

**Inventory of the methods, procedures and sources  
used for the compilation of deficit and debt data and  
the underlying government sector accounts  
according to ESA2010**

*Denmark*

**February 2020**

## Background

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

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

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

The content of the Inventory and the related guidelines have been endorsed by the Committee on Monetary, Financial and Balance of Payments statistics in June 2012 and are followed by all EU Member States. This version introduces references to the ESA2010 as well as some updates of the relevant topics mirroring the changes introduced by the ESA2010.

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**Annex I** – List of general government units

**Annex II** – Organisation charts

**Annex III** – Bridge table

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

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

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

### **1. General Government**

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

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

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

The entire central government subsector in Denmark consists of about 3000 units. See annex I.

Central government budgetary integrated entities such as ministries, central offices and organisations established and/or managed by ministries or other central authorities are consisting of about 180 units. See annex I.

Other central organisations such as extra-budgetary units inside the central government (not included in central government accounts) and the Danish National Church are consisting of respectively about 450 and 2200 units. See annex I.

Budgetary integrated institutions in the central government accounts which are excluded from the central government sector (quasi-corporations) consist of:

Sikkerhedsstyrelsen  
Finanstilsynet  
Arbejdsskadestyrelsen  
Ankestyrelsen, arbejdsskadesager  
Statens Serum Institut  
Luftrafiktjenesten Danmark



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## **1.2. State government subsector (S.1312)**

Not applicable in Denmark.

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

In Denmark there are 98 municipalities and 5 regions. See annex I.

Local budgetary organisations such as regional offices, town councils, regional councils and municipalities, are consisting of about 1700 units. See annex I.

Budgetary Integrated institutions in the local government accounts which are excluded from the local government sector (quasi-corporations) amounts to about 1.000 units/ quasi-corporations. Those units are separated by function within the accounts of the municipalities because of their market oriented activities. In other words these units, in contrast to other units within the municipality account, are engaged in the production of goods and/or services which are sold at market price. The about 1.000 integrated market units within the local government accounts are divided among different areas of activities with the majority within:

- Distribution of electricity and steam/hot water
- Collection, purification and distribution of water
- Transportation
- Housing
- Sewage and refuse disposal, sanitation and similar activities

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

The social security funds subsector consists of the unemployment funds (A-kasser and AK-samvirke) and the Employees Guarantee Fund (Lønmodtagernes Garantifond). This subsector is consisting of 80 units. See annex I, S.1314.

Further details relating to practical aspects of sector classification for individual units into general government sector could be found in section B, chapter 5.

## **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 ESA2010 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;

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

- communication between individual national authorities involved in EDP;
- publishing of deficit and debt statistics.

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

The law on Statistics Denmark (Økonomiministeriets lovbekendtgørelse nr. 599 af 22.juni 2000 med ændringer i h.t. lov nr. 1272 af 16. December 2009, lov nr. 579 af 1. juni 2010 og lov nr. 1231 af 18. December 2012) gives mandate to collect the data needed for the compilation of GFS/EDP statistics.

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

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

National accounts data for general government are transmitted to Eurostat<sup>1</sup> via the following tables (see the related EU legislation)<sup>2</sup> :

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

Table 6 – Financial accounts by sector (annual data)

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

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

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

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

Table 25 - Quarterly Non-financial Accounts of General Government

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

Table 27 – Quarterly Financial Accounts of General Government

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

Data on government deficits and debt levels are reported to Eurostat twice a year (in April and October) in EDP notification tables<sup>3</sup>.

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<sup>1</sup> [http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search\\_database](http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database)

<sup>2</sup> <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:174:0001:0727:EN:PDF>

<sup>3</sup>

[http://epp.eurostat.ec.europa.eu/portal/page/portal/government\\_finance\\_statistics/excessive\\_deficit/edp\\_notification\\_tables](http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/excessive_deficit/edp_notification_tables)

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

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

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

*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 institutions involved in compilation of general government deficit and debt data are Statistics Denmark (SD-Danmarks Statistik) and the Ministry of Finance (MoF-Finansministeriet).

For both the April and October notifications Statistics Denmark is responsible for the actual data for all EDP tables, EDP-questionnaire tables and EDP-financial crisis tables.

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

The Ministry of Finance is responsible for planned data in for EDP-table 1, 2A and 4. There have been no changes in the institutional responsibilities for many years.

SD is helping MOF to convert budget data into national account basis for compiling the planned data in the EDP tables for the April notifications.

MOF is helping SD to provide data for the EDP-financial crisis tables.

The National Central Bank (NCB) is not responsible for any of the EDP-tables, but is helping SD to provide financial account source data.

There is a written Memorandum of Understanding between SD, MOF and NCB in regard to EDP statistics, and the co-operation has been working very well for many years.

The clarification process is coordinated by SD and normally only answered by SD, but sometimes supplementary information is provided by MoF and CB to answer specific clarification questions.

The assurance of the quality of the reported EDP statistics for the four historical years is the responsibility of SD alone. The draft of the EDP notification of the actual data is sent only for information to both the MOF and the NCB.

The EDP data for the four historical years is send by SD to Eurostat. MoF is sending planned EDP data to Eurostat. These data are transmitted only via electronic form. Explanatory notes are also transmitted by SD to Eurostat.

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

The whole EDP-process and all EDP-statistics for the historical years and the process of compiling the national published government finance statistics (both for the government non-financial accounts and the government financial accounts) are kept inside one office in SD (The Office of Government Finances), which ensures a very close co-operation and co-ordination between the involved persons.

One person in SD is responsible for coordinating the compiling of the EDP statistics and reporting, to ensure the quality and consistency inside and between all the EDP tables, EDP questionnaire tables, the EDP financial crisis tables and the national published government finance data. Furthermore each EDP table is compiled by the person/persons who is/are responsible and is an expert in each specific public finance data area.

The office in SD responsible for the EDP notification of the historical data reports only directly to Eurostat. The EDP notification of the actual data is transmitted by SD only for information to both the MOF and the NCB.

The office of Government Finances in SD is part of the department of Economic Statistics; see the enclosed organigrams of SD and of the office of Government Finances (in annex II to the inventory).

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

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

All GFS and EDP data is compiled by the Public Finance Statistics office in Statistics Denmark. Approximately 11 persons are working directly with the compilation of GFS/EDP statistics. No compilation of GFS/EDP figures takes place outside Statistics Denmark.

The organisation chart is in annex II.a and annex II.b.

A lot of effort is used in validation and checking of input data used for the compilation of GFS/EDP data. Less effort is put in designing questionnaires etc. due to the fact that most data is extracted from public registers.

To some extent the staff is involved in providing data to international organisations like IMF and OECD. Data is also provided to national organizations and private firms upon request.

## **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**

The legal basis regulating the compilation of public accounts and the accounting rules is as follows:

- For the central government sector (S.1311) the legal basis is the government accounting law and *the Law on the State Budget*
- For the local government sector (S.1313) the legal basis is the government accounting law and the *Budget, Accounting and Auditing Order*
- For social security funds (S.1314) the legal basis is government accounting law and the *Order on the supervision of recognized unemployment insurance funds economics and accounting* and *Manual to accounting form (for unemployment insurance funds)*.

The accrual accounting bookkeeping system is used by the government units and public corporations classified in the three sub-sectors.

The accounting records and evidence of all public units are regularised by related national legislation.

Institutions responsible for the bookkeeping standards used by public units are:

- For the central government sector (S.1311): The Agency for the Modernisation of Public Administration.
- For the local government sector (S.1313): The Ministry of domestic affairs.

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

- For social security funds (S.1314): The Agency for the Modernisation of Public Administration.

The same institutions are also responsible for designing the financial statements, data collection and processing, internal quality and consistency checks and validation (not external auditing).

There are no foreseen changes in terms of bookkeeping system used by public units.

## **2.2.2 Auditing of public accounts**

### *2.2.2.1 General government units*

All units included in the general government sector according to ESA10 are audited.

All flows and all accounts of the concerned unit (including all extra-budgetary accounts) are audited.

The results are available to GFS compilers when published by the audit institutions, ultimo T+1 in written form and on the internet.

For central government (S.1311) the Financial audit, Performance audit and Compliance audit are made by the national audit office. This is published ultimo t+1 on the internet: [www.rigsrevisionen.dk/](http://www.rigsrevisionen.dk/).

For local government (S.1313) the Financial, legal, performance and compliance audit are made by private audit firms and state refunds are also audited by the national audit office. This is published ultimo t+1 on the internet: [www.rigsrevisionen.dk/](http://www.rigsrevisionen.dk/).

2. For social security funds (S.1314) the Financial, legal, performance and compliance audit are made by private audit firms. The State refunds are also audited by the national audit office.

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

The accounts of all public corporations belonging to S.11/S.12 are being audited by at least one private audit company (must be registered and government approved) in the first month of year t+1. Some central government corporations are also being audited by the Danish National Audit Office (Rigsrevisionen) which can be decided at the set-up of the corporation or independently by Rigsrevisionen. The audit follows the same rules as if the corporation was private (audit accounts for assets and liabilities, the economic flows of the year, the result etc.). The conclusions from the audits are included in the annual accounts. When the annual account has been audited by the audit company and presented for the shareholders it's also published (normally both in paper and webpage of the corporation). Normally the annual accounts (with the note from the audit company) will be available for Statistics Denmark in April t+1. If Rigsrevisionen makes a special analysis of a public corporation then this analysis will be published on Rigsrevisionens own homepage. The audit information included in the annual accounts is of a general nature and therefore no detailed information on e.g. contingent liabilities is included.

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

## **2.3. Communication**

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

#### *2.3.1.1 Agreement on co-operation*

On the co-operation between actors involved in EDP is organised, see paragraph 2.1. above.

There is written Memorandum of Understanding (MOU) between SD and MOF in regard to EDP statistics, and the co-operation works very well. Furthermore there are established MOU between SD and Rigsrevisionen (The Danish National Audit Office) and between SD and Moderniseringsstyrelsen (The agency responsible for the central government book-keeping). A MOU is also established with the NCB for source data for financial accounts. These MOU's have been signed in 2013. The intension is to review the MOU's every year and update them if necessary.

Furthermore the law on Statistics Denmark gives mandate to collect the data needed for the compilation of GFS/EDP statistics.

As mentioned above for both the April and October notifications Statistics Denmark is responsible for the actual data for all EDP tables, EDP-questionnaire tables and EDP-financial turmoil tables. The Ministry of Finance is only responsible for planned data in for EDP-table 1, 2A and 4.

Relevant ad-hoc working groups or meetings are arranged whenever needed to coordinate the collection of new data sources or to get access to improved data sources. Such ad hoc working groups or meetings are mainly arranged between SD, MoF and Moderniseringsstyrelsen. Sometimes when relevant SKAT (the agency responsible for general government book-keeping concerning taxes) and the Central Bank are also involved.

Such ad hoc working groups or meetings are only initiated by SD.

In chapter 3 and 4 below are explained what data are requested and received by the NSI for EDP-statistics.

SD is consulted when there are considerations/proposals on changing the public accounts on both central and local government level.

No changes are foreseen in responsibilities of institutions and/or departments involved.

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

All public account data is delivered in an electronic (TXT- format).

The source data used for EDP data compilation is not "certified" by a signature of the responsible government institution, but delivered in a secured and closed system in a standardised format.

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

Statistics Denmark has access to all relevant data from Treasury, Ministry of Finance, etc. either as direct access to databases or as copies of these on the most detailed level for all public units except for extra-budgetary units. These units are covered by other sources.

For the huge majority of data only one source is available. In situations where different sources are available they are typically identical.

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

### *2.3.2.1 Publication of EDP data*

The EDP figures are published at national level on SD's website about 1 April and 1 October. When MoF and the Central Bank are publishing macroeconomic reports they often publish actual EDP-deficit and EDP-debt figures collected from SD's website.

For both the April and October notifications the actual data for all EDP tables and the EDP-financial crisis tables, are published on SD's website.

For both the April and October notifications the actual data for EDP-deficit and EDP-debt are regularly published on SD's website in short publications with explanatory notes (in the publications NYT).

Usually the data is published before the official validation and publication of Eurostat. If the changes after the assessment (by Eurostat) process have an impact on EDP-deficit and/or EDP-debt figures, the final/amended version of EDP data is always published nationally.

### *2.3.2.2 Publication of underlying government ESA2010accounts*

The national accounts for general government and ESA201095 Transmission Programme tables are published ultimo March for figures for t-1, primo June for revised figures for t-1, and primo November for revised figures for t-1,t-2 and t-3.

All these figures are complete and contain "type of transaction" tables, COFOG tables and additional tables containing detailed data on taxes, social transfers, subsidies and interest.

The above mentioned publication is immediately followed by a transmission to EUROSTAT.

A lot of additional and explanatory information is available on: <http://www.dst.dk/da/Statistik/dokumentation/kvalitetsdeklarationer/>

## **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 ESA2010based 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 legislation<sup>4</sup>: net borrowing(-)/net lending(+)(B.9) for general government sector and its subsectors, outstanding amount of Maastricht debt by instruments, Gross Domestic Product (GDP), gross fixed capital formation (GFCF) for GG sector and data on interest expenditure (D.41) .

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

#### 3.1.1 Compilation of Maastricht debt

##### 3.1.1.1 *Specification of debt instruments*

All Maastricht debt data/instruments are calculated directly from the financial accounts of each sub-sector of general government and all data/instruments are provided at nominal value.

Central government debt amounts to about 85 per cent of the total Maastricht debt. About 80 per cent of the total debt is issued in long and short term bonds, of which about 95 per cent is issued in long term bonds AF.32 and about 5 per cent is issued in short term bonds AF.31. The average remaining maturity of total central government debt is about 6 years. The average interest rate of central government debt issued in 2013 was about 1.5 per cent.

About 90 per cent of the central government debt is domestic debt. The domestic insurance and pension sector owned 50 per cent of Danish government securities, while non-residents owned 40 per cent. Danish banks and mortgage banks (MFIs) have a low ownership share 8 per cent. Non-resident investors mainly hold T-bills and bonds with maturities of up to 5 years. In recent years, the non-resident investor base has become more geographically diverse, with many investors from outside Europe. The domestic insurance and pension sector holds a dominant ownership share in the longer maturity segments. This is because the Danish insurance and pension sector has long-term commitments in kroner and hence has a natural interest in long-term krone-denominated bonds.

About 10 per cent of the central government debt is foreign debt. The foreign loans are raised in order to maintain the foreign exchange reserve. Previously, the investor base in euro (about 90 per cent of the foreign debt) mainly comprised European institutional investors, but in recent years there were broader global demand. Investors from outside Europe bought 30 per cent of the issue. The government's issuance in dollars (about 10 per cent of the foreign debt) attracts fewer, but larger investors, mainly central banks. Geographically, the investor base in dollars is more diversified. Therefore, the dollar-denominated loan increased the investor base.

See also the description in part 3.1.1.2.

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

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<sup>4</sup> <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2014:069:0101:0101:EN:PDF>

Data sources used for the compilation of Maastricht debt are as follows:

S.1311 For the **central government sector**

- The **preliminary data** for year n-1 is received in February based on preliminary accounts for year n.
- The “**final data**” based on public accounts for year n-1 is received in May year n.
- The preliminary and half-final/final data are received from the same **sources: Moderniseringsstyrelsen** (the agency responsible for the central government book-keeping) and **The Central Bank**.
- The preliminary data received in February year n contains no information on **extra-budgetary units**. For **extra-budgetary units preliminary data** for year n-1 are therefore estimated from the final accounts of year n-2.
- For **extra-budgetary units final data** for year n-1 are received from May to October year n, which are included in the June and December version of the financial national accounts. Final data for the Danish National Church are received in February year n+1 and is included in the March version of the financial national accounts year n+1.
- **Sources** are the individual accounts of the extra-budgetary unit reported to Statistics Denmark, **Moderniseringsstyrelsen** (the agency responsible for the central government book-keeping) and **The Central Bank**.

S.1313 For the **local government sector**

- The **preliminary data** for year n-1 is based on the reporting of **preliminary account figures** in February year n, which are calculated on the basis of electronic reporting from 98 municipalities and 5 regions through 2 different sources: a) direct reporting to Statistics Denmark, electronically. b) Electronically through KMD (Danish IT company that support the Danish local government) which is the main supplier of accounting software and the central databank for the local governments. The local governments report the transactions of the bookkeeping to KMD accounting system, which send the account information to Statistics Denmark.

This means that the sources used in the preliminary version of the local government accounts, are the same as those used for the final data.

- The source **data are final** for n-1 when the local government financial accounts are made public on Statistics Denmark’s website in May year n.

S.1314 For **social security funds** (The unemployment funds and the Employees Guarantee Fund) the data sources are the official accounts of the funds supplemented by data from securities statistics in order to improve the split between financial instruments.

- **The preliminary data** for year n-1 are estimated from final accounts of year n-2.
- The **final data** for year n-1 are received in May year n, where all the accounts are made public.

Statistics Denmark is responsible for the data collection and verification of the above mentioned data sources used for the compilation of Maastricht debt and also responsible for the calculations of all the components used for the compilation of Maastricht debt.

Data sources that are used specifically in the context of the **April EDP notification**

S.1311: The main source for the central government debt are the quarterly reports from Denmark's Nationalbank which state the nominal value of domestic and foreign short-term governments bonds (AF.31), long-term government bonds (AF.32). These data are in general final and will not change for the second notification.

The second source of data is received from Moderniseringsstyrelsen regarding domestic short-term (AF.41) and long-term (AF.42) loans. These data is used for the first notification.

The final data will be stated in the public accounts, which are published by the Ministry of Finance in May and used for the second notification.

The sources for extra-budgetary units are the individual accounts of the extra-budgetary unit reported to Statistics Denmark. The preliminary data for year n-1 are estimated from the final accounts of year n-2. The final accounts for year n-1 are received from May to October year n, and are used in the second notification. Except final data for the Danish National Church which are received in February year n+1 and is included in the first notification year n+1.

S.1313: The sources for annual local government debt, used for the first notification (half-finalised data) are the reporting of preliminary account figures in February year n from the local governments. For the second notification the final accounts are used, published by Statistics Denmark in May year n.

S.1314: The sources for social security funds (The unemployment funds and the Employees Guarantee Fund) are the official accounts of the funds. The preliminary data for year n-1 are estimated from final accounts of year n-2. The final data for year n-1 are received in May year n, where all the accounts are made public.

No changes are made to these data for the purpose of the notification.

The **revision process for annual financial ESA-data** in Denmark is carried out and published in **three versions every year:**

- 1. In March** year n the preliminary data for year n-1 are compiled and published
- 2. In June** year n the half-final/final data data for year n-1 are compiled and published

**3. In December** year n the half-final/final data for year n-1 - n-2 and final data for year n-3 are compiled and published

**The revision process for annual financial EDP-data** is based on the three financial ESA-data versions in March, June and December:

- **The April notification** (concerning Maastricht debt data).
  - Contains the **preliminary data for year n-1**, which are based on the **March financial accounts (ESA) version (year n)**.
  - Furthermore the April notification is containing the **final data for year n-2, n-3 and n-4**, which are based on the **December financial accounts (ESA) version (year n-1)**.
  - The national financial accounts compilations are declared final in December year n+2.
- **The October notification** (concerning Maastricht debt data)
  - Contains the **half-final/final data for year n-1**, which are based on the **June financial accounts (ESA) version (year n)**.
  - The **final data for year n-2, n-3 and n-4**, are based on the unchanged **December financial accounts (ESA) version (year n-1)**.

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

S.1311 The current system used for compiling the financial accounts of central government contains information on both market and nominal value. These data are provided mainly from Danmarks Nationalbank and with some supplementary data from Moderniseringsstyrelsen.

S.1313 The liabilities of local government accounts are valued at nominal value.

S.1314 The liabilities of social security fund accounts are valued at nominal value.

The sources of information used for the adjustments relating to a change in nominal debt that does not result from a transaction (other change in volume) are mainly based on central government and local government accounts. The information concerning this item is consistent with the other change in volume account of financial accounts for general government.

No amendments of data are made using counterpart information. But counterpart information (securities statistics) is used for part of the compilation of S.1314 debt in order to improve the split between financial instruments.

Guaranteed loans for urban renewal are reclassified as government debt since its inception, because the government is effectively servicing the debt, both interest and repayments of principal. This kind of guarantee schemes was stopped in 2003.

Table 3 and the Maastricht debt data are made directly from the financial accounts of each sub-sector.

#### *3.1.1.4 Consolidation of Maastricht debt*

S.1311: The consolidation of the central government debt consist of two government funds (intra and inter) and some minor (intra and inter) positions. The major intra-governmental fund is “Den Sociale Pensionsfond” (DSP), and the data is provided from Danmarks Nationalbank which is administrating the fund. The minor inter-governmental fund is “Særlig Pensionsopsparring” (SP) and the data is provided directly from the accounting offices of the fund (from 2002 SP was reclassified into S. 123).

Minor intra-governmental consolidations consist of small funds (Grundforskning-, Finansierings-, Højteknologi-, Forebyggelses- and Vækstfonden) and long-term loans held by other parts of central government. The data comes directly from inquiries made to the funds, Danmarks Nationalbank and from the Public Accounts (final).

S.1313: Minor inter-governmental consolidations consist of holdings of government bond by local governments. The data source for the local government consolidation is the preliminary account figures and the final annual accounts.

Minor consolidation is made intra-sector, the data source is the preliminary account figures and the final annual accounts from the local governments.

S.1314: There is no consolidation made to debt of this sub-sector.

All data is provided at nominal value.

There are no inconsistencies in data on consolidation.

SD does not amend data due to consolidation of flows used from a counterpart subsector.

## **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 ESA2010.

### **2.2.1 Data sources for main Central Government unit : “The State”**

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

- Basic data sources
- Complementary data sources used for the purpose of special ESA2010 adjustments (e.g. accrual adjustments, recording of specific government transactions, etc.).

The vast majority of central government activity is included in the working balance except activity carried out by extra budgetary units.

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

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+months</i>		<i>cross appropriate cells</i>		
				<b>Budget Reporting</b>			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
A(1)	A	T+55(2)	T+5(3)	(3) Current and capital revenue and expenditure and financial transactions	x	x	x
A(1)	A	T+55(2)	T+5(3)	(4) Balance sheets			x
				<b>Financial Statements</b>			
				(5) Profit and loss accounts			
				(6) Balance sheets			
				(7) Cash flow statement			
				<b>Other Reporting</b>			
				(8) Statistical surveys			
				(9) Other:			

Note 1: All entries except taxes and some interest flows are on an accrual basis.

Note 2: Data are available to Statistics Denmark (SD) end of February. Publication by SD of the preliminary accounts for general government in medium March.

Note 3: Data are available to SD in May. Publication by SD of the final accounts for general government first of June.

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.

In Denmark the actual book-keeping systems for central government, local governments and social security sub-sectors are to a considerable extent based on incoming invoices when received and approved and outgoing invoices when send. According to the “Government Finance Statistical Manual 2001” § 3.40 the time of recording can be determined on broadly four bases: The accrual basis, the due-for-payment basis, the commitment basis and the cash basis. The time of recording in the Danish central government, local governments and social security sub-sectors accounts could in this context be described as being on a commitment

basis. However for some entries i.e. wages and salaries the time of recording coincides with the actual payment i.e. cash recording.

On an annual basis central government, local governments and social security sub-sectors keep their accounts for year n-1 open for 1-2 months in year n to be able to account all transactions belonging to year n-1, which implies that the accounts on an annual basis are on an approximately accrual basis. In other words – in Denmark we have no cash based primary accounts from central government or local governments.

To comply fully with the accrual principle adjustments are made to taxes, interest, commitment values (amounts reserved in the budget) and consumption of fixed capital are substituted by gross fixed capital formation.

Data used for financial accounts and B.9f compilation are also used for compilation of transactions reported in EDP T3.

All available accounting reports are used. No unit in the population have more than one available accounting report.

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

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

*This section should refer to the source data used for calculation national of accounts for the main entity.*

Data reported in the WB is used for B.9 calculation.

In the Danish central government accounts the information is available by unit and by category of transaction/instrument.

Units that should be excluded from the GFS-calculations are identified by using the market/non-market test.

Flows that should be excluded from the non-financial part of GFS are easy to identify because they are in a certain category in the accounts as e.g. loans. These transactions are “moved” to the financial part of GFS.

The level of detail in the Danish central government accounts is appropriate for the requirements of ESA.

For the major part of the different financial instruments, as defined in ESA, can easily be identified, including stocks of F.7 assets and liabilities and related transactions. There are however a few cases where transactions have to be calculated using stock values thus resulting in transactions which may include revaluations and other changes.

The information is suitable for distinguishing the flows and stocks that should be consolidated.

EDP tables and data sources - State government sub-sector, EDP table 2B and 3C

Non-consolidated data are available and are investigated in relation to the requirements in ESA.

Transfers to/from public corporations, private corporations, households and ROW can be identified.

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

*Please use this section only if data, as reported in the WB (in the first line of EDP T2) are not used for compilation of B.9 and national accounts for the main entity.*

Not relevant.

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

Statistical surveys are not used as basic source data.

#### *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 ESA2010 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*

The main supplementary sources are information from the Tax Authorities (SKAT) used for accrual adjustment of taxes.

SKAT is involved in the supply of these supplementary sources. SKAT is the agency responsible for general government book-keeping concerning taxes.

The information is available to statisticians in different states of maturity for all versions of the GFS-statistics that is for a given statistical year the March-version t+1, June-version t+1, November-version t+1, November-version t+2, November-version t+3 and November-version t+4.

This supplementary information gives rise to changes in tax revenue and thereby B.9 in the individual years but not seen over a longer time span.

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

*Please list all main supplementary sources and explain in detail*



The main, supplementary data source used for Central Government financial accounts is financial data from the Central Bank which supplies most data on central government debt as well as data on government deposits in the Central Bank. Data includes information on both transactions and stock values. This data is used in lieu of data from the government accounts.

This involves the Central Bank.

Data is available for all years of the reporting period and delivered quarterly.

The net figures are the same as those of the government final accounts, as the government accounts are based on these data. Using the data from the Central Bank helps improve the split on the various instruments, thus, changing the data source to the Central Bank results in no changes to B.9f.

#### *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.

#### *Non-financial flows recorded in EBA*

Not relevant

#### *Financial flows recorded in EBA*

Not relevant

### **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).

The group of other budgetary units mostly consists of self-governing entities controlled by central government within the educational area (these entities are established by government). The most significant entities are universities and non-primary educational units, though some educational entities which are classified outside government (private schools and efterskoler) following ESA2010. Furthermore some significant entities are included in the central government following the implementation of ESA2010 (these are Danmarks Radio and A/S Øresund).

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

Available source data				Source Data Accounting	Source data used for compilation of	
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			B.9 (NFA)	B.9f (FA)
		First results	Final data			
1	2	3	4	5	7	8
		<i>T + days</i>	<i>T+months</i>			
				<b>Budget Reporting</b>		
				(1) Current revenue and expenditure		
				(2) Current and capital revenue and expenditure		
				(3) Current and capital revenue and expenditure and financial transactions		
				(4) Balance sheets		
				<b>Financial Statements</b>		
A	A	T+150	T+10	(5) Profit and loss accounts	X	X
A	A	T+150	T+10	(6) Balance sheets		X
				(7) Cash flow statement		
				<b>Other Reporting</b>		
				(8) Statistical surveys		
				(9) Other:		

See notes to table 2, on the used abbreviations.

Annual accounts from the entities are used and there is no mixed accounting as we know of.

### 3.2.2.1 Details of the basic data sources

The level of details in the data sources fulfil the requirement related to the compilation of ESA data. That is if the information in the accounts are not sufficient Statistics Denmark will contact the relevant institution in order to get the missing information.

We have presently worked on implementing more detailed and complete financial data concerning extra budgetary units. This has been implemented as part of the major revision in 2014.

The level of detail in codification allows identifying the flows and stocks which should be consolidated between GG units/subsectors.

The data sources are not consolidated.

Transfers to/from public corporations, private corporations, households, ROW can be identified since data in the accounts to a certain degree is quite detailed.

EDP tables and data sources - State government sub-sector, EDP table 2B and 3C

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

Statistics Denmark carries out an exhaustive survey where all extra-budgetary units report their annual account information. This survey has a 100% response rate.

### *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 ESA2010 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.

No supplementary data is necessary for the compilation of non-financial accounts.

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

No supplementary data is necessary for the compilation of non-financial accounts.

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

No supplementary data is used for the compilation of financial accounts.

## **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 reported in the WB is used for B.9 calculation.

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

The central government accounts and WB are covered by the central government account law number 131 which is approved last time by the Parliament the 28th of March 1984.

The working balance for central government is finalized and has been already audited by the Supreme Audit Institution (Rigsrevisionen) at the time we receive the final accounts.

Also all individual accounts collected for extra budgetary units in central government are already audited when received.

The auditing is publicly available at the following link: <http://www.rigsrevisionen.dk>.

In situations where the Supreme Audit Institution discovers accounting errors they are corrected in the coming ordinary revision.

### 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 ESA2010 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 units reported in the WB that do not belong to the government sector as defined by ESA. These are the so called quasi corporations, which are institutional units. The market/nonmarket test (including the 50% criterion) is applied for these units.

The balance of these units is excluded in EDP T2 via the line "WB of entities not part of xx subsector". These quasi corporations are classified in S.11001. Detailed data to precisely identify all relevant flows are available in April of year T for year T-1.

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

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

Non-integrated units (extra-budgetary units) which are included in the central government sector are reported under the line of "other government units":

Name
A/S Øresund
Amu-centre
Arbejdsgivernes Elevrefusion (AUB)
Center for Aktiv Beskæftigelsesindsats (CABI)
Center for selvmordsforskning
Danida fellowship centre
Danmarks Grundforskningsfond
Det Kriminalpræventive Råd
DR
DRK Asylafdeling
DTU
Døvefilm video
Erhvervsakademi
Erhvervsskoler - Handelsskoler
Erhvervsskoler - Kombinationskoler
Erhvervsskoler - Landbrugsskoler
Erhvervsskoler - SOSU
Erhvervsskoler - Tekniske skoler
Femern Landanlæg A/S
Finansiell Stabilitet (incl. deposit guarantee fund and resolution fund)
Folkekirkens Nødhjælp

Fredericia Maskinmesterskole
Handelshøjskolen i København (CBS)
Innovationsfonden (until 2014 called Højteknologifonden)
It-Universitet
Kombinerede skoler
Københavns Maskinmesterskole og Elinstallatørskole
Københavns Universitet
Marstals Navigationsskole
Martec Frederikshavn (ekskl. Skoleskibet Danmark se inst. 400)
Offentlige gymnasier og HF
Produktionsskoler
Professionsbacheloruddannelsen
Professionshøjskoler
Roskilde Universitetscenter
Skagen Skipperskole
Skoleskibet "Georg Stage"
Skoleskibet Danmark (før 2007 med i inst. 151)
Svendborg Internationale Maritime Akademi - Simac
Svendborg Søfartsskole
Syddansk Universitet
Sygekassernes Helsefond
Teknologirådet
Udbetaling Danmark (administrationsdelen)
VisitDenmark (Danmarks Turistråd)
VUC
Aalborg Universitet
Århus maskinmesterskole
Aarhus Universitet

The units are classified inside the central government in accordance with ESA2010. The units are codified in the compiling process and therefore identifiable for the classification within the central government. The sector delimitation is dealt with in the item “Net borrowing or net lending of other central government bodies” and concerns “corrections in relation to extra-budgetary units” in table 2A. Sources for the sector classification are the central government’s executive documents and the business register.

Businesses like accounts are collected for non-integrated institutions because they are not available on the detailed government budget report.

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

The extra-budgetary units compile annual reports based on the requirements set up by government. This means that their accounting standard may not follow international account standards. But data is on an accrual accounting basis.

On an annual basis central government keep the accounts for year n-1 open for 1-2 months in year n to be able to account all transactions belonging to year n-1, which implies that the accounts on an annual basis are on an approximately accrual basis except for taxes. In other words – in Denmark there are no cash based primary accounts from central government.

To comply fully with the accrual principle adjustments are made to taxes, interest and commitment values (amounts reserved in the budget). Consumption of fixed capital is substituted by gross fixed capital formation.

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

Data on interest expenditure and revenue are received from the central government account. Data on interest is on an accrual basis.

In EDP table 2A there is reported a zero under line “Difference between interest paid and accrued” because no adjustments are to be made to the accrued interest that are included in the working balance.

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

See section 6.1 for more information on the adjustments reported under other accounts receivable/payable F.7 in EDP Table 2.

The source for the relation between amounts assessed and amounts collected is the data provided by the tax authorities. The amount charged to revenue but not yet paid is part of the central government’s financial accounts (F.79).

3.2.3.4.3 Other accrual adjustments in EDP T2

There are no other accrual adjustments reported in EDP T2.

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

Not relevant.

3.2.3.6 *Financial transactions included in the working balance*

Financial transactions are excluded in the transition from the public accounts budget deficit to the central government deficit/surplus (EDP\_B9-S.1311). The data source for the half-finalised data and the finalised data (the Public accounts) is Moderniseringsstyrelsen, which is the agency responsible for the central government book-keeping. The data is “equipped” with a special coding that helps calculating the following items: Loans granted (+), Loan repayments (-), Other financial transactions (+) and Other accounts receivable/payable, which are taxes accrued but not yet payable.

3.2.3.7 *Other adjustments reported in EDP T2*

The following other adjustments are reported in EDP table 2:

The use of “commitment values” is restricted to subsidies and investment grants (D.3 and D.92). “**Corrections to commitment values**” are made so that the figures reflect the actual payments and not the amount that the politicians have made commitments for in a given account year in the budget. The data related to actual payments is received from the Ministry of Finance. These data is used in the Ministry of Finance to control the actual cash flow. When these adjustments are negative in some years, it indicates that amounts actually paid out are higher than commitments in the budget (i.e. the stock of commitments is reducing).

**Consolidation adjustments for transfers between subsectors (+/-)**

From the implementation of ESA 2010 in 2014 a new method is implemented so that this item related to consolidation will disappear. The amounts received by the local governments/extra-budgetary units are compared to the amounts accounted for in central government accounts. The information from central government accounts “overrules” the information from local government accounts/ extra-budgetary units. The assumption is that central government account is true and therefore the balancing is done in local government/ extra-budgetary units on a non-financial entry to avoid any effect on B.9.

**Corrections for central government guarantees for tax revenue in local government (+/-)**

captures adjustments between the local government actual tax revenue based on the assessment from the central tax authority and the tax revenue in the accounts of the local government (which is partly based on a central government guarantees). So the item reflects actual transfers between local government and central government.

**Adjustments from CFC (consumption of fixed capital) to GFCF (gross fixed capital formation)** (negative sign) captures adjustments from consumption of fixed capital in the WB to the amount of GFCF by using the entry “anskaffelser, året tilgang” in the balance sheet which is purchase of capital goods (investments) in the accounts year in question. This item is only relevant from 2007, due to that the working balance are changed from expenditure basis to cost basis from 2007 and onward.

“The non-financial accounts compilation system” (NFAS) is the only source for EDP table 2, which ensures a complete transition between WB and EDP B.9, with no discrepancies.

*3.2.3.8 Net lending/net borrowing of central government*

Data reported in the WB is used for B.9 calculation.

**3.2.4 EDP table 3B**

*3.2.4.1 Transactions in financial assets and liabilities*

EDP table 3 is made directly from the financial accounts of each sub-sector.

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

Data on F.2, F.3, F.4, F.5, F.8 assets and F.4, F.8 liabilities are mainly derived from the central government accounts which are received from Moderniseringsstyrelsen. Preliminary data is received in February and final data based on the final accounts are received in May. Data on F.71 assets are received from The Central bank together with information on government equity in the Central Bank.

The main data sources for F.6 assets are the annual reports from insurance corporations, but data on provisions for calls under standardized guarantees are mostly derived from the accounts of central government..

Data on F.3 liabilities are mainly provided by the office of government debt management in the Central Bank. These are in turned compared to the data on F.3 liabilities received from Moderniseringsstyrelsen.

Data on F.3 liabilities provided by the Central Bank are subdivided into short term and long term debt as well as foreign and domestic debt.

Supplementary data sources are:

For F.3 assets the Government administration provides information on a small amount of bonds named “Grønne obligationer” both in market and nominal value.

For F.5 assets the NASDAQ OMX Nordic is used to find data on market value of government stock of quoted shares and a separate publication on government corporations is used for information on transactions in government owned corporations both quoted and unquoted as well as information of percentage of government owned stock and the value of the equity. Data on quasi corporations is derived from their accounts like reports.

For F.8 assets, the Ministry of Taxation is used as an additional data source in order to improve data on accrued taxes.

Data on consolidation between subsectors on F.4 and F.8 assets are derived from the accounts of Local governments



EDP tables and data sources - State government sub-sector, EDP table 2B and 3C

No supplementary data sources are used for F.2 assets, F.4 assets or F.6 assets.

For F.3 liabilities supplementary data is received from the government accounts and used to verify the main data.

For F.4 liabilities supplementary data is received from the Central Bank on security deposit on swaps.

No supplementary data sources on F.8 liabilities.

We mainly use direct data sources on transactions but for some entries, mainly concerning F.4 and F.8, some transactions are calculated as a residual.

The data used is integrated in the public accounts except for data on extra budgetary units which are derived from their accounts.

Data is not amended using counterpart information. Nor is it amended using Money Banking Statistics (MBS), or other supplementary data.

Data on transactions as well as stocks are amended by debt write offs or sector changes.

Data are not amended as a result of consolidation.

The government accounts are mostly on an accrual basis. Data on taxes, placed on F.8 assets, are amended to bring these to accrual form.

The time of recording is when the transaction takes place i.e. when the change of economic ownership occurs.

Transactions are in market value.

Direct data on transactions are compared, when available, to changes in stock values. Significant differences are investigated by making enquiries to the data suppliers and by checking old news coverage of related issues. If the differences can be explained, the residual is entered as other changes.

No transactions in F.5 liabilities are reported.

When providing the preliminary data for year n, final accounts data are not yet available. For most data, a preliminary version is available and used. Where a preliminary version is not available, transactions from the previous year is used, corrected for any events specific to the previous year.

All units are covered for all transactions.

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

Under the item "Issuance above/below nominal value" is recorded complete and consolidated data on "Issuance above/below nominal value" concerning central government issuance of bonds. Data is provided by Danmarks Nationalbank.

Under the item "Difference between interest accrued and paid" is recorded complete data on "Difference between interest accrued and paid", which is provided by Danmarks Nationalbank. It is an adjustment for the full amount of discount and premium on bond issued that are spread over the life of the instrument.

Under the item "Redemptions of debt above/below nominal value" is recorded complete and consolidated data on "Redemptions of debt above/below nominal value" concerning central government redemptions of bonds. Data is provided by Danmarks Nationalbank.

Complete data on "Appreciation/depreciation of foreign currency debt" concerning central government debt is provided by Danmarks Nationalbank.

Until now no cases have been reported in the item "Changes in sector classifications".

In 2009 an amount of about 1 bill. DKK is reported in the item "Other volume changes in financial liabilities". This recording relates to Fiskeribanken being implemented into sector S.13 in 2009. Kongeriget Danmarks Fiskeribank was owned by the central government and in 2009 the central government has taken over all assets and loans, because the bank was closed down at the end of 2008. Until 2008 Fiskeribanken was classified in S.122.

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

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

##### ***Allocation of discrepancy B.) vs B.9f***

The difference between B.9 and B.9f is allocated in F.8 assets. This is done as data, transaction wise, is deemed weaker on the financial side than on the non-financial side.

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

No counterpart information is used to obtain the final statistics in NFA.

No counterpart information is used to obtain the final statistics in FA.

The discrepancy is at the final stage allocated in F.8 assets.

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

The discrepancy is allocated to financial instruments, but the balance sheet information is not changed, except AF.8.

Data on stock values for F.8 assets is changed for the preliminary version of year n, delivered in April. When the data is updated for the October notification, the stock values derived from the finalized government accounts are used.

### *Accruals*

The observed discrepancy stems mainly from time of recording issues, and it is the same issue with all three sub sectors of general government.

### *Ex-post monitoring*

If discrepancies are unusually high compared to previous years, any changes made to the system since the previous delivery is checked, the reason for the change thus isolated and thoroughly examined – once again – before being included.

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

Not applicable for Denmark

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

#### 3.4.1 Data sources for Local Government main unit: xxx

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

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

Note 1: All entries except taxes and some interest flows are on an accrual basis.

Note 2: Data are available to Statistics Denmark (SD) end of February (T-1). Publication by SD of the preliminary current accounts for local government in medium March.

Note 3: Data are available to SD end of April . (T-1) Publication by SD of the final current accounts for local government in medium May.

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

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

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

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

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

#### 3.4.1.1 Details of the basic data sources

The annual provisional and final accounting data are collected by Statistics Denmark from the municipalities and regions.

All available accounting reports are used. All data is collected from the responsible entities for the accounting statements. No unit in the population in question have more than one available accounting report.

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

No statistical surveys or supplementary data sources are used for the compilation of non-financial accounts.

**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

**1.1..1.1.2.** Supplementary data sources used for the compilation of financial accounts

Supplementary data sources used for the compilation of financial accounts are:

- The Securities statistics from the Central Bank: Information about the mutual funds shares in the municipalities and regions.
- KommuneKredit (operates as a non-profit organization with the objective to secure financing for the municipalities and regions.): Information about different kinds of loans in the municipalities and regions.

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

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

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

## EDP tables and data sources - Local government sub-sector, EDP table 2C and 3D

				(8) Statistical surveys			
A	A	-	T+5	(9) Other *:	x	x	x

*Note \*:* Business like accounts are collected for non-integrated institutions

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

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

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

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

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

### 3.4.2.1 Details of the basic data sources

The data sources for Local Government bodies / non-profit institutions are business like accounts for non-integrated institutions and the business register. Business like accounts is collected for non-integrated institutions because they are not available on the local government detailed account reports. In these reports only subsidies are shown.

### 3.4.2.2 Statistical surveys used as a basic data source

No statistical surveys or supplementary data sources are used.

### 3.4.2.3 Supplementary data sources and analytical information

-

## 3.4.3 EDP table 2C

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

The original source of data used as a starting step for calculating the “working balance” of local governments is the so-called “Net current- and investments-accounts”. This is a commonly used balance from the local government accounts. The April notification reports on the basis of a special reporting of preliminary account figures for year n-1 carried out in February, year n. The October notification reports on the basis of the final annual report. This is the reason for the possible differences between the figures for local government in the April notification and the October notification. The primary account data are final for n-1 when the local government accounts are made public by Statistics Denmark in May year n and is included in the June version of the national accounts.

### 3.4.3.2 Legal basis of the working balance

See the answer above in 3.4.3.1.

The individual municipality and region accounts have been audited at the time we receive the final budget executive documents. We make some checking for consistency and conformity with accounting rules and add them together before they are converted into national statistics. All individual accounts collected for non-integrated municipality units are audited when received.

Due to the fact that the accounts have been audited when received it is not necessary to incorporate findings. If errors are discovered later on they are of course corrected and incorporated in the national accounts.

### 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

The units are classified outside the local government in accordance with ESA2010. The units are codified in the compiling process and therefore identifiable for the classification outside the local government. The sector delimitation is dealt with in the item “WB of entities not part of local government” and concerns “corrections in relation to quasi-corporations” in table 2C. Sources are the local government’s executive documents and the business register.

Integrated institutions in the local government accounts are excluded from the local government sector. Those units are separated by function within the accounts of the municipalities because of their market oriented activities. In other words these units, in contrast to other units within the municipality account, are engaged in the production of goods and/or services which are sold at market price. The integrated market units within the local government are divided among different areas of activities with the majority within:

- Distribution of steam/hot water
- Housing activities
- Collection, treatment and disposal of waste

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

The units are classified inside the local government in accordance with ESA2010. The units are codified in the compiling process and therefore identifiable for the classification within the local government. The sector delimitation is dealt with in the item “Net borrowing or net lending of other local government bodies” and concerns “corrections in relation to extra-budgetary units” in table 2C. Sources are the local government’s executive documents and the business register. There are a few extra budgetary units in S.1313 but with no significant economic importance.

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

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

The line "difference between interest paid and accrued" in table 2C contain a supplementary adjustment for premiums on purchase of bonds in local government, due to the fact that different methods are used in WB and in B.9 for local government. Local governments do not issue bonds themselves, so there is no effect from discounts and premiums on bonds issued.

In the line "difference between interest accrued and paid" in table 3D we report a zero because local governments does not issue bonds themselves and therefore there is no effect from discounts and premiums on bond issued.

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

The taxes are adjusted. The adjustment to the tax figures is shown in the transition table as tax-accruals. Only net figures are available.

#### 3.4.3.4.3 Other accrual adjustments in EDP T2C

No other accrual adjustments are needed in EDP T2C.

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

The figures are initially on accrual basis – no general adjustments are made; only the taxes and interest are adjusted.

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

Financial transactions are excluded in the transition from the public accounts budget deficit to the local government deficit/surplus (EDP\_B9-S.1313). The data is “equipped” with a special coding that helps calculating the financial items.

#### **3.4.3.8** *Other adjustments reported in EDP T2C*

##### ***Corrections for central government guarantees for tax revenue in local government (+/-)***

Captures adjustments between the local government actual tax revenue from personal income taxes based on the assessment from the central tax authority and the tax revenue in the accounts of the local government (which is partly based on a central government guarantees). So the item reflects actual transfers between local government and central government.

##### ***Consolidation adjustments for transfers between subsectors (+/-)***

The method for consolidation:

1. The amounts received by the local governments are compared to the amounts accounted for in central government accounts.
2. The information from central government accounts “overrides” the information from local government accounts. The assumption is that central government account is true and therefore the balancing is done in local government on a non-financial entry to avoid any effect on B.9.

##### ***Corrections to "commitment values" (+/-)***

The regions are using “commitment values” in their accounts as well as central government. The use of “commitment values” is restricted to subsidies and investment grants (D.3 and D.92). “Corrections to commitment values” are made so that the figures reflect the actual payments and not the amount that the politicians have made commitments for in a given account year in the budget. The data related to actual payments is received from the Ministry for the Interior. When these adjustments are negative in some years, it indicates that amounts actually paid out are higher than commitments in the budget (i.e. the stock of commitments is reducing).

#### **3.4.3.8** *Net lending/net borrowing of local government*

Data reported in the WB is used for B.9 calculation.

For the local government sector the preliminary data for year n-1 is based on the reporting of preliminary account figures, which are calculated on the basis of electronic reporting from 98 municipalities and 5 regions through 2 different sources: a) 40 % of the municipalities and all regions report direct to Statistics Denmark, electronically. b) Electronically through KMD which is the main supplier of accounting software and the central databank for the local governments. 60 % of the local governments report to KMD, which send the account information to Statistics Denmark. These data are reported in February year n and are preliminary. These data are included in the March version of the national accounts.



This means that the sources used in the preliminary version of the local government accounts, and the working balance, is equal to those used for the final data which gives the advantage of only necessitating minor changes between the preliminary data and the final data.

The primary account data are final for n-1 when the local government accounts are made public by Statistics Denmark in May year n and is included in the June version of the national accounts.

### 3.4.4 EDP table 3D

#### 3.4.4.1 Transactions in financial assets and liabilities

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

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

#### 3.4.4.2 Other stock-flow adjustments

As local government does not issue bonds the adjustment items “Issuances above/below par”, “Difference between interest accrued and paid” and “Redemption of debt above/below par” are not relevant and are therefore reported zero.

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

#### 3.5.1 Data sources for Social Security Funds main unit : xxx

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

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+months</i>		<i>cross appropriate cells</i>		
				<b>Budget Reporting</b>			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
				(3) Current and capital revenue and expenditure and financial transactions			
				(4) Balance sheets			
				<b>Financial Statements</b>			
A	A	T+55(1)	T+5(2)	(5) Profit and loss accounts	X	X	X
A	A	T+55(1)	T+5(2)	(6) Balance sheets			X
				(7) Cash flow statement			
				<b>Other Reporting</b>			
				(8) Statistical surveys			
				(9) Other:			

*Note 1: Data are available to Statistics Denmark (SD) end of February. Publication by SD of the preliminary accounts for general government in medium March.*

*Note 2: Data are available to SD in May. Publication by SD of the final accounts for general government in June. Business like accounts are collected for non-integrated institutions.*

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

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

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

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

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

#### 3.5.1.1 Details of the basic data sources

The basic data source consists of AK-samvirke, LG (Employees wage and salary guarantee fund) and A-kasser (unemployment and early retirement scheme).

All data is collected directly from the responsible entities for the accounting statements. For social security funds (The unemployment funds and the Employees Guarantee Fund) the *preliminary data* for year n-1 on transfers are received from Moderniseringsstyrelsen in February year n, and data on administrative costs are based on estimates from the final accounts received directly from the funds in year n-2. The data are included in the March version of the national accounts.

*The final data* for year n-1 are received in May year n, where all the accounts are made public. These data are included in the June version of the national accounts. The sources for social security funds (The unemployment funds and the Employees Guarantee Fund) are the official accounts of the funds.

### 3.5.1.2 Statistical surveys used as a basic data source

No statistical surveys or supplementary data sources are used for the compilation of non-financial accounts.

### 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

3.5.1.3.2 Supplementary data sources used for the compilation of financial accounts

Supplementary data sources used for the compilation of financial accounts are the MFI statistics and Securities statistics compiled by the Central Bank.

## 3.5.2 Data sources for other Social Security units

Not applicable for Denmark.

**Table x – Availability and use of basic source data for other social security units**

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+months</i>		<i>cross appropriate cells</i>		
				<b>Budget Reporting</b>			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
				(3) Current and capital revenue and expenditure and			

## EDP tables and data sources - Social security sub-sector, EDP table 2D and 3E

				financial transactions			
				(4) Balance sheets			
				<b>Financial Statements</b>			
				(5) Profit and loss accounts			
				(6) Balance sheets			
				(7) Cash flow statement			
				<b>Other Reporting</b>			
				(8) Statistical surveys			
				(9) Other:			

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

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

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

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

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

### 3.5.2.1 Details of the basic data sources

### 3.5.2.2 Statistical surveys used as a basic data source

### 3.5.2.3 Supplementary data sources and analytical information

### 3.5.2.4 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.

Not relevant for Denmark.

## 3.5.3 EDP table 2D

### 3.5.3.1 Working balance - use for national accounts compilation

The working balance of the sub-sector S.1314 is compiled by summarizing the three units final account statements (listed in section 3.5.3.3).

The working balance for social security funds is calculated by making adjustments (intra-consolidations and financial transactions) to the annual financial result of the funds.

The following specific case are handled in accordance with “The new decision of Eurostat on deficit and debt – Classification of funded pension schemes in case of government responsibility or guarantee”, Eurostat News Release No 30/2004.

#### Special case 1: SP

This scheme was, as a social security fund, a part of the general government accounts in the period 1999-2001, but was reclassified into S.123 following a change in the legislation making the scheme an individual savings scheme without the characteristics of a social security fund.

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

Accounts for Social Security Funds have been audited when received. We add them together before they are converted into national accounts statistics.

Due to the fact that the accounts have been audited when received it is not necessary to incorporate findings. If errors are discovered later on they are of course corrected and incorporated in the national accounts.

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

The working balance of the sub-sector S.1314 consists of the following social security funds:

- AK-samvirke
- A-kasser (unemployment and early retirement scheme)
- LG (Employees wage and salary guarantee fund)

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

No units are to be classified outside the subsector, but reported in the WB.

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

No units are to be classified inside the subsector, but not reported in the WB.

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

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

No accrual adjustments relating to interest D.41 are relevant to be reported in EDP T2D.

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

EDP tables and data sources - Social security sub-sector, EDP table 2D and 3E

No accrual adjustments are relevant to be reported under other accounts receivable/payable F.7 in EDP T2D.

#### 3.5.3.4.3 Other accrual adjustments in EDP T2D

No other accrual adjustments are relevant to be made in EDP T2D.

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

The figures are initially on accrual basis – no general adjustments are made.

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

There are no adjustments for financial transactions to the working balance of S.1314.

#### 3.5.3.7 *Other adjustments reported in EDP T2D*

The item ‘working balance of entities not part of social security funds’ contains adjustments that consist of:

1. Subscriptions to AK-Samvirke (an unemployment fund association) (AK-Samvirke is classified as S.15 NPISH).
2. Refunds of contributions to early retirement scheme (Individuals who have paid early retirement contributions but have not yet received an early retirement certificate are entitled to withdraw from the early retirement scheme and get their early retirement payments paid into a private pension scheme. The private pension schemes where the early retirement payments are paid into are classified as S.12 Financial corporation sector).
3. Contributions to ATP (Arbejdsmarkedets tillægspension) (ATP is classified as S.125).

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

Data reported in the WB is used for B.9 calculation.

The net lending/net borrowing for social security funds is calculated by making the above mentioned adjustments to the WB of the funds.

All data is collected directly from the responsible entities for the accounting statements. For social security funds (The unemployment funds and the Employees Guarantee Fund) the preliminary data for year n-1 on transfers are received from Moderniseringsstyrelsen in February year n, and data on administrative costs are based on estimates from the final accounts received directly from the funds in year n-2. The data are included in the March version of the national accounts.

The final data for year n-1 are received in May year n, where all the accounts are made public. These data are included in the June version of the national accounts. The sources for social security funds (The unemployment funds and the Employees Guarantee Fund) are the official accounts of the funds.

### 3.5.4 EDP table 3E

#### 3.5.4.1 Transactions in financial assets and liabilities

There are no transactions in financial assets and liabilities included in the working balance.

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

#### 3.5.4.2 Other stock-flow adjustments

As the social security sub-sector does not issue bonds the adjustment items “Issuances above/below par”, “Difference between interest accrued and paid” and “Redemption of debt above/below par” are not relevant and are therefore reported zero.

### **3.6. Link between EDP T2 and related EDP T3**

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

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

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

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

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

#### **3.6.1 Coverage of units**

The coverage of the units whose data are reported in EDP tables 2 and 3 is identical, as the same register of units is used for non-financial and financial accounts compilations, and for EDP table 2 and 3 for all subsectors. There are no deviations in the sector delimitation in data used for EDP T2 and EDP T3 compilation.

#### **3.6.2 Financial transactions**

Corrections made to the working balance as reported in EDP T2 are, entered (mirror image) in the financial accounts and thus likewise in EDP T3, thereby using data on financial transactions, as reported in the WB, for the compilation of EDP table 3 and the financial accounts.

In order to reconcile financial transactions reported in EDP T2 with the corresponding ones in T3 all corrections made as a consequence of removing financial transactions from the working balance must be mirrored in the financial accounts as well, in the corresponding instruments. Finally a balancing adjustment is included as a transaction in F.8 assets and consequently T.2 and T.3 are consistent.

The above mentioned corrections to the working balance which are mirrored in the financial accounts are made mostly to F.89 assets (the balancing adjustment is also as previously



#### 4. Revision policy used for annual GFS

mentioned placed on F.8 assets). Apart from the corrections made to F.89 assets, corrections are made to F.4 assets, F.5 assets and F.3 liabilities.

For social security funds all corrections are made via the balancing adjustment.

#### **3.6.3 Adjustments for accrued interest D.41**

In EDP table 2A there is reported a zero because no adjustments are made to the accrued interests that are fully included in the working balance. In EDP table 3B the adjustments for accrued interest concerns the full amount of premium and discount that are spread over the life of the instrument and recorded as a part of the accrual interest expenditure in B.9nf.

In EDP table 2C the adjustment for accrued interest refers to interest revenue, as the local government does not issue bonds but only holds some amount of central government bond. The adjustment in table 2C concerns the difference between the issue price and the redemption price that is accrued over the life of the bond and measured as an interest on accrual basis.

In EDP table 3D is reported a zero because local government does not issue bonds. Therefore there are no amounts of premium and discount from local government bonds that are spread over the life of the instrument and recorded as a part of the accrual interest expenditure in B.9nf.

In EDP table 2D there is reported a zero because no adjustments are made to the accrued interests that are fully included in the working balance.

All the adjustments which should be done in order to reconcile figures reported in EDP table 2 and table 3 in the adjustment line for accrual D.41 are explained above.

#### **3.6.4 Other accounts receivable/payable F.8**

There are no differences in the figures reported in EDP T2 and T3 in accrual adjustments under other accounts receivable and other accounts payable F.8. Corrections for accrual accounting (for example concerning taxes) are included in F.8 assets and any deviances would be neutralized by the balancing adjustment also placed on F.8 assets. This is the case for all subsectors.

The corrections for accrual accounting are included in F.8 assets and any deviances would be neutralized by the balancing adjustment also placed on F.8 assets. Thus accrual adjustments in the non-financial and financial accounts are identical.

Accrual adjustments made to taxes are fully reflected in the financial accounts and EDP table 3.

#### **3.6.5 Other adjustments/imputations**

All adjustments reported under the heading “other adjustments” in EDP T2 are reflected in EDP T3 and FA with identical amounts under the relevant financial categories:

Corrections for “commitment values” are placed as F.89 assets.

#### 4. Revision policy used for annual GFS

Corrections for “consolidation adjustments for transfers between subsectors” are placed as F.89 assets.

Corrections for “central government guarantees for tax revenue in local government” are placed as F.89 assets.

Corrections for “Adjustments from CFC to GFCF after the "cost" reform” are placed as F.89 assets.

No imputations are done in the financial accounts by statisticians.

### **3.7. General comments on data sources**

Data sources are the same for the financial and non-financial accounts. All sub-sectors have their own accounting practice; however they are all on accrual basis.

There are presently no changes to the accounting rules in the foreseeable future.

### **3.8. EDP table 4**

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

#### **3.8.1 Trade credits and advances**

The data sources currently available for information on trade credits and advances are the accounts of Central Government and a questionnaire sent to all municipalities and regions. From 2017 the reporting of trade credits for local governments will become part of the additional information to the annual accounts that the local government report to the Ministry of the Interior.

Data is received on stock values. Data also includes trade credits and advances against units within government, as these cannot presently be subtracted.

As trade credits and advances and the item "net incurrence of other liabilities" in EDP T3 are part of the same compilation system, in which data on trade credits and advances are included as a separate entry, consistency between the two are automatically ensured.

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

The figures reported as "amounts outstanding in the government debt from the financing of public undertakings" (concerns relending to public corporations, also reported in questionnaire table 8.1 in item 2), "Central government deposits with the Central Bank" and "Social Pension Fund holding of non-government bonds" in EDP T4 are supplementary information about substantial government financial assets that are financed by issuing government bonds, but are financial assets that are not possible to deducted in the EDP gross debt (but are deducted in the government net debt as published in Denmark). If these

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substantial, liquid and measurable financial assets were deducted in the gross debt, the EDP debt would be about 10 percentage point smaller.

These data are received from the government accounts and the Central Bank.

### 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

##### 4.1.1 Relating to deficit and non-financial accounts

a) The *revision process for annual non-financial national accounts (ESA) data is in Denmark carried out and published in three versions every year:*

1. **In March** year n the preliminary data for year n-1 are compiled and published
2. **In June** year n the half-final data for year n-1 are compiled and published
3. **In November** year n the half-final/final data for year n-1 – n-2 and final data for year n-3 are compiled and published.

The revisions are fully integrated and coordinated with the whole national account system.

*b) The data sources for central government, local government and social security funds:*

- For the **central government sector**
  - the **preliminary data** for year n-1 is received in February year n and is included in the March version of the national accounts.
  - The **half-final data**(concerning taxes)/**final data**(concerning expenditures) based on final accounts for year n-1 is received in May year n and is included in the June version of the national accounts.
  - The preliminary and half-final/final data are received from the same **sources: Moderniseringsstyrelsen** (the agency responsible for the central government book-keeping) and **SKAT** (the agency responsible for general government book-keeping concerning taxes).
  - The preliminary data received in February year n contains no information on **extra-budgetary units**. For **extra-budgetary units preliminary data** for year n-1 are therefore estimated from the final accounts of year n-2 and the counterpart

#### 4.Revision policy used for annual GFS

information from central government preliminary accounts year n-1 on transfers to these institutions and are included in the March version of the national accounts.

- For **extra-budgetary units final data** for year n-1 are received from May to October year n, which are included in the June and November version of the national accounts. Final data for the Danish National Church are received in February year n+1 and is included in the March version of the national accounts year n+1.
  - **Sources** are the individual accounts of the extra-budgetary unit reported to Statistics Denmark.
- For the **local government sector**
    - the **preliminary data** for year n-1 is based on the reporting of **preliminary account figures**, which are calculated on the basis of electronic reporting from 98 municipalities and 5 regions through 2 different sources: a) 30 % of the municipalities and all regions report direct to Statistics Denmark, electronically. b) Electronically through KMD (Kommunedata) which is the main supplier of accounting software and the central databank for the local governments. 70 % of the local governments report to KMD, which send the account information to Statistics Denmark. These data are reported in February year n and are preliminary. These data are included in the March version of the national accounts.

This means that the sources used in the preliminary version of the local government accounts, and the working balance, is equal to those used for the final data which gives the advantage of only necessitating minor changes between the preliminary data and the final data.

    - The **primary account data are final** for n-1 when the local government accounts are made public by Statistics Denmark in May year n and is included in the June version of the national accounts.
  - For **social security funds** (The unemployment funds and the Employees Guarantee Fund)
    - the **preliminary data** for year n-1 on transfers are received from **Moderniseringsstyrelsen** in February year n and data on administrative costs are based on estimates from the final accounts received directly from the funds in year n-2. These data are included in the March version of the national accounts.

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- The **final data** for year n-1 are received in May year n, where all the accounts are made public. These data are included in the June version of the national accounts.
- The **sources** for social security funds (The unemployment funds and the Employees Guarantee Fund) are the official accounts of the funds.

*c) The revision process for annual non-financial EDP-data is based on the three national account (ESA) versions in March, June and November:*

- **The April notification**

- Contains the **preliminary data for year n-1**, which are based on the **March National accounts (ESA) version (year n)**.
- Furthermore the April notification is containing the **half-final/final data for year n-2 – n-3 and final data for year n-4**, which are based on the **November version (year n-1) of the national accounts**.
- The national non-financial accounts compilations are declared final in November year n+2.
- The April notification is published nationally on Statistics Denmark's website.

- **The October notification**

- Contains the **half-final/final data for year n-1**, which are based on the **June National accounts (ESA) version (year n)**.
- **The half-final/final data for year n-2 – n-3 and final data for year n-4**, are still based on the unchanged **November version (year n-1) of the national accounts**.
- The October notification is published nationally on Statistics Denmark's website.

*d) It should be mentioned that the sources used for the annual GFS-data is the exact same that are used for the quarterly GFS-data, except that they are of a higher frequency.*

#### 4.Revision policy used for annual GFS

##### 4.1.2 Relating to debt and financial accounts

a) The *revision process for annual financial ESA-data in Denmark is carried out and published in three versions every year:*

1. **In March** year n the preliminary data for year n-1 are compiled and published
2. **In June** year n the half-final/final data data for year n-1 are compiled and published
3. **In December** year n the half-final/final data for year n-1 - n-2 and final data for year n-3 are compiled and published

b) *The data sources for central government, local government and social security funds annual debt data:*

- For the **central government sector**
  - The **preliminary data** for year n-1 is received in February year n.
  - The “**final data**” based on public accounts for year n-1 is received in May year n,
  - The preliminary and half-final/final data are received from the same **sources: Moderniseringsstyrelsen** (the agency responsible for the central government book-keeping) and **The Central Bank**.
  - The preliminary data received in February year n contains no information on **extra-budgetary units**. For **extra-budgetary units preliminary data** for year n-1 are therefore estimated from the final accounts of year n-2.
  - For **extra-budgetary units final data** for year n-1 are received from May to October year n, which are included in the June and December version of the financial national accounts. Final data for the Danish National Church are received in February year n+1 and is included in the March version of the financial national accounts year n+1.
  - **Sources** are the individual accounts of the extra-budgetary unit reported to Statistics Denmark, **Moderniseringsstyrelsen** (the agency responsible for the central government book-keeping) and **The Central Bank**.
- For the **local government sector**

#### 4.Revision policy used for annual GFS

- The **preliminary data** for year n-1 is based on the reporting of **preliminary account figures** in February year n, which are calculated on the basis of electronic reporting from 98 municipalities and 5 regions through 2 different sources: a) direct reporting to Statistics Denmark, electronically. b) Electronically through KMD which is the main supplier of accounting software and the central databank for the local governments. The local governments report to KMD, which send the account information to Statistics Denmark.

This means that the sources used in the preliminary version of the local government accounts, are the same as those used for the final data.

- The source **data are final** for n-1 when the local government financial accounts are made public on Statistics Denmark's website in May year n.
- The sources for **social security funds** (The unemployment funds and the Employees Guarantee Fund) are the official accounts of the funds supplemented by data from securities statistics in order to improve the split between financial instruments.

- **The preliminary data** for year n-1 are estimated from final accounts of year n-2.

- The **final data** for year n-1 are received in May year n, where all the accounts are made public.

*c) The revision process for annual financial EDP-data is based on the three financial ESA-data versions in March, June and December:*

- **The April notification** (concerning Maastricht debt data).
  - Contains the **preliminary data for year n-1**, which are based on the **March financial accounts (ESA) version (year n)**.
  - Furthermore the April notification is containing the **final data for year n-2, n-3 and n-4**, which are based on the **December financial accounts (ESA) version (year n-1)**.
  - The national financial accounts compilations are declared final in December year n+2.
- **The October notification** (concerning Maastricht debt data).

#### 4.Revision policy used for annual GFS

- Contains the **half-final/final data for year n-1**, which are based on the **June financial accounts (ESA) version (year n)**.
- The **final data for year n-2, n-3 and n-4**, are based on the unchanged **December financial accounts (ESA) version (year n-1)**.

##### 4.1. Reasons for other than ordinary revisions

In situations where the Supreme Audit Institution (Rigsrevisionen) discovers **accounting errors** they are corrected in the coming ordinary revision.

If relevant, **new data sources** will gradually be implemented when the different National accounts (ESA) data versions are open for revisions. In the March and June National accounts (ESA) data versions data will be revised for year n-1 and in the November /December ESA-data versions of the national accounts data will be revised for year n-1 – n-3. Full implementation for all historical years is only possible in connection with major revisions.

Changes of substantial importance such as **changes in methodology** in the calculation of deficit and debt are only made as part of **major revisions** in order to keep consistent time series for the national accounts. High priority is also given to consistency between nationally published national accounts data and the ESA transmission programme deliveries.

However minor methodological changes due to recommendations from Eurostat in connection to the EDP clarification process or EDP-dialogue-visits, which only have limited effects on the deficit and debt, can be implemented as part of **more frequent limited revision**. Such a limited revision was implemented in 2009 concerning e.g. corrections related to infrastructure investments and urban renewal. The revised data was included in the April 2010 EDP notification.

##### 4.2. Timetable for finalising and revising the accounts

Please see Section 4.1.



## B. Methodological issues

### 5. Sector delimitation – practical aspects

#### 5.1. Sector classification of units

General government is defined by ESA2010 §2.111 as "... institutional units which are non-market producers whose output is intended for individual and collective consumption, and are financed by compulsory payments made by units belonging to other sectors, and institutional units principally engaged in the redistribution of national income and wealth". Moreover, §20.05 specifies that the general government sector "consists of all government units and all non-market non-profits institutions (NPIs) that are controlled by government units. It also comprises other non-market as identified in paragraphs 20.18 to 20.39".

It is necessary to determine:

- if it is an institutional unit (ESA2010 2.12 describes the rules according to which an entity can be considered as an institutional unit)
- if it is a public institutional unit (ESA 2010 §20.18 and MGDD I.2.3 – define the notion of control by the government over an entity as "the ability to determine the general policy or programme of that entity"... According to the list of criteria listed in ESA 2010 §20.309 )
- if it is a non-market public institutional unit - reference to "Market-non-market delineation" (ESA 2010 §20.19 to §20.28 and MGDD I.2.4)"

**Market entities which are integrated** in the government budget and can be regarded as institutional units are reclassified to the corporation sector. In this way the general government sector only includes non-market entities. However some government controlled entities which are included in the general government sector could be considered close to quasi-market entities. Examples of these are entities with activities inside the property area. These units let buildings to a price which should reflect the market price, but they are limited in their business options since they can only let their properties to government institutions.

Entities with **market activities** (income from sales of goods or services) are checked. It is checked if the income from sales covers 50% or more of the production cost – production cost defined as compensation of employees, intermediate consumption, consumption of fixed capital and other taxes on production (plus net interest when using ESA2010 manual). If this is the case then the entity is regarded as a market entity. Entities with a ratio close to the 50% are checked on a regularly basis. If the ratio change from over 50% to under or vice versa then the entity will be reclassified if the change holds for a period of (three) years.

The following shows the formal test carried out by item name on annual survey:

(Turnover (net sales), excluding discounts, VAT and excise duties + Capitalised work performed by firm for own purposes + Other operating income)\*(-1)

/

(Cost of sales + Cost of subcontractors and other work done by others (by non-employees) + Rent paid + Cost of minor equipment and fixtures not capitalized + Payments for temporary workers

provided from another enterprise (e.g. agencies) + Payments for long-term rental and operational leasing of goods + Other external charges (administrative cost etc. ) + Wages and salaries + Pension costs + Other social security costs + Depreciation and amortisation of property, plant and equipment, and intangible assets + Impairment of property, plant and equipment, and intangible assets + Other operating charges of a non-trading type (administrative cost etc.) + **Interests**)\*(1)

**Interests** are calculated as: Income from interests + interest payments. If the net total is an income from interests, interests are set as zero in the calculation. If the net total is expenditure, this is the amount used in the calculation.

In order to find out when a **new unit** is created different sources are used: when it comes to entities integrated in the budgets of government, a new unit will appear in the budget with a unique account number. When a new account number enters the database the transactions related to this account will pop up for manual treatment. When it comes to extra-budgetary units/other government bodies these are identified by the budget statements, the media and information from the Ministry of Finance. At the same time we use the business register as a host for our list of government controlled entities and we conduct a quarterly validation of the entities in the business register with the aim of identifying new government entities (see more about this under 5.1.2).

### 5.1.1 Criteria used for sector classification of new units

For the classification of new units inside general government ESA criteria are used: non-market units controlled by government are included in the government sector and also market units which cannot be regarded as institutional units will be classified inside the government sector if the controlling unit is part of this sector.

### 5.1.2 Updating of the register

The list of government entities is an integrated part of Statistics Denmark's business register (called BR in the following). Some entities registered in the BR are given a sector code based on automatic use of some characteristics (legal business entity type and industry) while others are sector classified after manual treatment.

The BR has a number of build in validation mechanisms which increases the quality of the sector classification including the population of the public sector. Furthermore the unit responsible for government finance statistics in Statistics Denmark undertakes a quarterly validation of some specific areas (defined by entity type or industry code) with focus on the delimitation of the public sector, e.g.:

- New entities inside industries dominated by public entities (energy, water supply, waste disposal ...)
- New entities organized as an associations/societies inside specific industries (NACE) where entities controlled by government are significant
- Public entities which has been re-classified by sector
- Cross validation of educational entities in BR with data from the Ministry of Education
- Etc.

## Sector delimitation – practical aspects - Existence and classification of specific units

New entities which appear in the government budgets are also looked up in the BR to ensure consistent sector classification. This work is done in connection with the compilation of our government finance statistics. Furthermore we receive information on new entities from ministries, the media and annual account statements from the government owned entities.

Account data and data from the budgets of the central and local governments are used for the 50% test. Statistics Denmark receives this data (preliminary and final data) on an annual basis. Data is at a very detailed level where each institution and its transactions can be identified.

Changes due to wrongful classification of units are implemented when historical national accounts data are revised. Changes due to structural changes of a unit (shift of market characteristics to non-market or vice versa) are implemented when the change takes place.

### **5.1.3 Consistency between different data sources concerning classification of units**

Statistical surveys are based on information in the statistical business register. Information in the statistical business register on public entities is validated directly with the information in the database on public sector accounts (DIOR). Furthermore employment statistics based on the statistical business register is validated with data from the public sector accounts on compensation of employees.

Every month the central bank and monetary financial institutions receive lists with all units in the statistical business register with information on NACE code (grouped) and ESA sector codes. This information is used in the compiling of MFI statistics and other statistics from the central bank to ensure that entities are classified to the same sector in the MFI statistics and in the national accounts.

Data used in both financial and non-financial accounts originate in principle from the same data sources to ensure consistency. Furthermore when additional data from other sources are needed in the compilation of either financial or non-financial statistics cross reference is made to ensure consistency. Finally there's a close co-operation between personal working with financial accounts, non-financial accounts and sector classification.

## **5.2. Existence and classification of specific units**

**Non-profit institutions** controlled and included in the general government sector are primarily to be found in the central government sector. The major NPIs included in the general government are:

- The Danish National Church
- Institutions within the secondary educational level
- Eight universities
- Other institutions within the higher educational level
- Udbetaling Danmark (administration institution responsible for the payment of transfers to households)
- Danmarks Radio
- A/S Øresund and Femern Landanlæg A/S
- The remaining public controlled NPIs are primary to be found inside within the social affairs area (less than 1% of compensation of employees within the NPI area)

Sector delimitation – practical aspects - Existence and classification of specific units

No **quasi-corporations** are included in general government sector.

When it comes to infrastructure companies there is both entities inside government and in the corporation sector. The criterion for the classification is the market/non-market test. The result is that railways and roads are included inside the government sector since no significant sale is recorded – excluded from this is the bridges where the users pay a toll (Øresundsforbindelsen and Storebæltsforbindelsen). All public utility companies are financed by the users just like airports, ports and metro – so all these entities are classified within the corporation sector.

Universities and schools are all classified inside the government sector since they are controlled by government. An exception is the private school area which is classified within non-profit institutions serving household sector S.15 since these entities are not controlled by government.

All public hospitals are controlled by the local government sector and financed by this sector which again leads to a classification inside the government sector S.13.

No **SPV** is included in general government sector.

## **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 ESA2010 §1.101. It is the accrual basis, meaning when economic value is created, transformed or extinguished, or when claims and obligations arise, are transformed or are cancelled.

### **6.1. Taxes and social contributions**

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 of taxes is defined in ESA2010 §4.26 and §4.82 as the time "...when the activities, transactions or other events occur which create the liabilities to pay taxes".

In 2014 ninety different taxes contributed with revenue to the Danish Government Finances. The largest revenue source is personal income taxes, which contributes with approximately 40 per cent of the total revenue.

#### **Specification of the personal income taxes in the Danish National Accounts:**

## Time of recording - EU flows

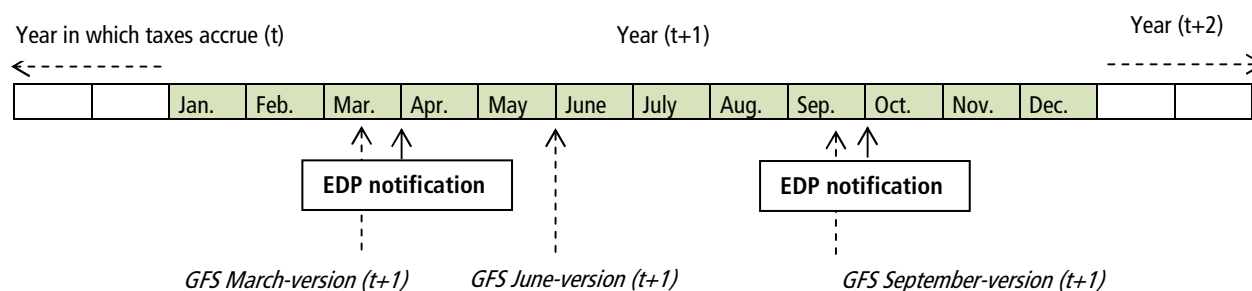
- Central government income tax
  - Municipality income tax
- } Ordinary income tax
- Taxes on pension schemes with lump sum disbursements.
  - Tax on winnings from lotteries, horse racing, pools, etc.
  - Duty on releases from fund for employees' index regulated pay increases.
  - Employer contributions.

## Data sources

Different data sources are available at different point in time. The ways of calculating ordinary income taxes therefore differs between the versions.

Figure 1 contains a time line with the schedules for EDP notifications to Eurostat and the schedule for the publication of versions of the national accounts and GFS containing revised taxes and duties for the year in which they accrue.

**Figure 1: Timeline with the EDP notifications and versions of the national accounts and GFS.**



### EDP notification April 1<sup>st</sup> (t+1)\*

In March (t+1) the first GFS/national account calculation of ordinary income taxes based on account data is carried out. The source is the tax base from the Danish Ministry of Taxation. Formerly we have used reported prepaid taxes from SKAT (the agency responsible for general government book-keeping and assessment concerning taxes) and for 2012 we used preliminary assessments from the tax authorities (SKAT). The current source achieves a better compilation closer to the final level.

In June (t+1) the GFS/national account calculation is still based on the tax base.

### EDP notification October 1<sup>st</sup> (t+1)\*

The compilation of the ordinary income taxes in the September (t+1) GFS/national account is based on final assessments grossed up to 100 per cent (based on approximately 98 per cent of the total number of assessments). The compilation of ordinary income taxes is not based on the final tax statement until June (t+3).

All accrued taxes are recorded in the year in which they accrue. The taxes that are never paid are recorded as a capital transfer from the general government sector to the households or

Time of recording - EU flows

companies sectors. The unpaid taxes are **the write offs and write downs** in the central government accounts.

The **method used is assessed amounts** recorded entirely as revenue; the amount of taxes unlikely to be collected is recorded as capital transfers.

Statistics Denmark collects and compiles the data for national accounts and EDP tables/related questionnaires.

All reimbursements, refunds and final settlements are recorded in the year in which the taxes accrue.

Fines and penalties imposed by tax authorities cannot be distinguished from the taxes themselves.

Interests on late payments are specified in the central government accounts and are classified as interests.

Tax amnesties is recorded when the claim has been established.

The final statement for personal income taxes is published in June three years after the year of accrual (year t+3). The final statement for other taxes is published in earlier versions.

## **Financial accounts**

The data on transactions in net receivable (F.89) relating to total taxes (SKAT only reports receivable net of payable on each unit – person or company) reported in the Danish EDP-questionnaire table 5 is calculated as follows:

As the central governments and respectively the municipalities own accounts are not on (either) cash (or accrual) basis the data have to be adjusted to make an estimation of the cash revenue. This is done by deducting the change in tax liabilities from the tax revenue. The difference between this estimated cash amount and the calculated accrued amount is reported in table 5.

### **6.1.2 Social contributions**

The time of recording of social contributions is defined in ESA2010 §4.94 as "... the time when the work that gives rise to the liability to pay the contribution is carried out..." for employers and employees social contributions, and as "... when the liabilities to pay are created" for self-employed and non-employed persons.

Unemployment insurance contributions are by far the largest contributor to the revenue from social contributions. The data used in the April notification is based on estimation. For the October notification final accounts on accrual basis are available.

Statistics Denmark collects the information from social security funds and compiles the data for national accounts and EDP tables/related questionnaires.

Time of recording - EU flows

For some of the minor contributors, the method for calculating social contributions is pure cash amounts. The Danish Ministry of Finance collects- and Statistics Denmark compiles the data for national accounts and EDP tables/related questionnaires.

There are no write-offs for social contributions.

Reimbursements and refunds are classified as capital transfers (if any – very small amounts).

Interest on late payments is classified as interest (if any – very small amounts). Fines, penalties for non-payment and amnesties do not exist in Denmark in relation to social contributions.

Final data for unemployment insurance contributions are available at T+5 months.

## **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. The ESA2010 Manual on government deficit and debt Chapter II. 6 “*Grants from the EU budget*” provide further details concerning the recording of these flows.

### **6.2.1 General questions**

NaturErhvervstyrelsen, Center for tilskud”, is designated to receive amounts from the EU for all flows in Structural funds, Agricultural funds, and Pre accession funds and to handle all payments to the beneficiaries. The unit is classified in central government S.1311.

Data for EU flows is available from central government accounts provided from the central account institution (Moderniseringsstyrelsen).

All payments are handled by ”NaturErhvervstyrelsen, Center for tilskud”. This unit is classified in central government and therefore there is no need for data from local government.

We have very reliable information on date of expenditure which is on a claim basis.

We have information on whether the final beneficiary is a government or non-government unit.

And it can be distinguished whether the final beneficiary is a government or non-government unit for national accounts purposes.

There are no advance payments in Denmark.

## Time of recording - EU flows

Both revenue and expenditure in relation to all EU-payments the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD), The European Fisheries fund (EEF) the European Regional Development Fund (ERDF), the European Social Fund (ESF), Cohesion Fund) are entering the working balance. However they are balanced and have no effect on the working balance. In the central government accounts the CG-payment to the beneficiaries are recorded when the application has been approved by the Danish authorities. At the same time the EU-reimbursements are recorded and therefore no net impact is seen on the working balance. These expenditure and revenue are removed when compiling the national accounts, because from a national account perspective they are not revenue and expenditure in general government.

The net figures of the EU expenditure and revenue entering in item "Other receivables/payables" in table 2A amount to zero; due to that there is no net impact on neither the working balance nor B.9.

Only net figures (net receivables) are available.

The two transactions related to the third resource (VAT-revenue and a transfer to EU) are included in the working balance, so no adjustments are made in the EDP tables due to the fact that these two transactions are netted out in the working balance.

### **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.

Denmark is not receiving cash through transitional or Schengen facility.

### **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).

The Jeremie/Jessica programmes are not implemented in Denmark.



#### **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.

NaturErhvervsstyrelsen is responsible for interventions in the market of agricultural products. Only losses, the rental expenditure related to the inventories and the following EU-reimbursement are recorded in the central government accounts and classified accordingly in the GFS-statistics. No changes in inventories are accounted in the central government accounts.

The agency responsible for interventions is classified in S.13.

### **6.3. Military expenditure**

The ESA2010 principle on accrual recording, when applied to military expenditure, is generally the time when the economic ownership of the good occurs, which is usually when delivered.

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

#### **6.3.1 Types of contracts**

The central government account provided from the Moderniseringsstyrelsen is used for compilation of military equipment expenditure.

In Denmark sales agreed in advance with industrial suppliers, with government prefinancing are observed in relation to large military equipment expenditure.

#### **6.3.2 Borderline cases**

There are cases where military goods are recorded as investments due to the fact that they are used for civilian purposes as well e.g. planes used for surveillance of pollution from ships.

#### **6.3.3 Recording in national accounts**

The Ministry of Defence (which provide DST with data via the central government accounts) has made it very clear to Statistics Denmark that they put a lot of effort in to the process of recording the expenses at the time of delivery. This issue has apparently been given high priority from the political system. Several accountants use the majority of their time to keep track on the deliveries for the purpose of recording expenses on the delivery date.

## 6.4. Interest

This part aims at describing accrual adjustment for interest.

ESA2010 paragraph 20.178 reads: *"In the system, interest is recorded on an accrual basis, i.e. interest is recorded as accruing continuously over time to the creditor on the amount of principal outstanding"*

ESA2010 MGDD part II, chapter II.4 is dealing with some practical aspects of the recording of interest.

### 6.4.1 Interest expenditure

**Table x Availability and basis of data on interest**

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

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

Data on interest expenditure which are received from the accounts of the general government sub sectors are only available on sub sector level and not on the level of instruments.

Data on interest expenditure are received from the central government account, local government accounts, social security funds and extra budgetary units are used.

Data on interest expenditure is on an accrual basis.

The data on interest expenditure is obtained from the accounts from each government subsector on an accrual basis.

The database on interest is not detailed by financial instruments, however this information is available at Denmark's National Bank for central government interest.

In EDP table 2A there is reported a zero because no adjustments are made to the accrued interest that are included in the working balance. While in EDP table 3B the adjustments for accrued interest concerns the full amount of premium and discount that are spread over the life of the instrument and recorded as a part of the accrual interest expenditure in B.9nf.

### 6.4.2 Interest Revenue

Source data for interest accrued and received is based on central and local government accounts. Furthermore the adjustment for local government accrued interest revenue related to the difference between the issue price and the redemption price (that is accrued over the life

Time of recording -Interest

of the bond and measured as an interest on accrual basis) is based on data from the Central Bank.

In EDP T2A there is reported a zero because no adjustments are made to the accrued interest that are included in the working balance. In EDP table 2C the adjustment for accrued interest refers to interest revenue, as the local government does not issue bonds but only hold some amount of central government bond. The adjustment in table 2C concerns the difference between the issue price and the redemption price that is accrued over the life of the bond and measured as an interest on accrual basis.

### **6.4.3 Consolidation**

The consolidation is implemented according to EUROSTAT descriptions. Interest between units of central government is consolidated. In practice it means that interest on government bonds owned by the Social fund, which is part of central government, is consolidated. Furthermore interest between central government and local government is consolidated. This are the areas were we observe interest payments, that are not negligible, and have to be consolidated.

Counterpart information is collected and used for the consolidation process. Consolidation is applied for all relevant subsectors.

It does not impact general government B.9.

### **6.4.4 Recording of discounts and premiums on government securities**

In EDP T2A there is reported a zero concerning accrual adjustments because no adjustments are made to the accrued interest that are fully included in the working balance. In EDP table 2C the adjustment for accrued interest refers to interest revenue, as the local government does not issue bonds but only hold some amount of central government bond. The adjustment in table 2C concerns the difference between the issue price and the redemption price that is accrued over the life of the bond and measured as an interest on accrual basis, which is not included in the working balance of local government.

No entities reported under "other government bodies" in EDP tables 2 issue debt above/below par.

Premiums are treated as negative expenditure in national accounts.

Repayment of discount is clearly identifiable from the repayment of debt in the government accounts.

Time of recording -Time of recording of other transactions

## **6.5. Time of recording of other transactions**

All transactions are recorded on an accrual basis according to ESA rules.

Accrual data coming from financial statements are in line with ESA10 rules (e.g. for GFCF, subsidies, investment grants and other transfers, dividends etc.). This is ensured by comparing the requirements in the ESA-manual with the accounting principles in the primary accounts.

The accrual non-financial flows are consistent with F.8 recorded in the financial accounts.

All receivables not cashed are accounted as transfers in public accounts – the supreme audit institution checks this.

Cases of payables (and so expenditure) that have not been booked in public accounts due to different reasons do not exist in Denmark – public accounts are audited in that respect.

There are no cases of accumulated arrears / payables of government.

All other transactions such as subsidies payables, gross capital formation, dividends receivable etc. are on accrual basis for all sub-sectors. Therefore no supplementary data are used and no accrual adjustments are made.

## 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 ESA2010), 2013 edition<sup>5</sup>.

### 7.1. Guarantees, debt assumptions

Generally, government guarantees are recorded off-balance sheet in government accounts (contingent liability), and neither government debt nor deficit is impacted. However, when a guarantee is activated (called), the payment made by government on behalf of the debtor is normally recorded as government expenditure. In case of repeated guarantee calls, the whole outstanding amount of the guaranteed debt should be assumed by government. The latter leads to a one-off increase of government debt as well as of deficit. The accounting rules are explained in the Chapter VII.4 on Government guarantees of the ESA2010 Manual on government deficit and debt. This chapter describes also specific cases and related treatment in national accounts.

#### 7.1.1 Guarantees on borrowing

##### 7.1.1.1 *New guarantees provided*

###### *Recording in public accounts*

Before 2012 we only have access to information on central government guarantees. From 2013 we have access to information on both central and local government guarantees.

Local government debt guarantees amount to about 110 bill. DKK.

The majority of central government guarantees on borrowing concerns guarantees provided by the Ministry of Finance to *public corporations* (about 30 bill. DKK) to e.g. A/S Storebælt, DSB and Øresundsbro Konsortiet. A minor amount of central government guarantees on borrowing is provided by the Ministry of Business to *financial corporations* (about 800 mill. DKK). These guarantees concerns a temporary scheme offers state guarantees on individual bank and mortgage credit institution loans, in order to strengthen the access to private capital.

In recent years, the central government-owned companies have tended to prefer re-lending to government-guaranteed borrowing in the private market. This reflects a trend towards companies changing refinancing government-guaranteed loans in the market into re-lending. Moreover, several new government-owned companies only have access to financing via re-lending. Re-lending normally means lower financing costs for the companies involved, compared to government-guaranteed loans because investors are willing to pay a liquidity premium on government bonds.

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<sup>5</sup> [http://epp.eurostat.ec.europa.eu/cache/ITY\\_OFFPUB/KS-GQ-13-006/EN/KS-GQ-13-006-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-GQ-13-006/EN/KS-GQ-13-006-EN.PDF)

## Specific government transactions - Guarantees, debt assumptions

Beneficiaries of central government guarantees *other than corporations* are e.g. housing development, EFSM and young farmers (about 30 bill. DKK). These guarantees are provided from the Ministry of Social Affairs and Integration and Ministry of food, agriculture and fisheries. Additionally there exist the remnants on student's loans, which were closed to new participants in 1993.

The accounting records on central government guarantees are only available in the government public accounts; none are kept by a unit outside the government.

This information is published in an annex together with the final central government accounts in May of every year. Details on related law, purpose, beneficiaries and amount are provided for each guarantee.

Granted guarantees are recorded in an annex together with the public accounts.

Denmark does not have any cases of debt assumption at inception.

### ***Recording in national accounts***

Data on central government debt guarantees becomes available for statisticians in May of every year and are received from Moderniseringsstyrelsen, when they have finalized the government accounts. Details on related law, purpose, beneficiaries and amount are provided.

Guarantees are not included in the calculation of government debt or deficit, as long as the guarantee is not called.

There is a case of guaranteed loans for urban renewal which has been reclassified as a government debt since its inception, in the national accounts, as the government is effectively servicing the debt, both the interest and the repayments of the principal. This kind of guarantee schemes was only provided until 2003.

Data on local government debt guarantees are received from Moderniseringsstyrelsen by the end of September. Moderniseringsstyrelsen are collecting these data via questionnaires.

#### ***7.1.1.2 Treatment of guarantees called***

### ***Recording in public accounts***

The government net loss of the guarantee is calculated. The net loss is recorded as expenditure in the public accounts. If there is a personal liability for the guarantee secured loans that have given loss, then the government maintains to the borrower a claim to the government expense to redeem/honour the guarantee.

The individual state guarantees on bank and MCI-loans have in 2011 been called for three banks (Amagerbanken, Fjordbank Mors and Max Bank) for an amount of 3.5 bill DKK. Furthermore, a loss guarantee concerning Roskilde Bank has been called in 2011 for an amount of 4.6 bill. DKK.

## Specific government transactions - Guarantees, debt assumptions

The recoverability is not regularly assessed in public accounts. The Ministry of Taxation is responsible for the administration of the claim recorded, and recover it as much as possible.

The Ministry of Taxation has the authority and competence to enter into settlement agreements concerning claims or to record a debt-write off if specified conditions are met. In the non-financial government accounts the write-off appears as a capital transfer.

There have not been any cases of assumption of the outstanding amount of debt in the Danish public accounts.

### ***Recording in national accounts***

In the national accounts a guarantee call is recorded as expenditure (capital transfer D.9). Concerning cases see above. In financial accounts, unless immediately written off, the expenditure is matched by a decrease in F.2, and balanced by an increase in F.4 assets.

The way of recording is solely a decision taken independently by statisticians. Relevant information is based on public accounts recording.

When a claim, following the call of a guarantee is recorded in national accounts, it is mirroring the claim in public accounts. The recoverability is not assessed by statisticians and the claim is recorded in nominal value, presently no debt cancellation is recorded in financial accounts for S.13.

There have been no cases of repeated guarantee calls in Denmark.

There have not been any cases of assumption of the outstanding amount of debt in the Danish national accounts.

There have not been any cases of regular call for payments of interest by GG on behalf of debtor.

#### ***7.1.1.3 Treatment of repayments related to guarantees called***

##### ***Recording in public accounts***

Repayments by the original debtor related to guarantees called are treated as government revenue in the public accounts and recorded as a decrease via financial transaction in F.4 asset. When a guarantee is called (concerning student loans), the related loan is passed on to the government and recorded in the government accounts as a F.4 asset. When the students repay their loan, the repayment is recorded as a decrease via an financial transaction in f.4 asset.

##### ***Recording in national accounts***

Repayments by the original debtor related to guarantees called are treated as a capital transfer D.9 in the government revenue. Presently, given that no debt guarantees have been written



## Specific government transactions - Guarantees, debt assumptions

off, repayments by the original debtor are treated as a financial transaction with an increase in F.2 and a decrease in F.4 with no effect on B.9f.

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

At present we have no data directly related to write-offs concerning government guarantees.

### *7.1.1.5 Data sources*

Individual data on stocks of central government guarantees and related flows are available in the public accounts. Data are received from Moderniseringsstyrelsen and Danmarks Nationalbank which administrates the guarantees.

Aggregated data on local government debt guarantees are received from Moderniseringsstyrelsen by the end of September. Moderniseringsstyrelsen are collecting these data via questionnaires.

Related flows enter the WB.

At the moment related information is only available at central government level.

## **7.1.2 Guarantees on assets**

### *7.1.2.1 New guarantees provided*

Denmark has no guarantees on assets.

#### ***Recording in public accounts***

#### ***Recording in national accounts***

### *7.1.2.2 Treatment of guarantees called*

Denmark has no guarantees on assets.

#### ***Recording in public accounts***

#### ***Recording in national accounts***

### *7.1.2.3 Treatment of repayments related to guarantees called*

Denmark has no guarantees on assets.

#### ***Recording in public accounts***

### ***Recording in national accounts***

#### **7.1.2.4 Treatment of write-offs**

Denmark has no guarantees on assets.

#### **7.1.2.5 Data sources**

Denmark has no guarantees on assets.

### **7.1.3. Standardized Guarantees**

In Denmark, only one Guarantee Scheme qualifies to be listed as a standardized guarantee scheme. The scheme is Student loan guarantees. Access to this type of guarantees was closed down in 1993. From 1998 and onwards it became possible for recipients of this type of guarantee to transfer the loan to the government from the banks, an option most students opted for. At the end of 2012 the amount of Student loan guarantees had declined to 1.4 million dkk.

The data source is the government accounts.

As no new guarantees are provided, there can be no transactions on F.66 related to this guarantee scheme in the reporting period. In 2012, 24 former students remained on the scheme, all of whom were still repaying their student loans. It is impossible to estimate how many will default and there are no provisions made in the government accounts to cover potential losses on these 24 people.

Therefore Denmark currently report F.66 as zero.

## **7.2. Claims, debt cancellations and debt write-offs**

Providing loan capital is generally a financial transaction not impacting the net borrowing/net lending (B.9). Government, as a lender, is expecting that the debtor will be in a position to repay the loans, according to a schedule agreed at inception. However, if the loan is non-recoverable, the recording of government expenditure might be considered. The related accounting rules are set up in ESA2010 and further clarified in the Chapter III.2 on Capital injections and Chapter VII.2 on Debt assumption and cancellation of the ESA2010 Manual on government deficit and debt.

### **7.2.1 New lending**

The major part of the loans granted by the Danish central government concerns long term loans (re-lending) from the Ministry of Finances (about 60 per cent or 80 bill. DKK) to mainly public corporations. These *re-lending* is mainly provide to Finansiel Stabilitet A/S, A/S Storebælt, Danmarks Skibskredit A/S, Udviklingsselskabet By og Havn I/S, Energinet.dk and Export Credit Fund. The re-lending offer cheaper funding for the companies. The lower

## Specific government transactions - Capital injections in public corporations

borrowing costs reflect the central government's high credit standing. As the companies are owned by the government, cheap financing is an advantage to the government. Re-lending means that loans are raised directly from the central government. Most re-lending mirrors loans in existing government bonds, so that coupon rates, interest-payment dates and redemption dates correspond to the characteristics of the underlying government bonds.

About 3 bill DKK in bilateral loans (re-lending) is provided to Ireland.

Another large amounts of long term loans concerns *students loans* from the Ministry of Children and Education (about 20 per cent or 25 bill. DKK). An interest rate of four per cent is paid in the time of study, and afterwards is paid the bank rate plus about 1 per cent. Other long term loans that could be mentioned are loans to developing countries.

Short term loans granted by the central government amounts only to a minor part of the total lending (about 5 per cent or 8 bill. DKK). These loans are mainly granted by the Ministry of Finance, Ministry of Taxation and Ministry of Social affairs and Integration to e.g. Landsbyggefonden (The Fund administrate e.g. the base capital for public supported housing construction and the social housing compulsory contributions).

The transactions are derived from the stocks.

The data sources are integrated. All data are derived from the central government and local government accounts.

All relevant data are available from the public accounts on both central and local government level. The central bank is providing Statistics Denmark with details on new lending which covers public corporations.

Until now recoverability of a loan when it is granted has not been an issue in general. Only a very small amount of foreign claims concerning third world countries have had a debt cancellation of 150 mill. DKK recorded in year 2008. Information on such cases is received from the final government accounts.

The only cases of loans being recorded as a transfer (expenditure) in national accounts are loans provided to MLDB's providing mainly concessional loans, following the FAWG decision om MLDBs.

Data on loans are derived directly from the financial accounts of the sub-sectors central government and local government. No loans are granted by Social security funds.

No cases of government claims are kept in books of public corporation outside GG.

### **7.2.2 Debt cancellations**

The government has granted a loan which the borrower cannot repay. If there is granted security for the loan, then the security is realized if the loan defaults an example being forced sale of real property or by the payment of the guarantee/warranty. After the realization the remaining debt is calculated and cancelled.

## Specific government transactions - Capital injections in public corporations

This debt cancellation is recorded in a special account within Statens Administration (the Central government Administration agency is an agency under the Ministry of Finance. The agency is responsible for e.g. the administration of loans, guarantees and subsidy schemes for MoF and other ministries).

Statens Administration has the authority and competency on deciding when a claim would be cancelled. Statens Administration therefore makes agreements with the debtors on debt cancellation.

Information on debt cancellation comes to our knowledge when it is published together with the final government account in May of every year.

The recording of a debt cancellation in national accounts is always based on the recording in public final government accounts.

There are no cases where a debt cancellation is recorded on the basis of a decision of statisticians.

There are no cases where we record debt cancellation on F.8 other accounts receivable, it has always been recorded with the loans on F.4.

Only stock values are available on debt cancellation.

Cases of non-performing loans remain in the accounts until an official decision has been reached, and the debt is written off in the public accounts.

If such cases will arise, financially accrued interest revenue will be recorded, in turn impacting the market value of the debt, until either settled or written off.

In case of accrued interest on bad loans, the accrued interest will remain with the loan of F.4.

Data on debt cancellation for S.1311 is available. However, no data on bad loans and related accrued interest revenue is available.

Only data on stocks are available, significant differences would be shown in the government accounts, and would be investigated, as loans to each separate institution are listed here. Concerning local government, these loans are netted and only stock values are used.

The time of recording of debt cancellation in national accounts is based on the information in the public accounts, which is presented on an accrual basis for the relevant year.

The amount of debt cancellation will include also interest accrued.

All Paris club agreements are maintained by the Ministry of Foreign Affairs, which provides Statistics Denmark with relevant data on debt cancellation. In 2008 there is recorded a capital transfer in national accounts at the time of debt cancellation.

### **7.2.3 Repayments of claims**

A financial claim entitles the owner to receive a payment or a series of payments without

## Specific government transactions - Capital injections in public corporations

having to do anything themselves. Repayments on a financial claim, such as for example loans, are financial transactions which reduces the outstanding amount of the claim. The transactions generally has no effect on B.9.

Receipts from repayments of claims which were previously cancelled is not an issue in the Danish accounts as repayments following debt cancellation seems to be a hypothetical case. If against all odds, a previously cancelled claim were to be repaid, this would be entered into the public accounts via an entry named “extraordinary income” and then entered into the national accounts as a financial transaction with an effect on B.9.

Denmark has no known cases of repayments in kind concerning financial accounts for general government.

Data on repayment of claims is entered into the public accounts for central government using an entry named “Extraordinary income”. Data is also available from the Ministry of Taxation.

### **7.2.4 Debt write-offs**

Debt write-off is recorded under F.4 assets.

When an asset has been deemed irretrievable in the public accounts, this is written off using an entry named “loss on debtors”. This is moved to “Other changes in volume” when compiling the National accounts, to ensure it has no effect on B.9.

Households can, under certain conditions, counting length of debt, reason for the debt and chances of repayment, be approved for government debt cancellation. If debt cancellation is approved the asset is removed or decreased in the public accounts for central government, though financial transactions with an effect on B.9.

Information on debt write-offs is located in the public accounts for central government.

Presently we only have information on debt write-offs from the central government accounts.

Loans provided to MLDBs providing mainly/solely concessional loans are registered as a financial transaction with an effect on B.9

### **7.2.5 Sale of claims**

According to information from Moderniseringsstyrelsen (the central government book-keeping agency), there has not been any cases of sales of bad loans AF.4.

There have not been any cases of sales of well performing loans.

There have not been any cases of sales of claims in AF.8.

A sale of claim is investigated if an institution listed as having received a loan disappears from the government accounts. Regarding S.1313 there is no procedure to identify sales of claims.

There is no direct information available on sale of claims.

### 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 ESA2010 paragraphs 20.197-20.203 and clarified in the Chapter III.2 on Capital injections of the ESA2010 Manual on government deficit and debt. These chapters devote considerable space to set the operational rules for the recording of capital injections in national accounts either as transactions in equity (financial transaction = financing = “below-the-line”), or as capital transfers (non-financial transaction = expenditure = “above-the-line”).

It is recalled that the MGDD also indicates that payments by government to public units, structured in the legal form of a loan or a bond, might be considered in specific circumstances as capital injections, and to be classified in certain cases as a non-financial transaction (predominantly capital transfer D.9); cf. MGDD III.2.3.2.2.

In the account data for the general government Statistics Denmark can identify those accounts which may concern capital injections to public corporations (by the account number). Furthermore we can by use of our financial account data identify public corporations and the transactions related to those.

Concerning capital injections in kind, the central government has transferred buildings to Statens Ejendomssalg A/S. This has been treated as an acquisition of equity.

Statistics Denmark (the Office of Government Finances) applies the capital injection test for all sub sectors. The capital injection test is compiled approximately once a year. Data used for the test are government accounts and publications from the Ministry of Finance. Since the number of transactions in question is rather small we evaluate all of them.

Account information is used to identify the capital injections and these injections are hereafter classified according to the purpose (evaluated on a detailed level).

The recording of capital injections into quasi-corporations depends on whether the quasi-corporation is deficit-making or profit-making and the treatment follows the guidelines and decisions from Eurostat:

Deficit-making quasi corporation with positive net investments (included in this net figure is consumption of fixed capital) -> capital transfers = above-the-line.

Deficit-making quasi corporation with negative net investments (included in this net figure is consumption of fixed capital) -> equity injection = below-the-line.

Profit-making quasi corporation -> equity injection = below-the-line.

### 7.4. Dividends

The accounting rules are set out in ESA2010 paragraphs 20.205-20.207. It is recalled, that the ESA2010 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

## Specific government transactions - Dividends - Privatization-

capital withdrawal). It also sets out that the resource available for distribution by a unit (a corporation) is the *distributable income* of the unit, as defined in the ESA2010, paragraph 4.55.

Total distributions could therefore comprise one part recorded as distributed income of corporations, D.42, and another recorded as transactions in equity, F.5. The former data is reported to Eurostat in ESA2010 table 2 and table 8 within “other property income” category, and the latter is included within transactions in equity in financial accounts. Within the latter, for the benefit of analysis, one should also distinguish between amounts received from the National Central Bank, and amounts received from other public corporations.

The data sources on dividends received by the government are the government accounts and annual accounts of public corporations.

The super dividend test is made by the Office of Government Finances at Statistics Denmark. The super dividend test is compiled once a year (January/February). Data is taken from our database containing both data on the general government and data on the public corporations.

The super dividend test is applied for all cases, not only to big amounts. The profit for the year (= earnings after interest and taxes) is used in the superdividend test.

No interim dividends received by government have been registered.

Concerning super dividend test on local government level, we can identify each significant dividend in the accounts of local government and combine it with the relevant information from public corporations.

### **7.5. Privatization**

The accounting rules are set out in ESA2010 paragraphs 20.210-20.213. The proceeds collected by government when disposing of shares in public corporations are often called privatization proceeds. The counterpart entity (i.e. the acquirer of shares) is the private sector. Privatization can be indirect when the proceeds are forwarded to government after the sale of a subsidiary. The MGDD chapter V.2 indicates that such indirect privatization proceeds are not government revenue. MGDD chapters V.3 and chapters V.4, respectively, provide the guidance on the treatment of privatisation proceeds from public corporations and restitution and use of vouchers for privatisation.

Specifically, chapter V.3.1 of the ESA2010 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?

No separate institutional unit/ extra-budgetary fund are involved in privatization in Denmark.

## 7.6. Public Private Partnerships

The term “Public-Private Partnerships” (PPPs) is widely used for many different types of long-term contracts between government and corporations for the provision of public infrastructure. In these partnerships, government agrees to buy services from a non-government unit over a long period of time, resulting from the use of specific “dedicated assets”, such that the non-government unit builds a specifically designed asset to supply the service. The accounting rules are set out in ESA2010 paragraphs 20.276-20.282 and clarified in the Chapter VI.4 of the ESA2010 Manual on government deficit and debt.

The key statistical issue is the classification of the assets involved in the PPP contract – either as government assets (thereby immediately influencing government deficit and debt) or as the partner’s assets (spreading the impact on government deficit over the duration of the contract). This is an issue similar to the one of distinguishing between operating leases and finance leases, which is explained in Chapter 15 of ESA2010.

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

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

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

There are approximately 15 PPPs in Denmark. The first PPP project started in 2005. Only PPP schemes where government is paying fees equal or close to 100% of total income for the projects and where there is a service element are included as PPP. Bygningsstyrelsen (central government entity) is responsible for central government PPP schemes and it gives counselling to local governments interested in PPP schemes.

Statistics Denmark ((the Office of Government Finance) is aware of PPPs at both central and local government level. Statistics Denmark ((the Office of Government Finance) gets to know new PPP projects through Bygningsstyrelsen and the media. Statistics Denmark ((the Office of Government Finance) is responsible for assessing the risks associated to the projects and who bears the risks. Statistics Denmark ((the Office of Government Finance) receives the contracts and assesses the risks.



## Specific government transactions – 7.7 Financial derivatives

So far no guarantees related to PPP financing has been given by government to the private partner.

No other government financing is involved in PPPs.

### **7.7. Financial derivatives**

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

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

ESA2010 paragraph 20.133 specifies the treatment of so called off-market swaps: *“Lump sums exchanged at inception on off-market swaps are classified as loans (AF.4) when the lump sum is received by government. Off-market swaps are partitioned in the balance sheet into a loan component and a regular, 'at-the-money' swap component.”*

#### **7.7.1 Types of derivatives used**

Central government uses interest-rate swaps, currency swaps, cross currency swaps and forward transactions.

Local governments may only make use of basic interest rate swaps and exchange rate swaps (Law that came into effect in 2012).

#### **7.7.2 Data sources**

Data on swaps are provided by the Danish Central Bank and local government, and include data in dirty price for both stock values and transactions. Data is reported net on the asset side.

Data on derivatives for local government units have since 2015 been acquired directly from the municipalities via questionnaires. From 2016 data on derivatives for local government units has become part of the additional information to the annual accounts that the local government report to the Ministry of the Interior.

There are made appropriate adjustments in the EDP table 2 related to swap related flows (interest flows) in the line “Other financial transactions” and this is further specified in the line “of which: net settlements under swap contracts”.

#### **7.7.3 Recording**

## Specific government transactions – 7.7 Financial derivatives

Over the period from 2000-till now there have only been two years with very small lump sum payments on swap cancellation in 2001 and in 2010 amounting to 50 and 1.5 mill euro.

Off-market swaps have not been used.

Swap interest related flows are recorded on net basis. The net amounts are all reported on the asset side in the national accounts.

## 7.8. Payments for the use of roads

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

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

All tolls or vignettes for use of roads in Denmark are related to the public bridge companies. In these public owned companies outside the general government sector the payments are classified as sales. These sales are the main reason that these units are classified as public companies outside general government sector. Therefore there are no tolls or vignettes inside general government sector.

## 7.9. Emission permits

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

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

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

The ESA2010 MGDD part VI, chapter VI.5 is dealing with the statistical recording of the emission trading allowances.

Recording of sale of emissions permits follow the recommendations in chapter VI.5 in the MDGG.

## **7.10. Sale and leaseback operations**

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

MGDD part VI, chapter VI.2 is dealing with sale and lease back operations

There have been no cases in Denmark of sale and lease back operations over the period 2000-till now.

In cooperation with the Ministry of Finance and by investigating the public accounts Statistics Denmark ensure that new operations undertaken by government will be detected.

If new operations undertaken by Central/Local government will be detected, relevant information will be available at Central/Local government level.

## **7.11. Securitisation**

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

The classification of the proceeds received by government as disposal of an asset may lead to an impact on the government deficit, when the asset is a nonfinancial asset or if it is determined that a revenue should accrue. All securitisation of fiscal claims should be treated as borrowing, as well as all securitisation with a deferred purchase price clause and all securitisation with a clause in the contract referring to the possibility of substitution of assets. 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.

ESA2010 paragraphs 20.260-20.271 establish securitisation operations accounting rules. The MGDD part V, chapter V.5 and the Eurostat decision of 25 June 2007, "[Securitisation operations undertaken by general government](#)" are dealing with securitisation operations.

There have been no cases of securitisation operations over the period 2000-till now.

In cooperation with the Ministry of Finance and by investigating the public accounts Statistics Denmark ensure that such cases will be detected.

If such cases will be detected relevant information is available at Local/State government level.

## **7.12. UMTS licenses**

The 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 the license is allocated. The actual payment of cash payment does not influence the recording of this transaction.

Specific government transactions - Transactions with the Central Bank - Lump sum pension payments - Pension schemes

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.

The ESA2010 MGDD part VI, chapter VI.1 and Eurostat decision of 14 July 2000 on the allocation of mobile phone licences (UMTS) are dealing with the sale of UMTS licenses.

There has been a sale of UMTS licenses in 2001 of 3.2 bill. DKK, which is recorded as the sale of a non-financial asset (the license) in 2001 at the time the license is allocated. So the sale proceeds have only a positive effect on B.9 in the year when the licenses are allocated. The actual payment of cash payment does not influence the recording of this transaction.

### **7.13. Transactions with the Central Bank**

The management of asset portfolios and interventions in foreign exchange markets for monetary policy purposes, may generate capital gains for central banks which are liable to be distributed to general government. The amounts involved may sometimes be very large. Capital gains are not income in national accounts and therefore payments to government financed out of capital gains cannot be recorded as property income but have to be recorded as financial transactions.

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

The profit of the Central bank is to be assigned to the central government, though not the full amount needs to be transferred to the central government. In the national accounts these transactions between general government and the Central Bank is recorded as a property income (D.4). The super-dividend test is made to check if the paid dividend exceeds the profit of the bank, which has not been the case until now.

### **7.14. Lump sum pension payments**

ESA2010 paragraphs 20.273-20.275 define the accounting rules for recording of the lump sum pension payments. The related accounting rules are further described in the ESA2010 MGDD and debt Part III.6 Impact on government accounts of transfer of pension obligations.

A lump sum from transfer of pension obligations was transferred from PostDanmark in 2002. The amount was 1.75 billion DKK and was recorded as a capital transfer in national accounts.

### **7.15. Pension schemes**

#### *1. Definition of pensions*

## Pension schemes

The Danish pension system consists of three pillars: 1) A public retirement pension scheme consisting of Folkepension and ATP. 2) Labour market pension schemes and 3) Private, individual pension schemes. The three pillars differ in funding, benefits and level of participation.

	Pillar 1	Pillar 2	Pillar 3
	Public administration, mandatory participation	Private administration, mandatory participation	Private administration, voluntary participation
Tax financed	– Folkepension – Førtidspension	– Tjenestemandspension	– Efterløn
Individual savings	– ATP	– Labour market pension schemes	– Individual pension saving schemes

### *2. Classification of pension schemes*

The pension system in Denmark consists of social assistance, social insurance and other pension. The social insurance pension consists both of social security schemes and other employer related pension schemes.

The pension schemes covers the following categories – disability pensions, early retirement benefits due to reduced capacity to work, old age pensions and early retirement benefits for labour market reasons.

Scheme name	Coverage	Scheme	Sector
ATP	Old age	Private funded social insurance scheme administrated by an autonomous pension fund.	S.129
Folkepension	Old age	Social assistance	S.1311
Førtidspension	Disability and early retirements benefits due to reduced capacity to work.	Social assistance	S.1311
Efterløn	Early retirement benefits for employees and self-employed contributors to the scheme	Social security scheme	S.1314
Tjenestemandspension	Old age and	Unfunded social	S.1311

## Pension schemes

	survivors pensions to certain groups of civil servants.	insurance schemes operated by employers.	S.1313 (S.11) <sup>6</sup>
Scheme name	Coverage	Scheme	Sector
Other employment related pension schemes	Old age and survivors pensions.	Private funded social insurance schemes administrated by insurance companies or autonomous pension funds.	S.129
Individual pension saving	Old age and survivors pensions.	Private funded schemes administrated by insurance companies, autonomous pension funds or banks.	S.128 S.129 S.122

### ***3. Classification of social assistance***

#### ***Folkepension***

Folkepension is a public retirement pension scheme. Participation in the scheme is mandatory. The scheme is a pay-as-you-go scheme financed via the tax system. The benefits are taxable and the scheme covers all Danish citizens over the age of 65-67 dependent on when they are born. The scheme is means tested and is classified as social assistance.

In the period 2019-2022 the retirement age will be gradually increased from 65 to 67. The retirement age remains 67 until 2030 where it will be adjusted in relation to expected lifetime then.

#### ***Førtidspension***

Førtidspension is also classified as social assistance. This scheme covers persons who are unable to work, and cannot receive Folkepension because they are too young. When the person reaches the age, where it is possible to receive Folkepension, Førtidspension stops and the person receives Folkepension instead. Førtidspension is like Folkepension a Pay-as-you-go scheme financed via the tax system.

### ***4. Classification of social insurance pension schemes***

Social insurance pension schemes consist of social security schemes (S. 1314) and other employer related pension schemes (S. 128, S.129). See the table above and for detail below.

#### ***4.1. Definition of social security schemes***

<sup>6</sup> Ealier government controlled companies.

### ***Efterløn***

Efterløn is classified as a social security scheme. It is an early retirement pension scheme established by law. Participating in the scheme is voluntary. When participating in the scheme you are entitled to an early retirement pension if you want to retire before the official retirement age of 65-67. It is possible to retire 5 years before the official retirement age. Entitlement to the early retirement pension is based on conditional contributions having been made to the scheme for at least 25-30 years dependent on when you are born. The scheme is an unfunded defined benefit scheme and is managed by the social security fund sector. Benefits from the scheme are defined on basis of hours worked prior to the early retirement and with some deduction for other pension benefits or potential pension rights.

The age at which you are entitled to Efterløn will be gradually increased in the period 2014-2023 to 64 because of the increase in the retirement age as mentioned earlier. At the same time the possibility to retire 5 years before the official retirement age is reduced to 3 years in the period 2018-2023.

## ***4.2. Definition of private funded insurance schemes***

### ***Other employment related pension schemes***

Most of the Danish work force is covered by employment related pension schemes. Often the employer pays 2/3 and the employee pays 1/3 of the contributions. The pension schemes are with a few unimportant exceptions funded defined contribution schemes, where benefits are dependent on prior contributions and market returns from investments.

ATP is a special unit in this category as it covers almost all of the work force, whereas the other schemes often are limited to a specific group of employees (for instance doctors).

## ***5. Classification of institutional units supporting pension schemes; borderline cases.***

### ***Tjenestemandspensionen***

This pension is a civil servant scheme covering government employee's working in e.g. the police or army. The scheme is an unfunded defined benefit scheme financed by current taxation. The benefits to the civil servants depend on their final salary before retirement and how many years they have worked as a civil servant.

Some municipalities have insured themselves via an insurance company against the future pension claims that civil servants have.

### ***Individual pension schemes***

Furthermore there exist private pension schemes, where persons voluntarily make contributions to an individual pension scheme. These defined contribution schemes can be run by insurance companies or pension funds.

Some saving schemes run by banks have similarities with pension schemes, but they are not based on actuarial principles.