



EUROPEAN COMMISSION
EUROSTAT
Directorate D – Government finance statistics (GFS)

Luxembourg,

FINAL FINDINGS

EDP Dialogue Visit to Bulgaria

22 – 24 February 2023

EXECUTIVE SUMMARY

Eurostat undertook an EDP dialogue visit to Bulgaria on 22-24 February 2023, as part of its regular visits to Member States and with the aim to assess the implementation of ESA 2010 methodology and to ensure that provisions from the ESA 2010 Manual on Government deficit and debt are duly implemented in the Bulgarian EDP reporting. More specifically, the main purpose of the meeting was to discuss statistical organisational issues, to review the recording of specific government transactions and to assess the implementation of the accrual principle, in particular for taxes and social contributions.

Concerning institutional responsibilities, Eurostat took note of the ongoing structural reform of the Macroeconomic Statistics Directorate within the National Statistical Institute (NSI), started in mid-October 2022 and expressed concerns on the lack of coordination between the different units compiling GFS and EDP data. Eurostat stressed the importance to ensure better internal coordination and closer cooperation. Eurostat took note that the NSI's departments dealing with the EDP/GFS work are currently understaffed and enquired about the future plans on recruiting experts.

As regards the compilation practice, the NSI was strongly encouraged to strive to streamline the B.9 compilation processes in EDP tables 2 and ESA table 2, so that differences in B.9 are adequately monitored before elimination /adjustment. In this respect, the Bulgarian statistical authorities also agreed to consider abandoning the current practice of automatically adjusting any differences in B.9 (derived from the ESA table 2 and the EDP tables 2) under Other current transfers (D.7) as a residual. Further analyses of amounts allocated to D.7 will be made.

Moreover, for business continuity and in the context of ensuring good information flows and cooperation between institutions and within institutions, the Bulgarian statistical authorities agreed to develop descriptions of the processes relevant for the compilation of GFS/EDP data, in the three institutions.

Then, the follow-up of the action points of the previous EDP dialogue visit was reviewed. Some, action points still open, were re-discussed under the relevant agenda points.

Regarding the delimitation of general government, the results of the Questionnaire on government-controlled entities were analyzed and the sectorization of some governmentcontrolled entities classified outside general government reviewed. Specific attention was given to the Bulgarian Development Bank and the Bulgarian Energy Holding.

As a follow-up of the last EDP notification, Eurostat stressed the importance of ensuring consistent coverage of other central government bodies (OCGB), classified in S.13 across different reporting tables used in the EDP context.

As regards the formula used for the calculation of the 50 % test, it was agreed that it needs some finetuning by taking into account the points discussed. In addition, with the view to start implementing a coefficient for adjusting the financial statements depreciation, The Bulgarian statistical authorities will make an analysis of several companies having a considerable amount of fixed assets (e.g., infrastructure) and compare depreciation as available in business accounts with the consumption of fixed capital.

Then the discussion focused on the recording of taxes and social contributions, to which also some representatives of the National Revenue Agency participated. The discussion aimed at agreeing on the TAC time lag for the Corporate Income Tax (CIT). It was agreed that CIT final settlements should be estimated in April notifications for the data (t-1), by using the average ratio between the pre-payments and final settlements observed in the past years, currently amounting to 64%. The Bulgarian statistical authorities also agreed to clarify the 2022 developments associated to the Personal Income Tax (PIT) child relief benefit, including the amounts separately claimed via the employer (in 2022) and estimated to be claimed via a tax declaration (in 2023).

Eurostat took note of the existence of the Single Tax Account. The importance to understand how the system is functioning, and what implications it might have for EDP/GFS statistics was underlined.

With respect to the implementation of the accrual principle, Eurostat enquired about the reconciliation of accrued interest between EDP Tables 3B, 2A, the reporting of premiums and discounts in EDP Table 2A. The expected corrections in the EDP Table 2A were expected to lead to a slight revision in B.9.

Next, Eurostat confirmed that the method on recording of EU funds appeared to be in line with the rules, although the presentation in the EDP tables and related questionnaire could be more transparent. The three key partners in the GFS /EDP production agreed to cooperate closely to clarify how the EU flows are reported in EDP table 2A.

For the reporting of the Recovery and Resiliency Facility in EDP table 2A, the Bulgarian statistical authorities will introduce two separate adjustment lines for the RRF (reflecting inflows/ outflows and net payable/receivables and will provide the cash reports with the codes, produced by the National Fund on the RRF implementation.

Eurostat asked to be informed on the developments regarding the pre-payments of the military aircraft in 2019, as regards the cash placed in the US Federal Reserve and the effective transfer of funds to a newly created deposit account.

Furthermore, the Bulgarian statistical authorities will describe the data sources for the calculation of the gross fixed capital formation (for the State, autonomous budgets and reclassified entities) and will adapt the EDP inventory text accordingly.

Regarding the statistical recording of the COVID-19 measures undertaken by government, it was agreed to allocate to the correct ESA categories additional pay outs by the National Health Insurance Fund to the providers of medical care.

With respect to the implementation and execution of the programs adopted to mitigate the economic consequences of the instability of energy market prices the Bulgarian statistical authorities will provide Eurostat with a detailed follow-up report on this issue, including the revenue and expenditure of the “Electricity System Security” Fund, (ESSF). As regards the recording of government expenditure and revenue in national accounts, Eurostat proposed some changes in the recording in ESA categories, with no impact on B.9.

Finally, some other standard items of EDP dialogue visits included in the agenda were discussed, such as the recording of guarantees, government claims, dividends and decommissioning costs, among others. The recordings applied are mainly in line with the Eurostat rules.

Eurostat very much appreciated the good co-operation and transparency demonstrated by the Bulgarian statistical authorities during the meeting and appreciated also the documentation provided by the statistical authorities prior to and during the EDP dialogue visit.

FINAL FINDINGS

Introduction

In accordance with Council Regulation (EC) No 479/2009 of 25 May 2009 (the EDP Regulation) on the application of the Protocol on the excessive deficit procedure annexed to the Treaty establishing the European Community, Eurostat carried out an EDP dialogue visit to Bulgaria on 22-24 February 2023.

The delegation of Eurostat was headed by Mr Luca Ascoli, Director, Directorate D 'Government Finance Statistics (GFS)'. A representative of DG ECFIN participated in the meeting as observer. The Bulgarian authorities were represented by the National Statistical Institute, the Ministry of Finance and the Central Bank. In addition, representatives from the National Revenue Agency participated in the discussions under the agenda point on taxes.

The previous Eurostat EDP dialogue visit to Bulgaria took place on 20-21 January 2021.

Eurostat carried out this EDP dialogue visit in order to assess the implementation of ESA 2010 methodology, to assure that provisions from the ESA 2010 Manual on Government deficit and debt are duly implemented in the Bulgarian EDP reporting. More specifically, the purpose of the visit was to discuss statistical organisational issues, to review the compilation of GFS accounts, to review the recording of specific government transactions and to assess the implementation of the accrual principle, in particular for taxes and social contributions.

With regard to procedural arrangements, the *Main conclusions and action points* would be sent to Bulgaria for review. Then, within weeks, the *Provisional findings* would be sent to Bulgaria for review. After this, in accordance with Article 13 of the EDP Regulation, the *Final Findings* will be sent to Bulgaria and the Economic and Financial Committee (EFC) as well as published on the website of Eurostat.

Eurostat appreciated the relevant background material provided by the Bulgarian statistical authorities prior the EDP standard dialogue visit. Eurostat also thanked the Bulgarian statistical authorities for their good co-operation and productive discussions during the EDP dialogue visit.

1. STATISTICAL ORGANISATIONAL ISSUES

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

In the context of the framework reporting of the Excessive Deficit Procedure (EDP) and Government Finance Statistics data and, in order to assess whether the Member States have the prerequisites for producing high-quality EDP/GFS data, Eurostat reviewed the institutional responsibilities and the cooperation between the relevant institutions and data processing/ data compilation procedures in Bulgaria.

1.1.1. Institutional cooperation and EDP Processes

Introduction

Prior to the meeting, the Bulgarian statistical authorities provided to Eurostat a note on the institutional arrangements in place for the collection, compilation and reporting of EDP data and other related data. The Bulgarian statistical authorities explained that there have been no significant changes since the last EDP dialogue visit in 2021, with the exception of the re-organization of the Macroeconomic Statistics Directorate of the National Statistical Institute (NSI).

The NSI is responsible for compiling and submitting the EDP notifications to Eurostat and for the preparation of the non-financial accounts, both annually and quarterly (ESA tables 25 and 2), annual financial accounts (ESA tables 6 and 7) and the Maastricht debt (ESA table 28) for all sub-sectors of the general government. The Central Bank (BNB) compiles the quarterly financial accounts (ESA Table 27), while the Ministry of Finance (MoF) provides planned data in the EDP tables, and it is also responsible for the compilation of the quarterly Maastricht debt.

An inter-institutional Memorandum of Understanding (MoU) exists between the three key partners in the GFS production: the NSI, the Central Bank and the Ministry of Finance. Regular meetings are organised between the three institutions and minutes of the existing working group are regularly produced and reflect the outcome of the methodological discussions. Different operations and methodological issues are discussed in the frame of the inter-institutional working group in order to achieve a better presentation of the economic events, related to the government deficit / surplus and debt. Upon the discussions, the final decision concerning the treatment of data is under the responsibility of the NSI.

Discussion and methodological analysis

The update of the MoU

At the end of 2022, the working group between NSI, BNB and MoF started with the revision of the current Memorandum of Understanding (MoU) between the three institutions. The previous version of the MoU dated 2012 and was obsolete since many of the referred participants of the working group no longer worked in this domain. During the meeting Eurostat received a copy (in Bulgarian) of the official Order for the renewing of the interdepartmental working group, signed by the representatives of the three institutions and which included the authorization, mandate, and official composition of the respective working group. In addition, the bilateral agreement between the NSI and BNB is envisaged

to be signed, and it is planned to include it in a package with the above-mentioned MoU between the three institutions.

The division of responsibilities in the NSI for the EDP/GFS domain

The Bulgarian statistical authorities explained that a structural reform of the Macroeconomic Statistics Directorate was put in place in mid-October 2022, resulting in the creation of a new department “Supply Use Tables (SUT) and Institutional National Accounts”.

Currently, there are six departments within the Macroeconomic Statistics Directorate, of which the following three units are involved in the production of EDP/GFS statistics:

- Non-financial National and Regional Accounts Department
- Financial National Accounts Department
- SUT and Institutional National Accounts Department

The NSI clarified that the main aim of this reform was to streamline the activities towards an improvement of the internal organization and strengthening of the cooperation between the departments within the directorate, as well as with other departments and directorates within the NSI. The list with the main responsibilities of each department is publicly available on the NSI’s website.

The Financial National Accounts Department is responsible for the compilation and transmission of the EDP notifications to Eurostat. The department compiles EDP tables, the related questionnaires, as well as is responsible for annual financial accounts (ESA 2010 transmission program Table 6 – financial accounts by sector and Table 7 – balance sheets for financial assets and liabilities, stocks of financial instruments - consolidated and non-consolidated, including the counterpart information). Also within the sphere of competence of the Financial National Accounts Department is ESA Table 9 (covering detailed Tax and Social Contribution receipts by type and the receiving sub-sector, including the national tax classification), ESA Table 11 – Government expenditure by COFOG, ESA Table 29 – pension entitlements in social security, and the data reported under the 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 Bulgarian authorities informed Eurostat that among others, the department will develop non-financial indicators and basic macroeconomic indicators for the General Government sector at the national level.

The Non-Financial National and Regional Accounts Department has the responsibility to prepare statistical data, macroeconomic indicators and national accounts (NA). They compile and send to Eurostat quarterly and annual data on Gross Domestic Product (GDP), Gross National Income (GNI) and develop quarterly and annual assessments of employment, hours worked and labor productivity, in accordance with ESA 2010 and some of the components, needed for the main GFS tables. The department also elaborates new or improves existing methodologies and methods of conducting statistical surveys regarding national accounts.

The Supply Use Tables (SUT) and Institutional National Accounts Department (CPHP&PPP) should develop and balance Supply Use Tables by components and according to dimensionality requirements in accordance with the European System of Accounts; develop annual non-financial national accounts by institutional sectors; develop quarterly non-financial national accounts for the institutional sectors of the General

government, Rest of the world and the Total of economy. The detailed responsibilities of the departments are outlined in the NSI's website¹.

Eurostat expressed its concern on the current internal organisation of the Bulgarian NSI as regards the EDP and GFS data production and the not sufficient coordination of overlapping work streams between the different departments within the Macroeconomic Statistics Directorate of the NSI. Eurostat strongly encouraged the NSI to make the necessary steps towards a better internal coordination between the three departments involved in GFS/EDP compilation. Eurostat emphasised that the NSI should consider the integration of the GFS/ EDP data compilation in one unit, in the medium term, thus aiming at having one entity responsible for the compilation of EDP statistics and for the underlying government accounts (GFS). The Bulgarian statistical authorities noted that, the integration could be considered based on the outcome of the recruitment process and the subsequent training of experts, which could take a minimum of two years, and in line with the Law on Statistics and the Rules of Procedure of the NSI in terms of professional independence,

Currently, there are 8 posts available in the “Financial national accounts” department, with a possibility of increasing to 9 or 10 in the future. 5 posts are currently occupied by staff mostly working with EDP data and there are 2 vacant posts, for which a recruitment process is undergoing. The NSI explained that currently the main focus is on the recruitment of new staff in the SUT department. It was also noted that the vacant position of the director of the directorate for Macroeconomic Statistics was not filled for almost 2 years, mainly due to the difficulties to find candidates with the necessary relevant professional experience and due to the unattractive salary compared to the current developments on the labour market..

The stipulated staff list of the new SUT department consist of a department head and five experts. At the time of the EDP dialogue visit, the head of the department and three experts were appointed. Only one person was involved in Sector accounts and in the compilation of the ESA2010 transmission program tables T8, T801, T2, T25 compared to four experts two years ago. This person is engaged in training of newly hired staff, which will be occupied in GFS data, which puts an additional pressure on the already limited human resources. Most of the EDP/GFS work in the SUT department is assigned to this experienced staff member, having long experience in GFS / EDP domain who, for that specific task, returned from retirement. The Bulgarian statistical authorities explained that it was also expected that this would allow knowledge transfer to the new staff, but poses challenges in the short and in the long run, given the workload. In the “Non-financial National and Regional Accounts” Department, the staff consists of the newly elected head of unit and six staff members.

In summary, the three departments of the Macroeconomic Statistics Directorate, involved in EDP/GFS remain understaffed, although actions aimed at filling in the vacancies are ongoing. The NSI explained that filling the empty posts in 2023 is challenging, as the required technical expertise is not easily available, in terms of the competition on the labour market. The NSI mentioned that measures for retention of staff, including an 11% increase of salaries for the whole NSI in 2022 had been already negotiated. Despite the fact that the budget remains the same for ten consecutive years, the NSI constantly tries to

¹ [Macroeconomic Statistics Directorate | National statistical institute \(nsi.bg\)](https://www.nsi.bg/)

negotiate further pay increases. An internal financial re-organization and a wider participation in projects funded by grants is also foreseen.

Eurostat enquired further on the division of responsibilities between the 3 departments within the Macroeconomic Statistics Directorates and the implications this might have on the quality of the EDP/GFS data.

As an example, the compilation of data on Gross Capital Fixed Formation (GFCF) was taken. Eurostat explained that as a normal practice Member States use data from investment survey to compile GDP. However, it is quite common that for GFCF in government sector a more accurate data source in the form of financial statements might be available and therefore used in the EDP/GFS reporting. The question therefore is, in case two different figures are available, for example as regards investment, one from the GDP approach and another compiled on the basis of the GFS data sources, which number shall be taken and should prevail.

The Bulgarian statistical authorities explained that the GFCF was compiled by the Nonfinancial National and Regional Accounts Department via the investment survey, which is sent to all budgetary and non-budgetary units on an annual basis. The investment survey is integrated with the SBS survey and has to be submitted together with the annual financial statements. Consequently, the survey data for the year t-1 is available only by end-June of the year t. Accordingly, the public units classified in S.13 are asked to report data earlier, so the NSI can use this data in April notifications. The NSI were under the impression that this data was consistent with the financial statements, received by June (t+1). No data on GFCF is available for hospitals in April notifications and estimations are used instead. The NSI explained that budgetary units use a slightly different template for reporting.

The calculation of B.9 was discussed in more detail. Eurostat noted that two calculations of B.9 are done in Bulgaria, by two different departments. One B.9 is derived from the ESA table 2 and another is compiled via the EDP table 2A using the so-called top-down approach (starting from the Working Balance (WB) and adjusting it accordingly by removing financial flows, adding accrual adjustments, sectorisation adjustments as well as other, arriving at the B.9 figure). Naturally, the two B.9s resulting from the two different compilations, need to be reconciled. The NSI considered that the EDP table compilation approach provides more reliable data and, consequently, the difference between the two approaches is usually accommodated, and recorded in national accounts, as a residual under D.7 (Other current transfers) in the ESA table 2. Eurostat expressed its concerns that two different departments are calculating EDP table 2 and ESA table 2.

In this context, Eurostat strongly recommended that a current organisation of EDP/GFS should be reviewed and the NSI should consider integrating the GFS/EDP data compilation in one unit with a centralized responsibility. The NSI agreed to consider the integration of the GFS/ EDP data compilation in one unit, in the medium term, thus aiming at having a single entity responsible for the compilation of EDP statistics and for the underlying government accounts (GFS).

To further assess the potential discrepancy between the two B.9 approaches, Eurostat analysed the annual GFS tables and observed in the ESA table 2 that rather significant amounts were allocated to D.7 on the revenue and expenditure sides since 2018. Eurostat stressed the importance for the NSI to streamline the compilation processes for compiling B.9 in EDP tables 2 and ESA table 2, so that differences in B.9 are adequately monitored

before elimination/adjustment. The Bulgarian statistical authorities will consider abandoning the current practice of automatically adjusting any differences in B.9 (derived from the ESA table 2 and the EDP tables 2) under D.7 as a residual and will instead aim at allocating these differences under the correct (or at least plausible) ESA categories.

Following the discussions and analysing the flowchart of EDP statistical processes it was remarked that it should be amended in respect to the dividends and capital injections, which should be placed under the responsibility of the Financial National Accounts Department.

Findings and conclusions

Action point 1: Eurostat expressed concerns on the lack of coordination between the different units compiling GFS and EDP data within the National Statistical Institute (NSI). Eurostat encouraged the NSI to take the necessary steps towards better internal coordination and closer cooperation, in particular, between the *Non-Financial National and Regional Accounts* Department, the *Supply use Tables (SUT) and Institutional National Accounts* Department and the *Financial National Accounts* Department.

The NSI agreed to consider the integration of the GFS/ EDP data compilation in one unit, in the medium term, thus aiming at having one entity responsible for the compilation of EDP statistics and for the underlying government accounts (GFS).

Deadline: ongoing - Progress report by November 2023

Action point 2: The NSI will strive to streamline the compilation processes for compiling B.9 in EDP tables 2 and ESA table 2, so that differences in B.9 are adequately monitored before elimination/adjustment. The Bulgarian statistical authorities will consider abandoning the current practice of automatically adjusting any differences in B.9 (derived from the ESA table 2 and the EDP tables 2) under D.7 as a residual and will instead aim at allocating these differences under the correct (or at least plausible) ESA categories.

Deadline: October 2023 EDP notification²

Action point 3: Eurostat observed rather significant amounts allocated to D.7 on the revenue and expenditure sides in the ESA table 2 over the last years, since 2018. In this context, the Bulgarian statistical authorities will provide a detailed table, including all inflows and outflows recorded in D.7, code by code (e.g., D.73, D.74, D.75, D.76), with adequate further details, at least for the last two years (2021-2022). The table should show the “real” or observed D.7 separately from the amounts recorded as a residual, stemming either from non-allocated payables/ receivables or from the differences with the Working Balance-based B.9 calculation, or from other adjustments.

Deadline: 27 March 2023 for year 2021 and 31 March 2023 for year 2022³

² The action point is in progress.

³ The action point is in progress. On 18/04/2023, some detail on the D.7r categories for 2022 was provided within the GFS clarifications, during the April 2023 notification.

1.1.2 Quality management framework

Introduction

Prior to the meeting, the Bulgarian statistical authorities provided to Eurostat a note on the quality management framework, including audit and internal control arrangements.

The National Statistical System (NSS) Quality Assurance Framework includes methods and tools that aim to guarantee the compliance with the requirements to the statistical processes and products, and to ensure the required statistical information quality. More detailed information can be found at the NSI website.⁴

No specific framework or exercise is dedicated specifically to the EDP/GFS work.

Discussion and methodological analysis

Eurostat noted that the EDP process is not documented and that the NSI has no established written procedures for the EDP/GFS work. Eurostat remarked that a manual of procedures would allow to evaluate the current processes and identify further improvements. The procedures could also be shared with other institutions involved in EDP / GFS. Generally, such descriptions are important to ensure a business continuity and it helps to maintain good information flows and cooperation between institutions and within institutions. In addition, it could also be a good point of reference for the new recruited colleagues.

Findings and conclusions

Eurostat encouraged the Bulgarian statistical authorities to take the necessary steps to develop descriptions of the processes relevant for the compilation of GFS/EDP data, in the three institutions.

1.2. Data sources and revision policy, EDP inventory

1.2.1. Availability and use of data sources, revision policy

Introduction

In the context of the compilation of the EDP/ GFS data, the NSI informed that there have been no changes related to the availability and use of data sources nor to the revision policy, since the 2021 EDP dialogue visit. The detailed description of data sources by government sub-sectors is described in the EDP inventory, publicly available on Eurostat's website⁵.

The Consolidated Fiscal Programme used for the budget reporting and trial balances⁶ of budgetary units are the main data sources used for the compilation of government accounts. The data reported in the budget are available on a cash basis, whereas trial balances are produced on an accrual basis. The same data sources are used for the compilation of financial and non-financial accounts.

⁴ <https://www.nsi.bg/en/content/471/basic-page/quality>

⁵ <http://ec.europa.eu/eurostat/documents/1015035/7110762/BG-EDP-Inventory-201512.pdf>

⁶ A trial balance is a kind of a general ledger, on a quarterly basis, and contains data on debit, credit, stock and flows.

All level of government units and social security units apply a unified Chart of Accounts (accrual accounting) and Unified Budget Classification (cash accounting for budget execution purposes) in accordance with the Ministry of Finance guidelines.

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

Discussion and methodological analysis

As explained by the Ministry of Finance there is no Profit & Loss statements available for government units (contrary to public corporations), however the compilers have access to the entities' summary trial balances, where the information of the general ledger (debit/credit as well as starting and ending stock) is summarised. The First Level Spending Units (FLSUs), including the ministries/agencies and the 265 municipalities apply the same chart of accounts, according to the instructions of the Ministry of Finance, on a quarterly basis. The general ledger provides a split between the budget, EU flows and third-party accounts.

The GFS division in the MoF processes the data on flows and stocks of the individual First Level Spending Units (FLSU) and provides the aggregated data to the NSI and the BNB in two sets: one including EU flows and another one excluding EU flows. Although in January 2014 an Agreement was signed between the NSI and the MoF for the provision of a direct access of the NSI's experts to individual data from the Information system of the MoF, in practice this access has not been yet implemented. For some units the MoF provides individual data to the NSI, such as the Ministry of Regional Development and the Supreme Court.

The aggregated information is provided on a consolidated basis. The budgetary IT system includes a split of the counterpart information which allows the elimination of intra-flows between the units. The system matches the transfers and subsidies from both parts involved and when discrepancies incur, investigations are conducted with the main aim to eliminate them.

Eurostat questioned why cash data is used, adjusted with payables and receivables, instead of using directly the accrual data from the trial balances, in particular for the compilation of Other accounts receivable / payable (F.8). The Bulgarian statistical authorities explained that the cash flow data was very well structured on the revenue and expenditure side and that it also includes more detailed information. For instance, the economic classification is almost the same as the COFOG⁷. Accordingly, the cash data is considered the best data source.

Eurostat asked to receive the updated bridge table between the ESA codes and the Consolidated Fiscal Program codes, among others, including details on interest associated flows reflected in the budget (e.g., discounts at redemption/ premiums at issuance, etc.),

⁷ Eurostat collects data on general government expenditure by economic function according to the international Classification of the Functions of Government (COFOG) in the framework of the European System of National Accounts (ESA2010).

identifying exactly the budget codes that are allocated to D.7 transactions. In addition, the Ministry of Finance will provide a simple extraction of the aggregated First Level Spending Unit file, covering the last five years.

In terms of the revision policy, April EDP notifications are based on preliminary data, while October EDP notifications are based on final data. In general, only data for the year t-1 is revised in October notifications. In principle, no further revisions are made to years t-4 to t-2 and data for these years may be revised only in exceptional cases.

The next benchmark revision is foreseen for 2024. Eurostat considered that the revisions related to the updated Manual of Government Deficit and Debt (MGDD) 2022 version could be incorporated in the forthcoming benchmarking exercise in 2024. Nevertheless, the issues with an impact on 2022 should be already implemented in the April 2023 EDP notification.

Findings and conclusions

Action point 4: The Ministry of Finance will provide to Eurostat an updated bridge table between the ESA codes and the *Consolidated fiscal programme* codes, including details on interest associated flows reflected in the budget (e.g., discounts at redemption/premiums at issuance, etc.) (see AP 24) and identifying exactly the budget codes that are allocated to D.7 transactions (see AP 3).

*Deadline: 27 March 2023*⁸

Action point 5: On the basis of these consolidated fiscal programme codes (see AP 4), the Ministry of Finance will provide to Eurostat a simple extraction of the aggregated *First Level Spending Unit* file (as routinely provided to the NSI and the Bulgarian National Bank (BNB)), at least related to the D.7 and D.9 flows, covering the years 2017/2021/2022, and, in case of need, the associated breakdowns by main *First Level Spending Unit*.

*Deadline: 27 March 2023*⁹

Action point 6: The Bulgarian statistical authorities will provide an updated version of the inter-institutional Memorandum of Understanding (MoU) signed between the three key partners in the GFS/EDP production: the National Statistical Institute (NSI), the Ministry of Finance (MoF) and the Bulgarian National Bank (BNB).

Deadline: when available

Action point 7: The Bulgarian statistical authorities will take the necessary steps to develop descriptions of the processes relevant for the compilation of GFS/EDP data, in the three institutions. Such descriptions are important to ensure business continuity and are also useful for ensuring good information flows and cooperation between institutions and within institutions. Once ready, they will share them with Eurostat.

Deadline: end-December 2023 for first drafts exchanged between institutions, end-December 2024 for sending to Eurostat

⁸ Accomplished on 28/03/2023. The action point is closed.

⁹ Accomplished on 28/03/2023. The action point is closed.

1.2.2. EDP Inventory

Introduction

The EDP Inventory is an important tool for checking the quality of the EDP data and it is also a very useful source of information for data users. It is therefore important that the information in the EDP Inventory is timely, follows the recent template and covers the issues further developed/ clarified in the 2022 edition of the Manual on Government Deficit and Debt.

The last update of Bulgarian ESA 2010 EDP Inventory was published by December 2022 on the Eurostat's and the NSI's websites.

Discussion and methodological analysis

Eurostat thanked the Bulgarian statistical authorities for the update of the EDP Inventory and encouraged its regular update, whenever inconsistencies are identified or updates are needed.

Following the release of the MGDD 2022, Eurostat updated the template of the Inventory and this new template should be used for the upcoming revisions of the text. The next update of the inventory should take into account the points raised during this EDP dialogue visit (e.g., a part on taxes should be reviewed by including a description of the CIT final settlement recording method).

Findings and conclusions

Action point 8: The Bulgarian statistical authorities will provide an update of the EDP inventory in line with the 2023 template, taking into account the points raised during the visit. The Bulgarian statistical authorities will notably include a description of the functioning of the Single tax account and the re-allocation of taxes implemented (see AP 21).

Deadline: end-December 2023

2. FOLLOW-UP OF THE EDP DIALOGUE VISIT OF 20-21 JANUARY 2021

Introduction

Last mission was held in 20-21 January 2021, via videoconference.

The main issues discussed during the last meeting were the sector classification of units, in particular the follow-up of the Energy holding (BEH) and the Development bank (BDB); the implementation of the accrual principle, in particular taxes and the introduction of a new simple TAC (introduced in the April 2021 EDP notification); the recording of government measures undertaken in the context of COVID-19¹⁰.

Discussion and methodological analysis

Most action points from the previous 2021 EDP visit were accomplished, or their postponement was well justified and therefore agreed. The follow-up of some action points was further discussed under the relevant items of the agenda of this meeting (namely action points 5, 7, 11, 22 and 28).

The outstanding action points from the 2021 visit (action points 1 and 9) would remain as an action point of this EDP visit (respectively, action point 6 and 9 of the current EDP visit).

Action point 5 about the table on main revenue and expenditure items of GG units/groups of units and financial transactions was discussed under point 3 of this EDP visit and replaced by action points 11 and 12; Action point 7 about the market / non-market test was discussed under point 4.1.3.1 of this EDP visit and replaced by action points 11 and 12; Action point 11 about the implementation of the new simple TAC method was discussed under point 4.2.1 Taxes and Social Contributions; Action point 22 about the pre-payments of the military aircraft in 2019 and the bank account of the Ministry of Defense in the American Federal Reserve was discussed under point 4.2.4 Military Expenditure.

As regards action point 29, related with the update on the monitoring of whether the NEK is still operational to repay the government loan it received in 2016, the Bulgarian statistical authorities informed in the documentation sent to Eurostat prior to the EDP visit that *in 2022 Q2 NEK has paid back to the Ministry of Energy the sum from 2016 in the amount of 1176,70 M BGN* and the action point was closed.

Findings and conclusions

Action point 9: As regards the re-routing of some operations of public corporations on behalf of government, the Bulgarian statistical authorities will provide to Eurostat a short note describing the current procedures or approaches in place to identify operations undertaken by public units on behalf of government that would potentially need to be rerouted to government accounts, notably explaining the sources of information used.

Deadline: end-July 2023¹¹

¹⁰ [Final findings from the 2021 EDP visit to Bulgaria : Eurostat EDP visits to Member States - Government finance statistics and EDP statistics - Eurostat \(europa.eu\)](#);

¹¹ The action point is under evaluation. A short description of the rerouting process was received by 31/07/2023.

3. ANALYSIS OF EDP TABLES - FOLLOW-UP OF THE OCTOBER 2022 EDP NOTIFICATION

Introduction

The aim of this agenda item was to review the latest notification of the EDP data (October 2022). Bulgaria transmitted the EDP notification on time on 30 September 2022. During the notification period, five EDP requests for clarification were exchanged (mainly due to the clarification of recording of taxes in 2019 due to COVID measures). Only the EDP table 1 was published nationally by the NSI on 21 October 2022.

In the course of the October 2022 EDP notification, the main issues in discussion were the accrual recording of Corporate Income Tax (CIT) (and some other tax-associated issues) and the other accounts receivable related to Personal Income Tax (PIT) in 2021, worsening the B.9 (-217 M BGN, 0.2 pp of GDP). As agreed in the EDP notification, a dedicated technical video conference meeting took place, in the second part of November to continue the follow-up of these tax-associated issues, namely the accrual recording of CIT tax (discussed under the point 4.2.1).

In EDP table 2A, the detail 5 of the “other adjustments” refers to the allocated funds for the construction of the “*Hemus*” motorway, which were reserved in a suspense account of the Ministry of Regional Development, the responsible entity 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 in the Working balance (WB) in the EDP table 2A when the transfer of funds to these accounts is made. Therefore, an adjustment (detail 5) is made to reflect the elimination of these amounts from the WB at the time of transfer of funds and to ensure the correct accrual recording of the expenditure (at the time of construction).

The Bulgarian statistical authorities provided ahead of the dialogue visit the updated adhoc table on the *Main revenue and expenditure of Other Central Governments Bodies (OCGB)* for 2021. The table provides a detailed breakdown of revenue/expenditure of Other Central Governments / Other Local Governments units/groups and financial transactions for central and local government bodies. The table includes aggregated data only for hospitals while other units are presented at an individual level.

Discussion and methodological analysis

Eurostat enquired further on the recording of flows associated to the “*Hemus*” motorway in EDP table 2A. In the April 2022 EDP notification under “other adjustments” detail 5 referring to the allocated funds for the construction of the “*Hemus*” motorway, an adjustment was made for 2021 with a negative amount of 491 M BGN. The Bulgarian statistical authorities explained that in 2021 the money from the suspense account was returned to the budget. So de facto money did not leave government and it was just a re-allocation from the suspense account to the working balance. The inflow in the working balance was corrected by a negative amount shown under other adjustments.

In this context, Eurostat asked to receive a note, explaining the “*Hemus*” motorway associated flows are reflected in the EDP table 2A, in the WB and under Other adjustments, for all years impacted. The Bulgarian statistical authorities were asked to specify how the funds spend on actual construction would be reflected in the EDP table 2A, including which entity was recording the associated expenditure, if any.

Main revenue and expenditure of Other Central Government Bodies (OCGB)

A table provided before the EDP dialogue visit covering the main units/ groupings of OCGB and other local government bodies for 2021 was analysed. Eurostat explained that the purpose of the table is to see the ESA accounts of the biggest OC(L)GB, to assess the consolidation flows within the sub-sector, as well as to identify the adjustments implemented on the whole OCGB level.

Eurostat noted that the population of the “other central government bodies” considered in the ad-hoc table should be same as the entities considered in the adjustment line “net lending (+) / net borrowing (-) of OCGB” included in EDP table 2A. Consequently, the OCGB total B.9 (item 12 of the table) should be consistent with EDP table 2A line B.9 of OCGB, which appeared to be not exactly the case. The NSI confirmed that the table on Main revenue and expenditure did not include the so-called *Autonomous budgets*.

In addition, the consistencies should also be maintained with Questionnaire table 3 and EDP table 3B2. The Bulgarian statistical authorities will update the EDP table 3B2 for the April 2023 EDP notification, i.e., to ensure consistent coverage of the other central government bodies as included in the EDP table 2A.

The Bulgarian statistical authorities admitted that for the reporting in the EDP Questionnaire table 3 they were using B.9f and not B.9; Eurostat insisted that B.9 should be reported instead. The Bulgarian statistical authorities noted that discrepancies between B.9f and B.9 are generally not big. Eurostat asked the Bulgarian statistical authorities to provide a note explaining the current approach of using B.9f for the B.9 estimate for OCGB in table 2A (individualised in questionnaire table 3) and reflect on the appropriate way forward.

Eurostat explained that column 12 with the total of the OCGB, should include only data for other central government bodies, column 13 (entities in the WB) should cover the budgetary units. Thus, column 17 (Total S.1311) should be equal to the whole central government sub-sector, i.e., including budgetary units and OCGB, and generally represent ESA table 2. The consolidation within the S.1311 between the State and other central government bodies is expected to be shown. As regards the part on financial accounts, column 17 should be equal to the annualised ESA table 27 data.

As concerns the column 6 of the table, regarding the Bulgarian Deposit Insurance Fund (DIF), Eurostat observed an amount of 181 M BGN in “other current revenue”. Eurostat questioned whether this amount corresponded to taxes collected from banks. If yes, it would be more appropriate to be included in D.29 and, the *table* should be amended accordingly. Moreover, the 2021 amount seemingly should be 153 M BGN instead of 181 M BGN.

Furthermore, Eurostat observed an error in the column “Consolidation between CG subsectors” because there should be the same (consolidation) value on the revenue and expenditure side. The consolidation column should be balanced, both on the financial and non-financial accounts.

Based on the discussion, the Bulgarian statistical authorities will adapt the provided adhoc table on the main revenue and expenditure of OCGB and will resubmit the table to Eurostat for comments.

As concerns the *Supplementary table for reporting government interventions to support financial institutions*, Eurostat remarked that the table needs to be adjusted to improve the consistency between the cumulated B.9 impact of government interventions and the net assets impact observed end 2021, which currently shows a large difference. The aim is to systematically ensure B.9 and B.9f consistency.

The table is currently not balanced because it does not reflect properly the operations undertaken by the Deposit Insurance Fund (DIF) from the accumulated reserves. Eurostat proposed to amend the table and to reconcile the non-financial (Part1) and the balance sheet (Part 2) by showing a difference of about 1.2 billion BGN under indirect liabilities (line f) in the part 2. In Part 3 there will also be a revision of indirect liabilities (line e1), which should in principle balance the B.9 and B.9f in this table.

Eurostat acknowledged that, in general, the operations of the Guarantee Funds from the accumulated reserves should not be included in the table. However, as it can be considered that the funds were *de facto* provided by the government, Eurostat suggested to include an amount of about 1.2 billion BGN in the table and balance the loan with an indirect guarantee.

Findings and conclusions

Action point 10: The Bulgarian statistical authorities will provide a note, explaining for all years impacted, what the amounts associated to the construction of HEMUS motorway consist of and, how they are reflected in the Working Balance and in the “Other adjustments” in the EDP table 2A, including which entity is recording the associated expenditure, if any. The NSI will also clarify when the construction started and specify the expenditure incurred up to 2023 (by years).

*Deadline: end-May 2023*¹²

Action point 11: Eurostat stressed the importance of ensuring consistent coverage of the so called “other central government bodies”, as shown in EDP table 2A, in Questionnaire table 3, in EDP table 3B2, and in the ad-hoc table on the *Main revenue and expenditure of Other Central Government Bodies (OCGB)* provided ahead of the visit. The Bulgarian statistical authorities will update the EDP table 3B2 accordingly for the April 2023 EDP notification.

*Deadline: mid-April 2023*¹³

Action point 12: The Bulgarian statistical authorities will adapt the provided ad-hoc table on the *Main revenue and expenditure of OCGB*, based on the comments made during the mission, and will resubmit the table to Eurostat for comments. They will provide a note to

¹² The action point is accomplished and closed. A note was received on 31/05/2023, mentioning that the information received by the NSI was still insufficient and their analysis was going on. On 02/08/2023 the NSI clarified the recording of flows in the WB. During the October 2023 EDP notification a correction to an adjustment of (-)100 MBGN was made with a negative impact in B.9 in 2021, and questionnaires tables 4.1.1 and 4.2.1 were updated for 2022.

¹³ The action point is under evaluation. On 31/03/2023, EDP tables 3B1 and 3B2 were updated for the April 2023 EDP notification. The consistency of the coverage of the “other central government bodies” as in EDP table 2A and in Questionnaire table 3 and in EDP table 3B2 was being investigated. In the October 2023 EDP notification consistency was improved.

explain the current approach of using the B.9f for B.9 estimate for some OCGB and reflect on the appropriate way forward.

Deadline: Summer 2023, for a note. January 2024, for an updated table. April 2024 EDP notification, for any resulting change

Action point 13: Eurostat strongly encouraged the Bulgarian statistical authorities to further improve the *Supplementary table for reporting government interventions to support financial institutions*, namely focusing on the consistency between the cumulated B.9 impact of government rescues and their net assets impact observed end 2021, which currently shows a large difference, by aiming at systematically ensuring B.9 and B.9f consistency. The table is not currently balanced because it does not reflect properly the operations undertaken by the Deposit Insurance Fund (DIF) from the accumulated reserves. Eurostat proposed to amend the table and to reconcile the non-financial (Part1) and the balance sheet (Part 2) by showing a difference of about 1.2 billion BGN under indirect liabilities (line f) in the part 2. In Part 3 there will also be a revision of indirect liabilities (line e1), which should in principle balance the B.9 and B.9f in this table.

*Deadline: April 2023 EDP notification*¹⁴

¹⁴ The action point is accomplished and closed. Changes to the table were introduced for the April 2023 EDP notification.

4. METHODOLOGICAL ISSUES AND RECORDING OF SPECIFIC GOVERNMENT TRANSACTIONS

4.1. Delimitation of general government, application of 50% rule in national accounts

4.1.1. Changes in sector classification since the 2021 EDP visit

Introduction

Prior the visit, the NSI provided a list of general government units classified in the general government sector, by sub-sectors.

The market/non-market test is performed for all public enterprises (state or municipal owned) twice every year and the list of general government units (as Annex) is updated and published on the website of the National Statistical Institute¹⁵. For consistency purposes between different data sources concerning the classification of units, the NSI provides twice a year the list of reclassified units to the Ministry of Finance and, once a year, the list is reconciled with the Business register inside the NSI. Every update of the list is communicated to the EDP working group.

All government hospitals are reclassified in Central Government or Local Government. All public universities and schools are part of the Consolidated Fiscal Programme and therefore are automatically classified in S.13. Public TV and radio are included in Central government. Other entities classified in the S.13 are for example, the Fund for local authorities and governments (FLAG), the Fund Manager for Financial Instruments, the State consolidation company (SCC), the Deposit Insurance Fund (DIF), the Guarantee Fund.

Eurostat thanked the Bulgarian statistical authorities for providing by December 2022, the updated *Questionnaire on government-controlled entities classified outside general government* for the year 2021, which was discussed under this point of the agenda.

Discussion and methodological analysis

There are no pending cases in the area of sector classification.

Eurostat remarked on the general practice as regards sectorization. Although the general government entities list is updated twice a year for each notification exercise, the updated list of entities released on the NSI's webpage only every two years. This procedure should be revised, and the users of the Bulgarian statistical data should be able to access the most recent list of government entities regularly.

As concerns the list of general government units classified in the general government sector, there were some changes to the sector classification, but they were mostly related to budgetary institutions.

For example, the entity *State Commission on Gambling*, disappeared from the list in 2021 because it was transferred to the National Revenue Agency (NRA) while the unit *Proektna Kompaniya Neftprovod Burgas-Aleksandrupolis BG EAD* is a unit in liquidation and it

¹⁵ [https://www.nsi.bg/sites/default/files/files/metadata/Annex_List_of_GG_units_2020-2021_EN.xlsx; Government deficit/surplus and debt levels by sub-sectors of General Government | National statistical institute \(nsi.bg\)](https://www.nsi.bg/sites/default/files/files/metadata/Annex_List_of_GG_units_2020-2021_EN.xlsx; Government%20deficit/surplus%20and%20debt%20levels%20by%20sub-sectors%20of%20General%20Government%20|%20National%20statistical%20institute%20(nsi.bg))

doesn't exist anymore. On the other hand, new units reclassified in S.13 were added to the S.13 list: *Gradski Transport Pernik EOOD*; *Insenerator Plovdiv EOOD*; *Stadion Startak AD*.

The last update of the *Questionnaire on government-controlled entities classified outside general government*, was provided by Bulgaria in December 2022 and referred to data of 2021. Compared with the previous questionnaire the main changes in the list of units classified in general government sector were as follows: 44 units no longer exist, of which 19 for inactivity and liquidation; 18 for changes in ownership; and 7 for changes in sector classification and 16 new units emerged in the list.

Eurostat reviewed the questionnaire with respect to the results of the market/ non-market test, the liabilities, and employees, etc. Given the observed unusual results in three entities *Kinteks EAD*, *Tets Maritsa Iztok 2 EAD*, *Yujnocentralno Darjavno Predpriatie – SMOLQN*, the discussion focused on these entities. In particular, Eurostat encouraged the Bulgarian statistical authorities to explain for 1) *Kinteks EAD* – the main reason for the very high market/ non-market test results for all the years; 2) *Tets Maritsa Iztok 2 EAD* – the high ratio for 2021 (230%), despite observed losses (-119 M BGN); 3) *Yujnocentralno Darjavno Predpriatie –SMOLQN* - why the market/ non-market test is available for the last year only.

Findings and conclusions

Action point 14: As regards the 2022 *Questionnaire on government-controlled units classified outside general government*, the Bulgarian statistical authorities will analyse the 50 % test and provide the results of this analysis to Eurostat for the following units:

- KINTEKS EAD – to explain the main reason for the very high market/ nonmarket test results for all the years (2019- 457%; 2020- 571%; 2021- 604%), notably verifying the treatment of trading margins (see AP 15);
- TETS MARITSA IZTOK 2 EAD – to explain the high ratio for 2021 (230%), despite observed losses (-119 M BGN) notably, verifying the treatment of ETS purchases/costs;
- YUJNOCENTRALNO DARJAVNO PREDPRIATIE –SMOLQN – to explain why the market/ non-market test is available for the last year only.

*Deadline: mid-May 2023*¹⁶

4.1.2. Application of market/ non-market test qualitative and quantitative criteria

Introduction

The practical implementation of the market/non-market test, qualitative and quantitative criteria had been thoroughly discussed in the previous EDP dialogue visits. As a followup, Eurostat asked the Bulgarian statistical authorities to provide, ahead of this visit, a note on the frequency and methods applied in the market / non-market test, including the formula, including the concrete lines of financial statements used and the quantitative criteria applied.

¹⁶ The action point is accomplished and closed. First answer received by 22/05/2023. Further information was received by 11/08/2023.

According to the *Accountancy Act* and the *National Statistical Programme*, all companies registered under the *Commercial Law* are obliged to submit an annual report, which provides all the necessary information for the calculation of the market /nonmarket test (i.e., 50 % test). The market/non-market test is applied on an individual unit basis by looking over a range of years for at least 3 years to decide whether the unit is a market or a non-market producer. Units that do not comply with the 50 % test are reclassified in S.13, already from the first year when the 50 % test is below 50 %.

Discussion and methodological analysis

The formula used for the calculation of the 50 % test was discussed and analysed in detail. The *expenditure on devaluation* (code 10412), if it is not a loss on trade credit sales on an accrual basis, should be deducted from *sales* (and not added to cost).

Following the discussions, Eurostat also proposed that, in the financial statements, the name of code 10100 should be renamed as “*change of inventories*” instead of “*reduction of inventories*”. This expenditure code 10100 should be removed from costs and instead be netted from the revenue code 15000/15200.

In addition, it was remarked that in the formula for calculating the 50% test, code 15420 (*sale of raw materials and materials*), which is currently excluded from the revenue side (*sales*), should be deducted also from the expenditure side (code 10210 - *raw materials and materials*), after verifying that trading margin might be included.

Eurostat questioned how trading (purchases and sales of goods for resale) is reported in the Report on revenues and expenditure. Eurostat noted that, in case of traders, the formula should be adjusted by including only the margin, on the sales side. Eurostat suggested to check item 15420 (*sale of raw materials and materials*), in particular to verify whether it is reported on a gross basis or on a net basis.

As it was discussed in previous EDP visits and is described in the EDP inventory, in the formula, the code 15300 - acquisition of assets for own account, is deducted from both the revenue and expenditure side; the code 15430 - sale of fixed assets, is excluded from the revenue side and the code 15420 is excluded from the revenue side.

Eurostat noted that, for the purpose of the 50 % test, similarly to what has been discussed in other Member States, the Bulgarian statistical authorities should start implementing a coefficient for adjusting the depreciation figure available in the financial statements, at least for companies having significant amount of fixed assets. Eurostat remarked that there was no harmonized coefficient being applied among the Member States nor a coefficient for specific categories. The coefficient used in Member States varies from

1.5% to 2%. The Bulgarian statistical authorities should try to identify the companies with high investment costs (e.g., infrastructure) in order to compare the depreciation from business accounts with the consumption of fixed capital. The Bulgarian statistical authorities should pay a special attention to the companies with the market / non-market test close to 50% as it might impact the sector classification of the unit. Upon the outcome of this exercise, the Bulgarian statistical authorities should decide on the appropriate coefficient(s) to be used and inform Eurostat.

Findings and conclusions

Action point 15: As regards the market / non-market test formula, the Bulgarian statistical authorities agreed to amend its compilation formula, notably:

- expenditure code 10100 should be removed from costs and instead be netted from the revenue code 15000/ 15200;
- expenditure code 15420, which is currently removed from sales, should also be deducted from expenditure 10210, unless the code would be predominately used for capturing trading margins.

The Bulgarian statistical authorities will verify how trading (purchases and resales of goods for resale) is reported in the *Report on revenues and expenditure* and take appropriate actions for the test formula (that should only show the margin, on the sale side).

Deadline: September 2023, for any resulting reclassification of unit. December 2023 with the next delivery of the Questionnaire on government-controlled units classified outside general government.

Action point 16: With the view to start implementing a coefficient for adjusting the financial statements depreciation, for the purpose of the 50 % test, the Bulgarian statistical authorities will identify the companies with high investment costs (e.g., infrastructure) and will compare depreciation as available in business accounts with the consumption of fixed capital. The Bulgarian statistical authorities will inform Eurostat on their outcome of this exercise and propose the appropriate coefficient(s) to be used.

Deadline: November 2023

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

4.1.3.1. Follow-up of the sector classification of the Bulgarian Energy Holding and the Bulgarian Development Bank

Introduction

The above-mentioned units were discussed in detail during the last EDP dialogue visit. Eurostat agreed that BEH and BDB to remain classified outside S.13, but they need to be closely monitored.

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

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

All BEH's subsidiaries are currently classified in S.11 on the basis of the market / nonmarket test, based on the annual reports submitted to the NSI.

The Bulgarian Development Bank (BDB) is a financial institution, owned by the State. It is the successor of the Encouragement Bank established in 1999. Its focus is to support small and medium-sized enterprises (SMEs) directly or via other credit institutions.

Discussion and methodological analysis

Eurostat thanked the NSI for providing a follow-up note on the classification of BEH and took note that the NSI, in line with Eurostat's recommendation, decided to recognize BEH as an auxiliary unit of *Natsionalna elektricheska kompaniya* - NEK (funding arm) in S.11.

The 50% test is applied to each of BEH's subsidiaries based on their annual reports. After analysing the results of the test for the last 3 years, Eurostat noted that, *VETS Kozloduy EAD*'s 50% ratio increased significantly in 2020 and 2021, which should be closely monitored by the NSI. The note mentioned the activities carried out under a project for the construction of a new nuclear power plant at the *Kozloduy NPP* site. It should be checked whether there was purchase or selling of forwards and explained how the gains on derivatives were accounted.

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

From mid-2022, there has been a change in the powers of the supervisory board and in the threshold of credit transactions that the supervisory board has to approve. According to the new article 50 (11) of the Association of the Bulgarian Development Bank - (BDBAA), there was an extension of the exposures to a single client or a group of related clients, that need to have a prior approval from the Supervisory Board, from "amounts higher than 5% of the bank's equity" to "amounts that exceed BGN 1 million".

As the threshold was lowered it was expected that the amounts and loans that need to have a prior approval from the Supervisory Board will increase. The Bulgarian statistical authorities will provide an updated table on the BDB operations, undertaken in 2021 and 2022, which needed an approval of the Supervisory Board.

Eurostat observed that the activities of the Bulgarian Development Bank need to be closely checked so that operations possibly to be re-routed via the government accounts are properly identified. Those activities need to be reported in EDP questionnaire table 13 - Transactions re-routed through government accounts impacting government deficit and debt. BNB is following the BDB very closely.

In addition, the capital increase of the BDB in 2020, of 700M BGN, recorded in national accounts as a Capital transfer (D.9) should be appropriately included in questionnaire table 10.1 and 10.2 - Capital injections in public corporations, distributions and privatizations, as D.9.

Findings and conclusions

Action point 17: As regards the Bulgarian Development Bank (BDB) and the role of the Supervisory Board in the approval of operations, the Bulgarian statistical authorities will provide an updated table on the BDB operations, undertaken in 2021 and 2022, which needed an approval of the Supervisory Board. Eurostat took note that the Supervisory Board has now to approve all individual operations amounting to more than 1 million BGN.

*Deadline: end-June 2023*¹⁷

Action point 18: The Bulgarian statistical authorities will appropriately report, in the EDP questionnaire tables 10.1 and 10.2 (*Capital injections in public corporations, distributions and privatizations*), the capital injection undertaken into the Bulgarian Development Bank, recorded in 2020 as D.9.

*Deadline: April 2023 EDP notification*¹⁸

Action point 19: The Bulgarian statistical authorities agreed to closely monitor the activities of the Bulgarian Development Bank, in particular with a view to identifying possible operations to be re-routed via the government accounts.

*Deadline: ongoing*¹⁹

4.2. Implementation of accrual principle

4.2.1. Taxes and social contributions

Introduction

Taxes and social security contributions are included in the State Budget on a cash basis.

A new simple Time Adjusted Cash (TAC) method was developed by the Bulgarian statistical authorities and introduced for the October 2021 notification to VAT, excise taxes, corporate income taxes (CIT) and personal income taxes (PIT) [for the whole time series from 1997 onwards, except for VAT, which was introduced from 2008 onwards].

The time lags in practice for tax payments and refunds are: for VAT of 1 month (with the exception of VAT from import on a cash basis due to immediate payments); for the Corporate Income Tax (CIT) was of 3 months, but moved to 6 months in 2022; and, for the Personal Income Tax (PIT) of 1 month.

During the last EDP visits, the previous time adjustment method (in use from 2008 onwards), was extensively discussed and revised when Eurostat expressed doubts on whether that method could be called TAC, as estimations were used in order to calculate accruals, leading to sizeable revisions of tax revenues. Eurostat emphasized that the main principles to be followed was that the time lag should reflect economic reality. Any change of tax legislation should be reflected in a time lag. Accordingly, the NSI agreed to change the method in the context of the October 2021 EDP notification.

The NRA provides data for all taxes, which are then reconciled with the quarterly Consolidated Fiscal Program figures. Monthly CIT cash payments split into prepayments and final settlements, can be obtained from the NRA's declaration, available at the end of every month.

The representatives of the National Revenue Agency (NRA) participated in the discussions under this point of the agenda.

¹⁷ Accomplished. The action point is closed.

¹⁸ Accomplished. The action point is closed.

¹⁹ Action point in progress, with an ongoing deadline. By September 2023 a note on the activities of the BDB was provided to Eurostat.

Discussion and methodological analysis

Corporate Income Tax (CIT)

The main aim of the discussion was to find a most suitable solution for the Corporate Income Tax (CIT) recording. The TAC applied required review following the permanent change of the legal deadlines for the final settlement payments. Eurostat recalled that several attempts were made to discuss the issue bilaterally, however at a time of the dialogue visit no solution was agreed.

The recording of CIT was reviewed, and the existing situation recalled. The TAC adjustment for CIT, discussed during the January 2021 EDP mission was revised for the October 2021 EDP notification. It used a 3 months' time-lag adjustment, while an ad-hoc adjustment for the deferral of taxes related to COVID-19 was also implemented. For the April EDP notifications, CIT monthly cash data are available only for one month (i.e., January), while two months of CIT tax revenue (February and March) have to be estimated. The situation aggravated with COVID-19 when the final settlements of the tax were temporarily moved from March to June. The changes introduced with the COVID19, initially foreseen to be of a temporary nature, later on became permanent. In 2022 a permanent change of the legal deadlines of the CIT final settlement payments occurred.

The deadline to submit the annual declaration by end-March was moved to the end-June, resulted in the increase of the time lag adjustment from 3 months to 6 months. The estimation of 2-month tax revenue was not very accurate and lead to significant revisions in October EDP notifications. With the increase of the time lag and the need to estimate 5 months of tax revenue, it became evident that the uncertainty of the estimates used in April notifications would increase further.

The Bulgarian statistical authorities confirmed Eurostat's understanding that, in Bulgaria, corporations are paying CIT advances on the basis of their estimated profit of the current year. As defined by the law, the ratio advance payments / final settlements should be of 75% / 25%. In case the profit estimation for the current year would exceed 25%, a penalty is foreseen on the amount exceeding the 25% threshold. Nevertheless, as foreseen in the Corporate Income Tax Act ²⁰, in order to avoid the sanctions (interests and penalty)¹⁸, towards the end of the year, corporations can submit corrections to the original declaration and make the necessary corresponding pre-payments by 15 of November. The representative of the National Revenue Agency (NRA) confirmed during the meeting that the observed increase of tax proceeds by the end of the year, in November, is explained by

²⁰ [Ministry of Finance: Corporation Tax \(minfin.bg\)](http://minfin.bg) “Under the provision of Article 88 of CITA the taxable persons may submit, by 15 November of the respective calendar year, a declaration in a standard form on reduction or increase of tax prepayments when the said persons assume that the said prepayments will differ from the annual corporation tax due.”

[Corporation tax \(nra.bg\)](http://nra.bg): “By November 15 - the persons may submit a declaration under Art. 88 for changes in the advance contributions. Changes in contributions can be used only after its submission. In order to benefit from a reduction or increase in the monthly advance contribution for December or the quarterly advance instalment for the third quarter, the deadline for payment of which is 1 December, the declaration must be lodged by 15 November of the year concerned at the latest.”

¹⁸ Payment of interest (10% over the excess) and a penalty for the wrong (underestimated) forecast declaration by the corporations. The penalty should be paid by the corporation when the tax due goes above 25% of the original estimation.

the re-assessments by corporations of their declared taxable income of the year, used for calculating the monthly or quarterly pre-payments for the year t.

Concerning tax reimbursements, depending on the tax results, when the final settlement is done, corporations can pay the whole amount or use the refund. The NRA is obliged to pay the reimbursement to the company after the end of June. There is a 30-day period for the company to make a request, plus another 30 days for the NRA to assess the situation. The most common situation is for companies to do the cross calculation and the credit remain for the payment of some other some tax payment now or in the future. The refunds are rather high in July since it is the period where taxpayers can fill the declaration and simultaneously do the request for a refund.

The data on the final settlements can be obtained from July onwards. In 2022, out of 300 M BGN of tax payments, around 64 % were final settlements. Eurostat noted that the same pattern was observed over the last years, i.e., the average ratio between the prepayments and final amounts to about 64%.

For the needs of the April EDP reporting, Eurostat proposed to apply the average ratio of the final settlements versus pre-payments. Upon the calculations made, the conclusion was to estimate the final settlements in April notifications for the data (t-1), by using the average ratio between the pre-payments and final settlements observed in the past years, currently amounting to 64%. All the other CIT elements, including refunds, are to be recorded on a cash basis.

For October EDP notifications, a significant part of the final settlements will be available, only some minor amounts referring to the months of September – December (around 100-200 M BGN, mostly paid until the end of the year) will have to be estimated, as the final data would become available only for the April (t+2) EDP notification.

The participants of the meeting agreed that this estimation method should be applied in April notifications for data t-1. However, the NSI should closely monitor the developments in the legislation and the cash pattern. In case of any changes, Eurostat should be immediately informed. In addition, the NSI agreed to regularly provide, in each EDP notification, monthly CIT data and relevant breakdowns.

Single Tax Account (STA)

During the discussion held in the meeting, it became clear that from 2014 onwards Bulgaria uses a Single Tax Account system. Eurostat noted that the creation of the so-called single tax accounts is an emerging phenomenon across the EU, therefore it is important to understand how they function and what implications it might have for GFS / EDP statistics.

The Bulgarian statistical authorities clarified that there exists a STA system, implying that almost all taxes and social contributions are paid to the same account. In this context, Eurostat understood that, in fact, cash recorded in the Consolidated Fiscal Programme is not really cash, but a debit in the Single Tax Account (taxes to be paid). They are the allocation of debits when there are enough payments. The method used by the tax authority (NRA) for the allocation of payments to a particular tax category is the First In, First out (FIFO) principle, i.e. the oldest debit (which is a tax due for payment not yet paid) is liquidated first, upon a credit to the STA (a cash payment by the taxpayer or a tax refund credited).

The STA is a single account where tax payments and tax refunds are centralised. The NRA confirmed that it used also for VAT. Four types of STAs are established as follows:

1. central budget taxes (except excises, import taxes and duties administered by Customs Agency);
2. social contributions collected for National Social Security Fund (part of the Social Security Funds subsector);
3. health insurances collected for National Health Insurance Fund (part of the Social Security Funds subsector);
4. mandatory additional contributions for private pension funds (for all employees and self-employed borne after 1959).

The NRA reports the net revenue, so the STA for the central budget, at the end of the year constitutes all the taxes paid to the NRA, broken down by categories. An example on the recording in the STA was provided as follows: in June, the taxpayer has a VAT regularization of 100 M BGN to pay and a CIT payment of 150 M BGN to be paid from 14 to 30 June. As the taxpayer pays 150 M BGN in June, the system will cover first the 100 from VAT. If the taxpayer would pay 300 M BGN, 100 M BGN would cover VAT, 150 M BGN to cover CIT and 50 M BGN of payments would not be allocated and would be distributed proportionally according to a pro-rata by all taxes. There is a relative share of pro-rata. The unallocated amounts are calculated every month on a continuous basis and amount around 1% to 2% of all taxes.

The NRA representatives clarified that, when taxpayers overpay taxes (i.e., the STA is in credit), an ESA liability is not recorded, and the non-allocated taxes are nonetheless recorded as tax revenue and statistically allocated to the main taxes. Therefore, in national accounts, the overpaid (non-allocated) taxes are recorded as a revenue of S.13 and not as a liability of government - F.89 or debt.

Eurostat took note of the explanations on the existence of the STA, which might have implications on GFS / EDP. In this context, the Bulgarian Statistical authorities will reflect on the most appropriate approach to follow from a GFS/EDP perspective and will, in the meantime, report to Eurostat the amounts unallocated, on a monthly basis and their statistical allocation by taxes (since 2014).

Personal Income Tax (PIT)

In 2021, a one-off measure regarding PIT tax relief for children was granted in a significantly larger amount than usual. The Law was approved end of 2020 and was put into force in January 2021.

The tax credit for families with children²¹ was discussed with the BG statistical authorities in the context of the April 2022 EDP notification. As the tax credit referring to PIT in 2020 was supposed to be settled in cash in 2021, the NSI accrued D.5 expenditure of 199 million BGN with a counterpart in other accounts payable.

However, in the October 2022 EDP Notification, in EDP table 2A, there was a revision in F.89 - Accounts receivable relating to PIT in 2021 by about 216.5 M, increasing by this amount the overall PIT revenue for 2021. According to the NSI, the revision of PIT data was related to the new information on government tax relief for children (established in article 22 paragraph 8 of the Bulgarian Personal Income Tax Act). This revision was

²¹ [Tax allowances \(nra.bg\)](http://nra.bg)

contested by Eurostat and the Bulgarian statistical authorities agreed to remove it, i.e., not being considered, in national accounts, as a revenue of government in the final revised EDP tables provided to Eurostat in the context of the October 2022 EDP notification.

Eurostat understood that this children tax relief is a payable tax credit, in ESA terms, either used or refunded. In the ESA table 2, this tax relief should be recorded under D.62 and D.5R.

As it was clarified in the request for clarification from the October 2022 EDP Notification, there are two options for parents to use the tax reliefs for children and children with disabilities:

- Option 1 - to use the reliefs through the employer under the main employment relationship:

In this case, between November 30 and December 31, 2021, the employee parent must provide the employer with the necessary documentation for the use of the tax relief for children under Art. 22c, para. 8 of the Personal Income Tax Act (PITA).

By January 31, 2022, the employer must calculate the annual tax base for employment income, reduced by the amount of tax relief, and determine the annual tax amount. As the new child benefit rates are much higher, the employee parent may have overpaid tax. Then the employer must reimburse the taxpayer the difference by January 31, 2022.

When the employer has not reimbursed the overpaid tax, the employee parent can use the tax benefits by submitting the annual tax return under Art. 50 of the Personal Income Tax, including when they only have income from employment relationships.

- Option 2 - to use the reliefs by submitting the annual tax return under Art. 50 from PITA

The exact amount of the tax relief for children is determined in Part VI of Appendix No. 10 (form 2010) of the annual tax return under Art. 50 from PITA. The declaration for the use of tax relief for children under Art. 22c, para. 8 of the Income Tax Act applies to the annual tax return. The deadline for submitting the annual tax return is from January 10 to May 3. The amounts are reimbursed by the National Revenue Agency within one month of submitting the return and after verification by the revenue agency. Therefore, final data on this item are not available until June.

In both modalities to claim tax relief (via an employer or via a tax declaration), taxpayers pay regular PIT without taking into account increased tax relief amounts and are compensated only later on - either by the end of January, in case an employer option is used or, at the latest, by June, in case the annual tax return declaration is made to the NRA.

In July 2022²² there was a further amendment to the rules, providing that the children tax relief can be used earlier, by reducing the monthly tax base for income in July and October instead of only by the end of the year, as an advance of taxes.

The tax child relief allows to pay less tax. The base for deduction is 3 billion BGN and the tax authorities gave a 10% benefit, so the tax base is reduced by 300 M BGN (by 10%).

²² [Tax relief for children for 2022 \(nra.bg\)](http://nra.bg)

However, if the taxpayer has children but doesn't have to pay taxes in that fiscal period, that child benefit doesn't apply.

Eurostat asked whether any PIT refunds paid only in early 2022 (January, February or March 2022), should be imputed in 2021. In this context, Eurostat asked whether it would be possible that any tax credit determined towards the end of 2021 could give rise to refunds only in 2022.

The Bulgarian statistical authorities clarified that from the total of the 303 M BGN PIT refunds, 170 M BGN had been already made by the employers in 2021 (the tax retention had been reduced already, the employers deducted less on the employees' salaries) and 130 M BGN were declared as tax returns in 2022. In the October 2022 EDP Notification there was an error due to overlapping with refunds that were already incorporated in the government accounts. Thus, the B.9 of 2021 will be improved by about 70M.

The NSI also agreed to provide a note on this issue, in particular new developments in 2022, including the amounts concerned.

Findings and conclusions

Regarding the recording of the Corporate Income Tax (CIT), Eurostat and the Bulgarian statistical authorities agreed on the need to adapt the CIT compilation for national accounts purposes due to the permanent change of the legal deadlines of the CIT final settlement. The previous deadline to submit the annual declaration by end-March was moved to the end-June, potentially resulting in an increase of the time lag adjustment from 3 months to 6 months. Eurostat noted the CIT law feature where corporations are invited to adjust their pre-payments by November of year t , or risk facing a significant penalty if the final settlement (in $t+1$) exceeds a quarter of the tax due, may stabilise the final settlement to pre-payment ratio.

Action point 20: The Bulgarian statistical authorities will record the Corporate Income Tax on a cash basis for all the elements (including refunds), except for the final settlements. The latter should be estimated in April notifications for the data ($t-1$), by using the average ratio between the pre-payments and final settlements observed in the past years, currently amounting to 64%. This ratio should be applied in the context of the April 2023 EDP notification. Eurostat noted, that, in the October EDP notification, a significant part of the final settlement will be available, however some minor amounts referring to the months of September – December will have to be estimated, as the final data will become available only for the April ($t+2$) EDP notification. The NSI should closely monitor the developments in the legislation and of the cash pattern and immediately inform Eurostat on any changes. In addition, the NSI should regularly provide, in each EDP notification, monthly CIT data and relevant breakdowns.

Deadline: April 2023 EDP notification ²³

Action point 21: Eurostat notes that Bulgaria was running a Single Tax Account system since 2014, with some implication for EDP/GFS. At the moment, non-allocated taxes are nonetheless recorded as taxes and statistically allocated over the main taxes. The Bulgarian Statistical authorities will reflect on the most appropriate approach to follow

²³ On 31/03/2023, for the April 2023 EDP notification, the CIT for 2022 was recorded following the recommendations. The action point is under evaluation and will be closed when the proposed method is confirmed to be adequate for the purpose.

from a GFS/EDP perspective and will, in the meantime, report to Eurostat the amounts unallocated, on a monthly basis and their statistical allocation by taxes (since 2014).

Deadline: April 2023 EDP notification, for the monthly non-allocated tax amounts and their statistical allocation. August 2023 for a note on the appropriate way forward. April 2024 for a final decision ²⁴

Action point 22: The Bulgarian Statistical authorities will implement a revision of the Personal Income Tax (PIT) upwards in 2021, by about 67 M BGN, to reflect the final estimate of the impact of the large increase of the child benefit tax relief. An ad-hoc correction of 200 M BGN estimated in the April 2022 EDP notification will be reduced to 133 M BGN, eliminating a sort of double recording of refunds recorded for the PIT tax - *Tax on income of physical persons - on income from employment relations/employee working on regular contract.*

Deadline: April 2023 EDP notification ²⁵

Action point 23: The Bulgarian statistical authorities will also provide a note explaining the 2022 developments associated to the PIT child relief benefit, including the amounts separately claimed via the employer (in 2022) and estimated to be claimed via a tax declaration (in 2023). The note will also include data covering 2021.

Deadline: 20 March 2023 ²⁶

4.2.2. Accrued interest

Introduction

Eurostat thanked the Bulgarian statistical authorities for the ad hoc table on interest provided prior to the EDP dialogue visit, as well as, for the table on SURE ²⁷ loans.

Discussion and methodological analysis

Eurostat enquired on the reporting of interest associated flows in the EDP table 2A, in order to confirm whether premiums and discounts are included in the working balance.

The Bulgarian statistical authorities explained that interest is recorded in the Consolidated Fiscal Programme (and in the working balance (WB) of the EDP table 2A) on a cash basis. The cash flows associated to premium and discounts are included in the WB of the EDP table 2A (premiums at issuance and discounts at redemption). These flows are spread over the life of the instrument in EDP table 2A in the line “*difference between interest accrued and paid*”. For GFS/EDP reporting the NSI is using the D.41 figure from the MoF Debt department. The latter derives data on cash and accrued interest expenditure from the debt register, kept at the MoF, on an instrument-by-instrument basis. Eurostat thought that the NSI has to check systematically and reconcile the D.41 figure coming from the working balance with the figures compiled by the debt managers.

²⁴ Accomplished first delivery. Action point in progress.

²⁵ The action point is accomplished and closed.

²⁶ The action point is in progress. On 20/03/2023, Bulgaria provided the PIT child relief benefit figures for 2021 and 2022. A note is still missing.

²⁷ SURE is the EU programme created in the wake of COVID pandemics with the aim to Support to mitigate Unemployment Risks in an Emergency.

According to the Ministry of Finance, premiums are included under the budget code 21.20 of the consolidated fiscal programme (they are shown as decrease of expenditure). However, as the amounts included under this budget code refer to aggregated amounts discount/premium associated cash flows have to be identified by the Debt department of the MoF.

As regards the reporting in the EDP tables, some irregularities were identified, potentially having an impact on the B.9. As discount and premium associated cash flows are entering the working balance, they have to be corrected in the adjustment lines of the EDP table 2A. The Bulgarian statistical authorities argued that the appropriate adjustment is included in the EDP table 2A line *Difference between interest paid (+) and accrued (D.41)(-)*. Eurostat explained that this is not plausible, because accrual adjustment for interest shown in the EDP table 2A is equal to the item *Difference between interest (D.41) accrued (-) and paid (+)* of the EDP table 3B. The latter refers only to coupon payments and amortisation of discounts and premiums, and conceptually, EDP table 3B shows premiums/discounts (at issuance) under a separate line *Issuances above (-) / below (+) nominal value*. Therefore, the correction for premiums at issuance and discount at redemption is not included in the EDP table 2A line *Difference between interest (D.41) accrued (-) and paid (+)*.

Eurostat suggested that the cash flows related to premiums and discounts included in the WB could be appropriately neutralised in the EDP Table 2A under the item *Financial transactions not included in the WB*.

Next, Eurostat and the Bulgarian statistical authorities reviewed the ad-hoc table on interest, provided by the Bulgarian statistical authorities before the EDP dialogue visit.

It has been clarified that the table on the recording of interest was completed by the MoF. Eurostat noted that the ad hoc table covers the central government subsector, including the public corporations classified in S.1311. The MoF explained that the data was obtained automatically from the debt register, per entity, on an instrument-by-instrument basis, for all instruments and all entities. The system automatically consolidates in the Central Government, as the counterpart information on who owns the debt is available in the data base.

Eurostat noted that the reporting of discounts/premiums at issuance in the EDP table 3B is consistent with the ad-hoc table on interest. Coming back on the magnitude of the error in B.9 due to the non elimination of the cash flows of premiums at issuance and discount at redemption, Eurostat noted that possibly the impact would not be big, it depends on the amounts of discounts paid at redemption. Eurostat asked the Debt department, whether there had been a redemption of a bond in 2020 that had been issued in the past at a discount. Premium at issuance amounted to 18 M BGN in 2020 and 5 M BGN in 2021.

It has been stressed that the NSI needs to have a source data of premiums at issuance and discounts at redemption, therefore either they are to be singled out in the specific code of the budgetary reporting, or the debt department needs to inform NSI about the correspondent amounts.

Further analysing the table on interest Eurostat noted that the amortisation of premiums (line 12a) was a bit large as compared to the (line 7a) stock of premiums (23 M BGN in 2021). A similar situation is observed for discounts – the flows seem to be a bit too high as compared to the stock. Eurostat noted that relatively low stocks could be a result of the usage of netted tranche data when calculating the stocks. The Bulgarian statistical

authorities confirmed that this was not the case. The debt department referred that, in the last years, higher amounts of shorter term (5/7 years) debt securities were issued, and that due to the market situation at the beginning and at the end of the year, the debt is not equally distributed. The debt department was asked to investigate this and if needed update the ad-hoc table on interest.

The Bulgarian statistical authorities confirmed that there was no debt repurchase in the recent years, and therefore this explains the zeros reported under items 6 “Coupon bought back” and 15 “Premium (-)/discount (+) repurchased” of the interest table.

Eurostat also identified inconsistencies of D.41 figure as reported in ESA table 2 and EDP table 1, and the NSI was asked to align this in the next EDP/ GFS round. The Bulgarian statistical authorities referred that this was examined for the past two years, but the quality check was difficult to perform because of the delays with the transmission of the ESA table 2. Eurostat noted that in GFS, 30 M BGN of interest are reported in the Social Security Funds subsector (S.1314). As the Social Security subsector had no debt, this seems to be an error. The Bulgarian statistical authorities were asked to investigate the sharp increase in interest of local government subsector (it increased from 30 M to 60 M BGN).

Eurostat asked about the availability of the information on the counterpart of the debt. The Bulgarian statistical authorities explained to have an access to the annual reports of the entities and for the preparation of the EDP tables, the information is checked with the creditors in order to find any inconsistencies.

Finally, Eurostat asked about the recording of SURE loans, on whether the treatment of the related premiums is in line with the Eurostat guidance. There were two tranches of SURE loans (AF.4L) in the 2021-2022 period. In the table for SURE loans, provided a priori of the visit, the face value of the stock is additive, and the amounts should add in the stock line of the table.

Findings and conclusions

Action point 24: The Bulgarian statistical authorities will clarify in which EDP table 2A line, inflows and outflows associated to premiums and discounts, which are allegedly included in the Working Balance, are neutralised. The Debt department will provide a quantification of the premiums at issuance and discounts at redemption. The reporting in EDP table 2A should be corrected accordingly, with a likely B.9 impact. In order to identify premiums and discounts in the State budget, the Bulgarian statistical authorities will submit to Eurostat an updated bridge table, specifying under which budget code cash flows associated to interest and premiums and discounts are included (see also the AP 4).

Deadline: 27 March 2023 ²⁸

Action point 25: The NSI will systematically compare interest related flows available in the budgetary reporting with the figures compiled by the debt agency (reported in the adhoc interest table, with a S.1311 coverage – see AP 26).

Deadline: end-May 2023 and continuous ²⁹

Action point 26: The Debt department will provide a note explaining the rather high amounts of the yearly flows of amortisation of premiums and discounts in comparison to

²⁸ The action point is closed. Accomplished during the April 2023 EDP notification and after a reconciliation exercise provided by 31/05/2023.

²⁹ The action point is in progress.

the related stocks (of premiums and discounts), as reported in the ad-hoc table on interest provided ahead of the mission, and revise the table accordingly, if necessary. They will notably enquire on some possible netting (e.g., for stocks calculation) that may explain these observations.

Deadline: April 2023 EDP notification ³⁰

Action point 27: The NSI will amend the ESA table 2, as regards D.41 flows, as follows:

- align the ESA table 2 and EDP Table 1 as regards the D.41;
- investigate a sharp increase of D.41 in S.1313 in 2021 (with no increase in debt observed);
- correct the D.41 reported in S.1314 in 2021 (given that there is no debt raised by this sector);
- generally, ensure consistency of data with the ad-hoc table on interest (see AP 24).

Deadline: April 2023 EDP notification ³¹

Action point 28: The Bulgarian statistical authorities will provide an updated table on SURE flows, showing the stocks correctly, and the amortisation of premium/discounts.

Deadline: 15 March 2023 ³²

4.2.3. EU flows, Recovery and Resiliency Facility

EU flows

Introduction

The issue was already discussed during previous EDP visits. During the past discussions, Eurostat remarked that, generally, the recording of the EU funds seems to be in line with the rules, and good data sources are available at the MoF (i.e., cash reports of the extrabudgetary EU funds), although the presentation could be more transparent.

EU flows are distributed through two central government bodies, the National Fund in the Ministry of Finance and the Agricultural Fund – Payment Agency, both classified in the central government sub-sector (S.1311). The beneficiaries of EU funds provide additional information. The MoF is the main data source for EU funds. All the EU funds are shown in line “*Other adjustments*”, detail 9 for the central government and detail 3 for the local government subsector. The adjustments are made only for EU-financing, while national co-financing is recorded as expenditure.

Discussion and methodological analysis

Eurostat noted that the WB figure (State budget) is voted in the Parliament, but the EU flows accounts are not included in this figure. The MoF explained that each spending unit has two general ledgers, one including EU flows while another is without EU flows.

The Bulgarian statistical authorities confirmed that the EU flows to which beneficiaries are not S.13 are considered as cash in transit. If the beneficiary is classified outside S.13: any

³⁰ Accomplished. The action point is closed.

³¹ The action point is in progress.

³² Accomplished. The action point is closed.

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

The EU flows are recorded in the EDP table 2A (and 2C) under two Other adjustments lines. Detail 2 in EDP tables 2A and 2C, labelled as *EU flows corrections* (accrual adjustments needed to eliminate the EU flows), Detail 9 in EDP table 2A and Detail 3 in EDP table 2C - *Extra-budgetary accounts related to EU funds* (the balance of the funds).

Furthermore, Eurostat questioned why the sum of the two lines related to EU flows corrections (detail 2 and detail 9 in EDP table 2A) is not zero. The Bulgarian statistical authorities explained that the extra-budgetary EU flows, shown in detail 9, includes not only EU funds cash inflows and outflows (with the exception of agriculture funds) but also the co-financing part. The expenditure financed by EU funds is excluded from the WB and it is included in under Other adjustments. Eurostat commented that the detail 2 of Other adjustments is a kind of Other accounts receivable / payables of EU flows. Detail 9 functions as a working balance of EU flows, it reflects EU flows cash inflows and outflows.

Looking to a period of around 7 years in a row (2014-2021), an adjustment in the EDP table 2A cumulates to 3.7 billion BGN and shows positive amounts, contrary to what would be expected. The 3 institutions should look at the issue and investigate these figures (which are of the interest also for the Balance of Payments) and provide a note to Eurostat on the results of their analysis for the period of 7 years and for every single year, explaining and justifying the persistent net positive adjustment observed in detail 2 and detail 9 cumulated over the last 7 years (EU programming period). (See also action point 4)

The national contribution enters in detail 9 (the WB of the EU flows) negatively. As the figures are rather significant and need to be explained before the April 2023 EDP notification, Eurostat proposed that the detail 9 of *Other adjustments* in the EDP table 2A could separate amounts related to the co-financing. For the transfers for nongovernmental beneficiaries, the co-financing part comes from the WB, and is in the State budget.

It was agreed that the three key partners in the GFS /EDP production will cooperate closely on the reporting of EU flows in the EDP table 2A, in order to clarify how the EU flows are reported in this table: in the WB (State Budget) and the other adjustments, detail 2 (*EU flows corrections*) and 9 (*Extra-budgetary accounts related to EU funds*). While detail 9 functions as a working balance of EU flows (which are outside the State Budget) and detail 2 functions as an accrual adjustment, the Bulgarian statistical authorities will identify their relationship with the WB and notably the treatment of national co-financing.

As already observed during the last EDP visits, Eurostat recalled that the presentation could be more transparent. Usually, the accrual adjustments in the EDP tables 2 are made via Other accounts receivable and payables, which allow a comparison with the adjustments made in EDP table 3. In the case of Bulgaria, a direct comparison with the EDP table 3 is not feasible as the adjustments are done via Other adjustments in the EDP tables 2.

As regards the reporting of the EU flows in the EDP Questionnaire table 6, Eurostat enquired on how the stock of payables is reconciled with the figures shown in the EDP tables 2. The MoF explained that the adjustment made to the WB in the EDP table 2A should not be exactly the same as in the questionnaire table 6, due to the amounts related to co-financing. The Bulgarian statistical authorities agreed to adapt the F.8 receivables/payable in order to be consistent with the Questionnaire table 6.

Eurostat and the Bulgarian statistical authorities reviewed the the ad-hoc table on the recording of EU flows, provided before the EDP dialogue visit. Eurostat pointed to a number of inconsistencies and asked for the table to be resent.

In particular, Eurostat noted that, as the agricultural subsidies (D.3) are transferred to the entities and individuals outside the general government, D.3 should not be shown in the non-financial account of general government neither on revenue, nor on expenditure side. The NSI should remove D.3 amounts associated to the agricultural funds, from the revenue and expenditure side of the ad-hoc table (and ESA table 2) on S.13. Eurostat noted that the counterpart revenue for the P.5 expenditure financed by the EU should be D.9 (instead of D.7). D.7 figures in the reporting table should not be negative. Overall, B.9 in the table should be zero, so further corrections to the reported ESA flows are expected. The Bulgarian statistical authorities will adapt the F.8 receivables/payable towards the EU to make them consistent with reporting in the Questionnaire Table 6.

Findings and conclusions

Action point 29: As regards the reporting of EU flows in the EDP table 2A, the three key partners in the GFS /EDP production will cooperate closely in order to clarify how the EU flows are reported in this table: in the Working Balance (State Budget) and the other adjustments, detail 2 (*EU flows corrections*) and 9 (*Extra-budgetary accounts related to EU funds*), and report to Eurostat. While detail 9 functions as a working balance of EU flows (which are outside the State Budget) and detail 2 functions as an accrual adjustment, the Bulgarian statistical authorities will identify their relationship with the WB and notably the treatment of national co-financing. In particular, the note to be provided should explain and justify the persistent net positive adjustment observed in detail 2 and detail 9 cumulated over the last 7 years (EU programming period). (See also AP 4)

Deadline: 20 March 2023 ³³

Action point 30: The Bulgarian statistical authorities will resend the ad-hoc table on the recording of EU flows, and implement the appropriate changes to ESA table 2 if necessary:

- Remove D.3, associated to the agricultural funds, from the revenue and expenditure side of the ad-hoc table on S.13;
- Ensure that the counterpart of P.5 expenditure incurred financed by the EU is generally reflected in D.9 revenue of government (instead of D.7);
- Adapt the F.8 receivables/payable to make them consistent with Questionnaire Table 6;
- Reflect cash flows appropriately, arriving at zero B.9 in the ad-hoc table; - Ensure that D.7 amounts are not negative.

Deadline: June 2023 ³⁴

Recovery and Resiliency Facility

Introduction

The Recovery and Resilience Facility (RRF) is an EU initiative introduced with the aim of rebuilding the economy after the Covid-19 pandemic. In order to get access to the RRF

³³ The action point is under evaluation. On 20/03/2023, it was informed that the transfers made from the State Budget to the EU flows accounts related to the to the national co-financing are included in the WB. When taken into account, the adjustment over the last years 2015-2022 is negative.

³⁴ The action point will progress following the transmission of the quarterly ESA tables 25 and 801.

funds, Member States have to agree with the EC their Recovery and Resilience plans, encompassing investments and reforms, as well as milestones and targets.

The Bulgarian Recovery and Resilience Plan (RRP) had a positive assessment from the European Commission on the 7th April 2022 and on the 3rd May 2022, the EU economic and finance ministers approved the assessment of Bulgaria's National RRP.

Under the RRF, Bulgaria was initially allocated €6267 million (current prices, rounded) in grants over the plan's lifetime, of which €4637 million should be committed by 31 December 2022, and a provisional allocation of €1631 million for 2023 commitments. Updated in June 2022, on the basis of the relevant provisions in the RRF Regulation, the latter has decreased to €1053 million (amounting overall to €5690 million). Owing to its late submission, the plan does not provide for the 13 % prefinancing. The NRRP is planned to be paid in nine instalments.

The Commission will authorise payment disbursements based on the satisfactory fulfilment of the milestones and targets outlined in the plan, reflecting progress in implementing the investments and reforms. The final deadline for completing milestones and targets is 31 August 2026.

On 31 August 2022, Bulgaria submitted to the Commission a payment request for €1 369 million based on the achievement of the 21 milestones and one target linked to the first instalment. On 7 November 2022, the European Commission endorsed a positive preliminary assessment of Bulgaria's first payment request for €1 369 million in grants under the RRF. Following the favourable opinion from the Council's Economic and Financial Committee, the Commission disbursed the payment on 16 December 2022.

According to the timeline for payment requests, the second instalment for the amount of €724 million is expected to be requested in the first quarter of 2023.³⁵

The Bulgarian statistical authorities provided a note on the availability of source data for the RRF recording, as well as shared responsibilities for the RRF table. *Discussion and methodological analysis*

Eurostat asked the Bulgarian statistical authorities about the status of the data reported in the RRF table, the availability of the necessary source data to fill in the RRF table and the main institutions responsible for the implementation of the Recovery and Resilience Plan (RRP).

The NSI explained that the monitoring of the implementation of the RRF is under the responsibility of the *National Fund*. Eurostat asked to receive the cash reports (with the codes) of the National Fund, a Directorate of the Ministry of Finance.

Regarding the availability of the required statistical data for the RRF table, the NSI indicated that the necessary data for the compilation of the compulsory actual and planned data are provided by the National Fund - Directorate of the Ministry of Finance. The data on an annual basis are provided twice a year - in March (preliminary) and September (final) for the year t-1. At the time of the meeting, the 2022 reports had not been available yet.

³⁵ [Bulgaria's National Recovery and Resilience Plan \(europa.eu\)](https://european-council.europa.eu/media/en/press-areas/pages/press-articles/2022/05/03-bulgaria-national-recovery-and-resilience-plan.aspx)

The NSI further explained that the RRF related flows (inflows and outflows) are recorded as a part of the EU flows in the budget and reported in the EDP tables 2 (mainly EDP table 2A) under the Other adjustments lines.

Eurostat recalled that the RRF figures should be excluded from the questionnaire table 6. As regards the reporting in the EDP table 2A, Eurostat proposed to introduce two separate adjustment lines for the RRF (reflecting inflows/ outflows and net payable/receivables) in order to facilitate monitoring.

Bulgaria was one of the Member States, affected by the recalculation of the maximum grant amounts applied by the European Commission and, in case this decrease is not reflected in the revised RRP, it would need to apply the coefficient to decrease the expenditure. The funding will be reduced by 9% and for a new total of € 5.690M.

The Bulgarian statistical authorities explained that Bulgaria already received the first tranche. As regards the expenditure, it was confirmed that, as reported in the RRF table, no expenditure was undertaken in 2021. The delay is caused by the late approval of the RRP, at the time of the meeting, the tender procedures of some projects started.

Eurostat recalled that the RRF Regulation allows for retroactive expenditure and asked whether Bulgaria plans to use it. The Bulgarian statistical authorities confirmed that no expenditure for 2020 is foreseen in the RRP.

Findings and conclusions

Action point 31: As regards the reporting of the *Recovery and Resiliency Facility* in EDP table 2A, the Bulgarian statistical authorities will introduce two separate adjustment lines for the RRF (reflecting *inflows/ outflows* and *net payable/receivables*), though presumably matching, to facilitate Eurostat monitoring.

Deadline: April 2023 EDP notification ³⁶

Action point 32: The Bulgarian statistical authorities agreed to provide cash reports with the codes, produced by the National Fund related to the implementation of the *Recovery and Resiliency Facility*.

Deadline: April 2023 EDP notification ³⁷

4.2.4. Military expenditure

Introduction

This agenda point serves to review the status regarding the recording of expenditures for military equipment.

In Bulgaria leasing operations for the acquisition of military weapon systems are treated as financial leasing, recorded in public accounts and with an impact as a cash transaction (acquisition of an asset) already included in the Working Balance. The NSI only makes the

³⁶ Accomplished. The action point is closed. The revision was implemented for the April 2023 EDP notification. The cash balance of RRF is recorded under detail 10, which is adjusted under detail 11 in EDP table 2A.

³⁷ Accomplished. The action point is closed.

necessary adjustment to calculate the impact on government debt. The source data used are the balance sheets of the Ministry of Defence.

The statistical recording of the amount deposited by the Bulgarian government in the bank account in the US Federal Reserve Bank, in relation to the foreseen acquisition of the F-16 military aircraft was discussed in the previous EDP dialogue visits. It was treated as F.8.

Discussion and methodological analysis

On the issue of the bank account in the US Federal Reserve Bank, the Bulgarian statistical authorities confirmed that the cash left Bulgaria and it is in the US Federal Reserve Bank. In line with the discussions during the previous EDP visit, the funds are accounted as an F.8 asset (advance) of S.1311 in the annual national accounts and EDP statistics. When the deposit account creation process is completed and the Ministry of Defence becomes the owner of the account and the funds are transferred from US Treasury to that account, then F.8 (receivable) will be decreased and instead an increase in F.4 or F.8 as advance payment for military equipment under MGDD will be recognised. It was noted that the final delivery of the aircrafts is expected in 2025.

On the current recording of AF.81A in Bulgarian GFS, Eurostat wondered that considering the unexpected long-time taken by the procedure for the creation of the deposit account in the US Federal Reserve, initially foreseen to take about six months, whether in the financial accounts it would not be more appropriate to show it either as F.89A or as F.29A. The Bulgarian statistical authorities were asked to consider both options and to provide their justification on the chosen recording option.

The reasons for an error that occurred in the October 2022 EDP notification were discussed. In the October 2022, Bulgarian statistical authorities identified that part of D.7/ F.8 amounts related to pre-payment of military equipment erroneously also included the revaluation due to currency exchange. This occurred because the flows were derived via change in stocks. Eurostat remarked that this error probably occurred because cash data was used instead of the trial balance information. The issue here might be a systematic data source related issue. The BNB explained that this error was detected in the accounts because no cash had been observed for this transaction. Consequently, the MoF requested for an additional information to the Ministry of Defence, upon which the mistake was detected.

In this respect Eurostat asked questions on how the change in stock was reflected in the trial balance and asked whether it would be possible to identify receivables/ payables in the general ledger.

The Bulgarian statistical authorities were asked to verify whether the trial balance of the Ministry of Defence shows significant movement in inventories in 2022 and, if yes, how they were reflected in B.9 and in the ESA table 2/table 25.

Finally, Eurostat recalled that ammunition should not be reported in the EDP questionnaire table 7.

Findings and conclusions

Action point 33: Regarding the pre-payments of the military aircraft in 2019, the Bulgarian statistical authorities will provide to Eurostat a note on the recent developments as regards the cash placed in the Federal Reserve Bank of New York and the effective transfer of

funds to a newly created deposit account. The current recording of the corresponding claim in the financial accounts as AF.81A would need to be reviewed to either AF.89A, even preferably (considering the unexpected long-time taken by the procedure) as AF.29A.

*Deadline: end-March 2023*³⁸

Action point 34: The Bulgarian statistical authorities will reconcile the military equipment figures as shown in the budget reporting with the cash amounts provided by the Ministry of Defence in Questionnaire table 7. The Bulgarian statistical authorities will also verify whether the trial balance of the Ministry of Defence shows significant movement in inventories in 2022 and, if yes, will control how these are reflected in B.9 and in the ESA table 2/table 25. The results of these investigations should be summarised in a note and provided to Eurostat, including the amounts concerned.

*Deadline: April 2023 EDP notification*³⁹

4.2.5. Gross fixed capital formation (GFCF)

Introduction

In Bulgaria accrual adjustments for GFCF for public corporations classified in S.13 are made on the basis of a special questionnaire on GFCF. GFCF is recorded on a cash basis for the budgetary units and accrual adjustments are done on an ad-hoc basis only for large government operations under “Other adjustments” in the EDP table 2A. As a matter of presentation, it was advised to be considered in future to include these adjustments under “Other accounts receivable / payable” as it is more appropriate to include these accrual adjustments for GFCF under F.8. Currently the adjustments are being made for the *Hemus* motorway; the “Electricity System Security” Fund; and purchase of military aircraft.

Discussion and methodological analysis

As discussed in the previous EDP visits, the GFCF is recorded on a cash basis and no accrual adjustment is done for budgetary units, while the (accrual) data from the annual report of the investment section are used for public corporations, classified in S.13.

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

Similarly, as in the April 2022 EDP notification, also in the October 2022 EDP notification, large revisions were observed to the GFCF in 2021. Initially the accrual adjustments to GFCF were allocated to D.7, while later, when using the final data, the balancing was removed giving rise to significant revisions.

³⁸ The action point is in progress. On 31/03/2023, Bulgaria provided a short note and on 05/04/2023, clarified that the account creation process at the Federal Reserve Bank of New York was complete and the MoD is the now owner of the account (account holder). For the October 2023 EDP notification, the recording of the corresponding claim in the financial accounts as AF.81A was reviewed to AF.89A.

³⁹ The action point is in progress. On 31/03/2023, Bulgaria sent a note and referred that their analysis of the cash reports provided by the Ministry of Defence was on-going.

Eurostat underlined again, that in the medium to long term, the Bulgarian statistical authorities should abandon the balancing item in D.7, i.e., accrual adjustments for Other accounts payable are allocated under the category D.7 (current transfers). With this practice in place, the B.9 seems to be correct, but the individual categories are not allocated correctly in national accounts. The NSI has tried to split “other accounts payable” across different appropriate national accounts categories. They could allocate some positions (items) to “intermediate consumption” (P.2), but not to GFCF (P.51).

Eurostat stressed that the accrual adjustments for the budgetary units should be allocated to each national accounts category (e.g., investment, intermediate consumption, etc) and not under D.75. Eurostat asked the Bulgarian statistical authorities to make an exercise and compare the GFCF figures derived from the budget and corrected for payable/receivables with the figures as reported in the investment section of the annual report (which constitutes the ‘investment survey’ in Bulgaria).

Regarding the presentational issue in the EDP Questionnaire, the Bulgarian statistical authorities agreed to identify the corresponding accrual adjustment for GFCF as F.8 and will modify the EDP questionnaire tables 4.1.1 and 4.1.2 (which show the breakdown of other accounts receivable/payable reported in EDP tables 3A-3E) so to identify the corresponding accrual adjustment for GFCF under item 11, in table 4.1.2 (other accounts payable reported in EDP tables 3) and item 9, in table 4.1.1 (other accounts receivable reported in EDP tables 3). A footnote may be added to the table in case this GFCF related accrual adjustment would only cover budgetary units.

Findings and conclusions

Action point 35: The Bulgarian statistical authorities will describe the data sources used for gross fixed capital formation (GFCF) for the State and autonomous budgets as well as for the reclassified entities and adapt the EDP inventory accordingly. For the budgetary units, the Bulgarian statistical authorities will, in particular, demonstrate with a concrete example the link between GFCF figures as reported in the budget corrected for payable/receivables and the figures as reported in the investment section of the annual report (which constitutes the ‘investment survey’ in Bulgaria).

*Deadline: October 2023 EDP notification*⁴⁰

Action point 36: The Bulgarian statistical authorities will modify the EDP questionnaire tables 4.1.1 and 4.1.2 (which show the breakdown of other accounts receivable/payable reported in EDP tables 3A-3E) so to identify the corresponding accrual adjustment for GFCF under item 11, in table 4.1.2 (other accounts payable) and item 9, in table 4.1.1 (other accounts receivable). The Bulgarian statistical authorities may add a note aside the table in case this GFCF related entry would only cover budgetary units.

*Deadline: October 2023 EDP notification*⁴¹

4.2.6. Court decisions with a possible impact in the accounts of general government, if any

At the time of the meeting there were no open court cases with a possible impact on government accounts.

⁴⁰ The action point is accomplished and closed.

⁴¹ The action point is accomplished and closed.

4.3. Recording of specific government transactions

4.3.1. Government operations to support financial institutions

A follow-up note was delivered by the NSI to Eurostat on government operations relating to the government support to financial institutions.

The capital injection into the First Investment Bank (FIB) through the Bulgarian Development Bank (BDB) in 2020 (137 M BGN) was split into a financial and a nonfinancial part following Eurostat's recommendations. The part paid above the market price (67.8 M BGN) was recorded as D.9 with an impact on B.9 in the context of the October 2021 EDP notification. The rest of the amount was recorded as F.5A (no impact on B.9).

There have been no new developments and new operations since the last discussions on the subject.

4.3.2. Recording of government measures undertaken in the context of Covid-19 crisis

Introduction

The government measures undertaken in the context of the COVID-19 crisis were discussed in the January 2021 EDP dialogue visit. In the note sent before the visit, the Bulgarian statistical authorities presented a follow-up of the measures undertaken by government in the context of the COVID-19 pandemic, indicating the national accounts recording applied and the associated amounts.

Discussion and methodological analysis

As of April 1, 2022, the emergency epidemic situation in Bulgaria was terminated due to the low number of infected and the reduced pressure on the healthcare system. This decision also terminated the anti-epidemic restrictions applied to businesses, as well as some of the socio-economic measures to reduce the negative consequences of the pandemic. The government planned to continue the operation of some of the measures of the greatest importance for the population and business until the middle of 2022 (including programmes for maintaining employment, supplements to the income of pensioners, assistance to individuals, engagement of the first line in the fight against the pandemic) after which they are to be stopped. In the second half of 2022, only direct expenditures for the healthcare sector continued to be made for the purchase of vaccines, medicines and consumables to limit the spread and treatment of COVID-19 and others.

The table with the measures undertaken by government in the context of the COVID-19 pandemic, provided prior the meeting was discussed in detail, including the corresponding national accounts recording and amounts. Eurostat remarked that the recording of the bonuses provided by the National Health Insurance Fund to the providers of medical care, dental care and medical diagnostic activities for work in unfavourable conditions in connection with the declared epidemic situation and the treatment of COVID-19, currently recorded as D.62 Social benefits other than social transfers in kind, would be more appropriately considered as D.75 - Miscellaneous current transfers (or D.3 Subsidies). This measure refers to bonuses to the salaries and it did not increase pension benefits. Hospitals are classified inside S.13, but its employees are not considered civil servants. In case m the employees would be civil servants, then the measure could eventually be recorded directly as D.1 – compensation of employees. However, as this was not the case, it would be more

appropriate to be recorded either as a subsidy to S.11 (D.3) or as D.75. Moreover, in case the management of the hospital decides to pay a bonus, it would be more appropriate to record it, in national accounts, as D.75.

Likewise, there was a debate on the recording of the support to the medical staff, salaries of doctors, currently recorded as D.39p - Other subsidies on production. In this case, the Bulgarian statistical authorities have codified the measure differently to a similar case. In case that the employees of the hospital are considered “civil servants”, this support would be recorded in national accounts as D.1 expenditure of government. However, as the employees of hospital are not civil servants of the budgetary units, so the recording of the measure is recorded as D.39p.

The Bulgarian statistical authorities agreed to adapt the recording in national accounts accordingly.

Findings and conclusions

Action point 37: The Bulgarian statistical authorities will modify the recording of the bonuses provided by *the National Health Insurance Fund to the providers of medical care, dental care and medical diagnostic activities for work in unfavourable conditions in connection with the declared epidemic situation and the treatment of COVID-19*, currently recorded as D.62 *Social benefits other than social transfers in kind* to D.75 - *Miscellaneous current transfers* (or D.3 *Subsidies*).

Deadline: April 2023 EDP notification ⁴²

4.3.3. Recording of government measures undertaken in the context of Russia’s invasion of Ukraine (e.g., mitigating the high energy prices, inflation measures)

Introduction

The measures carried out by government in the context of the Russia’s invasion of Ukraine, to address the economic shocks caused by high energy prices, were discussed under this point.

For this purpose, prior to the visit, the Bulgarian statistical authorities provided a detailed note explaining the new measures undertaken by government in 2022 in the context of the high energy prices and their estimated impact on the EDP/ GFS data.

Discussion and methodological analysis

The Bulgarian statistical authorities provided an overview of the stimulus package measures approved by the government in 2022 aimed at partially compensating businesses affected by the escalating electricity and gas prices.

In December 2021, the government approved some measures related to freezing electricity and heating prices for households until the end of March 2022 and compensated companies for high energy costs. The State budget covered most of the costs.

⁴² Accomplished. The action point is closed.

In the wake of the energy crisis which caused the steep rise of fuel prices, the Bulgarian National Assembly adopted, in July 2022, a follow-up to the previous programs ⁴³ with the aim of mitigating the economic consequences of the sudden instability of energy market prices by supporting all non-household final electricity customers to deal with the consequences of significant and adverse fluctuations in electricity prices, as well as operators of electricity transmission and distribution system operators.

The Bulgarian statistical authorities explained that initially the subsidies were paid directly from the budget while from July 2022 onwards the payments were made via the interventions of the “Electricity System Security” Fund, (ESSF), classified in S.1311. The program provided for a mechanism to support non-household final customers (except for Operators who are compensated directly, through electricity traders, suppliers of last resort, electricity producers selling directly to non-household final customers and the operator of an organized exchange market of electricity (the Suppliers)).

The compensation was provided through the energy supplier with whom the nonhousehold final customers have a contract for the supply of electricity, by reducing the amount due. The indicative budget for the programme is 2.448 M BGN for the period from July 2022 to September 2022. The programme was extended for the period October-December 2022 with an indicative budget for the period of 3.593 M BGN. The compensations to the supplier would be paid respectively by 31 December 2022 and 31 March 2023 and the indicative budget for the programme was provided by the revenues of the “Electricity System Security” Fund (ESSF) from additional targeted contributions to the ESSF.

Since its creation in 2015, the ESSF raises 5 per cent of contributions on the monthly revenues of all energy producers to what now adds extra targeted contributions / tax on surplus profits. In this context, the Bulgarian statistical authorities should confirm the basis for the calculation of the extra contributions to the ESSF, in particular whether it is levied on the surplus profit or on a percentage of the sales. Eurostat understood that as of December 2022 onwards private companies are also obliged to pay these extra contributions.

Eurostat enquired how expenses were allocated between private and public energy producers. The Bulgarian statistical authorities explained that both the private and public entities have an obligation to contribute additional share of the 2022 profit (in addition to the income tax). In case that the Fund would incur in a deficit, government would ensure financing from the State budget. In the case of a surplus, the Fund would keep the money. The Law also stipulates advance contributions until June 2023 as a support to the electricity distributors.

Operators of the electricity transmission and distribution system operators purchase the electrical energy necessary to cover their technological costs only and exclusively from the stock market and are also final customers. By compensating the operators' expenses for the second half of 2022 and correspondingly reducing the financial deficit, the need to increase the prices of the distribution system operators for all final users, including households, will be limited.

⁴³ Decision No. 534 of the Council of Ministers of 29.07.2022, for the period from 1 July 2022 to 30 September 2022; Decision No. 710 of the Council of Ministers of 29.09.2022 by which the programme was extended for the period October-December 2022. Already on the first semester of 2022 a programme had been in place on the basis of the Decision No. 105 of the Council of Ministers of 02.03.2022.

Eurostat took note that subsidies are being used to support households and companies. The energy providers are subsidized in order to provide energy price at 250 BGN/Mwh to their customers.

Eurostat asked the Bulgarian statistical authorities to closely monitor the implementation and execution of the energy measures and their recording in the accounts of the ESSF. The Bulgarian statistical authorities will provide to Eurostat detailed ESA figures on the revenue, (income contributions to the Fund from public corporations, as well as any financing from the state budget) and expenditure (subsidies to be paid to distributors) of the ESSF. The note should also show separately the amounts of subsidies initially paid directly from the budget to distributors and households and later on disbursed from the ESSF.

Eurostat asked how the energy measures were recorded in ESA table 25, for the first three quarters of 2022. The Bulgarian statistical authorities explained that, on the revenue side, the contributions made as income surplus profit were recorded as tax on income (D.51) while the expenditure were recorded as D.39 subsidy (other subsidies on production).

The discussion continued on how these measures should be recorded in national accounts, i.e., under which ESA transaction. As regards the recording of expenditure, Eurostat thought that they should be recorded as D.31, reflecting the government objective to reduce the electricity purchase prices (to the benefit of both households and corporations). As regards the revenue side, the solidarity contributions seemingly have the character of a tax in national accounts and Eurostat considered that most probably they could be recorded as a tax on products (D.21) and not as D.5, as it currently recorded in the Bulgarian national accounts.

However, due to the legal change from December 2022 onwards, Eurostat understood that also private companies were obliged by the government to contribute to the FSES, which might change the recording of contributions in national accounts, as a subsidy either as D.31 or D.39, reflecting the government objective to reduce the electricity purchase prices (to the benefit of both households and corporations).

Although the legal change in December 2022 obliges also private companies to contribute to the Fund, which may perhaps change the recording, Eurostat suggested to tentatively keep the same coding in the December 2022 income (i.e., D.21).

Findings and conclusions

Action point 38: The Bulgarian statistical authorities will closely monitor the implementation and execution of the programmes adopted to mitigate the economic consequences of the instability of energy market prices and will provide Eurostat with a detailed follow-up report on this issue. The report should include the revenue of the “Electricity System Security” Fund, (ESSF), classified in S.1311 (income contributions to the Fund from public corporations, as well as any financing from the state budget) and expenditure (subsidies to be paid to distributors). As regards the recording of government expenditure, Eurostat thought that they should be recorded as D.31, reflecting the government objective to reduce the electricity purchase prices (to the benefit of both households and corporations). Eurostat’s opinion was that the contributions should be recorded as a tax, possibly D.21. Although the legal change in December 2022, which obliges also private companies to contribute to the Fund, may perhaps change the recording, Eurostat suggested to tentatively keep the December 2022 income flow with the same coding. The note should also include the subsidies initially directly paid from the

budget to distributors and households prior the intervention of the “Electricity System Security” Fund, (ESSF). The Bulgarian statistical authorities will closely monitor the proper application of the accrual principle to the subsidy expenditure of “Electricity System Security” Fund, (ESSF).

Deadline: April 2023 EDP notification ⁴⁴

4.3.4. Guarantees

Introduction

Prior to the meeting, the Bulgarian statistical authorities provided an ad hoc table with a list of government guarantees for the period 2018-2022, detailing, among others, the outstanding guarantees on assets and borrowing, public or private entities, the amounts of guarantees called, their repayments by the original debtor and stocks, by company and amount, write-offs etc.

The Bulgarian government provides guarantees to public corporations' loans and to students' borrowings from private banks. Standardized guarantees cover State guarantees for the Student Loan Programme.

Discussion and methodological analysis

When reviewing a list of guarantees provided prior the meeting, Eurostat noted that some cells were flagged “M” ⁴⁵ should be replaced by zeros, as for example in the case of the debt guaranteed by government to Sofia District Heating Company in 2021 and 2022. Likewise, the table showed some inconsistencies and should be corrected, in particular in the line corresponding to the guarantee provided to Non-ferrous Metals Smelter (KCM AD, Plovdiv), as the amount of the total outstanding debt is lower than the debt guaranteed by government.

As concerns the completeness of the EDP notification tables, Eurostat noted that, the line “Net incurrence (-) of other liabilities” (F.1, F.5, F.6 and F.72) is filled with “M” in the EDP table 3B for all the reporting years although transactions in standardised guarantees are reported in the Table 9.4 of the Questionnaire relating to the EDP notification tables (column 2). The Bulgarian statistical authorities agreed to report the standardised guarantees (F.66) in the financial accounts (ESA Table 27) and in the EDP table 3A/B.

As regards the table 9.4 on standardised guarantees of the Questionnaire relating to the EDP notification tables, the so-called write-offs reported under the column 5 (other changes) should not be included in this column (since they refer to debt cancellations of claims initially acquired at time of call) and might be more appropriately included under column 3. The Bulgarian statistical authorities were asked to correct the Questionnaire

⁴⁴ The action point is in progress. On 31/03/2023, Bulgaria referred that "Currently the contributions are recorded as D.29, and the subsidies as D.39"; On 5/4/2023, Bulgaria provided a table with the amounts of all programs ESS fund 2022-2023. For the October 2023 EDP notification, following the conclusions of the NSI's analysis, the compensations were recorded as D.31 and the contributions from public corporations to the Security of the Electric Power System fund (income contributions from public corporations as well as government budget financing) as D.21. The supplementary table for reporting government interventions to mitigate the impact of high energy prices was corrected accordingly.

⁴⁵ Not applicable.

table 9.4 accordingly and, in addition, they will clarify how the calculation of F.66 is made and will explain the impact of standardised guarantees in B.9.

Findings and conclusions

Action point 39: As regards, the ad-hoc table on government guarantees provided prior the EDP visit, Eurostat noted that some cells flagged “M” should be replaced by zeros, as for example in the case of the debt guaranteed by government to *Sofia District Heating Company* in 2021 and 2022. In addition, regarding the guarantee provided to *Non-ferrous Metals Smelter (KCM AD, Plovdiv)*, it was observed that the amount of total outstanding debt is lower than the debt guaranteed by government. The table is to be corrected accordingly and resent.

Deadline: July 2023 ⁴⁶

Action point 40: Eurostat noted that, the line “*Net incurrence (-) of other liabilities*” (F.1, F.5, F.6 and F.72) in the EDP table 3B is filled with “M” for all the reporting years although there are transactions in standardised guarantees, as reported in Table 9.4 of the Questionnaire relating to the EDP notification tables. The Bulgarian statistical authorities agreed to report the standardised guarantees (F.66) in the financial accounts (ESA Table 27) and in the EDP table 3A/B.

Deadline: April 2023 EDP notification ⁴⁷

Action point 41: As regards table 9.4 on standardised guarantees of the Questionnaire relating to the EDP notification tables, the so-called *write-offs* reported under the column 5 (other changes) should not be included in this column (since they refer to *debt cancellations* of claims initially acquired at time of call) and might be more appropriately included under column 3. The Bulgarian statistical authorities will clarify the calculation of F.66 and will explain the impact of standardised guarantees in B.9 and the current recording in EDP table 2A (i.e., separately identifying the initial expected loss B.9 recording, cash calls, claim acquisition, recoveries, and write-offs).

Deadline: April 2023 EDP notification ⁴⁸

4.3.5. Debt assumptions, claims, debt cancellations and debt write-offs

Introduction

Prior the meeting, the Bulgarian statistical authorities provided a list of stocks and flows of central government claims, as reported in the EDP Questionnaire table 8.

Discussion and methodological analysis

Eurostat and the Bulgarian statistical authorities reviewed data on government claims for the years 2018-2021. It has been recalled that debt cancellations are always undertaken on the basis of government decisions, and government claims includes also interest accrued.

Eurostat noted that the loan provided from government to NEK – National Electric Company in 2016, at the amount of BGN 1178 M BGN was fully repaid by NEK in the

⁴⁶ Accomplished. The action point is closed.

⁴³ Accomplished. The action point is closed.

⁴⁸ Action point in progress. Questionnaire table 9.4 was revised for the April 2023 EDP notification.

second quarter of 2022. In national accounts, the loan was recorded as a financial operation, F.4 asset. The loan had been provided for the acquisition of equipment (related to the *Belene* nuclear power plant) and not to cover losses. As already discussed during the previous EDP visit, NEK is a loss-making company with positive net assets and with a high debt.

According to a note sent by the Bulgarian statistical authorities, “the government granted to *Bulgargaz EAD* a loan at the amount of 800 M BGN for the purchase of natural gas and the provision of working capital ⁴⁹. The loan is to be repaid by *Bulgargaz - EAD* in installments within a period of up to 36 months from the date of transfer of the first tranche until its full repayment. At this stage the loan is expected to be fully repaid. Thus, in national accounts, the loan was recorded as a financial operation, i.e., an increase in F.4 asset.

Findings and conclusions

Eurostat took note of the status of the situation and explanations.

4.3.6. Capital injections in public corporations

Introduction

Prior to the meeting, the NSI provided a list of capital injections by sub-sectors for the period 2018-2022 by beneficiary and treatment in national accounts.

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

Discussion and methodological analysis

Eurostat took note that most equity injections of the central government sector (S.1311) are related to international banks. There were no capital injections in S.1314 and, so far, no capital injections in kind were identified.

Eurostat recalled the case of the capital injection to the Bulgarian Posts PLC in 2022Q3, which, according to the information provided, involved no private investor and the company accumulated losses over the years. In line with the MGDD chapter 3.2 on Capital injections into public corporations, the operation was agreed to be recorded as a non-financial transaction with an impact on B.9.

Eurostat remarked that, as a rule, even when the amounts concerned are negligible, when deciding on the statistical recording of the capital injections the (preliminary) quarterly information is to be used and the MGDD rules applied, instead of waiting to analyse them until the annual accounts become available.

Findings and conclusions

⁴⁹ Resolution of the Council of Ministers No. 245 of August 11, 2022.

Eurostat took note of the status of the situation and explanations.

4.3.7. Dividends, super dividends

Introduction

A list of dividends paid to government in 2018-2022 by individual companies and by their profits, accompanied by a note on performance of the super dividend test (in case of changes or updates), was provided to Eurostat prior to the meeting.

The main data sources on dividends received by the government are the Consolidated Fiscal Program and the annual financial statements of public corporations. The NSI receives from the NRA detailed information by units with paid dividends to government.

Discussion and methodological analysis

The formula used for the compilation of the super-dividend test was reviewed. It was concluded that the labelling of the items used in the formula, in particular the title of the codes relating to holding losses (11220) and holding gains (16320) should be corrected. These corrections should be reflected in the updated EDP inventory.

Eurostat noted that the only super-dividend recorded during the last years was from the public company *Dunav Most Vidin*. Eurostat observed a continuous existence of superdividends from “Dunav Most Vidin – Kalafat” every year and enquired on the main reasons for this.

The Bulgarian statistical authorities explained that the *Dunav Most Vidin-Kalafat* is a joint venture with Romania for the operation of the Danube Bridge 2, set up by the ministries of transport of Bulgaria and Romania. The Danube Bridge 2 is the second bridge on the shared section of the Danube between Romania and Bulgaria and will constitute a road and rail bridge between the cities of Calafat, Romania and Vidin, Bulgaria. The Bulgarian statistical authorities explained that the Romanian part of the entity operates as a branch in Romania.

The Bulgarian statistical authorities agreed to provide a note on the recording of the joint venture *Dunav Most Vidin-Kalafat AD* associated transactions in government accounts. A concrete example should illustrate how the super-dividend test is being applied so that the continuous existence of super-dividends throughout years is justified.

Findings and conclusions

Action point 42: As regards the note on dividends, provided prior the EDP visit, the Bulgarian statistical authorities will correct the names in the formula for the calculation of the super dividend test, in particular the title of the codes relating to holding losses (11220) and to holding gains (16320), and reflect this in the updated EDP inventory (see AP 8).

Deadline: along with the submission of the updated EDP Inventory

Action point 43: The Bulgarian statistical authorities will provide a note on the recording of the joint venture *DUNAV MOST VIDIN KALAFAT AD*. The analysis will cover a description and specifically focus on data illustrating how the super-dividend test is being applied to *DUNAV MOST VIDIN KALAFAT AD* so that the continuous existence of super-dividends throughout years is justified.

*Deadline: April 2023 EDP notification*⁵⁰

4.3.8. Public Private Partnership, concessions and energy performance contracts

Introduction

For the period 2018-2022, three procedures for determining a concessionaire for state construction concessions have been opened. All three procedures were opened by a decision of the Minister of Transport, Information Technologies and Communications and are related with: 1. Concession for the construction of the site "Civil Airport for Public Use Sofia" - public state property; 2. Concession for the construction of a port terminal with winter storage - Ruse, part of Ruse port for public transport.

In national accounts, the concession fee is spread over the economic life of the assets as rent (D.45). All concession contracts in the period 2018-2022 were signed with private corporations.

Findings and conclusions

Eurostat took note of the status of the situation and explanations.

4.3.9. Others: emission trading permits, privatization, decommissioning costs, financial derivatives, sale and leaseback operations, UMTS, securitisation, etc.

Introduction

Prior to the mission, the Bulgarian statistical authorities provided a note to Eurostat on the current and future (if any) specific government transactions: PPPs, concessions and EPCs, Decommissioning costs, financial derivatives, Sale and leaseback operations, UMTS, privatization and emission trading permits.

Emission trading permits (ETS)

Following the 2021 January Eurostat EDP dialogue visit to Bulgaria (online) the Bulgarian statistical authorities changed the method used for calculating ETS in October 2021 EDP notification and applied a one-year time lag method, which is line with the current MGDD guidelines.

The revenues for the emission permits are recorded as taxes - Other taxes on production (D.29), in the year of surrender of the permits, by using a simple one-year time lag method. In order to ensure a proper reporting of the emission trading permits, the Bulgarian statistical authorities require additional information from the Ministry of Environment and Water.

Energy performance contracts

As regards the energy performance contracts (EPCs), there are no new contracts. In the past, several ones existed and were coming to an end in 2018. In the past, government was rather using direct subsidies than EPCs.

⁵⁰ The action point is accomplished and closed.

Generally in the EU, under an Energy Performance Contract arrangement an external organisation (*Energy Service companies* - ESCO) implements a project to deliver energy efficiency. The cost savings achieved from the energy saving initiative is then used to repay the costs of the project.

However, in Bulgaria, there are no contractor selection procedures under the Law on public procurement contracts with a guaranteed result (ESCO contracts).

Mobile phone licences

As regards Mobile phone licences, the current treatment is in line with the MGDD, i.e., mobile phone licenses revenues are recorded, in national accounts, as rent (D.45), spread over the life of the contract.

Eurostat enquired on whether any 4G or 5G mobile phone licences have been recently granted by government. The NSI said that no license auction took place after the year 2011, with the exception of the increased license duration

In 2014, one license of a mobile operator was extended for 10 years in 2014. The one-off payment for this extension was 60 million BGN and was spread over the duration of the license, i.e., from 2014 to 2024 in the context of the 2019 EDP notification.

In 2021 another mobile operator had its license increased for an additional duration of 10 years. The one-off payment for this extension was 45 million BGN and it will be spread over the duration of the license, i.e., from 2021 to 2031. It will be reflected in the April 2023 EDP notification in 2023 in the data for 2022 and a revision for 2021.

Decommissioning costs

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

The operator of the nuclear power plant in Bulgaria is AETS KOZLODUY EAD, a public corporation classified in the non-financial corporations' sector (S.11). Currently, the only unit responsible for decommissioning of nuclear facilities, as well as radioactive waste management is the State Enterprise RADIOACTIVE WASTE, classified in the central government subsector (S.1311).

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

Within the Ministry of Energy budget, i.e., within the State budget (S.1311), there are two separate funds established: 1) Nuclear Facilities Decommissioning Fund (FDNF) - for financing the decommissioning of nuclear facilities; and 2) Radioactive Waste Fund (RWF) - for financing the radioactive waste management.

Regular contributions are made by the nuclear facility operator (*AETS KOZLODUY EAD*) to the FDNF. The amount of the contributions is fixed in such a way so that the resources necessary to cover the costs of decommissioning would be raised at the end of the operating phase. If the provisions prove to be insufficient to complete the decommissioning project the primary responsibility to cover the costs is with the unit which last operated the nuclear facility.

The Bulgarian statistical authorities provided the value of the net costs incurred for the decommissioning of the stopped units /reduced by possible revenues from the sale of

related materials, etc./ by year for 2018-2021, in total and separately for each of the two groups of reactors. The total amount for the four years considered was of 328 M BGN.

The financial resources of the FDNF are expended solely for the purpose of financing the activities comprehended in the decommissioning of nuclear facilities. The management of the radioactive waste from decommissioning is financed by RWF.

There is an ongoing project of decommissioning of 4 reactors. With decisions of the Council of Ministries №839/2010 and №1038/2012 the management of reactors 1, 2, 3 and 4 has been transferred to State Enterprise RADIOACTIVE WASTE. Currently the assets are in the balance sheet of State Enterprise RADIOACTIVE WASTE.

Decommissioning costs are reported in the Annual Report of State Enterprise RADIOACTIVE WASTE, i.e., they are included in the accounts of the Central government subsector. According to the latest data, the estimated costs for the decommissioning of units 1-4 are in the amount of 1.358 billion euros.

The ownership of the operational facilities, before the decommissioning belongs to the *Kozloduy NPP EAD*; during the decommissioning, with decisions of the Council of Ministers No. 839/2008 and No. 1038/2012, blocks 1, 2, 3 and 4, of *NPP "Kozloduy" EAD* are provided for the management of the State Enterprise "*Radioactive Waste*". Until now, the property of the facilities is owned by *NPP "Kozloduy" EAD*.

The above-mentioned contributions were recorded in line with the MGDD as a financial transaction (without impacting government deficit) as government receives payments in exchange for assuming the future decommissioning obligations. *Findings and conclusions*

Eurostat took note of the status of the situation and explanations.

5. OTHER ISSUES

No other issues.

EDP dialogue visit to Bulgaria, 22-24 February 2023

AGENDA

1. Statistical organisational issues
 - 1.1. Review of institutional responsibilities in the framework of the EDP data reporting and government finance statistics compilation
 - 1.1.1. Institutional cooperation and EDP processes
 - 1.1.2. Quality management framework
 - 1.2. Data sources and revision policy, EDP inventory
 - 1.2.1. Availability and use of data sources, revision policy
 - 1.2.2. EDP Inventory
2. Follow-up of the EDP dialogue visit of 20-21 January 2021
3. Analysis of EDP tables - follow-up of the October 2022 EDP notification
4. Methodological issues and recording of specific government transactions
 - 4.1. Delimitation of general government, application of 50% rule in national accounts
 - 4.1.1. Changes in sector classification since the 2021 EDP visit
 - 4.1.2. Application of market/ non-market test qualitative and quantitative criteria
 - 4.1.3. Government controlled entities classified outside general government (public corporations)
 - 4.1.3.1. Follow-up of the sector classification of the Bulgarian Energy Holding and the Bulgarian Development Bank
 - 4.2. Implementation of accrual principle
 - 4.2.1. Taxes and social contributions
 - 4.2.1.1. Time adjusted cash for CIT
 - 4.2.2. Accrued interest
 - 4.2.3. EU flows, Recovery and Resiliency Facility
 - 4.2.4. Military expenditure
 - 4.2.5. Gross fixed capital formation (GFCF)
 - 4.2.6. Court decisions with a possible impact in the accounts of general government, if any
 - 4.3. Recording of specific government transactions
 - 4.3.1. Government operations to support financial institutions
 - 4.3.2. Recording of government measures undertaken in the context of Covid-19 crisis
 - 4.3.3. Recording of government measures undertaken in the context of Russia's invasion of Ukraine (e.g., mitigating the high energy prices, inflation measures)
 - 4.3.4. Guarantees

- 4.3.5. Debt assumptions, claims, debt cancellations and debt write-offs
 - 4.3.6. Capital injections in public corporations
 - 4.3.7. Dividends, super dividends
 - 4.3.8. Public Private Partnership, concessions and energy performance contracts
 - 4.3.9. Others: emission trading permits, privatization, decommissioning costs, financial derivatives, sale and leaseback operations, UMTS, securitisation, etc.
5. Other issues
- 5.1.1. ESA 2010 Transmission Programme and GFS related matters
 - 5.1.2. Any other business

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