

**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**

Spain

December 2015

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 general government units

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

This chapter provides a summary description on the general government sector components 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 Spain.

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

1.1. Central government subsector (S.1311)

The Central government includes all administrative departments of the state and other central agencies whose competence extends normally over the whole economic territory, with the exception of social security units. In Spain, this sub-sector includes:

- “The State”, which comprises:

- The *Administración General del Estado* (AGE, -General Administration of the State-). Its organisation and functioning is laid down in the Law 6/1997, of 14 April. The AGE is organised functionally into ministerial departments. The Royal Decree 1823/2011 regulates the current ministerial structure, which is composed of 13 ministerial departments each with its own heading in the *Presupuestos Generales del Estado* (PGE, -General State Budget-).
 - The constitutional bodies with distinct sections in the PGE (Casa de su Majestad el Rey -Royal Household of His Majesty the King-; Cortes Generales -Parliament-; Tribunal de Cuentas -Court of Auditors-; Tribunal Constitucional -Constitutional Court-; Consejo de Estado -Council of State-; and Consejo General del Poder Judicial -General Council of the Judiciary-).
 - Funds without legal personality attached to the State, included in Article 2.2 of the General Budget Law (GBL) (16).
- The “Central Government Bodies”, which depend on “the State”, include the bodies with separate legal personality and with the consideration of government units for national accounting purposes. The diverse legal personalities are agencies, self-governing bodies, consortia, other public organisations, corporations and foundations. They are also comprised Funds not included in Article 2.2 of the GBL. As at December 2014, 276 other central organisations were included in this section.

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1.2. State government subsector (S.1312)

The State government sub-sector consists of the governing bodies of the regional governments (Autonomous Communities), the regional administrative agencies and other units. The latter group includes the universities in each region and, also, those corporations which are non-market producers. The institutional units included in sub-sector S.1312 are the following:

1. The governments of each of the 17 regions, together their legislative and other bodies set out in their Statutes of Autonomy, and which are incorporated into their budgets, including, where applicable, their dependent funds without legal personality. The 17 regions are:

- ANDALUCÍA. Statute of Autonomy approved by *Ley Orgánica 2/2007*, of 19 March 2007 (replaces the 1981 statute).
- ARAGÓN. Statute of Autonomy approved by *Ley Orgánica 5/2007*, of 20 April 2007 (replaces the 1982 statute).
- ASTURIAS. Statute of Autonomy approved by *Ley Orgánica 7/1981*, of 30 December 1981 (as amended by *Ley Orgánica 3/1991*, *Ley Orgánica 1/1994*, *Ley Orgánica 1/1999* and *Ley Orgánica 20/2002*).
- BALEARES. Statute of Autonomy approved by *Ley Orgánica 2/1983*, of 25 February 1983.
- CANARIAS. Statute of Autonomy approved by *Ley Orgánica 4/1996*, of 30 December 1996 (replaces the 1982 statute).
- CANTABRIA. Statute of Autonomy approved by *Ley Orgánica 8/1981*, of 30 December 1981, amended by *Ley Orgánica 7/1991*, of 13 March 1991.
- CASTILLA-LA MANCHA. Statute of Autonomy approved by *Ley Orgánica 9/1982*, of 10 August 1982.
- CASTILLA Y LEÓN. Statute of Autonomy approved by *Ley Orgánica 4/1983*, of 25 February 1983.
- CATALUÑA. Statute of Autonomy approved by *Ley Orgánica 6/2006*, of 19 July 2006 (replaces the 1979 statute).
- EXTREMADURA. Statute of Autonomy approved by *Ley Orgánica 1/1983*, of 28 January 1983.
- GALICIA. Statute of Autonomy approved by *Ley Orgánica 1/1981*, of 6 April.
- LA RIOJA. Statute of Autonomy approved by *Ley Orgánica 3/1982*, of 9 June 1982 (amended by *Ley Orgánica 3/1994*, *Ley Orgánica 2/1999* and *Ley Orgánica 22/2002*).
- MADRID. Statute of Autonomy approved by *Ley Orgánica 3/1983*, of 25 February 1983.
- MURCIA. Statute of Autonomy approved by *Ley Orgánica 4/1982*, of 9 June 1982.
- COMUNIDAD FORAL DE NAVARRA. Reintegration and Improvement Act approved by *Ley Orgánica 13/1982*, of 10 August 1982.
- PAÍS VASCO. Statute of Autonomy approved by *Ley Orgánica 3/1979*, of 18 December 1979.
- COMUNIDAD VALENCIANA. Statute of Autonomy approved by *Ley Orgánica 5/1982*, of 1 July 1982.

2. The public universities dependent on regions. As at December 2014, 48 public universities dependent on regions were included in sector S.1312.

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3. Other bodies dependent on the regions with separate legal personality and which have the consideration of public administrations for national accounting purposes. As at December 2014, 1191 bodies were included with diverse legal personalities and functions: agencies, self-governing bodies, consortia, other public organisations, corporations and foundations.

1.3. Local government subsector (S.1313)

Local government sub-sector comprises local authorities (municipal, provincial and island), associations and groupings of municipalities, autonomous cities (Ceuta and Melilla) and the independent administrative and similar bodies reporting to them. This sub-sector comprises the following institutional units:

- Local authorities regulated under the Local Rules Act (*Ley 7/1985*), of 2 April 1985, or recognised by the regions under their Statutes: Municipalities, Provinces, Islands, Metropolitan areas, Groupings of municipalities, Districts and other entities comprising several municipalities and entities whose scope is below municipal level. This sub-sector also includes the Autonomous cities of Ceuta and Melilla. As at December 2014, there were 13005 local authorities.
- The bodies dependent on the aforementioned Local authorities, with separate legal personality and the consideration of government bodies for national accounting purposes. As at December 2014, there were 2072 bodies with diverse legal personalities and functions: self-governing bodies, consortia, other public organisations, corporations and foundations.

1.4. Social security funds subsector (S.1314)

Social security funds sub-sector includes the institutional units of a legal nature and with diverse territorial scope that undertake functions relating to the provision of social benefits. The units performing social security functions financed through general taxation (essentially healthcare services) are classified together with the units to which they report in the Central government, State (regional) government and Local Government sub-sectors, whereas the units performing social security functions financed through social security contributions are classified in the Social security fund sub-sector. This sub-sector comprises the following institutional units:

1. Entidades Gestoras y Servicios Comunes de la Seguridad Social (Social Security Management Bodies and Common Services). The former are public bodies with their own legal personality set up for the management and administration of benefits awarded by the Social Security system. The common services are created to ensure administrative coordination and for the performance of auxiliary and complementary management functions. They comprise the following units:

- Instituto Nacional de la Seguridad Social (INSS, -National Social Security Institute-), the management entity that deals with the management and administration of the financial benefits of the Social Security System.
- Instituto Nacional de Gestión Sanitaria (INGESA, -National Public Health Institute-), the management entity that deals with health benefits in the cities of Ceuta and Melilla and the performance of other activities required for the normal functioning of its services.
- Instituto de Mayores y Servicios Sociales (IMSERSO, -Institute of Social Services and the Elderly-), the management entity dealing with the Social Services supplementing the

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benefits of the Social Security system, and which manages issues relating to the elderly and dependent persons.

- Instituto Social de la Marina (ISM, -Social Marine Institute-), the management entity handling the Special System for Seafarers.
- Tesorería General de la Seguridad Social (TGSS, -General Treasury of Social Security-), a common service responsible for managing the funds and financial administration of the Social Security system, applying the financial solidarity and single till principles.
- Mutuas de Accidentes de Trabajo y Enfermedades Profesionales de la Seguridad Social (MATEPSS, -Mutual Funds for Work Accidents and Occupational Illnesses of the Social Security system-). They are entities that collaborate with the Social security system and operate under the guidance and supervision of the Ministry of Employment and Social Security. Their main function is to manage "professional contingencies": work accidents and occupational illnesses. As at December 2014, there were 24 MATEPSS.

2. Servicio Público de Empleo Estatal (SPEE, -State Public Employment Service-). This is an autonomous central government body, currently a division of the Ministry of Employment and Social Security, responsible for the management, development and monitoring of Employment Policy programmes and measures, under the provisions of the Employment Act, of 16 December 2003 (*Ley 56/2003*).

3. Fondo de Garantía Salarial (Wage Guarantee Fund, FOGASA). This is an autonomous administrative body attached to the Ministry of Employment and Social Security and set up under Article 31 of the Labour Relations Act, of 8 April 1976 (*Ley 16/1976*), with the primary purpose of instituting a guarantee for wage claims in the event of employer insolvency.

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

2. Institutional arrangements

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

- responsibility of national authorities for compilation of individual EDP tables and underlying government national accounts, as defined by 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;
- 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 responsibilities for the compilation of GFS and EDP data have been laid down in the different laws related to Spanish statistics:

- Law 12/1989, of 9 May, on the Public Statistical Function
- National Statistics Plan: Royal Decree 1658/2012, of 7 December, establishing the National Statistics Plan 2013-2016
- Annual Statistics Programmes that develop the National Statistics Plan
- Autonomy Law of Banco de España: Law 13/1994, of 1 Jun 1994
- The article 125 of the General Budgetary Law 47 of 2003 (GBL) states that the Intervención General de la Administración del Estado (IGAE, -General Intervention Board of the State Administration-), as the management centre for public accounting, is responsible for preparing the non-financial accounts of the units that form the General Government sector, in agreement with the criteria of institutional demarcation and assigning of transactions established in the European System of National and Regional Accounts (ESA).
- Also article 133 of the GBL, points out that with regard to the effects outlined in article 125, the public units will be obliged to provide the necessary collaboration and information for drawing up the economic accounts of the public sector, as well as providing the information related to the accounts of the public units determined by national and community guidelines.
- The first additional provision of the Independent Authority for Fiscal Responsibility Act, of 14 November 2013 (*Ley Orgánica 6/2013*), provides for the creation of a Technical Committee of National Accounts (CTCN), regulated as follows:
 - “1. For the valuation and allocation of economic transactions carried out by the diverse public sector units and the sectoral delimitation of these units based on the standards of the European System of Accounts, a Technical Committee of National Accounts is set up composed of representatives of the National Statistics Institute, the Banco de España and the IGAE as the competent bodies for drafting the national accounts of the units forming the sectors of General government and Financial and Non-financial public corporations.

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2. The functioning and organisation of this Committee will be regulated by rules of procedure to be adopted by the bodies listed and published in the BOE (Official State Central Government-Gazette) for general information purposes.
3. In the exercise of its duties, this Committee may perform actions aimed directly at verifying and testing the information supplied by the institutional units belonging to the State and Local Government sub-sectors, classified according to the standards of the European System of Accounts.
4. This Committee will forward any reports it issues in the exercise of its duties to the Independent Authority for Fiscal Responsibility for information purposes.
5. The institutions forming the Committee must, in all events, maintain full professional independence and functional autonomy in the exercise of their respective responsibilities and the powers conferred on them under European and national legislation."

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 Eurostat¹ via the following tables (see the related EU legislation)² :

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 tables³.

¹ http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database

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

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

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

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

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

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

NCB – National Central Bank

Other – other national body, to be specified in comments

Instituto Nacional de Estadística (INE, -National Statistical Institute-), is the autonomous body responsible for compiling the National Accounts of the Spanish Economy which includes, inter alia, the non-financial accounts of the General Government.

Regarding the EDP notifications, INE compiles data for Gross Domestic Product (GDP) at current market prices (B.1*g) in Table 1 and the Gross National Income (GNI) at current market prices (B.5*g) in Table 4.

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Banco de España (BE, -Bank of Spain-) is the institution responsible for compiling the Financial Accounts of the Spanish Economy and the EDP debt of the General Government.

Regarding EDP notifications, BE compiles the public debt data set out in Table 1 and the contents of tables 3A-B-C-D and E and Table 4, except the aggregate B.5*g.

Intervención General de la Administración del Estado (IGAE, -General Intervention Board of the State Administration-), in accordance with that outlined in article 125 of the General Budget Law 47 of 2003, is the management centre for public accounting and is responsible for compiling the non-financial accounts of the units that form the General Government (S.13) sector, in agreement with the rules pointed out in the European System of National and Regional Accounts (ESA).

Regarding EDP notifications, IGAE compiles data of public deficit/surplus (B.9), the data of interest (D.41) and investment (P.51) notified in Table 1 and the contents of Tables 2A-B-C and D.

Ministerio de Economía y Competitividad (Ministry of Economy and Competitiveness), compiles the planned data for expected GDP in EDP table 1.

The Technical Committee (CTCN) is ultimately responsible for the data appearing in the Excessive Deficit Procedure (EDP) questionnaire. INE sends the EDP questionnaire to Eurostat, the MOF to the European Commission and the Banco de España to the European Central Bank.

The delimitation of the General Government sector and sub-sectors and other methodological aspects as the links between financial and non-financial accounts are undertaken by the CTCN.

2.1.1 Existence of an EDP unit/department

There is not a single EDP unit.

2.1.2 Availability of resources for the compilation of GFS data

Instituto Nacional de Estadística (INE). INE is the responsible for elaborating and disseminating the Spanish National Accounts (non-financial accounts). So, INE integrates the *General Government Accounts* carried out by the IGAE in the whole set of accounts of the Spanish economy. The Department of National Accounts is composed of 35 full time human resources to develop all these tasks.

With regard to EDP, INE plays the role of coordinator of national notifications.

Intervención General de la Administración del Estado (IGAE). The IGAE is the centre in charge of the annual preparation of the non-financial accounts (employment, resources and capacity or borrowing requirements) of General Government (S.13) for EDP purposes. The IGAE also prepares the quarterly non-financial accounts of General Government (S.13) and the monthly accounts of its sub-sectors S.1311, S.1312, S.1314. In addition to the above, the IGAE compiles data on General Government (functional classification of expenditure, breakdown of taxes and social contributions, etc.) required by the ESA data transmission programme and other Community rules. IGAE produces economic accounts of public corporations classified in the Non-financial corporations (S.11) and Financial corporations (S.12) sectors. Together with INE and BE, the IGAE is responsible for the classification of public units into the different sectors of the national accounts.

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The Royal Decree 802/2014 of 19 September, amends Royal Decree 256/2012, of 27 January, by which the basic structure of the Ministry of Finance and Public Administration is developed, creating the Oficina Nacional de Contabilidad (ONC, -National Accounting Office-) within the IGAE. The ONC is responsible for, among other functions, the development of the economic accounts of the public sector in accordance with the methodology of the national accounts as part of the obligations imposed on Member States of the European Union by Community regulations and the national legislation in force. In order to prepare this information and the publications that include it, the ONC staff dedicated to these tasks is 69 career officials.

Banco de España. The responsibilities attributed to the Banco de España in the context of EDP statistics are carried out by the Statistics Department, part of Directorate General Economics, Statistics and Research. In the Statistics Department, the Financial Statistics Division and, specifically, the General Government and other general statistics unit is the unit responsible for preparing the financial accounts and the debt of the General Government. In this unit, ten employees are full time dedicated to this task, although there are other parts of the Financial Statistics Division and other Divisions and Departments of the Banco de España providing primary information.

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 diversity of legal forms of the public units comprising the General government sector means that the original sources used in the compilation of the national accounts are different:

Central government

Article 121 of the General Budgetary Law (Ley 47/2003, GBL) develops the public accounting system (accounting rules and principles) applicable to the diverse bodies making up the Central Government public sector (Article 1 GBL), which can be split into three groups:

- Entities comprising the administrative public sector: budgetary principles and the rules and principles set out in the General Public Accounting Plan.
- Entities comprising the corporate public sector: accounting principles and standards contained in the Code of Commerce and the Spanish General Accounting Plan (for companies).
- Foundations in the central public sector: accounting principles and standards contained in the adapted General Accounting Plan for non-profit institutions.

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The current **General Public Accounting Plan** (GPAP) was approved by Order EHA/1037/2010 of 13 April 2010. This GPAP is intended to serve as a framework chart of accounts for the whole of General Government.

To set the accounting standards with the General Accounting Plan for Spanish companies, the version approved by Royal Decree 1514/2007 was used as a model, adapted with the specific attributes of the public sector entities for which it is intended.

This Accounting Plan has also been adapted to the International Public Sector Accounting Standards (IPSAS) developed by the International Federation of Accountants (IFAC), through its IPSASB 'International Public Sector Accounting Standards Board' (formerly the Public Sector Committee), in those aspects considered necessary to move forward the process of setting accounting standards.

The IGAE resolution dated 17 November 2011 approves the adaptation of the GPAP to the *Administración General del Estado* (AGE, -General Administration of the State-).

The **General Accounting Plan** (GAP) for Spanish companies was approved by Royal Decree 1514/2007, of 16 November 2007.

The rules for adapting the GAP to non-profit institutions and the model of action plan for non-profit institutions were approved by Royal Decree 1491/2011, of 24 October 2011.

State government: Autonomous Communities

At state (regional) level, the Autonomous Communities have the powers to develop the structure of their own public sector, determine the applicable public accounting system and adopt their own General Public Accounting Plan, which must be consistent with the GPAP of the Central public sector as this provides the framework for the different levels of government. These powers are developed through General Public Finance Legislation or the Finance Legislation of the Autonomous Communities.

Some Autonomous Communities have dependent entities which, according to their specific legislation, are subject to the accounting principles and standards contained in the Code of Commerce and the General Accounting Plan for Spanish companies or the adaptation of the General Accounting Plan for non-profit institutions.

Local Government

The Texto Refundido de la ley Reguladora de las Haciendas Locales, approved by Real Decreto Legislativo 2/2004 (Recast Local Tax Authorities Act), establishes that Local entities and their autonomous bodies shall be subject to the public accounting system under the terms provided in the legislation.

It also states that companies in which local authorities have a controlling interest will be subject to the system of public accounts, without prejudice to any adaptation of the Code of Commerce or other corporate legislation and the applicable General Accounting Plan for Spanish companies.

Therefore, the applicable accounting system is the same as set out in the GBL for Central government since the MOF, at the IGAE's proposal, approves the general accounting standards to which the Local entities and their autonomous bodies must adjust (Accounting Plan for Local entities); and determines the structure and justification for the accounts, statements and other public accounting documents.

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Orders HAP/1781/2013 and HAP/1782/2013 of 29 September 2013, approved the instructions for the normal and simplified model of local accounts, the primary aim of which was to adapt the accounting standards for local authorities to the principles set out in GPAP of 2010, which replaced the Accounting Instructions (Orders EHA/4041/2004, EHA/4042/2004 of 23 November 2004) approved in 2004 and modified Order EHA/4040/2004 for the basic local accounts. The model used by local authorities is determined by two variables: budget and population.

Some Local entities have dependent bodies that, according to their specific legislation, are subject to the accounting principles and standards contained in the Code of Commerce and the General Accounting Plan for Spanish companies or the adaptation of the General Accounting Plan for non-profit entities.

Social Security Funds

Implementation of the GPAP in Social Security has required prior adaptation. Under Article 125.3.b) of the GBL of 26 November 2003 (*Ley 47/2003*), the Social Security Audit Office is responsible for adapting the Accounting Plan to the entities that form the Social Security system and submitting it for the approval of the IGAE.

The Resolution from IGAE dated 1 July 2011 (BOE 14 July) approves the adaptation of the General Public Accounting Plan to the entities that make up the Social Security system.

2.2.2 Auditing of public accounts

2.2.2.1 General government units

Economic activity undertaken by public administrations is subject to double control: internal and external.

Internal control is carried out by the administration that manages the expenditure through the IGAE, by the Social Security Audit Office (IGSS) and through specific units in the case of State government (Comunidades Autónomas) and Local government.

In this context, one of the general principles of the Budgetary Stability and Financial Sustainability Act of 27 April 2012 (*Ley Orgánica 2/2012*) was transparency. Under this Act, the accounts of General government sector and other subjects included in the scope of the Act must contain sufficient and appropriate information for verification of their financial position, fulfilment of the aims of budgetary stability and financial sustainability and compliance with the requirements of European legislation on this subject.

In the accounting context, the terms "sufficient" and "appropriate" are related to the quality and reliability of the information, ensuring that it serves the purpose for which it was developed and reasonably expresses the economic developments that it reflects.

The integrity requirement of public accounts is therefore directly related to budgetary stability and financial sustainability. Hence, and with a view to boosting the confidence of citizens and analysts in public accounts, several strategic initiatives have been adopted to ensure that public sector information constitutes a true reflection of its patrimonial and financial position. These strategies include:

- 1) Improving accounting operations by updating the instructions governing accounting procedure and reviewing the verification procedures used by supervisory bodies under the new wording of letter g), paragraph 1, of Article 159 of the GBL (*Law 47/2003*).

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2) Reinforcing supervisory instruments and enabling access by the competent bodies to fiscal information relating to commercial transactions between public sector entities and suppliers or service providers, for which purpose a new possibility of collaboration between the internal control bodies and the Spanish Tax Authority is regulated under Article 95 of the General Tax Act (Law 58/2003).

3) Promoting the use of Electronic Invoicing in relations with public administrations and creating Accounting Records of Invoices, which will bring about a substantive change in how invoices are processed, which should lead to a more efficient accounting system (Law 25/2013 of 27 December on the momentum of electronic invoicing and creation of the accounting record of invoices in the public sector).

The verification of accounting information through audits and financial controls guarantees the reliability of this information to its users and allows decisions to be made based on verified, accurate and consistent information.

In public administration, these verification tasks –performed by bodies other than the ones that produced the information– are done using a range of techniques that vary according to the type of control applicable to the entities in question.

For public bodies not legally subject to accounting audits –primarily government departments and the management entities and common services of the Social security system– the entries in the accounting system, made by the accounting offices of the delegated auditors, are based on the accounting records and supporting documents furnished by managing bodies.

In this context, and with a view to increase the transparency and integrity of the public accounts, it was considered necessary to implement certain regulatory changes, which have led to modifications to the public administration accounting procedure, and to regulate in legislation the performance of the specific control actions intended to achieve this aim.

As mentioned earlier, these changes have led to improved accounting operations (by updating the instructions governing the procedure) and a review of the verification procedures adopted by supervisory bodies.

Accounting operations were improved by modifying Rule 52 of the *Order on accounting operative to follow in the execution of State spending* to require to managing bodies to report outstanding operations to be applied to the previous year's budget prior to 15 February of each year.

The review of the verification procedures entailed the rewording of letter g) of paragraph 1 of Article 159 of the GBL (Law 47/2003), concerning the content of ongoing financial control actions, to extend the scope of actions for this type of control in government departments and the management entities and common services of the Social security system in order to "confirm, through auditing techniques, that data and information of economic significance supplied by management entities to support accounting information reasonably reflect the transactions arising from their activity".

In the framework of the Consejo de Política Fiscal y Financiera (CPFF, -Fiscal and Financial Policy Council-), an agreement was adopted to ensure that the Autonomous Communities implement similar control mechanisms within their respective scopes. Thus, Organic Law 9/2013, control of commercial debt in the public sector provides (third additional provision) that in government entities not subject to auditing processes, it should be made, annually, the control works through technical audit, verifying existence of obligations or expenditures for goods and services received which has not taken its budgetary allocation.

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External control is exercised by the Tribunal de Cuentas (TC,-Court of Auditors-) and the Regional Courts of Auditors (Autonomous Communities).

Article 136 of the Spanish Constitution states that the Court of Auditors is the highest authority for inspecting the accounts and the economic management of the Spanish State as well as the public sector, without detriment to the responsibilities undertaken by the Autonomous Communities by the creation of the Regional Courts of Auditors.

The national accounting data take into consideration the internal control reports that are available prior to the compilation of the accounts. With regard to the reports of the Court of Auditors produced over a longer period of time than that for the finalised accounts of General government, it should be pointed out that many aspects included in these reports are already incorporated into the national accounts.

Also, current legislation imposes the general obligation of auditing the financial accounts of the public entities and corporations, whatever their legal form is and whatever accounting system affects them.

In the case of corporations, the commercial law excludes the small societies of auditing their accounts. However, when there is no obligation of auditing, in Central government sub-sector, IGAE audits most of these companies, adding them in its annual audit plans. Besides, IGAE can perform operational audits in public corporations selected on the basis of a risk analysis.

According to the terms imposed by the current legislation to formulate and audit the annual accounts, the audit information is used in the processing of the final General government accounts. In the processing of estimated and half-finalised accounts, prepared accounts are used, but the audit process is not over yet.

2.2.2.2 Public units, not part of general government

The system of internal and external control applies to all public units, regardless of whether or not they are included in the General government sector. The above section is therefore applicable to them too. In particular, account auditing is a general obligation for commercial companies that meet the set requirements.

2.3. Communication

2.3.1 Communication between actors involved in EDP

2.3.1.1 Agreement on co-operation

The three institutions responsible for preparing EDP notifications -INE, BE and IGAE- are coordinated in the CTCN, set up under the First Additional Provision of the Independent Authority for Fiscal Responsibility Act (Ley 6/2013) of 14 November 2013 (see section 2. Legal basis for the compilation of GFS and EDP data).

The CTCN was officially created in 2013 but the coordination among the three institutions INE, IGAE and BE has been carried out, unofficially, for the last 20 years, since the approval of the Council Regulation 3605/93 on EDP issues. The main communication of the group with Eurostat is across INE. The three institutions attended all Eurostat visits carried out to Spain and the attendance to the main fora regarding Government Finance Statistics is shared among them.

This Committee is ultimately responsible of data notified in the context of EDP Regulation.

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2.3.1.2 Access to data sources based on public accounts

The information needed to prepare non-financial accounts for General government is accessed in different ways depending on the sub-sector.

Central government

The IGAE, in its role as management centre for public accounting, is responsible for managing the accounting system of “the State” and for centralizing the accounts information from the different entities that constitute the Public Sector of the State (article 125 of Law 47/2003). This means that the database of public accounting of the different units included in S.1311 sub-sector is located at the same body responsible for the gathering of information, the IGAE, which facilitates access, at any time, to the information necessary for preparing the national accounts according to the criteria and requirements of the CTCN.

Daily information is available for “the State”, which is used as a basis for preparing the monthly, quarterly and annual accounts in national accounts terms.

For other bodies, public law entities, corporations and public foundations included in S.1311 sub-sector, monthly information is received through electronic procedures (Order HAP/2161/2013 dated 14 November 2013). This information is used to prepare the monthly accounts of sub-sector S.1311 in national accounts terms.

By preparing monthly national accounts, it is possible to continuously monitor both the basic information and the operations with specific treatment in the national accounts, which improves the quality of the annual data of the EDP.

The preparation of data to be transmitted in the first EDP notification (April) is made each year based on the information received before January 31 of the following year. In the second EDP notification (October), the IGAE use the accounts drawn up by the units and received electronically.

State government

The Budgetary Stability and Financial Sustainability Act of 27 April 2012 (Ley Orgánica 2/2012) authorises the Ministry of Finance and Public Administrations to obtain from the Autonomous Communities and Local Entities the information required for compliance with the provisions of this Act and with European standards. Ministerial Order HAP/2105/2012, dated 1 October 2012, laying down the obligations of the supply of information under the Budgetary Stability and Financial Sustainability Act (Ley 2/2012) sets out the content of the information that must be submitted and the periodicity and form of the delivery. Under this regulation:

- The submission of information by the Autonomous Communities and Local Entities is centralised through the regional/local audit office or equivalent unit exercising those functions, while the Ministry of Finance and Public Administrations is responsible for receiving and compiling this information. The information is submitted electronically with an electronic signature. Specifically, through standardised models developed jointly by the Secretariat of State for Budget and Expenditure and the Secretariat of State for Public Administrations. These models are completed through bulk loading systems developed through the Virtual Offices for Financial Coordination with the Autonomous Communities and Local Entities.

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- The Autonomous Communities are required to submit monthly information within fifteen days of the end of the reference period. However, when the information relates to December, the deadline for submission is extended to 31 January of the following year.

The IGAE uses this monthly information to prepare the monthly accounts of the Autonomous Communities, which are published approximately 60 days after the end of the reference month. By preparing monthly national accounts, it is possible to continuously monitor both the basic information and specific operations with specific treatment in the national accounts, which leads to improved quality in the annual data of the EDP.

Similarly, the information for March, June, September and December is used in compiling the quarterly accounts of the Autonomous Communities, which are integrated into the quarterly non-financial accounts of General government and sent to Eurostat, in compliance with EU Regulations.

To prepare the data to be sent in the first EDP notification of each year (April), the information obtained from the standardised accounting information questionnaires is used, in accordance with the aforementioned ministerial order, before 31 January of the following year. After this deadline for submission of the required information, the Autonomous Communities may send updated information to the IGAE as a result of:

- (1) IGAE requests, if it observes gaps or missing data in the information submitted. These requests are made after analysis of the data initially sent by the Autonomous Communities. Their purpose is to guarantee the reliability of the available data.
- (2) On the initiative of the Autonomous Community when, following the closing of its accounts, it obtains updated information that differs "substantially" from that sent at the end of January.

This updated information is taken into consideration for preparing the data submitted in EDP notifications. Thus, EDP notifications are made with the information received as close as possible to the date that the data is sent to the Commission and Eurostat as part of the EDP.

Subsequently –but before 30 April of the year after the one to which the information relates– the Autonomous Communities are required to re-send this annual information in its updated form. This updated information is used to prepare the second Excessive Deficit Procedure notification (October).

The information collected is contained in the standardised questionnaire models, the content of which concerns:

- Implementation of the revenue and expenditure budget, indicating the recognised rights and liabilities, together with payments and receipts for the current and closed fiscal years.
- Expenditure by function.
- Obligations with third parties not charged to the budget, liquid, due and payable.
- Diverse additional information allowing the resulting balance of budget revenue and expenditure to be related to lending/borrowing calculated according to the rules of the European System of Accounts.
- Lastly, for units subject to the General Accounting Plan or its respective sectoral adaptations: the balance sheet, profit and loss account and diverse additional information required to calculate the deficit/surplus in national accounts terms.

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The above information must be submitted by all units classified in the State government sub-sector (S.1312) in the terms of the European System of Accounts, as defined in the Article 2.1 of Order HAP/2105/2012.

For the preparation of the final annual accounts in national accounts terms, the Autonomous Communities must also submit their General Accounts and Annual Accounts. This information relates to units forming part of the State government sub-sector (S.1312) and any regional public sector units that are not General government bodies in national accounts terms. This information must be submitted within fifteen days of sending it to the Parliament or Court of Auditors and, in any event, before 20 November of the year following that to which it relates. The Ministry of Finance and Public Administrations may enable the mechanisms required for electronic submission.

Local government

As with the Autonomous Communities (State government), Ministerial Order HAP/2105/2012 sets out the obligations of Local Entities as regards the provision of information. Specifically, before the last day of the month following the end of each quarter, Local Entities must submit standardised information whose content is comparable to that of the Autonomous Communities. This includes:

- Settlement of the revenue and expenditure budget, indicating the recognised rights and liabilities, together with payments and receipts for the current and closed fiscal years.
- Obligations with third parties not charged to the budget, liquid, due and payable.
- Implementation reports, for the same period, on revenue and expenditure, for entities subject to the General Accounting Plan or its sectoral adaptations.
- Any supporting information to help calculate the deficit of Local Entities in national accounts terms.

This quarterly information is used to compile the quarterly accounts of the Local Entities, which are integrated into the quarterly accounts of General government and sent to Eurostat, in compliance with EU Regulations on quarterly accounts, within three months of the end of the reference quarter.

The annual information sent by Local Entities before 31 January is used to complete the first Excessive Deficit Procedure notification (April).

This information is subsequently updated by the Local Entities after 31 March of the year following the settlements and is used as the basis for preparing the data of the second EDP notification (October).

The obligation to forward this information extends to units within the Local government sub-sector in ESA terms. Specifically, this refers to the local authorities included within the subjective scope of 2.1., Order HAP/2105/2012.

Lastly, before 31 October of the year $t+1$, the Local Entities must forward their General Accounts and the approved Annual Accounts for year t of the entities within the scope of this Order. In other words, the Annual Accounts and General Accounts of all local units covered under articles 2.1 and 2.2 of the Order should be forwarded, regardless of whether they are included in the Local Government sub-sector of the national accounts. Furthermore, local entities must submit their General Accounts to the Tribunal de Cuentas (Court of Auditors)

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before 15 October of the year following that to which it relates and, in case of Regional Court of Auditors before the date established in the regional law.

Social security funds

The management functions of public accounting in the scope of the entities comprising the Social Security System (Entidades Gestoras y Servicios Comunes plus MATEPS) will be exercised by IGAE through the IGSS (Intervención General de la Seguridad Social, Article 125.3 LGP). The management functions of public accounting in the scope of the other entities comprising the Social security funds sub-sector will be exercised by IGAE (Article 125.1 LGP).

The keeping of the accounting records of Entidades Gestoras y Servicios Comunes is exercised by IGAE through the IGSS. The keeping of the accounting records of MATEPS, SPEE and FOGASA is exercised by each of them and provided to the IGSS and the IGAE.

For the Social security funds sub-sector, the IGAE has access to the Sistema de Información Contable de la Seguridad Social (SICOSS), which includes all accounting aspects of the management entities and common services of Social Security System.

By preparing monthly national accounts, it is possible to continuously monitor both the basic information and the transactions with specific treatment in the national accounts, which improves the quality of the annual data of the EDP.

To prepare the data to be sent in the first EDP notification of each year (April), information on December received before 31 January of the following year is used.

To prepare the data to be sent in the second EDP notification of each year (October), the updated information drawn up by the units forming this sub-sector (S.1314) is used.

2.3.2 Publication of deficit and debt statistics

2.3.2.1 Publication of EDP data

The EDP notification tables are posted on the IGAE website after their formal validation by Eurostat. The additional questionnaire relating to the EDP notification tables is not published.

In Chapters 11 to 14 of the Boletín Estadístico and the economic indicators 6.2, 6.4, 6.5 and 8.8 published on its website, Banco de España disseminates information about the debt of General Government and the reconciliation between net borrowing and the change in debt, i.e. of the institutional units classified in the General Government sector and, separately, information on the debt of the units reporting to General Government (public producers) which are not classified as General Government. The public debt and an advanced calendar are published quarterly in a bilingual Spanish/English edition on the Banco de España website under the items Release calendar, Statistics Bulletin, Chapters 11 (General Government), 12 (Central Government and Social Security funds), 13 [Regional (autonomous) governments] and 14 (Local Governments) with a time-lag of 12-13 weeks (close to one quarter) and the item Economic indicators 6.2, 6.4, 6.5 and 8.8. The periodicity of these indicators is monthly; they are published with a time-lag of 1 month referred to the State and 75 days referred to the general government debt.

The Banco de España statistics provide General Government indebtedness both in absolute figures and in relative terms with respect to GDP. National GDP is used in respect of the total debt of the sector and its sub-sectors, and regional GDP is used to obtain the ratio

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

corresponding to each regional (autonomous) government. In both cases the source of GDP is the INE's publications of Spanish National Accounts and Spanish Regional Accounts. However, since the regional GDP data are updated with a lag in respect of the national GDP data, for the years in which data on regional GDP were not available, the procedure used to calculate each regional (autonomous) government's debt/GDP ratio comprises distributing national GDP according to Spanish National Accounts according to the structure of regional GDP for the last available year. Although, this procedure may generate distortions in regional aggregates since not all regional (autonomous) governments grow at the same rate, it is not considered that this limitation will significantly alter the ratios in respect of the GDP of each regional (autonomous) government.

2.3.2.2 Publication of underlying government ESA2010 accounts

Non-financial accounts:

In general, IGAE publishes the main non-financial transactions of General government and the net lending/borrowing balance B.9 by 31 March and 30 September each year, consistent with the data included in the EDP notifications forwarded to Eurostat. In the event of corrections in the process of validation of data by Eurostat, the amended version of EDP data are published again.

The following link contains data from the non-financial accounts of General government published by the IGAE:

<http://www.igae.pap.meh.es/sitios/igae/es-ES/ContabilidadNacional/infadmPublicas/Paginas/administracionespublicas.aspx>

INE publishes non-financial accounts of General government in the context of institutional sectors accounts, both quarterly and annual with the delays pointed out in the EU Regulations. The links are:

<http://www.ine.es/jaxi/menu.do?type=pcaxis&path=%2Ft35%2Fp016&file=inebase&L=0>

for quarterly accounts and

<http://www.ine.es/jaxi/menu.do?type=pcaxis&path=%2Ft35%2Fp008&file=inebase&L=0>

for annual accounts.

Financial accounts:

Banco de España publishes in its website the quarterly Financial Accounts of the Spanish Economy including the financial accounts of the General Government. This publication includes a breakdown by sector and sub-sectors, instruments according to ESA2010, stocks, transactions, other changes in volume and revaluations. This publication includes a note describing methodological issues:

<http://www.bde.es/webbde/en/estadis/ccff/resumenmet.pdf>

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 legislation⁴: 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

The detail of debt instruments used to compile EDP debt distinguishes:

- Currency and deposits (coin issuance by State, -Central government-)
- Debt securities by original maturity (in euro and currencies other than euro):
 - Short-term
 - Medium and long-term
- Loans and credits granted by resident credit institutions by original maturity (in euro and currencies other than the euro):
 - Short-term (12 months or less)
 - Medium and long-term (more than 12 months)
- Loans granted by non-residents, rest of the world (in euro and currencies other than the euro)

The valuation rules used are as follows: the short, medium and long-term debt securities are recorded at their nominal (face) value; credits only include the part drawn down. In both cases, where the currency in which the debt securities are issued or in which the credit is arranged is not the euro, they are converted into euro applying to the currency in which the debt securities were originally issued or in which the credit was arranged, the exchange rate of that currency at the end of the period to which the outstanding balance refers.

3.1.1.2 Data sources used for the compilation of Maastricht debt

The scheme below shows the breakdown of instruments and data sources used:

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

EDP tables and data sources - Central Government sub-sector, EDP table 2A and 3B

Instruments (liabilities)		Statistical source
Currency and deposits: coin issuance		Banco de España.
Debt securities: ¿marketable debt securities?	Short-term securities issued in euro	Banco de España. Information compiled by Banco de España through: - General Secretariat of the Treasury and Financial Policy - Official Gazettes of the State and Regional (autonomous) Governments - National Securities Market Commission. - IBERCLEAR and stock exchanges For issues in currencies other than the euro information from the balance of payments and data from specialist agencies, such as Reuters, are used
	Long-term securities issued in euro	
	Securities issued in currencies other than the euro	
Loans granted by resident financial institutions		Information compiled through the Banco de España's Central Credit Register, obtained from the data reported by lending credit institutions. For the State the source is the General Secretariat of the Treasury and Financial Policy. The information on imputed loans by public-private partnerships and other infrastructure financing methods comes from the Spanish National Audit Office (IGAE). Since December 2012, non-recourse factoring is included, the source for which is the Central Credit Register.
Loans granted by the rest of the world		Statistics on credits and loans granted by non-residents based on the data, which for statistical purposes, must be sent by general government units to the Banco de España's Statistics Department on economic transactions and external financial assets and liabilities (Circular 4/2012 of 25 April 2012). For the State, the source is the General Secretariat of the Treasury and Financial Policy.

Regarding the sources of information for Central Government and Social security funds, the statistics on public debt are from direct sources. The data are monthly and are available with a time-lag of one month. For State (Regional) and Local Government the information is also monthly, available with a time-lag of 45 days and the sources are indirect (mainly: Book entry system for the public debt; Banco de España's databank for stock markets; statements of the credit institutions, Central Credit Register of the Banco de España and statements of the Balance of payments and International investment position). Nevertheless, on a quarterly basis, for the State (Regional) government and the six main municipalities (Local Governments), there is a quarterly process of checking with each of them in order to eliminate any discrepancy there might be with the internal records of these Governments. The process finishes around 75 days after the end of the quarter to which the figures refer and at this time that information is published.

3.1.1.3 Amendments to basic data sources

There are not amendments to basic data sources other than those dedicated to correct errors discovered. The data sources used provide data valued at nominal (face) values and, therefore, it is not needed any adjustment to compile EDP debt.

Counterpart information is used to compile and check EDP debt and the financial accounts to elaborate the deficit-debt adjustment.

The information about other changes in volume due to reclassification of units and instruments is introduced directly at the time of the reclassification.

3.1.1.4 Consolidation of Maastricht debt

In the consolidated debt, the positions between the various subsectors have been eliminated (inter-flows and positions). This affects to:

- The outstanding amounts of debt securities issued by State (Central government) and hold by Social Security Funds.
- The loans granted by State (Central government) to Social Security Funds.
- The loans granted by the Fund for the Financing of Payments to Suppliers (FFPP), classified as Central Government, to Regional (Autonomous) State Governments and Local Governments that have entailed a reduction in the other accounts payable by both these tiers of government.
- The loans granted by the Regional Liquidity Fund (FLA), classified as Central Government, to Regional (Autonomous) State Governments mainly used to refinance debt redemptions.
- The Financial Fund for the Financing of Regional (Autonomous) Governments and the Financial Fund for the Financing of Local Governments were created at the beginning of 2015 and have assumed the outstanding debt of the former FLA and FFPP funds until December 2014.

The information used to compile the positions between subsectors is provided by the units involved in managing the funds and there are not amendments to basic data. This information is cross checked.

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.

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

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

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

The Working Balance (WB) on the table 2A, defined as the *Balance of non-budget financial operations of “the State”* includes:

(1) The Administración General del Estado (AGE), whose organisation and functioning are governed by Act 6/1997 the Structure and Functioning of General Administration of the State, of 14 April 1997, and which is organised functionally into ministerial departments, each of

which occupies a section in the General State Budget (PGE). Royal Decree 1823/2011 regulates the current ministerial structure, which consists of 13 ministerial departments.

(2) The constitutional bodies with distinct sections in the PGE (Casa de su Majestad el Rey -Royal Household of His Majesty the King-; Cortes Generales -Parliament-; Tribunal de Cuentas -Court of Auditors-; Tribunal Constitucional -Constitutional Court-; Consejo de Estado -Council of State-; and Consejo General del Poder Judicial -General Council of the Judiciary-).

The operations of funds without legal personality dependent on “the State” are not included in the WB; instead they are recorded in the adjustment lines of the *Non-financial transactions not included in the working balance* heading.

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

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		T + days	T+mont.🌤️		cross appropriate cells		
				Budget Reporting			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
A	M	T+30	T+11	(3) Current and capital revenue and expenditure and financial transactions	X	X	X
				(4) Balance sheets			
				Financial Statements			
				(5) Profit and loss accounts			
A	M	T+30	T+11	(6) Balance sheets		X	X
C	M	T+30	T+11	(7) Cash flow statement			X
				Other Reporting			
				(8) Statistical surveys			
				(9) Other:			

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

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

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

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

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

As manager of the public accounts, the IGAE has direct access to the State Accounting Information System. This system provides daily reporting on State operations. However, for national accounts, only the monthly information is processed.

All the information available at the time is used in the preparation of the data submitted in the notifications of April and October.

The starting point in Table 2A is the working balance defined in paragraph 3.2.1.1. These data are obtained from the budgetary implementation of the year. In April (n+1) and October (n+1) EDP notifications, the data of year n are provisional. The final data of year n are included in the October (n + 2) EDP notification. In addition, the following additional information is used:

- Information included in the public accounting of “the State”: accrued interests and operations registered in account 413
- Transactions undertaken on behalf of “the State” by ICO and CESCE
- Information relative to the operations of the funds without juridical personality
- Information on military equipment deliveries
- Transactions through public-private partnership (PPP’s) and others are also used
- (...)

3.2.1.1 Details of the basic data sources

Data sources used for compilation of national accounts

The WB, defined as the “Balance of non-financial budget transactions of *the State*”, is the starting point for calculating “the State” balance B.9. As explained above, “the State” budget includes transactions made by the Administración General del Estado and by the Constitutional Bodies with separate sections in the budgets.

The IGAE, as manager of the public accounts has access to the most detailed level of the State Accounting Information System and to data on implementation of “the State” budget. Therefore, for the development of “the State” accounts in terms of ESA, the following information is available and used:

- Detailed information on the economic classification of revenues and expenditures

Resolution dated 19 January 2009 of the Directorate-General for Budget, setting the codes that define the economic classification, which comprise the operations contained in items 1-9 of the revenue budget and 1-9 of the expenditure budget:

- Revenue budget: non-financial transactions
 - Chapter 1. Direct taxes and social contributions
 - Chapter 2. Indirect taxes
 - Chapter 3. Public tariffs, charges and other income
 - Chapter 4. Current transfers
 - Chapter 5. Equity income
 - Chapter 6. Disposal of real investments
 - Chapter 7. Capital transfers
- Revenue budget: financial transactions
 - Chapter 8. Financial Assets
 - Chapter 9. Financial Liabilities
- Expenditure budget: non-financial transactions

Chapter 1. Personnel costs

Chapter 2. Current expenditure on current goods and services

Chapter 3. Financial expenses

Chapter 4. Current transfers

Chapter 6. Real capital expenditure

Chapter 7. Capital transfers

- Expenditure budget: financial transactions

Chapter 8. Financial Assets

Chapter 9. Financial Liabilities

Thus the WB, defined as the "Balance of non-financial budget operations of *the State*" does not include the financial operations contained in Chapter 8 "Financial Assets" and Chapter 9 "Financial Liabilities" of the budget.

The economic classification of the budget allows:

- (1) Prepare the various headings of revenue and expenditure for each category of the European System of Accounts.
- (2) Identify the different categories of financial assets. The financial assets recorded in the budget are analysed and, where appropriate, reclassified as non-financial expenses in the national accounts, in the relevant adjustment lines of the EDP questionnaire.
- (3) Identify transactions with specific treatment in the national accounts.

- Detailed information on the functional classification of revenues and expenditures

This information is used to prepare the Classification of Expenditure by Function.

- Information on the beneficiaries of subsidies, grants, transfers and other payments made from the budget

In particular, detailed information is available on flows with the other units included in the General government sector. This information is used for proper consolidation of transactions between General Government sub-sectors.

Working balance (WB)

As mentioned in section 3.2.1.1, the WB is the starting point for calculating the Central government balance B.9.

3.2.1.2 Statistical surveys used as a basic data source

Statistical surveys are not used as a basic source data for non-financial accounts of "the State".

For the Spanish State the making of estimates is unnecessary, as although the data for the first notification are provisional and could change, all the information necessary for the completion of the EDP questionnaire is available. This particular circumstance is favoured by the fact that the IGAE, the institution that completes the non-financial part of the EDP questionnaire, is also the managing centre of public accounting in this sector.

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.

Indeed there is supplementary information from units that carry out certain transactions in which the State is involved. This information is generally available as part of the information submitted by other sub-sectors, especially the Comunidades Autónomas (State government) for transfers between both levels of government, or is directly requested from specific units that relate to the General government sector, regardless of their classification in national accounts. This is the case for capital injections made by the State to corporations, included in National Accounts in the sector of Non-Financial Corporations, to which we can request detailed information about these contributions in order to classify them as financial or non-financial transactions.

In the compiling process of the debt and financial transactions, information of financial institutions is used to check data.

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

The preparation of “the State” non-financial accounts in accordance with the methodology of ESA2010 require complementary information to that recorded in budget outturn. This is the case, for instance, of those transactions by the Treasury that, although at the time of being carried out imply items of expenditure and revenue, are temporarily recorded in the non-budgetary accounts, pending their incorporation into the budget at the end of the financial year. In accordance with the methodological criteria established in ESA2010 these expenditure and revenue transactions are recorded in the national accounts of the financial year in which they take place, and not in the financial year when they are allocated to the budget.

It can also be pointed out that a supplementary data source is the information supplied from the Treasury’s current account at the Banco de España. Through this account the expenditure and revenue of the Spanish State is channelled, as well as certain special accounts in which some specific transactions are recorded (such as the payments for the exchange rate insurances of the motorways among others).

3.2.1.3.2 Supplementary data sources used for the compilation of financial accounts

For the preparation of “the State” financial accounts and debt, in practice, there are two sources of information for every instrument, and for certain instruments there is also a third source. This means that a ranking of sources must be established when compiling the data.

The criterion used gives, in principle, priority to primary (direct) information sources. In the financial assets side the instruments for which complementary information has been used are Money and banking statistics for Currency and deposits, securities issues statistics and budgetary information for debt securities and the Central Balance Sheet Data Office for stocks and budgetary information for transactions for the item equity and investment fund shares. In the liabilities side, information from Banco de España tested with budgetary information has been used for the item Currency and deposits.

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.

These are mainly the funds without legal personality regulated under Article 2.2 of the GBL. Given that they lack legal status, these funds are not considered institutional units in the national accounts and their operations are considered to be made directly by “the State”.

Non-financial flows recorded in EBA

The operations of funds without legal personality (whether revenue or expenditure) are not included in the WB and are entered instead in specific adjustment lines in Table 2A (see 3.2.3.5). However, the legislation establishing these funds sets out reporting and accountability obligations as provided in the General Budget Act. Article 168 of the General Budget Act also states that the IGAE shall perform the annual audit of the accounts submitted by these funds. Thus, complete information is available on the operations performed by these funds.

In general, the potential economic flows between “the State” and these funds are through operations classed as financial in the budget. As a result, these flows are not included in the WB. In all events, these flows are known and consolidated, since the funds are considered to be an integral part of “the State” for the purposes of national accounts.

The funds without legal personality dependent on “the State” (Article 2.2 of GBL) at December 2014 are:

1. The **Fondo para Internacionalización de la Empresa (Enterprise Internationalisation Fund, FIEM)**. The Internationalisation Aid Reform Act (*Ley 11/2010*), of 28 June 2010, created the FIEM for the purpose of promoting export operations of Spanish companies and Spanish direct investment abroad.
2. The **Fondo para la Promoción del Desarrollo (Development Promotion Fund, FONPRODE)**. This fund was created by the Development Promotion Fund Act (*Ley 36/2010*), which supersedes the earlier Fondo de Ayuda al Desarrollo (Development Aid Fund, FAD) from 1 January 2011 as an instrument specifically intended to promote development and eradicate poverty. It obtains its resources from the appropriations set out annually in the Central Government General Budget Act for the Ministry of Foreign Affairs and Cooperation.
Since 2011, the **Fondo para la Concesión de Microcréditos (Microcredit Fund, FCM)** has also been integrated in the FONPRODE, which was set up help eradicate poverty in developing countries.
3. The **Fondo para Inversiones en el Exterior (Foreign Investments Fund, FIEX)** is a government fund for making temporary and minority investments in the investment funds of Spanish companies abroad.
4. The **Fondo para Operaciones de Inversión en el Exterior de la Pequeña y Mediana Empresa (Fund for Foreign Investment Operations of Small and Medium-sized Enterprises, FONPYME)** is a State venture-capital fund for small and medium enterprises. The beneficiaries are companies in developing countries partly owned by Spanish SMEs.
5. The **Fondo Financiero para la Modernización de las Infraestructuras Turísticas (Fund for the Modernisation of Tourism Infrastructure, FOMIT)** provides financial support to plans for the renewal and comprehensive modernisation of mature tourist destinations by granting low-interest loans.

6. The **Fondo de Garantía de Pago de Alimentos (Child Maintenance Payment Guarantee Fund, FGA)** is a fund without legal personality managed by the Ministry of Finance and Public Administrations. It will be provisioned with the contributions set out in the annual Central Government Budget. Its purpose is to guarantee the payment of recognised and outstanding child maintenance established in a court-approved agreement or judgement relating to separation, divorce, declaration of marriage annulment, parentage or child maintenance proceedings.
7. The **Fondo de Apoyo para la Diversificación del Sector Pesquero y Acuícola (Support Fund for Diversification of Fisheries and Aquaculture Sector, FADISPA)** provides financial support to business initiatives to diversify fishing and aquaculture activities aimed at increasing competitiveness. Appropriations to this fund will be charged to the budget of the Ministry of the Environment and Rural and Marine Affairs.
8. The **Fondo de Cooperación para el Agua y Saneamiento (Cooperation Fund for Water and Sanitation, FL AGUA)** contributes to the exercise of the human right to water with the aim of halving the number of people without sustainable access to safe drinking water and basic sanitation by 2015.
9. The **Fondo de Ayuda al Comercio Interior (Internal Trade Support Fund, FACI)** offers financial support to actions geared towards the modernisation and improved effectiveness and efficiency of internal trade. It was created by the Thirtieth Additional Provision of the 2009 Central Government Budget Act (*Ley 2/2008*).
10. The **Fondo de Compensación Interportuario (Interport Compensation Fund)** was designed as an instrument for redistributing resources from the State port system. It will be administered by the State Ports and its appropriations will be allocated annually in the individual operating budget of this public body. Its purpose is to ensure the overall profitability of public ports.
11. The **Fondo de Apoyo para la Promoción y Desarrollo de Infraestructuras y Servicios del Sistema de Autonomía y Atención a la Dependencia (Support Fund for the Promotion and Development of Infrastructure and Services of the Dependency Autonomy and Care System, F. SAAD)**. This fund, charged to the budget of the Ministry of Health and Social Policy, seeks to provide financial support to business initiatives that promote and develop infrastructure projects and/or services of the Dependency Autonomy and Care System. The fund's managing body is SEPI Desarrollo Empresarial, S.A. (SEPIDES).
12. **Fondo Estatal para el Empleo y la Sostenibilidad Local (Local Employment and Sustainability Central Government Fund)**. Created by Royal Decree 13/2009 for the funding of local investments which improve the employment, and for implementing social politics which promote the economic, social and environment Sustainability
13. **Fondo para la Financiación de los Pagos a Proveedores 2 (Fund for the finance of public commercial creditors)**. Created by Law 13/2014 which converts the former fund for the finance of payments to public commercial creditors.
14. The **Fondo para la Amortización del Déficit Eléctrico (Electricity Deficit Amortisation Fund, FADE)**. The FADE was created by Royal Decree-Law 6/2009 of 30 April, adopting certain measures in the energy sector and approving the social discount rate. The assets of FADE consist of sums due for collection generated and assigned by the original holders of the sums (the utility companies). The fund's liabilities consist of the financial instruments issued to finance the purchase of said assets.
15. The **Fondo de Liquidez Autonómico (Liquidity Fund for Autonomous Communities, FLA)**. The FLA was created under Royal Decree-Law 21/2012 as a tool to reinforce the

liquidity of the Autonomous Communities. The FLA grants loans to the Autonomous Communities for the payment of maturing debt and provider financing. The FLA obtains its resources from Central Government, which borrows for this purpose.

16. The **Fondo de Carbono para una economía sostenible (Carbon Fund for a Sustainable Economy, FES-CO2)**. The Sustainable Economy Act (*Ley 2/2011*) created a fund for the purchase of carbon credits under the Secretary of State for Climate Change in order to generate low-carbon economic activity and contribute to meeting Spain's greenhouse gas reduction targets.

The main non-financial transactions made by these funds are interest earnings and expenditure under the headings of intermediate consumption, interest payments, current international cooperation and capital transfers payable.

Financial flows recorded in EBA

Financial operations are made through these funds that are not included in the "WB", mainly loans (development loans, loans to other sub-sectors of General Government, etc.) and some asset contributions. In the case of the FADE, sums due for collection purchased from the electric utilities are recorded as financial assets (F.8).

In the preparation of the national accounts, these operations are recorded as financial or non-financial applying the same criteria used in operations performed directly by "the State" (see section 7.3 of this Inventory).

These funds do not generally incur liabilities on their own account other than possible accounts payable (F.8, liabilities), since they obtain funds from "the State" to finance their activity. The FADE is an exception to this as it makes bond issues (F.3, liabilities) that are included in government debt for the purposes of the Excessive Deficit Procedure (EDP).

The IGAE and the BE carry out the coordinated processing of the financial transactions performed by these funds for their inclusion in the financial statements and Table 3A/3B of the EDP Questionnaire.

3.2.2 Data sources for other Central Government units

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

In addition to "the State", the Central government sub-sector includes the "Central Government Bodies", comprised of all bodies dependent on "the State", with separate legal personality and classified as General Government for national accounting purposes. As at December 2014 there were 270 organisations with different legal forms: agencies, autonomous bodies, consortia, other public organisations, corporations and foundations. The updated list of these bodies is attached in Annex 1.

They include:

- Entities that constitute the administrative public sector: budgetary principles, and rules and principles established in General Public Accounting Plan. Section (3) in the Table 3 below.
- Entities that constitute the public corporations sector: accounting principles and rules established in the Business Code and the General Accounting Plan for Spanish Companies. Sections (5) and (6) in the Table 3 below.

- Foundations of the Public State sector: accounting principles and rules collected within the adaptation of the General Accounting Plan to non-profit making entities. Sections (5) and (6) in the Table 3 below.

Table 3 – Availability and use of basic source data for other central 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			B.9 (NFA)	B.9f (FA)
		First results	Final data			
1	2	3	4	5	7	8
		T + days	T+month			
				Budget Reporting		
				(1) Current revenue and expenditure		
				(2) Current and capital revenue and expenditure		
A	M	T+30	T+11	(3) Current and capital revenue and expenditure and financial transactions	X	X
				(4) Balance sheets		
				Financial Statements		
A	M	T+30	T+11	(5) Profit and loss accounts	X	X
A	M	T+30	T+11	(6) Balance sheets	X	X
				(7) Cash flow statement		
				Other Reporting		
				(8) Statistical surveys		
				(9) Other:		

See notes to table 2, on the used abbreviations.

The recording criterion is the accrual basis, as established in the General Accounting Plan for Spanish companies and in the General Public Accounting Plan.

The accounting rules for the information provided by Financial Institutions depends on the administrative record of Banco de España but, normally, is that of the accrual basis for transactions and nominal/market values for stocks.

For organisations, public law entities, corporations and public foundations included in sub-sector S.1311, monthly information is received on these through electronic procedures (Order HAP/2161/2013 dated 14 November 2013). This information is used to prepare the monthly accounts of sub-sector S.1311 in national accounts terms.

By preparing monthly national accounts, it is possible to continuously monitor both the basic information and the operations with specific treatment in the national accounts, which improves the quality of the annual data of the EDP.

To prepare the data to be sent in the first EDP notification of each year (April), information on December received before 31 January of the following year is used.

To prepare the data to be sent in the second EDP notification of each year (October), the accounts drawn up by the units and sent electronically to the IGAE are used.

The final accounts of these units are included in the General Account of “the State” submitted before 31 October of the year following that to which it relates. This final information is used in the preparation of the final accounts reported in the second EDP notification of the following year.

All the information available at the time is used in the preparation of the data submitted in the notifications of April and October. As we have pointed out above, these units, which adjust their accounts to the General Accounting Plan for Spanish companies, have a period of six months to render the accounts of the previous financial year. Therefore, previously to the EDP April notification, they produce a preliminary report of their annual accounts that includes the differential of the balance sheets, the profit and loss account and additional information about relationships with the General Government sector. These data are updated afterwards for compiling the information to be sent in October.

3.2.2.1 Details of the basic data sources

Generally, the information available is the same as for “the State”. (See 3.2.1.1.).

The information submitted by these units consists of the balance sheet, profit and loss account and specific questionnaires with the necessary breakdowns to prepare the national accounts.

The information submitted is used to:

- Prepare the various headings of revenue and expenditure for each category of the European System of Accounts.
- Identify the different categories of financial assets. The financial assets recorded on the balance sheet are analysed and, where appropriate, reclassified as non-financial expenditure in the national accounts, in the relevant adjustment line of the EDP questionnaire.
- Identify transactions subject to special treatment in the national accounts.
- Identify the beneficiaries of subsidies, grants, transfers and other payments made from the budget, particularly flows with other General Government authorities for consolidation purposes.

3.2.2.2 Statistical surveys used as a basic data source

See answer to point 3.2.1.2

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.

For compiling non-financial accounts, the main information is obtained from the annual accounts of these units, but is completed by data of the transactions undertaken by these units with other agents, basically the General government sector.

The debt of these units is compiled using information provided by Financial Institutions to Banco de España in the framework of its duties and obligations. This information is also used to check the financial transactions.

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

For the preparation of the non-financial accounts of these units, the report of activities during the financial year is used as well as the annual accounts (balance sheets and profit and loss account). Also, the auditor's report for the corporation is requested.

3.2.2.3.2 Supplementary data sources used for the compilation of financial accounts

For the preparation of the financial accounts, the additional information used in the financial assets side has been monetary and financial statistics for currency and deposits, securities issue statistics for debt securities and the Central Balance Sheet Data Office for equity and investment fund shares. In the liabilities side, the Central Credit Register has been used for loans granted by resident sectors and the Balance of Payments and International Investment Position for the loans granted by the Rest of the World.

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*

The "Working Balance" in Table 2A of the EDP questionnaire is defined as the "Balance of non-financial budget operations of the State" is the starting point for calculating the balance B.9. See 3.2.1.1.

3.2.3.2 *Legal basis of the working balance*

There is no specific regulation on the non-financial budget balance (WB). It is obtained from the difference between the non-financial revenue of the budget (Chapters 1-7) "recognised rights" and non-financial expenditure (Chapters 1-7) "recognised liabilities":

- "Recognised liabilities". Under Rule 23 of the Order of the Ministry of Economy and Finance dated 1 February 1996 approving the accounting operation instruction to follow in the implementation of State expenditure, recognition of a liability is the administrative act by which the competent authority formally accepts, under the State budget, a debt to a third party as a consequence of performance by the latter of a service to which it had committed, according to the "service rendered" principle or, in the case of non-reciprocal liabilities, as a consequence of entitlement to such sums due by the third party under the legislation or an administrative act conferring it under current legislation.
- "Recognised rights". The recognition of the right is the act by which a credit is declared and settled in favour of the State.

They are several publications recording the non-financial expenditures and the non-financial receipts of the State budget, in order to compile (by difference) the working balance (EDP Table 2A).

The initial budget (initial credits for covering expenditure and expected revenue) is approved by Parliament.

Budget implementation is subject to internal control by the IGAE. With regard to operations still to be charged to the budget, letter g) of paragraph 1 of Article 159 of the GBL (Ley 47/2003), concerning the content of ongoing actions of financial control, extends the scope of

actions for this type of control in government departments and the management entities and common services of the Social Security System in order to "confirm, through auditing techniques, that data and information of economic significance supplied by management entities to support accounting information reasonably reflect the transactions arising from their activity" (see 2.2.2).

The result of the budget implementation, recorded in the General State Account, is subject to external control by the Court of Auditors.

In this regard, in accordance with the statutory time limits, the General State Account is submitted to the Court of Auditors before 31 October of the year following that to which it relates. The Court of Auditors has six months in which to review and verify the General Account.

Therefore, any gaps observed by the Court of Auditors in the general account of the year "n" can only be taken into account in the preparation of the final accounts, which are reported in the October (n+2) EDP notification.

3.2.3.3 Coverage of units in the working balance

Two adjustment lines due to sector delimitation appear in EDP T2. The purpose of the first adjustment is to exclude flows relating to units which do not belong to the government sector (or to the particular subsector) according to 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 no units included in the WB that must be excluded from the General Government sector (S.13).

There are no units included in the WB belonging to another sub-sector of General Government (S.13).

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

The "Central Government Bodies" comprise all bodies dependent on "the State", with separate legal personality and considered General government units for national accounting purposes. As at December 2014 there were 270 organisations with different legal forms: agencies, autonomous bodies, consortia, other public organisations, corporations and foundations.

Each of these units is treated individually. Therefore, the complete headings are available for each in European System of Accounts terms, including the deficit or surplus in each.

The net lending/net borrowing balance (B.9) of all these units is included in Table 2A of the EDP questionnaire under the heading *Net borrowing (-) or net lending (+) of other Central Government bodies*. Among these units, we can distinguish between:

- (1) Units that are subject to a limited budget, and that according to the legislation in force have to formulate their annual accounts in accordance with public accounting principles. These annual accounts include the current outturn of the budget, and separate detailed budgets for expenditure and for the revenue of the entity, as well as the final budget balance. A series of adjustments are made to this figure based upon the application of the ruling principles of National Accounts in order to obtain the net lending (+) / net borrowing (-) of these units.

- (2) Units that are subject to the application of the accounting principles and rules detailed within the Business Code and the General Accounting Plan for Spanish companies, or the accounting principles and rules detailed in the adaptation of the General Accounting Plan for non-profit making entities. The sources used for calculating the net lending (+) / net borrowing (-) of these units, included in the section *Adjustments*, are the annual accounts that according to the legislation in force have to be completed.

The "Revenue" heading includes revenue (recognised non-financial assets) recorded in the budget.

The "Expenditure" heading includes expenses (recognised non-financial liabilities) recorded in the budget.

The *Adjustments* heading includes (1) balance B.9 of the units subject to the General Accounting Plan for Spanish companies and (2) all other adjustments to reconcile the budget balance (revenue less expenditure) of the units subject to budgets with balance B.9. These adjustments include the reconciliation between transfers received with the data of the paying authority.

3.2.3.4 Accounting basis of the working balance

In general, the criterion for recording non-financial transactions is that of the accrual basis. According to this principle, expressed in the General Public Accounting Plan, the temporal allocation of the transactions should be made according to the real flow of goods and services implied, and not when the monetary or financial flow occurs. Therefore, it is understood that the expenditure and revenue transactions take place when the rights and obligations that they originate arise.

The budget obligations resulting from acquisitions, works, services, benefits or expenses shall be charged to the general budget of the year in which they are made and charged to the respective credits; rights are charged to the budget of the year in which they recognize or settle.

However, the assignment of the rights and obligations to the corresponding budget will require that, previously, the administrative procedures be completed for acknowledging the right or obligation derived from the economic fact.

This last paragraph implies that, in some cases in budgetary accounting, the recording criteria applied do not fully coincide with the principle of the accrual basis:

- This is true for interest payments that are incorporated into the budget at the time of their maturity, which is when the administrative procedures are completed for acknowledging the right or obligation, although according to the General Public Accounting Plan the amount accrued is recorded at the end of the financial year. The difference between the interest charged to the budget (based on a cash basis) and accrued interest (recognized in public accounting) leads to adjustments recorded in the line *Difference between interest paid (+) and accrued D.41 (-)* of Table 2A EDP questionnaire (see 3.2.3.4.1).
- In addition, public accounting standards provide that, at least at the close of the period, although they were not concluded the administrative procedures for acknowledging the budgetary right or obligation, the income and expenses accrued until that date should also be recognized in the economic outturn account or in the statement of changes in equity. In the case of expenses, the account 413 "Creditors from transactions awaiting insertion into the budget" includes, for each year, the amount of accrued expenses but not charged to the budget. The change in the balance of this account is used to determine the adjustment line *Others non-financial operation not considered in the budget of the year* of Table 2A - EDP questionnaire (see 3.2.3.5).

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

Interest payments are incorporated into the budget at the time of their maturity, which is when the administrative procedures are completed for acknowledging the right or obligation, although according to the General Public Accounting Plan the amount accrued is recorded in the financial year.

The difference between the interest charged to the budget (based on a cash basis) and accrued interest (recognized in public accounting) leads to adjustments recorded in the line *Difference between interest paid (+) and accrued D.41 (-)* of Table 2A EDP questionnaire.

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

- *Other accounts receivable (+):*

Adjustment line *Temporal adjustment in taxes*. In general, the time of accrual of taxes and the time of budgetary registration and cash deposit are coincident, due to the system of withholding and payment on account.

However, in the case of big companies, withholding tax on labour and capital accrued in December (last quarter in the case of SMEs) are collected and imputed to the budget in January of the following year. As well, VAT incomes of big companies related to transactions that had taken place in December of each year (last quarter in the case of SMEs) are collected and imputed to the budget in January-February of the following year.

To impute these revenues to the economic year an adjustment is done, consisting in:

- Removing from the revenues the effective collection of January-February corresponding to the taxes accrued the previous year.
- Adding to the revenues the effective collection of January-February corresponding to the taxes accrued the reference year.

Therefore, depending on the year, the total adjustment can be positive or negative

Besides, this adjustment implies the generation, at the end of every year, of a financial asset in the item “Other accounts receivable/payable” (AF.8) for the amount of taxes that are accrued in the reference year but collected in January-February of the following year. This financial asset is cancelled the year after the accrual at the latest.

- *Other accounts payable (-):*

Adjustment line *Tax reimbursements*. This item reflects the correction of tax reimbursements due to the difference between the submission of claims and the payments of tax refunds.

3.2.3.4.3 Other accrual adjustments in EDP T2

There are not any other accrual adjustments reported in EDP T2

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

The following headings are included:

- The item *FONPRODE and FIEM Operations (FAD operations before)* captures transactions undertaken by the “Instituto de Crédito Oficial” chargeable to these funds. These transactions are, in national accounts, considered to be transactions directly undertaken by the Spanish State.

From 2011, the FAD (Fondo de Ayuda al Desarrollo -Development Aid Fund-) is divided into two new funds: the Fondo para la Internacionalización de la Empresa (FIEM) and the

Fondo para la Promoción del Desarrollo (FONPRODE). As a result, the "FAD Operations" line, from 2011 onwards, contains the sum of the two funds.

- The item *Local Investment Fund* includes the transactions of the “Fondo Estatal de Inversión Local (FEIL)”, created by the Royal Decree-Law 9/2008, and the “Fondo Estatal para el Empleo y la Sostenibilidad Local (FEESL)”, created by the Royal Decree-Law 13/2009.

This fund is not a legal entity and is intended for financing local investment and current expenditure.

In the 2008 budget, the total appropriations of the FEIL were recognised as expenditure. In the national accounts, however, this expenditure is recorded when the investments are made (in fiscal years 2009, 2010 and 2011). For the FEESL, the initial appropriation was recorded as an expense in the 2009 budget, whereas the national accounts record the expenditure when the investments and current expenditure are executed (in fiscal years 2010, 2011 and 2012). Both funds were wound up in 2013.

This adjustment is made based on the difference between the expenditure charged to the budget and the expenditure for national accounts.

- *Others funds which are not institutional units*: This item includes the operations carried out by the funds related in pages 36 to 38, which are not independent legal entities from “the State”.
- *Other non-financial transactions not considered in the Budget of the year* includes Account 413 “Creditors from transactions awaiting insertion into the budget”. It details the obligations derived from expenditure actually made, or from goods and services received, which have not yet been inserted in the budget, but that ultimately have to be.

When it is necessary, this item also includes any other operations not reflected in the WB, or in any other adjustment items.

- The item *Transfers to Social Security* includes pending transfer to Social Security. The State contributes to the budget of the Social Security corresponding to benefits that, at all times and in accordance with current regulations, are included in the non-contributory social security. However, the mismatch between the costs incurred by such benefits and the funds provided by the State (in WB) produce gaps that should be financed and lead to positive or negative adjustments.

However, this adjustment in “the State” does not involve variation in the deficit of General government sector, since the more/less State expenditure is compensated by a higher/lower income in the Social security funds sub-sector.

3.2.3.6 *Financial transactions included in the working balance*

In general the working balance does not include financial transactions, however, there is one specific case of financial transactions included in the working balance to take into account: revenues from the distribution of business profits or accumulated reserves are recorded in the working balance. For EDP purposes only revenues coming from the distribution of ordinary results are considered dividends. Therefore, those dividends distributed charged to extraordinary income or accumulated reserves, must be removed from the WB.

This is the case of the distribution of "capital gains" by Banco de España. This distribution is recorded in the budget as non-financial revenue, which affects the "WB", and as a financial transaction in the national accounts.

The *Capital gains of the Central Bank* heading of Table 2A of the EDP questionnaire records the amounts recognised in the State budget from capital gains distributed by Banco de España, which are deleted and treated as financial transactions. In recent years, however, Banco de España has not distributed "superdividends".

Sometimes, revenues from the sale of financial assets are recorded in the working balance. Therefore, these revenues are included with negative sign in the EDP T2A to avoid their impact on net lending (+) net borrowing (-) of the Central Government.

In public accounting, capital injections from "the State" into public corporations are considered as financial transactions and are not included in the WB. However, those capital injections into public corporations included in the General government sector or for compensating losses or for financing unprofitable investments are considered in national accounts as non-financial transactions. These transactions are included in the section *Capital injections into public corporations and others* of EDP Table 2A (see 3.2.3.7).

3.2.3.7 Other adjustments reported in EDP T2

- The item *Capital injections into a public corporations and others* is the adjustment made for capital injections of "the State" to corporations included in the General government sector; as well as to units included in the sector of non-financial corporations, for compensating losses or for financing unprofitable investments. In public accounting, both transactions are recorded as financial transactions, whilst in national accounts they are recorded as non-financial transactions.
- The item *Cancellation of taxes and others* corresponds to adjustments made for taxes and social contributions that are unlikely to be collected, in accordance with section B.6.1.1.

The original source of the data is "public accounting", which records taxes and social contributions when the corresponding fiscal documents are presented containing the actual liquidation time on which the origin of the tax debt is based.

Accordingly Article 2 of Regulation 2516/2000 of the European Parliament and of the Council, the impact on General Government net lending/borrowing of taxes and social contributions recorded in the system on an accrual basis shall be equivalent over a reasonable amount of time to the corresponding amounts actually received. As established in Article 3 (a) *If assessments and declarations are used, the amounts shall be adjusted by a coefficient reflecting assessed and declared amounts never collected. As an alternative treatment, a capital transfer to the relevant sectors could be recorded equal to the same adjustment...* For Spain, the accounting treatment of taxes and social contributions is the last of these two possibilities.

The model to estimate the coefficients has been developed by the Instituto Nacional de Estadística (INE) (see section B.6.1.1).

- The item *Export insurance guaranteed by the State* captures the impact of the risk of the export insurance covered by CESCE (Compañía Española de Seguros de Credito a la Exportación), on behalf of the State. Thus, the operations made by CESCE on behalf of the State are, in national accounts, considered to be transactions directly undertaken by the Spanish State.
- The item *Re-routed items relating to SEPI* captures capital injections made by SEPI (Sociedad Estatal de Participaciones Industriales) to its companies for covering losses (financial stabilising) or for outsourcing labour engagements that are recorded in national accounts as non-financial expenditure, affecting the government deficit.

- The item *Military equipment expenditure* includes the time-adjustment made for the difference between the budget recording and the deliveries of military equipment.
- The item *Expenditure for producing coins* reflects the payments that the Spanish State makes to the Fábrica Nacional de Moneda y Timbre (The Spanish Mint) to cover the cost of production of the coinage.
- The item *Advances to Comunidades Autónomas and Corporaciones Locales* are interim payments that the Spanish State makes to the State government and Local government, and which are not included in the budget of expenditure of the Spanish State (until the final amount of financing that corresponds to the different Comunidades Autónomas and Corporaciones Locales in each financial year is known). In relation to national accounts the net variation of the balances that are not inserted in the budget are detailed.
- The item *Others adjustments* consist of following adjustments:
 - *Project contracts with a single gross payment*: Law 13/1996, regarding Fiscal, Administrative and Social Order Measures considers project contracts with a single gross payment, in which the total price of the contract will be paid by the government when the work is finished (by a single payment or in instalments, obliging the contractor to finance the construction and make all the necessary payments in advance, until the work is completed and delivered). In ESA, this type of contract is not treated differently, thus the general rule outlined in paragraph 3.55 is applicable. According to this paragraph, unfinished constructions that are being carried out under a previously signed sales contract are treated as gross capital formation in each financial year while the project is in progress, relating to that part of the work completed in each of the years.
 - *Pensioners*: In National Accounts the costs of revising the pensions paid directly by the State are imputed to the accounting year when they were accrued. Consequently; if there is any discrepancy between the amounts recorded in the budget of the State as costs related to the revisions of CPI, and the amounts actually accrued, the corresponding adjustments are made. However, it should be noted that in the last years these adjustments are irrelevant.
 - *Private Public Partnerships (PPPs)*: This adjustment includes as a negative amount (higher expenditure) the investment carried out by private units under contracts with the State in which, following the criteria of the ESA2010 Manual on Government Deficit and Debt, the asset has to be recorded in the State's balance sheet, due to a insufficient transmission of the risks to the private partner and, as consequence, a higher gross fixed capital formation. Moreover, it includes as positive amounts (lesser expenditure) the values included in the working balance as non-financial expenditure related to the redemption of the imputed loan (counterpart of the investment carried out) linked to this type of contracts.
 - *Auctions of greenhouse gas emission*: In the WB, annually, the cash incomes from the auctioning of greenhouse gas emissions are recorded. This adjustment includes an estimation of the level of tax revenue to be recorded in a particular year. The timing difference between the cash payments received by “the State” for the allowances and the time of recording of the tax revenue in national accounts give rise to a financial liability for “the State”.
 - *Revenue recognition from EU under accrual basis*. From the year 2012, the recording of funds from EU is in line with ESA 2010 Manual on Government Deficit and Debt (see 6.2).
 - *Contributions to the EU budget*. In accordance with the clarification issued by Eurostat under ESA 2010, the point of recording of the government expenditure/revenue impact of the adjustments to budgetary contributions should be made when those amounts are

irrevocably fixed and therefore they are due to be paid/received. Therefore, flows are recorded when EU amending budgets are approved and not when transfers in cash are made.

- *Other adjustments:* Some exceptional or negligible transactions are included.

3.2.3.8 Net lending/net borrowing of central government

As mentioned above, the WB is the starting point for calculating the Central Government balance B.9. Subsequently, the preceding adjustments are made in order to apply the criteria of ESA to obtain the B.9 balancing item.

3.2.4 EDP table 3B

3.2.4.1 Transactions in financial assets and liabilities

EDP tables 3B are derived directly from the quarterly Financial Accounts of the Central Government sector compiled and published on the Internet by Banco de España in the framework of the Quarterly Financial Accounts of the Spanish Economy (FASE). Additional information about issuances above/below par, differences between interest (D.41) accrued and paid and redemptions of debt above/below par is included in these tables and the same information is used in Financial Accounts in market value calculations.

In the FASE, the financial transactions for the items loans and equity and investment fund shares are not split into those granted or acquisitions and repayments or sales and, for this reason, in EDP tables 3 this information is provided on the basis of budgetary information and estimates.

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
	Calculation of transactions													
Transaction data	X	X	X	X	X	X	X	X	X	X	X	X	X	X
(integrated in public accounts)														
Other transaction data	X	X						X	X	X				
Stock data														
	Calculation of stocks													
Transaction data			X				X				X			X
Stock data	X	X		X	X	X		X	X	X		X	X	

Direct information is the sole source data for Central Government. The sources used are not different for the annual and quarterly financial accounts (actually, the BdE only compiles quarterly financial accounts) and, summarizing, these sources, their frequency and timeliness are:

a. Financial assets:

F2. Currency and deposits: Budgetary information, Money and banking statistics and Banco de España, the frequency is monthly and the delay is one month.

F3. Debt securities: Budgetary information and Securities market statistics, the frequency is monthly and the delay is one month.

F4. Loans: Budgetary information, the frequency is monthly with one month of delay.

F5. Equity and investment fund shares: Budgetary information for transactions and Central Balance Sheet Data Office of the Statistics Department for stocks. The frequency is annual for stocks with four months of delay and for transactions the frequency is monthly with one month of delay.

F8. Other accounts receivable: Budgetary information, the frequency is monthly with one month of delay.

b. *Liabilities:*

F2. Currency and deposits: Information from Banco de España tested with budgetary information, the frequency is monthly and the delay one month.

F3. Debt securities: Securities market statistics (for the nominal values this information is tested with budgetary information). The frequency is monthly and the delay one month.

F4. Loans: Budgetary information, Central Credit Register (resident lenders) and Balance of Payments and International Investment Position (non-resident lenders). These statistics are compiled on a monthly basis with a delay of one month.

F8. Other accounts payable: Budgetary information, the frequency is monthly.

In relation to the valuation of financial instruments, ESA methodology establishes that the valuation of financial balance sheets or stocks of financial assets and liabilities shall be at market price. The items most affected by this type of valuation are equity and investment fund shares and, to a lesser extent, debt securities.

The practical application of this rule poses difficulties in the case of those instruments where said valuation cannot be calculated directly. Indeed, market price can only be accurately recorded in the case of securities quoted on IBERCLEAR (these are the bulk of debt securities in circulation) or on other organized markets, those with reasonable liquidity, and listed shares. Estimates have been made for the remaining securities. The valuation methods used for the main instruments affected by this rule are discussed below. Evidently, these valuations are identical for a financial instrument insofar as it is a financial asset and insofar as it is a liability; nonetheless, since the availability of sufficiently detailed information differs for securities issues and portfolios, the estimation procedure followed in each case shall be separately discussed.

a. Debt securities:

All those securities with a high degree of liquidity (the case of State -Central Government issues), have been valued at market prices. Financial transactions have been obtained as the difference between issuance and redemptions at their respective issue and redemption prices. Accrued interest has been added in the case of issues at a discount and interest accrued less interest paid in the case of other issues.

b. Equity and investment fund shares

The ESA lays down the following valuation principles for equity and investment fund shares:

a) general principle: valuation at current prices, which may be approximated by calculating the current, or discounted, value of future profits ; b) listed shares are valued at observed market prices; c) unlisted shares are valued with reference to the valuation of listed shares, taking into account the difference between these types of shares (basically their liquidity) and

considering the sector and reserves accumulated; d) other equity is either valued at the value of own funds or at nominal value.

These valuation criteria have been applied in the following way: a) listed shares have been valued at the market prices observed on stock markets (market capitalization); b) in the case of unlisted shares, the valuation of listed shares in the same sector has been used as a reference, provided that the corporations whose shares are quoted are representative of such sector. When they are representative (e.g. in the case of banks), the market value of unlisted shares has been estimated by applying the capitalization/own funds ratio of listed shares to the own funds of unlisted shares. When they are not representative the discount rate implicit in the valuation of listed shares has been used as a reference to estimate the market value of unlisted shares and c) other equity has been valued at the value of own funds or book value.

In relation to the procedures followed, the value of unlisted shares issued by non-financial corporations has not been obtained by applying the ESA recommended ratio (capitalization/own funds ratio of quoted corporations of a similar size and activity) owing to the narrowness of the Spanish stock market, which prevents the valid application of this ratio to unquoted corporations. Discounted value of future income is used for valuation of unquoted equity. Following on from this, the value of unlisted shares in circulation issued by public limited companies classified in the sector non-financial corporations has been estimated taking the discounted current value of the flow of expected ordinary profits. The discount factor applied includes, implicitly, expected long-term interest rates, a risk premium (encompassing the risks associated with the possibility of these corporations going bankrupt, with the lack of liquidity of the shares involved and with other factors) and the expected nominal growth rate of profits. Anomalous cases are stripped out of these calculations. In practice, the discount rate used, inferred from the behavior of the valuation of the quoted corporations, is equivalent to applying a market capitalization/expected profits ratio instead of market capitalization/own funds. This is warranted because in cases where the market is narrow, it is preferable to use a variable more closely correlated to the value of the corporation (such is the case of the ratio that takes expected profits rather than own funds into account).

There are some special cases. This group includes a) the shares of unquoted corporations - of whatsoever type- which incur systematic losses, whose value is recorded at the value of their paid up capital, and b) other equity issued by any institutional grouping whose own funds are negative, which is recorded at its paid-up capital.

The data on transactions for the period (issues) are calculated on the basis of the information on contributions of funds from budgetary information. The data on other changes in balance sheet accounts (revaluation or other changes in volume) for all equity and investment fund shares have been obtained by taking the difference between the change in positions (balance sheet), transactions and revaluations.

3.2.4.2 *Other stock-flow adjustments*

Consistency between stocks and flows is achieved for the General Government sector financial accounts.

For each of the financial instruments the following accounting identity must hold:

$$S1 = S0 + OF1 + R1 + OV1,$$

where S0 and S1 are the outstanding stocks at the beginning and end of the period, OF1, financial transactions of the period, R1 the revaluations and OV1, the changes recorded in

stocks owing to other changes in volume (e.g. change in institutional units from one sector to another or unilateral loan write-offs).

The amounts in the Financial Accounts are, for most of the transactions, calculated directly from the basic supporting information, e.g. securities market, and only certain financial assets and liabilities transactions are obtained from the differences in financial assets and from the differences in liabilities over two consecutive quarters. These differences are adjusted for changes in stocks that do not correspond to actual transactions, namely capital gains and losses, changes in the exchange rate, write-offs etc., this information being drawn fundamentally from the budget execution of the units involved and the markets where assets and liabilities are exchanged.

In compiling the Financial Accounts, two types of revaluations of financial assets/liabilities have been identified. On one hand, there are revaluations arising from the change in market price of financial assets/liabilities quoted on the market, i.e. those corresponding to categories debt securities, listed shares, or, where applicable, estimated on the basis of the conditions prevailing on the markets (512. unlisted shares). On the other, there are those revaluations as a result of the change in the euro exchange rate, which affect financial assets/liabilities denominated in currencies other than the euro. These revaluations are introduced in the accounting identity described as R1.

As regards other changes in volume flows (OV1 in the accounting identity), the ESA indicates two types of other flows potentially affecting the financial categories. These are: a) other volume changes in financial assets and liabilities, which correspond, for example, to allocations and cancellations, among others and b) other flows due to changes in classification and structure, which are reflected in the financial categories owing, for instance, to reclassifications of institutional units from one sub-sector to another (in that case it would affect the entire balance sheet of the units affected) or reclassifications of certain financial instruments (e.g. shares of a company that are accepted for listing on the organized markets and which, therefore, come to be considered as listed shares instead of unlisted shares).

In relation to the implementation on the accrual accounting principle on the recording of interest, the recording of interest in financial transactions accounts on an accrual basis affects financial transactions accounts since it means that the interest accrued have been incorporated into the financial transaction up to the time of payment. Regarding the financial balance sheets, the outstanding stock of securities has been recorded at market prices, with accrued interest being precisely one of the market price components.

The incorporation of interest accrued into the financial account could, in principle, be done in the category other accounts receivable/payable, or in the very instrument generating the interest. However, in the case of securities categories, the ESA stipulates the second of these options. This has effectively been done, while for interest on deposits and loans both possibilities have been left open by the ESA, and the first option has been chosen. Therefore, in the case of securities, the interest accrued is treated as if it were re-invested in the same instrument from which it stands, with a disinvestment from the related instrument coming about at the time of payment of the accrued interest.

The debtor principle has been followed in the compilation of the Spanish financial accounts for the following reasons: a) it is considered the best interpretation of the references made in the ESA to the interest accrual criterion; b) it is the alternative Eurostat has opted for in its “Manual on Government Deficit and Debt”; and c) it is consistent with the recording of interest in the General Government deficit in the Excessive Deficit Procedure notifications.

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

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

Allocation of discrepancy B.9 vs B.9f

Establishing consistency between or reconciling the “net lending (+) or borrowing (-)” and “net financial transactions” of the General Government is difficult. This is because the calculations are made by different institutions, and they have been compiled, in most cases, on the basis of different underlying information and, often, at different points in time. To overcome these difficulties, the teams entrusted with this work at the INE, IGAE and at Banco de España have coordinated their compilation processes as far as possible. This allows financial-accounts compilers to be familiar with the characteristics of the non-financial accounts and vice versa. On this basis, it has been decided to adopt as balancing item of the annual financial accounts that obtained for the annual capital accounts. The process of compiling the financial accounts gives rise to initial estimates for the balancing item that does not coincide with this of the capital accounts. Thereafter, statistical adjustments are introduced in the transactions recorded among the net liabilities incurred by General Government, specifically in the category other accounts payable, except trade credits and advances (F.89), which equate the balancing item of the financial account with that of the capital account. Naturally, the introduction of these statistical adjustments is contingent upon an analysis of their amount. The amounts of the aforementioned discrepancies and statistical adjustments (whatever their sign) are analysed. Should these amounts be large and/or have very different profiles over time, this may be indicating the need to revise the estimates on which they are founded and, if they offset each other over successive periods, that may be indicating that it would be reasonable to consider them as lagged proceeds or payments and should be introduced in F.89.

Changes to intermediate data

Counterpart data is not used in the compilation process of the non-financial accounts. In the financial accounts elaboration, information provided by financial institutions is used without impact in B.9f and also to check primary data.

Complementary elements on stocks/

Statistical discrepancies do not impact stocks on financial assets and liabilities.

Accruals

See answer to question on allocation of statistical discrepancies (3.2.4.3)

Ex-post monitoring

See answer to question on allocation of statistical discrepancies (3.2.4.3)

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

3.3.1 Data sources for State Government unit

The State government main unit includes:

The General government of each of the 17 Autonomous Communities, together their legislative and other bodies set out in their Statutes of Autonomy, and which are incorporated into their budgets, including, where applicable, dependent funds without legal personality.

The General Administrations of the Autonomous Communities, are organized in Consejerías (Regional Ministries) following a similar structure to the Ministerial Departments of “the State” in the Central Government.

Table 5 – Availability and use of basic source data for the state government unit

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		T + days	T+mont.🇺🇸	cross appropriate cells			
				Budget Reporting			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
A	M	T+30	T+11	(3) Current and capital revenue and expenditure and financial transactions	X	X	X
				(4) Balance sheets			
				Financial Statements			
				(5) Profit and loss accounts			
A	A	T+30	T+11	(6) Balance sheets		X	X
				(7) Cash flow statement			
				Other Reporting			
				(8) Statistical surveys			
				(9) Other:			

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

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

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

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

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

The Autonomous Communities are required to submit monthly information within fifteen days of the end of the reference period. However, when the information relates to December, the deadline for submission is extended to 31 January of the following year.

The IGAE uses this monthly information to prepare the monthly accounts of the Autonomous Communities, which are published approximately 60 days after the end of the reference month.

By preparing monthly national accounts, it is possible to continuously monitor both the basic information and the operations with specific treatment in the national accounts, which improves the quality of the annual data of the EDP.

Similarly, the information for March, June, September and December is used in compiling the quarterly accounts of the Autonomous Communities, which are integrated into the quarterly accounts of General government and sent to Eurostat, in compliance with EU Regulations on quarterly accounts, within three months of the end of the reference quarter.

To prepare the data on General government to be sent in the first EDP notification of each year (April), the information obtained from the standardised accounting information questionnaires is used, in accordance with the aforementioned ministerial order, before 31 January of the following year. After this deadline for submission of the required information, the Autonomous Communities may send updated information to the IGAE as a result of:

- (1) IGAE requests, if it observes gaps or missing data in the information submitted. These requests are made after analysis of the data initially sent by the Autonomous Communities. Their purpose is to guarantee the reliability of the available data.
- (2) On the initiative of the Autonomous Community when, following the closing of its accounts, it obtains updated information that differs "substantially" from that sent at the end of January.

This updated information is taken into consideration for preparing the data submitted in EDP notifications. Thus, EDP notifications are made with the information received as close as possible to the date that the data are sent to the Commission and Eurostat as part of the EDP.

Subsequently –but before 30 April of the year after the one to which the information relates– the Autonomous Communities are required to re-send this annual information in its updated form. This updated information is used to prepare the second EDP notification (October).

The information collected is contained in the standardised questionnaire models, the content of which concerns:

- Implementation of the budget of revenue and expenditure, indicating the recognised rights and liabilities, together with payments and receipts for the current and closed fiscal years.
- Classification of expenditure by function.
- Operations with third parties pending application in the budget.
- Diverse additional information allowing the resulting balance of budget revenue and expenditure to be related to lending/borrowing calculated according to the rules of the European System of Accounts.
- Lastly, for units subject to the General Accounting Plan for Spanish companies or its respective sectoral adaptations, the balance sheet, profit and loss account and diverse additional information required to calculate Government deficit in national accounts terms.

The above information must be submitted by all units in the State government sub-sector (S.1312) in the terms of the European System of Accounts. Article 2.1 of Order HAP/2105/2012 refers to these.

For the preparation of the final annual accounts in national accounts terms, the Autonomous Communities must also submit their General Accounts and Annual Accounts. This information relates to units forming part of the State government sub-sector (S.1312) and any regional public sector units that are not General government bodies in national accounts terms. This information must be submitted within fifteen days of sending it to the Parliament or Court of Auditors and, in any event, before 20 November of the year following that to which it relates. The Ministry of Finance and Public Administrations may enable the mechanisms required for electronic submission.

In the compiling process of the debt and the deficit-debt adjustment, the sources of information used are those described in the table and a testing process has been established in order to compare the information compiled through these indirect sources with the information available in the internal records of the governments. This testing process is carried out on a quarterly basis and involves rectifications in data provided by original data sources.

Data sources used for compilation of national accounts

For the non-financial State government sub-sector transactions, direct sources derived from accounting documents are used.

For the compilation of the first notification and half-finalised accounts, a questionnaire of normalized accounting information for each Autonomous Community is available, which has been approved by the Fiscal and Financial Policy Council, the coordinating body between the Spanish State and the Autonomous Communities. In this questionnaire, the following information is included: data of the budgetary liquidation of the units subject to the principles of public accounting; profit and loss accounts and differential balance sheets of the particular units that follow the principles and rules of private sector accounting and that are other non-market producers; and additional information, such as, for example, details of investments made with a single gross payment, interest accrued or items awaiting budget allocation, among others. The information is not consolidated.

So, the standardized accounting information questionnaire is detailed below:

- Summary of the settlement of the General Administration of the Autonomous Communities. This is referred to the main unit.
- Summary of the settlement of the Universities of the Autonomous Communities.
- Summary of the settlement of the bodies and public entities of the Autonomous Communities, which are considered to be non-market producers.
- Summary of the profit and loss account and of the balance sheet of the trading companies of the Autonomous Communities, which are considered to be non-market producers and apply the General Accounting Plan for Spanish Companies, as well as the foundations controlled and financed by the Autonomous Communities.
- Summary of the settlement of the bodies that manage health and social services at the regional level.
- Several charts with the necessary information to comply with the methodological requirements established by ESA and the EDP regulation, as for example, interest accrued, guarantees implemented and reimbursed, operations made by public corporations on behalf of the Autonomous Communities, the accounts off-budget records awaiting insertion into the budget, informations about PPPs contracts, etcetera.

The above mentioned questionnaire was approved at the meeting of the said Council on the 10th of April 2003, the conclusions of which were published by order of the Ministry of Finance of 31st of July 2003. In March 2009, an updated questionnaire was approved for adapting it to the new General Accounting Plan for Spanish companies and for including some improvements in the information requested. At the end of 2012 a new update of the questionnaire has been made in order to improve the content of the information sent by the Autonomous Communities.

The finalised accounts take as a base the General Account of each of the seventeen Autonomous Communities completed with information of the various flows in the sub-sector included in other accounting records, and with additional details requested for this purpose. In this sense, it should be pointed out that each Autonomous Community, through its Leyes Generales de Hacienda Pública, or Financial Laws, develops the structure of its public sector, establishes the applicable public accounting and budgetary regime, and approves its own Public Accounting Plan, which has to be coherent with the General Public Accounting Plan of the public sector of the Spanish State as this is the framework for the different levels of government. Therefore, there are differences in the budgetary classification by programmes in the seventeen Autonomous Communities, and in the economic classification at the level of concept and sub-concept, but they coincide at the budgetary chapter, and in a lesser extent, at the level of article.

Working balance

The WB is the starting point for the calculation of the balance B9 of units belonging to the State government sub-sector that are subject to their General Public Accounting Plan.

It includes the WB of the General Administrations of the Autonomous Communities, the Autonomous Bodies and Universities fundamentally.

The WB is defined as the result of the subtraction of non-financial income and expenditure budget.

3.3.1.3 Statistical surveys used as a basic data source

Statistical surveys are not used as a basic data source for the compilation of non-financial accounts at the State government sub-sector.

For State government sub-sector the IGAE is empowered to request the necessary accounting information for the preparation of the national accounts according to the articles 125 and 133 of the General Budget Law 47/2003, the Financial Sustainability and Budgetary Stability Organic Law 2/2012 of 27th of April, and the HAP/2105/2012 order of 1st of October, on the obligations of provision of information.

3.3.1.4 Supplementary data sources and analytical information

Indeed there is supplementary information from units that carry out certain transactions in which the State government sub-sector is involved. This information is generally available as part of the information submitted by other sub-sectors, especially the Central government for transfers between both levels of government, or is directly requested from specific units that relate to the General government sector, regardless of their classification in national accounts. This is the case of capital contributions made by the State government to corporations, included in national accounts in the sector of Non-Financial Corporations, to which we can request detailed information about these contributions in order to classify them as financial or non-financial transactions. In the compiling process of the debt and financial transactions, information of financial institutions is used to check data.

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

In addition to the sources previously described, it should be added that it is necessary to use complementary information from other agents. For example, information about transfers given and received from the other units included in the General government sector. Also, of the taxes assigned by the Spanish State so that they are recorded by both agents in accordance with that outlined in Article 25 of Law 22/2009, of 18th of December, about the determination of tax returns granted, and Articles 12 to 24 of this same Law in relation to the arrangement of the system for payments on account and final liquidation. Other sources are also used such as contracts and administrative data records.

3.3.1.4.2 Supplementary data sources used for the compilation of financial accounts

For the preparation of the financial accounts, the additional information used in the financial assets side has been money and banking statistics for currency and deposits, securities issue statistics for debt securities and the Central Balance Sheet Data Office for equity and investment fund shares. In the liabilities side, the Central Credit Register has been used for loans granted by resident sectors and the Balance of Payments and International Investment Position for the loans granted by the Rest of the World.

3.3.2 Data sources for other State Government units

In addition to the State government main units, this sub-sector includes other entities belonging to the Autonomous Communities. These entities have their own legal personality and they may have different legal forms: agencies, autonomous bodies, universities, consortia, other public bodies, corporations and foundations. In December 2014 there are 1.239 entities.

They can be distinguished:

- Entities that constitute the administrative public sector of each Autonomous Communities, included in the State Government sub-sector (S.1312): accounting principles and rules are established according to their General Public Accounting Plan. They are included the autonomous bodies and universities.
- Entities controlled by the Autonomous Communities that constitute the public corporations sector included in the State Government sub-sector (S.1312): accounting principles and rules are established according to the Business Code and the General Accounting Plan for Spanish companies.
- Foundations controlled by the Autonomous Communities included in the State government sub-sector (S.1312): accounting principles and rules collected within the adaptation of the General Accounting Plan for Spanish companies to non-profit making entities.

Table 6 – Availability and use of basic source data for other State Government unit

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		T + days	T+month📅		cross appropriate cells		
				Budget Reporting			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
A	M	T+30	T+11	(3) Current and capital revenue and expenditure and financial transactions	X	X	X
				(4) Balance sheets			
				Financial Statements			
A	M	T+30	T+11	(5) Profit and loss accounts		X	X
A	M	T+30	T+11	(6) Balance sheets		X	X
				(7) Cash flow statement			
				Other Reporting			
				(8) Statistical surveys			
				(9) Other:			

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

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

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

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

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

3.3.2.1 Details of the basic data sources

(See 3.3.1.2)

3.3.2.2 Statistical surveys used as a basic data source

(See 3.3.1.3)

3.3.2.3 *Supplementary data sources and analytical information*

(See 3.3.1.4)

3.3.2.4 *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.

Funds without legal personality in the Autonomous Communities: they are not separate legal units, they are integrated into the General Administrations of the Autonomous Communities. They are mainly designed to provide loans to companies. The operations of these funds are not included in the WB of the General Administration of the Autonomous Communities. The results are included in the section *Non-financial transactions not included in the working balance* of EDP table 2. They have the same treatment as the funds without legal personality in "the State".

3.3.3 **EDP table 2B**

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

The WB is the starting point for the calculation of the balance B9 of units belonging to the State government sub-sector that are subject to their General Public Accounting Plan. It includes the WB of the General Administrations of the Autonomous Communities, the Autonomous Bodies and Universities fundamentally.

The WB is defined as the result of the difference between the non-financial incomes and the non-financial expenses of the budget. In general, non-financial operations of the Autonomous Communities are classified into the following budget chapters:

- Revenue Budget: non-financial transactions
 - Chapter 1. Direct taxes and social contributions
 - Chapter 2. Indirect taxes
 - Chapter 3. Fees, public prices and other income
 - Chapter 4. Current transfers
 - Chapter 5. Property income
 - Chapter 6. Disposal of investments
 - Chapter 7. Capital transfers
- Expenditure Budget: non-financial transactions
 - Chapter 1. Compensation of employees
 - Chapter 2. Current expenditure on goods and services
 - Chapter 3. Financial expenditure
 - Chapter 4. Current transfers
 - Chapter 6. Real investments
 - Chapter 7. Capital transfers

Therefore, the WB does not include financial transactions collected in Chapters 8 Financial assets and Chapter 9 Financial Liabilities of the Budget.

The WB is not consolidated. The heading *Adjustments due to the differences at the moment of recording in the sources of data* reflects, among others, the necessary adjustments to the consolidation of operations between the units included in the WB (see 3.3.3.7).

3.3.3.2 *Legal basis of the working balance*

Autonomous Communities have jurisdiction for developing the structure of their public sector, determining the budgetary system and public accounting that are applicable, and approving their own General Public Accounting Plan that must be compatible with the General Public Accounting Plan for the State Public sector, as this forms a framework for the different levels of government. This jurisdiction has been developed through the Leyes Generales de Hacienda Pública (General Treasury Laws) and the Financial Laws of the different Autonomous Communities.

In relation to budgetary classifications, the classifications for programmes are not identical but in the economic classification there is homogeneity at the levels of budgetary chapter but not at more detailed levels (budgetary sections and sub-sections).

The non-financial budget balance (WB) is obtained from the difference between the recognised rights and liabilities of the non-financial budget.

The recognition of a liability is the administrative act by which the competent authority formally accepts, under the budget, a debt to a third party as a consequence of performance by the latter of a service to which it had committed, according to the "service rendered" principle or, in the case of non-reciprocal liabilities, as a consequence of entitlement to such sums due by the third party under the legislation or an administrative act conferring it under current legislation.

The recognition of an asset is the act by which a credit is declared and settled in favour of public administration.

The budget of the Autonomous Communities is approved by their respective parliaments. The result of the budgetary execution, recorded in the General Account of the Autonomous Community, is subject to the external control of the regional Chambers of Accounts or the Court of Auditors.

The deadlines for drawing up General Accounts and submitting them to the regional Chambers of Accounts or the Court of Auditors for review and approval are regulated in the finance legislation of the Autonomous Communities.

3.3.3.3 *Coverage of units in the working balance*

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

There are not units classified outside the sub-sector but reported in the WB.

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

Units that are subject to a limited budget, and that according to the legislation in force have to formulate their annual accounts in accordance with public accounting principles are included in the WB. They are always included in the Autonomous Community. The WB reveals the subtraction of non-financial income and expenditure budget. Those units are Autonomous Bodies and Universities in most cases.

Units subject to the General Accounting Plan for Spanish Companies or to the adaptation of the General Accounting Plan for non-profit making entities, which are included in the Autonomous Community are not considered in the WB. The net lending (+) / net borrowing (-) of these units is included in the section *Net borrowing (-) or net lending (+) of other state government bodies* of the EDP table 2B.

3.3.3.4 Accounting basis of the working balance

Although the Autonomous Communities have jurisdiction for developing their own accounting systems and for approving their own General Public Accounting Plans, these must be compatible with the General Public Accounting Plan. The reason is that the General Accounting Plan is the framework for the different levels of government. So, the principles of this Plan are fully applicable in the State Government sub-sector. One of those principles is the accrual criteria. In general, this criteria is the one for recording non-financial transactions. According to this principle, expressed in the General Public Accounting Plans, the temporal allocation of the transactions should be made according to the real flow of goods and services implied, and not when the monetary or financial flow occurs. Therefore, it is understood that the expenditure and revenue transactions take place when the rights and obligations that they originate arise.

However, the assignment of the rights and obligations to the corresponding budget will require that, previously, the administrative procedures be completed for acknowledging the right or obligation derived from the economic fact.

This last paragraph implies that, in some cases in budgetary accounting, the recording criteria applied do not fully coincide with the principle of the accrual basis. This is true for interest payments that are incorporated into the budget at the time of their maturity, which is when the administrative procedures are completed for acknowledging the right or obligation, although according to the General Public Accounting Plan the interests are recorded in accrual basis. The difference between the interest charged to the budget (based on a cash basis) and accrued interest (recognized in public accounting) leads to adjustments recorded in the line *Difference between interest paid (+) and accrued (D.41) (-)* of Table 2B PDE questionnaire.

In addition, public accounting standards provide that, at least at the close of the period, although they were not concluded the administrative procedures for acknowledging the budgetary right or obligation, the income and expenses accrued until that date should also be recognized in the economic outturn account or in the statement of changes in equity. In the case of expenses, the account 409/413 or equivalent "Creditors from transactions awaiting insertion into the budget" includes, for each year, the amount of accrued expenses but not charged to the budget. The change in the balance of this account is used to determine the adjustment line *Non-financial operation not considered in the budget of the year* of Table 2B PDE questionnaire (see 3.3.3.5).

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

See the previous paragraphs.

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

The adjustment line of *Tax reimbursements*, included in the item *Other accounts payable (-)*, reflects the correction of tax reimbursements due to the difference between the submission of claims and the payments of tax refunds.

3.3.3.4.3 Other accrual adjustments in EDP T2

There are not other accrual adjustments.

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

The item *Non-financial transactions not included in the working balance* comprises the following adjustments:

- *Others non-financial operations not included in the budget of the year.* Under this adjustment are included obligations derived from expenditure actually made, or from

goods and services received, which have not yet been inserted in the budget, but that ultimately have to be (Account 409/413 “Creditors from transactions awaiting insertion into the budget” or similar). When it is necessary, this item also includes any other expenses not reflected in the WB, or in any other adjustment items.

- *Funds which are not institutional units.* This item includes the operations carried out by funds which are not independent legal entities apart from the General Administration of the Autonomous Community. Their main activity is to provide loans to companies. The operations of these funds are not included in the WB of the General Administration of the Autonomous Communities. The results are included in the section *Other adjustments* of EDP table 2.

3.3.3.6 *Financial transactions included in the working balance*

As shown above (see section 3.3.3.1), the working balance is the result of subtracting nonfinancial income and expenditure. Therefore financial transactions are not included in the working balance.

However, there are two specific cases to take into account:

- Revenues from the distribution of business profits or accumulated reserves are recorded in the working balance. For EDP purposes only revenues coming from the distribution of ordinary results are considered dividends. Therefore, those dividends distributed charged to extraordinary income or accumulated reserves, are included with negative sign in the section *Other adjustments* of the EDP T2.
- Sometimes, revenues from the sale of financial assets are recorded in the working balance. Therefore, these revenues are included with negative sign in the section *Other adjustments* of the EDP T2 to avoid their impact on the net lending (+) net borrowing (-) of the State government sub-sector.

In public accounting, capital injections from the Autonomous Communities into public corporations are considered as financial transactions. However, those capital injections into public corporations included in the General government sector or for compensating losses or for financing unprofitable investments are considered in national accounts as non-financial transactions. These transactions are included in the section *Capital injections into a public corporations and others* of EDP Table 2B.

3.3.3.7 *Other adjustments reported in EDP T2*

- The item *Adjustments due to the differences at the moment of recording in the sources of data* reflects the impact of the prioritisation of data sources. The working balance in table 2B is based on data reported by Autonomous Communities. These data include transfers received from other government bodies. However, government units paying those transfers (“the State” mainly) might have a different perception of the amounts and of the time of recording. Differences observed are considered to mainly originate from differences in time of recording and not from other issues (e.g. misclassification of transaction or of counterpart sector).
- The item *Cancellation of taxes* corresponds to adjustments made for taxes managed and collected by the Autonomous Communities that are unlikely to be collected. The adjustment is the difference between the rights recognized in the budget and the amount collected in the exercise (see Section 6.1.1).
- The item *Capital injections into public corporations and others* is the adjustment made for capital injections of the Autonomous Communities to corporations included in the General government sector; as well as to other types of companies in the sector of Non-financial

corporations, for compensating losses or for financing unprofitable investments. In public accounting, both transactions are recorded as financial transactions, whilst in national accounts they are recorded as non-financial transactions.

- *Re-routed operations made by public corporations*: Deal with transactions made by public companies on behalf of the Autonomous Communities that have to be recorded as transactions of the own Autonomous Community in each accounting year.
- The item *Others adjustments* consists of following adjustments:
 - *Project contracts with a single gross payment*: Law 13/1996, regarding Fiscal, Administrative and Social Order Measures considers project contracts with a single gross payment, in which the total price of the contract will be paid by the government when the work is finished (by a single payment or in instalments, obliging the contractor to finance the construction and make all the necessary payments in advance, until the work is completed and delivered). In ESA, this type of contract is not treated differently, thus the general rule is applicable. According to this rule, unfinished constructions that are being carried out under a previously signed sales contract are treated as gross capital formation in each financial year, while the project is in progress, relating to that part of the work completed in each of the years.
 - *Adjustments for grants from the EU Budget*: It records the adjustments due to differences between the data from the receipts in the budget of the Autonomous Communities and the amount resulting from the application of the co-finance percentage of the EU to the certified expenditure, in the accounting year (according to the EUROSTAT Decision 22/2005, of 15th of February).
 - *Implementation of guarantees*: When a guarantee granted by a Autonomous Community to a public company is called due to the failure on the part of the guaranteed entity to pay its obligations, in national accounts a transfer of capital is recorded in the Autonomous Community that guaranteed the transaction, independently of the budgetary section in which the transaction was entered into the accounts.
 - *Ceded taxes (Impuestos cedidos)*: This adjustment aims at reconciling the possible differences between the amounts recorded as revenues by Autonomous Communities in their budgets and the amount actually transferred by “the State” which is in charge of collecting these taxes. This is in line with Article 18 of Law 21/2001, of 27th of December, about the determination of tax returns granted, and in Articles 8 to 15 of this same Law in relation to the arrangement of the system for payments on account and final liquidation.
 - *Private Public Partnerships (PPPs)*: This adjustment includes as a negative amount (higher expenditure) the investment carried out by private units under contracts with Autonomous Communities that, following the criteria of ESA 2010 Manual on Government Deficit and Debt, has to be recorded as public investment, due to a insufficient transmission of the risks to the private partner. Moreover, it includes as positive amounts (lesser expenditure) the amounts included in the working balance as non-financial expenditure related to the redemption of the imputed loan (counterpart of the investment carried out). The contracts with the Autonomous Communities treated as PPPs are identified in accordance with the paragraph 7.1 of this Guide.
 - *Financial Leasing*: This kind of contract implies the recording as Gross Fixed Capital Formation the cost of the asset in the Autonomous Community at the time of the sign. The difference between this cost and the redemption recorded in the budget implies a higher non-financial expenditure in the year when the contract is signed. In the following years, the amounts included in the budget will be reduced by the redemptions

Purchases with deferred payment. Acquisitions of goods with deferred price are recorded at its price in cash when the delivery is produced irrespective of the time in which the payment is agreed. The difference between this price and the amount recorded in the budget implies a higher non-financial expenditure in the year when the contract is signed. In the following years, the amounts included in the budget will be reduced by the redemptions of the imputed loan (counterpart of the initial investment). The interests will be recorded as expenditure in the accrued year. This treatment is similar to that described previously on the financial leasing transactions.

- Adjustments of the liquidation of the Autonomous Communities financing system not recorded in previous sections.*
- Other adjustments.* Some exceptional or negligible transactions are included.

The working balance is the starting point for calculating the net lending/net borrowing of the State government sub-sector. Subsequently, the adjustments listed above are made in order to apply the criteria of ESA to obtain the B.9 balancing item.

TABLE 1. *Continued*

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In the FASE, the financial transactions for the items loans and equity and investment fund shares are not split into those granted or acquisitions and repayments or sales and, for this reason, in EDP tables 3 this information is provided on the basis of budgetary information and estimates.

	Assets	Liabilities
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[illegible]

	Calculation of stocks													
Transaction data			X				X				X			X
Stock data	X	X		X	X	X		X	X	X		X	X	

The sources used are not different for the annual and quarterly financial accounts (actually, the BdE only compiles quarterly financial accounts) and, summarizing, these sources, their frequency and timeliness are:

a. Financial assets:

F2. Currency and deposits: Money and banking statistics and Banco de España, the frequency is quarterly and the delay is 75 days.

F3. Debt securities: Budgetary information and Securities market statistics, the frequency is quarterly and the delay is 75 days.

F4. Loans: Budgetary information, the frequency is quarterly and the delay is 75 days.

F5. Equity and investment fund shares: Budgetary information for transactions and Central Balance Sheet Data Office of the Statistics Department for stocks. The frequency is annual for stocks with four months of delay and for transactions the frequency is quarterly and the delay is 75 days.

F8. Other accounts receivable: Budgetary information, the frequency is quarterly and the delay is 75 days.

b. Liabilities:

F3. Debt securities: Securities market statistics (for the nominal values this information is tested with budgetary information). The frequency is monthly and the delay one month.

F4. Loans: Central Credit Register (resident lenders) and Balance of Payments and International Investment Position (non-resident lenders). This information is checked with the internal records of the public accounts. These statistics are compiled on a quarterly basis with a delay of 75 days.

F8. Other accounts payable: Budgetary information, the frequency is quarterly.

3.3.4.2 Other stock-flow adjustments

See answer to point 3.2.4.2.

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

3.4.1 Data sources for Local Government main unit: Local Entities.

The main units in the Local government sub-sector are the following:

- Local entities regulated by the Local Government Regulation Act (Ley 7/1985), of 2 April 1985, or recognised by the Autonomous Communities in their statutes: Municipalities, Provinces, Islands, Metropolitan Areas, Groupings of Municipalities, Districts and other entities comprising several municipalities and entities whose scope is below municipal level. As at December 2014, there were 13 003 local entities.
- The Autonomous Cities of Ceuta and Melilla.

Table 8 – 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
		T + days	T+mont.🌤️		cross appropriate cells		
				Budget Reporting			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
A	Q	T+30	T+11	(3) Current and capital revenue and expenditure and financial transactions	X	X	X
				(4) Balance sheets			
				Financial Statements			
				(5) Profit and loss accounts			
A	Q	T+30	T+11	(6) Balance sheets		X	X
				(7) Cash flow statement			
				Other Reporting			
				(8) Statistical surveys			
				(9) Other:			

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

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

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

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

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

3.4.1.1 Details of the basic data sources

Ministerial Order HAP/2105/2012 sets out the obligations of Local Corporations as regards the provision of information. Specifically, before the last day of the month following the end of each quarter, Local Corporations must submit standardised information whose content is comparable to that of the Autonomous Communities. This includes:

- Settlement of the revenue and expenditure budget, indicating the recognised rights and liabilities, together with payments and receipts for the current and closed fiscal years.
- Obligations with third parties not charged to the budget, liquid, due and payable.
- Implementation reports, for the same period, on revenue and expenditure, for entities subject to the General Accounting Plan for Spanish companies or its sectoral adaptations.
- Any supporting information to help calculate the deficit of Local Entities in national accounts terms.

This quarterly information is used to compile the quarterly accounts of the Local Entities, which are integrated into the Quarterly Non-financial Accounts of General Government and sent to Eurostat, in compliance with EU Regulations on quarterly accounts, within three months of the end of the reference quarter.

The annual information for year n sent by Local Entities before 31 January of $n+1$ is used to complete the first Excessive Deficit Procedure notification [April ($n+1$) EDP notification].

This information is subsequently updated by the Local Corporations before 31 March of the year following the settlements and is used as the basis for preparing the data of the second EDP notification (October $n+1$).

The obligation to forward this information extends to units within the Local government sub-sector in ESA terms. Specifically, this refers to the local authorities included within the subjective scope of Article 2.1., Order HAP/2105/2012.

Lastly, before 31 October of the year $t+1$, the Local Entities must forward their General Accounts and the approved Annual Accounts for year t of the entities within the scope of this Order. In other words, the Annual Accounts and General Accounts of all local units covered under articles 2.1 and 2.2 of the Order should be forwarded, regardless of whether they are included in the Local Government sub-sector of the national accounts. Furthermore, local entities must submit their General Accounts to the Tribunal de Cuentas (Court of Auditors) before 15 October of the year following that to which it relates and, in case of Regional Court of Auditors before the date established in the regional law.

3.4.1.2 Statistical surveys used as a basic data source

Statistical surveys are not used as a basic data source for the compilation of non-financial accounts at the Local government sub-sector.

3.4.1.3 Supplementary data sources and analytical information

Indeed, there is supplementary information from units that carry out certain transactions in which the Local Entities are involved. This information is generally available as part of the information submitted by other sub-sectors, especially the Central and the State government, for transfers between these levels of government and Local government, or is directly requested from specific units that relate to the General government sector, regardless of their classification in national accounts. This is the case of capital contributions made by the Local Entities to units, included in national accounts in the sector of Non-financial corporations, to which we can request detailed information about these contributions in order to classify them

as financial or non-financial transactions. In the compiling process of the debt and financial transactions, information of financial institutions is used to check data.

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

The administrative report «Summary Report about the revenue from taxes ceded and agreed» in the field of taxable resources is used for the compilation of non-financial accounts. In this report information for the Local government sub-sector is included for the agreed taxes corresponding to the Diputaciones Forales (Forales County Councils) of the Basque country.

3.4.1.3.2 Supplementary data sources used for the compilation of financial accounts

3.4.2 Data sources for other Local Government units

In addition to the Local entities (main units), this sub-sector includes other entities. These entities have their own legal personality and are included in the Local government sub-sector. They may have different legal forms: agencies, autonomous bodies, consortiums, other public bodies, corporations and foundations. At December 2014, there were 2 072 bodies. They can be distinguished:

- Entities that constitute the administrative public sector included in the Local government sub-sector (S.1313): accounting principles and rules are established according to the General Public Accounting Plan. They are included: autonomous bodies and some consortia.
- Entities that constitute the public corporations sector included in the Local government sub-sector (S.1313): accounting principles and rules are established according to the Business Code and the General Accounting Plan for Spanish companies.
- Foundations of the Public State sector included in the Local government sub-sector (S.1313): accounting principles and rules collected within the adaptation of the General Accounting Plan to non-profit making entities.

Table 9 – 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
		T + days	T+month📅	cross appropriate cells			
				Budget Reporting			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
A	Q	T+30	T+11	(3) Current and capital revenue and expenditure and financial transactions	X	X	X
				(4) Balance sheets			
				Financial Statements			
A	Q	T+30	T+11	(5) Profit and loss accounts		X	X
A	Q	T+30	T+11	(6) Balance sheets		X	X
				(7) Cash flow statement			
				Other Reporting			
				(8) Statistical surveys			
				(9) Other:			

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

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

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

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

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

3.4.2.1 Details of the basic data sources

See 3.4.1.1.

3.4.2.2 Statistical surveys used as a basic data source

See 3.4.1.2.

3.4.2.3 Supplementary data sources and analytical information

See 3.4.1.3

3.4.3 EDP table 2C

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

The WB is the starting point for the calculation of the balance B9 of units belonging to the Local government sub-sector that are subject to the General Public Accounting Plan. It includes the WB of the General Administrations of the Local Entities, the autonomous bodies and some consortiums fundamentally.

The WB is defined as the result of the difference between the non-financial incomes and the non-financial expenses of the budget. The non-financial operations of the Local Entities are classified into the following budget chapters:

- Revenue budget: non-financial transactions
 - Chapter 1. Direct taxes and social contributions
 - Chapter 2. Indirect taxes
 - Chapter 3. Fees, public prices and other income
 - Chapter 4. Current transfers
 - Chapter 5. Property income
 - Chapter 6. Disposal of investments
 - Chapter 7. Capital transfers
- Expenditure Budget: non-financial transactions
 - Chapter 1. Compensation of employees
 - Chapter 2. Current expenditure on goods and services
 - Chapter 3. Financial expenditure
 - Chapter 4. Current transfers
 - Chapter 6. Real investments
 - Chapter 7. Capital transfers

Therefore, the WB does not include financial transactions collected in Chapters 8 Financial assets and Chapter 9 Financial Liabilities of the Budget.

The WB is not consolidated. The heading *Adjustments due to the differences at the moment of recording in the sources of data* reflects, among others, the necessary adjustments to the consolidation of transactions between the units included in the WB (see 3.4.3.7).

3.4.3.2 *Legal basis of the working balance*

The budgetary structure of Local Entities is similar to that of “the State”. The revised text of the Regulatory Law for Local Treasuries (Legislative Royal Decree 2/2004, of the 5th of March) establishes the accounting system applicable to Local Entities. This accounting system is identical to that established in the General Budget Law for “the State”. The MoF, as proposed by the IGAE, approves the general accounting rules to which the accounting organization of the Local Entities, their independent bodies and the General Accounting Plan for Local Entities have to adjust. It also determines the structure and justification of the accounts, statements and other documents relating to public accounting. Moreover, it provides basic accounting procedures for local entities, the budgets of which are below 300.000 euros, and simplified accounting procedures for those municipalities which surpass this figure but have budgets below 3.000.000 and less than 5,000 inhabitants. Three Ministerial Orders from the Treasury regulate the current accounting system (Order EHA/4040/2004 of 23 November 2004, Orders HAP/1781/2013 and HAP/1782/2013 of 29 September 2013).

The WB is obtained from the difference between the non-financial revenue of the budget in the "recognised rights" phase and non-financial expenditure in the "recognised liabilities" phase:

- "Recognised liabilities". The recognition of a liability is the administrative act by which the competent authority formally accepts, under the budget, a debt to a third party as a consequence of performance by the latter of a service to which it had committed, according to the "service rendered" principle or, in the case of non-reciprocal liabilities, as a consequence of entitlement to such sums due by the third party under the legislation or an administrative act conferring it under current legislation.
- "Recognised rights". The recognition of an asset is the act by which a credit is declared and settled in favour of government.

The Local Entities budget is approved by the Plenary of the Local Corporation before the December 31 last year. It sends a copy of the budget to the Ministry of Finance and the corresponding Autonomous Community.

The result of budget execution, reflected in the General Account of the Local Entity is subjected to external control. External control is exercised by the Tribunal de Cuentas and the Regional Court of Auditors of their corresponding Autonomous Communities.

3.4.3.3 Coverage of units in the working balance

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

There are not units classified outside the sub-sector, but reported in the WB.

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

Units that are subject to a limited budget, and that according to the legislation in force have to formulate their annual accounts in accordance with public accounting principles are included in the WB. They are always included in the Local government sub-sector. The WB reveals the subtraction of non-financial income and expenditure budget. Those units are autonomous bodies and some consortiums.

Units subject to the General Accounting Plan for Spanish companies or to the adaptation of the General Accounting Plan for non-profit making entities, which are included in the Local government sub-sector are not considered in the WB. The net lending (+) / net borrowing (-) of these units is included in the section *Net lending (+)/ net borrowing (-) of other local government bodies* of the EDP table 2C.

3.4.3.4 Accounting basis of the working balance

In general, the criterion for recording non-financial transactions is that of the accrual basis. According to this principle, expressed in the General Public Accounting Plan, the temporal allocation of the transactions should be made according to the real flow of goods and services implied, and not when the monetary or financial flow occurs. Therefore, it is understood that the expenditure and revenue transactions take place when the rights and obligations that they originate arise.

The budget obligations resulting from acquisitions, works, services, benefits or expenses shall be charged to the general budget of the year in which they are made and charged to the respective credits; rights are charged to the budget of the year in which they recognize or settled.

However, the assignment of the rights and obligations to the corresponding budget will require that, previously, the administrative procedures be completed for acknowledging the right or obligation derived from the economic fact.

This last paragraph implies that, in some cases in budgetary accounting, the recording criteria applied do not fully coincide with the principle of the accrual basis:

- This is true for interest payments that are incorporated into the budget at the time of their maturity, which is when the administrative procedures are completed for acknowledging the right or obligation, although according to the General Public Accounting Plan the interests are recorded in accrual basis. The difference between the interest charged to the budget (based on a cash basis) and accrued interest (recognized in public accounting) leads to adjustments recorded in the line *Difference between interest paid (+) and accrued (D.41) (-)* of Table 2C PDE questionnaire.
- In addition, public accounting standards provide that, at least at the close of the period, although they were not concluded the administrative procedures for acknowledging the budgetary right or obligation, the income and expenses accrued until that date should also be recognized in the economic outturn account or in the statement of changes in equity. In the case of expenses, the account 413 “Creditors from transactions awaiting insertion into the budget” includes, for each year, the amount of accrued expenses but not charged to the budget. The change in the balance of this account is used to determine the adjustment line *Others non-financial operation not considered in the budget of the year* of Table 2C PDE questionnaire (see 3.4.3.5).

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

See the previous paragraphs.

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

There are not accrual adjustments reported under these transactions.

3.4.3.4.3 Other accrual adjustments in EDP T2C

There are not other accrual adjustments.

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

Under the adjustment *Others non-financial operations not considered in the budget of the year* are included obligations derived from expenditure actually made, or from goods and services received, which have not yet been inserted in the budget, but that ultimately have to be. These transactions are reflected in the account 413 “Creditors from transactions awaiting insertion into the budget” or similar. When it is necessary, this item also includes any other expenses not reflected in the WB, or in any other adjustment items.

3.4.3.6 *Financial transactions included in the working balance*

In general the working balance doesn't included financial transactions, however, there are two specific cases of financial transactions included in the working balance to take into account:

- Revenues from the distribution of business profits or accumulated reserves are recorded in the working balance. For EDP purposes only revenues coming from the distribution of ordinary results are considered dividends. Therefore, those dividends distributed charged to extraordinary income or accumulated reserves, are included with negative sign in the section *Other adjustments* of the EDP T2C.

- Sometimes, revenues from the sale of financial assets are recorded in the working balance. Therefore, these revenues are included with negative sign in the section *Other adjustments* of the EDP T2C to avoid their impact on the Net lending (+) net borrowing (-) of the Local government sub-sector.

In public accounting, capital injections from the Local Entities into public corporations are considered as financial transactions. However, those capital injections into public corporations included in the General government sector or for compensating losses or for financing unprofitable investments are considered in national accounts as non-financial transactions. These transactions are included in the section *Capital injections into public corporations* of EDP Table 2C.

3.4.3.7 *Other adjustments reported in EDP T2C*

- The item *Adjustments due to the differences at the moment of recording in the sources of data* reflect the impact of the prioritization of data sources. The working balance in Table 2C is based on data reported by Local Entities. These data include transfers received from other government bodies. However, government units paying those transfers (“the State” mainly) might have a different perception of the amounts and of the time of recording. Differences observed are considered to mainly originate from differences in time of recording and not from other issues (e.g. misclassification of transaction or of counterpart sector).
- The item *Cancellation of taxes* corresponds to adjustments made for taxes managed and collected by the Local Entities that are unlikely to be collected. The adjustment is the difference between the rights recognized in the budget and the amount collected in the exercise (see Section 6.1.1).
- The item *Capital injections into public corporations* is the adjustment made for capital injections of the Local Entities to corporations included in the General government sector; as well as to other types of corporations in the sector of Non-financial corporations, for compensating losses or for financing unprofitable investments. In public accounting, both transactions are recorded as financial transactions, whilst in national accounts they are recorded as non-financial transactions.
- The item *Others adjustments* includes:
 - *Re-routed operations made by public corporations*: Deal with transactions made by public companies on behalf of the Local Entities that have to be recorded as transactions of the own Local Entity in each accounting year.
 - *Implementation of guarantees*: When a guarantee granted by a Local Entity is called due to the failure on the part of the guaranteed entity to pay its obligations, in National Accounts the actual payment by Local Entity is recorded as a capital transfer, independently of the budgetary section in which the transaction was entered into the accounts.
 - *Ceded taxes* (Impuestos cedidos): This adjustment aims at reconciling the possible differences between the amounts recorded as revenues by Local Entities in their budgets and the amount actually transferred by the State, which is in charge of collecting these taxes
 - *Private Public Partnerships* (PPPs): This adjustment includes as a negative amount (higher expenditure) the investment carried out by private units under contracts with Local Entities that, following the criteria of the ESA 2010 Manual on Government Deficit and Debt, have to be recorded as public investment, due to a insufficient transmission of the risks to the private partner. Moreover, it includes as positive amounts

(lesser expenditure) the amounts included in the working balance as non-financial expenditure related to the redemption of the imputed loan (counterpart of the investment carried out).

- *Financial Leasing*: This kind of contract implies the recording as Gross Fixed Capital Formation the cash price of the leased good to the Local governments at the time of the sign. The difference between this price and the redemption recorded in the budget implies a higher non-financial expenditure in the year when the contract is signed. In the following years, the amounts included in the budget will be reduced by the redemptions of the imputed loan (counterpart of the initial investment). The interests will be recorded as expenditure in the accrued year.
- *Purchases with deferred payment*. Acquisitions of goods with deferred price are recorded at its price in cash when the delivery is produced irrespective of the time in which the payment is agreed. The difference between this price and the amount recorded in the budget implies a higher non-financial expenditure in the year when the contract is signed. In the following years, the amounts included in the budget will be reduced by the redemptions of the imputed loan (counterpart of the initial investment). The interests will be recorded as expenditure in the accrued year. This treatment is similar to that described previously on the financial leasing transactions.
- *Adjustments of the liquidation of the Local Entities financing system* not recorded in previous sections.
- *Other adjustments*. Some exceptional or negligible transactions are included.

3.4.3.8 Net lending/net borrowing of local government

The working balance is the starting point for calculating the net lending/net borrowing of the Local Government. Then, the adjustments mentioned before are made to calculate the B.9. Those adjustments have to be made to apply the criteria of the ESA.

3.4.4 EDP table 3D

3.4.4.1 Transactions in financial assets and liabilities

EDP tables 3D are derived directly from the quarterly Financial Accounts of the Local Government sector compiled and published on the Internet by Banco de España in the framework of the Quarterly Financial Accounts of the Spanish Economy (FASE). Additional information about issuances above/below par, differences between interest (D.41) accrued and paid and redemptions of debt above/below par is included in these tables and the same information is used in Financial Accounts in market value calculations. Furthermore, the effect of interest payments from swap agreements is considered.

In the FASE, the financial transactions for the items loans and equity and investment fund shares are not split into those granted or acquisitions and repayments or sales and, for this reason, in EDP tables 3 this information is provided on the basis of budgetary information and estimates.

Table 10. Data used for compilation of transactions and of stocks of financial assets and liabilities

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

The sources used are not different for the annual and quarterly financial accounts (actually, the BdE only compiles quarterly financial accounts) and, summarizing, these sources, their frequency and timeliness are:

a. Financial assets:

F2. Currency and deposits: Money and banking statistics and Banco de España, the frequency is quarterly and the delay is 75 days.

F3. Debt securities: Budgetary information and Securities market statistics, the frequency is quarterly and the delay is 75 days.

F4. Loans: Budgetary information, the frequency is quarterly and the delay is 75 days.

F5. Equity and investment fund shares: Budgetary information for transactions and Central Balance Sheet Data Office of the Statistics Department for stocks. The frequency is annual for stocks with four months of delay and for transactions the frequency is quarterly and the delay is 75 days.

F8. Other accounts receivable: Budgetary information, the frequency is quarterly and the delay is 75 days.

b. Liabilities:

F3. Debt securities other than shares: Securities market statistics (for the nominal values this information is tested with budgetary information). The frequency is monthly and the delay one month.

F4. Loans: Central Credit Register (resident lenders) and Balance of Payments and International Investment Position (non-resident lenders). This information is checked with the internal records of the public accounts. These statistics are compiled on a quarterly basis with a delay of 75 days.

F8. Other accounts payable: Budgetary information, the frequency is quarterly.

3.4.4.2 Other stock-flow adjustments

See answer to point 3.2.4.2.

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

3.5.1 Data sources for Social Security Funds main unit:

The Social security funds sub-sector (S.1314) is composed of the following institutional units:

- (1) The Entidades Gestoras y Servicios Comunes de la Seguridad Social (Social Security Management Bodies and Common Services):
 - Instituto Nacional de la Seguridad Social (INSS, -National Social Security Institute-);
 - Instituto Nacional de Gestión Sanitaria (INGESA, -National Public Health Institute-);
 - Instituto de Mayores y Servicios Sociales (IMSERSO, -Institute of Social Services and the Elderly-);
 - Instituto Social de la Marina (ISM, -Social Marine Institute-);
 - Tesorería General de la Seguridad Social (General Treasury of Social Security);
- (2) The Mutuas de Accidentes de Trabajo y Enfermedades Profesionales de la Seguridad Social (MATEPSS, -Mutual Funds for Work Accidents and Occupational Illnesses of the Social Security system-).
- (3) The Servicio Público de Empleo Estatal (SPEE, -State Public Employment Service-).
- (4) The Fondo de Garantía Salarial (FOGASA, -Wage Guarantee Fund-).

The "WB" in EDP Table 2D records the balance of the non-financial transactions of the budget of these units.

Table 11 – 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
		T + days	T+mont.🌈		cross appropriate cells		
				Budget Reporting			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
A	M	T+30	T+11	(3) Current and capital revenue and expenditure and financial transactions	X	X	X
				(4) Balance sheets			
				Financial Statements			
				(5) Profit and loss accounts			
A	A	T+30	T+11	(6) Balance sheets		X	X
				(7) Cash flow statement			
				Other Reporting			
				(8) Statistical surveys			
				(9) Other:			

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

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

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

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

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

3.5.1.1 Details of the basic data sources

The management functions of public accounting in the scope of the entities comprising the Social Security System (Entidades Gestoras y Servicios Comunes plus MATEPS) will be exercised by IGAE through the Intervención General de la Seguridad Social (Article 125.3 LGP). The management functions of public accounting in the scope of the other entities comprising the Social security funds sub-sector will be exercised by IGAE (Article 125.1 LGP).

The keeping of the accounting records of Entidades Gestoras y Servicios Comunes is exercised by IGAE through the IGSS. The keeping of the accounting records of MATEPS, SPEE and FOGASA is exercised by each of them and provided to the IGSS and the IGAE.

This allows for centralisation of the accounting information of units within the Social security funds sub-sector (S.1314) and ensures that monthly information is available on the transactions in this sub-sector.

By preparing monthly national accounts, it is possible to continuously monitor both the basic information and the transactions with specific treatment in the national accounts, which improves the quality of the annual data of the EDP.

To prepare the data to be sent in the first EDP notification of each year (April), information on December received before 31 January of the following year is used.

To prepare the data to be sent in the second EDP notification of each year (October), the updated information drawn up by the units forming this sub-sector (S.1314) is used.

Data from the Social Security General Account are used for the final accounts.

All the information available at the time is used in the preparation of the data submitted in the notifications of April and October.

3.5.1.2 Statistical surveys used as a basic data source

Statistical surveys are not used as a basic data source for the compilation of non-financial accounts at the Social security funds sub-sector.

3.5.1.3 Supplementary data sources and analytical information

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

In addition to the sources previously described, it should be added that, for the first notification and half-finalised accounts as well as for the finalised accounts, it is necessary to use complementary information from other agents, such as, for example, the transfers given and received from the other units included in the General government sector or from funds received by the Servicio Público de Empleo Estatal of the European Social Fund (ESF).

This information is generally available as part of the information submitted by other sub-sectors, especially the Central government, for transfers between both levels of government, or is directly requested from specific units that relate to the General government sector, regardless of their classification in national accounts.

3.5.1.3.2 Supplementary data sources used for the compilation of financial accounts

No supplementary data sources are used to compile financial accounts for social security funds.

3.5.2 Data sources for other Social Security units

They are no other Social Security units.

3.5.3 EDP table 2D

3.5.3.1 Working balance - use for national accounts compilation

The WB is the starting point for the calculation of the balance B9 of units belonging to the Social security funds sub-sector. The WB concerns to all units included in this sub-sector.

The WB is defined as the result of the difference between the non-financial incomes and the non-financial expenses of the budget. The non-financial operations of the Social Security are classified into the following budget chapters:

- Revenue budget: non-financial operations
 - Chapter 1. Social contributions
 - Chapter 3. Fees, and other income
 - Chapter 4. Current transfers
 - Chapter 5. Property income
 - Chapter 6. Disposal of investments
 - Chapter 7. Capital transfers
- Expenditure Budget: non-financial operations
 - Chapter 1. Compensation of employees
 - Chapter 2. Current expenditure on goods and services
 - Chapter 3. Financial expenditure
 - Chapter 4. Current transfers
 - Chapter 6. Real investments
 - Chapter 7. Capital transfers

Therefore, the WB does not include financial transactions collected in Chapters 8 Financial assets and Chapter 9 Financial Liabilities of the Budget.

The WB is not consolidated. The heading *Adjustments due to the differences at the moment of recording in the sources of data* reflects, among others, the necessary adjustments to the consolidation of transactions between the units included in the WB (see 3.5.3.7).

3.5.3.2 Legal basis of the working balance

There is no specific regulation on the non-financial budget balance (WB) of the Social Security System. It is obtained from the difference between the non-financial revenue of the budget in the *recognised rights* phase and non-financial expenditure in the *recognised liabilities* phase:

- *Recognised liabilities*. The recognition of a liability is the administrative act by which the competent authority formally accepts, under the budget, a debt to a third party as a consequence of performance by the latter of a service to which it had committed, according to the "service rendered" principle or, in the case of non-reciprocal liabilities, as a consequence of entitlement to such sums due by the third party under the legislation or an administrative act conferring it under current legislation.
- *Recognised rights*. The recognition of an asset is the act by which a credit is declared and settled in favour of government.

The initial budget of the units comprising the Social security funds sub-sector (initial appropriations to cover expenditure and forecasted revenue) is approved by Parliament.

The result of the budget implementation, recorded in the General Social Security Account, is subject to external control by the Tribunal de Cuentas (Court of Auditors).

In this regard, in accordance with the statutory time limits, the General Social Security Account is submitted to the Tribunal de Cuentas before 31 October of the year following that to which it relates. The Tribunal de Cuentas has six months in which to review and verify the General Account.

Therefore, any gaps observed by the Tribunal de Cuentas in the General Account of the year "n" can only be taken into account in the preparation of the final accounts, which are reported in the EDP notification for the year "n+2".

3.5.3.3 Coverage of units in the working balance

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

There are not units classified outside the sub-sector but reported in the WB

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

There are not units to be classified inside the sub-sector, but not reported in the WB

3.5.3.4 Accounting basis of the working balance

The General Public Accounting Plan establishes the accrual basis as one of the accounting principles. According to this principle, the temporal allocation of the transactions should be made according to the real flow of goods and services implied, and not when the monetary or financial flow occurs. Therefore, it is understood that the expenditure and revenue transactions take place when the rights and obligations that they originate arise.

The budget obligations resulting from acquisitions, works, services, benefits or expenses shall be charged to the general budget of the year in which they are made and charged to the respective credits; rights are charged to the budget of the year in which they recognize or settle.

However, the assignment of the rights and liabilities to the corresponding budget will require that, previously, the administrative procedures be completed for acknowledging the right or obligation derived from the economic fact.

This last paragraph implies that, in some cases in budgetary accounting, the recording criteria applied do not fully coincide with the principle of the accrual basis:

- This is true for interest payments that are incorporated into the budget at the time of their maturity, which is when the administrative procedures are completed for acknowledging the right or obligation, although according to the General Public Accounting Plan the amount accrued is recorded at the end of the financial year. However, in the case of this subsector, as there are hardly any interest payable, this adjustment is negligible.
- In addition, public accounting standards provide that, at least at the close of the period, although they were not concluded the administrative procedures for acknowledging the budgetary right or obligation, the income and expenses accrued until that date should also be recognized in the economic outturn account or in the statement of changes in equity. In the case of expenses, the account 413 “Creditors from transactions awaiting insertion into the budget” includes, for each year, the amount of accrued expenses but not charged to the budget. The change in the balance of this account is used to determine the adjustment line *Others non-financial operation not considered in the budget of the year* of Table 2D -EDP questionnaire (see 3.5.3.5)

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

In the case of this sub-sector, as there are hardly any interest payable, this adjustment is negligible. See the previous paragraphs.

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

There are not accrual adjustments under these transactions.

3.5.3.4.3 Other accrual adjustments in EDP T2D

There are not other accrual adjustments.

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

Under the adjustment *Other non-financial transactions not included in the budget of the year* are incorporated obligations derived from expenditure actually made, or from goods and services received, which have not yet been inserted in the budget, but that ultimately have to be. (Account 413 “Creditors from transactions awaiting insertion into the budget” or similar). When it is necessary, this item also includes any other operations not reflected in the WB, or in any other adjustment items.

3.5.3.6 Financial transactions included in the working balance

In general, the working balance of Social security funds sub-sector does not include financial transactions.

3.5.3.7 Other adjustments reported in EDP T2D

- The item *Cancellation of social contributions and others* corresponds to adjustments made for social contributions that are unlikely to be collected. See section 6.1.2.
- The item *Cancellation of revenues* includes the amounts of "bajas por insolvencias".
- The item *Adjustments due to the differences at the moment of recording in the sources of data* reflects the impact of the prioritisation of data sources. The working balance in table 2D is based on data reported by all units of Social security funds sub-sector. These data include transfers received from other government bodies. However, government units paying those transfers (“the State” mainly) might have a different perception of the amounts and of the time of recording. Differences observed are considered to mainly originate from differences in time of recording and not from other issues (e.g. misclassification of transaction or of counterpart sector).

This item includes also the adjustment for the discrepancies between the data for this section that appears in the income budget of the Social Security System and the information sent by the Administrative Units of the different structural funds. Only some amounts of little significance have to be adjusted.

- The item *Adjustment in social contributions* in “Other accounts receivable (+)” includes the lag between the time that social contributions are accrued and the time they are recorded in the budget of the Social Security funds. Social contributions are accrued at the end of every month. However, they are recorded in the Budget the following month. Therefore, an adjustment is made in order to amend the one month delay in the time of recording social contribution amounts as revenue in the settlement of the income Budget of the Social Security.
- The items *Adjustment in social benefits* in “Other accounts payable (-)” includes:
 - The differences between the accrual and the recognition in the Budget of the social benefits granted by the Servicio Público de Empleo Estatal to the unemployed people. These differences are explained because in the budget (WB) the expense produced in December is registered in January of the following year. For that reason the real expense in the year is calculated subtracting the social benefits of the current January and adding the social benefits registered in budget of January of the following year.
 - The lag between the moment social benefits related to “pensiones contributivas”, “prestaciones de protección familiar” and “prestaciones de incapacidad laboral temporal” are accrued and the moment they are recorded in the Budget of the Entidades Gestoras y Servicios Comunes de la Seguridad Social and Mutuas. Another adjustment has to be made in order to amend the one month delay in the time of recording these expenses in the settlement of the expenditure Budget of the Social Security.

- The item *Cash operations and others adjustments* includes:
 - Adjustment for the difference between interests received recorded in the budget and accrued interest. Mainly, interest received by the Social Security Reserve Fund from “the State” (see 6.4.2).
 - Adjustments for grants from the EU Budget: It records the adjustments due to differences between the data from the receipts in the budget of the Social Security Funds and the amount resulting from the application of the co-finance percentage of the EU to the certified expenditure, in the accounting year (according to the EUROSTAT Decision 22/2005, of 15th of February).
 - Other minor adjustments. Some exceptional or negligible transactions are included.

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

The working balance is the starting point for calculating the net lending/net borrowing. Then, the adjustments mentioned before are made to calculate the B.9. Those adjustments have to be made to apply the criteria of the ESA.

3.5.4 **EDP table 3E**

3.5.4.1 *Transactions in financial assets and liabilities*

EDP tables 3D are derived directly from the quarterly Financial Accounts of the Social security funds sub-sector compiled and published on the Internet by Banco de España in the framework of the Quarterly Financial Accounts of the Spanish Economy (FASE). Additional information about issuances above/below par, differences between interest (EDP D.41) accrued and paid and redemptions of debt above/below par is included in these tables and the same information is used in Financial Accounts in market value calculations. Furthermore, the effect of interest payments from swap agreements is considered.

In the FASE, the financial transactions for the items loans and equity and investment fund shares are not split into those granted or acquisitions and repayments or sales and, for this reason, in EDP tables 3 this information is provided on the basis of budgetary information and estimates.

Table 12. Data used for compilation of transactions and of stocks of financial assets and liabilities

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

The sources used are not different for the annual and quarterly financial accounts (actually, the BdE only compiles quarterly financial accounts) and, summarizing, these sources, their frequency and timeliness are:

a. Financial assets:

F2. Currency and deposits: Money and banking statistics and Banco de España, the frequency is monthly and the delay is one month.

F3. Debt securities: Budgetary information and Securities market statistics, the frequency is monthly and the delay is one month.

F4. Loans: Budgetary information, the frequency is monthly and the delay is one month.

F8. Other accounts receivable: Budgetary information, the frequency is monthly and the delay is one month.

b. Liabilities:

F4. Loans: Budgetary Information, Central Credit Register (resident lenders) and Balance of Payments and International Investment Position (non-resident lenders). This information is checked with the internal records of the public accounts. These statistics are compiled on a monthly and the delay is one month.

F8. Other accounts payable: Budgetary information, the frequency is monthly.

3.5.4.2 Other stock-flow adjustments

See answer to point 3.2.4.2.

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 EDP T3.

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

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

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

3.6.1 Coverage of units

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

3.6.2 Financial transactions

There are not financial transactions which are excluded from the WB as reported in EDP T2.

3.6.3 Adjustments for accrued interest D.41

Table 2 of EDP questionnaire explains reconciliation between the deficit included in the working balance (budget deficit) and EDP deficit. The line *Difference between interest paid and accrued* includes differences between interest payments at the moment of the payment included in the budget deficit and accrued interests recorded in the deficit.

Table 3 questionnaire explains EDP reconciliation between annual variations of EDP debt and deficits. This implies that, as regards interest expenses, relevant flows are those which allow us to explain the annual changes in nominal values and, therefore, the relevant adjustment is the difference between the accrued interest and the paid interest along all the life of the instruments independently of its recording in the budget. The statistical source used to compile this item is the Securities Database of Banco de España. The amount has been calculated on a security-by-security basis and includes mainly two components: differences between interests accrued and paid in securities issued with coupon and accrued interests of treasury bills issued at discount.

3.6.4 Other accounts receivable/payable F.8

There are not differences in the figures reported in EDP T2 and T3 in accrual adjustments under other accounts receivable and other accounts payable. The accrual adjustments reflected in non-financial accounts are identical to those reported in financial accounts in F.8.

3.6.5 Other adjustments/imputations

The adjustments and imputations included in EDP T2 during the compilation process are also reported in EDP T3.

3.7 General comments on data sources

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 information included in this item is obtained in the compilation process of the Financial Accounts of the Spanish Economy. The main statistical sources used are the budget outturns of the different General Government bodies. The stocks on trade credits are calculated adding transactions on expenses not paid recorded in the budget chapters “Compras de Bienes y Servicios” and “Inversiones”.

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

The public corporations involved in debt undertakings are Red Nacional de Ferrocarriles Españoles (RENFE) and Administrador de Infraestructuras Ferroviarias (ADIF). The information on stocks is obtained from the Spanish Treasury (General Secretariat of the Treasury and Financial Policy).

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

Yes, it exists a revision policy regarding EDP data. Recently, it has been changed and therefore, paragraphs 4.1, 4.2 and 4.3 reflects the most recent revision policy as regards EDP.

Both ordinary revisions and non-ordinary revisions are made to EDP data. The paragraph 4.1 deal with ordinary revisions and paragraph 4.2 deal with non-ordinary revisions.

4.1.1 Relating to deficit and non-financial accounts

Ordinary revisions are mainly due to revisions in data provided by the government units or to decisions taken by the Technical Committee of National Accounts. They are regular and are performed in each EDP notification.

For a year n , the first estimate of non-financial accounts of General government sector is made for the April ($n+1$) EDP notification (advance data). These accounts of the year n are regularly revised for the October $n+1$ EDP notification (half-finalised 1 data).

In April ($n+2$) EDP notification, non-financial accounts of the year n are revised only in some circumstances (half-finalised 2 data).

Finally, in October ($n+2$) EDP notification, non-financial accounts of the year n are regularly revised for the last time. At that time, data of accounts of the year n are definitive (final).

4.1.2 Relating to debt and financial accounts

There is a revision policy established which, while ensuring that the modifications that occur and that generally affect the most recent quarters to a greater extent are incorporated, gives the published series a degree of stability. Thus, when the accounts for each quarter are updated, at most the accounts of the eight preceding quarters and their corresponding years are revised. In addition to the quarterly updates and revisions, in June of each year, before the annual print edition is published, the quarterly update made in April is revised (also with application of the policy of extending the revision to the eight preceding quarters and their corresponding years).

4.2 Reasons for other than ordinary revisions

Non-ordinary revisions are due to changes or clarifications of the methodology, usually involving several years and carried out in the framework of Eurostat visits, decisions, guidance notes and advices. They are non regular and are performed according with the calendar agreed by Eurostat and Member States.

In addition, major revisions involving all financial and non-financial national accounts aggregates (benchmark revisions) are also considered as non-ordinary revisions and are due either changes in the standards (ESA) or major statistics changes in the Statistical System of the country. They are punctual in the time and are performed every five–ten years.

4.3 Timetable for finalising and revising the accounts

The annual non-financial accounts of all sub-sectors of General government sector have the same calendar. These accounts are posted on the website of the IGAE. The character of the data included in each notification for non-financial transactions is determined by the existing time periods for the rendering of the accounts, according to the established rule applicable in each case.

	<u>April (n)</u>	<u>October (n)</u>
Year n-1	first estimate (advance)	half-finalised 1
Year n-2	half-finalised 2	final

For each notification, the basic information available and processed at that time is used. There are differences in the breakdowns and level of detail of available information among sub-sectors, as it noted in paragraph 2.3.1.2 and 3 of this inventory.

The Financial Accounts of the Spanish Economy are disseminated in electronic form, available at www.bde.es. This edition is updated quarterly with a lag of approximately 110 calendar days (usually on the 20th of the fourth month after the latest quarter included in the Accounts), and is preceded by a brief note describing the changes introduced and contains all the available tables. The specific dates of the updates of the Accounts appear in a release calendar for the publication, which, along with other Banco de España statistics, is available at www.bde.es.

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:

- a. if it is an institutional unit (ESA2010 2.12 describes the rules according to which an entity can be considered as an institutional unit)
- b. if it is a public institutional unit (ESA 2010 §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)
- c. 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)"

The General government sector (S.13) only includes institutional units considered as non-market producers under ESA 2010. Therefore, public units that do not fulfil the market test and those whose main purpose is to redistribute national wealth and revenue are classed under the General government sector.

The competent institutions for classifying public units are the Technical Committee of National Accounts, composed by IGAE, INE and Banco de España (BE). These are coordinated as indicated in section 5.1.3.

The institutional sector in which public units are classified depends on whether they meet the market/non-market test. The steps to this analysis are:

- A first analysis have to be made in order to decide if the unit is an institutional unit, in the sense of the criteria pointed out in ESA 2010 and MGDD. The autonomy of decision and the accounts (if they exists) of the unit are analysed
- Secondly, it is determined whether or not the entity is public, based on ESA 2010 criteria, i.e. if government has effective control over the unit. This is done by analysing the different criteria by which government could exercise control, as defined in ESA 2010 §20.18:
 - Some indicators are considered enough to determine government control: rights to appoint/remove the majority of officers, so as the key committees of the entity; ownership of the majority of the voting interests.
 - In case the former indicators are inconclusive, other indicators must by analysed (rights to appoint the key personnel; the existence of special shares/options; contractual agreements; permissions to borrow; excessive regulation; others).

Where private units exercise effective control, the units are considered private and not included in the public accounts.

- Finally, if the unit is controlled by government (at any level), the next step is to analyse the market test through the production sales/costs ratio. All public units are analysed to check whether they meet the 50% rule. We can distinguish between:
 - New businesses or those that change activity: the information for the classification of these businesses includes their creation decrees and articles, which detail the activity they are to engage in, together with the financial planning of revenues and expenditures for the medium and long term.
 - Existing companies: their information consists of the financial statements for the financial years recently ended. Data from the past four years are generally considered. This information is obtained from the annual accounts of the unit provided by the government authority that exerts control over it.

In both cases, this information is supplemented by direct requests for the additional information required to classify the unit according to ESA2010 rules. In particular, when a new unit is analysed, specific information is required in order to verify the market test.

- When sales, as defined in ESA2010, exceed more than 50% of production costs, the unit is classified in the Non-financial corporations sector (S.11, ESA2010).
 - Following the ESA2010 §20.25, if the sales are provided to the General government without competing with private units, no sales are considered in the ratio.
 - The production costs considered are the sum of intermediate consumption, compensation of employees, fixed capital consumption, other taxes on production plus costs of capital (ESA2010 §3.33.c). The costs of capital are approximated by the net actual interest payments of the unit. When this value is negative, null is considered.
- Conversely, if sales by the public unit do not exceed fifty per cent of its production costs, it is included in the General government sector (S.13). Within this sector, depending on the level of government controlling the unit, it may be included in sub-sector S.1311 (Central government), S.1312 (State government), S.1313 (Local government) or S.1314 (Social security funds).
- Public units whose main purpose is to act as a financial institution, they are included in the Financial corporations sector (S.12, ESA2010). However, in case of public units which carry on financial activities but without bearing the risks associated with them, and with a very limited range of activities under narrow conditions set by government, they are classified into S.13.
- When the main purpose of a public unit is the redistribution of national income and wealth, the entity is included directly in sector S.13, since the market test is not necessary. Likewise, when a public unit acts as an instrument of the authority that controls it, carrying out actions in the name and on behalf of the latter or providing ancillary services, it is classified under sector S.13.

In Spain, besides Central government, there are 17 Autonomous Communities and more than 9 000 territorial local authorities with powers to create new dependent entities, in accordance with the requirements set out in local and regional legislation.

In the case of the Central government sub-sector, new units are identified primarily by analysis of the annual Budget Act, which tends to be the legislative instrument used for the creation of new State public bodies. In addition, the IGAE manages an Inventory of State Public Sector Entities (INVESPE), which contains entities dependent on “the State” or in

which the latter holds shares, and provides another source for identifying new or changed units owned by “the State”.

During the last years, diverse legislation has strengthened the powers of the Ministry of Finance regarding the census of entities dependent on Autonomous Communities and Local Corporations. Ministerial Order HAP/2105/2012 on the development of the reporting requirements provided for in the Budgetary Stability and Financial Sustainability Act of 27 April 2012 (Ley Orgánica 2/2012) regulates the operation of inventories of Local Public Sector Authorities and Entities Dependent on Autonomous Communities. These inventories include all entities dependent on these Authorities or in which they hold shares.

A new law recently passed (Law 40/2015) rules the legal Status of the General government and creates the Inventory of the Central, State (Autonomous Communities) and Local governments. This Inventory provides updated data of the goal, sources of funding, activities, ownership, accountability status, kind of public control and the sectoral classification of the units in ESA 2010 terms. This law was published on 2nd October 2015 and enters into force in one year since this date.

The management and publication of this Inventory is carried on by the Intervención General de la Administración del Estado (IGAE), and the compilation of data submitted by Autonomous Communities and Local Corporations is taken up by the Secretaria General de Coordinación Autonómica y Local (SGCAL), both bodies inside the Ministry of Finance.

Thus, public entities dependent on the State, Autonomous Communities and Local Corporations are currently identified using information contained in the inventories of regional public sector entities and local public sector entities that must, under current regulations, be kept updated at all times.

The information of the Inventories is supplemented by direct requests to the Autonomous Communities and Local Corporations for the additional information required to classify the institutional units according to ESA2010 rules.

Financial statements of the units belonging to “the State” are available by IGAE, so classification of these public units is carried on by National Accounts Committee as soon as information is submitted by the entities, updating the Inventory.

Regarding the Autonomous Communities and the Local Corporations, financial information necessary to classify their units pending of it is requested by IGAE. Once analysis is carried on with the sectoral classification (in the National Accounts Committee) of the units, the classification is submitted to the Autonomous Communities and the Local Corporations and the Inventories are updated accordingly.

Lastly, any public entity on which information is obtained through any other means is also analysed.

5.1.1 Criteria used for sector classification of new units

See previous section.

5.1.2 Updating of the register

The classification of public units is periodically revised. A number of scenarios are possible, namely:

- General revision of all public units when methodological changes are introduced or new statistical benchmarks are formulated. In benchmark revisions, the classification of all public units is revised. If changes have been made to the results of a public unit with the consideration of market producer (S.11), according to the market non-market test, its

classification is changed to sector S.13. So, it has been developed a comprehensive revision of the sectoral classification of public units by the time of the SEC 2010 implementation.

- Revision of the classification of specific public units in diverse circumstances:
 - Change in activity. When a public unit changes its activity, an analysis is conducted to determine the impact of this on its classification. In this case, specific information is requested to check future compliance with the market test.
 - Mergers and takeovers. When mergers or takeovers affecting public entities occur, the resulting unit is analysed to check whether it meets the market/non-market test. In this case, the financial statements of all units are added in order to verify the accomplishment of the test as an aggregate unit.
 - Failure to adhere to planning. For new units, an analysis is conducted to determine why the targets in the forecasts used for its initial classification were not met, which can result in the reclassification of the unit.
 - Units are also reclassified when the 50% ratio is not met, without the need to wait for a change in basis. A continuous treatment of the units which take on a relevant sum of liabilities is followed. For these units, the ratio of three past years is provided in the questionnaire of debt of Public Corporations submitted to Eurostat at the end of each year.

5.1.3 Consistency between different data sources concerning classification of units

As mentioned earlier, public units are classified by a Technical Committee of National Accounts, composed of representatives of IGAE, INE and Banco de España. Generally, IGAE submits a proposal for the classification of units for its analysis. Banco de España has a special role in the classification of entities engaged in financial activities.

To ensure that there are no differences in the classification of the public units, the three institutions work very closely. For this purpose, the records of public units, including their classification for the European System of Accounts, are periodically shared by Banco de España, INE and IGAE in order to reconcile the records of the institutions.

5.2 Existence and classification of specific units

1. Non-profit institutions (NPI)

Non-profit institutions (NPIs) are analysed when the government authorities are represented on the board (their governing body, “Patronato”). Under ESA, NPIs whose boards are controlled by government representatives and whose main source of funding comes from government are classified into the General government sector (S.13). Criteria for considering the public control of these units are described in ESA 2010 20.13§. In some cases several indicators are considered to determine the public control of the unit.

Depending on the number of representatives on the board of each level of government, these units are classified as S.1311 (Central government), S.1312 (State government) or S.1313 (Local government). NPIs classified as S.13 are mainly foundations and consortia (composed of units of several General Government authorities of the same level or of different levels). In the General government list, these NPIs are included at the level of government on which they depend.

2. Quasi-corporations.

There are no quasi-corporations in the General government sector.

3. Infrastructure companies

Public infrastructure companies are classified within or outside the General government sector, tending towards the criteria outlined above. We can distinguish between:

- Companies that make public investments in the name and on behalf of government authorities, with no responsibility for infrastructure management and financed by the government. These units are included in sector S13.
- Companies that make investments for their own account and manage this infrastructure, obtaining revenues from it. In these cases, it is considered the units have decision-making autonomy and the market test is run to determine their classification. Sales taken into account are those which accomplish the condition of economically significant prices ruled in ESA 2010 20.19§:
 - a) when the units are considered ancillary to the General government, they are directly classified in S.13.
 - b) when the prices are obtained from the Budget, the companies are included in S.13, in the the sub-sector which controls the unit, except when the public unit competes with private ones through a tender.
 - c) when prices are obtained from the private units and consumers are free to purchase the good or service provided, the companies are included in S.11 if they met the ratio sales/costs of production.

Ratio data of the main infrastructure companies classified in Non financial Corporations Sector (S.11) are provided in the questionnaire on liabilities of Public Corporations submitted to Eurostat at the end of each year, which includes some Railway, Roads, Metro, Ports, Airports and Public utility companies.

4. Universities, schools, Public TV and radio, Public hospitals.

Public units such as broadcasting companies, schools, universities and hospitals are fully integrated within the General government sector (S.13) because they are primarily funded by public transfers from the government to which they belong, so they do not fulfil the market test.

5. SPV

Fondo de Amortización del Déficit Eléctrico, FADE. The FADE was set up under Royal Decree-Law 6/2009 of 30 April 2009 adopting certain measures in the energy sector and is classified under the General government sector, in the Central government sub-sector. This legislation provides that settlement-related electricity system deficits give rise to financial claims consisting of the right to receive a portion billings from the consumers of subsequent years until those claims are satisfied in full. To finance these deficits, the related financial claims can be assigned to a FVC, these claims will be paid by electricity companies to FADE during the next 15 years. The liabilities of the FVC consist of the financial instruments issued via a competitive procedure which is also regulated by Royal Decree.

6. Specific public units involved in financial activities

The main public units/groups of units involved in financial activities are:

- Instituto de Crédito Oficial (Official Credit Institute): public credit institution classified in the Financial corporations sector, in Deposit-taking Corporations except the Central Bank (S.122).

- Institutes of finance of the Autonomous Communities: several agencies set up to manage the funding policy of the Autonomous Communities are currently classified in the General government sector, State government sub-sector (S.1312), except for the Catalan Institute of Finance which, given its specific features, is classified in the Financial corporations sector, in other financial intermediaries sub-sector.
- Venture capital companies/funds and public mutual guarantee and re-guarantee companies: in application of ESA 2010 (Chapter 2, units and groupings of units) and the Eurostat Manual on government Deficit and Debt (MGDD, 2014 edition. Part I.6, Entities having the features of captive financial institutions), some public financial institutions have been considered as entities with functions similar to captive financial institutions. The main difference between these units and the private financial institutions is that they do not seek to obtain a market rate of return, but to carry out a limited range of activities for public interest and in narrow conditions set by the government controlling unit. In fact, these entities represent an alternative to performing these tasks directly by the government. To summarize, these entities do not have independence of action and it is the government who bears the ultimate risk of their activity. This lack of independence of action is the underlying reason for classifying these units in the government sector as clarifies ESA 2.20.
- Fund for the Orderly Restructuring of the Banking Sector (FROB): created by Royal Decree-Law 9/2009, of 26 June 2009, with the purpose of managing the restructuring of credit institutions and helping to strengthen their equity. It is classified under the General government sector in the Central government sub-sector (S.1311).
- There are some bank units which are currently controlled by FROB in the context of the financial assistance for banks with problems of solvency. These units are classified in S.12. These equities are temporal and refer to Banco Financiero y de Ahorro-Bankia, and Banco Mare Nostrum. It is foreseen the sale of this equity in the near future. Debt of these units are provided in the the questionnaire on liabilities of Public Corporations submitted to Eurostat at the end of each year.
- Deposit Guarantee Fund: unit whose main purpose is to guarantee deposits in credit institutions classified under the General government sector, Central government sub-sector (S.1311).
- Compañía Española de Seguro de Crédito a la Exportación (CESCE) and Consorcio de Compensación de seguros: CESCE and Consorcio de Compensación de seguros are public units engaged in financial intermediation as a consequence of the pooling of risks mainly in the form of direct insurance or reinsurance and, for that reason, are classified in the sector of financial institutions (S.12) sub-sector Insurance corporations (S.128). All activities of CESCE made on behalf of general government are recorded in government accounts.

7. Other specific units

Some units (funds without legal personality), are not considered institutional units and are included in the relevant General government sub-sector. These funds are included in the list supplied of public units.

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".

The Regulation (EC) No 2516/2000 of the European Parliament and of the Council of 7 November 2000 modified the common principles of the European system of national and regional accounts in the Community (ESA 95) as concerns taxes and social contributions and amended Council Regulation (EC) No 2223/96, with the aim that the effect over the *Net Lending/Net Borrowing* of General Government sector of taxes and social contributions registered in the system do not include the amounts unlikely to be collected. The article 2, as general principle, establishes that "the impact on general government *Net Lending/Borrowing* of taxes and social contributions recorded in the system on an accrual basis shall be equivalent over a reasonable period of time to the corresponding amounts actually received (cash)".

Besides, article 3 of the Regulation (EC) No 2516/2000 estates two ways of treatment of taxes and social contributions according to the source of information used: if the source of information are assessments and declarations, the amounts shall be adjusted by a coefficient reflecting assessed and declared amounts never collected (either through the reduction in the amounts either through a capital transfer to the relevant sectors equal to the adjustment); whether cash receipts are used, they shall be time-adjusted so that the cash is attributed when the activity took place to generate the tax liability (or when the amount of tax was determined, in the case of some income taxes). ESA 2010 is consistent with this treatment, as noted in §20.170 "*In all cases, only amounts that government realistically expects to collect should be recorded. Uncollectible taxes should not be accounted for in the net lending/net borrowing of the general government and generally not in the total revenue. (...)*" and §4.82 "*If assesments and declarations are used, the amounts shall be adjusted by a coefficient reflecting assessed and declared amounts never collected. As an alternative treatment, a capital transfer to the relevant sectors is recorded equal to the same adjustment. (...)*"

In the case of Spanish National Accounts, the registration of taxes and social contributions to be paid to the General government sector (S.13) are based on assessments and declarations. Then, the rights recognized in each year/exercise, which had not been collected in that same

exercise, will be divided in two parts: those that will probably be collected in the future and those unlikely to be collected. Thus, estimates on the amount of each part are needed in every kind of taxes and in social contributions and the system will reflect, either a decrease in the total amount of taxes or either a *capital transfer* from the General Government to the counterpart sectors (D.995). This is what is called in advance ***adjustment by revenues unlikely to be collected***.

The model (developed by INE) will determine these two parts for each one of the taxes and social contributions, and the system will reflect this by capital transfers from General Government to the relevant balancing sector. After each financial year t , sums of taxes and social contributions from closed financial years ($t-1$, $t-2$, ...) will still be in process of collection. The goodness of the model can be judged by comparing the estimate of the amounts that will probably be collected in the future, and the sum actually collected in cash receipts in each one of the following financial years.

The adjustment of revenues unlikely to be collected is calculated by INE for:

- Taxes on production and imports and to the current taxes on income and wealth. They both are resources of the Central government, excluding social security funds (S.1311).
- Social contributions, which are resources of the Social security funds (S.1314).

Taxes in State Government, excluding social security funds (S.1312), are recorded on an accrual basis. The difference between the accrued amounts and the amounts collected (cash) is registered as a use of D.995 *capital transfer* of the sub-sector S.1312. So, for this sub-sector (S.1312), the above mentioned model to calculate the adjustment of revenues unlikely to be collected is not applied, but the difference between the accrued amounts and the amounts collected (cash).

The method carried out by INE for S.1311 and S.1314 resources is applied to the following kind of taxes, where annual data on accrued amounts and real revenues (cash) are available:

- D.211 *Value added type taxes* (VAT).
- Excise duties (included in D.214 *Taxes on products*, excluding VAT and imports taxes).
- Taxes on individual income (included in D.51 *Taxes on income*).
- Taxes on the income or profits of corporations (included also in D.51).

The rest of taxes (D.212 *taxes and duties on imports, taxes on products, excluding excise duties*, D.59 *other current taxes* and D.91 *capital taxes*) are aggregated in the same group and the method will be applied to the total amounts, given that the required individual data on each of them are not available.

In general, the method for providing estimates on the adjustment of revenues unlikely to be collected is carried out in two steps. The first step is common for each type of taxes and social contributions considered; the second is applied only to taxes and has the aim to consider the impact of the economic cycle to the pattern of tax collection. In case of social contributions, this second step has never been applied due to the effect of the economic cycle was considered negligible.

The objective of the first step is to estimate the adjustment of revenues unlikely to be collected through the observation of historical series of statements and collection of each tax or social contributions. The estimate is based on an extrapolation of the observed behavior of the rights accruing each year and its effective year of collection. Naturally, regulatory changes or improvements in collection management influence such behavior, changing their short-term characteristics. Therefore, at this first step the estimate is not based on data observed in the long term and stronger weights are given to the more recent history of collection.

Time of recording

Thus, in each year t , known the pending/outstanding rights, $DP(t)$, the amounts to be collected later in $t+1, t+2, \dots, t+r$ must be estimated, where $t+r$ is a time limit in which it is assumed that there will be no more income or that they will be marginal. This way, the objective is to estimate the quantities $X(t+1, t), X(t+2, t), \dots, X(t+r, t)$, or better, their ratios $R(t+1, t), R(t+2, t), \dots, R(t+r, t)$ of the total outstanding rights.

The estimate of each $R(t+k, t)$ is made recursively, by means of the average of what happened in the previous three years. In the case of social contributions, $R(t+1, t)$ is estimated from the observed data in the previous year, due to the fact that in the first year much of the pending rights from the previous year is collected.

Thus:

$$R(t+1, t) = \text{average} [R(t, t-1), R(t-1, t-2), R(t-2, t-3)] \text{ (in the case of social contributions } R(t+1, t) = R(t, t-1))$$

And for the other financial years:

$$R(t+2, t) = \text{average} [R(t, t-2), R(t-1, t-3), R(t-2, t-4)]$$

...

$$R(t+r, t) = \text{average} [R(t, t-r), R(t-1, t-r-1), R(t-2, t-r-2)]$$

Both for taxes and social contributions.

The associated amounts ($X(t+1, t), X(t+2, t), \dots, X(t+r, t)$) will be obtained by multiplying the proportions by the total of entitlements still to be collected from financial year t :

$$X(t+1, t) = R(t+1, t) * DP(t)$$

$$X(t+2, t) = R(t+2, t) * DP(t)$$

...

$$X(t+r, t) = R(t+r, t) * DP(t)$$

Due to the current length of the historical time series, $r=14$ has been chosen, that is, the calculations have only been implemented until year $t+14$. It has been considered, on the basis of existing information that the amounts collected after $t+14$ are residual (on average this residual is around 0.6%, being a different quantity for each tax and for social contributions).

So, with the available time series, it is considered $r=14$ and it is estimated that the total of pending rights of the year t that will be collected from $t+15$ will be increased in average terms of 0.6% (amount different by tax or by social contribution). It means:

$$X(\text{final}, t) = 0,006 * DP(t) \text{ for the years } t+15 \text{ and following}$$

Finally, the adjustment by unlikely collection estimated for the year t is the result of:

$$ARI(t) = DP(t) - [X(t+1, t) + X(t+2, t) + \dots + X(t+r, t) + X(\text{final}, t)]$$

The objective of the second step was to introduce to the estimate of the adjustment by unlikely collection during the years 2009-2012, the possible impact of the recent recessive economic cycle, considering that it could affect the rhythm of the collection of the pending rights in the lowest phase of the cycle. Under this hypothesis, the adjustment by unlikely collection estimated

in the first step, from the observation of years of greater economic stability, could underestimate the real adjustment to carry out, being necessary the second step.

This second step was based in the hypothesis of that, in a time of economic stability, the weight of the rights pending to collect over the total accrued taxes or social security contributions should also be stable and that would increase in the case in which the economy was immersed in the negative part of the cycle.

To try estimate this impact of the economic cycle it was decided to use *Gross National Income* (GNI) as a regressor. This second step is only applied to taxes in order to consider the impact of the economic cycle to the profile of tax collection. This second step has never been applied in case of social contributions, due to the relation between this variable and the evolution of national gross income was not considered significant.

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.

Concerning social contributions, their management and collection is undertaken by the General Treasury of Social Security (Tesorería General de la Seguridad Social), a department within The Ministry of Employment and Social Security (Ministerio de Empleo y Seguridad Social).

The model described in the tax case is also valid for social contributions, with the exception that has been estimated that the best results are achieved for taxes when an average is taken of the experience of the three previous years while for social contributions the best results are based on what happened only in the previous year for $t+1$.

Thus:

$R(t+1,t) = R(t,t-1)$ for social contributions

Furthermore, the second stage does not apply in the case of social contributions given that the resulting coefficients for the regression are not significant for social contributions.

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

The Directorate-General for EU Funds of the Ministry of Finance and Public Administrations is responsible for managing funds from the European Union. This department monitors the expenditure settlements submitted by the units that perform the expenditure and sends them, where necessary, to the Commission for reimbursement. The Directorate-General also manages the distribution of EU funds to their beneficiaries. The procedure for this is to

Time of recording

centralise the income received from the European Union in the account held by Central Government in the Treasury, from which it is distributed to the intermediaries or, where applicable, directly to the beneficiaries.

The Directorate-General for EU Funds has information available on each fund and sub-sector. The Autonomous Communities also submit information on the work settlements obtained for works carried out each year that are eligible for EU co financing; they likewise provide information on the income they expect to receive from the European Union for such settlements and the income actually received in each period from the State (Central Government) Treasury. This information is contrasted with that obtained from the Directorate General for Community Funds. The Social Security funds sub-sector follows the same procedure.

For national accounting purposes, the information on EU funds is available by sub-sectors on a monthly or quarterly basis, as appropriate.

Given that these units are part of the Central Government sub-sector and Social security funds sub-sector, each unit sends information on EU funds on a monthly basis. The same applies to the units that make up the State Government sub-sector. For the Local Government sub sector, the information is received on a quarterly basis. This information is matched with that obtained from the Directorate-General for Community Funds.

When a public authority makes an expenditure funded by the European Union, it submits the supporting settlements to the Directorate-General for EU Funds. The Directorate General then reviews the submitted settlements and checks that they are eligible. The settlements relate to expenses incurred during the fiscal year. Only if the expenditure meets the eligibility requirements will it be sent to the Commission for reimbursement.

In all events, information is available on the end beneficiary and each of the funds it receives. It is therefore possible to identify which EU funds correspond to each beneficiary for national accounts purposes.

The income received from EU funds is included in the working balance of each beneficiary.

The figures entered in the working balance of General Government are compared with those supplied by the Directorate-General for EU Funds. In the event of discrepancies, the sums are adjusted according to the criteria established by Decision 22/2005. In other words, income received from the European Union is recorded when the expenditure is incurred regardless of the figures entered in the working balance for Central Government, State Government and Social Security Funds. However, given the available information, for Local Corporations sub-sector, the amounts actually paid (cash basis) by the European Union each year are considered income for national accounting purposes.

If the settlements submitted to the EU are higher than the reimbursements made by the Commission, the excess is recorded as a minor transfer received from the European Union.

In the framework of multi-annual programmes, the Commission makes advance payments at the start of the programmes. These advances have recorded as financial assets with no impact on government deficit. Only when the expenditure is certified, the advance is cancelled and the income from the European Union recorded.

The adjustments resulting from differences between the funds recorded on the working balance and those recorded under Decision 22/2005 are included in the "other adjustments" section of tables A, B and D of the EDP.

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.

There are no “Cash and 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).

Spain has Jeremie/Jessica initiatives within the State government sub-sector (S.1312). The funds set up under the above initiatives are classified in the State government sub-sector, attached to the General Administration thereof, since they generally do not have a separate legal personality and are controlled by the latter.

The Jeremie/Jessica funds are financed from contributions received from the governments of the Autonomous Communities and European funding. The funds received from the EU are recorded as revenue.

The main purpose of these funds is to finance diverse business development initiatives. These loans are generally recorded as financial assets in the national accounts (see 7.2.1).

6.2.4 Market Regulatory Agencies

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

The question is whether the principle of re-arranging EU transactions would also apply to the recording of changes in inventories (P.52) arising from the interventions of agricultural market regulatory agencies in the market. According to the guidance, in those circumstances

where a market regulatory agency acting on behalf of the EU is classified inside general government, the creation of a unit in S.11 is recommended in order to capture the changes in agricultural inventories, and to avoid that such changes in inventories are recorded in national government accounts (as changes in government inventories, with an impact on the government deficit/surplus) or in the rest of the world accounts (as exports and imports). The unit to be created to capture these changes in inventories is a quasi-corporation, rather than a notional unit, in order to ensure an equality of treatment with cases where market regulatory agencies are classified outside government. This is also appropriate because any temporary difference in value arising from changes in market value of these inventories not yet covered by subsidies is likely to be small and on average zero.

The Fondo Español de Garantía Agrícola (FEGA, -Spanish Agricultural Guarantee Fund-), whose legal form is that of an autonomous body, is included in the General government sector, in particular in Central government sub-sector.

Its main purpose is to ensure that aid from the Common Agricultural Policy (CAP) is applied rigorously in order to achieve the objectives of this policy and effectively reach beneficiaries who meet the aid requirements, within the deadlines laid down in its regulations, thereby promoting the uniform application of CAP aid across Spain.

Operations carried out on behalf of the EU relating to management of the CAP are not recorded as FEGA revenue or expenditure in the national accounts.

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

From an economic point of view, information is fully available. Financial details and the time when this equipment is provided are known. However, technical aspects of the military equipment supplied are unknown.

There are two types of arrangements:

- Sales agreed in advance with industrial suppliers, with or without government pre-financing. Spanish military forces use this kind of contract with government pre-financing.
- Purchasing through an international special agency. Spain has purchased, sometimes, military equipment through international special agencies.

The Ministry of Defence provides information on supplies of military equipment. IGAE has access to information on the financial flows associated with these contracts.

6.3.2 Borderline cases

There are no borderline cases.

6.3.3 Recording in national accounts

Sales agreed with industrial suppliers, with government pre-financing:

- Through the Ministry of Industry, “the State” may grant loans to suppliers of military equipment. These loans are granted prior to the deliveries and reimbursed in cash in the long term. These transactions are recorded as receivables (AF.8) in the national accounts and amortised when the deliveries take place.
- Any other payment before the delivery of equipment is also recorded as a financial advance (AF.8). It is only when equipment is delivered that government expenditure is recorded, with a negative impact on deficit/surplus but is an automatic financing through the reduction in government financial assets.

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 13 Availability and basis of data on interest

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

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

Due interest together with premiums and discounts are recorded in the budget of all General government sub-sectors on a cash basis. The "WB" therefore includes the effect of "premiums and discounts".

Accrued interest is valued instrument by instrument, by the Directorate-General of the Treasury and Financial Policy for all instruments.

The difference between the interest charged to the budget (based on a cash basis) and accrued interest (recognized in public accounting) leads to adjustments recorded in the line *Difference between interest paid (+) and accrued (D.41) (-)* of Table 2A/D EDP questionnaire.

6.4.2 Interest revenue

The interest received by the government authorities is recorded on an accruals basis, except when only budget information is available, in which case the interest recorded in the budget is entered. We can distinguish between:

Interest received by the Social Security Reserve Fund. This is obtained primarily from public debt securities. It is recorded on an accruals basis and, when it is derived from "the State" public debt securities, it is consolidated with these costs (see below).

Interest received by entities subject to the General Accounting Plan for Spanish Companies and its adaptation for non-profit organisations: interest is recorded on an accruals basis.

6.4.3 Consolidation

The following types of interest obtained from transactions between General government sub-sectors are consolidated:

1. Interest received by Social security funds (S.1314) from Central government (S.1311). The surplus liquidity of the Social security funds is materialised in the "Reserve Fund". This fund has invested its resources primarily in Spanish public debt. Therefore, part of the interest paid by Central government (S.1311) for Public Debt is entered in Social security funds (S.1314). The sum of the interest to be consolidated is recorded in the Social security accounts as interest received from "the State" (Central government).
2. Interest received by Central government (S.1311) from the State government (S.1312) and Local government (S.1313). The State has granted loans to Autonomous Communities and Local Entities through various procedures (mainly the Provider Payments Financing Fund – FFPP – and the Regional Liquidity Fund – FLA). These loans accrue interest in favour of

the Central government and against the Autonomous Communities and Local Entities. The sum of the interest to be consolidated is recorded in the accounts submitted by the FFPP and FLA.

These interests are recorded as revenues or expenditures for each sub-sector and affect its B.9 balance. In the General government sector (S.13), these amounts are consolidated and do not appear either as revenue or expenditure. Therefore, the B.9 balance of sector S.13 is equal to the sum of the B.9 balances of each sub-sector, but the interest paid and received by sector S.13 is less than the sum of the interest paid or received by the various sub-sectors.

6.4.4 Recording of discounts and premiums on government securities

As indicated, due interest, premiums and discounts are recorded in the budget on a cash basis. The "WB" therefore includes the effect of "premiums and discounts". The difference between the interest recorded in the budget (including the effect of "premiums and discount") and accrued interest is recorded in the adjustment line *Difference between interest paid (+) and accrued (D.41) (-)* in Table 2.

Premiums and discounts are spread over the life of an instrument and the repayment of discount is identifiable from the repayment of debt.

6.5 Time of recording of other transactions

As noted above along this Inventory, both in the General Public Accounting Plan and the General Accounting Plan for the Spanish companies, the basic approach is to record transactions on an accrual basis (paragraphs 2.2, 3.2.3, 3.3.3, 3.4.3 and 3.5.3). Therefore, most of the transactions made by the General Government are already recorded on an accrual basis, as the accounting rules on this principle generally are similar with the criteria of the European System of Accounts.

However, in those specific cases where there are differences between the criteria of public or private accounting and the European System of Accounts, as to the application of the accrual basis, appropriate adjustments are made, which have been discussed throughout this Inventory. There are specific sections for the recording of taxes and social contributions (6.1 and also 3.2.3.4.2 and 3.5.3.7); funds received from the European Union (6.2 and also 3.3.3.4.1, 3.4.3.4.1 and 3.5.3.4.1); military expenditure (6.3 and 3.2.3.7); interest (6.4 and 3.2.3.4.1, 3.3.3.4.1, 3.4.3.4.1 and 3.5.3.4.1) and dividends (7.5). For other headings:

- Subsidies payable, current and capital transfers payable. It is recorded as an expense, the amount recognized in the budget in the 409-413 account "Creditors from transactions awaiting insertion into the budget" or equivalent account, and in the financial statements of the units subject to the General Accounting Plan for the Spanish companies.
- Gross capital formation. It is recorded as an expense, the amount recognized in the budget, in the 409-413 account "Creditors from transactions awaiting insertion into the budget" or equivalent, and in the financial statements of the units subject to the General Accounting Plan for Spanish companies. However, regarding construction contracts in the form of full payment of the price, acquisitions through capital leases or acquisitions with deferred payment, adjustments pointed out in paragraphs 3.2.3.7, 3.3.3.7 and 3.4.3.7 will apply. In the case of public-private partnerships, the treatment pointed out in section 7.6 is followed, carrying out, where appropriate, adjustments indicated in paragraphs 3.2.3.7, 3.3.3.7 and 3.4.3.7.

Time of recording

- Social benefits payable. It is recorded as an expense, the amount recognized in the budget, in the 409-413 account “Creditors from transactions awaiting insertion into the budget” or equivalent, and in the financial statements of the units subject to the General Accounting Plan for Spanish companies. Where necessary, adjustments in paragraph 3.5.3.7 refers to are made.
- Other non-financial transactions. Generally speaking, it is recorded as an expense, the amount recognized in the budget, in the 409-413 account “Creditors from transactions awaiting insertion into the budget” or equivalent, and in the financial statements of the units subject to the General Accounting Plan for Spanish companies.
- Financial transactions. In principle, all transactions included in financial accounts are recorded when the agreement between parties involved takes place. That means transactions are recorded even when payments are delayed. Differences between the amounts recorded in every instrument and the related payments are included in “other accounts receivable/payable (F.8)”. In practice, there are two sources of information for every instrument, namely the two parties thereto, and for certain instruments there is also a third source, namely administrative records of the transactions (i.e. the Central Credit Register for government loans). This means that a ranking of sources must be established when compiling the accounts. The criterion used gives, in principle, priority to primary (direct) information sources (not to those derived or inferred indirectly), normally indicating the counterpart sectors of such transactions.

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 edition⁵.

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

The legal system of guarantees granted by Central government (S.1311) is set out in Chapter V of Title IV of the GBL. The granting of guarantees must be authorised in legislation or by the Council of Ministers and must not in any event exceed the limit set each year in the GBL. Liabilities arising from lending operations in or outside Spain by public or private legal or natural persons may be guaranteed.

Guarantees granted by Central government are recorded in the public accounts and included in the General State Account (Central government). The website of the “Secretaría General del Tesoro y Política Financiera” also contains information on “the State” (Central Government) guarantees.

Recording in national accounts

In general, guarantees granted by government authorities are treated as contingent liabilities and therefore have no effect on the financial or non-financial accounts.

Nonetheless, where there is evidence that the Government will take responsibility for payment of the guaranteed debt, a debt assumption must be recorded whose offsetting entry will be a capital transfer with effects on Government deficit.

7.1.1.2. Treatment of guarantees called

Recording in public accounts

The call of guarantees is recorded as an expense in Chapter 3 of the State (Central government) "financial expenses" budget. No budget assets are recorded.

⁵ http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-GQ-13-006/EN/KS-GQ-13-006-EN.PDF

Recording in national accounts

In national accounts, a call of a guarantee is recorded as a use under "Capital transfers payable (D.99U)" for the full amount of the enforced guarantee (cash payment). Financial assets are not recorded as a result of the execution of guarantees. Depending on the terms of the guarantees, we can distinguish between:

- Cases in which the creditor may demand enforcement of the guarantee for the full guaranteed amount (full call) due to debtor default. The total amount enforced is recorded as an expense. Central Government does not assume any debt and there is no debt "under call" but the outstanding amount of the debt has not yet been assumed.
- Cases in which the creditor may demand enforcement of the guarantee only for the amount of each maturity (partial calls), due to debtor default. Each partial enforcement is recorded as a "capital transfer" for the enforced amount. These cases are monitored to identify the possibility of three successive enforcements. If there are three enforcements, a "D.99U capital transfer" will be recorded for the amount of the unmatured secured debt.

7.1.1.3 Treatment of repayments related to guarantees called

Recording in public accounts

Guarantee recoveries are recorded as revenue in Chapter 3 of the Central Government budget under "Public tariffs, charges and other income".

Recording in national accounts

If a guarantee enforced previously is recovered, it is recorded as "Capital transfer received (D.99R)".

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

Financial assets are not recorded in the national accounts as a result of the enforcement of guarantees.

7.1.1.5 Data sources

As explained above, guarantees granted by Central government are recorded in the public accounts and included in the General State Account. The website of the "Secretaría General del Tesoro y Política Financiera" also contains information on State guarantees. Itemised information is available on operations guaranteed by Central government.

At local and regional level, information on guarantees is received in the relevant questionnaires of standardised information.

7.1.2 Guarantees on assets

The guarantees on assets are as follows:

1. Credit insurance for exports The risks whose coverage can assume the Spanish State are the risks of losses or economic damage derived from foreign trade, of foreign investments and of economic transactions abroad, caused by political risks and commercial risks, as well as the sale or acceptance of reinsurance.

The financial statements (balance sheet and income statements) of the risks insured by the State are reflected in a system of separate accounts (of those of the manager of this insurance) following the accounting principles and schemes formulation that determines the applicable law to insurance companies.

The treatment of these transactions has been the treatment established in the SEC 2010 for non-life insurance.

2. Deposits. The Deposit Guarantee Fund for Credit Institutions (FGD) was created by Royal Decree-Law 16/2011 of 14 October 2011. It has its own legal personality and full capacity for the development of its purposes under private law, and is headquartered in Madrid. The Deposit Guarantee Fund (FGD) is included in sector S.1311.

The aim of this Fund is to guarantee deposits in cash and securities or other financial instruments held at credit institutions, up to a limit of EUR 100,000 for cash deposits or, for deposits denominated in other currencies, the equivalent of this sum after applying the applicable exchange rate, and of EUR 100,000 for investors who have deposited securities or other financial instruments with a credit institution. These two guarantees offered by the Fund are distinct and mutually compatible.

The FGD prepares and files annual accounts, which are published on its website. The main operations of the FGD are treated in the national accounts as follows:

- Other taxes on production (D.29R): the ordinary contribution received from credit entities included in the Profit and Loss Account.
- Capital taxes (D.91R): the management committee of FGD will be able to impose extra contributions among credit entities integrated in FGD.
- Capital transfers (D.99U): for the amount of enforced guarantees granted by the FGD.

Each month, the FGD provides the information required to compile the national accounts of sub-sector S.1311.

7.1.3. Standardized Guarantees

Data not available for standardised guarantees. In the central government sub-sector, the State has not granted standardized guarantees in recent years. Furthermore, there is no certainty that other units classified in central government sub-sector and in other sub-sectors have not granted standardized guarantees, although it is very unlikely. If such guarantees exist the amounts are negligible.

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 main financing lines granted by Central Government and its beneficiaries are:

1. Loans granted by FROB (S.1312) to Credit Institutions (S.12)
2. Loans granted by CDTI and ENISA (S.1312) to private corporations (S.11)
3. Loans granted to Greek government
4. Loans to the European Financial Stability Facility (EFSF)
5. Loans granted by FONPRODE, FIEM and others funds (classified into S.1311) to foreign countries and others
6. Loans granted to CCAA and CCLL through the “Fondo de Financiación de Pago a Proveedores” and “Fondo de Liquidez Autonómico”.
7. Loans to suppliers of military equipment
8. Loans granted by various ministries for various purposes: loans for R&D; loans for industrial development and competitiveness; restructuring and reindustrialización loans; loans for the promotion of tourism and commerce, education and other loans.

These loans are generally granted at a rate of interest. However, there are also specific lines with reduced interest rates.

The information available on loans granted by Central government depends on the Accounting Plan applicable to the unit granting the loan:

- For loans granted through the Central government budget, information is available on the loans granted in each fiscal year, their beneficiaries and repayments.
- For loans granted by units subject to the General Accounting Plan for Spanish companies, in principle only net flows calculated by balance sheet differences are available. However, when reports are available, information broken down by loans granted and repayments can be obtained.

Loans granted by Central government to other government authorities (Autonomous Communities, Public Universities and Local Authorities) and loans granted by and among these units are treated as financial assets. Repayments are also treated as financial operations. These operations are consolidated when the aggregate accounts sector S.13 are drawn up.

Loans – and their repayments – granted to public or private units not included in the General government sector are recorded as financial operations, with the exception of loans with a low probability of repayment, which are recorded as capital transfers payable. In the latter case, any repayment will be recorded as capital transfers received.

The criteria for the treatment of loans granted by the Autonomous Communities and Local Corporations are the same as for Central government. In these scenarios, the information is received in the standardised accounting information questionnaires or is specifically requested on a case-by-case basis.

7.2.2 Debt cancellations

Debt cancellations are recorded as capital transfers. A cancellation may be express or implied (if the Government waives or fails to exercise its rights). However, repayments of loans charged to the budget are considered public law revenues and are restricted in nature. These loans can therefore only be cancelled in the circumstances and manner prescribed by law.

7.2.3 Repayments of claims

Repayments of loans granted previously are recorded as financial operations. Repayments of loans previously reclassified as capital transfers are recorded as capital transfer received.

7.2.4 Debt write-offs

Loan write-offs are recorded as changes in volume in the national accounts and have no effects on Government deficit.

7.2.5 Sale of claims

There have been no sales of bad loans, well-performing loans or claims in recent years.

If an asset (financial or non-financial) is sold, this must be recorded in the budget and/or accounts of the unit that made the sale.

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.

(1) Identification of capital injections in cash. Capital injections in cash are recorded in the budget of the government authority that granted them. Therefore, the identification of these capital injections for public units is carried out by analysing the budget operations (transfers, capital contributions and loans) and their recipients. There are two types of transactions:

- Transactions recorded in the budget as "transfers". These are also recorded as “transfers” in the national accounts
- Transactions recorded in the budget as “financial operations”. ESA Manual criteria are applied, so they are recorded in the national accounts as financial operations or reclassified as non-financial operations on a case-by-case basis.

(2) Identification of capital injections in kind. Capital injections in kind are not recorded in the budget. They are therefore generally identified by analysing the accounts of the beneficiary institutions. In the case of assumptions of debt by government, they must be authorised by law, which is used to obtain knowledge of these assumptions.

Moreover, with regard to Central Government (S.1311), Article 66 of Tax, Administrative and Social Measures Act (Ley 62/2003), of 30 December 2003, regulates the issuance of a mandatory report on the effects on the national accounts of capital injections under the Central Government budget. The procedure for issuance of this report involves identifying, prior to drafting, the capital contributions and characteristics of the operation, in order to determine its treatment in the national accounts.

(3) The capital contributions made by General Government are analysed according to the requirements of the ESA Manual relating to Government Deficit and Debt. They are therefore reclassified as non-financial expenditure:

- Contributions to units included in the General Government sector (S.13)
- Contributions by Foundations
- Contributions to units included in the Non-financial corporations sector (S.11) to clean up losses or fund unprofitable investments.

Only contributions to profitable companies or certain international financial institutions are treated as financial operations.

Practical application of these criteria requires the reclassification of most capital contributions made by Spanish General Government as non-financial expenditure.

The analysis is performed by IGAE prior to the preparation of the General Government accounts for inclusion in the relevant EDP notifications. All contributions are analysed. For Central Government (S.1311) and under Article 66 of the Tax, Administrative and Social Measures Act (Ley 62/2003), an analysis of capital contributions is also conducted prior to preparation.

For existing companies, the information used in this analysis includes the latest available annual accounts of the unit and any other relevant information available or requested to this effect. For contributions to new units, a financial study indicating the expected return of the contribution is requested from the responsible authority.

Besides the accounts of General Government (S.13), IGAE also prepares the accounts of public companies in the non-financial corporations sector (S.11). Information (annual accounts) is available to prepare these accounts and is also used both to identify the contributions received from public authorities and to determine their treatment in the national accounts.

The above applies to all levels of the General Government sector (S.13): Central Government (S.1311), State Government (S.1312) and Local Government (S.1313). At present, there are no quasi-companies dependent on General Government.

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 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 basic source of information for the identification of "dividends received" are the amounts recorded in the revenue budget of the various levels of General Government (Central, State and Local).

Around 91% (data from 2014) of the total dividends received by Spanish General Government are obtained from just two public companies: Banco de España and Loterías y

Apuestas del Estado (LAE). The other dividend revenue is obtained by adding up small amounts received from profitable public enterprises.

After identifying the dividends, they are checked to ensure that they were obtained from the ordinary profit of the unit distributing them. With particular regard to Banco de España, dividends are checked to ensure that they do not include capital gains from the extraordinary sale of assets, routine intervention in foreign exchange markets, or operations to revalue monetary gold and reserves. For other companies, the corporate report is used to verify that the distributed dividends are charged to ordinary profit, and not to extraordinary profit or accumulated reserves.

Interim dividends. Both Banco de España and Loterías y Apuestas del Estado pay interim dividends on the profit from the fiscal year.

- In the case of “Loterías y Apuestas del Estado”, a non-financial corporation, the distribution of interim dividends meets the requirements of the trade legislation applicable to all public and private limited companies.

- The annual profits of the “Banco de España” are paid into the Central Government budget in three instalments, which are set out in Royal Decree 2059/2008 of 12 December 2008 on the rules for payment to the Treasury of profits from Banco de España:

- The first instalment is paid in December and consists of a down payment of 70% of the profit generated up to September of that year.
- The second instalment is paid in March of the following year and amounts to 90% of the profit generated in the previous year less the first down payment made in December.
- The final settlement for the fiscal year is paid in August and amounts to the 10% remaining profit.

These interim dividends are recorded as revenue in the year in which they are received.

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 be considered as taking place on behalf of the government?

The Sociedad Estatal de Participaciones Industriales (SEPI) is the public holding company grouping most of the industrial holdings of Central Government (S.1311) and has managed most of the privatisation process.

SEPI is the parent of a public holding company that must be classified for national accounting purposes taking into account Chapter I of the ESA2010 Manual on Government Deficit and Debt.

Considering its rules and business (effective management of a series of subsidiaries), SEPI is a “head office” that must be classified by applying the market/non-market criterion in the Non-financial corporations sector (S.11).

The revenues from privatisations by SEPI are not recorded in “the State” budget, so they do not affect the “WB”.

However, following Eurostat criteria, the aid granted by SEPI to its companies based on nonmarket criteria is re-allocated as Central Government spending, which affects the government deficit. These amounts are recorded in the “Re-routed items relating to SEPI” adjustment of Table 2A of the EDP questionnaire. They are also recorded as a reduction in AF.5 for the Central Government due to the declining value of its holding in SEPI.

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.

In Spain there are PPPs as defined by the Eurostat Decision of 11 February 2004. There is no specific legal term in for these contracts. They may commonly be termed “*fórmulas de colaboración público privadas*” (‘public-private co-operation formulas’), “*peajes en sombra*” (‘shadow tolls’), “*contratos de concesión de obra pública*” (‘public works concession contracts’) and so forth. But these terms may also apply to contracts that do not meet the requirements to be classed as PPPs.

The legal framework of contracts concluded by government bodies is the Law 30/2007, of 30th October, de Contratos del Sector Público (hereinafter, “LCSP”). LCSP applies directly to Central Government and Local Governments and most of its terms have basic status, and hence bind the Autonomous Communities (State Government) in their implementing regulations.

Therefore, in Spain, contracts concluded by government bodies must comply with LCSP, including contracts classified as PPPs. However, not all contracts under LCSP are PPPs as defined by the Eurostat Decision of 11 February 2004. We must examine the specific terms of each contract to determine whether or not it is a PPP.

As pointed out above, whether or not a contract concluded by a government body is a PPP as defined by the Eurostat Decision can be determined only by examining the contract terms.

No agency, organization, or association deals specifically with PPPs in Spain.

There are PPPs at all three levels of General government: Central, State and Local.

To determine which contracts concluded by government bodies are “Public Private Partnerships” (hereinafter, “PPPs”) as defined in the Eurostat Decision of 11 February 2004, we need to know the specific clauses and economic and financial terms of each contract. Therefore, to identify the contracts concluded by Spanish government bodies that may be deemed PPPs, the Technical Committee on National Accounts sent to the various cost management centres a definition of PPPs in accordance with the Eurostat Decision, and asked them for specific information about present and intended contracts meeting the requirements to be regarded as PPPs.

However, if the Technical Committee came to know by other means (normally by the media) of the existence of public expenditure projects that could be PPPs, the Committee would accordingly ask the relevant government body for appropriate project information for assessment.

The Technical Committee of National Accounts studies PPP contracts with particular emphasis on the distribution of the relevant risks.

The government sometimes grants guarantees or financing to the private partner. These aspects are taken into account in the assessment of the distribution of the relevant risks.

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

7.7.1 Types of derivatives used

The only type of derivative used is currency swaps. These transactions are recorded as financial transactions in national accounts in the item F3 debt securities and affecting to interest expenditure and deficit in EDP reporting. In relation to EDP debt, this variable includes the effect of currency swaps transactions. This treatment follows strictly the current methodology of EDP statistics.

There are not any occurrences of lump sum payments on swap cancellations, swaptions and/or options on interest, off-market interest rate swaps (IRS), FOREX swaps ,off-market currency swaps or swaps with embedded options.

7.7.2 Data sources

The information is obtained from Spanish Treasury (General Secretariat of the Treasury and Financial Policy), State Governments and Banco de España Securities data base.

7.7.3 Recording

See answer to question 7.7.1

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.

At present, there is no "toll" system for the use of Government roads.

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.

Up to 2012, Spanish government allocated "carbon permits" on a no-charge basis. It has not therefore posted any transactions in the General Government accounts for their assignment.

From 2013, the Spanish government will begin to sell carbon permits. These transactions are recorded according to the criteria in Chapter VI.5 of the ESA 2010 Manual.

The Spanish government has also purchased "carbon permits" under various bilateral and multilateral initiatives. These purchases have been recorded as Central Government expenditure and have effects on Government deficit.

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

In recent years there have been the following operations:

- In 2010, a sale of buildings in S.1312 Sub-sector, amounting to 72 million euros, treated as a sale of gross capital formation.
- In 2012, a sale of two buildings in S.1312 Sub-sector, amounting to 17 million euros, also treated as a sale of gross capital formation.
- In 2013, a sale of buildings in S.1312 Sub-sector, amounting to 197 million euros, also treated as a sale of gross capital formation.
- In 2014, a sale of buildings in S.1312 Sub-sector, amounting to 585 million euros, also treated as a sale of gross capital formation.

In these operations, after the buildings were sold, they have been leased to the Government.

These contracts have been analyzed by the Technical Committee and it has been considered that it is a "real" sale, and the subsequent lease meets the characteristics of an "operating lease".

The established procedures for the provision of information require public sector units (Central Government, Autonomous Communities and Local Corporations) to report on any "sale and leaseback" operations that they have carried out or plan to carry out.

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 "Securitisation" operations in recent years. The established procedures for the provision of information require public sector units (Central Government, Autonomous Communities and Local Corporations) to report on any "securitisation" operations that they have carried out or plan to carry out.

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.

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.

The treatment of sales of UMTS licences and similar operations has followed the criteria of the Eurostat Decision published in News Release No. 81/2000, dated 14 July 2000, and ESA 2010 MGDD.

In 2000, the initial sale of UMTS licences took place. The revenue obtained from the granting of licences was treated as the sale of a "non-financial non-produced intangible asset" (electromagnetic spectrum) and recorded under "K.2 Acquisition less disposal of nonproduced non-financial assets". The transaction amount was recorded as a single entry in the year that the licences were granted (2000), without considering their terms of payment.

In 2011, a new sale of licences for the use of "public radioelectric domain" took place. As above, the revenue obtained from these licences was treated as the sale of a "non-financial non-produced intangible asset" and recorded under "K.2 Acquisition less disposal of nonproduced non-financial assets". The transaction amount was recorded as a single entry in the year that the licences were sold (2011), although payment was partially postponed until 2012.

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 can not be recorded as equity injection, therefore capital gains and losses are somehow not treated symmetrically. This asymmetrical treatment is nevertheless justified for the purpose of appropriately measuring government deficit.

Distribution of profits by Banco de España. As explained in section 7.4, the distribution of benefits from Banco de España is recorded as dividends received (D.42R) by Central Government. The dividends are checked first to ensure that they do not include capital gains from the extraordinary sale of assets, routine intervention in foreign exchange markets, or operations to revalue monetary gold and reserves.

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.

No "lump sum pension payments" have been made for General Government.

7.15. Pension schemes

Definition of pensions

Pension schemes can be found in Spain which cover the following items – disability pensions, early retirement benefits due to reduced capacity to work, old age pensions, anticipated old age pensions, partial pensions and survivors' pensions. Unemployment benefits are not included as pensions, but as social benefits.

Classification of pension schemes.

The schemes in Spain may be found in the following table (key to columns below):

Specific government transactions

	Scheme name	Coverage	Scheme
1	Social security funds	1 to 6	A, E
2	Autonomous pension funds	1 to 6	B *
3	Non- autonomous pension funds	1 to 6	C
4	Non-profit insurance institutions	1 to 6	B

(*) In addition to Autonomous pension funds, in Spain there are pension schemes supported by insurance companies, which are regulated by means of collective insurance contracts. This information is considered net equity of households in life insurance reserves and is not separately available

Key for "Coverage": 1) disability pensions (disability) 2) early retirement benefits due to reduced capacity to work (disability) 3) old age pensions (old age) 4) anticipated old age pensions (old age) 5) partial pensions (old age) 6) survivors' pensions (survivors) 7) early retirement benefits for labour market reasons (unemployment)

Key for "Scheme":

- A. Social security schemes;
- B. Private funded schemes administered by insurance companies or autonomous pension funds;
- C. Private funded schemes operated by employers, which maintain special reserves (segregated from other reserves)
- D. Private unfunded schemes operated by employers (without special reserves).
- E. Social assistance;
- F. Other insurance.

Classification of social insurance pension schemes

Special institutional unit manages the pensions of civil servants and personnel in the army and the justice sector.

Schemes encouraged by non-profit institutions are included in private funded schemes administered by insurance companies or autonomous pension funds, although they are not significant.

Definition of social security schemes

There are no social security schemes in which participation is voluntary.

There are no social insurance pension schemes or government social insurance schemes which are not classified as "social security schemes"

Classification of institutional units supporting pension schemes; borderline cases

The following table shows pension funds (categories as in the key under previous section) classified by sub-sector in the national accounts:

		Categories of pension schemes					
		A	B	C	D	E	F
	S.11	XX	XX	YES	XX	XX	XX

Specific government transactions

Institutional sectors/ sub-sectors	S.121	XX	XX	XX	XX	XX	XX
	S.122	XX	XX	YES	XX	XX	XX
	S.125	XX	XX	NO	XX	XX	XX
	S.126	XX	XX	NO	XX	XX	XX
	S.128	XX	YES	NO	XX	XX	YES
	S.1311	NO	XX	XX	XX	YES	XX
	S.1312	NO	XX	XX	XX	YES	XX
	S.1313	NO	XX	XX	XX	YES	XX
	S.1314	YES	XX	XX	XX	YES	XX
	S.14	XX	XX	XX	XX	XX	XX
	S.15	XX	XX	XX	XX	XX	XX
	S.2						