

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

Germany

December 2013

Background

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

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

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

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

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Annex I – list general government units

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

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

1. General Government

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

According to ESA 1995 point 2.68 the sector of general government includes all institutional units which are other non-market producers whose output is intended for individual and collective consumption, and mainly financed by compulsory payments made by units belonging to other sectors, and/or all institutional units principally engaged in the redistribution of national income and wealth.

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

1.1 Central government subsector (S.1311)

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

The sub-sector also includes those non-profit institutions which are controlled and mainly financed by central government and whose competence extends of the whole economic territory (ESA 1995, 2.71). In principle¹, this does not differ from the reporting population of the annual accounting statistics of public finance statistics (see also Annex 1 “List of funds, institutions and enterprises of general government”).

In general all units included in the federal budget and all special assets of the German federal government are included in central government sector. In addition non-market producers controlled by central government and non-profit institutions controlled and mainly financed

¹ In individual cases there may be short-term discrepancies, when newly created special funds have not yet been included in the reporting population of public finance statistics. When establishing revenue and expenditure in the framework of the NA the data for these special funds are amended using data from the special reports of the BMF.

by central government are classified in this subsector. Examples for central government units are

- Federal ministries,
- Finanzmarktstabilisierungsfonds (SoFFin, Financial Market Stabilisation Fund),
- FMSW (bad bank of the “Hypo Real Estate”),
- Bundesanstalt für Immobilienaufgaben (BimA, Institute for Federal Real Estate)
- Deutsches Biomasseforschungszentrum gGmbH (DBFZ, German Biomass Research Centre)
- Deutsches Zentrum für Altersfragen e.V. (DZA, German Centre of Gerontology).

1.2 State government subsector (S.1312)

The sub-sector state government (Länder) consists of state governments which are – separate institutional – units exercising some of the functions of government at a level below that of central government and above that of the governmental institutional units existing at local level (see Annex 1).

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

- State ministries,
- Sondervermögen "Versorgungsrücklage" des Landes Schleswig-Holstein,
- Erste Abwicklungsanstalt (EAA, First winding-up Agency, bad bank of the „West LB“),
- DEGES Deutsche Einheit Fernstraßenplanungs- und -bau GmbH,
- Stiftung Hessischer Naturschutz.

1.3 Local government subsector (S.1313)

The sub-sector Local Government (Gemeinden) includes those types of public administration whose competence extends to only a local part of the economic territory.

In general all municipalities and municipal special purpose associations are included in local government sector. In addition non-market producers controlled by local government and non-profit institutions controlled and mainly financed by local governments are classified in this subsector. Public producers organised as public corporations or, by virtue of special legislation, recognised as independent legal entities, or quasi-corporations, when any of these are market producers, are not included in the government sector, but in the corporations sector. These are e.g. transport companies, utilities in the energy and water distribution sectors or waste disposal. Examples for local government units are

- Municipality of the City of Munich,
- Zweckverband Museumsverbund Nordfriesland,
- Eigenbetrieb Städtische Betriebe Beckum,
- Stiftung für Jugend und Wissenschaft Heidelberg gGmbH.

For a list of units see Annex 1.

1.4 Social security funds subsector (S.1314)

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

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

There is usually no direct link between the amount of the contribution paid by an individual and the risk to which that individual is exposed (ESVG 1995, 2.74).

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

- Deutsche Rentenversicherung Bund,*
- Barmer Ersatzkasse,*
- Bundesanstalt für Arbeit,*
- spectrumK Gesellschaft für Zahlungsservice mbH,*
- Berufsgenossenschaftliches Schulungszentrum Stuttgart e.V.*

For a list of units see Annex 1.

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

2. Institutional arrangements

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

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

Legal basis for the compilation of GFS and EDP data

In Germany the Law on Public Finance Statistics (Finanz- und Personalstatistikgesetz (FPStatG)) regulates the collection and compilation of fiscal data.

The national responsibility of the provision of GFS data according to ESA 1995 is set out in the Federal Statistics Act (Gesetz über die Statistik für Bundeszwecke (BStatG)). According to § 3 Absatz 1 Nr. 7 BStatG it is the duty of the Federal Statistical Office (FSO) to compile and to publish national accounts data for national purposes. According to § 19 BStatG the FSO has to compile national accounts data for purposes of the European Communities and of international organizations and to transmit these data to the European Communities.

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

This section describes institutional responsibilities for compilation of Government Finance Statistics (national accounts for general government and EDP tables).

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

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

Table 6 – Financial accounts by sector (annual data)

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

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

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

Table 25 - Quarterly Non-financial Accounts of General Government

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

Table 27 – Quarterly Financial Accounts of General Government

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

² http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database

³ http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/legislation

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

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

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

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

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

NCB – National Central Bank

Other – other national body, to be specified in comments

The completed EDP tables are transmitted to Eurostat from Destatis (Federal Statistical Office) via electronic form. An affidavit does not exit.

The official names of the German institutions involved are

- *NSI: Destatis (English: Federal Statistical Office),*
- *MOF: Bundesministerium der Finanzen (English: Ministry of Finance),*
- *NCB: Deutsche Bundesbank (English: Deutsche Bundesbank).*

2.1.1 Existence of an EDP unit/department

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

https://www.destatis.de/EN/AboutUs/SeniorManagementOrganisation/OrganisationChart.pdf?__blob=publicationFile

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

- *compilation of general government non-financial accounts*
- *sector classification of public units*
- *classification of transactions concerning the general government (including sub-sectors)*
- *compilation of the general government (including sub-sectors) tables according to the ESA transmission programme*
- *international data transmissions (e.g. OECD, IWF)*
- *participation in TFs and the FAWG*
- *processing of CMFB consultations*
- *duties referring to EDP issues:*
 - *completion of EDP tables*
 - *special calculations for EDP purposes in order to comply with EDP accounting rules*
 - *preparation of EDP dialogue visits*
 - *participation in EDP dialogue visits*
 - *lead management of Up-stream visits*
 - *participation in Up-stream visits*

2.1.2 Availability of resources for the compilation of GFS data

In Germany, the FSO sections D 203 "General Government Sector, EU Stability Pact" and D 204 "Government Final Consumption Expenditure" are responsible for the compilation of GFS. Generally, section D 203 is responsible for the sector classification of units, the compilation of annual and quarterly national accounts data for central government and for the EDP data for all government subsectors. Annual and quarterly national accounts data for state government, local government and social security funds are compiled in section D204. Section D 203 consists of 9 staff members and section D 204 has 8 staff members who are all working in GFS. (see organisational chart of Department D).

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

- *For the compilation of GFS data, the public finance statistics as unique data source is not sufficient. To provide the relevant information numerous different data sources have to be integrated for the compilation process based on different accounting systems. Examples are data directly provided by the Ministry of Finance, annual and quarterly business reports, balance of payments data, reports from the budget committee, direct information from certain units etc.*
- *Preparation of bridge tables providing information on the transition of the data from public finance statistics or business accounts to ESA 95 transactions.*
- *Performing of automatic and manual data checks and validation procedures (e.g. compilation of growth rates, year over year comparisons, reconciliation with background information such as business reports). Reconciliation with the financial accounts.*
- *Estimation of missing data in particular current data.*
- *Estimation of data via model compilations in case that statistical surveys do not provide the relevant information.*
- *Compilation of revenue and expenditure transactions as well as the overall balance (net borrowing/net lending) of general government.*
- *Preparation of files for general government as well as the government sub-sectors including the notification tables and the associated Annex tables.*
- *Presentation of results for the general government sector and its sub-sectors (i.e. revenues, expenditures and net lending/net borrowing).*
- *Checking whether the compilations are accurate, proper and consistent. Comparisons with previous reporting periods, analyses of inconsistencies.*
- *Detailed analyses of unexplained deviations still existing after the validation step and presentation of the results against the background of the economic situation.*
- *Finalisation of results for the transmission to Eurostat. Providing of additional information and explanations for the interpretation of the data as well as reference to data limitations.*

Designing of questionnaires and processing of statistical questionnaires is not part of the regular duties of the staff involved in GFS compilation. In Germany the data collection is carried out in Public Finance Statistics sections. In order to produce GFS data compliant with ESA 95 and EDP requirements the GFS sections and the Public Finance Statistics sections cooperate to the extent that the Public Finance Statistics amends questionnaires and data collection characteristics accordingly.

In addition the staff responsible for GFS compilation is involved in the periodic transmission of data to Eurostat according to the ESA 95 Transmission Programme and to IMF within the framework of SDDS. Providing of data upon request takes place in connection with data deliveries to OECD, to the NCB, to national ministries, to research institutes and to other interested data users.

2.2 Institutional arrangements relating to public accounts

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

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

2.2.1 Legal / institutional framework

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

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

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

The German Law on Budgetary Procedures (German: "Haushaltsgrundsätzegesetz", HGrG) defines principles for the budget law of the federal government and the Länder. §49a HGrG determines the tasks of a committee responsible for the standardization of public accounts. This committee develops uniform standards for the accounting systems for the federal government and the Länder, reviews regularly the common budget classifications and modifies them if necessary. The committee is responsible for the fiscal classifications ("Gruppierungsplan" = classification by types of expenditure and revenue, and "Funktionenplan" = classification by functions of government) and for the classifications of double-entry accounting for the federal and state level ("Verwaltungskontenrahmen" = chart of accounts for types of expenditure and revenue, and "Integrierter Produktrahmen" = product frame for government services).

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

In Germany the public finance statistics is responsible for data collection and processing and for internal quality and consistency checks and for validation of upstream data. The NA

section D 203 of the Federal Statistical Office is responsible for internal quality and consistency checks and for validation of compiled EDP data.

In the near future no changes are foreseen in terms of bookkeeping systems used by public units.

2.2.2 Auditing of public accounts

2.2.2.1 General government units

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

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

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

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

The auditing and advisory functions of the Bundesrechnungshof are as follows⁵:

The financial management of the Federation and its trust funds are subject to the audit of the Bundesrechnungshof (e.g. Federal Railway Assets Fund, Inherited Debt Fund). Public corporations established under federal law (e.g. the Federal Employment Agency), including those federal enterprises of the same legal form. Social security institutions established under federal or state laws, receiving grants from the Federal Government or where the Federation has entered into guarantee commitments (e.g. German Federal Pension Insurance, Pension Insurance for Miners, Railway Workers and Seamen as well as statutory health insurance funds).

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

⁵ Cf. http://www.bundesrechnungshof.de/en/bundesrechnungshof/aufgaben/aufgaben?set_language=en,
<http://www.bundesrechnungshof.de/en/veroeffentlichungen/the-bundesrechnungshof-and-the-regional-audit-offices>

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

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

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

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

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

The Bundesrechnungshof reports on its audit findings in management letters that are sent to the audited bodies for comment. The Bundesrechnungshof submits an annual report to both Houses of the German Parliament, the Bundestag and the Bundesrat, as well as to the Federal Government. The annual report is also used as a basis for Parliament granting discharge to the Federal Government. The annual report is presented to the public at a federal press conference and is available on the website of the Bundesrechnungshof. The Bundesrechnungshof may at any time submit special reports on matters of major significance

to both Houses of Parliament and to the Federal Government. The Bundesrechnungshof does not only provide advice to the executive and legislative branches by including recommendations for improvement in its management letters and annual reports, but also by commenting – orally or in written form – on topical issues such as government bills and major procurement projects, or in the course of the annual budget procedure.

The auditing procedures of the Bundesrechnungshof are as follows⁶: The Bundesrechnungshof audits receipts, expenditures and commitment authorisations, federal assets and federal debts. In addition, the audit mandate covers all government programmes that have financial implications even if expenditures have not yet been incurred (such as the contract awarding procedure for a management consultant as part of a privatisation project). However, audit work can be initiated only once a decision has been made.

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

The Bundesrechnungshof is free to determine the timing and nature of audit work. It may conduct field work. It has the right of access to any pertinent information, records and vouchers it requires for audit work. Audit matters are selected when drawing up annual audit programmes. The Bundesrechnungshof is free to set audit priorities and arrange for sample audits. A major purpose of audit programming is to provide a reliable overview of federal financial management and to avoid any audit gaps to the extent possible. When selecting audit topics the Bundesrechnungshof relies on any information gathered during audit work but also on petitions from citizens or on issues reported by the public media. In addition, the Bundesrechnungshof bases its selection on a systematic analysis of major government programmes having a major financial impact or presenting a high audit risk. Audit requests submitted by Parliament or its committees are met to the extent possible.⁷

The Bundesrechnungshof carries out both financial audits and performance audits. In its audit of regularity and compliance the Bundesrechnungshof examines whether the laws, the budget and pertinent regulations, provisions and rules have been observed. Performance audits under the criteria of economy, efficiency and effectiveness are carried out to ensure that good value for money is obtained. Auditors pay special attention to the staff resources employed and to the effectiveness of public sector management. Effectiveness auditing has become increasingly important to determine whether the desired objective has actually been achieved and whether adequate programme evaluation has been carried out. This applies particularly to large-scale government programmes or government projects.⁸

The Bundesrechnungshof sets out the audit findings in management letters that are sent to the audited bodies. These are required to submit their comments on the audit findings and conclusions within a time frame set by the Bundesrechnungshof. The Bundesrechnungshof may also communicate audit findings to other government bodies and the Appropriations

⁶ Cf. <http://www.bundesrechnungshof.de/en/bundesrechnungshof/pruefungsverfahren>

⁷ Cf. <http://www.bundesrechnungshof.de/en/bundesrechnungshof/pruefungsverfahren/der-bundesrechnungshof-entscheidet-ueber-die-pruefung>

⁸ Cf. <http://www.bundesrechnungshof.de/en/bundesrechnungshof/pruefungsverfahren/pruefungsmassstaebe-sind-ordnungsmaessigkeit-und-wirtschaftlichkeit>

Committee. In addition, significant audit findings of a basic nature or those having major financial implications are brought to the attention of the Federal Ministry of Finance⁹.

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

In addition to the auditing of courts of audit, according to the German Commercial Code the annual financial statements of extra-budgetary units which are incorporated enterprises have to be audited by auditors of annual accounts.¹⁰

2.2.2.2 Public units, not part of general government

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

2.3 Communication

2.3.1 Communication between actors involved in EDP

2.3.1.1 Agreement on co-operation

In Germany a number of actors are involved in the EDP process. Data compilers are the EDP section of the Federal Statistical Office, the Deutsche Bundesbank and the Federal Ministry of Finance. The EDP section of the Federal Statistical Office establishes for each of the previous four years the actual data on government deficit, on government investment expenditure and on interest expenditure for the sub-sectors of general government as well as on gross domestic product. Estimates of the planned data for the current year are provided by the Federal Ministry of Finance (BMF). They are based on the general government accounts according to ESA 1995. The actual data on the government debt at the end of each year and the factors influencing the variation in the level of government debt are provided by the Deutsche Bundesbank for the previous years.

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

A formal agreement on cooperation between the concerned institutions as co-compilers of EDP data does not exist yet but is planned to be established in the foreseeable future.

Data providers in connection with the EDP process are the public finance statistics sections of the Federal Statistical Office, the Federal Ministry of Finance and the Deutsche Bundesbank. Public finance statistics is a system of various statistical surveys on public finances carried out partly in a centralized way by the Federal Statistical Office and partly in a decentralized way by the statistical offices of the Länder. The integration of the differently collected data to the result of the overall public budget is carried out by Destatis. In addition, the Federal Ministry of Finance delivers basic data for the central government sub-sector (Bund), which are the baseline data for the compilation of government accounts according to

⁹ Cf. <http://www.bundesrechnungshof.de/en/bundesrechnungshof/pruefungsverfahren/pruefungsmittelungen-des-bundesrechnungshofs-dienen-auch-dem-kritischen-dialog>

¹⁰ Cf. §§ 316 ff. HGB.

ESA 1995. Furthermore the Deutsche Bundesbank provides results from the balance of payments statistics on transactions with the rest of the world as well as information on debt relief to the EDP section of the Federal Statistical Office.

A formal agreement on cooperation between the concerned institutions as data providers for EDP data does not exist. The bilateral cooperation between Destatis and the Federal Ministry of Finance and the Deutsche Bundesbank respectively is organised at an informal level. The cooperation between Destatis and the statistical offices of the Länder is regulated by law: the Finance and Personnel Statistics Act (“Finanz- und Personalstatistikgesetz” – FPStatG) stipulates the division of labour between Destatis and the statistical offices of the Länder. Survey units, survey variables periodicity and obligation to disclosure are also stated in the FPStatG. For a detailed description of data sources received by Destatis see section 3.

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

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

In July 2012 an expert group (“Expertengruppe EU-Stabilitätspaktdaten”) was installed to formalize the cooperation of the involved parties in calculating EDP statistics. Members of this expert group are representatives of the Federal Statistical Office, the Statistical Offices of the Länder, the German Central Bank, the Federal Ministry of Finance as well as two state government Ministries of Finance. It is intended to extend the expert group with representatives of local government associations. The expert group does not have a legal existence and its outcome is not legally binding. Generally the expert group meets once a year, more often if required. Destatis initiates the meetings and prepares the minutes. Issues discussed are data requirements for EU/EDP purposes, to what extent these requirements can be met by Germany respective which actions should be taken to comply with European requirements. In this context the expert group should initiate further development of public finance statistics.

In Germany public accounts including design of financial statements, timeliness, coverage of units etc. are regulated by law at national level outside the control of Destatis. However Destatis can influence the design of the surveys on public finances and the budgetary classification system as a member of specific committees responsible for the structure and further developments of the budgetary classification¹¹.

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

¹¹ The relevant committees are the §49a HGrG Committee at central at state government level and the Standing Conference of the Länder Ministers of Interior at local government level.

2.3.1.2 Access to data sources based on public accounts

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

The respective reporting confirms with its signature the correctness of the reported data in the surveys of public finance statistics. The reported data are source data used for EDP data compilation.

The public finance statistics in the Federal and statistical offices of the Länder share one database of public finance statistics data, the so-called “Berichtskreismanagement (BKM)”. This database is a registry of entities controlled by general government with information on the owners, shareholdings, sector classification, NACE classification, used accounting system and legal form of the unit. The FSO and the statistical offices of the Länder have different access rights.

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

2.3.2 Publication of deficit and debt statistics

2.3.2.1 Publication of EDP data

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

2.3.2.2 Publication of underlying government ESA95 accounts

Germany complies with the ESA95 Transmission Programme regarding the provision of ESA95 accounts for general government. At national level NA results are published in subject-matter series 18 “National accounts” (“Fachserie 18: Volkswirtschaftliche Gesamtrechnungen”). The online edition of the subject-matter series is available on the website of the Federal Statistical Office:

<https://www.destatis.de/DE/Publikationen/Thematisch/VolkswirtschaftlicheGesamtrechnungen/ThemaVGR.html>

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

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

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

http://www.bundesbank.de/Navigation/EN/Statistics/Time_series_databases/Macro_economic_time_series/macro_economic_time_series_node.html?nodeToOpen=189613.

*In addition explanatory publications on revenue and expenditure of general government can be found in *Wirtschaft und Statistik*, the monthly statistical magazine of the FSO, every January and September:*

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

3. EDP tables and data sources

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

3.1 EDP table 1

EDP table 1 provides the core, summary information for the reporting period, as requested by the related EU legislation¹²: net borrowing(-)/net lending(+)(EDP B.9) for general government sector and its subsectors, outstanding amount of Maastricht debt by instruments, Gross Domestic Product (GDP), gross fixed capital formation (GFCF) for GG sector and data on interest expenditure (ESA95 D.41 and EDP D.41)¹³.

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

3.1.1 Compilation of Maastricht debt

3.1.1.1 Specification of debt instruments

- *Currency and deposits (AF.2)*

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

Central government also issues so-called “government day bonds” (Tagesanleihen). This instrument is very similar to money market deposit accounts. It has no maturity and is not listed but can be (purchased and) returned daily. Interest is also accrued daily. Therefore, government day bonds are treated as deposits and not recorded as short-term securities.¹⁴

- *Short-term securities other than shares, excluding financial derivatives (AF.331)*

***Central government** issues mainly two types of short-term securities with an original maturity of up to one year. One-year Federal Treasury Financing Papers (Einjaehrige Finanzierungsschaetze) are not listed securities and cannot be bought by monetary financial institutions (MFIs). They pay an interest in the form of a discount.¹⁵*

Treasury Discount Papers (Bubills) which are by far the most important money market instruments are not listed but traded over the counter and pay an interest in the form of a discount.

¹² http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/documents/council_reg_479-2009

¹³ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2001:344:0001:0004:EN:PDF>

¹⁴ From January 1, 2013 no new government day bonds will be issued.

¹⁵ From January 1, 2013 no new Federal Treasury Financing Papers will be issued.

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

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

Additional short-term security liabilities stem from transfers of liabilities (and assets) of WestLB to Erste Abwicklungsanstalt (EAA), which is like FMSW a government “defeasance structure” (classified inside general government).

Local governments also “issue” money market instruments or equivalents. However, these securities are only of very minor importance.

- Long-term securities other than shares, excluding financial derivatives (AF.332)

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

Additional medium- and long-term securities are two-year Federal Treasury Financing Papers (Zweijahrige Finanzierungsschatze) and six-year (type A) and seven-year (type B) Federal Saving Notes (Bundesschatzbrieft).¹⁶ Two-year Federal Treasury Financing Papers are not listed securities and cannot be bought by monetary financial institutions. They pay an interest in the form of a discount. Type A Federal Saving Notes are not listed securities and pay an annual but increasing interest. In contrast, type B Federal Saving Notes are also not listed securities but interest is compounded and paid at maturity.

Additional long-term security liabilities stem from the First and Second World War, so-called funding debentures (Fundierungsschuld). However, these instruments are only of a very minor importance. Other long-term securities result from the securitisation transactions of the German Postal Pension Service (Bundes-Pensions-Service fuer Post und Telekommunikation e.V. – BPS-PT; classified inside central government sector) with claims against Deutsche Post AG and Deutsche Telekom AG after their privatisation related to pension obligations. Furthermore, central government has long-term security liabilities which result from the transfer of liabilities (and assets) of Hypo Real Estate to FMSW (defeasance structure).

¹⁶ From January 1, 2013 no new Federal Treasury Financing Papers will be issued.
From January 1, 2013 no new Federal Saving Notes will be issued.

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

As mentioned for central government, very new long-term securities are so-called central-state-government bonds (*Bund-Laender-Anleihe*). Central and (some) state governments issue together such bonds with an original maturity of about seven years. These bonds are listed securities and pay a regular interest. However, all participating issuers are only liable for a pre-defined percentage of the issued volume (no joint liability and no overcollateralisation).

Additional long-term security liabilities come from transfers of liabilities (and assets) of WestLB to EAA (defeasance structure). A somewhat different construction was chosen to isolate risks of some on-balance assets of Landesbank Baden-Wuerttemberg (LBBW). There is a government guarantee of the state Baden-Wuerttemberg but this is fully backed by a cash deposit of an extra-budgetary unit ("*Garantieportfolio Baden-Wuerttemberg*"; classified inside state government) and funded through long-term securities.

Local governments issue Local Government Treasury Notes. However, these securities provide only a very minor contribution to the refinancing needs of local governments.

- Short-term loans (AF.41)

Central, state and local governments use so-called (short-term) cash advances (*Kassenverstaerkungskredite*) to bridge liquidity shortages. Also central, state and local government as well as social security funds borrow in the form of short-term loans.

Additionally, **central government** receives from its derivative transactions (swap transactions) cash-collaterals. These collaterals are not considered as financial resources for funding purposes but are to be recorded as short-term debt.

Cash collaterals for swaps and other financial transactions are also received by Bundes-Pensions-Service fuer Post und Telekommunikation e.V. (BPS-PT) which is an extrabudgetary unit of central government.

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

For **state governments** there are short-term (notional) loans which result from the rerouting of transactions undertaken by a state-owned public development bank (NBank rerouting).

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

Trade credits with specific features (cases of factoring without recourse and renegotiation of claims) are recorded as short-term loans of state governments based on a Eurostat decision from 2012.

Additional short-term loans come from transfers of liabilities (and assets) of WestLB to EAA (defeasance structure).

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

As for state governments, trade credits with specific features (cases of factoring without recourse and renegotiation of claims) are recorded as short-term loans of state governments based on a Eurostat decision from 2012. The final results of the ADS showed a downward revision compared to the preliminary results. Given that these items were introduced for the first time, the results of the April 2013 notification have not been revised downwards in October 2013. The evolution of these new items will have to be further assessed in future.

- Long-term loans (AF.42)

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

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

However, there are also long-term loans of central government which are not administered by the German finance agency. These loans are only of minor importance and include liabilities resulting from a former levy to support investments (Investitionshilfeabgabe), also loans stemming from the currency conversion in East Germany in 1990 as well as liabilities originating from deposits of citizens of the Federal Republic of Germany (West Germany) holding frozen accounts in the Soviet occupied zone and Berlin before May 9, 1945. Additionally, there are liabilities resulting from purchases of land and residential housing.

Furthermore, central government has long-term (notional) loans resulting from Public Private Partnerships (PPPs), off-market swaps, equity-injection plans for multi-lateral development banks (the redemption follows the actual injection of the “equity” which is conducted in multi-annual instalments).

Long-term loans also result from equity injections into multi-lateral development banks (MDB) where the encashment period is spread over various years, while the recording of the capital increase is recognised at time of decision to increase the capital

Other long-term (notional) loans result from so-called holding arrangements (Platzhaltergeschaefte) with the Kreditanstalt fuer Wiederaufbau (KfW). KfW acquired shares of Deutsche Telekom AG and Deutsche Post AG as well as of the European Aeronautic Defence and Space Company (EADS) to sell them at the stock market at a later point in time or to hold them for an unspecified time period. Given that KfW is acting on behalf of central government in these cases, transactions are to be rearranged (rerouted). They are treated as equity holdings of central government financed by notional loans provided by KfW. The (notional) loans are redeemed when KfW sells the shares at the stock market. Also KfW provided a “loan” to EADS for the construction of the A400M (a military transport aircraft). For this specific “loan” central government provided an explicit guaranty and KfW is considered to be acting on behalf of central government. Therefore, this (notional) liability is classified as a long-term loan of central government. (In national accounts, the counterpart transaction of this notional loan liability is recorded as a subsidy given that the characteristics of a loan are not met).

In addition, the bilateral loans provided by Germany to Greece in the context of the financial and sovereign debt crisis were advanced by KfW on behalf of central government and thus rerouted through central government accounts (notional loans provided by KfW to German central government, and at the same time notional German central government lending to Greece). In the same way, the lending transactions of the European Financial Stability Facility (EFSF) are to be recorded (notional loans provided by EFSF to German central government, and at the same time notional German central government lending to EFSF programme countries).

Included are also long-term loans of an extrabudgetary unit “Treuhandvermoegen fuer den Bergarbeiterwohnungsbau” which are, however, only of very minor importance.

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

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

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

Also long-term (notional) loans are included which result from the rerouting of transactions undertaken by a state-owned public development bank (NBank rerouting).

Additional long-term loans result from transfers of liabilities (and assets) of WestLB to EAA (defeasance structure).

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

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

Besides (ordinary) long-term loans, for **local governments** are also recognized long-term liabilities stemming from PPPs (notional loans) and from so-called Credit equivalent legal transactions (kreditaehnliche Rechtsgeschaefte).

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

In addition, some local governments take loans and directly forward these loans to public but non-governmental entities (on-lending) without reporting these loans as a liability of local governments (no gross display). These loans are separately included as long-term local government liabilities.

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

3.1.1.2 Data sources used for the compilation of Maastricht debt

- **General remark / terminology**

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

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

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

- **April EDP notification**

*For **central government** the main data source is the so-called “Statistic of Federal Government Debt” (SFGD; Statistik der Bundesschuld). This source covers data on both, securities and loans. The statistic is provided by the German finance agency (Bundesrepublik Deutschland Finanzagentur GmbH) at least on a quarterly basis with a time-lag of about one month. Another statistic, which covers overall central government loans (excluding cash advances) and is consistent with SFGD, is the “Report on Loan Notes by Creditors of Central Government” (Meldung zu Schuldscheindarlehen nach Gläubigerklassen). This statistic is also provided by the German finance agency on a quarterly basis with a time-lag of about one month.*

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

Data on coins in circulation and overall holdings of coins not in circulation are made available by the “Department C - Controlling, Accounting and Organisation” of Deutsche Bundesbank.

For multi-lateral development banks (MDB) a special evaluation is provided by the “Department S – Statistics” of Deutsche Bundesbank on a quarterly basis with a time-lag of about two months. Information on capital contributions to MDBs is available at the Deutsche

Bundesbank serving the depository agent for specific promissory notes issued in the context of capital increases of MDBs by the German finance agency.

For the face-value correction of Federal Treasury Financing Papers data are provided by the “Department M – Markets” of Deutsche Bundesbank. Nevertheless, for the face-value correction of Treasury Discount Papers (Bubills) a special evaluation is compiled by the German finance agency on a quarterly basis with a time-lag of about one month.

Data on PPPs’ liabilities and Off-market swaps are provided by Destatis covering annual figures which are sent with a time-lag of about two months.

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

The Ministry of Finance (MoF) provides special evaluations on the holding arrangements with KfW (shares of Deutsche Telekom AG and Deutsche Post AG as well as of EADS), the government-guaranteed “loan” of KfW to EADS (recorded as subsidy by central government to EADS financed by a notional loan provided by KfW) and the bilateral loans to Greece on a quarterly basis with a time-lag of about two months.

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

A special evaluation on the long-term loans of the extrabudgetary unit “Treuhandvermoegen fuer den Bergarbeiterwohnungsbau” is provided by Destatis on a quarterly basis with a time-lag of about two and a half months.

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

*Main data sources for short- and long-term securities as well as loans of **state governments** are the so-called SFK4-report and the (preliminary) quarterly debt statistics (QDS). The SFK4-report is provided by the MoF on a quarterly basis with a time-lag of about two months. The QDS are compiled by Destatis on a quarterly basis with a time-lag of about two and a half months. Both statistics are consistent concerning core budgets. However, the SFK4-Report and the QDS include in the debt figures marked as provided by non-governmental units partly liabilities of core budget state governments provided by governmental units. For cash advances this includes liabilities borrowed from central government, state governments, local governments, social security funds as well as extrabudgetary units / governmental PFIEs. For loans only liabilities provided by social security funds and their extrabudgetary units / governmental PFIEs are included. These government-to-government liabilities are approximately eliminated by subtracting the last available debt figures of the ADS covering these relationships (only minor significance).*

For extrabudgetary units the SFK4-Report and the QDS are not directly used as the SFK4-report covers only core budgets and the QDS includes in the positions designated as debt of extrabudgetary units to non-governmental units partly debt of cameralistic extrabudgetary units to governmental units. Instead, the total debt of all extrabudgetary units (excluding the EAA) is estimated based on the last ADS (which become available only with a time-lag of about 7 months) by extrapolating the last available debt figures (including Credit equivalent legal transactions (kreditaehnliche Rechtsgeschaefte) but without the liabilities of the EAA)

for all extrabudgetary units (except for the EAA) by applying the percentage change of the debt of all extrabudgetary units (excluding the liabilities of the EAA) included in the QDS. Before 2010 not all extrabudgetary units were included even in the ADS. However, main extrabudgetary units were covered through a special evaluation provided by Destatis on a quarterly basis with a time-lag of about two months.

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

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

The total amount of securities comes from the SFK4-report/QDS. However, to distinguish between short- and long-term securities a special evaluation on short-term securities produced by the “Department S – Statistics” of Deutsche Bundesbank on a quarterly basis with a time-lag of about one month is used.

Similarly, to differentiate between short- and long-term loans data from a Bundesbank survey on loans (SoL) conducted on a quarterly basis among all core budget state governments is applied.

For Credit equivalent legal transactions (kreditaehnliche Rechtsgeschaefte) no data are included in the SFK4-report or QDS. Therefore, the figures are left unchanged until a new ADS becomes available (insignificant impact). Because Credit equivalent legal transactions (kreditaehnliche Rechtsgeschaefte) of extrabudgetary units are already covered in the above described estimation procedure, only Credit equivalent legal transactions (kreditaehnliche Rechtsgeschaefte) of core budgets are included.

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

To cover notional liabilities stemming from the rerouting of state-owned public development banks we receive a special evaluation from Destatis on a quarterly basis with a time-lag of about two month.

Data on (notional) PPPs' debt and Off-market swaps have the same sources as described for central government.

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

state of Lower-Saxony. Therefore, a special evaluation is provided by Destatis on the outstanding amount of the notional loan.

Data on EAA are (like for FMSW) provided through the Bista of Deutsche Bundesbank collected by the “Department S – Statistics” with a time-lag of less than one month.

Data for Sealink Funding are provided by the MoF of the Free State of Saxony on a quarterly basis with a time-lag of about one month.

Finally, information on the specific forms of trade credits (cases of factoring without recourse and renegotiation of claims) is included in the ADS since the reporting year 2012. Given the potential risk of underreporting of these figures, the share of zero or non-reporting for the total trade credits in previous surveys was used to extrapolate the total number for the specific forms of trade credits which is to be included in Maastricht debt. For the April 2013 notification first preliminary results of the ADS were used.

Data on liabilities of **local governments** are mainly taken from the QDS which are provided by Destatis on a quarterly basis with a time-lag of about two and a half months.

The QDS include in the debt figures marked as provided by non-governmental units partly liabilities of overall budget local governments provided by governmental units. For cash advances this includes liabilities borrowed from central government, state governments, local governments, social security funds as well as extrabudgetary units / governmental PFIEs. For loans only liabilities provided by social security funds and their extrabudgetary units / governmental PFIEs are included. These government-to-government liabilities are approximately eliminated by subtracting the last available debt figures of the ADS covering these relationships (only minor significance).

Additionally, the QDS do not differentiate between securities and loans. (Nevertheless, cash advances (Kassenverstaerkungskredite) as a part of overall loans are displayed.) Therefore, to distinguish securities from loans, (total) debt in the form of securities is taken from the last available ADS (time-lag of about 7 months) and subtracted from the total debt according to the QDS in order to estimate the (total) value of local government loans.

To obtain the share of short-term loans the value for cash advances reported in the QDS is taken and other short-term loans are added. However, there is also no maturity breakdown in the QDS. Therefore, other short-term loans are estimated: First, the percentage share of short-term loans on total loans for state governments are calculated by using the information from the SoL. It is assumed that this share is the same for local governments. Then this percentage is applied to total loans of local governments as calculated on the basis of the QDS in order to receive other short-term loans. Before the reporting year 2010 no differentiation in short- and long-term securities is included in the ADS. To distinguish between short- and long-term securities before 2010 a special evaluation by the “Department S – Statistics” of Deutsche Bundesbank on a quarterly basis with a time-lag of about one month is used.

Credit equivalent legal transactions (kreditaehnliche Rechtsgeschaefte) are partly included in the QDS. Credit equivalent legal transactions comprise purchases of with mortgages encumbered land (Hypothecken-, Grund- und Rentenschulden), outstanding purchase prices (Restkaufgelder) and financial leasing. The latter is not included. Therefore, the unchanged values of the latest available ADS are used as an estimate for credit equivalent legal transactions in financial leasing.

Additionally, local government debt includes liabilities of so-called PSPAs (Zweckverbaende). The debt of these entities is only reported annually in the ADS (not covered by the QDS). As a result, the debt (short- and long-term loans) has to be estimated for the April notification by using the last available debt figures for PSPAs from the ADS and extrapolating the debt by applying the growth rate of total debt of local governments on the basis of the QDS.

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

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

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

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

To capture loans taken by (some) local governments, which are directly forwarded to public but non-governmental entities, and which are not reported by local governments as a liability/ loan, a special evaluation compiled by Destatis is used to estimate these loans. This evaluation discloses loans of public but non-governmental entities provided by local governments which are the owner of these entities. It is not observable whether these loans have been reported by local governments as a liability/ loan. However, these loans have only a very minor impact on local government debt. For the April notification this evaluation is not available. Hence, the unchanged values of the last evaluation are used.

Finally, information on the specific forms of trade credits (cases of factoring without recourse and renegotiation of claims) is included in the ADS since the reporting year 2012. Given the potential risk of underreporting of these figures, the share of zero or non-reporting for the total trade credits in previous surveys was used to extrapolate the total number for the specific forms of trade credits which is to be included in Maastricht debt. For the April 2013 notification first preliminary results of the ADS were used.

*Debt of **social security funds** is only recognized in the form of short- and long-term loans. Counterpart information is used to compile these positions. All loans provided by monetary financial institutions to social security funds are included. The data become available through the Bista of Deutsche Bundesbank compiled by the "Department S – Statistics" with a time-*

lag of less than one month. Since 2010, debt of social security funds is included by the ADS. However, the Bista data source is still used for the time being, as more experience should be gained with the ADS data (which systematically shows lower figures).

- **October EDP notification**

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

Additional information is directly provided by FMSW on accrued interest and derivative instruments contained in balance sheet positions if not explicitly stated in the report.

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

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

Also, before 2010 the ADS did not include a differentiation between short- and long-term securities and loans. To distinguish between short- and long-term securities and loans for the reporting years before 2010 a special evaluation on short-term securities produced by the “Department S – Statistics” of Deutsche Bundesbank and the SoL for short-term loans as described above for the April notification were used.

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

Since the ADS and the FASS are available for the October notification, the same calculations for loans provided by PFIEs are performed as described above for the April notification.

The data for EAA are taken from the audited annual report of EAA and a special evaluation provided by EAA on accrued interest.

Annual audited reports of Sealink Funding are made available and implemented with a time-lag of approximately one and a half year.

Information on specific forms of trade credits are contained in the ADS and accordingly should be applied. However, the procedure to avoid the risk of underreporting should be used as described for the April notification. The response rate based on the final ADS should be higher and the degree of estimation should be lower respectively. The final results of the ADS showed a downward revision compared to the preliminary results. Given that these items were introduced for the first time, the results of the April 2013 notification have not been revised downwards in October 2013. The evolution of these new items will have to be further assessed in future.

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

*Instead of the QDS the main data source on short- and long-term securities and loans of **local governments** is the ADS which are collected by Destatis with a time-lag of about 7 months.*

However, before the reporting year 2010 the ADS do not distinguish between short- and long-term securities and loans.

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

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

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

Since the data on PSPAs are included in the ADS no estimation on debt of PSPAs as for the April notification is needed.

Concerning loans from PFIEs the same calculations as described above for the April notification but using the newly available ADS and FASS are applied.

For loans taken by (some) local governments, which are directly forwarded to public but non-governmental entities, and which are not reported by local governments as a liability/ loan, a special evaluation compiled by Destatis is used to estimate these loans. This evaluation discloses loans of public but non-governmental entities provided by local governments which are the owner of these entities. It is not observable whether these loans have been reported by local governments as a liability/ loan. However, these loans have only a very minor impact on local government debt.

Information on specific forms of trade credits are contained in the ADS and accordingly should be applied. However, the procedure to avoid the risk of underreporting should be used as described for the April notification. The response rate based on the final ADS should be higher and the degree of estimation should be lower respectively. The final results of the ADS showed a downward revision compared to the preliminary results. Given that these items were introduced for the first time, the results of the April 2013 notification have not been revised downwards in October 2013. The evolution of these new items will have to be further assessed in future.

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

*For **social security funds** the same sources are applied as described above for the April notification.*

3.1.1.3 Amendments to basic data sources

For **central government** a nominal value correction is conducted for Federal Treasury Financing Papers and Treasury Discount Papers (Bubills). Because these securities are recorded with a discount in the SFGD a correction is needed to obtain the nominal (face) value. For Federal Treasury Financing Papers data are provided by the “Department M – Markets” of Deutsche Bundesbank. For the correction of the nominal value of Treasury Discount Papers (Bubills) a special evaluation is compiled by the German finance agency on a quarterly basis with a time-lag of about one month.

For FMSW, information on accrued interest and on derivative instruments contained in balance sheet positions “liabilities to banks” and “liabilities to customers” are used for correction. The data are directly provided by FMSW.

For EAA (**state government** level) also a nominal value correction is conducted for zero-coupon bonds. The data are provided through the Bista of Deutsche Bundesbank compiled by the “Department S – Statistics” with a time-lag of less than one month.

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

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

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

3.1.1.4 Consolidation of Maastricht debt

- *Intra-flows*

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

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

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

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

For long-term loans provided by other central government units to core budget central government the “Report on Loan Notes by Creditors of Central Government” (Meldung zu Schuldscheindarlehen nach Gläubigerklassen) is supplied by the German finance agency on a quarterly basis with a time-lag of about one month.

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

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

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

For **local governments** no intra-subsectoral consolidations are conducted except for short- and long-term loans. As for state governments especially the relationships between core budget local governments and their special funds have to be recognized. Since the reporting year 2010 these relationships are included in overall loans provided by public entities in the position “public funds, institutions and special funds” (PFIEs). For the October notification the ADS is used and therefore the same procedure as described for state governments applies. For the April notification the QDS are available but only report the position loans provided by “public budgets” (oeffentliche Haushalte) which is not differentiated sufficiently to be

used. Hence, the same procedure as for state governments applies using the unchanged values from the latest available FASS and ADS. Before the reporting year 2010 no intra-subsectoral consolidations for short- and long-term loans could be conducted due to a lack of the required data.

For **social security funds** no intra-flows are to be consolidated given the data source used (see chapter 3.1.1.2). (Intra-flow data would be available in the ADS.)

- *Inter-flows*

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

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

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

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

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

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

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

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

For short-term loans data has become available only since the implementation of the new ADS for the reporting year 2010. However, since the ADS are provided by Destatis with a time-lag of about 7 months, the unchanged values of the latest ADS are used for the April notification.

Data for long-term loans of core budget state governments provided by other government subsectors are taken from the ADS for the October notification and from the SFK4-report for the April notification. For long-term loans of extrabudgetary units of state governments the ADS are used for the October notification; for the April notification the unchanged values of the latest ADS are applied.

The new ADS also include the position “other public special accounts” (PFIEs) which covers short- and long-term loans of state governments provided by “other public special accounts” (PFIEs). This position includes loans of governmental and non-governmental units. As described in chapter 3.1.1.2, to separate these units the FASS are used.¹⁷ The FASS show the liabilities of state governments to extrabudgetary units of other government subsectors. These liabilities comprise mainly the loans of governmental units included in the position “other public special accounts” (PFIEs) in the ADS. Therefore, these short- and long-term loans are treated as inter-subsectoral state government debt. These data were not available before the reporting year 2010. Also the FASS are not available before 8 month after the end of the reporting year. For this reason, the unchanged values of the last October notification are used for the April notification.

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

¹⁷ Only for the reporting year 2010 a special evaluation provided by Destatis was used instead of the FASS. This special evaluation disclosed the loans provided by the non-governmental units. Therefore, the remaining amount of the position “other public special accounts” was treated as state government loans provided by other subsector governments.

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

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

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

Since the ADS are not available before 7 months after the end of the reporting year, an estimate for long-term loans is performed for the April notification. The values of the latest ADS are extrapolated by adding the cumulative quarterly change of total loans of local governments to central and state governments on the basis of the QDS. As already noted above, the QDS are not directly applicable because the position “loans provided by ‘public budgets’” of the QDS does not include all loans provided by other subsectors and is not differentiated between subsectors. For long-term loans provided to local governments by social security funds this method is not applied but the unchanged values of the latest available ADS are used for the April notification.

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

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

- *Comment on inconsistencies*

In general, data of the ADS are preferred over the data of the FASS. The reporting of debt has been a long-standing obligation for all government units (whatever accounting system is used). On the other hand, the documentation of financial assets is much less pronounced and

there is far less experience with the FASS. Therefore, the ADS are preferred in particular with regard to debt relationships where core budgets are the creditors.

However, there is a remarkable inconsistency in the consolidation positions within state government subsector where the preference and the procedure are different: Long-term loan debt of the core budget state governments owed to PFIEs (but only state level public non-government and governmental extrabudgetary entities) according to the ADS is lower than the long-term loan claims of state governments extrabudgetary units (Extrahaushalte) towards core budget state governments according to FASS. Given that the delimitation of “core budget state government” used to identify the debtor in FASS is much more clear-cut than the definition of PFIEs used to identify the creditor in the ADS and given that the state level government extrabudgetary units (Extrahaushalte) are exactly identified in the reporting population of the FASS, FASS is used for consolidation of this position.

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

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

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

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

- Basic data sources
- Complementary data sources used for the purpose of special ESA95 adjustments (e.g. accrual adjustments, recording of specific government transactions, etc).

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

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

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		T + days	T+month🇺🇸		cross appropriate cells		
				Budget Reporting			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
C	Q	T+20 ¹⁸	T+(24-31) ¹⁹	(3) Current and capital revenue and expenditure and financial transactions	X	X	X
				(4) Balance sheets			
				Financial Statements			
				(5) Profit and loss accounts			
				(6) Balance sheets			
				(7) Cash flow statement			
				Other Reporting			
				(8) Statistical surveys			
				(9) Other:			
A	M	T+40	T+51	Balance of Payments Statistics		X	X
A	M	T+21	T+21 days	Report of BMF on tax revenue		X	
C	A	T+8/9 months	T+8/9 months	Financial asset stock statistics (FASS)			X
C/A	M	T+1½ months	T+1½ months	Securities Accounts Statistics			X
				Various debt statistics (see section 3.1.1 for details) ²⁰			X
				Eurostat-reporting on EFSF transactions			X

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

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

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

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

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

To calculate the items of revenue and expenditure of central government and its special funds, which are used to calculate the net lending/net borrowing of central government in accordance with the NA definition, the Federal Ministry of Finance (BMF) provides quarterly and up-to-date reports on cash revenue and expenditure. These are complete and provide a detailed breakdown of all characteristics of the budget classification for the central

¹⁸ Public finance statistics publishes their results in t+120 days.

¹⁹ In general the first results and the final results for the core budget of central government are identical.

²⁰ Data sources for the compilation of debt are described in section 3.1.1.

government budget and for the special funds of the central government. They are identical with the results recorded at a later date for the central government and its special funds as part of the quarterly cash statistics of the overall public budget and of the annual accounting statistics of the public finance statistics.

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

While non-financial transactions are well covered by public finance statistics' accounting statistics, financial transactions are only partly included. Therefore, additional reportings/ data sources for main central government are necessary. (See section 3.2.1.3.2). Owing to the lack of full and consistent coverage of financial transactions (in particular in the asset side) in the underlying accounting system, B.9 is considered as the best estimate for B.9f. Accordingly, in the financial accounts, transactions in other financial assets (F.7) are adjusted to set B.9f equal to B.9. However, to provide full transparency for the surveillance of deficit-debt-adjustments, EDP Table 3A-E only report transactions in other financial assets (F.7) which are derived from underlying data sources (like the cash-accrual adjustments necessary to transform public finance statistics into NA).

3.2.1.1 Details of the basic data sources

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

Considering the budget position 06 08 425 01-014 as an example, the twelve-digit number contain the following information:

06	indicate the individual budget (i.e. Federal Ministry of the Interior),
0608	represents the subordinated unit (i.e. Federal Statistical Office),
425	describe the economic type of the receipts or expenditures (i.e. compensation of the employees),
01	serial number,
014	area of function (i.e. statistical service).

For the compilation of ESA95 aggregates the main information used is the economic kind of the revenues and expenditures (classification by object).

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

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

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

In most instances the structure of inflows and outflows of the basis data source is appropriate for the identification of individual flows which are to be specifically treated/reclassified according to ESA95 requirements, e.g. from non-financial into financial transaction and vice versa.

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

BoP data are available according to the provisions of the Balance of Payments Manual in the respective applicable version.

The monthly reports of the BMF on cash tax revenues are broken down by tax type and month.

Working balance (WB)

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

In general the WB is compiled by public finance statistics.

Disgression concerning public finance statistics

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

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

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

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

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

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

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

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

Response to the surveys, which are complete surveys, is compulsory.

Data on the quarterly revenue and expenditure of the core budgets of the Federation and the Länder (excluding the city-states) are provided by the ministries of finance. The relevant data for the city-states (Berlin, Bremen, Hamburg) are supplied by the respective statistical offices or Land agencies.

Information on the quarterly revenue/inpayments and expenditure/outpayments in the core budgets of the municipalities/associations of municipalities is delivered to the statistical offices of the Länder/Land agencies.

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

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

- *Units using cameralistic accounting compile a data record, which is then transmitted to the ministries of finance, the Federal Statistical Office or the statistical offices of the Länder/Land agencies.*
- *Units using commercial accounting either compile a data record or provide the data by way of a questionnaire to the statistical offices of the Länder/Land agencies.*

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

The quarterly cash statistics of the overall public budget are based on a complete survey. Only few units are affected by item or unit non-response. In the event of non-response, data are estimated based on the figures for the previous quarter or year. As far as statutory accident insurance is concerned, the data are estimated on an infra-annual basis.

The step-by-step introduction of double-entry accounting in the municipalities and associations of municipalities in several Länder has had an influence on the quality of the quarterly cash results for municipal budgets. Nevertheless, the cumulated data on revenue and expenditure provide an informative picture of the municipalities' financial situation. For the time being, however, no results are published for individual quarters.²¹

The results of the annual finance statistics are used for compilation and publication of the annual accounting results of the overall public budget, available at T+ (between 24 and 31 months).

For central, state and local government units revenue and expenditure data are collected from the annual financial statements according to the respective budget classification by object and by function. For social security funds revenue and revenue are collected on the basis of the accounting records of the particular bodies according to a classification which can be bridged to the classification system of central and state government.

Response to the surveys, which are complete surveys, is compulsory.

Data on the financial statements of central and state governments are provided to Destatis by the ministries of finance as well as the directors of the units in charge of the budget/cash/accounting system. The annual accounting results of the municipalities and the municipal special purpose associations ("kommunale Zweckverbände") are prepared by means of a common software program by the respective regional statistical offices and supplied to Destatis in the form of totals records grouped by size of administrative districts and by accounting system (cameralistic vs. commercial accounting). Thus individual data exist only in regional statistical offices.

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

²¹ Cf. <https://www.destatis.de/EN/Meta/abisz/CashStatistics.html>.

Destatis has the task of collating the differently structured basic data to produce the annual accounting results for the overall public budget.²²

3.2.1.2 Statistical surveys used as a basic data source

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

3.2.1.3 Supplementary data sources and analytical information

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

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

For the recording of transactions with the RoW balance of payments statistics, the EU budget and a special report of European Commission regarding payment flows in connection with EU funds are used for the compilation of non-financial accounts.

For debt cancellation and debt assumption additional information is used from the balance of payments and direct information from the Ministry of Finance (BMF).

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

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

²² Cf.

https://www.destatis.de/DE/Publikationen/Qualitaetsberichte/FinanzenSteuern/Rechnungsergebnoeffentl.pdf?__blob=publicationFile.

Production and foreign trade statistics provide quarterly results for the construction work performed by manufacturers. For the construction work performed by architects, surveyors and structural engineers, real estate agents etc. annual values are obtained from VAT statistics. For the breakdown by building types information is derived from the working hours by building types. The sum of the construction work performed by the categories of service providers and of the type of construction work performed in government buildings represents the government gross fixed capital formation in construction. The breakdown of this government gross fixed capital formation in construction into sub-sectors is derived from the structure of the cash figures of public finance statistics.

Data for the recording of refunds relating to court decisions are provided by the BMF and by the working group “tax estimation”.

For the recording of transactions in connection with emission permits data on sales of emission permits of the German Emissions Trading Authority (“Deutsche Emissionshandelsstelle”) are used.

For the recording of toll revenues publicly available data of the Federal Office for Goods Transport (German: Bundesamt für Güterverkehr, BAG) are used.²³

For the recording of discount and premium in connection with index-linked securities a model calculation is carried out by using data of Deutsche Finanzagentur (German Finance Agency).

Additionally the BMF provides information on

- *rerouting transactions of the Kreditanstalt für Wiederaufbau (KfW) in cases the KfW acts on behalf of government,*
- *swaps transactions,*
- *coupons sold,*
- *prepayments for military goods.*

3.2.1.3.2 Supplementary data sources used for the compilation of financial accounts

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

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

²³ Cf. http://www.bag.bund.de/DE/Navigation/Verkehrsaufgaben/Statistik/Mautstatistik/mautstatistik_node.html.

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

Settlement payments for swaps and forward rate agreements (transactions in financial derivatives F.34) are included in “securities other than shares” (F.3). Relevant information on F.34 transactions (and their correction for lump-sum payments or swap cancellations) of core central government are reported by the ministry of finances (MoF) to the Statistisches Bundesamt and shared with Deutsche Bundesbank once a year (available T+2½ months) for compiling the financial accounts.

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

Debt cancellations increase the deficit without additional funding requirements. Therefore, redemptions of loans (F.4) have to be imputed as the financial counterpart transaction of the underlying capital transfer. The data are made available by the MoF. Other adjustments also related to guarantees granted by federal government like flows included in the budgetary positions for granting and redemption of loans (fees/commissions/interests) are to be corrected as well based on information provided by the MoF (available T+2½ months).

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

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

Additional adjustments are made in case of transactions in shares of Deutsche Telekom and Post (Platzhaltergeschaefte). A sale of financial assets is not recorded when the KfW takes over the shares from government, but at the time the KfW places the shares on the market (rearranging of transactions). Similarly, transactions by KfW on behalf of central government are rerouted (bilateral loans provided to Greece, acquisition of EADS shares). Necessary data are provided by the MoF.

For the shares held by KfW on behalf of government (Deutsche Telekom and Post), dividends and notional financing costs are attributed to core central government in NA. As these (notional) flows related to these holding arrangements are not effectively paid out to government, the net proceeds (dividends less financing costs) are treated as reinvested into KfW (F.5). Information is received by Destatis and shared with Deutsche Bundesbank once a year (available T+2½ months) for the compilation of the financial accounts.

Profit distributions by the Deutsche Bundesbank, which have the effect of reducing the borrowing requirement, are recorded as withdrawal of equity F.5 (superdividend). The

relevant calculations (by Destatis) are based on the annual report of the Deutsche Bundesbank (available T+3½ months).

Transactions in mutual fund shares F.52 (for total S.1311, ie not separated between core and other central government entities) are taken from the Securities accounts statistics (Depotstatistik) of Deutsche Bundesbank (available at T+1 ½ months).

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

For the category “Other financial assets”, there are gaps in the source data owed to the mainly cash-based public accounting system. For the EDP notifications, only transactions are shown which have an underlying data source. This is the case for F.7 related to taxes and social contributions, EU flows, heavy load tolls, or military expenditure which are compiled in line with the cash-accrual adjustments for the calculation of the non-financial accounts by Statistisches Bundesamt. Transfers to special funds of central government by state government which are not shown in the public finance statistics but recorded as revenue of central government are recorded as other financial asset.

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

For the category “other liabilities” the same caveats with regard to the accounting system apply. Transactions in other liabilities are mainly based on cash-accrual corrections for the calculation of the non-financial accounts conducted by Statistisches Bundesamt (construction investment, EU-flows, heavy load tolls, emission permits).

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

3.2.1.4 Extra-budgetary accounts (EBA)

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

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

3.2.2 Data sources for other Central Government units

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

In Germany the other central government units are divided into the special asset funds of the federal government and the funds, institutions and enterprises classified in central government sector. All central government units are reported in the WB in EDP T2A.

Table 3.1 – Availability and use of basic source data for other central government units: special asset funds of federal government

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		T + days	T+month📅		cross appropriate cells		
				Budget Reporting			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
C	Q	T+20 ²⁴	T+(24-31) ²⁵	(3) Current and capital revenue and expenditure and financial transactions	X	X	
				(4) Balance sheets			
				Financial Statements			
				(5) Profit and loss accounts			
				(6) Balance sheets			
				(7) Cash flow statement			
				Other Reporting			
				(8) Statistical surveys			
				(9) Other:			
A	M	T+40	T+51	Balance of Payments Statistics		X	

See notes to table 2, on the used abbreviations.

²⁴ Public finance statistics publishes their results in t+120 days.

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

**Table 3 – Availability and use of basic source data for other central government units:
Quarterly and annual statistics for public funds, institutions and enterprises**

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		T + days	T+month📅		cross appropriate cells		
				Budget Reporting			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
				(3) Current and capital revenue and expenditure and financial transactions			
				(4) Balance sheets			
				Financial Statements			
				(5) Profit and loss accounts			
				(6) Balance sheets			
				(7) Cash flow statement			
				Other Reporting			
	Q	T+90	T+23	(8) Statistical surveys	X	X	
				(9) Other:			

See notes to table 2, on the used abbreviations.

The data source for central government units other than the main central government unit and its special asset funds is the statistics of public funds, institutions and enterprises of the public finance statistics. These source data are used for the compilation of the working balance and B.9 (NFA). The accounting basis of the source data is mixed: accrual for units using commercial accounting and cash for units using fiscal accounting, the periodicity of the quarterly statistics for public funds, institutions and enterprises is quarterly. Final data are available with the results of the annual statistics for public funds, institutions and enterprises, the periodicity of the annual statistic is annual.

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

3.2.2.1 Details of the basic data sources

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

The quarterly statistics for public funds, institutions and enterprises collects revenues and expenditures as well as expenditure on investment broken down by types for extra budgets. Additionally the stock of liabilities at the end of the quarter broken down by classes of liabilities is quarterly recognised.

The data collection characteristics allow for distinguishing different ESA 95 categories and for consolidation of flows within the government sector. Financial and non-financial flows can be distinguished. Complementary codification at data source by counterpart sector other than S.13 is not available.

3.2.2.2 Statistical surveys used as a basic data source

See section 3.2.2.1.

3.2.2.3 Supplementary data sources and analytical information

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

In general the delimitation of the government sector in public finance statistics and in national accounts is identical since the public finance statistics follows the sector classification rules of national accounts in Germany. In individual cases there may be short-term discrepancies, when newly created extrabudgetary units have not yet been included in the reporting population of public finance statistics. When establishing revenue and expenditure in the framework of NA the data for these extrabudgetary units are amended by special reports of the BMF or by business reports.

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

See section 3.2.2.3.

3.2.2.3.2 Supplementary data sources used for the compilation of financial accounts

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

The public finance statistics do not cover all financial transactions. (Only transactions in loans and equity are normally captured). In addition, for extra-budgetary units applying business accounting, no financial transactions are currently reported. However, for central government level, a “cash-concentration system” is in place for pooling liquidity reserves which are managed the German finance agency (Bundesrepublik Deutschland Finanzagentur GmbH) and which covers most central government entities.

Some extra-budgetary central government units may have own cash-accounts with the Deutsche Bundesbank. Information on such deposits are provided by “Department C -

Controlling, Accounting and Organisation” of Deutsche Bundesbank. Data is available a few days after the reference period.

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

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

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

Additional information on asset holdings of federal government extra-budgetary funds (“Versorgungsfonds”, “Versorgungsruecklage” and “Restrukturierungsfonds fuer Kreditinstitute”) are provided by “Department M – Markets” of Deutsche Bundesbank which is in charge of the management of the assets.

To consolidate loans granted by core central government to the Bundesanstalt fuer Immobilienaufgaben (BIMA) the annual report by BIMA is used when available (6 month after reference year). In addition/alternatively, the annual debt statistics (also not available for April Notification) can be/is used for consolidation of loan transactions on the asset side for loans granted by core central government to extra-budgetary units of the same sub-sector level.

3.2.3 EDP table 2A

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

3.2.3.1 Working balance - use for the compilation of national accounts

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

3.2.3.2 Legal basis of the working balance

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

The WB is not voted by the Parliament.

The WB is not audited by a national auditing authority.

3.2.3.3 Coverage of units in the working balance

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

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

There are no units reported in the working balance which do not belong to government sector as defined by ESA95.

There are no government units reported in the working balance which do not belong to the particular government subsector.

Public enterprises classified outside general government sector are included in annual statistics for public funds, institutions and enterprises of public finance statistics but they are neither included in quarterly cash statistics of the overall public budget nor in annual accounting results of the overall public budget which are used as data sources for EDP data. The sector classification of each unit is labeled in the BKM.

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

As mentioned before, in principle, the ESA 95 definition of Central Government sub-sector does not differ from the reporting population of the annual accounting statistics of public finance statistics. In individual cases there may be short-term discrepancies, when newly created extrabudgetary units have not yet been included in the reporting population of public finance statistics. When establishing revenue and expenditure in the framework of the NA the data for these extrabudgetary units are amended by special reports of the BMF or by business reports.

3.2.3.4 Accounting basis of the working balance

The accounting basis of the working balance is mixed: cash for the core budget and the federal special funds using fiscal accounting and accrual for extra-budgetary units using a double-entry bookkeeping system according to the provisions of the German Commercial Code.

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

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

The accounting basis used for recording of interest expenditure and revenue is cash. All interest expenditure and revenue of the main entity are recorded in the WB. Payments of discount and inflows of premium are recorded in the WB, amounts cannot be identified in the basis data source. Hence amounts of discount and premium in connection with index-linked securities are derived by a model calculation using data of Deutsche Finanzagentur (German Finance Agency). An adjustment for premium is included. Under line "Difference between interest paid and accrued" only adjustments for expenditure for the main entity and the special asset funds are reported.

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

Further adjustments to accrual interest reported under “other adjustments”:

- *Under position “index-linked securities (interest)” the interest expenditures related to index-linked securities are reported.*
- *Under position “Interest in loans to Greek” interest revenue and expenditure relating to loans to Greek are reported.*
- *Under position “EFSF” interest revenue and expenditure, intermediate consumption and payments for other non-market output due to the rerouting of the EFSF are reported.*

For a detailed description of accrual adjustments for interest in NA, see section 6.4.

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

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

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

The following non-financial transactions are amended to accrual basis via receivables F.7:

- *Taxes (see section 6.1.1)*
- *Military equipment (see section 6.3)*

The following non-financial transactions are adjusted to accrual basis via payables F.7:

- *Construction*
- *Child benefit*
- *Emission permits*
- *EU-Flows*

3.2.3.4.3 Other accrual adjustments in EDP T2

Under “other adjustments”, position “Toll (difference cash vs. accrual)” the accrual adjustment for revenues from heavy goods vehicle toll is reported.

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

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

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

There are no non-financial transactions not included in the working balance.

3.2.3.6 Financial transactions included in the working balance

The following financial transactions are recorded in the WB:

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

These financial transactions can be identified via the classification by object of the federal budget and are not recorded as revenue/expenditure in NA. For extrabudgetary units included in the WB data on financial transactions are available only for units with fiscal accounting. The classification of expenditure, revenue and other flows of extrabudgetary units with fiscal accounting is the same as for the federal budget. For extrabudgetary units with a double-entry bookkeeping system positions of the income statement are reported which do not include financial transactions. Thus the WB does not include financial transactions of extrabudgetary units with a double-entry bookkeeping system.

Transactions which have been recently reported in EDP table in the adjustment line “Financial transactions included in the WB”:

- *Loans granted: FZ loans (Development policy purposes)*
- *Loans, repayments:*
 - *FZ loans (Development policy purposes)*
 - *Repayments of loans by the "Nationaler Übergangsrat zur Sicherung der demokratischen Entwicklung in Lybien"*
 - *Repayments of loans by the Deutsche Bahn*
 - *Repayments of FZ Loans (Development policy purposes)*
- *Equities, acquisition:*
 - *Capital injection into Commerzbank via the Special Fund Financial Market Stabilization*
 - *Capital injection into HRE via the Special Fund Financial Market Stabilization*
 - *Capital injection into WestLB via the Special Fund Financial Market Stabilization*
 - *Capital injection into Commerzbank via the Special Fund Financial Market Stabilization*
 - *Capital injection into FMS Wertmanagement*
- *Equities, sales:*
 - *Reduction of Special Fund Financial Market Stabilization (SoFFin) silent participation in Commerzbank*
 - *Reduction of Special Fund Financial Market Stabilization (SoFFin) silent participation in Aareal Bank*

3.2.3.7 Other adjustments reported in EDP T2

- *The item “debt release” corresponds to transactions relating to debt releases or debt cancellations since they are not included in the public finance statistics as they are non-cash expenses.*

- Under position “dividends of the central bank” the adjustment of the cash amount of Bundesbank profits transferred to the Federal Government is reported which is based on the super-dividend test.
- Under position “KfW holding arrangement (Deutsche Telekom and Deutsche Post shares)” dividend payments of Deutsche Telekom and Deutsche Post rerouted to central government are reported as revenue and refinancing costs of KfW are reported as expenditure.
- Under position “tax revenue differences between public finance statistics and tax statistics” the difference between tax revenues recorded in public finance statistics and tax revenues recorded in NA due to different data sources used is reported.
- Under the position “PPP” the redemption of imputed loans is reported. In German public finance statistics the regular PPP payments are in total reported in a classification category for intermediate consumption. Since in German NA all PPP projects are reported on government’s balance sheet, the regular PPP payments of government to the private partners consist of a service charge (recorded as intermediate consumption in NA), imputed interest expenditures on the imputed loan (recorded as accrued interest payable in NA) and the redemption of the imputed loan.
- Under position “extrabudgetary units” differences between public finance statistics and NA in the recording of transactions of extra-budgetary units are reported.
- Position “reclassification and correction of non-financial and financial transactions” is composed of several transactions recorded as financial transactions in public finance statistics and as non-financial transactions in NA.
- Under position “clearing settlement of accounts” differences between public finance statistics and NA regarding the consolidation between general government sub-sectors is reported.
- Under position “difference between public finance statistics and balance of payment” the differences between public finance statistics data and BOP data concerning the recorded amounts in connection with transactions with ROW are reported.

3.2.3.8 Net lending/net borrowing of central government

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

3.2.4 EDP table 3B

3.2.4.1 Transactions in financial assets and liabilities

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

Owed to the lack of full and consistent coverage of transactions in financial assets in the underlying accounting system, B.9 is considered as the best estimate for B.9f. Accordingly, in the financial accounts, transactions in other financial assets (F.7) are adjusted to set B.9f equal to B.9. However, to provide full transparency for the surveillance of deficit-debt-adjustments, EDP Table 3A-E only report transactions in other financial assets (F.7) which are derived from underlying data sources (like the cash-accrual adjustments necessary to transform public finance statistics into NA).

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

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

Assets: Currency and Deposits (F.2)

Main source is the special evaluation/report by the German finance agency covering F.2-Stocks for core central government and most central government entities (as taking part in the central government cash pooling). This is a direct source data, not integrated in public accounts (transaction in reserves).

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

In general the data in currency and deposits are not integrated in the public accounts. However, in case of FMSW the data is derived from integrated business accounts.

Assets: Securities other than Shares (F.3)

Transactions in securities other than shares (F.33) which are mainly transactions within the reserves of central government (and its special funds/ extra-budgetary entities) and accordingly not integrated in public accounts. For central government special funds managed by the Bundesbank (“Versorgungsfonds”, “Versorgungsruecklage” and “Restrukturierungsfonds fuer Kreditinstitute”) transactions are derived from stock data (currently at face value) are provided by “Department M – Markets” of Deutsche Bundesbank.

For FMSW, data on F.33 is provided through the “monthly balance sheet statistics” (Bista) of Deutsche Bundesbank (preliminary) and substituted by final data taken from the audited annual report of FMSW (Direct source data). Raw data (on stocks) is integrated in the business accounts (ie at book values), but at time of acquisition (time of financial defeasance transaction) a market value markdown was recognised (in line with a capital transfer). When Bista data is used accrued interest has to be added as it is not included in the balance sheet positions. When the annual report is available, the calculation of transactions takes revaluations into accounts which are reflected in the changes of stocks. In addition, derivative components which are accounted together with the underlying instrument (hedge accounting) in the annual report have to be extracted (and recorded as F.34).

For BPS-PT a direct reporting was agreed for stocks invested in F.33 (book values including interest accrual).

F.34 for core central government contains the settlement payments for derivatives (included in the interest expenditure in the budget). This information is provided on an annual basis by the MoF to Destatis and shared with the Bundesbank. (direct source data).

F.34 for FMSW is calculated on a net basis. Information to extract these positions from F.33 instruments and from accruals/deferrals (annual report) and other assets and other liabilities (Bista), supplementary information is directly reported by FMSW.

Consolidation within central government subsector:

Consolidation elements are taken into account for calculating F.33 on the level of central government (only direct data sources are used, ie from the central government entity holding the central government debt securities: “Versorgungsfonds”, “Versorgungsruecklage”, “Restrukturierungsfonds fuer Kreditinstitute” and FMSW).

Assets: Loans (F.4)

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

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

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

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

Debt cancellations increase the deficit without additional funding requirements. Therefore, redemptions of loans (F.4) have to be imputed as the financial counterpart transaction of the underlying capital transfer. The data are made available by the MoF. Other adjustments also related to guarantees granted by federal government like flows included in the budgetary positions for granting and redemption of loans (fees/commissions/interests) are to be corrected as well based on information provided by the MoF (available T+ 2½ months).

EFSF loans to be rerouted through government accounts are included on the basis of a regular reporting by Eurostat (whether accrual or cash to be clarified).

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

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

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

Consolidation within central government subsector:

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

However, loans granted by core central government to the Bundesanstalt fuer Immobilienaufgaben (BIMA) are identified in the annual report of BIMA. This source is used when available (6 month after reference year). In addition/alternatively, the annual debt statistics (also not available for April Notification) can be/is used for consolidation of loan transactions on the asset side for loans granted by core central government to extra-budgetary units of the same sub-sector level. (Until the reporting year 2011, only loans to

BIMA were relevant. For 2012 additional central government extra-budgetary units report loans provided by core central government.)

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

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

Assets: Shares and other Equity (F.5)

Public finance statistics is the main data source and starting point for calculating F.5 for central government comprising budgetary data for central government core and extra-budgetary units except those with business accounting. The main source corresponds to the amounts reported in EDP Table 2A.

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

A detailed breakdown of the budgetary title related to the disposal of shares and equity (Gruppierung 133) are provided by the MoF. Based on this information, some transactions which are not of equity-type (F.5) like loans (F.4) or non-financial transactions (like dividends) are corrected for.

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

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

Transaction in the capital of multilateral development banks (MDB, in particular related to concessionary funds) which are included in the budget (ie cash payments) are not recorded as financial transactions anymore in the budget (Gruppierung 836 Erwerb von Beteiligungen im Ausland). Thus, no correction is necessary for this (anymore). When equity capital (ie not related to concessionary funds) is injected into MDB and paid in multi-annual instalments, the injection is recorded at inception (with a corresponding F.4 liability, see sections 3.1.1.1 and 3.1.1.2). For this, a special evaluation is provided by the "Department S – Statistics" of Deutsche Bundesbank on a quarterly basis with a time-lag of about two months. Information on capital contributions to MDBs is available at the Deutsche Bundesbank serving the depository agent for specific promissory notes issued in the context of capital increases of MDBs by the German finance agency.

Transactions in mutual fund shares F.52 (transactions in reserves not included in the budgetary accounting) are taken from the Securities accounts statistics (Depotstatistik) of Deutsche Bundesbank.

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

Other financial assets (F.6)

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

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

Other financial assets (F.7)

For the EDP notifications, only transactions are shown which have an underlying data source (unlike the recording in the financial accounts where F.7A are used to adjust B.9f to B.9).

F.7 related to

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

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

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

Finally, F.7 for FMSW is calculated on the basis of Bista/annual report data and the B.9 (net-borrowing/net-lending) reported by Statistisches Bundesamt in order to close the individual financial accounts of this unit (ie balancing item for the FMSW as a single unit).

The notional acquisition other accounts receivable related to EFSF rerouting is based on regular reporting by Eurostat.

Other financial liabilities (F.7) – part of Adjustments of EDP Table 3B

For the category “Other financial assets”, allowance has to be made for cash-accrual adjustments calculated and provided by Statistisches Bundesamt (on a semi-annual basis). See also section 6). 7 liabilities relate to

- construction investments*
- EU-flows*
- Child benefits*
- Emission permits.*

- implementation of court decisions (until April Notification 2013, this was corrected by changing the tax claims in case of tax related court decisions).

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

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

3.2.4.2 Other stock-flow adjustments

Issuance above/below nominal value

Under this position issuances of T-bills (Bubills and Federal Treasury Financing Papers) at discount are accounted for.

To avoid inflating the positions „Issuances above/below par“ and “difference between interest paid and accrued” in case of frequent issuances of money market instruments the discounts redeemed are subtracted from the discounts of new issuances and the discounts are view as interest payment at time of redemption.²⁶

The effect of this treatment can be shown in a simple example:

It is assumed that in each quarter there is one issuance and one redemption of a T-bill (face value 100). Accordingly, Maastricht debt remains unchanged.

For simplicity, the discount is set constant at 2,5. Accordingly, each period there is a net reduction of currency and deposits (F.2) at the amount of 2,5. Interest accrued is also constantly 2,5 per quarter.

Given that the discounts redeemed are subtracted from the discounts of new issuances, the position “Issuance above/below par” is zero on a permanent basis as there is no change in the discounts at issuance.

Given that the discounts are treated as interest paid at time of redemption, the difference between interest paid and accrued is also zero on a permanent basis.

Period /quarter	1	2	3	4.	Total year
B.9	2,5	2,5	2,5	2,5	10
F.2	+ 97,5 - 100 = -2,5	+ 97,5 - 100 = -2,5	+ 97,5 - 100 = -2,5	+ 97,5 - 100 = -2,5	-10
Issuance belowpar (netted with discounts redeemed)	2,5-2,5 = 0	2,5-2,5 = 0	2,5-2,5 = 0	2,5-2,5 = 0	0
Diff. int. accrued/paid	2,5 - 2,5 = 0	2,5 - 2,5 = 0	2,5 - 2,5 = 0	2,5 - 2,5 = 0	0
Change Maastricht Debt (at face value)	0	0	0	0	0

In the public finance statistics (as main underlying data source for calculating interest expenditure) interest expenditure on discounted t-bills is also recorded at time of redemption.

²⁶ See Eurostat Financial Accounts Working Group, June 2007, Document B.3.2, section on “Reporting of the nominal valuation adjustment” on this issue. This treatment described above corresponds to option 1.2 of the Eurostat document (p. 10).

Given that the basic interest model as described in section 6.4 applies this procedure is conceptually consistent with the calculation of interest and the difference of interest accrued vs. paid.

For the practical implementation the position “Issuances above/below nominal value” for discounted central government money market instruments, the changes in discounts included in Maastricht debt from period t-1 to period t are displayed. For Federal Treasury Financing Papers data are provided by the “Department M – Markets” of Deutsche Bundesbank. For the correction of the nominal value of Treasury Discount Papers (Bubills) a special evaluation is compiled by the German finance agency on a quarterly basis with a time-lag of about one month.

No other items are currently included in this position.²⁷ However, changes towards a complete instrument-by-instrument approach for calculating interests on an accrual basis are being discussed. This way, the impact of all discounts and premiums could be taken into account allowing for a fully consistent treatment.

“Difference between EDP interest accrued and paid”

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

In addition, in line with the treatment in non-financial accounts (see section 6.4), this position includes cash-accrual adjustments resulting from

- “coupons sold”,*
- time differences regarding the implementation of the Eurostat guidance on derivative flows (treatment of swap cancellations over time)*
- cash-accrual adjustments for the treatment of discounts/premiums related to inflation-indexed bonds.*

Information is provided by Statistisches Bundesamt.

Interest accrued but not paid (-) due to inflation indexation is offset by capital uplift-effects on Maastricht debt (+) which is also to be captured under this position.

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

Finally, the so-called derivative correction is also included here. A derivative correction is necessary for the amounts of F.34 included in the starting line of Table 3A (EDP deficit) as these are treated as interest for EDP purposes. Normally, the counterpart entry is a change in currency and deposits (F.2). However, as derivative flows are also included in the positions “securities other than shares” (F.3) there is a need for another corrective entry to balance the table. This entry is to be recorded under “Difference between interest accrued and paid” (even though there is effectively no difference between the accrual and the payment of these flow).

²⁷ In particular, no specific correction is currently done for premiums related to inflation indexed bonds as these are already reflected in the higher (than face value) valuation of these instruments.

Sources for the derivative corrections are MoF for core central government (information provided annually via Statistisches Bundesamt) and the annual report of FMSW (or Statistisches Bundesamt).

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

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

Allocation of discrepancy B.9 vs B.9f

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

Nevertheless, it is envisaged to further improve the quality of the financial transactions. Given that (on the basis of FPStatG) extra-budgetary units with business accounts are not obliged to report any financial transactions until 2015, it is well possible that discrepancies between B.9 and a potential B.9f result from a lack of coverage of transactions of various types of financial instruments (like F.3, F.4, F.5) or from inconsistencies due to the use of counterpart data (F.2 for sub-sectors other than central government). Owned to the lack of any reliable other reference, the differences are allocated to other accounts receivable (F.7) in the financial accounts.

However, to provide full transparency for the surveillance of deficit-debt-adjustments, EDP Table 3A-E only report transactions in other financial assets (F.7) which are derived from underlying data sources (like the cash-accrual adjustments necessary to transform public finance statistics into NA).

Changes to intermediate data

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

for these units, and the remaining gap is attributed to other accounts receivable or payable.

Complementary elements on stocks/

See above (on FMSW and EAA)

Accruals

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

Ex-post monitoring

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

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

3.3.1 Data sources for State Government unit

In Germany the main state government units are the Länder.

Table x – Availability and use of basic source data for the state government units: the German Länder

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		T + days	T+month🇺🇸		cross appropriate cells		
				Budget Reporting			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
C	Q	T+90	T+(24-31)	(3) Current and capital revenue and expenditure and financial transactions	X	X	X
				(4) Balance sheets			
				Financial Statements			
				(5) Profit and loss accounts			
				(6) Balance sheets			
				(7) Cash flow statement			
				Other Reporting			
				(8) Statistical surveys			
				(9) Other:			
A	Q	T+40	T+51	Balance of payments/External Stocks Statistics		X	X
A	M	T+21	T+21 days	Report of BMF on tax revenue		X	
C	A	T+8/9 months	T+8/9 months	Financial asset stock statistics (FASS)			X
				Various debt statistics (see section 3.1.1 for details) ²⁸			X
C/A	M	T+1½ months	T+1½ months	Monetary and Banking Statistics			X
C/A	M	T+1½ months	T+1½ months	Securities Accounts Statistics			X

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

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

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

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

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

²⁸ Data sources for the compilation of debt are described in section 3.1.1.

3.3.1.1 Further specifications/comments to the table

While non-financial transactions are well covered by public finance statistics' accounting statistics, financial transactions are only partly included. In particular, transactions related to reserves are missing. Therefore, additional data sources are necessary, for instance, Monetary and Banking Statistics as well as Securities Deposit Statistics. Owing to the lack of full and consistent coverage of financial transactions (in particular in the asset side) in the underlying accounting system, B.9 is considered as the best estimate for B.9f. Accordingly, in the financial accounts, transactions in other financial assets (F.7) are adjusted to set B.9f equal to B.9. However, to provide full transparency for the surveillance of deficit-debt-adjustments, EDP Table 3A-E only report transactions in other financial assets (F.7) which are derived from underlying data sources (like the cash-accrual adjustments necessary to transform public finance statistics into NA).

3.3.1.2 Details of the basic data sources

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

At the time of the first notification before 1 April for the previous calendar year the data of the annual accounting statistics of public finance statistics are not yet available. At this time the calculation of revenue and expenditure and of the net lending/net borrowing of the state governments rely on the results of the quarterly cash statistics of the public finance statistics. These statistics already provide the results for the first three quarters of the previous calendar year. However, the level of breakdown of these statistics is not as detailed as for the annual accounting statistics, in that there is no breakdown by functions.

To calculate the net lending/net borrowing of the states it is possible in addition to rely on a monthly compilation of the central computer office of the state ministers of finance (Zentrale Datenstelle der Landesfinanzminister), which provides a rough breakdown of current data. The remaining missing data, which for the states are primarily the result of the limited level of breakdown of the data, are derived from estimates based on the information of the structures of comparable earlier periods.

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

For the compilation of financial accounts public finance statistics are used to the extent covered (basically transactions in loans and shares and other equity). Transactions which are mainly related to the reserves (ie not included in the main budgets), are taken from the Monetary and Banking Statistics (MBS) for deposits with domestic MFIs and from BoP (External Stocks Statistics) for deposits with foreign MFIs. While MBS is based on counterpart reporting, External Stocks Statistics is based on reporting obligations for all entities holding foreign assets or conducting certain transactions with the rest of the world. Securities Accounts Statistics are based on reporting of domestic MFIs running security accounts for government entities (ie counterpart data). Information on government holdings

of securities other than shares and investment fund shares are gathered from this source. These data sources comprise the core state government as well as all extra-budgetary units.

3.3.1.3 Statistical surveys used as a basic data source

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

3.3.1.4 Supplementary data sources and analytical information

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

See 3.2.1.3.1.

In special cases (e.g. swaps) direct information of the relevant State Ministries is used.

3.3.1.4.2 Supplementary data sources used for the compilation of financial accounts

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

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

Settlement payments for swaps and forward rate agreements (transactions in financial derivatives F.34) are included in “securities other than shares” (F.3). Relevant information on F.34 transactions (and their correction for lump-sum payments or swap cancellations) of core state governments are reported by the Zentrale Datenstelle der Länder (ZDL) to the Statistisches Bundesamt and shared with Deutsche Bundesbank for compiling the financial accounts. The same source of information is used in cases of off-market swaps where the lump-sum was received by state government this is recorded as loan advancement. The corresponding redemption of the loan is spread over time. This treatment is symmetric to the recording of lump-sum payments received.

For the category “Other financial assets”, there are gaps in the source data owed to the mainly cash-based public accounting system. For the EDP notifications, only transactions are shown which have an underlying data source. This is the case for F.7 related to taxes and social contributions, or EU flows which are compiled in line with the cash-accrual adjustments for the calculation of the non-financial accounts by Statistisches Bundesamt.

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

to special funds of central government which are not shown in the public finance statistics but recorded as expenditure of the state governments are recorded as other liability

3.3.1.5 Extra-budgetary accounts

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

See section 3.2.1.4 for central government.

3.3.2 Data sources for other State Government units

In Germany the other state government units are the funds, institutions and enterprises classified in state government sector and universities spun off the core budgets. With the exception of a SPV located abroad (the Sealink Funding Limited) all state government units are reported in the WB in EDP T2A.

**Table 3 – Availability and use of basic source data for other state government units:
Quarterly and annual statistics for public funds, institutions and enterprises**

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		T + days	T+month📅		cross appropriate cells		
				Budget Reporting			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
				(3) Current and capital revenue and expenditure and financial transactions			
				(4) Balance sheets			
				Financial Statements			
				(5) Profit and loss accounts			
				(6) Balance sheets			
				(7) Cash flow statement			
				Other Reporting			
	Q	T+90	T+23	(8) Statistical surveys	X	X	
				(9) Other:			

See notes to table 2, on the used abbreviations.

For more information see section 3.2.2.

Additional information for financial accounts recording:

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

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

For Sealink-Funding (extra-budgetary unit located in Ireland) a quarterly reporting (time-lag 2 ½ month) and to final annual report (time-lag > 2 years) is provided by the MoF of the Free State of Saxony.

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

3.3.2.1 Details of the basic data sources

See section 3.2.2.1.

3.3.2.2 Statistical surveys used as a basic data source

See section 3.2.2.1.

3.3.2.3 Supplementary data sources and analytical information

For universities spun off the core budgets on state government level the statistics of higher education institutions (HEI, “Hochschulfinanzstatistik”) is used as data source for revenue and expenditure data. In the quarterly cash statistics of public finance statistics universities are included but the quarterly cash data are not as detailed as the annual HEI data. The HEI data are annual cash data, available 14 months after the reporting year (T+ 14 months).

3.3.3 EDP table 2B**3.3.3.1 Working balance - use for the compilation of national accounts**

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

3.3.3.2 Legal basis of the working balance

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

The WB is not voted by the Parliament.

The WB is not audited by a national auditing authority.

3.3.3.3 Coverage of units in the working balance

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

There are no units reported in the working balance which do not belong to government sector as defined by ESA 95.

There are no government units reported in the working balance which do not belong to the particular government subsector.

Public enterprises classified outside general government sector are included in annual statistics for public funds, institutions and enterprises of public finance statistics but they are neither included in quarterly cash statistics of the overall public budget nor in annual accounting results of the overall public budget which are used as data sources for EDP data. The sector classification of each unit is labeled in the BKM.

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

In principle the ESA 95 definition of State Government sub-sector does not differ from the reporting population of the quarterly cash statistics and the annual accounting statistics of public finance statistics (see 3.2.3.3.2).

The Sealink Funding Limited is a SPV abroad classified in state government sector in NA. Because it is located abroad, it is not part of the reporting population of public finance statistics and thus not reported in the WB.

3.3.3.4 Accounting basis of the working balance

The accounting basis of the working balance is mixed: cash for the core budget and the federal special funds using fiscal accounting and accrual for extra-budgetary units using a double-entry bookkeeping system according to the provisions of the German Commercial Code.

3.3.3.4.1 Accrual adjustments relating to interest D.41, as reported in EP T2

*Differences in choice of accounting periods also play a role in establishing **interest revenue and interest expenditure**. As with tax receipts, the cash payment of interest revenue and expenditure only include the flows of interest due. Studies have shown that in Germany the financial assets/liabilities of general government are mainly long term and that the interest is paid once a year retroactively. Infra-annual interest payments or interest payments for a period longer than one year play only an insignificant role. In view of this fact interest is recorded according to the accrual principle in line with the provision of ESA 1995, point 4.5, on the basis of a model. The essential features of the model are already described in detail under point 6.4. The quarterly cash figures on interest received and or paid for a given quarter (which are used in the model) are derived from the data sources described in section 3.3.1.*

All interest expenditure and revenue of the main entity are cash data of the public finance statistics and recorded in the WB. Payments of discount and inflows of premium are recorded in the WB, amounts cannot be identified in the basic data source. Under line "Difference

between interest paid and accrued” only adjustments for expenditure for the budget units are reported.

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

3.3.3.4.2 Accrual adjustments reported under other accounts receivable/payable F.7 in EP T2

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

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

*There are also discrepancies in the reference periods for **taxes**. Regulation 2516/2000 of the European Parliament and of the Council requires that, where meaningful, the booking of tax receipts should be time-adjusted. Under Article 3 (b) of this Regulation the average time difference between the activity and the cash tax receipt shall be that arising from the collection dates prescribed for the various taxes in the relevant tax laws. Table 'Time adjustments for taxes' (see 6.1.1) shows that time adjustments of 1 or 2 months generally apply in the case of central government taxes and Community taxes. The beer tax which is the only purely state government tax is adjusted by 1 month. These calculations are based on the current tax reports of the BMF.*

For state government sector only taxes are adjusted to accrual basis via receivables F.7.

The following non-financial transactions are adjusted to accrual basis via payables F.7:

- *Construction*
- *Child benefit*
- *EU Flows*

3.3.3.4.3. Other accrual adjustments in EDP T2

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

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

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

- *rerouting transactions in connection with liabilities of the Lower Saxony held in trust by the NBank, not recognized in public finance statistics but recorded as investment grants in NA,*
- *guarantee calls of the Erste Abwicklungsanstalt (EAA) from saving banks and local government as guarantors, not recognized in public finance statistics but recorded as capital transfers in NA.*

3.3.3.6 Financial transactions included in the working balance

The following financial transactions are recorded in the WB:

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

These financial transactions can be identified via the classification by object of the federal budget and are not recorded as revenue/expenditure in NA. For extrabudgetary units included in the WB data on financial transactions are available only for units with fiscal accounting. For extrabudgetary units with a double-entry bookkeeping system positions of the income statement are reported which do not include financial transactions.

3.3.3.7 Other adjustments reported in EDP T2

The item "Other adjustments" (+/-) (net negative) includes (similar to central government) several adjustments, for total amounts that can be rather large, reflecting differences between budgetary and national accounts treatments.

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

- *Corrections of transactions in connection with guarantees: In public finance statistics the position "loans granted" also includes guarantee calls. In EDP T2B the position "financial transactions included in the WB" thus also include guarantee calls. Guarantee calls classified as capital transfers in NA are reported as an item of "other adjustments".*
- *Tax revenue differences between public finance statistics and tax statistics (see section 3.2.3.7)*
- *PPP (redemption in the case of on-balance recording, see section 3.2.3.7)*
- *Adjustments concerning the different recording of transactions in public finance statistics and NA (e.g. Erste Abwicklungsanstalt, HSH, GPBW, LBBW)*
- *Difference interest received in cash and interest receivable*
- *Clearing (settlement of accounts and clearing between sub-sectors, see section 3.2.3.7)*
- *Difference between public finance statistics and BOP statistics (see section 3.2.3.7)*
- *Fees: In public finances statistics the position "repayments of loans" also includes guarantee fees. In EDP T2B the position "financial transactions included in the WB" thus also include guarantee fees which are recorded as general government revenue in NA and are reported as an item of "other adjustments".*

3.3.3.8 Net lending/net borrowing of state government

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

3.3.4 EDP table 3C

3.3.4.1 Transactions in financial assets and liabilities

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

Owed to the lack of full and consistent coverage of transactions in financial assets in the underlying accounting system, B.9 is considered as the best estimate for B.9f. Accordingly, in the financial accounts, transactions in other financial assets (F.7) are adjusted to set B.9f equal to B.9. However, to provide full transparency for the surveillance of deficit-debt-adjustments, EDP Table 3A-E only report transactions in other financial assets (F.7) which are derived from underlying data sources (like the cash-accrual adjustments necessary to transform public finance statistics into NA).

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

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

Assets: Currency and Deposits (F.2)

Main sources are Monetary and Banking Statistics (MBS) for deposits with domestic MFIs and from BoP (External Stocks Statistics) for deposits with foreign MFIs. While MBS is based on counterpart reporting, External Stocks Statistics is based on reporting obligations for all entities holding foreign assets or conducting certain transactions with the rest of the world. Transactions are basically compiled as differences of stock data, adjusted for corrections or

reclassifications. These amendments are done at the level of source data by “Department S – Statistics” of Deutsche Bundesbank in dialogue with the responding MFIs.

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

Assets: Securities other than Shares (F.3)

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

Two exceptions:

For EAA, data on F.33 is provided through the “monthly balance sheet statistics” (Bista) of Deutsche Bundesbank (preliminary) and substituted by final data taken from the audited annual report of EAA (direct source data). Raw data (on stocks) is integrated in the business accounts (ie at book values), but at time of acquisition (time of financial defeasance transaction) a market value markdown was recognised (in line with a capital transfer). When Bista data is used accrued interest has to be added as it is not included in the balance sheet positions. When the annual report is available, the calculation of transactions takes revaluations into accounts which are reflected in the changes of stocks. The EAA data contained in the Securities Accounts Statistics can be identified and substituted by the direct source data. The reason for this deviation was that in the past the amortisation profile (so-called pooling factors) have not been accounted for in the Securities Accounts Statistics leading to high discrepancies.

For Sealink Funding (SPV located in Ireland) a quarterly reporting (time-lag 2 ½ month) and to final annual report (time-lag > 2 years) is provided by the MoF of the Free State of Saxony. These amount are not included in the national Securities Accounts Statistics. F.33 for Sealink is adjusted to close the individual financial accounts of this unit (ie balancing item for the Sealink) taking into account the B.9 (net-borrowing/net-lending) reported by Statistisches Bundesamt based on the annual report or estimates at the current margin. (While payments received from the state government due to guarantees called are consolidated for the overall B.9 of the state government level, these amounts are needed to calculate the financial flows for Sealink as a single unit).

Settlement payments for swaps and forward rate agreements (transactions in financial derivatives F.34) are included in “securities other than shares” (F.3). Relevant information on F.34 transactions (and their correction for lump-sum payments or swap cancellations) of core state governments are reported by the Zentrale Datenstelle der Laender (ZDL) to the Statistisches Bundesamt and shared with Deutsche Bundesbank for compiling the financial accounts.

F.34 for EAA is calculated on a net basis. Information to extract these positions from F.33 instruments and from accruals/deferrals (annual report) and other assets and other liabilities (Bista), supplementary information is directly reported by EAA (or Portigon as service provider). In addition, for Sealink Funding information is provided by Statistisches Bundesamt on the basis of the annual report or estimates at the current margin.

Consolidation within state government subsector:

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

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

Assets: Loans (F.4)

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

A relevant extra-budgetary unit with F.4 transactions is EAA where Bista-reporting and the annual final report (accrual based) are used (see above) to supplement missing transactions in the main data source.

Another correction is to be made for one extra-budgetary fund. Here, considerable transactions in deposits with banks are reported as loans in the public finance statistics. As these deposits are already included in MBS, the amounts are deducted from public finance statistics data.

Loans granted/repaid related to calls of guarantees are eliminated as well (Gruppierung 14 and 87), given that cash-calls are always treated as non-financial transactions for state governments.

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

In cases of off-market swaps where the lump-sum was received by state government this is recorded as loan advancement. The corresponding redemption of the loan is spread over time. This treatment is symmetric to the recording of lump-sum payments received. Relevant information on F.34 transactions (and their correction for lump-sum payments or swap cancellations) of core state governments are reported by the Zentrale Datenstelle der Laender (ZDL) to the Statistisches Bundesamt and shared with Deutsche Bundesbank for compiling the financial accounts.

Consolidation within state government subsector:

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

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

However, the debt statistics could be used to identify for state government extra-budgetary fund loans advanced by core state government.

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

Assets: Shares and other Equity (F.5)

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

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

It might occur that for extra-budgetary units with business accounting (for which financial transactions are usually not reported), transactions are identified by information from the press. (Once identified, relevant reports of units involved are considered to correct the main basic statistics where relevant).

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

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

Other financial assets (F.6)

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

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

Other financial assets (F.7)

For the EDP notifications, only transactions are shown which have an underlying data source (unlike the recording in the financial accounts where F.7A are used to adjust B.9f to B.9).

F.7 related to

- taxes,*
- EU flows,*

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

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

Finally, F.7 for EAA is calculated on the basis of Bista/annual report data and the B.9 (net-borrowing/net-lending) reported by Statistisches Bundesamt in order to close the individual financial accounts of this unit (ie balancing item for the EAA as a single unit).

Other financial liabilities (F.7) – part of Adjustments of EDP Table 3C

For the category “Other financial assets”, allowance has to be made for cash-accrual adjustments calculated and provided by Statistisches Bundesamt (on a semi-annual basis). F.7 liabilities relate to

- construction investments*
- EU-flows*
- Child benefits*
- implementation of court decisions (until April Notification 2013, this was corrected by changing the tax claims in case of tax related court decisions).*

3.4.4.2 Other stock-flow adjustments

Issuance above/below nominal value

„Issuances above/below par“ are currently not reported for state government. (One exception is EAA for the past). To account for possible discounts and premiums the general recording of interests would have to be aligned.

"Difference between EDP interest accrued and paid"

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

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

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

Finally, the so-called derivative correction is also included here. A derivative correction is necessary for the amounts of F.34 included in the starting line of Table 3B (EDP deficit) as these are treated as interest for EDP purposes. Normally, the counterpart entry is a change in currency and deposits (F.2). However, as derivative flows are also included in the positions “securities other than shares” (F.3) there is a need for another corrective entry to balance the table. This entry is to be recorded under “Difference between interest accrued and paid” (even though there is effectively no difference between the accrual and the payment of these flow).

Relevant information is reported by the Zentrale Datenstelle der Länder (ZDL) to Statistisches Bundesamt and shared with Deutsche Bundesbank for compiling the financial accounts.

In addition, flows for EAA and Sealink are included.

Appreciation and Depreciation of foreign-currency debt

Revaluations are calculated for Sealink-Funding based on the currency profile of its liabilities.

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

3.4.1 Data sources for Local Government main units: municipalities

In Germany the main local government units are the municipalities and the municipality associations.

Table x – Availability and use of basic source data for main local government units: municipalities and municipality associations

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		T + days	T+month🇺🇸		cross appropriate cells		
				Budget Reporting			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
C	Q	T+90	T+(24-31)	(3) Current and capital revenue and expenditure and financial transactions	X	X	X
				(4) Balance sheets			
				Financial Statements			
				(5) Profit and loss accounts			
				(6) Balance sheets			
				(7) Cash flow statement			
				Other Reporting			
				(8) Statistical surveys			
				(9) Other:			
A	M	T+21	T+21 days	Report of BMF on tax revenue		X	
A	M	T+40	T+51	Balance of payments/External Stocks Statistics			X
C	A	T+8/9 months	T+8/9 months	Financial asset stock statistics (FASS)			X
				Various debt statistics (see section 3.1.1 for details) ²⁹			X
C/A	M	T+1½ months	T+1½ months	Monetary and Banking Statistics			X
C/A	M	T+1½ months	T+1½ months	Securities Accounts Statistics			X

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

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

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

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

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

²⁹ Data sources for the compilation of debt are described in section 3.1.1.

3.4.1.1 Details of the basic data sources

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

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

Additional information for financial accounts recording:

While non-financial transactions are well covered by public finance statistics' accounting statistics, financial transactions are only partly included. In particular, transactions related to reserves are missing. Therefore, additional data sources are necessary, for instance, Monetary and Banking Statistics as well as Securities Deposit Statistics. Owing to the lack of full and consistent coverage of financial transactions (in particular in the asset side) in the underlying accounting system, B.9 is considered as the best estimate for B.9f. Accordingly, in the financial accounts, transactions in other financial assets (F.7) are adjusted to set B.9f equal to B.9. However, to provide full transparency for the surveillance of deficit-debt-adjustments, EDP Table 3A-E only report transactions in other financial assets (F.7) which are derived from underlying data sources (like the cash-accrual adjustments necessary to transform public finance statistics into NA). This is why budget reporting is also relevant for B.9f (see table).

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

3.4.1.2 Statistical surveys used as a basic data source

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

3.4.1.3 Supplementary data sources and analytical information

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

At the time of the first notification before 1 April for the previous calendar year the data of the annual accounting statistics of public finance statistics are not yet available. At this time the calculation of revenue and expenditure and of the net lending/net borrowing of the state governments rely on the results of the quarterly cash statistics of the public finance statistics. These statistics already provide the results for the first three quarters of the previous calendar year. However, the level of breakdown of these statistics is not as detailed as for the annual accounting statistics, in that there is no breakdown by functions.

To calculate the net lending/net borrowing of local governments, the revenue and expenditure of the fourth quarter is estimated in the light of the trend for comparable earlier periods. In addition, there are estimates for revenue and expenditure of special purpose associations.

Furthermore data from budget reporting of the state governments regarding investment grants allocated by the state government to the local governments are used. Those payments are appropriated for investment grants to local quasi-corporations, but do not directly transit via the budget of local governments.

3.4.1.3.2 Supplementary data sources used for the compilation of financial accounts

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

For equity injections into quasi-corporations on local government level, information is provided by Statistisches Bundesamt on a semi-annual basis.

For the category “Other financial assets”, there are gaps in the source data owed to the mainly cash-based public accounting system. For the EDP notifications, only transactions are shown which have an underlying data source. This is the case for F.7 related to taxes and social contributions, which are compiled in line with the cash-accrual adjustments for the calculation of the non-financial accounts by Statistisches Bundesamt.

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

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

3.4.2 Data sources for other Local Government units

In Germany the other local government units are divided into the special purpose associations (“Zweckverbände”) and the funds, institutions and enterprises classified in local government sector.

Data for the special purpose associations are not collected by the quarterly cash statistics. For compilation of B.9 of the main units and the special purpose associations of the local government sector in NA, the most recent available annual accounting results of the municipalities, municipal associations and special purpose associations are extrapolated by quarterly rates of change which arise from the results of the quarterly cash statistics for particular categories of revenue and expenditure. Thus the actual data of the quarterly cash statistics are used for calculation of rates of change and additionally for plausibility checks as well as for control purposes in NA. The net lending/net borrowing of the special purpose associations has only a small impact on the result of the general government net lending/net borrowing.

Table x – Availability and use of basic source data for other local government units: special purpose associations (“Zweckverbände”)

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		T+ months	T+months🚩		cross appropriate cells		
				Budget Reporting			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
C	A	T+24-31	T+24-31	(3) Current and capital revenue and expenditure and financial transactions	X	X	X
				(4) Balance sheets			X
				Financial Statements			
				(5) Profit and loss accounts			
				(6) Balance sheets			
				(7) Cash flow statement			
				Other Reporting			
				(8) Statistical surveys			
				(9) Other:			

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

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

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

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

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

**Table 3 – Availability and use of basic source data for other local government units:
Quarterly and annual statistics for public funds, institutions and enterprises**

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		T + days	T+month🇺🇸		cross appropriate cells		
				Budget Reporting			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
				(3) Current and capital revenue and expenditure and financial transactions			
				(4) Balance sheets			
				Financial Statements			
				(5) Profit and loss accounts			
				(6) Balance sheets			
				(7) Cash flow statement			
				Other Reporting			
	Q	T+90	T+23	(8) Statistical surveys	X	X	
				(9) Other:			

See notes to table 2, on the used abbreviations.

For more information see section 3.2.2.

Additional information for financial accounts recording:

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

3.4.3 EDP table 2C

3.4.3.1 Working balance - use for the compilation of national accounts

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

3.4.3.2 Legal basis of the working balance

The law on public finance statistics ("Finanz- und Personalstatistikgesetz") is the legal basis of the quarterly cash statistic, the annual finance statistic and the statistics of public funds, institutions and enterprises of the public finance statistic. This law regulates the reporting

population and the items to be reported. The reported data are used for compilation of the working balance.

The WB is not voted by the municipal council.

The WB is not audited by a national auditing authority.

3.4.3.3 Coverage of units in the working balance

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

There are no units reported in the WB which do not belong to government sector as defined by ESA95.

There are no government units reported in the WB which do not belong to the particular government subsector.

Public enterprises classified outside general government sector are included in annual statistics for public funds, institutions and enterprises of public finance statistics but they are neither included in quarterly cash statistics of the overall public budget nor in annual accounting results of the overall public budget which are used as data sources for EDP data. The sector classification of each unit is labeled in the BKM.

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

In general the ESA 95 definition of Local Government sub-sector does not differ from the reporting population of the annual accounting statistics of public finance statistics (see 3.2.3.3.2). The quarterly cash statistics does not include the revenue and expenditure of the special-purpose associations. Hence the WB does not include the special purpose associations at the current edge (years n-1, n-2 and sometimes n-3).

3.4.3.4 Accounting basis of the working balance

The accounting basis of the working balance is mixed: cash units using fiscal accounting and accrual for extra-budgetary units using a double-entry bookkeeping system according to the provisions of the German Commercial Code.

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

See the description of the interest model in section 6.4.

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

See section 3.3.3.4.2.

For local government sector only taxes are adjusted to accrual basis via receivables F.7.

The following non-financial transactions are adjusted to accrual basis via payables F.7:

- *Construction*
- *Child benefit*

3.4.3.4.3 Other accrual adjustments in EDP T2C

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

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

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

There are no non-financial transactions not included in the working balance.

3.4.3.6 Financial transactions included in the working balance

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

For extrabudgetary units included in the WB data on financial transactions are available only for units with fiscal accounting. For extrabudgetary units with a double-entry bookkeeping system positions of the income statement are reported which do not include financial transactions.

3.4.3.7 Other adjustments reported in EDP T2C

- *Corrections of transactions in connection with guarantees (see 3.3.3.7)*
- *Under position “investment grants” investment grants to public quasi-corporations are reported which are treated as acquisitions of equity in NA.*
- *PPP redemption (see section 3.2.3.7)*
- *Under position “Stadtwerke München / Superdividende“ the superdividend of Stadtwerke München is reported. In public finance statistics the whole amount of the dividend payment of Stadtwerke München is recorded in the WB whereas in NA the result of the superdividend test is considered.*
- *Difference interest received in cash and interest receivable*
- *Tax revenue differences between public finance statistics and tax statistics (see section 3.2.3.7)*

3.4.3.8 Net lending/net borrowing of local government

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

3.4.4 EDP table 3D

3.4.4.1 Transactions in financial assets and liabilities

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

Owed to the lack of full and consistent coverage of transactions in financial assets in the underlying accounting system, B.9 is considered as the best estimate for B.9f. Accordingly, in the financial accounts, transactions in other financial assets (F.7) are adjusted to set B.9f equal to B.9. However, to provide full transparency for the surveillance of deficit-debt-adjustments, EDP Table 3A-E only report transactions in other financial assets (F.7) which are derived from underlying data sources (like the cash-accrual adjustments necessary to transform public finance statistics into NA)

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

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

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

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

Assets: Securities other than Shares (F.3)

Securities other than shares and derivatives are taken from the Securities Accounts Statistics based on reporting of domestic MFIs running security accounts for government entities (ie counterpart data).

Consolidation within state government subsector:

Consolidation elements would be based on the FASS (holdings of local government entities of debt securities issued by local governments) or at the current margin be estimated using Securities Accounts Statistics. However, for the time being there are no consolidation elements in F.3 identified.

Assets: Loans (F.4)

Public finance statistics is the main data source and starting point for calculating F.4 for local government comprising budgetary data for local government core and extra-budgetary units except those with business accounting. (For April Notification the last quarter of t-1 only comprises core local government entities). This main source is cash-based (eg no interest accrual). In principle this is the same data source as used in EDP Table 2C. However, the delimitation of units covered (depending on the units included in the working balance) may differ.

Cases of on-lending (incurrence of liabilities of local government on behalf of a local government quasi-corporation) were added to the asset and liability side as it was not clear whether all local government entities have reported corresponding financial assets and liabilities in the past. The issue has been clarified in the meantime, and no additional adjustments are necessary.

Cash calls of guarantees are not reported as granting of loans for local government. Thus, no additional corrections are necessary.

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

Consolidation within local government subsector:

Loans granted by local government entities to the (core) local government and to Special Purpose Associations (Zweckverbaende) which are included in F.4 transactions of the Public Finance Statistics are deducted from the totals.

Loans possibly granted to other extra-budgetary local government units cannot be identified in the basic data source (currently no central register is available to distinguish between government and non-government public entities).

However, the debt statistics could be used to identify for all local government extra-budgetary fund loans advanced by core local government. This is being considered, but not yet implemented.

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

Assets: Shares and other Equity (F.5)

Public finance statistics is the main data source and starting point for calculating F.5 for local government comprising budgetary data for local government core and extra-budgetary units except those with business accounting. (For April Notification the last quarter of t-1 only comprises core local government entities). In principle this is the same data source as used in EDP Table 2C. However, the delimitation of units covered (depending on the units included in the working balance) may differ.

It might occur that for extra-budgetary units with business accounting (for which financial transactions are usually not reported), transactions are identified by information from the press. (Once identified, relevant reports of units involved are considered to correct the main basic statistics where relevant).

For equity injections into quasi-corporations on local government level, information is provided by Statistisches Bundesamt on a semi-annual basis.

Transactions in mutual fund shares F.52 (transactions in reserves not included in the budgetary accounting) are taken from the Securities Accounts Statistics of Deutsche Bundesbank. Provisional (partly estimated) data (April) are revised for October Notification.

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

Other financial assets (F.6)

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

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

Other financial assets (F.7)

For the EDP notifications, only transactions are shown which have an underlying data source (unlike the recording in the financial accounts where F.7A are used to adjust B.9f to B.9).

F.7 related to taxes, which are compiled in line with the cash-accrual adjustments for the calculation of the non-financial accounts are provided (on a semi-annual basis) by Statistisches Bundesamt.

Other financial liabilities (F.7) – part of Adjustments of EDP Table 3D

For the category “Other financial liabilities”, allowance has to be made for cash-accrual adjustments calculated and provided by Statistisches Bundesamt (on a semi-annual basis). F.7 liabilities relate to construction investments, child benefits and implementation of court decisions (until April Notification 2013, this was corrected by changing the tax claims in case of tax related court decisions).

3.4.4.2 Other stock-flow adjustments

"Difference between EDP interest accrued and paid"

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

Changes in sector classification

Changes in the debt resulting from changes in sector classifications mainly affect the local level, which has in recent years hived off numerous units from its core budgets. Offices which have been converted into independent companies have in many cases also assumed part of the local governments’ debt, in proportion to their respective balance sheet positions. In the past, difference between net incurrence of debt and changes in debt levels was recorded as the net impact of the hiving-off operations.

Since October 2013, all changes in sector classifications are identified by a special evaluation by Statistisches Bundesamt on an individual unit basis.

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

3.5.1 Data sources for Social Security Funds main units: social security bodies

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

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
					cross appropriate cells		
				Budget Reporting			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
C	Q	T+(15-540) ³⁰	T+(24-31)	(3) Current and capital revenue and expenditure and financial transactions	X	X	X
				(4) Balance sheets			X
				Financial Statements			
				(5) Profit and loss accounts			
				(6) Balance sheets			
				(7) Cash flow statement			
				Other Reporting			
				(8) Statistical surveys			
				(9) Other:			
A	M	T+40	T+51	Balance of Payments Statistics/External Stocks Statistics		X	X
C/A	M	T+1½ months	T+1½ months	Monetary and Banking Statistics			X
C/A	M	T+1½ months	T+1½ months	Securities Accounts Statistics			X

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

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

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

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

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

3.5.1.1 Details of the basic data sources

To calculate the items of revenue and expenditure of social security funds main units, which are used to calculate the net lending/net borrowing in accordance with the NA definition, the particular data supplier provides quarterly and up-to-date reports on cash revenue and expenditure in exhaustive detail within the respective accounts framework. They are identical with the results recorded at a later date for the social security funds as part of the quarterly

³⁰ See table in section 3.5.1.1.

cash statistics of the overall public budget and of the annual accounting statistics of the public finance statistics.

The Federal Employment Agency uses the same classification for the economic kind of the revenues and expenditures as the central government. All other social security funds uses specific classification so-called “Kontenpläne” (table of accounts) specified for their tasks but not with counterpart information. Unlike the other nomenclatures, within these classifications an expenditure or revenue item is only allocated to one dimension.

The legal framework for the data supply is the law on public finance statistics. The survey of the baseline data consists of a full survey where the population group covers all social security institutions. The data suppliers include the “German old-age pensions insurance” (Deutsche Rentenversicherung Bund), “German old-age pensions insurance Knappschaft-Bahn-See” (Deutsche Rentenversicherung Knappschaft-Bahn-See), Federal Association of Agricultural Retirement Pensions (Gesamtverband der Landwirtschaftlichen Alterskassen), Federal Association of occupational accident insurance (Bundesverband der Unfallversicherungsträger), the Federal Ministry of Health and the Federal Employment Agency. The Bundesbank is also a data supplier, showing the pensions paid to the rest of the world in the balance of payments statistics.

For some social security funds direct information is available for the funds, for some funds detailed statistics (“Geschäftsstatistiken”) are available from the Ministry of Health. The availability of first annual results depends on the particular social security agency:

Agency	Time of availability of first annual results for T-1	data source
	<i>T+ days</i>	<i>direct information</i>
<i>Statutory old age pension insurance</i>	<i>T+ 30</i>	<i>direct information</i>
<i>Statutory old age pension insurance “Knappschaft-Bahn-See”</i>	<i>T+ 110</i>	<i>direct information</i>
<i>Agricultural pension funds</i>	<i>T+ 40</i>	<i>direct information</i>
<i>Unemployment insurance schemes</i>	<i>T+ 15</i>	<i>Ministry of Labour and Social Affairs</i>
<i>Accident insurance</i>	<i>T+ 540</i>	<i>Ministry of Health</i>
<i>Statutory health insurance</i>	<i>T+ 75</i>	<i>Ministry of Health</i>
<i>Statutory long-term care insurance</i>	<i>T+ 75</i>	<i>direct information</i>

Additional information for financial accounts recording:

While non-financial transactions are well covered by public finance statistics’ accounting statistics, financial transactions are only partly included. In particular, transactions related to reserves are missing. Therefore, additional data sources are necessary, for instance, Monetary and Banking Statistics as well as Securities Deposit Statistics. Owing to the lack of full and consistent coverage of financial transactions (in particular in the asset side) in the underlying accounting system, B.9 is considered as the best estimate for B.9f. Accordingly, in the financial accounts, transactions in other financial assets (F.7) are adjusted to set B.9f equal to B.9. However, to provide full transparency for the surveillance of deficit-debt-adjustments, EDP Table 3A-E only report transactions in other financial assets (F.7) which are derived from underlying data sources (like the cash-accrual adjustments necessary to transform public finance statistics into NA).

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

3.5.1.2 Statistical surveys used as a basic data source

Statistical surveys other than public finance statistics are not used as basic data source for B.9 compilation of social security sub-sector.

3.5.1.3 Supplementary data sources and analytical information

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

See 3.2.1.3.1.

Data source for the recording of social contributions in government accounts in NA are the social contributions calculated on an accrual basis for the whole German NA framework.³¹

3.5.1.3.2 Supplementary data sources used for the compilation of financial accounts

Accrued interest on financial assets should be recorded as being reinvested in the respective instrument. The difference between interest accrued and paid is calculated separately for assets and liabilities for all government levels by the Statistisches Bundesamt. Since there is no break down by different types of instruments, the accrued interest on financial assets of core central government are provisionally attributed to the transactions in loans. For the category “Other financial assets”, F.7 related to social contributions (in line with the cash-accrual adjustments for the calculation of the non-financial accounts) and EU-Flows are provided by Statistisches Bundesamt. Other F.7 payable are prepayments of social benefits by the Employment Agency. Supplementary information from “Department M – Markets” of Deutsche Bundesbank (on managed funds) and additional information (on short-term loans to central government) provided by the German finance agency (Bundesrepublik Deutschland Finanzagentur GmbH) are used.

³¹ For a detailed description of the calculation of social contributions see Subject-matter series 18, series S. 22: Gross Domestic Product in Germany in accordance with ESA 1995 – Methods and Sources, <https://www.destatis.de/DE/Publikationen/Thematisch/VolkswirtschaftlicheGesamtrechnungen/Inlandsprodukt/InlandsproduktMethodenGrundlagen.html>.

3.5.2 Data sources for other Social Security units

**Table 3 – Availability and use of basic source data for other Social Security units:
Quarterly and annual statistics for public funds, institutions and enterprises**

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		T + days	T+month🇺🇸		cross appropriate cells		
				Budget Reporting			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
				(3) Current and capital revenue and expenditure and financial transactions			
				(4) Balance sheets			
				Financial Statements			
				(5) Profit and loss accounts			
				(6) Balance sheets			
				(7) Cash flow statement			
				Other Reporting			
	Q	T+90	T+23	(8) Statistical surveys	X	X	
				(9) Other:			

See notes to table 2, on the used abbreviations.

For more information see section 3.2.2.

3.5.3 EDP table 2D

3.5.3.1 Working balance - use for national accounts compilation

Data sources used for the compilation of the working balance is used for the non-financial accounts and also for B.9.

3.5.3.2 Legal basis of the working balance

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

The WB is not voted by the Parliament.

The WB is not audited by a national auditing authority.

3.5.3.3 Coverage of units in the working balance

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

There are no units reported in the WB which do not belong to government sector as defined by ESA95.

There are no government units reported in the WB which do not belong to the particular government subsector.

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

There are no other social security units not reported in the WB in EDP T2D.

3.5.3.4 Accounting basis of the working balance

The accounting basis of the working balance is mixed: cash units using fiscal accounting and accrual for extra-budgetary units using a double-entry bookkeeping system according to the provisions of the German Commercial Code.

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

*Interest revenue from social security institutions' assets and the **interest** paid to service debt must also be booked with a time adjustment. The procedure is equivalent to the time adjustment of interest for the central government sector.*

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

The payment flows of social security sector are attributed on an accrual basis through time-adjusted booking of social security contributions and interest (see section 6.1).

For social security sector social contributions are adjusted to accrual basis via receivables F.7 and EU-Flows are adjusted to accrual basis via payables F.7.

3.5.3.4.3 Other accrual adjustments in EDP T2D

None.

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

There are no non-financial transactions not included in the WB.

3.5.3.6 Financial transactions included in the working balance

Granting of loans and loan repayments as well as the sale and acquisition of equities are the main financial transactions which are included in the WB of social security sector and are excluded in EDP T2D.

3.5.3.7 Other adjustments reported in EDP T2D

The accounting frameworks prescribed for the individual social security sectors provide sufficient detail in the individual income and expenditure items that it is for the most part

possible to attribute them to the corresponding revenue and expenditure items in line with NA concepts. Only expenditure for social services must be divided between expenditure on staff and intermediate consumption with no effect on the net lending/net borrowing.

*The item "**Other adjustments**" refers predominantly to consolidation effects of budgetary accounting data and to timing effects for the payment of cash social security benefits. Among other things the following reasons have to be mentioned:*

- *Difference interest received in cash and interest receivable*
- *Clearing settlement of accounts (see section 3.2.3.7)*

3.5.3.8 Net lending/net borrowing of social security funds

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

3.5.4 EDP table 3E

3.5.4.1 Transactions in financial assets and liabilities

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

Owed to the lack of full and consistent coverage of transactions in financial assets in the underlying accounting system, B.9 is considered as the best estimate for B.9f. Accordingly, in the financial accounts, transactions in other financial assets (F.7) are adjusted to set B.9f equal to B.9. However, to provide full transparency for the surveillance of deficit-debt-adjustments, EDP Table 3A-E only report transactions in other financial assets (F.7) which are derived from underlying data sources (like the cash-accrual adjustments necessary to transform public finance statistics into NA).

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

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

Assets: Currency and Deposits (F.2)

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

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

Assets: Securities other than Shares (F.3)

Securities other than shares and derivatives are taken from the Securities Accounts Statistics based on reporting of domestic MFIs running security accounts for government entities (ie counterpart data).

Assets: Loans (F.4)

Public finance statistics is the main data source and starting point for calculating F.4 for social security sub-sector with non-government counterparts. In principle, this is the same data source as used in EDP Table 2D. However, only loans granted to non-government units are reported.

Information short-term loans to central government which are not reported in public finance statistics are taken from the regular evaluation report provided by the German finance agency (Bundesrepublik Deutschland Finanzagentur GmbH).

In addition, other intra-governmental loans can be gathered from the debt (stock) statistics.

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

Assets: Shares and other Equity (F.5)

Public finance statistics is the main data source and starting point for calculating F.5 for social security sub-sector. In principle this is the same data source as used in EDP Table 2D.

However, extra-budgetary units of social security sub-sector (reserve funds) only show F.5 transactions in public finance statistics while in fact there are also investments in F.3 (The classification of public finance statistics/ budgetary statistics does not explicitly foresee F.3 transactions). Thus, to avoid double-counting transactions in F.3 are deducted based on information from “Department M – Markets” of Deutsche Bundesbank which is in charge of portfolio management.

Transactions in mutual fund shares F.52 (transactions in reserves not included in the budgetary accounting) are taken from the Securities Accounts Statistics of Deutsche Bundesbank. Provisional (partly estimated) data (April) are revised for October Notification.

Other financial assets (F.7)

For the EDP notifications, only transactions are shown which have an underlying data source (unlike the recording in the financial accounts where F.7A are used to adjust B.9f to B.9).

F.7 related to social contributions, which are compiled in line with the cash-accrual adjustments for the calculation of the non-financial accounts are provided (on a semi-annual basis) by Statistisches Bundesamt.

Other F.7 payable are prepayments of social benefits by the Employment Agency.

Other financial liabilities (F.7) – part of Adjustments of EDP Table 3E

EU-flows payable are reported by Statistisches Bundesamt.

3.5.4.2 Other stock-flow adjustments

No other stock-flow adjustments

3.6 Link between EDP T2 and related EDP T3

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

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

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

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

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

3.6.1 Coverage of units

Until December 2013, no register of government units was publically available. Thus, there might be differences in the effective sector classification between public finance statistics (financial and non-financial transactions) and counterpart data like MBS/Securities Accounts Statistics/External Stocks Statistics, partly used for the compilation of financial accounts.

3.6.2 Financial transactions

Transactions in reserves are usually excluded from the WB (in particular transactions in currencies and deposits). In addition, transactions for extra-budgetary units applying business accounts are generally not reported in Public Finance Statistics. Therefore,

MBS/Securities Accounts Statistics/External Stocks Statistics are used (for all sub-sectors except S.1311 where mainly other direct source data are used).

Financial Transactions included in the WB are the starting point for F.4 and F.5 transactions though.

In addition, there are various corrections

- *Rerouting, notional transactions*
- *Reclassifications of transactions (between different financial transactions and from financial to non-financial or from non-financial to financial), eg Superdividends, debt cancellations,*
- *Adding financial transactions of extra-budgetary units (with business accounting) which are not covered by basic Public Finance Statistics.*
- *Including reserve transactions*
- *Cash-Accrual adjustments: accruing interests on the assets*
- *Consolidation of transactions*

For more details for each subsector, please refer to the relevant previous section.

3.6.3 Adjustments for accrued interest D.41

Information on cash-accrual adjustments in T2 are also used for T3. In exceptional cases, where WB includes interest on an accrual basis, cash-accrual adjustments are derived from the accounts of the relevant units (FMSW for S.1311 and EAA for S.1312).

For more details for each subsector, please refer to the relevant previous section.

3.6.4 Other accounts receivable/payable F.7

In general, cash-accrual differences of T2 are the starting point for T3. In exceptional cases other accounts payable/receivable are derived from the accounts of the relevant units (FMSW for S.1311 and EAA for S.1312) taking into account the non-financial B.9.

Accrual adjustments usually relate only to non-financial transactions. Currently, only in very exceptional cases, other accounts payable/receivable may result from financial transactions.

For more details for each subsector, in particular for items to be added, please refer to the relevant previous section.

3.6.5 Other adjustments/imputations

Specific methodological adjustments like debt cancellations, superdividends etc. for T3 are based on the information contained in T2, and the correction is attributed to the relevant financial instrument.

For more details for each subsector, in particular for items to be added, please refer to the relevant previous section.

3.7 General comments on data sources

In the near future no changes in the accounting rules are foreseen.

3.8 EDP table 4

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

3.8.1 Trade credits and advances

Trade credits are collected via the annual debt statistics (ADS) for all sub-sectors.

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

See section 3.4.4.1

4. Revision policy used for annual GFS

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

4.1. Existence of a revision policy in your country

In German NA a defined revision policy exists. The main purpose of revisions of the whole NA framework is to refine the results by, for example, including new data, new statistics and/or new methods. In addition to the continuous revisions, which refer to small corrections of individual quarters and/or years, there are major revisions of national accounts, which are performed approximately every five years. The major revisions are a refinement of the entire national accounts.³² The data on government deficit provided by the Federal Statistical Office are established when compiling the government accounts in the framework of NA. In so doing it is not only the conceptual rules and regulations of ESA 1995 which apply, but also the practical NA principle of step-by-step inclusion as the statistical data becomes available (current revisions).

4.1.1 Relating to deficit and non-financial accounts

In the NA framework initial results for the previous year are published already in mid-January, and are revised for the first time already in February. The February results are identical with the data provided for the 1 April reporting period pursuant to Council Regulation (EC) No 479/2009 as amended. A second revision of the NA results for the previous year is carried out in May. A third revision of the NA results for the previous four years is undertaken in August of that year and these are the same data provided for the 1 October reporting period. Further revisions of the previous years are then undertaken at annual intervals in August, until the final results are available for the respective sub-sector. All above indicated revisions are primarily revisions due to updates of data sources. However additional revisions due to methodological reasons or reclassification of units are carried out in line with this general current revision cycle. This timetable for current revisions of NA figures in combination with the availability of public finance statistics source data leads to the revisions of the reports on government deficits presented in the table below.

³² The following link contains a brief overview of the most important facts:
https://www.destatis.de/DE/Publikationen/Thematisch/VolkswirtschaftlicheGesamtrechnungen/Revisionsbedarf.pdf?__blob=publicationFile.

Year on year variation in the actual results at the individual delivery dates

<i>Delivery dates</i>	<i>Results for reporting years</i>					
	<i>n-4</i>	<i>n-3</i>	<i>n-2</i>	<i>n-1</i>	<i>n</i>	<i>n+1</i>
<i>1 April of year n</i>	<i>No variation</i>	<i>No variation</i>	<i>No variation</i>	<i>First delivery</i>	-	-
<i>1 October of year n</i>	<i>Variation possible*</i>	<i>Variation possible**</i>	<i>Variation possible</i>	<i>Variation possible***</i>	-	-
<i>1 April of year n+1</i>	-	<i>No variation</i>	<i>No variation</i>	<i>No variation</i>	<i>First delivery</i>	-
<i>1 October of year n+1</i>	-	<i>Variation possible*</i>	<i>Variation possible **</i>	<i>Variation possible</i>	<i>Variation possible***</i>	-
<i>1. April of year n+2</i>	-	-	<i>No variation</i>	<i>No variation</i>	<i>No variation</i>	<i>First delivery</i>
<i>1. October of year n+2</i>	-	-	<i>Variation possible*</i>	<i>Variation possible; **</i>	<i>Variation possible</i>	<i>Variation possible***</i>

* *Variation is generally insignificant*

** *Variation is generally more significant, as the annual accounting figures from public finance statistics are incorporated*

*** *Initial estimates replaced by cash results from public finance statistics*

- *No delivery for that year*

According to the revision policy of German NA data generally become final in year t+4. Nevertheless, in cases of major revisions, all national accounts aggregates are recalculated in full detail back to a defined reporting year.

4.1.2 Relating to debt and financial accounts

The revisions of B.9f are exactly in line with the revisions of B.9. (Please refer to the general explanations on the link between B.9 and B.9f in section 3).

In principle, ordinary revisions of the financial accounts (Maastricht-debt, and notification tables 3 which are consistent with quarterly financial accounts for general government) are possible in March and September for the previous four years.

4.2. Reasons for other than ordinary revisions

In addition to the current revisions, in Germany major revisions of the national accounts generally take place every five years, and these can sometimes stretch back to a period in the fairly distant past. Such revisions are undertaken for the following reasons:

- to incorporate important statistics which emerge only once every few years,*
- to comply with a change of concepts and classifications, and*
- to take account of the results of new surveys and of new statistics.*

For this reason major revisions can lead to a correction of the reported results on government deficits for all the years covered. In this regard there is a co-ordination between non-financial and financial data compilation process. Basically, this may impact non-financial and financial accounts.

4.3. Timetable for finalising and revising the accounts

Timetable for revisions due to sources updates for non-financial accounts

Delivery dates	Results for reporting years				
	<i>n-4</i>	<i>n-3</i>	<i>n-2</i>	<i>n-1</i>	<i>n</i>
central government					
<i>1 April of year n</i>	<i>No variation</i>	<i>No variation</i>	<i>No variation</i>	<i>First delivery</i>	-
<i>1 October of year n</i>	<i>Variation possible due to implementation of: final results of BOP data,</i>	<i>Variation possible due to implementation of: 1) annual accounting figures from public finance statistics (final results), 2) revised results of BOP data,</i>	<i>Variation possible due to implementation of: 1) revised cash results for the overall public budget from public finance statistics, 2) revised results of BOP data,</i>	<i>Variation possible due to implementation of: 1) cash results from public finance statistics instead of initial estimates for FEUs³³, 2) revised results of BOP data,</i>	-
state government					
<i>1 April of year n</i>	<i>No variation</i>	<i>No variation</i>	<i>No variation</i>	<i>First delivery</i>	
<i>1 October of year n</i>	<i>Variation possible due to implementation of: final results of BOP data,</i>	<i>Variation possible due to implementation of: 1) annual accounting figures from public finance statistics (final results), 2) revised results of BOP data,</i>	<i>Variation possible due to implementation of: 1) revised cash results for the overall public budget from public finance statistics, 2) revised results of BOP data,</i>	<i>Variation possible due to implementation of: 1) cash results for the overall public budget from public finance statistics instead of initial estimates, 2) revised results of BOP data,</i>	
local government					
<i>1. April of year n</i>	<i>No variation</i>	<i>No variation</i>	<i>No variation</i>	<i>First delivery</i>	-
<i>1. October of year n</i>	<i>Variation possible due to implementation of: final results of BOP data,</i>	<i>Variation possible due to implementation of: 1) annual accounting figures from public finance statistics (final results), 2) revised results of BOP data,</i>	<i>Variation possible due to implementation of: 1) revised cash results for the overall public budget from public finance statistics, 2) revised results of BOP data,</i>	<i>Variation possible due to implementation of: 1) cash results for the overall public budget from public finance statistics instead of initial estimates, 2) revised results of BOP data,</i>	-
social security funds					
<i>1. April of year n</i>	<i>No variation</i>	<i>No variation</i>	<i>No variation</i>	<i>First delivery</i>	
<i>1. October of year n</i>	<i>Variation possible due to implementation of: final results of BOP data,</i>	<i>Variation possible due to implementation of: 1) annual accounting figures from public finance statistics (final results), 2) revised results of BOP data,</i>	<i>Variation possible due to implementation of: 1) revised cash results for the overall public budget from public finance statistics, 2) revised results of BOP data,</i>	<i>Variation possible due to implementation of: 1) cash results for the overall public budget from public finance statistics instead of initial estimates, 2) revised results of BOP data,</i>	

³³ FEU: Öffentliche Fonds, Einrichtungen und Unternehmen (public funds, institutions and enterprises)

B. Methodological issues

5. Sector delimitation – practical aspects

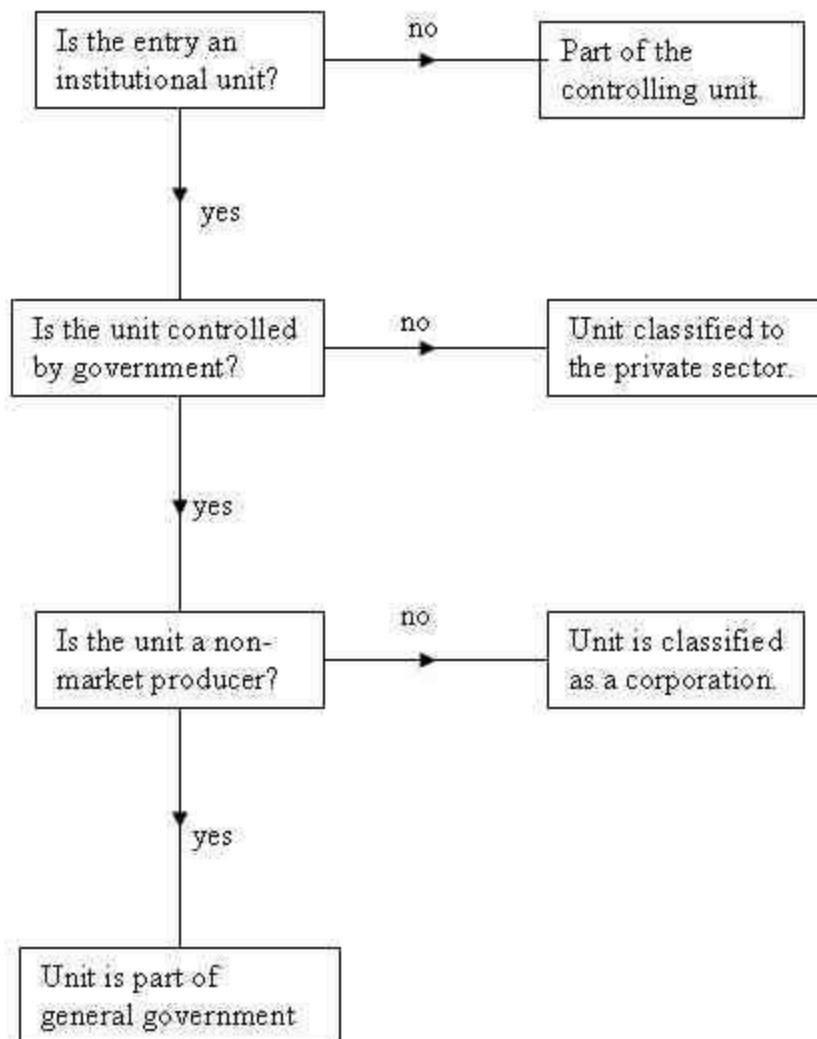
5.1 Sector classification of units

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

It is necessary to determine:

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

In general the sector classification of units is carried out according to the rules specified in ESA 95. The following decision tree is applied:



In Germany the Federal Statistical Office (section D 203 in NA department) decides on the sector classification of units.

The cash-based public finance statistics provides the starting point for the sector classification. The lists of public corporations (BKM) available at central, state and local government levels are checked continuously. The FSO applies a prudent approach, where units – in the case of doubt – are first allocated to the general government sector and then reclassified if necessary.

The list of general government units is updated once a year. According to a new rule recently applied, all public corporations receiving more than 80% of their turnover from government are considered as ancillary units and thus they are automatically classified inside the general government sector. Thus units classified as general government units are either non-market producers or ancillary units.

For the (sub)sector classification of large units a case-by-case consideration is carried out where also non-quantitative aspects are accounted for, e.g. which subsector controls the board or the appointment and removal of the key personnel or which subsector controls the unit by contractual agreements, by its degree of financing or its risk exposure.

New domestic government units are registered in the public finance statistics, however the formal process of including these units in the public finance statistics takes some time. For the purpose of national accounts these data gaps have to be closed by using additional information or compilations. If a unit is created abroad, the unit is not registered in the public finance statistic due to legal reasons. In such cases the certified financial statements of the relevant units are used to compile national accounts data.

To derive information on newly created public bodies there are different data sources available (Press releases, Staatsanzeiger, Beteiligungsberichte, Central Bank, Public Finance Statistics). However, a special reporting procedure for newly created units is not in place. When a new body is detected, FSO examines the legal documents of establishment to determine if it is an institutional unit, the nature of government control, and – if necessary – the accounts (revenues, expenditure) to take a decision on its market/non-market nature.

The 50% criterion for market/nonmarket distinction is carried out once a year for all public corporations by using individual data. After a switch from market producer to nonmarket producer or vice versa has taken place which persists for 3 years in succession, a reclassification of the unit is carried out. The reclassification is generally carried out in connection with the revision of the data in August (see above).

See Annex 1 “List of general government units”.

5.1.1 Criteria used for sector classification of new units

See 5.1.

The criteria for sector classification are control, the result of the 50% test which is carried out on individual units and main customer of the particular unit (public corporations receiving more than 80% of their turnover from government are considered as ancillary units and thus they are automatically classified inside the general government sector).

5.1.2 Updating of the register

The German public finance statistics established in the early 90s the so-called reporting units management (Berichtskreismanagement (BKM)) for the documentation of the reporting units of public finance and public service personnel statistics. The BKM is a registry of entities controlled by general government with information on the owners, shareholdings, sector classification, NACE classification, used accounting system and legal form of a unit. There is no legal obligation to register for newly established units, so that holding reports, commercial registers, enterprise data bases, establishments created under public law and preliminary surveys (spin-offs, shareholdings) are analysed for the preparation and taking of the decision whether a unit represents a reporting unit for the public finance statistics. The BKM is connected to the business register in two ways: on the one hand the BKM updates the business register regarding the information on the sector allocation and on the other hand the business register updates the BKM with NACE information.

5.1.3 Consistency between different data sources concerning classification of units

Not applicable.

5.2 Existence and classification of specific units

Non-profit institutions

In Germany there are no private NPIs included in general government sector. According to the decision tree in section 5.1 it is checked whether an institutional unit is controlled by general government. If the unit is privately controlled, the unit is classified in the private sector that is in the majority of cases a NPI is classified in sector S.15 but there are some NPIs classified in sector S.11. (See also Annex 1 "List of general government units".)

Quasi-corporations

In Germany quasi-corporations mostly exist at local government level. Most public utility companies are assessed as quasi-corporations since they are not legally independent market producers. Some of the local public hospitals are also quasi-corporations,

Infrastructure companies

Infrastructure companies are mainly classified in sector S.11. There are the public utility companies at local government level which are considered as quasi-corporations and the railways or airport operators which are corporations.

Public TV and radio

Until to the end of the year 2012 In Germany the public TV and radio stations are not considered to be controlled by general government and therefore are classified in sector S.11. All services are mainly financed through license fees paid by everybody who keeps a radio, TV set, PC or mobile phone with internet access "ready for use", and are governed by councils of representatives of the "societally" relevant groups".

Since 1 January 2013 the radio and TV license fee is replaced by a household fee according to the Rundfunkbeitragsstaatsvertrag. The household fee is to be paid by every household no matter if it keeps a receiving end. At present the recording of the household fee in NA is subject of discussions.

Public hospitals

In Germany public hospitals are classified outside general government in sector S.11. The reason for this sector classification is the prevailing payment system for general hospital services. The price of general hospital services is based on a universal, performance-orientated flat rate payment system which was introduced for the German hospitals in accordance with § 17 b hospital financing law (KHG). The basis of this payment system is the so-called German DRG system (German Diagnosis Related Groups) through which every inpatient treatment case is compensated for by means of a corresponding DRG case flat rate. Hospitals which are not registered in hospital master plan or hospitals which fall to the exception areas of the hospital financing law (i.e not legally entitled to receive investment grants from general government) may decide on their pricing policy by themselves. In principle, the DRG system is agreed on in the context of the so-called self-administration (statutory and private health insurance companies, hospitals). Only if the self-administration partners cannot reach an agreement, a DRG system is "provided" by the government. Up to now, this was not the case yet.

Conditions for receiving public financing are the same for all hospitals which are registered in the hospital master plan and are legally entitled to receive investment grants from general government according to the hospital financing law (Krankenhausfinanzierungsgesetz) independent of the ownership. There are hospitals to which this law is not to be applied.

Payments from general government (mainly statutory health insurance) are based on the above mentioned DRG system. The hospitals use for their settlement with the health insurance (statutory and private) a software solution called Grouper. This software assigns a hospital case / hospital treatment to a DRG on the basis of different parameters like main diagnosis, procedures and age of the patient. Each DRG has a nationwide relative weight which determines together with the so-called "Landesbasisfallwert" (state wide base rate) the price of the treatment carried out.

The DRG System provides for each DRG (around 1200 in 2009) a nationwide so-called relative weight which is multiplied by the state wide base rate for the DRG (i.e. 16 state base rates). Therefore each hospital (public, private or non-profit) in a certain federal state gets for a certain DRG the same payment from the health insurance (statutory and private). Between the federal states the prices can deviate from each other due to a different "Landesbasisfallwert".

The DRG flat rate catalogue for a particular year e.g. 2009 is worked out in the year before that. On the federal level the parties involved in the agreement of the new DRG catalogue are the umbrella organisation of the statutory health insurance, the association of the private health insurance and the German hospital association. The DRG catalogue is only one part of the terms of the hospital financing arrangement, though. The second part are local remuneration negotiations between the health insurance and the hospitals itself. In these negotiations the health insurance arrange with the hospitals for the services which have to be provided. Normally these negotiations are starting during a year and can extend into the next year. From the combination of the hospital services agreed on and the prices for these services (DRG) the financing of the hospitals results in principle.

In general the expenditure for construction and some major technical equipment is financed by the state government. The funds provided by the state government have to be calculated so that necessary investment costs (based on an economic assessment) are covered. However, hospitals also use own funds for capital investments.

Hospitals can receive subsidies, investment grants, equity injections, loans and service payments from general government. Up to now we are not aware that they have benefited from debt cancellations and debt assumptions.

The criteria for sector classification are control and the result of the 50% test which is carried out on groups of hospitals as a basis.

6. Time of recording

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

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

6.1 Taxes and social contributions

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

6.1.1 Taxes

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

The data source used for the recording of taxes in NA is cash data reported by the Federal Ministry of Finance (see section 3.2.1). The Federal Statistical Office compiles the data for EDP purposes. In government accounts time adjusted cash amounts are recorded, attributed to the period when the activity takes place.

*There are discrepancies in the reference periods for **taxes**. In accordance with Regulation 2516/2000 of the European Parliament and of the Council tax receipts are time-adjusted (provided that it is meaningful). Under Article 3 (b) of this Regulation the time difference shall be that arising from the collection dates prescribed for the various taxes in the relevant tax laws. The time shift of the "Kapitalertragssteuer" have been changed in 2010 from 1 month to zero months back to 2008. The change has been carried out according to information provided by the working party on Tax Revenue Forecasting. The following table shows the time adjustment for the various tax types by 1 or 2 months:*

Time adjustment for taxes

<i>1.1.1.1.1 Type of tax or contribution</i>	<i>Time adjustment</i>	
	<i>One month</i>	<i>Two months</i>
<i>Taxes on production and imports (D2)</i>		
<i>Value Added Tax</i>	X	
<i>Excise duty on tobacco</i>	X	
<i>Insurance tax</i>	X	
<i>Excise duty on beer</i>	X	
<i>Customs duties</i>	X	
<i>Excise duty on energy</i>	X	
<i>Excise duty on sparkling wine</i>		X
<i>Excise duty on coffee</i>	since 2007	until the end of 2006
<i>Excise duty on spirits</i>		X
<i>Excise duty on mineral oil</i>		X
<i>Aviation Tax</i>	X	
<i>Nuclear fuel tax</i>	X	
<i>Current taxes on income, wealth etc. (D.5)</i>		
<i>Income tax including a solidarity surcharge</i>	X	
<i>Capital gains tax including solidarity surcharge</i>	until the end of	

<i>Advance levy on income derived from securities including solidarity surcharge</i>	<i>2008, afterwards no time adjustment is carried out X</i>	
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6.1.2 Social contributions

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

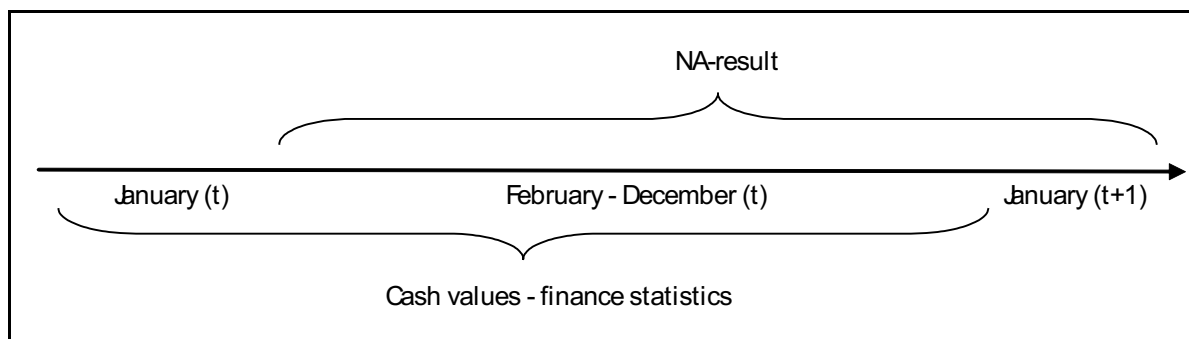
For the data source used for the recording of social contribution in NA see section 3.5.1.

For the majority of social security funds cash data are available and used. Cash data equal accrual data according to the accounting system of the social security funds. The social security funds and the Federal Ministry of Health collect the information on social contributions. The Federal Statistical Office compiles the data for EDP purposes. In government accounts time adjusted cash amounts are recorded, attributed to the period when the activity takes place. Final data for year T become available at T+ 12 months.

*In addition to the cash receipts from social contributions for the **old-age pension insurance** which are booked under public finance statistics as revenue, the "German old-age pensions insurance" also delivers so-called "planned contributions" which are booked as contribution revenue in the NA. In the case of such planned contributions, the contribution revenue is already attributed to the periods in which the income on which the contributions are levied is generated. The planned contributions thus conform to the accrual principle.*

*Contributions to **unemployment insurance** are booked with a time lag of one month. In contrast to the public finance statistics, instead of the cash values for the January of the reporting year, the January values of the subsequent year are booked.*

Time adjustment for unemployment insurance



6.2 EU flows

The issue of recording EU flows is important for national accounts, especially government accounts, because – due to the institutional arrangements – in general all amounts transit via government accounts. In order to avoid potential effects on the level of government deficits, countries have to eliminate these flows from public accounts. Eurostat, after the consultation with Member States, released a decision in February 2005. Chapter II. 6 of the ESA Manual on government deficit and debt details the rules concerning the recording of these flows.

6.2.1 General questions

In Germany the Federal Ministry of Food, Agriculture and Consumer Protection („Bundesministerium für Ernährung, Landwirtschaft und Verbraucherschutz“) is the main agency designated to receive payments from the EU for flows in structural funds. The Federal Ministry is classified in S.1311 in NA.

Even if the budget classification is very detailed, there is no breakdown of expenditures made on behalf of the EU, these flows are reported together with national cash flows, therefore the basic data source does not supply figures for the necessary adjustment. BOP statistics can supply further information which also allows to make a split according to fund, but they do not allow for a distinction between advance, interim und final payments.

The source of data for EU flows is the European Commission for the EFRE and ESF and the balance of payment data for the other EU funds.

This means we start with the balance of payment data which are in general the data source for recording the EU flows in national accounts. At the moment for the EFRE and the ESF the BOP data are replaced by the European Commission data provided by Eurostat. Since the new data transmission provides data separated into the different programme periods we can always compare the payments with the claims for each programme period and can assure that at least the revenue side is corrected by a model approach. In the model the advance payments were eliminated and recorded as other accounts payable. Only the amounts for the claims sent to the EU provided by the EC are recorded as revenue in national accounts. Advance payments and a positive difference between the BOP data and claims are recorded as an increase of other accounts payable in national accounts. A negative difference between the BOP data and the claims is recorded as a reduction of other accounts payable. In connection with the model only adjustments in the other accounts payable item occur. In addition, the implemented model approach only allows for adjusting revenue data.

However, public finance statistics has launched an additional survey covering the EU flows in the central government and state government budgets. This survey was introduced in 2012 for the first time and after some adjustments at the end of the test period the survey will run on a regular basis from 2013 onwards. This data will possibly allow the replacement of the model via direct approach. The main advantage of the questionnaire would be the detailed coverage of revenues and expenditures which would allow an improved adjustment of the public finance cash figures (both expenditures and revenues) for national accounts purposes.

6.2.2 Cash and Schengen facility:

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

Germany did not receive these facilities.

6.2.3 Jeremie/Jessica

The European Commission and the European Investment Bank Group and other International Financial Institutions on financial engineering in cohesion policy, the European Commission drew up new initiatives for improving access to finance of European corporations. These initiatives require the involvement of EU governments (as in the case for other cohesion and structural policy instruments). EU Member States implement the JEREMIE and JESSICA initiatives by establishing a Holding Fund funded through their Structural Fund receipts from the European Commission and national contributions. The Holding Fund (HF) can be managed either by the EIF or by other financial institutions, according to the EU Structural Funds legislation applicable. In this context, the "Managing Authorities" can award management either directly to the EIF or any national institution which benefits from public procurement exemption under national law through a grant agreement, or indirectly by way of tender to a financial institution through a service contract. Holding Funds can be set up either as "ring-fenced blocks of finance" or as bank accounts managed by the Holding Fund manager on behalf of and in the name of the Managing Authority, or as an independent legal entity (Special Purpose Vehicle – SPV).

Not yet completed.

6.2.4 Market Regulatory Agencies

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

The question is whether the principle of re-arranging EU transactions would also apply to the recording of changes in inventories (P.52) arising from the interventions of agricultural market regulatory agencies in the market. According to the guidance, in those circumstances where a market regulatory agency acting on behalf of the EU is classified inside general government, the creation of a unit in S.11 is recommended in order to capture the changes in agricultural inventories, and to avoid that such changes in inventories are recorded in national government accounts (as changes in government inventories, with an impact on the government deficit/surplus) or in the rest of the world accounts (as exports and imports). The unit to be created to capture these changes in inventories is a quasi-corporation, rather than a notional unit, in order to ensure an equality of treatment with cases where market regulatory

agencies are classified outside government. This is also appropriate because any temporary difference in value arising from changes in market value of these inventories not yet covered by subsidies is likely to be small and on average zero.

The German market regulatory agency is the Federal Office for Agriculture and Food ("Bundesanstalt für Landwirtschaft und Ernährung") which is classified outside general government sector.

6.3 Military expenditure

The ESA95 principle on accrual recording when applied to military expenditure is generally the time when the economic ownership of the good occurs, which is usually when delivered. Chapter II.5 in Part II of the MGDD details the rules concerning the recording of military expenditure.

6.3.1 Types of contracts

Data sources used for the compilation of military equipment expenditure are the central government core budget and special reports of the Federal Ministry of Finance (BMF). This is cash based information corrected for actual data on receivables/payables.

The usual type of contract used by military forces for the procurement of military equipment is sales agreed in advance with industrial suppliers. Sometimes military equipment contracts include prepayments.

6.3.2 Borderline cases

6.3.3 Recording in national accounts

Military expenditures are recorded according to the accrual principle in NA, that is prepayments for military equipment are recorded as other accounts receivable.

6.4 Interest

This part aims at describing accrual adjustment for interest.

ESA 4.50 reads: "Interest is recorded on an accrual basis: that is, interest is recorded as accruing continuously over time to the creditor on the amount of principal outstanding. The interest accruing in each accounting period must be recorded whether or not it is actually paid or added to the principal outstanding. When it is not actually paid, the increase in the principal must also be recorded in the Financial Account as a further acquisition of that kind of financial asset by the creditor and an equal acquisition of a liability by the debtor. "

MGDD part II, chapter II.4 is dealing with some practical aspects of the recording of interest.

The calculation of interest revenues and interest expenditure of general government is based on a basic interest model which allows transferring public finance cash statistics data into accrual data. This basic model is extended by extra calculations for specific topics as for instance

- *Index linked securities*

- *Coupons sold*
- *Public Private Partnership*
- *Rerouting of transactions*
- *Sector classification of units*
- *Premiums and discounts*
- *Swaps.*

The basic model

The public finance statistics which provides the basic data for the compilation of the government accounts in national accounts is mainly a cash statistics. Especially for the core budget units the interest revenues and expenditures are recorded on a cash basis. The required accrual adjustments of the interest data (expenditures and revenues) in national accounts are implemented via a model approach – the so-called interest basic model. The basic model is used for all sub-sectors of general government (central, state and local government as well as social security funds).

Data basis

For the central, state and local government sub-sector the data basis of the basic model is initially the quarterly cash statistics and later on the annual cash statistics of the public finance statistics. For the social security funds the detailed quarterly figures of individual social security branches (e.g. statutory health insurance, statutory old age pension insurance, unemployment insurance schemes) are used which are directly incorporated in the calculations of national accounts (see section 3).

The classification by object distinguishes between 9 types of interest revenues of general government and between 10 types interest expenditure of general government (see table “Breakdown of interest revenue and expenditure in the public finance statistics”). The detailed breakdown of interest revenue and expenditure particularly allows for consolidation of interest payments between government sub-sectors.

Table: Breakdown of interest revenue and expenditure in the public finance statistics (classification by object)

<i>Interest revenue</i>		<i>Interest expenditure</i>	
<i>Classification number</i>	<i>Content</i>	<i>Classification number</i>	<i>Content</i>
<i>Gruppierung 15</i>	<i>Interest revenue from the public sector</i>	<i>Gruppierung 56</i>	<i>Interest expenditure to territorial authorities and special funds</i>
<i>Gruppierung 151</i>	<i>Central</i>	<i>Gruppierung 561</i>	<i>Central</i>

	<i>government</i>		<i>government</i>
<i>Gruppierung 152</i>	<i>State government</i>	<i>Gruppierung 562</i>	<i>State government</i>
<i>Gruppierung 153</i>	<i>Local government</i>	<i>Gruppierung 563</i>	<i>Local government</i>
<i>Gruppierung 154</i>	<i>Special funds</i>	<i>Gruppierung 564</i>	<i>Special funds</i>
<i>Gruppierung 156</i>	<i>Social security funds</i>	<i>Gruppierung 567</i>	<i>Spezial purpose association</i>
<i>Gruppierung 157</i>	<i>Spezial purpose association</i>	<i>Gruppierung 57</i>	<i>Interest expenditure at the capital market</i>
<i>Gruppierung 16</i>	<i>Interest revenue from other sectors</i>	<i>Gruppierung 571</i>	<i>Public corporations and institutions</i>
<i>Gruppierung 161</i>	<i>Public corporations and institutions</i>	<i>Gruppierung 572</i>	<i>Social security funds</i>
<i>Gruppierung 162</i>	<i>Other domestic interest revenue</i>	<i>Gruppierung 573</i>	<i>Compensation claims</i>
<i>Gruppierung 166</i>	<i>Other foreign interest revenue</i>	<i>Gruppierung 575</i>	<i>Other domestic capital market</i>
		<i>Gruppierung 576</i>	<i>Rest of the world</i>

The model

The interest revenue and expenditure of the quarterly cash statistics and the annual accounting statistics of the public finance statistics are mainly cash data, i.e. the paid and received interest flows are shown. For an accrual accounting in national accounts, a macro-adjustment of the cash interest flows is carried out. The model is based on the monitoring of the issue activity of general government in long-term average. Studies have shown that in Germany the financial assets/liabilities of general government are mainly with a maturity of more than one year and that the interest is paid once a year in arrears. Intra-annual interest payments and interest payments for a period longer than one year play only an insignificant role. Short term temporary deviations from the observed longtime average are possible but do not change substantially the observed basic trend.

The accrual accounting of interest revenue and expenditure is implemented for all government sub-sectors according to the model According to this, for every quarter the data of the public finance statistics on interest revenue and expenditure is partitioned in equal shares which are allocated to the current quarter and the previous 3 quarters. For example for the first quarter 2010 the accrued interest value in national accounts equals to a fourth of the cash interest value of the first quarter 2010, to a fourth of the cash interest value of the second quarter 2010, to a fourth of the cash interest value of the third quarter 2010 and to a

fourth of the cash interest value of the fourth quarter 2010 (see table “Time adjustments for interest”).

For the calculation of accrued interest for the current quarter, an estimation of the cash interest data for the following 3 quarters is necessary. Basis of the estimation is the forecasting of recent developments in interest revenue and expenditure for state and local government *sub*-sector and social security funds. The estimations take in particular account of current developments of market interest rates and of the volume of bond issuances. The estimations for the central government sector are based on the publications of the Federal Republic of Germany Finance Agency (Bundesrepublik Deutschland Finanzagentur GmbH). The Finance Agency is the central service provider for the Federal Republic of Germany's borrowing and debt management and publishes currently forecasts for cash interest expenditure of the central government for the following quarters. These forecasts are used for the forecasting of the quarterly cash data on interests.

Time adjustment for interests

Interest according to the BMF reporting period	Model calculation of interest according to the accrual principle by periods
$Z_{t;1.Qu}$	$0,25 * Z_{t;1.Qu} + 0,25 * Z_{t;2.Qu} + 0,25 * Z_{t;3.Qu} + 0,25 * Z_{t;4.Qu} = Z_{accrual; t;1.Qu}$
$Z_{t;2.Qu}$	$0,25 * Z_{t;2.Qu} + 0,25 * Z_{t;3.Qu} + 0,25 * Z_{t;4.Qu} + 0,25 * Z_{t+1;1.Qu} = Z_{accrual; t;2.Qu}$
$Z_{t;3.Qu}$	$0,25 * Z_{t;3.Qu} + 0,25 * Z_{t;4.Qu} + 0,25 * Z_{t+1;1.Qu} + 0,25 * Z_{t+1;2.Qu} = Z_{accrual; t;3.Qu}$
$Z_{t;4.Qu}$	$0,25 * Z_{t;4.Qu} + 0,25 * Z_{t+1;1.Qu} + 0,25 * Z_{t+1;2.Qu} + 0,25 * Z_{t+1;3.Qu} = Z_{accrual; t;4.Qu}$
Z_t	$Z_{accrual; t;1.Qu} + Z_{accrual; t;2.Qu} + Z_{accrual; t;3.Qu} + Z_{accrual; t;4.Qu} = Z_{accrual; t}$

Symbols: Z : Interest; t = current year; $t+1$ = following year; 1.Qu: first quarter; 2. Qu: second quarter; 3. Qu: third quarter; 4. Qu: fourth quarter

Additional adjustments

The basic model allows the required accrual adjustment for interest in general. For some special accounting rules regarding interest, the basic model has to be extended by additional calculations. The calculations can either be made via an adjustment of the original data provided by the public finance cash statistics (i.e. before they enter the basic model) or via an adjustment of the “accrued” interest data (i.e. after they have entered the basic model). In the latter case, the accrual adjustments are supplemented by additional data sources. These additional interest adjustments are carried out for index-linked securities, coupons sold, public private partnerships, rerouted transaction etc.

Index linked securities

In May 2011 German inflation-linked bonds in a volume of 41 bn euro were outstanding across three issues:

- 11 bn euro in a 5Y Obl/ei due April 15th, 2013. Initial issue in Oct 2007 (4bn euro) with the recent tap in April 2010 (2bn euro).
- 15 bn euro in the 10Y due April 15th, 2020. Initial issue in June 2009 with the recent tap in January 2011 (1bn euro).
- 15 bn euro in the 10Y due April 15th, 2016. Initial issue in March 2006 with the recent tap in September 2010 (2 bn euro).

The nominal value of an inflation linked security is adjusted by the development of the inflation index (European HICP ex tobacco). At maturity at least the original nominal value will be paid back. The real coupon is always paid on basis of the capital, indexed by the inflation. In case of deflation the indexation coefficient could quote below 1. Therefore the nominal amount could theoretically quote below 100 during the life time of the bond. The coupon is always fixed and defined in the terms and conditions of the individual securities. The interest payment could vary based on the fact that the coupon is paid on the inflation indexed capital. The calculation of the interest amount stems from nominal amount multiplied by indexation-coefficient multiplied by coupon. The indexation-coefficient results from inflation index at T_n /inflation index at T_0 .

Since the official price index (HICP ex tobacco) for January of a year is provided with a certain time lag an alternative index is compiled resulting from the average inflation of the previous year. After publication of the official index the missing indexation-coefficients are calculated and published. Both indices the official and the alternative index are published on a daily basis separately for bonds and obligations on the website of the Federal Republic of Germany Finance Agency. Equation (1) shows the indexation of the principal outstanding, equation (2) the indexation of interest

*(1) principal outstanding = total nominal amount * index value date of maturity*

(2) index value date of interest payment = value of reference index on date of interest payment / basis of index

The change in the value of the principal outstanding between the beginning and the end of a particular accounting period due to the movement in the index is recognized as interest accruing in that period in national accounts (ESA 1995 4.46 c). The indexation of the amount outstanding is not recorded in the quarterly public finance cash statistics and has to be appraised in a supplementary calculation. In contrast, a special calculation of index-linked interest expenditure is not necessary as they are already recorded in the public finance cash statistics. The accrual adjustment of this cash data is carried out via the aforementioned basic model.

The accrual adjustment of the principal of an index linked bond is based on information of the German Finance Agency on a corresponding outstanding tranche of a certain bond and the respective index value used for this tranche (see above). The compiled adjustment amount is added to the accrued interest of the basic model.

Coupons sold

Coupons sold are considered as financial transactions with no impact on net lending/net borrowing in national accounts. However, in the public finance statistics coupons sold are generally recorded in the interest expenditures (i.e. as a revenue item within the recorded interest expenditures and as part of the cash coupon payment later on). Thus the interest expenditures provided by the quarterly public finance cash statistics as well as the annual public finance cash statistics have to be adjusted by these amounts.

The correction of coupons sold is carried out in the interest data, before they enter the model. A special feature of the correction is that only payments received from coupons sold can be eliminated directly whereas the coupons sold part in the cash coupon payment is not separately identifiable. Thus the latter is corrected on the basis of the fact that the issuance of a new tranche and the coupon payment occur within a year. For the correction of the coupons sold treated as revenue a special analysis of the ministry of finance is used which provides information on the part of coupons sold revenues recorded in the interest data for each quarter. Based on this information, interest expenditures accounted in the quarterly public finance cash statistics are adjusted by coupons sold (i.e. interest expenditures increase). In a second step the future interest expenditures ($t+4$ quarters) are adjusted in the opposite direction (i.e. interest expenditure decrease). These adjustments ensure that coupons sold are eliminated in the interest expenditure data of the public finance statistic. The corrected interest expenditures are then recorded in the appropriate period in accordance with the accrual principle by using the model.

Public Private Partnership

In national accounts all PPP projects are assigned to general government in Germany. Thus all assets of PPP projects are recorded on the government balance sheet. However, in the public finance statistic (quarterly and annual cash statistics) no directly attributable expenditures for PPP projects and thus no associated government debt are recorded. To comply with the Eurostat guidance note on PPP projects a model approach has been implemented in national accounts, which allows to make the necessary adjustments in the basic data. The source information for the adjustments is the database of the ÖPP Deutschland AG that contains information on PPP projects in Germany. Based on this information the debt impact caused by PPP projects is compiled. The interest expenditure associated with this debt is derived by using a PPP model developed by the World Bank. It is assumed that the recorded debt is repaid in equal instalments and interest is paid annually on the remaining debt. The imputed debt is fixed to the duration of the PPP project. The interest rate used for the compilation of interest is equal to the average interest rate on all government's outstanding liabilities.

Rerouting of transactions

In the case that certain transactions are rerouted through the accounts of the government an adjustment of the interest data provided by the public finance statistic could be necessary.

Due to the different economic activities carried out by the government and the various ways in which these activities are implemented, the necessary adjustments vary considerably. For example, the interest payments related to the loans provided to Greece via the KfW are rerouted to the government accounts. In this case the compilation of interest is based on the agreed loan terms. In cases where a model calculation is used, the average government refinancing conditions are used to compile the accrued interest.

Sector classification

In cases where new units are allocated to government sector, a temporary (domestic units) or a permanent (foreign units) adjustment of interest revenues and expenditures can be necessary. New domestic government units are registered in the public finance statistics, however the formal process of including these units in the public finance statistics takes some time. For the purpose of national accounts these data gaps have to be closed by using additional information or compilations. The annual and quarterly financial statements of these units will be checked and based on these checks the necessary interest adjustments are implemented in national accounts. In general the interest revenues and expenditures provided in the financial statements can directly be used in national accounts since they are in line with commercial accounting standards and are therefore already accrued. In some cases model based estimations are used to determine interest revenues and expenditures and in individual cases voluntary information is provided from relevant units. If a unit is created abroad, the unit is not registered in the public finance statistic due to legal reasons. In such cases the certified financial statements of the relevant units are used to compile the interest data.

Discounts and premiums

The necessary accrual adjustments for discounts and premiums on index linked bonds are also implemented in addition to the basic model. The information on discounts and premiums is derived from the bond conditions published by the German Finance Agency. Based on the compiled discounts and premiums the interest expenditures provided by the public finance statistic are adjusted accordingly before they enter the model.

Swaps

The interest flows recorded in the public finance statistic are recorded together with interest flows resulting from swap agreements – especially interest rate swaps. Thus the interest data have to be corrected in line with the Eurostat guidance note on financial derivatives. For the central government the corrections are based on a special analysis provided by the Ministry of Finance and for the state government on a special analyses provided by the Zentrale Datenstelle der Landesfinanzminister. These data contain detailed information on the (remaining) maturity of a swap, up-front payments, swap cancellations, lump sum payments, swap interest flows and swap closings which allows the required adjustments of the interest data recorded in the public finance statistic.

6.4.1 Interest expenditure

See 6.4.

6.4.2 Interest Revenue

Accrual adjustments in connection with interest revenue are implemented as apposition under “other adjustments” in EDP tables.

6.4.3 Consolidation

For the core budget units of general government consolidation on interest between sub-sectors and within sub-sectors is implemented on the basis of the budget classification system of the used basic data. The budget classification system allows for distinction of transactions by the counterpart sector.

In German NA the consolidation is carried out for revenue and expenditure data but is based on expenditure data, i.e. the amount which has to be consolidated is determined by the amount of the respective expenditure transaction.

6.4.4. Recording of discounts and premiums on government securities

Not yet completed.

6.5 Time of recording of other transactions

In Germany all non-financial transactions in NA are recorded on accrual basis according to ESA95 rules.

7. Specific government transactions

Methodological rules applicable for recording of specific government transactions are set up in the Manual on Government Deficit and Debt (implementation of ESA95), 2010 edition³⁴.

7.1 Guarantees, debt assumptions

Generally, government guarantees are recorded off-balance sheet in government accounts (contingent liability), and neither government debt nor deficit is impacted. However, when a guarantee is activated (called), the payment made by government on behalf of debtor is normally recorded as government expenditure. In case of repeated guarantee calls, the whole outstanding amount of the guaranteed debt should be assumed by government. The latter leads to one-off increase of government debt as well as deficit. The accounting rules are explained in the Chapter VII.4 on Government guarantees of the ESA95 Manual on government deficit and debt. This chapter describes also specific cases and related treatment in national accounts.

³⁴ http://epp.eurostat.ec.europa.eu/portal/page/portal/product_details/publication?p_product_code=KS-RA-09-017

7. Specific government transactions -

7.1.1 Guarantees on borrowing

7.1.1.1 New guarantees provided

Recording in public accounts

In Germany each legally competent unit can provide guarantees. Guarantees are regulated by law in the Civil Code (BGB). Government guarantees exist across all sub-sectors, there are guarantees on assets like export insurances, housing loans or student loans, and guarantees on borrowing e.g. for public or private corporations. Guarantees are either directly provided by the respective government authority or by the KfW (Kreditanstalt für Wiederaufbau) or by the Landesbanks.

In general the guaranteed debt is recorded solely as the borrowing of the original debtor; for the government, it is a contingent liability. In public accounts, the guaranteed debt is not recorded until the guarantee is activated. If the guarantee, or part of it, is called, then a cash outflow takes place in government accounts, recognized by the surveys of the cash statistics of the overall public budget.

The surveys of German public finance statistics do not recognize newly provided guarantees. The statistics on debt only collects data on stocks of guarantees reported at the end of a year. The results of the annual debt statistics including data on stocks of guarantees are available on Destatis' website.³⁵ Currently it is not possible to distinguish the nature of the recipient (public or non-public) of government guarantees, especially at state and local government levels. The classification used in the annual public finance statistics allows only the identification of guarantees by different groups of recipient corporations such as banks, credit institutions or industrial corporations.

Cases of debt assumption at inception are not known.

Recording in national accounts

In NA guarantees provided are treated as contingent liabilities, and are therefore not recorded.

In case when since inception it is foreseen that government will pay regularly interest, in NA a debt assumption would be recorded. i. e. the counterpart transaction of the financial flows recorded in the financial accounts would be a capital transfer with negative impact on B.9.

7. Specific government transactions -

7.1.1.2 Treatment of guarantees called

Recording in public accounts

The recording of guarantee calls in public accounts depends on the specific features of the particular transaction. In general a cash call is recorded as expenditure reported as “claiming of guarantees” in cash statistics of the overall public budget. If a government unit actually assumes a debt, a claim is included in the stock of liabilities of the debt statistics.

Debt cancellations and debt write-offs are not explicitly recorded in public accounts reported by public finance cash statistics since no cash transaction takes place. In public finance debt statistics reduced stocks of the respective debt positions are recorded in case debt cancellations or debt write-offs have taken place in the period between two consecutive record dates.

In year 2012 the state “Rheinland-Pfalz” assumed outstanding debt of the Nürburgring GMBH. In public finance statistics the debt assumption is recorded as a guarantee call whereas in national accounts a debt assumption is recorded.

Recording in national accounts

In general guarantees are recorded as capital transfers in national accounts when guarantees are called. In public finance statistics the guarantee cash calls are recorded under a reporting item which is in principle treated as financial transaction in national accounts. Since the financial transactions have been eliminated in the first part of EDP tables 2 A-C (financial transactions considered in the working balance) a correction for guarantees called have to be made in “Other adjustments” in order to obtain government net lending/net borrowing in national accounts.

In table 2A the guarantees called at central government level are provided under the item “debt release” (negative) in “Other adjustments”. The debt release consists of two parts: a debt release as cash payment of central government and a debt cancellation as cancellation of claim of central government against foreign countries. The cash payment recorded as debt release relates to domestic expenditures in connection with guarantee arrangements. The idea to record these cash payments as debt release is that government receives a “claim” which is immediately recorded as irrecoverable. It is assumed that this is done on mutual agreement. The concept is based on the national structure of the guarantee arrangements which causes a payment only in the case of insolvency of a unit. In such a case normally the unit does not have substantial valuable claims which can be acquired by the government.

A further position in connection with the recording of guarantees is the position “interest, fees (guarantees called)” which has to be adjusted in the EDP tables 2. In public finance statistics interest revenues in connection with guarantees are generally recorded under a position which is treated as financial transaction in national accounts and thus eliminated in the first part of EDP tables 2. Therefore a correction for interest revenues must be made in “Other adjustments” in order to establish the net lending/net borrowing in national accounts.

For this, supplementary information from the BMF and data from the balance of payment statistics of the Bundesbank are available.

7. Specific government transactions -

Calls of guarantees are recorded as cash payments (national guarantees, recorded as capital transfer in national accounts) or as acquisition of claim for foreign guarantees relating to export-credits. The latter are recorded as F.4 loans in national accounts. Once new information is available on these foreign claims (i.e. Ministry of Finance classifies the claims as irrevocable) they are recorded as debt cancellations. Market values for these claims are not available but the amounts are not substantial.

Generally the NSI decides on the recording of debt assumptions in NA, on the basis of the available information.

In the case of regular call for payments of interest by GG on behalf of debtor a debt assumption of the outstanding amount of debt would be recorded in NA. To date, there are no known cases of that type.

7.1.1.3 Treatment of repayments related to guarantees called

Recording in public accounts

Repayments by the original debtor are recorded as cash inflow included in the budget item “revenue in connection with claiming on guarantees” on central government level. For state and local government repayments of the original are no standard practice; therefore the amounts recorded in the budget item “revenue in connection with claiming on guarantees” are considered as received guarantee fees.

Recording in national accounts

In Germany information on repayments by the original debtors is available solely for central government level. In NA those repayments are considered as financial transaction and thus not recorded in non-financial accounts.

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

In NA write-offs by government of government assets that arose from calls are recorded as capital transfer (see section 7.1.1.2).

7.1.1.5 Data sources

Individual data on stocks of guarantees and related flows as calls by year and by beneficiary are not available. Available in data of public finance statistics are aggregated stocks of guarantees at the end of a year by government sub-sector (debt statistics) and cash inflows and cash outflows in connection with guarantees provided (cash statistics of the overall public budget). These cash flows enter the WB. Related information is available at state and local level because of the budget classification.

7.1.2 Guarantees on assets

At present in Germany no differentiation is made between guarantees on assets and guarantees on liabilities. All government guarantees we are aware of are reported.

7.2 Claims, debt cancellations and debt write-offs

Providing loan capital is generally a financial transaction not impacting the net borrowing/net lending (B.9). Government, as a lender, is expecting that the debtor will be in a position to repay the loans, according to a schedule agreed at inception. However, if the loan is non-recoverable, recording of government expenditure might be considered. The related accounting rules are set up in ESA95 and further clarified in the Chapter III.2 on Capital injections and Chapter VII.2 on Debt assumption and cancellation of the ESA95 Manual on government deficit and debt.

For debt cancellation and debt assumption, supplementary information from the BMF and data from the balance of payment statistics of the Bundesbank are used. For the state governments and local governments such information is currently not requested by the public finance statistics surveys.

7.2.1 New lending

In Germany government grants short-term and long-term loans to different beneficiaries:

- *corporations,*
- *private households,*
- *other government sub-sectors and*
- *foreign countries (claims to less developed countries and claims to European countries in connection with the financial crisis).*

At central and state government level the major part of loans are granted at market interest rates. Information on interest rates of loans granted by local government units is not available to statisticians.

Data on transactions and data on stocks are available in different data sources. However, there is no integrated system of stocks and flows. Stock statistics are gradually built up.

Currently there are only very specific cases of granted loans which are recorded as a transfer (expenditure) in NA. This may occur in specific cases, for instance if reimbursement is conditional. From 2014 onwards, loans granted in the development aid context are (largely) recorded as capital transfer (expenditure).

If there are no regular interest payments (ie in cases of arrears), interest is not accrued/ not recorded as new lending.

7.2.2 Debt cancellations

Generally a debt cancellation is not explicitly reported in German public finance statistics but it is included in budget item “claiming of guarantees”. A debt cancellation can take place due to legislation or official decisions.

In NA a debt cancellation is recorded as capital transfer.

Provisions of claims are not recorded in national accounts.

For further explanations see section 7.1.

7. Specific government transactions - 7.2 Claims, debt cancellations and debt write-offs -7.3 Capital injections in public corporations

7.2.3 Repayments of claims

In general repayments of claims are recorded as financial transactions in ESA 95 accounts.

The specific information on receipts from repayments of claims which were previously cancelled is not available to statisticians in NA; therefore normally the reported amounts of repayments of claims in public finance statistics are considered as financial transactions in NA.

To date no repayment in kind is observed.

7.2.4 Debt write-offs

Generally debt write-offs are not explicitly reported in German public finance statistics but they are included in budget item “claiming of guarantees”.

For further explanations see section 7.1.

7.2.5 Sale of claims

In Germany we are not aware of sales of loans (neither bad nor well performing) or sales of claims apart from a securitization of claims against Russia in year 2004 with a securitization value of 4,500 million Euros.

7.3 Capital injections in public corporations

Government capital injections are transactions which occur when governments provide assets (in cash or in kind) to public corporations (or assume liabilities), in their capacity of owner / shareholder, with an aim to capitalize or recapitalize them. The accounting rules are set out in ESA95 and clarified in the Chapter III.2 on Capital injections of the ESA95 Manual on government deficit and debt. This chapter devotes considerable space to set the operational rules for recording of capital injections in national accounts as transactions in equity (financial transaction = financing = “below-the-line”), or as capital transfers (non-financial transaction = expenditure = “above-the-line”).

It is recalled that the MGDD also indicates that payments by government to public units, structured in the legal form of a loan or a bond, might be considered in specific circumstances as a capital injection, to be classified as either a capital transfer D.9 or as an acquisition of equity F.5.

7. Specific government transactions - 7.6 Public Private Partnerships

By default all capital injections are considered as equity injections. The NSI does not have access to detailed data to examine whether these investments are expected to lead to market returns. If injections are to cover losses, these are recorded on a different budget line. Large injections are checked separately.

7.4 Dividends

It is recalled, that the ESA95 Manual on Government Deficit and Debt chapter III.5 indicates that large and exceptional payments out of reserves which significantly reduce the own funds of the corporation should be treated as superdividends, i.e. transaction in shares and other equity (a capital withdrawal).

Total distributions could therefore comprise one part recorded as property income, D.42, and another recorded as transactions in equity, F.5. The former data is reported to Eurostat in ESA95 table 2, but the latter is included within transactions in equity in financial accounts. Within the latter, for the benefit of analysis, one should also distinguish between amounts received from the National Central Bank, and amounts received from other public corporations.

Data on dividends received by government from corporations are not available on an individual basis, only aggregated. These are analysed and extraordinary movements are looked into. The main contributing entities are identified and the superdividend test is applied for these dividend payments.

For the dividend of the central bank to central government the superdividend test is applied every year.

7.5 Privatization

The proceeds collected by government when disposing of shares in public corporations are often called privatization proceeds. The counterpart entity (i.e. the acquirer of shares) is the private sector. Privatization can be indirect when the proceeds are forwarded to government after the sale of a subsidiary. The MGDD chapter V.2 indicates that such indirect privatization proceeds are not government revenue.

Chapter V.3.1 of the ESA95 Manual on government deficit and debt mentions that in some EU Member States, holding companies have been set-up by the government to restructure the public sector with the aim of making the enterprises more competitive and profitable and, in the long run, disengaging the government. Often their main activity is to organise the privatisation efficiently and transfer the proceeds of the sale of shares to other public corporations (owned by the holding company or not), through grants, loans or capital injections.

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

In Germany special units managing privatisation does not exist, the particular general government core budget unit is responsible for running privatisation.

7.6 Public Private Partnerships

The term “Public-Private Partnerships” (PPPs) is widely used for many different types of long-term contract between government and corporations for the provision of public infrastructure. In these partnerships government agrees to buy services from a non-government unit over a long period of time, resulting from the use of specific “dedicated assets”, such that the non-government unit builds a specifically designed asset to supply the service. ESA95 Manual on government deficit and debt Chapter VI.5 deals with this issue.

The key statistical issue is the classification of the assets involved in the PPP contract – either as government assets (thereby immediately influencing government deficit and debt) or as the partner’s assets (spreading the impact on government deficit over the duration of the contract). This is a similar issue to distinguish between operating leases and finance leases, which is explained in annex II of ESA95 (see also chapter VI.4).

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

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

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

In May 2012 about 120 PPP projects are taken into account in NA in Germany.

To distinguish PPPs from concessions the type of payment for the use of the considered asset is checked. If the user of the asset pays a usage-dependent amount directly to the concessionaire, a concession is considered. In Germany the Warnow-Tunnel is subject to usage-dependent charge.

For distinguishing PPP projects from operating leasing contracts the contract duration is considered. If the contract duration is short (shorter than the economic life of the asset) an operating leasing contract is assumed. If the contract duration is long (10 to 30 years) and longer than the economic lifetime of the asset, a PPP project is assumed.

The ÖPP Deutschland AG is an independent consulting company for public orderers (principals) to promote PPP projects. The company was founded in November 2008 under the control of the Federal Ministry of Finance and the Federal Ministry of Transport, Building

7. Specific government transactions - 7.6 Public Private Partnerships

and Urban Development. The task of ÖPP Deutschland AG is the continuous improvement of the general conditions for PPP projects (e.g. development of standards), the systematic transfer of knowledge and the opening of new fields for PPP projects.

ÖPP Deutschland AG provides a publicly available database with information on PPP projects on central, state and local government level. The information in the database is based on voluntary data given by private contractors and contracting authorities.

In the budgets of central and state government are surveys of ongoing PPP projects with their related budgetary commitments and payments for each fiscal year. These surveys complete the base data for PPP projects. In addition sources accessible to the public like press and internet are used to collect information on PPP projects.

In Germany the FSO is responsible for the implementation of national accounts and therefore for the risk assessment in connection with PPP projects. Since the German FSO does not get the contracts of PPP projects, all projects are assigned to general government in Germany. Thus all assets of PPP projects are recorded on government balance sheet. On this basis, the existence of government guarantees for the private sector and the kind of government financing in connection with PPP projects is not important for the accounting of PPP projects in NA.

However, in the public finance statistic (quarterly and annual cash statistics) no directly attributable expenditures for PPP projects and thus no associated government debt are recorded. To comply with the Eurostat guidance note on PPP projects a model approach has been implemented in national accounts, which allows to make the necessary adjustments in the basic data. The source information for the adjustments is the database of the ÖPP Deutschland AG that contains information on PPP projects in Germany. Based on this information the debt impact caused by PPP projects is compiled. The interest expenditure associated with this debt is derived by using a PPP model developed by the World Bank. It is assumed that the recorded debt is repaid in equal instalments and interest is paid annually on the remaining debt. The imputed debt is fixed to the duration of the PPP project. The interest rate used for the compilation of interest is equal to the average interest rate on all government's outstanding liabilities.

7.7 Financial derivatives

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

Regulation 2558/2001 added a new annex to ESA95 which specified that: "*For the purpose of the Member States' reports to the Commission under the excessive deficit procedure..., "Government deficit" is the balancing item "net borrowing/net lending" of General Government, including streams of interest payments resulting from swaps arrangements and forward rate agreements. This balancing item is codified as EDPB9. For this purpose, interest includes the abovementioned flows and is codified as EDPD41 of streams of interest payments.*"

7. Specific government transactions - 7.8 Payments for the use of roads - 7.9 Carbon trading rights - 7.10 Sale and leaseback operations

Eurostat guidance note on Financial derivatives was published on 13 March 2008.

7.7.1 Types of derivatives used

The following kind of derivatives are being used by general government:

- *Plain Vanilla Interest Rate Swaps including EONIA Swaps (on and off market)*
- *currency swaps (off market)*

The existence of derivatives is known for central and state government and the two "other government bodies" FMS Wertmanagement and Erste Abwicklungsanstalt.

7.7.2 Data sources

For core budget entities on central and state government level the FSO receives cash data. For the purpose of EDP swap related flows are recorded on an accrual basis according to the rules of the Eurostat guidance note on financial derivatives. For the compilation of government non-financial accounts in NA derivative related flows are recorded on revenue and expenditure side.

The interest flows recorded in the public finance statistic are recorded together with interest flows resulting from swap agreements – especially interest rate swaps. Thus the interest data have to be corrected in line with the Eurostat guidance note on financial derivatives. For the central government the corrections are based on a special analysis provided by the Ministry of Finance and for the state government on a special analyses provided by the Zentrale Datenstelle der Landesfinanzminister. These data contain detailed information on the (remaining) maturity of a swap, up-front payments, swap cancellations, lump sum payments, swap interest flows and swap closings which allows the required adjustments of the interest data recorded in the public finance statistic.

For FMS Wertmanagement and Erste Abwicklungsanstalt information on derivatives presented in the annual reports is used.

7.7.3 Recording

See 7.7.2 and the description of the interest model in section 6.4.

In cases of off-market swaps where the lump-sum was received/paid the incurrence/ the granting of loans are recorded. The corresponding redemptions of the loan liability/ loan asset are spread over time – in line with the subsequent corrections of EPD-related derivative interest flows.

7.8 Payments for the use of roads

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

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government-controlled entity receiving the payment of the toll or vignette) is a market or a non-market producer.

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

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In Germany a toll is charged for the use of the Warnow-Tunnel. The toll is classified as a sale of service. The institutional unit collecting toll revenues from the use of the Warnow Tunnel is the Warnowquerung GmbH & Co. KG which is classified in S.11 in national accounts.

Germany's LKW-Maut is a toll for trucks based on the distance driven in kilometres, the number of axles and the emission category of the vehicle. The toll is classified as a sale of service. Truck toll revenues are revenues of the core budget of central government. The institutional unit collecting truck toll revenues is the

Verkehrsinfrastrukturfinanzierungsgesellschaft mbH (VIFG) which is classified in sector S.13 in national accounts.

7.9 Carbon trading rights

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

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

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

In Germany emission permits of EUA type are sold by government. Data on sales of emission permits can be found on the website of the German Emissions Trading Authority ("Deutsche Emissionshandelsstelle")³⁶:

	2008	2009	2010	2011
<i>Auction proceeds (in million €)</i>	933,33	528,49	590,95	561,57
<i>Surrendered permits</i>	472.582.410	428.246.068	454.825.155	450.217.564
<i>Recorded as tax revenue in D29 in NA</i>		1.081,58	389,98	652,73

In NA emission permits are recorded according to the rules presented in chapter VI.6 of MGDD 2013 edition. The payments for emission permits are recorded as other taxes on production (D29) on an accrual basis. The level of tax revenues to be recorded is determined by the product of number of permits surrendered and the average auction price of stock of permits. Because of the timing difference between cash payments received by government and time of recording of the tax revenue in NA, the cash payment represents a prepayment of tax and a financial liability (accounts payable AF79) for government is recorded.

7.10 Sale and leaseback operations

Government sells an asset and immediately leases it back from the purchaser. The issue is whether the sale is to be considered "true sale" (transaction in GFCF improving B.9) or the

³⁶ http://www.dehst.de/DE/Emissionshandel/emissionshandel_node.html

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transaction is to be treated differently and an asset should remain on government's balance sheet.

MGDD part VI, chapter VI.3 is dealing with sale and lease back operations

In Germany the following sale and leaseback operations occurred on state government level (Hessen):

<i>name of the sale and leaseback operation</i>	<i>capital value (gross proceeds)</i>	<i>sale date</i>	<i>type of assets involved</i>	<i>national accounts treatment: government borrowing (debt) / disposal of assets / other change in volume (OCV)</i>
<i>Leo I</i>	1100	2005	administration buildings	disposal of asset
<i>Leo II</i>	770	2006	administration buildings	disposal of asset

Leo I+II are portfolios of originally state owned administration buildings which were sold and leased back.

Contracts for these operations are not available to the NSI. There are no formal procedures in place for NSI to be informed on the new operations undertaken by government. Information at local government level is not available.

7.11 Securitisation

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

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

MGDD part V, chapter V.5 Eurostat decision of 25 June 2007 [Securitisation operations undertaken by general government](#) is dealing with securitisation operations.

In Germany the following securitisation operations occurred:

<i>name of the securitisation operation</i>	<i>securitisation value (gross proceeds)</i>	<i>securitisation date</i>	<i>type of assets / future proceeds securitised</i>	<i>national accounts classification: government borrowing (debt) / disposal of asset</i>
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>
<i>Bundes-Pensions-Service für Post u. Telekommunikation e. V.</i>	8000	2005		<i>borrowing (debt)</i>
<i>Bundes-Pensions-Service für Post u. Telekommunikation e. V.</i>	7500	2006		<i>borrowing (debt)</i>

7. Specific government transactions - 7.8 Payments for the use of roads - 7.9 Carbon trading rights - 7.10 Sale and leaseback operations

<i>Verbriefung Russlandforderungen</i>		4500		2004				<i>disposal of asset</i>	
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Contracts for these operations are not available to the NSI. There are no formal procedures in place for NSI to be informed on the new operations undertaken by government. Information at local government level is not available.

7.12 UMTS licenses

Sale of UMTS licenses is to be recorded as the sale of a non-financial asset (the license) at the time the license is allocated. Thus sale proceeds have a positive effect on B.9 in the year when license is allocated. The actual payment of cash payment does not influence the recording of this transaction.

In some special cases, the sale of UMTS could be seen as a rent for the use of a non-financial asset, recorded over the life time of the license. In this case, the impact on government B.9 is spread over the duration of the license.

MGDD part V, chapter V.2 and Eurostat decision of 14 July 2000 on the allocation of mobile phone licences (UMTS) is dealing with sale UMTS.

In year 2000 and in year 2010 sales of UMTS licenses are recorded as acquisitions less disposals of non-produced non-financial assets (negative amount).

7.13 Transactions with Central bank

The management of asset portfolios and interventions in foreign exchange markets for monetary policy purposes may generate capital gains for central banks which are liable to be distributed to general government. The amounts involved may sometimes be very large. Capital gains are not income in national accounts and therefore payments to government financed out of capital gains cannot be recorded as property income but has to be recorded as financial transactions.

It also proposes to apply the rules on capital injections when government makes a payment to the central bank. Such payments by government may be made to cover losses made by the central bank. Capital losses may occur due to foreign exchange holding losses. Operational losses may occur due to the fact that interest and other operational income do not cover operational costs made by the central bank. Capital losses can not be recorded as equity injection, therefore capital gains and losses are somehow not treated symmetrically. This asymmetrical treatment is nevertheless justified for the purpose of appropriately measuring government deficit.

See 3.2.3.4.1.

7.14 Lump sum pension payments

The related accounting rules are described in the Chapter III.6 on payments to government from transfer of pension obligations of the ESA95 Manual on government deficit and debt.

In Germany there have not been any occurrences of lump sum pension payments.

7. Specific government transactions - 7.8 Payments for the use of roads - 7.9 Carbon trading rights - 7.10 Sale and leaseback operations

7.15 Pension schemes

In the German social security system pensions cover disability pensions, old age pensions and survivors' pensions.

The German pension system is a three-pillar system:

- *1st pillar: statutory pension insurance (gesetzliche Rentenversicherung), part of the social security system. All employees and employers pay a percentage of salaries into this system.*
- *2nd pillar: voluntary occupational pension insurance.*
- *3rd pillar: private insurance.*

The statutory pension insurance is based on the pay-as-you-go model. Funds paid in by contributors (employees and employers) are not saved (or invested) but are used to pay current pension obligations. The statutory pension insurance is a social security scheme according to ESA 95, classified in sector S. 1314 in German NA.

The voluntary occupational pension schemes (Betriebliche Altersvorsorge) were created under the Company Pensions Law (Betriebsrentengesetz) in 1974 and imply pension commitments granted by a company to its employees. Voluntary schemes can be classified as defined benefit (Leistungszusage), defined contribution (beitragsorientierte Leistungszusage) or contribution with minimum benefit. The schemes can be structured in various ways:

- *Direct Grant (Direktzusage)*
- *Support Fund (Unterstützungskasse)*
- *Pension Company (Pensionskasse)*
- *Direct Insurance (Direktversicherung)*
- *Pension Fund (Pensionsfonds).*

According to ESA 95 definitions the voluntary occupational pension schemes are private funded schemes administered by insurance companies or autonomous pension funds on the one hand or on the other hand private funded schemes operated by employers, which maintain special reserves (segregated from other reserves). In German NA the private funded schemes operated by employers, which maintain special reserves, are classified in the same sector as the respective employer, the other occupational pension schemes are classified in sector S.125.

Private pension schemes are individual funded pensions. Thus private pension schemes are private funded schemes administered by insurance companies, classified in sector S.125 in NA.

For civil servants the civil servants pension plan is the relevant pension scheme. Civil servants in Germany do not pay any contributions themselves but their salaries are correspondingly lower than in the private sector. The civil servants pension plan grants pension commitments to civil servants. According to ESA 95 rules, the civil servants pension plan is organised as a mixed system, partly funded by separate reserves organised as special asset funds and partly unfunded without special reserves, financed out of current general government revenue. In German NA the respective special asset funds are considered as institutional unit classified to the same government sub-sector as the employer in question. The unfunded part of the civil servant pension plan does not represent an institutional unit and is recorded in the respective controlling government subsector.

7. Specific government transactions - 7.8 Payments for the use of roads - 7.9 Carbon trading rights - 7.10 Sale and leaseback operations

In Germany the pension schemes are predominantly general government sponsored. The GG sponsored system include:

- *the statutory pension insurance,*
- *the civil servants pension plan,*
- *the supplementary benefits for public service employees,*
- *the farmers pension insurance.*

Non-government sponsored schemes include:

- *professional workers pension insurance,*
- *occupational pension plans,*
- *state promoted private old-age pensions.*

The statutory pension insurance, civil servants pension plans, farmers pension insurance, professional workers pension insurance and supplementary benefits for public service employees are defined benefit schemes.