



EUROPEAN COMMISSION  
EUROSTAT

Directorate D: Government Finance Statistics (GFS)  
**Unit D-1: Excessive deficit procedure, methodology and GFS**

Luxembourg, 16 June 2021

## **FINAL FINDINGS**

### **EDP dialogue visit to Bulgaria**

**20-21 January 2021**

## **Executive summary**

Eurostat carried out an EDP dialogue visit to Bulgaria, through videoconference, on 20-21 January 2021. The purpose of the meeting was to review the existing institutional responsibilities as regards the compilation of EDP statistics and government accounts, to review the implementation of the accrual principle, to examine the classification of some categories of institutional units and to review the recording of specific transactions, in particular in the context of the COVID-19 crisis.

First, Eurostat took note that there have been no changes in the institutional responsibilities in the framework of the reporting of data under the EDP. It was agreed that an updated version of the Memorandum of Understanding on EDP issues between the three institutions would be provided to Eurostat as soon as it becomes available.

Regarding the delimitation of general government, a detailed discussion took place on government controlled entities classified outside general government. Regarding the Bulgarian Development Bank (BDB), Eurostat asked the Bulgarian statistical authorities to investigate the role of the Supervisory Board, in particular on the existence of veto rights. The Bulgarian statistical authorities were asked to reclassify the Guarantee Fund in the general government due to the nature of contributions paid by insurers to the fund as well as due to the non-market activity of the fund.

As regards taxes, Eurostat and the Bulgarian statistical authorities discussed the implementation of the new simple time adjusted cash method to be introduced in the context of the October 2021 EDP notification. The discussion aimed to solve some technical aspects and clarify the data sources used, in particular in April notifications. Moreover, it was agreed that an ad-hoc adjustment would be made for the deferral of taxes related to COVID-19 and for the special clause moving corporate income tax payment deadline to the next quarter.

Next, Eurostat confirmed that the method on recording of EU funds appeared to be correct and in line with the rules, but the presentation in the EDP tables and related questionnaire should be changed. Also the recording of EU financial instruments was discussed in more detail and Eurostat asked to receive additional clarification on the recording in national accounts. In addition, the time of recording of interest, gross fixed capital formation and military expenditure was discussed in more detail. In particular, the recording of prepayment on Eurofighters was clarified and agreed. Eurostat and the Bulgarian statistical authorities also clarified and agreed on the recording of proceeds to the Deposit Insurance related to the Corporate Commercial Bank.

Participants discussed the main COVID-19 measures undertaken by government and its recording in national accounts, in particular the impact on government deficit and debt.

Next, the capital injection in the First investment Bank (FIB) was discussed in more detail. Eurostat raised concerns on whether it could be recorded as a financial transaction, without an impact on government deficit and asked the Bulgarian statistical authorities to reflect on

whether it might be more appropriate to split the capital injection into a financial and nonfinancial parts.

As regards the recording of Emission permits, Eurostat asked the Bulgarian statistical authorities to clarify the current method applied. Finally, standard items of EDP dialogue visits were included in the agenda, such as the recording of guarantees and government claims, among others.

Eurostat very much appreciated the good co-operation and transparency demonstrated by the Bulgarian statistical authorities during the meeting and the quality of the documents provided beforehand.

## **Final findings**

### **Introduction**

In accordance with article 11(1) of Council Regulation (EC) No 479/2009 as regards the quality of statistical data in the context of the Excessive Deficit Procedure, Eurostat carried out an EDP dialogue visit to Bulgaria on 20-21 January 2021.

The delegation of Eurostat was headed by Mr Luca Ascoli, (Director, Directorate D - *Government Finance Statistics (GFS)*). Eurostat was also represented by Ms Rasa Jurkoniene, Mr Philippe de Rougemont, Ms Malgorzata Szczesna and Ms Simona Frank. The Directorate General for Economic and Financial Affairs (DG ECFIN) and the European Central Bank (ECB) also participated in the meeting, as observers. Bulgaria was represented by the National Statistical Institute (NSI), the Ministry of Finance (MoF) and the Bulgarian National Bank (BNB). The National Revenue Agency (NRA) joined the meeting for the item 4.2.1 on Accrual taxes and social contributions.

Eurostat carried out this EDP dialogue visit in order to review the implementation of ESA 2010 methodology, to assure that rules of the ESA 2010 Eurostat Manual on Government Deficit and Debt are complied with and to make sure that Eurostat decisions are duly implemented in the Bulgarian EDP and Government Finance Statistics (GFS) data.

The main aims of the visit were: to review the sector classification of units, to review the implementation of the accrual principle, in particular taxes; to review the recording of EU funds and military expenditure and to discuss the recording of government measures undertaken in the context of COVID-19 as well as other methodological issues.

With regard to procedural arrangements, the *Main conclusions and action points* would be sent to Bulgaria for review. Then, within weeks, the *Provisional findings* would also be sent to Bulgaria for review. After this, *Final Findings* will be sent to Bulgaria and to the Economic and Financial Committee (EFC) and published on the website of Eurostat.

Eurostat very much appreciated the co-operation and transparency demonstrated by the Bulgarian statistical authorities during the meeting and the quality of documents provided before the visit.

### **1. STATISTICAL ORGANISATIONAL ISSUES**

#### **1.1. Review of institutional responsibilities in the framework of the EDP data reporting and government finance statistics compilation**

##### *Introduction*

Eurostat reviewed the institutional responsibilities in the framework of the reporting of EDP and government finance statistics data. An inter-institutional Memorandum of Understanding (MoU) exists between the three key partners in the GFS production: the National statistical institute (NSI), the Central Bank (BNB) and the Ministry of Finance (MoF). Regular meetings are organised between the three institutions.

The NSI is responsible for the compilation of quarterly and annual non-financial accounts, annual financial accounts and Maastricht debt. The BNB compiles quarterly financial accounts, while the MoF provides planned data in the EDP tables and is also responsible for the compilation of the quarterly Maastricht debt.

#### *Discussion and methodological analysis*

The Bulgarian statistical authorities explained that there has been no changes in the institutional arrangements in the framework of the EDP data compilation since the last EDP dialogue visit in 2018. The current MoU is still in the process of update. The changes will not be substantial and will mainly relate to the ESA 2010. No further changes are foreseen in the institutional arrangements and cooperation agreements.

Eurostat further enquired on how the Bulgarian statistical authorities were planning to organise data collection on the Recovery and Resilience Facility (RRF). The Bulgarian statistical authorities explained that the draft National Plan for the RRF was currently under public discussion and consultation. It was expected to be adopted by end-April 2021. The discussions on the practical implementation of data collection on the RRF have already started in order to ensure the proper reporting of separate RRF-related transactions as a part of EU flows reports.

#### *Findings and conclusions*

**Action point 1:** The Bulgarian statistical authorities agreed to provide an updated version of the Memorandum of Understanding (MoU) on EDP issues signed between the National Statistical Institute (NSI), the Ministry of Finance (MoF) and the Bulgarian National Bank (BNB) - in English.

*Deadline: when available*

## **1.2. Data sources and revision policy, EDP inventory**

### *Introduction*

The ESA 2010 EDP Inventory is published on the website of Eurostat and provides detailed information on data sources used. Under this point of the agenda, the data sources and the revision policy were discussed in more detail.

Budget reporting and trial balance<sup>1</sup> of the budgetary units are the main data sources used for the compilation of government accounts. The data reported in the budget are available on a cash basis, whereas trial balances are produced on an accrual basis. The same data sources are used for the compilation of financial and non-financial accounts.

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<sup>1</sup> A trial balance is a kind of a general ledger, on a quarterly basis, and contains data on debit, credit, stock and flows.

The main data source used for the central government debt is the Official Register of Government and Government Guaranteed debt (ORGGGD), created and maintained by the MoF.

### *Discussion and methodological analysis*

Data sources were discussed in detail during the last EDP dialogue visit and the NSI explained that there have been no changes since then. The detailed description of data sources by government sub-sectors is described in the EDP inventory, publicly available on Eurostat's website<sup>2</sup>. Eurostat proposed to clarify some information provided in the inventory, such as the supplementary information used for the calculation of accrued interest in nonfinancial and financial accounts.

Eurostat asked whether the NSI has an access to the MoF databases. The Bulgarian statistical authorities confirmed that the NSI has a direct access to the primary source data of first level spending units (i.e. ministries), such as cash execution of the budget, balances and trial balances of units. In January 2014, an agreement was signed between the NSI and MoF, in order that the NSI's experts have a direct access to individual data in the information system of MoF.

As regards the data sources used for the compilation of Maastricht debt, the MoF explained that the main source data used for the central government debt was the Official Register of Government and Government Guaranteed debt (ORGGGD), created and maintained by the MoF. While the MoF compiles all necessary data for the Maastricht debt, the NSI has a final decision on the final implementation of the methodology. In other words, the NSI is responsible for the supervision of the whole compilation process, while the MoF actually compiles data (i.e. makes the necessary checks and validations). The information of the social security funds debt is also included in this register. The separation of the sub-sectors debt data allows to report debt according to the EDP rules. For this purpose, a specific statistical module was created in the register. The cooperation between the two institutions was considered as good.

As this database is not web-based, the NSI does not have a direct access to the database, but it receives, if necessary, an extraction from it. Eurostat proposed to reflect on whether this exchange could be formalised and incorporated in the MoU between the NSI and the MoF.

As regards local government, debt data is derived from the trial balances of local governments (municipalities). A *Central Register of Municipal debt* (CRMD) is also established in the MoF. All municipalities are obliged to provide, to the MoF, the information on debt in line with the EU rules and the Bulgarian legislation on public accounts. The whole local government debt data is kept in the CRMD.

The Bulgarian statistical authorities confirmed that the ORGGGD has an interface connection to the CRMD database, which permits the automation of the consolidation procedure from

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<sup>2</sup> <http://ec.europa.eu/eurostat/documents/1015035/7110762/BG-EDP-Inventory-201512.pdf>

2016 onwards. While central government (budget) data is available on a monthly basis, local government data is available on a quarterly basis.

Regarding the revision policy, the Bulgarian statistical authorities confirmed that no change was planned. April EDP notifications are based on preliminary data, while October EDP notifications are based on final data. Data sources used are the same and, in general, only data for the year n-1 is revised in October notifications. In principle, no further revisions are made to years n-4 to n-2 and data for these years may be revised only in exceptional cases.

#### *Findings and conclusions*

**Action point 2:** Eurostat asked the Bulgarian statistical authorities to provide an update of the EDP inventory in line with the 2020 template. The Bulgarian statistical authorities will take into account comments raised by Eurostat under various items of the agenda.

*Deadline: end-December 2021*

**Action point 3:** The Bulgarian statistical authorities agreed to clarify and, if necessary correct, the EDP inventory with regard to the supplementary information used for the calculation of accrued interest in non-financial and financial accounts.

*Deadline: end-May 2021*

**Action point 4:** As regards the database on debt (Official Register of Government and Government Guaranteed debt) held at the MoF, the MoF agreed to provide an extraction of the database to the NSI on a regular basis. The Bulgarian statistical authorities agreed to reflect on whether this exchange could be formalised and incorporated in the MoU between the NSI and the MoF.

*Deadline: ongoing*

## **2. FOLLOW-UP OF THE EDP DIALOGUE VISIT OF 7-8 JUNE 2018**

### *Introduction*

The Bulgarian statistical authorities have implemented all action points (APs) from the 2018 EDP dialogue visit (although some APs are still discussed with Eurostat). The follow-up of some action points was further discussed under various points of this meeting.

### *Discussion and methodological analysis*

Regarding the AP 1<sup>3</sup>, the Bulgarian statistical authorities explained that, at this stage, the Memorandum of Understanding on EDP issues has not been updated yet and will be provided to Eurostat as soon as it becomes available (see the Action point 1 under item 1.1).

#### *Findings and conclusions*

Eurostat took note that all action points from the previous EDP dialogue visit have been implemented. The follow-up of some action points is further discussed under various points of the agenda.

### **3. FOLLOW-UP OF THE OCTOBER 2020 EDP REPORTING – ANALYSIS OF EDP TABLES AND THE RELATED QUESTIONNAIRES**

#### *Introduction*

Eurostat thanked the NSI for their timely and accurate transmission of the EDP tables and relating questionnaires.

#### *Discussion and methodological analysis*

Eurostat took note that the 2019 government deficit was revised by about 0.3 % of GDP mainly due to taxes and emission permits. The main outstanding issues from the October 2020 EDP notification were related to deferral of taxes due to COVID-19 and to a special clause in the tax payment deadline. Both adjustments should be reflected in national accounts. These issues were discussed in detail under the point 4.2.1. Also other remaining issues, such as the recording of purchase of military aircrafts, DIF<sup>4</sup>'s proceeds from the liquidation of the CCB and emission permits, were discussed under the relevant items of the agenda.

#### *Findings and conclusions*

The outstanding issues of the October 2020 EDP notification were discussed under various items of the agenda, namely 4.2.1 (taxes), 4.2.4 (recording of purchase of military aircrafts), 4.3.1 (DIF's proceeds from the liquidation of the CCB) and 4.3.7 (emission permits).

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<sup>3</sup> *Action point 1*: The Bulgarian statistical authorities agreed to provide an updated version of the Memorandum of Understanding (MoU) on EDP issues signed between the National Statistical Institute (NSI), the Ministry of Finance (MoF) and the Bulgarian National Bank (BNB) - in English.

<sup>4</sup> DIF – Deposit Insurance Fund



## 4. METHODOLOGICAL ISSUES AND RECORDING OF SPECIFIC GOVERNMENT TRANSACTIONS

### 4.1. Delimitation of general government

#### 4.1.1 Changes in sector classification since the 2018 EDP visit

##### *Introduction*

Prior to the visit, the Bulgarian statistical authorities provided a list of units classified in the general government sector, by sub-sectors.

According to the Accountancy Act and the National Statistical Programme, all companies registered under the Commercial Law are obliged to submit an annual report. Part of this report relates to revenue and expenditure, and provides all the necessary information for the calculation of the market /non-market test (i.e. 50 % test). The 50 % test is implemented on an annual basis for all public units controlled by central and local government, taking into account the last three consecutive years.

All public hospitals are classified in the sub-sectors of central or local government. The universities and the Bulgarian Academy of Science execute their budgets according to their special laws, outside the State Budget and are included in the general government sector.

Prior the meeting, the Bulgarian statistical authorities provided also a Table on main revenue and expenditure items of other central and local government units/groups (OCGB and OLGB) of units and financial transactions for 2019.

##### *Discussion and methodological analysis*

Firstly, the NSI confirmed that there have been no substantial changes in the process of sectorisation since the last EDP dialogue visit. Then, the participants of the meeting reviewed the main changes in the list of units classified in general government sector since the last EDP visit in 2018. Eurostat took note that 16 units were re-classified in the general government sector (S.13) from 2018 to 2019. Eurostat enquired whether the qualitative criteria, as defined in the Manual on Government Deficit and Debt (MGDD), is also used for re-classification of units. The Bulgarian statistical authorities confirmed that this was the case, and for this purpose relevant legal acts, regulations and annual accounts of units were used. For example the *National association of municipalities* and the *Bulgarian Energy Holding* were reclassified on the basis of the qualitative criteria. The Bulgarian statistical authorities agreed to provide an exhaustive list of units that were re-classified in S.13 in recent years on the basis of the qualitative criteria.

The list of general government units is updated every two years and it is published on the website of the National Statistical Institute<sup>5</sup>.

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<sup>5</sup> <https://www.nsi.bg/en/content/5286/%D0%BC%D0%B5%D1%82%D0%B0%D0%B4%D0%B0%D0%BD%D0%BD%D0%B8/government-deficitsurplus-and-debt-levels>

The Bulgarian statistical authorities confirmed that the MGDD rules are applied for the public units in liquidation. The market non-market test is applied yearly and whenever it shows the results below 50 %, it is considered that it is unlikely that the results could reverse in the next two years, therefore the unit concerned is reclassified in S.13 immediately.

Finally, a table on main revenue and expenditure items of OCG/OLG units/groups of units and financial transactions was discussed in more detail. Eurostat welcomed the delivery of such a detailed breakdown of revenue/expenditure for central and local government bodies. It appreciated very much the effort and work undertaken by the Bulgarian statistical authorities to complete this table.

While analysing this table, Eurostat noted that it was completed only for the non-budgetary units' non-financial accounts. It should have been filled in also for budgetary units. For example, while the column 11 should indeed include only data for other central government bodies, the column 13 should cover the budgetary units. Thus, the column 16 should be equal to the whole central government sub-sector (S.1311), i.e. including budgetary units. The consolidation within the S.1311 between the State and other central government bodies is expected to be shown. As regards the part on financial accounts, Eurostat clarified that the column 16 should be equal to the ESA table 27 data.

The Bulgarian statistical authorities explained that this table included aggregated data only for hospitals while other units were presented at an individual level. It was agreed that this table would be updated in line with Eurostat comments raised during the meeting. If necessary, the Bulgarian statistical authorities would contact Eurostat for additional methodological guidelines.

#### *Findings and conclusions*

**Action point 5:** The Bulgarian statistical authorities agreed to update the Table on main revenue and expenditure items of GG units/groups of units and financial transactions for 2019, along the lines discussed in the meeting. If necessary, the Bulgarian statistical authorities will contact Eurostat for further clarification.

*Deadline: end-June 2021*

**Action point 6:** Eurostat asked the Bulgarian statistical authorities to provide a list of units that were re-classified in the general government sector in 2018-2020 on the basis of the results of the qualitative test, in line with the MGDD.

*Deadline: mid-March 2021<sup>6</sup>*

#### **4.1.2. Follow-up of the sector classification of Bulgarian Energy Holding and Bulgarian Development Bank**

The discussion focused on the sector classification of the Bulgarian Energy Holding and the Bulgarian Development Bank, as a follow-up of the last EDP visit.

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<sup>6</sup> The list was provided on 16 March 2021.

## Bulgarian Energy Holding (BEH)

### *Introduction*

BEH is a fully government-owned holding company, created in 2008. It is structured as a holding company, in which the subsidiaries are incorporated into the holding structure but retain their operational autonomy, including the individual licenses issued. The BEH carries out activities in the field of financial management, project management, corporate governance and business planning.

The government, as a unique shareholder, can influence strategic investment decisions of the company, especially in international projects, but does not intervene in the operational management of the company. If a subsidiary was to be sold, the sale would be carried out through the Privatisation Agency in compliance with the Privatisation Law. The proceeds from the sale would go to BEH and not to government.

The BEH has a one-tier management structure, i.e. the Board of directors (3-5 members). The Ministry of Energy nominates three members of the Board, which, according to the law, cannot be government officials. BEH's permission is required if one of the subsidiaries would like to acquire another entity. Similarly, the Minister of Energy's permission is required for any new acquisitions of BEH.

As a follow-up of the 2018 EDP visit, Eurostat concluded that the BEH could not be considered, in national accounts, as a head office as its main function was to borrow on the market and then redistribute funds to its subsidiaries. Accordingly, the BEH was recognised as an auxiliary unit (funding arm) of its biggest subsidiary, *Natsionalna elektricheska kompaniya* – NEK, classified in S.11 (*Non-financial corporations*).

All subsidiaries are currently classified in S.11 on the basis of the market / non market test.

### *Discussion and methodological analysis*

Prior the visit, the Bulgarian statistical authorities provided an update on the latest developments. Also the market / non market test per subsidiary, for the last three years, was provided.

The latest developments were as follows:

- A new subsidiary was created in December 2019 - *Gas Hub Balkan*. It became operational in January 2020;
- The *South Stream Bulgaria* has not been operational since December 2019, as agreed between the shareholders of the project company (*Gazprom* and BEH) Presently, preparatory steps are being taken to liquidate the company;
- *Kozloduy NPP* - will carry out activities for construction of a new nuclear power plant. A decision has entered into force in April 2019 while, in February 2020, an order was issued to approve the site for deployment of a new nuclear power plant (*Site № 2*).
- *TPP Maritza East 2 (9 and 10)* has not been operational since end-December 2019. In 2020, a procedure was launched to merge it with the *TPP Maritza East 2*.

BEH has currently 15 subsidiaries and the 50 % test is applied to all of them, except for the two subsidiaries which are not considered as institutional units in national accounts and are consolidated with their controlling units (i.e. other subsidiaries of BEH). All subsidiaries comply with the 50 % test and are for that reason classified in S.11.

Eurostat noted differences in the 50 % test of NEK itself and of “NEK consolidated with BEH” (as presented in the *Questionnaire on public corporations*). The Bulgarian statistical authorities were asked to clarify the main reasons for these differences. As dividends represent the majority of the BEH’s revenue, which should be excluded from the 50 % test, Eurostat would expect to observe only small differences. However, the difference in 2019 was quite substantial.

### *Findings and conclusions*

**Action point 7:** The Bulgarian statistical authorities agreed to clarify and explain the differences in the market non-market test between the BEH (recognised as an auxiliary unit for its biggest subsidiary – NEK) and NEK.

*Deadline: end-February 2021*<sup>7</sup>

## The Bulgarian Development Bank

### *Introduction*

The Bulgarian Development Bank (BDB) is a financial institution, owned by the State. Its focus is to support small and medium-sized enterprises (SMEs) directly or via other credit institutions.

In pursuing the government policy on SMEs, the Council of Ministers may approve the strategic goals and tasks of the bank. The government may only influence the BDB’s general business strategy and may not participate in the daily running of the bank. The Council of Ministers approves a three-year strategy for the bank’s activity in accordance with the national economic policy, following a proposal from the Minister of Economy.

The BDB has a two-tier management structure as follows:

- The *Supervisory Board* consists of three members, elected by the General Meeting of Shareholders for a five-year term. One of the members is the Deputy Minister of Economy. The supervisory Board may not take any part in the day-to-day management of the bank. Currently there are three members; the chairperson is the deputy Minister of Economy while the other two members has no official government position.
- The *Management Board* consists of three up to five members, elected by the Supervisory Board for a five-year term and bears full responsibility for the day-to-day management of the bank.

The BDB has a licence for banking activity under which it may carry out all banking operations permitted by the law, not restricted by government. The BDB is engaged in the

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<sup>7</sup> The information was provided on 16 February 2021.

business of publicly accepting deposits or other repayable funds and extending loans and other financing for its own account and at its own risk.

#### *Discussion and methodological analysis*

The sector classification of the BDB was extensively discussed in the past EDP visits. Eurostat thanked the NSI for providing a follow-up note on the BDB, including the main developments in recent years.

A new Corporate Governance Code of the Bulgarian Development Bank and the companies of the BDB Group was adopted in 2020. Accordingly, as of 2020, the powers of the Supervisory Board are the following:

- it approves decisions of financing/refinancing of companies having liabilities classified as *Nonperforming loans* or *Loss*;
- in accordance with the requirements of Art. 45 of the *Law on Credit Institutions*, it preliminarily approves decisions for credit exposures;
- it approves all operations amounting to more than 5 percent of the BDB equity.

In order to analyse whether constraints on the assets side existed, in line with the MGDD chapter I.6.6, Eurostat asked the Bulgarian statistical authorities to provide the information on the percentage in total size of operations, which needed an approval of the Supervisory Board. Prior to the meeting, the NSI provided such information and its analysis showed that less than 8 % of all operations required an approval by the Supervisory Board in 2017 and 2020 while in 2018 and 2019 this percentage was much higher (18 % and 30 % respectively). Eurostat acknowledged that the majority of operations did not require the approval of the Board. The Bulgarian statistical authorities were asked to closely follow up on any changes, in particular whether a majority of the operations would need an approval of the Supervisory Board and report it back to Eurostat.

As the Chairman of the Supervisory Board is the deputy Minister of Economy, Eurostat asked the Bulgarian statistical authorities to further clarify the role of the Supervisory Board, in particular whether the Board has any veto rights on individual operations of the bank, besides the so called “*non-performing loans*” and “*transaction of a single client exceeding 10 % of the equity*”. The Bulgarian statistical authorities will also clarify whether the Chairman of the Supervisory Board has a veto right on the decisions of the Supervisory Board itself.

Next, the BDB’ operations re-routed via government accounts were discussed. At present, only the National programme for energy efficiency of multi-family residential buildings (NEEP) is rerouted via government accounts. As it was discussed during the last EDP visit, this activity has been mandated to the BDB, i.e. government decided for the BDB to participate in this programme. Therefore, the money advanced by the BDB to government in order to pay suppliers is re-routed via government accounts as F.4 liability (loan) with an impact on government debt. The time of recording of expenditure is recorded in the government accounts at the time of the certification of work.

The Bulgarian statistical authorities explained that no other operations, to be re-routed via government accounts, have been identified. Eurostat asked to receive a note on current

procedure in place and the sources of information used to identify possible re-routing via government accounts.

The capital increase of the BDB in 2020 was discussed under the item 4.3.2 and the capital injection in the First Investment Bank (FIB) made by government through the BDB was discussed under the item 4.3.6.

#### *Findings and conclusions*

**Action point 8:** As regards the Bulgarian Development Bank, the Bulgarian statistical authorities agreed to clarify the role of the Supervisory Board, in particular whether the Board has any veto rights on individual operations of the bank, besides the so called “nonperforming loans” and transaction of a single client exceeding 5 % of the equity. The Bulgarian statistical authorities will also clarify whether the Chairman of the Supervisory Board has a veto right on the decisions of the Supervisory Board itself.

*Deadline: end-May 2021<sup>8</sup>*

**Action point 9:** As regards the re-routing of some operations of public corporations on behalf of government, the Bulgarian statistical authorities agreed to describe the current procedure in place and provide information on the sources of information used.

*Deadline: end-May 2021<sup>9</sup>*

### **4.1.3 Government controlled entities classified outside general government (public corporations)**

#### *Introduction*

Eurostat, together with the Bulgarian statistical authorities, reviewed the last version of the *Questionnaire on government-controlled entities*.

#### *Discussion and methodological analysis*

The Bulgarian statistical authorities explained that the main criteria used for classification of new units in S.13 are as follows: legal status, economically significant prices, ownership, NACE activity and the results of the 50 % test.

For the compilation of this questionnaire, data are extracted from the information system of Business Statistics, which contains annual reports of all enterprises. It is updated on a quarterly basis.

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<sup>8</sup> The required information was provided on 31 May 2021.

<sup>9</sup> The required information was provided on 31 May 2021.

The NSI explained that some units were no longer included in the last version of the questionnaire as they were liquidated or merged with other units while some new units emerged on the list.

As regards the *Guarantee fund (Garancionen fond)*, Eurostat considered that it couldn't remain classified in S.12 (*Financial corporations*), as government (via the *Financial Supervision Commission*) determines the level of contributions to this fund. In addition, its main activity seemed to be of a non-market nature, i.e. payment of compensations of the obligatory Motor Third Party Liability insurance and Accident. The *Guarantee Fund* performs tasks assigned by law, and focused on the protection of interests of both the Republic of Bulgaria and European Union citizens. Eurostat considered this activity as a nonmarket one.

### *Findings and conclusions*

**Action point 10:** Eurostat asked the Bulgarian statistical authorities to reclassify the Guarantee Fund (*Garancionen fond*) in S.1311 due to the nature of contributions paid by insurers to the fund as well as due to the non-market activity of the fund.

*Deadline: April 2021 EDP notification*<sup>10</sup>

## **4.2. Implementation of the accrual principle**

### **4.2.1. Accrual taxes and social contributions**

#### *Introduction*

The Bulgarian statistical authorities currently apply a specific time adjusted cash method (TAC) for VAT, excise taxes, corporate income taxes (CIT) and personal income taxes (PIT).

For VAT, PIT and CIT, each type of tax receipt is broken down by components – cash amounts, tax refunds, receipts from tax audits, etc. This method has been used since 2008.

The National Revenue Agency (NRA) provides data for all taxes while the estimated time adjusted cash data for excise duties are based on the tax declarations collected by the Custom agency. A detailed description of the current method used is available in the EDP inventory<sup>11</sup>.

The specific time adjustment method used was extensively discussed during the previous EDP dialogue visits, when Eurostat expressed doubts on whether the method used could be called a TAC, as estimations were used in order to calculate accruals. Accordingly, the current method often leads to sizeable revisions of tax revenues.

During the last EDP visit, Eurostat emphasized that the main principles to be followed was that the time lag should reflect economic reality. Any change of tax legislation should be reflected in a time lag. A weighted average time lag should be adjusted in case of a change of

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<sup>10</sup> This fund was classified in S.13 in the context of the April 2021 EDP notification.

<sup>11</sup> <https://ec.europa.eu/eurostat/documents/1015035/7110762/BG-EDP-Inventory-201512.pdf>

legislation in order to avoid reporting 13 months of tax revenue in one year and only 11 months in another year.

Eurostat also underlined that any possible cases of deliberate postponing of refunds by government in one year should be analysed by the NSI and, if necessary, data should be adjusted accordingly. The pattern of tax refunds should be closely monitored by the NSI.

The NSI agreed to change the method and prior to the meeting, it provided a note and data in line with the new method, in particular for CIT, PIT and VAT.

Under this point of the agenda two issues related to taxes were also discussed, both already discussed extensively in the context of the October 2020 EDP notification. The first issue was related to the deferral of CIT taxes, from March 2020 to June 2020, due to COVID-19. The second issue concerned a special clause which allowed firms to pay CIT in the first working day (that is, in April) if end-March was on the weekend. Both above-mentioned issues require an ad-hoc adjustment in national accounts.

#### *Discussion and methodological analysis*

Firstly, the new simple TAC was discussed extensively. Prior to the visit, the NSI provided the data with a detailed calculation of the main taxes (VAT, CIT, and PIT) in line with the new method. At the same time, also the differences between the current and the new method were reviewed, in particular whether the stock of receivables related to taxes was the same over years. As it was discussed in the past, it should have not lead to accumulating of B.9 (via Other accounts receivables) (presented in the Table 5 of the Questionnaire relating to the EDP notification tables).

The discussion focused on the main taxes, i.e. PIT, CIT and VAT. The proposed time lag was one month for PIT and VAT and three months for CIT. The NSI confirmed that time lag was the same for tax payments and for refunds.

Eurostat enquired about the data sources used, as it was observed that two data sources existed, i.e. data from the National Revenue agency (tax authorities) and data from the Ministry of Finance (Consolidated fiscal programme). The Bulgarian statistical authorities explained that both data sources had the same coverage, but there was a difference on when data became available. While CIT and PIT data were available on a monthly basis from the MoF' data source, this data was available only on a quarterly basis from the NRA' data source. As the time lag used for PIT and CIT was one month, Eurostat agreed that the MoF's data could be used in April notification although it was available only on a net basis (i.e. not available separately for tax payments and refunds). In general, in the context of April notifications, the MoF's data would be used and in October notifications they could be replaced by the NRA's data.

As regards VAT taxes, the NRA data source would be used in both EDP notifications as it was available on a monthly basis (and on a gross basis).



As explained above, in the case of VAT and PIT, a time lag of one month was used, therefore relevant data would be available timely for the April EDP notifications. However, in the case of CIT, a time lag of three months was used. The Bulgarian statistical authorities proposed to estimate this time-lag (as it was done in the current method) on the basis of an annual forecast. Eurostat disagreed with such estimations as it would possibly again lead to rather sizeable revisions of data. As CIT monthly data was available at the MoF, Eurostat proposed to use the MoF' real monthly data for the first two months (year t+1) and complement it with an estimation for the last month only (i.e. March of year t+1). As regards the estimation to be used for the last month (March), Eurostat proposed not to use the annual forecast, but rather to make an analysis of the time adjustment data of the time lag for the last 10 years and compare it with the quarterly (and monthly) movements. The estimation should be complemented with the information available on large transactions. The use of this method was expected to avoid any significant revisions.

Next, the discussion focused on VAT taxes. The Bulgarian statistical authorities confirmed that the proposed time lag was one month for VAT payments as well for refunds. VAT from import would be recorded on a cash basis due to immediate payments of these taxes. Similarly, VAT paid for past years and revision acts<sup>12</sup> for past years would be also recorded on a cash basis. Eurostat agreed and took note that a part of VAT taxes, recorded on a cash basis, would cover only a very small percentage of total VAT taxes.

Eurostat underlined once again that, whenever an average time lag is used, the stock of receivables related to taxes was expected to be the same over years and should not lead to accumulation. In this context, the *Table 5 of the Questionnaire relating to the EDP notification table*, completed in line with the new simple TAC method, proved that the new simple TAC method was more appropriate than the current method.

While differences between the current and the new method were rather negligible for CIT and PIT (except for some years), quite high differences for VAT were observed. In particular, the year 2007 seemed to be problematical. The Bulgarian statistical authorities explained that the main reason for such a high difference in 2007 was due to the expected accession to the EU. They considered that the time lag of one month was not fully applicable to years 2006-2008 and neither to previous years. Conversely, Eurostat thought that it was more appropriate to change the method for the whole time series, from 1995 onwards, in order to avoid break in time-series. Otherwise an *Other changes in Volume* (OCV) would incur in 2009 (of about 1 billion BGN). Even so, Eurostat agreed that the Bulgarian statistical authorities would provide a note, explaining their reflections and arguments on why the new method for VAT should not be implemented prior to 2008. This note was expected to be provided in advance to the implementation of the new method.

Eurostat and the Bulgarian statistical authorities agreed that the new method would be implemented in the context of the October 2021 EDP notification. The Bulgarian statistical authorities also agreed to further investigate data sources to be used in the April and October EDP notifications (in particular concerning CIT). Finally, it was also decided that further

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<sup>12</sup> It refers to VAT collected after the deadline (the NRA obliges companies to pay pending taxes).

discussion / clarification would be needed on how the new method should be implemented and reflected in the quarterly GFS data.

Next, the issues identified during the last October 2020 EDP notification were discussed in more detail.

The first issue was related to the deferral of CIT taxes due to COVID-19. In line with the *Bulgarian Corporate Income Tax Act*, companies have to declare and pay the remainder of their annual corporate income tax (i.e. a part that hasn't been already paid in advance during the year – so called *final settlements*) no later than end-March of the following year. In 2020, due to COVID-19, this deadline was moved to end-June. The deferral of CIT applied only to the final settlements. As the Bulgarian statistical authorities currently use time adjustment tax method, a special adjustment should have been made in national accounts in line with the MGDD. It was evident that some amounts, normally paid in the first quarter (Q1) were delayed to be paid in the second quarter (Q2,) as the deadline for payment was delayed from March to June 2020. As the time lag used for CIT was three months, this would impact the recording in national accounts. Hence, those final settlements, moved for three months, should be recorded in 2019 and not in 2020. The Bulgarian statistical authorities said that some of these taxes might be paid even in the third or fourth quarter of 2020.

Eurostat concluded that an ad-hoc adjustment should be made, in national accounts, in 2019 and 2020 due to the deferral of CIT payments as described above. Furthermore, Eurostat underlined that it was crucial to avoid any situation where tax revenue of more (or of less) than 12 months would be recorded in a single year. The Bulgarian statistical authorities agreed to implement this adjustment in the context of the April 2021 EDP notification for the years 2019 and 2020. The exact amounts would be provided to Eurostat before the April 2021 EDP notification.

The second issue, identified in the context of the October 2020 EDP notification, concerned a special clause in the tax payment deadline, which allowed firms to pay CIT in the first working day if the end-March falls on the weekend. Eurostat explained that, also in such case, an ad-hoc adjustments should be made in national accounts and currently a part of taxes were not recorded in the correct year as they were cashed in the second quarter instead of in the first one and thus were not captured by the time adjustment. In other words, as a time lag of three months was used, these taxes were recorded in year  $t+1$ , but in national accounts, they should have been move backwards and recorded in year  $t$ . Eurostat asked the Bulgarian statistical authorities to make an ad-hoc adjustments for 2018 and 2019 (when such situation incurred in the past) and also in the future, whenever needed.

### *Findings and conclusions*

**Action point 11:** As regards taxes and the implementation of the new simple Time adjusted cash method (TAC) to be introduced in the context of the October 2021 EDP notification, Eurostat asked the Bulgarian statistical authorities to describe the procedure to be used for the April notifications. This is in particular important for Corporate Income Tax (CIT) where a time lag of three months is being used. Eurostat took note that a time lag of one month will be

used for Personal Income Tax (PIT) and VAT. As regards CIT, Eurostat strongly recommended the Bulgarian statistical authorities to use the real monthly data of the MoF for the first two months (t+1) and complement it with an estimation for the last month only (i.e. March t+1). This is relevant for April notifications. As regards the estimation to be used for the last month (March), Eurostat proposed not to use the annual forecast, but rather to make an analysis of the time adjustment data of the time lag for the last 10 years and compare it with the quarterly movements. The estimation should be taking into account the information available on large transactions.

*Deadline: October 2021 EDP notification*

**Action point 12:** As regards VAT, Eurostat took note of the position of the Bulgarian statistical authorities that a time lag of one month would not be appropriate for the years 2006-2008 as well as for earlier years. Eurostat's opinion was that it is appropriate to change the method to the new simple TAC method for the whole time series and avoid time series brakes. However, Eurostat agreed that the Bulgarian statistical authorities provide a note, including their reflection and arguments, explaining in detail why the new method for VAT should not be implemented prior to 2008.

*Deadline: 10 September 2021*

**Action point 13:** As regards CIT taxes, Eurostat asked the Bulgarian statistical authorities to make ad-hoc adjustments for 2018 and 2019 as well as in the future, whenever needed. This became inevitable due to the existence of the new special clause moving the CIT tax payment deadline to the next quarter. It is notably the case when the deadline at the end of March falls on the weekend and the firms pay CIT in the first working day of April.

*Deadline: April 2021 EDP notification and in the future EDP notifications (when applicable)<sup>13</sup>*

**Action point 14:** As regards the deferral of CIT payments due to COVID-19, from March to June 2020, it was agreed that an ad-hoc adjustment would be made for 2019 and 2020. The exact amounts are to be provided to Eurostat.

*Deadline: end-February 2021 and to be implemented in the April 2021 EDP notification<sup>14</sup>* **Action point 15:** Regarding CIT, it was agreed that the simple TAC would continue to be used with a time lag of three months. However, an ad hoc adjustments will have to be made in the context of the measures related to COVID-19 between years and quarters in order to avoid the situation where tax revenue of more or of less than 12 months in a single year would be recorded.

*Deadline: ongoing*

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<sup>13</sup> This adjustment was implemented in the context of the April 2021 EDP notification.

<sup>14</sup> The exact amounts for 2019 were provided to Eurostat on 26 February and implemented in the context of the April 2021 EDP notification. An estimation for 2020 was also provided and included in 2020 CIT taxes.

## 4.2.2. Accrued interest

### *Introduction*

The Bulgarian statistical authorities calculate data on cash and accrued interest expenditure automatically from the debt register, kept at the MoF, on an instrument-by-instrument basis.

The main source data for interest accrued and paid are trial balances and cash reports of units. The cash revenue from interest is included in the working balance (WB). Before the visit, the NSI provided an ad-hoc table on interest, which was discussed during this point of the agenda.

### *Discussion and methodological analysis*

Eurostat and the Bulgarian statistical authorities reviewed the ad-hoc table on interest. Eurostat took note that the table covers the whole central government sub-sector (S.1311). The table seemed to be consistent with the EDP tables. However, Eurostat enquired about the main reasons of the increase of the stock of coupons in 2014-2016. The Bulgarian statistical authorities agreed to provide explanations for this increase.

Eurostat wanted to clarify whether premiums and discounts were recorded in the working balance (WB). If these cash flows were included in the WB, they should be neutralised in the EDP table 2A. Usually, such adjustments are made under the item *Financial transactions not included in the WB*. The Bulgarian statistical authorities agreed to investigate on this issue and report back to Eurostat.

### *Findings and conclusions*

**Action point 16:** Eurostat asked the Bulgarian statistical authorities to explain the increase of the stock of coupons in 2014-2016 in the Table on interest, provided prior the meeting.

*Deadline: end-February 2021*<sup>15</sup>

**Action point 17:** Regarding interest, Eurostat asked the Bulgarian statistical authorities to verify whether premiums and discounts are included in the Working Balance (WB) in the Table 2A. If these cash flows are entering the WB, they should be excluded and appropriately neutralised in the Table 2A, possibly via the *Financial transactions not included in the WB*.

*Deadline: end-February 2021*<sup>16</sup>

## 4.2.3 EU flows

### *Introduction*

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<sup>15</sup> The explanations were provided on 26 February 2021.

<sup>16</sup> The explanations was provided on 26 February 2021.

EU flows are distributed through two central government bodies, the National Fund in the Ministry of Finance and the Agricultural Fund – Payment Agency, both classified in the central government sub-sector. The beneficiaries of EU funds provide additional information. The MoF is the main data source for EU funds.

The accrual adjustment in the EDP tables 2 is done via *Other adjustments line - EU flows corrections*. The adjustments are made only for EU-financing, while national co-financing is recorded as expenditure.

This issue has been extensively discussed with the Bulgarian statistical authorities in the previous EDP dialogue visits. Eurostat agreed that, generally, the recording of EU funds seemed to be correct and in line with the rules. Conceptually, the approach chosen by the MoF was correct, but the presentation could be more transparent. The method used is described in detail in the EDP inventory and in previous final findings of the EDP visits.

#### *Discussion and methodological analysis*

Firstly, Eurostat enquired about the recording of EU flows in public accounts. The MoF explained that EU flows are included in the budget and in the Fiscal Programme. For the presentation in the EDP tables 2 (namely 2A and 2C), all EU flows are excluded from the WB and shown separately under the adjustment line *Net lending / net borrowing of other central government bodies* (extra-budgetary accounts related to EU funds).

Eurostat said that this approach was rather unusual as the WB was not supposed to be altered in such a way. In addition, Eurostat understood that the extra-budgetary EU funds were not considered as institutional units in national accounts. Accordingly these funds should not be reported under the line *Other central government bodies*. The Bulgarian statistical authorities explained that such an approach was chosen in order to show all flows related to EU separately. Eurostat confirmed that the method for recording of EU funds appeared to be correct and in line with the rules. In addition, good data sources were available at the MoF (i.e. cash reports of the extra-budgetary EU funds). However, the presentation in the EDP tables and related questionnaire was not exactly correct and it was proposed the following changes to be introduced:

- to move the balance of the Extra budgetary accounts related to EU flows from the line *Net lending / net borrowing of other central government bodies* to *Other adjustments* in the EDP Tables 2A and 2C;
- to remove the Extra budgetary accounts related to EU flows from the Table 3 of the Questionnaire relating to the EDP notification tables;
- to add the amounts related to the balance of the Extra budgetary accounts related to the EU flows in the Table 6 of the Questionnaire relating to the EDP notification tables.

The above-mentioned presentation was more appropriate and in line with the guidelines for completing the EDP notification tables and Questionnaire relating to the EDP notification tables. It also assures that no additional details on EU flows are lost.

Then, Eurostat enquired about the recording of EU financial instruments in national accounts. Since the last EDP visit in 2018, the MGDD has been updated on this issue and the following EU correction should be implemented at the level of the beneficiary (fund manager):

- If it is classified outside S.13: any funds from EU that transit through government accounts are recorded a financial transaction without an impact on B.9;
- If it classified in S.13: cash received is recorded as F.89 (payable) and not revenue. F.89 are decreased when funds are considered lost (i.e. loan granted to final recipient is cancelled or guarantee is called).

The MoF explained that the sole fund manager of financial instruments was classified in the S.13 and it was a part of the MoF. Some lending activities have already started (about 74 million of loans were extended). The MoF clarified that cash related to EU flows was recorded in national accounts as F.8. In this particular case, when fund manager provides money to the recipient, it was recorded, in national accounts, as a financial transaction, i.e. as a loan (F.4). If a part of a loan would have not be repaid, both expenditure and revenue should be recognised at the fund manager (correspondingly decreasing F.4 assets, and F.89 pay towards EU). Eurostat asked the Bulgarian statistical authorities to verify when F.8 - payables were recognised in the accounts of the fund manager and to provide the stocks concerned.

#### *Findings and conclusions*

**Action point 18:** Regarding the recording of EU Financial instruments (FI), Eurostat asked the Bulgarian statistical authorities to provide information when F.8 - payables were recognised in the accounts of the entity Fund manager of financial instruments and provide to Eurostat the amounts concerned.

*Deadline: end-February 2021<sup>17</sup>*

**Action point 19:** As regards the presentation of the EU flows in the EDP tables and in the Questionnaire relating to the EDP notification tables, Eurostat asked the Bulgarian statistical authorities to make the following changes:

- to move the balance of the Extra budgetary accounts related to the EU flows from the line Net lending / net borrowing of other central government bodies to Other adjustments in the EDP Tables 2A an 2C;
- to remove the Extra budgetary accounts related to the EU flows from the Table 3 of the Questionnaire relating to the EDP notification tables;
- to add the amounts linked to the balance of the Extra budgetary accounts related to the EU flows in the Table 6 of the Questionnaire relating to the EDP notification tables.

*Deadline: April 2021 EDP notification<sup>18</sup>*

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<sup>17</sup> The relevant information was provided on 26 February 2021.

<sup>18</sup> The presentation was amended in the context of the April 2021 EDP notification.

#### 4.2.4 Military equipment expenditure

##### *Introduction*

The NSI records expenditure for the acquisition of military equipment at the time of delivery, which is, according to the Bulgarian statistical authorities, close to cash. Leasing operations for the acquisition of military weapon systems are treated as financial leasing. Financial leasing is recorded, in public accounts and in the Working Balance (WB) as a cash transaction (acquisition of an asset). Whenever a financial leasing for the acquisition of military weapons/systems is used, the impact on government deficit is already included in the WB. The NSI only makes the necessary adjustment for the impact on government debt.

The source data used are the balance sheets of the Ministry of Defence (MoD).

##### *Discussion and methodological analysis*

The NSI confirmed that expenditure for the acquisition of military equipment is recorded on a delivery basis, which so far equalled cash for all years. The NSI also confirmed that all military equipment acquisition is captured in the WB. The cooperation between the NSI and the MoD was considered as being very good.

During the last EDP visit, the NSI informed Eurostat about the future increase of the military expenditure due to the purchase of Eurofighters. Eurostat asked them to closely monitor the recording in national accounts, in particular in the case of pre-payments.

The NSI confirmed that in 2019 prepayments were made for the purchase of military aircrafts. In the beginning of 2020, the Council of Ministries drafted a letter authorizing the creation of a deposit account for Bulgaria in the *Federal Reserve Bank of New York*. The procedure for the creation of such an account requires around six months. When the procedure was completed, the Ministry of Defence (MoD) would become a holder of the account. The funds in this account would be invested and managed by the *Federal Reserve Bank* for the benefit of the MoD. The risks and benefits were fully borne by the MoD. The *Federal Reserve Bank* would also periodically transfer advance payments from this account to the US Defence Security Cooperation Agency for future payments on military aircraft acquisition.

The NSI explained the recording of these transactions in national accounts. Funds transferred from government to the *Federal Reserve Bank* were recorded as *Other accounts receivable* - F.8 asset (advance) of S.1311. When the account creation process of the account is completed (and the MoD becomes the owner of the account) and the funds were transferred from the US Treasury to the deposit account, then F.2 (deposit) would be increased and F.8 (receivable) decreased. In the future, when the *Federal Reserve Bank* started to transfer advance payments to the US Defence Security Cooperation Agency from the MoD account, such payments would be recorded as a decrease in F.2 and a subsequent increase in F.4 (loans) or F.8 according to the MGDD rules.

Eurostat agreed that this recording in national accounts seemed plausible. As regards the presentation in the Table 7 on military equipment of the Questionnaire relating to the EDP

notification tables, Eurostat proposed that, even when the MoF becomes the owner of the account and funds would be recorded as F.2, these amounts should still be reported under F.4 with comments under the table 7. As the funds in this deposit accounts (recorded as F.2 in national accounts) were intended for the purchase of the military equipment, Eurostat considered that it was appropriate to include them in this table. In any case, Eurostat asked the Bulgarian statistical authorities to be kept informed on the latest development on a regular basis.

### *Findings and conclusions*

**Action point 22:** Regarding the pre-payments of the military aircraft in 2019, Eurostat agreed with the current recording of this operation in national accounts, i.e. to be recorded as F.81. Eurostat also confirmed that at the moment when the Bulgarian Ministry of Defence becomes the owner of the deposit account in the Federal Reserve Bank of New York, and the funds are transferred from the US Treasury to the deposit account, then F.2 (deposit) will be increased and F.8 (receivable) decreased. Eurostat asked the Bulgarian statistical authorities to present these amounts in the Table 7 of the questionnaire relating to the EDP notification tables (under the line F.4) also when they would be recorded as F.2 and add the comment under the table. When the Federal Reserve would start to transfer advance payments to the US Defence Security Cooperation Agency from the deposit account, these payments would be recorded as a decrease in F.2 and a subsequent increase in F.4 or F.8 in line with the MGDD. The Bulgarian statistical authorities agreed to keep Eurostat informed on the latest development on a regular basis.

*Deadline: ongoing*

## **4.2.5 Gross fixed capital formation (GFCF)**

### *Introduction*

Accrual adjustments for public corporations classified in S.13 are made on the basis of a special questionnaire on GFCF while no accrual adjustment is made for budgetary units as it is considered that cash equals accrual.

During the last EDP visit, Eurostat encouraged the NSI to examine the possibility of using direct information from the general ledger in order to derive P.51 (GFCF) on an accrual basis for budgetary units. But, according to the NSI, an appropriate position (item) from the general ledger to derive P.51 on an accrual basis, could not be identified.

### *Discussion and methodological analysis*

The Bulgarian statistical authorities confirmed that they could not find an appropriate position (item) from the general ledger to derive P.51 on an accrual basis for budgetary units. However, in the last years, an accrual adjustment was made on ad-hoc basis for large operations. While Eurostat appreciated this improvement, it supposed that such adjustments were mainly made, in national accounts, as cash for large investments was transferred from the budget (WB) to special suspense accounts. On this basis, Eurostat asked the NSI to verify whether any other accrual adjustments were made for budgetary units as indicated in the



current version of the EDP inventory. If not, the EDP inventory should be amended accordingly.

Next, Eurostat took note that all accrual adjustments for Other accounts payable are allocated under the category D.7 (current transfers) as already discussed during the last EDP visit. With this practice in place, the B.9 was correct, while the individual categories were not allocated correctly in national accounts. As a follow-up of the last EDP visit, the NSI tried to split Other accounts payable across different appropriate national accounts categories. They could allocate some positions (items) to Intermediate consumption (P.2), but not to GFCF (P.51). In the context of the discussion above, Eurostat asked the NSI to clarify / confirm whether accrual adjustments for Other accounts payable are indeed fully allocated under D.7 and link this with the data presented in the Table 4 of the Questionnaire relating to the EDP notification tables.

#### *Findings and conclusions*

**Action point 20:** Regarding the GFCF, the Bulgarian statistical authorities were asked to clarify whether any accrual adjustment is being done for the budgetary units in the Table 2A and / or in the Table 4 of the Questionnaire relating to the EDP notification tables. If not, the EDP inventory should be amended accordingly.

*Deadline: end-February 2021<sup>19</sup>*

**Action point 21:** The Bulgarian statistical authorities were asked to clarify / confirm whether accrual adjustments for Other accounts payable are fully allocated under D.7 – Other current transfers. Eurostat also asked to explain and link it with the data presented in the Table 4 of the Questionnaire relating to the EDP notification tables.

*Deadline: end-February 2021<sup>20</sup>*

### **4.3 Recording of specific government transactions**

#### **4.3.1 Government transactions in the context of the financial crisis (i.e. DIF's proceeds from the liquidation of the CCB)**

##### *Introduction*

The main issue under this point of the agenda was to clarify and agree on the recording of proceeds, related to the Corporate Commercial Bank (CCB), to the Deposit Insurance Fund (DIF).

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<sup>19</sup> The information was provided to Eurostat on 26 February 2021.

<sup>20</sup> The information was provided to Eurostat on 26 February 2021.

DIF was re-classified in the general government sector in 2012. It was agreed, at that time, to record government expenditure at time of activation for the expected loss only and that recoveries should enter the financial accounts.

#### *Discussion and methodological analysis*

As the value of the expected proceeds have been revised every year from 2015 onwards, the NSI and Eurostat discussed how it should be recorded in national accounts. The DIF makes adjustments of the estimated claim on the CCB in its financial statements on an annual basis.

Currently, the revision of expected proceeds was recorded, in national accounts, as a transaction with an impact (positive or negative) on B.9. Eurostat acknowledged that the rules are still being discussed in the EDPS WG, but underlined that the current recording did not follow any of the considered options. Eurostat considered that the best option in this case was that any further losses / gains would be recorded, in national accounts, as a revaluation with no impact on B.9. This option also follows the advice given by Eurostat in its letter on 18 September 2015. Also the recoveries should enter the financial accounts. Eurostat took note that such recording of recoveries was already implemented in national accounts. The Bulgarian statistical authorities agreed to revise the current recording accordingly in the context of the April 2021 EDP notification. Consequently, also the Supplementary table for reporting government interventions to support financial institutions will be corrected.

As Bulgaria joined the Single Resolution Mechanism (SRM) in October 2020, Eurostat recalled that financial institutions' contributions to the Single Resolution Board (SRB), collected by government and passed over to the SRB, should no longer be recorded as a tax and revenue from 2020 onwards, but should be considered as an EU tax (and recorded in government accounts as a financial transaction). In this context, Eurostat asked the Bulgarian statistical authorities to verify which entities were directly supervised by the ECB and part of the SRM. This proposed recording was in line with the 2016 *Eurostat guidance note on the statistical treatment of new resolution regulation* and *Eurostat clarification on "The statistical recording of the 2015 contributions to National Resolution Funds"*.

#### *Findings and conclusions*

**Action point 23:** As regards the Deposit Insurance Fund (DIF)'s proceeds from the liquidation of the CCB, Eurostat asked the Bulgarian statistical authorities to remove capital transfers (with an impact on B.9) from years 2015 – 2019 and record these amounts as a revaluation with no impact on B.9. The Supplementary table will be corrected accordingly.

*Deadline: April 2021 EDP notification*<sup>21</sup>

**Action point 24:** As Bulgaria joined the Single Resolution Mechanism, Eurostat asked the Bulgarian statistical authorities to make sure that financial institutions contributions to the Single Resolution Board (SRB), collected by government and passed over starting October

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<sup>21</sup> This recording was implemented in the context of the April 2021 EDP notification.

2020, should be considered as EU tax (and recorded in government accounts as a financial transaction).

*Deadline: end-February 2021<sup>22</sup>*

#### **4.3.2 Recording of government measures undertaken in the context of Covid-19** *Introduction*

Under this point of the agenda, participants discussed the main COVID-19 measures undertaken by government and its recording in national accounts, in particular the impact on government deficit and debt. Prior to the meeting, the Bulgarian statistical authorities provided a note on current and foreseen government operations relating to government measures undertaken in the context of COVID-19.

##### *Discussion and methodological analysis*

Eurostat appreciated a detailed note on COVID measures, including ESA categories and amounts involved, which was discussed in detail.

The deferral of taxes was extensively discussed under the item 4.2.1(taxes) and an agreement on the recording in national accounts was reached.

The capital increase of the Bulgarian Development Bank (BDB) by government in 2020 was already discussed prior to the meeting. Eurostat provided its opinion on the classification of this capital injection in national accounts. Following the MGDD rules, the equity (F.5) recording is only justified in situation when government is acting “*in the same capacity as a private shareholder, provides funds to receive contractually something (...) to earn a sufficient rate of return on its investment, mostly in the form of dividends and interest*”. This motivation did not seem to be present in this case, as an injection to BDB was done mainly for public policy purposes. It appeared that the capital injection was specifically targeted on the activities, for which the BDB would most probably incur losses and this had to be taken into account. The main reason that the government was injecting capital in the BDB was to cover the future losses which would incur due to the new activities. Therefore Eurostat’s position was that this capital increase should be recorded as a non-financial transaction with an impact on government deficit (B.9). A parallel could also be drawn with the rules on the capital injections into MDBs (MGDD chapter 4.6 p.214-215) where it is recognised that capital injections into facilities providing mainly concessional loans should be treated as capital transfer (D.9). Finally, Eurostat said that no further government expenditure should be imputed / re-routed via government accounts for the BDB’s activities used for the COVID-19 measures (associated to the capital increase of the BDB) in order to avoid double impact on government deficit.

Then, the Bulgarian statistical authorities explained that no special voucher scheme existed in Bulgaria due to COVID-19. However, according to the *Act on Measures and Actions during the State of Emergency*, an allowance is envisaged for main domestic tourist services for some professions, such as doctors, medical and non-medical specialists, employees of the

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<sup>22</sup> The NSI provided the list of entities, which are directly supervised by the ECB and part of the SRM. The proposed recording was implemented in the context of the April 2021 EDP notification.

regional health inspections, centres for emergency medical care, etc. The allowances could be used only once by end-November 2021 and for no less than seven days stay in the accommodation places. These allowances would be paid in advance in cash (about two weeks before the actual holiday) from the budgets of various ministries. The amounts involved in 2020 were rather small. Eurostat took note of the explanations that it was indeed an allowance, later covered by an invoice. The Bulgarian statistical authorities agreed to analyse the recording in national accounts in line with the EDPS WG document on vouchers and inform Eurostat on how these amounts would be recorded in national accounts.

Next, other measures taken by government were presented, such as support for medical and non-medical staff, social measures for vulnerable groups and business and employment measure (among them the above-mentioned capital increase of the BDB and the so-called *measure 60/40*). The *measure 60/40* was discussed in more detail. This measure was created as an important tool to support the preservation of employment and income of employees with the main aim to preserve jobs. Government will pay 60 percent of social security contributions. The NSI explained that employers can also send a request to government for a partial reimbursement of social contribution, which were already paid. Eurostat thought this measure could be considered as a kind of a grant. Eurostat took note that it was currently recorded, in the quarterly GFS accounts, under the ESA category *Subsidy on production* (D.39).

At the end of this point of the agenda, it was concluded that an updated table on COVID-19 measures in 2020, including ESA categories and amounts concerned, would be provided to Eurostat prior the April 2021 EDP notification.

#### *Findings and conclusions*

**Action point 25:** Eurostat took note that no special voucher scheme exist in Bulgaria due to COVID-19. However, according to the Act on Measures and Actions during the State of Emergency, an allowance is envisaged for main domestic tourist services for some professions, such as doctors, medical and non-medical specialists, employees of the regional health inspections, centres for emergency medical care, etc. The Bulgarian statistical authorities agreed to provide information on how these amounts will be recorded in national accounts in 2020 (including the ESA transaction, the time of recording).

*Deadline: mid-March 2021*<sup>23</sup>

**Action point 26:** The Bulgarian statistical authorities agreed to provide an updated table on COVID-19 measures in 2020, including ESA categories and amounts concerned.

*Deadline: mid-March 2021*<sup>24</sup>

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<sup>23</sup> The relevant information was provided on 15 March 2021.

<sup>24</sup> The updated table was provided on 15 March 2021.

### **4.3.3 Public Private Partnership, concessions and energy performance contracts**

#### *Introduction*

In 2013, the Public-Private Partnership Act entered into force. Under this Act, a PPP is defined as a long-term (between 5 and 35 years) contract between public and private partner(s) with the main aim to implement projects of public interest by obtaining better value from public resources and allocating risks between partners. The project can be financed wholly or partially by a private partner. The private partner should always bear the construction risk and at least one of the two other risks, availability risk and/or demand risk. The private partner gets a rate of return through availability payments made by government.

#### *Discussion and methodological analysis*

The NSI confirmed that currently no PPPs exist in Bulgaria and agreed to monitor the situation and to inform Eurostat on any changes.

Regarding concessions, the NSI provided a list of concession signed in 2018-2019. Eurostat took note that most concessions are service concessions and only two contracts required reconstruction, modernization and/or improvement of an asset. The NSI confirmed that all concessions were analysed in line with the existing MGDD rules. The assets related to concession contracts remained government property while risks and rewards were borne by concessionaire during the contract duration. All concession contracts were signed with a private partner. The concession income is spread over the economic life of the assets as a rent (D.45).

As regards the energy performance contracts (EPCs), the NSI explained that they were not aware of any new contracts. However, in the past, several ones existed and came to an end in 2018. Presently, government is rather using direct subsidies than EPCs.

#### *Findings and conclusions*

Eurostat took note of these explanations.

### **4.3.4 Guarantees**

#### *Introduction*

The Bulgarian government provides guarantees to public corporations' loans and to students' borrowings from private banks. The energy sector accounts for most of the stock of government guarantees. There are very strict procedures in place to grant government guarantees. Each year the budget foresees a specific amount for guarantee calls.

The Bulgarian statistical authorities provided a list of government guarantees and of calls for individual companies for the years 2017-2019.

Standardized guarantees cover State guarantees for the Student Loan Programme. In line with the *Student and Doctoral-Candidate Loans Act*, the State shall provide financial support to students and doctoral candidates. The debt of students and doctoral candidates shall be guaranteed by the State and shall constitute an obligation of the government only in cases where the Council of Ministers has issued guarantees in line with the requirements of the Constitution and the Government Debt Act.

#### *Discussion and methodological analysis*

Eurostat and the Bulgarian statistical authorities reviewed the ad-hoc table on guarantees provided prior the meeting. As the BDZ Holding was re-classified in the general government sector, the repayment of government claim should be consolidated in the government accounts. Eurostat asked that the recording - in the Tables 8.1 (reconciliation of stock and flows of central government claims) and 9.1 (government guarantees in public accounts) of the Questionnaire relating to the EDP notification tables - should be corrected accordingly in the context of the April 2021 EDP notification.

Next, the issue of standardised guarantees was discussed in more detail. Eurostat noted that the Table 9.4 on standardised guarantees of the Questionnaire relating to the EDP notification tables was not completed correctly, in particular, the column one was empty as no estimation seemed to be done for future years. Eurostat recalled that *when government grants standardised guarantees, an AF.66 liability is recorded in its balance and it is equal to the present value of the expected call under the guarantees, net of any recoveries that the guarantor could expect to receive from the defaulting borrowers*. This requires making a reliable estimate on the basis of evidence (such as past experience). Eurostat also asked to receive a clarification on how the amounts in the column 3 (increase of F.66 liability / expenditure) and 4 (decrease of F.66 / F.2 guarantee calls) were calculated. The Bulgarian statistical authorities agreed to provide a note on student's loans recorded under standardised guarantees, in particular on how losses were calculated and who was responsible for the calculation.

#### *Findings and conclusions*

**Action point 27:** Concerning the Table on guarantees, the Bulgarian statistical authorities agreed to correct the amounts related to the repayment of BDZ Holding, which was reclassified in S.13 in 2017 as follows:

– In the Table 8.1 of the Questionnaire relating to the EDP notification tables, the part 5a will be corrected: 26.1 million BGN will be added to the column 14 in 2016 and in the column 1 and 13 in 2017;

– In the Table 9.1 of the Questionnaire relating to the EDP notification tables, the amount of 26.2 million BGN will be removed from the lines 14 and 14a in 2017. *Deadline: April 2021 EDP notification*<sup>24</sup>

**Action point 28:** Eurostat asked the Bulgarian statistical authorities to provide a note on student's loans recorded under standardised guarantees, in particular on how losses are calculated and if the calculation of future losses is available. It will be also clarified who is responsible for this calculation.

*Deadline: mid-March 2021*<sup>26</sup>

#### **4.3.5 Government claims; debt assumptions, debt cancellations and debt write-offs**

##### *Introduction*

Debt cancellations are recorded in public accounts only after an official decision of the Council of Ministers. Foreign claims are cancelled after a bilateral agreement is signed between Bulgaria and the country which debt is being cancelled. The NSI receives necessary information on debt cancellations from the MoF.

Debt write-offs are recorded in public accounts when the claim can no longer be collected because of bankruptcy of the debtor and there is no bilateral agreement on debt cancellation.

The participants of the meeting reviewed the data on government claims for years 2016-2019, provided by the Bulgarian statistical authorities before the visit.

##### *Discussion and methodological analysis*

The NSI confirmed that there had been no new cases of debt cancellations and debt write-offs in recent years. As regards the above-mentioned table, the NSI confirmed that the list was not exhaustive, but included only the largest transactions. Eurostat took note that the loan provided to *Port Burgas* was originally nominated in Japanese yen and a revaluation was reported under the column *FX rates differences*.

Eurostat enquired about the government loan to a public unit, NEK (*Natsionalna Elektricheska Kompania*), in 2016 for 601.6 million euro (1.2 billion BGN). This issue was extensively discussed during the last EDP visit. This loan was provided in the form of an interest-free (7- year) unsecured shareholder loan (to be repaid not later than December 2023). As in the past NEK faced difficulties in the repayment of its liabilities, Eurostat asked the Bulgarian statistical authorities to closely monitor whether the NEK was still able to repay the government loan. The MGDD as well as ESA 2010 para 20.121 allows, in specific cases, that such loans could be recorded as a capital transfer (D.9) with an impact on government deficit, given evidence that the loan would not be repaid. As there was no strong evidence that the loan would not be repaid, Eurostat provisionally agreed that it could be recorded as a loan (F.4) in national accounts. However, the Bulgarian statistical authorities should closely

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<sup>24</sup> The tables were corrected accordingly in the context of the April 2021 EDP notification. <sup>26</sup>  
A note was provided on 15 March 2021.

follow the situation and report to Eurostat in case of any change or new information, which might impact the recording in national accounts.

It was confirmed that there have been no changes since the last EDP visit. Eurostat asked the Bulgarian statistical authorities to enquire whether any impairment test according to IPSAS have been conducted by public accountants in relation to this loan.

#### *Findings and conclusions*

**Action point 29:** Eurostat asked to Bulgarian statistical authorities to closely monitor whether the NEK is still operational to repay the government loan it received in 2016 (and is supposed to repay in 2023). The Bulgarian statistical authorities will inform Eurostat on whether any impairment test according to IPSAS have been conducted by public accountants in relation to this loan. If yes, the results of such test should be provided to Eurostat.

*Deadline: end-June 2021*

### **4.3.6 Capital injections in public corporations, dividends, privatization**

#### *Introduction*

Prior to the meeting, the NSI provided a list of capital injections for the period 2016-2019 by beneficiary and treatment in national accounts and by sub-sectors, along with a list of dividends paid to government by individual companies and their profit.

#### *Discussion and methodological analysis*

The data sources used are the cash reports of government units and additional information provided by the MoF. While the MoF provides a list of all capital injections, the NSI decides on the nature of these capital injections in national accounts (i.e. financial versus nonfinancial). The necessary information was provided timely for April EDP notifications.

Then, the list of capital injections was discussed. The NSI confirmed that all capital injections are analysed according to the rules established in the MGDD. Eurostat took note that most equity injections of the central government sector (S.1311) are related to international banks.

There were no capital injections in S.1314 and, so far, no capital injections in kind were identified.

Next, the capital injection in the First investment Bank (FIB) in 2020 was discussed in more detail. The government participated in raising capital of the FIB through the Bulgarian Development Bank (BDB) for an amount of 137 million BGN. The FIB is a private bank (both before and after the equity increase) with its shares listed on the Bulgarian Stock Exchange (BSE). The Bulgarian government, through BDB, acquired shares at an auction where a private investor also participated and acquired shares (30 %) under the same conditions as government. As the FIB has not incurred any losses in recent years and the private investor bear the same risks and rewards as government, the Bulgarian statistical



authorities concluded that this operation should be recorded, in national accounts, as an acquisition of equity (F.5), without impacting B.9.

Eurostat questioned whether the government acted as a normal shareholder, given that the increase of the capital of FIB, was required by the ECB as a precondition for Bulgaria to enter the ERM II,

After this capital injection, government holds 18 % of shares. Eurostat took note that none of the existing shareholders were willing to participate in this capital increase, although they had a priority over other investors for the subscription and purchase of the new shares.

Eurostat also enquired whether the shares were indeed acquired above the market price. This was confirmed by the Bulgarian statistical authorities and explained that the price was calculated by the FIB, on the basis of a complex method (based on an average of the last five years). Eurostat questioned why the private partner (a private company from Lichtenstein) would have bought shares above the market price as it could have bought them for a lower price on the market. Eurostat also asked what has happened to the market price of FIB shares after this capital increase.

As shares were bought above the market price, a benefit was conveyed to the bank in question. Thus Eurostat considered that it might be appropriate to split the capital injection into a financial and non-financial part. The Bulgarian statistical authorities agreed to provide a note on the classification of this capital injection in national accounts, taking into account the concerns raised by Eurostat during the meeting.

The next topic discussed under this agenda point was the recording of dividends. The main data sources used for dividends are the consolidated fiscal program and annual financial statements of public corporations. The NSI receives, from the NRA, a detailed information on dividends paid per company. All dividends paid by public companies to government are analysed by the NSI. The difference between the dividend paid and the operating profit of the previous year are recorded as a reduction of *Shares and equity* (F.5) in the EDP table 3B and as a negative adjustment in the EDP table 2A (in the line *Other adjustments*) in order to neutralise the impact on government deficit. The formula for the compilation of the superdividend test was reviewed and revised, during the last EDP visit, in line with Eurostat comments.

Eurostat took note that no interim dividend was paid to government. Then, a list of dividends paid to government, provided prior the meeting, was discussed in more detail. The NSI confirmed that the Central bank paid no dividend to government in the last years. The only super-dividend recorded in the last years was from the public company *Dunav Most Vidin*. Eurostat observed that this super-dividend should be reported also in the Table 10.2 of the Questionnaire relating to the EDP notification tables in the part II (Distributions) under “Large distributions” in the forthcoming April 2021 EDP notification.

As regards privatisations, Eurostat took note that privatisation proceeds were recorded as a financial transaction in the budget. Thus they were not included in the Working Balance

(WB) in the EDP tables 2. Only some small privatisation proceeds were observed during the last years.

### *Findings and conclusions*

**Action point 30:** Eurostat took note that the government made a capital injection into the First Investment Bank (FIB) through the Bulgarian Development Bank (BDB) in 2020 (137 million BGN). The FIB is a private bank with its shares listed on the Bulgarian Stock Exchange (BSE). A private investor also participated and acquired shares under the same conditions as government. In addition, FIB has not incurred any losses in recent years. As the shares were acquired above the market price via the new emission of shares, Eurostat questioned the reason why the private partner would have bought shares above the market price. In this context, Eurostat asked the Bulgarian statistical authorities to provide a note on the classification of this capital injection in national accounts, taking into account the following facts:

- the shares were purchased above the market price;
- the private partner also participated under the same conditions as government (i.e. bought the shares above the market price);
- government seemed not to act as a normal shareholder, as the recapitalisation of Fibank was the condition for Bulgaria to enter the ERM II;
- to investigate what happened with the market price of the shares after this capital injection;
- In normal circumstances, as the shares were bought above the market price, a benefit was conveyed to the bank in question. To reflect this, it might be appropriate to consider splitting the capital injection into the financial and non-financial part.

*Deadline: end-February 2021<sup>25</sup>*

**Action point 31:** As regards the super-dividend recorded for the *Dunav Most Vidin* for years 2016-2019, Eurostat took note that this is the only super-dividend recorded for the last years. Eurostat asked the Bulgarian statistical authorities to identify it appropriately in the Table 10.2 of the Questionnaire relating to the EDP notification tables in the part II (Distributions) under the “Large distributions” and specify the name of the company.

*Deadline: April 2021 EDP notification<sup>26</sup>*

## **4.3.7. Others: emission permits, decommissioning costs, financial derivatives, sale and leaseback operations, UMTS**

### Emission permits

#### *Introduction*

The revenues for the emission permits are recorded as taxes - Other taxes on production (D.29), in the year of surrender of the permits, by using the average price. This method was

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<sup>25</sup> A note was provided on 16 February 2021.

<sup>26</sup> The proposed recording was corrected in the context of the April 2021 EDP notification.

introduced in the context of the October 2019 EDP notification, as a follow-up of the 2018 EDP visit.

#### *Discussion and methodological analysis*

Firstly, Eurostat expressed some doubts on whether the current method used was actually an average price method as the accrued amounts of D.29 were very close to cash. This should have not been the case when an average price method is used. In this respect, Eurostat asked the Bulgarian statistical authorities to clarify the current method applied and to reflect whether an average price (of two / three years) method or a one-year time lag method should be applied instead.

Next, Eurostat observed that the current method leads to a revision of data, as no data was available in the context of April notifications. The Bulgarian statistical authorities explained that according to the Ministry of Environment and Water, the final data for *Permits surrendered* can only be requested from after end-March. Accordingly, the NSI makes an estimation in April notifications, based on data from past years. Eurostat thought that this might also support a change of the method currently used.

Eurostat acknowledged that this issue is still being discussed in the EDPS WG, where Eurostat presented different ETS recording scenarios per country.

#### *Findings and conclusions*

**Action point 32:** Eurostat noted that the data on Emission permits (ETS) for Bulgaria suggests that the current recording is not following an average price method, as the accrued amounts of D.29 are very close to cash. Eurostat asked the Bulgarian statistical authorities to clarify the current method applied and to reflect whether an average price (of two / three years) method or a one-year time lag method should be applied instead. Eurostat also observed that the current method leads to a revision of data, as no data is available in the context of April notifications.

*Deadline: end-February 2021*<sup>27</sup>

### Decommissioning costs

#### *Introduction*

The economic owner of the asset (operator of the plant) is the nuclear power plant *Kozloduy* (subsidiary of the Bulgarian Energy Holding), classified in S.11 (*Non-financial corporations*). The State Enterprise Radioactive Waste (SERW), classified in S.1311 (*central government sub-sector*), is responsible for carrying out the decommissioning of nuclear facilities as well as radioactive waste management.

The activities of SERW on decommissioning of nuclear facilities are financed by the Kozloduy International Decommissioning Support Fund (KIDSF) and by a national fund.

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<sup>27</sup> The relevant documents were provided on 16 February 2021.

In addition, within the budget of the Ministry of Energy i.e. within the State budget (S.1311), two separate funds are established:

- The Nuclear Facilities Decommissioning Fund (FDNF) - for financing the decommissioning of nuclear facilities;
- The Radioactive Waste Fund (RWF) - for financing the radioactive waste management.

Regular contributions are made from the nuclear facility operator (Kozloduy) to FDNF and RWF.

#### *Discussion and methodological analysis*

This issue was extensively discussed during the last EDP visit. As a follow-up of this visit, the above-mentioned contributions were recorded in line with the MGDD as a financial transactions (without impacting government deficit) as government receives payments in exchange for assuming the future decommissioning obligations.

#### *Findings and conclusions*

Eurostat took note that there have been no changes since the last EDP visit.

#### Others: Financial derivatives, Sale and leaseback operations, UMTS

Eurostat took note that no obligation exist to use a currency swap. Consequently, currency swaps or any other derivatives are not used.

The NSI confirmed that there have been no cases of sale and leaseback operations and securitisations.

As regards UMTS licences, the NSI confirmed that the current treatment was in line with the MGDD, i.e. mobile phone licenses revenues were recorded, in national accounts, as D.45 (rent). Eurostat further enquired whether any UMTS mobile phone licences have been recently granted or extended by government. The NSI confirmed that there have been no such cases since the last EDP visit.

### **5. Other issues**

No issues

## **EDP dialogue visit to Bulgaria, 20-21 January 2021 Draft**

### **Agenda**

#### **1. Statistical organisational issues**

- 1.1. Review of institutional responsibilities in the framework of the EDP data reporting and government finance statistics compilation
- 1.2. Data sources and revision policy, EDP inventory

#### **2. Follow-up of the EDP dialogue visit of 7-8 June 2018**

### **3. Follow-up of the October 2020 EDP reporting – analysis of EDP tables and the related questionnaires**

#### **4. Methodological issues and recording of specific government transactions**

##### **4.1. Delimitation of general government**

- 4.1.1. Changes in sector classification since the 2018 EDP visit
- 4.1.2. Follow-up of the sector classification of Bulgarian Energy Holding and Bulgarian Development Bank
- 4.1.3. Government controlled entities classified outside general government

##### **4.2. Implementation of accrual principle**

- 4.2.1. Accrual taxes and social contributions
- 4.2.2. Accrued interest
- 4.2.3. EU flows
- 4.2.4. Military expenditure
- 4.2.5. Gross fixed capital formation (GFCF)

##### **4.3. Recording of specific government transactions**

- 4.3.1. Government transactions in the context of the financial crisis (i.e. DIF's proceeds from the liquidation of the CCB)
- 4.3.2. Recording of government measures undertaken in the context of Covid-19
- 4.3.3. Public Private Partnership, concessions and energy performance contracts
- 4.3.4. Guarantees
- 4.3.5. Government claims; debt assumptions, debt cancellations and debt write-offs
- 4.3.6. Capital injections in public corporations, dividends, privatization
- 4.3.7. Others: Emission permits, Decommissioning costs, Financial derivatives, Sale and leaseback operations, UMTS

##### **5. Other issues**

- 5.1.1. ESA 2010 Transmission Programme
- 5.1.2. Any other business

### **EDP dialogue visit to Bulgaria, 20-21 January 2021**

#### **List of participants**

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