values from the latest available FASS. Before the reporting year 2010 no intra-subsectoral consolidations for short- and long-term loans could be conducted due to a lack of the required data.

For **social security funds** no intra-flows were to be consolidated in the past given the data source used (see chapter 3.1.1.2). (Intra-flow data would be available in the ADS.) However, starting with the refined collection of cash pooling (in 2019) intra-flows are available and to be consolidated. The consolidated net impact on debt is, however, insignificant.

#### ▪ **Inter-flows**

Inter-subsectoral liability relationships between **central government** (debtor) and state, local governments as well as social security funds are covered for short- and long-term securities and loans. However, at the moment mainly core budget central government liabilities to other government sub-sectors can only be recognized. Liability relationships of extrabudgetary units of central government to other government sub-sectors are completely ignored for short- and long-term securities as well as short-term loans and are only covered for long-term loans due to a lack of the required data.

For short- and long-term securities the data is taken from the FASS. However, since the FASS are not available before 8 months after the end of the reporting year, an estimate is performed for the April notification. From the Securities holdings statistics (Statistik über Wertpapierinvestments, formerly named Depotstatistik), which is provided by the “Directorate General S – Statistics” of Deutsche Bundesbank, the percentage change of overall central government security holdings by state, local governments and social security funds is derived and applied to the latest available values of the FASS to extrapolate for the April notification. Because the FASS became first available for the reporting year 2010, backward calculations using the development of the same Securities holdings statistics are conducted to estimate values before 2010. The overall short- and long-term securities include debt held by other general government sub-sectors. For the consolidation of general government these positions have to be subtracted from total debt securities.

For short-term loans a special report is provided by the German finance agency on a quarterly basis which discloses inter-subsectoral lending to core budget central government. Right now, this report does not disclose any inter-subsectoral lending between central and local governments. These inter-subsectoral loans are already included in the short-term loans of core budget central government on the basis of the Debt Module. Therefore, these loans are subtracted from overall short-term loans.

For long-term loans no liabilities of central government to other government sub-sectors are identified on the basis of the ADS. However, if on the basis of the ADS long-term loans provided by state, local governments as well as social security funds to central government are identified, then these loans would be subtracted from overall long-term loans because overall long-term loans are calculated on the basis of the Debt Module which is consistent with the ADS but includes loans provided by other governmental sub-sectors.

Additionally, the ADS disclose short- and long-term loans of central government provided by PFIEs. By definition these loans are classified as loans provided by non-governmental entities and are already included as such via the Debt Module.

Also for **state governments** (debtor) inter-subsectoral liability relationships between state governments and central, local governments as well as social security funds are covered for short- and long-term securities and loans. Data on core budget state government liabilities to other government sub-sectors are recognized.

However, liabilities of extrabudgetary units of state governments provided by other governmental sub-sectors are not covered for short- and long-term securities due to a lack of the required data. Nevertheless, inter-subsectoral short- and long-term loans of extrabudgetary units of state governments provided by other governmental sub-sectors are recognized.

For short- and long-term securities the data is taken from the FASS (except for securities issued by EAA and held by FMSW). However, since the FASS are not available before 8 months after the end of the reporting year, an estimate is performed for the April notification. From the Securities holdings statistics (Statistik über Wertpapierinvestments, formerly named Depotstatistik), which is provided by the “Directorate General S – Statistics” of Deutsche Bundesbank, the development (percentage change) of overall state governments security holdings by central, local governments and social security funds is derived and applied to the latest available values of the FASS to extrapolate for the April notification. Because the FASS became first available for the reporting year 2010, backward calculations using the development of the same Securities holdings statistics are conducted to estimate values before 2010. The overall short- and long-term securities already include debt held by other general government sub-sectors. However, for the consolidation of general government these positions have to be subtracted from total debt securities. For the debt securities relationship between core state governments and overall budget central government securities holding data of the central government special funds (Sondervermögen) is used. These funds are directly managed by the Deutsche Bundesbank and the data are provided by the “Directorate General M – Markets” of Deutsche Bundesbank on a quarterly basis with a time-lag of about one month. Furthermore, securities holdings of FMSW are recognized. The data on securities holdings of FMSW are provided through the “monthly balance sheet statistics” (Bista) of Deutsche Bundesbank collected by the “Directorate General S – Statistics” with a time-lag of less than one month. Additionally, securities holdings of the deposit guarantee schemes are recognized which are reported by the German federal financial supervisory agency (BaFin) on a quarterly basis with a time-lag of about two months.

For short-term loans data has become available only since the implementation of the new ADS for the reporting year 2010. However, since the ADS are provided by Destatis with a time-lag of about 7 months, the QDS is applied for core state governments in the April notification. For extrabudgetary entities of state governments the QDS does not provide the required split for other short-term loans (but for cash advances). Hence, the unchanged values of the latest ADS are used for other short-term loans of extrabudgetary units.

Data for long-term loans of core budget state governments provided by other government sub-sectors are taken from the ADS for the October notification and from the QDS for the April notification. For long-term loans of extrabudgetary units of state governments the ADS are used for the October notification; for the April notification the QDS are applied and other short-term loans are subtracted from total loans (excluding cash advances) to derive long-term loans.

The new ADS also include the position “other public special accounts” (PFIEs) which covers short- and long-term loans of state governments provided by “other public special accounts” (PFIEs). This position includes loans of governmental and non-governmental units. As described in chapter 3.1.1.2, to separate these units the FASS are used<sup>19</sup>. The FASS show the liabilities of state governments to extrabudgetary units of other government sub-sectors. These liabilities comprise mainly the loans of governmental units included in the position “other public special accounts” (PFIEs) in the ADS and QDS. Therefore, these short- and long-term loans are treated as inter-subsectoral state government debt. These data were not available before the reporting year 2010. Also the FASS are not available before 8 month after the end of the reporting year. For this reason, the unchanged values of the latest FASS are used for the April notification.

Inter-subsectoral lending between **local governments** (debtor) and central, state governments as well as social security funds include short- and long-term securities and loans. However, only for loans inter-subsectoral borrowing of core budget and extrabudgetary units of local governments are covered. For short- and long-term securities the FASS are used which only covers liabilities of core budget local governments to other sub-sector governments.

Since the FASS are not available before 8 months after the end of the reporting year, the unchanged values of the latest available FASS are used for the April notification. The FASS became first available for the reporting year 2010. Only since then inter-subsectoral consolidation is recognized for short- and long-term securities of local governments. The overall short- and long-term securities already include debt held by other general government sub-sectors. Hence, for the consolidation of general government these positions have to be subtracted from total debt securities.

For short-term loans of local governments to other sub-sector governments the ADS are applied but only since 2010. Before the reporting year 2010 no inter-consolidation for short-term loans was performed. Nevertheless, consolidation of short-term loans is only of minor importance. Since the ADS are not available before 7 months after the end of the reporting year, the QDS is applied for cash advances and the unchanged values of the latest ADS are used for other short-term loans in the context of the April notification.

For the inter-consolidation of long-term loans of local governments the ADS is applied in the same way as for short-term loans. However, before the reporting year 2010 the ADS is also applied but without differentiation between short- and long-term loans due to the lack of the required data. Therefore, before 2010 all inter-subsectoral lending in the form of loans was assigned to long-term loans.

Since the ADS are not available before 7 months after the end of the reporting year, the QDS is used to calculate long-term loans by subtracting short-term loans (as described above) from total loans. This is appropriate because the QDS provides the same delimitation as the ADS for major debt instruments.

The ADS also include the position “other public special accounts” (PFIEs) which covers short- and long-term loans of local governments provided by “other public special accounts” (PFIEs). This position includes loans of governmental and non-governmental units. As described in

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<sup>19</sup> Only for the reporting year 2010 a special report provided by Destatis was used instead of the FASS. This special report disclosed the loans provided by the non-governmental units. Therefore, the remaining amount of the position “other public special accounts” was treated as state government loans provided by other subsector governments.



chapter 3.1.1.2, to separate these units the FASS are used. The FASS show the liabilities of local governments to extrabudgetary units of other government subsectors. These liabilities comprise mainly the loans of governmental units included in the position “other public special accounts” (PFIEs) in the ADS and QDS. Therefore, these short- and long-term loans are treated as inter-subsectoral local government debt. These data were not available before the reporting year 2010. However, as an estimate the unchanged values of the FASS of the reporting year 2010 were applied for the years before 2010. Also the FASS are not available before 8 months after the end of the reporting year. For this reason, the unchanged values of the latest FASS are used for the April notification.

For **social security funds** (debtor) no inter-subsectoral debt is identified.

▪ **Comment on inconsistencies**

In some instances, comparing ADS and FASS reveals inconsistencies between intra-core government debt and intra-core government claims. In such circumstances, data of the ADS are preferred over the data of the FASS. The reason is that the reporting of debt has been a long-standing obligation for all government units (whatever accounting system is used). In contrast, the documentation of financial assets is less pronounced and there is less experience with the FASS.

However, since counterpart information in ADS does not distinguish government from non-government PFIEs, FASS is helpful for eliminating/consolidating core government liabilities held by extra-budgetary government units. These amounts can only be identified in FASS as claims of extra-budgetary units against core government. But here again, inconsistencies between ADS and FASS arise from time to time. In particular, the reported claims of extra-budgetary units against core government exceed sometimes the reported debt of core governments against PFIEs (i.e., extra-budgetary and public non-government units). Since these claims do not include claims from public non-government units they could well be smaller than the reported debt. But reported claims exceeding the reported debt reveals a clear inconsistency between ADS and FASS. Such a mismatch was identified for AF.41 in a state-by-state analysis at local and state government level. The calculated financial asset overhang (over reported debt) was added to government debt. Note that subtracting the overhang from financial assets used for consolidation instead would have yielded exactly the same results because no inter-subsector claims or debts were concerned. For quarters where ADS or FASS are not (or not yet) available, a possible mismatch is calculated by comparing the last available FASS to QDS data.

## **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 ESA 2010.

### ***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 ESA 2010 adjustments (e.g. accrual adjustments, recording of specific government transactions, etc.).

The main central government unit refers to all administrative departments of the Federal government. The data source of the main central government unit is the core budget.

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

**Federal government core budget**

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>		
				<b>Budget Reporting</b>			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
C	Q/A	T+20 <sup>20</sup>	T+(24-31) <sup>21</sup>	(3) Current and capital revenue and expenditure and financial transactions	X	X	X
				(4) Balance sheets			
				<b>Financial Statements</b>			
				(5) Profit and loss accounts			
				(6) Balance sheets			
				(7) Cash flow statement			
				<b>Other Reporting</b>			
				(8) Statistical surveys			
				(9) Other:			
C	M	T+21	T+21 days	Report of BMF on tax revenue		X	
C+A	M	T+20		Report of Finanzagentur on capital cost model		X	
C	Q	T+30	T+30 days	Voluntary survey on EU flows		X	
A	M	T+40	T+51	Balance of Payments Statistics		X	X
C/A	A	T+8/9 months	T+8/9 months	Financial asset stock statistics (FASS)			X
C/A	M	T+1½ months	T+1½ months	Securities holdings statistics			X
				Various debt statistics (see section 3.1.1 for details) <sup>22</sup>			X
A	M	T+35	T+35 days	Eurostat reporting on EFSF transactions		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.

<sup>20</sup> Public finance statistics publishes their results in T+90 days.

<sup>21</sup> In general, the first results and the final results for the core budget of central government are identical.

<sup>22</sup> Data sources for the compilation of debt are described in Section 3.1.1.

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.

To calculate the items of revenue and expenditure of central government and its special funds, which are used to calculate the net lending/net borrowing of central government in accordance with the national accounts definition, the Federal Ministry of Finance (BMF) provides quarterly and up-to-date reports on cash revenue and expenditure. These are complete and provide a detailed breakdown of all characteristics of the budget classification for the central government budget and for the special funds of the central government. They are identical with the results recorded at a later date for the central government and its special funds as part of the quarterly cash statistics of the overall public budget and of the annual finance statistics of the public finance statistics.

The accounting report for the Federal government (“Haushaltsrechnung des Bundes”) is not used as basic data source because the quarterly reports of the Federal Ministry of Finance (BMF) on cash revenue and expenditure are available earlier.

While non-financial transactions are well covered by quarterly cash statistics and annual finance statistics of public finance statistics, financial transactions are only partly included. Therefore, additional reportings/ data sources for main central government are necessary (see section 3.2.1.3.2). Owing to the lack of full and consistent coverage of financial transactions (in particular on the asset side) in the underlying accounting system, B.9 is considered as the best estimate for B.9f. Accordingly, in the financial accounts, transactions in other financial assets (F.8) are adjusted to set B.9f equal to B.9. However, to provide full transparency for the surveillance of deficit-debt-adjustments, EDP Tables 3A-E only report transactions in other financial assets (F.8) which are derived from underlying data sources (like the cash-accrual adjustments necessary to transform public finance statistics into national accounts).

### **3.2.1.1 Details of the basic data sources**

#### ***Data sources used for compilation of national accounts***

The quarterly report of the Federal Ministry of Finance (BMF) on cash revenue and expenditure of the central government core budget follows the classification of the Federal budget. In the Federal budget, the details are presented according to budget lines. The clear identification of a certain budget item is carried out via a twelve-digit number. The number contains information about the institution (“individual budget”), the economic kind of expenditure or revenue (classification by object) and the area of function (classification by function) to which the revenues and expenditures are assigned.

Considering the budget position 0614 428 01-014 as an example (from the budget 2014 onwards), the twelve-digit number contains the following information:

- 06: The first two digits indicate the individual section of the budget, mainly a ministry (here: Federal Ministry of the Interior).
  
- 0614: The first four digits represent the further breakdown of the section (so-called “chapters”), often referring to individual authorities (here: Federal Statistical Office).

- 428: These three digits describe the economic kind of revenues or expenditures according to the budget classification (so-called “Gruppierungsplan” – here: compensation of employees).
- 01: These two digits are a serial number.
- 014: These three digits describe the area of function of government according to the budget classification (so-called “Funktionenplan” – here: statistical service).

For the compilation of ESA 2010 aggregates, the main information used is the economic kind of the revenues and expenditures (classification by object).

The classification by object permits to distinguish flows of units classified in different government subsectors and in certain cases to distinguish between flows of public units and of other units. The differentiation of flows by subsectors is crucial for consolidation between subsectors, whereas the differentiation by public/ other unit is not decisive for sector classification of units.

The classification by object also permits to distinguish between non-financial and financial flows because there are special codes for financial flows of the capital account. Most of the financial flows in public finance statistics correspond to financial transactions in national accounts.

However, financial transactions are not fully covered. While transactions in loans and equity are accounted for in the budget, transactions related to the reserves (in particular currency and deposits and other money market transactions) are not included.

In most instances, the structure of inflows and outflows of the basic data source is appropriate for the identification of individual flows which are to be specifically treated/reclassified according to ESA 2010 requirements, e.g. from non-financial into financial transaction and vice versa.

In the majority of cases, the classification by object allows for the identification of the counterpart sector of a transaction. However, transactions between the core budget and extrabudgetary units of the same governmental subsector cannot be reported separately.

BoP data are available according to the provisions of the Balance of Payments Manual in the respective applicable version. These data provide structural information for the split of revenues and expenditures into domestic and foreign transactions.

The monthly reports of the Federal Ministry of Finance (BMF) on cash tax revenues are broken down by tax type and month.

### ***Working balance (WB)***

Data reported in the working balance are also used for B.9 calculation.

In general, the working balance is compiled by public finance statistics.

Public finance statistics comprise the following statistical surveys on public finances:

- Quarterly cash statistics for federal government, state government and social security funds,
- Annual finance statistics for federal government, state government and social security funds,
- Quarterly cash statistics for local government,
- Annual finance statistics for local government,
- Quarterly higher education finance statistics,
- Annual higher education finance statistics,
- Quarterly statistics for public funds, institutions and enterprises (only for units of general government),
- Annual statistics for public funds, institutions and enterprises,
- Quarterly statistics on debt,
- Annual statistics on debt,
- Statistics on financial assets,
- Quarterly statistics on financial transactions.

- **Quarterly cash statistics**

Public finance statistics uses the results of the quarterly cash statistics for the compilation and publication of the quarterly cash statistics of the overall public budget. The quarterly cash statistics of the overall public budget is available at T+90 days.

Cash statistics are compiled every quarter for the quarter that has just ended. With regard to the core and extra budgets of the overall public budget, they present data on the actual revenue and actual expenditure broken down by type, on the cost of construction by function of government, and on the debt position at the end of each quarter by type of debt. Hence, cash statistics regularly provide a very up-to-date and detailed picture of the situation of public finances in Germany.

Cash statistics show the revenue that accrued to the core and extra budgets of the overall public budget and the expenditure financed from this revenue. In addition, they record how much external funding (loans raised in the credit market) or reserves were needed to cover the financial balance. The financial balance of the overall public budget as defined in public finance statistics is the balance of adjusted expenditure and revenue plus the balance of internal offsetting items. Due to methodological differences, it is not identical to net lending/net borrowing of general government in the national accounts context (government deficit). The future burden on the overall public budget due to the use of external funds is reflected by the debt position shown in cash statistics.

The overall public budget comprises the core and extra budgets of the Federation, Länder, municipalities/ associations of municipalities, social security funds, and Germany's share of the European Union's budgetary operations.

The data are collected from the quarterly cash statements for the core budgets of the Federation, Länder, municipalities/ associations of municipalities and social security funds. The revenue and expenditure breakdown for social security funds is aligned to the functional structure of the charts of accounts used by social security. The Federal Agency for Employment uses

cameralistic accounting. Information on the quarterly revenue and expenditure of the extra budgets is obtained

- from the cash statements of units using cameralistic accounting and
- mostly directly from the accounting systems of units using commercial accounting.

Response to the surveys is compulsory. A cut-off threshold applies for extra-budgetary units with revenues or expenditures below 1 million euros, see section 3.2.2.

Data on the quarterly revenue and expenditure of the core budgets of the Federation and the Länder are provided by the ministries of finance (with the exception of the city state of Bremen, where the data are provided via the Statistical Office).

Information on the quarterly revenue/ inpayments and expenditure/ outpayments in the core budgets of the municipalities/ associations of municipalities is delivered to the Statistical Offices of the Länder.

Depending on which branch of social security is concerned, public finance statistics data on the social security funds are either provided by the relevant federal ministry or directly by the fund in question.

As far as the quarterly revenue and expenditure of the extra budgets are concerned, the relevant information is provided as follows:

- Units using cameralistic accounting compile a data record, which is then transmitted to the Federal Statistical Office or the Statistical Offices of the Länder, either directly or via the ministries of finance,
- Units using commercial accounting provide the data by way of a questionnaire to the Federal Statistical Office or the Statistical Offices of the Länder.

The Federal Statistical Office has the task of collating the differently structured basic data to produce the results for the overall public budget.

Only few units are affected by item or unit non-response. In the event of non-response, data are estimated based on the figures for the previous quarter or year. As far as statutory accident insurance is concerned, the data are estimated on an infra-annual basis.

#### ▪ **Annual finance statistics**

Public finance statistics also compiles annual finance statistics based on the annual accounting results. These figures are used for the working balance in EDP Tables 2 as soon as they are published.

For central, state and local government units, revenue and expenditure data are collected from the budget accounts according to the respective budget classification by object and by function. For social security funds revenue and expenditure are collected on the basis of the accounting records of the particular bodies according to a classification which can be bridged to the classification system of central and state government. The surveys cover all relevant reporting units and are compulsory.

Data on the financial statements of central and state governments are provided to the Federal Statistical Office by the ministries of finance as well as the directors of the units in charge of

the budget/cash/accounting system. The annual accounting results of the municipalities and the municipal special purpose associations (“kommunale Zweckverbände”) are processed by means of a common software programme by the respective Statistical Offices of the Länder and supplied to the Federal Statistical Office in the form of totals records grouped by size of administrative districts and by accounting system (cameralistic vs. municipal double-entry accounting). Thus, individual data exist only in the Statistical Offices of the Länder.

Depending on the branch of social security, public finance statistics data on the social security funds are either provided by the Federal Ministry of Health or directly by the respective fund.

The Federal Statistical Office has the task of collating the differently structured basic data to produce the annual accounting results for the overall public budget.

### **3.2.1.2 Statistical surveys used as a basic data source**

Statistical surveys are not used as basic data source for B.9 compilation of the main central government unit.

### **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 ESA 2010 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.

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

From 2011 onwards, the recording of transactions with the rest of the world is based on public finance statistics data. However, for some compilations also structural information provided by the balance of payment statistics is used (e.g. allocation of taxes).

From 2014 onwards, for the recording of EU flows a voluntary quarterly survey is carried out, see section 6.2.1.

For debt cancellation and debt assumption, data are collected in the annual debt statistics and statistics on financial assets. Moreover, additional information is used from the balance of payments and direct information from the Federal Ministry of Finance (BMF).

To be able to depict investments by state of construction progress, the figures of the construction account in the national accounts are used for the item **gross fixed capital formation in construction** – and not the data source described above. Accordingly, to establish government construction measures, the figures on output statistics in the construction sector are used rather than the cash expenditure.

The calculation differentiates between primary construction, finishing trades, construction work performed by manufacturers, construction services of architects, surveyors and structural engineers, real estate agents, etc. For the primary construction industry, the annual survey provides the investment level for the year under “annual construction output”. This variable does not reflect payments but construction work in progress according to ESA. Construction work performed by sub-constructors is collected separately and is to be deducted. Using these results, combined with the breakdown of working hours by types of building according to the monthly survey of businesses in the primary construction industries, it is possible to calculate



the annual government investment in the primary construction industry. For the secondary construction industry, the annual level of gross fixed capital formation in construction is derived from VAT statistics. The breakdown by type of building – including government buildings – also relies on the monthly industry survey of the primary construction industry.

Production and foreign trade statistics provide quarterly results for the construction work performed by manufacturers. For the construction work performed by architects, surveyors and structural engineers, real estate agents etc. annual values are obtained from VAT statistics. For the breakdown by building types information is derived from the working hours by building types. The sum of the construction work performed by the categories of service providers and of the type of construction work performed in government buildings represents the government gross fixed capital formation in construction. The breakdown of this government gross fixed capital formation in construction into subsectors is derived from the structure of the cash figures of public finance statistics. For this purpose, the cash figures are adjusted for PPP and EPC investments not included in public finance statistics. The structure is based on annual averages.

Data for the recording of refunds relating to court decisions are provided by the Federal Ministry of Finance (BMF) and by the working group “tax estimation”. Concerning court decisions on social benefits, the Federal Ministry of Labour and Social Affairs and the Federal Ministry of Health are consulted on a regular basis.

Data of the German Emissions Trading Authority (“Deutsche Emissionshandelsstelle”) on sales of emission permits and on the number of returned permits in each year are used for the recording of transactions in connection with emission permits.

For the recording of accrued toll revenues, publicly available data of the Federal Office for Goods Transport (“Bundesamt für Güterverkehr” – BAG) are used<sup>23</sup>.

For the recording of interest revenue and expenditure on an accrual basis, the Deutsche Finanzagentur (German Finance Agency) provides data from the capital cost model database, see section 6.4.

Additionally, the Federal Ministry of Finance (BMF) provides information on

- rearranged transactions of the Kreditanstalt für Wiederaufbau (KfW) in cases where the KfW acts on behalf of government,
- debt cancellations (e.g. in the context of the Paris Club agreements or development aid).

Data on deliveries and cash payments for military goods are provided by the “Bundesamt für Ausrüstung, Informationstechnik und Nutzung der Bundeswehr” (BAAINBw). The Federal Ministry of Defence provides data on stocks of military inventories (ammunition etc.).

### **3.2.1.3.2 *Supplementary data sources used for the compilation of financial accounts***

In general, transactions related to reserves (in particular currency and deposits and other money market transactions like reverse repos) are not included in the basic data sources/Public Finance Statistics. Therefore, a regular report (quarterly frequency, t+1½ month) is provided by the German finance agency (Bundesrepublik Deutschland Finanzagentur GmbH) and can be already used for the spring notification. This report covers core central government and all central government extra budgetary entities taking part in the cash-pooling system managed by

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<sup>23</sup> Cf. [http://www.bag.bund.de/DE/Navigation/Verkehrsaufgaben/Statistik/Mautstatistik/mautstatistik\\_node.html](http://www.bag.bund.de/DE/Navigation/Verkehrsaufgaben/Statistik/Mautstatistik/mautstatistik_node.html).

the German finance agency, and deposits with Deutsche Bundesbank (including “cash concentration” within central government).

This report contains money market lending and borrowing of main core/main central government with different counterpart groups (broken down by government subsectors, banks and other financial corporations, non-financial corporations, foreign sectors). Transactions in money markets assets with banks are F.2 and in other money market assets are F.41 transactions. Information on transactions with other government entities/subsectors are used for consolidation (see section 3.1.1.4).

In addition, information from “Directorate General C - Controlling, Accounting and Organisation” of Deutsche Bundesbank for core central government’s (and central government special funds’) deposits F.2 with Deutsche Bundesbank are considered. (For core central government and all extra budgetary entities taking part in the “cash concentration”. Data is available a few days after the reference period.

Settlement payments for swaps and forward rate agreements (transactions in financial derivatives and employee stock options F.7) and other relevant information on F.7 transactions (and their correction for lump-sum payments or swap cancellations) of core central government are reported by the ministry of finances (MoF) to the Statistisches Bundesamt and shared with Deutsche Bundesbank once a year (available T+2 months) for compiling financial accounts.

A detailed breakdown of the budgetary title related to the disposal of shares and equity (Gruppierung 133) are provided by the MoF. Based on this information transactions in equity (F.5) are corrected for non-financial components and for other financial transactions considered as loans (F.4) (available T+2 months).

Debt cancellations increase the deficit without additional funding requirements. Therefore, redemptions of loans (F.4) have to be imputed as the financial counterpart transaction of the underlying capital transfer. The data are made available by the MoF. Other adjustments also related to guarantees granted by federal government like flows included in the budgetary positions for granting and redemption of loans (fees/commissions/interests) are to be corrected as well based on information provided by the MoF (available T+2 months). In addition, other debt cancellations modelled by Destatis on the basis of data provided by the FASS are recorded.

Accrued interest on financial assets should be recorded as being reinvested in the respective instrument. The difference between interest accrued and paid is calculated separately for assets and liabilities for all government levels by the Statistisches Bundesamt. Information (annual) is shared with Deutsche Bundesbank twice a year (first estimates available T+2½ months).

Reporting on EFSF transactions to be rerouted are provided by Eurostat (monthly basis).

Additional adjustments are made in case of transactions in shares of Deutsche Telekom, Post and EADS (holding arrangements). A sale of financial assets is not recorded when the KfW takes over the shares from government, but at the time the KfW places the shares on the market (rearranging of transactions). Similarly, transactions by KfW on behalf of central government are rearranged (bilateral loans provided to Greece and other rerouting cases with KfW). Necessary data are provided by the MoF (or KfW) on the basis of the quarterly survey on rearrangement cases which is conducted among public promotional banks. The data is provided with a time-lag of about one month.

For the rearrangement cases with KfW, conducted on behalf of government (e.g. shares of Deutsche Telekom and Post held by KfW), dividends and notional financing costs are attributed to core central government in national accounts. As these (notional) flows related to these arrangements are very often not effectively paid out to government, the net proceeds (in particular dividends/ interest earned less financing costs) are treated as reinvested into KfW (F.5). Information is received by Destatis via the survey on rearrangement cases and shared with Deutsche Bundesbank (available T+1 month) for the compilation of the financial accounts.

The rearranging of transactions from specific promotional transactions undertaken by KfW on behalf of government needs a more detailed description. In addition to the imputation of notional flows (lending of funds and incurring liabilities) several actual flows between KfW and core central government need to be rearranged.

1. Rerouting of the granting of loans: Imputed lending of central government to final beneficiary (F.4A) financed by imputed borrowing from KfW (F.4L).
2. Imputed interest revenue: = F.5 injection
3. Imputed interest expenditure (refinancing costs): = F.5 withdrawal
4. Imputed income from fees, prepayment penalty etc.: = F.5 injection
5. Guarantee fee paid in cash by KfW to government: these amounts are not considered government revenue in national accounts as the loans guaranteed by government are de facto granted by government itself in national accounts. To counterbalance the effective cash payment from KfW to government, a corresponding equity withdrawal is recorded (instead of government revenue).
6. Cash-call: payment from federal government to KfW:
  - Firstly, a D.9 government expenditure is recorded which is counterbalanced by a reduction of the notional F.4 asset of government.
  - Secondly, the effective cash flow from government to KfW serves to redeem the notional liability of government to KfW.
7. In case of a non-100% guarantee (part of the losses remains with KfW):
  - Firstly, a D.9 government expenditure is recorded (also for the part covered by KfW) with a corresponding reduction in the notional F.4 asset of government.
  - Secondly, a corresponding reduction of government's notional liability owed to KfW is recorded which is (notionally) financed by an F.5 withdrawal. (This is consistent with the reduction in KfW own funds resulting from the losses borne by KfW).

Profit distributions by the Deutsche Bundesbank, which have the effect of reducing the borrowing requirement, are recorded as withdrawal of equity F.5 (superdividend). The relevant calculations (by Destatis) are based on the annual report of the Deutsche Bundesbank (available T+2½ months after the reference period, relevant for the dividend of the current year).

Similarly, superdividends resulting from the profit distributions of “Deutsche Bahn” to central government are treated as one-off equity withdrawal (F.5). The relevant data is provided by Destatis in the context of the April (T+2½ months) or October notification (T+8½ months).

Transactions in investment fund shares F.52 (for total S.1311, i.e. not separated between core and other central government entities) are taken from the Securities holdings statistics (Statistik über Wertpapierinvestments, formerly named Depotstatistik) of Deutsche Bundesbank (available at T+1 ½ months).

Transaction in the capital of multilateral development banks (MDB, in particular related to concessionary funds) which are included in the budget (i.e. cash payments) are not recorded as financial transactions anymore in the budget (Gruppierung 836 Erwerb von Beteiligungen im Ausland). Thus, no correction is necessary for this (anymore). When equity capital (i.e. not related to concessionary funds) is injected into MDB and paid in multi-annual instalments, the injection is recorded at inception (with a corresponding F.4 liability, see section 3.1.1.2). For this, a special report is provided by the “Directorate General S – Statistics” of Deutsche Bundesbank on a quarterly basis with a time-lag of about two months. Information on capital contributions to MDBs is available at the Deutsche Bundesbank serving the depository agent for specific promissory notes issued in the context of capital increases of MDBs by the German finance agency.

For the category “Other financial assets”, there are gaps in the source data owed to the mainly cash-based public accounting system. For the EDP notifications, only transactions are shown which have an underlying data source. This is the case for F.8 related to taxes and social contributions, EU flows, heavy load tolls, or military expenditure which are compiled in line with the cash-accrual adjustments for the calculation of the non-financial accounts by Statistisches Bundesamt. Transfers to special funds of central government by state government which are not shown in the public finance statistics but recorded as revenue of central government are recorded as other financial assets. In addition, the MoF provides a report for timing differences related to year-end-positions > 0.5 mn Euro as well as other accounts receivable (Vorschuss-/Verwahrkonten) related to the financial equalisation scheme between the German Laender.

Changes in claims against insurance companies are based on information provided by Bafin (Bundesanstalt für Finanzdienstleistungsaufsicht) in combination with reporting by Statistisches Bundesamt on the composition of insurance premiums paid by sector.

For the category “other liabilities” the same caveats with regard to the accounting system apply. Transactions in other liabilities are mainly based on cash-accrual corrections for the calculation of the non-financial accounts conducted by Statistisches Bundesamt (construction investment, military expenditure, EU-flows, heavy load tolls, emission permits, court decisions and child benefits). In addition, the MoF provides a report for timing differences related to year-end-positions > 0.5 mn Euro).

In addition, “Directorate General S – Statistics” of Deutsche Bundesbank provides information on the changes in the stock of DM coins in circulation which are recorded as other liabilities.

#### **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 that 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.

In Germany, all non-financial transactions of the core budget are recorded in the budgetary accounts, extra-budgetary accounts do not exist.

### 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).

In Germany, the other central government units are divided into the special asset funds of the federal government and the funds, institutions and enterprises classified in the central government subsector. All central government units are, in principle, reported in the working balance in EDP T2A, see section 3.2.3.3.

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

#### Special asset funds of federal government

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)
1	2	First results	Final data	5	6	7	8
		<i>T + days</i>	<i>T+months</i>		<i>cross appropriate cells</i>		
				<b>Budget Reporting</b>			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
C	Q/A	T+20 <sup>24</sup>	T+(24-31) <sup>25</sup>	(3) Current and capital revenue and expenditure and financial transactions	X	X	
				(4) Balance sheets			
				<b>Financial Statements</b>			
				(5) Profit and loss accounts			
				(6) Balance sheets			
				(7) Cash flow statement			
				<b>Other Reporting</b>			
				(8) Statistical surveys			
				(9) Other:			
A	M	T+40	T+51	Balance of Payments Statistics		X	

See notes to table 2, on the used abbreviations.

<sup>24</sup> Public finance statistics publishes their results in t+90 days.

<sup>25</sup> In general the first results and the final results for the core budget of central government are identical.

**Table 3b – Availability and use of basic source data for other central government units:**

**Other public funds, institutions and enterprises at central government level**

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>		
				<b>Budget Reporting</b>			
				(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			
				<b>Financial Statements</b>			
A	A		T+4 months	(5) Profit and loss accounts			X
A	A		T+4 months	(6) Balance sheets			X
				(7) Cash flow statement			
				<b>Other Reporting</b>			
				(8) Statistical surveys			
A	Q/A	T+90	T+23	Public funds, institutions and enterprises with commercial accounting system	X	X	
C	Q/A	T+90	T+(24-31)	Public funds, institutions and enterprises with cash-based accounting system	X	X	
C/A	A	T + 15 months	T + 15-18 months	Research and development institutions		X	
				(9) Other:			

See notes to table 2, on the used abbreviations.

Public funds, institutions and enterprises (in short: public enterprises) are units whose majority owners are directly or indirectly the central, state and local authorities (Federation, Länder, municipalities/associations of municipalities) or social security funds. Public enterprises are created by hiving off tasks from the core budgets, by business start-ups, or by acquisition of interest. They may be set up under public or private law. In terms of public finance statistics, public funds, institutions and enterprises are subdivided into extra budgets classified in the general government sector on the one hand and other public funds, institutions and enterprises classified in sector S.11 or S.12 on the other hand.

### 3.2.2.1 Details of the basic data sources

For details on the basic data sources of the special asset funds see section 3.2.1.1.

Data for public funds, institutions and enterprises are collected in different surveys in public finance statistics.

Units with a cash-based accounting system are included in quarterly cash statistics (see section 3.2.1.1). Since reporting year 2014, a cut-off threshold is applied: Units with expenditure or revenue below 1 million euros are excluded from the survey; the data for these units are estimated based on the annual survey.

▪ **Quarterly survey of public funds, institutions and enterprises with commercial accounting system**

The quarterly survey for units with commercial accounting systems collects data on revenue and expenditure as recorded in the profit and loss account as well as revenue and expenditure on investment. From reporting year 2019 onwards, additional variables have been introduced (data on loans and equities as well as a more detailed breakdown of transfers from general government, including transfers not recorded in the profit and loss account). In addition, the stock of liabilities at the end of the quarter broken down by classes of liabilities is provided. The survey is compulsory. Since reporting year 2014, a cut-off threshold is applied: Units with expenditure or revenue below 1 million euros are excluded from the survey; the data for these units are estimated based on the annual survey. In the event of unit non-response, data are usually estimated based on the figures for the previous quarter. Data for central government units and social security units under federal control are provided directly to the Federal Statistical Office; data for the other units are provided via the Statistical Offices of the Länder. These source data are used for the compilation of the working balance and B.9 (NFA).

▪ **Annual survey of public funds, institutions and enterprises with commercial accounting system**

The annual survey for units with commercial accounting systems collects data from the profit and loss account, the balance sheet and changes in fixed assets. In contrast to the quarterly survey, the annual survey is a complete survey. The survey is compulsory. The reporting channel is the same as for the quarterly survey. These source data are used for the compilation of the working balance and B.9 (NFA).

▪ **Annual survey of research and development institutions**

Data on expenditure and revenue of public research and development institutions is collected via an annual survey carried out by the division of the Federal Statistical Office responsible for statistics on research and development. The data are provided directly to the Federal Statistical Office. The survey is a complete and compulsory survey. These data are not used by public finance statistics and are, therefore, not used for the compilation of the working balance<sup>26</sup>. The data were used in the national accounts compilation of B.9 (NFA) until reporting year 2017. From reporting year 2018 onwards, the data collected in public finance statistics for research and development institutions are used.

The data collection characteristics of all surveys allow for distinguishing different ESA 2010 categories and for consolidation of flows within the government sector. Financial and non-financial flows can be distinguished. Complementary codification at data source by counterpart sector other than S.13 is not available.

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<sup>26</sup> Since reporting year 2014, the quarterly public finance statistics also cover extrabudgetary institutions for research and development classified inside general government.

### **3.2.2.2 Statistical surveys used as a basic data source**

See section 3.2.2.1.

### **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 ESA 2010 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.

In general, the delimitation of the government sector in public finance statistics and in national accounts is identical since public finance statistics follow the sector classification rules of national accounts in Germany. In individual cases there may be short-term discrepancies, when newly created extrabudgetary units have not yet been included in the reporting population of public finance statistics. When establishing revenue and expenditure in the framework of national accounts, the data for these extrabudgetary units are compiled based on special reports of the Federal Ministry of Finance or business reports (for example Deutsche Welle).

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

The German National Petroleum Stockpiling Agency (“Erdölbevorratungsverband” – EBV) provides information on its changes in inventories, since these are not covered by the public finance statistics data for this unit.

#### ***3.2.2.3.2 Supplementary data sources used for the compilation of financial accounts***

This section provides some additional information on non-core central government units even though they would be covered in the working balance in EDP T2A:

The public finance statistics do not cover all financial transactions. (Only transactions in loans and equity are normally captured). Financial transactions for extrabudgetary units with a commercial accounting system are available from reporting year 2019 onwards. Currently, the (relatively new) collection of financial transactions (“survey on financial transactions” (SFT)) is only selectively used due to quality concerns. For instance, the debtor breakdown of loans is assumed to be split 50:50 between the owner and other debtors, which is incompatible with the information form ADS and FASS. An enhanced quality monitoring is expected for the near future. For central government level, a “cash-pooling system” is in place for pooling liquidity reserves which are managed by the German finance agency (Bundesrepublik Deutschland Finanzagentur GmbH).

Some extra-budgetary central government units may have own cash-accounts with Deutsche Bundesbank. Information on such deposits are provided by “Directorate General C – Controlling, Accounting and Organisation” of Deutsche Bundesbank. Data is available a few days after the reference period.

There are relevant entities not taking part in the cash pooling and having significant other financial transactions currently not covered by the public finance statistics (as basic data source):

For FMSW, data is provided through the “monthly balance sheet statistics” (Bista) of Deutsche Bundesbank collected by the “Directorate General S – Statistics” with a time-lag of less than one month. For the October Notification, data can be taken from the audited annual report of



FMSW. Supplementary information which is needed (on accrued interest or on derivative positions) are provided by FMSW.

For BPS-PT a direct reporting was agreed for transactions in financial assets and liabilities.

Additional information on asset holdings of federal government extra-budgetary funds (“Versorgungsfonds”, “Versorgungsruecklage” and “Restrukturierungsfonds fuer Kreditinstitute”) are provided by “Directorate General M – Markets” of Deutsche Bundesbank which is in charge of the management of the assets. To cover portfolio investments of central government pension funds (“Versorgungsfonds” and “Versorgungsruecklage”) as well as of the central government fund for financing the disposal of nuclear waste (“Fonds zur Finanzierung der kerntechnischen Entsorgung des Bundes”) data according to the concept of the “survey on financial transactions” (SFT) is used which provides quarterly data with a time-lag of about 3 to 4 months.

In addition, an F.8 liability is recorded equivalent to the cash payment of nuclear power corporations to a special fund of central government which relieves the respective corporations from the responsibility of disposal and storage of nuclear waste.

Data for the statutory deposit protection schemes (Entschaedigungseinrichtung deutscher Banken GmbH, Entschaedigungseinrichtung des Bundesverbandes Öffentlicher Banken Deutschlands GmbH and Entschaedigungseinrichtung der Wertpapierhandelsunternehmen) are provided by Bafin (Bundesanstalt für Finanzdienstleistungsaufsicht) with a time-lag of about one month.

Since their reclassification into general government (2020), the institutional protection schemes of the savings banks (DSGV) and of the cooperative banks (BVR) also provide provisional information for debt consolidation purposes. There is, however, no regular reporting yet. Therefore, net lending/net borrowing provisionally calculated by Destatis is (provisionally) balanced in F.8.

To consolidate loans granted by core central government to the Bundesanstalt fuer Immobilienaufgaben (BIMA) the annual report by BIMA is used when available (6 month after reference year). From the quarterly and annual debt statistics a special report on extrabudgetary units is used to consolidate loans provided by core central government to extrabudgetary units of central government.

### **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**

The data sources used for the compilation of the working balance are used for the non-financial accounts and also for B.9.

#### **3.2.3.2 Legal basis of the working balance**

The law on public finance statistics (“Finanz- und Personalstatistikgesetz”) is the legal basis of the quarterly cash statistics, the annual finance statistics and the quarterly and annual statistics of public funds, institutions and enterprises with commercial accounting system. This law regulates the reporting population and the items to be reported. The reported public finance statistics data are used for the compilation of the working balance.

The working balance is not voted by the Parliament.

The working balance is not audited by a national auditing authority.

### **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 ESA 2010 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***

In general, there are no units reported in the working balance which do not belong to the government sector as defined by ESA 2010. The only exception to this general rule occurs in the case of backward reclassifications of units carried out in national accounts. In such a case it is possible that units are included in the working balance that have to be considered as market producers according to the national accounts sector classification rules. This is due to the fact that the results of public finance statistics are not revised retroactively in the case of subsequent reclassifications of units. The necessary adjustment is shown in the relevant line of the EDP tables.

Public enterprises classified outside general government are neither included in quarterly cash statistics of the overall public budget nor in annual finance statistics of the overall public budget, which are used as data sources for the working balance. In terms of the included units, the delimitation of the so-called “overall public budget” (“Öffentlicher Gesamthaushalt”) of public finance statistics is in principle equal to the delimitation of general government in national accounts. Public enterprises classified outside general government are surveyed in the annual public finance statistics, but they are not included in the results of the “overall public budget”.

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

As mentioned before, in principle, the ESA 2010 definition of the central government subsector does not differ from the reporting population included in the overall public budget of public finance statistics. In individual cases, there may be short-term discrepancies when newly created extrabudgetary units have not yet been included in the reporting population of public finance statistics<sup>27</sup>. When establishing revenue and expenditure in the framework of national accounts, the data for these extrabudgetary units are compiled based on special reports of the ministry of finance or business reports.

However, in contrast to national accounts, the results of public finance statistics are not revised retroactively due to the reclassification of units.

### **3.2.3.4 Accounting basis of the working balance**

The accounting basis of the working balance is mixed: cash for the core budget as well as the special asset funds of federal government and other extrabudgetary units using fiscal accounting, and accrual for the extra-budgetary units using a double-entry accounting system according to the provisions of the German Commercial Code or other relevant provisions.

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<sup>27</sup> This is currently the case for public broadcasting agencies due to on-going legal proceedings.

In a few cases budgeted expenditure not actually spent in the current year may occur in the working balance as an actual expenditure for the core budget of central government.

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

All interest expenditure and revenue of the main entity are recorded in the working balance on a cash basis, including discounts/ premiums. For the compilation of accrued interest in national accounts, see section 6.4. The line “Difference between interest paid and accrued” shows adjustments for expenditure of the main entity and extra-budgetary units with cash-based accounting systems.

The adjustments to interest revenue are reported under “other adjustments”.

#### **3.2.3.4.2 Accrual adjustments reported under other accounts receivable/payable F.8 in EDP T2**

As regards the allocation of general government revenue and expenditure to a particular period, public finance statistics record the transaction when the payment is actually made, while national accounts record the transaction at the time of the creation of the financial assets/liabilities.

There are also discrepancies in the reference periods for taxes (see section 6.1.1).

The following non-financial transactions are adjusted to accrual basis via receivables F.8:

- Taxes (see section 6.1.1)
- Military equipment (see section 6.3)
- Settlement Toll Collect: This position refers to the cash payment from Toll Collect to central government as a result of the settlement agreement between the Federal Government and Toll Collect in the legal dispute concerning the delayed introduction of the lorry toll. The amount of 1.1 billion euros is paid in three instalments in 2018, 2019 and 2020. In national accounts, the total amount is recorded as a capital transfer revenue of central government in 2018.

The following non-financial transactions are adjusted to accrual basis via payables F.8:

- Construction
- Child benefit
- Military equipment (see section 6.3)
- Emission permits
- EU-Funds
- Mobile phone frequencies
- Contributions to the Single Resolution Fund<sup>28</sup>
- Fund for Nuclear Waste Management (Decommissioning)

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<sup>28</sup> The cash transfer as recorded in the working balance took place in 2016, whereas in national accounts the transaction was already recorded in 2015.

#### **3.2.3.4.3 Other accrual adjustments in EDP T2**

Under “other adjustments”, the position “Toll, privately pre-financed roads, PPP + EPC capital expenditure + debt repayment” consists of the following adjustment positions:

- The item “toll” includes the accrual adjustment for revenues from the heavy goods vehicle toll.
- The item “privately pre-financed roads” relates to the impact of the “Fernstraßenbauprivatfinanzierungsgesetz”. Roads constructed under this legal act were pre-financed by a general contractor or subsidiary with the result that in the budget only the contractually agreed current payments were shown. All roads constructed under this scheme were recognised as government assets at inception, which resulted in the reporting of a corresponding imputed debt in national accounts. This treatment demands the split of the current non-financial payments reported in the budget into a non-financial part (interest) and a financial part (redemption of the imputed interest). The adjustment relates to the difference between the payments in the budget and the non-financial part recorded in national accounts. The last redemption occurred in 2016.
- The item “PPP capital expenditure” relates to PPP investments recorded on the government’s balance sheet, which are not included in construction expenditure as reported in the working balance.
- The item “PPP debt repayment” is similar to the issue of privately pre-financed roads. Due to methodological and data privacy reasons (compensation in the case of default of a private partner is in almost all cases based on the book value) all Public Private Partnership projects are recorded on-balance in national accounts, see section 7.6. This recording demands a similar treatment of the current payments reported in the budget as in the case of the privately pre-financed roads. Thus the item “PPP debt repayment” relates to the redemption of the imputed debt.
- The recording of the item “EPC capital expenditure + debt repayment” is similar to PPPs. Due to methodological and practical reasons all Energy Performance Contracting projects are recorded on-balance in national accounts. The item “EPC debt repayment” relates to the redemption of the imputed debt for Energy Performance Contracts and the item “EPC capital expenditure” relates to EPC investments recorded on the government’s balance sheet.

The accrual adjustments to interest revenue are reported under “other adjustments”, see section 3.2.3.4.1.

The impact of the implementation of court decisions in national accounts is also shown under “other adjustments”.

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

In principle, all non-financial transactions are covered in the working balance. However, in national accounts some non-financial transactions are recorded due to rerouting issues. These rerouted non-financial transactions are presented in the line “Non-financial transactions not included in the working balance” shown in the EDP tables 2.

- Under the position “EFSF”, all non-financial transactions of the European Financial Stability Facility are shown which are rerouted to participating member states because of a dedicated Eurostat decision.
- The position “PUK” refers to a special agreement/contract which has been established in connection with a securitisation transaction (securitisation of contributions to the Bundes-Pensions-Service für Post und Telekommunikation). Part of this contract is to save on the necessary amount for the repayment of the funds raised via the securitisation transaction. The difference between the actual savings and the final amount received under this contract is considered as interest and reported under the aforementioned position.
- The position “rerouting” refers to KfW rearrangement cases. These consist among others of a loan for A400M which was rerouted and reclassified as subsidy on production in national accounts or holding arrangements for Deutsche Telekom and Deutsche Post shares.
- The position “dividends Telekom” refers to dividends provided not in cash but as additional shares. This revenue is not included in the working balance.
- The position “commemorative coins” shows the change in stock of commemorative coins in terms of their face value. This adjustment is necessary because the working balance includes only the sales revenue exceeding the face value of the coins.

### **3.2.3.6 Financial transactions included in the working balance**

The following financial transactions are recorded in the working balance:

- Granted loans
- Repayments of loans
- Acquisition of equities
- Sales of equities

These financial transactions can be identified via the classification by type of expenditure and revenue of the federal budget and are not recorded as revenue/expenditure in national accounts. For extrabudgetary units with fiscal accounting included in the working balance, data on financial transactions are available according to the same classification of expenditure, revenue and other flows as for the federal budget. For extrabudgetary units with a commercial accounting system, data on financial transactions (loans and equities) are available from reporting year 2019 onwards.

Until reporting year 2018, the positions for loans granted and repayment of loans included payments in connection with guarantees (both domestic and foreign guarantees). From reporting year 2019 onwards, the presentation of these payments in the public finance statistics tables used for the working balance has been changed. These payments are now presented in separate positions and are no longer included in financial transactions (loans).

Transactions which have recently been reported in the adjustment line “Financial transactions included in the working balance”:

- Loans granted:
  - FZ loans (Development policy purposes)

- Loan to FMSW: From 2019 onwards, the refinancing of FMSW is partly carried out by “Deutsche Finanzagentur”. The funds are provided to FMSW by Soffin (Special Fund Financial Market Stabilization, which is an extra-budgetary unit of central government). In public finance statistics, this is recorded as a loan granted by Soffin to FMSW.
- Loans, repayments:
  - Repayments of FZ Loans (Development policy purposes)
  - Repayment of loans by the “Entschädigungseinrichtung der Wertpapierhandelsunternehmen (EdW)”
  - Repayments of loans in connection with the “EWG-Assoziierungsabkommen - Jaunde I und II sowie Lomé”
- Equities, acquisition:
  - Capital injection into Asia Infrastructure Investment Bank (AIIB)
- Equities, sales:
  - Sales of shares in Deutsche Pfandbriefbank AG (pbb)

### **3.2.3.7 Other adjustments reported in EDP T2**

In addition to the positions explained in section 3.2.3.4, the following positions are currently reported:

- The item “Debt release” corresponds to transactions relating to debt releases or debt cancellations since they are not included in the public finance statistics as they are non-cash expenses. This item includes, among others, negotiated agreements in the framework of the Paris Club or in the framework of bilateral debt releases in the context of development aid. Until reporting year 2018, this position included payments in connection with domestic guarantees considered in national accounts as debt release, see section 7.1.1.2, since these payments were included in the working balance as financial transactions, see section 3.2.3.6.
- The position “Guarantees” refers to differences in the recording of foreign guarantees in public finance statistics and national accounts (see sections 3.2.3.6 and 7.1.1.2).
- The position “Interest linked securities (difference to public finance statistics)” refers to a difference to public finance statistics concerning the repayment of interest linked securities.
- The position “Reclassification financial transactions” refers to interest recorded in public finance statistics within financial transactions.
- Under the position “Extrabudgetary units national accounts adjustments”, differences between public finance statistics and national accounts in the recording of transactions of extra-budgetary units are reported (provisions, non-cash transactions etc.). For example, this position covers the changes in inventories of petroleum stocks or the contributions to statutory protection funds, which are not included in public finance statistics.
- Under the positions “Clearing between subsectors”, “Clearing within subsector”, “Settlement of accounts”, differences between public finance statistics and national

accounts regarding the consolidation between and within general government subsectors are reported.

- Under the position “Difference tax revenue statistics and public finance statistics”, the difference between tax revenues recorded in public finance statistics and tax revenues recorded in national accounts due to different data sources used is reported.
- The position “Adjustments for foreign transactions, difference data sources for R+D units” shows adjustments for foreign transactions included in the federal budget but not recorded in national accounts. Moreover, until reporting year 2017 this position includes the differences between the data sources for research and development units used in public finance statistics and national accounts: Public finance statistics uses the data of the quarterly cash statistics of public funds, institutions and enterprises whereas national accounts uses the figures reported in statistics of public and publicly financed R+D institutions.
- The item “Correction for EU own resources” refers to the difference between the cash figures included in the working balance and the national accounts figures recorded on the basis of the EU budget (latest amending budget available). This relates for example to the impact of the introduction of ESA 2010 and the resulting recompilation (due to the revision of the statistical data) of the GNI contributions of the member states. According to Eurostat guidance all impacts resulting from the revision of the data have to be recorded in national accounts in 2014. Since the budget treatment deviates from this approach, subsequent corrections have to be carried out in 2015/2016 to avoid double accounting in national accounts.
- The position “Withdrawal of equity from the central bank” shows the part of the dividends of the central bank recorded as a financial transaction in national accounts.
- The position “Reclassification of non-financial into financial transaction (VBL Sanierungsgelder)” refers to the repayment of restructuring payments (“Sanierungsgeld”) of public employers for the supplementary old age provision of public employees (“Versorgungsanstalt des Bundes und der Länder”, VBL). In national accounts, these payments are recorded as financial transactions.
- The position “Superdividends” refers to identified superdividends, see Section 7.4.
- The position “Capital injection Deutsche Bahn” refers to a capital injection included in the federal budget as a financial transaction, but recorded as a capital transfer expenditure in national accounts.
- The position “Income contingent loans” refers to the difference of all flows at the federal level which are recorded as government revenue and expenditure in national accounts in connection with income contingent loans (see section 7.18).

### **3.2.3.8 Net lending/net borrowing of central government**

B.9, as reported in the last line in EDP T2, is mainly derived from the same source data used when calculating the working balance.

### 3.2.4 EDP table 3B

#### 3.2.4.1 Transactions in financial assets and liabilities

In general, financial accounts data are used. With regard to the liability side it should be noted that Maastricht debt is the underlying basis for the calculation of government liabilities (stocks and transactions) in the financial accounts given that primary source data for government corresponds to the Maastricht debt concept (nominal/face value). In the financial accounts, valuation of liability stocks and transactions are undertaken on a macro basis (e.g. using an average issuing price for government bonds to calculate transactions).

Owed to the lack of full and consistent coverage of transactions in financial assets in the underlying accounting system, B.9 is considered as the best estimate for B.9f. Accordingly, in the financial accounts, transactions in other accounts receivable (F.8) are adjusted to set B.9f equal to B.9. However, to provide full transparency for the surveillance of deficit-debt-adjustments, EDP Table 3A-E only report transactions in other accounts receivable (F.8) which are derived from underlying data sources (like the cash-accrual adjustments necessary to transform public finance statistics into national accounts data).

**Table 4. 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.8	F.2	F.3	F.4	F.5	F.6	F.7	F.8
<b>Calculation of transactions</b>														
Transaction data (integrated in public accounts)			X	X		X								
Other transaction data						X	X							X
Stock data	X	X	X	X	X	X	X	X	X	X				
<b>Calculation of stocks</b>														
Transaction data			X	(X)			X							
Stock data	X	X	X	X	X	X		X	X	X				X

#### ▪ Assets: Currency and Deposits (F.2)

Main source is the special report by the German finance agency covering F.2-stocks for core central government and most central government entities (as taking part in the central government cash pooling). This is a direct source data, not integrated in public accounts (transaction in reserves). In addition, data on cash accounts of central government and some extra-budgetary units with the Deutsche Bundesbank are provided by “Directorate General C - Controlling, Accounting and Organisation” of Deutsche Bundesbank.

Supplementary sources are direct reports by FMSW (Bista for preliminary, the annual report for final results and comprehensive information on revaluations of foreign currency positions on a yearly basis) and information provided by BPS-PT on savings arrangements with banks. Both are direct source data. In addition, holdings of central government entities with Bundesbank (the part not already included in the main data source provided by the German finance agency) are added (indirect data source, not integrated).



In addition, data for the statutory deposit protection funds are reporting F.2 stocks which are used.

In general the data in currency and deposits are not integrated in the public accounts. However, in case of FMSW (and the statutory deposit protection funds) the data is derived on the basis of integrated business accounts.

- **Assets: Debt securities (F.3)**

Transactions in debt securities (F.3) are mainly transactions within the reserves of central government (and its special funds/ extra-budgetary entities) and accordingly not integrated in public accounts. For central government special funds managed by the Bundesbank (“Versorgungsfonds”, “Versorgungsruecklage” and “Restrukturierungsfonds fuer Kreditinstitute”) transactions are derived from the survey on financial transactions (SFT) which uses stock data (currently at face value) provided by “Directorate General M – Markets” of Deutsche Bundesbank. In addition, SFT data for the Nuclear Waste Management Fund (“Fonds zur Finanzierung der kerntechnischen Entsorgung”, “Entsorgungsfonds”) are collected and provided by Destatis.

For FMSW, data on F.3 is provided through the “monthly balance sheet statistics” (Bista) of Deutsche Bundesbank (preliminary) and substituted by final data taken from the audited annual report of FMSW (Direct source data). Raw data (on stocks) is integrated in the business accounts (i.e. at book values), but at time of acquisition (time of financial defeasance transaction) a market value markdown was recognised (in line with a capital transfer). When Bista data is used accrued interest has to be added as it is not included in the balance sheet positions. When the annual report is available, the calculation of transactions takes revaluations into accounts which are reflected in the changes of stocks. In addition, derivative components which are accounted together with the underlying instrument (hedge accounting) in the annual report have to be extracted (and recorded as F.7). Finally, FMSW provides comprehensive information on revaluations of foreign currency positions which are used to calculate transactions out of stock data.

For BPS-PT a direct reporting was agreed for stocks invested in F.3 (book values including interest accrual).

- **Consolidation within central government subsector:**

Consolidation elements are taken into account for calculating F.3 on the level of central government (only direct data sources are used, i.e. from the central government entity holding the central government debt securities: “Versorgungsfonds”, “Versorgungsruecklage”, “Restrukturierungsfonds fuer Kreditinstitute”, “Entsorgungsfonds”, FMSW and some other entities).

- **Assets: Loans (F.4)**

Public finance statistics is the main data source and starting point for calculating F.4 for central government comprising budgetary data for central government core and extra-budgetary units except those with business accounting. This main source is cash-based (e.g. no interest accrual) and corresponds to the amounts reported in EDP Table 2A.

There is currently only one relevant extra-budgetary unit with F.4 transactions (FMSW) where Bista-reporting and the annual final report (accrual based) are used (see above) to supplement missing transactions in the main data source. In addition, FMSW provides comprehensive

information on revaluations of foreign currency positions which are used to calculate transactions out of stock data.

A detailed breakdown of the budgetary title related to the disposal of shares and equity (Gruppierung 133) are provided by the MoF. Based on this information, some transactions have to be shifted from equity-type (F.5) to loans (F.4).

In addition, the special report by the German finance agency covering F.41 (money market investment with non-banks, in particular reverse repos) for core central government and most central government entities (as taking part in the central government cash pooling). This is a direct source data, not integrated in public accounts (reserve transaction).

Debt cancellations increase the deficit without additional funding requirements. Therefore, redemptions of loans (F.4) have to be imputed as the financial counterpart transaction of the underlying capital transfer. The data are made available by the MoF. Additional adjustments related to guarantees granted by federal government are cash payments or repayments from calls on export credits guarantees. These are treated as transactions in loans.

EFSF loans to be rerouted through government accounts are included on the basis of a regular reporting by Eurostat.

Bilateral loans provided to Greece by KfW are rerouted. Information is provided by the MoF (cash based). On the contrary, “loans” advanced by KfW to EADS (on behalf of government) are recorded as subsidy in national accounts.

Notional loan transactions are imputed in the context of rerouting of promotional transactions undertaken by KfW on behalf of central government. See explanations in section 3.2.1.3.2 (Supplementary data sources used for the compilation of financial accounts).

Accrued interest on financial assets should be recorded as being reinvested in (accrued on) the respective instrument. The difference between interest accrued and paid is calculated separately for assets and liabilities for all government levels by the Statistisches Bundesamt. For core central government information on accrued interest is taken by the Statistisches Bundesamt from the Capital Cost Model run by the Federal Finance Agency (Finanzagentur).

In cases of off-market swaps where the lump-sum was received by central government this is recorded as loan advancement. The corresponding redemption of the loan is spread over time. This treatment is symmetric to the recording of lump-sum payments received. Information is provided by the Federal Ministry of Finance (MoF) to the Statistisches Bundesamt and shared with Deutsche Bundesbank for compiling the financial accounts.

▪ **Consolidation within central government subsector:**

The basic data source does not show any loans granted to (core) central government. Loans possibly granted to extra-budgetary central government units cannot be identified in the basic data source as they are included in loans to “others sectors” (currently no central register is available to distinguish between government and non-government public entities).

However, loans granted by core central government to the Bundesanstalt fuer Immobilienaufgaben (BIMA) are identified in the annual report of BIMA. This source is used when available (6 month after reference year). In addition/alternatively, the annual debt statistics (also not available for April Notification) can be/is used for consolidation of loan

transactions on the asset side for loans granted by core central government to extra-budgetary units of the same subsector level. (Until the reporting year 2011, only loans to BIMA were relevant. Since 2012 additional central government extra-budgetary units report loans provided by core central government.)

As regards loans granted by extra-budgetary units to other extra-budgetary units one major operation started in 2019: central government via SoFFin partly refinances FMSW.

Consolidation transactions for possible short-term (money market) loans within central government sector are identified in the special evaluation/report of the German finance agency.

#### ▪ **Assets: Equity and Investment fund shares (F.5)**

Public finance statistics is the main data source and starting point for calculating F.5 for central government comprising budgetary data for central government core and extra-budgetary units. (Data for extra-budgetary units with business accounting are, however, not suitable; see comment in section 3.2.2.3.2.) The main source corresponds to the amounts reported in EDP Table 2A.

In addition, for central government special funds managed by the Bundesbank (in particular “Versorgungsfonds”, “Versorgungsruecklage” and “Restrukturierungsfonds fuer Kreditinstitute”) transactions are derived from the survey on financial transactions (SFT) which uses data provided by “Directorate General M – Markets” of Deutsche Bundesbank. SFT data for the Nuclear Waste Management Fund (“Fonds zur Finanzierung der kerntechnischen Entsorgung”, “Entsorgungsfonds”) are collected and provided by Destatis.

For extra-budgetary units with business accounting, FMSW, Bista-reporting and the annual final report (accrual based) are used (see above). For statutory deposit protection schemes a special reporting is provided by BaFin. A detailed breakdown of the budgetary title related to the disposal of shares and equity (Gruppierung 133) are provided by the MoF. Based on this information, some transactions which are not of equity-type (F.5) like loans (F.4) or non-financial transactions (like dividends) are corrected for.

Additional adjustments are made in case of transactions conducted by KfW on behalf of central government, like in shares of Deutsche Telekom, Post and EADS. A sale of financial assets is not recorded when the KfW takes over the shares, but at the time the KfW places the shares on the market. Information is provided by MoF.

Equity transactions are imputed (or rearranged) in the context of rerouting of promotional transactions undertaken by KfW on behalf of central government. See explanations in section 3.2.1.3.2 (Supplementary data sources used for the compilation of financial accounts).

The notional acquisition of EFSF shares is accounted for on the basis of a regular reporting by Eurostat.

Transaction in the capital of multilateral development banks (MDB, in particular related to concessionary funds) which are included in the budget (i.e. cash payments) are not recorded as financial transactions anymore in the budget (Gruppierung 836 Erwerb von Beteiligungen im Ausland). Thus, no correction is necessary for this (anymore). When equity capital (i.e. not related to concessionary funds) is injected into MDB and paid in multi-annual instalments, the injection is recorded at inception (with a corresponding F.4 liability, see sections 3.1.1.1 and 3.1.1.2). For this, a special report is provided by the “Directorate General S – Statistics” of

Deutsche Bundesbank on a quarterly basis with a time-lag of about two months. Information on capital contributions to MDBs is available at the Deutsche Bundesbank serving the depository agent for specific promissory notes issued in the context of capital increases of MDBs by the German finance agency.

Transactions in mutual fund shares F.52 (transactions in reserves not included in the budgetary accounting) are taken from the Securities holdings statistics (Statistik über Wertpapierinvestments, formerly named Depotstatistik) of Deutsche Bundesbank.

Other corrections (like superdividends/ distribution of central bank profits) are based on relevant assessment of reports and information shared by/with the Statistisches Bundesamt.

▪ **Insurance, pensions and standardised guaranties (F.6)**

Changes in claims against insurance companies are based on information provided by BaFin (Bundesanstalt für Finanzdienstleistungsaufsicht) in combination with reporting by Statistisches Bundesamt on the composition of insurance premiums paid by sector. This information is available annually.

While information by BaFin (counterpart stock data) is on liabilities resulting from prepayment of premiums, the information provided by Statistisches Bundesamt is used to estimate the decomposition by sector. As a next step, the estimate for general government is split between subsectors with fixed proportions. (The amounts involved are rather small).

▪ **Financial derivatives (F.7)**

F.7 for core central government contains the settlement payments for derivatives (included in the interest expenditure in the budget). This information is provided on an annual basis by the MoF to Destatis and shared with the Bundesbank (direct source data).

F.7 for FMSW is calculated on a net basis. The information on “interest revenue and expenditure” related to derivatives is gathered from FMSW’s profit and loss accounts. Information to extract F.7 positions from accruals/deferrals (annual report) and other assets and other liabilities (Bista), supplementary information is directly reported by FMSW. In addition, FMSW provides comprehensive information on revaluations of foreign currency positions.

▪ **Other accounts receivable (F.8)**

For the EDP notifications, only transactions are shown which have an underlying data source (unlike the recording in the financial accounts where F.8A is used to adjust B.9f to B.9).

F.8 relate to

- taxes,
- EU flows,
- heavy load tolls or
- military expenditure,

which compiled in line with the cash-accrual adjustments for the calculation of the non-financial accounts, are provided (on a quarterly basis) by Statistisches Bundesamt.

Other items are in line with adjustments made (and information provided) by Statistisches Bundesamt to basic data source (public finance statistics), based on balance of payment data or flows of funds between federal and state government (the federal fund for severely disabled).

In addition, the MoF provides a report for timing differences related to year-end-positions > 0.5 mn Euro as well as other accounts receivable (Vorschuss-/Verwahrkonten) related to the financial equalisation scheme between the German Laender.

F.8 for FMSW is calculated on the basis of Bista/annual report data and the B.9 (net-borrowing/net-lending) reported by Statistisches Bundesamt in order to close the individual financial accounts of this unit (i.e. balancing item for the FMSW as a single unit). The same holds for the statutory deposit protection funds.

For the institutional protection schemes there is no regular reporting yet. Therefore, net lending/net borrowing provisionally calculated by Destatis is (provisionally) balanced in F.8.

Finally, the notional acquisition other accounts receivable related to EFSF rerouting (if relevant) is based on regular reporting by Eurostat.

#### ▪ **Other accounts payable (F.8) – part of Adjustments of EDP Table 3B**

For the category “Other accounts payable”, allowance has to be made for cash-accrual adjustments calculated and provided by Statistisches Bundesamt (on a semi-annual or quarterly basis). See also section 6). F.8 liabilities relate to

- construction investments,
- EU-flows,
- child benefits,
- emission permits,
- military expenditure,
- implementation of court decisions,
- proceeds from the auctioning of mobile phone frequencies.

The MoF provides an evaluation for timing differences related to year-end positions > 0.5 mn Euro.

In addition, “Directorate General S – Statistics” of Deutsche Bundesbank provides information on the changes in the stock of DM coins in circulation which are recorded as other liabilities.

The notional incurrence of other accounts payable related to EFSF rerouting (if relevant) is based on regular reporting by Eurostat.

#### **3.2.4.2 Other stock-flow adjustments**

##### ▪ **Issuance above/below nominal value**

In the budget of core central government any issuance of a debt instrument deviating from the par value creates an increase of expenditures (issuance below face value) or a reduction of expenditures (issuance above face value). These realised payments for discounts and premiums are used for the position issuance above/below nominal value (see section 6.4 on the interest

model). It has to be noted that this represents only an approximation because the face value is used as reference and not the nominal value which recognises accrued interest.

- **Redemption above/below nominal value**

Similar to issuances above/below nominal value, in the budget of core central government any redemption of a debt instrument deviating from the par value creates a decrease of expenditures (redemption below face value) or an increase of expenditures (redemption above face value). These realised payments for discounts and premiums are used for the position redemption above/below nominal value (see section 6.4 on the interest model). It has to be noted that this represents only an approximation because the face value is used as reference and not the nominal value which recognises accrued interest.

- **“Difference between interest accrued and paid”**

Cash-accrual adjustments are provided by Statistisches Bundesamt based on the interest model described in section 6.4.

These cash accrual adjustments base on the working balance, and therefore, include cash payments realised from issuances and redemptions above/below nominal value. Hence, payments realised from issuances and redemptions above/below nominal value are subtracted because these payments are covered under separate positions (see above).

Interest accrued but not paid (-) due to inflation indexation is offset by capital uplift-effects on Maastricht debt (+) which also has to be captured under this position. Since spring 2020 there is a new calculation from 2015 on using budgetary cash (Erhöhungsbeträge) and accrual (bereinigter Inflationsausgleich) data provided by the capital cost model (Statistisches Bundesamt and Federal Financial Agency). The position is corrected for the difference between reported budgetary cost and public finance statistics, too.

In addition, the difference between interest accrued and paid is explicitly added for FMSW. Information is available from annual reports, Bista reporting and additional direct reporting by FMSW.

### **3.2.4.3 Balancing of non-financial and financial accounts, transactions in F.8**

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***

There is a balancing between B.9 and B.9f in the financial accounts. This is done in order to take advantage of the high quality of B.9 for general government, which is well-grounded on comprehensive source data with full coverage of all relevant units and transactions. Although the coverage and consistency of the according transactions in the financial accounts were significantly improved in the past, B.9 is still considered to be the best available estimate for B.9f. The preference for B.9 is further motivated by the fact that data of the general government sector are important for calculating the other sectors of the economy. Overall, this approach contributes to both the consistency within the financial accounts and between the financial and national accounts, which inter alia is highly desirable for the compilation of the Euro Area Aggregates of the ECB and its use for monetary policy purposes.

However, to provide full transparency for the surveillance of deficit-debt-adjustments, EDP Table 3A-E only report transactions in other accounts payable (F.8) which are derived from underlying data sources (like the cash-accrual adjustments necessary to transform public finance statistics into national accounts data).

### ***Changes to intermediate data***

Intermediate data are adjusted for balancing purposes only in exceptional cases. In case of FMSW (central government level) and EAA (state government level) financial transactions in the main categories (F.2 for FMSW, F.3, F.4, F.5) are basically derived from stock (balance sheet) data (possibly adjusted for capital transfers, for information on revaluation to the extent available, and for additional information received from these units to identify derivative components included in the accruals/deferrals). Net-lending, net borrowing as well as derivative transactions are derived from the profit and loss accounts (either reported via public finance statistics or directly based on the reports). Thus, there is a sort of integrated data source for financial and non-financial accounts for these units, and the remaining gap is attributed to other accounts receivable or payable.

### ***Complementary elements on stocks/***

See above (on FMSW and EAA).

### ***Accruals***

In general, public finance statistics (which are the main data source for compiling the non-financial accounts) follow a cash-based concept, also for most type of units with an accrual-based accounting system. Cash-accrual corrections are done on a model basis. Thus, time of recording issues are less of a problem for most units. However, some extra-budgetary units (with business accounting) report data on an accrual basis. In case of two largest entities (FMSW and EAA) this is also reflected in the accrual of interest on the relevant instruments. (In case of Maastricht liabilities at face value, corresponding differences between interest paid and accrued are accounted for in the relevant adjustment position of Table 3).

### ***Ex-post monitoring***

No thresholds are specified, but there is an on-going work (ex-post and ex-ante) to identify reasons for discrepancies. However, given that financial accounts have to rely on different (and partly counterpart) source data, investigations on possible cases and errors are rather complex, and it is very often difficult to identify a relevant starting point.

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

#### ***3.3.1 Data sources for State Government unit***

In Germany, the main state government units are the core budgets of the Länder.



**Table 5 – Availability and use of basic source data for the state government unit:**

**State government core 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			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>		
				<b>Budget Reporting</b>			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
C	Q/A	T+90	T+(24-31)	(3) Current and capital revenue and expenditure and financial transactions	X	X	X
				(4) Balance sheets			
				<b>Financial Statements</b>			
				(5) Profit and loss accounts			
				(6) Balance sheets			
				(7) Cash flow statement			
				<b>Other Reporting</b>			
				(8) Statistical surveys			
				(9) Other:			
A	Q	T+40		Balance of payments/External Stocks Statistics		X	X
C	M	T+21	T+21 days	Report of BMF on tax revenue		X	
C	A	T+60	T+60 days	Report of ZDL on swaps		X	
C	Q	T+30	T+30 days	Voluntary survey on EU flows		X	
C	Q	T+60	T+60 days	Report on the Entschuldigingsfonds Niedersachsen <sup>29</sup>		X	
C/A	A	T+8/9 months		Financial asset stock statistics (FASS)			X
				Various debt statistics (see section 3.1.1 for details) <sup>30</sup>			X
C/A	M	T+1½ months	T+1½ months	Monetary and Financial Statistics			X
C/A	M	T+1½ months	T+1½ months	Securities Holdings Statistics			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.

<sup>29</sup> The Entschuldigingsfonds Niedersachsen was dissolved at the end of 2016 and integrated into the core budget.

<sup>30</sup> Data sources for the compilation of debt are described in section 3.1.1.

*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.*

### **3.3.1.1 Further specifications/comments to the table**

While non-financial transactions are well covered by public finance statistics, financial transactions are only partly included. In particular, transactions related to reserves are missing. Therefore, additional data sources are necessary, for instance, Monetary and Financial Statistics as well as Securities Holdings Statistics. Owing to the lack of full and consistent coverage of financial transactions (in particular in the asset side) in the underlying accounting system, B.9 is considered as the best estimate for B.9f. Accordingly, in the financial accounts, transactions in other accounts receivable (F.8) are adjusted to set B.9f equal to B.9. However, to provide full transparency for the surveillance of deficit-debt-adjustments, EDP Table 3A-E only report transactions in other accounts receivable (F.8) which are derived from underlying data sources (like the cash-accrual adjustments necessary to transform public finance statistics into national accounts data).

### **3.3.1.2 Details of the basic data sources**

The quarterly cash statistics of the overall public budget of public finance statistics collect budget reporting data and are used for compilation of the working balance and B.9 of the main state government units. These are complete and provide a detailed breakdown of all characteristics of the budget classification for the state government budget which is identical to the classification of the central government budget. The definition and scope of the units covered are determined by the legal basis and reporting population of the public finance statistics relating to expenditure and revenue of the overall public budget (see 3.2.1 and 3.2.1.1).

At the time of the first notification before 1 April, for the previous calendar year the data of the annual finance statistics of public finance statistics are not yet available. At this time the calculations of revenue and expenditure and of the net lending/net borrowing of the state governments rely on the results of the quarterly cash statistics of the public finance statistics. These statistics already provide the results for the first three quarters of the previous calendar year. However, the level of breakdown of these statistics is not as detailed as for the annual finance statistics, in that there is no breakdown by functions. To calculate the net lending/net borrowing of the state government core budgets, an additional data source is a monthly compilation of the “Zentrale Datenstelle der Landesfinanzminister” (ZDL), which provides a rough breakdown of current data (in particular on the dynamic of the revenues and expenditures). The remaining missing data, which are primarily the result of the limited level of breakdown of the data, are derived from estimates based on the information of the structures of comparable earlier periods and supplemented by an estimation of the possible impacts of new issues.

Data reported in the working balance are also used for B.9 calculation.

For the compilation of financial accounts, public finance statistics are used to the extent covered (basically transactions in loans and shares and other equity). Transactions which are mainly related to the reserves (i.e. not included in the main budgets), are taken from the Monetary and Financial Statistics (MFS) for deposits with domestic MFIs and from BoP (External Stocks Statistics) for deposits with foreign MFIs. While MFS is based on counterpart reporting, External Stocks Statistics is based on reporting obligations for all entities holding foreign assets

or conducting certain transactions with the rest of the world. Securities Holdings Statistics are based on reporting of domestic MFIs running security accounts for government entities (i.e. counterpart data). Information on government holdings of securities other than shares and investment fund shares are gathered from this source. These data sources comprise the core state government as well as all extra-budgetary units.

### **3.3.1.3 Statistical surveys used as a basic data source**

Statistical surveys other than public finance statistics are not used as basic data source for B.9 compilation of the main state government units.

### **3.3.1.4 Supplementary data sources and analytical information**

#### ***3.3.1.4.1 Supplementary data sources used for the compilation of non-financial accounts***

See section 3.2.1.3.1.

In special cases (e.g. swaps or rerouted transactions) direct information of the relevant State Ministries or the units concerned is used. The promotional banks of the German states provide quarterly data on rearrangement cases.

#### ***3.3.1.4.2 Supplementary data sources used for the compilation of financial accounts***

Changes in claims against insurance companies (F.6 assets) are based on information provided by BaFin (Bundesanstalt für Finanzdienstleistungsaufsicht) in combination with reporting by Statistisches Bundesamt on the composition of insurance premiums paid by sector.

Accrued interest on financial assets should be recorded as being reinvested in the respective instrument. The difference between interest accrued and paid is calculated separately for assets and liabilities for all government levels by the Statistisches Bundesamt.

Transactions by state promotional banks on behalf of state governments (in particular provision of loans or equity investments) are rearranged. Necessary data are provided via a survey on rearrangement cases which is conducted by Destatis among public promotional banks. The data is provided with a time-lag of about one month.

For the rearrangement cases with state promotional banks conducted on behalf of government interest earnings/dividends and notional financing costs are attributed to core state governments in national accounts. As these (notional) flows related to these arrangements are very often not effectively paid out to government, the net proceeds (in particular dividends/interest earned less financing costs) are treated as reinvested into the state promotional banks (F.5). Information is received by Destatis via the survey on rearrangement cases and shared with Deutsche Bundesbank (available T+1 month) for the compilation of the financial accounts.

For a more detailed description of the necessary adjustments in the context of rerouting of promotional activity please refer to the explanations for central government in section 3.2.1.3.2 (Supplementary data sources used for the compilation of financial accounts).

Relevant information on transactions in financial derivatives F.7 (and their correction for lump-sum payments or swap cancellations or restructurings) of core state governments are reported by the “Zentrale Datenstelle der Landesfinanzminister” (ZDL) to the Federal Statistical Office and shared with Deutsche Bundesbank for compiling the financial accounts. The same source of information is used in cases of off-market swaps where the lump-sum was received by state

government this is recorded as loan advancement. The corresponding redemption of the loan is spread over time. This treatment is symmetric to the recording of lump-sum payments received.

For the category “Other accounts receivable”, there are gaps in the source data owed to the mainly cash-based public accounting system. For the EDP notifications, only transactions are shown which have an underlying data source. This is the case for F.8 related to taxes and social contributions, or EU flows which are compiled in line with the cash-accrual adjustments for the calculation of the non-financial accounts by Statistisches Bundesamt.

For the category “Other accounts payable” the same caveats with regard to the accounting system apply. Transactions in other liabilities are mainly based on cash-accrual corrections for the calculation of the non-financial accounts conducted quarterly by Statistisches Bundesamt (construction investment, child benefits, EU-flows) or yearly time-of-recording-differences in cases of court decisions. Transfers to special funds of central government which are not shown in the public finance statistics but recorded as expenditure of the state governments are recorded as other liabilities.

### **3.3.2 *Data sources for other State Government units***

In Germany, the other state government units comprise public funds, institutions and enterprises classified in the state government subsector, including for example some universities or research and development institutions. When the working balance in EDP table 2B is based on quarterly cash statistics, all state government units are, in principle, reported in the working balance, see section 3.3.3.3. When, however, the provisional quarterly cash statistics results are replaced by the final results of the annual finance statistics, the working balance covers only the core budgets, whereas the data for the extra-budgetary units are provided in the line “net lending/net borrowing of other state government bodies”.

**Table 6 – Availability and use of basic source data for other State Government units**

**Public funds, institutions and enterprises at state government level**

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>		
				<b>Budget Reporting</b>			
				(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			
				<b>Financial Statements</b>			
A	A		T+4 to 24 months	(5) Profit and loss accounts			X
A	A		T+4 to 24 months	(6) Balance sheets			X
				(7) Cash flow statement			
				<b>Other Reporting</b>			
				(8) Statistical surveys			
A	Q/A	T+90	T+23	Public funds, institutions and enterprises with commercial accounting system	X	X	
C	Q/A	T+90	T+(24-31)	Public funds, institutions and enterprises with cash-based accounting system	X	X	
C/A	Q/A	T+90	T+18 months	Public universities	X	X	
				(9) Other:			
C/A	M	T+1½ months	T+1½ months	Monetary and Financial Statistics			X
C/A	M	T+1½ months	T+1½ months	Securities Holdings Statistics			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.

For more information see section 3.2.2.

### ▪ **Additional information for financial accounts recording:**

Even though all State Government units are in general included in the working balance, some additional information on extra-budgetary units on the financial accounts recording can be added:

For EAA, data is provided through the “monthly balance sheet statistics” (Bista) of Deutsche Bundesbank collected by the “Directorate General S – Statistics” with a time-lag of less than one month. For the October Notification, data can be taken from the audited annual report of EAA. Supplementary information which is needed (on accrued interest or on derivative positions) is provided by EAA.

For Portigon, data from the audited annual report is used (time-lag about 4 month) which is supplemented by data from the “monthly balance sheet statistics” (Bista) of Deutsche Bundesbank collected by the “Directorate General S – Statistics” with a time-lag of less than one month.

For hsh portfoliomanagement AöR, data is provided through the “monthly balance sheet statistics” (Bista) of Deutsche Bundesbank collected by the “Directorate General S – Statistics” with a time-lag of less than one month.

Data on public service broadcasting authorities is currently not available. In order to match the non-financial transactions calculated by Destatis based on publically available data sources B.9 is balanced by F.8 in the financial accounts.

Given that for extra-budgetary units with business accounting financial transactions are usually not reported, information from the press is sometimes used to identify relevant transactions. (Once identified, relevant reports of units involved are considered to correct the main basic statistics where relevant). In addition, with a view to the inclusion of holding corporations in general government sector, backward calculations of the largest entities have been based on publicly available balance sheet data or data gathered from the Corporate Financial Statement Statistics of Deutsche Bundesbank combined with net-lending/net-borrowing of these entities (compiled by Destatis).

#### **3.3.2.1 Details of the basic data sources**

See section 3.2.2.1.

#### **3.3.2.2 Statistical surveys used as a basic data source**

For universities spun off the core budgets on state government level, the quarterly and annual statistics of higher education institutions (HEI, “Hochschulfinanzstatistik”) is used as data source for revenue and expenditure data. In the quarterly cash statistics of public finance statistics universities are included (using also the data of the quarterly statistics of higher education institutions), but the quarterly cash data are not as detailed as the annual HEI data. The HEI data are annual cash data, available 18 months after the reporting year (T+18 months).

#### **3.3.2.3 Supplementary data sources and analytical information**

Supplementary data sources are used in connection with swaps, rerouting issues and for some extra-budgetary units and can be of the following nature:

- Quarterly and annual reports (in particular the profit and loss accounts) of extra-budgetary units.

- Detailed information on transactions (revenues and expenditures as well as assets and liabilities) which are rerouted in national accounts. The information is either provided by the concerned entities (for example state promotional banks) or by the relevant state government ministries.
- Information on net settlement payments related to swaps is directly provided by the “Zentrale Datenstelle der Landesfinanzminister”.

### **3.3.2.4 Extra-budgetary accounts**

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

See section 3.2.1.4 for central government.

### **3.3.3 EDP table 2B**

#### **3.3.3.1 Working balance - use for the compilation of national accounts**

The data sources used for the compilation of the working balance are used for the non-financial accounts and also for B.9.

#### **3.3.3.2 Legal basis of the working balance**

The law on public finance statistics (“Finanz- und Personalstatistikgesetz”) is the legal basis of the quarterly cash statistics, the annual finance statistics and the quarterly and annual statistics of public funds, institutions and enterprises with commercial accounting system. This law regulates the reporting population and the items to be reported. The reported public finance statistics data are used for the compilation of the working balance.

The working balance is not voted by the Parliament.

The working balance is not audited by a national auditing authority.

#### **3.3.3.3 Coverage of units in the working balance**

##### **3.3.3.3.1 Units to be classified outside the subsector, but reported in the WB**

In general, there are no units reported in the working balance which do not belong to the government sector as defined by ESA 2010. The only exception to this general rule occurs in the case of backward reclassifications of units carried out in national accounts. In such a case it is possible that units are included in the working balance that have to be considered as market producers according to the national accounts sector classification rules. This is due to the fact that the results of public finance statistics are not revised retroactively in the case of subsequent reclassifications of units. The necessary adjustment is shown in the relevant line of the EDP tables.

Public enterprises classified outside general government are neither included in quarterly cash statistics of the overall public budget nor in annual finance statistics of the overall public budget, which are used as data sources for the working balance. In terms of the included units, the delimitation of the so-called “overall public budget” (“Öffentlicher Gesamthaushalt”) of public finance statistics is in principle equal to the delimitation of general government in national

accounts. Public enterprises classified outside general government are surveyed in the annual public finance statistics, but they are not included in the results of the “overall public budget”.

#### **3.3.3.3.2 Units to be classified inside the subsector, but not reported in the WB**

As mentioned before, in principle, the ESA 2010 definition of the state government subsector does not differ from the reporting population included in the overall public budget of public finance statistics. However, three exceptions exist from this general rule:

- The first exception occurs in the context of the reclassification of units which has been already described in section 3.3.3.3.1.
- The second exception are newly created extrabudgetary units which have not yet been included in the reporting population of public finance statistics<sup>31</sup>. When establishing revenue and expenditure in the framework of national accounts, the data for these extrabudgetary units are compiled based on special reports of the ministry of finance or business reports.
- The third exception concerns units which are located abroad since such units are not part of the reporting population of public finance statistics and thus not reported in the working balance. An example is the Sealink Funding Limited, a SPV located abroad and classified in the state government subsector in national accounts.

#### **3.3.3.4 Accounting basis of the working balance**

The accounting basis of the working balance depends on whether annual or quarterly public finance statistics data are used. For the quarterly data the accounting basis of the working balance is mixed: cash for the core budgets and the extrabudgetary units using fiscal accounting (including public universities), and accrual for the extra-budgetary units using a commercial accounting system according to the provisions of the German Commercial Code or other relevant provisions. For the annual public finance statistics the accounting basis is cash since the annual data cover only the core budgets so far. This requires subsequent adjustments in the related EDP tables.

##### **3.3.3.4.1 Accrual adjustments relating to interest D.41, as reported in EDP T2**

As with tax receipts, the cash payments of interest revenue and expenditure only include the flows of interest due. Studies have shown that in Germany the financial assets/liabilities of general government are mainly long term and that the interest is paid once a year retroactively. Infra-annual interest payments or interest payments for a period longer than one year play only an insignificant role. In view of this fact, interest is recorded according to the accrual principle in line with the provision of ESA 2010, paragraph 4.50, on the basis of a model compilation. The essential features of the model are described in detail in section 6.4. The quarterly cash figures on interest received and or paid for a given quarter (which are used in the model) are derived from the data sources described in section 3.3.1.

All interest expenditure and revenue of the main entity are cash data of the public finance statistics and recorded in the working balance. Payments of discounts and inflows of premiums are recorded in the working balance, amounts cannot be identified in the basic data source. Under the line “Difference between interest paid and accrued”, only adjustments for interest

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<sup>31</sup> This is currently the case for public broadcasting agencies due to on-going legal proceedings.



expenditure of the core budgets and those extrabudgetary units using a cash accounting system are reported.

The adjustments to interest revenue are reported under “other adjustments” in the position “difference interest received and receivable”.

A special compilation for discounts and premiums is carried out which allows a correct allocation of these interest components to the relevant reporting years (see section 6.4.4). These calculations are based on a special analysis of securities issues statistics compiled by the Deutsche Bundesbank. For each debt security of the state governments, the special analysis provides all necessary information like issue and redemption price, issue volume, issue and maturity date. Based on the available data it is (1) possible to compile the amounts for the premiums and discounts included in the working balance which cannot be directly identified in the source data and (2) the correct allocation of the premiums and discounts for all state government securities.

#### **3.3.3.4.2 *Accrual adjustments reported under other accounts receivable/payable F.8 in EDP T2***

As regards the allocation of general government revenue and expenditure to a particular period, public finance statistics essentially record the transaction when the payment is actually made, while national accounts record the transaction at the time of the creation of the financial assets/liabilities. However, for the state government subsector, public finance statistics make use of an element of accrual accounting which results in a so-called fifth quarter (“Auslaufperiode”). The instrument of the “Auslaufperiode” allows state governments to record expenditures in year t-1 even if the actual cash payment is taking place in year t. This is, however, only limited to cases where the economic event that triggers a payment has taken place in year t-1.

To be able to depict investments by state of construction progress, the results of the construction investment account in the national accounts are used for the item **gross capital formation in construction** rather than the data source described. Accordingly, to establish government construction measures, the figures on output statistics in the construction sector are used rather than the cash expenditure. The calculation is the same as that described for central government (see section 3.2.3.4.2).

There are also discrepancies in the reference periods for taxes. According to ESA 2010 cash tax receipts should be time-adjusted. The average time difference between the activity and the cash tax receipt shall be that arising from the collection dates prescribed for the various taxes in the relevant tax laws. Time adjustments of 1 or 2 months generally apply in the case of central government taxes and community taxes (see table “Time adjustments for taxes” in section 6.1.1). In the case of state government taxes, only the beer tax is time-adjusted by 1 month. These calculations are based on the current tax reports of the Federal Ministry of Finance (BMF).

The following non-financial transactions are adjusted to accrual basis via receivables F.8:

- Taxes (see section 6.1.1).
- Mobile phone frequencies (part of the revenues from the 2015 auction is transferred from central government to state government: in national accounts the whole transfer has been recorded in 2015, while the cash payments are spread over the period 2015 to 2017).

The following non-financial transactions are adjusted to accrual basis via payables F.8:

- Construction
- Child benefit
- EU Flows

#### **3.3.3.4.3 Other accrual adjustments in EDP T2**

The impact of the implementation of court decisions in national accounts is shown under “other adjustments”.

#### **3.3.3.5 Completeness of non-financial flows covered in the working balance**

Under the position “non-financial transactions not included in the working balance”, the following transactions are shown:

- 
- rerouting transactions (debt assumption) in connection with the bail-out fund of the state of Lower Saxony<sup>32</sup>,
- debt assumptions and debt cancellations carried out by state governments (including the programme “Gute Schule 2020”),
- guarantee calls of the Erste Abwicklungsanstalt (EAA) from saving banks and local government as guarantors, not recognized in public finance statistics but recorded as capital transfer revenues in national accounts,
- “Hessenkasse”: debt assumptions in connection with the programme “Hessenkasse”<sup>33</sup>,
- rearrangement cases of promotional banks of state governments.

#### **3.3.3.6 Financial transactions included in the working balance**

The following financial transactions are recorded in the working balance:

- Granted loans
- Repayments of loans
- Acquisition of equities
- Sales of equities

These financial transactions can be identified via the classification by types of expenditure and revenue of the state government core budgets and are not recorded as revenue/expenditure in national accounts. In addition to the aforementioned financial transactions, net settlement payments in connection with swap transactions are included in the working balance. In contrast to the other financial transactions, net settlement payments due to swap cancellations are not

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<sup>32</sup> The fund was dissolved at the end of 2016.

<sup>33</sup> In the state of Hessen, the state government assumed liabilities (“Kassenkredite”) of municipalities. The liabilities were assumed by the regional development bank “WIBank” at the request of state government. The amount shown in EDP Table 2B includes interest expenditure of “WIBank” for the refinancing of the loans (not included in the working balance) and is therefore not identical to the amount shown for local government in EDP Table 2C.

recorded under a separate budget item. They are included in the interest data but can be identified via the additional information provided by the “Zentrale Datenstelle der Landesfinanzminister”. For extrabudgetary units with fiscal accounting included in the working balance, data on financial transactions are available according to the same classification of expenditure and revenue as for core budgets. For extrabudgetary units with a commercial accounting system, data on financial transactions (loans and equities) are available from reporting year 2019 onwards.

Until reporting year 2018, the positions for loans granted and repayment of loans included payments in connection with guarantees. From reporting year 2019 onwards, the presentation of these payments in the public finance statistics tables used for the working balance has been changed. These payments are now presented in separate positions and are no longer included in financial transactions (loans).

### **3.3.3.7 Other adjustments reported in EDP T2**

The item “Other adjustments” includes (similar to central government) several adjustments for total amounts that can be rather large, reflecting differences between budgetary and national accounts treatments.

In this regard, it has to be pointed out that the starting point of the derivation are the annual results of the public finance statistics, that means the sum of the quarterly cash data (“Kassenstatistik”) and later on the final annual results of the public finance statistics (“Jahresrechnungsergebnisse”). In a first step, there is an adjustment of the financial transactions included in net lending/net borrowing of public finance statistics (loans, equities and debts including the net settlement payments under swaps). These corrections lead to an adjusted net lending/net borrowing of public finance statistics. This procedure was chosen to be able to show the transition between net lending/ net borrowing of public finance statistics and national accounts net lending/net borrowing as clearly as possible. Due to the concepts of national accounts and the relevant Eurostat decisions, it is possible that some of the aforementioned overall adjustments have to be readjusted (e.g. a purchase of equity is occasionally recorded as capital transfer in national accounts). These readjustments also have an influence on the item “Other adjustments”.

In addition to the positions explained in section 3.3.3.4, the following positions are currently reported:

- “Guarantees”: The coverage of this position has changed from reporting year 2019 onwards. Until reporting year 2018, the coverage is as follows: In public finance statistics the position “loans granted” includes guarantee calls. In EDP T2B the position “financial transactions included in the working balance” thus also includes guarantee calls. Guarantee calls classified as capital transfers in national accounts are reported as an item of “other adjustments”. In public finance statistics the position “repayments of loans” includes guarantee fees. In EDP T2B the position “financial transactions included in the working balance” thus also includes guarantee fees which are recorded as general government revenue in national accounts and are reported as an item of “other adjustments”. From reporting year 2019 onwards, guarantees are no longer included in financial transactions (loans) in public finance statistics (see section 3.3.3.6). Therefore, the adjustment position for guarantees only refers to adjustments carried out in national accounts in connection with the consolidation of guarantee payments within state government.

- The position “Reclassification of financial transactions: superdividends, capital injections, EU financial instruments” shows the results of the model calculations to determine the amount of distributions considered as superdividends and the amount of equity acquisitions considered as deficit-increasing capital injections (see sections 7.3 and 7.4). In addition, it includes adjustments for payments in connection with EU financial instruments which are recorded as financial transactions in the working balance, but as capital transfers in national accounts.
- “PPP + EPC debt repayment + capital expenditure, debt repayment bailout funds”: see section 3.2.3.7.
- The position “Adjustments for foreign transactions” shows adjustments for foreign transactions included in the state budgets but not recorded in national accounts.
- Clearing (settlement of accounts, clearing with subsector and clearing between subsectors, see section 3.2.3.7).
- The position “Difference data sources (national accounts annual results versus quarterly results used in public finance statistics)” is necessary due to a different revision policy between national accounts and public finance statistics. New data sources, in particular newly available annual data are implemented in the calculations as soon as possible in national accounts. Thus national accounts data are always reflecting the most current quarterly and annual data. By contrast, the public finance statistics does not combine quarterly and annual data for the overall budget results.
- The position “Extrabudgetary units national accounts adjustments” captures all differences between public finance statistics data and national accounts data resulting from different accounting/reporting concepts. The position mainly includes adjustments to public finance statistics data implemented in national accounts for extra-budgetary units set up in connection with the financial crisis, based on additional information provided in the annual reports of the units.
- The position “Schwerbehindertenfonds” refers to an adjustment carried out in national accounts for payments of state governments to an extra-budgetary unit of central government which are not included in the working balance of state government.
- “Difference tax revenue statistics and public finance statistics”: see section 3.2.3.7.
- The position “Reclassification of non-financial into financial transaction (VBL Sanierungsgelder)” refers to the repayment of restructuring payments (“Sanierungsgeld”) of public employers for the supplementary old age provision of public employees (“Versorgungsanstalt des Bundes und der Länder”, VBL). In national accounts, these payments are recorded as a financial transaction.
- The position “Consolidation of holdings” refers to distributions from holdings classified inside state government to core budgets. In public finance statistics, the revenue of core budgets is included, while the expenditure of the holdings is not. In national accounts, the data are adjusted so that there is no impact on B.9.
- The position “Reclassification of non-financial into financial transaction (NRW)” refers to a one-off transaction in 2017 in North Rhine-Westphalia: An extra-budgetary unit made special repayments in 2016 and 2017 for a loan granted by the core budget. In 2017 these special repayments were transferred back to the extra-budgetary unit according to the supplementary budget 2017 (“Nachtragshaushalt”). In public finance statistics this transaction is reported as current expenditure, but in national accounts it is considered as a financial transaction (loan). In public finance statistics, the extra-budgetary unit does

not report corresponding revenues. Therefore, this transaction has an impact on the public finance statistics working balance, but not on B.9 in national accounts.

- “Reclassification of non-financial into financial transaction (BAföG)”: BAföG government loans (student loans) are paid out of state government budgets. The financing for the loans provided by the federal government via KfW is included in the working balance as a non-financial transaction, whereas in national accounts this is considered as a financial transaction.
- The position “Capital injection Nord/LB” includes the capital injection of the state governments of Niedersachsen and Sachsen-Anhalt into Nord/LB (1700 million euros in 2019), which is recorded as a capital transfer in national accounts.
- The position “Income contingent loans” refers to the difference of all flows at the state level which are recorded as government revenue and expenditure in national accounts in connection with income contingent loans (see section 7.18).

### **3.3.3.8 Net lending/net borrowing of state government**

B.9 as reported in the last line in EDP T2 is mainly derived from the same source data used when calculating the working balance.

## **3.3.4 EDP table 3C**

### **3.3.4.1 Transactions in financial assets and liabilities**

In general, financial accounts data are used. With regard to the liability side it should be noted that Maastricht debt is the underlying basis for the calculation of government liabilities (stocks and transactions) in the financial accounts given that primary source data for government corresponds to the Maastricht debt concept (nominal/face value). In the financial accounts, valuation of liability stocks and transactions are undertaken on a macro basis (e.g. using an average issuing price for government bonds to calculate transactions).

Owed to the lack of full and consistent coverage of transactions in financial assets in the underlying accounting system, B.9 is considered as the best estimate for B.9f. Accordingly, in the financial accounts, transactions in other accounts receivable (F.8) are adjusted to set B.9f equal to B.9. However, to provide full transparency for the surveillance of deficit-debt-adjustments, EDP Table 3A-E only report transactions in other accounts receivable (F.8) which are derived from underlying data sources (like the cash-accrual adjustments necessary to transform public finance statistics into national accounts data).

**Table 7. 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.8	F.2	F.3	F.4	F.5	F.6	F.7	F.8
<b>Calculation of transactions</b>														
Transaction data (integrated in public accounts)			X	X		X								
Other transaction data						X	X							X
Stock data	X	X	X	X	X	X		X	X	X				
<b>Calculation of stocks</b>														
Transaction data			X	(X)		X	X							
Stock data	X	X	X	X	X	X		X	X	X				

▪ **Assets: Currency and Deposits (F.2)**

Main sources are Monetary and Financial Statistics (MFS) for deposits with domestic MFIs and from BoP (External Stocks Statistics) for deposits with foreign MFIs. While MFS is based on counterpart reporting, External Stocks Statistics is based on reporting obligations for all entities holding foreign assets or conducting certain transactions with the rest of the world. Transactions are basically compiled as differences of stock data, adjusted for corrections or reclassifications. These amendments are done at the level of source data by “Directorate General S – Statistics” of Deutsche Bundesbank in dialogue with the responding MFIs.

These results are compared with the FASS. Differences observed are partly due to different classifications of financial assets (for instance in FASS deposits with banks could be classified as loans to banks or to the rest of the world).

▪ **Assets: Debt Securities (F.3)**

In general, securities other than shares and derivatives are taken from the Securities Holdings Statistics based on reporting of domestic MFIs running security accounts for government entities (i.e. counterpart data).

Two main exceptions:

For EAA, data on F.3 is provided through the “monthly balance sheet statistics” (Bista) of Deutsche Bundesbank (preliminary) and substituted by final data taken from the audited annual report of EAA (direct source data). Raw data (on stocks) is integrated in the business accounts (i.e. at book values), but at time of acquisition (time of financial defeasance transaction) a market value markdown was recognised (in line with a capital transfer). When Bista data is used accrued interest has to be added as it is not included in the balance sheet positions. When the annual report is available, the calculation of transactions takes revaluations into accounts which are reflected in the changes of stocks. In addition, EAA provides comprehensive information on revaluations of foreign currency positions which are used to calculate transactions out of stock data. The EAA data contained in the Securities Holdings Statistics can be identified and substituted by the direct source data. The reason for this deviation was that in the past the amortisation profile (so-called pooling factors) have not been accounted for in the Securities Holdings Statistics leading to high discrepancies.

For Sealink Funding (SPV located in Ireland) a quarterly reporting (time-lag 2 ½ month) and to final annual report (time-lag > 2 years) is provided by the MoF of the Free State of Saxony. These amounts are not included in the national Securities Holdings Statistics. F.3 transactions for Sealink are included in the quarterly reporting.

▪ **Consolidation within state government subsector:**

Consolidation elements are based on the FASS (holdings of state government entities of debt securities issued by state governments).

At the current margin (as well as for quarters) estimates are performed on the basis of changes in holdings of state government entities of debt securities issued by state governments as reported in the Securities Holdings Statistics.

▪ **Assets: Loans (F.4)**

Public finance statistics is the main data source and starting point for calculating F.4 for state government comprising budgetary data for state government core and extra-budgetary units except those with business accounting. This main source is cash-based (e.g. no interest accrual). In principle this is the same data source as used in EDP Table 2B. However, the delimitation of units covered (depending on the units included in the working balance) may differ.

A relevant extra-budgetary unit with F.4 transactions is EAA where Bista-reporting and the annual final report (accrual based) are used (see above) to supplement missing transactions in the main data source. In addition, EAA provides comprehensive information on revaluations of foreign currency positions which are used to calculate transactions out of stock data.

For holding corporations included in general government sector in the context of the introduction of ESA 2010, backward calculations of the largest entities have been based on publicly available balance sheet data or data gathered from the Corporate Financial Statement Statistics of Deutsche Bundesbank combined with net-lending/net-borrowing of these entities (compiled by Destatis).

Another correction was to be made for one extra-budgetary fund (until 2015). Here, considerable transactions in deposits with banks were reported as loans in the public finance statistics. As these deposits were already included in MFS, the amounts were deducted from public finance statistics data.

Loans granted/repaid related to calls of guarantees are eliminated as well (Gruppierung 14 and 87), given that cash-calls are always treated as non-financial transactions for state governments. From 2019 onwards, these flows related to cash calls are no longer included in loan transactions. Thus no further adjustment is necessary. Data on debt cancellations are gathered from the FASS.

Accrued interest on financial assets should be recorded as being reinvested in (accrued on) the respective instrument. The difference between interest accrued and paid is calculated separately for assets and liabilities for all government levels by the Statistisches Bundesamt. Since there is no break down by different types of instruments, the accrued interest on financial assets of core central government are provisionally attributed to the transactions in loans.

In cases of off-market swaps (and restructurings) where the lump-sum was received by state government this is recorded as loan advancement. The corresponding redemption of the loan is spread over time. This treatment is symmetric to the recording of lump-sum payments received.

Relevant information on F.7 transactions (and their correction for lump-sum payments) of core state governments are reported by the “Zentrale Datenstelle der Landesfinanzminister” (ZDL) to the Federal Statistical Office and shared with Deutsche Bundesbank for compiling the financial accounts.

Transactions by state promotional banks on behalf of state governments (in particular provision of loans or equity investments) are rearranged. This leads to the recording of notional loan transactions. Necessary data are provided via a survey on rearrangement cases which is conducted by Destatis among public promotional banks. The data is provided with a time-lag of about one month.

For a more detailed description of the necessary adjustments in the context of rerouting of promotional activity please refer to the explanations for central government in section 3.2.1.3.2 (Supplementary data sources used for the compilation of financial accounts).

▪ **Consolidation within state government subsector:**

Loans granted by state government level to the (core) state government which are included in F.4 transactions of the Public Finance Statistics are not considered. Thus, partly consolidated data is used.

Loans possibly granted to extra-budgetary state government units cannot be identified in the basic data source as they are included in loans to “other sectors”. Loans granted by (core) state government to other extra-budgetary state government units are gathered from the ADS.

For the time being, possible loans granted by extra-budgetary units to other extra-budgetary units cannot be identified.

▪ **Assets: Equity and Investment fund shares (F.5)**

Public finance statistics is the main data source and starting point for calculating F.5 for state government comprising budgetary data for state government core and extra-budgetary units except those with business accounting. In principle this is the same data source as used in EDP Table 2B. However, the delimitation of units covered (depending on the units included in the working balance) may differ.

To identify and correct for capital injections to be recorded as capital transfers, Statistisches Bundesamt carries out a model calculation based on equity injections by functions. See section 7.3.

In order to eliminate a possible double counting in case of the pension funds/reserves (Versorgungsruecklagen/-fonds) of the Länder, which may also report data on F.3/F.52/F.2 acquisitions in the context of the public finance statistics, data from the survey on financial transactions (SFT) and the FASS are considered.

For holding corporations included in general government sector in the context of the introduction of ESA 2010, backward calculations of the largest entities have been based on publicly available balance sheet data or data gathered from the Corporate Financial Statement Statistics of Deutsche Bundesbank combined with net-lending/net-borrowing of these entities (compiled by Destatis).

For EAA as extra-budgetary unit with business accounting, Bista-reporting and the annual final report (accrual based) are used (see above).



It might occur that for extra-budgetary units with business accounting, transactions are identified by information from the press. (Once identified, relevant reports of units involved are considered to correct the main basic statistics where relevant).

Transactions by state promotional banks on behalf of state governments (in particular provision of loans or equity investments) are rearranged. This leads to the recording of notional or rearranged equity transactions. Necessary data are provided via a survey on rearrangement cases which is conducted by Destatis among public promotional banks. The data is provided with a time-lag of about one month. Since summer 2020 rearranged transactions in certain promotional loans (AFBG-Meister-BAföG) are shared between federal (78%) and state government (22%).

For a more detailed description of the necessary adjustments in the context of rerouting of promotional activity please refer to the explanations for central government in section 3.2.1.3.2 (Supplementary data sources used for the compilation of financial accounts).

Other corrections (like superdividends) are based on relevant assessment of reports and information shared by/with the Statistisches Bundesamt.

Transactions in investment fund shares F.52 (transactions in reserves not included in the budgetary accounting) are taken from the Securities Holdings Statistics of Deutsche Bundesbank.

#### ▪ **Insurance, pensions and standardised guaranties (F.6)**

Changes in claims against insurance companies are based on information provided by BaFin (Bundesanstalt für Finanzdienstleistungsaufsicht) in combination with reporting by Statistisches Bundesamt on the composition of insurance premiums paid by sector. This information is available annually.

While information by BaFin (counterpart stock data) provides information on liabilities resulting from prepayment of premiums, the information provided by Statistisches Bundesamt is used to estimate the decomposition by sector. As a next step, the estimate for general government is split between subsectors with fixed proportions. (The amounts involved are rather small).

#### ▪ **Assets: financial derivatives (F.7)**

Relevant information on F.7 transactions (and their correction for lump-sum payments or swap cancellations) of core state governments are reported by the Zentrale Datenstelle der Landesfinanzminister (ZDL) to the Statistisches Bundesamt and shared with Deutsche Bundesbank for compiling the financial accounts.

F.7 for EAA is calculated on a net basis. The information on “interest revenue and expenditure” related to derivatives is gathered from EAA’s profit and loss accounts. To extract relevant positions from accruals/deferrals (annual report) and other assets and other liabilities (Bista), supplementary information is directly reported by EAA (or Portigon as service provider). In addition, EAA provides comprehensive information on revaluations of foreign currency positions. In addition, for Sealink Funding information is provided by Statistisches Bundesamt on the basis of the annual report or estimates at the current margin.

- **Other accounts payable (F.8)**

For the EDP notifications, only transactions are shown which have an underlying data source (unlike the recording in the financial accounts where F.8A are used to adjust B.9f to B.9).

F.8 relate to

- taxes,
- EU flows,

which are compiled in line with the cash-accrual adjustments for the calculation of the non-financial accounts, are provided (on a quarterly basis) by Statistisches Bundesamt.

Other items are in line with adjustments made (and information provided) by Statistisches Bundesamt to basic data source (Public Finance Statistics) based flows of funds between federal and state government not included in the Public Finance Statistics.

Finally, F.8 for EAA (and Sealink Funding) is calculated on the basis of Bista/annual report data and the B.9 (net-borrowing/net-lending) reported by Statistisches Bundesamt in order to close the individual financial accounts of this unit (i.e. balancing item for the EAA and Sealink Funding as single units). While payments received from the state government due to guarantees called are consolidated for the overall B.9 of the state government level, these amounts are needed to calculate the financial flows for EAA (and Sealink Funding) respectively as single units. A similar procedure is applied for the backward-calculation of holding corporations classified into general government in the course of ESA 2010 changeover.

Given that currently no data is collected from public broadcasting agencies, non-financial transactions are balanced in F.8.

- **Other accounts payable (F.8) – part of Adjustments of EDP Table 3C**

For the category “Other accounts payable”, allowance has to be made for cash-accrual adjustments calculated and provided by Statistisches Bundesamt (on a quarterly or semi-annual basis). F.8 liabilities relate to

- construction investments,
- EU-flows,
- child benefits,
- implementation of court decisions.

Other accounts payable (owed to central government) related to the financial equalisation scheme between the German Laender are provided by the MoF (see sections 3.2.1.3.2 and 3.2.4.1).

Another item in line with adjustments made (and information provided) by Statistisches Bundesamt to basic data source (public finance statistics) relates to flows of funds between federal and state government (the federal fund for severely disabled), other liability of state government level (see sections 3.2.1.3.2 and 3.2.4.1).

Finally, as explained above (on other accounts payable) for EAA, (Sealink Funding), and for the backward calculation of holding corporations an A.8 liability could result as balancing position.

### **3.3.4.2 Other stock-flow adjustments**

- **Issuance above/below nominal value**

“Issuances above/below par” which are derived from the Capital Market Statistics of Deutsche Bundesbank and also shared with Destatis to record the respective flows on an accrual basis.

- **“Difference between interest accrued and paid”**

Cash-accrual adjustments are provided by Statistisches Bundesamt based on the interest model described in section 6.4.

In addition, in line with the treatment in non-financial accounts (see section 6.4), this position includes cash-accrual adjustments resulting from time differences regarding the implementation of the Eurostat guidance on derivative flows (treatment of swap cancellations over time). Information is provided by Statistisches Bundesamt.

In addition, the difference between interest accrued and paid is explicitly added for EAA, hsh portfoliomanagement AöR, (Sealink Funding) and Portigon. Information is available from annual reports, Bista reporting and additional direct reporting.

- **Appreciation and Depreciation of foreign-currency debt**

Revaluations are calculated for (Sealink-Funding) and EAA based on information provided by/for these units.

- **Changes in sector classification**

Changes in sector classifications are identified by special reports by Statistisches Bundesamt. Given the backward calculation of reclassified units, changes in sector classifications are normally no reconciliation position within the notification period.

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

#### 3.4.1 Data sources for Local Government main unit: *Municipalities and municipality associations*

Table 8 – Availability and use of basic source data for main local government units

#### Municipalities and municipality associations

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>		
				<b>Budget Reporting</b>			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
C	Q/A	T+90	T+(24-31)	(3) Current and capital revenue and expenditure and financial transactions	X	X	X
				(4) Balance sheets			
				<b>Financial Statements</b>			
				(5) Profit and loss accounts			
				(6) Balance sheets			
				(7) Cash flow statement			
				<b>Other Reporting</b>			
				(8) Statistical surveys			
				(9) Other:			
C	M	T+21	T+21 days	Report of BMF on tax revenue		X	
A	M	T+40	T+51	Balance of payments/External Stocks Statistics			X
C/A	A	T+8/9 months	T+8/9 months	Financial asset stock statistics (FASS)			X
				Various debt statistics (see section 3.1.1 for details) <sup>34</sup>			X
C/A	M	T+1½ months	T+1½ months	Monetary and Financial Statistics			X
C/A	M	T+1½ months	T+1½ months	Securities Holdings Statistics			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.

<sup>34</sup> Data sources for the compilation of debt are described in Section 3.1.1.

*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 quarterly cash statistics of the overall public budget of public finance statistics collect budget reporting data and are used for compilation of the working balance and B.9 of the main local government units. The definition and scope of the units covered are determined by the legal basis and reporting population of the public finance statistics relating to expenditure and revenue of the overall public budget (see 3.2.1 and 3.2.1.1).

According to administrative regulations, the budgets of the municipalities and municipality associations are subdivided into the economic type (classification by object) of an expenditure or revenue item and the area of function (classification of functions of the municipalities). The simultaneous and detailed classification of a budget item by objects (3-digit code for economic kind of the item) and field of activity (3-digit code for function) enables the individual types of revenue and expenditure to be allocated in accordance with concepts based on the national accounts definitions. The detailed information is only available at T+ 24 to 31 months after the end of the reference period.

#### **▪ Additional information for financial accounts recording:**

While non-financial transactions are well covered by public finance statistics' accounting statistics, financial transactions are only partly included. In particular, transactions related to reserves are missing. Therefore, additional data sources are necessary, for instance, Monetary and Financial Statistics as well as Securities Holdings Statistics. Owing to the lack of full and consistent coverage of financial transactions (in particular in the asset side) in the underlying accounting system, B.9 is considered as the best estimate for B.9f. Accordingly, in the financial accounts, transactions in other accounts receivable (F.8) are adjusted to set B.9f equal to B.9. However, to provide full transparency for the surveillance of deficit-debt-adjustments, EDP Table 3A-E only report transactions in other accounts receivable (F.8) which are derived from underlying data sources (like the cash-accrual adjustments necessary to transform public finance statistics into national accounts data). This is why budget reporting is also relevant for B.9f (see table).

For the compilation of financial accounts public finance statistics are used to the extent covered (basically transactions in loans and shares and other equity). Transactions which are mainly related to the reserves (i.e. not included in the main budgets), are taken from the Monetary and Financial Statistics (MFS) for deposits with domestic MFIs and from BoP (External Stocks Statistics) for deposits with foreign MFIs. While MFS is based on counterpart reporting, External Stocks Statistics is based on reporting obligations for all entities holding foreign assets or conducting certain transactions with the rest of the world. Securities Holdings Statistics are based on reporting of domestic MFIs running security accounts for government entities (i.e. counterpart data). Information on government holdings of securities other than shares and investment fund shares are gathered from this source. These data sources comprise the core local government as well as all extra-budgetary units.

### **3.4.1.2 Statistical surveys used as a basic data source**

Statistical surveys other than public finance statistics are not used as basic data source for B.9 compilation of main local government units.

### **3.4.1.3 Supplementary data sources and analytical information**

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

At the time of the first notification before 1 April, for the previous calendar year the data of the annual finance statistics of public finance statistics are not yet available. At this time the calculations of revenue and expenditure and of the net lending/net borrowing of the local governments rely on the results of the quarterly cash statistics of the public finance statistics. These statistics already provide the results for the first three quarters of the previous calendar year. However, the level of breakdown of these statistics is not as detailed as for the annual finance statistics, in that there is no breakdown by functions. To calculate the net lending/net borrowing of local governments, the revenue and expenditure of the fourth quarter is estimated in the light of the trend for comparable earlier periods. In addition, there are estimates for revenue and expenditure of special purpose associations.

Furthermore data from budget reporting of the state governments regarding investment grants allocated by the state government to the local governments are used. Those payments are appropriated for investment grants to local quasi-corporations, but do not directly transit via the budget of local governments. These investment grants are recorded as non-financial revenues and are balanced by an imputed investment grant to quasi-corporations on the expenditure side of the local government accounts, which is shown in the line “non-financial transactions not included in the working balance” in EDP table 2C. Since public finance statistics do not record the investment grants paid by the state governments in the accounts of the local governments, a further adjustment (for the revenues recorded in national accounts) has to be carried out in the line “other adjustments” (included in the position “clearing between subsectors”).

#### ***3.4.1.3.2 Supplementary data sources used for the compilation of financial accounts***

Accrued interest on financial assets should be recorded as being reinvested in the respective instrument. The difference between interest accrued and paid is calculated separately for assets and liabilities for all government levels by the Statistisches Bundesamt. Since there is no breakdown by different types of instruments, the accrued interest on financial assets of core central government are provisionally attributed to the transactions in loans.

For the category “Other accounts receivable”, there are gaps in the source data owed to the mainly cash-based public accounting system. For the EDP notifications, only transactions are shown which have an underlying data source. This is the case for F.8 related to taxes and social contributions, which are compiled in line with the cash-accrual adjustments for the calculation of the non-financial accounts by Statistisches Bundesamt.

Changes in claims against insurance companies (F.6) are based on information provided by BaFin (Bundesanstalt für Finanzdienstleistungsaufsicht) in combination with reporting by Statistisches Bundesamt on the composition of insurance premiums paid by sector. This information is available annually. The related amounts are rather small).

Since 2017 data on transactions in financial derivatives are collected in the context of the new survey on financial transactions (SFT).

For the category “other accounts payable” the same caveats with regard to the accounting system apply. Transactions in other liabilities are mainly based on cash-accrual corrections for the calculation of the non-financial accounts conducted by Statistisches Bundesamt (construction investment, child benefits) or time-of-recording-differences in cases of court decisions.

### ***3.4.2 Data sources for other Local Government units***

In Germany, with regard to data sources, other local government units are divided into special purpose associations (“Zweckverbände”) that have a cash-based or municipal double-entry accounting system and public funds, institutions and enterprises with commercial accounting systems<sup>35</sup>.

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<sup>35</sup> Public funds, institutions and enterprises with commercial accounting systems also include special purpose associations.

**Table 9a – Availability and use of basic source data for other local government units:**

**Municipal special purpose associations (“Zweckverbände”) with cash-based or municipal double-entry accounting system**

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>		
				<b>Budget Reporting</b>			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
C	Q/A	T+90	T+(24-31)	(3) Current and capital revenue and expenditure and financial transactions	X	X	X
				(4) Balance sheets			X
				<b>Financial Statements</b>			
				(5) Profit and loss accounts			
				(6) Balance sheets			
				(7) Cash flow statement			
				<b>Other Reporting</b>			
				(8) Statistical surveys			
				(9) Other:			
C/A	M	T+1½ months	T+1½ months	Monetary and Financial Statistics			X
C/A	M	T+1½ months	T+1½ months	Securities Holdings Statistics			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.



**Table 9b – Availability and use of basic source data for other local government units:**

**Other public funds, institutions and enterprises at local government level**

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>		
				<b>Budget Reporting</b>			
				(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			
				<b>Financial Statements</b>			
				(5) Profit and loss accounts			
A	A		T+9 to 24 months	(6) Balance sheets			X
				(7) Cash flow statement			
				<b>Other Reporting</b>			
				(8) Statistical surveys			
A	Q/A	T+90	T+23	Public funds, institutions and enterprises with commercial accounting systems	X	X	
				(9) Other:			
C/A	M	T+1½ months	T+1½ months	Monetary and Financial Statistics			X
C/A	M	T+1½ months	T+1½ months	Securities Holdings Statistics			X

For more information see sections 3.2.2 and 3.3.2.

▪ **Additional information for financial accounts recording:**

Given that for extra-budgetary units with commercial accounting systems financial transactions are usually not reported, information from the press is sometimes used to identify relevant transactions. (Once identified, relevant reports of units involved are considered to correct the main basic statistics where relevant).

### **3.4.3 EDP table 2C**

#### **3.4.3.1 Working balance - use for the compilation of national accounts**

The data sources used for the compilation of the working balance are used for the non-financial accounts and also for B.9.

#### **3.4.3.2 Legal basis of the working balance**

The law on public finance statistics (“Finanz- und Personalstatistikgesetz”) is the legal basis of the quarterly cash statistics, the annual finance statistics and the quarterly and annual statistics of public funds, institutions and enterprises with commercial accounting systems. This law regulates the reporting population and the items to be reported. The reported public finance statistics data are used for the compilation of the working balance.

The working balance is not voted by the municipal council.

The working balance is not audited by a national auditing authority.

#### **3.4.3.3 Coverage of units in the working balance**

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

In general, there are no units reported in the working balance which do not belong to the government sector as defined by ESA 2010. For exceptions of this general rule see section 3.3.3.3.1.

Public enterprises classified outside general government are neither included in quarterly cash statistics of the overall public budget nor in annual finance statistics of the overall public budget, which are used as data sources for the working balance. In terms of the included units, the delimitation of the so-called “overall public budget” (“Öffentlicher Gesamthaushalt”) of public finance statistics is in principle equal to the delimitation of general government in national accounts. Public enterprises classified outside general government are surveyed in the annual public finance statistics, but they are not included in the results of the “overall public budget”.

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

As mentioned before, in principle, the ESA 2010 definition of the local government subsector does not differ from the reporting population included in the overall public budget of public finance statistics. However, some potential exceptions exist which are described in section 3.3.3.3.2.

#### **3.4.3.4 Accounting basis of the working balance**

The accounting basis of the working balance depends on whether annual or quarterly public finance statistics data are used. For the quarterly data the accounting basis of the working balance is mixed: cash for units using fiscal accounting (municipalities and some special purpose associations<sup>36</sup>), and accrual for the extra-budgetary units using a double-entry accounting system according to the provisions of the German Commercial Code or other

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<sup>36</sup> A growing number of municipalities and special purpose associations have introduced municipal double-entry accounting systems. However, due to legal reporting obligations, they still have to report cash-based data in the public finance statistics surveys on revenue and expenditure.

relevant provisions. For the annual public finance statistics the accounting basis is cash since the annual data used for the working balance cover only the core budgets. This makes subsequent adjustments in the related EDP tables necessary.

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

See the description of the interest model in section 6.4.

#### **3.4.3.4.2 *Accrual adjustments reported under other accounts receivable/payable F.8 in EDP T2C***

See section 3.3.3.4.2.

For the local government subsector, only taxes are adjusted to accrual basis via receivables F.8.

The following non-financial transactions are adjusted to accrual basis via payables F.8:

- Construction
- Child benefit

#### **3.4.3.4.3 *Other accrual adjustments in EDP T2C***

The accrual adjustments to interest revenue are reported under “other adjustments” in the position “difference interest received and receivable”.

The impact of the implementation of court decisions in national accounts is also shown under “other adjustments”.

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

For the position “Quasi-corporations”, see section 3.4.1.3.1.

The position “Bail out funds, Verkehrsverbund” covers the counterpart entry due to the adjustment for bail-out funds explained for EDP table 2B, see section 3.3.3.5, as well as a subsidy to a transport association (“Verkehrsverbund”) imputed in national accounts (based on the same logic as described for investment grants to quasi-corporations in section 3.4.1.3.1). This position also includes the counterpart entry for the debt assumption by the state government NRW for the programme “Gute Schule 2020”.

Moreover, debt assumptions and debt cancellations are included here based on the data collected in public finance statistics (debt statistics and financial asset statistics).

The position “Hessenkasse” shows the counterpart entry for the debt assumption by state government in the programme “Hessenkasse”, see section 3.3.3.5.

#### **3.4.3.6 *Financial transactions included in the working balance***

The granting of loans and loan repayments as well as the sale and acquisition of equities are the main financial transactions which are included in the working balance of local government and are excluded in EDP T2C.

For extrabudgetary units included in the working balance, data on financial transactions are available only for units with cash-based or municipal double-entry accounting systems. For

extrabudgetary units with commercial accounting systems, positions of the income statement are reported which do not include financial transactions.

### **3.4.3.7 Other adjustments reported in EDP T2C**

In addition to the positions explained in section 3.4.3.4, the following positions are currently reported:

- “PPP + EPC debt repayment + capital expenditure”, (see section 3.2.3.7).
- The position “Reclassification of financial transactions: superdividends, capital injections” shows the results of the model calculations to determine the amount of distributions considered as superdividends and the amount of equity acquisitions considered as deficit-increasing capital injections (see sections 7.3 and 7.4). It also includes the superdividend of Stadtwerke München. The whole amount of the dividend payment of Stadtwerke München is recorded in public finance statistics and therefore included in the working balance, whereas in national accounts the result of the superdividend test is considered.
- “Difference tax revenue statistics and public finance statistics”, see section 3.2.3.7.
- Clearing between subsectors and within subsectors, (see the issue of quasi-corporations which is explained in section 3.4.1.3.1, and for further aspects see section 3.2.3.7).
- The position “Reclassification of non-financial into financial transaction (VBL Sanierungsgelder)” refers to the repayment of restructuring payments (“Sanierungsgeld”) of public employers for the supplementary old age provision of public employees (“Versorgungsanstalt des Bundes und der Länder”, VBL). In national accounts, these payments are recorded as a financial transaction.
- The position “Consolidation of holdings” refers to distributions from holdings classified inside local government to core budgets. In public finance statistics, the revenue of core budgets is included, while the expenditure of the holdings is not. In national accounts, the data are adjusted so that there is no impact on B.9.
- The position “Extra budgetary units national accounts adjustments” refers to adjustments implemented in national accounts concerning the consolidation of payments between core budgets and certain extra-budgetary units (pension funds for civil servants that are no institutional units).

### **3.4.3.8 Net lending/net borrowing of local government**

B.9, as reported in the last line in EDP T2, is mainly derived from the same source data used when calculating the working balance.

## **3.4.4 EDP table 3D**

### **3.4.4.1 Transactions in financial assets and liabilities**

In general, financial accounts data are used. With regard to the liability side it should be noted that Maastricht debt is the underlying basis for the calculation of government liabilities (stocks and transactions) in the financial accounts given that primary source data for government corresponds to the Maastricht debt concept (nominal/face value). In the financial accounts, valuation of liability stocks and transactions are undertaken on a macro basis (e.g. using an average issuing price for government bonds to calculate transactions).

Owed to the lack of full and consistent coverage of transactions in financial assets in the underlying accounting system, B.9 is considered as the best estimate for B.9f. Accordingly, in the financial accounts, transactions in other accounts receivable (F.8) are adjusted to set B.9f equal to B.9. However, to provide full transparency for the surveillance of deficit-debt-adjustments, EDP Table 3A-E only report transactions in other accounts receivable (F.8) which are derived from underlying data sources (like the cash-accrual adjustments necessary to transform public finance statistics into national accounts data).

**Table 10. 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.8	F.2	F.3	F.4	F.5	F.6	F.7	F.8
<b>Calculation of transactions</b>														
Transaction data (integrated in public accounts)			X	X										
Other transaction data						X	X							X
Stock data	X	X	X	X	X			X	X	X				
<b>Calculation of stocks</b>														
Transaction data			X	(X)			X							
Stock data	X	X	X	X	X	X		X	X	X				

Main sources are Monetary and Financial Statistics (MFS) for deposits with domestic MFIs and from BoP (External Stocks Statistics) for deposits with foreign MFIs. While MFS is based on counterpart reporting, External Stocks Statistics is based on reporting obligations for all entities holding foreign assets or conducting certain transactions with the rest of the world. Transactions are basically compiled as differences of stock data, adjusted for corrections or reclassifications. These amendments are done at the level of source data by “Directorate General S – Statistics” of Deutsche Bundesbank in dialogue with the responding MFIs.

These results are compared with the FASS. Differences observed are partly due to different classifications of financial assets (for instance in FASS deposits with banks could be classified as loans to banks or to the rest of the world).

▪ **Assets: Debt Securities (F.3)**

Securities other than shares and derivatives are taken from the Securities Holdings Statistics based on reporting of domestic MFIs running security accounts for government entities (i.e. counterpart data).

▪ **Consolidation within local government subsector:**

Consolidation elements would be based on the FASS (holdings of local government entities of debt securities issued by local governments) or at the current margin be estimated using Securities Holdings Statistics. However, for the time being consolidation elements in F.3 are insignificant and currently ignored.

#### ▪ **Assets: Loans (F.4)**

Public finance statistics is the main data source and starting point for calculating F.4 for local government comprising budgetary data for local government core and extra-budgetary units except those with business accounting. (For April Notification the last quarter of t-1 only comprises core local government entities). This main source is cash-based (e.g. no interest accrual). In principle this is the same data source as used in EDP Table 2C. However, the delimitation of units covered (depending on the units included in the working balance) may differ.

Cash calls of guarantees are not reported as granting of loans for local government. Thus, no additional corrections are necessary. Data on debt cancellations are gathered from the FASS.

Accrued interest on financial assets should be recorded as being reinvested in (accrued on) the respective instrument. The difference between interest accrued and paid is calculated separately for assets and liabilities for all government levels by the Statistisches Bundesamt. Since there is no breakdown by different types of instruments, the accrued interest on financial assets of core local government are provisionally attributed to the transactions in loans.

For holding corporations included in general government sector in the context of the introduction of ESA 2010, backward calculations of the largest entities have been based on publicly available balance sheet data or data gathered from the Corporate Financial Statement Statistics of Deutsche Bundesbank combined with net-lending/net-borrowing of these entities (compiled by Destatis).

A correction is made for on-lending of core local government on behalf of municipal quasi-corporations (rechtlich unselbständige Eigenbetriebe). The debt was generally recorded as core local government debt with a corresponding granting of loans to quasi-corporations. However, upon Eurostat request German Statistical Authorities started to differentiate between debt on-lent by local government and debt actually to be attributed to the quasi-corporation as debtor of the non-government creditor. The criteria agreed with Eurostat for “off-balance” recording are as follows: only if the quasi-corporation is named as debtor in the contract and if only the manager of the quasi-corporation signs it. For the reporting years 2018 and 2019 two State Statistical Offices conducted a pilot exercise in order to identify debt fulfilling the criteria to be recorded outside general government. Backward calculation of previous years is based on the development of total quasi-corporation debt. Starting with ADS for the reporting year 2020 the differentiation of quasi-corporations’ debt according to the agreed criteria should be undertaken for all States.

#### ▪ **Consolidation within local government subsector:**

Loans granted by local government entities to the (core) local government and to Special Purpose Associations (Zweckverbände) which are included in F.4 transactions of the Public Finance Statistics are deducted from the totals.

Loans granted by (core) local government and Special Purpose Associations (Zweckverbände) to other extra-budgetary local government units are gathered from the ADS. Loans provided by (core) local governments to (core local governments) are taken from the quarterly public finance statistics.

For the time being, possible loans granted by extra-budgetary units to other extra-budgetary units cannot be identified.

- **Assets: Equity and Investment Fund Shares (F.5)**

Public finance statistics is the main data source and starting point for calculating F.5 for local government comprising budgetary data for local government core and extra-budgetary units except those with business accounting. (For April Notification the last quarter of t-1 only comprises core local government entities). In principle this is the same data source as used in EDP Table 2C. However, the delimitation of units covered (depending on the units included in the working balance) may differ.

To identify and correct for capital injections to be recorded as capital transfers, Statistisches Bundesamt carries out a model calculation based on equity injections by functions. See section 7.3.

It might occur that for extra-budgetary units with business accounting, transactions are identified by information from the press. (Once identified, relevant reports of units involved are considered to correct the main basic statistics where relevant).

For holding corporations included in general government sector in the context of the introduction of ESA 2010, backward calculations of the largest entities have been based on publicly available balance sheet data or data gathered from the Corporate Financial Statement Statistics of Deutsche Bundesbank combined with net lending/net borrowing of these entities (compiled by Destatis).

Transactions in investment fund shares F.52 (transactions in reserves not included in the budgetary accounting) are taken from the Securities Holdings Statistics of Deutsche Bundesbank.

Other corrections (like superdividends) are based on relevant assessment of reports and information shared by/with the Statistisches Bundesamt.

- **Insurance, pensions and standardised guarantees (F.6)**

Changes in claims against insurance companies are based on information provided by BaFin (Bundesanstalt für Finanzdienstleistungsaufsicht) in combination with reporting by Statistisches Bundesamt on the composition of insurance premiums paid by sector. This information is available annually.

While information by BaFin (counterpart stock data) provides information on liabilities resulting from prepayment of premiums, the information provided by Statistisches Bundesamt is used to estimate the decomposition by sector. As a next step, the estimate for general government is split between subsectors with fixed proportions. (The amounts involved are rather small).

- **Assets: financial derivatives (F.7)**

Since 2017 data on transactions in financial derivatives on local government level are collected in the context of the new survey on financial transactions.

- **Other accounts receivable (F.8)**

For the EDP notifications, only transactions are shown which have an underlying data source (unlike the recording in the financial accounts where F.8A are used to adjust B.9f to B.9).

F.8 related to taxes, which are compiled in line with the cash-accrual adjustments for the calculation of the non-financial accounts are provided (on a semi-annual basis) by Statistisches Bundesamt.

Finally, with a view to the inclusion of holding corporations in general government sector, backward calculations of the largest entities have been based on publicly available balance sheet data or data gathered from the Corporate Financial Statement Statistics of Deutsche Bundesbank combined with net-lending/net-borrowing of these entities (compiled by Destatis) and F.8 balancing positions for these entities have been calculated accordingly.

- **Other accounts payable (F.8) – part of Adjustments of EDP Table 3D**

For the category “Other accounts payable”, allowance has to be made for cash-accrual adjustments calculated and provided by Statistisches Bundesamt (on a semi-annual basis). F.8 liabilities relate to construction investments, child benefits and implementation of court decisions.

Finally, with a view to the inclusion of holding corporations in general government sector, backward calculations of the largest entities have been based on publicly available balance sheet data or data gathered from the Corporate Financial Statement Statistics of Deutsche Bundesbank combined with net-lending/net-borrowing of these entities (compiled by Destatis) and F.8 balancing positions for these entities have been calculated accordingly.

#### **3.4.4.2 Other stock-flow adjustments**

- **“Difference between interest accrued and paid”**

Cash-accrual adjustments are provided by Statistisches Bundesamt based on the interest model described in section 6.4.

- **Changes in sector classification**

Changes in the debt resulting from changes in sector classifications mainly affect the local level, which has in recent years hived off numerous units from its core budgets. Offices which have been converted into independent companies have in many cases also assumed part of the local governments’ debt, in proportion to their respective balance sheet positions.

Changes in sector classifications are identified by special reports by Statistisches Bundesamt. Given the backward calculation of reclassified units, changes in sector classifications are normally no reconciliation position within the notification period.



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

#### 3.5.1 Data sources for Social Security Funds main unit: *Social security bodies*

**Table 11 – Availability and use of basic source data for social security funds:**

#### Social security bodies

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>		
				<b>Budget Reporting</b>			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
M	Q/A	T+(15-540) <sup>37</sup>	T+(24-31)	(3) Current and capital revenue and expenditure and financial transactions	X	X	X
				(4) Balance sheets			X
				<b>Financial Statements</b>			
				(5) Profit and loss accounts			
				(6) Balance sheets			
				(7) Cash flow statement			
				<b>Other Reporting</b>			
				(8) Statistical surveys			
				(9) Other:			
A	M	T+40	T+51	Balance of Payments Statistics/External Stocks Statistics		X	X
C/A	M	T+1½ months	T+1½ months	Monetary and Financial Statistics			X
C/A	M	T+1½ months	T+1½ months	Securities Holdings Statistics			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.

<sup>37</sup> See table in section 3.5.1.1.

### **3.5.1.1 Details of the basic data sources**

To calculate the items of revenue and expenditure of social security funds main units, which are used to calculate the net lending/net borrowing in accordance with the national accounts definition, the particular data supplier provides quarterly and up-to-date reports on its revenue and expenditure in exhaustive detail within the respective accounts framework.

The classification of the economic kind of the revenues and expenditures used within the accounting framework of the Federal Employment Agency is identical to central government. All other social security funds use specific classifications, so-called “Kontenpläne” (table of accounts), specified for their tasks. In contrast to the budgetary classification used by the central, state and local government main units, the nomenclatures used for the social security funds do not provide secondary information on the revenues and expenditures by functions. The majority of these units use frameworks that are similar to commercial accounting and the actual recording is considered to be on an accrual basis.

The legal framework for the data supply is the law on public finance statistics. The survey of the baseline data consists of a full survey where the population group covers all social security institutions. The data suppliers include the “German old-age pensions insurance” (Deutsche Rentenversicherung Bund), “German old-age pensions insurance Knappschaft-Bahn-See” (Deutsche Rentenversicherung Knappschaft-Bahn-See), Federal Association of Agricultural Retirement Pensions (Gesamtverband der Landwirtschaftlichen Alterskassen), Federal Association of occupational accident insurance (Bundesverband der Unfallversicherungsträger), the Federal Ministry of Health and the Federal Employment Agency. The Bundesbank is also a data supplier and provides information on the pensions paid to the rest of the world in the balance of payments statistics. This information is used to split the total pension payments provided by the pension insurance into pensions paid to residents and pensions paid to the rest of the world.

For some social security funds, direct information is available for the funds, for some funds detailed statistics (“Geschäftsstatistiken”) are available from the Ministry of Health. The availability of first annual results depends on the particular social security agency:

Agency	Time of availability of first annual results for T-1	Data source
Statutory old age pension insurance	T + 30 days	direct information
Statutory old age pension insurance "Knappschaft-Bahn-See"	T + 110 days	direct information
Agricultural pension funds	T + 40 days	direct information
Unemployment insurance schemes	T + 15 days	Ministry of Labour and Social Affairs
Accident insurance	T + 540 days	Ministry of Health
Statutory health insurance	T + 75 days	Ministry of Health
Statutory long-term care insurance	T + 75 days	direct information

▪ **Additional information for financial accounts recording:**

While non-financial transactions are well covered by public finance statistics' accounting statistics, financial transactions are only partly included. In particular, transactions related to reserves are missing. Therefore, additional data sources are necessary, for instance, Monetary and Financial Statistics as well as Securities Holdings Statistics. Owing to the lack of full and consistent coverage of financial transactions (in particular in the asset side) in the underlying accounting system, B.9 is considered as the best estimate for B.9f. Accordingly, in the financial accounts, transactions in other accounts receivable (F.8) are adjusted to set B.9f equal to B.9. However, to provide full transparency for the surveillance of deficit-debt-adjustments, EDP Table 3A-E only report transactions in other accounts receivable (F.8) which are derived from underlying data sources (like the cash-accrual adjustments necessary to transform public finance statistics into national accounts data).

For the compilation of financial accounts public finance statistics are used to the extent covered (basically transactions in loans and shares and other equity). Transactions which are mainly related to the reserves (i.e. not included in the main budgets), are taken from the Monetary and Financial Statistics (MFS) for deposits with domestic MFIs and from BoP (External Stocks Statistics) for deposits with foreign MFIs. While MFS is based on counterpart reporting, External Stocks Statistics is based on reporting obligations for all entities holding foreign assets or conducting certain transactions with the rest of the world. Securities Holdings Statistics are based on reporting of domestic MFIs running security accounts for government entities (i.e. counterpart data). Information on government holdings of securities other than shares and investment fund shares are gathered from this source. These data sources comprise the social security subsector including extra-budgetary units.

**3.5.1.2 Statistical surveys used as a basic data source**

Statistical surveys other than public finance statistics are not used as basic data source for B.9 compilation of the social security subsector.

**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**

See section 3.2.1.3.1.

The data source for the recording of social contributions in government accounts is the calculation of social contributions on an accrual basis for the whole German national accounts framework.

### ***3.5.1.3.2 Supplementary data sources used for the compilation of financial accounts***

Accrued interest on financial assets should be recorded as being reinvested in the respective instrument. The difference between interest accrued and paid is calculated separately for assets and liabilities for all government levels by the Statistisches Bundesamt. Since there is no breakdown by different types of instruments, the accrued interest on financial assets of core central government are provisionally attributed to the transactions in loans. For the category “Other accounts receivable”, F.8 related to social contribution:

For social security branches with a double-entry accounting system (accrual accounting), i.e. for statutory health and for long-term care insurance, other accounts receivable related to social contributions are taken from the annual final results (Rechnungsergebnisse KJ1 and PJ1). For the statutory pension insurance the difference between “Soll-Beitragseinnahmen” (national accounts revenue) and the actual cash (so-called “Ist”) is provided by Destatis. Other accounts receivable related to EU-Flows are provided by Statistisches Bundesamt. Other accounts receivable F.8 are related to prepayments of social benefits by the Employment Agency. Supplementary information (on short-term loans to central government) are provided by the German finance agency (Bundesrepublik Deutschland Finanzagentur GmbH).

### 3.5.2 Data sources for other Social Security units

**Table 12 – Availability and use of basic source data for other social security units:**

#### **Public funds, institutions and enterprises at the level of social security funds**

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>		
				<b>Budget Reporting</b>			
				(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			
				<b>Financial Statements</b>			
				(5) Profit and loss accounts			
				(6) Balance sheets			
				(7) Cash flow statement			
				<b>Other Reporting</b>			
				(8) Statistical surveys			
	Q/A	T+90	T+23	Public funds, institutions and enterprises with commercial accounting systems	X	X	
				(9) Other:			
C/A	M	T+1½ months	T+1½ months	Monetary and Financial Statistics			X
C/A	M	T+1½ months	T+1½ months	Securities Holdings Statistics			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.

For more information see sections 3.2.2 and 3.3.2.

#### ▪ **Additional information for financial accounts recording:**

Supplementary information from “Directorate General M – Markets” of Deutsche Bundesbank (on pension fund of the Employment Agency) are considered.

### **3.5.3 EDP table 2D**

#### **3.5.3.1 Working balance - use for national accounts compilation**

The data sources used for the compilation of the working balance are used for the non-financial accounts and also for B.9.

#### **3.5.3.2 Legal basis of the working balance**

The law on public finance statistics (“Finanz- und Personalstatistikgesetz”) is the legal basis of the quarterly cash statistics, the annual finance statistics and the quarterly and annual statistics of public funds, institutions and enterprises with commercial accounting systems. This law regulates the reporting population and the items to be reported. The reported public finance statistics data are used for the compilation of the working balance.

The working balance is not voted by the Parliament.

The working balance is not audited by a national auditing authority.

#### **3.5.3.3 Coverage of units in the working balance**

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

In general, there are no units reported in the working balance which do not belong to the government sector as defined by ESA 2010. Possible exemptions from this general rule are described in section 3.3.3.3.1.

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

As mentioned above, in principle, the ESA 2010 definition of the social government subsector does not differ from the reporting population included in the overall public budget of public finance statistics. Possible exemptions from this general rule are described in section 3.3.3.3.2.

#### **3.5.3.4 Accounting basis of the working balance**

The accounting basis of the working balance is generally considered to be accrual. For extra-budgetary units using a double-entry accounting system according to the provisions of the German Commercial Code or other relevant provisions, the working balance is on an accrual basis.

The Federal Employment Agency uses cameralistic accounting according to the federal budget classification. The other social security bodies have different accounting systems based on specific charts of accounts. Even though the accounting framework for social security funds is basically a commercial accounting system, cash accounting is also carried out in these systems.

##### ***3.5.3.4.1 Accrual adjustments relating to interest D.41, as reported in EDP T2D***

Interest revenue from social security institutions’ assets and the interest paid to service debt must also be booked with a time adjustment for those units using cash-based accounting systems. The procedure is equivalent to the time adjustment of interest for the state and local government subsectors, see section 6.4.

#### **3.5.3.4.2 *Accrual adjustments reported under other accounts receivable/payable F.8 in EDP T2D***

The payment flows of the social security subsector are attributed on an accrual basis through time-adjusted booking of social security contributions and interest (see section 6.1).

For the social security subsector, social contributions are adjusted to accrual basis via receivables F.8.

#### **3.5.3.4.3 *Other accrual adjustments in EDP T2D***

The accrual adjustments for interest revenue are reported under “other adjustments” in the position “difference interest received and receivable”.

The impact of the implementation of court decisions in national accounts is also shown under “other adjustments”, when relevant.

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

Debt assumptions and debt cancellations are reported here, when relevant transactions are shown in the data collected in public finance statistics (debt statistics and financial asset statistics).

#### **3.5.3.6 *Financial transactions included in the working balance***

Granting of loans and loan repayments as well as the sale and acquisition of equities are the main financial transactions which are included in the working balance of the social security subsector and are excluded in EDP T2D.

#### **3.5.3.7 *Other adjustments reported in EDP T2D***

The accounting frameworks prescribed for the individual social security bodies provide sufficient detail in the individual income and expenditure items, so that it is for the most part possible to attribute them to the corresponding revenue and expenditure items in line with national accounts concepts. Only expenditure for social services must be divided between expenditure on staff and intermediate consumption with no effect on the net lending/net borrowing.

The item “Other adjustments” refers predominantly to consolidation effects of budgetary accounting data and is also due to different implementation schedules for annual results in the compilation of the results for the social security subsector. Whereas in national accounts annual data are used for the compilation of B.9 as soon as they are available, public finance statistics compile annual results with a major time-lag for the whole subsector.

In addition to the positions explained in section 3.5.3.4, the following positions are currently reported:

- “Difference data sources (national accounts annual results versus quarterly results used in public finance statistics)”, see above.
- Clearing (settlement of accounts, clearing within subsector, clearing between subsectors, see section 3.2.3.7).
- The position “Reclassification of non-financial into financial transaction (VBL Sanierungsgelder)” refers to the repayment of restructuring payments (“Sanierungsgeld”).

of public employers for the supplementary old age provision of public employees (“Versorgungsanstalt des Bundes und der Länder”, VBL). In national accounts, these payments are recorded as financial transaction.

### 3.5.3.8 Net lending/net borrowing of social security funds

B.9, as reported in the last line in EDP T2, is mainly derived from the same source data used when calculating the working balance.

## 3.5.4 EDP table 3E

### 3.5.4.1 Transactions in financial assets and liabilities

In general, financial accounts data are used. With regard to the liability side it should be noted that Maastricht debt is the underlying basis for the calculation of government liabilities (stocks and transactions) in the financial accounts given that primary source data for government corresponds to the Maastricht debt concept (nominal/face value). In the financial accounts, valuation of liability stocks and transactions are undertaken on a macro basis (e.g. using an average issuing price for government bonds to calculate transactions).

Owed to the lack of full and consistent coverage of transactions in financial assets in the underlying accounting system, B.9 is considered as the best estimate for B.9f. Accordingly, in the financial accounts, transactions in other accounts receivable (F.8) are adjusted to set B.9f equal to B.9. However, to provide full transparency for the surveillance of deficit-debt-adjustments, EDP Table 3A-E only report transactions in other accounts receivable (F.8) which are derived from underlying data sources (like the cash-accrual adjustments necessary to transform public finance statistics into national accounts data).

**Table 13. 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.8	F.2	F.3	F.4	F.5	F.6	F.7	F.8
<b>Calculation of transactions</b>														
Transaction data (integrated in public accounts)			X	X										
Other transaction data							X							X
Stock data	X	X	X	(X)	X		X	X	X	X				
<b>Calculation of stocks</b>														
Transaction data			X	X			X							
Stock data	X	X	X	X	X			X	X	X				

#### ▪ Assets: Currency and Deposits (F.2)

Main sources are Monetary and Financial Statistics (MFS) for deposits with domestic MFIs and from BoP (External Stocks Statistics) for deposits with foreign MFIs. While MFS is based on counterpart reporting, External Stocks Statistics is based on reporting obligations for all entities holding foreign assets or conducting certain transactions with the rest of the world. Transactions are basically compiled as differences of stock data, adjusted for corrections or reclassifications.



These amendments are done at the level of source data by “Directorate General S – Statistics” of Deutsche Bundesbank in dialogue with the responding MFIs.

These results are compared with the FASS. Differences observed are partly due to different classifications of financial assets (for instance in FASS deposits with banks could be classified as loans to banks or to the rest of the world).

- **Assets: Securities other than Shares (F.3)**

Securities other than shares and derivatives are taken from the Securities Holdings Statistics based on reporting of domestic MFIs running security accounts for government entities (i.e. counterpart data).

- **Assets: Loans (F.4)**

Public finance statistics is the main data source and starting point for calculating F.4 for social security sub-sector with non-government counterparts. In principle, this is the same data source as used in EDP Table 2D. However, only loans granted to non-government units are reported.

Information short-term loans to central government which are not reported in public finance statistics are taken from the regular report provided by the German finance agency (Bundesrepublik Deutschland Finanzagentur GmbH).

In addition, other intra-governmental loans can be gathered from the debt (stock) statistics.

Accrued interest on financial assets should be recorded as being reinvested in (accrued on) the respective instrument. The difference between interest accrued and paid is calculated separately for assets and liabilities for all government levels by the Statistisches Bundesamt. Since there is no break down by different types of instruments, the accrued interest on financial assets of core social security sub-sector are provisionally attributed to the transactions in loans.

- **Assets: Shares and other Equity (F.5)**

Public finance statistics is the main data source and starting point for calculating F.5 for (core) social security sub-sector. In principle this is the same data source as used in EDP Table 2D.

However, extra-budgetary units of social security sub-sector (pension fund of the Employment Agency and the long-term care provident fund – Pflegevorsorgefonds) only show F.5 transactions in public finance statistics while in fact there are also investments in F.3 (The classification of public finance statistics/ budgetary statistics does not explicitly foresee F.3 transactions). Thus, to avoid double-counting and to capture possible reinvestments of interest income, information from “Directorate General M – Markets” of Deutsche Bundesbank, which is in charge of portfolio management, is used. This data is provided according to the concept of the survey on financial transactions (SFT).

Transactions in investment fund shares F.52 (transactions in reserves not included in the budgetary accounting) are taken from the Securities Holdings Statistics of Deutsche Bundesbank. Provisional (partly estimated) data (April) are revised for October Notification.

- **Other accounts receivable (F.8)**

For the EDP notifications, only transactions are shown which have an underlying data source (unlike the recording in the financial accounts where F.8A are used to adjust B.9f to B.9).

“Other accounts receivable”, F.8 related to social contribution: For social security branches with a double-entry accounting system (accrual accounting, at least on annual basis), i.e. for statutory health and for long-term care insurance, other accounts receivable related to social contributions are taken from the annual final results (Rechnungsergebnisse KJ1 and PJ1). For the (cash-based) statutory pension insurance the difference between “Soll-Beitragseinnahmen” (NA revenue) and the actual cash (so-called “Ist”) is used (provided by Destatis).

Other accounts receivable related to EU-Flows are provided by Statistisches Bundesamt.

Other accounts receivable F.8 related to prepayments of social benefits by the Employment Agency are provided by the Employment Agency.

- **Other accounts payable (F.8) – part of Adjustments of EDP Table 3E**

EU-flows payable are reported by Statistisches Bundesamt.

#### **3.5.4.2 Other stock-flow adjustments**

- **“Difference between interest accrued and paid”**

Cash-accrual adjustments are provided by Statistisches Bundesamt based on the interest model described in section 6.4.

### **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 EDP T3.

- 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.8 in EDP T2, but it should be ensured that the accrual recordings in non-financial accounts are linked to transactions in F.8 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 they 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**

Until December 2013, no register of government units was publically available. Thus, there might be differences in the effective sector classification between public finance statistics (financial and non-financial transactions) and counterpart data like MFS/ Securities Holdings Statistics/ External Stocks Statistics, partly used for the compilation of financial accounts. Even though the list of extra-budgetary units is now published, there still seems to be considerable uncertainty with regard to the consistency between primary and counterpart data sources in particular with regard to the delimitation of S.1313.

#### **3.6.2 Financial transactions**

Transactions in reserves (currencies and deposits, debt securities, equity and investment fund shares) are usually excluded from the working balance. In addition, transactions for extra-budgetary units applying commercial accounting systems are generally not reported in public finance statistics. Therefore, MFS/ Securities Holdings Statistics/ External Stocks Statistics are used (for all sub-sectors except S.1311 where mainly other direct source data are used). In addition, to address existing data gaps on the side of the primary data sources, the survey on financial transactions (SFT) has been established and improved gradually.

Financial transactions included in the working balance are the starting point for F.4 and F.5 transactions though.

In addition, there are various corrections:

- Rerouting, notional transactions.
- Reclassifications of transactions (between different financial transactions and from financial to non-financial or from non-financial to financial), e.g. superdividends, debt cancellations.
- Adding financial transactions of extra-budgetary units (with commercial accounting systems) which are not covered by basic Public Finance Statistics.
- Including reserve transactions.
- Cash-Accrual adjustments: accruing interests on the assets.
- Consolidation of transactions.
- In case of detection: elimination of double-counting where transactions are classified as F.5 transactions in Public Finance Statistics, but are in fact related to other financial instruments (like debt securities) covered by counterpart transactions.

For more details for each sub-sector, please refer to the relevant previous section.

### ***3.6.3 Adjustments for accrued interest D.41***

Information on cash-accrual adjustments in T2 are also used for T3. In exceptional cases, where the working balance includes interest on an accrual basis, cash-accrual adjustments are derived from the accounts of the relevant units (FMSW for S.1311 and EAA, Sealink Funding and Portigon for S.1312).

For more details for each sub-sector, please refer to the relevant previous section.

### ***3.6.4 Other accounts receivable/payable F.8***

In general, cash-accrual differences of T2 are the starting point for T3. In exceptional cases, other accounts payable/receivable are derived from the accounts of the relevant units (FMSW for S.1311 and EAA, Sealink Funding and Portigon for S.1312, and (in particular for backward-calculation of) holding corporations for S.1312 and S.1313) taking into account the non-financial B.9.

Accrual adjustments usually relate only to non-financial transactions. Currently, only in very exceptional cases, other accounts payable/receivable may result from financial transactions.

For more details for each sub-sector, in particular for items to be added, please refer to the relevant previous section.

### ***3.6.5 Other adjustments/imputations***

Specific methodological adjustments like debt cancellations, superdividends, court decisions (resulting in transactions in other accounts payable), reclassification of financial transactions, re-routing of transactions etc. for T3 are based on the information contained in T2, and (in case of need) corrections are made and attributed to the relevant financial instrument.

For more details for each sub-sector, in particular for items to be added, please refer to the relevant previous section.

### **3.7 General comments on data sources**

In the near future no changes in the accounting rules are foreseen.

### **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***

Trade credits are collected via the annual debt statistics (ADS) for all sub-sectors.

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

The reported data refer to loans granted by federal, state and local government to public funds, institutions and enterprises, as well as debt of public quasi-corporations treated as local government debt.

## 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

In German national accounts, a defined revision policy exists. The main purpose of revisions of the whole national accounts framework is to refine the results by, for example, including new data, new statistics and/or new methods. In addition to the continuous revisions, which refer to small corrections of individual quarters and/or years, there are major revisions of national accounts, which are performed approximately every five years. The major revisions are a refinement of the entire national accounts<sup>38</sup>. The data on government deficit provided by the Federal Statistical Office are established when compiling the government accounts in the framework of national accounts. In so doing, it is not only the conceptual rules and regulations of ESA 2010 which apply, but also the practical national accounts principle of step-by-step inclusion as the statistical data become available (current revisions).

#### 4.1.1 *Relating to deficit and non-financial accounts*

In the national accounts framework, initial results for the previous year are published already in mid-January, and are revised for the first time already in February. The February results are identical with the data provided for the 1 April reporting period pursuant to Council Regulation (EC) No 479/2009, as amended. A second revision of the national accounts results for the previous year is carried out in May. A third revision of the national accounts results for the previous four years is undertaken in August of that year and these are the same data provided for the 1 October reporting period. Further revisions of the previous years are then undertaken at annual intervals in August, until the final results are available for the respective sub-sector. All revisions indicated above are primarily revisions due to updates of data sources. However, additional revisions due to methodological reasons or reclassifications of units are carried out in line with this general current revision cycle. This timetable for current revisions of national accounts figures in combination with the availability of source data from public finance statistics leads to the revisions of the reports on government deficit presented in the table below.

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<sup>38</sup> The following link contains a brief overview of the most important facts:  
<https://www.destatis.de/DE/Themen/Wirtschaft/Volkswirtschaftliche-Gesamtrechnungen-Inlandsprodukt/Methoden/revisionen.html?nn=214136>



## Year on year variation in the actual results at the individual delivery dates

Delivery dates	Results for reporting years					
	n-4	n-3	n-2	n-1	n	n+1
1 April of year n	No variation	No variation	No variation	First delivery	-	-
1 October of year n	Variation possible*	Variation possible**	Variation possible	Variation possible***	-	-
1 April of year n+1	-	No variation	No variation	No variation	First delivery	-
1 October of year n+1	-	Variation possible*	Variation possible **	Variation possible	Variation possible***	-
1 April of year n+2	-	-	No variation	No variation	No variation	First delivery
1 October of year n+2	-	-	Variation possible*	Variation possible**	Variation possible	Variation possible***

\* Variation is generally insignificant.

\*\* Variation is generally more significant, as the annual accounting figures from public finance statistics are incorporated.

\*\*\* Initial estimates replaced by cash results from public finance statistics.

- No delivery for that year.

According to the revision policy of German national accounts, data generally become final in year t+4. Nevertheless, in cases of major revisions, all national accounts aggregates are recalculated in full detail back to a defined reporting year (currently 1991).

### 4.1.2 Relating to debt and financial accounts

The revisions of B.9f are exactly in line with the revisions of B.9. (Please refer to the general explanations on the link between B.9 and B.9f in section 3).

In principle, ordinary revisions of the financial accounts (Maastricht-debt, and notification tables 3 which are consistent with quarterly financial accounts for general government) are possible in March and September for the previous four years. In exceptional (important) cases, deviations from this revision schedule might be possible.

## **4.2 Reasons for other than ordinary revisions**

In addition to the current revisions, in Germany major revisions of national accounts generally take place every five years, and these can sometimes stretch back to a period in the fairly distant past. Such revisions are undertaken for the following reasons:

- to incorporate important statistics which emerge only once every few years,
- to comply with a change of concepts and classifications, and
- to take account of the results of new surveys and of new statistics.

For this reason, major revisions can lead to a correction of the reported results on government deficit for all the years covered. In this regard, there is a co-ordination between the non-financial and financial data compilation processes. Basically, this may impact non-financial and financial accounts.

### 4.3 Timetable for finalising and revising the accounts

#### Timetable for revisions due to sources updates for non-financial accounts

Delivery dates	Results for reporting years				
	n-4	n-3	n-2	n-1	n
<b>Central government</b>					
1 April of year n	No variation	No variation	No variation	First delivery	-
1 October of year n	Variation possible due to the reclassification of units/ transactions and rerouting issues	Variation possible due to implementation of: 1) annual accounting figures from public finance statistics (final results) 2) reclassification of units/ transactions and rerouting issues	Variation possible due to implementation of: 1) revised cash results for the overall public budget from public finance statistics 2) reclassification of units/ transactions and rerouting issues	Variation possible due to implementation of: 1) cash results from public finance statistics instead of initial estimates for FEUs <sup>39</sup> 2) reclassification of units/ transactions and rerouting issues	-
<b>State government</b>					
1 April of year n	No variation	No variation	No variation	First delivery	
1 October of year n	Variation possible due to the reclassification of units/ transactions and rerouting issues	Variation possible due to implementation of: 1) annual accounting figures from public finance statistics (final results) 2) reclassification of units/ transactions and rerouting issues	Variation possible due to implementation of: 1) revised cash results for the overall public budget from public finance statistics 2) reclassification of units/ transactions and rerouting issues	Variation possible due to implementation of: 1) cash results for the overall public budget from public finance statistics instead of initial estimates 2) reclassification of units/ transactions and rerouting issues	

<sup>39</sup> FEU: Öffentliche Fonds, Einrichtungen und Unternehmen (public funds, institutions and enterprises).

Delivery dates	Results for reporting years				
	n-4	n-3	n-2	n-1	n
<b>Local government</b>					
1 April of year n	No variation	No variation	No variation	First delivery	-
1 October of year n	Variation possible due to the reclassification of units/ transactions and rerouting issues	Variation possible due to implementation of: 1) annual accounting figures from public finance statistics (final results) 2) reclassification of units/ transactions and rerouting issues	Variation possible due to implementation of: 1) revised cash results for the overall public budget from public finance statistics 2) reclassification of units/ transactions and rerouting issues	Variation possible due to implementation of: 1) cash results for the overall public budget from public finance statistics instead of initial estimates 2) reclassification of units/ transactions and rerouting issues	-
<b>Social security funds</b>					
1 April of year n	No variation	No variation	No variation	First delivery	
1 October of year n	Variation possible due to the reclassification of units/ transactions and rerouting issues	Variation possible due to implementation of: 1) annual accounting figures from public finance statistics (final results) 2) reclassification of units/ transactions and rerouting issues	Variation possible due to implementation of: 1) revised cash results for the overall public budget from public finance statistics 2) reclassification of units/ transactions and rerouting issues	Variation possible due to implementation of: 1) cash results for the overall public budget from public finance statistics instead of initial estimates 2) reclassification of units/ transactions and rerouting issues	

## B Methodological issues

### 5. Sector delimitation – practical aspects

#### 5.1 Sector classification of units

General government is defined by ESA 2010 §2.111 as “... institutional units which are non-market producers whose output is intended for individual and collective consumption, and are financed by compulsory payments made by units belonging to other sectors, and institutional units principally engaged in the redistribution of national income and wealth”. Moreover, §20.05 specifies that the general government sector “consists of all government units and all non-market non-profits institutions (NPIs) that are controlled by government units. It also comprises other non-market as identified in paragraphs 20.18 to 20.39”.

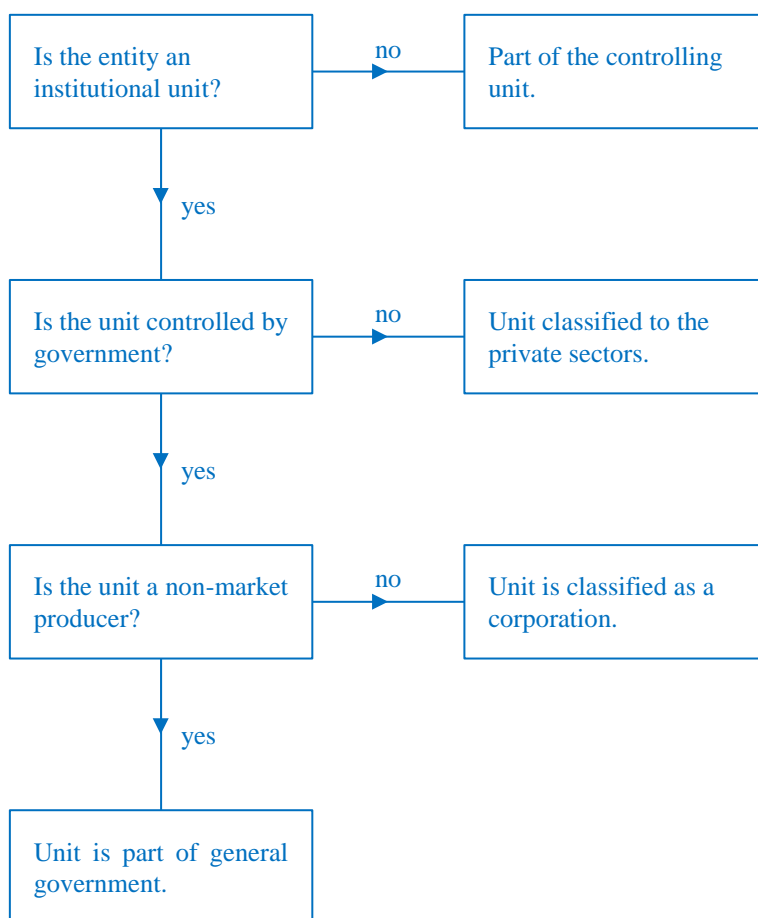
It is necessary to determine:

- a. if it is an institutional unit (ESA 2010 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 (ESA 2010 §20.18 and MGDD I.2.3 – define the notion of control by the government over an entity as “the ability to determine the general policy or programme of that entity”.... According to the list of criteria listed in ESA 2010 §20.309)
- c. if it is a non-market public institutional unit - reference to “Market-non-market delineation” (ESA 2010 §20.19 to §20.28 and MGDD I.2.4)

In Germany, the Federal Statistical Office (national accounts department) decides on the sector classification of individual units.

The German public finance statistics established in the early 1990s the so-called reporting units management system (“Berichtskreismanagementsystem” – BKM) for the documentation of the reporting units of public finance and public service personnel statistics. The BKM is a registry of entities controlled by general government with information, for example, on the owners, shareholdings, sector classification, used accounting system and legal form of a unit. The BKM is maintained within the integrated IT-system for public finance statistics and jointly administered by the Federal Statistical Office and the statistical offices of the Länder, with specific access rights.

In general, the sector classification of units is carried out according to the rules specified in ESA 2010. The following decision tree is applied:



The public finance statistics provide the starting point for the sector classification. The lists of all public units from BKM (excluding core budgets) available for central, state and local government levels and social security funds are checked continuously. The Federal Statistical Office applies a prudent approach, where units – in the case of doubt – are first allocated to the general government sector and are then reclassified if necessary.

For the (sub)sector classification of large units, a case-by-case consideration is carried out where also non-quantitative aspects are taken into account, e.g. which sub-sector controls the board or the appointment and removal of key personnel or which sub-sector controls the unit by contractual agreements, by its degree of financing or its risk exposure.

The 50% criterion for market/non-market distinction is carried out once a year for all public funds, institutions and enterprises (extra-budgetary units classified inside general government and public corporations classified outside general government) by using individual data from public finance statistics surveys (quarterly and annual data). After a switch from market producer to non-market producer or vice versa has taken place which persists for 3 years in succession, a reclassification of the unit is carried out for the whole EDP reporting period. The reclassification is generally carried out in connection with the revision of the data in August (see above).

For the net interest charge recognised as a cost component in the market/non-market test, the following treatment is applied:

- positive net interest charge → increase of the production costs,
- negative net interest charge → net interest charge is set to zero so that no impact on the production costs results.

All public units receiving more than 80% of their turnover from government are considered as ancillary units and are automatically classified inside the general government sector. Thus, units classified as general government units are either non-market producers or ancillary units.

The sector allocation for public holdings and head offices (mainly units classified in NACE categories 64.20.0, 70.10.01 and 70.10.9) is carried out based on the criteria described in ESA 2010 and in the Manual on Government Deficit and Debt - Implementation of ESA 2010 - 2019 edition. Therefore, the sector classification of these units is based on three main criteria: (1) predominant control of government, (2) number of employees and (3) the relation between turnover and staff costs. An entity classified in the aforementioned NACE categories is classified to the general government sector if it is determined that government has predominant control over the entity and the entity has less than 10 employees or the turnover of the entity does not cover the staff costs.

To derive information on newly created public bodies, there are different data sources available (press releases, “Staatsanzeiger”, holding reports, commercial registers, enterprise data bases, public finance statistics surveys). However, a special reporting procedure for newly created units is not in place. When a large new body is detected, the Federal Statistical Office together with the Statistical Offices of the Länder examine the legal documents of establishment to determine if it is an institutional unit, the nature of government control, and – if necessary – the accounts (revenues, expenditure) to take a decision on its market/non-market nature. In addition, in the context of the regular 50%-test units are also reviewed in more detail, in particular if the test indicates for a government entity a classification outside general government.

New domestic government units are registered in public finance statistics, however the formal process of including these units in public finance statistics may take some time. For the purpose of national accounts, these data gaps have to be closed by using additional information or compilations. If a unit is created abroad, the unit is not registered in public finance statistics due to legal reasons. In such cases the certified financial statements of the relevant units are used to compile national accounts data.

See Annex I “List of general government units”.

### ***5.1.1 Criteria used for sector classification of new units***

See section 5.1.

The criteria for sector classification are control, the result of the 50% test, which is carried out on individual units, and main customer of the particular unit (public corporations receiving more than 80% of their turnover from government are considered ancillary units and, thus, they are automatically classified inside the general government sector). For entities classified in NACE categories 64.20.0, 70.10.01 and 70.10.9, the classification is based on the criteria: predominant control, number of employees and relation between turnover and staff costs. For financial units, in particular banks, the list of the Monetary Financial Institutions (MFI-list) is used as indicator for the sector classification. However, the classification does not exclusively

rely on the MFI-list. A cross-check with ESA 2010 rules is carried out in cases of doubt (e.g. Portigon).

### **5.1.2 Updating of the register**

The BKM is updated continuously, see section 5.1. A list of all core and extrabudgetary units of general government is published once a year<sup>40</sup>.

The BKM is connected to the statistical business register in two ways: on the one hand, the BKM updates the business register regarding the information on the sector allocation and on the other hand, the business register updates the BKM with NACE information.

To update the group of respondents for public finance and personnel statistics, the statistical offices can carry out a specific survey (so-called “Grundbefragung”). For core budget units, this survey collects information about the individual participations in the capital of public and private units. For public funds, institutions and enterprises, the survey collects basic data about the unit (such as NACE classification, legal form) and asks for detailed information about owners and shareholdings. The questionnaires for this survey have been standardised across the statistical offices and an automatic tool to import the results into the BKM have been created.

### **5.1.3 Consistency between different data sources concerning classification of units**

Not applicable.

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<sup>40</sup> [https://www.destatis.de/DE/Themen/Staat/Oeffentliche-Finanzen/Fonds-Einrichtungen-Unternehmen/Methoden/\\_inhalt.html#sprg260454](https://www.destatis.de/DE/Themen/Staat/Oeffentliche-Finanzen/Fonds-Einrichtungen-Unternehmen/Methoden/_inhalt.html#sprg260454).



## 5.2 Existence and classification of specific units

### ▪ Non-profit institutions (NPIs)

Public non-profit institutions which are non-market producers are classified to general government (see ESA 2010, paragraph 2.112c).

### ▪ Quasi-corporations

In Germany, quasi-corporations (e.g. “Eigenbetriebe”) mostly exist at local government level. Most public utility companies are assessed as quasi-corporations since they are not legally independent market producers. Some of the local public hospitals are also quasi-corporations.

### ▪ Infrastructure companies

Infrastructure companies are mainly classified in sector S.11. There are public utility companies at local government level which are considered as quasi-corporations and the railways or airport operators which are corporations.

### ▪ Public TV and radio

In Germany, the public broadcasting agencies have been reclassified into general government from 1991 onwards in the benchmark revision 2019, based on Eurostat advice<sup>41</sup>. The unit “Deutsche Welle” is classified in central government, whereas the other public broadcasting agencies are classified in state government. The fees paid by households and corporations are recorded as tax revenue (D.29/D.59).

### ▪ Public hospitals

The sector classification of hospitals is decided on a unit by unit basis. In Germany, the vast majority (roughly 95%) of public hospitals are classified outside general government in sector S.11. Exceptions are for example military hospitals (“Bundeswehrkrankenhäuser”), which are included in the central government core budget.

The reason for this sector classification is the prevailing payment system for general hospital services. The price of general hospital services is based on a universal, performance-oriented flat-rate payment system, which was introduced for the German hospitals in accordance with §17b of the hospital financing law (“Krankenhausfinanzierungsgesetz” – KHG). The basis of this payment system is the so-called German DRG system (German Diagnosis Related Groups), through which every in-patient treatment case is compensated for, by means of a corresponding DRG-case flat-rate. Hospitals which are not registered in the hospital master plan or hospitals which fall under the exception areas of the hospital financing law (i.e. not legally entitled to receive investment grants from general government) may decide on their pricing policy by themselves. In principle, the DRG system is agreed on in the context of the so-called self-administration (statutory and private health insurance companies, hospitals). Only if the self-administration partners cannot reach an agreement, a DRG system is “provided” by government. Till now, this has not yet been the case.

For hospitals under organisation of the accident insurance, two payment systems are in place. If these hospitals treat cases falling into the area of compulsory health insurance, they are paid

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<sup>41</sup> <https://ec.europa.eu/eurostat/documents/1015035/8683865/Advice-2018-DE-Sector-classification-of-the-DE-public-broadcasting-agencies.pdf/58f841a7-4681-4a18-9908-b672a663710b>

according to the DRG system. However, if they treat cases falling into the area of statutory accident insurance, they are paid according to fixed daily rates. For the compilation of the market/non-market test, only payments according to the DRG system are treated as sale of service.

Conditions for receiving public financing are the same for all hospitals which are registered in the hospital master plan and are legally entitled to receive investment grants from general government according to the hospital financing law, independent of the ownership. There are hospitals to which this law is not to be applied.

Payments from general government (mainly statutory health insurance) are based on the above mentioned DRG system. For their settlement with the health insurance companies (statutory and private), the hospitals use a software solution called Grouper. This software assigns a hospital case/ hospital treatment to a DRG on the basis of different parameters like main diagnosis, procedures and age of the patient. Each DRG has a nationwide relative weight which determines together with the so-called “Landesbasisfallwert” (state wide base rate) the price of the treatment carried out.

The DRG System provides for each DRG (around 1.292 in 2020) a nationwide so-called relative weight which is multiplied with a state-wide price for the DRG with the relative weight one (i.e. 16 state government prices). Therefore, each hospital (public, private or non-profit) in a certain federal state gets for a certain DRG the same payment from health insurance (statutory and private). Between the federal states, the prices can deviate from each other due to a different “Landesbasisfallwert”.

The DRG flat rate catalogue for a particular year, e.g. 2020, is worked out in the year before that. On the federal level, the parties involved in the agreement of the new DRG catalogue are the umbrella organisation of the statutory health insurance, the association of the private health insurance and the German hospital association. However, the DRG catalogue is only one part of the terms of the hospital financing arrangement. The second part are local remuneration negotiations between the health insurance companies and the hospitals themselves. In these negotiations, the health insurance companies arrange with the hospitals for the services which have to be provided. Normally, these negotiations are starting during a year and can extend into the next year. In principle, the financing of the hospitals results from the combination of the hospital services agreed on and the prices for these services (DRG). The fixed daily rates are also negotiated once a year.

In general, the expenditure for construction and some major technical equipment is financed by state government. The funds provided by state government have to be calculated so that necessary investment costs (based on an economic assessment) are covered. However, hospitals also use own funds for capital investments.

Hospitals can receive subsidies, investment grants, equity injections, loans and service payments from general government. In the state government Bremen in 2013, debt assumption occurred amounting to 110 million euros.

The criteria for sector classification are control and the result of the 50% test. In general, new hospitals are classified by the state statistical offices together with the Federal Statistical Office. The current stock of hospitals is regularly checked according to the 50% test which is compiled for each hospital. The following revenue categories are considered as sales for the application of the 50% criterion: DRG payments, payments of the patients, payments of practitioners

charged with a number of patients in hospitals (Belegaerzte). The market/non-market test is carried out on an annual basis.

▪ **Protection funds**

The national resolution fund (“Restrukturierungsfonds”) is classified inside general government (subsector central government).

The statutory deposit protection schemes are classified inside general government (subsector central government). This concerns the following units:

- Entschädigungseinrichtung deutscher Banken GmbH (Compensation Scheme of German Private Banks – EdB),
- Entschädigungseinrichtung des Bundesverbandes Öffentlicher Banken Deutschlands GmbH (Compensation Scheme of the Association of German Public Banks – EdÖ),
- Entschädigungseinrichtung der Wertpapierhandelsunternehmen (Compensatory Fund of Securities Trading Companies – EdW).

Moreover, the institutional protection schemes (schemes which are safeguarding the viability of credit institutions) which are recognised as deposit guarantee schemes are classified inside general government (subsector central government):

- Concerning the institutional protection scheme run by the National Association of German Cooperative Banks (Bundesverband der Deutschen Volksbanken und Raiffeisenbanken, BVR), the deposit guarantee function and the institutional protection function are provided through a separate unit (BVR Institutssicherung GmbH). In addition, a voluntary protection scheme (BVR-Sicherungseinrichtung) is in place. Only the unit BVR-Institutssicherung GmbH is classified inside general government (subsector central government).
- Concerning the institutional protection scheme of the Savings Banks Finance Group (Sicherungssystem der Sparkassen-Finanzgruppe, DSGV), both the deposit guarantee function and the institutional protection function is provided by a structure of central and regional funds. Since a separation of the deposit protection function is not possible, the whole scheme is classified inside general government (subsector central government).

The contributions to the deposit guarantee schemes are recorded as other taxes on production (D.29) in national accounts.

## **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 ESA 2010 §1.101. 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**

ESA 2010 states that taxes and social contributions are derived from two sources: amounts evidenced by assessments and declarations or cash receipts.

If assessments and declarations are used, amounts should be adjusted by a coefficient reflecting assessed and declared amounts never collected. An alternative treatment foresees recording tax/social contribution revenue on a gross basis and adjusting this amount by a capital transfer to the relevant sectors equal to the amounts unlikely to be collected.

If cash receipts are used, the amounts should be time adjusted so that the cash is attributed to the time when the underlying activities, transactions or other events took place to generate the tax/social contribution liability, or when the amount of tax was determined, in the case of some income taxes.

#### **6.1.1 Taxes**

This section describes the methods of recording of taxes on an accrual basis. The time of recording of taxes is defined in ESA 2010 §4.26 and §4.82 as the time "...when the activities, transactions or other events occur which create the liabilities to pay taxes".

The data source used for the recording of taxes in national accounts is cash data reported by the Federal Ministry of Finance (see section 3.2.1). The Federal Statistical Office compiles the data for EDP purposes. In government accounts, time adjusted cash amounts are recorded, attributed to the period when the activity takes place.

There are discrepancies in the reference periods for taxes. According to ESA 2010, cash tax receipts are time-adjusted (provided that it is meaningful). The time difference shall be that arising from the collection dates prescribed for the various taxes in the relevant tax laws. In 2010, the time shift of the "Kapitalertragsteuer" was changed from one month to zero months, which was applied retroactively from 2009. The change was carried out according to information provided by the working party on Tax Revenue Forecasting. The following table shows the time adjustment for the various tax types by 1 or 2 months:

▪ **Time adjustment for taxes**

Type of tax or contribution	Time adjustment	
	One month	Two months
<b><i>Taxes on production and imports (D2)</i></b>		
Value added tax	X	
Tobacco duty	X	
Insurance tax	X	
Beer duty	X	
Import duties	X	
Electricity tax	X	
Sparkling wine duty		X
Coffee duty	since 2007	until the end of 2006
Spirits duty		X
Energy tax		X
Aviation tax	X	
Nuclear fuel tax	X	
<b><i>Current taxes on income, wealth etc. (D.5)</i></b>		
Income taxes including a solidarity surcharge	X	
Capital gains tax including solidarity surcharge	until the end of 2008, afterwards no time adjustment is carried out	
Interest income deduction including solidarity surcharge	X	

### 6.1.2 Social contributions

The time of recording of social contributions is defined in ESA 2010 §4.94 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.

For the data source used for the recording of social contributions in national accounts, see section 3.5.1.

For the majority of social security funds, cash data equal accrual data according to the accounting systems of the social security funds.

For the pension insurance, so called "Sollbeiträge" ("planned contributions") are used which can be considered as a special form of declarations. Based on the current working time, the type of employment and the respective social contribution rates, the employer compiles the expected social contribution amounts for each month. For the pension insurance, the "Sollbeiträge" are on a gross basis. The amount of contributions never collected is insignificant, therefore no coefficient is used.

For the pension insurance, the difference between the actual cash data and the used "Sollbeiträge" could be interpreted as other accounts receivable. On the contrary, for the other

social security funds, the difference between the national accounts accrual data and the public finance statistics cash data cannot be interpreted as other accounts receivable.

## 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.

ESA 2010 paragraphs 20.294-20.300 foresee that when non-government units are beneficiaries from EU grants, all the flows to and from government should be recorded as financial transactions, without any impact on government net lending/borrowing (B.9).

When final beneficiary is a government unit, the neutrality of EU flows is ensured by matching the time of recording of government revenue from the EU and the time of recording of the government expenditure covered by the EU grant.

The ESA 2010 Manual on government deficit and debt 2019 edition Chapter 2.6 “*Grants from and contributions to the EU budget*” provide further details concerning the recording of these flows.

### 6.2.1 General questions

In Germany, the Federal Ministry of Food and Agriculture (“Bundesministerium für Ernährung und Landwirtschaft”) is the main agency designated to receive payments from the EU for flows in structural funds. The Federal Ministry is classified in S.1311 in national accounts.

#### ▪ Information available in the central and state government budgets

Even if the budget classification is very detailed, there is no breakdown of expenditures made on behalf of the EU. These flows are reported together with national cash flows, therefore the basic data source does not supply figures for the necessary adjustment. BOP statistics can supply further information which also allows to make a split according to fund, but they do not allow for a distinction between advance, interim und final payments.

With regard to EU funds, the national budget classification according to the economic type of a cash flow provides certain information. There are the following specific codes for recording incoming cash flows from the EU:

- 271 Refunds from the EU
- 272 Other grants from the EU
- 346 Investment grants from the EU

However, it is essential that the budget classification does not allow identifying exactly the total amount that Germany receives from EU funds in a certain period nor is it possible to identify the cross border cash flows from the different EU funds (i.e. ESF, ERDF etc.). This specific information is not important for national budget purposes.

Outgoing cash flows can also be separated into cash flows to the EU and other foreign institutions and countries respectively. This distinction, however, provides no information for the required specific treatment of cash flows from EU funds since the national accounts treatment requires information whether the domestic expenditures are either fully or co-financed from financial means from EU funds and not (or very limited) whether a payment is

made to the EU. The data situation in the budget concerning specific information about cash flows on EU funds can be summarized as follows:

- Some partial information on the revenues received from the EU on the central government and state government level but no explicit information on specific cash flows relating to the different EU funds is available.
- No specific information on cash flows relating to the different EU funds on the expenditure side is available. The outgoing cash flows are only providing information according to the economic type of the expenditure and its economic function. Thus cash flows from EU funds are spread across various expenditure types and functions and there is no chance to separate them without additional information.

▪ **Approach from reporting year 2014 onwards**

Public finance statistics has launched an additional voluntary survey covering the EU flows in the central government and state government budgets. From 2017 onwards, the survey is carried out by the national accounts unit.

With the first survey, data for the year 2012 were collected. After an analysis of these data, it was recognised that the survey had to be updated concerning the description which data have to be provided, which contact persons have to be contacted and how net recordings have to be treated for the data survey. The second survey showed significant improvement concerning the coverage and the data presentation, however, for some EU funds the coverage was still not sufficient to use the data for national accounts compilation and the adjustments for EU funds required from the MGDD. For the 2014 data collection, the data analysis showed a further substantial improvement of the data collected via the voluntary survey and it was decided to use the 2014 data for a further improvement of the adjustments for EU funds in national accounts. The new data and approach have been implemented with the annually recurring revision of national accounts data in 2015. For the EU funds recording it was decided to start with the new data and new accounting approach for the reference year 2014 from 2015 onwards. For the previous years the approach used for adjusting EU funds data (i.e. only adjusting the revenue side) remained unchanged.

The new data source provides the following information for each EU fund (i.e. ESF, ERDF, EAFRD, and EMFF):

- Annual and quarterly data for the total revenues received from the EU by each EU fund,
- Annual and quarterly data for the advance payments received from the EU by each EU fund,
- Annual and quarterly data for the expenditures related to each EU fund.

The main advantage of the new survey data is, first, that the collected data have a direct link to the budgets of the central and state governments since all EU funds data have to be provided with the related budget code. Secondly, it is now possible to clearly identify all expenditures which are associated with projects financed by financial means of the relevant EU funds. Despite the significant improvements of the data some issues are still open. These include, for example, that no information for the different programme periods is available and there is no information on payments which are relating to submitted bills. Thus, the adjustment of the EU funds data is still based on the assumption that all expenditure data are related to submitted bills. The expenditure data are therefore a fixed value in the context of the further compilation



whereas the amounts recognized as national accounts revenue are variable. For the compilation of the national accounts revenues this can be shown by following a simple rule<sup>42</sup>:

NRi = national accounts revenues of EU fund i  
Ri = revenues of EU fund i reported in the public finance statistics survey  
Ei = expenditures related to EU fund i as reported in the public finance statistics survey

(1) For  $E_i > R_i$ :  $NR_i = E_i$

(2) For  $E_i < R_i$ :  $NR_i = E_i$

This ensures, at any time, that national accounts net borrowing/ net lending is not affected by cash flows resulting from EU funds which is the central requirement of the MGDD guidance on the treatment of EU funds.

Since the revenue data reported in the voluntary survey for EU funds and the data reported under budget items “271 Refunds from the EU”, “272 other grants from the EU” and “346 Investment grant from the EU” of the regular public finance cash statistics survey largely have the same coverage, the value for the item other accounts payable (OPi) shown in the EDP tables is compiled in the following way<sup>43</sup>:

OPi = 271 refunds from the EU  
plus 272 other grants from the EU  
plus 346 investment grants from the EU  
less NRi

#### ▪ Social security funds

Social security funds do not directly receive payments from the EU. The central government transfers some ESF funding to the Federal Employment Agency (unemployment insurance). Therefore, the neutralisation of EU funds is already carried out at central government level. For the social security subsector, there is no difference between the working balance and the national accounts recording (same amount of revenue in both cases).

#### ▪ Local government

In the public budgets of municipalities, separate items exist neither for payments from the EU nor in relation to EU funds. This reflects the fact that direct payment relationships between the EU and Germany are only taking place at the federal and state government level and not at the local government level. Payments from EU funds are either made directly to the federal government/the state governments or are passed through the federal budget for the benefit of the state governments. If in a second step a state government passes on such payments to a local government, the corresponding amounts are recorded by the state government under the relevant budget expenditure categories, where a separate category for EU fund payments does not exist. Accordingly, the concerned local government unit records, in general, in its budget a corresponding payment from state government, without having the possibility to show that the

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<sup>42</sup> In this connection we also replaced the balance of payment data previously used in national accounts by the public finance statistics data for cross border transactions.

<sup>43</sup> For state government, the vast majority of payments from the EU are from structural funds. For central government, only selected budget items directly relating to structural EU funds are taken into account for the calculation of other accounts payable.

payment received from the state government has originally been financed by the EU. On the expenditure side no information is available which allows a link to EU funds. Therefore, no data on EU funds are available from public finance statistics for municipalities.

### **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.

Germany did not receive these facilities.

### **6.2.3 EU financial instruments**

The EU has been providing measures of financial support from EU structural and investment funds ‘financial instruments’ (FI). These instruments may be ‘equity or quasi equity investments, loans or guarantees’ and they are intended to support activities that will generate income, or result in saving on future expenditure. Unlike grants, they do not constitute a gift to the final recipient, which will typically be a small or medium-sized enterprise (SME) since, under normal circumstances, the funds are expected to be repaid to the creditor and produce a return on the investment (such as interest on the loan, or profit on subsequent sale of equity). EU legislation allows for a choice on how the financial instruments are implemented nationally: the Implementing Authorities can choose whether to assign the implementing task to a newly created entity or contract out the management to the EIF/EIB or to existing financial institutions.

Several state governments have implemented financial instruments, mostly supported by the European Regional Development Fund (ERDF), in some cases also by the European Social Fund (ESF).

The questionnaire of the voluntary survey on EU funds has been modified to allow the identification of expenditure positions for EU financial instruments in the state government budgets. In public finance statistics, the transfer of funds to these financial instruments is sometimes recorded in budget items for loans or equity. In national accounts these positions are reclassified into capital transfers. A more detailed compilation according to the guidance in the MGDD 2019 is not possible with the available data, but this treatment ensures the B.9 neutrality of EU flows.

### **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 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.

The German market regulatory agency is the Federal Office for Agriculture and Food (“Bundesanstalt für Landwirtschaft und Ernährung”), which is classified inside general government. For the treatment of the stocks of agricultural goods owed to the European Union, the shelf solution mentioned in the Manual on Government Deficit and Debt is implemented in the non-financial sector.

## **6.3 Military expenditure**

The ESA 2010 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.

ESA 2010 paragraphs 20.190-20.192 define the rules for the statistical recording of military equipment. Chapter II.5 in Part II of the ESA 2010 MGDD details the rules concerning the recording of military expenditure.

### **6.3.1 Types of contracts**

The usual type of contract used by military forces for the procurement of military equipment is sales agreed in advance with industrial suppliers. Sometimes military equipment contracts include prepayments.

Long-term trade credits for military equipment do not exist in Germany according to the payment schedules for military contracts.

Data sources used for the compilation of military equipment expenditure are

- the central government core budget and special reports of the Federal Ministry of Finance (BMF), containing the actual cash data and real prepayments as well as a schedule for the linked deliveries,
- special reports of the “Bundesamt für Ausrüstung, Informationstechnik und Nutzung der Bundeswehr” (BAAINBw) containing data for the major military equipment projects. The data refer to the total number and value of deliveries according to the contracts, as well as the actual cash payments and deliveries for each quarter. For statistical purposes, the time of delivery is the point in time when the equipment is first put at the disposal of the armed forces for testing purposes. The contracts for military equipment projects may also cover the provision of spare parts or the provision of training services. If no detailed separate information for these issues is available, the corresponding expenditures are recorded in parallel with the military equipment. If the value of a contract is renegotiated after the first deliveries have already been carried out, the recorded government expenditure in relation to these past deliveries is not revised, but the difference between the initial and the new value of the contract is attributed to the subsequent deliveries, by recalculating their average price.

### **6.3.2 Borderline cases**

We are not aware of any borderline cases relating to the classification of military goods or other equipment used by military forces.

### **6.3.3 Recording in national accounts**

Military expenditures are recorded according to the accrual principle in national accounts, that is military equipment is recorded at the time of delivery (see section 6.3.1) and prepayments for military equipment are recorded as other accounts receivable.

## 6.4 Interest

This part aims at describing accrual adjustment for interest.

ESA 2010 paragraph 20.178 reads: *“In the system, interest is recorded on an accrual basis, i.e. interest is recorded as accruing continuously over time to the creditor on the amount of principal outstanding”*.

ESA 2010 MGDD 2019 part 2, chapter 2.4 is dealing with some practical aspects of the recording of interest.

The calculation of interest revenue and expenditure of general government is composed of different elements based on the data sources available:

- For the central government core budget and certain special asset funds, the calculation is based on an instrument-by-instrument approach as implemented in the so-called capital cost model run by Deutsche Finanzagentur.
- For all other units with cash-based accounting systems, a basic interest model is used to transfer the cash data as reported in public finance statistics into accrual data for interest revenue and interest expenditure.
- For units with commercial accounting systems, interest revenue and expenditure as reported in public finance statistics is considered to be on an accrual basis.
- The compilation of interest revenue and expenditure is complemented by specific calculations for premiums and discounts for state government, Public Private Partnerships and Energy Performance Contracts, rerouting of transactions and swaps.
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### Capital cost model

The database of the capital cost model comprises both cash data and capital costs for the federal core budget and the two special asset funds “Investitions- und Tilgungsfonds” and “Finanzmarktstabilisierungsfonds”. The cash data for interest payments largely correspond to the data included in the federal budget.

The calculation of capital costs is based on each individual transaction for German Government Securities in relation to issuance as well as secondary market operations. Capital costs are a measure which distributes cost related to a transaction as equally as possible over a certain time interval. Capital costs are mainly composed of interest, premiums/discounts, coupons sold and adjustments for inflation-indexed bonds. The sum of the capital costs over all time intervals from a transaction’s settlement date to the maturity of the security is equal to the sum of the cash data for the same transaction.

The data from the capital cost model on short-term cash investments are included in national accounts as interest revenue. The capital costs on short-term lending and securities are included

in national accounts as interest expenditure with an adjustment for premiums/discounts on repurchases treated as revaluations (according to advice provided by Eurostat<sup>44</sup>).

### **Basic interest model**

Public finance statistics which provide the basic data for the compilation of the government accounts in national accounts are mainly cash-based statistics. Especially for the core budget units' interest revenue and expenditure is recorded on a cash basis. The required accrual adjustments of the interest data (revenue and expenditure) in national accounts are implemented via a model approach – the so-called basic interest model. The basic interest model is used for extra-budgetary units of central government with cash-based accounting systems as well as for all units of the other sub-sectors of general government with cash-based accounting systems.

#### **▪ Data basis**

For the central, state and local government sub-sector, the data basis of the basic interest model is initially the quarterly cash statistics and later on the annual cash statistics of the public finance statistics. For the social security funds, the detailed quarterly figures of individual social security branches (e.g. statutory health insurance, statutory old age pension insurance, unemployment insurance schemes) are used which are directly incorporated in the calculations of national accounts (see section 3).

The federal and state budget classification by types of revenue and expenditure distinguishes between 9 types of interest revenues of general government and between 10 types of interest expenditures of general government (see following table “Breakdown of interest revenue and expenditure in the public finance statistics”). The detailed breakdown of interest revenue and expenditure also allows for the consolidation of interest payments between government sub-sectors.

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<sup>44</sup> <https://ec.europa.eu/eurostat/documents/1015035/8683865/Advice-2018-DE-Treatment-of-repurchase-and-subseq-resale-transactions-of-Fed-Bonds-rev.pdf/b7b68d46-c826-4fcc-8d0a-15adab45f9b4>

**Breakdown of interest revenue and expenditure in public finance statistics (federal and state budget classification)**

Interest revenue		Interest expenditure	
Classification number	Content	Classification number	Content
<i>Obergruppe 15</i>	<i>Interest revenue from the public sector</i>	<i>Obergruppe 56</i>	<i>Interest expenditure to territorial authorities and special funds</i>
Gruppierung 151	Central government	Gruppierung 561	Central government
Gruppierung 152	State government	Gruppierung 562	State government
Gruppierung 153	Local government	Gruppierung 563	Local government
Gruppierung 154	Special funds	Gruppierung 564	Special funds
Gruppierung 156	Social security funds		
Gruppierung 157	Special purpose association	Gruppierung 567	Special purpose association
<i>Obergruppe 16</i>	<i>Interest revenue from other sectors</i>	<i>Obergruppe 57</i>	<i>Interest expenditure at the capital market</i>
Gruppierung 161	Public corporations and institutions	Gruppierung 571	Public corporations and institutions
		Gruppierung 572	Social security funds
		Gruppierung 573	Compensation claims
Gruppierung 162	Other domestic interest revenue	Gruppierung 575	Other domestic capital market
Gruppierung 166	Other foreign interest revenue	Gruppierung 576	Rest of the world

The budget classification for local government is similar to the federal and state classification, which enables a more or less identical compilation for the local governments (see below).

▪ **The model**

The interest revenue and expenditure of the quarterly cash statistics and the annual finance statistics of the public finance statistics are mainly cash data, i.e. the paid and received interest flows are shown. For an accrual accounting in national accounts, a macro-adjustment of the cash interest flows is carried out. The model is based on the monitoring of the issue activity of general government over a long-term average. Studies have shown that in Germany the financial assets/ liabilities of general government are mainly with a maturity of more than one year and that the interest is paid once a year in arrears. Intra-annual interest payments and interest payments for a period longer than one year play only an insignificant role. Short-term temporary deviations from the observed long-term average are possible, but do not substantially change the observed basic trend.

In the basic interest model, the data of the public finance statistics on interest revenue and expenditure for each quarter is partitioned into four equal shares, which are then allocated to the current quarter and the three previous quarters. For example, for the first quarter 2019 the accrued interest value in national accounts equals a fourth of the cash interest value of the first quarter 2019 plus a fourth of the cash interest value of the second quarter 2019 plus a fourth of the cash interest value of the third quarter 2019 plus a fourth of the cash interest value of the fourth quarter 2019 (see table “Time adjustments for interest”).

### Time adjustments for interest

Cash interest of the reporting period	Model calculation of interest according to the accrual principle by periods
$Z_{t;1.Qu}$	$0.25 * Z_{t;1.Qu} + 0.25 * Z_{t;2.Qu} + 0.25 * Z_{t;3.Qu} + 0.25 * Z_{t;4.Qu}$ = $Z_{accrual; t;1.Qu}$
$Z_{t;2.Qu}$	$0.25 * Z_{t;2.Qu} + 0.25 * Z_{t;3.Qu} + 0.25 * Z_{t;4.Qu} + 0.25 * Z_{t+1;1.Qu}$ = $Z_{accrual; t;2.Qu}$
$Z_{t;3.Qu}$	$0.25 * Z_{t;3.Qu} + 0.25 * Z_{t;4.Qu} + 0.25 * Z_{t+1;1.Qu} + 0.25 * Z_{t+1;2.Qu}$ = $Z_{accrual; t;3.Qu}$
$Z_{t;4.Qu}$	$0.25 * Z_{t;4.Qu} + 0.25 * Z_{t+1;1.Qu} + 0.25 * Z_{t+1;2.Qu} + 0.25 * Z_{t+1;3.Qu}$ = $Z_{accrual; t;4.Qu}$
$Z_t$	$Z_{accrual; t;1.Qu} + Z_{accrual; t;2.Qu} + Z_{accrual; t;3.Qu} + Z_{accrual; t;4.Qu} = Z_{accrual; t}$

Symbols: Z: Interest; t = current year; t+1 = following year; 1.Qu: first quarter; 2.Qu: second quarter; 3.Qu: third quarter; 4.Qu: fourth quarter

For the calculation of accrued interest for the current quarter, an estimation of the cash interest data for the following three quarters is necessary. For the state and local government sub-sectors and social security funds, the basis for the estimation is the forecasting of recent developments in interest revenue and expenditure. These estimations take particular account of current developments in market interest rates and in the volume of bond issuances.

#### ▪ Additional adjustments

The basic model allows the required accrual adjustment for interest in general. For some special accounting rules regarding interest, the basic model has to be extended by additional calculations. The calculations can either be made via an adjustment of the original data provided by the public finance cash statistics (i.e. before they enter the basic model) or via an adjustment of the “accrued” interest data (i.e. after they have left the basic model). In the latter case, the accrual adjustments are supplemented by additional data sources.

#### - Public Private Partnerships (PPP)

In national accounts, all PPP projects are assigned to general government in Germany. Thus, all assets of PPP projects are recorded on the government balance sheet. However, in the public finance statistics (quarterly and annual cash statistics), no directly attributable expenditures for PPP projects and thus no associated government debt are recorded. To comply with the Eurostat guidance on PPP projects, a model approach has been implemented in national accounts, which allows to make the necessary adjustments in the basic data (see section 7.6). Based on this



model, the debt impact caused by PPP projects is compiled. The interest expenditure associated with this debt is derived by using a PPP model developed by the World Bank. It is assumed that the recorded debt is repaid in equal instalments and interest is paid annually on the remaining debt. The imputed debt is fixed to the duration of the PPP project. The interest rate used for the compilation of interest is equal to the average interest rate on all outstanding liabilities of government.

- **Energy Performance Contracts (EPC)**

For Energy Performance Contracts, a model approach similar to PPP contracts is implemented, leading to a recording of interest for the imputed debt (see section 7.20).

- **Rerouting of transactions**

In cases where certain transactions are rerouted through the accounts of government, an adjustment of the interest data provided by public finance statistics may be necessary.

Due to the different economic activities carried out by government and the various ways in which these activities are implemented, the necessary adjustments vary considerably. For example, the interest payments related to the loans provided to Greece via the KfW are rerouted to the government accounts. In this case, the compilation of interest is based on the agreed loan terms. In cases where a model calculation is used, the average government refinancing conditions are used to compile the accrued interest.

- **Sector classification**

In cases where new units are allocated to the government sector, a temporary (domestic units) or a permanent (foreign units) adjustment of interest revenues and expenditures is necessary. New domestic government units are registered in public finance statistics, however the formal process of including these units in the public finance statistics surveys can take some time. For the purpose of national accounts, these data gaps have to be closed by using additional information or compilations. The annual and quarterly financial statements of these units will be checked, and based on these checks the necessary interest adjustments are implemented in national accounts. In general, the interest revenues and expenditures provided in the financial statements can directly be used in national accounts, since they are in line with commercial accounting standards and are therefore already accrued. In some cases, model-based estimations are used to determine interest revenues and expenditures and in individual cases voluntary information is provided from relevant units. If a unit is created abroad, the unit is not registered in public finance statistics due to legal reasons. In such cases, the certified financial statements of the relevant units are used to compile the interest data.

- **Discounts and premiums for state government**

Discounts and premiums for state government are calculated separately (see section 6.4.4). This amount is added to the accrued interest expenditure of the basic model.

- **Swaps**

The interest flows recorded in public finance cash statistics include interest flows resulting from swap agreements – especially interest rate swaps. Thus, the interest data have to be corrected in line with the Eurostat guidance on financial derivatives. For central government, the corrections are based on the data included in the capital cost database. For state government core budgets, the corrections are based on a special analysis provided by the “Zentrale Datenstelle der Landesfinanzminister”. These data contain detailed information on the

(remaining) maturity of a swap, up-front payments, swap cancellations, lump sum payments, swap interest flows and swap closings, which allows the required adjustments of the interest data recorded in public finance statistics. For local government, the corrections are based on data collected in the public finance statistics survey on transactions in financial assets (available from reporting year 2017 onwards). For extra-budgetary units, information from annual reports is used.

#### **- Interest expenditure on the loan component of off-market swaps**

For central and state government, interest expenditure on the loan component of off-market swaps is imputed based on a model calculation using an average long-term interest rate for central government securities.

#### **6.4.1 Interest expenditure**

See section 6.4.

#### **6.4.2 Interest Revenue**

See section 6.4. Information on accrual adjustments in connection with interest revenue is provided under the position “other adjustments” in EDP tables 2A-D.

#### **6.4.3 Consolidation**

For the core budget units of general government, consolidation of interest between sub-sectors and within sub-sectors is implemented on the basis of the budget classification system of the used basic data. The budget classification system allows for the distinction of transactions by the counterpart sector.

In German national accounts, the consolidation is carried out for revenue and expenditure data, but it is based on the expenditure approach, i.e. the amount which has to be consolidated is determined by the amount of the respective expenditure transaction.

#### **6.4.4 Recording of discounts and premiums on government securities**

Flows associated to premium and discount enter the working balances of EDP Tables 2A and 2B. These flows are included in the public finance statistics data on a cash basis.

Accrual data for discounts and premiums (spread over the life of instruments) on central government securities are included in the capital cost model used for national accounts (see section 6.4). Premiums are treated as negative expenditure. In EDP Table 2A, the accrual adjustment for premiums and discounts is included in the position “Difference between interest paid and accrued”.

For the state government subsector, an instrument-by-instrument approach is in place relying on basic data provided by Deutsche Bundesbank. For all outstanding state government bonds, the dataset contains information on date of issue, date of maturity, total issue volume, issue price, coupon. Accrual data are compiled by spreading the premiums and discounts calculated per day over the maturity of the bond. In the public finance statistics data, cash premiums and discounts cannot be separately identified within interest expenditure. Therefore, “estimated cash data” are compiled by calculating total premiums and discounts at the date of issue. These “estimated cash data” are then subtracted from total interest expenditure as provided by public

finance statistics, before the data enter the basic interest model as described above. In EDP Table 2B, the accrual adjustment for premiums and discounts is included under “other adjustments”.

**6.4.5 *Recording of interest accrued on intergovernmental loans in dispute and interest accrued on intergovernmental loans unlikely to be repaid***

We are not aware of cases of intergovernmental loans that are in dispute, nor of cases of non-performing intergovernmental loans unlikely to be repaid.

## **6.5 Time of recording of other transactions**

In Germany, all non-financial transactions in national accounts are recorded on accrual basis according to ESA 2010 rules.

## 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 ESA 2010), 2019 edition<sup>45</sup>.

### 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 7.4 on Government guarantees of the ESA 2010 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*

In Germany, each legally competent unit can provide guarantees. Guarantees are regulated by law in the Civil Code (BGB). Government guarantees exist across all sub-sectors.

In general, the guaranteed debt is recorded solely as the borrowing of the original debtor; for government, it is a contingent liability. If the guarantee, or part of it, is called, then a cash outflow takes place in government accounts, which is recorded in the surveys of the cash statistics of the overall public budget. The financial means necessary for the cash outflow are implying – ceteris paribus – an increase in debt.

The surveys of German public finance statistics do not collect data on newly provided guarantees. The statistics on debt only collect data on stocks of guarantees reported at the end of a year. The results of the annual debt statistics including data on stocks of guarantees are available on the website of the Federal Statistical Office<sup>46</sup>. The collected data on stocks of guarantees provide a break-down by the nature of the recipient (public or non-public sector, of which public corporations classified outside general government and public banks are reported separately) from reporting year 2013 onwards.

Cases of debt assumption at inception are not known.

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<sup>45</sup> <https://ec.europa.eu/eurostat/web/government-finance-statistics/methodology/manuals>

<sup>46</sup> [https://www.destatis.de/DE/Themen/Staat/Oeffentliche-Finanzen/Schulden-Finanzvermoegen/\\_inhalt.html#sprg238470](https://www.destatis.de/DE/Themen/Staat/Oeffentliche-Finanzen/Schulden-Finanzvermoegen/_inhalt.html#sprg238470)

### ***Recording in national accounts***

In national accounts, guarantees provided are treated as contingent liabilities, and are therefore not recorded.

In cases where it is foreseen since inception that government will regularly pay interest and/or redemption (via guarantee calls), in national accounts a debt assumption would be recorded, i.e. the counterpart transaction of the financial flows recorded in the financial accounts would be a capital transfer with negative impact on B.9.

#### **7.1.1.2 Treatment of guarantees called**

### ***Recording in public accounts***

The recording of guarantee calls in public accounts depends on the specific features of the particular transaction. In general, a cash call is recorded as expenditure reported as “claiming of guarantees” in cash statistics of the overall public budget. If a government unit actually assumes debt, a claim is included in the stock of liabilities of the debt statistics.

For central government, the expenditure reported as “claiming of guarantees” includes fees and costs of the mandataries for foreign guarantees. Supplementary information from the Federal Ministry of Finance is available which provides a breakdown into the different types of expenditure.

Until reporting year 2018, the expenditure item for guarantees was included in the position for loans granted in the public finance statistics tables for central and state government, i.e. in a position that is generally treated as a financial transaction in national accounts and is shown in the first part of EDP Tables 2A and 2B (financial transactions included in the working balance). From reporting year 2019 onwards, the expenditure item for guarantees is shown separately in the public finance statistics tables, and is therefore no longer included in the financial transactions shown in the first part of EDP Tables 2A and 2B. This change in the presentation of public finance statistics leads to changes in the adjustment positions for guarantees in EDP Tables 2A and 2B (see sections 3.2.3.6/3.2.3.7 and 3.3.3.6/3.3.3.7).

Debt cancellations and debt write-offs are not explicitly recorded in public accounts reported by public finance cash statistics, since no cash transaction takes place. In public finance debt statistics, reduced stocks of the respective debt positions are recorded in case debt cancellations or debt write-offs have taken place in the period between two consecutive recording dates.

### ***Recording in national accounts***

#### **▪ Central government – domestic guarantees**

Cash payments for calls of domestic guarantees are recorded in national accounts as debt release (capital transfers). The idea to record these cash payments as debt release is that government receives a “claim” which is immediately recorded as irrecoverable (e.g. insolvency). It is assumed that this is done on mutual agreement. The concept is based on the national structure of the guarantee arrangements which causes a payment only in the case of insolvency of a unit. In such a case the unit normally does not have substantial valuable claims which can be acquired by government.

#### ▪ **Central government – foreign guarantees**

Cash payments for calls of foreign guarantees relating to export credits are recorded in national accounts as acquisition of claim (financial transaction). The latter are recorded as F.4 loans in national accounts. Once new information is available on these foreign claims (i.e. the Federal Ministry of Finance classifies the claims as irrecoverable), they are recorded as debt cancellations. Market values for these claims are not available, but the amounts are not substantial.

Expenditure for fees and costs of the mandataries is recorded in national accounts as intermediate consumption.

#### ▪ **State and local government**

Cash payments for guarantee calls are recorded as capital transfers in national accounts.

Generally, the Federal Statistical Office decides on the recording of debt assumptions in national accounts, on the basis of the available information.

In the case of regular call for payments of interest by general government on behalf of the debtor, a debt assumption of the outstanding amount of debt would be recorded in national accounts. To date, there are no known cases of that type.

### **7.1.1.3 Treatment of repayments related to guarantees called**

#### ***Recording in public accounts***

Repayments by the original debtor are recorded as cash inflows included in the budget item “revenue in connection with claiming on guarantees” at the central government level. This budget item also includes interest revenues in connection with guarantees. Supplementary information from the Federal Ministry of Finance is available which provides a breakdown into the different types of revenue.

For state and local government, repayments of the original debtor are no standard practice (see above: insolvency); therefore, the amounts recorded in the budget item “revenue in connection with claiming on guarantees” are considered as received guarantee fees.

#### ***Recording in national accounts***

In Germany, information on repayments by the original debtors is available solely for central government level. In national accounts, those repayments are considered as a financial transaction and are thus not recorded in non-financial accounts.

Interest revenues in connection with guarantees are recorded in national accounts as interest revenue (D.41).

### **7.1.1.4 Treatment of write-offs by government in public accounts of government assets that arose from calls, if any**

In national accounts, write-offs by government of government assets that arose from calls are recorded as capital transfer (see section 7.1.1.2).

### 7.1.1.5 Data sources

Individual data on stocks of guarantees and related flows as calls by year and by beneficiary are not available. The data of public finance statistics provide aggregated stocks of guarantees at the end of a year by government sub-sector (debt statistics) and cash inflows and cash outflows in connection with guarantees provided (cash statistics of the overall public budget). These cash flows enter the Working Balance. Related information is available at state and local government level because of the budget classification.

The data on stocks of guarantees as collected in debt statistics do not allow a complete consolidation of guarantees for general government. Therefore, additional information is provided directly by ministries of finance, Eurostat, KfW and the state promotional banks, so that the following adjustments can be carried out:

For central government:

- elimination of EFSF and KfW Greek loans guarantee,
- elimination of the guarantees in connection with the schemes “Bildungskredit”, “Meister-BAföG” and “BAföG-Bankdarlehen” (as far as the relevant amounts are included in the stock of guarantees as provided by debt statistics from 2014 onwards),
- elimination of guarantees to KfW for other transactions rerouted to the central government accounts.

For state government:

- elimination of Sealink<sup>47</sup> and Phönix guarantees (since the assets/ liabilities are on the government balance sheet),
- elimination of a direct guarantee provided by North-Rhine-Westphalia to EAA in connection with the creation of EAA and the further transfer of assets from WestLB to EAA,
- elimination of the GPBW guarantee<sup>48</sup>,
- elimination of the guarantee to HSH Portfoliomanagement (extra-budgetary unit),
- elimination of the guarantee for “Landesanstalt Schienenfahrzeuge Baden-Württemberg” (extra-budgetary unit),
- elimination of guarantees to state promotional banks for transactions that are rerouted to the state government accounts.

### 7.1.2 *Guarantees on assets*

At present in Germany, no differentiation is made between guarantees on assets and guarantees on liabilities. All government guarantees we are aware of are reported.

### 7.1.3 *Standardized Guarantees*

The treatment of previously reported standardised guarantee schemes was changed in 2015 in connection with the usual annual revision of national accounts data. Based on further analysis,

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<sup>47</sup> The Sealink guarantee ended in 2018 because the remaining Sealink portfolio was sold in 2017.

<sup>48</sup> The GPBW guarantee ended in 2017 when the remaining Sealink portfolio was sold.



the assessment of the schemes has been changed. The treatment of the relevant schemes as rerouting cases better reflects the economic reality. Therefore, the assets and liabilities in connection with these schemes are now recorded directly in the accounts of general government. Consequently, the reporting of standardised guarantees is no longer applicable.

## 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 ESA 2010 and further clarified in the Chapter 3.2 on Capital injections and Chapter 7.2 on Debt assumption and cancellation of the ESA 2010 Manual on government deficit and debt.

For debt cancellation and debt assumption, supplementary information from the Federal Ministry of Finance and public finance statistics (financial assets and debt statistics) is used.

### 7.2.1 *New lending*

In Germany, government grants short-term and long-term loans to different beneficiaries:

- corporations,
- private households,
- other government sub-sectors and
- foreign countries (claims to less developed countries and claims to European countries in connection with the financial crisis).

At central and state government level, the major part of loans are granted at market interest rates. Information on interest rates of loans granted by local government units is not available to statisticians.

Data on transactions and data on stocks are available in different data sources. However, there is no integrated system of stocks and flows.

Currently, there are only very specific cases of granted loans which are recorded as a transfer (expenditure) in national accounts. This may occur in specific cases, for instance if reimbursement is conditional (see also section 7.18 on income contingent loans). From 2011 onwards, loans granted in the context of development aid are (largely) recorded as capital transfer (expenditure).

If there are no regular interest payments (i.e. in cases of arrears), interest is not accrued/ not recorded as new lending.

### 7.2.2 *Debt cancellations*

A debt cancellation can take place due to legislation or official decisions. From 2013 onwards, information on debt cancellations is collected via the financial assets statistics in public finance statistics.

In national accounts, a debt cancellation is recorded as a capital transfer.

Provisions of claims are not recorded in national accounts.

For further explanations, see section 7.1.

### **7.2.3 Repayments of claims**

In general, repayments of claims are recorded as financial transactions in ESA 2010 accounts. For repayments of income contingent loans see section 7.18.

Specific information on receipts from repayments of claims which were previously cancelled is not available to statisticians in national accounts; therefore, normally the reported amounts of repayments of claims in public finance statistics are considered as financial transactions in national accounts.

To date no repayment in kind is observed.

### **7.2.4 Debt write-offs**

Generally, debt write-offs are not explicitly reported in German public finance statistics.

For further explanations see section 7.1.

### **7.2.5 Sale of claims**

In Germany, we are not aware of sales of loans (neither bad nor well performing) or sales of claims apart from a securitisation of claims against Russia in year 2004 with a securitisation value of 4,500 million euros.

### 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 ESA 2010 paragraphs 20.197-20.203 and clarified in the Chapter 3.2 on Capital injections of the ESA 2010 Manual on government deficit and debt. These chapters devote 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, and to be classified in certain cases as a non-financial transaction (predominantly capital transfer D.9); cf. MGDD 3.2.3.2.2.

Aggregated data on equity injections are available from public finance statistics. The Federal Statistical Office does not have access to detailed data to examine whether equity injections are expected to lead to market returns. If injections are made to cover losses, these are usually recorded on a different budget line. Large injections are checked separately. For example, Destatis has applied the capital injection test to the equity increases of “Deutsche Bahn” (central government) in 2017 and “Nord/LB” (state government) in 2019, leading in both cases to the recording of a capital transfer in national accounts.

In addition, for state and local government, Destatis carries out a model calculation to determine deficit-increasing capital injections. This model calculation is based on data from annual public finance statistics on equity injections by functions of government. Certain functions of government are defined as areas for which capital injections are deemed to be non-financial transactions. Such areas are for example education, culture, social institutions, roads, and environment.

## 7.4 Dividends

The accounting rules are set out in ESA 2010 paragraphs 20.205-20.207. It is recalled, that the ESA 2010 Manual on Government Deficit and Debt chapter 3.5 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). It also sets out that the resource available for distribution by a unit (a corporation) is the *distributable income* of the unit, as defined in the ESA 2010, paragraph 4.55.

Total distributions could therefore comprise one part recorded as distributed income of corporations, D.42, and another recorded as transactions in equity, F.5. The former data is reported to Eurostat in ESA 2010 table 2 and table 8 within “other property income” category, and 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.

Data on dividends received by government from corporations are not available on an individual basis, but only as aggregated figures reported in the relevant revenue categories of public finance statistics. These are analysed and extraordinary movements are looked into. The main contributing entities to extraordinary amounts of dividends are identified and the superdividend test is applied for these dividend payments. For example, superdividends have been identified for “Stadtwerke München” (local government) and “Deutsche Bahn” (central government). Therefore, Destatis carries out the superdividend test for these units every year. The superdividend test is based on consolidated group accounts. Data from the profit and loss statement are used to calculate a proxy for entrepreneurial income. Dividends paid within a group are not tested separately.

For the dividend of the central bank to central government, the superdividend test is applied every year. Destatis carries out the superdividend test based on the annual report of the central bank.

In addition, for state and local government, Destatis carries out a model calculation to determine superdividends. This model calculation is based on a time series approach where all dividend payments received by the core budgets which are above the compiled “trend line” are treated as superdividends.

## 7.5 Privatization

The accounting rules are set out in ESA 2010 paragraphs 20.210-20.213. 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 5.2 indicates that such indirect privatization proceeds are not government revenue. MGDD chapters 5.3 and chapters 5.4, respectively, provide the guidance on the treatment of privatisation proceeds from public corporations and restitution and use of vouchers for privatisation.

Specifically, chapter 5.3.1 of the ESA 2010 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 be considered as taking place on behalf of the government?

**In Germany, special units managing privatisation do not exist. The relevant general government core budget unit is responsible for running privatisation.**

## 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. The accounting rules are set out in ESA 2010 paragraphs 20.276-20.282 and clarified in the Chapter 6.4 of the ESA 2010 Manual on government deficit and debt.

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 Chapter 15 of ESA 2010.

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 risk 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.

In September 2020, about 230 PPP projects (conclusion of the contract) are taken into account in national accounts in Germany.

To distinguish PPPs from concessions, the type of payment for the use of the considered asset is checked. If the user of the asset pays a usage-dependent amount directly to the concessionaire, a concession is considered. In Germany, the Warnow-Tunnel and the Herrentunnel are subject to a usage-dependent charge (see section 7.19).

For distinguishing PPP projects from operating leasing contracts, the contract duration is considered. If the contract duration is short (shorter than the economic life of the asset), an operating leasing contract is assumed. If the contract duration is long (10 to 30 years) and longer than the economic lifetime of the asset, a PPP project is assumed.

The PD – Berater der öffentlichen Hand GmbH (Partnerschaft Deutschland) is an independent consulting company for public principals to promote PPP projects. The company was founded in November 2008 (as ÖPP Deutschland AG) under the control of the Federal Ministry of Finance and the Federal Ministry of Transport, Building and Urban Development. The task of the “Partnerschaft Deutschland” is the continuous improvement of the general conditions for PPP projects (e.g. development of standards), the systematic transfer of knowledge and the opening of new fields for PPP projects.

“Partnerschaft Deutschland” provides a publicly available database with information on PPP projects on central, state and local government level. The information in the database is based on voluntary data provided by private contractors and contracting authorities.

The budgets of central and state government contain surveys of on-going PPP projects with their related budgetary commitments and payments for each fiscal year. These surveys complete the base data for PPP projects. In addition, sources accessible to the public like press and internet (e.g. tendering platforms) are used to collect information on PPP projects. As a quality assurance measure for exhaustiveness, particularly on the local government level, the information on PPP projects from the public finance debt statistics is used for validation and plausibility checks of the results of the model approach for recording PPP projects in national accounts. The public finance debt statistics is a complete survey where all public units are obliged to report. With regard to PPP projects, in the public finance debt statistics the project volume and the cash payments made are to be reported.

In Germany, the Federal Statistical Office is responsible for the implementation of national accounts and therefore for the risk assessment in connection with PPP projects. In Germany, all PPP projects are recorded on the government balance sheet for two main reasons:

- The Federal Statistical Office does not get the contracts for the individual PPP projects (due to confidentiality reasons), which makes it impossible to carry out the required risk analysis.
- Currently, for almost all PPP contracts the compensation paid to the private partner in the case of the private partner’s default is based on the book value and not on the market value as required in the Manual on Government Deficit and Debt.

On this basis, the existence of government guarantees for the private sector and the kind of government financing in connection with PPP projects is not important for the accounting of PPP projects in national accounts.

In the public finance statistics (quarterly and annual cash statistics) no directly attributable expenditures for PPP projects and thus no associated government debt are recorded. To comply with the Eurostat guidance on PPP projects, a model approach has been implemented in national accounts, which allows to carry out the necessary adjustments in the basic data. The source information for the adjustments is the database of the “Partnerschaft Deutschland” and other sources described above. Based on this information, the debt impact caused by PPP projects is compiled. The interest expenditure associated with this debt is derived by using a PPP model developed by the World Bank. It is assumed that the recorded debt is repaid in equal instalments and interest is paid annually on the remaining debt. The imputed debt is fixed to the duration of the PPP project. The interest rate used for the compilation of interest is equal to the average interest rate on all outstanding liabilities of government. The model differentiates between a construction phase and an exploitation phase. The payments from government to the private



partner (= service fee), the payment of interest and the redemption of the debt start with the beginning of the exploitation phase.

In some PPP projects, government provides initial financing to the private partner (so-called “Anschubfinanzierung”). This initial financing is not recorded as an investment grant. The financial support of the government during the construction phase corresponds with deducted regular service payments during the course of the operating phase so that the “Anschubfinanzierung” is implicitly paid back by the private partner.

## 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 (EU) No 549/2013 of the European Parliament and of the Council of 21 May 2013 on the European system of national and regional accounts in the European Union does not distinguish between the ESA and EDP definition of interest. The Regulation No 549/2013 paragraph 4.47 reads: *Payment resulting from any kind of swap arrangement is recorded as a transaction in financial derivatives in the financial account, and not as interest recorded as property income. Transactions under forward rate agreements are recorded as transactions in financial derivatives in the financial account, and not recorded as property income.*

ESA 2010 paragraph 20.133 specifies the treatment of so called of market swaps: *“Lump sums exchanged at inception on off-market swaps are classified as loans (AF.4) when the lump sum is received by government. Off-market swaps are partitioned in the balance sheet into a loan component and a regular, 'at-the-money' swap component.”*

### 7.7.1 Types of derivatives used

The following types of derivatives are being used by general government:

- Plain Vanilla Interest Rate Swaps including EONIA Swaps (on and off market),
- currency swaps (off market).

### 7.7.2 Derivatives are used at the level of central, state and local government, both by core budgets and extra-budgetary units. Data sources

The interest flows recorded in public finance cash statistics include interest flows resulting from swap agreements – especially interest rate swaps. Thus, the interest data have to be corrected by the elimination of the net settlement payments under swap contracts (see also section 6.4). For central government, the corrections are based on the data included in the capital costs database. For state government, the corrections are based on a special analysis provided by the “Zentrale Datenstelle der Landesfinanzminister”. For local government, the corrections are based on data collected in the public finance statistics survey on transactions in financial assets (available from reporting year 2017 onwards).

For extra-budgetary units (for example FMS Wertmanagement and Erste Abwicklungsanstalt) information on derivatives provided in the annual reports is used.

### 7.7.3 Recording

Net settlement payments under swap contracts are included in the working balances of EDP Tables 2A-2C. In national accounts they are recorded as financial transactions. The relevant neutralisation adjustments in EDP Tables 2A-2C are made under line “of which: net settlements under swap contracts”.

In cases of off-market swaps where the lump-sum was received by central government, this is recorded as loan advancement. The corresponding redemption of the loan is spread over time. This treatment is symmetric to the recording of lump-sum payments received. For central and

state government, interest expenditure on the loan component of off-market swaps is imputed (see section 6.4).

## 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.

In Germany, a toll is charged for the use of the Warnow Tunnel and the Herrentunnel (see also section 7.19). The toll is classified as a sale of service. The institutional unit collecting toll revenues from the use of the Warnow Tunnel is the “Warnowquerung GmbH & Co. KG”, the institutional unit collecting toll revenues from the use of the Herrentunnel is the “Herrentunnel Lübeck GmbH & Co. KG”. Both units are classified in S.11 in national accounts (concession contracts).

Germany's “LKW-Maut” is a toll for trucks based on the distance driven in kilometres, the number of axles and the emission category of the vehicle. The toll is classified as a sale of service. Truck toll revenues are revenues of the core budget of central government. The institutional unit collecting truck toll revenues is the “Toll Collect GmbH”, which is classified in sector S.13 in national accounts.

## 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<sup>49</sup>. 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.

The ESA 2010 MGDD part 6, chapter 6.5 is dealing with the statistical recording of the emission trading allowances.

In Germany, emission permits of EUA and EUAA types are sold by government. Data on sales of emission permits can be found on the website of the German Emissions Trading Authority (“Deutsche Emissionshandelsstelle”)<sup>50</sup>.

In national accounts, emission permits are recorded according to the rules presented in chapter 6.5 of MGDD 2019 edition. The payments for emission permits are recorded as other taxes on production (D.29) on a cash basis with a 1-year delay. According to the flexibility rule in the MGDD 2019 (Chapter 6.5, §12) the “first in – first out” method is used. It is assumed that the permits which are surrendered at first are acquired in domestic auctions. The official moment where the permits are “surrendered” to authorities is the 30th of April of the year  $t+1$ <sup>51</sup>. The level of tax revenues to be recorded is determined by the auction proceeds of the year  $t-1$  less the auction proceeds up to the 30th of April of the year  $t-1$  but including the auction proceeds up to the 30th of April of the year  $t$ . Because of the timing difference between cash payments received by government and time of recording of the tax revenue in national accounts, the cash payment represents a prepayment of tax, and a financial liability (accounts payable AF.89) for government is recorded.

Based on the Fuel Emissions Trading Act (BEHG) a national emissions trading scheme will be introduced in Germany from 2021<sup>52</sup>.

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<sup>49</sup> [http://en.wikipedia.org/wiki/Emissions\\_trading#cite\\_note-32#cite\\_note-32](http://en.wikipedia.org/wiki/Emissions_trading#cite_note-32#cite_note-32)

<sup>50</sup> [https://www.dehst.de/DE/Europaeischer-Emissionshandel/europaeischer-emissionshandel\\_node.html](https://www.dehst.de/DE/Europaeischer-Emissionshandel/europaeischer-emissionshandel_node.html)

<sup>51</sup> Treibhausgas-Emissionshandelsgesetz (TEHG)

<sup>52</sup> [https://www.dehst.de/DE/Nationaler-Emissionshandel/nationaler-emissionshandel\\_node.html](https://www.dehst.de/DE/Nationaler-Emissionshandel/nationaler-emissionshandel_node.html)

## 7.10 Sale and leaseback operations

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 6, chapter 6.2 is dealing with sale and lease back operations.

In Germany, the following sale and leaseback operations occurred on state government level (Hessen):

Name of the sale and leaseback operation	Capital value (gross proceeds)	Sale date	Type of assets involved	National accounts treatment: government borrowing (debt) / disposal of assets / other change in volume (OCV)
Leo I	1100	2005	administration buildings	disposal of assets
Leo II	770	2006	administration buildings	disposal of assets
Bereitschaftspolizei Mühlheim Kassel	19	2019	Administration buildings	Disposal of assets

Leo I+II as well as Bereitschaftspolizei Mühlheim Kassel are portfolios of originally state owned administration buildings which were sold and leased back.

Contracts for these operations are not available to the Federal Statistical Office. There are no formal procedures in place for the Federal Statistical Office to be informed on new operations undertaken by government. Information at local government level is not available.

## 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. In addition, 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.

ESA 2010 paragraphs 20.260-20.271 establish securitisation operations accounting rules. The MGDD part 5, chapter 5.5 is dealing with securitisation operations.

In Germany, the following securitisation operations occurred:

Name of the securitisation operation	Securitisation value (gross proceeds)	Securitisation date	Type of assets / future proceeds securitised	National accounts classification: government borrowing (debt) / disposal of asset
1	2	3	4	5
Bundes-Pensions-Service für Post u. Telekommunikation e. V.	8000	2005		borrowing (debt)
Bundes-Pensions-Service für Post u. Telekommunikation e. V.	7500	2006		borrowing (debt)
Verbriefung Russlandforderungen	4500	2004		disposal of asset

Contracts for these operations are not available to the Federal Statistical Office. There are no formal procedures in place for the Federal Statistical Office to be informed on new operations undertaken by government. Information at local government level is not available.

## 7.12 Mobile phone licenses

The receipts of government following the allocation of mobile phone licenses to operators are to be recorded as rent (D.45) over the whole time of the licence.

In cases when licenses are sold in advance of their actual availability, any prepayment collected by government should be recorded as other accounts payable (F.8).

The ESA 2010 MGDD part 6, chapter 6.1 is dealing with the sale of mobile phone licenses.

Proceeds from the auction of mobile phone licences are recorded as rent revenue in national accounts, applying a linear spread over the lifetime of the licences. For the time being no interest on long-term payables is recorded in German national accounts.

The following auctions have taken place to date in Germany:

- Auction 2000: The auction of UMTS licences was concluded in 2000 for a total amount of 50806 million euros. The licences became available in the third quarter 2000, with a lifetime until end-2020. In 2003 and 2004 a part of the licences was returned to government; the remaining amount of payables for these licences has been recorded as government revenue in the fourth quarter of 2003 and 2004.
- Auction 2010: The auction of licences was concluded in April and May 2010 for a total amount of 4385 million euros. The licences became available in the second quarter 2010, with a lifetime until end-2025.
- Auction 2015: The auction of licences was concluded in June 2015 for a total amount of 5081 million euros. The cash payments for the licences were made from 2015 to 2017. The licences became available between 2015 and 2019, all with a lifetime until end-2033.
- Auction 2019: The auction of 5G licences was concluded in June 2019 for a total amount of 6550 million euros. The cash payments are planned to be made between 2019 and 2030. The licences will become available from 2021 and 2026 respectively, all with a lifetime until end-2040.



### **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 cannot 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.

For capital injections to the central bank and for dividend distributions of the central bank, the relevant guidance (capital injection and superdividend test) is applied.

## **7.14 Lump sum pension payments**

ESA 2010 paragraphs 20.273-20.275 define the accounting rules for recording of the lump sum pension payments. The related accounting rules are further described in the ESA 2010 MGDD and debt Part 3.6 Impact on government accounts of transfer of pension obligations.

In Germany, there have not been any occurrences of lump sum pension payments.

## 7.15 Pension schemes

In the German social insurance system, pensions cover disability pensions, old age pensions and survivors' pensions.

The German pension system is a three-pillar system:

- 1st pillar: statutory pension insurance (“Gesetzliche Rentenversicherung”), part of the social security system. All employees and employers pay a percentage of salaries into this system.
- 2nd pillar: voluntary occupational pension insurance.
- 3rd pillar: private social insurance.

The statutory pension insurance is based on the pay-as-you-go model. Funds paid in by contributors (employees and employers) are not saved (or invested) but are used to pay current pension obligations. The statutory pension insurance is a social security scheme according to ESA 2010, classified in sector S.1314 in German national accounts.

The voluntary occupational pension schemes (“Betriebliche Altersvorsorge”) were created under the Company Pensions Law (“Betriebsrentengesetz”) in 1974 and imply pension commitments granted by a company to its employees. Voluntary schemes can be classified as defined benefit (“Leistungszusage”), defined contribution (“Beitragszusage”) or contribution with minimum benefit. The schemes can be structured in various ways:

- Direct Grant (“Direktzusage”)
- Support Fund (“Unterstützungskasse”)
- Pension Company (“Pensionskasse”)
- Direct Insurance (“Direktversicherung”)
- Pension Fund (“Pensionsfonds”).

According to ESA 2010 definitions, the voluntary occupational pension schemes are private funded schemes administered by insurance companies or autonomous pension funds on the one hand or on the other hand private funded schemes operated by employers, which maintain special reserves (segregated from other reserves). In German national accounts, the private funded schemes operated by employers, which maintain special reserves, are classified in the same sector as the respective employer, the other occupational pension schemes are classified in sector S.129.

Private pension schemes are individual funded pensions. Thus private pension schemes are private funded schemes administered by insurance companies, classified in sector S.129 in national accounts.

For civil servants, the civil servants pension plan is the relevant pension scheme. Civil servants in Germany do not pay any contributions themselves, but their salaries are correspondingly lower than in the private sector. The civil servants pension plan grants pension commitments to civil servants. According to ESA 2010 rules, the civil servants pension plan is organised as a mixed system, partly funded by separate reserves organised as special asset funds but mostly

unfunded without special reserves, financed out of current general government revenue. Therefore, no pension entitlements are recorded for civil servants in the core accounts.

Supplementary pension entitlements for public service employees are provided via an autonomous pension fund (VBL). The entitlements are recorded in sector S.129.

## **7.16 Rearranged transactions**

### **▪ Cases of rearranged transactions**

Promotional banks (KfW and state promotional banks) carry out certain programmes/ transactions on behalf of government that are rearranged to government accounts based on the guidance provided in the MGDD. In most cases this refers to the provision of loans (for example bilateral loan to Greece in the context of the financial crisis, housing promotion, SME promotion), in a few cases to equity investments (for example Deutsche Telekom, Deutsche Post, EADS).

Moreover, transactions of the EFSF are rearranged to the participating EU member states.

### **▪ Data sources**

The German statistical authorities have developed a questionnaire to collect data on rearrangement cases from promotional banks. The questionnaire covers both stocks and flows. The survey for state promotional banks is carried out by Destatis, the data for KfW are provided via the Federal Ministry of Finance. Data are provided on a quarterly basis with a time lag of t+30 days.

Data for the EFSF are provided by Eurostat on a monthly basis.

### **▪ Identification of transactions**

Detailed information (decision tree with explanations) is provided to promotional banks on how to identify rearrangement cases. On this basis the promotional banks continuously check their portfolios and identify programmes that need to be rearranged for national accounts purposes.

## 7.17 Decommissioning costs

In Germany, nuclear power will be phased out until 2022. In 2017, the responsibility for interim and final storage of nuclear waste was transferred to the German government. Nuclear power plant operators remain responsible for decommissioning and dismantling of the nuclear power plants.

On 16 June 2017, the German Act on the Nuclear Waste Management Fund (“Entsorgungsfondsgesetz”) came into force, establishing the Nuclear Waste Management Fund (“Fonds zur Finanzierung der kerntechnischen Entsorgung”, “Entsorgungsfonds”)<sup>53</sup>. The fund has the legal form of a foundation under public law and is classified as an extra-budgetary unit of central government. For public finance statistics, the fund provides cash-based data.

On 3 July 2017, the operators of the German nuclear power plants made a lump sum payment of 24 billion euros to the fund, in return for transferring the responsibility for the storage of nuclear waste. The fund reimburses the German federal government for the costs that have already been incurred and will be incurred in future for the safe disposal of radioactive waste. The fund invests worldwide in equities, corporate and government bonds, as well as illiquid assets such as real estate, infrastructure projects and private equity.

In national accounts the lump sum payment is recorded as a financial advance (F.8). For the time being no interest on long-term payables is recorded in German national accounts. Property income is recorded on the basis of the public finance statistics data (i.e. the cash interest revenues are transferred into accrual data according to the basic interest model described in section 6.4). When the fund makes payments to core central government, in national accounts corresponding transfer revenues (D.75) from the nuclear power plant operators are recorded, reducing the payable.

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<sup>53</sup> <https://www.kenfo.de/en/start>

## 7.18 Income-contingent loans

The following four government student loan programmes have been identified as income-contingent loans:

- Federal Law on Support in Education: BAföG government loans
- Federal Law on Support in Education: BAföG bank loans
- Advanced Further Training Assistance Act (AFBG/ Aufstiegs-BAföG)
- Student Loan (Bildungskredit)

These government student loan programmes are carried out or refinanced by the Kreditanstalt für Wiederaufbau (KfW) on behalf of government.

Default rates for these programmes are estimated at up to 25%. However, no sufficient information is available to determine reliable default rates, also taking into account that the default rates can vary greatly in the course of time mainly due to legal changes. To avoid regular data revisions, and with a view to the small quantitative impact, a simplified approach is applied. The full value of the student loans is recorded at inception as government expenditure (capital transfers) and subsequent repayments (including interest) are recorded as government revenue (capital transfers), based on data provided by KfW and BMBF.

Student loans are not sold to private investors.

## 7.19 Concessions

Data on individual concession contracts is not available. Therefore, no further information for example on the financing of construction costs by government, guarantees on debt raised by the concessionaire or minimum revenue guarantees is available.

We are currently aware of two infrastructure projects that are subject to a usage-dependent charge and are therefore considered as concession projects. For both projects, the asset is not recorded on the government balance sheet and the concessionaire is not classified as a general government unit.

- Warnowtunnel<sup>54</sup>: The concessionaire is the “Warnowquerung GmbH & CO. KG”. The tunnel was constructed between 1999 and 2003. The concession contract ends in 2053.
- Herrentunnel<sup>55</sup>: The concessionaire is the “Herrentunnel Lübeck GmbH & Co. KG”. The tunnel was constructed between 2001 and 2005. The concession contract ends in 2035.

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<sup>54</sup> <https://warnowquerung.de>

<sup>55</sup> <https://www.herrentunnel.de/index.php>



## **7.20 Energy Performance Contracts**

On 19 September 2017, Eurostat published the Guidance note on the recording of energy performance contracts in government accounts and on 8 May 2018, Eurostat published, in cooperation with the EIB), the Guide on statistical treatment on EPC.

Data on Energy Performance Contracts (EPC) are collected in the annual public finance debt statistics (complete and compulsory survey) from 2015 onwards. The data provide aggregate information on investment volumes of EPC projects and construction grants provided by general government. Data on individual contracts are not available. Therefore, no further information for example on the contractual period, risk distribution or factoring in EPC projects is available.

All EPC projects are recorded on the government balance sheet. The recording of EPC projects in national accounts is based on a model approach. The model is similar to the approach applied to PPPs (see section 7.6). Imputed debt corresponds to the investment volumes of EPC projects (less construction grants). The project duration is estimated to be 10 years on average.