

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

*Finland*

**December 2013**

## Background

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

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

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

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

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**Annex I – list general government units**

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

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

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

The inventory describes the situation in reference to the statistical year of 2012 in Finland.

### **1. General Government**

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

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

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

The central government sector of Finland comprises the central government agencies (the budget economy) and extra-budgetary funds. In addition to that 16 universities, Solidium Oy (Solidium Ltd) and Leijona Catering Oy (Leijona Catering Ltd) are classified to the central government sector.

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

The main group included to the local government sector are municipalities and joint municipal authorities (336 municipalities in 2012 and 150 joint municipal authorities in 2012). In 2011 (2012 data is not available yet) there were 130 quasi-corporations classified to the local government sector and they are legally part of the municipality under which they are operating, in the other words they do not have independent legal status.

In addition to that Ålands Landskapsregering (the Åland Government), Landskapet Ålands pensionsfond (the Pensionfund of the Åland Government), Kuntaliitto (Association of Finnish Local and Regional Authorities), KT Kuntatyönantajat (KT Local Government Employers), Kuntien takauskeskus (Municipal Guarantee Board) and Länsimetro Oy are classified to the local government subsector.

At the moment there is major political discussion going on in Finland how to reorganise municipalities - discussion is far by finished but it might lead to radical

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reduction to the number of municipalities and how services are organised at the local level.

Statistics Finland started in the spring 2012 a sub-project of our main ESA 2010 implementation project, which main task is to implement the new ESA 2010 rules for sector delimitation. The purpose is to evaluate the current sector delimitation and to make the needed reclassifications in 2014, when the new ESA will be implemented. This might lead to changes in the coverage of the local government subsector and the other general government subsectors as well.

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

Sub-sector Social security funds is divided into Employment pension schemes S.13141 and Other social security funds S.13149. Employment pension schemes S.13141 consists of pension insurance companies (7 units in 2012), pension funds, foundations (21 amount in 2012) and other pension insurance institutions (6 amount in 2012). Other social security funds S.13149 consists of KELA (The Social Insurance Institution), Työttömyysvakuutusrahasto (The Unemployment Insurance Fund), Koulutusrahasto (The Education Fund), työttömyyskassat (the Unemployment Funds), sairauskassat (Employee Sickness Funds) and hautaus- ja eroavustuskassat (Funeral and Redundancy Relief Funds). Except for The Social Insurance Institution, all these units belonging to S.1314 are - to different extents - under the supervision of Finanssivalvonta (Financial Supervisory Authority) which maintains a list of them, and also collects financial statement data for e.g. all pension insurance companies and pension funds and foundations. The classification of employment pension schemes inside general government sector in Finland is grounded on the decisions of Eurostat on the issue (Eurostat news release No 10/97, 3 February 1997).

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



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

## 2. Institutional arrangements

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

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

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

There is no specific law relating to EDP or GFS statistics – all statistics are compiled under general statistical law of Finland.

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

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

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

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

Table 6 – Financial accounts by sector (annual data)

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

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

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

Table 25 - Quarterly Non-financial Accounts of General Government

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

Table 27 – Quarterly Financial Accounts of General Government

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

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

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

<sup>2</sup> [http://epp.eurostat.ec.europa.eu/portal/page/portal/government\\_finance\\_statistics/legislation](http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/legislation)

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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	
<b>Compilation of national accounts for General Government:</b>						
Nonfinancial accounts	annual	x				
	quarterly	x				
Financial accounts	annual	x				
	quarterly	x				
Maastricht debt	quarterly	x				
<b>Compilation of EDP Tables:</b>						
EDP table 1	actual data	deficit/surplus	x			
		debt	x			
		other variables	x			
	planned data	deficit/surplus		x		
		debt		x		
		other variables				
EDP table 2 (actual data)	2A central government		x			
	2B state government					
	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					
	3D local government		x			
	3E social security funds		x			
EDP table 4		x				

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

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

NCB – National Central Bank

Other – other national body, to be specified in comments

Institutions involved in the compilation of EDP notifications are:

3

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

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

\* Tilastokeskus - Statistics Finland

\* Valtiovarainministeriö - Ministry of Finance

As can be seen from the table above, Statistics Finland is responsible for all actual and statistical data relating to EDP statistics. The Ministry of Finance is responsible for forecasting so to say planned data. Final approval is done accordingly – Statistics Finland approves all the actual data and MoF approves the planned data.

EDP tables are transmitted to Eurostat both via email (in electronic form) and in paper by surface mail by Statistics Finland with a signed cover letter with the signature of a Senior Statistician responsible for the matter.

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

There is no specific EDP unit at Statistics Finland. The EDP is one of the responsibilities of Government Finance Statistics team, which belongs to the unit “Government finance and sector accounts” at the Economic and Environmental Statistics directorate in Statistics Finland. All the GFS statistics transmitted to Eurostat are compiled in the same directorate (Economic and Environmental Statistics directorate) of Statistics Finland and for that reason that directorate is also responsible for classification and methodological decisions applied in the compilation of the national accounts.

Because in Statistics Finland EDP tables are derived statistics from the National Accounts (both from Non-Financial Accounts and Financial Accounts) process, the compilers of EDP statistics are the same staff that also compiles subsectors for annual national sector accounts. That means in practise that a person responsible for central government accounts for the purpose of annual non-financial accounts is compiling table 2A and for example person responsible for compiling local government financial accounts is responsible for the table 3D.

At Statistics Finland EDP statistics is derived statistics from compilation process of National Accounts (both Non-financial and Financial Accounts) and can't really be described as an independent production line. Without regular process of compilation of annual national accounts on sector level there wouldn't be EDP statistics either. Incoming source data is provided to Statistics Finland for the purpose of compiling National Accounts and there is very few data which is used only for EDP compilation. It works also other way around, the demands of the EDP process is already taken into account when designing data collection for national accounts purposes.

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

Since 1st January 2013 we have a new organization structure and below can be seen current organigram of the directorate:

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



## Economic and Environmental Statistics directorate

### Units of the directorate:

- Support and analysis
- Consumer and Housing Prices
- International price comparison
- Cost indicators
- National accounts
- **Government finance and sector accounts** (GFS statistics team is part of this unit)
- Finances of municipalities and financial markets
- Development of statistics on municipalities
- Environment and energy
- Greenhouse gas inventory unit



Please see also 2.1.1.

## 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 central government applies the Law on the State Budget in terms of accounting, preparation and presentation of annual Financial Statements and budgeting and reporting. Valtiontalouden tarkastusvirasto - VTV (The National Audit Office) reviews the management of the central government. VTV may also control the use of public funds that are allocated to private organizations. They check on the quality and consistency of management, the efficiency and effectiveness of actions against the objectives set by the government. This mission refers to practices and performance audit is to say the audit results. The reports from the National Audit Office are sent to the audited executive level and are composed of opinions on financial statements, findings and recommendations. The audits take place each year and the financial audit report is public. Reporting is required by laws.

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Overview of the accounting and auditing arrangements – Central government

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
State budgetary units	Law on the State Budget (13.5.1988 /423), Degree on the State Budget (11.12.1992 / 1243), Government Accounting Board resolutions	Definition of the role of the National Audit Office: - Financial audit - Performance audit - Compliance audit	Each year
Extrabudgetary funds	Law on the State Budget (13.5.1988 /423) and specific laws on separate legal entities (this may include Accounting Act (30.12.1997 / 1336)), Government Accounting Board resolutions	- Financial audit by private sector auditors (Authorized Public Accountants) and/or Chartered Public Finance Auditors	Each year
Universities	Accounting Act (30.12.1997 / 1336), Universities Act 24.7.2009 / 558), Accounting Board resolutions	- Financial audit by private sector auditors (Authorized Public Accountants)	Each year
Solidium Oyj	Accounting Act (30.12.1997 / 1336), Accounting Board resolutions	Financial audit by Authorized Public Accountants	Each year

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

The local government applies the Accounting Act in General accounting. The annual Financial Statements are audited by Chartered Public Finance Auditors.

Overview of the accounting and auditing arrangements – Local government

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Municipalities	Municipalities Act (17.3.1995 / 365), Accounting Act (30.12.1997 / 1336), Accounting Board's Municipal sub-committee resolutions	- Financial audit by Chartered Public Finance Auditors	Each year
Joint municipal authorities	Municipalities Act (17.3.1995 / 365), Accounting Act (30.12.1997 / 1336), Accounting Board's sub-committee resolutions	- Financial audit by Chartered Public Finance Auditors	Each year
Government of Åland	Law on the State Budget (13.5.1988 /423), Degree on the State Budget (11.12.1992 / 1243), Government Accounting Board resolutions	- Financial audit by Chartered Public Finance Auditors	Each year
Municipal Guarantee Board	Accounting Act (30.12.1997 / 1336), Accounting Board resolutions	- Financial audit by Authorized Public Accountants	Each year

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Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Association of Finnish Municipalities and Local Authority Employers Finland	Accounting Act (30.12.1997 / 1336), Accounting Board resolutions	- Financial audit by Authorized Public Accountants	Each year
Länsimetro Oy	Accounting Act (30.12.1997 / 1336), Accounting Board resolutions	- Financial audit by Authorized Public Accountants	Each year

The Social security funds apply the Accounting Act in General accounting. The annual Financial Statements are audited by Certified Public Accountants. Units are also supervised by the Financial Supervisory Authority (FIN-FSA) and thus report various information to the supervisor on a regular basis.

#### Overview of the accounting and auditing arrangements – Social funds

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Statutory earnings-related pension providers	Specific legislation on pension providers, Accounting Act (30.12.1997 / 1336), Accounting Board resolutions, Financial Supervisory Authority's resolutions	Financial audit by Authorized Public Accountants	Each year
Other Social Security Funds	Specific legislation on Social Security providers, Accounting Act (30.12.1997 / 1336), Accounting Board resolutions,	Financial audit by Authorized Public Accountants	Each year

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

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
	Financial Supervisory Authority's resolutions		

## 2.2.2 Auditing of public accounts

### 2.2.2.1 General government units

All the units are under financial audit, which means that their financial statements (profit and loss account, cash flow statement and balance sheet) are audited. Auditing takes place once a year and for most units their financial year corresponds to a calendar year. The audited accounts are available when they are published and most of units publish their accounts at the internet at the website of that unit (sometimes they are only available on demand). Audit reports might include all kind of analysis, but the main requirement is that the auditors give their statement if everything is done according to the legal demands.

Concerning the Central government the National Audit Office submits an annual activity report to Parliament each year by the end of September based on section 6 of the Act on the National Audit Office (676/2000). It can also submit separate reports to Parliament when needed. According to established practice, a separate report on the audit of the final central government accounts and the Report on the Final Central Government Accounts is submitted to Parliament each year in the spring.

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

As mentioned in 2.2.2.1 according to Finnish law all economic entities (limited companies, trust funds etc) have to be audited. There is an exception to that rule; if the unit is very small according to Auditing Act (459/2007): Section 4, Obligation to carry out an audit: "(2) Unless otherwise provided elsewhere in the law, there is no obligation to appoint an auditor for a corporation where not more than one of the following conditions were met in both the past completed financial year and the financial year immediately preceding it:

- 1) the balance sheet total exceeds 100 000 euros;
- 2) net sales or comparable revenue exceeds 200 000 euros; or
- 3) the average number of employees exceeds three."

All other units are audited.



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

## **2.3. Communication**

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

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

At the Table 1 of this inventory it is described that there are two institutions that are responsible for EDP reporting. Statistics Finland has a sole responsibility for actual statistical data and the Ministry of Finance is responsible for the planned data (forecast). In addition, Statistics Finland has the responsibility for underlying national accounts (both non-financial and financial accounts) and has sole responsibility for applying national accounts methodology and making classification decisions.

For sharing information, the EDP co-operation group has been set up. It has been set up with the official decision of Statistics Finland. The chairperson of the group comes from Statistics Finland and there are invited members from the Ministry of Finance and Bank of Finland. Even though in Finland there are officially only two institutions, which are involved in the compilation of the EDP tables (as explained in Table 1 and 2.1.) we consider important, that Bank of Finland is included as a close partner in the process. Especially because at EU level ECB (via national central banks especially in the Euro area) is so heavily involved in the EDP activities.

The co-operation group meets regularly twice a year before the notification deadline to discuss and inform each other's of underlying events and decisions which are behind the figures. The group is invited to meetings by Statistics Finland and in the meetings for example classification issues are discussed (StatFin has sole responsibility for sector classification) and it's important that while preparing the forecast the MoF has the clear idea which units are classified and on what basis to which sector/sub-sector.

During these meetings StatFin also informs other participants for example what is going in this field at EU level and what kind of consequences those decisions might have nationally (like informing of new guidance notes of Eurostat etc.). The group doesn't have official minutes because it's not a decision making body, but short memos are always written of the subjects discussed during the meeting.

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

Data sources are described in detail when describing compilation of each EDP reporting table.

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

#### *2.3.2.1 Publication of EDP data*

All (1-4) EDP tables are published nationally on the website of Statistics Finland on the same day as they are reported to EU/Eurostat. At the same time there is also a

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national publication of General government deficit and debt statistics, where evolution of the data is analysed and also conceptual differences to standard national account's concepts are explained. EDP tables as such are annexed to this publication and there is a reservation which states, if during the validation period the EDP tables are updated the new updated version will be published at the same day when Eurostat will publish its press release.

#### *2.3.2.2 Publication of underlying government ESA95 accounts*

Statistics Finland has its own national publications of different areas of national accounts, but Transmission tables as such are not published. The publications which always include also metadata can be found from the website of Statistics Finland under the themes "National Accounts" and "Government Finance" There is also a release calendar which is updated annually and can be obtained from the website [http://tilastokeskus.fi/ajk/julkistamiskalenteri/index\\_en.html](http://tilastokeskus.fi/ajk/julkistamiskalenteri/index_en.html). Every published set of statistics contains the information when it will be updated next time.

Here below is a list of publications where the data of underlying government accounts can be found. They are published at the website of Statistics Finland (first there is the name of the publication in Finnish and following that is the English name):

- Julkisyhteisöjen alijäämä ja velka (General government deficit and debt)
- Julkisyhteisöjen menot tehtävittäin (General government expenditure by function)
- Julkisyhteisöjen rahoitustilinpito (General government financial accounts)
- Julkisyhteisöjen tulot ja menot neljännesvuosittain (General government revenue and expenditure by quarter)
- Julkisyhteisöjen velka neljännesvuosittain (General government debt by quarter)
- Verot ja veronluonteiset maksut (Taxes and tax-like payments)
- Kansantalouden tilinpito (Annual national accounts)
- Sektoritilit neljännesvuosittain (Quarterly sector accounts)
- Rahoitustilinpito (Financial accounts)

### 3. EDP tables and data sources

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

#### 3.1. EDP table 1

EDP table 1 provides the core, summary information for the reporting period, as requested by the related EU legislation<sup>4</sup>: net borrowing(-)/net lending(+)(EDP B.9) for general government sector and its subsectors, outstanding amount of Maastricht debt by instruments, Gross Domestic Product (GDP), gross fixed capital formation (GFCF) for GG sector and data on interest expenditure (ESA95 D.41 and EDP D.41)<sup>5</sup>.

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

##### 3.1.1 Compilation of Maastricht debt

###### 3.1.1.1 Specification of debt instruments

Below are listed instruments according to ESA95 for different sectors.

###### Currency and deposits (F.2)

S.1311: Coins in circulation, main creditors S.14, S.11.

S.1313: Not applicable.

S.1314: Not applicable.

###### Money-market instruments (F.331)

S.1311: Treasury bills issued, valued at nominal value, with original maturities of one year or less, main creditors S.2, S.122.

S.1313: The amount of outstanding municipal papers valued at nominal value, with original maturities of one year or less, main creditor S.12.

S.1314: Debt securities with original maturities of one year or less. Issued only occasionally.

###### Bonds (F. 332)

S.1311: Government bonds issued and outstanding, valued at nominal value, maturity ca. 5 years, duration ca. 3 years (at the end of year 2011), main creditor S.2.

S.1313: Municipal bonds issued, valued at nominal value, main creditors S.12, S.11, S.2.

S.1314: Currently not applicable.

###### Short-term loans (F.41)

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<sup>4</sup> [http://epp.eurostat.ec.europa.eu/portal/page/portal/government\\_finance\\_statistics/documents/council\\_reg\\_479-2009](http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/documents/council_reg_479-2009)

<sup>5</sup> <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2001:344:0001:0004:EN:PDF>

S.1311: Loans with maturities of one year or less. Cash collaterals payable (relating to derivative contracts), main creditor S.2.

S.1313: Loans valued at nominal value, with maturities of one year or less, main creditor S.12.

S.1314: Currently not applicable.

#### Long-term loans (F.42)

S.1311: Loans with original maturity over one year, valued at nominal value, main creditors S.11, S.122, S.2.

S.1313: Loans with original maturity over one year, valued at nominal value, main creditors S.122, S.2, S.13.

S.1314: Loans with original maturity over one year, valued at nominal value, main creditor S.122.

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

##### Central government:

The main source for the central government gross debt is the State Treasury debt report. It covers all central government agencies and in addition 10 extra-budgetary funds. The source is usually finalised in t+1 month and the figures are directly available at nominal values, i.e. according to EDP valuation rules. The State Treasury debt report is used in compiling F.331 (short-term bonds), F.332 (long-term bonds) and F.4 (loans). Data on F.21 (currency) is obtained from the Bank of Finland. The State Treasury debt report is compiled for statistical purposes only. Equivalent information can be obtained from following address:

[http://www.treasuryfinland.fi/en-US/Statistics/Central\\_government\\_debt/Structure\\_of\\_central\\_government\\_debt](http://www.treasuryfinland.fi/en-US/Statistics/Central_government_debt/Structure_of_central_government_debt)

Since EDP debt concept is wider than the one in State Treasury debt report, some additions are made: the equity of Ydinjätehuoltorahasto (the National Nuclear Waste Management Fund), the issued bonds by Solidium Ltd, the EFSF lending operations and the imputed debt for Public-Private Partnerships. The equity of Ydinjätehuoltorahasto is held by private stakeholders and it is recorded as a loan in national accounts. The needed information is obtained from the financial statements, from the EFSF lending operations report and from the Solidium's quarterly report. No adjustment for the valuation is needed for the nominal value. Further, cash collaterals payable are added to short-term loans using central government bookkeeping data.

##### Local government:

Financial statements of municipalities and joint-municipal authorities (included in Kuntien ja kuntayhtymien talous- ja toimintatilasto/Finances and activities of municipalities and joint municipal authorities) is the main source for local government gross debt. The data is complete in t+10 months. It covers all municipalities and joint-municipal authorities. Book values are stated in balance sheets, which comply with EDP valuation rules (nominal/face value). This source is used to compile the total debt and it provides also the breakdown for F.332 (long-term bonds) and F.4 (loans) categories.

Even though the complete data for the local government is only available in t+10 months, Statistics Finland receives preliminary data for balance sheets at t+6 months (that data is already very reliable under normal circumstances) and for that reason there is not normally a need to revise data after October (n-1) notification. Of course if there would be revisions in the source data when the final data is available Statistics Finland would update debt data for local government in the EDP notification at the following year (April n-2 notification).

Since Finances and activities of municipalities and joint municipal authorities is not available for the April EDP notification, Local government financial statement estimates compiled in Statistics Finland are used for local government gross debt data. The comprehensive description of Local government financial statement estimates can be found from following link:

[https://www.stat.fi/meta/til/kttp\\_en.html](https://www.stat.fi/meta/til/kttp_en.html)

Data on local government short-term bonds (F.331) is obtained from Bank of Finland which collects, on monthly basis, information on municipal papers arranged by banks. The outstanding amount is recorded in face value, i.e. according to EDP valuation rules. This data is finalised in t+45 days. These papers are entered as loans in balance sheets of municipalities.

Social security funds:

The debt of the social security funds has been insignificant. The data is obtained from the Luottokanta (Outstanding Credit Stock Statistics) as well as from the balance sheets. No adjustment is needed for the nominal value.

### *3.1.1.3 Amendments to basic data sources*

#### *3.1.1.4 Consolidation of Maastricht debt*

### At the level of each government sub-sector (intra-flows and positions)

Central government:

The State Treasury debt report includes information on central government intra-flows and positions concerning loans (long-term) and long-term bonds. Figures comply with the EDP valuation rules. The central government consolidated gross debt is calculated by deducting these intra-positions from non-consolidated gross debt figures.

Local government:

Intra-local government holdings of debt, concerning all instruments, are indicated in balance sheets of municipalities and joint-municipal authorities. Book values comply with the EDP valuation rules. Using this information local government consolidated gross debt can be calculated. Transactions are calculated as a change in the value of holdings.

Social security funds:

The data is obtained from the Luottokanta (Outstanding Credit Stock Statistics).

### At the level of general government sector (inter-flows and positions)

Central government:

Data on social security funds' holdings of central government debt mainly consists of bond holdings of Employment Pension schemes. The information is obtained from Finnish pension alliance's (TELA) "Quarterly investment survey of pension institutions" recorded at market values. The conversion to nominal value is done using market-to-nominal value ratios of central government bonds. The other main source used is Statistics Finland's quarterly Luottokanta (Outstanding Credit Stock Statistics), which includes financial corporations', central government's and social security funds' holdings on short-term bonds (F.331), long-term bonds (F.332) and loans (F.4) by debtor sector. Figures are recorded at nominal value.

Information on local government's holdings on central government debt is based on balance sheet data of municipalities and joint-municipal authorities obtained from Kuntien ja kuntayhtymien talous neljännesvuosittain (Quarterly local government finances –statistics). The book values used comply with EDP valuation rules.

Information on central government's holdings of other general government sub-sectors' debt (i.e. local or social security funds' debt) is based on Statistics Finland's quarterly Outstanding Credit Stock Statistics.

Local government:

Data on other general government sub-sectors' holdings of local government debt is obtained from Statistics Finland's quarterly Outstanding Credit Stock Statistics. This source includes financial corporations', central government's and social security funds' holdings of short-term bonds (F.331), long-term bonds (F.332) and loans (F.4) by debtor sector (including local government). Values are recorded in nominal (face) value. It is finalised in t+45 days.

Information on local government's holdings of other general government sub-sectors' debt (i.e. central government debt) is based on balance sheets of municipalities and joint-municipal authorities.

Social security funds:

Social security fund's holdings of other general government sub-sectors' debt is based on Statistics Finland's quarterly Outstanding Credit Stock Statistics and Finnish pension alliance's (TELA) "Quarterly investment survey of pension institutions" (S.1311 and S.1313).

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

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

### **3.2.1 Data sources for main Central Government unit: "The State"**

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

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

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

The budget economy forms the basic set of the central government of Finland. That includes the Office of the President of the Republic of Finland, the ministries and offices, organisations, and other institutions that function as operationally and financially /appropriate entities.

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

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+months</i>		<i>cross appropriate cells</i>		
				<b>Budget Reporting</b>			
M	M	T+45	T+4	(1) Current revenue and expenditure	X	X	
M	M	T+45	T+4	(2) Current and capital revenue and expenditure	X	X	X
M	M	T+45	T+4	(3) Current and capital revenue and expenditure and financial transactions	X	X	X
				(4) Balance sheets			
				<b>Financial Statements</b>			
M	A	T+45	T+6	(5) Profit and loss accounts	X	X	
M	A/	T+45	T+6	(6) Balance sheets	X	X	X
M	A/	T+45	T+6	(7) Cash flow statement			
				<b>Other Reporting</b>			
				(8) Statistical surveys			
C	Q	T+30	T+1	(9) State Treasury debt reports for balance sheet items and financial transactions (F.3, F.4 for liabilities)			X

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

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

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

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

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

Data from the state is collected by the State Treasury and in this case all relevant available data sources are used in April EDP notification and October EDP notification. There are no estimations used in April EDP notification for the budget economy. All compilations of the working balance (WB), B.9 and B.9f are based on the same data source. April EDP notification is based on the preliminary of state financial statements from the 12-month state bookkeeping system. This data comprises complete sets of the accounts of all accounting offices, but is not finalised in a sense that the State Treasury and accounting office's may still make corrections to it.

The accounting basis is mixed, because in the state financial statement data on taxes are on a cash basis and the 'pure' financial transfers to/from other sectors are on mixed cash-accrual. Budget reporting is on a mixed cash/accrual/commitment basis.

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

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

Main data sources are available for compilation of national accounts and EDP. The data is non-consolidated and in line with ESA95 classification. All units in the state are classified in the central government sector (S.1311). The state bookkeeping data comprises budget accounting and financial accounts data (income and expense accounts and balance sheet accounts). It includes the detailed data of the revenue and expenditure by the type of transaction (following the chart of state bookkeeping accounts) and by the budgetary item (following the chart of budgetary accounts).

Link to the state bookkeeping accounts:

<http://www.valtiokonttori.fi/kasikirja/Public/download.aspx?ID=85967&GUID={FA4268D4-D7FE-46B4-B2ED-488404FB73CD}>

Link to the state budget accounts:

<http://www.valtiokonttori.fi/kasikirja/Public/download.aspx?ID=84479&GUID={F261D7F0-29D5-40ED-B338-74D0D1DB75C4}>

All units of the budget economy (revenue and expenditure) that are basis for compilation of main central units accounts and for the EDP notification are classified by ESA codes, which allows to distinguish of non-financial and financial flows. The state bookkeeping codification includes also for most of the transfers counterpart sector information for non-financial accounts (see Annex II).

For non-financial accounts, there are three different ways to determine ESA classification (see Annex II):

1. The bookkeeping account alone determines ESA non-financial code.
2. The bookkeeping account and budget account together determines ESA non-financial code.
3. The bookkeeping account and offices code together determines ESA non-financial code.

For financial accounts options 1 and 3 are used.



In financial accounts, transactions of F.7 are recorded as change in stocks. For F.79 on liability side there are still minor uncertainties, but as main rule we can identify “clean” stocks of F.7 from the central government bookkeeping accounts.

In financial accounts liabilities and receivables between the state offices and organisations are consolidated but the consolidation item data between the central government and other S.13 subsectors is mainly obtained from other sources e.g. from Outstanding Credit Stock Statistics. For this reason, it is sometimes quite difficult to record the interest flows between S.13 subsectors (mainly between central government and social security funds).

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

All revenue and expenditure items that are basis for the compilation working balance are also used in the compilation of national accounts. The basic data source is non-consolidated.

The state bookkeeping system is a dual system that combines two different bookkeeping methods of double entry accounting (commercial accounting) and single entry bookkeeping (budgetary bookkeeping) system. Most of the transactions are recorded in the state bookkeeping system in three different accounts (debit, credit and budget account). Budgetary accounting is based on the concepts of expenditure and revenue. All financial transactions are always linked to the budget economy even though financial transaction has not budget accounts (see Annex II).

Working balance in non-financial accounts is compiled from all budget accounts except central government liabilities and liabilities repayments account (liabilities and liabilities repayments have the same budget account). Final sum of budget accounts describes the central government budget deficit/surplus (WB in table 2A). On the contrary, financial accounts are compiled from bookkeeping accounts (commercial accounting) of the state bookkeeping system.

The source data contain enough details for the purpose of consolidation. The state bookkeeping codification includes a separate coding for most transfers to/from counterpart sectors. The income and expense between the state offices and organisations are eliminated in the State’s profit and loss statement.

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

No statistical surveys are used.

#### ***3.2.1.3 Supplementary data sources and analytical information***

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

Several additional data sources are used for the compilation of the non-financial and financial account of the state.

Other administrative sources:

- Extra details from the Public-Private Partnerships
- The report related to subsidies and difference in recording EU-grants in the budget

Special reports on dedicated operations:

- The report related to the swaps
- The report of the premiums and discounts spread over time
- The report of recording of taxes
- EFSF Operations report

Counterpart information:

- Money and banking statistics (MFI Statistics and OFI Statistics). These are not relevant to non-financial accounts.
- Balance of Payments
- Financial reports for counterpart sectors, like the financial reports of government-owned corporations and the quarterly investment survey of pension institutions.

Securities databases (these are not relevant to non-financial accounts.):

- Quoted shares database (based on book-entry securities register data)
- Outstanding Credit Stock Statistics

Other indirect information:

- The amount of coins in circulation, obtained from Bank of Finland (relevant only for financial accounts).

Some of these other sources are described in detail below:

*Extra details from the PPPs:*

The details on PPPs collected from different sources; mainly from different budget authorities and/or State Treasury (For more information on paragraph 7.6.). The data has to be collected separately and that has been done since the first project started in Finland. The correction has increased expenditure and over the years impact has been between 0 to 50 Meur.

*The details for the premiums and discounts spread over time:*

In the budget accounts, annual premiums and discounts are recorded on the cash basis. Redemption/issuance of debt above/below par is recorded as a budget revenue or expenditure, but in national accounts it is recorded as financial transactions not affecting the deficit, and premiums/discounts are spread over time on the basis of annual bookkeeping accounts. In the notification Table 2A the adjustment is shown for these differences under item "difference between interest paid (+) and accrued" (EDP D.41) (-).

*The data for recording of taxes:*

Data used for recording of taxes are obtained from state's bookkeeping data and from tax administration's accounts reports on received taxes. Concerning

preliminary figures (April EDP-notification), time adjustment of D.2-taxes is based on assessments on the accrual of these taxes in January (and February for D.211) (More information in paragraph 6.1.1.). The data has been available on regular basis from the year 1994 onwards. The data, which is based on assessments on February for D.211 has been available from the year 2011 onwards.

*The financial reports of government-owned corporations:*

These reports provide us information on dividends and profits of public corporations in order to test for super-dividends (For more information on paragraph 7.4). The data is available on the regular basis. A business statistics database containing financial statements data is also used for this purpose.

*A report that relates to subsidies and difference in recording EU-grants in the budget:*

We acquired some extra details from Maa- ja metsätalousministeriö (the Ministry of Agriculture and Forestry). The information relates to the time adjustment on subsidies and consists of the accrual adjustment of some subsidies and differences in recording EU-grants in the budget. The first adjustment is made in national accounts based on the payment data received from the Ministry of Agriculture and Forestry (April n-1 notification) and the latter is connected to the EU-grants (October n-1 notification). Basically information relate to EU-grants that are re-routed through the state budget, but which in national accounts are eliminated from central government revenue and expenditure and shown directly as transfer from EU to the final receiver. The impact is added to the financial accounts for F.79 receivables. The data has been available on regular basis from the year 1994.

*The information on swaps obtained from Valtiokonttori (State Treasury):*

Net payments under the swap arrangements are included to the interest payments. Swap corrections have been made to the central government interest expenditure (for the ESA 95 accounts, not EDP because the basic source data for interest includes the impact of swaps and FRAs) from the year 2003 onwards. Thus the net lending (B.9) of national accounts doesn't equal the EDP net lending (EDP B.9), and the difference is shown in EDPT1.

*Balance of Payments:*

Balance of Payments is mainly used as a main source for S.2 counterpart sector data. Balance of Payments data is also used to the inclusion of government revenues from reinvested earnings on Foreign Direct Investments (D.43) not considered in the working balance. Data has been available on the regular basis from the year 2000 onwards.

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

3.2.1.3.2 Supplementary data sources used for the compilation of financial accounts

Luottokanta (Outstanding Credit Stock Statistics) (t+60) is used as a main source of counterpart sector information. Data is available on a regular basis from the year 1996 onwards.

Quoted shares database (t+30), based on book-entry securities register, is used for F.511 stock and transaction data. Data is available from the year 1996 onwards.

Balance of Payments (t+50) is mainly used as a main source for S.2 counterpart sector data. Data is available on a regular basis from the year 2000 onwards.

Money and Banking Statistics has been fully adopted in general government financial accounts from the statistical year 2011 onwards. MFI Statistics (t+40) is used for F.2 deposit banks' counterpart sector information and OFI Statistics (t+60) as a main source for F.52 data.

EFSF Operations monthly report (t+30) received from Eurostat is used to make amendments to the total level of F.4, F.513 and F.7 stock data. Data is available from the first quarter of 2011 onwards.

#### *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.

The central government agencies (the budget economy) and extra-budgetary funds are included at the state bookkeeping system. The budget economy and the extra-budgetary funds form a basic set of central government units. The extra budgetary funds act outside the budget economy. There are 11 extra-budgetary funds, but only 10 are included on central government sector (see Annex I). The extra-budgetary fund outside the central government sector is The State Pension Fund (classified in S.1314). The central government units' bookkeeping system is managed by the State Treasury. The extra-budgetary funds are part of the state bookkeeping system even they have not budget accounts.

The extra-budgetary units have not been recorded in the working balance.

Data for all extra-budgetary funds net lending//borrowing appears in EDP table 2A row "net borrowing or net lending of other central government bodies".

Below can be found some information from extra-budgetary funds.

#### *Maatilatalouden kehittämisrahasto (Development Fund of Agriculture and Forestry):*

The fund operates under the supervision of Maa- ja metsätalousministeriö (the Ministry of Agriculture and Forestry). The purpose of the Development Fund of Agriculture and Forestry is to secure the financing of investments in agriculture and other economic activities in rural areas and to promote activities targeted at developing these. The aid may be granted as interest-rate subsidies on the state loans or as subsidies. The revenues of the fund include e.g. grants from

EU-budget and interests on loans. The fund's mainly transfers assets to households (capital transfers).

*Öljysuojarahasto (Oil Pollution Compensation Fund):*

The fund operates under the supervision of Ympäristöministeriö (the Ministry of Environment). The fund's mission is to compensate oil spill damage and also prevent possible future oil damage. The fund collects assets by taxes and tax-like payments. The fund pays compensation for oil damages and preservation of environment after oil damages. The fund also pays grants to acquisitions of equipment used in prevention of oil pollution. The fund gains revenue from oil damage levy.

*Valtion asuntorahasto (National Housing Fund):*

The fund operates under the Ministry of Environment. National Housing Fund's main task is to provide financing for ARAVA (state-subsidised) rental housing production. The fund has also other obligations such as to approve interest subsidies for social housing and pay interest subsidies for interest subsidy loans, to provide grants for housing repairs and to supervise a granting of state guarantees on loans for owner-occupied housing. Furthermore, the Housing Fund of Finland is an agency to implement social housing policy, e.g. through the operation of the ARAVA lending.

*Valtion ydinjätehuoltorahasto (National Nuclear Waste Management Fund):*

The fund operates under the supervision of Työ- ja elinkeinoministeriö (the Ministry of Employment and the Economy). The purpose of the fund is to collect, store and reliably invest funds that are going to be needed to take care of nuclear waste in the future. The fund takes care of the collection of the nuclear waste fee and the investing of these assets.

*Valtiontakuurahasto (State Guarantee Fund):*

The fund operates under the Ministry of Employment and the Economy. The purpose of the fund is to ensure that the state-owned specialist financing company, Finnvera Plc, can fulfil its commitments. Finnvera Plc engages in e.g. export guarantee activities. The fund assets can also be used to cover the contingent liabilities of the predecessors of the Finnvera Plc (Finnish Guarantee Board, the Export Guarantee Board and the State Guarantee Board). Revenues of the fund include claims for recovery of old loans.

*Huoltovarmuusrahasto (National Emergency Supply Fund):*

The fund operates under the supervision of the Ministry of Employment and the Economy. The fund takes care of emergency supply in unusual conditions. Its revenues include stock-building levies on liquid fuels, and sales of the reserves of the fund.

*Maatalouden interventiorahasto (Intervention Fund of Agriculture):*

The fund is under the supervision of the Ministry of Agriculture and Forestry. The Intervention Fund of Agriculture provides the national financing for the intervention activity financed by the EU for the time before the EU payments for the intervention actions arrive. Revenues come from the EU.

*Valtion vakuusrahasto (Government Guarantee Fund):*

An authority set up in 1992 to handle bank crises and which operates under the Ministry of Finance. The fund's aim is to stable operations for the deposit banks and take care of the possible banking crises. The fund has been used very rarely, last time in the end of 1990's.

*Palosuojelurahasto (Fire Protection Fund):*

The fund operates under Sisäasiainministeriö (Ministry of the Interior). Under the law, insurance companies which provide fire insurance are obliged to pay tax on fire insurance to Fire Protection Fund. The fund uses this revenue in grants to associations promoting fire safety, to municipalities and to voluntary fire brigades.

*Radio- ja televisiorahasto (Radio and Television Fund):*

It is classified in S.11 (together with YLE Ltd), but in spite of that, the administrative costs of the extra-budgetary Radio and Television Fund are included in the S.1311 accounts.

Data of extra-budgetary units is available and used in the compilation of national accounts. The funds have mostly recorded on P.11 market output, D.411 interest and D.214 tax-like payments, P.22 intermediate consumption, D.92 investments grants and D.39 other subsidies on production. The source data allows detailed consolidation for extra-budgetary units.

*Non-financial flows recorded in EBA*

*Financial flows recorded in EBA*

Extra-budgetary funds data is not included in the working balance. Data of extra-budgetary units are taken into account when compiling the table 2A and 3B of EDP and in national accounts compilation (both non-financial and financial accounts).

**3.2.2 Data sources for other Central Government units**

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

Other central government units include 16 universities, Solidium Ltd and Leijona Catering Ltd.

Statistics Finland has made a decision to classify public broadcasting company YLE Ltd to the central government sector from the beginning of statistical year 2013, when the broadcasting tax was introduced in Finland. This decision can be found in Finnish from [http://www.tilastokeskus.fi/meta/luokitukset/\\_linkki/yleisradio\\_luokituspaatos.pdf](http://www.tilastokeskus.fi/meta/luokitukset/_linkki/yleisradio_luokituspaatos.pdf).

**Table 3 – Availability and use of basic source data for other central government units:  
Data from universities, Leijona Catering Ltd and Solidium Ltd.**

Available source data				Source Data Accounting	Source data used for compilation of	
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			B.9 (NFA)	B.9f (FA)
		First results	Final data			
1	2	3	4	5	7	8
		<i>T + days</i>	<i>T+months</i>			
				<b>Budget Reporting</b>		
				(1) Current revenue and expenditure		
				(2) Current and capital revenue and expenditure		
				(3) Current and capital revenue and expenditure and financial transactions		
				(4) Balance sheets		
				<b>Financial Statements</b>		
A	A	T+150	T+6	(5) Profit and loss accounts	X	X
A	A	T+150	T+6	(6) Balance sheets		X
				(7) Cash flow statement		
				<b>Other Reporting</b>		
				(8) Statistical surveys		
M	Q	T+45	T+2	(9)The report from Solidium	X	X

See notes to table 2, on the used abbreviations.

#### Universities:

For the April (T+1) EDP notification there is no real data available for the universities for the compilation of non-financial accounts (table 2A). For the April EDP notification some indirect data (mainly for most important expenditure items like salaries) is available, and data is estimated using the change in the index of wage and salary earnings for universities in current accounting year.

#### Leijona Catering Ltd:

For the April EDP notification (T+1) there is no real data available for the compilation of non-financial accounts (table 2A). The Statistics Finland receives data from Leijona Catering once a year (t+150 days). For the April EDP notification, some important expenditure and revenue items can be obtained from indirect data sources (like salaries and profit).

For the compilation of table 3B Leijona Catering and universities data have the same availability date. Both data are in use in t+150 days and include the profit and loss accounts and the balance sheet.

**Solidium Ltd:**

Data from Solidium Ltd is acquired with a separate quarterly report and data of Solidium Ltd is based on that report when compiling the April EDP notification and both B.9 and B.9f.

Transactions in assets and liabilities in the notification tables 3 are based directly on ESA95 financial accounts. The report from Solidium Ltd includes share-by-share data on holdings, disposals and acquisition of equity.

*3.2.2.1 Details of the basic data sources*

**Universities:**

Even though universities since 2010 have been operating as independent units outside the budget economy, all universities are classified to the central government sector (see more in 3.2.3.3.2). The financial reports data of universities is decoded to correspond with the ESA95 codifications. The balance sheet is decoded with the ESA95 codes for the financial accounts purposes and profit and loss statement is decoded with the ESA95 codes for the non-financial accounts.

Main problem in the data for universities is the lack of counterpart information, especially in financial accounts, thus the consolidation is not possible (except inside the central government level). For financial accounts, we have to use many other counterpart data sources to be able identify some of consolidated flows from data of universities.

**Solidium Ltd:**

Solidium Ltd is fully state owned company (see more in 3.2.3.3.2) which is classified in the central government sector. The report it provides to Statistics Finland has been designed for our statistical needs and a separation for non-financial and financial accounts source data is already built in within the report. From the report, all relevant data can be obtained. The report includes share-by-share data on holdings, disposals and acquisition of equity.

**Leijona Catering Ltd:**

Leijona Catering Ltd is fully owned by the State of Finland and it has been classified in the central government sector. The balance sheet is decoded to correspond with the ESA95 codifications in financial account and same is done for profit and loss statement for the purposes of compilation of non-financial account.

*3.2.2.2 Statistical surveys used as a basic data source*

Not used.

*3.2.2.3 Supplementary data sources and analytical information*

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



For universities we amend/improve data by collecting more information from their annual reports.

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

The universities cash flow statements (T+180) is used to amend/improve information on gross fixed capital formation. Data has been available from the year 2010 onwards.

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

### 3.2.3 EDP table 2A

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

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

The same data sources are used for the compilation of non-financial accounts and for the calculation of working balance (WB).

#### 3.2.3.2 Legal basis of the working balance

Working balance is based on two laws:

Degree on the State Budget 1243/1992 and the law on the state budget 1988/423. Working balance as such is not voted in the parliament, instead the final accounts of the state which are the basis for the working balance for the previous years are submitted to the parliament for discussion by the Ministry of Finance.

Valtiontalouden tarkastusvirasto (National Audit Office) is responsible for financial audit which focuses with the budget and annual audits of the final central government accounts. The Government report on the final accounts is submitted to the parliament in the June of the following year for each budget year. The report contains the final central government accounts together with their appendices. Included in the report is the statement by the government financial controller's function on the correctness of the data contained in the report. By law, it is in the competence of government financial controller's function to ensure that the report provides the true and fair information on state revenues and expenditure and the state's financial position. However, the State audit office is also indirectly involved in the process: the office submits later its report on the auditing of the final central government accounts to the parliament. Findings relevant to national accounts can be found both in the statement by the government financial controller's function and in the report of the State Audit Office.

In April notification: the working balances for t-2, t-3, and t-4 have gone through an auditing process. In October notification also the working balance for t-1 has been submitted to this process. Auditing report is public and to be seen [http://www.vtv.fi/en/publications/nao\\_s\\_reports\\_to\\_parliament/archive/](http://www.vtv.fi/en/publications/nao_s_reports_to_parliament/archive/)

To this day auditing has not been impacting on B.9 or B.9f, but there is no reason why it could not affect on these.

### 3.2.3.3 Coverage of units in the working balance

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

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

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

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

'Other government units' included inside the central government subsector are:

Solidium Ltd  
The universities  
Extra-budgetary funds  
Leijona Catering Ltd

Solidium is a holding company wholly owned by the State of Finland. Its purpose is to manage the assets and it was mandated both to increase and decrease the state's equity investments and acquire holdings in other companies as well. In the end of 2008, the state transferred its non-strategic share portfolio to the Solidium Ltd.

Before 2010 universities were part of the state bookkeeping system. The system of Finnish universities was reformed in the beginning of 2010. In the new system, all universities operate outside the state budget economy and they enjoy stronger financial and operational autonomy than earlier. Despite this increased autonomy, Statistics Finland has concluded that the universities are controlled (and mainly financed) by the government even after the reform. Therefore they are classified in S.1311 in national accounts.

Extra-budgetary funds include nine state extra-budgetary funds (and in addition administrative costs of Radio and Television Fund). Their data are compiled from extra-budgetary funds bookkeeping system, which is part of the state bookkeeping system managed by the State Treasury.

All units use bookkeeping system based on accrual basis and methodological imputations/reclassification are reflected directly in subsectors B.9. The full sequence of ESA95 accounts is available by units. Net borrowing (-) or net lending (+) of other central government bodies are reported as one in the table 2A row "Consolidated net lending of the other central government units".

The Finnish government made a decision to establish a new limited company Leijona Catering Ltd, it was established on 1 January 2012 and its main economic activity is catering services. The company is fully owned by the State of Finland. The company's main customer is the Finnish Defence Forces and it is a non-market producer. It is selling products and services mainly to the unit inside the government (The Finnish Defence Forces) and based on facts mentioned it has been classified to the sector S.1311, central government, from the beginning of statistical year 2012.

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

The Budget reporting is on a mixed cash/accrual/commitment basis (see point 3.2.1.1).

The working balance describes the central government current year deficit/surplus and it comprises all budget accounts including deferrable appropriations which are not used at the same year as recorded. In the other words, there is different treatment for transferable appropriations in national accounting as in working balance. In the working balance transferable appropriations are expended at the year they are allocated to. In national accounts transferable appropriations are expended at the year they are used.

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

Data for interest revenue and expenditure is recorded on accrual basis and it is in line with ESA95. All interest expenditures and revenues of the state are recorded in the WB. All payments of discount are recorded in the working balance, but it is difficult to find out exact amount of payment of discounts by single transactions. The accrual adjustment to interests is received from state bookkeeping records, and from 2004 onwards the interests have been on accrual basis also in the budget accounting.

The row "Difference between interest paid and accrued" includes only the state. It includes redemption/issuance of debt above/below par, premiums and discounts spread over time and the impact of lump sum paid or received by central government for swap cancellation.

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

In financial accounts for F.7 receivables the time adjustment of taxes and difference in recording EU-grants in the budget is also added.

Accrual adjustments in EDP table 2A are fully consistent with F.7 reported in EDP table 3B.

For more information, see point 3.2.1.3.

##### *3.2.3.4.3 Other accrual adjustments in EDP T2*

Not relevant to Finland.

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

Not relevant for Finnish EDP reporting.

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

Financial transactions which are included in the central government budget (and so in the working balance) but are excluded in the section “financial transaction included in the working balance” are (see also Annex II):

#### a) Loans granted

Granted loans that have been approved by the parliament and included in working balance.

#### b) Loans repayments

The repayments of granted loans, which are included in the state budget and in the working balance (for example repayments of loans to the Finnish Funding Agency for Technology and Innovation).

#### c) Acquisitions of equities

Acquisitions may be financed from the state budget. Acquisitions include both equity injections and acquisitions on the secondary market. From the year 2012 it includes also the recapitalisation of the European Stability Mechanism (ESM).

#### d) Sales of equities

This includes privatisation receipts and repayments of the loans of quasi-corporations to the central government. These loans originate mainly from property transfers by central government to quasi-corporations. But they are recorded on equity sales according to the rules of the MGDD.

#### e) Other financial transaction

Adjustment includes:

- PPPs deferred debt repayments.
- Delivery of coins for circulation to Bank of Finland.
- Redemption of coins for circulation from Bank of Finland.
- At the beginning of the year 2011 the State Treasury started acting on behalf of Finnish government and to provide loans to Suomen Vientiluotto (Finnish Export Credit) to finance exports of Finnish companies. The government's loans to FEC are denominated in foreign currency, typically USD. According to general currency risk policy of the State Treasury, Finnish government does not expose itself to a currency risk and because of that the State Treasury are hedging these loans against currency risk. These hedging transactions (swap arrangements) between the State Treasury and the banks are shown in the row “Other financial transactions” and are included in the working balance.

### *3.2.3.7 Other adjustments reported in EDP T2*

The following items are reported under “other adjustments” at the EDP table 2A:

“Debt cancellation/assumption” (negative sign) represent the recording of capital transfer expenditure relating to debt cancellation/debt assumption not considered in the working balance.

“Reinvested earnings on FDI” (mostly positive sign) relates to the inclusion of government revenues from reinvested earnings on Foreign Direct Investments (FDI) not considered in the working balance.

“The impact of the difference in the recording of deferrable budgetary appropriations” (mostly positive sign) represents different treatment of transferable appropriations between budget accounting and national accounts. In the working balance, transferable appropriations are expensed at the year they are allocated (positive sign). In the national accounts transferable appropriations are expensed at the year when they are used. The use of transferable appropriations is not included in the working balance (negative sign) if the used transferable appropriations are from previous years.

“Super dividends” (negative sign) corresponds to transactions relating to dividends that are reflected as revenue in the working balance, but treated as withdrawal of equity in national accounts.

“PPP” (negative sign) represent the recording of investment expenditure during the construction period, not considered in the working balance.

### 3.2.3.8 Net lending/net borrowing of central government

The net borrowing/net lending (B.9) is derived from the same source data which is used for the working balance, but taking into account also the other accounts than budget accounts in the data, and to which data of other central government units and extra-budgetary funds are added (see point 3.2.2.1 and 3.2.1.4), but it also impacted by all adjustments described in the preceding paragraphs. The main entity is the same for the calculation of the working balance and net borrowing/net lending (B.9).

## 3.2.4 EDP table 3B

### 3.2.4.1 Transactions in financial assets and liabilities

For all sub-sectors, transactions in assets and liabilities in notification tables 3 are based directly on ESA95 financial accounts.

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

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

In the case of central government, the figures are calculated in the context of General Government Quarterly Financial Accounts (QFAGG), which is the basis for the annual accounts as well. Main sources for financial accounts are central government bookkeeping accounts (integrated with public accounts), State Treasury debt report, Quoted shares database, Solidium Ltd's quarterly report and Balance of Payments (BoP).

Main supplementary sources are data of the universities, OFI Statistics and EFSF Operations report. Luottokanta (Statistics Finland's Outstanding Credit Stock Statistics) and MFI Statistics are widely used to determine counterpart sector information. Direct transaction data is available from State Treasury debt report, Quoted shares database, Solidium Ltd's quarterly report, Balance of Payments and Money and Banking Statistics.

Transactions of financial instruments are valued at actual transaction prices observed. As a general rule, financial transactions are recorded on an accrual basis. When applicable, transactions are calculated as the change of balance sheet values. However, every existing source of actual transactions is exploited.

Subsets of other flows are also calculated. Changes in classification of units and instruments are entered as reclassifications. Other volume changes are entered when needed. Holding gains/losses are derived as a residual. Stock/flow consistency is monitored mainly by studying relative holding gains/losses.

In the QFAGG compilation process all relevant available sources are transferred to the compiling system. Thus the data from different sources is constantly on display as a reference data. The whom-to-whom approach applied includes the compilation of all intra-sector positions. Consolidation can be thus made simply by subtracting intra-positions from non-consolidated totals. Generally, in Finland financial accounts are compiled as a complete matrix containing always counterpart information, both for stocks and for transactions.

#### Main sources and methods for the Central government S.1311

##### Currency and deposits (F.2):

###### Assets

Stocks: Central government bookkeeping accounts. MFI Statistics and BoP for counterpart sector data.

Transactions: Change in stocks.

###### Liabilities

Stocks: Bank of Finland, coins in circulation.

Transactions: Change in stocks.

##### Securities other than shares (F.3)

##### Debt securities (F.33):

###### Assets

Stocks: Central government bookkeeping accounts and Outstanding Credit Stocks Statistics. BoP, data of the universities and Solidium Ltd's quarterly report are used as supplementary sources.

Transactions: Change in stocks.

Liabilities

Stocks: State Treasury's debt report, which includes information on short-term and long-term bonds issued in market value (also in nominal value). Outstanding Credit Stock Statistics and Quarterly Investment Portfolio Inquiry for Pension Institutes are used for counterpart sector data.

Transactions: New issues and redemptions are included in State Treasury's debt report.

Financial Derivatives (F.34):

Assets

Stocks and transactions: Netted in liability side.

Liabilities

Stocks: Value of currency swap contracts is recorded as a net amount in liability side.

Transactions: Additional data obtained from State Treasury.

Loans (F.4):

Assets

Stocks: Central government bookkeeping accounts and EFSF Operations report are the main supplementary sources. Counterpart sector data is mainly acquired from Outstanding Credit Stock Statistics.

Transactions: Change in stocks.

Liabilities

Stocks: Main data source is the State Treasury debt report, which includes information short-term and long-term loans (F.41 & F.42). Main supplementary data used are EFSF Operations report, data on the debt equity of the Nuclear Waste Management Fund and separate book-keeping data on the amount of payables on cash collaterals. Outstanding Credit Stock Statistics and BoP are used for counterpart sector data.

Transactions: Mixed. Both direct transaction data and change in stock method are used.

Shares and other equity (F.5)

Quoted shares (F.511):

Assets

Stocks: Quoted shares database (book-entry securities register) and Solidium Ltd's quarterly report.

Transactions: Direct transaction data from both main sources. Recording of super-dividends is added manually.

Liabilities

Not applicable.

Unquoted shares and other equity (F.512+F.513):

Assets

Stocks: Central government bookkeeping accounts. Valuation is according to own funds at book value.

Transactions: Acquisitions and disposals of unquoted shares are added manually, the data is from Government Ownership Steering Department.

Liabilities

Not applicable.

Mutual fund shares (F.52):

Assets

Stocks: OFI Statistics and BoP.

Transactions: Direct transaction data from both main sources.

Liabilities

Not applicable.

Insurance technical reserves (F.6)

Assets

Not relevant in Finland.

Liabilities

Not applicable.

Other accounts receivable and payable (F.7)

Trade credits (F.71):

Assets

Stocks: Central government bookkeeping accounts and BoP.

Transactions: Change in stocks.

Liabilities

Stocks: Central government bookkeeping accounts.

Transactions: Change in stocks.

Other accounts receivable and payable (F.79):

Assets

Stocks: Central government bookkeeping accounts.

Transactions: Change in stocks.

Liabilities

Stocks: Central government bookkeeping accounts.

Transactions: Change in stocks.

*3.2.4.2 Other stock-flow adjustments*

The gains (+) and losses (-) of government bond issuances are recorded under "Issuance above/below nominal value". The item describes the difference between nominal value and subscription price after deduction of provisions and costs. The sum of consolidated accrued interests and the swap adjustment are recorded under "Difference between interests accrued and paid". The streams of interest payments resulting from swap arrangements and forward rate agreements are recorded under interest flow attributable to swaps and FRAs. The data is derived from the differences between accrual-based pre-swap and after-swap interests.

Capital gains (+) and losses (-) are recorded under "Redemptions of debt above/below nominal value". The item "Appreciation/depreciation of foreign currency debt" describes the difference of the value of repayments measured by the FCY/EUR (FCY~ foreign currency) rate at the time of repayment and the ones measured using the FCY/EUR rate at inception (when the bonds were issued or the latest settlement was made). The item is derived from the difference between after-swap and pre-swap transactions.



Information on issuance above/below nominal value, difference between interests accrued and paid, interest flow attributable to swaps and FRAs, redemptions of debt above/below nominal value and appreciation/depreciation of foreign currency debt is obtained from the State Treasury.

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

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

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

Statistical discrepancies between net lending in B.9f and B.9 are allowed and shown. Discrepancies result from the two different compilation processes, one for non-financial national accounts (behind tables 2.) and another for financial accounts (behind tables 3.). This concerns all sub-sectors of the general government sectors.

Discrepancies are closely monitored and reasons for them are studied by checking source data and methods. Discrepancies are also frequently being analysed with non-financial account compilers during compilation rounds.

Normally discrepancies for subsector level are moderate and at the level of S.13 quite often they balance each other's out. Discrepancies are considered to partly originate from time of recording issues.

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

#### 3.3.1 Data sources for Local Government main unit: municipalities and joint municipal authorities

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

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+months</i>		<i>cross appropriate cells</i>		
				<b>Budget Reporting</b>			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
				(3) Current and capital revenue and expenditure and financial transactions			
				(4) Balance sheets			
				<b>Financial Statements</b>			
M	A		T+6	(5) Profit and loss accounts	x	x	
A	A		T+6	(6) Balance sheets			x
A	A		T+6	(7) Cash flow statement			x
				<b>Other Reporting</b>			
M	A		T+2	(8) Local government financial statement estimates	x	x	
A	A		T+11	(9) Finances and activities of municipalities and joint municipal authorities (part II) :		x	

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

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

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

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

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

#### 3.3.1.1 Details of the basic data sources

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

The main source data used for national accounts are the statistics “Kuntien ja kuntayhtymien tilinpäätösarvioilasto” (“Local government financial statement

estimates”) (April T+1 and October T+1 notifications) and “Kuntien ja kuntayhtymien talous- ja toimintatilasto (osa II)” (“Finances and activities of municipalities and joint municipal authorities (part II)”) (April T+2). In the April T+1 reporting, the working balance is from the same source as B.9, but the working balance is not used directly for B.9 calculation.

Kuntien ja kuntayhtymien tilinpäätösarvioilasto (Local government financial statement estimates)

This is a statistics compiled by Statistics Finland, and it's published in February. The contents of the statistics combine elements of a financial statement and a statistical survey. The data includes all municipalities and joint municipal authorities, except the ones of the Åland province. The data is available by units and by category of transaction/instrument.

Each unit is divided into two parts: the “basic” municipality / joint municipal authority and quasi-corporations, so that all quasi-corporations of a unit are reported together. Because all quasi-corporations of a unit are reported aggregated, it isn't possible to distinguish the ones classified outside general government. (For example in year 2011 from quasi-corporations' total figures, the share of quasi-corporations classified outside general government was 14 percent in wages and 30 percent in intermediate consumption.) The data can be used despite this, because it is not included in national accounts as such but it is used for calculating percentages of change, which are then applied for national accounts.

The classification of transactions used in municipal finance statistics is developed by the Association of Finnish Local and Regional Authorities, in collaboration with Statistics Finland. The classification does not exactly correspond to the Government Finance Statistics (GFS) classifications, but it can be recoded appropriately enough for national accounts' purposes. Sometimes it isn't detailed enough, for example “other financial expenses” includes (in addition to depreciations of financial assets) items that should be recorded as expenditure in national accounts. Also, the data doesn't allow identifying individual flows in order to reclassify, for example capital injections from financial to non-financial transactions.

The data enables partial consolidation between local government units. For example, we know the interest received by a municipality from its quasi-corporations, but we don't know how the amount is divided between quasi-corporations inside local government and quasi-corporations classified outside local government. Regarding consolidation between general government subsectors, the data allows consolidation in financial accounts, but for non-financial accounts counterpart data is used.

Regarding codification of other counterpart sectors than general government, it is possible to distinguish current transfers to households.

Kuntien ja kuntayhtymien talous- ja toimintatilasto (osa II) (Finances and activities of municipalities and joint municipal authorities (part II))

This is a statistics compiled by Statistics Finland and published in November. It is the main source data for local government non-financial accounts. The statistics includes

for example revenue and expenditure data by function and financial statements of quasi-corporations. The data covers all municipalities and joint municipal authorities. The data is available by units, so that a municipality or a joint municipal authority is divided to the "basic" unit and to quasi-corporations. Quasi-corporations are reported not by a unit but by a function.

About the classification of transactions used, see above.

The data enables exclusion of quasi-corporations classified outside local government sector. Consolidation of current and capital transfers and property income between local government units is possible. For consolidation between general government subsectors counterpart data is preferred.

Questionnaire of the statistics (only in Finnish):

<http://www.stat.fi/keruu/kutall/lomakkeet.html>

### *Financial statements*

#### Kuntien ja kuntayhtymien talous- ja toimintatilasto (osa I), Finances and activities of municipalities and joint municipal authorities (part I)

This is a statistics compiled by Statistics Finland, and it's published in June. The statistics includes financial statements (profit and loss accounts, balance sheets, cash flow statements) of all municipalities and joint municipal authorities. The financial statement is external, so all internal transactions are eliminated, and a municipality or a joint municipal authority is consolidated with its quasi-corporations.

Balance sheet data is the main source for financial accounts. The profit and loss accounts are used as a source for interest and dividends.

In financial accounts compilation, transactions of F.7 are calculated as the difference between the closing and opening balance sheets. As a main rule we can identify stocks of F.7 from financial statements of municipalities and joint municipal authorities (included in Finances and activities of municipalities and joint municipal authorities).

Questionnaire of the statistics (only in Finnish):

<http://www.stat.fi/keruu/kutall/lomakkeet.html>

#### Working balance (WB):

The working balance is the annual margin ("vuosikate" in Finnish) recorded in the municipal statistics. It covers municipalities and joint municipal authorities, including their departmental enterprises (quasi-corporations).

The source statistics of the working balance are:

April T+1 notification: "Kuntien ja kuntayhtymien tilinpäätösarvioilasto" (Local government financial statement estimates)

October T+1 notification: "Kuntien ja kuntayhtymien talous- ja toimintatilasto (osa I, tilinpäätökset)" (Finances and activities of municipalities and joint municipal authorities (part I, financial statements))

For more information on the sources of the working balance, see the sections on above mentioned statistics.

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

### *3.3.1.3 Supplementary data sources and analytical information*

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

##### Statistics on financial leasing (Statistics Finland)

Municipalities and joint municipal authorities record financial lease contracts off-balance sheet, so as expenditure they record rents, not investments. This statistics is used as a source in order to record leases according to the ESA95 requirements (as investments) in national accounts. The statistics on financial leasing is published yearly (in April T+1) and the data providers are companies that provide financial leasing. The data is available by sector, industry and object.

##### Tax Administration

The main source for local government's tax revenue are the reports of Tax Administration, which are available monthly on Tax Administration's internet page. (Two exceptions are the tax on dogs (D.59), which source are the municipal financial statements, and the pharmacy levy (D.21) collected in Åland, which source is the financial statement of the Åland Government. We record income tax as time-adjusted net cash, and one of the reasons why we use the reports of Tax Administration is because the data can be time-adjusted more easily than the data from municipal statistics. Also, this way the source of tax revenue is the same in annual and quarterly accounts.

##### National accounts data of other general government subsectors

The counterpart information is used for current and capital transfers between local government and other general government sub-sectors. This is due to better-defined sector classification compared to local government data.

#### 3.3.1.3.2 Supplementary data sources used for the compilation of financial accounts

##### Other administrative sources:

- \* Financial statements (from the Åland Government, the Pension Fund of the the Åland Government and annual reports and financial statements of Kuntaliitto (the Association of Finnish Local and Regional Authorities), Kuntien takauskeskus (Municipal Guarantee Board) and Länsimetro Oy.)

##### Counterpart information- Money and banking statistics:

- \* OFI Statistics
- \* MFI Statistics

##### Ccounterpart information - BoP statistics:

- \* Balance of Payments data

##### Securities database:

- \* Quoted shared database
- \* Outstanding Credit Stock Statistics
- \* Securities Statistics of the Bank of Finland

### 3.3.2 Data sources for other Local Government units

**Table 6 – Availability and use of basic source data for other local government unit: Ålands Landskapsregering (the Åland Government) and Landskapet Ålands pensionsfond (the Pensionfund of the Åland Government)**

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

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

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

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

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

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

April T+1 notification: The data of the Åland Government and the Pensionfund of the Åland Government are estimated. However, the current transfers from central government are obtained from central government's accounts.

**Table 7 – Availability and use of basic source data for other local government units:  
Kuntaliitto (Association of Finnish Local and Regional Authorities), KT  
Kuntatyöntajat (KT Local Government Employers), Kuntien takauskeskus  
(Municipal Guarantee Board), Länsimetro Oy**

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

The time of availability (T+6) relates to legislation: According to the Accounting Act (1336/1997), companies must prepare the financial statements within four months of the end of the financial period. In addition, according to the Limited Liability Companies Act (624/2006), the financial statements must be adopted at the Ordinary General Meeting within six months of the end of the financial period.

April T+1 notification: If the financial statement of a unit is already available, it is used. If it isn't yet available, are the data of the unit estimated.

### 3.3.2.1 Details of the basic data sources

Financial statements of the Åland Government and the Pensionfund of the Åland Government are obtained via internet.

Non-financial ESA accounts of the Åland Government:

The main source data for the Åland Government non-financial accounts is compiled by the Statistics and Research Åland (ÅSUB). The data received by Statistic Finland

is already classified according to ESA95 codes. The financial statement is used in addition to this data.

Financial statements of other units (table 7) are obtained via internet or directly from the units.

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

#### *3.3.2.3 Supplementary data sources and analytical information*

### **3.3.3 EDP table 2C**

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

Data sources used for the working balance are partly used for non-financial accounts and B.9. See chapter 3.3.1.1.

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

The working balance/WB (the annual margin, "vuosikate") is the most known figure of municipal finances. The final WB is available for October T+1 notification, when its source is the statistics on "Finances and activities of municipalities and joint municipal authorities (part I)", which is based on the financial statements (in principle, the statistics is still half-final during October notification, but the revisions of the WB between October (T+1) and April (T+2) notifications have been insignificant). Therefore, the WB - although based on official and audited financial statements - is a statistical concept, which is as such not submitted to auditing.

The official financial statement is audited by a chartered public finance auditor and approved by the municipal council. According to the Act on Municipalities (365/1995), the municipal council must receive the financial statement for approval by the end of June.

#### *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*

The working balance includes municipal quasi-corporations (departmental enterprises) which are classified outside the local government. The market/non-market test is applied for these units. However, a complete unit-by-unit analysis cannot in practice be undertaken from the source statistics. Therefore, quasi-corporations acting on certain industries (water supply, energy supply, public transport, port authorities and waste management) are always, by convention, considered as market producers and classified to non-financial corporations sector.

The balance of these quasi-corporations is excluded from the EDP table 2C via the line "WB of entities not part of local government". The final source data is detailed enough for identifying the related flows. In April T+1 and October T+1 notifications the flows are estimated.



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

The units reported under the line “B.9 of other local government bodies” are the Åland Government, the Pensionfund of the Åland Government, Association of Finnish Local and Regional Authorities, KT Local Government Employers and Municipal Guarantee Board. In specific, the item reported here is not the B.9 but the “working balance” of these units. This means, that for example the investments of these units are not included in the line (as they are not included in the actual WB) but in the line “Non-financial transactions not included in the working balance”.

The “WB” of these units is on accrual basis.

The impact of methodological imputations/reclassifications relating to these units (e.g. debt cancellations, debt assumptions, EU flows, dividends, capital injections etc.) would be reported separately under other adjustment lines in EDP T2.

3.3.3.4 *Accounting basis of the working balance*

The accounting basis of the working balance is mixed. Municipalities record tax revenue on a cash basis, but other items are accrual based.

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

Interest revenues and expenditures are recorded on an accrual basis in the working balance.

The interest expenditure relating to financial leases is not included in the WB, but it is reported in the line “Non-financial transactions not included in the working balance”. In the same line is also reported the interest received from the quasi-corporations classified outside the local government. The reinvested earnings of mutual funds, which are recorded as interest revenue, are added to the line “Other adjustments”.

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

The adjustment reported under other accounts receivable is “Time adjustment of income tax and difference due to source”. The adjustment is the difference between the income tax D.51 included in the B.9 and the income tax included in the working balance. See chapters 3.3.1.1, 3.3.1.3.1 and 3.3.3.4.

3.3.3.4.3 Other accrual adjustments in EDP T2C

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

Under the line “Non-financial transactions not included in the working balance” are reported following adjustments:

- \* Property income (D.422+D.41) from quasi-corporations classified outside S.1313
- \* Investments (P.51 excluding VAT)

\* Capital transfers (D.9), net

\* Interest expenditure (D.41) of financial leases

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

Doesn't exist.

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

Reinvested earnings of mutual funds recorded as property income (D.421+D.41):

This item refers to interest and dividends that are capitalised but recorded in national accounts as property income.

The effect of revaluation items in the working balance, net:

The working balance includes revaluation items such as capital gains and write-downs of financial assets (e.g. shares). The B.9 doesn't include revaluation items, so their effect is cancelled in this adjustment.

The effect of differences in the recording of net acquisitions of land:

Selling land (e.g. sites, plots) is regular activity for municipalities. Because of this, the working balance includes sales profits of land. In B.9 these profits are included in 'K.2 Acquisitions less disposals of non-produced non-financial assets' (which includes all revenue/expenditure related to acquisitions/disposals of land). The adjustment in table 2C consists of the net effect of the differences in the recordings.

-Acquisitions of non-produced non-financial assets (K.211)

+ Disposals of non-produced non-financial assets (K.212)

-Sales profits of land (included in the annual margin)

=The adjustment "Effect of differences in recording of net acquisitions of land"

Rents of financial leases included in the working balance:

In municipal statistics and in municipal bookkeeping, financial leasing is recorded off-balance sheet. So, the working balance includes rents of leases. Because of the different recording in national accounts (on-balance sheet), the effect of paid rents is cancelled in this adjustment.

Other known differences between working balance and EDP B.9:

This item is for one-off events recorded differently in working balance and in national accounts.

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

Local government's B.9 is not, in any point, compiled directly through the working balance, but through calculating each transaction of sector accounts separately. Partly same sources are used for WB and B.9. See chapter 3.3.1.

### 3.3.4 EDP table 3D

#### 3.3.4.1 Transactions in financial assets and liabilities

For all sub-sectors, transactions in assets and liabilities in notification tables 3 are based directly on ESA95 financial accounts.

**Table 8. Data used for compilation of transactions and of stocks of financial assets and liabilities**

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

Transactions of assets and other liabilities indicated in table 3D are calculated in the context of annual financial accounts. Financial statements (balance sheets, cash-flow statements) of municipalities and joint-municipal authorities (included in Kuntien ja kuntayhtymien talous ja toiminta/Finances and activities of municipalities and joint municipal authorities compiled in Statistics Finland) is the main source for local government. Other main sources are Quoted shares database, Securities Statistics of the Bank of Finland, Money and Banking Statistics, Outstanding Credit Stock Statistics and Balance of Payments.

For assets and liabilities other than Shares and other equity (F.5), data is valued at nominal value, and transactions are calculated, as a main rule, as a difference between closing and starting balance. Accrued interest is recorded under Other accounts receivable and payable (F.7). Transactions concerning F.5 are based on actual acquisition and sales prices.

Some units classified in S.1313 are not included in the statistics of municipalities and their data has to be added to the source data: Ålands Landskapsregering (the Åland Government), Kuntaliitto (Association of Finnish Local and Regional Authorities), Kuntatyöntajat (KT Local Government Employers), Kuntien takauskeskus (Municipal Guarantee Board) and Länsimetro Oy.

The source data for these units are the financial statement of the Government of Åland, the financial statement of the Pension fund of the Government of Åland and annual reports and financial statements of the Association of Finnish Local and Regional Authorities, Kuntien takauskeskus and Länsimetro Oy.

In the April notification the figures are calculated in the context of General Government Quarterly Financial Accounts (QFAGG). Its main data source is

Statistics Finland's Quarterly Local Government Finance Statistics (QLGFS), which includes quarterly balance sheet information on municipalities and it is completed in t+45 days. QLGFS is based on a sample survey from which joint-municipal authorities are excluded. Thus, these balance sheet figures are not used as such, but previous year's figures are brought forward by change indicated by it. QLGFS is used for calculation on F.332 and F.4 debt. Book values are indicated, so the valuation is in line with EDP rules. As for finalised data, information on local government short-term bonds (F.331) is obtained from Bank of Finland.

### Main sources and methods for the Local government S.1313

#### Currency and deposits (F.2)

##### Assets

Stocks: Balance sheets of municipalities and joint-municipal authorities. MFI statistics and BoP for counterpart data.

Transactions: Change in stocks.

##### Liabilities

Not Applicable

#### Securities other than shares (F.3)

##### Debt securities (F.33)

##### Assets

Stocks: Balance sheets of municipalities and joint-municipal authorities.

Transactions: Change in stocks.

##### Liabilities

Stocks: Balance sheets of municipalities and joint-municipal authorities, short-term bonds at nominal value from Financial Market Statistics of the Bank of Finland.

Transactions: Change in stocks.

#### Financial Derivatives (F.34)

##### Assets

Stocks and transactions: Netted on liability side.

##### Liabilities

Stocks: According to MFI Statistics and BoP.

Transactions: According to MFI Statistics and BoP.

#### Loans (F.4)

##### Assets

Stocks: Balance sheets of municipalities and joint-municipal authorities.

Transactions: Change in stocks. Foreign transactions according to BoP.

##### Liabilities

Stocks: Balance sheets of municipalities and joint-municipal authorities.

Transactions: Change in stocks.

#### Shares and other equity (F.5)

##### Quoted shares (F.511)

##### Assets

Stocks: Quoted share database for domestic sectors, BoP for rest of the world.

Transactions: Quoted share database for domestic sectors, BoP for rest of the world

Liabilities

Not applicable.

Unquoted shares and other equity (F.512+F.513)

Assets

Stocks: Balance sheets of municipal corporations. Valuation is according to own funds at book value.

Transactions: Cash-flow statements of municipalities and joint-municipal authorities.

Liabilities

Stocks: Equity of joint-municipal authorities.

Transactions: Change in equity of joint-municipal authorities.

Mutual fund shares (F.52)

Assets

Stocks: OFI Statistics for domestic sectors, BoP for rest of the world.

Transactions: OFI Statistics for domestic sectors, BoP for rest of the world.

Liabilities

Not applicable.

Insurance technical reserves (F.6)

Assets

Stocks: Counterpart data of insurance corporations. Insurance corporations' liability is divided to counterpart sector according to premiums paid.

Transactions: Change in stocks.

Liabilities

Not applicable.

Other accounts receivable and payable (F.7)

Trade credits (F.71)

Assets

Stocks: Balance sheets of municipalities and joint-municipal authorities.

Transactions: Change in stocks.

Liabilities

Stocks: Balance sheets of municipalities and joint-municipal authorities.

Transactions: Change in stocks.

Other accounts receivable and payable (F.79)

Assets

Stocks: Balance sheets of municipalities and joint-municipal authorities. Accrued interest is included. The impact of adjustment of taxes is added to data.

Transactions: Change in stocks.

Liabilities

Stocks: Balance sheets of municipalities and joint-municipal authorities. Accrued interest is included.

Transactions: Change in stocks.

*3.3.4.2 Other stock-flow adjustments*

Information on appreciation/depreciation of foreign-currency debt is obtained from Balance of Payments. In the case of local government no other adjustments are needed, as in financial accounts debt instruments are recorded at nominal value. For example, accrued interest is recorded in other liabilities.

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

#### 3.4.1 Data sources for Social Security Funds main unit : Employment pension schemes (S13141)

**Table 9 – Availability and use of basic source data for Employment pension schemes (S13141)**

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+months</i>		<i>cross appropriate cells</i>		
				<b>Budget Reporting</b>			
				(1) Current revenue and expenditure			
A	A	T+60	T+2	(2) Current and capital revenue and expenditure	X	X	
				(3) Current and capital revenue and expenditure and financial transactions			
				(4) Balance sheets			
				<b>Financial Statements</b>			
A	A	T+210	T+11	(5) Profit and loss accounts	X	X	
A	A	T+150	T+7	(6) Balance sheets			X
				(7) Cash flow statement			
				<b>Other Reporting</b>			
A	Q	T+80	T+3	(8) Statistical surveys			X
				(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

So far, financial statements information has been collected in the following way:

1) In February, a separate questionnaire is collected from S.13141 institutions to get preliminary data before financial statements are available. This questionnaire includes some of the most notable items in the profit/loss account: investment income

and costs, social security contributions and benefits and investments. The April EDP notification is based on this data.

2) In the July publication of national accounts and the following October EDP notification, we use a summary of pension insurance companies' financial statements collected by the Finanssialan Keskusliitto (Federation of Finnish Financial Services - an employers' organization). This summary only includes pension insurance companies, so other pension providers' financial statements are studied separately.

3) In around November, Finanssivalvonta (The Finnish Financial Supervisory Authority - FIN-FSA) publishes 'The Insurance Companies' statistics, which contains financial statements information. This is the final data source for Employment Pension Companies and it contains the most accurate information. Also, data on company pension funds and industry-wide pension funds is available only around November directly from FIN-FSA.

After 2012, FIN-FSA will discontinue publishing the 'Insurance Companies' statistics. In its stead, Statistics Finland receives the data electronically. We are then able to get most of the final data for S.13141 already in around May instead of November and will be able to use this final data instead of summary by the Federation of Finnish Financial Services.

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

"Quarterly investment survey of pension institutions" is administrative, full population survey that covers all employment pension schemes. It covers both stock and transaction data on main instruments (i.e. quoted shares and mutual funds shares as well as unquoted shares, which are valued at book value unlike the other instruments). The organisation collecting the data and making the survey is Finnish Pensions Alliance TELA.

#### *3.4.1.3 Supplementary data sources and analytical information*

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

Additional source data is used for the following transactions:

- \*Gross fixed capital formation: Investment data collected by The Finnish Pension Alliance TELA.

- \*Current transfers and capital transfers: for these items counterpart sector information is used.

- \*FISIM-adjustments: separate FISIM-calculations, sources include banks' financial reporting data and e.g. data on interest rates.

- \*Capitalized interests and dividends from separate calculations of investment funds, sources include stock data from financial accounts and flow data collected separately from Bank of Finland.

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

In around mid-March (~T+3), Työeläkelaitosten liitto - TELA (The Finnish Pension Alliance) publishes "Quarterly investment survey of pension institutions" which is used to compile financial accounts and consequently also EDP report. Statistics



Finland receives the data electronically and it contains information on stocks and flows of all main financial instruments. Data is based on a comprehensive inquiry thus the figures do not usually revise substantially although it is possible. Other supplementary sources for domestic counterpart sectors are Quoted shares database, OFI Statistics and MFI Statistics. BoP is used respectively for rest of the world.

### 3.4.2 Data sources for other Social Security units

**Table 10 – Availability and use of basic source data for other social security units:**

#### Other social security funds (S13149)

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+months</i>		<i>cross appropriate cells</i>		
				<b>Budget Reporting</b>			
				(1) Current revenue and expenditure			
M	M	T+45	T+7	(2) Current and capital revenue and expenditure	X	X	
				(3) Current and capital revenue and expenditure and financial transactions			
A	Q	T+55	T+7	(4) Balance sheets			X
				<b>Financial Statements</b>			
A	A	T+150	T+7	(5) Profit and loss accounts		X	
A	A	T+150	T+7	(6) Balance sheets			X
				(7) Cash flow statement			
				<b>Other Reporting</b>			
A	Q	T+80	T+3	(8) Statistical surveys			X
				(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*

Sub-sector S.13149 consists of units providing social security funds and belonging to the public authority. Main units of sub-sector are the Social Insurance Institution of Finland (KELA) and the Unemployment Insurance Fund (Työttömyysvakuutusrahasto). Other entities belonging to the category S.13149 are i.e. unemployment funds and employee sickness funds.

At the request of Statistics Finland, Financial Supervisory Authority (FIN-FSA) collects data on the main aggregates (contributions and benefits) from all unemployment funds. This provisional data is available in February (T+1). From 2012 onwards, only paid unemployment benefits are available in February.

From Kela (The Social Insurance Institution) Statistics Finland receives monthly bookkeeping data through the year and in the February also other supplementary and preliminary data on revenue, expenditure and investments are delivered. From Työttömyysvakuutusrahasto (The Unemployment Insurance Fund) Statistics Finland receives preliminary financial statement.

Sickness benefit, death benefit and severance pay funds financial statements are received only by July or August but their impact on the aggregate level is rather small. Generally speaking, all data sources used in the first EDP round are based on estimates and are preliminary by nature. They also cover only the main aggregates. By the time of second EDP report, the above-mentioned institutions have already published their final balance sheets and income statements. Therefore, in the latter EDP round we have not only final revised numbers to be used but also better understanding about the entirety.

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

#### *3.4.2.3 Supplementary data sources and analytical information*

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

In around mid-March (~T+3), The Finnish Pension Alliance (TELA) publishes "Quarterly investment survey of pension institutions" and data covers also KELA (the Social Insurance Institution of Finland), which is one of the main units of the sector S.13149. The survey is used to compile financial accounts and consequently also the EDP report. Other supplementary sources for domestic counterpart sectors are quoted shares database, OFI Statistics and MFI Statistics. BoP is used respectively for rest of the world.

#### *3.4.2.4 Extra-budgetary accounts*

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

***Financial flows recorded in EBA***

### 3.4.3 EDP table 2D

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

Currently, the working balance reported in the EDP table 2D includes working balances of the most significant units from both of the subsectors, employment pension schemes (S.13141) and other social security funds (S.13149). The units not included in the working balance are other pension schemes than pension insurance companies. The net borrowing/lending of other pension schemes than pension insurance companies is shown on the line "Net borrowing or net lending of other social security bodies" of the table 2D.

The working balance includes the bottommost item in the profit/loss account, the 'profit/loss for the accounting period' of pension insurance companies and other social security funds. The working balance per se has no use for national accounts compilation as the national accounts figures are compiled separately, transaction by transaction. Of course, the items that form the WB are also used as source data in national accounts compilation.

#### 3.4.3.2 Legal basis of the working balance

For the pension insurance companies the working balance includes the bottommost item in the profit/loss account, the 'profit/loss for the accounting period'. The working balance is thus subject to all laws and regulations concerning the financial statements of pension insurance companies. The earnings-related pension scheme is heavily regulated with responsibilities spread among different institutions. Detailed information on the scheme's regulation and supervision can be found on the web site of Eläketurvakeskus (Finnish Centre for Pension):

[http://www.etk.fi/en/service/administration\\_and\\_supervision/1428/administration\\_and\\_supervision](http://www.etk.fi/en/service/administration_and_supervision/1428/administration_and_supervision)

[http://www.etk.fi/en/service/supervision\\_of\\_pension\\_scheme/1488/supervision\\_of\\_pension\\_scheme](http://www.etk.fi/en/service/supervision_of_pension_scheme/1488/supervision_of_pension_scheme)

For other social security funds, except for the Social Insurance Institution, all units are - to different extents - under the supervision of Finanssivalvonta (Financial Supervisory Authority). The institutions included in other social security funds are governed by public law (inc. general bookkeeping act) and supervised by the central government (i.a. the Ministry of Social Affairs and Health).

#### 3.4.3.3 Coverage of units in the working balance

Units in the working balance include the following: pension insurance companies (these companies together accounted for 62 % of total S.13141 social contributions received in 2011, to give an example of their significance) Information on the rest of S.13141 units (other units than pension insurance companies) is on the row "Net borrowing (-) or net lending (+) of other social security bodies" of the table 2D.

From the other social security funds sub-sector the WB includes Social Security Institution of Finland (KELA), unemployment funds, the unemployment insurance fund, sickness benefit funds, death benefit and severance pay funds.

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

None

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

Units not reported in the working balance are:

- \*company pension funds and industry-wide pension funds, which are authorized pension providers (today these are very small institutions that only accounted for 3 % of total S.13141 social contributions received in 2011)

- \*local government pension fund Keva (this is a large institution that accounted for 24 % of total S.13141 social contributions received in 2011)

- \*Valtion eläkerahasto/VER (The State Pension Fund), 9 % of total S.13141 social contributions received in 2011

- \*Farmers' Social Insurance Institution (MELA), around 1 % of total S.13141 social contributions received in 2011.

- \*Merimieseläkekassa/MEK (The Seafarer's Pension Fund), around 1 % of total S.13141 social contributions received in 2011.

- \*Eläketurvakeskus (Finnish Centre for Pensions)

- \*Pension Fund of Social Security Institution

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

Accrual. Social security contributions of Social Insurance Institution are on cash basis in the financial statement. The institution provides time adjusted data separately.

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

No accrual adjustments done

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

No accrual adjustments done

3.4.3.4.3 Other accrual adjustments in EDP T2D

No accrual adjustments done

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

Employment pension schemes: Flows not included in the working balance but included in subsector's net lending are:

- \*Gross fixed capital formation minus output for own final use. Output for own final use is subtracted from investments because in the end, this item has no effect on net lending (P.12 and an equal item of opposite sign within P.51 nullify each other)

- \*Current transfers (somewhat large items, generally almost completely to/from other S.13 subsectors)

- \*Capital transfers (very small items, generally under 5 million euros)
- \*FISIM-adjustment to interests received (small item)
- \*Capitalized interests and dividends from investment funds

Other social security funds: In practice, nearly all non-financial flows are covered in the working balance. Anyway, current and capital transfers are covered only in Social Insurance Institution's (KELA) data.

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

Social Insurance Institution's and sickness benefit funds' working balance covers shares and other equity (F.5) and other accounts receivable/payable (F.7). In the case of the other main sources Työttömyysvakuutusrahasto/TVR (The Unemployment Insurance Fund) and the Unemployment Funds, all investment and financial activities are excluded.

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

Included in the working balance, but not in net lending:

- \*holding gains/losses on investments (from financial statements' net investment income specification: 'Value re-adjustments', 'Realized gains on investments', 'Value adjustments and depreciation', 'Realized losses on investments', 'Revaluations on investments and revaluation adjustments')
- \*derivatives-related income (estimated by 'net investment income' minus all dividend income, all interest income and 'other income' from investments in land and buildings)
- \*net change in technical provisions (sum of profit and loss account items 'Change in provision for outstanding claims' and 'Change in provision for unearned premiums')
- \*remuneration paid/received for liability distribution and guarantee scheme
- \*reinsurers' shares of premiums written and claims incurred
- \*transitional charge payable to State Pension Fund

Not included in the working balance, but included in the net lending:

- \*Adjustment on interests not considered in the working balance of the other social security funds

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

Net lending/net borrowing (B.9) of the Social security funds is not compiled directly through working balance, but partly the same sources are used. See chapter 3.4.1.

### **3.4.4 EDP table 3E**

#### *3.4.4.1 Transactions in financial assets and liabilities*

For all sub-sectors, transactions in assets and liabilities in notification tables 3 are based directly on ESA95 financial accounts.

**Table 11. Data used for compilation of transactions and of stocks of financial assets and liabilities**

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

Currency and deposits (F.2): Finnish pension alliance's (TELA) "Quarterly investment survey of pension institutions" provide information from which we calculate both stocks and transactions.

Securities other than shares (F.3): Main data source is "Quarterly investment survey of pension institutions" which covers stocks and direct transaction data for bonds. As a general convention, we compare the transaction data with changes in stocks. In order to divide the known stock into detailed counterpart sector we use outstanding credit stock statistics and balance of payments as supplementary sources. Financial derivatives are netted on liability side.

Loans (F.4): Compilation of transactions and stocks base on stock data from "Quarterly investment survey of pension institutions". As a supplementary source, we use outstanding credit stock statistics.

Shares and other equity (F.5): Main sources are Quoted shares database (Euroclear Finland) and above-mentioned "Quarterly investment survey of pension institutions" which cover both stock and transaction data on main instruments (i.e. quoted shares and mutual funds shares as well as unquoted shares (F.512), which are valued at book value unlike the other instruments).

Insurance technical reserves (F.6): They are insignificant for sector S.1314.

Other accounts receivable/payable (F.7): Balance sheets from major employment pension schemes play the role of our main source in compiling other accounts receivable/payable. Transactions are calculated from changes in stocks.

#### 3.4.4.2 Other stock-flow adjustments

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

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

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

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

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

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

#### **3.5.1 Coverage of units**

Central government (S.1311):

In the calculation of central government the units are the same on the EDP table T2 and T3.

Local government (S.1313):

The coverage of units is the same in EDP T2 and EDP T3.

Social security funds (S.1314):

S.13141: In national accounts compilation, the coverage is virtually the same, including all the employment pension scheme's pension providers and the Finnish Centre for Pensions. Some deviations between B.9 and B.9F occur that can, in principle, be attributed to coverage issues. An example would be the compilation of gross fixed capital formation in the national accounts. This figure is compiled manually from separate sources requiring relatively heavy manual inputs, so not all items are included if they are insignificant (e.g. investments in machinery). In table 2D, the working balance and the adjustments made to it in "non-financial transaction not included in the WB" and "other adjustments" only pertain to a subset of S.13141 (the employment pension companies), so these adjustments are not directly comparable to similar items in table 3D.

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

In case of subsector S.13149 the coverage of units is identical for non-financial and financial accounts compilations. See also 3.4.3.3.

### 3.5.2 Financial transactions

Central government (S.1311):

The T3 for the central government is consolidated (includes budget entities, universities, extra-budgetary funds and Solidium Ltd). While working balance included only the budget economy ~ the state and data is non-consolidated. Rest of the central government subsector units, related on table EDP T3 have been recorded in table 2A row “net borrowing (-) or net lending (+) of other central government bodies”(and, naturally, no financial transactions are included in that row). For these reasons, we are not using the financial transactions which are reported in the WB for a compilation of the EDP T3 or financial accounts, but consistency checks are carried out regularly.

Other financial transactions adjustments related on PPPs are recorded in the central government bookkeeping. The deferred debt repayments are included in working balance, but they have to be recorded on other financial transaction because those are not expense in national accounts.

Delivery of coins for circulation to Bank of Finland (-). The adjustment is recorded in the central government bookkeeping and included in WB. The adjustment has to be recorded in other financial transaction because it is not revenue/expense in national accounts.

Local government (S.1313):

The working balance of the EDP T2 doesn't include financial transactions.

Social security funds (S.1314):

The working balance reported in T2D does not include financial transactions. Instead, they are reported on T3E. See also 3.4.3.6.

### 3.5.3 Adjustments for accrued interest D.41

Central government (S.1311):

The adjustment in the EDP T2 for accrued interest refers to interest expenditure and revenue. For the table 2A related accrual adjustments are implemented in the line “Difference between interest paid (+) and accrued (EDP D.41) (-). The line includes redemption/issuance of debt above/below par, premiums and discount spread over time and the lump sum paid or received by central government for swap cancellation. See also 3.2.1.3.

In the budget accounts, annual premiums and discounts spread over time are recorded on the cash basis. Redemption/issuance of debt above/below par is recorded as a budget revenue or expenditure, but in national accounts it is recorded as not affecting the deficit, and the premiums and discounts are spread over time. In the notification Table 2A adjustment is shown for these differences under item “difference between interest paid (+) and accrued” (EDP D.41) (-).

Local government (S.1313):



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

There is no adjustment for accrued interest in EDP T2 because interest is recorded on an accrual basis in the working balance.

Social security funds (S.1314):

S.13141: As for D.41 payable, the source data includes flows related to interest rate swaps, which should not be included in B.9. Thus, D.41 payable has to be estimated (currently no source data for the amount related to the swaps is available). This deviation is included in the table 2D residual.

#### **3.5.4 Other accounts receivable/payable F.7**

Central government (S.1311):

The following transactions have been reported in other accounts receivable in EDP T2A and they are recorded also in the financial accounts for the central government compilation of EDP T3B:

Time-adjustment of taxes consists of time adjustment of taxes on products and taxes on income. The most significant taxes of income and other current taxes are time-adjusted in national accounts on the basis of the provisions of the Finnish tax legislation concerning the collection of taxes. They are time-adjusted with one month (VAT with two months). All taxes on products are time-adjusted based on the monthly state bookkeeping data.

Data used for recording of taxes are obtained from central government bookkeeping data and from reports on received taxes of the tax administration's accounts. Concerning preliminary figures (April EDP-notification), time adjustment of D.2-taxes is based on assessments on the accrual of these taxes in January (and February for D.211).

For some categories of taxes time-adjustment is not undertaken because according to experts' assessment the meaning of time-adjustment would be insignificant: the amounts of possible time adjustments would be very small, the cash flow of the taxes is even, or the taxes being of such nature that the time-adjustment would not be sensible, and therefore an agreement has been reached that no time-adjustment is needed. An example of such significant taxes is Real estate tax.

The adjustment on subsidies consists of the accrual adjustment of some subsidies and the difference in recording EU-grants in the budget. The first adjustment is made in national accounts based on the payment data received from the Ministry of Agriculture. The latter is connected to the EU-grants (notably subsidies for agriculture) that are re-routed through state budget, but which in national accounts are eliminated from central government revenue and expenditure and shown directly as transfer from EU to the final receiver. Normally there is a difference in recording these transfers on revenue and expenditure side in the budget and it has to be shown as an adjustment item.

Local government (S.1313):

The adjustment reported under other accounts receivable in EDP T2C is "Time adjustment of income tax and difference due to source". The adjustment is the difference between the income tax D.51 included in the B.9 and the income tax

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

included in the working balance. The consistent time adjustment of income tax is included in EDP T3D and recorded under Other financial assets (F.1, F.6 and F.7).

Social security funds (S.1314):  
Not relevant for S.1314.

#### **3.5.5 Other adjustments/imputations**

Central government (S.1311):

The item debt cancellation/assumption (negative sign) represents the recording of capital transfer expenditure relating to debt cancellation/debt assumption. In EDP T3 the debt cancellation is recorded under the F.4 (See 3.2.3.7).

The item reinvested earnings on foreign direct investments/FDI (positive sign mostly) relates to the inclusion of government revenues from reinvested earnings on FDI not considered in the working balance. In EDP T3 the reinvested earnings are recorded under the F.5 (See 3.2.3.7).

The item of super dividends (negative sign) corresponds to transactions relating to dividends that are reflected as revenue in the working balance, but as withdrawal of equity in national accounts. Impact of super dividends concerns the EDP tables T3 and 2A. In EDP T3 the super dividends are recorded under the F.5 (See 3.2.3.7).

Local government (S.1313):

The adjustments are described in detail in the chapter 3.3.3.7.

Reinvested earnings of mutual funds recorded as property income (D.421+D.41): In EDP T3 the reinvested earnings are reported under F.5 (Shares and other equity).

The effect of revaluation items in the working balance, net: In EDP T3 the effect of revaluation items is reflected already in the source data.

The effect of differences in the recording of net acquisitions of land: This adjustment is reflected in EDP T3 already in source data.

Other known differences between working balance and EDP B.9:

These are very rare and they are studied case by case to check how they are recorded in the source data.

Social security funds (S.1314):

The only entry under heading "other adjustments" at T2D which has impact to financial accounts is Investment gains and losses. Concerning that we don't do any adjustments but rely that these are already reflected in our data sources. No imputations are done in this part, but the item reinvested earnings of mutual funds recorded as property income at EDP T2 under "Non-financial transactions not included in the working balance" is recorded under F.5 (Shares and other equity) in EDP T3.

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

#### **3.7. 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.

##### **3.7.1 Trade credits and advances**

This is done as normal calculation of the financial accounts compilation process. Source data includes book-keeping records in case of central government and balance sheets in case of local government and social security funds. Because in financial accounts we have sector against sector information it is easy to deduct internal general government F.71 items and report consolidated figure.

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

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

### 4. Revision policy used for annual GFS

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

#### 4.1. Existence of a revision policy in your country

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

The deficit data in EDP notification largely follow the general revision policy of non-financial national accounts. The first preliminary data on the previous year non-financial accounts are published in the beginning of March. The reported data in April EDP notification corresponds to that data, unless new information has become available in March.

Preliminary non-financial accounts with broad contents are published in July. The October EDP-notification broadly corresponds to this data. The non-financial accounts of year  $t$  are next time revised in January  $t+2$ . For example, local government deficit data becomes final at that time, and therefore the EDP data for local government data is comprehensive only in the April  $t+2$  notification.

"Officially" the whole non-financial accounts are final when the final supply and use tables concerning year  $t$  are published in December  $t+2$  and the entire data content of the accounts in January  $t+3$ . Therefore, in EDP tables the year  $t$  becomes marked as final in April  $t+3$  EDP notification.

From time to time Statistics Finland carries out major revisions, when also the earlier years are open to revisions. These are usually in connection to some methodological or classification updates (e.g. ESA-revisions, NACE-revisions). If needed, certain corrections to certain time-series are also possible in other times (e.g. due to EDP requirements).

In general, there may be following reasons for revisions for year  $t$  in different EDP-notifications:

April  $t+1$ : -

October  $t+1$ : updated and/or new data sources for all sub-sectors, elimination of errors, methodological changes

April  $t+2$ : updated data sources and/or new data sources for local government and social security funds, elimination of errors, methodological changes

October  $t+2$ : elimination of errors, methodological changes

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

Like the deficit data also debt data in EDP notification largely follow the general revision policy of financial accounts. All the data on financial transactions and other flows entered to EDP tables 3 as well as debt figures are compiled within financial accounts compilation processes -either on quarterly or annual financial accounts.

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

##### April notification t+1

Preliminary data (t+3 months) on flows of financial assets and liabilities in EDP tables 3 are derived from quarterly financial accounts for general government (QFAGG-process). Debt figures are compiled within the same process (for quarterly government debt). QFAGG provides comprehensive data for central government and social security funds sub-sectors also from annual perspective as the key data sources are available on quarterly/monthly basis. However, for the local government QFAGG/QDebt-figures the main data source is a sample-based statistics (Quarterly Finances of Municipalities), which has some shortages in terms of coverage (only municipalities), accuracy (sample-based) and instrument details (no F.7-items).

##### October notification t+1

First set of annual financial accounts for all the sectors, including general government and its sub-sectors, are compiled in June/July and reported with a time lag of 6,5 months to Eurostat. Annual debt figures are compiled within the same process. These results are, as a main rule, reported in EDP October notification having a status of “half-final”. However, for EDP purposes, corrections are possible to government sector data when necessary -leading to re-transmission of annual financial accounts at t+9 months.

The most significant changes, in comparison to preliminary EDP data, concern local government data sources. For annual financial accounts at t+6 months almost complete financial statements are available for municipalities and joint-municipalities as well as for their quasi-corporations (from statistics on Finances and activities of municipalities and joint municipal authorities).

April t+2: updated data sources and/or new data sources, elimination of errors, methodological changes

##### October notification t+2

Annual financial accounts for general government are revised and made “final” in June/July t+18 months. Usually the revisions at this stage are minor and concern mostly local government, resulting from updating of the underlying main data source.

Like explained for deficit, from time to time Statistics Finland carries out major revisions, when also the earlier years are open to revisions (concerning both non-financial and financial accounts). These are usually in connection to some methodological or classification updates (e.g. ESA-revisions, NACE-revisions).

## **4.2. Reasons for other than ordinary revisions**

Major revisions originate from methodological changes (ESA, NACE) and also from the need to incorporate results of changes in important data sources and/or to correct found errors.

## **4.3. Timetable for finalising and revising the accounts**

## B. Methodological issues

### 5. Sector delimitation – practical aspects

#### 5.1. Sector classification of units

General government is defined by ESA95 §2.68 as "...all institutional units which are other non-market producers whose output is intended for individual and collective consumption and mainly financed by compulsory payments made by units belonging to other sectors and/or all institutional units principally engaged in the redistribution of national income and wealth".

It is necessary to determine:

- a. if it is an institutional unit (ESA95 2.12 describes the rules according to which an entity can be considered as an institutional unit)
- b. if it is a public institutional unit (MGDD 1.2.3 – control by the government "ability to determine the general policy or programme of an institutional unit by appointing appropriate directors or managers, if necessary")
- c. if it is a non-market public institutional unit - reference to "Market-non-market distinction"

The market-nonmarket-distinction

The general government subsectors include public institutional units that are non-market producers according to ESA95. The 50% criterion for market/nonmarket distinction is applied for municipal quasi-corporations and public corporations. However, for quasi-corporations a complete unit-by-unit analysis cannot in practise be undertaken from the source statistics. Therefore, quasi-corporations acting on certain industries (water supply, energy supply, public transport, port authorities and waste management) are always, by convention, considered as market producers in corporations sector. Their performance is followed occasionally. Generally, quasi-corporations acting on these industries perform well.

Regarding public corporations, the 50% criterion is applied irregularly. Significant units are monitored more closely than smaller units. At the moment, we have a ongoing project - in connection with introducing ESA2010 rules and procedures - where one task is to implement more regular processes for applying the 50% criterion. Units classified in general government are generally not tested because of the nature of their activities.

Specifically qualitative aspects are considered when making sector classification decisions (in addition to the 50% criterion). Qualitative aspects mean especially issues of autonomy, and considering the payments between government and public corporation - are they actual sales (and so included in 50% criterion) or current transfers. For example, Länsimetro Oy is classified into local government sector on basis of qualitative criterion.

New units

New units that belong to the "basic set" of government subsectors (e.g. new municipalities or offices) are included in the government source data and therefore they are also included in national accounts. For the present, all new limited

companies are by default classified in corporations sector. However, significant units are analysed and, if necessary, reclassified to government sector.

We have a working group in Statistics Finland, the task of which is to implement sector classification. The working group consists of members from different departments of Statistics Finland, (for example national accounts, the Business Register, business statistics) and from the Bank of Finland. The chair of the group is from national accounts unit. The working group gives general guidelines on sector classification and makes decisions on major individual cases. For the major cases, there is also a tradition to provide these decisions available to public at large by publishing them at the website of Statistics Finland: <http://www.stat.fi/meta/luokitukset/linkki/soveltamisp.html> (only in Finnish).

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

Units are classified inside or outside general government following the sector delimitation rules of ESA95 and the more specific guidance given in MGDD manual (holding companies, defeasance structures, etc.). The market/non-market criterion is considered the most decisive and it is applied to government owned units. However, some practical rules have been implemented, like the use of activity class when making distinction between local government quasi-corporations. Legal status is also taken into account and, by main rule, incorporated entities are classified outside government.

### **5.1.2 Updating of the register**

In Statistics Finland, the national accounts department is responsible for the sector classification (see above about the working group on sector classification). The unit by unit sector data is in practise maintained in the Business Register.

The Business Register includes information on legal status, sector, NACE class and ownership of units, as well as ownership linkages between units. Ownership information is used as background data when determining the sector class (public, private, foreign-owned, etc.) and it is updated regularly, on yearly basis. For that several administrative and survey sources are used. Sector class information as a whole is also updated regularly and new units are evaluated separately. To deal with significant units there is a dedicated group lead by national accounts. All cases, which concern inclusion to or exclusion from government sector are dealt within the group.

For conducting the market/non-market-test (50%) comprehensive annual financial statement data is available. It is included in Structural business statistics database, which covers basically all companies (on legal unit basis). It is composed of administrative data (Tax records) and direct survey data and contains detailed data on profit and loss accounts, balance sheets and investments in fixed assets, etc. It includes also classification details. The preliminary version of the data becomes available at t+6 months and the final data at t+11 months.

For testing the 50% criterion the following items are used in the calculations:

- revenues: turnover + other operating income (excl. subsidies)

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

- expenses: purchases of materials and services + other operating expenses + personnel costs + depreciation of fixed assets

When new units are classified into government sector, the changes are usually implemented in national accounts for the whole time series in the context of benchmark revisions. Occasional revisions can be made when considered necessary.

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

In municipal statistics, the respondents define counterpart sectors by themselves (e.g. when dividing purchases between different sectors). They are given guidance and support from Statistics Finland. The state bookkeeping data is classified in national accounts unit of Statistics Finland, as well as the source data of social security funds.

Money and Banking Statistics (both the compilers and the respondents) exploit the Business Register's sector data, so the sector classification in the statistics should match the Business Register and therefore the national accounts.

The same sector classification of units in non-financial and financial accounts is ensured by consistent use of source statistics and communication between non-financial and financial accounts' compilers. In some cases, both accounts are compiled by the same expert.

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

All the units are classified following the principles explained in 5.1.1.

## **6. Time of recording**

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

The time of recording is defined in ESA95 §1.57. It is the accrual basis, meaning when economic value is created, transformed or extinguished, or when claims and obligations arise, are transformed or are cancelled.

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

Council Regulation 2516/2000 amended the Regulation on European system of national and regional accounts in the Community (ESA) 95 as concerns taxes and social contributions and clarified the rules concerning both the time of recording and the amounts to be recorded.



### **6.1.1 Taxes**

This section describes the methods of recording of taxes on an accrual basis. The time of recording is defined in ESA95 §4.26 and §4.82 as the time "...when the activities, transactions or other events occur which create the liabilities to pay taxes".

Data used for recording of taxes are obtained from state bookkeeping data and from tax administration's reports on received taxes. All sources are cash-based data. The same sources are used for the first and second notification. The data on first notification is preliminary and there can be some changes. Final data for year t is available in T+11 months.

The method used for taxes is the time-adjusted cash amounts, which are attributed to the period when the activity takes place. The most important time-adjusted taxes are VAT and income taxes. Concerning preliminary figures (April EDP-notification), time adjustment of D.2-taxes is based on assessments on the accrual of these taxes in January (and February for D.211).

For some categories of taxes, time-adjustment is not undertaken because according to experts' appraisal, the meaning of time-adjustment would be insignificant: the amounts of possible time adjustments would be very small, the cash flow of the taxes is even, or the taxes being of such nature that the time-adjustment would not be sensible. Therefore an agreement has been reached that no time-adjustment is needed. An example of such significant taxes is real estate tax.

Reimbursements and refunds of taxes cannot, in practice, be allocated on accrual basis and are recorded on a cash basis. Final settlements are recorded when the cash is paid. Fines and penalties for non-payment are recorded with associated tax on a cash basis. Interest on late payment is recorded as D.41 on accrual basis. Regarding tax amnesties, we are not aware of any cases.

The Statistics Finland compiles the data to the EDP tables and questionnaires. Information about the taxes is collected by Statistics Finland from the State Treasury and Tax Administration.

### **6.1.2 Social contributions**

The time of recording of social contributions is defined in ESA95 §4.96 as "... the time when the work that gives rise to the liability to pay the contribution is carried out..." for employers and employees social contributions, and as "... when the liabilities to pay are created" for self-employed and non-employed persons.

Data source for social contributions collected by employment pension funds (S13141) in the first notification are preliminary data for the most important sector account transactions, including social contributions from all pension institutions. Statistics Finland collects the data and it is available in February t+1. For the second notification, employment pension contributions are based on the financial statements of the pension institutions. The social contributions data are accrual data minus amounts not received (amounts accrued but not collected), i.e. no adjustment is needed.

Data used in compiling the social contributions for subsector S.13149 in the first notification are based on the data collected by the Financial Supervisory Authority (FIN-FSA, Finanssivalvonta). Data contains the main aggregates including social contributions from all unemployment funds. From Social Insurance Institution (Finnish: KELA), Statistics Finland receives the detailed preliminary data on revenue in the beginning of February and from the Unemployment Insurance Institution (Finnish: Työttömyysvakuutusrahasto) the preliminary financial statement. For the second notification, the preliminary data is replaced by the information from the financial statements. The data of the Social Insurance Institution are based on cash receipts. Statistics Finland receives time-adjusted data already in February t+1 from the Social Insurance Institution.

If existent, reimbursements and refunds, interest on late payments, fines and penalties and amnesties are recorded with social contributions. This means that social contributions are recorded as a net amount of these.

Statistics Finland collects the data except for social security funds (S.13149) for which at the request of Statistics Finland, the Financial Supervisory Authority (FIN-FSA) collects data on the main aggregates (contributions and benefits) from all unemployment and sickness funds. Statistics Finland compiles all data to the EDP tables and questionnaires.

Final data for employment pension funds (S.13141) for year t should become available at around T+5 and for the social security funds (S.13149) at T+6.

## **6.2. EU flows**

The issue of recording EU flows is important for national accounts, especially government accounts, because – due to the institutional arrangements – in general all amounts transit via government accounts. In order to avoid potential effects on the level of government deficits, countries have to eliminate these flows from public accounts. Eurostat, after the consultation with Member States, released a decision in February 2005. Chapter II. 6 of the ESA Manual on government deficit and debt details the rules concerning the recording of these flows.

### **6.2.1 General questions**

The following ministries (central government, S.1311) are involved and designated to receive payments from the EU:

Ympäristöministeriö (The Ministry of the Environment)

Opetus- ja kulttuuriministeriö (The Ministry of Education and Culture)

Työ- ja elinkeinoministeriö (The Ministry of Employment and the Economy)

Liikenne- ja viestintäministeriö (The Ministry of Transport and Communications)

Maa- ja metsätalous ministeriö (The Ministry of Agriculture and Forestry)

The State Treasury is the source of the data related to EU-flows. EU-flows transit through the state bookkeeping system (they are managed by Valtiokonttori (State Treasury)) but in national accounts the EU-flows are eliminated from central government revenue and expenditure and shown directly as transfer from EU to final receiver.

From the annual budget, we are able to extract EU-flows distribution to the government and non-government units according to the final beneficiary. If the final beneficiary is non-government, EU-flow is eliminated from central government calculation and included in the rest of the world calculations.

The Ministry of Agriculture and Forestry delivers extra detail from distribution to the other subsidies on the product (D.319) and other subsidies on production (D.39). The detail includes different types of aid by name and by the accrual amount paid. Mainly all the EU-flows recorded on cash basis and the difference on accrual basis and cash basis is shown as an adjustment item.

The money flow from EU is considered as revenue of the government, and the corresponding expenditures as an expenditure of the government. However, in order to avoid deficit effects stemming from the timing of EU-prepayments or reimbursements, we record the revenue from the EU always, and at the time, when government makes an expenditure related to EU-financing. This means that we correct the revenue from the EU to match the actual expenditures, and record the difference in F.79. From this treatment follows that we do not have to know what is contained in the money flow from the EU (in the sense of its division into prepayments and reimbursements). The recording is as close to accrual as it is possible to get, as the time of the recording of the budget expenditure is close to accrual. In Finland the money for EU-funded projects is spent by the government gradually: for example if a project is realised through a non-government partner, this partner is financed gradually (no prepayments are offered, and on the other hand, financing is provided to the partner to cover its accrued costs before reimbursements from the EU have been requested).

In the context of agricultural policy, all the revenue and expenditure appearing in the state bookkeeping is removed from the government accounts, and are shown as paid by the EU and received by domestic sectors other than government. Difference between the annual amounts of removed expenditure and revenue is recorded in F.79. Also in this case, we do not need to know the composition of revenue (prepayments/reimbursements) from the EU. In the long run, removed expenditure and revenue offset each other.

We are, in principle, able to quantify both receivable and payable but in the table 2A we show the difference on net receivables.

In the budget accounting third own resource is included in the heading "Finland's contribution to the EU" (two other items included to this heading are GNI based payment and UK rebate) and that figure is not adjusted in national accounts calculations.

### **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.

Time of recording - Military expenditure

Not relevant to Finland

### 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).

We do not have Jeremie/Jessica programmes in Finland.

### 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.

There is Maatalouden interventiorahasto (Intervention Fund of Agriculture) in Finland and it's classified in S.1311 (central government). The stock changes of agricultural inventories do not affect B.9 of the central government.

### **6.3. Military expenditure**

The ESA95 principle on accrual recording, when applied to military expenditure, is generally the time when the economic ownership of the good occurs, which is usually when delivered. Chapter II.5 in Part II of the MGDD details the rules concerning the recording of military expenditure.

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

The data source is the state bookkeeping data. So far as accrual recording principles are correctly applied, the state bookkeeping data serves the purposes of national accounts. Complementary information can be attained by request from the Finnish Defence Forces (controlled by Puolustusministeriö (The Ministry of Defence)).

Purchases of military equipment are often agreed in advance with industrial suppliers. Government pre-financing is connected to these contracts, especially in more significant acquisitions. Sometimes purchases have been pooled with other countries, like for example Finland has ordered transport helicopters in co-operation with Norway and Sweden.

#### **6.3.2 Borderline cases**

No borderline cases have been found. In the compilation of national accounts the state bookkeeping data is used as a source for central government sector. The data also includes the finances on the Finnish military forces. In the data the acquisition of military equipment is recorded on special military equipment's account under operating expenses and all the other non-military equipment such as buildings, airfields, normal transportation vehicles etc. are recorded on the respective balance sheet account and considered as gross fixed capital formation.

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

The recording time is accrual and fulfils the requirements of MGDD for all types of contracts.

Time of recording -Time of recording of other transactions

## 6.4. Interest

This part aims at describing accrual adjustment for interest.

ESA 4.50 reads: "Interest is recorded on an accrual basis: that is, interest is recorded as accruing continuously over time to the creditor on the amount of principal outstanding. The interest accruing in each accounting period must be recorded whether or not it is actually paid or added to the principal outstanding. When it is not actually paid, the increase in the principal must also be recorded in the Financial Account as a further acquisition of that kind of financial asset by the creditor and an equal acquisition of a liability by the debtor. "

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

### 6.4.1 Interest expenditure

**Table 12. 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)	A	A	M	M	L*	L*	A	A
Securities other than shares (AF.3)	A	A	M	M	L*	L*	A	A
Loans (AF.4)	A	A	M	M	L*	L*	A	A
Other accounts receivable (AF.7)	A	A	M	M	L*	L*	A	A

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

The calculation of accrual interest for each sub-sector:

The central government (S.1311):

The calculation is done on the basis of an accrual-based source data (main data source is the central government bookkeeping data from the State Treasury). The data on premiums and discounts, on both cash amounts and accruals, are available in the source data (for accruals on quarterly basis, the State Treasury provides a separate report). Streams of interest payments resulting from swap-contracts and FRAs are included in the interest expenditure in the source data, so no swap correction is needed for EDP. For ESA95 accounts, a swap correction item is provided by the State Treasury. As a general practice, accrued interest is recorded under proper financial instrument.

Concerning payments resulting from early cancellation of swap contracts, the cash amounts are identifiable in the source data, and they are spread over the original remaining life of the instruments on the basis of a separate calculation provided by the State Treasury.

The local government (S.1313):

The calculation is done on the basis of an accrual-based source data (main source statistics is Finances and activities of municipalities and joint municipal authorities). Interest includes impact of SWAP and FRA related payments, but information is not available separately.

Time of recording -Time of recording of other transactions

Social security funds (S.1314):

The calculation is done on the basis of an accrual-based source data (main data sources: Insurance Companies Statistics by Financial Supervisory Authority, the bookkeeping data of the Social Insurance Institution). Interest includes impact of SWAP and FRA related payments, but information is not available separately.

#### **6.4.2 Interest Revenue**

The source data for interest accrued and received for each sub-sector:

S.1311: Central government bookkeeping accounts.

S.1313: Finances and activities of municipalities and joint municipal authorities.

S.1314: Quarterly Investment Portfolio Inquiry for Pension Institutes, the Social Insurance Institution's balance sheet and the Unemployment Insurance Funds' balance sheet.

#### **6.4.3 Consolidation**

The consolidation is done on the basis of financial accounts data on intra-government debt stocks (F.331, F.332, F.4), using an assumption that the interest rate on intra-government debt is the same as it is for the total debt for each sub-sector; so the consolidation item is calculated by multiplying the total interest expenditure of each sub-sector by the ratio: intra-government debt stock / total debt stock of that sub-sector. The same method is implemented in asset side.

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

In the budget accounts, annual premiums and discounts are recorded on the cash basis. Redemption/issuance of debt above/below par is recorded as a budget revenue or expenditure, but in national accounts it is recorded as financial transactions not affecting the deficit, and premiums/discounts are spread over time on the basis of annual book-keeping accounts. In the notification Table 2A the adjustment is shown for these differences under item "difference between interest paid (+) and accrued" (EDP D.41) (-).

Information on the issuance of debt above/below par of other government bodies is not available. Information on the repayment of discount is not available either.

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

In general all significant transactions are recorded according to ESA95 rules. The state bookkeeping is based on the laws (State Budget 1243/1992 and the law on the state budget 1988/423). Valtiokonttori (State Treasury) gives all the guidelines according to the state bookkeeping to the central government units.

Local government (S.1313):

As far as we know, all significant transactions should be recorded according to ESA95 rules. Transactions that we know to be recorded differently are for example

Time of recording -Time of recording of other transactions

gross capital formation of quasi-corporations (buildings and structures are recorded as expenditure at once when they are finished, not gradually during construction) and pensions directly paid by municipalities (they are recorded according to municipalities' bookkeeping, which means that changes made in obligatory provisions are reflected in the item).

## 7. Specific government transactions

Methodological rules applicable for recording of specific government transactions are set up in the Manual on Government Deficit and Debt (implementation of ESA95), 2010 edition<sup>6</sup>.

### 7.1. Guarantees, debt assumptions

Generally, government guarantees are recorded off-balance sheet in government accounts (contingent liability), and neither government debt nor deficit is impacted. However, when a guarantee is activated (called), the payment made by government on behalf of the debtor is normally recorded as government expenditure. In case of repeated guarantee calls, the whole outstanding amount of the guaranteed debt should be assumed by government. The latter leads to a one-off increase of government debt as well as of deficit. The accounting rules are explained in the Chapter VII.4 on Government guarantees of the ESA95 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*

Following units provide guarantees for which the government is ultimately liable: State Treasury, Kela (The Social Insurance Institution), Maatilatalouden kehittämisrahasto (Development Fund of Agriculture and Forestry), Ministry of Education and Culture, Finnvera Plc (S.12 financial corporations), Finavia Plc (S.11 non-financial corporations), municipalities, joint municipal authorities, Kuntien takauskeskus (Municipal Guarantee Board) and the Åland Government.

Guarantees are provided for example on public corporations' borrowing, housing loans, export credit and student loans.

Statistics Finland publishes data on government guarantees quarterly in the statistics called Valtion takaukset (Central government guarantees). The statistics covers guarantees provided by central government units, Kela, Finnvera Plc and Finavia Plc. The data is collected directly from these units. Information is available (by counterpart sector) for:

Amounts of new guarantees provided  
Expired guarantees  
Stock of guarantees

<sup>6</sup> [http://epp.eurostat.ec.europa.eu/portal/page/portal/product\\_details/publication?p\\_product\\_code=KS-RA-09-017](http://epp.eurostat.ec.europa.eu/portal/page/portal/product_details/publication?p_product_code=KS-RA-09-017)



Cash calls

Repayments by the original debtor

Fees collected

Statistics Finland publishes also data on guarantees provided by municipalities and joint municipal authorities. The data is published as part of the statistics “Finances and activities of municipalities and joint municipal authorities (part I)” (see chapter 3.4.1.1). Available is stock data only on “guarantees for the units belonging to the same group” and “guarantees for others”.

Also units themselves publish information on guarantees on their internet pages, for example as notes to their financial statements.

The guarantees issued by the Ministry of Education and Culture and reported in the “Central government guarantees” –statistics are guarantees on art exhibitions. Actually, they are not guarantees but more like insurance. Hence, they are not included in table 9.1 in the Questionnaire relating to the EDP notification tables.

In public accounts, granted guarantees are recorded as contingent liabilities. The same recording applies also to guarantees granted by the non-government units Finnvera Plc and Finavia Plc.

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

Source data for guarantees are the statistics “Central government guarantees” and “Finances and activities of municipalities and joint municipal authorities (part I)”, state bookkeeping data, annual report of Kuntien takauskeskus (Municipal Guarantee Board) and financial statement of the Åland Government.

New guarantees provided (also by the non-government units Finnvera Plc and Finavia Plc) are treated as contingent liabilities, and therefore they do not appear in the national accounts.

The consolidation of guarantees at the EDP questionnaire: Guarantees provided by central government, Finnvera Plc, Finavia Plc and Kuntien takauskeskus to government units are consolidated. Guarantees provided by municipalities, joint municipal authorities and the Åland Government to government units are not consolidated, because of lack of data.

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

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

In state bookkeeping guarantees called are recorded as expenditure. The non-government units Finnvera Plc and Finavia Plc apply the same recording.

Also municipalities and joint municipal authorities record guarantees called as expenditure. Usually they are recorded as “other operational expenses” on profit and loss account. If the losses relate to unusual and one-time guarantees, they can be recorded as “extraordinary expenses”, but the extraordinariness is guided to be interpreted very strictly.

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

#### Central government

Payments relating to guarantees called are generally treated as capital transfers (D.99) from central government to the relevant sector. These include a transfer from state to Finnvera Plc, which is intended for covering Finnvera's guarantee losses. Another non-government unit Finavia Plc hasn't had guarantee losses so far. Concerning student loans, guarantees called are treated as the acquisition of loan assets.

#### Local government

If municipalities and joint municipal authorities have recorded "other operating expenses", the cash calls are intermediate consumption (P.2) in national accounts. This is because "other operating expenses" is coded in our data management system as intermediate consumption and there is no detailed data available that would enable the separation of guarantee related transactions from the item.

If municipalities and joint municipal authorities have recorded "extraordinary expenses", the transaction has to be treated individually, because the item isn't used as such. However, recording guarantee losses as "extraordinary expenses" is very rare.

The source data on municipal guarantees will be improved in the future, along with the comprehensive municipal statistics development project, which is now ongoing.

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

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

In state bookkeeping repayments are recorded as revenue. The non-government units Finnvera Plc and Finavia Plc apply the same recording. An exception are the repayments related to student loan guarantees, which are recorded as disposal of loan assets.

Also municipalities and joint municipal authorities record repayments as revenue, as "other operating income" on profit and loss account.

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

#### Central government

Generally, repayments related to guarantees called are treated as capital transfers from the relevant sector to central government. Concerning student loan guarantees, repayments are treated as disposal of loan assets.

#### Local government

Repayments are recorded as market production (P.11). This is because "other operating income" is coded in our data management system as market production and there is no detailed data available that would enable the separation of guarantee related transactions from the item.

The source data on municipal guarantees will be improved in the future, along with the comprehensive municipal statistics development project that is now ongoing.

Specific government transactions - Guarantees, debt assumptions

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

Generally, write-offs are treated as capital transfers.

*7.1.1.5 Data sources*

On central government guarantees, available is aggregated data by the type of guarantee (e.g. student loan guarantees). On local government guarantees, available is stock data only. See chapter 7.1.1.1.

Flows related to guarantees are included in the working balance.

## **7.1.2 Guarantees on assets**

We have described all the treatments for guarantees under “guarantees on borrowing” because guarantees on assets -concept is not clearly defined anywhere.

*7.1.2.1 New guarantees provided*

*Recording in public accounts*

*Recording in national accounts*

*7.1.2.2 Treatment of guarantees called*

*Recording in public accounts*

*Recording in national accounts*

*7.1.2.3 Treatment of repayments related to guarantees called*

*Recording in public accounts*

*Recording in national accounts*

*7.1.2.4 Treatment of write-offs*

*7.1.2.5 Data sources*

## **7.2. 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 ESA95 and further clarified in the Chapter III.2 on Capital injections and Chapter VII.2 on Debt assumption and cancellation of the ESA95 Manual on government deficit and debt.

### **7.2.1 New lending**

#### Loans granted by general government

The central government (S.1311):

ARAVA (state-subsidized) mortgage loans:

Arava loans have been granted for rental and right-of-occupancy housing communities and private individuals for the construction, acquisition and renovation of apartments. New loans will no longer be granted. Nowadays, government support for housing is channelled via interest subsidies and guarantees.

Interest subsidy loans for private individuals and for corporations and public bodies:

Valtiokonttori (the State Treasury of Finland) administers interest subsidies granted by various authorities. Interest subsidies from government funds are paid to private citizens and communities alike.

Two separate subsidy interest systems exist for private citizens – the ASP savings and loan scheme and the interest subsidy for mortgages for owner-occupied homes. The interest subsidy for mortgages for owner-occupied homes can be granted for low energy building.

Interest subsidy loans granted to institutions are primarily aimed at supporting the housing, and they are interest subsidies granted to housing companies by ARA (the Housing Finance and Development Centre of Finland). Furthermore, interest subsidies are granted for projects whose interest subsidy has been approved by other authorities, for example water management, security stockpiling, and development aid projects.

Product development loans:

Tekes (Finnish Funding Agency for Technology and Innovation) provides grants and loans to companies for research and development projects. The aim is to foster the development of internationally competitive products, production methods and services. Research and development can be funded through grants and loans or a combination of the two.

Source: State Treasury

Other lending:

Makera (Development Fund of Agriculture and Forestry): The fund is under the supervision of the Ministry of Agriculture and Forestry. The purpose of the Development Fund of Agriculture and Forestry is to secure the financing of investments in agriculture and other economic activities in rural areas and to

promote activities targeted at developing these. The aid may be granted as interest-rate subsidies on the state loans or as subsidies.

Central government's loans to Suomen Vientiluotto (Finnish Export Credit). Suomen Vientiluotto provides export credits for private companies.

EFSF lending and other intergovernmental lending in the context of the financial crisis are recorded as loans provided by the general government of Finland according to the rules of Eurostat and data provided by Eurostat and State Treasury.

The local government (S.1313):

Finnish municipalities grant loans mainly to joint municipal authorities, quasi-corporations, and corporations controlled by them and to central government guaranteed housing companies.

Employment pension schemes (S.13141):

Employment pension institutions provide loans to enterprises in two ways:

- 1) in the context of a pension contribution credit scheme to client enterprises
- 2) as investment loans to all enterprises

#### Pension contribution credit scheme

All employer enterprises contributing to the system have the right to borrow back the funded part of their pension contributions. About 40 percent of the employer's contributions are funded. Loans can be granted when the funded amount exceeds EUR 10.000, as the minimum amount to be granted is EUR 10.000. Maturity of these loans is 1 to 10 years. Interest on the loans consists of a TEL-reference rate plus a margin. TEL-reference rates are based on euro bond yields and they are calculated for maturities from 1 to 10 years by a private insurance company Garantia Ltd. In order to get a loan enterprises either have to provide a mortgage as collateral or acquire a guarantee/credit insurance. The margin depends on the method of amortization and the collateral/guarantee provided. In recent years credit losses from these loans have been very small.

#### Investment loans

Employment pension institutions provide also investment loans to enterprises. Those are available for all enterprises, not only to clients. Borrowers go through a risk-assessment and a collateral is required for the loans. TEL-reference rates, inter-bank rates or fixed rates are used as a basis for interest.

Data on investment loans is based on Outstanding Credit Stock Statistics and Quarterly investment survey of pension institutions.

The major share of loans were granted using the TEL pension contribution credit scheme, which means that employer companies can borrow back their pension contributes from institutions, but only by fulfilling strict criteria described above.

### **7.2.2 Debt cancellations**

Source data for debt cancellations are available for the central government level and on accrual basis. Interest accrued is not included in the debt cancellation. Debt cancellation or write-off can only be done after it has been reliably established that debtor lack of means for repayment or there is other similar cause. Even after the

decision is made the relevant offices have to monitor continuously the debtor's financial position for the possible repayment. The debt cancellations are based on the orders of the ministry of finance. In the central government all debt cancellations are recorded as capital transfers (D.99) and in financial accounts on F.4 (loans).

The state bookkeeping system includes special accounts for the debt cancellation, which is the source for recording the capital transfer in national accounts. The statisticians do not make the decision for debt cancellation and from source data we have the possibility to see recorded debt cancellations by the government agency and, sometimes, by the budget account.

Foreign claims, governed by the Paris club agreements are nearly insignificant in Finland.

### **7.2.3 Repayments of claims**

Repayments of claims are recorded as a financial transaction in F.4.

Receipts from previously cancelled claims are recorded as revenue. The information is received from public accounts and from Valtiokonttori (State Treasury). Income is recorded on the State bookkeeping system at the account called "other operating income" and on the budget account, which makes sure that income will end up at the financial statement of the accounting year. We record repayments in kind e.g. as expenditure.

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

See section 7.2.2.

### **7.2.5 Sale of claims**

We are not aware of government sale of claims during last ten years.

## **7.3. Capital injections in public corporations**

Government capital injections are transactions which occur when governments provide assets (in cash or in kind) to public corporations (or assume liabilities), in their capacity of owner / shareholder, with an aim to capitalize or recapitalize them. The accounting rules are set out in ESA95 and clarified in the Chapter III.2 on Capital injections of the ESA95 Manual on government deficit and debt. This chapter devotes considerable space to set the operational rules for 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, to be classified as either a capital transfer D.9 or as an acquisition of equity F.5.

Information about capital injections comes to our knowledge through government's financial statements and financial statements of Solidium Ltd. The announcements of

Valtioneuvoston kanslian omistajaohjausosasto (Government Ownership Steering Department of Prime Minister's Office) and state's holding company, Solidium Ltd, are also followed.

On the central government level, we do have knowledge about capital injections in kind on a case-by-case basis. Capital injection test is applied by Statistics Finland annually. Data sources for the test are government's financial statements and financial statements of the public corporations. The test is applied to all cases. Injections to quasi-corporations are recorded similarly with the injections to regular corporations owned by the government.

Currently there are some gaps to be filled in the local government data sources. The existing sources do not allow comprehensive and detailed enough analysis or measurement of some specific transactions between municipalities and their public corporations. Of most concern are those related to equity injections. Based on our experience and evidence available, the issue does not seem to be very significant from the point of core EDP figures, but it is clear that further work should be done in these areas in order to reach very high accuracy. There are currently plans to improve data sources of local government.

#### **7.4. Dividends**

It is recalled, that the ESA95 Manual on Government Deficit and Debt chapter III.5 indicates that large and exceptional payments out of reserves which significantly reduce the own funds of the corporation should be treated as superdividends, i.e. transaction in shares and other equity (a capital withdrawal).

Total distributions could therefore comprise one part recorded as property income, D.42, and another recorded as transactions in equity, F.5. The former data is reported to Eurostat in ESA95 table 2, but the latter is included within transactions in equity in financial accounts. Within the latter, for the benefit of analysis, one should also distinguish between amounts received from the National Central Bank, and amounts received from other public corporations.

For the central government, data source for the dividends is the state bookkeeping data and the financial data of the Solidium Ltd. For the local government, the main data source is the statistics called "Finances and activities of municipalities and joint municipal authorities" compiled by the Statistics Finland.

Superdividend test is applied by Statistics Finland annually. Main data sources for the test are the state bookkeeping data, the financial reports of government-owned corporations and financial statement of central government (available for October EDP notification). The superdividend test is applied to all dividends paid to central government. Especially large distributions (above 0,01 % of GDP) are checked carefully. The used profit definition has been the profit after taxes (net income). This definition includes taxes and net property income unlike the operating profit. Profit after taxes describes the amount that is available for the distribution of profits.

On the local government level dividends are checked on large companies that are known to pay large distributions, such as quasi-corporation Helsingin Energia. Quasi-

corporations controlled by local government are currently difficult to cover in their entirety. As mentioned in the chapter about capital injections, there are currently shortcomings in the local government data sources. This is not currently considered a cause for large discrepancies as the dividends that municipalities receive are not usually large and dividends of the largest quasi-corporations are checked.

The government has not received interim dividends recently.

## **7.5. Privatization**

The proceeds collected by government when disposing of shares in public corporations are often called privatization proceeds. The counterpart entity (i.e. the acquirer of shares) is the private sector. Privatization can be indirect when the proceeds are forwarded to government after the sale of a subsidiary. The MGDD chapter V.2 indicates that such indirect privatization proceeds are not government revenue.

Chapter V.3.1 of the ESA95 Manual on government deficit and debt mentions that in some EU Member States, holding companies have been set- up by the government to restructure the public sector with the aim of making the enterprises more competitive and profitable and, in the long run, disengaging the government. Often their main activity is to organise the privatisation efficiently and transfer the proceeds of the sale of shares to other public corporations (owned by the holding company or not), through grants, loans or capital injections.

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

There is no separate unit involved especially in privatization. The Government Ownership Steering Department of Prime Minister`s Office is responsible of the management of the companies owned by the state. Parliament decides in which companies state may relinquish its sole ownership or the control of the company. The government manages the ownership according to these boundaries given by the parliament.

Privatization income of central government is included in the working balance and it is neutralized in the row "Equities, sales" in the table 2A. The recording of transactions in F.5 due to privatization is usually done on a cash basis. Sale of shares and privatization cannot be separated on local government level.



## 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. ESA95 Manual on government deficit and debt Chapter VI.5 deals with this issue.

The key statistical issue is the classification of the assets involved in the PPP contract – either as government assets (thereby immediately influencing government deficit and debt) or as the partner’s assets (spreading the impact on government deficit over the duration of the contract). This is an issue similar to the one of distinguishing between operating leases and finance leases, which is explained in annex II of ESA95 (see also chapter VI.4).

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

Public-Private Partnerships exist both at the level of central government and local government. As for central government, the information on PPPs can be attained from budget authorities and/or State Treasury. As for local government PPPs, there is no direct source to identify these projects. However, significant projects are identified in co-operation with experts of Association of Finnish municipalities. There is no specific body that deals with PPPs in Finland.

After a project has been identified, the Statistics Finland has requested a copy of the original contracts between the partners involved and they have always been provided to us. Based on these contracts, the Statistics Finland has done the evaluation of risks relating to PPPs. The separation between PPPs and operative lease has also been done based on the evaluation of the contracts. Compared to operative lease, PPPs are more standardized projects that also include the maintenance of the project output. Outputs are normally roads, motorways, tunnels etc. The government is the main if not the only purchaser of the services producer. There have been a few PPP-contracts in Finland and the number might increase slightly during the next few years.

## **7.7. Financial derivatives**

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

Regulation 2558/2001 added a new annex to ESA95 which specified that: *"For the purpose of the Member States' reports to the Commission under the excessive deficit procedure..., "Government deficit" is the balancing item "net borrowing/net lending" of General Government, including streams of interest payments resulting from swaps arrangements and forward rate agreements. This balancing item is codified as EDPB9. For this purpose, interest includes the abovementioned flows and is codified as EDPD41 of streams of interest payments. "*

*Eurostat guidance note on Financial Derivatives was published on 13 March 2008.*

### **7.7.1 Types of derivatives**

In the state debt management, the following instruments are used: interest rates swaps, cross-currency swaps, FOREX swaps, FRAs, bond futures and money market futures.

Employment pension institutions use a variety of derivatives (option-, swap- and other forward rate agreement -type) for hedging and other purposes in their investment portfolios.

Biggest municipalities also use derivatives occasionally.

### **7.7.2 Data sources**

The State Treasury provides specific reports of the derivatives operations. The data for swaps is accrual data, EDP-debt is valued as after swaps.

The quarterly report on investments of employment pension institutions provides data on the value of derivative contracts (stocks). However, it does not provide comprehensive data on derivative transactions. For calculating transactions BoP statistics can be used, as cross-border contracts dominate derivative activities.

The data situation for local government derivatives is non-satisfactory.

### **7.7.3 Recording**

There has been two occasions of swap cancellation (and a lump sum payment relating to that). The recording of these payments have been done according to the Eurostat guidance. Impact of these payments have been spread over the remaining life of swaps

The source data available is on accrual basis and the government EDP-debt is valued after the swaps. There hasn't been so far any off-market swaps. Flows are recorded on a net basis, under liability side in national accounts.

## **7.8. Payments for the use of roads**

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

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

There is no system of toll or vignettes in Finland.

## **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 first auctions took place in 2012 and those allowances can be surrendered for the first time in 2014, which will be first year for recording of a tax revenue. In the financial accounts the sales of emission permits are recorded on S.1311's other accounts payable based on data from Energiainfo (Energy Market Authority).

## **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.3 is dealing with sale and lease back operations

Central government (S.1311)

In central government, no sale and leaseback operations have been recorded as government borrowing.

### Local government (S.1313)

It is likely that local government has been involved with sale and leaseback operations over the last decade. Unfortunately, the basic source dates of local government don't provide such information that would allow to separate these operations from ordinary sales of assets, or categorize them by the purchaser (public/private operator). In cases where the purchaser unit is created on purpose by government and it is a limited company, the unit is classified in corporations sector as a public producer. However, we are currently studying real estate corporations controlled by local government in order to identify units that should be reclassified to government sector. We plan to perform needed reclassifications if found necessary in 2014, when the ESA 2010 will be implemented.

## 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.

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 has not been any securitisation operation since 2001 and operation carried out in 2001 was recorded according to the old rules, because 2007 decision stated: "The rule changes are applicable to all operations concluded after 1 January 2007. All past and future flows relating to securitisation operations undertaken between 2003 and 2006 should continue to be evaluated under the 2002 framework."

## 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.

MGDD part V, chapter V.2 and Eurostat decision of 14 July 2000 on the allocation of mobile phone licences (UMTS) are dealing with the sale of UMTS licenses.

There has not been any sale of UMTS licenses. First UMTS licenses sale will start at the beginning of the year 2013.

### **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.

The Bank of Finland pays distributions to central government annually. These are recorded as "D.421 dividends" in national accounts. Capital gains are not included in the profit concept, when evaluating these dividends.

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

The related accounting rules are described in the Chapter III.6 on payments to government from transfer of pension obligations, in the ESA95 Manual on government deficit and debt.

No lump sum pension payments have occurred.

### **7.15. Pension schemes**

Definition of pensions

The following pension benefit categories are included:

Earnings-related pension scheme:

- \*old-age pension
- \*disability pension
- \*part-time pension
- \*survivors' pension
- \*rehabilitation benefits

National Pension scheme:

- \*old-age pension
- \*disability pension
- \*unemployment pension
- \*survivors' pension
- \*rehabilitation benefits

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

Classification of pension schemes in Finland

The schemes in Finland may be found in the following table (key to columns below):

<i>Scheme name</i>	<i>Coverage</i>	<i>Scheme</i>
1 <i>The National Pension Scheme</i> <i>Statutory earnings-related scheme: private sector employees (Employees Pensions Act (TyEL),</i>	1-5	A
2 <i>Seafarer's Pension Act (MEL))</i> <i>Statutory earnings-related scheme: local government employees (Local Government</i>	1-6	A
3 <i>Pensions Act (KuEL))</i> <i>Statutory earnings-related scheme: central government employees (State Employees'</i>	1-6	A
4 <i>Pensions Act (VaEL))</i>  <i>Statutory earnings-related scheme: employees of</i>	1-6	A
5 <i>the Finnish Evangelical-Lutheran Church (KiEL)</i> <i>Statutory earnings-related scheme for self-</i>	1-6	A
6 <i>employed (Self-Employed Persons' Pensions Act</i> <i>(YEL), Farmers' Pensions Act (MYEL))</i>	1-6	A
7 <i>A scheme for the employees of The Social</i> <i>Insurance Institution</i>	1-6	A
8 <i>A scheme for the local government employees of</i> <i>the regional government of Åland</i>	1-6	A
9 <i>A scheme for the employees of the Bank of</i> <i>Finland</i>	1-6	C
10 <i>Non-statutory schemes operated by pension funds</i> <i>and pension foundations (A-schemes)</i>		B
11 <i>Non-statutory schemes operated by life-insurance</i> <i>companies</i>		B

Key for "Coverage":

- 1) old-age pension
- 2) disability pension
- 3) unemployment pension
- 4) survivors' pension
- 5) rehabilitation benefits.
- 6) part-time pension

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

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

The National Pension Scheme covers all residents of Finland, including non-employed and regardless of contributions. Therefore even those who have not been available for work (i.e. do not count as unemployed) are protected by the scheme.

The statutory earnings-related pension scheme covers all gainfully employed persons. It constitutes of several schemes governed by earnings-related pension acts. The schemes, both private and public, are closely related by laws and regulations. The contributions and benefits are the same and all pension providers are jointly and severally liable for pension payments in the system. The system as a whole can thus be considered as a collective social security system. This uniformity is also reflected in the 'principle of last pension institution': when an application for pension is left to the institute which has received the latest contributions, it will pay the benefits accrued during the whole working period and for the whole time the pensions will be paid. The other institutions that may have received contributions, yearly reimburse their part of benefits to the paying institution. This 'clearing' is managed by Eläketurvakeskus/ETK (Finnish Centre for Pension). This system covers both private (incl. self-employed) and public sector.

The earnings-related pension scheme is linked to the National Pension system, with the amount of national pension depending on the size of the earnings-related pension benefits. Increases in the earnings-related pension reduce the national pension. If the earnings-related pension is above a defined level, the national pension is not paid at all. This applies to both private and public earnings-related pensions. The National Pension scheme covers the national pension insurance intended to secure the basic livelihood of pensioners whose other pension income is small or non-existent. KELA (Social Insurance Institution) is responsible for the national pension insurance. National pension schemes' receipts consist of contributions paid by employers and of transfers from the state budget.

#### Definition of social security schemes

There are no voluntary pension schemes classified as social security schemes. However, there is one social security scheme in which participation is voluntary: the Finnish unemployment funds. It is important to note that the unemployment pensions that are part of the statutory employment pension scheme as stated before are not paid from these funds.

There is no explicit government guarantee for earning-related pensions payments in Finland but the employment pension institutions are collectively responsible for commitments made by each institution by pooling. If the employer had not paid the contributions according the contract made, the system collectively assures the pension payments. Or if an employment pension institution fails e.g. in its asset management and goes bankrupt, the whole system is responsible for that institution's pension commitments. This is another manifestation of the collective nature of the system.

The State pays that part of the farmers' and self-employed people's pension expenditure which exceeds the contributions paid by farmers and self-employed. In addition, the residence based national pension scheme guarantees a minimum income for all pensioners in Finland.

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

Classification of institutional units supporting pension schemes; borderline cases

The most notable institutional unit supporting pension schemes is Finnish Centre for Pensions. In its website, it describes itself as a “statutory co-operation body, expert and producer of joint services for the development and implementation of the earnings-related pension provision.” Another supporting institution is Työeläkevakuuttajat TELA ry (Finnish Pensions Alliance), which is an employer organisation/lobbyist.

There are no borderline cases for pension funds. For social insurance schemes in general the statutory accident insurance scheme could be seen as a borderline case. It is managed by non-life insurance companies and cannot be separated into independent units. Therefore it is classified as other insurance.