

EDP Consolidated Inventory of sources and methods

Hungary

April 2010

1. Delimitation of General Government

Representatives of the Hungarian Central Statistical Office (HCSO) and National Bank of Hungary (MNB) and Ministry for National Economy (MfNE) make common decision year by year to identify those public corporations, which have to be classified as government units. HCSO collects statistical survey from non-profit institutions and identifies the government units.

All units of the legal government sector meet the criteria of being government units.

Annex 1 contains a list of units classified to the General Government sector.

2. Central Government data

This section describes the availability and use of main data sources for the Central Government sub-sector (S.1311) by type of unit and the adjustments made in order to reach ESA95 definitions. It also covers the treatment for half finalised, finalised and current data, and the process of revision of data.

2.1 Availability and use of data sources

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

1a) Information available/used for this sub-sector in the current year n-1 and year n-2 notified in April (n) and October (n):

Table 1 – Source Data Accounting ¹

| Accounting Rules(C/A/M) | Source Data Accounting | April (n) | | October (n) | |
|-------------------------|--|-----------|----------|-------------|----------|
| | | Year n-1 | Year n-2 | Year n-1 | Year n-2 |
| | Budget Reporting | | | | |
| | Summary | | | | |
| | (1) Current revenue and expenditure | NA/NU | NA/NU | NA/NU | NA/NU |
| | (2) Current and capital revenue and expenditure | NA/NU | NA/NU | NA/NU | NA/NU |
| C | (3) Current and capital revenue and expenditure and financial transactions | NA/NU | A/U | A/U | A/U |
| | (4) Balance sheets | NA/NU | A/U | A/U | A/U |
| | Detailed | | | | |
| | (5) Current revenue and expenditure | NA/NU | NA/NU | NA/NU | NA/NU |
| | (6) Current and capital revenue and expenditure | NA/NU | NA/NU | NA/NU | NA/NU |
| C | (7) Current and capital revenue and expenditure and financial transactions | NA/NU | A/U | A/U | A/U |

¹ A/U (available/used), A/NU (available/not used), NA/NU (not available/not used)
C (Cash), A (Accrual), M (Mixed Cash-Accrual)

| | | | | | |
|---|---|-------|-------|-------|-------|
| | (8) Balance sheets | NA/NU | NA/NU | NA/NU | NA/NU |
| | Financial Statements | | | | |
| C | (9) Profit and loss accounts | NA/NU | A/U | A/U | A/U |
| | (10) Balance sheets | NA/NU | A/U | A/U | A/U |
| | Other Reporting | | | | |
| A | (11) Statistical surveys | A/U | A/U | A/U | A/U |
| A | -Statistical survey on GFCF | A/U | A/U | A/U | A/U |
| A | -Government Debt Management | A/U | A/U | A/U | A/U |
| M | -Balance of Payments & International Investment Position statistics | A/U | A/U | A/U | A/U |
| A | -Securities holding statistics | A/U | A/U | A/U | A/U |
| A | -Money and Banking statistics | A/U | A/U | A/U | A/U |
| C | (12) Other: Treasury Accounts | A/U | A/NU | A/NU | A/NU |
| C | Annex of Corporate tax declarations | NA/NU | A/U | A/U | A/U |

In the data sources of General Government, no deeper breakdown is available than the breakdown by subsectors.

1b) Reasons for not using the available accounting reports and criteria for choosing only one of them (consistency with data sources used in other sub-sectors, accrual basis, etc) if two different accounting reports are available for the same unit.

Treasury Accounts is the data source on the implementation of the budget during the year. During the compilation of the Financial Statements, data must be reconciled between Treasury Accounts and double entry accounts of reporting units: both Financial Statements and Budget Reporting data are final.

1c) Complementary codification at data source, by counterpart sector

For the budgetary institutions information on the counterpart sector/sub-sector is available in the case of interest payments, current and capital transfers payable and receivable by the budgetary institutions.

In case of financial transactions mainly statistical survey data and not the government unit own balance sheet data are used. In financial accounts in major part counterpart information is used instead of direct government sources. This creates consistency with accounts of other sectors. The use of partner sectors statistical surveys results in more precise market valuation, accrual accounting and partner sector breakdown. Government data are basically only used for cross-checking purposes.

1d) Complementary information of other units/departments that are not reflected in the Budget Reporting, when compiling ESA95 accounts.

Annual Tax Office data are used for the classification of taxes and subsidies, because they are more detailed than the ones included in the Budget Reporting.

Monthly Tax Office data are used for accrual adjustment of taxes and subsidies at HCSO. MNB uses monthly Treasury data for accrual adjustment of taxes and subsidies.

1e) Consistency of classifications used in the Budget Reporting of “the State” and in the Budget Reporting of other General Government entities.

Classifications are consistent.

1f) Source (direct or indirect) of basic data requested by the National Statistical Institutes

Financial Statements are collected by the Treasury; HCSO and MNB² receive the individual/aggregated Financial Statements from it.

1g) Nature of the data sources – cash, accrual or mixed

Budget Reporting is on cash basis.

Profit and loss accounts are also on cash basis. However the double entry bookkeeping system of the budgetary institutions is on mixed basis, as it records assets and liabilities related to receivables and payables and integrates them into the balance sheet.

1h) Circumstances in which data available from basic sources is consolidated.

In the Budget Reporting the budget transfers to/from the central budgetary institutions are consolidated.

1i) Changes in the accounting rules foreseen in the near future (if any).

No changes are foreseen.

2.1.2 Data sources for Central Government: Other entities / other central government bodies (please detail)

A) Extrabudgetary Funds

2a) Information available/used for this sub-sector in the current year n-1 and year n-2 notified in April (n) and October (n):

Table 2 A– Source Data Accounting

| Accounting Rules(C/A/M) | Source Data Accounting | April (n) | | October (n) | |
|-------------------------|--|-----------|----------|-------------|----------|
| | | Year n-1 | Year n-2 | Year n-1 | Year n-2 |
| | Budget Reporting | | | | |
| | Summary | | | | |
| | (1) Current revenue and expenditure | NA/NU | NA/NU | NA/NU | NA/NU |
| | (2) Current and capital revenue and expenditure | NA/NU | NA/NU | NA/NU | NA/NU |
| C | (3) Current and capital revenue and expenditure and financial transactions | NA/NU | A/U | A/U | A/U |

² MNB is an Hungarian acronym for National Bank of Hungary

| | | | | | |
|---|--|-------|-------|-------|-------|
| | (4) Balance sheets | NA/NU | A/U | A/U | A/U |
| | Detailed | | | | |
| | (5) Current revenue and expenditure | NA/NU | NA/NU | NA/NU | NA/NU |
| | (6) Current and capital revenue and expenditure | NA/NU | NA/NU | NA/NU | NA/NU |
| C | (7) Current and capital revenue and expenditure and financial transactions | NA/NU | A/U | A/U | A/U |
| | (8) Balance sheets | NA/NU | NA/NU | NA/NU | NA/NU |
| | Financial Statements | | | | |
| C | (9) Profit and loss accounts | NA/NU | A/U | A/U | A/U |
| | (10) Balance sheets | NA/NU | A/U | A/U | A/U |
| | Other Reporting | | | | |
| | (11) Statistical surveys | NA/NU | NA/NU | NA/NU | NA/NU |
| C | (12) Other: (please specify) Treasury Accounts | A/U | A/NU | A/NU | A/NU |

2b) Reasons for not using the available accounting reports and criteria for choosing only one of them (consistency with data sources used in other sub-sectors, accrual basis, etc) if two different accounting reports are available for the same unit.

Treasury Accounts is the data source on the implementation of the budget during year. During the compilation of the Financial Statements data must be reconciled between Treasury Accounts and double entry accounts of reporting units: both Financial Statements and Budget reporting data are final.

2c) Complementary codification at data source, by counterpart sector

In the Budget Reporting information on the counterpart sector / sub-sector is available in the case of interest payments, current and capital transfers payable and receivable.

2d) Complementary information which is not in the financial statements, when compiling ESA95 accounts.

Monthly Tax Office data are used for accrual adjustment of taxes and subsidies at HCSO. MNB uses monthly Treasury data for accrual adjustment of taxes and subsidies.

2e) Consistency of classifications used in this sub-sector and in the Budget Reporting of units in other sub-sectors of General Government.

These classifications are fully consistent.

2f) Source (direct or indirect) of basic data requested by the National Statistical Institutes

Financial Statements are collected by the Treasury; HCSO and MNB receive the individual Financial Statements from it.

2g) Nature of the data sources – cash, accrual or mixed

Budget Reporting is on cash basis.

Profit and loss accounts are also on cash basis. However the double entry bookkeeping system is on mixed basis, as it records assets and liabilities related to receivables and payables and integrates them into the balance sheet.

2h) Circumstances in which data available from basic sources is consolidated.

There are no such circumstances.

2i) Changes in the accounting rules foreseen in the near future (if any).

No changes are foreseen.

B) Public corporations classified into the Central Government

2a) Information available/used for this sub-sector in the current year n-1 and year n-2 notified in April (n) and October (n):

Table 2 B – Source Data Accounting

| Accounting Rules(C/A/M) | Source Data Accounting | April (n) | | October (n) | |
|-------------------------|--|-----------|----------|-------------|----------|
| | | Year n-1 | Year n-2 | Year n-1 | Year n-2 |
| | Budget Reporting | | | | |
| | Summary | | | | |
| | (1) Current revenue and expenditure | NA/NU | NA/NU | NA/NU | NA/NU |
| | (2) Current and capital revenue and expenditure | NA/NU | NA/NU | NA/NU | NA/NU |
| | (3) Current and capital revenue and expenditure and financial transactions | NA/NU | NA/NU | NA/NU | NA/NU |
| | (4) Balance sheets | NA/NU | NA/NU | NA/NU | NA/NU |
| | Detailed | | | | |
| | (5) Current revenue and expenditure | NA/NU | NA/NU | NA/NU | NA/NU |
| | (6) Current and capital revenue and expenditure | NA/NU | NA/NU | NA/NU | NA/NU |
| | (7) Current and capital revenue and expenditure and financial transactions | NA/NU | NA/NU | NA/NU | NA/NU |
| | (8) Balance sheets | NA/NU | NA/NU | NA/NU | NA/NU |
| | Financial Statements | | | | |
| | (9) Profit and loss accounts | NA/NU | NA/NU | NA/NU | NA/NU |
| | (10) Balance sheets | NA/NU | NA/NU | NA/NU | NA/NU |
| | Other Reporting | | | | |
| A | (11) Statistical surveys | | | | |
| A | SBS survey | A/U | A/U | A/U | A/U |
| A | Statistical survey on GFCF | A/U | A/U | A/U | A/U |
| M | -Balance of Payments & International Investment Position statistics | A/U | A/U | A/U | A/U |
| A | -Securities holding statistics | A/U | A/U | A/U | A/U |
| A | -Money and Banking statistics | A/U | A/U | A/U | A/U |
| A | -Quarterly balance sheets of units classified into general governments sector for statistical purposes | A/U | A/U | A/U | A/U |

| | | | | | |
|---|---|-------|------|------|------|
| A | (12) Other: (please specify) Corporate income tax declaration including the key aggregates of the profit and loss accounts and balance sheet | NA/NU | A/U | A/U | A/U |
| A | Business plan and flash report on profit and loss account and balance sheet | A/U | A/NU | A/NU | A/NU |

2b) Reasons for not using the available accounting reports and criteria for choosing only one of them (consistency with data sources used in other sub-sectors, accrual basis, etc) if two different accounting reports are available for the same unit.

For the second notification we modify the provisional data that had been earned from the business plans and the flash reports to the corporate tax database data that also includes the key aggregates of the annual balance sheets and the profit and loss accounts.

2c) Complementary codification at data source, by counterpart sector

Counterpart information is available only on the transactions with Central Government in legal terms and Local Government.

In case of financial transactions mainly statistical survey data and not the government unit own balance sheet data are used. In financial accounts in major part counterpart information is used instead of direct government sources. This creates consistency with accounts of other sectors. The use of partner sectors statistical surveys results in more precise market valuation, accrual accounting and partner sector breakdown. Government data is basically only used for cross-checking purposes.

2d) Complementary information which is not in the financial statements, when compiling ESA95 accounts.

Budget reporting is used as complementary information when compiling the ESA accounts for the reclassified corporations.

2e) Consistency of classifications used in this sub-sector and in the Budget Reporting of units in other sub-sectors of General Government.

There is no consistency; the classification follows the business accounting standard.

2f) Source (direct or indirect) of basic data requested by the National Statistical Institutes

Corporate income tax declarations are collected by the Tax Office; HCSO and MNB receive the individual declarations from it.

Quarterly statistical balance sheets are collected also by MNB.

SBS surveys are requested by HCSO.

Business plans and flash reports are requested by MfNE and resent to HCSO and to MNB.

2g) Nature of the data sources – cash, accrual or mixed

All data sources are on accrual basis but Hungarian Privatization and State Holding Company (MNV Zrt.) also delivers monthly cash-flow data to MNB.

2h) Circumstances in which data available from basic sources is consolidated.

No such circumstances

2i) Changes in the accounting rules foreseen in the near future (if any).

No such changes are planned.

C) Public non-profit institutions classified into Central Government

2a) Information available/used for this sub-sector in the current year n-1 and year n-2 notified in April (n) and October (n):

Table 2 C – Source Data Accounting

| Accounting Rules(C/A/M) | Source Data Accounting | April (n) | | October (n) | |
|-------------------------|--|-----------|----------|-------------|----------|
| | | Year n-1 | Year n-2 | Year n-1 | Year n-2 |
| | Budget Reporting | | | | |
| | Summary | | | | |
| | (1) Current revenue and expenditure | NA/NU | NA/NU | NA/NU | NA/NU |
| | (2) Current and capital revenue and expenditure | NA/NU | NA/NU | NA/NU | NA/NU |
| | (3) Current and capital revenue and expenditure and financial transactions | NA/NU | NA/NU | NA/NU | NA/NU |
| | (4) Balance sheets | NA/NU | NA/NU | NA/NU | NA/NU |
| | Detailed | | | | |
| | (5) Current revenue and expenditure | NA/NU | NA/NU | NA/NU | NA/NU |
| | (6) Current and capital revenue and expenditure | NA/NU | NA/NU | NA/NU | NA/NU |
| | (7) Current and capital revenue and expenditure and financial transactions | NA/NU | NA/NU | NA/NU | NA/NU |
| | (8) Balance sheets | NA/NU | NA/NU | NA/NU | NA/NU |
| | Financial Statements | | | | |
| | (9) Profit and loss accounts | NA/NU | NA/NU | NA/NU | NA/NU |
| | (10) Balance sheets | NA/NU | NA/NU | NA/NU | NA/NU |
| | Other Reporting | | | | |
| C | (11) Statistical surveys | | | | |
| A | -Survey on Non-profit institutions | NA/NU | A/U | A/U | A/U |
| M | -Statistical survey on GFCF | A/U | A/U | A/U | A/U |
| | -Balance of Payments & International Investment Position statistics | A/U | A/U | A/U | A/U |
| | -Securities holding statistics | A/U | A/U | A/U | A/U |

| | | | | | |
|---|---------------------------------|-------|-------|-------|-------|
| A | -Money and Banking statistics | A/U | A/U | A/U | A/U |
| | (12) Other: (please specify) | NA/NU | NA/NU | NA/NU | NA/NU |

2b) Reasons for not using the available accounting reports and criteria for choosing only one of them (consistency with data sources used in other sub-sectors, accrual basis, etc) if two different accounting reports are available for the same unit.

Not applicable.

2c) Complementary codification at data source, by counterpart sector

Counterpart information on the transactions with the sub-sectors of the General Government in legal terms is available.

In case of financial transactions mainly statistical survey data and not the government unit own balance sheet data are used. In financial accounts, in major part, counterpart information is used instead of direct government sources. This creates consistency with accounts of other sectors. The use of partner sectors statistical surveys results in more precise market valuation, accrual accounting and partner sector breakdown. Government data is basically only used for cross-checking purposes.

2d) Complementary information which is not in the financial statements, when compiling ESA95 accounts.

Budget reporting is used as complementary information when compiling the ESA accounts for the reclassified non-profit institutions.

2e) Consistency of classifications used in this sub-sector and in the Budget Reporting of units in other sub-sectors of General Government.

No consistency. The non-profit institutions apply a simplified cash-based accounting, the classification is similar the one used by the budgetary institutions.

2f) Source (direct or indirect) of basic data requested by the National Statistical Institutes

The surveys are requested and collected by HCSO.

2g) Nature of the data sources – cash, accrual or mixed

Cash data.

2h) Circumstances in which data available from basic sources is consolidated.

No such circumstances.

2i) Changes in the accounting rules foreseen in the near future (if any).

No changes are foreseen.

2.1.3 Data for the current year (n-1) notified in April (n) - detailed explanation

i) Common data sources used for finalised and half-finalised data for the current year in the first notification.

In the non-financial parts of the accounts quarterly and annual accounts are compiled separately, they are based on different data sources: practically in this field there are no common data sources for the preliminary and finalised data.

In the first notification data for Central Government and Extrabudgetary Funds are calculated from the quarterly non-financial accounts which are based on monthly reports from the Treasury.

In the following notifications Budget Reporting is used.

In the financial part of the accounts the compilation method is different: annual accounts are compiled as sum of quarterly accounts: It means, that the data sources for quarterly and annual financial accounts and for preliminary and finalised EDP data are the same.

ii) Data sources specifically used in the context of the first notification

Treasury accounts

Quarterly statistical survey on GFCF

Business plan and flash report on profit and loss account and balance sheet.

iii) Estimation methods that may be used in the context of the first notification and their importance in the central budget and for other units included in central government.

For public non-profit institutions and for some public non-financial corporations classified in the GG sector quarterly data are estimated.

2.1.4 Auditing Process

I) Working balances of Central Government that were submitted to an auditing process.

Extrabudgetary Funds, Social Security Funds, public corporations and local governments with higher budget than a certain limit or before borrowing (from banks, issuing securities) have to be audited by independent auditors year by year.

Central Budget (including central budgetary institutions), Extrabudgetary Funds, Social Security Funds, State Privatisation Co. and certain local government covered by a sample, are audited by the State Audit Office (responsible to the Parliament) year by year.

Government Audit Office as well makes investigation within the central government circle for other than financial audit purposes.

II) Incorporation of the findings of the auditing process in the national accounts.

Findings of the State Audit Office are incorporated in the final version of the Budget Reporting voted by the Parliament (covering the Central Budget, Extrabudgetary Funds, Social Security Funds), if the findings modify the totals and the balance of the involved units. These findings are automatically incorporated in the calculation of the national accounts. Other findings related to misclassification of transactions are also taken into account.

2.2 Data treatment

2.2.1 Half finalised and finalised data

a) Financial transactions that may be included in the public accounts of central government and are excluded in table 2.

Loans granted: public policy lending to non-government units.

Loans repayments: mostly from foreign governments.

Equity acquisition: purchase of shares of financial /non-financial corporations.

Equity sales: sale of shares of financial /non-financial corporations; dividends from the Central Bank; profit from uncollected coins.

Other financial transactions: advance payment by government recorded as expenditure and advance payment by other sectors of the economy recorded as revenue, which should be eliminated.

b) Information and method (s) used for the adjustment cash/accrual for items other than interest.

Taxes: Time adjusted cash method is used. Taxes paid with a regular time lag are time adjusted, while taxes paid irregularly (e.g. duties on inheritances and gifts) or taxes paid once or twice a year, but before the end of the current year, are recorded in our accounts on cash basis. Data source for time adjustment: Tax Office monthly data.

- Taxes on products:

VAT: tax payments are time adjusted with one month, VAT reimbursement is recorded according to amounts evidenced by declarations. Simplified entrepreneurial tax is time-adjusted with two month.

Excise duties, car registration fee, environment protection fees, cultural contribution, gambling tax, contribution to tourism and innovation contribution are time adjusted with one month.

Import duties, alcohol production duty, duty on acquisition of property, contribution to forest maintenance, contribution to Nuclear Fund, environment protection fee and environment pollution fee are recorded on cash basis in our accounts.

-Other taxes on production:

*Training contribution and rehabilitation contributions are time adjusted with one month.
Land protection levy, concession fees on gambling are recorded on cash basis.*

-Current taxes on income and wealth:

*Personal income tax advances are time adjusted with one month, while the final tax liability is recorded on due for payment base (in March of year $t+1$),
Corporate income tax advances are recorded on cash basis with respect to system of monthly advance-payment and fill-up obligation by the end of the tax-year.*

*The final tax liability is recorded on due for payment base (in May of year $t+1$),
Stamp duties are recorded on cash basis.*

-Capital taxes:

*Duty on inheritance and gifts is recorded on a cash basis.
Social security contributions paid in the Labour Market fund (classified into the central government): one month time adjustment.
Data source for time adjustment: Tax Office monthly data.*

Subsidies

*Subsidy on employment of persons with a decreased capacity of work is time adjusted with one month.
Data source for time adjustment: Tax Office monthly data.*

Agricultural subsidies: the time adjustment is taken over from the satellite agricultural accounts.

Intermediate consumption: Adjusted with the change in stock of payables for goods and services (+), and with the change in stock of inventories (-). Data source: balance sheet and supplementary information available in the annual report of the budgetary institutions.

Compensation of employees (both wages and salaries and social security contribution): One month time adjustment. Data source: supplementary information available in the annual report of the budgetary institutions and treasury data.

Market output and payments for other non-market output: Receivables for services provided by the budgetary institutions. Data source: balance sheet and supplementary information available in the annual report of the budgetary institutions.

GFCF: Cash data from the public account are changed for accrual data derived from the Hungarian Central Statistical Office Gross Fixed Capital Formation Survey.

The item "EU transfers" captures the accrual adjustment needed for EU transfers.

Extracts from questionnaire concerning the methods used for recording taxes and social contributions

c) Sources and methods used for the calculation of interest on an accrual basis.

The source of accrual basis interest calculation is the accounting system of the Government Debt Management Agency Ltd. (ÁKK Rt.) for central government debt. ÁKK Rt. uses the following methodology:

1. Basically, the interest of a debt instrument on accrual base for a given time period is the net interest on cash base (in case of discount Treasury bills, the discount is considered as interest) plus the difference between the accrued interest at the end and at the beginning of the time period. The accrued interest at the beginning of the examined time period concerns the time before, while the accrued interest at the end of the period concerns this time period.

2. In the case of government bonds this amount is modified, because the issue price is different from the sum of the face value and the accrued interest at the time of the issuance (this latter is not necessarily zero, because bond series are reopened). This discount or premium, which is considered interest cost or revenue, is broken down evenly throughout the whole life of the instrument, and the part that falls on the examined time period is added to the interest of the instrument on accrual basis as calculated in section 1 in order to obtain the total interest on an accrual base.

d) Information on other accounts receivable/payable that may be provided in public accounts data.

In the public accounts (budget execution report) occasionally some prepayments may appear. They are eliminated under the line "Other financial transactions".

The adjustments "Other accounts receivable" and "Other accounts payable" on the Table 2 of the Notification comes from other data sources: the time adjustments described under 2.2.1.b are recorded here.

e) Sources and method (s) for the adjustment related to units classified within or outside central government.

Public companies classified into the central government sector: These units are non-market producers. In the compilation of their non-financial accounts the same methodology is used as for the other non-market producers. As their data are on accrual basis, there is no need to apply time adjustment. The non-financial accounts are based on the tax declaration, profit/loss statement and balance sheet data.

Non-profit institutions classified into the central government sector: The full set of non-financial accounts of these entities is compiled with the same methods as used for other non-market producers. Data source: Hungarian Statistical Office NPI Survey.

f) Other adjustments regularly implemented.

The item "Claim cancellation against other subsectors of GG (mainly SS funds)"(negative sign) captures the cancellation of social security debt.

The item "*Claim cancellation against public financial and non-financial companies (most usually banks, transport companies)*" (negative sign) captures capital transfers for claim cancellation benefiting companies, like the railway company.

The item "*Debt cancellation against foreign governments*" (negative sign) includes capital transfers as the result of debt cancellation of other sovereigns. These include entries identifying details, like "Claim cancellation against Iraq, Republic of Russia, Cambodia".

The item "*Debt assumption against public non-financial companies (mostly cultural companies, road management companies)*" (negative sign) includes items showing debt assumptions of non-financial companies (classified in S.11), marked with a more detailed title.

The item "*Capital injection in public non-financial companies (reclassification of capital injection, occasional)*" (negative sign) captures capital injections that are not reported in the working balance, but which are to be recorded as capital transfers with an impact on the deficit.

The item "*Transfers from the state privatisation agency to the treasury single account*" (positive sign) includes capital transfer revenue relating to privatisation proceeds received by the Treasury from the State Privatisation Agency, not recorded in the working balances.

The item "*Mobile phone licences*" (positive sign) includes correction for mobile phone licences proceeds, which are recorded as government revenue (i.e. impacting the government deficit) at time of sale of licence and not at time of payment.

The item "*Gripen reclassification*" includes the correction for the lease of Gripen aircrafts, considered as a financial lease in national accounts – with an impact on the government deficit at time of delivery (the accrual adjustment of military equipment).

g) Sources of information used for transactions which need specific attention (in cases where they are not directly identifiable in public accounts): debt assumption, debt cancellation, privatisation, securitisations, capital injection into public corporations, payments from the central bank.

Information on debt assumption, debt cancellation is available in the text of the Budget Law and the Final Accounts Law.

Data on privatisation expenses and revenues are available in the annual report of the privatisation agency (classified into the GG sector).

Data on capital injection are available in the public account, but the nature (financial/non-financial) of these transactions has to be investigated. The profit/loss statement and the balance sheet of the counterpart unit are scrutinised.

The same relates to the payments from/to central bank, because the data are available in the public account, but the payments have to be classified as financial or non-financial transactions. We use the annual report of the bank and Treasury data for this purpose.

2.2.2 Revision process

Steps in the revision process of data, for the State and for other units included in central government, after the first notification

- 1. Notification data in April are based on quarterly national accounts.*
- 2. By September of year $t+1$ Hungarian Central Statistical Office compiles the first version of full set of non-financial Accounts for GG sector. These accounts are used for the Notification. The accounts are based on draft of the Public Account submitted to the Audit Office. These data are not yet finalised, because they have to be audited by the Audit Office and approved by the Parliament. Data of public corporations classified into GG are audited or close to audit data.*
- 3. By March of year $t+2$ HCSO replaces the input data of the previous version by the audited final Public Account data.*
- 4. By $t+18$ HCSO closes the full set of non-financial accounts for every sector. Data are reconciled between the sectors. The 30 September Notification of $t+2$ is based on these accounts. This version is considered as final.*

3. State Government

Not applicable for Hungary

4. Local Government

This section describes the availability and use of main data sources for the Local Government sub-sector (S.1313) by type of unit and the adjustments made in order to reach ESA95 definitions. It also covers the treatment for half finalised, finalised and current data, and the process of revision of data.

4.1 Availability and use of data sources

4.1.1 Data sources for Local Government main units: municipalities, localities

1a) Information available/used for this sub-sector in the current year n-1 and year n-2 notified in April (n) and October (n):

Table 3 – Source Data Accounting

| Accounting Rules(C/A/M) | Source Data Accounting | April (n) | | October (n) | |
|-------------------------|---|-----------|----------|-------------|----------|
| | | Year n-1 | Year n-2 | Year n-1 | Year n-2 |
| | Budget Reporting | | | | |
| | Summary | | | | |
| | (1) Current revenue and expenditure | NA/NU | NA/NU | NA/NU | NA/NU |
| | (2) Current and capital revenue and expenditure | NA/NU | NA/NU | NA/NU | NA/NU |
| C | (3) Current and capital revenue and expenditure and financial transactions | NA/NU | A/U | A/U | A/U |
| | (4) Balance sheets | NA/NU | A/U | A/U | A/U |
| | Detailed | | | | |
| | (5) Current revenue and expenditure | NA/NU | NA/NU | NA/NU | NA/NU |
| | (6) Current and capital revenue and expenditure | NA/NU | NA/NU | NA/NU | NA/NU |
| | (7) Current and capital revenue and expenditure and financial transactions | NA/NU | NA/NU | NA/NU | NA/NU |
| | (8) Balance sheets | NA/NU | NA/NU | NA/NU | NA/NU |
| | Financial Statements | | | | |
| C | (9) Profit and loss accounts | NA/NU | A/U | A/U | A/U |
| | (10) Balance sheets | NA/NU | A/U | A/U | A/U |
| | Other Reporting | | | | |
| A | (11) Statistical survey Statistical survey on GFCF -Balance of Payments & International Investment Position statistics -Securities holding statistics -Money and Banking statistics | A/U | A/U | A/U | A/U |
| M | | A/U | A/U | A/U | A/U |
| A | | A/U | A/U | A/U | A/U |
| A | | A/U | A/U | A/U | A/U |
| C | (12) Other: Flash report on revenue and expenditure aggregates | A/U | A/NU | A/NU | A/NU |

1b) Reasons for not using the available accounting reports and criteria for choosing only one of them (consistency with data sources used in other sub-sectors, accrual basis, etc) if two different accounting reports are available for the same unit.

Flash report is the data source on the implementation of the budget during year. The report is used only in the first notification, and then in the second notification Budget Reporting is applied.

1c) Complementary codification at data source, by counterpart sector

For the local governments information on the counterpart sector/subsector is available in the case of interest payments, current and capital transfers payable and receivable by the budgetary institutions.

In case of financial transactions mainly statistical survey data and not the government unit own balance sheet data are used. In financial accounts in major part counterpart information is used instead of direct government sources. This creates consistency with accounts of other sectors. The use of partner sectors statistical surveys results in more precise market valuation, accrual accounting and partner sector breakdown. Government data is basically only used for cross-checking purposes.

1d) Complementary information which is not in the financial statements, when compiling ESA95 accounts.

Not applicable.

1e) Consistency of classifications used in this sub-sector and in the Budget Reporting of units in other sub-sectors of General Government.

The classifications are fully consistent.

1f) Source (direct or indirect) of basic data requested by the National Statistical Institutes

Financial Statements and quarterly reports are collected by the Treasury; HCSO and MNB receive the individual/aggregated Financial Statements from it.

1g) Nature of the data sources – cash, accrual or mixed

Profit and loss accounts are on cash basis. However the double entry bookkeeping system is on mixed basis, as it records assets and liabilities related to receivables and payables and integrates them into the balance sheet.

1h) Circumstances in which data available from basic sources is consolidated.

Transfers between the municipalities and their budgetary institutions are consolidated.

1i) Changes in the accounting rules foreseen in the near future (if any).

No such changes are foreseen.

4.1.2 Data sources for Local Government: Local Government bodies / non-profit institutions

B) Corporations classified into the Local Government

2a) Information available/used for this sub-sector in the current year n-1 and year n-2 notified in April (n) and October (n):

Table 2 B – Source Data Accounting

| Accounting Rules(C/A/M) | Source Data Accounting | April (n) | | October (n) | |
|-------------------------|--|-----------|----------|-------------|----------|
| | | Year n-1 | Year n-2 | Year n-1 | Year n-2 |
| | Budget Reporting | | | | |
| | Summary | | | | |
| | (1) Current revenue and expenditure | NA/NU | NA/NU | NA/NU | NA/NU |
| | (2) Current and capital revenue and expenditure | NA/NU | NA/NU | NA/NU | NA/NU |
| | (3) Current and capital revenue and expenditure and financial transactions | NA/NU | NA/NU | NA/NU | NA/NU |
| | (4) Balance sheets | NA/NU | NA/NU | NA/NU | NA/NU |
| | Detailed | | | | |
| | (5) Current revenue and expenditure | NA/NU | NA/NU | NA/NU | NA/NU |
| | (6) Current and capital revenue and expenditure | NA/NU | NA/NU | NA/NU | NA/NU |
| | (7) Current and capital revenue and expenditure and financial transactions | NA/NU | NA/NU | NA/NU | NA/NU |
| | (8) Balance sheets | NA/NU | NA/NU | NA/NU | NA/NU |
| | Financial Statements | | | | |
| | (9) Profit and loss accounts | NA/NU | NA/NU | NA/NU | NA/NU |
| | (10) Balance sheets | NA/NU | NA/NU | NA/NU | NA/NU |
| | Other Reporting | | | | |
| A | (11) Statistical surveys | | | | |
| A | SBS survey | A/U | A/U | A/U | A/U |
| A | Statistical survey on GFCF | A/U | A/U | A/U | A/U |
| M | -Balance of Payments & International Investment Position statistics | A/U | A/U | A/U | A/U |
| A | -Securities holding statistics | A/U | A/U | A/U | A/U |
| A | -Money and Banking statistics | A/U | A/U | A/U | A/U |
| A | -Quarterly balance sheets of units classified into general governments sector for statistical purposes | A/U | A/U | A/U | A/U |

| | | | | | |
|---|---|-------|------|------|------|
| A | (12) Other: (please specify) Corporate income tax declaration including the key aggregates of the profit and loss accounts and balance sheet | NA/NU | A/U | A/U | A/U |
| A | Business plan and flash report on profit and loss account and balance sheet | A/U | A/NU | A/NU | A/NU |

2b) Reasons for not using the available accounting reports and criteria for choosing only one of them (consistency with data sources used in other sub-sectors, accrual basis, etc) if two different accounting reports are available for the same unit.

For the second notification we modify the provisional data that had been earned from the business plans and the flash reports to the corporate tax database data that also includes the key aggregates of the annual balance sheets and the profit and loss accounts.

2c) Complementary codification at data source, by counterpart sector

Counterpart information is available only on the transactions with Central Government in legal terms and Local Government.

In case of financial transactions mainly statistical survey data and not the government unit own balance sheet data are used. In financial accounts in major part counterpart information is used instead of direct government sources. This creates consistency with accounts of other sectors. The use of partner sectors statistical surveys results in more precise market valuation, accrual accounting and partner sector breakdown. Government data is basically only used for cross-checking purposes.

2d) Complementary information which is not in the financial statements, when compiling ESA95 accounts.

Budget reporting is used as complementary information when compiling the ESA accounts for the reclassified corporations.

2e) Consistency of classifications used in this sub-sector and in the Budget Reporting of units in other sub-sectors of General Government.

There is no consistency; the classification follows the business accounting standard.

2f) Source (direct or indirect) of basic data requested by the National Statistical Institutes

Corporate income tax declarations are collected by the Tax Office; HCSO and MNB receive the individual declarations from it.

Quarterly statistical balance sheets are collected also by MNB.

SBS surveys are requested by HCSO.

Business plans and flash reports are requested by MfNE and resent to HCSO and to MNB.

2g) Nature of the data sources – cash, accrual or mixed

All data sources are on accrual basis but Hungarian Privatization and State Holding Company (MNV Zrt.) also delivers monthly cash-flow data to MNB.

2h) Circumstances in which data available from basic sources is consolidated.

No such circumstances

2i) Changes in the accounting rules foreseen in the near future (if any).

No such changes are planned.

4.1.3 Data for the current year (n-1) notified in April (n) - detailed explanation

i) Common data sources used for finalised and half-finalised data for the current year in the first notification.

In the non-financial part of the accounts quarterly and annual accounts are compiled separately, they are based on different data sources: practically in this field there are no common data sources for the preliminary and finalised data.

The first notification is based on quarterly national accounts data which are based on the quarterly reports from the Treasury. The latter compiles the reports on the basis of the data submitted by the Local Government units.

The following notifications are based on annual accounts.

In the financial part of the accounts the compilation method is different: annual accounts are compiled as sum of quarterly accounts: It means, that the data sources for quarterly and annual financial accounts and for preliminary and finalised EDP data are the same.

ii) Data sources specifically used in the context of the first notification.

Quarterly local government report

Quarterly statistical survey on GFCF

To calculate compensation of employees paid by local governments, special data source is used. Under the Treasury system, a so-called net budget financing system exists month by month: from one side all budget transfers are identified which are due to be paid to local governments and from the other side all taxes and social security contributions are reported which are to be paid to tax authorities (including deducted VAT, employers' and employee's contributions). The latter information is used to calculate the one-month amount for time adjustments.

iii) Estimation methods that may be used in the context of the first notification

See 4.1.3 ii)

4.1.4 Auditing Process

I) Working balances of Local Government that were submitted to an auditing process.

Local governments with higher budget than a certain limit or before borrowing (from banks, issuing securities) have to be audited by independent auditors year by year.

II) Incorporation of the findings of the auditing process in the national accounts.

The findings are addressed to the Ministry for National Economy and to the Ministry of Local Government and Regional Development. Those remarks that relate to the financial regulation will be incorporated into the law, thus the findings will appear in the cash data that serves as input data for the calculation of the national accounts.

4.2 Data treatment

4.2.1 Half finalised and finalised data

a) Original source of data used as a starting step

The Treasury aggregates the annual reports of local budgetary institutions (municipalities and their institutions) and compiles from them the "public account" of the local government. The net lending/net borrowing of this account is reported as "Working balance in local government accounts" on Table 2C:

b) Financial transactions that may be included in the public accounts of local Government and are excluded in table 2.

Loans: Loans to household for dwelling privatisation purposes. Public policy lending to corporations.

Equities: Privatisation via the privatisation agency. Dwelling privatisation. Equity transactions.

Other financial transactions: deposit and securities transactions (F2 and F3).

c) Information and the method (s) used for the adjustment cash/accrual for items other than interest.

Taxes: No time adjustments are needed for calculation local government taxes on accrual basis. The corporations need to execute advance payments and at the end of the year they fill-up the annual liability according to a projected income. No adjustments are needed for taxes imposing on occasion either.

Thus local taxes can be grouped in the following way:

- Taxes which are to be paid in two instalments. They are due on 15 March and September.

There is no need for time adjustment.

-Taxes with tax advance payment obligation. The tax advances are due on 15 March, 15 September and on 20 December, while the final tax liability is due on 31 May. We consider that there is no need for time adjustment.

-Fees paid irregularly: no need for time adjustment.

Upon this consideration we do not collect monthly tax data from the municipalities.

Subsidies: no time adjustment.

Social transfers: no time adjustment, local government provide social transfers on their own discretion, the cash payments are good estimation for accruals.

Intermediate consumption: Adjusted with the change in stock of payables for goods and services (+), and with the change in stock of inventories (-). Data source: balance sheet and supplementary information available in the annual report of the budgetary institutions.

Compensation of employees (both wages and salaries and social security contributions): One month time adjustment. Data source: supplementary information available in the annual report of the budgetary institutions.

Market output and payments for other non-market output: Receivables for services provided by the budgetary institutions. Data source: supplementary information available in the annual report of the budgetary institutions.

GFCE: Cash data from the public account are changed for accrual data derived from the Hungarian Central Statistical Office Investment Survey.

d) Sources and methods used for the calculation of interest on an accrual basis.

Supplementary data from the financial statements.

e) Information on other accounts receivable/payable that may be provided in the data sources.

See section 4.2.1 part c)

f) Sources and method (s) for the adjustment related to units classified within or outside local Government.

No adjustment is made.

g) Other adjustments regularly implemented.

The item "*Imputed loans related to dwelling privatisation.*" (positive sign), captures the adjustment in relation to privatisation receipts from the sale of non-financial assets, not received yet

h) Sources of information used for transactions which need specific attention (in cases where they are not directly identifiable in public accounts): debt assumption, debt cancellation, privatisation, securitisations and capital injection into public corporations owned by local Government.

There are no specific transactions identified between local government and corporations. For specific transactions between local government and households (dwelling privatisation) Statistical Office Survey is used.

For specific transactions between local government and central government the counterpart information is available in the central government accounts. For specific transactions between local government and the privatisation agency (reclassified into the central government) the counterpart information is available in the agency's annual report.

4.2.2 Revision process

Steps in the revision process of data, after the first notification.

1 Notification data in April are based on quarterly national accounts.

2. By September of year $t+1$ Hungarian Central Statistical Office compiles the first version of full set of non-financial Accounts for GG sector. These accounts are used for the Notification. The accounts are based on financial statements of local governments.

3. HCSO revises the GG sector accounts by April of year $t+2$. There is no change in Local Government data.

4. By $t+18$ HCSO closes the full set of non-financial accounts for every sector. Data are reconciled between the sectors. The September Notification is based on these accounts. This version is considered as final.

5. Social Security Funds

This section describes the availability and use of main data sources for the Social Security Funds Government sub-sector (S.1314) by type of unit and the adjustments made in order to reach ESA95 definitions. It also covers the treatment for half finalised, finalised and current data, and the process of revision of data.

5.1 Availability and use of data sources

5.1.1 Data sources available: Social Security Funds

1a) Information available/used for this sub-sector in the current year n-1 and year n-2 notified in April (n) and October (n):

Table 5 – Source Data Accounting

| Accounting Rules(C/A/M) | Source Data Accounting | April (n) | | October (n) | |
|-------------------------|--|-----------|----------|-------------|----------|
| | | Year n-1 | Year n-2 | Year n-1 | Year n-2 |
| | Budget Reporting | | | | |
| | Summary | | | | |
| | (1) Current revenue and expenditure | NA/NU | NA/NU | NA/NU | NA/NU |
| | (2) Current and capital revenue and expenditure | NA/NU | NA/NU | NA/NU | NA/NU |
| C | (3) Current and capital revenue and expenditure and financial transactions | NA/NU | A/U | A/U | A/U |
| | (4) Balance sheets | NA/NU | A/U | A/U | A/U |
| | Detailed | | | | |
| | (5) Current revenue and expenditure | NA/NU | NA/NU | NA/NU | NA/NU |
| | (6) Current and capital revenue and expenditure | NA/NU | NA/NU | NA/NU | NA/NU |
| C | (7) Current and capital revenue and expenditure and financial transactions | NA/NU | A/U | A/U | A/U |
| | (8) Balance sheets | NA/NU | NA/NU | NA/NU | NA/NU |
| | Financial Statements | | | | |
| C | (9) Profit and loss accounts | NA/NU | A/U | A/U | A/U |
| | (10) Balance sheets | NA/NU | A/U | A/U | A/U |
| | Other Reporting | | | | |
| | (11) Statistical surveys Statistical survey on GFCF | A/U | A/U | A/U | A/U |
| C | (12) Other: (please specify) Treasury Accounts | A/U | A/NU | A/NU | A/NU |

In the data sources of General Government, no deeper breakdown is available than the breakdown by subsectors.

1b) Reasons for not using the available accounting reports and criteria for choosing only one of them (consistency with data sources used in other sub-sectors, accrual basis, etc) if two different accounting reports are available for the same unit.

Treasury Accounts is the data source on the implementation of the budget during year. During the compilation of the Financial Statements data must be reconciled between Treasury Accounts and double entry accounts of reporting units: both Financial Statements and Budget reporting data are final.

1c) Complementary codification at data source, by counterpart sector

In the Budget Report information on the counterpart sector/subsector is available in the case of interest payments, current and capital transfers payable and receivable.

In case of financial transactions mainly statistical survey data and not the government unit own balance sheet data are used. In financial accounts in major part counterpart information is used instead of direct government sources. This creates consistency with accounts of other sectors. The use of partner sectors statistical surveys results in more precise market valuation, accrual accounting and partner sector breakdown. Government data is basically only used for cross-checking purposes.

1d) Complementary information which is not in the financial statements, when compiling ESA95 accounts.

Monthly Tax Office data are used for accrual adjustment of SS contributions at HCSO. MNB uses monthly Treasury accounts and monthly Social Security reports for accrual adjustment of subsidies.

1e) Consistency of classifications used in this sub-sector and in the Budget Reporting of other General Government units.

The classifications are fully consistent.

1f) Source (direct or indirect) of basic data requested by the National Statistical Institutes

Financial Statements are requested by MfNE and collected by the Treasury; HCSO and MNB receive the individual Financial Statements directly from the SS Funds.

1g) Nature of the data sources – cash, accrual or mixed

Budget Reporting is on cash basis.

Profit and loss accounts are also on cash basis. However the double entry bookkeeping system is on mixed basis, as it records assets and liabilities related to receivables and payables and integrates them into the balance sheet.

1h) Circumstances in which data available from basic sources is consolidated.

In the Budget Reporting the Funds' transfers to/from the SS budgetary institutions are consolidated.

1i) Changes in the accounting rules foreseen in the near future (if any).

No such changes are foreseen.

5.1.2 Data for the current year (n-1) notified in April (n) - detailed explanation

i) Common data sources used for finalised and half-finalised data for the current year in the first notification.

Data for Social Security Funds are calculated from the quarterly non-financial accounts, which are based on monthly reports from the National Pension Insurance Fund and the National Health Insurance Authority.

The first notification is based on quarterly national accounts data, the following notifications are based on annual accounts.

In the non-financial parts quarterly and annual accounts are compiled separately, they are based on different data sources: practically in this field there are no common data sources for the preliminary and finalised data.

In the financial part the compilation method is different: annual accounts are compiled as sum of quarterly accounts: It means that the data sources for quarterly and annual financial accounts and for preliminary and finalised EDP data are the same.

ii) Data sources specifically used in the context of the first notification.

Quarterly statistical survey on GFCF

iii) Estimation methods that may be used in the context of the first notification

See section 5.1.3part ii)

5.1.3 Auditing Process

I) Working balances of Central Government that were submitted to an auditing process.

Social Security Funds are audited by the State Audit Office (responsible to the Parliament) year by year.

Government Audit Office as well makes investigation within the government circle for other than financial audit purposes.

II) Incorporation of the findings of the auditing process in the national accounts.

Findings of the State Audit Office are incorporated in the final version of the Budget Reporting voted by the Parliament (covering the Central Budget, Extrabudgetary Funds, Social Security Funds), if the findings modify the totals and the balance of the involved units. These findings are automatically incorporated in the calculation of the national accounts. Other findings related to misclassification of transactions are also taken into account.

5.2 Data treatment

5.2.1 Half finalised and finalised data

a) Original source of data used as a starting step

Ministry for National Economy aggregates the annual reports of Social Security funds and compile from them the "public account" of the sub-sector. The net lending/net borrowing of this account is reported as "Working balance in social security accounts" on Table 2D.

b) Adjustments for financial transactions in units' data sources used for units classified in the Social Security Funds sub-sector.

Equity transactions and loans granted and repaid have to be eliminated.

c) Information and the method (s) used for the adjustment cash/accrual (excluding interest) for social contributions and social benefits.

Social contributions: One month time adjustment.

Data source for time adjustment: Tax Office monthly data.

Social benefits other than social benefits in kind: As these data are not time adjusted in the Hungarian sector accounts for households, we do not apply time adjustment in GG accounts either.

Intermediate consumption: Adjusted with the change in stock of payables for goods and services (+), and with the change in stock of inventories (-). Data source: balance sheet and supplementary information available in the annual report of the budgetary institutions.

Compensation of employees (both wages and salaries and social security contribution): One month time adjustment. Data source: supplementary information available in the annual report of the budgetary institutions.

Market output and payments for other non-market output: Receivables for services provided by the budgetary institutions. Data source: supplementary information available in the annual report of the budgetary institutions.

GFCE: Cash data from the public account are changed for accrual data derived from the Hungarian Central Statistical Office Investment Survey.

d) Sources and method used for the calculation of interest on an accrual basis where units' data sources provide only information on a cash basis.

No time adjustment.

e) Information on other accounts receivable/payable that may be provided in units' data sources.

See section 5.2.1 part d)

f) Other adjustments regularly implemented.

The item "*Debt cancellation by the central budget*" (positive sign) captures the capital transfer revenue arising from the cancellation of Social Security debt by central government (see counterpart in EDP table 2A).

5.2.2 Revision process

Steps in the revision process of data, after the first notification.

1. Notification data in April are based on quarterly national accounts.

2. By 30 of September of year t+1 Hungarian Central Statistical Office compiles the first version of full set of non-financial Accounts for GG sector. These accounts are used for the Notification.

3. By t+18 HCSO closes the full set of non-financial accounts for every sector. Data are reconciled between the sectors. The 30 September notification is based on these accounts. This version is considered as final.

6. Actual data on government debt

Before giving any detailed answer to the issues raised in the questionnaire we would like to emphasize that all data related to financing and debt of the general government sector in Hungary - which have been provided in the EDP notification - were calculated by the National Bank of Hungary and are derived from its system built up for compilation of Financial accounts. Quarterly and annual stocks and flows are compiled in one single closed system concerning all sectors of the economy. Finalised data are always available in one year while half-finalised data with a time lag of three months. Preliminary data for general government and its sub-sectors can be produced within two months after the actual time period.

6.1 Half finalised and finalised data

a) Adjustments to the data sources that may be needed in order to value debt according to the specific EDP rules for each government sub-sector.

All debt data are derived from the Financial Accounts system, which contains all debt instruments at market value, nominal value and issue value as well. All instruments in Financial accounts are available by partner sector breakdown therefore consolidation can easily be performed. From general government sub-sectors, social security funds have only debts with central government in the form of interest free loan. Compared with central government, local governments' debt is of a very low level and mainly consists of loans.

Currency and deposits (F.2) - The sum of this liability instrument of general government is negligible in Hungary. The main occurrence of this liability is when the social security sub-sector and non-profit institutions outside the legal government boundary have a deposit at the State Treasury, but in case of Social Security this item disappears during consolidation anyway. Coins in Hungary are issued by the central bank.

Securities other than shares (F.3) - The two major sources for this liability type of general government are the securities statistics of the MNB and the data arriving directly from the Debt Management Agency. Both surveys contain all securities at nominal value and information from them is cross-checked and compared. Differences are usually found to be insignificant. Relevant corrections virtually are only done on derivatives.

Loans (F.4) - Practically all general government loan data are available from the data sources in an EDP-ready format. Central and local government sub-sectors only incur loan type liabilities from monetary financial institutions, central government and the rest of the world while social security sub-sector from central governmental source only.

b) Sources of information used for the consolidation of debt and the valuation of holdings at the level of each government sub-sector (intra-flows and positions) and at the level of general government sector (inter-flows and positions).

Intra-flows and position

Central government - Some central government institutions hold liabilities of central government in securities other than shares and loans. Securities other than shares consist mainly of government bonds and treasury bills and the information arrives from securities statistics into financial accounts. Loans arise from advance payments of wages and salaries and the figures are available from the Treasury. All data are available at nominal value.

Social security funds - there are no liabilities between social security funds.

Local government - There are some loan type liabilities of local governments held by other local governments but their significance is low. Data derive from balance sheets of local governments and are presented at nominal value.

Inter-flows and positions

Central government - Liabilities of central government held by other general government sub-sectors consist mainly of securities other than shares held mainly by local governments. Information on these data is available from securities statistics and is available at nominal value. Social security funds may have a low level of deposits at the central government, which is inputted from central governmental sources.

Social security funds - Social security funds have two liquidity loan type liabilities towards central government. One - the most relevant consolidating item between sub-sectors of general government - is the security funds' short-term loan from central government. The other short-term loans of the funds come from the advance payments of wages and salaries. All data come from Treasury sources at nominal value.

Local government - Local governments have loans from central government mainly for advance payments of wages and salaries. Data are valued at nominal value and are derived from Treasury sources too.

c) Use of financial accounts for the implementation of table 3, concerning assets and other liabilities.

As described above (see 2. Actual data on government debt - Introduction) all EDP debt and financing data are produced by the system that is being currently used for the compilation of Financial Accounts. Therefore both assets and other liabilities of general government are derived and inputted from this system.

Description of use of assets inputted from financial accounts:

Currency and deposits (F.2) - The main source of currency and deposit data are the MFI and Central bank or the balance sheets of the institutional unit in question for which no major adjustments are made.

Securities other than shares (F.3) - Securities other than shares are all reported to the MNB at face value. During compilation of financial accounts the necessary corrections are made to arrive to market value. Accrued interest, issuance above/below par are reported or calculated as well.

Loans (F.4) - Loans granted are reported by government units besides the normal data sources of financial accounts statistics e.g. balance of payments and monetary statistics.

Shares and other equity (F.5) - This group of instruments include quoted and unquoted shares other equity and mutual funds shares. Where possible all instruments are valued at market value. The primary source of transaction data is the reports of institutions belonging to general government. Data are always crosschecked with securities statistics of MNB and the annex of the tax declaration of relevant corporations owned by government units.

Other financial assets (F.1, F.6 and F.7) - covering insurance technical reserves and other accounts receivable/payable. Insurance technical reserves are negligible in the case of the general government sector. Other assets and liabilities contain trade credits and advances granted and received by government units and other financial assets and liabilities related mainly to wages and salaries, taxes, social security contributions, subsidies. Source of data are the balance sheets of government units or they are estimated by financial accounts statisticians with time-adjustment of reported cash-flow figures. Accrued interest is always included in the interest bearing instrument.

d) Sources of information for the adjustments relating to transactions in debt instruments that are not valued at the nominal (face) value of the instrument, for each government sub-sector.

As mentioned above all debt instruments are available from Financial Accounts both at market and at nominal value therefore no specific corrections are necessary. The relevant corrections for Hungary's general government sector and required by the EDP table (consisting of: issuances above/below par, difference between interest accrued and paid and appreciation/depreciation of foreign-currency debt) can also all be derived from the financial accounts system of the Magyar Nemzeti Bank. The difference between the nominal value and the market value is composed of the two major parts: the adjustment for the discount treasury bills on one side and the adjustment relating to government bonds issued small discount or premium on the other side. Adjustment concerning accrued but not paid interest also contains the part of interest which accrues over the lifespan of the securities issued above or below par beside the nominal (coupon) interest component.

e) Sources of information used for the adjustments relating to a change in nominal debt that does not result from a transaction (other change in volume), for each government sub-sector.

The volume of this item is almost negligible and it is only applicable to loan type liabilities towards the rest of the world in case of central government. Data arrive from balance of payments statistics and refer to small items that have not been accounted for previously or which have been reclassified either sectorally or instrumentally.

6.2 Data for the current year notified in April

All data sources that are used in the case of half finalised and finalised data are the same as in the case of data for the current year. The used data sources are the same but they are constantly improved and finalized during the year, which is the only reason for the changes in the figures.

7. Specific issues

7.1 Long-Term Contracts between Government and Private Entities

7.1.1 Identification and data sources of long-term contracts between Government and Private Entities (PPPs).

In Hungary the expression “PPP-contract” is exclusively used for the purchase of public services by general government units on the basis of dedicated assets in the framework of a long term contract. Frequently these contracts are also referred to as “concessions”.

Another regular interdepartmental committee is being created in Ministry for National Economy dealing with the plans concerning future high way constructions in PPP framework. HCSO is also invited to participate in this committee.

7.1.2 Alternative data sources in cases of lack of comprehensiveness or reliability.

As all projects should be presented to the PPP committee, HCSO is informed of the planned new projects from the very beginning. Different documents (drafts of government decrees concerning the PPP projects of the ministries, documents for public procurement or the drafts of the contracts) are also submitted to HCSO. HCSO scrutinises these document in order to decide on the sector classification of the PPP assets.

As PPP data collection has not been launched yet by HCSO, it is not aware about the further development of the projects (the launch date, the total amount, the duration etc.) This information can be acquired from the PPP secretary of the Ministry for National Economy, from the ministries involved and from the Treasury.

7.1.3 Terminology used for PPPs in the national language(s) and correspondence in English.

There are various expressions in use:

Public sector = közszféra, közszektor

Private sector = magánszféra, magánszektor

Partnership = együttműködés, partnerség

Transaction = ügylet, konstrukció

PPP =

a) a köz- és magánszféra együttműködése;

b) a köz-és magánszféra partnersége;

c) PPP-ügyletek;

d) PPP-konstrukció.

7.1.4 Agency, organization, or association dealing specifically with PPPs.

The registration of the PPP projects is the task of the Treasury.

7.1.5 Legal instruments, including laws, regulations, or decrees, governing or regulating PPPs.

- Government decision 2036/2004 (II.19) on the measures with regards to the introduction of the toll system on "M5" highway and to the construction of new sections

In Hungarian:

2036/2004 (II.19.) Korm. Határozat az M5 autópálya matricés rendszerbe történő bevonása és továbbépítése érdekében szükséges intézkedésekről

- Parliament decision on the authorisation for the amendment of the concession contract for the introduction of the toll system on "M5" highway and for the construction of new sections, on the basis of §22. of Act No. XXXVIII 1992 on the Public Finance

In Hungarian:

90/2004.(IX.23) OGY határozat az Országgyűlés felhatalmazásának megadásáról az államháztartásról szóló 1992. évi XXXVIII. Törvény 22.§-a alapján az M5-ös autópályának matricás rendszerbe történő bekapcsolásához, valamint továbbépítéséhez szükséges koncessziós szerződésmódosításhoz

- Government decision 2207/2004 (VIII. 27.) on the actual tasks of the higher education development program carried out by institutions under the supervision of the Ministry of Education. In Hungarian:

2207/2004 (VIII. 27.) Korm. Határozat az Oktatási Minisztérium felügyelete alá tartozó felsőoktatási intézmények infrastruktúra fejlesztési programjának aktuális feladatairól

- Government decision 1055//2004 (VI. 8.) on the reorganisation of the developing and operation system of sport institutions. In Hungarian:

1055/2004 (VI. 8.) Korm. Határozat a sportlétesítmények fejlesztési és működtetési rendszerének átalakításáról.

Acts and government decisions amended with regards to PPP contracts

- Act on Concession No. XVI/1991 (on long term contracts between general government units and non-government partners);

- Act on Public Procurement No. CXXIX/2003 (general regulation of the public procurement process);

- Act No. XXXVIII/1992 on the Public Finance - 12/A.§ (2) , 22.§, 23.§ (on long term obligations of the state)

- Government Decree No. 217/1998 (XII.30) on the Rules of Operation of the General Government, 138/A § (on long term obligations of the state)

- Act LXXV of 2008 on efficient public management and budgetary responsibility.

7.2 Long-term contracts for military equipment

7.2.1 Contracts used by military forces for the procurement of equipment:

The following arrangements exist:

- Arrangements within government sector (manufacturing by government units)
Yes (no information about the frequency and the average share in the expenditure).
- Sales agreed in advance with industrial suppliers, with or without government pre-financing
Yes, without pre-financing. (Part-delivery and instalment payments take place frequently.)
- Long term rental contracts
The Gripen contract. Operative leasing of 14 military aircraft from an industrial Supplier. Existing aircrafts have to be reconstructed to meet NATO-compatibility criteria, the crew and subsidiary staff have to be trained, ground-control and other facilities for navigation and communication have to be placed in Hungary. The contract identifies a 10-year rental period starting from the availability of the first reconstructed aircraft, that is expected to be in 2006, and all the aircrafts have to be ready for Hungarian authorities by the end of 2007.
- Purchasing through an international special agency
This exists through NATO agencies, or in the framework of the NATO Security Investment Program (NSIP).

7.2.2 Borderline cases regarding the classification of some goods as military goods or as other equipment used by military forces.

No cases. The classification is made by the Ministry of Defence.

7.2.3 Recording of the impact on government expenditure from the above-mentioned contracts.

Acquisition of military equipment is recorded using cash-based data, corrected for information of payables and receivables.

7.2.4 Available information for the treatment of the above-mentioned contracts in national accounts.

In the case of the Gripen contract the rental period will start in 2006. There are significant payments between 2001-2006. The payments are basically pre-payments but they also cover the additional services (training, establishment of additional facilities).

7.3 Pension Schemes

7.3.1 Defining pensions

In Hungary there are pension schemes covering all of the seven categories mentioned below. The proportion of early retirement due to disability and unemployment is 3-3 % calculated on the basis of pensions paid.

- | | |
|---|-----------------------|
| <i>1) disability pensions</i> | <i>(disability)</i> |
| <i>2) early retirement benefits due to reduced capacity to work</i> | <i>(disability)</i> |
| <i>3) old age pensions</i> | <i>(old age)</i> |
| <i>4) anticipated old age pensions</i> | <i>(old age)</i> |
| <i>5) partial pensions</i> | <i>(old age)</i> |
| <i>6) survivors' pensions</i> | <i>(survivors)</i> |
| <i>7) early retirement benefits for labour market reasons</i> | <i>(unemployment)</i> |

7.3.2 Classification of pension schemes

In Hungary, social assistance includes different types of supplementary pensions received by miners, actors and former political prisoners. Social assistance is financed by the central government and not by social contributions. Social insurance is financed by the contributions paid into the social security fund.

In Hungary the compulsory social security scheme called “pension fund” is classified as a General Government unit. Even in the case one enters the private pension funds (see below), there is a compulsory contribution to a minor extent to the state unfunded pension scheme.

There are private pension funds classified in the financial corporation sector. Certain groups of employees are obliged to participate in these schemes, for example young people entering to work for the first time. Others have got the right to decide and choose one or the other scheme (on the basis of their own calculations). They are not participants of the compulsory social security scheme. These private pension funds are classified in financial corporation sector (NACE 66.02).

There are also voluntary pension funds, participants of the “pension fund” have the right to pay additional amounts to these units and receive supplementary pension from them in the future. These voluntary pension funds are also classified in financial corporation sector (NACE 66.02).

There are some borderline cases relating to the private pension funds, as they are compulsory for certain groups (as mentioned above), the percentage of the contribution to the private pension funds is defined by a Government Decree, but these funds are not administered by the Government, they are autonomous pension funds.

7.3.3 Classification of social insurance pension schemes

In Hungary there are participants who pay the contributions for themselves and also their employers pay contributions on behalf of them. Self-employed are also participants. In some cases the contribution is paid by the Government on behalf of the future beneficiary person (mothers receiving childcare allowance, other people receiving unemployment benefit). Non-employed persons are allowed to participate in the social insurance pension scheme.

Recording methods recommended by ESA 95 are used in the compilation of the Hungarian National Accounts.

7.3.4 Definition of social security schemes

In Hungary there's a compulsory scheme imposed, controlled and financed by the general government. The participation in this scheme was compulsory until 1998 for all the employees. Since that time private pension funds were established and the obligation is, that an employee must participate either in the social security scheme or in a private pension fund. Those who are not participants in the social security scheme must enter in a private funded scheme, so the participation is not voluntary for them.

Private funded pension funds administered by insurance companies or autonomous pension funds do not receive capital transfers from the general government. General Government has no obligation in financing private pension funds and provides no guarantee for minimum return from investment.

7.3.5 Classification of institutional units supporting pension schemes. Borderline cases

Social security schemes are classified to sub-sector S.1314. All private funded pension schemes administered by insurance companies or autonomous pension funds are classified to sub-sector S.125.

Certain groups of the population are obliged by law to participate in the scheme. Private pension funds are classified in NACE 66.02 as they are financed and controlled by private units.

7.4 Guarantees

In the Hungarian system state-guarantees are provided for non-government borrowing. Thus the stock of state guarantees reflects mainly liabilities of units that are not part of S.13 General government, and a smaller part of the stock may include figures that are liabilities of public units that are classified as general government unit in ESA/EDP figures (in the area of media, road construction).

The Public Finance Law forbids for government to issue state guarantees if there is a high risk to call the guarantees or there is a direct need to allocate budget appropriation to provide transfer to the beneficiary to be able to amortise the due part of the debt.

The system of call of guarantees and debt assumption are legally and clearly separated in the public finances. Debt assumptions can be made only by budget allocation and accounting budget expenditure.

7.4.1 Treatment of new guarantees provided

New guarantees are treated as contingent liabilities and therefore not recorded in the national accounts.

7.4.2 Treatment of Guarantees called (and not repaid within the same year by the original debtor)

When a guarantee is called the government provides cash, which is accounted a re-routed way according to Hungarian business accounting rules: a transfer or temporary loan payable by the government and receivable by the beneficiary, a debt amortisation paid by the beneficiary and received by the bank (although the cash actually goes directly to the bank, as the bank initiates the call on guarantee. In the Hungarian system there is no automatic debt assumption and guarantee call at the same time for the same amount or for the total amount of guarantees.

In case of call of guarantees the government pays within 60 day. The amount of call on guarantees usually reflects to the total outstanding debt of the original borrower (that part which has not been amortised by the borrower). According to the general provision on rules on guarantees, a call of guarantee basically means a temporary loan by the government (paying instead of the original borrower), and the Tax Office is authorised by Law to collect money the repay government's claim.

7.4.3 Treatment of repayments related to guarantees called

If the call was recorded as a transfer, revenue is recorded. If it was recorded as a loan, financial transaction is recorded.

7.4.4 Treatment of write-offs by government, if any, of government assets that arose from calls

No such write-offs have been recorded in the recent years.

ANNEX 1

Administrative Structure of the Hungarian General Government Sector 2009

“Legal Government Sector” consists of the following for subsystems by the Public Finance Law:

I. Central level of government:

1. Central Budget
2. Extra-budgetary Funds
3. Social Security Funds

II. Local government

In the National Accounts the **General Government sector (S.13)** consists of the following subsectors:

Central government subsector (S.1311), which includes

- Central Budget
- Extra-budgetary Funds
- Public corporations classified into CG subsector
- Public non-profit institutions classified into CG subsector.

Local Government subsector (S.1313), which includes

- Local government in legal terms.

Social Security Funds subsector (S.1314), which includes

- Social Security Funds in legal terms

| Chapters of the Central Budget (27 + 1) <i>(incl. 576 reporting budgetary institutions in 2009)</i> | | |
|---|--|--|
| I. | Parliament <i>(incl. 3 budgetary institutions in 2009)</i> | State and jurisdictional organs |
| <i>including</i> | Parliament | |
| | <i>Council of Public Procurement</i> | |
| | | |
| | | |
| | | |
| II. | Presidency of the Republic <i>(incl. 1 budgetary institution in 2009)</i> | |
| III. | Constitution Court <i>(incl. 1 budgetary institution in 2009)</i> | |
| IV. | Office of Ombudsman <i>(incl. 1 budgetary institution in 2009)</i> | |
| V. | State Audit Office <i>(incl. 1 budgetary institution in 2009)</i> | |
| VI. | Law Courts <i>(incl. 27 budgetary institutions in 2009)</i> | |
| VIII. | Office of Public Prosecutors <i>(incl. 1 budgetary institutions in 2009)</i> | |
| | | Government |
| X. | Prime Minister's Office <i>(incl. 11 budgetary institutions in 2009)</i> | |
| <i>including</i> | Prime Minister's Office | |
| | <i>Civil National Security Service</i> | |
| | | |
| | | |
| XI. | Ministry of Local Governments and Community Development <i>(incl. 32 budgetary institutions in 2009)</i> | |
| XII. | Ministry of Agriculture and Rural Development <i>(incl. 59 budgetary institutions in 2009)</i> | |
| XIII. | Ministry of Defence <i>(incl. 49 budgetary institutions in 2009)</i> | |
| XIV. | Ministry of Justice and Public Order <i>(incl. 74 budgetary institutions in 2009)</i> | |
| XV. | Ministry for National Development and Economy <i>(incl. 3 budgetary institutions in 2009)</i> | |
| XVI. | Ministry of Environment Protection and Water Management <i>(incl. 38 budgetary institutions in 2009)</i> | |
| XVII. | Ministry of Transport, Telecommunication and Energy <i>(incl. 13 budgetary institutions in 2009)</i> | Government |
| XVIII. | Ministry of Foreign Affairs <i>(incl. 3 budgetary institutions in 2009)</i> | |
| XIX. | EU integration <i>(incl. 1 budgetary institutions in 2009)</i> | |
| XX. | Ministry of Education and Culture <i>(incl. 57 budgetary institutions in 2009)</i> | |
| XXI. | Ministry of Health <i>(incl. 41 budgetary institutions in 2009)</i> | |
| XXII. | Ministry of Finance <i>(incl. 8 budgetary institutions in 2009)</i> | |
| XXVI. | Ministry of Social Affairs, Employment and Labour <i>(incl. 37 budgetary institutions in 2009)</i> | |
| XXX.. | Economic Competition Office <i>(incl. 1 budgetary institutions in 2009)</i> | |
| XXXI. | Central Statistical Office <i>(incl. 3 budgetary institutions in 2009)</i> | |
| XXXIII. | Hungarian Academy of Science <i>(incl. 58 budgetary institutions in 2009)</i> | |

| | |
|---------|---|
| XXXIV. | National Research and Technology Office |
| XLII. | Main revenues of the central budget (technical chapter, managed by the Minister of Finance) |
| LXXVII. | <i>National Local Minority Governments (incl. 50 budgetary institutions in 2009)</i> |
| | <i>Financing Chapters of the Central Budget ("below the line")</i> |
| XLI. | Borrowing and Debt Amortisation of the Central Budget (technical chapter, managed by the Minister of Finance) |

| | |
|----------------------------------|---|
| Extra-budgetary Funds (6) | |
| LXIII. | Labour Market Fund |
| LXVI. | Central Nuclear Financial Fund |
| LXIX. | Research and Technological Innovation Fund |
| LXVIII. | Flood and Groundwater Protection Indemnity Fund |
| LXV | Homeland Fund (from 2005) |
| LXVII | Cultural Fund (from 2006) |

| | |
|--|---|
| Social Security Funds (2) <i>(incl. 27 reporting budgetary institutions in 2009)</i> | |
| LXXI. | Health Care Fund <i>(incl. 16 budgetary institutions in 2009)</i> |
| LXXII. | Pension Fund <i>(incl. 11 budgetary institutions in 2009)</i> |

| | |
|---|--------------------------------------|
| Local Governments <i>(incl. 12411 reporting budgetary institutions in 2009)</i> | |
| LXXX. | Local and Local Minority Governments |

List of other units reclassified into the General Government sector:

Into the Central Government subsector (S.1311):

- a) Magyar Nemzeti Vagyonkezelő Zrt.
- b) Nemzeti Infrastruktúra Fejlesztő Zrt.
- c) Állami Autópályakezelő Zrt.
- d) Államadósság Kezelő Központ Rt.
- e) Magyar Turizmus Rt.
- f) Magyar Távirati Iroda
- g) Magyar Televízió Rt.
- h) Duna Televízió Rt.
- i) Magyar Rádió Rt.

- j) Országos Rádió –és Televízió Testület
- k) MÁV-START Zrt.
- l) Nemzeti Színház Zártkörűen Működő Részvénytársaság
- m) Nitrokémia Környezetvédelmi Tanácsadó és Szolgáltató Zártkörűen Működő Részvénytársaság
- n) Regionális Fejlesztési Holding Zártkörűen Működő Részvénytársaság
- o) NYIRSÉGI VIZGAZDÁLKODÁSI TÁRSULAT
- p) BMSK Beruházási, Műszaki Fejlesztési, Sportüzemeltetési és Közbeszerzési Zrt.
- q) Hagyományok Háza Ingatlanfejlesztő Kft.
- r) Nemzeti Filharmónia Ingatlan Fejlesztő Kft.
- s) Duna Múzeum Ingatlanfejlesztő Kft.
- t) Művészetek Palotája Kft.

Into the Local Government subsector (S.1313):

- a) Gotthárd-Therm Fürdő és Idegenforgalmi Szolgáltató Kft.
- b) PÉCSI FÜRDŐ KFT
- c) CSEPP-TV DÉL-PESTI TELEVIZIO STUDIO KFT
- d) Szolnok Televízió Zártkörűen működő Részvénytársaság
- e) SZINT Szegedi Intézménytakarító Kft
- f) ZALAEGERSZEGI VÁROSI TELEVIZIO KFT

158 non-profit units reclassified as government units by the Hungarian Statistical Office based on statistical survey (2009).