

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

Bulgaria

December 2022

Background

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

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

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

The content of the Inventory and the related guidelines have been endorsed by the Committee on Monetary, Financial and Balance of Payments statistics in June 2012 and are followed by all EU Member States. This version introduces references to the ESA 2010 and the updates mirroring the changes introduced by the ESA 2010. It also includes changes introduced by the August 2019 MGDD version.

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Annex I – list general government units

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

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

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

1. General Government

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

The general government sector of Bulgaria is composed by 3 sub-sectors: S.1311, S.1313 and S.1314. It includes:

1.1. Central government subsector (S.1311)

The Central government subsector in Bulgaria includes:

- The State Budget (central budget, ministries' budgets, the budget of the National Assembly, the budget of the National Audit Office, and Judiciary Authorities' budget, the budgets of the executive bodies, the budgets of the other state authorities), which is adopted by the National Assembly in accordance with the Public Finance Act (See the actual version at the following link).¹ The budget of the Judiciary authorities includes summarized information on the budgets of courts and prosecution;
- Other budgetary organizations included in the central government subsector (public universities (38 units); Bulgarian Academy of Science, Bulgarian National Television, Bulgarian National Radio, Bulgarian News Agency, Enterprise for Management of Environmental Protection Activities (EMEPA), State Enterprise "Management and Administration of Dams", State Enterprise "Research and Production Center", State Enterprise "State Oil Company", Security of the Electricity System Fund, . Their budgets are adopted by their managing bodies in accordance with the laws regulating their status. The National Assembly approves only transfers from the State Budget to these institutions, but their revenue, expenditure, transfers and financing are presented in the consolidated fiscal program as separate budgets;
- EU Funds accounts, which have the characteristics of extra-budgetary accounts. In 2014 with the Public Finance Act the extra-budgetary accounts of all budgetary entities were liquidated, except for the EU Funds accounts;
- Entities reclassified in Central government: National Company Railway Infrastructure, Fund For Local Authorities And Governments - FLAG and Fund For Sustainable Urban Development, "BDZ Passenger Services" LTD, State Consolidation Company, Bulgarian Deposit Insurance FUND, Banks Resolution Fund, Energy Efficiency and Renewable Sources Fund, State Enterprise Radioactive Waste, Eco Antracyt EAD, National Company Industrial

¹ <https://www.lex.bg/laws/ldoc/2135837967>

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Zones EAD, Ecoengineering RM EOOD, Zeminvest EAD, Center For Psychic Health - Sofia EOOD, NDF 13 Veka Bulgaria, Bulgarian Institute For Standardization, Bulgarian American Commission For Educational Exchange, Fund Manager of Financial Instruments in Bulgaria, Sofia Tech Park, Holding BDZ, Proektna kompaniya neftoprovod Burgas-Aleksandrupolis BG EAD, Industrial Sites and Warehouses PLC, DZZD Technology center for emergency medicine, General Department Of Construction And Reconstruction EAD, Sunny Beach AD, Industrial zone Vidin EAD, National Trust Eco Fund, Guarantee fund, Bulgarian VIK Holding EAD, Health Investment Company for children's hospital and hospitals with government ownership (65 units).

1.2. State government subsector (S.1312)

In Bulgaria such subsector does not exist.

1.3. Local government subsector (S.1313)

The Local government subsector in Bulgaria includes:

- Municipalities: As of 2021 there are 266 municipalities in Bulgaria. Legal basis for preparation of the budgets of the municipalities is the Public Finance Act. The National Assembly ratifies only the subsidies from the central government to municipalities;
- EU funds accounts of the municipalities;
- Entities reclassified in Local government: Centar za psihichno zdrave – Burgas, Medicinski centar Godech, Medicinski centar Tervel, Sports property Pomorie, Primorski golf AD, DZZD Biznes inkubator Burgas, Biznes park Vetovo EOOD, Mizia 2000, Niva komers EOOD, Tuzlushka zemia EOOD, Gradski transport Dobrich EOOD, Darvorezba EOOD, National Association of Municipalities in the Republic of Bulgaria, Medical Center Bobov dol and Hospitals with municipal ownership (122 units).

1.4. Social security funds subsector (S.1314)

The SSF subsector in Bulgaria includes:

- The National Health Insurance Fund: NHIF is responsible for the collection and the management of health insurance contributions. The budget of the National Health Insurance Fund is adopted by the National Assembly by means of separate legislative act (the NHIF Budget Act) for the relevant budget year;
- The National Social Security Institute: (NSSI) is the administrator of the Government social security system as well as the Teachers' Pension Fund and the Fund for guaranteed receivables of workers and employees. NSSI reports its activities to the National Assembly which adopts with an independent law the budget of the State Social Security;
- Teachers' Pension Fund (see above);
- Fund for guaranteed receivables of workers and employees (see above).

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

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

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

2. Institutional arrangements

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

- responsibility of national authorities for compilation of individual EDP tables and underlying government national accounts, as defined by ESA 2010 Transmission Programme;
- institutional arrangements relating to public accounts which are used by statistical authorities for compilation of government national accounts and EDP tables;
- general overview about bookkeeping system used by public units, internal quality checks and external auditing;
- communication between individual national authorities involved in EDP;
- publication of deficit and debt statistics.

Legal basis for the compilation of GFS and EDP data

The Public Finance Act defines public finance scope and structure and stipulates fiscal rules and constraints which have to be applied in the process of preparation, adoption and execution of the budget. The legal basis for the compilation of GFS and EDP data is also the National Statistical Programme.

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

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

National accounts data for general government are transmitted to Eurostat² via the following tables (see the related EU legislation)³ :

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

Table 6 – Financial accounts by sector (annual data)

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

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

Table 9 – Detailed Tax and Social Contribution Receipts by Type of Tax or Social Contribution and Receiving Sub-sector (annual data)

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

Table 25 - Quarterly Non-financial Accounts of General Government

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

Table 27 – Quarterly Financial Accounts of General Government

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

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

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

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

Data on government deficits and debt levels are reported to Eurostat twice a year (in April and October) in EDP notification tables⁴.

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

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

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

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

NCB – National Central Bank

Other – other national body, to be specified in comments

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

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

The official names of the institutions involved in the process of compilation of general government deficit and debt data are as follows:

- Bulgarian National Statistical Institute (BNSI) - Quarterly and annual non-financial accounts, annual financial accounts and Maastricht debt;
- Bulgarian National Bank (BNB) - Quarterly financial accounts;
- Ministry of Finance (MoF) - Planned data in the EDP tables and Quarterly Maastricht debt.

Since September 2008 the obligation to compile and submit the notification tables under the EDP procedure has been delegated to the Bulgarian National Statistical Institute.

BNSI gives the final approval of EDP data before sending to Eurostat.

Completed EDP tables are transmitted to Eurostat via EDAMIS officially from BNSI.

2.1.1 Existence of an EDP unit/department

The Financial National Accounts Division is responsible for the compilation and transmission of EDP notification tables in Bulgaria.

This division is a unit within the Macroeconomic Statistics Department of BNSI.

The staff of the Financial Statistics Division compiles EDP tables and related questionnaires, annual financial accounts (Table 6 – Financial accounts by sector and Table 7 – Balance Sheets for financial assets and liabilities (Stocks of financial instruments - consolidated and non-consolidated and counterpart information), Table 9 – Detailed Tax and Social Contribution Receipts by Type of Tax or Social Contribution and Receiving Sub-sector including the list of taxes and social contributions according to national classification (annual data), Table 29 - Pension entitlements in social security, data under Directive 85/2011: monthly and quarterly fiscal data; annual data on non-performing loans; annual data on liabilities of public corporations, annual data on participation of government in the capital of corporations, annual data on public-private partnership.

The main data sources are officially received from the three institutions – BNSI, MoF and BNB. In practice, the analysis of borderline cases is carried out in the inter-institutional working group (established by order to the Memorandum), but the final decision concerning the treatment of data is under the responsibility of BNSI.

2.1.2 Availability of resources for the compilation of GFS data

The number of staff working in the field of GFS is as follows:

Macroeconomic Statistics Department of BNSI.

The staff working on GFS data consists of 6 civil servants from Financial National Accounts Division and 3 from Non-Financial Accounts Division.

The functions of the Non-Financial National Accounts Division are:

- Elaboration of new and improvement of existing methodologies and methods of conducting statistical surveys regarding national accounts and government finance statistics in accordance with the requirements of Eurostat;

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

- Preparation of statistical data, macroeconomic indicators and information for distribution in the field of NA and GFS. Elaboration and presentation to Eurostat of quarterly and annual data on GDP, GNI, quarterly and annual non-financial accounts for General Government and the other institutional sectors;
- International exchange of statistical information in the field of macroeconomic statistics with Eurostat and the statistical divisions of international organizations as well as fulfilment of BNSI obligations regarding the Program for European comparisons of purchasing power parities;
- Preparation and organization of work meetings on a national and international level as well as participation in projects of international bodies and organizations in the field of NA.

Treasury Directorate and Government Debt Directorate of Ministry of Finance
Treasury Directorate, GFS division

The staff of the GFS division consists of 6 civil servants, and the functions of the division are:

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

Government Debt Directorate, Strategies, Analyses and Statistical Reporting Division

The functions of the division are:

- to prepare and regularly submit the quarterly and annual data on the consolidated debt of the GG sector and its sub-sectors and issued from GG sector guarantees.

Macroeconomic Statistics Division, Statistics Directorate of Bulgarian National Bank

The staff working on GFS data team consists of 2 experts and their responsibilities include:

- Compilation and dissemination of government finance statistics and General Government's quarterly financial accounts according to international methodological standards such as ESA 2010, the statistical legal framework of the ECB and Eurostat;
- Regular analysis and cross-checking with other GFS data including quarterly non-financial accounts (EDP and other ESA 2010 tables);
- Filling in different questionnaires in the field of GFS statistics;
- Regular participations in statistical meetings and seminars organized by international organizations such as the ECB, Eurostat and others to meet the last methodological recommendations.

2.2. Institutional arrangements relating to public accounts

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

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

public accounts for individual government subsectors are described under relevant sections on data sources and EDP tables.

2.2.1 Legal / institutional framework

The Public Finance Act defines public finance scope and structure and stipulates fiscal rules and constraints, which have to be applied in the process of preparation, adoption and execution of the budget. With the Public Finance Act we implement the Directive 2011/85 on budgetary frameworks of the Member States which as concerns the national systems of public accounting requires Member States to have in place public accounting systems comprehensively and consistently covering all sub-sectors of General Government and

Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data containing the information needed to generate accrual data with a view to preparing data, based on the European System of Accounts standard.

The Public Finance Act stipulates a budget accounting framework in compliance with:

- European Union requirements for reporting, statistics and budgeting of the public sector;
- The accounting framework, principles and concepts of the GFS Manual issued by the IMF;
- International Public Sector Accounting Standards;
- Requirements of the Bulgarian legislation concerning budgeting, execution and reporting of the Consolidated Fiscal Programme, management and control of resources and expenditures of budgetary organizations.

Budgetary organizations keep their accounting records in accordance with the requirements set out in the Accountancy Act and the Public Finance Act. All level of government units and social security units apply unified Chart of Accounts (accrual accounting) and Unified Budget Classification (cash accounting for budget execution purposes) in accordance with the Ministry of Finance guidelines. In case of issues that are not addressed in the standards/guidelines and Chart of Accounts developed by the Ministry of Finance, the provisions of standards relevant to other enterprises, within the meaning of the Accountancy Act, may be applied to budgetary organizations under procedures set by the Minister of Finance. Such guidelines were developed in 2004 – DDS 20/2004. The layout, structure and contents of the budget organizations' annual financial reports are defined by the Minister of Finance. The Annual financial report consists of Balance Sheet, Cash (Budget Execution) Report and Explanatory Notes.

Budget organizations present monthly and quarterly budget execution reports, quarterly trial balances and annual balance sheets as well as other information to the Ministry of Finance subject to the conditions, time limits, periodicity requirements, and procedures set by the Minister of Finance. The information reported on the assets, liabilities, revenues, expenditure and transactions of all budgetary organizations is consolidated by the Ministry of Finance on the basis of the trial balances.

Regular First Level Spending Units (FLSUs) reports on a cash and accrual bases are provided through web-based system and are processed in a data warehouse for analysis and preparing different inquiries.

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Annual financial reports according to the National Audit Office Act are subject to an independent financial audit by the National Audit Office and are published on the websites of the First Level Spending Units according to the Public Finance Act.

According Public Finance Act (Art. 165) by an order issued in coordination with the President of the National Statistical Institute, the Minister of Finance may determine that non-budgetary enterprises which fall within the General Government sector and which are not commercial companies shall apply the standards, guidelines, and Chart of Accounts for budgetary organizations.

Except for taxes and social contributions, which are reported on a cash basis, transactions and changes in revenue, expenditures, assets and liabilities of all budgetary organisations are reported on an accrual basis. For the purposes of the budget execution they are also presented on a cash basis in their cash reports.

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

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

According to the Public Finance Act the accounting standards, Chart of Accounts and guidelines for the budgetary organizations developed by the Ministry of Finance in compliance with the accounting framework shall be approved by the Minister of Finance.

Budget Accounting and Payment Procedures Division in the Treasury Directorate of the MoF is responsible for developing the standards, Chart of Accounts and methodological guidelines for the budgetary organizations.

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

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

Data for public corporation are collected by BNSI, data for budgetary units are collected by MoF.

The internal quality and consistency checks and validation are performed by BNSI and MoF. The Chart of Accounts for the budgetary organizations (CoA) has been substantially upgraded as of 1.01 2014.

Following the Directive 2013/34 / EU and the Directive 2014/95 /EU , the Bulgarian legislators transposed (populate with the same meaning, but the specifics of legal reality, particularly in Bulgaria) their basic legal norms and principles in the Accounting Act which entered into force on January 1, 2016.

2.2.2 Auditing of public accounts

2.2.2.1 General government units

The data for the April Notification is not audited, therefore it is considered preliminary. As for the October Notification the accounts of all units are audited. The Accountancy Act stipulates the entities which annual financial reports shall be subject to independent financial audit, unless otherwise provided by a law.

In accordance with the Accountancy Act (See the actual version at the following link)⁵, the National Audit Office Act and the Independent Financial Audit Act all flows and all accounts of the units are audited.

The accounts of all budget units are audited by the Bulgarian National Audit Office according to the National Audit Office Act. The accounts of the reclassified units are audited by independent auditors. The Bulgarian National Audit Office shall also perform audits of the trade companies with 50% and above 50% state and/or municipal participation in the capital.

The budgetary units are audited in accordance with Art. 54 (1) of the National Audit Office Act (BNAO) which shall carry out financial audit to:

- the annual financial reports of the budget organizations – first level budgetary spending units, of the budget organizations – second level budgetary spending units, which exercise independent budgets under special acts;
- the annual financial reports of Municipalities, for which the total amount of the accounted costs on the budget, the accounts for EU funds and the suspense accounts for the previous year exceed BGN 10 million;
- other financial reports, where this has been provided by law.”

The results from audits are available to GFS compilers for the October Notification.

The audit reports are published on the website of Bulgarian National Audit Office <https://www.bulnao.government.bg/bg/oditna-dejnost/dokladi/>. By 30 September of the following year the business/public corporations shall publish their annual financial account and their consolidated financial report, the annual paper of the activity and the annual consolidated paper of the activity, adopted by the general meeting of the partners/the shareholders or by the respective body as follows:

- the traders in the sense of the Commercial Law – by filling and submitting for publication in the Commercial Register;
- the rest of the corporations – through an economic publication or in the Internet.

The audit reports include risk analysis and relevant details.

According to Art. 7 of the National Audit Office Act:

(1) The Bulgarian National Audit Office shall adopt its annual audit programme. The National assembly may – by its decision – assign to the BNAO to carry out up to 5 audits per year outside the ones, envisaged by the annual programme.

⁵ <https://lex.bg/bg/laws/ldoc/2136697598>

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

- (2) The BNAO shall adopt the programme under Para. 1 after publication of the Act on the State Budget of the Republic of Bulgaria for the relevant year in the State Gazette, but not later than 31 December of the previous year.
- (3) The BNAO Annual audit programme shall be produced to the National Assembly within 7 day term from its adoption or amendment.
- (4) The BNAO Annual audit programme in its part for audit of the accounts for EU funds shall be sent to the European Court of Auditors and the European Commission for information.

2.2.2.2 *Public units, not part of general government*

The reports received by BNSI are not audited, because under the national legislation all units, which are included in the public corporation sector, according to the Accountancy Act and the Law on Statistics have to report their statements by 31th of June. BNSI requires the audited reports for the purposes of the October EDP Notification.

According to Bulgarian legislation the auditing of public/business corporations' accounts are performed by independent auditing bodies, but as of April Notification these audits are not completed. As of October Notification the accounts of public/business corporations are audited.

All flows and all accounts of the units are audited.

According to the Accountancy Act still in operational for the reporting year 2020 Art 38 (1) Enterprises shall publish their annual financial statements, consolidated financial statements, annual management reports and annual consolidated management reports, as adopted by the general meeting of partners/shareholders or by the relevant body, as specified below.

1. The statements and reports shall be published by means of filing and submission for the purposes of disclosure in the Commercial Register by:
 - a) sole traders, by 30 September of the following year;
 - b) limited liability companies, by 30 September of the following year;
 - c) all other traders within the meaning of the Commercial Act, by 30 September of the following year.
2. Non-profit legal persons designated as operating for the public benefit shall publish their statements and reports by means of filing for recordation and submission to the Central Register with the Ministry of Justice as per the conditions and procedures set out in the Non-Profit Legal Persons Act by 30 June of the following year.
3. The other forms of enterprises shall publish their statements and reports in a business publication or the Internet, by 30 September of the following year.

(2) Following the procedure set out in paragraph (1), enterprises referred to in Article 38 shall publish:

1. their financial statements, in the form in which they were certified by a registered auditor;
2. their annual management reports, in the form on the basis of which the registered auditor expressed his/her opinion;

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3. the auditor's report on the statements and reports referred to in items (1) and (2).”
4. the audit reports cover risk analysis and relevant details only for those entities, whose reports have been requested directly by the BNSI.

2.3. Communication

2.3.1 Communication between actors involved in EDP

2.3.1.1 *Agreement on co-operation*

By order of the heads of the three institutions - BNSI, BNB and Ministry of Finance - and based on an officially approved Memorandum of cooperation, an inter-institutional working group has been established with the responsibility to organize and execute the compilation of EDP tables and other GFS tables.

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

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

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

The cooperation between institutions is organised with meetings of the inter-institutional working group at official level.

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

At present, no changes are foreseen in responsibilities of institutions and departments involved.

2.3.1.2 *Access to data sources based on public accounts*

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Public accounts data for individual units and groups of units are delivered to national statistical authorities in different ways: on paper and on-line (electronic format), mostly combined.

The cash reports and the trial balances of the budgetary units are endorsed by the respective responsible civil servants of the organizations.

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

For the implementation of the action points from the Eurostat's Upstream dialogue visit concerning the NSI's direct access in real time to the primary source data collected by the MoF and, in order to ensure control of the data of first level spending units (cash execution of the budget, balances and trial balances of the units), in January 2014 an Agreement was signed between NSI and MoF for the provision of direct access of BNSI's experts to individual data from the Information system of MoF.

All reports of public corporations are recorded into the information system by the BNSI staff and are available online. Data of budget units in electronic format are available from the Information system of MoF and BNSI's experts have direct access to the individual data of the units. The details, main aggregates and balancing items are fully identical in the different documents.

2.3.2 Publication of deficit and debt statistics

2.3.2.1 Publication of EDP data

The date for publishing the EDP figures (April and October) at national level is the same as Eurostat's. If Eurostat's publishing date is a non-working day in Bulgaria, then the national publication happens on the first working day after the Eurostat publication. Data are published only by BNSI.

The BNSI publishes on its website EDP Table 1: Reporting of government deficit/surplus and debt levels and provision of associated data (latest data for year n-1 and the 4 years' time series in the rubrics "latest data" and "time series").

Along with EDP Table 1 the BNSI also publishes EDP metadata and methodological explanatory documents.

The data are always published after the official validation by Eurostat.

2.3.2.2 Publication of underlying government ESA 2010 accounts

Data on national accounts for General government sector are published (See the following link) ⁶ after the official validation by Eurostat as follows: Table 2 Annual Non-financial accounts of General Government sector - 21 April - preliminary data and 22 October -

⁶ <https://nsi.bg/en/content/779/macroeconomic-statistics>

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revised data ; Table 6 and 7 Annual financial accounts - t+10 months; Table 11 General government expenditure by function (COFOG) – t+12 months; Table 9 Taxes and social contributions by type and sub-sectors of General Government - t+10 month; Table 25 Quarterly Non-Financial Accounts of General Government – t+90 days for Q1 and Q3, t+112 days for Q2 and Q4; Table 27 Quarterly Financial Accounts of General Government (QFAGG) – t+112 days; Table 28 General government gross debt - quarterly data -t+112 days.

Metadata and methodological explanatory documents are published on BNSI’s website in rubrics Government Finance Statistics:

<https://www.nsi.bg/en/content/2385/government-finance-statistics;>

Methodological notes concerning Quarterly Financial Accounts of General Government (QFAGG) are published on BNB’s website in rubric Statistics/ Quarterly Financial Accounts by Institutional Sector:

http://bnb.bg/bnbweb/groups/public/documents/bnb_download/st_m_instr_qfagg_en.pdf

Methodological notes concerning consolidated debt of GG sector - quarterly data are published on MoF’s website in rubric Statistics - Consolidated debt of “General Government” Sector:

<https://www.minfin.bg/en/page/860>

And Financial Statistics:

<https://www.nsi.bg/en/content/2340/financial-national-accounts>

3. EDP tables and data sources

This section reports on availability and use of basic data sources for the compilation of national accounts and EDP tables, by general government subsectors and main units/groups of units. It also aims at describing adjustments to basic data source in order to compile ESA 2010 based deficit/surplus; EDP tables compilation techniques, balancing practices; link between EDP table 2 and 3.

3.1. EDP table 1

EDP table 1 provides the core, summary information for the reporting period, as requested by the related EU legislation⁷: net borrowing(-)/net lending(+)(B.9) for general government sector and its subsectors, outstanding amount of Maastricht debt by instruments, Gross Domestic Product (GDP), gross fixed capital formation (GFCF) for GG sector and data on interest expenditure (D.41) .

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

3.1.1 Compilation of Maastricht debt

3.1.1.1 *Specification of debt instruments*

AF.31 – short – term government bills (with original maturity no more than 12 months) issued mainly from the CG to provide short-term liquidity for budget purposes. These are issued exclusively on the domestic market. These bills do not bear interest rate but are issued with discount/premium. They are paid by nominal value on the redemption date.

AF.32 – long- term government bonds (with maturity more than 12 months) issued both on domestic and international capital market. These bonds are issued at discount/premium and bearing fixed income in form of annual or semi-annual interest coupon payments. The only exception consists the governments bonds with floating interest rate in form of government securities issued for structural reform in regards to Council of Ministers (CM) Decree 234 since 1992, Article 4 and 5 ZUNK of 1993 and CM Decree 2 since 1994.

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

AF.42 – long term loans whose original maturity is more than one year. These loans are granted mainly from international financial institutions like IBRD, EIB, CEB, EBRD. The regular repayment instalments are set under the repayment schedule and usually consists principal and interest payment. The corporate loans of public entities reclassified inside the GG are included in total debt under AF 42 and the copy of the loan agreements have been used to report their terms and conditions.

These loans are with floating or fixed interest rate. The regular repayment instalments are set under the repayment schedule.

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

⁷ https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2014.069.01.0101.01.ENG

The main data source for the Central Government (CG) debt is the Official Register of Government and Government Guaranteed debt (ORGGGD), created and maintained by the MoF as per Article 38 (1) of Government Debt Act. Regarding to the compilation of Maastricht debt in the ORGGGD has develop a separate statistical module which includes all debt instruments of the institutional units' part of the specified subsectors of the General government.

The statistical module in the ORGGGD is used as a main source of information for:

- the debt of the Central Government subsector, including the government and government-guaranteed debt of the Republic of Bulgaria, issued under the Government Debt Act;
- the debt of ministries and other budgetary organizations that are part of the Consolidated Fiscal Program, in the form of financial leasing and other forms of debt;
- the debt of the institutional units classified in the Central Government subsector, incl. the debt of public hospitals and summarized information on the amount of short-term debt by cession and factoring (collected and provided quarterly by the BNB);
- the debt of the Social security funds subsector;
- assets in the form of debt instruments of the institutional units of the Central Government subsector and the Social security funds subsector.
- the guaranteed debt of the Central Government subsector

All data is consistent with the data in the SSF trial balance reports and in the consolidated municipality trial balance.

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

The MoF with the ORGGGD and statistical module in it is responsible for individual data sources, by subsectors and main units.

S.1311 - Data sources used for CG debt data are the final statistical module outcome, the figures computed according to the ESA'2010 requirements. The initial input information is the ORGGGD data base that integrates detailed and reliable information for all CG debt instruments, fully consistent with the foreign creditor's debt records and final auction results. Estimations of the outstanding CG debt level for year (n) are made using the statistical module of the ORGGGD. Computations are executed for all foreign debt instruments as per complete amortization schedules and disbursements plans, for the domestic debt respectively – designed yearly issue calendar and principal repayment plans, on the basis of the underlying budget parameters for the current year (foreign exchange rates and interest rate levels).

S.1313 - The information for local government debt, used for the first notification is the annual trial balance for year (n-1), consolidated debt figures for all municipalities. Establishing the interface between the CRMD and the ORGGGD will allow full automation of the process of all local government debt and assets parameters computation.

S.1314 - The sources for SSF debt and assets are mainly the records in the ORGGGD. They are compared with the information in the annual trial balance for year (n-1) that contains the consolidated information for all SSF.

Complete information of the conditions, disbursements and maturity scheme of the SSF debt is kept in the ORGGGD.

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

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

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

3.1.1.3 *Amendments to basic data sources*

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

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

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

In case of three repeated guarantee calls is lead to recording of the total outstanding debt under guarantee of the entities involved as government debt (excluded from the stock of government guaranteed debt).

3.1.1.4 *Consolidation of Maastricht debt*

The statistical module of the ORGGGD is used as source of information for assets in the form of debt instruments of the institutional units of the Central Government subsector and the Social security funds subsector, respectively the Central Register of Municipal debt for Local

Government assets. In addition, the balance sheets are used for verification the relevant information for the financial assets.

Consolidation within central government – Central government units grant loans to other CG units or holds securities issued by Central Government. These are consolidated within Central government due to its consideration as financial assets for Central government sub – sector.

Consolidation within local government – Local government units may grant loans to other Local government units or holds securities issued by other municipalities. These are consolidated within Local government due to its consideration as financial assets for Local government sub – sector. When a central government unit (e.g. as part of the State budget) provides a loan to another central government unit (e.g. an extra-budgetary fund), in that case this loan is eliminated (consolidated) when calculating central government debt, since both units are part of the same subsector.

When a central government unit provides a loan to a unit classified in another subsector of general government (e.g. local government), this loan is eliminated when calculating general government debt since both subsectors are part of general government.

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

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

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

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

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

Information provided in this section refers to data sources available for the Central Government (S.1311), indicates what sources are used for compilation of non-financial and financial accounts and EDP tables for S.1311, and explains the adjustments made in order to comply with ESA 2010.

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

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

- Basic data sources
- Complementary data sources used for the purpose of special ESA 2010 adjustments (e.g. accrual adjustments, recording of specific government transactions, etc.).

The main central government unit is the State budget. According to Art 42. of the Public Finance Act, the State budget includes:

- the central budget, ministries’ budgets, the budget of the National Assembly and Judiciary Authorities’ budget, the budget of the National Audit Office, the budgets of the executive bodies, the budgets of the other state authorities), which is adopted by the Parliament in accordance with the Public Finance Act.

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

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

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

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

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

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

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

The main data sources used for WB or B.9 and B.9f are:

- the Consolidated Fiscal Program Execution Report on a cash basis – Quarterly;
- balances and trial balances of the units on accrual basis – Quarterly;
- time adjusted cash data on taxes - received on a quarterly basis;
- data on letters of credit - received on an annual basis;

- data on compensatory instruments (vouchers) from Central Depository - received on an annual basis;
- data on super dividends – from National Revenue Agency (NRA) and from annual reports of public corporations provided to NSI - received on an annual basis;
- data on EU flows corrections - Quarterly;

- specific information for debt cancellation or debt assumption and etc.;
- additional inquiries – in case more information is needed.

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

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

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

For the March fiscal notification, the data on the execution of the budget for the year n-1 are not yet submitted to the National Audit Office (NAO). The annual report on the execution of the state budget is submitted to the NAO at the end of June and to the Council of Ministers (CoM) at the end of September.

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

Budgetary organizations do not produce profit and loss account. Data from balance-sheets and trial balances of the budgetary organizations are used.

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

3.2.1.1 *Details of the basic data sources*

Data sources used for compilation of national accounts

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

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

A distinction between different ESA2010 categories exists and, when required, additional information is requested for the respective unit.

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

The Monetary and Financial Statistics provides monthly data on stocks and flows of the deposits of S.13 (by subsectors). Data on core general government (budgetary) and other units (reclassified in S.13) can be distinguished on an aggregated level. In order to ensure full coverage of S.13 in the Monetary and Financial Statistics the BNB regularly incorporates the changes in the list of S.13 units, once provided by the NSI.

Furthermore, the BNB performs monthly comparison for the stocks from the “budgetary” part of the Monetary and Financial Statistics with the government source data (CFP/Form91), used by the NSI to compile F.2 in the EDP tables. For other units (reclassified in S.13), comparison between monetary statistics data and preliminary (March) and audited (September) annual data provided from the NSI, is performed on a biannual basis.

In most cases the identification of different financial instruments, as defined by ESA2010 is not a problem. Problems exist with the identification of F.8 by its sub-instruments F.81 and F.89 which is obligatory for the Financial Account (FA).

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

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

The primary data are non-consolidated because they are requested from each unit separately.

Non-consolidated amounts are available. Consolidation is performed on subsector’s level.

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

Working balance (WB)

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

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

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

There is a distinction between financial and non-financial flows in the working balance.

In most cases there are details in codification for the purpose of consolidation.

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

3.2.1.2 *Statistical surveys used as a basic data source*

Statistical surveys are used as a basic data source for the units, reclassified in S.13. For the April EDP notification, results of the statistical surveys are preliminary. BNSI is responsible for this information.

3.2.1.3 *Supplementary data sources and analytical information*

This section describes supplementary data sources used to amend basic data sources when compiling national accounts. In order to meet ESA 2010 requirements, supplementary data could be used for e.g. for accrual adjustments, reclassification of specific transactions, consolidation, amendments of revenue and expenditure structure, amendments of structure of assets and liabilities, identification of a counterpart sector, etc.

Supplementary information is used from statistical reports as follows: – income and expense from interest; expenditure on acquisition of tangible fixed, subsidies, receivables and payables, debt securities and financial derivatives. The supplementary data sources are the same for both financial and non-financial accounts.

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

From other administrative sources – monetary and financial statistics and BoP; information on taxes by components and super dividends; securities database - information on vouchers. Additional information is requested for ensuring a full coverage of the S.1311 flows such as debt cancellation, debt assumption, guarantee calls and etc. The following government units are involved: BNB, MoF; NRA; Central depositary; Customs Agency.

The information is available on a regular basis for the whole period required by ESA' 2010. Some of the related adjustments lead to changes in B.9 and to changes of the financial assets and/or liabilities level.

3.2.1.4 *Extra-budgetary accounts (EBA)*

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

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

Non-financial flows recorded in EBA

All non-financial transactions of EBA related to the EU funds are not part of WB.

The non-financial transactions of EBA, related to EU funds are reported in row Other adjustments, Detail 9.

Regarding the EBA of EU funds their inflows and outflows are eliminated in the EDP Notification tables with adjustments made in the "Other adjustments" section, Detail 2.

The revenues are from EU funds. The expenditures in EBA are also from EU funds. EBA of EU flows are not recorded in the WB. Detailed data on inflows and outflows of EU funds are available and used for the compilation of NA.

Financial flows recorded in EBA

The following transactions in financial assets and liabilities are booked in EBA for EU flows:

– F8 assets – EU flows receivables – F8 liabilities – EU flows payables.

These data are used for the compilation of financial accounts and also for EDP table 3. There are available data for appropriate consolidation.

3.2.2 Data sources for other Central Government units

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

Other central government units in Bulgaria include:

Other budgetary organizations included in the central government subsector (public universities (38 units); Bulgarian Academy of Science, Bulgarian National Television, Bulgarian National Radio, Bulgarian News Agency, Enterprise for Management of Environmental Protection Activities (EMEPA), State Enterprise "Management and Administration of Dams", State Enterprise "Research and Production Center", State Enterprise "State Oil Company", Security of the Electricity System Fund. Their budgets are adopted by their managing bodies in accordance with the laws regulating their status. The National Assembly approves only transfers from the State Budget to these institutions, but their revenue, expenditure, transfers and financing are presented in the consolidated fiscal program as separate budgets.

Public enterprises, reclassified in S.1311: National Company Railway Infrastructure, Fund For Local Authorities And Governments - FLAG and Fund For Sustainable Urban Development, "BDZ Passenger Services" LTD, State Consolidation Company, Bulgarian Deposit Insurance FUND, Energy Efficiency and Renewable Sources Fund, State Enterprise Radioactive Waste, Eco Antracyt EAD, National Company Industrial Zones EAD, Ecoengineering RM EOOD, Zeminvest EAD, Center For Psychic Health - Sofia EOOD, NDF 13 Veka Bulgaria, Bulgarian Institute For Standartization, Bulgarian American Commission For Educational Exchange,

Fund Manager of Financial Instruments in Bulgaria, Sofia Tech Park, Holding BDZ, Proektna kompaniya neftoprovod Burgas-Aleksandrupolis BG EAD, Industrial Sites and Warehouses PLC, DZZD Technology center for emergency medicine, General Department Of Construction And Reconstruction EAD, Sunny Beach AD, Industrial zone Vidin EAD, National Trust Eco Fund, Guarantee fund, Bulgarian VIK Holding EAD, Health Investment Company for children's hospital and hospitals with government ownership (65 units).

Table 3 – Availability and use of basic source data for other central government units: Autonomous budgets included in Consolidated fiscal programme and Public corporations reclassified in S1311

Available source data				Source Data Accounting	Source data used for compilation of	
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			B.9 (NFA)	B.9f (FA)
		First results	Final data			
1	2	3	4	5	7	8
		<i>T + days</i>	<i>T+mont hs</i>			
				Budget Reporting		
				(1) Current revenue and expenditure		
				(2) Current and capital revenue and expenditure		
C	Q	T+60	T+8	(3) Current and capital revenue and expenditure and financial transactions	x	x
A	Q	T+60	T+8	(4) Balance sheets	x	x
				Financial Statements		
A	A	T+150	T+7	(5) Profit and loss accounts	x	x
A	A	T+150	T+7	(6) Balance sheets	x	x
A	A	T+150	T+7	(7) Cash flow statement	x	x
				Other Reporting		
A	A	T+150	T+7	(8) Statistical surveys statistical report for receivables and payables and others	x	x
A	A	T+150	T+7	(9) Other: following supplementary information	x	x

See notes to table 2, on the used abbreviations.

The main sources of information on the “Other budgetary organizations included in the central government subsector” are data from the Consolidated Fiscal Program Execution Report on a cash basis; balances and trial balances of the units on an accrual basis.

The main sources of information for public corporations reclassified in S.13 are financial statements and statistical reports on an accrual basis for year n-1. Data are collected by BNSI.

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

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

3.2.2.1 *Details of the basic data sources*

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

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

A distinction between different ESA2010 categories exists and, when required, additional information is requested for the respective unit.

In most cases the different financial instruments are identifiable as required by ESA'2010.

Additional analysis and clarification of transaction via individual entities for the purpose of consolidation are carried out.

The statistical information for enterprises reclassified in the central government sector is not consolidated, because data is requested from each unit separately. Consolidation of the information for hospitals is made on the subsector's level.

The identification of transfers to/from public corporations, private corporations, households, ROW is possible regarding receivables, payables and loans and debt securities, because BNSI has included in its survey a special statistical report concerning inter-sector relations.

3.2.2.2 *Statistical surveys used as a basic data source*

The main variables collected are from the annual financial reports: balance sheets, profit and loss accounts, statistical report for receivables and payables, etc.

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

According to the Accounting Law and the National statistical programme of BNSI all enterprises are obliged to report their financial statements and the surveys are exhaustive. These statistical surveys concern public corporations, reclassified in S.13.

3.2.2.3 *Supplementary data sources and analytical information*

This section describes supplementary data sources, which are used to amend basic data sources while compiling national accounts. In order to meet ESA 2010 requirements, supplementary data could be used for, e.g., accrual adjustments, reclassification of specific transactions, consolidation, amendments of revenue and expenditure structure, amendments of structure of assets and liabilities, identification of a counterpart sector, etc.

The following supplementary information is used for compilation of non-financial accounts and financial accounts:

Income and expense from interest; expenditure on acquisition of tangible fixed assets, subsidies, receivables and payables, debt securities and financial derivatives;

Information on taxes by components and dividends from NRA;

Additional information from some units for operations like lump sum payments, debt assumptions and etc.

Additional information from MoF and BNB is requested for ensuring a full coverage of the S.13 flows such as capital transfers, debt cancellation, debt assumption, guarantee calls;

Additional information for transactions concerning the relations with Rest of the World;

Additional information on credits of some units – by creditors, payments, interest;

Information on vouchers from Central Depository;

If necessary is requested additional counterpart information for some transactions like privatisation, EU flows and etc.

3.2.3 EDP table 2A

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

3.2.3.1 Working balance - use for the compilation of national accounts

Working balance is used for compilation of NFA and also B.9.

3.2.3.2 Legal basis of the working balance

The working balance of Table 2A corresponds to an item voted in the Parliament for the whole reporting period. Since year 2014 the working balance in Table 2A matches the cash balance of the State budget, which is voted by the Parliament with the report on its execution according to the Public Finance Act.

The Budget Appropriation Act is usually voted at the end of the previous year and the Report on the execution of the Budget is voted till the end of the next year, except in extraordinary circumstances.

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

(1) According to Article 6 of the National Audit office Act: the Bulgarian National Audit Office shall audit:

1. the state budget;
2. the budget of the state social security;
3. the budget of the National Health Insurance Fund;
4. the budgets of the Municipalities;
5. other budgets, adopted by the National Assembly.

(2) The BNAO shall also audit:

1. the budgets of the budgetary spending units on the budgets of Para. 1 and the management of their properties;

2. the budgets of the budget organizations under Art. 13, Para. 3 and 4 of the Public Finance Act;
3. the budget funds, provided to persons, carrying out economic activity;
4. the accounts of EU funds and of other international programmes and agreements under Art. 8, Para. 2 and 4 of the Public Finance Act, including their management by the relevant bodies and end users of the funds;
5. the budget expenses of the Bulgarian National Bank (BNB) and their managements;
6. the formation of the annual excess of revenues over costs of BNB, due to the state budget and other interrelations of the Bank with the state budget;
7. origination and management of the state debt, the state-guaranteed debt, the Municipal debt and the use of debt instruments;
8. the privatisation of state and municipal property, as well as the public resources and public assets placed at the disposal of parties outside the public sector, including in the course of implementation of concession agreements;
9. implementation of international agreements, contracts, conventions or other international acts, where this has been provided by the relevant international act or has been assigned by an authorized body;
10. other public funds, assets and activities, where this has been assigned to it by an act.

(3) The Bulgarian National Audit Office shall perform audits of:

1. state enterprises under Art. 62, Para. 3 of the Commercial Act;
2. the trade companies with 50% and above 50% state and/or municipal participation in the capital;
3. legal person, which have obligations, guaranteed by the state or obligations, guaranteed by state and/or municipal property.

(4) The BNAO shall carry out audits of management and disposition of public assets and liabilities, notwithstanding of the ground for this management and disposition and the legal status of the persons, which perform it.

(5) The BNAO shall draw up opinion reports on the implementation of the state budget, of the budget of the state social security, of the budget of the National Health Insurance Fund and the budget costs of BNB, which shall introduce to the National Assembly.

(6) The BNAO may also audit the suspense accounts of the budget organizations.

The audits conclude t+9 months after the year t.

The results from auditing are published on the website of Bulgarian National Audit Office

[\(https://www.bulnao.government.bg/en/about-us/legislation/national-audit-office-act/\)](https://www.bulnao.government.bg/en/about-us/legislation/national-audit-office-act/).

If there are any changes in data from auditing it leads to an impact in B.9 / B.9f for October notification.

3.2.3.3 Coverage of units in the working balance

Two adjustment lines due to sector delimitation appear in EDP T2. The purpose of the first adjustment is to exclude flows relating to units, which do not belong to the government sector (or to the particular subsector) according to ESA 2010 definition. The second adjustment refers

to B.9 of other units, which are classified within the particular government subsector, but related inflows/outflows are not included in the working balance.

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

All units reported in the WB belong to the government sector / particular subsector as defined by ESA'2010 and they are institutional units.

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

Net lending (+)/ net borrowing (-) of other central government bodies includes:

– Other budgetary organizations included in the central government subsector (public universities; Bulgarian Academy of Science, Bulgarian National Television, Bulgarian National Radio; Bulgarian News Agency, EMEPA, State Enterprise "Management and Administration of Dams", State Enterprise "Research and Production Center", State Enterprise "State Oil Company", Security of the Electricity System Fund);– Public corporations reclassified in central government subsector.

Data on public corporations reclassified in central government subsector as reported in EDP Table 2 in line Net borrowing (-) or net lending (+) of other central government bodies are on accrual basis.

Data on Other budgetary organizations included in the central government subsector are on a cash basis and the related accrual adjustments are reported in lines Other accounts receivable/payable.

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

BNSI calculates individual financial and non-financial accounts for all reclassified public enterprises, except for public hospitals, for which BNSI calculates a collective financial and non-financial account for all units.

3.2.3.4 *Accounting basis of the working balance*

The accounting basis of the working balance is pure cash.

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

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

The accrued interest is recorded outside the WB.

The payment of discount is recorded as interest expenses.

The premium is recorded as a negative interest expense.

For the purposes of EDP T2, line Difference between interest paid and accrued, data is extracted from ORGGGD which represents the difference of all interest paid during a given (+) calendar year and the proportional part of the interest amount for the same calendar year which will be accrued (-) up to 31st Dec of that same year but it will be actually paid anytime in the following calendar year. This implies for all financial instruments bearing interest.

The adjustments to interest revenue are reported in line Difference between interest paid (+) and accrued (D.41) (-).

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

The following non-financial transactions are amended on an accrual basis via receivables F.8: EU flows; advances to suppliers; non-tax revenue and tax revenue (time-adjusted cash flows).

The following non-financial transactions are amended on an accrual basis via payables F.8: EU flows; expenditures as payables; non-tax revenues (advances from customers and prepaid income).

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

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

Accrual adjustments in EDP table 2 are fully consistent with F.8 reported in EDP T3 and financial accounts for other accounts receivables/ payables, time-adjusted data on taxes and reclassified entities – hospitals and other public corporations.

For the purposes of implementation of time adjusted cash procedure by type of taxes and social security contribution the following legal regulations related to the procedures and rules of payment and refunding are used: Value added tax Act; Excise duties and tax warehouse Acts; Corporate Income Tax Act; Income Taxes of Natural Persons Act; Social security code; Health insurance Act.

3.2.3.4.3 Other accrual adjustments in EDP T2

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

For the EU flows an adjustment on an accrual basis with the total amount of the net change of receivables and payables are made.

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

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

3.2.3.6 *Financial transactions included in the working balance*

Under the item Financial transactions included in the working balance could be recorded transactions in financial assets which should be excluded from the working balance such as claw-back clauses, etc.

Based on recommendations from Eurostat an adjustment for super-dividend for the entity “Dunav Most Vidin-Kalafat” is currently shown separately under the line "Financial transactions included in the WB – Equities, sales (-)".

3.2.3.7 *Other adjustments reported in EDP T2*

Detail 1: Capital transfers: compensation vouchers; Guarantee call; Debt assumption

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

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

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

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

Detail 2: EU flows corrections

The line represents the accrual adjustment made for EU flows which is calculated as follows: Cash receipts from EU reported as cash revenue in line with national methodology are reclassified as financing transactions – receivables/payables.

The EU-part of cash expenditures of government units-beneficiaries is calculated and classified as cash revenue from EU as well as changes in receivables/payables.

The EU-part of subsidies and capital transfers to non-government units-beneficiaries is reclassified as changes in receivables/payables. Thus only amounts corresponding to national co-financing remain reported as expenditure.

Similarly, the adjustment related to the EU-part of cash transfers from central government to local government units-beneficiaries is made in order to more precisely allocate the data between government subsectors.

Detail 3: Letter of credit

According to the national methodology, the amounts reserved and blocked in the special Letter of Credit (L/C) accounts (before the delivery of goods/services occurs) are recorded as expenditure of the spending units in their cash reports, respectively they are consolidated and presented as expenditures in the State Budget's report to the Parliament and impact the working balance (line working balance in table 2A). These amounts are included as assets of the general government. In that line, the net change (decrease/increase) of the L/C deposits for the respective year is included in the notification with the respective sign (decrease/increase of these amounts has a negative/positive impact on the net lending / borrowing).

Detail 4: Debt cancellation

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

Detail 5: "Hemus" motorway

An adjustment is made due to the allocated funds for the construction of the "Hemus" motorway, which were reserved in a suspense account of the Ministry of Regional Development, which is responsible for the project. According to the rules for reporting the cash execution of the budget, the allocation/setting aside of funds on such and other similar accounts created for the service of payments under specific contracts (escrow accounts, letters of credit, etc.) is treated as a cash expense when the transfer of funds to these accounts is made. Therefore, an adjustment is made to reflect the elimination of these amounts from the working balance at the time of transfer of funds and to ensure the correct accrual recording of the expenditure, i.e. at the time of construction.

Detail 6: Security of the electricity system fund

In accordance with art. 36k of the Energy Act funds are allocated in a suspense account of the Security of the Electricity System Fund. The amount represents the part of the collected revenue from the Fund in the respective year which was not yet spent to compensate the producers of electricity in the same year. According to the reporting rules, the allocation/setting aside of funds on such account is treated as a cash expense when the transfer of funds to these accounts is made. With regard to the accrual recording rules, an adjustment is made to eliminate this amount from the WB of Central government.

Detail 7: Purchase of military aircraft

On 08.01.2020 the Council of Ministries drafted a letter authorizing the creation of a deposit account for Bulgaria in the Federal Reserve Bank of New York for the purposes of investing in low-risk short-term liquid investments – US treasury bonds, overnight deposits etc. According to the rules for reporting the cash execution of the budget the transfer of the funds is treated as a cash expense. Therefore, an adjustment is made to reflect the elimination of the amount from the working balance at the time of transfer of funds and to ensure the correct accrual recording of the expenditure, i.e. at the time when the economic ownership of the good occurs, which is usually when delivered.

Detail 8: Other

Expenditures included in the WB but not spent as cash as of end of the year T and thus allocated into the suspense accounts are reported under Detail 8. On an accrual basis they are not expenditures for the year T, but for the following year/years. For example BGN 55 million for the delivery of an aircraft for special flights were included in the WB but not spent in 2019 and thus an adjustment of 55 was made under Detail 8.

Detail 9: Extra-budgetary accounts (EBA) related to EU funds

The cash transactions of EBA related to EU funds are not included in the WB. Therefore, they are separately shown in line 'Other adjustments', detail 9 for central government. The accrual adjustment for EU flows is represented in Detail 2 as described above.

3.2.3.8 *Net lending/net borrowing of central government*

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

3.2.4 **EDP table 3B**3.2.4.1 *Transactions in financial assets and liabilities*

Financial accounts are used for the compilation of EDP T3. For the April notification mainly data on transactions are used, whilst for the October notification priority is given to data on stocks, because there are available final data from the balance sheets. For some adjustments only data for transactions are available.

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

Source Data	Assets							Liabilities						
	F.2	F.3	F.4	F.5	F.6	F.7	F.8	F.2	F.3	F.4	F.5	F.6	F.7	F.8
	Calculation of transactions													
Transaction data (integrated in public accounts)			X				X			X				X
Other transaction data		X				X			X				X	
Stock data	X		X	X			X	X		X	X			X
	Calculation of stocks													
Transaction data														
Stock data	X	X	X	X	X	X	X	X	X	X	X	X	X	X

Currency and deposits (F.2)

i) Assets: Sources of information used to compile data are: Consolidated Fiscal Program Execution Report on a cash basis (in the part of financing); unit balances and trial balances on accrual basis; data on an accrual basis are used for enterprises, which are reclassified in the General Government sector. The annual reports of these entities, collected at the NSI on a regular basis, are used for this compilation; data on letters of credit.

ii) Liabilities: Not applicable.

Debt securities (F.3)

i) Assets: Sources of information used to compile data on debt securities are data on an accrual basis are used for enterprises, which are reclassified in the General Government sector. The annual reports of these entities, collected at the NSI on a regular basis, are used for this compilation.

ii) Liabilities: The main data source for the stock of securities is the Official Register of Government and Government Guaranteed debt.

Loans (F.4)

i) Assets: Information on loans granted is obtained from: Consolidated Fiscal Program Execution Report on a cash basis (in the part of financing); Sources of information used to

compile data on debt securities are data on an accrual basis are used for enterprises, which are reclassified in the General Government sector. The annual reports of these entities, collected at the NSI on a regular basis, are used for this compilation; information of foreign claim.

ii) Liabilities: Information on liabilities is obtained from Official Register of Government and Government Guaranteed debt.

Equity and investment fund shares or units (F.5):

i) Assets: Sources of information used to compile shares and other equity are: Consolidated Fiscal Program Execution Report on a cash basis (in the part of financing); data on an accrual basis are used for enterprises, which are reclassified in the General Government sector. The annual reports of these entities, collected at the NSI on a regular basis, are used for this compilation; data on vouchers from Central Depository; data on super dividends – from NRA and from annual reports of public corporations provided to NSI.

ii) Liabilities: Sources of information used to compile data on an accrual basis are used for enterprises, which are reclassified in the General Government sector. The annual reports of these entities, collected at the NSI on a regular basis, are used for this compilation.

Insurance, pension and standardised guarantee schemes (F.6):

i) Assets: Data source for this instrument comes from estimates for the "Insurance technical reserves". Information is based on data from the Financial supervision commission and trial balances of budgetary units.

ii) Liabilities: Not applicable.

Financial derivatives and employee stock options (F.7):

i) Assets: Not applicable.

ii) Liabilities: Not applicable.

Other accounts receivable and payable (F.8):

i) Assets: Data are based on information collected from: Consolidated Fiscal Program Execution Report on a cash basis (in the part of financing); trial balances of budgetary units; unit balances and trial balances on accrual basis; data on an accrual basis are used for enterprises, which are reclassified in the General Government sector. The annual reports of these entities, collected at the NSI on a regular basis, are used for this compilation; time adjusted cash data on taxes; EU flows and other.

ii) Liabilities: Data source for this instrument comes from: Consolidated Fiscal Program Execution Report on a cash basis (in the part of financing); trial balances of budgetary units; unit balances and trial balances on accrual basis; data on an accrual basis are used for enterprises, which are reclassified in the General Government sector. The annual reports of these entities, collected at the NSI on a regular basis, are used for this compilation; time adjusted cash data on taxes; data on mobile phone licences; data on ETS permits; data on Radioactive Waste Fund (RAWF) and Nuclear Facilities Decommissioning Fund (NFDF); EU flows; information on the implementation of the National Program for Energy Efficiency; factoring transactions and assignments and other.

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

- Consolidated Fiscal Program Execution Report on a cash basis (in the part of financing);
- unit balances and trial balances on accrual basis;

- data on an accrual basis are used for enterprises, which are reclassified in the General Government sector. The annual reports of these entities, collected at the NSI on a regular basis, are used for this compilation
- the main data sources are exhaustive and are available by individual units.
- the supplementary data sources are as follows:
 - time adjusted cash data on taxes;
 - data on letters of credit;
 - data on vouchers from Central Depository;
 - data on mobile phone licences;
 - data on ETS permits;
 - data on Radioactive Waste Fund (RAWF) and Nuclear Facilities Decommissioning Fund (NFDF);
 - data on other transactions: debt assumption, debt cancellation and guarantee calls;
 - data on super dividends – from NRA and from annual reports of public corporations provided to NSI

The cash reports data are consolidated within the central government sector and within the general government. Consolidation of the financial transactions, related to different indicators is based on information from the trial balances, the statistical information for enterprises classified in the central government sector, etc. There is consolidation of interest (D.41).

Additional analysis and clarification of transactions via individual entities are also carried out. These adjustments are in line with non-financial accounts.

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

3.2.4.2 *Other stock-flow adjustments*

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

tickets during the book - building process are inputted. The achieved market results once generated and approved by the Minister of Finance are inputted in ORGGGD.

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

In case of decisions driven from optimizing debt portfolio purposes and depending on the market conditions MoF may decide to examine a redemption part of the existing debt. If the amount cash spend for redemption is above the nominal (face) value of the notes it is recorded as a positive adjustment (reflects the increased expenditure from the budget for this purpose). If the amount of cash spent for redemption is below their nominal (face) value of the notes it is recorded as a negative adjustment (reflects realized savings for the budget) expense. If the amount of cash spent for redemption is below their nominal (face) value of the notes it is recorded as an income.

Appreciation/depreciation of foreign currency debt means the difference between outstanding of the debt (denominated in currencies different than national currency (BGN) and participating currency EUR, where BGN is pegged to the EUR) revaluated as the end of the year n and n-1 taking into account the amount of disbursed and repaid debt during year n as the date of relevant debt disbursements and payments. The data source of major foreign currency is the currency fixing of BNB announced each business day – a source which is linked to ORGGGD.

The most recent case reported in the item Changes in sector classifications was the stock of government bonds held by Deposit insurance fund as of the end of year 2012.

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

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

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

Allocation of discrepancy B.9 vs B.9f

The source data for calculating of B.9f and B.9 are the same and for this reason we only have small discrepancies that arise from the difference between nominal and market value of some instruments. Because of this we do not try to allocate the observed difference in B.9f and B.9 at the level of source data.

Changes to intermediate data

Counterpart data can be used as a tool to identify errors but not to obtain final statistics in both FA and NFA.

Complementary elements on stocks/

Not applicable

Accruals

We do not consider that discrepancy can arise from time of recording problems as we use the same time of recording in both FA and NFA.

Ex-post monitoring

Work files and specific issues are always analyzed in case of a big discrepancy between FA and NFA experts in BNSI.

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

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

Not applicable for Bulgaria.

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

3.4.1 Data sources for Local Government main unit: municipalities

**Table 5 – Availability and use of basic source data for main local government units
265 municipalities as of 2020**

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

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

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

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

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

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

3.4.1.1 Details of the basic data sources

The basic data sources for Local government sub-sector are:

- cash reports on the budget execution of the municipalities;
- trial balances of the municipalities on an accrual basis;
- EU flows and etc.

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

3.4.1.2 Statistical surveys used as a basic data source

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

3.4.1.3 Supplementary data sources and analytical information

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

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

3.4.1.3.2 Supplementary data sources used for the compilation of financial accounts

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

3.4.2 Data sources for other Local Government units

Table 6 – Availability and use of basic source data for other local government unit

Hospitals and other public corporations with municipal ownership

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

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

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

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

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

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

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

3.4.2.1 *Details of the basic data sources*

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

At present such entities are the hospitals and other public corporations with municipal ownership (such as Sports property Pomorie and National Association of Municipalities in the Republic of Bulgaria)

3.4.2.2 *Statistical surveys used as a basic data source*

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

3.4.2.3 *Supplementary data sources and analytical information*

3.4.3 **EDP table 2C**

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

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

3.4.3.2 *Legal basis of the working balance*

Legal basis for preparation of the budget of the municipalities is Public Finance Act. The National Assembly ratifies the subsidies from the central government to municipalities only.

3.4.3.3 *Coverage of units in the working balance*

There are 265 municipalities in Bulgaria as of 2020. The budgets of the municipalities are autonomous. They are drawn up in compliance with the Public Finance Act, and approved by the respective municipal councils. The subsidies from the central government to the municipalities are approved within the State Budget. The local governments carry out the activities in the fields of: education, health, culture, and community services. The local government budgets include consolidated information on the incomes, outlays and financing of all budget activities of the municipalities.

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

For the time being such units are not identified.

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

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

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

3.4.3.4 *Accounting basis of the working balance*

The data on execution of the municipal budgets are presented on a cash basis.

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

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

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

The information used for calculation of other accounts receivable/payable F.8 in EDP T2C is on an accrual basis from data in trial balances of municipalities and statistical reports of receivables and payables of public corporations reclassified in S.1313.

3.4.3.4.3 *Other accrual adjustments in EDP T2C*

Information on letter of credits;

EU flows corrections.

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

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

3.4.3.6 *Financial transactions included in the working balance*

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

3.4.3.7 *Other adjustments reported in EDP T2C*

As no amounts for EU funds are included in the WB they are shown in line Other adjustments, Detail 3 for local government. For the purpose of eliminating the impact of the EU flows on the NLB in the fiscal notification the revenue and expenditures of European funds reported on a cash basis is indicated in Other Adjustments in table 2.

3.4.3.8 *Net lending/net borrowing of local government*

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

3.4.4 **EDP table 3D**

3.4.4.1 *Transactions in financial assets and liabilities*

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

Table 7. Data used for compilation of transactions and of stocks of financial assets and liabilities

	Assets							Liabilities						
Source Data	F.2	F.3	F.4	F.5	F.6	F.7	F.8	F.2	F.3	F.4	F.5	F.6	F.7	F.8
	Calculation of transactions													
Transaction data (integrated in public accounts)			X				X			X				X
Other transaction data		X				X			X				X	
Stock data	X		X	X			X	X		X	X			X
	Calculation of stocks													
Transaction data														
Stock data	X	X	X	X	X	X	X	X	X	X	X	X	X	X

Currency and deposits (F.2)

i) Assets: Sources of information used to compile data are: Consolidated Fiscal Program Execution Report on a cash basis (in the part of financing); unit balances and trial balances on accrual basis; data on an accrual basis are used for enterprises, which are reclassified in the Local Government sector. The annual reports of these entities, collected at the NSI on a regular basis, are used for this compilation.

ii) Liabilities: Not applicable.

Debt securities (F.3)

i) Assets: Sources of information used to compile data on debt securities are data on an accrual basis are used for enterprises, which are reclassified in the Local Government sector. The annual reports of these entities, collected at the NSI on a regular basis, are used for this compilation.

ii) Liabilities: The main data source for the stock of securities is the Central Register of Municipal debt (CRMD).

Loans (F.4)

i) Assets: Information on loans granted is obtained from: Consolidated Fiscal Program Execution Report on a cash basis (in the part of financing); Sources of information used to compile data on debt securities are data on an accrual basis are used for enterprises, which are reclassified in the General Government sector. The annual reports of these entities, collected at the NSI on a regular basis, are used for this compilation.

ii) Liabilities: Information on liabilities is obtained from Central Register of Municipal debt (CRMD).

Equity and investment fund shares or units (F.5):

i) Assets: Sources of information used to compile shares and other equity are: Consolidated Fiscal Program Execution Report on a cash basis (in the part of financing); data on an accrual basis are used for enterprises, which are reclassified in the Local Government sector. The annual reports of these entities, collected at the NSI on a regular basis, are used for this compilation.

ii) Liabilities: Sources of information used to compile data on an accrual basis are used for enterprises, which are reclassified in the Local Government sector. The annual reports of these entities, collected at the NSI on a regular basis, are used for this compilation.

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

Insurance, pension and standardised guarantee schemes (F.6):

- i) Assets: Data source for this instrument comes from estimates for the "Insurance technical reserves". Information is based on data from the Financial supervision commission and trial balances of budgetary units.
- ii) Liabilities: Not applicable.

Financial derivatives and employee stock options (F.7):

- i) Assets: Not applicable.
- ii) Liabilities: Not applicable.

Other accounts receivable and payable (F.8):

- i) Assets: Data are based on information collected from: Consolidated Fiscal Program Execution Report on a cash basis (in the part of financing); trial balances of budgetary units; unit balances and trial balances on accrual basis; data on an accrual basis are used for enterprises, which are reclassified in the Local Government sector. The annual reports of these entities, collected at the NSI on a regular basis, are used for this compilation; EU flows and other.
- ii) Liabilities: Data source for this instrument comes from: Consolidated Fiscal Program Execution Report on a cash basis (in the part of financing); trial balances of budgetary units; unit balances and trial balances on accrual basis; data on an accrual basis are used for enterprises, which are reclassified in the Local Government sector. The annual reports of these entities, collected at the NSI on a regular basis, are used for this compilation; EU flows and other.

3.4.4.2 *Other stock-flow adjustments*

Difference between interest accrued and paid

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

Appreciation/depreciation of foreign currency debt means the difference between outstanding of the debt (denominated in currencies different than national currency (BGN) and participating currency EUR, where BGN is pegged to the EUR) revaluated as the end of the year n and n-1 taking into account the amount of disbursed and repaid debt during year n as the date of relevant debt disbursements and payments. The data source of major foreign currency is the currency fixing of BNB announced each business day – a source which is linked to ORGGGD.

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

3.5.1 Data sources for Social Security Funds main unit:

Table 8 – Availability and use of basic source data for social security funds

National Social Security Institute, Teachers Pension Fund, Fund for Guaranteed Receivables of Workers and Employees and National Health Insurance Fund.

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

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

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

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

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

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

3.5.1.1 Details of the basic data sources

The original sources of data are the cash reports and the trial balances on an accrual basis of the Social Security sub-sector. The information is available per unit of SSF with quarterly periodicity and time of availability as specified in the table 8.

3.5.1.2 Statistical surveys used as a basic data source

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

3.5.1.3 *Supplementary data sources and analytical information*

Additional information is obtained from National social security institute concerning lump sum payments.

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

Additional information is obtained from National social security institute concerning lump sum payments.

3.5.1.3.2 Supplementary data sources used for the compilation of financial accounts

Additional information is obtained from National social security institute concerning lump sum payments.

3.5.2 Data sources for other Social Security units

For the time being other social security units in Bulgaria do not exist.

3.5.3 EDP table 2D

3.5.3.1 *Working balance - use for national accounts compilation*

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

3.5.3.2 *Legal basis of the working balance*

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

3.5.3.3 *Coverage of units in the working balance*

The WB of Social security sub-sector is a result from all cash operations in revenue and expenditures executed during the fiscal year in compliance with the annual state budget for the National Social Security Institute, in charge of pension and many social benefits funds (“Work-related accidents and occupational disease” Fund, “General disease and maternity” Fund, “Unemployment” Fund), Fund for guaranteed receivables of workers and employees, Teachers Pension Fund and National Health Insurance Fund.

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

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

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

For the time being such units are not identified.

3.5.3.4 *Accounting basis of the working balance*

The WB of SSF subsector is on a cash basis.

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

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

3.5.3.4.2 Accrual adjustments reported under other accounts receivable/payable F.8 in EDP T2D

The information used for calculation of other accounts receivable/payable F.8 in EDP T2D is on an accrual basis and is derived from data in trial balances of units belonging to SSF subsector.

3.5.3.4.3 Other accrual adjustments in EDP T2D

Difference between cash and time-adjusted cash for social security contributions (receivable); lump sum corrections (payable).

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

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

3.5.3.6 *Financial transactions included in the working balance*

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

3.5.3.7 *Other adjustments reported in EDP T2D*

National Social Security Institute – expenditure included in WB of the year T to be spent in the later year.

3.5.3.8 *Net lending/net borrowing of social security funds*

B.9 of SSF subsector is derived from the same source data used for calculation of WB with adding the adjustments under accounts receivable/payable F.8 mentioned above.

3.5.4 EDP table 3E

3.5.4.1 Transactions in financial assets and liabilities

Table 9. Data used for compilation of transactions and of stocks of financial assets and liabilities

Source Data	Assets							Liabilities						
	F.2	F.3	F.4	F.5	F.6	F.7	F.8	F.2	F.3	F.4	F.5	F.6	F.7	F.8
	Calculation of transactions													
Transaction data (integrated in public accounts)			X				X			X				X
Other transaction data		X				X			X				X	
Stock data	X		X	X			X	X		X	X			X
	Calculation of stocks													
Transaction data														
Stock data	X	X	X	X	X	X	X	X	X	X	X	X	X	X

Currency and deposits (F.2)

- i) Assets: Sources of information used to compile data are: Consolidated Fiscal Program Execution Report on a cash basis (in the part of financing);
- ii) Liabilities: Not applicable.

Debt securities (F.3)

- i) Assets: Sources of information used to compile data are: Consolidated Fiscal Program Execution Report on a cash basis (in the part of financing);
- ii) Liabilities: Not applicable.

Loans (F.4)

- i) Assets: Not applicable.
- ii) Liabilities: Not applicable.

Equity and investment fund shares or units (F.5):

- i) Assets: Not applicable.
- ii) Liabilities: Not applicable.

Insurance, pension and standardised guarantee schemes (F.6):

i) Assets:

Data source for this instrument comes from estimates for the "Insurance technical reserves". Information is based on data from the Financial supervision commission and trial balances of budgetary units.

- ii) Liabilities: Not applicable.

Financial derivatives and employee stock options (F.7):

- i) Assets: Not applicable.
- ii) Liabilities: Not applicable.

Other accounts receivable and payable (F.8):

- i) Assets: Data are based on information collected from: Consolidated Fiscal Program Execution Report on a cash basis (in the part of financing); trial balances of budgetary units; time adjusted cash data on social security contribution; and other.
- ii) Liabilities: Data source for this instrument comes from: Consolidated Fiscal Program Execution Report on a cash basis (in the part of financing); trial balances of budgetary units; and other.

3.5.4.2 *Other stock-flow adjustments*

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

Appreciation/depreciation of foreign currency debt means the difference between outstanding of the debt (denominated in currencies different than national currency (BGN) and participating currency EUR, where BGN is pegged to the EUR) revaluated as the end of the year.

The year n and n-1 taking into account the amount of disbursed and repaid debt during year n as the date of relevant debt disbursements and payments. The data source of major foreign currency is the currency fixing of BNB announced each business day – a source which is linked to ORGGGD.

3.6. Link between EDP T2 and related EDP T3

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

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

- First, this is due to different coverage of units, because the adjustments in EDP T2 should refer only to the main entity reported in the WB, while transactions in EDP T3 reflect the whole subsector.
- Second, due to the accounting basis and coverage of transactions reported in the WB. For the former, if the WB is on accrual basis, theoretically there is no need for adjustments in other accounts receivable/payable F.8 in EDP T2, but it should be ensured that the accrual recordings in non-financial accounts are linked to transactions in F.8 reported in EDP T3 and in FA. For the latter (coverage of transactions), the WB balance as reported in EDP T2 typically does not cover all financial flows, since some are booked in the so called extra-budgetary accounts of the main entity.
- Third, adjustments/transactions reported in EDP T2A are non-consolidated, since they refer to the main entity only, as recorded in the working balance (e.g. loans, other accounts receivable/payable, etc.), while financial transactions recorded in EDP T3 refer to the whole subsector and they are consolidated.

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

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

3.6.1 Coverage of units

The same register of units is used for non-financial and financial accounts compilations, and for EDP table 2 and 3 for all subsectors. Therefore, the coverage of the units reported in EDP table 2 and 3 is identical.

3.6.2 Financial transactions

We have only one case when financial transactions are excluded from the WB as reported in EDP T2A, and reported in financial accounts and EDP T3B – the super dividend of the unit Dunav Most Vidin-Kalafat; the same values are recorded in table 3B as a decrease of F.5.

3.6.3 Adjustments for accrued interest D.41

The adjustment in EDP T2 for accrued interest is split into two categories: Amortisation of discounts (-)/premium (+) and Operations on coupons.

The amounts for accrual adjustment on interest are the same in EDP table 2A and 3B.

3.6.4 Other accounts receivable/payable F.8

Other accounts receivables/payables (F8) as reported from the trial balances of the budget entities do not differ in EDP T2 and T3. However in T3s there are some additional data included – adjustments for EU flows, adjustments for time-adjusted taxes, F8 of other government entities, „other suspense accounts“ of the budget entities, etc.

3.6.5 Other adjustments/imputations

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

For example:

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

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

The adjustments due to super dividends in Table 2 are recorded in EDP Table 3 in instrument F5.

3.7. General comments on data sources

One of the main features of accounting framework and Chart of Accounts for the budgetary organizations (CoA) is that they are designed to provide distinction between transactions, revaluations and other events (other changes in volume). After substantial upgrading of COA since 2015 the net lending/borrowing item of reporting entity could be generated directly from trial balances.

3.8. EDP table 4

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

3.8.1 Trade credits and advances

The main data sources for calculation of the stock of liabilities in trade credits and advances against units outside general government (AF.81L) are the trial balances of budget units and balances and statistical reports on receivables and payables of public corporations reclassified in GG sector S.13.

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

When the government borrows on behalf of public enterprises this debt is reported as debt of Central Government in NT. These data are imputed in ORGGGD according to the clauses stipulated in the loan contracts (the loan agreements are between three parties – Republic of Bulgaria, public enterprise and IFI).

4. Revision policy used for annual GFS

4. Revision policy used for annual GFS

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

4.1. Existence of a revision policy in your country

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

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

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

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

4.1.1 Relating to deficit and non-financial accounts

Whether the revision has an impact on deficit is not relevant to the revision process and policy.

4.1.2 Relating to debt and financial accounts

Whether the revision has an impact on debt or B.9f is not relevant to the revision process and policy.

4.2. Reasons for other than ordinary revisions

For the April notification are used data from consolidated fiscal programme, which has not yet been reviewed by the Council of Ministers, not certified by the National Audit Office and not approved by Parliament and assessments for reclassified public corporations in "General government" sector which under the Accounting Act should be reported in BNSI as of 31.06. For the October notification are available final data from annual balances and trial balances of budget units, which in accordance with the National Audit Office Act are subject to an independent financial audit by the National Audit Office. BNSI requires the audited reports of the public corporations reclassified in "General government" sector and data on taxes largely final. The policy of the Bulgarian authorities is aimed at shortening the terms of the final reporting of the annual data to minimize the differences between April and October data.

4. Revision policy used for annual GFS

In order to precise the data and to achieve more accurate reporting and in accordance with the requirements of the Manual on government deficit and debt the following major methodological revisions have been carried out since 2010:

The coverage of other accounts receivable/payable - calculation of F8 Other Accounts Receivable/Other Accounts Payable on a more detailed level – reviewing each account and its balance and calculating on an account-by account basis for the period 2007-2010.

Implementation of a new Simple Time-adjusted Cash method for taxes – implemented for the October 2021 Notification tables, affected the whole time series 1997-2020.

Implementation of a new ETS calculation method – implemented for the October 2021 Notification tables, affected data for 2012-2020.

Elimination of EU funds is also reflected in other accounts receivable / payable for the respective period.

Reclassification of new units into S.13 can also lead to a revision of data.

In 2019 by Eurostat recommendations all public units in liquidation were reclassified in S.13 for the period 2014-2018.

In 2020 the new accountant of the State Enterprise Radioactive Waste (a unit reclassified in S.1311) discovered a continuous error made by the previous accountant which impacted the B.9/B.9f of the unit. Correcting this error required a revision of S.1311 data for the period 2013-2020 which was performed for the October 2020 Notification.

4.3. Timetable for finalizing and revising the accounts

The revision policy of BNSI regarding the financial and non-financial accounts follows closely the requirements of Eurostat regarding main revisions and current revisions.

B. Methodological issues

5. Sector delimitation – practical aspects

5.1. Sector classification of units

General government is defined by ESA 2010 paragraph 2.111 as "... institutional units which are non-market producers whose output is intended for individual and collective consumption, and are financed by compulsory payments made by units belonging to other sectors, and institutional units principally engaged in the redistribution of national income and wealth". Moreover, §20.05 specifies that the general government sector "consists of all government units and all non-market non-profits institutions (NPIs) that are controlled by government units. It also comprises other non-market as identified in paragraphs 20.18 to 20.39".

It is necessary to determine:

- a. if it is an institutional unit (ESA 2010 paragraph 2.12 describes the rules according to which an entity can be considered as an institutional unit)
- b. if it is a public institutional unit (ESA 2010 paragraph 20.18 and MGDD I.2.3 – define the notion of control by the government over an entity as "the ability to determine the general policy or programme of that entity"... According to the list of criteria listed in ESA 2010 paragraph 20.309)
- c. if it is a non-market public institutional unit - reference to "Market-non-market delineation" (ESA 2010 paragraphs 20.19-20.28 and MGDD I.2.4)"

Sector S.13 for Bulgaria includes mainly non-market producers according to ESA 2010. However, market producers can still be classified inside S.13 on the basis of qualitative criteria (government control/autonomy of decision).

BNSI conducts a market/non-market test for all public enterprises (state or municipal owned) every year. The 50% criterion for market / nonmarket unit covers three consecutive years. For the purposes of the test the individual data of the units are used. Units that fail the test for three consecutive years are directly classified inside S.13. Units that fail the test for one or two out of three consecutive years are considered "critical" and are closely monitored.

The creation of new public units is reflected in the BNSI business statistics database. Also, the creation of new large units is usually reported in the media which allows BNSI to analyse the unit in advance.

The final decision to classify is made always by BNSI.

The list of general government units is updated every two years and it is published on the website of the National Statistical Institute⁸.

⁸ [Government deficit/surplus and debt levels by sub-sectors of General Government | National statistical institute \(nsi.bg\)](http://www.nsi.bg)

5.1.1 Criteria used for sector classification of new units

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

5.1.2 Updating of the register

For the purposes of updating the register of General government sector BNSI makes re-examination of the sector classification on a regular annual basis by applying the 50% test on all public corporations. The main data sources for applying the market/non-market test are the annual financial reports of the units.

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

5.1.3 Consistency between different data sources concerning classification of units

Twice a year BNSI provides the list of reclassified units to the Ministry of finance.

Once a year the list is reconciled with the Business register inside BNSI.

Every update on the list is communicated within the EDP working group which consists of BNSI, BNB and MoF. Money and Banking Statistics uses the same statistical register of units and the same data sources for the units.

The list is also published on the BNSI website twice a year.

Non-financial and financial accounts are both compiled within the Macroeconomic Statistics Directorate of BNSI so they use the same list of reclassified units.

5.2. Existence and classification of specific units

1. Non-profit institutions (NPI) – all NPI's that are government or municipal owned are by definition classified in the relevant sub-sector of S.13. At this time there are 3 NPI's classified in S.13.

2. Quasi-corporations – at this time no such entities have been identified in Bulgaria.

3. Infrastructure companies – For all public corporations for the purposes of 50% test (incl. Infrastructure companies) we use the following components:

Expenditure (Production cost):

Expenditure on raw materials and materials

Expenditure on external services

Expenditure on depreciation

Personnel costs - wages and other remuneration

Personnel costs - Social security and allowances

Net interest

Other expenditure

Total expenditure on operating activity

Revenues from sales

Revenues from government financing are excluded

Subsidies on the product

Currently there are 2 infrastructure companies reclassified in S.13 – the National Company Railway Infrastructure and the Bulgarian VIK Holding (VIK stands for Water and Sanitation).

4. Universities, schools – all public universities and schools are part of Consolidated fiscal programme and therefore are automatically classified in S.13.

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

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

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

7. SPE/SPV – at this time no such entities have been identified in Bulgaria.

8. Specific public units involved in financial activities – The Fund for Local Authorities and Governments (FLAG) and the Fund Manager for Financial Instruments are classified in GG sector.

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

The Fund Manager of Financial Instruments in Bulgaria EAD is fully owned by the Bulgarian State. It was established by Bulgaria's Council of Ministers to manage the financial instruments designed to support the implementation of programs co-financed from the European Structural and Investment Funds. The FMFIB is designed to be the Bulgarian institution providing effective sustainable management of ESIF-funded financial instruments.

Following the rules of the MGDD for units acting on behalf of the government, FMFIB has been reclassified in General Government sector.

9. Protection funds - The Bulgarian Deposit Insurance Fund (BDIF) is a legal entity, established under the Law on Bank Deposit Guarantee and functioning since January 1999. The BDIF activity aims at maintaining the stability of and the public confidence in the banking system. Its major functions include:

- determining and collecting annual premium contributions from all banks participating in the deposit insurance system;
- investing its funds in low-risk and highly liquid securities issued by first class issuers, and deposits with the Bulgarian National Bank (BNB);

- repaying in-full the insured deposit amounts of physical persons and legal entities up to the statutory limit;
- contributing to the efficient execution of the restructuring of credit institutions pursuant to the Law on Recovery and Resolution of Credit Institutions and Investment Firms;
- protecting creditors' interests and controlling trustees' activities under the terms of the Law on Bank Bankruptcy.

The NSI reclassified DIF inside general government in the October 2015 EDP notification.

10. Other specific units - BNSI reclassified State Consolidated Company inside general government. SCC is a 100 % owned by the government. It was established in 2010 and its main activity is meant to be “acquisition, management, evaluation and sale of shares of different companies”. SCC sold the minority shares of government in private electricity companies. The shares were sold on the Bulgarian Stock Exchange through the Privatization and Post-Privatization Control Agency as an investment mediator.

In 2016, State Consolidation Company EAD was transformed into a holding structure and its activities are focused mainly on the management of subsidiaries. By decisions of the Council of Ministers from 2018 and 2019, State Consolidation Company EAD has been designated as a commercial company to implement strategic projects - assignment, repair and reconstruction of critical hydraulic infrastructure, as well as design and construction of a new government complex from buildings for the needs of the state administration.

6. Time of recording

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

The time of recording is defined in ESA 2010 paragraph 1.101. It is the accrual basis, meaning when economic value is created, transformed or extinguished, or when claims and obligations arise, are transformed or are cancelled.

6.1. Taxes and social contributions

ESA 2010 states that taxes and social contributions are derived from two sources: amounts evidenced by assessments and declarations or cash receipts.

If assessments and declarations are used, amounts should be adjusted by a coefficient reflecting assessed and declared amounts never collected. An alternative treatment foresees recording tax/social contribution revenue on a gross basis and adjusting this amount by a capital transfer to the relevant sectors equal to the amounts unlikely to be collected.

If cash receipts are used, the amounts should be time adjusted so that the cash is attributed to the time when the underlying activities, transactions or other events took place to generate the tax/social contribution liability, or when the amount of tax was determined, in the case of some income taxes.

6.1.1 Taxes

This section describes the methods of recording of taxes on an accrual basis. The time of recording of taxes is defined in ESA 2010 paragraphs 4.26 and 4.82 as the time "...when the activities, transactions or other events occur which create the liabilities to pay taxes".

Time of recording – Social contributions

The information on taxes and social security contributions in the State Budget is on a cash basis. To comply with the ESA 2010 requirements, applied with the fiscal notification for the EDP, NSI demands more detailed information for taxes and social security contributions. In 2008 a complex time adjusted cash approach was developed by BNSI and approved by the Eurostat authorities.

The complex TA cash method was implemented for the first time for the October 2010 notification. The time adjustment method was introduced for the following types of taxes: Value added tax (VAT), Excise duty, and Corporate Income Tax (CIT) and Income Taxes of Natural Persons Act.

Following discussions and recommendations from Eurostat a new, simple TAC method was developed by BNSI and introduced for the October 2021 notification. The new method includes a break in the series for VAT as VAT data prior to 2008 is still time adjusted by the old complex method. The new time adjustment method for taxes uses the following formula:

Cash payments in the current year
plus (+) Payments for the first month or quarter of the next year
minus (-) Payments for the first month or quarter of the current year.

For the purposes of implementation of time adjusted cash procedure by type of taxes and social security contribution the following legal regulations related to the procedures and rules of payment and refunding are used: Value added tax Act; Excise duties and tax warehouse Acts; Roads Act; Corporate Income Tax Act; Income Taxes of Natural Persons Act; Social security code; Health insurance Act.

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

- Using as much as possible direct information sources;
- Using data with monthly or at least quarterly frequency;
- Using detailed information by elements of total cash receipts/payments in order to apply relevant periods for time adjustment;
- Ensuring consistency between quarterly and annual data.

The Bulgarian National Revenue Agency provides data for all taxes. All taxes are further reconciled with the quarterly Consolidated Fiscal Program, whose source is the Ministry of Finance and which received with about two months' time lag. BNSI compiles data on taxes for the purposes of GFS and EDP tables and related questionnaires. For the April notifications an estimation is done for the cash amounts collected in February and March of the current year.

The sources for the taxes that are subject to a one-month adjustment are Ministry of Finance (cash data, net) and National revenue agency (refunds - quarterly data divided by three). Time lag for receiving the data is around 25 days after the reporting month.

The sources for the taxes that are subject to a one-quarter time adjustment are MoF (Quarterly Cash data, net) and NRA (Quarterly refunds). Time lag for receiving the information from the source institution is around 45 days after the reporting quarter. In relation to the first quarter, the data for cash amount collected in February and March of the current year are not available in time for making the calculation, and the figures for the corresponding months of the previous year were used, having in mind also the annual forecast for the current year.

Time of recording – Social contributions

The information by type of tax is as follows:

The following taxes are subject to a one-month adjustment with the source institution indicated:

Tax	January Cash data (net)	January refunds
1.	2.	3.
Personal income tax - wages and salaries	Ministry of Finance (MoF)	National revenue agency (NRA) - Quarterly data divided by three
Personal income tax - sole traders, free professions, civil contracts etc.	MoF	NRA (Quarterly data divided by three)
Final tax on local and foreign residents according to the Personal Income Tax Act 37	MoF	NRA (Quarterly data divided by three)
Corporate income tax on insurance corporation	MoF	NRA (Quarterly data divided by three)
-Dividends and shares in a liquidation surplus, accruing from participating interests in resident legal persons -Tax on dividends and liquidation dividends for local and foreign residents -Dividends and shares in a liquidation surplus, accruing from participating interests in foreign residents legal persons	MoF	NRA (Quarterly data divided by three)
Personal income tax on foreign residents	MoF	NRA (Quarterly data divided by three)
Taxes on profits, income and dividends of corporations	MoF	NRA (Quarterly data divided by three)
Taxes on insurance premiums	MoF	NRA (Quarterly data divided by three)
Taxes on lotteries, gambling and betting	MoF	NRA (Quarterly data divided by three)

Time of recording – Social contributions

Value added tax	MoF	NRA
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Time lag for receiving the information is one month (t+1m)

The formula, used in calculating the one-month time adjustment of taxes is:

Time adjusted tax = Cash (year T) + m1 payments (of year T+1) - m1 payments (of year T)

The following taxes are subject to a one-quarter time adjustment with the source institution indicated:

Tax	Quarterly Cash data (net)	Quarterly refunds
Corporation tax on Non-financial corporation	MoF	NRA
Corporate tax on financial corporation	MoF	NRA
Corporation tax on Non-profit institution serving households	MoF	NRA
Taxes on corporate luxury expenditures	MoF	NRA
Tax on social expenditures	MoF	NRA
Corporate vehicle expenditures tax	MoF	NRA
Tax on the net tonnage of ships	MoF	NRA
Budgetary enterprises income tax	MoF	NRA

Time lag for receiving the information from the source institution is 45 days (t+45d)

The formula, used in calculating the one-quarter time adjustment of taxes is:

Time adjusted tax = Cash (year T) + q1 payments (of year T+1) - q1 payments (of year T)

For one-quarter adjusted CIT taxes:

Time adjusted tax = Cash (year T) + q1 payments' (of year T+1) - q1 payments' (of year T)

q1 payments' (T) = q1 payments (T) + ad-hoc adjustments (T)

q1 payments' (T+1) = q1 payments (T+1) + ad-hoc adjustments (T+1)

There is no time adjustment for the following taxes:

- tax on taxi transport of passengers;
- final tax on interest income;
- taxes on donations;
- taxes on sponsorships and taxes on acquisition of property.

The above taxes are not time-adjusted, because the supplier for each taxable supply made by him is being charged and the payment deadline is the date of occurrence of the tax event.

The estimated time adjusted cash data for excise duties are based on the tax declarations collected by the Customs agency. Monthly data on cash basis on paid and refunded excise duties on imports and on the domestic transactions are the main sources of information for application of time adjustments on cash data. Cash elements are distinguished for licensed warehouse holders according to the Excise duty Act and tax Warehouse Act. Regarding periods for actual payment of the excise duty, three cases are distinguished:

Time of recording – Social contributions

- Payments on imported goods – it is assumed that actual payments are made in the same month of the transaction and no adjustments are introduced;
- Payments by licensed warehouse holders – for the cases of imports by licensed warehouse holders, the payment date is 14th day of the month after the transaction took place and in that case one month adjustment is applied;
- Payments by other traders – the payment data is 14th day of the month followed the transaction period and one month time adjustment is applied.

The time lag between excises on domestic transactions accrued and excises paid by taxpayer to tax authorities is one month. It is determined according to payment date fixed in the law which is not later than the 14th day of the following month.

The amounts received from tax audits are distributed to previous year as the total amount for the next year is proportionally distributed among the months of the current year according to the monthly declared amounts for excise duty payment by taxpayers.

6.1.2 Social contributions

The time of recording of social contributions is defined in ESA 2010 paragraphs 4.94 as "... the time when the work that gives rise to the liability to pay the contribution is carried out..." for employers and employees social contributions, and as "... when the liabilities to pay are created" for self-employed and non-employed persons.

The data sources for social contributions are the consolidated fiscal program and the NRA.

A time adjusted cash method is used for data from 1995 to 2006.

The legal provisions for the period 2007-2012 have required that the payments for social security contributions to be done simultaneously with payments for wages and salaries. In order to provide effective application of this rule, a special provision of Social Security Code imposed on banks the requirement to handle payment orders for wages and salaries only after the payer presents proof of payment for the social security contributions.

For the period 2013 and on a one month time lag is introduced due to new changes in legislation, introduced from 2013, concerning the payment days for social security contributions. In accordance with the new legislation, the social security contributions for the relevant month have to be declared and paid during the next month (the deadline for declaration and payment is the 25th day of the next month).

6.2. EU flows

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

ESA 2010 paragraphs 20.294-20.300 foresee that when non-government units are beneficiaries from EU grants, all the flows to and from government should be recorded as financial transactions, without any impact on government net lending/borrowing (B.9).

When final beneficiary is a government unit, the neutrality of EU flows is ensured by matching the time of recording of government revenue from the EU and the time of recording of the government expenditure covered by the EU grant.

The ESA 2010 Manual on government deficit and debt Chapter 2.6 “*Grants from and contributions to the EU budget*” provide further details concerning the recording of these flows.

6.2.1 General questions

The two central government bodies through which the EU flows are distributed are the National Fund with the Ministry of Finance and the Agricultural Fund – Payment Agency. Their data is adjusted in sub-sector S.1311. The beneficiaries of the EU funds provide additional information, which is reported accordingly in S 1311 or S 1313.

The Ministry of Finance is the main source of data on EU flows. BNSI can provide data on EU flows for central and local government level. There is information on final beneficiary - government, non-governmental units. For national accounts purposes the statisticians are able to distinguish the final beneficiaries.

Generally, no amounts of funds from the EU are shown in the WB with the exception of Schengen facility. All the EU funds are shown in line Other adjustments, Detail 9 for central government and Detail 3 for local government subsector.

The accrual adjustment for EU flows is done in EDP table 2 in line Other adjustments, Detail 2 line EU flows corrections

In Table 3 we provide data on EU flows both receivable and payable.

The money received is kept in the accounts for funds from the EU.

Following ESA 2010 regulations and the guidelines of the Manual on Government Deficit and Debt the method of neutralizing of EU funds was made in order to achieve a more precise and correct calculation.

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

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

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

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

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

The above adjustments are implemented on the general government level as well as on the level of the sub-sectors subject to the availability of improved data sources in particular in the local government sub- sector which relates to Structural and Cohesion funds (SCF) and Agricultural funds.

6.2.2 Cash and Schengen facility:

The time of recording of payments received by the beneficiary Member States through Schengen and Transitional Facilities would be accounted according to the Eurostat decision on EU flows, while the time of recording of Cash-flow Facility is when the transfers are to be made by the Commission. In practice, in this particular case, the amounts would be recorded as revenue in the years in which they were received by the beneficiary countries.

The adjustment for Schengen facility was made with the adjustment on EU flows – the last one is for year 2009.

6.2.3 EU financial instruments

The EU has been providing measures of financial support from EU structural and investment funds ‘financial instruments’ (FI). These instruments may be ‘equity or quasi equity investments, loans or guarantees’ and they are intended to support activities that will generate income, or result in saving on future expenditure. Unlike grants, they do not constitute a gift to the final recipient, which will typically be a small or medium-sized enterprise (SME) since, under normal circumstances, the funds are expected to be repaid to the creditor and produce a return on the investment (such as interest on the loan, or profit on subsequent sale of equity). EU legislation allows for a choice on how the financial instruments are implemented nationally: the Implementing Authorities can choose whether to assign the implementing task to a newly created entity or contract out the management to the EIF/EIB or to existing financial institutions.

The Fund Manager of Financial Instruments in Bulgaria EAD (FMFIB) operates as a Fund of Funds (FoF). It allocates targeted public funds from European Union programmes and national co-financing, using special financing schemes (financial instruments). The entity has been included in the general government sector since 2016.

6.2.4 Market Regulatory Agencies

Market regulatory agencies are bodies whose intervention activities are mostly characterised by buying and selling products, often on behalf of the EU, with an aim to stabilize prices and to maintain purchasing prices to farmers at a sufficiently high level: they offer buying agricultural products from domestic producers at a predetermined price (often higher than "market" prices) and reselling them usually at a lower price later on and occasionally arranging for giving them away free of charge. These agencies can be involved in storing agricultural inventories, or in arranging for storage, as well as in distributing subsidies.

The question is whether the principle of re-arranging EU transactions would also apply to the recording of changes in inventories (P.52) arising from the interventions of agricultural market regulatory agencies in the market. According to the guidance, in those circumstances where a market regulatory agency acting on behalf of the EU is classified inside general government, the creation of a unit in S.11 is recommended in order to capture the changes in agricultural inventories, and to avoid that such changes in inventories are recorded in national government accounts (as changes in government inventories, with an impact on the government

Time of recording – EU Financial instruments

deficit/surplus) or in the rest of the world accounts (as exports and imports). The unit to be created to capture these changes in inventories is a quasi-corporation, rather than a notional unit, in order to ensure an equality of treatment with cases where market regulatory agencies are classified outside government. This is also appropriate because any temporary difference in value arising from changes in market value of these inventories not yet covered by subsidies is likely to be small and on average zero.

The Payment Agency in the Agricultural Fund acts as a market regulatory agency in Bulgaria. It is classified in Central Government – S.1311. For the purposes of monitoring and control, in its trial balances these stocks and changes of such inventories are recorded as off-balance sheet items. On cash basis they are recorded as financing items.

6.3. Military expenditure

The ESA 2010 principle on accrual recording, when applied to military expenditure, is generally the time when the economic ownership of the good occurs, which is usually when delivered.

ESA 2010 paragraphs 20.190-20.192 define the rules for the statistical recording of military equipment. Chapter II.5 in Part II of the ESA 2010 MGDD details the rules concerning the recording of military expenditure.

6.3.1 Types of contracts

BNSI receives from Ministry of Defence data concerning military equipment expenditure.

The types of contracts used by the Bulgarian military forces are:

- Arrangements within government sector (manufacturing by government units)
- Sales agreed in advance with industrial suppliers, with or without government pre-financing
- Long term rental contracts
- Trade credits (payments after delivery)
- Purchasing through an international special agency
- Other

6.3.2 Borderline cases

No border cases have been identified.

6.3.3 Recording in national accounts

The data source for compilation of military equipment expenditure is the Ministry of Defence.

The types of contracts used by military forces for the procurement of military equipment as follow:

1. Arrangements within the government sector (manufacturing by government units);
2. Sales agreed in advance with industrial suppliers, with or without government pre-financing;
3. Long-term rental contracts;
4. Trade credits (payments after delivery);
5. Purchasing through an international special agency;
6. Others.

In relation to purchasing military aircraft, on 08.01.2020 the Council of Ministries drafted a letter authorizing the creation of a deposit account for Bulgaria in the Federal Reserve Bank of New York for the purposes of investing in low-risk short-term liquid investments – US treasury bonds, overnight deposits etc. When the procedure is completed the Ministry of Defence of Bulgaria will be the holder of the account. The funds in the account will be invested and managed by the Federal Reserve to the benefit of the Ministry of Defence. The risks and benefits regarding investments managed through the account are fully borne by the Ministry of Defence. The Federal Reserve will also periodically transfer advance payments to the US Defence Security Cooperation Agency for future payments on military aircraft acquisition. Usual practice is such transfers from such account to cover future payments for 90-120 days.

Therefore, at this time the funds transferred from the Bulgarian government to the US Federal Reserve are accounted as an F.8 asset (advance) of S.1311 in the annual national accounts and EDP statistics. When the account creation process is completed and the Ministry of Defence

Time of recording – Military expenditure

becomes the owner of the account and the funds are transferred from US Treasury to that account, then F.2 (deposit) will be increased and F.8 (receivable) decreased. After that when the Federal Reserve starts to transfer advance payments to the US Defence Security Cooperation Agency from MoD account, those payments will be recorded as a decrease in F.2 and a subsequent increase in F.4 as advance payment for military equipment under MGDD or F.8 (some payments under contracts cover short term items, not related to the acquisition of aircraft, like training, administrative costs for managing contract and etc.).

Time of recording of other transactions and of other transactions

6.4 Interest

This part aims at describing accrual adjustment for interest.

ESA 2010 paragraph 20.178 reads: "In the system, interest is recorded on an accrual basis, i.e. interest is recorded as accruing continuously over time to the creditor on the amount of principal outstanding"

ESA 2010 MGDD part 2, chapter 2.4 is dealing with some practical aspects of the recording of interest.

6.4.1 Interest expenditure

Table 10 Availability and basis of data on interest

Instrument	S.1311		S.1312		S.1313		S.1314	
	State	OCGB	Main unit	OSGB	Main unit	OLGB	Main unit	OSSB
Deposits (AF.2)	M	M	M	M	M	M	M	M
Debt Securities (AF.3)	Cash / accrual	Cash / accrual	M	M	Cash / accrual	Cash / accrual	Cash / accrual	Cash / accrual
Loans (AF.4)	Cash / accrual	Cash / accrual	M	M	Cash / accrual	Cash / accrual	Cash / accrual	Cash / accrual
Other accounts receivable (AF.8)	accrual	accrual	M	M	accrual	accrual	accrual	accrual

Cash/accrual, M (not applicable) or L (not available)

In term of interest incurred on principal outstanding the source of information is the contract agreement or the result from actions and bond's coupon.

For principal of accruing the due interest till the end of the calendar year is calculated automatically by ORGGGS.

The interest accrued and paid by type of instrument for General government debt are provided to the NSI.

6.4.2 Interest Revenue

The main source data for interest accrued and received are trial balances and cash reports of the units.

6.4.3 Consolidation

Consolidation is implemented regarding interest expenditure between subsectors.

6.4.4 Recording of discounts and premiums on government securities

The flows associated to premium and discounts enter into the Working balance are on a cash basis. These flows are neutralised in the line Difference between interest accrued and paid.

The premiums and discounts are spread over the life of an instrument.

In national accounts the premiums are treated as negative expenditure (decrease of expenditure).

The repayment of discount could be identified clearly as a separate flow

Time of recording of other transactions and of other transactions

6.4.5 Recording of interest accrued on intergovernmental loans in dispute and interest accrued on intergovernmental loans unlikely to be repaid

BNSI is recording intergovernmental loans and non-performing loans in accordance with the requirements of MGDD. The interest accrued for contested intergovernmental loans is recorded in Table 3 as an increase of F.4. The data on interest accrued is received by the Bulgarian National Bank for each notification.

6.5. Time of recording of other transactions

Data on accrual basis are used from balance sheets of budgetary organizations and from financial statements of reclassified public corporations. For the April notification is used more cash data, whilst for the October notification is used more accrual data.

For some transactions where we have only cash data are made accrual adjustments in Table 2.

According to the Accounting Act all entities are obliged to record their data on accrual basis.

Data on D3 Subsidies are available for all sub-sectors.

The source data:

- the report of cash execution of the consolidated fiscal program from Ministry of Finance; – additional administrative information from the State Fund Agriculture.

Data on D7 Other current transfers, payable, are available for all sub-sectors.

The sources data are:

- the report of cash execution of the consolidated state budget from Ministry of Finance; – statistical survey for non-financial enterprises – BNSI on an accrual basis;
- additional information from the Ministry of Finance (trial balances) which is necessary to transform the basic data on accrual basis in line with ESA 2010 concepts and rules.
- Balance of Payments from the Bulgarian National Bank.

Data on capital transfers, payable, are available for all sub-sectors.

The source data are:

- Data from the report of cash execution of the consolidated fiscal budget from Ministry of Finance;

- additional administrative information from Ministry of Finance.

Data on P5 Gross capital formation are available for all sub-sectors.

The source data:

- the report of cash execution of the consolidated state budget from Ministry of Finance; – statistical survey for non-financial enterprises - BNSI.
- additional information from the Ministry of Finance (trial balances) which is necessary to transform the basic data on accrual basis in line with ESA 2010 concepts and rules.

GFCF is recorded on a cash basis for the budgetary units and an accrual adjustment is done only for large government operations under Other adjustments in the EDP table 2A. To be consider in future to include these adjustments under Other accounts receivable / payable.

Time of recording of other transactions and of other transactions

Data on dividends are available for Central and Local government sub-sectors.

The source data:

– the report of cash execution of the consolidated fiscal budget from Ministry of Finance; – statistical surveys for non-financial enterprises – BNSI – on an accrual basis.

Data on social benefits are available for all sub-sectors.

The source data is the report of cash execution of the consolidated fiscal budget from the Ministry of Finance.

There are two main groups of social benefits:

– social security benefits paid in cash from social security system - as pension, illness compensations, taking care of ill people and quarantine compensations, life and labour accidents compensations, pregnancy, birth and small child compensations, for unemployed people and other;

– in the second group are benefits paid from Central Government and Local Government in accordance with the Act on defence, recovery and social integration of disabled, the Social assistance Act and other administrative acts – monthly or one-time benefits, earmarked grants for rents, heating, disabled people or other benefits under decision of the Municipal Council.

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

7. Specific government transactions

Methodological rules applicable for recording of specific government transactions are set up in the Manual on Government Deficit and Debt (implementation of ESA 2010), 2019 edition⁹.

7.1. Guarantees, debt assumptions

Generally, government guarantees are recorded off-balance sheet in government accounts (contingent liability), and neither government debt nor deficit is impacted. However, when a guarantee is activated (called), the payment made by government on behalf of the debtor is normally recorded as government expenditure. In case of three guarantee calls, the whole outstanding amount of the guaranteed debt should be assumed by government. The latter leads to a one-off increase of government debt, as well as of deficit. The accounting rules are explained in the Chapter 7.4 on Government guarantees of the ESA 2010 Manual on government deficit and debt. This chapter describes also specific cases and related treatment in national accounts.

7.1.1 Guarantees on borrowing

7.1.1.1 *New guarantees provided*

Recording in public accounts

Guarantees are provided as contingency liabilities and are on borrowing from financial institutions with original debtor SOE (one-off guarantees). The beneficiaries are SOE or municipalities who are obliged to pay all due amounts in full extent and unconditionally.

A separate scheme has been introduced for individuals under “Student and Doctoral – candidates Loan Act” in form of standardised guarantees. These guarantees are on borrowing on behalf of eligible students and candidate - doctorate from domestic financial institutions. The guarantees are planned and provided from the budget of the Ministry of education and science. These guarantees are on borrowing and these are not connected with underlying assets or any pledges on behalf of the borrower.

All accounting records on government guarantees are kept exclusively in government public account.

The government guarantee information is public. It is published on MoF and NSI web-sites.

The government guarantees are on 1) borrowing of public corporations from their creditors (mainly IFI), 2) state guarantees provided by the Republic of Bulgaria and other Member States of the European Union that contribute to SURE and Pan-European guarantee fund by counter-guaranteeing the risk borne by the Union or EIB and that such contributions shall be provided in the form of irrevocable, unconditional and on demand guarantees, as part of the overall EU response to the coronavirus outbreak and on 3) the student loans which are considered as borrowings too.

⁹ <https://ec.europa.eu/eurostat/web/government-finance-statistics/methodology/manuals>

As a part of the government guaranteed debt the granted guarantees are imputed in ORGGGD.

Recording in national accounts

All relevant information on guarantees provided by government is part of ORGGGD.

As the government guaranteed debt is not part of GG debt under CR 479/2009, these figures are imputed as contingent liabilities in the relevant tables for guarantee recording in “Questionnaire related to EDP Notification tables (Annex 3).

7.1.1.2 *Treatment of guarantees called*

Recording in public accounts

According to Bulgarian legislation a guarantee call is deducted from the first payment of taxes and fees to the State. Until the payment this guarantee call is considered as a claim.

Recording in national accounts

If there are guarantee calls up to three times (excluding non – performing due to short liquidity mismatch solved in very short period) the guarantee cash calls are recorded as expenditure. The counterpart transaction is decrease of cash.

In case when the guarantee call exceeds three times, the whole outstanding amount of guaranteed debt is assumed as debt (capital transfer), which is classified under the relevant type of instrument (F.3; F.4).

The counterpart transaction is a financial transaction resulting in the rise of stock of debt. The decision on the way of recording of guarantees called is taken by BNSI in compliance with rules set in MGDD. The information source is MoF and it is based on clauses stipulated in the agreement between the financial institution (creditor) from one side and the debtor and its guarantor (government) from the other side and the subsequent correspondence regarding all actions for serving the loan. There are strict rules about monitoring and reporting the financial situation of SOEs and the government is fully aware about their capability to serve their loans. If the number of repeated guaranteed calls do not exceed three times and which are not repaid in short time (in case of short liquidity mismatch only), the cash payment is considered as expenditure.

In case when the guarantee call exceeds three times the whole outstanding amount is assumed as debt are it is classified under the relevant type of instrument.

Assumption of the outstanding amount of debt was the case regarding the guaranteed debt of just one SOE toward World Bank.

It was recorded as a debt in 2012 after 3 consecutive guarantee calls. The decision is taken in line with MGGD rules under the leading role of BNSI. All assumed government guaranteed debt matured in June 2015.

Concerning the treatment in national accounts the basic provision is that the order of payment of due liabilities are as follows: fees, interest and principal. The treatment in national accounts of executed payment for due and unpaid interest is expenditure on behalf of GG.

Specific government transactions - Guarantees, debt assumptions

7.1.1.3 *Treatment of repayments related to guarantees called*
Recording in public accounts

Repayments by the original debtor are recorded as financial transaction (repayment of claim) in public accounts.

Recording in national accounts

Repayments by the original debtor are recorded as capital transfer revenue in national accounts.

7.1.1.4 *Treatment of write-offs by government in public accounts of government assets that arose from calls, if any*

According to the national legislation, if there is a guarantee call the debtor is obliged to recover the executed expenditure in full extent. The MoF passes the collection of the spent amount to the National Revenue Agency (NRA) which is the institution responsible for taking the necessary steps to enforce the original debtor and to collect the respective amounts as repayments. Covering of the executed expenditure from the budget funds are treated with priority by NRA.

7.1.1.5 *Data sources*

Individual data on stock of guarantees and related flows are available in case when beneficiaries of guarantees are mainly SOE or financial institutions. These data are entered in ORGGGD according to the clauses stipulated in the loan contracts.

Aggregate data is available for the guarantees provided under “Student and Doctoral – candidates Loan Act”. The source of information is the Ministry of Education and Science. The stock of debt is imputed in ORGGGD. WB only replicates the imputed data in ORGGGD. Concerning the Local level we have similar information for guarantees issued by municipalities. The data are inputted in CRMD and the necessary reports are generated automatically

7.1.2 Guarantees on assets

This issue is not applicable for Bulgaria so far.

7.1.2.1 *New guarantees provided*
Recording in public accounts

Recording in national accounts

7.1.2.2 *Treatment of guarantees called*
Recording in public accounts

Recording in national accounts

7.1.2.3 *Treatment of repayments related to guarantees called*

Recording in public accounts

Recording in national accounts

7.1.2.4 *Treatment of write-offs*

7.1.2.5 *Data sources*

7.1.3. Standardized Guarantees

Student loans scheme

In accordance with the Student and Doctoral-Candidate Loans Act, the State shall provide financial support to students and doctoral candidates. The debt of the students and doctoral candidates shall be guaranteed by the State and shall constitute an obligation of the government only in the cases where the Council of Ministers has issued guarantees on behalf and for the account of the State.

If the borrowers fail to fulfil their obligations under the loan contract, the banks shall have the right to claim repayment from the State under the terms and according to the procedure provided for in the pre-formulated standard-form contract. The banks shall be obligated to exercise due diligence in the collection of their receivables. They may claim, from the State, repayment of the outstanding portion of the borrower's debt only after presenting evidence that they have claimed the amount due from the borrower first, inter alia. The specific conditions, the procedure and the documents necessary for claiming the amount owed to the state shall be regulated in the model agreement referred above.

When the State repays the debt of the borrower in the cases referred it shall be vested with a right to collect from the borrower the whole amount which the State has paid for his or her account together with the legal interest as from the moment of payment. The receivables of the State against the borrowers, arising as a result of repayment of the whole or part of their debt to the banks, shall be private state receivables and shall be established and collected by the National Revenue Agency according to the procedure established National Revenue Agency Act.

The State shall repay the outstanding portion of the total amount payable (principal and interest) under the loan contract upon:

1. death of the borrower;
2. permanent loss of 70 per cent or more than 70 per cent of working capacity for a period exceeding three years from the date of disablement;
3. birth or full adoption of a second or successive child within five years of the expiration of the grace period.

In these cases, the borrower or the heirs thereof shall not owe repayment of the amount paid by the State to the bank.

According to the Student and Doctoral-Candidate Loans Act the Minister of Education and Science shall establish and maintain a register of the banks that have concluded a pre-formulated standard-form contract referred for participation in the loan scheme; shall establish and maintain a register of the loans extended or refused under this Act to which the banks that have concluded a contract with the Minister shall have access and shall submit on a monthly basis to the Minister of Finance information on the number, status and repayment of the loans. We use this information for the scheme as a part of ORGGGD.

According to the Student and Doctoral-Candidate Loans Act the Minister of Education and Science shall implement the state policy in the field of extending loans to students and doctoral candidate in cooperation with the higher schools, the scientific organizations, the National Representation of Student Councils and the banks. In connection with this in the State Budget of the Republic of Bulgaria Act for the corresponding year resources shall be envisaged in the budget of the Ministry of Education and Science for financial support from the state (to repay the amount payable under the loan or part thereof and shall pay the banks a premium for good management under the terms in the and cases provided for in Student and Doctoral-Candidate Loans Act) shall be determined.

The provisions for calls under standardised guarantees are estimated and reported in the EDP and ESA tables.

7.2. Claims, debt cancellations and debt write-offs

Providing loan capital is generally a financial transaction not impacting the net borrowing/net lending (B.9). Government, as a lender, is expecting that the debtor will be in a position to repay the loans, according to a schedule agreed at inception. However, if the loan is non-recoverable, the recording of government expenditure might be considered. The related accounting rules are set up in ESA 2010 and further clarified in the Chapter 3.2 on Capital injections and Chapter 7.2 on Debt assumption and cancellation of the ESA 2010 Manual on government deficit and debt.

7.2.1 New lending

The government grants loans and temporary financial help to enterprises, non-profit organizations and households. The maturity depends on the time period of the loan granted – for short-term loans – 1 year; for long-term loans – 1 to 5 years. The interest rate is defined as per cent of the basic interest rate of the Bulgarian national bank. The government units that can grant loans are “FLAG” AD; National Agricultural fund.

The Fund for Local Authorities and Governments (FLAG) provides loans only to Beneficiaries eligible for funding from the EU Funds and which are either:

- municipalities or a group of municipalities in Bulgaria (for development of project proposals or for implementation of investment projects, approved by the Managing authority of the Operational programme), or
- public utilities operating in Bulgaria, owned or controlled by municipalities, local governments or local government agencies in the Republic of Bulgaria (only for implementation of investment projects, approved by the Managing authority of the Operational programme).

BNSI receives data from balance sheets of units and net transactions are derived from the stocks.

The regularly recoverability of a loan is responsibility of the relevant government entity. In accordance with accounting guidelines loans and other financial assets should be tested for impairment.

For the budgetary organizations there are integrated data on stocks and transactions by subsectors of GG from trial balances. For reclassified hospitals there are also data on stocks and transactions from the balance sheets.

There is also information in specific statistical survey on payables and receivables for public corporations by subsectors.

7.2.2 Debt cancellations

The debt cancellation is always based on government decisions.

In accordance with accounting guidelines, the nominal value of all such loans and receivables should be adjusted by recording provision for bad debts up to 100 % and can be written off when legally become void by prescription.

There is available information on debt cancellations, stocks and accrued interest revenue at all government levels.

The time of recording of debt cancellation in national accounts is when there is an official government decision.

The amount of debt cancellation includes also interest accrued.

7.2.3 Repayments of claims

The repayments of claims in ESA2010 accounts are recorded as a reduction (-) of claims.

7.2.4 Debt write-offs

Accounts on write-off expenses are segregated from transaction accounts (accounts for grants provided by debt forgiveness) and are included in Chart of accounts in accounts group 69 "Other volume changes"

7.2.5 Sale of claims

We have not identified such transactions.

7.3. Capital injections in public corporations

Government capital injections are transactions which occur when governments provide assets (in cash or in kind) to public corporations (or assume liabilities), in their capacity of owner / shareholder, with an aim to capitalize or recapitalize them. The accounting rules are set out in ESA 2010 paragraphs 20.197-20.203 and clarified in the Chapter 3.2 on Capital injections of the ESA 2010 Manual on government deficit and debt. These chapters devotes considerable space to set the operational rules for the recording of capital injections in national accounts either as transactions in equity (financial transaction = financing = "below-the-line"), or as capital transfers (non-financial transaction = expenditure = "above-the-line").

It is recalled that the MGDD also indicates that payments by government to public units, structured in the legal form of a loan or a bond, might be considered in specific circumstances as capital injections, and to be classified in certain cases as a non-financial transaction (predominantly capital transfer D.9); cf. MGDD 3.2.3.2.2.

We report capital injections as acquisition of equity in accordance with the treatment in national accounts in ESA'2010 paragraph 20.198 (b) and MGDD 2019 edition sub-sector 3.2.3.1 § 29 (b).

The treatment as capital transfers is in compliance with ESA'2010 paragraph 20.198 (a) and MGDD 2019 edition sub-section 3.2.3.1 § 29 (a) and they are reported in the sub – sector to which the public corporation belongs.

At this stage we have no capital injections in kind but we can identify such in accordance with MGDD 2019 edition 3.4.

7.4. Dividends

The accounting rules are set out in ESA 2010 paragraphs 20.205-20.207. It is recalled, that the ESA 2010 Manual on Government Deficit and Debt chapter 3.5 indicates that large and exceptional payments out of reserves which significantly reduce the own funds of the corporation should be treated as super dividends, i.e. transaction in shares and other equity (a capital withdrawal). It also sets out that the resource available for distribution by a unit (a corporation) is the *distributable income* of the unit, as defined in the ESA 2010, paragraph 4.55. Total distributions could therefore comprise one part recorded as distributed income of corporations, D.42, and another recorded as transactions in equity, F.5. The former data is reported to Eurostat in ESA 2010 table 2 and table 8 within “other property income” category, and the latter is included within transactions in equity in financial accounts. Within the latter, for the benefit of analysis, one should also distinguish between amounts received from the National Central Bank, and amounts received from other public corporations.

The main data sources on dividends received by the government are the consolidated fiscal program and the annual financial statements of public corporations. BNSI receives from NRA detailed information by units with paid dividends to government.

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

The NSI carries out an investigation on the availability of super-dividends paid by all public enterprises. The part of dividends up to the entrepreneurial income is recorded as government revenue in national accounts. The part of dividends in excess of the entrepreneurial income (super-dividend) is recorded as a decrease in shares and equity F.5 (-). As dividends are reported as revenue in the WB, an adjustment at the amount of the super-dividend with negative sign is made in EDP Table 2A in order to ensure no impact on government B.9 from super-dividend in national accounts.

No interim dividend is paid to government as of end 2020.

The NSI carries out investigation of availability of super-dividends paid by public enterprises with municipal ownership and if a case is registered it is respectively reported in the notification tables. No cases have yet been registered for the Local Government sub-sector.

7.5. Privatization

The accounting rules are set out in ESA 2010 paragraphs 20.210-20.213. The proceeds collected by government when disposing of shares in public corporations are often called privatization

Specific government transactions - Dividends - Privatization-

proceeds. The counterpart entity (i.e. the acquirer of shares) is the private sector. Privatization can be indirect when the proceeds are forwarded to government after the sale of a subsidiary. The MGDD chapter 5.2 indicates that such indirect privatization proceeds are not government revenue. MGDD chapters 5.3 and chapters 5.4, respectively, provide the guidance on the treatment of privatisation proceeds from public corporations and restitution and use of vouchers for privatisation.

Specifically, chapter 5.3.1 of the ESA 2010 Manual on government deficit and debt mentions that in some EU Member States, holding companies have been set-up by the government to restructure the public sector with the aim of making the enterprises more competitive and profitable and, in the long run, disengaging the government. Often their main activity is to organise the privatisation efficiently and transfer the proceeds of the sale of shares to other public corporations (owned by the holding company or not), through grants, loans or capital injections.

The main issue is: what is the relevant sector classification of this sort of unit managing privatisation and possibly making grants to other enterprises? Should this activity been considered as taking place on behalf of the government?

Until the end of 2013 there were separate extra-budgetary funds – one covering the privatization expenses and control in state-owned enterprises and one on local (municipalities). In their reports according the national methodology privatization was recorded in a way that it did not affect their cash surplus/deficit.

As of the date of entry into force on 01.01.2014 of the Public Finance Act (PFA), the Privatisation and Post-privatisation Control Expenditures Fund and the extra-budgetary accounts of municipalities, for municipal privatisation proceeds and costs related to those proceeds were terminated, and their operations were included into the corresponding budgets (par. 11 and 12 of the Additional Provisions of PFA).

7.6. Public Private Partnerships

The term “Public-Private Partnerships” (PPPs) is widely used for many different types of long-term contracts between government and corporations for the provision of public infrastructure. In these partnerships, government agrees to buy services from a non-government unit over a long period of time, resulting from the use of specific “dedicated assets”, such that the non-government unit builds a specifically designed asset to supply the service. The accounting rules are set out in ESA 2010 paragraphs 20.276-20.282 and clarified in the Chapter 6.4 of the ESA 2010 Manual on government deficit and debt.

The key statistical issue is the classification of the assets involved in the PPP contract – either as government assets (thereby immediately influencing government deficit and debt) or as the partner’s assets (spreading the impact on government deficit over the duration of the contract). This is an issue similar to the one of distinguishing between operating leases and finance leases, which is explained in Chapter 15 of ESA 2010.

As a result of the methodological approach followed, in national accounts the assets involved in a PPP can be considered as non-government assets only if there is strong evidence that the partner is bearing most of the risk attached to the asset of the specific partnership. In this context, it was agreed among European statistical experts that, for the interpretation of risk assessment, guidance should focus on three main categories of risk: “construction risk” (covering events like late delivery, respect of specifications and additional costs), “availability risk” (covering volume and quality of output) and “demand risk” (covering variability of demand).

PPP assets are classified in the partner's balance sheet if both of the following conditions are met: the partner bears the construction risks and the partner bears at least one of either availability or demand risk, as designed in the contract.

If the conditions are not met, or *if government assumes the risks through another mechanism*, (e.g. guarantees, government financing) then the assets are to be recorded in the government's balance sheet. The treatment is in this case similar to the treatment of a financial lease in national accounts requiring the recording of government capital expenditure and borrowing. In borderline cases it is appropriate to consider other criteria, notably what happens to the asset at the end of the PPP contract.

Currently there are no PPPs in Bulgaria.
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7.7. Financial derivatives

This part describes the use of financial derivatives and the recording of derivative related flows in EDP tables and national accounts.

Regulation (EU) No 549/2013 of the European Parliament and of the Council of 21 May 2013 on the European system of national and regional accounts in the European Union does not distinguish between the ESA and EDP definition of interest. The Regulation No 549/2013 paragraph 4.47 reads: *Payment resulting from any kind of swap arrangement is recorded as a transaction in financial derivatives in the financial account, and not as interest recorded as property income. Transactions under forward rate agreements are recorded as transactions in financial derivatives in the financial account, and not recorded as property income.*

ESA 2010 paragraph 20.133 specifies the treatment of so called of market swaps: *“Lump sums exchanged at inception on off-market swaps are classified as loans (AF.4) when the lump sum is received by government. Off-market swaps are partitioned in the balance sheet into a loan component and a regular, 'at-the-money' swap component.”*

7.7.1 Types of derivatives used

The derivatives like FRAs, options and swaps are not applicable for Bulgaria.

Under financial derivatives of the central government sector (F.71 in EDP Table3) BNSI records data only on compensation instruments (vouchers).

7.7.2 Data sources

The compensation vouchers of all types can be traded or used in the privatization process only upon registration at the Central Depository (CDAD).

The CDAD supplies data on newly issued used vouchers and the stock of vouchers at nominal value and average market prices on an annual and quarterly basis to the MoF, NSI and BNB. The register maintained by the CDAD contains the complete information on transactions carried out with compensation vouchers since 2002. The average price is calculated by dividing the accumulated total amount of one type of the compensation instruments used during the year to the number of vouchers of that, traded out at the stock-exchange (used) during the same year. The number of newly issued vouchers during the year is multiplied by the average price for that type of vouchers for the same year, and the total of the three types of vouchers is recorded in the notification tables as capital transfer of the central/general government (EDP Table 2), adjusting the net lending / borrowing, and as an increase of liabilities under financial derivatives of the central government sector (F.71 in EDP Table3).

The number of used compensation vouchers by types as of the end of the year is multiplied by the average price for the same type and year. The total of three amounts is recorded in the notification tables (EDP Table3) as decrease of the shares and equities of central government (F5), and as decrease in liabilities under financial derivatives of the central government (F.71). These amounts have no impact on the net lending / borrowing of the central/general government sector.

7.7.3 Recording

The derivatives like FRAs, options and swaps are not applicable for Bulgaria.

7.8. Payments for the use of roads

The main issue is whether payments for road, both in the case of tolls and vignettes, should be considered as sale of services or as a tax, when the infrastructures are owned by public units. The issue is important also because the classification of payments made for the usage of roads, either as sales or taxes, influences the assessment of the 50% criterion, which is fundamental for the purpose of assessing whether a given institutional unit (in some cases, a government-controlled entity receiving the payment of the toll or vignette) is a market or a non-market producer.

Payments for the use of roads will generally be classified as a sale of a service in the case of tolls. They will also be classified as a sale of a service in the case of vignettes whenever users have sufficient choice both in terms of selecting specific roads and of choosing a determined length of time for the vignette.

We have vignettes system for all type of vehicles.

The users of roads can choose between a daily, weekly, monthly and annual vignette for trucks and buses and weekly, monthly and annual for cars.

The income is classified as non-tax revenue – fees.

The institutional unit responsible for collecting vignette revenues is the Ministry of Regional Development and Public Works through the Road Infrastructure Agency, i.e. it is classified inside General Government sector.

7.9. Emission permits

There are two main trading systems, where European Union Member States can participate:

The Kyoto Protocol is a 1997 international treaty, which came into force in 2005. In the treaty, most developed nations agreed to legally binding targets for their emissions of the six major greenhouse gases.[33] Emission quotas (known as "Assigned amounts", AAUs) were agreed by each participating 'Annex 1' country,

The European Union Emission Trading Scheme (or EU ETS) is the largest multi-national, greenhouse gas emissions trading scheme in the world. It is one of the EU's central policy instruments to meet their cap set in the Kyoto Protocol. The so-called EU emission Allowance (EUA) is traded.

The ESA 2010 MGDD part 6, chapter 6.5 is dealing with the statistical recording of the emission trading allowances.

In order to ensure a proper reporting of the emission trading permits, BNSI requires additional information from the Ministry of Environment and Water.

The proceeds referring to Assigned Amount Units were originally recorded as sales of non-produced non-financial assets. The reporting of ETS was changed in October 2019 Notification in implementation of AP.38 from the June 2018 EDP visit and the recording of revenue was changed from NP to D.29. The recording was changed from cash to accrual using the average

price method. For the October 2021 Notification the average price method was replaced by a simple method - one-year time lag.

7.10. Sale and leaseback operations

Government sells an asset and immediately leases it back from the purchaser. The issue is whether the sale is to be considered as a "true sale" (transaction in GFCF improving B.9) or the transaction is to be treated differently and an asset should remain on government's balance sheet.

MGDD part 6, chapter 6.2 is dealing with sale and lease back operations

We have not identified such transactions.

7.11. Securitisation

Securitisation is when a government unit transfers the ownership rights over financial or nonfinancial assets, or the right to receive specific future cash flows, to a special-purpose vehicle (SPV) which in exchange pays the government unit by way of financing itself by issuing, on its own account, asset backed bonds.

The classification of the proceeds received by government as disposal of an asset may lead to an impact on the government deficit, when the asset is a nonfinancial asset or if it is determined that a revenue should accrue. All securitisation of fiscal claims should be treated as borrowing, as well as all securitisation with a deferred purchase price clause and all securitisation with a clause in the contract referring to the possibility of substitution of assets. In addition, if the government compensates the SPV ex-post, although this was not required according to the contract, the operation should be reclassified as government borrowing.

ESA 2010 paragraphs 20.260-20.271 establish securitisation operations accounting rules. The MGDD part 5, chapter 5.5 is dealing with securitisation operations.

We have not identified such transactions.

7.12. Mobile phone licenses

The receipts of government following the allocation of mobile phone licenses to operators are to be recorded as rent (D.45) over the whole time of the licence.

In cases when licenses are sold in advance of their actual availability, any prepayment collected by government should be recorded as other accounts payable (F.8).

The ESA 2010 MGDD part 6, chapter 6.1 is dealing with the sale of mobile phone licenses.

The current treatment of mobile phone licenses revenues in national accounts is D.45.

After EDP Mission 2018, BNSI changed recording of mobile phone licenses from cash to accrual basis. The one-off payment for each mobile phone license is being spread over the duration of the license.

7.13. Transactions with the Central Bank

The management of asset portfolios and interventions in foreign exchange markets for monetary policy purposes may generate capital gains for central banks, which are liable to be distributed

Specific government transactions

to general government. The amounts involved may sometimes be very large. Capital gains are not income in national accounts and therefore payments to government financed out of capital gains cannot be recorded as property income but have to be recorded as financial transactions. It also proposes to apply the rules on capital injections when government makes a payment to the Central Bank. Such payments by government may be made to cover losses made by the Central Bank. Capital losses may occur due to foreign exchange holding losses. Operational losses may occur due to the fact that interest and other operational income do not cover operational costs made by the central bank. Capital losses cannot be recorded as equity injection, therefore capital gains and losses are somehow not treated symmetrically. This asymmetrical treatment is nevertheless justified for the purpose of appropriately measuring government deficit.

Concerning transactions between General government and the Central Banks the financial results of the BNB and the central government cash reports are used for source data.

In case the payments of the Central bank to the government for a given year exceed the operating profit from the previous year, the surplus is treated as a financial transaction and the equity of the bank is decreased. The respective amounts are excluded from the revenue (an adjustment in 2A) and are reflected as transaction in equity (reduction of shares and other equity F.5) in table 3B.

7.14. Lump sum pension payments

ESA 2010 paragraphs 20.273-20.275 define the accounting rules for recording of the lump sum pension payments. The related accounting rules are further described in the ESA 2010 MGDD and debt Part 3.6 Impact on government accounts of transfer of pension obligations.

The revision has been made in lump sum payments for pension schemes for 2011. The received income (92,6 mln BGN) in subsector Social security (National social security Institute) from pension insurance companies was neutralized in F.8 according to 20.275 ESA'2010: "The lump sum is recorded as a financial advance (F.8), a prepayment of miscellaneous current transfers (D.75) which will be recorded in the future in proportion to the related payments of pensions. As a result, the lump sum payment has no impact on the net lending/net borrowing of the general government in the year of transfer of obligations."

7.15. Pension schemes

Since 2000 the so-called three-pillar pension system has been in place in Bulgaria.

Pillar I is the public pension system, a standard pay-as-you-go system (PAYG) under which the working population pays contributions for the pensions of the retired. It is mandatory and covers all individuals working on a labour contract, as well as self-insured, farmers, individuals working without a formal labour contract and other, nearly 30 insured types. All the types of individuals covered by this pillar are specified in Art. 4 of the Social Security Code. As provided in Art. 3 of the Social Security Code, the principles this pillar abides are:

1. mandatory and all-comprehensive generality of the subjects;
2. solidarity of the secured individuals;

3. equality of the secured individuals;
4. social dialogue in the management of the social security system;
5. funded organisation of the social contributions (the social contributions are collected and managed in special funds)

There are three main types of pension benefits in Bulgaria under pillar I: old age pensions, disability pensions and survival pensions. Pensions are exempted from tax. There are also so-called social pensions, financed entirely by the state budget. The social pension is the minimum pension level, and the ceiling is 35% of the maximum insurable income. The contributions rates for the first pillar are determined on an annual basis as a percentage of the gross remuneration, but not lower than the minimum insurable income and not higher than maximum insurable income.

As from 1 January 2016, Under Social Security Code:

“(1) Entitlement to a contributory-service and retirement-age pension shall be acquired upon attainment of the age of 60 years and 10 months for women and 63 years and 10 months for men and 35 years and 2 months of contributory service for women and 38 years and 2 months of contributory service for men. As of 31 December 2016, the retirement age shall be increased, from the first day of each subsequent calendar year, as follows:

1. until 31 December 2029, the retirement age for women shall be increased by 2 months per calendar year, and by 3 months per calendar year as of 1 January 2030, until 65 years of age are reached;

2. until 31 December 2017, the retirement age for women shall be increased by 2 months, and by 1 month per calendar year after 1 January 2018, until 65 years of age are reached.

(2) As of 31 December 2016, the length of contributory service under Paragraph 1 shall be increased, from the first day of each subsequent calendar year, by 2 months until attainment of 37 years of contributory service in the case of women and 40 years of contributory service in the case of men.

(3) If a person is not entitled to a pension under Paragraphs (1) and (2), prior to 31 December 2016 such person shall acquire entitlement to a pension upon attainment of the age of 65 years and 10 months for both women and men, subject to at least 15 years of actual contributory service. As of 31 December 2016, the retirement age shall be increased from the first day of each subsequent calendar year by 2 months, until 67 years of age are reached.

(4) After 31 December 2037 the age under Paragraph (1) shall be tied to the increase of the average life expectancy.”

Pillar II is the supplementary mandatory pension insurance. It is based on a defined contribution fully funded principle, which means that each individual pension is determined on the basis of the amount accumulated with the individual account. The amount accumulated depends on the contributions paid and the return of the investment. The Pillar II was started in 2000 as an alternative to PAYG system, and it is mandatory for individuals born after 31.12.1959.

Specific government transactions

Pillar III is based on voluntary individual contributions as all persons at age 18 and older may participate in the voluntary insurance system.

Both Pillar II and Pillar III are managed by licensed pension insurance companies.

The flows related to the Pillar I are recorded in the consolidated fiscal program in the national accounts. The stock is consolidated in the balance-sheets of the Social security sub-sector.

Classification of pension schemes

The above mentioned features of the Pillar I of social security classify it in the sub-sector Social Security Funds (S.1314), as defined in ESA 2010, as it fully complies with two of the following criteria:

- a) By law or by regulation certain groups of the population are obliged to participate in the scheme or to pay contributions;
- b) General government is responsible for the management of the institution in respect of the settlement or approval of the contributions and benefits independently from its role as supervisory body or employer.

The Pillars II and III are classified outside the government sector.

The fund “Pensions not related to labour” can be defined as social assistance, not social insurance. The revenue of this fund comes from transfers from the state budget, fees, interest, dividend and donations (as per Art. 22b of the Social Security Code)

The fund covers the following types of pensions (Art.22d) which are not incurred by mandatory contributions, as well as their indexation and increase.

- b/ increase of the pensions for war veterans;
- c/ pensions for civil inability;
- d/ old age social pensions;
- e/ increase as provided for in the Law on political and civil rehabilitation of repressed individuals;
- f/ social old age pensions (when social contribution is lacking);
- g/ pension for special merits;
- h/ personal pensions;
- i/ social assistance for prophylactics and rehabilitation.

Classification of social insurance pension schemes

Specific government transactions

The government pension scheme (the Pillar I), as well as the Pillar II are defined contribution schemes. The whole working population is covered in the government pension scheme on a compulsory basis.

Social security pensions in Bulgaria are provided to beneficiaries by general government.

Classification of institutional units supporting pension schemes; borderline cases

The institutional units supporting Social security pension scheme (Pillar I) are classified in to General government sector S.13. (Social security funds subsector S.1314). The pension companies that manage pension funds from pillar II and III are classified in the financial sector S.12.

7.16. Rearranged transactions

As part of the National programme for energy efficiency of multi-family residential buildings (NEEP) the Bulgarian Development Bank was mandated by government to participate, for which it received a fee. The financing under NEEP was channeled through the BDB. The bank concluded trilateral agreements with the regional governors (representatives of the State) and the municipality mayors (authorized representatives of the owners' association - HOA). The NEEP was adopted by the Council of Ministers in 2015. The Program finances renovation energy 19 efficiency measures in multi-family residential buildings in 265 municipalities. It targets multi-family residential buildings and the eligible costs include the renovation and retrofitting of buildings. The limit set for the program was initially set to 1 billion BGN, increased to 2 billion BGN in 2016.

Since this task has been mandated to BDB, i.e. government decided for the BDB to participate in this programme, the money advanced by the BDB to government in order to pay suppliers were re-routed via government accounts as F.4 liability (loan) with an impact on government debt.

7.17. Decommissioning costs

The operator of the Nuclear power plant in Bulgaria is AETS KOZLODUY EAD which is a public corporation classified in non-financial corporations sector (S.11).

Currently the only unit responsible for decommissioning of nuclear facilities as well as radioactive waste management is State Enterprise RADIOACTIVE WASTE. It is classified in Central government subsector (S.1311).

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

Decommissioning costs are reported in the Annual Report of State Enterprise RADIOACTIVE WASTE, i.e. they are included in the accounts of Central government subsector.

The calculation of the decommissioning costs by ESA 2010 is formed by deducting „Sales of materials”, code 15420 from the „Total operating costs”, code 10000 of the SERW Annual Report.

7.18. Income contingent loans

Aside from student loans, described in 7.1.3., there are no income contingent loans in Bulgaria.

7.19. Concessions

During the period 2018-2019 a total of 111 concession contracts were made in Bulgaria of which 50 in sub-sector Central government and 61 in Local government.
The concession income is treated as rent (D.45) in national accounts.
The counterparts on concession contracts in the period 2018-2019 are all private corporations.

7.20. Energy Performance Contracts

On 19 September 2017, Eurostat published the Guidance note on the recording of energy performance contracts in government accounts and on 8 May 2018, Eurostat published, in cooperation with the EIB), the Guide on statistical treatment on EPC.

According to the legal basis in Bulgaria the contractors shall incur the financial risk, as well as the technical and commercial risk associated with the implementation of the energy efficiency improvement activities and measures and for achieving the outcome guaranteed by the contract. The realized economy is valued according to the methodology for calculating guaranteed result for the purposes of which the EPC contractor annually submits to the building owner a report on monitoring, systematization and calculation of guaranteed result based on which the required funds for contract payments are planned.
Currently in Bulgarian national accounts the liabilities from energy performance contracts are treated as general government debt.