

**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**

Hungary

November 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.

Contents

A.	Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data	8
1.	General Government.....	8
1.1.	<i>Central government subsector (S.1311)</i>	<i>8</i>
1.2.	<i>State government subsector (S.1312).....</i>	<i>9</i>
1.3.	<i>Local government subsector (S.1313).....</i>	<i>9</i>
1.4.	<i>Social security funds subsector (S.1314).....</i>	<i>10</i>
2.	Institutional arrangements	12
2.1.	<i>Institutional responsibilities for the compilation of general government deficit and debt data</i>	<i>13</i>
2.1.1	<i>Existence of an EDP unit/department.....</i>	<i>17</i>
2.1.2	<i>Availability of resources for the compilation of GFS data.....</i>	<i>17</i>
2.2.	<i>Institutional arrangements relating to public accounts.....</i>	<i>18</i>
2.2.1	<i>Legal / institutional framework.....</i>	<i>18</i>
2.2.2	<i>Auditing of public accounts</i>	<i>19</i>
2.2.2.1	<i>General government units.....</i>	<i>19</i>
2.2.2.1.1.	<i>Audit for fiscal sector units</i>	<i>19</i>
2.2.2.1.2.	<i>Audit for non-fiscal sector units.....</i>	<i>20</i>
2.2.2.2	<i>Public units, not part of general government</i>	<i>20</i>
2.3.	<i>Communication</i>	<i>21</i>
2.3.1	<i>Communication between actors involved in EDP</i>	<i>21</i>
2.3.1.1	<i>Agreement on co-operation</i>	<i>21</i>
2.3.1.2	<i>Access to data sources based on public accounts</i>	<i>21</i>
2.3.2	<i>Publication of deficit and debt statistics.....</i>	<i>22</i>
2.3.2.1	<i>Publication of EDP data</i>	<i>22</i>
2.3.2.2	<i>Publication of underlying government ESA95 accounts</i>	<i>22</i>
3.	EDP tables and data sources	23
3.1.	<i>EDP table 1.....</i>	<i>23</i>
3.1.1	<i>Compilation of Maastricht debt.....</i>	<i>23</i>
3.1.1.1	<i>Specification of debt instruments.....</i>	<i>23</i>
3.1.1.2	<i>Data sources used for the compilation of Maastricht debt.....</i>	<i>24</i>
3.1.1.3	<i>Amendments to basic data sources.....</i>	<i>25</i>
3.1.1.4	<i>Consolidation of Maastricht debt.....</i>	<i>26</i>
3.2.	<i>Central Government sub-sector, EDP table 2A and 3B.....</i>	<i>28</i>
3.2.1	<i>Data sources for main Central Government unit: "The State".....</i>	<i>28</i>
3.2.1.1	<i>Details of the basic data sources.....</i>	<i>29</i>
3.2.1.2	<i>Statistical surveys used as a basic data source</i>	<i>31</i>
3.2.1.3	<i>Supplementary data sources and analytical information</i>	<i>31</i>
3.2.1.3.1	<i>Supplementary data sources used for the compilation of non-financial accounts..</i>	<i>32</i>
3.2.1.3.2	<i>Supplementary data sources used for the compilation of financial accounts</i>	<i>32</i>
3.2.1.4	<i>Extra-budgetary accounts (EBA)</i>	<i>33</i>
3.2.2	<i>Data sources for other Central Government units</i>	<i>33</i>
3.2.2.1	<i>Details of the basic data sources.....</i>	<i>34</i>
3.2.2.2	<i>Statistical surveys used as a basic data source</i>	<i>35</i>
3.2.2.3	<i>Supplementary data sources and analytical information</i>	<i>35</i>
3.2.2.3.1	<i>Supplementary data sources used for the compilation of non-financial accounts..</i>	<i>36</i>
3.2.2.3.2	<i>Supplementary data sources used for the compilation of financial accounts</i>	<i>36</i>
3.2.3	<i>EDP table 2A</i>	<i>36</i>
3.2.3.1	<i>Working balance - use for the compilation of national accounts.....</i>	<i>36</i>
3.2.3.2	<i>Legal basis of the working balance.....</i>	<i>36</i>

3.2.3.3	<i>Coverage of units in the working balance</i>	36
3.2.3.3.1	Units to be classified outside the subsector, but reported in the WB	36
3.2.3.3.2	Units to be classified inside the subsector, but not reported in the WB	36
3.2.3.4	<i>Accounting basis of the working balance</i>	36
3.2.3.4.1	Accrual adjustment relating to interest D.41, as reported in EDP T2	36
3.2.3.4.2	Accrual adjustments reported under other accounts receivable/payable F.7 in EDP T2	37
3.2.3.4.3	Other accrual adjustments in EDP T2	37
3.2.3.5	<i>Completeness of non-financial flows covered in the working balance</i>	37
3.2.3.6	<i>Financial transactions included in the working balance</i>	38
3.2.3.7	<i>Other adjustments reported in EDP T2</i>	38
3.2.3.8	<i>Net lending/net borrowing of central government</i>	39
3.2.4	<i>EDP table 3B</i>	39
3.2.4.1	<i>Transactions in financial assets and liabilities</i>	39
3.2.4.2	<i>Other stock-flow adjustments</i>	42
3.2.4.3	<i>Balancing of non-financial and financial accounts, transactions in F.7</i> ...	44
3.3.	<i>State government sub-sector, EDP table 2B and 3C</i>	44
3.4.	<i>Local government sub-sector, EDP table 2C and 3D</i>	45
3.4.1	<i>Data sources for Local Government main unit: local governments and national minority local governments</i>	45
3.4.1.1	<i>Details of the basic data sources</i>	45
3.4.1.2	<i>Statistical surveys used as a basic data source</i>	47
3.4.1.3	<i>Supplementary data sources and analytical information</i>	48
3.4.1.3.1	Supplementary data sources used for the compilation of non-financial accounts..	48
3.4.1.3.2	Supplementary data sources used for the compilation of financial accounts	48
3.4.2	<i>Data sources for other Local Government units</i>	48
3.4.2.1	<i>Details of the basic data sources</i>	49
3.4.2.2	<i>Statistical surveys used as a basic data source</i>	49
3.4.2.3	<i>Supplementary data sources and analytical information</i>	49
3.4.3	<i>EDP table 2C</i>	49
3.4.3.1	<i>Working balance - use for the compilation of national accounts</i>	49
3.4.3.2	<i>Legal basis of the working balance</i>	49
3.4.3.3	<i>Coverage of units in the working balance</i>	49
3.4.3.3.1	Units to be classified outside the subsector, but reported in the WB	49
3.4.3.3.2	Units to be classified inside the subsector, but not reported in the WB	49
3.4.3.4	<i>Accounting basis of the working balance</i>	50
3.4.3.4.1	Accrual adjustments relating to interest D.41, as reported in EDP T2C	50
3.4.3.4.2	Accrual adjustments reported under other accounts receivable/payable F.7 in EDP T2C	50
3.4.3.4.3	Other accrual adjustments in EDP T2C	50
3.4.3.5	<i>Completeness of non-financial flows covered in the working balance</i>	50
3.4.3.6	<i>Financial transactions included in the working balance</i>	50
3.4.3.7	<i>Other adjustments reported in EDP T2C</i>	50
3.4.3.8	<i>Net lending/net borrowing of local government</i>	50
3.4.4	<i>EDP table 3D</i>	51
3.4.4.1	<i>Transactions in financial assets and liabilities</i>	51
3.4.4.2	<i>Other stock-flow adjustments</i>	53
3.5.	<i>Social security sub-sector, EDP table 2D and 3E</i>	53
3.5.1	<i>Data sources for Social Security Funds main unit:</i>	53
3.5.1.1	<i>Details of the basic data sources</i>	54
3.5.1.2	<i>Statistical surveys used as a basic data source</i>	55
3.5.1.3	<i>Supplementary data sources and analytical information</i>	55
3.5.1.3.1	Supplementary data sources used for the compilation of non-financial accounts..	55
3.5.1.3.2	Supplementary data sources used for the compilation of financial accounts	56

3.5.2	<i>Data sources for other Social Security units</i>	56
3.5.3	<i>EDP table 2D</i>	56
3.5.3.1	<i>Working balance - use for national accounts compilation</i>	56
3.5.3.2	<i>Legal basis of the working balance</i>	56
3.5.3.3	<i>Coverage of units in the working balance</i>	56
3.5.3.3.1	Units to be classified outside the subsector, but reported in the WB.....	56
3.5.3.3.2	Units to be classified inside the subsector, but not reported in the WB	56
3.5.3.4	<i>Accounting basis of the working balance</i>	56
3.5.3.4.1	Accrual adjustments relating to interest D.41, as reported in EP T2D.....	56
3.5.3.4.2	Accrual adjustments reported under other accounts receivable/payable F.7 in EDP T2D	56
3.5.3.4.3	Other accrual adjustments in EDP T2D	57
3.5.3.5	<i>Completeness of non-financial flows covered in the working balance</i>	57
3.5.3.6	<i>Financial transactions included in the working balance</i>	57
3.5.3.7	<i>Other adjustments reported in EDP T2D</i>	57
3.5.3.8	<i>Net lending/net borrowing of social security funds</i>	57
3.5.4	<i>EDP table 3E</i>	57
3.5.4.1	<i>Transactions in financial assets and liabilities</i>	57
3.5.4.2	<i>Other stock-flow adjustments</i>	58
3.6.	<i>Link between EDP T2 and related EDP T3</i>	59
3.6.1	<i>Coverage of units</i>	59
3.6.2	<i>Financial transactions</i>	60
3.6.3	<i>Adjustments for accrued interest D.41</i>	61
3.6.4	<i>Other accounts receivable/payable F.7</i>	61
3.6.5	<i>Other adjustments/imputations</i>	63
3.7.	<i>General comments on data sources</i>	66
3.8.	<i>EDP table 4</i>	67
3.8.1	<i>Trade credits and advances</i>	67
3.8.2	<i>Amount outstanding in the government debt from the financing of public undertakings</i>	67
4.	<i>Revision policy used for annual GFS</i>	68
4.1.	<i>Existence of a revision policy in your country</i>	68
4.1.1	<i>Relating to deficit and non-financial accounts</i>	68
4.1.2	<i>Relating to debt and financial accounts</i>	69
4.2.	<i>Reasons for other than ordinary revisions</i>	69
4.3.	<i>Timetable for finalising and revising the accounts</i>	69
4.3.	70	
B.	<i>Methodological issues</i>	70
5.	<i>Sector delimitation – practical aspects</i>	70
5.1.	<i>Sector classification of units</i>	70
5.1.1	<i>Criteria used for sector classification of new units</i>	70
5.1.2	<i>Updating of the register</i>	71
5.1.3	<i>Consistency between different data sources concerning classification of units</i>	71
5.2.	<i>Existence and classification of specific units</i>	71
6.	<i>Time of recording</i>	74
6.1.	<i>Taxes and social contributions</i>	74
6.1.1	<i>Taxes</i>	74
6.1.2	<i>Social contributions</i>	75
6.2.	<i>EU flows</i>	76
6.2.1	<i>General questions</i>	76
6.2.2	<i>Cash and Schengen facility</i>	77

6.2.3	<i>Jeremie/Jessica</i>	78
6.2.4	<i>Market Regulatory Agencies</i>	78
6.3.	<i>Military expenditure</i>	79
6.3.1	<i>Types of contracts used by military forces for the procurement of military equipment</i>	79
6.3.2	<i>Borderline cases</i>	80
6.3.3	<i>Recording in national accounts</i>	80
6.4.	<i>Interest</i>	81
6.4.1	<i>Interest expenditure</i>	81
6.4.2	<i>Interest Revenue</i>	82
6.4.3	<i>Consolidation</i>	82
6.4.4	<i>Recording of discounts and premiums on government securities</i>	83
6.5	<i>Time of recording of other transactions</i>	84
7.	<i>Specific government transactions</i>	85
7.1.	<i>Guarantees, debt assumptions</i>	85
7.1.1	<i>Guarantees on borrowing</i>	85
7.1.1.1	<i>New guarantees provided</i>	85
7.1.1.2	<i>Treatment of guarantees called</i>	87
7.1.1.3	<i>Treatment of repayments related to guarantees called</i>	88
7.1.1.4	<i>Treatment of write-offs by government in public accounts of government assets that arose from calls, if any</i>	88
7.1.1.5	<i>Data sources</i>	88
7.1.2	<i>Guarantees on assets</i>	88
7.1.2.1	<i>New guarantees provided</i>	88
7.1.2.2	<i>Treatment of guarantees called</i>	89
7.1.2.3	<i>Treatment of repayments related to guarantees called</i>	90
7.1.2.4	<i>Treatment of write-offs by government in public accounts of government assets that arose from calls, if any</i>	90
7.1.2.5	<i>Data sources</i>	90
7.2	<i>Claims, debt cancellations and debt write-offs</i>	90
7.2.1	<i>New lending</i>	91
7.2.2	<i>Debt cancellations</i>	91
7.2.3	<i>Repayments of claims</i>	91
7.2.4	<i>Debt write-offs</i>	91
7.2.5	<i>Sale of claims</i>	92
7.3.	<i>Capital injections in public corporations</i>	93
7.4.	<i>Dividends</i>	95
7.5.	<i>Privatization</i>	95
7.6.	<i>Public Private Partnerships</i>	98
7.7.	<i>Financial derivatives</i>	101
7.7.1	<i>Types of derivatives used</i>	101
7.7.2	<i>Data sources</i>	101
7.7.3	<i>Recording</i>	102
7.8.	<i>Payments for the use of roads</i>	103
7.9.	<i>Emission permits</i>	104
7.10.	<i>Sale and leaseback operations</i>	105
7.11.	<i>Securitisation</i>	105
7.12.	<i>UMTS licenses</i>	106
7.13.	<i>Transactions with the Central Bank</i>	107
7.14.	<i>Lump sum pension payments</i>	108
7.15.	<i>Pension schemes</i>	111

7.15.1 Defining pensions..... 111
7.15.2 Classification of pension schemes..... 112
7.15.3 Classification of social insurance pension schemes 113
7.15.4 Definition of social security schemes 113
7.15.6 Classification of institutional units supporting pension schemes. Borderline cases 113

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.

1. General Government

This section describes the coverage of the General Government sector and the sub-sectors for Hungary. The general government sector is composed by 3 sub-sectors: S.1311, S.1313 and S.1314.

1.1. Central government subsector (S.1311)

Central government subsector covers the following units:

type of units	function	number of units (1 Jan 2013)
a) core government unit : "State"	directly and centrally managed budget appropriations: such as taxes and tax-type revenues, subsidies, social transfers, international cooperation, debt management, asset management	1
b) Central Budgetary Institutions (CBIs)	ministries and other nation-wide authorities with the function of supervision of a "budgetary chapter", plus supervised budgetary institutions engaged in the entire spectrum of government functions: public administration, defence, public order and safety, economic affairs, environment protection, housing, health, recreation, culture and religion, education, social protection, social security	891
c) programs and earmarked budgetary appropriations such as "technical budgetary institutions" : one per budgetary	these appropriations are managed by ministries and other nation-wide authorities with the function of supervision of a "budgetary chapter", they can be characterised as mainly budgetary current	27

chapter	and capital transfers to outside the legal Government Sector	
d) budgetary funds	separated funds within the Budget for earmarked purposes with a cross-financing nature, financed from earmarked or assigned/divided taxes; such as Labour Market Fund, National Cultural Fund	6
e) state-owned public corporations	asset management, debt management, media, public transport, cultural services	20
f) non-profit institutions founded and mainly financed by central government units	foundations, non-profit corporations	99
g) extrabudgetary public funds	Pension Reform and Debt Reduction Fund, Media Support and Asset Management Fund	2

Units under types of a)-d) form the central level of legal government sector ("fiscal" sector) as defined by the Public Finance Law. Concerning the economic autonomy, autonomous and non-autonomous budgetary institutions are distinguished. The accounting data of the latter ones are integrated into data of assigned autonomous units, thus reports from autonomous units are used for statistical purposes. Official register of these units are managed by the Hungarian State Treasury, on-line information can be available in Hungarian. All these units maintain uniform double-accounting and financial reporting with the necessary specialities and extras depending on the type of the unit. Both annual and intra-annual financial data are the main data sources for compilation statistics. Investment survey data are used as supplementary information.

Units under types of e)-g) are out of the national concept of fiscal sector. These units conceptually follow the business accounting rules with the necessary specialities. Beside the set of business documents (balance sheet, profit/loss statement, cash flow statement), tax declaration with memo items, investment and non-profit survey data are also used for compilation government sector national accounts data.

Budgetary chapter and activity dimensions of central budgetary units are available in Annex I.

1.2. State government subsector (S.1312)

Not applicable for Hungary.

1.3. Local government subsector (S.1313)

Local government subsector covers the following units:

type of units	function	number of units 1 January 2013
h) local governments	local settlement governments: capital	

	districts, towns, municipalities, and territorial governments: Budapest capital, counties	3254
i) local minority governments	self-governments of minorities on local level	2178
j) associations of local governments with legal personality, multifunctional local partnerships as budgetary units	associations and partnerships for implementation territorial development projects and joint operation of units engaged in provision of public services	561
k) territorial development councils	public bodies engaged in organisation territorial development projects	11
l) local and local minority budgetary institutions	budgetary institutions providing public services with a collective or individual nature	5775
m) local government owned public corporations		7
n) non-profit institutions founded and mainly financed by local government units	foundations, non-profit corporations	118

Units under types of h)-l) form to local level of legal government sector (“fiscal” sector) as defined by the Public Finance Law. Concerning the economic autonomy, autonomous and non-autonomous budgetary institutions are distinguished. The accounting data of the latter ones are integrated into data of assigned autonomous units, thus reports from autonomous units are used for statistical purposes. Official register of these units are managed by the Hungarian State Treasury, on-line information can be available in Hungarian. All these units maintain uniform double-accounting and financial reporting with the necessary specialities and extras depending on the type of the unit. Both annual and intra-annual financial data are the main data sources for compilation statistics. Investment survey data are used as supplementary information.

Units under types of m)-n) are out of the national concept of fiscal sector. These units conceptually follow the business accounting rules with the necessary specialities. Beside the set of business documents (balance sheet, profit/loss statement, cash flow statement), tax declaration with memo items, investment and non-profit survey data are also used for compilation government sector national accounts data.

NACE activity dimensions of local government budgetary units are available in Annex I.

1.4. Social security funds subsector (S.1314)

Social Security Funds subsector covers the following units:

type of units	function	number of units
o) social security funds	separated funds within the Budget for compulsory social security system of pension /SS Pension Fund/ and health care /SS Health Care Fund/	2
p) budgetary institutions that operates the SS fund	social security administration, pension registration and payment	4

Although **units under types of o)-p)** belong to central level of legal government sector ("fiscal" sector) as defined by the Public Finance Law and form two budgetary chapters in the national budgetary presentation, in ESA they form S.1314 Social Security subsector.

Official register of these units are managed by the Hungarian State Treasury, on-line information can be available in Hungarian. All these units maintain uniform double-accounting and financial reporting with the necessary specialities and extras depending on the type of the unit. Both annual and intra-annual financial data are the main data sources for compilation statistics. Investment survey data are also used.

Budgetary chapter and activity dimensions of social security units are available in Annex I.

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

2. Institutional arrangements

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

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

Legal basis for the compilation of GFS and EDP data

Collection and compilation fiscal data is based on the following regulations:

- a) Act CXCV of 2011 on Public Finances,
- b) Government Decree 368 of 2011 (XII.31.) on implementation the Law on Public Finances,
- c) Government Decree 249 of 2000 (XII.24.) on the preparation of financial statements and accounting of units of legal government sector,
- d) Government Decree 240 of 2003 (XII.17.) on the preparation of financial statements and accounting of treasury accounts (core government unit: the "State").

Annual Budget:

- a) Law CCIV of 2012 on 2013 Budget of Hungary
- b) Law CLV of 2012 on implementation the 2011 Budget of Hungary

Article 102 of Act CXCV of 2011 on Public Finances includes the following paragraph:

(1)

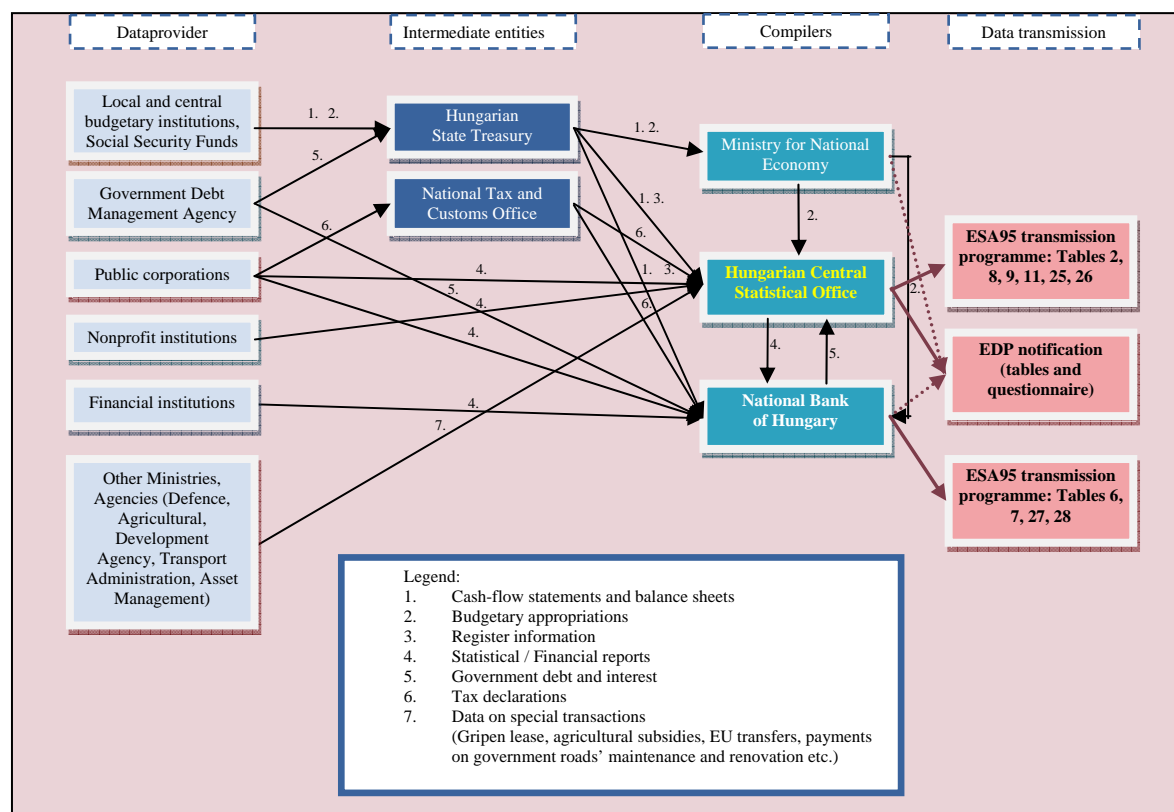
'Public finance information system has to be elaborated so that it can support planning government finance processes – in an eligible manner for analysis and assessment, calculating annual estimates, implementing and auditing annual budget.

Public finance information system has to be reconciled with statistical and international government finance statistical obligations in data provision, and with the system of national accounts as well'.

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.

Flowchart of institutions and data sources involved in EDP data compilation



Local and central budgetary institutions provide 1-2 reports to supervisory chapters and local governments for approval before providing data to the Treasury. Data processing in the Treasury is fully automatic they do automatic checking of data before final processing.

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

Institutional responsibilities <i>(the appropriate cells are crossed)</i>		HCSO	MNE	NBH	Other
Compilation of national accounts for General Government:					
Nonfinancial accounts	annual	X			
	quarterly	X			

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

Financial accounts	annual			X		
	quarterly			X		
Maastricht debt	quarterly			X		
Compilation of EDP Tables:						
EDP table 1	actual data	deficit/surplus	X			
		Debt			X	
		other variables	X			
	planned data	deficit/surplus			X	
		Debt			X	
		other variables			X	
EDP table 2 (actual data)	2A central government		X			
	2B state government Not applicable in Hungary					
	2C local government		X			
	2D social security funds		X			
EDP table 2 (planned data)	2A central government			X		
	2B state government Not applicable in Hungary					
	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 Not applicable in Hungary					
	3D local government				X	
	3E social security funds				X	
EDP table 4 (actual data)			X		X	
EDP table 4 (planned data)				X		

HCSO –Hungarian Central Statistical Office

MNE – Ministry for National Economy

NBH – National Bank of Hungary

Other – other national body, to be specified in comments

Responsibilities in providing national accounts data to Eurostat:

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

Table 6 – Financial accounts by sector (annual data) - NBH

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

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) - HCSO

Table 11 – Expenditure of General Government by function (annual data) - HCSO, MNE

Table 25 - Quarterly Non-financial Accounts of General Government - HCSO

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

Table 27 – Quarterly Financial Accounts of General Government - NBH

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

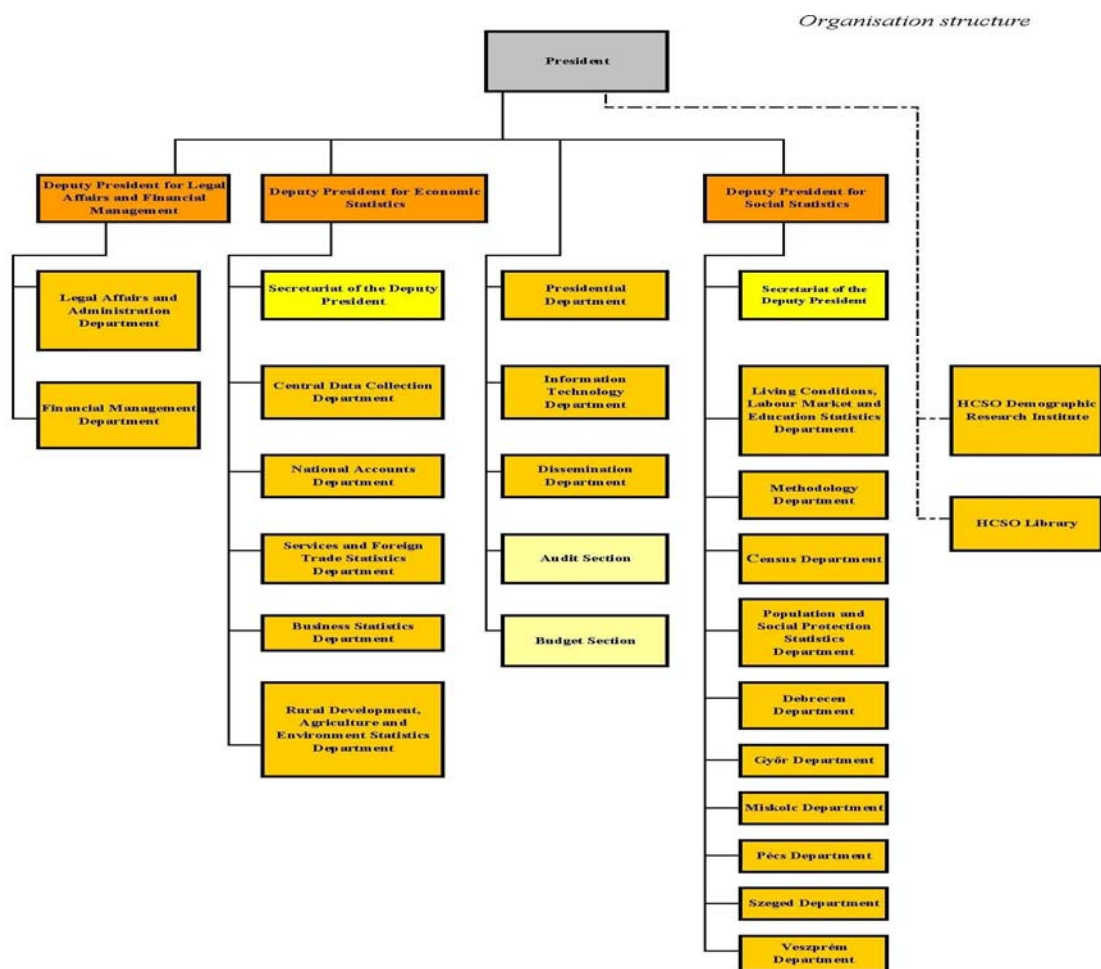
1) The **Hungarian Central Statistical Office – (HCSO)** Központi Statisztikai Hivatal
National Accounts Department

Nemzeti számlák főosztály

Government and non-profit sector accounts unit

Kormányzati- és nonprofitsektor-számlák osztálya

HCSO is responsible for compilation of non-financial accounts of government sector in national accounts and provides government deficit data for years n-1 – n-3 in EDP notification. The same unit provides data for both notifications from different data sources. HCSO is responsible for integrated data compiled by other organisations in the notification report and submit notification to Eurostat. National accounts department is reporting to the Deputy President responsible for economic statistics but EDP notification is supervised by the president of HCSO directly.



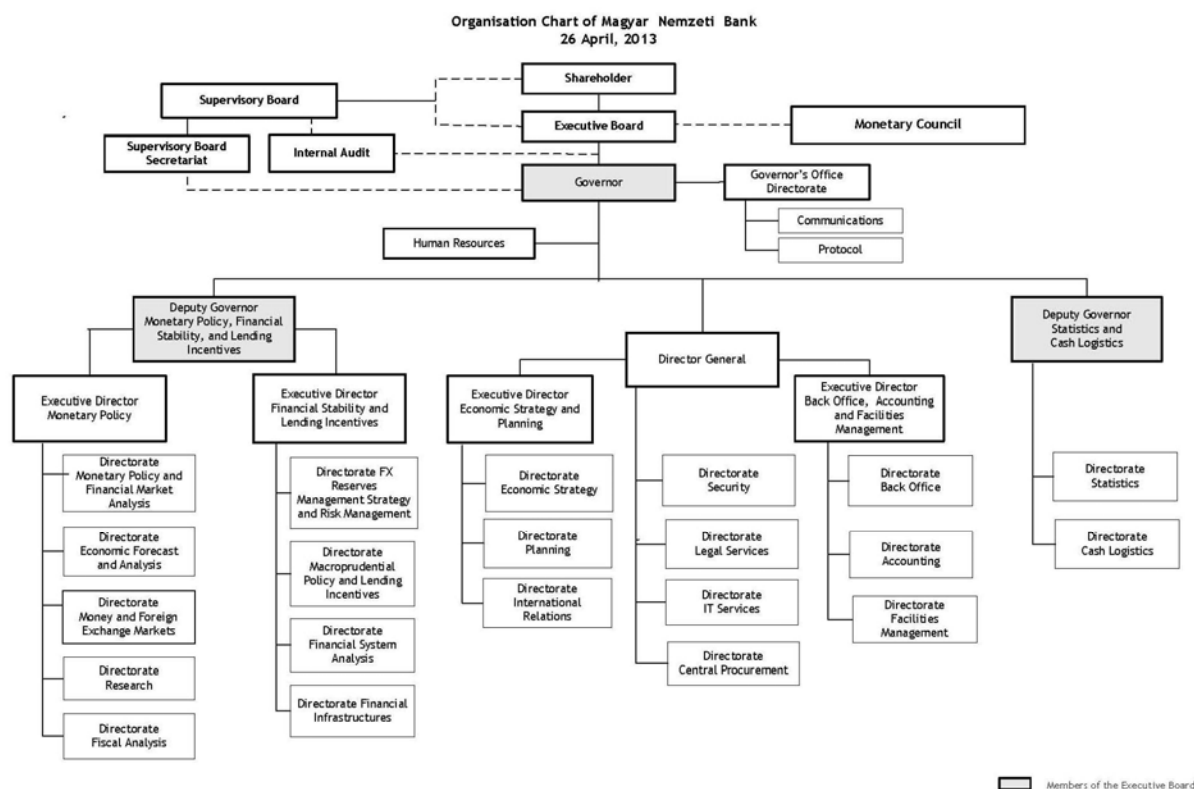
2) National Bank of Hungary (NBH)

Magyar Nemzeti Bank

Statistics Department

Statisztikai Igazgatóság

NBH is responsible for financial accounts of government sector in national accounts and provides government debt data for years n-1 – n-3 in EDP notification. The same unit provides data for both notifications.



3) Ministry for National Economy (MNE), exercising the role of MoF:

Nemzetgazdasági Minisztérium

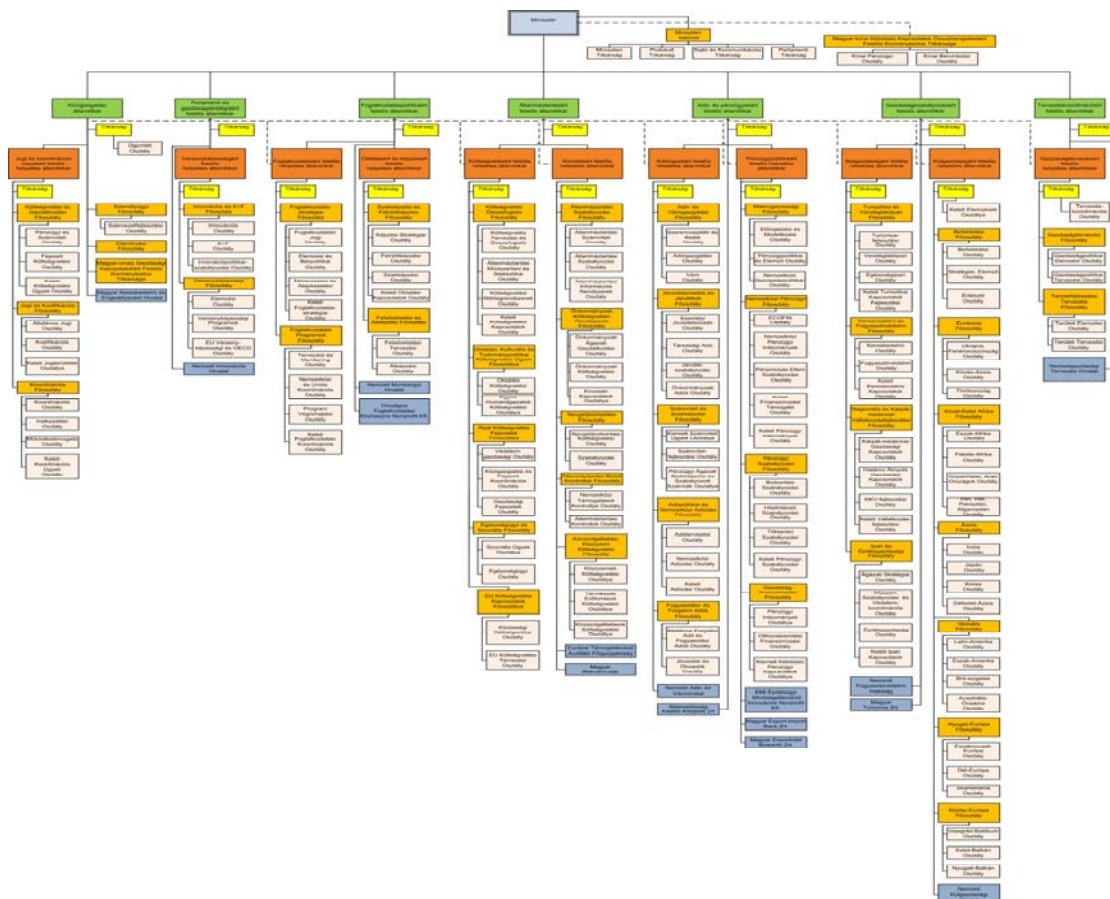
Budget Department

Költségvetési Összefoglaló Főosztály

Government Finance Statistics and Methodology Division

Államháztartási Módszertani és Statisztikai Osztály

MNE is responsible for planned data in EDP tables. Budgetary projection according to national budgetary cash concept, called staff-projection, is approved by the Minister. ESA/EDP projections for planned data are compiled by the staff of the Budget Department from projections of different sectoral departments and the methodology is supported by the Government Finance Statistics and Methodology Division to meet ESA accounting criteria and to keep consistency between actual and planned data. Formally the State Secretary for Public Finances approves planned data in EDP notification.



2.1.1 Existence of an EDP unit/department

There is no separate unit dedicated for EDP notification. See institutional responsibilities in compilation of EDP tables above in section 2.1

EDP Notification is compiled by the three organisations (HCSO, NBH, MNE) with the main responsibility of HCSO. The three institutions made a cooperation agreement in 2004 which describes the main responsibilities and the division of labour among the three institutions. There is an EDP working group which compiles EDP figures and tables and there is a high level committee which makes decisions in methodological questions and approves EDP Notification before submitting to Eurostat.

See agreement in Annex II

2.1.2 Availability of resources for the compilation of GFS data

See section 2.1 and 2.1.1

In the **Central Statistical Office** the unit compiling GG national accounts data and EDP tables has a staff of 8 professionals.

In the National Bank of Hungary the unit compiling GG financial accounts data and EDP tables has a staff of 3 professionals.

The Ministry for National Economy converts ESA general government data for IMF-GFSM 2001 methodology by using supplementary data for the necessary reclassification. Tax experts of Ministry for National Economy submit OECD revenue statistics by using fiscal data and ESA tax data.

2.2. Institutional arrangements relating to public accounts

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

2.2.1 Legal / institutional framework

In Hungary there is no differentiation based on public/private ownership in accounting and financial reporting, such kind of split does not exist. Deviation and specification mainly relates to legal organisation forms.

Act C of 2000 on Accounting is the basic source for economic units and there is a set of government decrees which specify the accounting and financial reporting of different areas:

Fiscal sector (legal government sector as defined by Public Finance Law):

- Government Decree 249 of 2000 (XII.24.) on the preparation of financial statements and accounting of units of legal government sector, see points b-d), h-l, o-p units listed at point 1.;
- Government Decree 240 of 2003 (XII.17.) on the preparation of financial statements and accounting of treasury accounts (core government unit: the “State”), see point a) listed in point 1.;

Non-fiscal sector specifications relevant to units reclassified as government unit:

- Act C 2000 on Accounting,
- Government Decree 224/2000. (XII. 19.) on preparation of financial statements and accounting of “other entities” as defined by Act on Accounting (extra-budgetary public funds, non-profit institutions), see points e-g), m-n) listed in point 1.

There is no standard setting body in charge of Act on Accounting and the Government Decrees. A national committee (National Accounting Committee) functions as adviser and initiator for developing implementation rules (called national standards) within the frame of Act on Accounting and not beyond.

Ministry for National Economy is responsible for regulation accounting (Law on Accounting, government decrees for implanting the Law for certain groups of units), with support of standard setting committees for elaborating accounting standards when necessary. Its responsibility in the area of fiscal sector includes the dissemination of chart of accounts and specific instructions, designing presentation of the unit-level budget and implementation of it, timing and procedure of intra-annual and annual reporting. Hungarian State Treasury is

responsible for accounting transactions of the core government unit: the “State”, and of all other units of central level of fiscal sector (legal government sector) via recording all cash-flow transactions as it provides banking services. Ministry for National Economy operates the legal government financial information system via Treasury. Treasury collects and processes data by having territorial branch offices.

Reporting units themselves and their supervisor ministries, other organs, local governments are responsible for comprehensiveness, compliance with accounting rules and reliability. Treasury provides consistency checks and built-in rules by its information technology.

In case of non-fiscal sector units that are reclassified into government sector:

- **Ministry for National Economy** collects data (balance sheet, profit/loss statement, cash flow statement, debt data) from the extra-budgetary public funds and the largest state-owned corporations. Documents are submitted to HCSO and NBH;
- **National Tax and Customs Administration of Hungary** collects business accounting data (key aggregates of balance sheet and profit/loss statement) from all corporate income tax (CIT) payers as part of CIT declaration and submits the data to HCSO and NBH;
- **HCSO** collects data from non-profit institution by statistical survey;
- **NBH** collects data on balance sheet items on a quarterly basis from about 100 public corporations including those ones which are classified in GG sector.

2.2.2 Auditing of public accounts

2.2.2.1 General government units

2.2.2.1.1. Audit for fiscal sector units:

- a) Core government unit: the State and all central level of government units that belong to legal government sector are audited by the State Audit Office (these are the units under points a-d, o-p) in point 1.)
- b) Local level of government units that belong to legal government sector are audited by the State Audit Office. (these are the units under points h-l) in point 1.).

State Audit Office:(Állami Számvevőszék)

The State Audit Office of Hungary (SAO) is the supreme financial and economic audit organisation of the National Assembly. Its primary objective is that with its findings and recommendations to assist the regular, economical, effective and efficient management of public funds and property and contribute to the establishment of a well-managed state, to good governance. In recent years SAO established a new audit-planning system, in which more emphasis was given to the selection of topics to be included in the audit plan, as well as to the substantiation of on-site audits. Now the assignment of audit tasks is preceded by a multi-step preparation and approval procedure, while the efficiency of audits is ensured by rolling planning. Meanwhile, by means of a complex risk analysis system, auditors carry out audits where it is most needed.

The State Audit Office of Hungary is currently in the process of renewing and further developing its system of professional rules of auditing, taking into account the international auditing regulations, such as the guidelines and standards published and approved by INTOSAI (International Standards of Supreme Audit Institutions – ISSA/Is; and INTOSAI GOVs – Guidance for Good Governance), as well as the amendments to the national legal environment.

Fundamental Law
Act LXVI of 2011 on the SAO

SAO budgetary audit takes place from the beginning of the subsequent year and focuses on fiscal data and balance sheet data. Other thematic or chapter-oriented audits may also relate fiscal and accounting data. Audit reports are published on the SAO's website. SAO's audits may generate compulsory compilation of so-called action plans that are regularly monitored by government. SAO budgetary audit is a yearly regular audit at the central level of government, and often includes risk assessment on claims and payment obligation, on government guarantees. As institutional coverage of S13 General Government sector is published, an auditor is aware of using audited financial reports for compilation EDP/GFS statistics. Capital expenditure statistical surveys are quite often part of auditing. SAO budgetary audit report is discussed by the Parliament and its committee together with the Final Accounts of implementation of the Budget.

SAO audits local governments as well, at least biannually, but entitlements for normative budgetary transfers are annually validated. Until the end of 2012 local governments with higher than 300 million HUF budget total had to ask for independent audit. This was also the case for local governments having debt liabilities or with the intension of borrowing until the end of debt amortisation period.

In cases, where thematic or chapter-oriented audit provides relevant information for fiscal affairs and statistics, consultations may occur. Budget Department of the Ministry for National Economy is the contact unit with SAO in budgetary audit. HCSO signed a cooperation agreement with SAO.

2.2.2.1.2. Audit for non-fiscal sector units:

Independent audit is compulsory by the Law on Accounting for all units maintaining double-entry bookkeeping system and having more than 200 HUF million net sales revenue and more than 50 employees in the previous two years. Auditor's reports have to be submitted with financial statements to a dedicated business register and database operated under so-called "electronic business procedure" for official publication. This "e-beszámoló" (electronic financial statement) service is maintained by the Ministry of Public Administration and Justice. Individual business financial statements and audit reports can be available.

SAO is entitled to investigate non-fiscal units with tight budgetary relationships (subsidies, regular transfers), mainly public corporations both central and local level of government. These types of audits are occasional. The same relates to public non-profit institutions that are out of obligation of independent audit, due to their size (see above the criteria of compulsory independent auditing).

These general rules are relevant for the units listed in e-g), m-n) points in point 1. Financial statements of public trust funds have to be published by themselves; these reports are not subjects of electronic business procedure.

2.2.2.2 Public units, not part of general government

Independent audit is compulsory by the Law on Accounting for all units maintaining double-entry bookkeeping system and having more than 200 HUF million net sales revenue and

more than 50 employees in the previous two years. Annual financial statements have to be audited by the end May. Independent audit is comprehensive. Auditor's reports have to be submitted with financial statements to a dedicated business register and database operated under so-called "electronic business procedure" for official publication. This "e-beszámoló" (electronic financial statement) service is maintained by the Ministry of Public Administration and Justice. Individual business financial statements and audit reports can be available.

SAO is entitled to investigate non-fiscal units with tight budgetary relationships (subsidies, regular transfers), mainly public corporations both central and local level of government. These types of audits are occasional. The same relates to public non-profit institutions that are out of obligation of independent audit, due to their size (see above the criteria of compulsory independent auditing).

Ministry for National Economy is responsible for professional regulation and maintaining official register of independent auditors.

2.3. Communication

2.3.1 Communication between actors involved in EDP

2.3.1.1 Agreement on co-operation

There is a cooperation agreement among HCSO, NBH and MNE signed in 2004. There is no official update since then. Based on the minimum requirement elaborated by Eurostat in the frame of quality management of GG in 2012 Hungarian statistical authorities will review this agreement in the near future.

See agreement in Annex II

EDP working group usually has a meeting in every month, in EDP compilation periods meetings are more frequent. The working group discusses all relevant methodological issues in concern and large individual transactions as well (e.g. classification of units in S.13 sector, classification of taxes, complex transactions, Eurostat questionnaires, application of new methodological guidelines etc.). In cases when EDP working group comes to unanimous opinion decision is taken with the approval of the high level supervisors. When there is no unanimous view in the expert group the issue is discussed in the high level committee and decision is taken at that level. If there is still doubts in accounting issues the committee makes the decision to seek advice of Eurostat in borderline cases. A report is prepared of every meeting.

Besides meetings members of the expert group are in contact on a daily basis either on phone or email to sorting out urgent and/or minor cases.

2.3.1.2 Access to data sources based on public accounts

2.3.2 Publication of deficit and debt statistics

2.3.2.1 Publication of EDP data

All EDP tables are published by HCSO on its [website](#) on the same day when Notification is transmitted to the Eurostat with a preliminary flag. Second publication takes place on the same day when Eurostat press release is published. In the second publication besides all EDP tables Eurostat press release, historical EDP tables and EDP Inventory are also published.

MNE publishes final version of latest EDP notification and makes reference to HCSO website, after Eurostat and HCSO publication.

Documentation of Bill on Final Accounts of Implementation the XX year Budget includes:

- a) a specific chapter dedicated to explanation the difference between the national fiscal and EDP spring data (figures and key methodological differences) as part of the general explanation of the bill,
- b) set of tables on key indicators and aggregates of general government sector, aggregated bridge tables, and presentation of HU GDP percent data among EU-members and EU aggregates (B.9, key revenue and expenditure aggregated, debt, expenditures by function), based on EDP spring data and underlying ESA figures.

2.3.2.2 Publication of underlying government ESA95 accounts

ESA95 accounts for general government are published by HCSO in national accounts publications. A short publication with aggregated data is published in early October; the main publication with detailed accounts is published in November.

http://www.ksh.hu/apps/shop.kiadvany?p_kiadvany_id=12972&p_temakor_kod=KSH&p_session_id=789368926769868&p_lang=EN

http://www.ksh.hu/apps/shop.kiadvany?p_kiadvany_id=12642&p_temakor_kod=KSH&p_session_id=789368926769868&p_lang=EN

Metadata for national accounts available on the following link (Hungarian only)

http://www.ksh.hu/nemzeti_szamlak_gdp

Financial accounts and debt data are published on the NBH webpage.

http://english.mnb.hu/Statisztika/data-and-information/mnben_statisztikai_idosorok/mnben_elv_net_lending/mnben_0602_nemz_modsz_idosorok090107

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 legislation¹: 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)².

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

Maastricht debt instruments are the following:

AF.2 Currency and deposits

AF.331 Short-term securities other than shares, exc. financial derivatives

AF.332 Long-term securities other than shares, exc. financial derivatives

AF.41 Short-term loans

AF.42 Long-term loans

In EDP table 1 debt data are consolidated, valued at nominal (face) value. Foreign currency debt is converted into national currency at the central bank official exchange rate. Debt exchanged through swap contract to other currency is converted to the other foreign currency at a rate upon in the contract and converted into national currency according to the general rule.

AF.2 Currency and deposits

In Hungary, national currency is issued exclusively by the Central Bank. Deposits are recorded in National accounts as liability of the State Treasury which maintains the accounts of budgetary institutions and certain other units.

AF.2 data in Maastricht debt cover deposits held by other (non-government) sectors with the Treasury. Two sectors are involved. Financial corporation sector is represented by the public corporation Student Loan Co. Households keep special deposit in the Treasury a kind of

¹ http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/documents/council_reg_479-2009

² <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2001:344:0001:0004:EN:PDF>

family allowance provided by the central budget (családtámogatási babakötvény). Households may have securities accounts with the Treasury as well. The interest and capital of government bonds redeemed but not yet collected by households is also kept in a Treasury accounts. Data are provided by the Treasury.

AF.331: This item covers short-term treasury bills (including zero coupon treasury bills) of central government. The classification of securities is carried out according to their original maturity (up to 1 year).

AF.332: The item is composed of central government and local government securities. Central government data include long-term government bonds denominated in domestic and foreign currencies and long-term treasury bills. Foreign currency bonds issued by State Privatisation and Holding Company (ÁPV Zrt.) in 2004 and 2009 are also included since ÁPV Zrt and its successor Hungarian National Asset Management Inc. (MNV Zrt.) are reclassified into the general government sector. Bonds issued by the public non-financial corporation Hungarian Railways (MÁV) in 2011 are rerouted and treated as government bonds.

Long term securities issued by the local government subsector are also included.

AF.41-AF.42: Short-term and long-term loans: these items include central budget loans, loans issued by public companies and public non-profit institutions reclassified into GG and local governments' loans. Special items are:

- Other financial claims on government refinanced by factoring operations.
- M2M deposits received by the Debt Management Agency (margin payments relating to swaps).
- Government liability due to the military equipment (Gripen) contract (financial lease).
- Government liability due to PPP contracts classified into government sector.
- Government liability due to repurchase agreements (repo operations).

3.1.1.2 Data sources used for the compilation of Maastricht debt

All data related to debt of the general government sector are derived from the system built up for compilation of financial accounts. The system contains all debt instruments at market value, nominal (face) value and at issue price as well. All instruments in financial accounts are available by counterpart sector breakdown therefore consolidation can easily be performed.

Data sources:

Central government:

The main data source for the main unit of central government is the Debt Management Agency (ÁKK Zrt.) reports: monthly report on the debt and the debt transactions on an aggregate level and monthly and quarterly report on the interest which also covers the stock of debt. This latter include government securities at individual level. This information is cross-checked and compared to the results of securities statistics of central bank on a security-by-security basis. The holder sector breakdown of securities comes from the securities statistics; the results are cross-checked by direct (balance sheet) sources.

Repo and M2M stocks are also included in the ÁKK report on interest.

For calculating AF.2 (deposits with the Treasury) component of the main units' debt, the daily Treasury report is used.

Central government budgetary institutions and extra-budgetary funds report quarterly balance sheet. Corporations included in the general government sector have regular

(monthly, quarterly) statistical reporting obligations including balance sheet and information on securities and cross-border operations.

For units classified into the central government subsector the main data sources are the money and banking statistics (monthly), the balance of payments statistics (monthly/quarterly) and the securities statistics (monthly) of the Central Bank. Data are cross-checked with balance sheet information.

Special items – debt (long term loan) originated from Gripen contract and from reclassified PPP contracts – are calculated by the Hungarian EDP working group. Calculations are based on a model which is regularly verified by the group. The verification is based on flow data. Annual flow data are available from the final accounts of central government. Quarterly data calculations are based on the same model.

Local government:

Local government securities data are taken from the securities statistics maintained by the Central Bank. Beside custodians and different holders of securities, all resident units issuing securities (including all government units) are data suppliers of the securities statistics. Aggregated figures are cross-checked with balance sheets. For loans the basic data sources are the money and banking statistics including non-bank financial intermediaries as well (monthly/quarterly) and the balance of payments statistics (monthly/quarterly). These data are cross-checked and compared to the quarterly balance sheets of local government units. The balance sheets are collected and verified by the Treasury.

For units reclassified into the local government subsector the data sources are also the banking statistics.

Social Security funds: the funds incur liabilities – loans - from the central government only. The data source is the daily Treasury report. This item is consolidated in EDP table 1.

All data are available by the first notification. For the second notification final accounts and annual balance sheet data - which are mostly used for verification and cross-checking - are available. The revision of the general government debt between the two notifications is negligible. Revisions mainly occur due to the reclassification of units with a backward effect.

3.1.1.3 Amendments to basic data sources

General government gross debt data are valued at nominal (face) value without exception. Change in nominal debt is due basically to transaction or revaluation of foreign currency. In the Hungarian practice other volume changes of debt occur when reclassification takes place or a reclassified unit merges with another unit classified outside general government. In this case the individual debt data of the concerned units' balance sheet are used for adjustment.

Debt statistics heavily rely on counterpart data. For central government securities counterpart data are taken from securities statistic but in case of (small) differences usually securities statistics are adjusted. In the case of local government securities and loans the counterpart data – securities statistics and other banking statistics - are taken as primary data source and are compared to local government balance sheet data. This choice is justified by the fact that in the balance sheet the border between the securities and the loans is less reliable. It is very rare that adjustment should be made to the primary sources.

Amendments for methodological reasons made to stock of debt data are relatively rare, because data sources usually include the debt instrument. For example, debt assumption in legal terms does not need adjustment to the stock because ÁKK report covers the assumed instrument from the date of assumption. Similarly factoring transactions of counterpart sectors does not need adjustment to the stock because financial institutions report this instrument as government loan. The statistical data suppliers have to use the list of

government units published with a monthly frequency for the sectorisation of counterpart units.

Adjustments to the stock occurred in the Hungarian practice in the following cases:

- Debt assumption not in legal but in statistical terms (ÁAK Rt. 1999-2002).
- Leasing contract recognised as financial leasing (Gripen contract 2006-).
- PPP contracts reclassified in government (2006-).
- Rerouting of issuance of debt instrument using statistical sources (MÁV Zrt. 2011-).
- Adjustment due to repo operations based on statistical data collection (2004-).

The connection between financial accounts balance sheet and debt statistics is very close in the Hungarian accounts. Debt data are derived from the system of financial accounts. In this system debt instrument are registered not only at market value but at face value and at issue price as well. Accrued interests are recorded separately as well (but included in the gross market value of instruments in financial accounts). Similarly, revaluation data are split into revaluation due to currency and market price changes. This practice insures that the same instruments figure in financial accounts and in debt statistics and the transactions in debt instruments can be derived at market value and at nominal value as well.

3.1.1.4 Consolidation of Maastricht debt

In table 1 debt data are consolidated. Consolidation concerns the following debt instruments:

Within subsectors:

Central government:

Cash and deposit (AF.2): Intra flows and positions - central government budgetary institutions deposits in Treasury (Treasury accounts) – are not recorded in the statistical system.

Securities other than shares (AF.3): Some central government institutions hold government bonds and treasury bills. The data source for consolidation is the securities statistics. Data at nominal value are available in the statistics.

Loans (AF.4): Loans arise mainly from advance payments made by the Treasury to budgetary institutions for earlier disbursement of wages and salaries; the figures are available at nominal value from the report of the State Treasury. Quarterly balance sheets of budgetary government institutions also contain a breakdown of loans by counterpart sector.

Local government:

Cash and deposit (AF.2): Not relevant.

Securities other than shares (AF.3): Inter flows and positions do not exist. The securities statistics contain information on holding sectors (sub-sectors) of different securities on security-by-security basis.

Loans (AF.4): Data on loans between local government units are available at nominal value in the quarterly balance sheet.

Social security funds:

Inter flows and positions do not exist.

Between subsectors:

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

Cash and deposit (AF.2): Local government' and social security funds' Treasury accounts are consolidated. Data are available from the daily Treasury report at nominal value.

Securities other than shares (AF.3): Local government units hold government bonds and treasury bills. The data source for consolidation is the securities statistics. Data at nominal value are available.

Loans (AF.4): Treasury is financing advance payments of wages and salaries of local governments and social security funds. In addition during the year social security funds deficit is also financed by the Treasury. All these flows and stocks are recorded in financial accounts as short term loans and are consolidated at general government level. Figures are available at nominal value in the daily Treasury report.

No amendments to the consolidation data are applied.

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:

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

The main Central Government units are the followings:

- core government unit: State
- central budgetary institutions
- programs and earmarked budgetary appropriations (technical budgetary institutions).

Basic data sources are the budgetary reports, sent by the Hungarian State Treasury. Working balance comes from these reports.

Complementary data source is used for the calculation of GFCF, which comes from statistical surveys.

B.9 is calculated from working balance.

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>		
				Budget Reporting			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
M	M/A	T+10	T+5	(3) Current and capital revenue and expenditure and financial transactions	x	x	x
A	Q/A	T+45	T+5	(4) Balance sheets			x
				Financial Statements			
				(5) Profit and loss accounts			

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

A	A		T+5	(6) Balance sheets		x	x
				(7) Cash flow statement			
				Other Reporting			
A	Q/A	T+60	T+8	(8) Statistical surveys GFCF survey		x	
M	M	T+40	T+3	(9) Balance of Payments & International Investment Position statistics			x
A	M	T+35		(10) Securities statistics			x
A	M	T+40		(11) Monetary and banking statistics			x

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

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

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

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

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

3.2.1.1 Details of the basic data sources

Data sources used for compilation of national accounts

Central government includes central budgetary institutions, programs and earmarked budgetary appropriations and budgetary funds (see chapter 1 for description of central government)

Data are available by unit, and by category of transaction/instrument.

For the April t+1 EDP notification, the following data sources are used:

- Monthly reports on the revenue and expenditure of the central budgetary institutions and chapter-managed appropriations. These data are available at t+10 days by category of transactions aggregated for the whole subsector and prepared by the Hungarian State Treasury from its own accounting system.

- Monthly reports on the directly and centrally managed revenue and expenditure on central budget which data are not belong to budgetary institutions. These data are available at t+10 days by chapters of the budget and prepared by the Hungarian State Treasury.

- Quarterly balance sheet data, prepared by the institutions and aggregated for the whole subsector by the Hungarian State Treasury at t+45 days.

Monthly data are more aggregated by category of transactions as annual data. Some items have to be divided between different ESA categories. Estimations are used based on previous years' annual data and on planned data.

For the October t+1 and subsequent EDP notification the main data sources are annual financial reports and final accounts.

Annual financial reports:

In case of central government the following measures regulate the filling of annual institutional reports:

- Public finance law
- Government decree 368/2011 on implementation of public finance law

Annual financial reports include tables about expenditures and revenues of the institutions and chapter-managed appropriations. There are detailed instructions how to fill in the annual financial reports on the website www.kormany.hu. Every table is available on the website www.kormany.hu from which institutions having internet connection can fill in the tables.

Central government institutions have to send their supervisory authorities their annual financial reports both in electronic and printed form. The printed annual financial report has to be signed by the economic director and director of the institution. The cover page of the annual financial report has to include the name and telephone number of person who prepared the report or can give information in connection with it. It has to include the name and telephone number of person who checked the annual financial report at the supervisory authority.

Part of the annual financial reports:

- Cover page: it includes the identifiers of the institutions, the signatures of directors of institutions and name and telephone number of persons who prepared the report or can give information in connection with it.
- Tables: the heading of the tables include the identifier of the institutions, the year, the number of table and the period (semi-annual, annual, budget). Tables itself include the costs, revenues, supports etc. data of institutions. Data are in thousands forints.
- About 35 tables are filled in by the central government institutions

Main tables are the following:

- Balance sheet
- Wages and salaries and employers' social contribution, including regular wage and other remuneration of employees, sick leave allowance, pension-fund contribution and social insurance supplements and actual social contribution. Most of the details can be easily transferred to ESA95 categories however some items have to be reclassified. In this table sick leave allowance and pension fund contribution and social insurance supplements are among the wages and salaries, but according to ESA95 they must be accounted as employers' social contribution, so corrections are done in connection with it.
- Material expenses and other current costs; material expenses include inventory, communication services, costs of services, VAT, per diem expenses, representation, promotional spending. These costs are accounted as intermediate consumption, as it is determined in ESA95. Other current costs include personal revenue tax paid by the employer, international membership fees, rehabilitation contribution, local taxes, other customs duties, taxes similar payments. These costs are accounted in different ESA categories: personal income tax paid by the employer in D.11, international membership fees in D.74, rehabilitation contribution in D.29, local taxes, other customs duties, and taxes similar payments in P.2.
- Other operation and accumulation costs and social provisions
- Public authority revenues, institutional operation revenues; public authority revenues are administrative service fees, fees of supervisory activities and fines. Administrative service fees and fees of supervisory activities are accounted in P.1, fines are accounted in D.75. Institutional operation revenues include e.g. sale of goods and inventories, sale of services, revenue from rent and leasing, institutional supply fees,

fees paid by employees for services provided by employers and penalties. Most of them are accounted in P.1., but penalties are accounted in D.75.

- Assets by categories
- Liabilities by categories
- Central fiscal budget; this table contains aggregated cost and revenue data of institutions.

Data quality must be controlled by the institutions and the supervisory authority of the institutions.

Data processing and technical checking of data takes places in the Hungarian State Treasury.

Treasury sends HCSO annual data in frame of National Statistical Data Collection Program (Hungarian abbreviation OSAP) in period t+150 days; it means the end of May. Data are given in electronic format:

- Institutional data of central government subsector in csv (txt) and excel format.
- Aggregated data of central government subsector in excel format.

Institutional data are filled into an Oracle Database.

Some checking is done in HCSO as well. Individual data of institutions are aggregated in case of some ESA categories and they are compared with the aggregated data given by the Hungarian State Treasury. There are some data which appear in several tables and are checked whether the same values are in the different tables. Tables have to be filled in thousand forints; it is also validated in some cases mostly for items just for information purposes in budget reporting but used for national accounts. Some data are compared with the data of the previous years. If growth or decrease is substantial, it must be checked as well.

Final accounts:

Ministry for National Economy sends HCSO final accounts in frame of OSAP officially in period t+8 months, in August. In July both the HCSO and the State Audit Office of Hungary receives a version accepted by the government of the final accounts. Data processing is started from this version. Final accounts are built according to chapters of the budget; it contains expenditures and revenues. It has to contain data which are in the annual financial reports, but it is more aggregated. It contains not only numerical data but there are descriptions, analyses to all chapters about more transactions as well.

Working balance (WB)

The above mentioned data sources are the basis of the Working Balance and used for calculation of B.9 and national accounts.

3.2.1.2 Statistical surveys used as a basic data source

No statistical survey is used as a basic data source.

3.2.1.3 Supplementary data sources and analytical information

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

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

- GFCF survey used for estimating GFCF data in general government. The survey covers all government units classified in GG. Data in annual survey (available in August) is cross checked with the budget report of government institutions at individual level; missing data in the survey is imputed from budget report. In April notification GFCF data for year n-1 is taken from budget reports, quarterly survey data is used just for cross checking. At spring no individual budgetary data is available therefore cross checking is possible only at aggregated subsector level.
- VAT reimbursement data are available quarterly from the National Tax and Customs Administration of Hungary. It is used for calculation of VAT accruals.
- Accrual interest data are available quarterly from the Debt Management Agency.
- Reports from the National Development Agency are used to record EU flows properly.

3.2.1.3.2 Supplementary data sources used for the compilation of financial accounts

In financial accounts not only budgetary data are considered as basic data sources but balance of payments, money and banking statistics and securities statistics as well.

Data are considered being extracted from supplementary data sources if they are

- provided by entities outside the government and are not covered by the central bank statistics listed above;

or

- they are produced by government institutions but only for national accounts purposes.

In central government subsector they are the following:

- Balance sheet of student loan scheme II. Loans provided by this scheme are rerouted via government. It has an impact on the government debt.
- Detailed quarterly VAT reimbursement data from the National Tax and Customs Administration of Hungary. It is used by non-financial accounts for calculation of VAT accruals, and by financial accounts for calculation of VAT liabilities of government. It has an impact on deficit.
- Monthly report of Agricultural and Rural Development Agency: it is used for splitting government claims between the European Union (prepayment of agricultural subsidies on behalf of EU /AF.7/) and the notional unit managing the agricultural intervention (AF.4). Both claims are financed from a separated treasury account outside the government budget. The splitting has not impact either on debt neither on deficit.
- National Development Agency reports (twice a year) on the government pre-financing of the European Union projects: the reports are used for calculation of government claims on EU. It has an impact on deficit.
- Quarterly report of Debt Management Agency on interest and nominal debt: it is used for calculating the corrections to the securities statistics. It has an impact on deficit and debt.

3.2.1.4 Extra-budgetary accounts (EBA)

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

Non-financial flows recorded in EBA

Former “Extra-budgetary Funds”, funds with tax-type regular revenues and targeted expenditures are fully integrated in the budgetary accounts and in the budgetary process; they form budgetary chapters in the Annual Budget.

Pension Reform and Debt Reduction Fund as a non-budgetary fund having the whole set of accounts is classified as government unit and it is included “other central government units”.

Non-financial flows are identified in very late cases that are related to use of special deposit treasury accounts. (An example: depositing revenues from sale of UMTS licences after the Kúria (Supreme Court) suspended the enforcement of the judgement of the Court of Budapest.) These kinds of special deposit accounts are clearly monitored, reported and audited by the State Audit Office.

Financial flows recorded in EBA

Non-budgetary financial flows are related to financing, transactions with the EU (advances to and by EU and reimbursements), and banking accounts with some non-budgetary units for those the Treasury provides banking services. They are monitored by statisticians and data are used for compilation central government 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).

The following other central government units are classified here:

- Budgetary funds
- Pension Reform and Debt Reduction Fund
- Corporations classified in Central Government
- Nonprofit institutions classified in Central Government

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

Available source data				Source Data Accounting	Source data used for compilation of	
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			B.9 (NFA)	B.9f (FA)
		First results	Final data			
1	2	3	4	5	7	8
		<i>T + days</i>	<i>T+months</i>			
				Budget Reporting		
				(1) Current revenue and expenditure		
				(2) Current and capital revenue and expenditure		
C	Q	T+45	T+5	(3) Current and capital revenue and expenditure and financial transactions	x	
A	A/Q	T+45	T+4	(4) Balance sheets		x
				Financial Statements		
A	A/Q	T+60	T+6	(5) Profit and loss accounts	x	
A	A/Q	T+60	T+6	(6) Balance sheets	x	
				(7) Cash flow statement		
				Other Reporting		
C	A	T+220	T+13	(8) Statistical surveys : Survey on non-profit institution	x	
M	M	T+40	T+3	(9) Balance of Payments & International Investment Position statistics		x
A	M	T+35		(10) Securities statistics		x
A	M	T+40		(11) Monetary and banking statistics		x

See notes to table 2, on the used abbreviations.

3.2.2.1 Details of the basic data sources

For the April t+1 EDP notification, the following data sources are used:

In case of budgetary funds information related their revenue and expenditure on aggregated level is available. As for some corporations classified into central government we use quarterly preliminary balance sheets and profit and loss accounts. The Media Support and Asset Management Fund draws up its financial statements also, which we use to compile data.

For the October t+1 and subsequent EDP notification the main data sources are the following ones:

Budgetary reporting is yearly available in case of budgetary funds, which includes information related to current and capital revenue and expenditure and financial transactions and balance sheets.

In case of Pension Reform and Debt Reduction Fund, its financial statements are available, similarly to the corporations.

As for corporations classified into Central Government annual financial statements - including balance sheets, profit and loss accounts and supplements - serve as basic data sources. Corporations' annual financial statements are available on the homepage of Ministry of Public administration and Justice at $t + 5$ months. Besides we use data from budget reports as counterpart information related to current and capital transfers.

In case of Media Support and Asset Management Fund and National Media and Infocommunications Authority and Media Council the Parliament approves the act about their budget and the execution of the budget.

3.2.2.2 Statistical surveys used as a basic data source

Survey on NPIs:

Statistical survey on the activity of non-profit institutions

Population and Social Protection Statistics Department of the HCSO is conducting the annual non-profit survey. The HCSO's own survey is a huge advantage and a very important asset in the national accounting process as accounting and financial reporting regulations are highly simplified for NPIs, which fact makes the administrative sources rather limited data sources to compile the accounts as requested by ESA.

The first census was conducted in 1993 and this was a full coverage survey until 2000 and after that for a few years this data collection was a representative survey. By now this statistical survey turned into a full coverage survey again.

The survey results serve also as a basis to compile the indicators describing the Hungarian non-profit sector as a whole.

The main variables collected are the following:

- foundation information, legal form, public benefit status, main activity
- members, employees, volunteers
- data on revenues: subsidies, donations by sources; VAT-refunds; membership fees; revenues from sales and from service fees for non-profit activity; business revenues; revenues from financial transactions
- data on expenses: grants and subsidies provided; main balance sheet items; production costs and expenditures; financial and capital expenditures;
- changes in inventories of fixed capital

Overall survey response rate for the non-profit sector is usually about 80%. For the purpose of making the data comprehensive the Population and Social Protection Statistics Department developed a so-called donor-finder method. The principle of this method is that the missing statistical data of all non-respondent organisations that have major characteristics known from the register are taken from another respondent organisation that is similar in terms of its major characteristics. However the Department of National Accounts provides the list of the NPIs reclassified in the GG sector to the regional statistical office responsible for this data collection in order to ensure to make the response rate of this group nearly up to 100% each year. In case of not responding units we use the administrative resources to complement the survey data.

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.

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

GFCF survey is used for calculating GFCF data for corporations classified into government sector as well. In case of corporations are not submitted to the survey, their GFCF data are estimated based on their balance sheet's data.

3.2.2.3.2 Supplementary data sources used for the compilation of financial accounts

No supplementary data sources are used.

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

See section 3.2.1.1

3.2.3.2 Legal basis of the working balance

See section 2.2.1

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 is no such kind of units

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

All units classified in central government but not reported in the WB are reported in table 2 on accrual basis in lines net borrowing/net lending of other central government bodies. The full sequence of ESA95 accounts are compiled separately for these units.

3.2.3.4 Accounting basis of the working balance

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

In the working balance interest expenditure is recorded on a cash basis. It covers all interest expenditures of legal central government. The discount of securities issued by small discount

is included in the interest data at issuance, while that of the discount treasury bills is recorded at redemption. Inflows of premium are recorded as interest revenue at the time of issuance.

In the line Difference between interest paid and accrued of EDP table 2 both adjustments to interest expenditure and interest revenue are recorded.

Adjustment includes:

- difference between interest paid and accrued in the case of coupon interest of both sides;
- difference between discount/premium paid and accrued (smoothed during the lifetime of the liability).
- the difference between redemption value and nominal value. This item is included in working balance (usually as revenue) and it is eliminated from accruals. It is treated in financial accounts as revaluation.

The line does not include correction made for swap interest because swap interest is included both in the working balance and in EDP. D.41.

This line does not include interest imputed on the Gripen contract because this item is reported as other adjustment in table 2.

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

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

- P.131 Payments for other non-market output, see section 6.5
- D.2 Taxes on production and imports except for VAT reimbursement, see section 6.1.1
- D.45 Rents
- D.5 Current taxes on income, wealth etc., see section 6.1.1
- D.7, D.9 related to EU transfers, see section 6.2.1

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

- P.2 Intermediate consumption, see section 6.5
- D.1 Compensation of employees, see section 6.5
- D.211 VAT reimbursement, see section 6.1.1
- D.3 Subsidies, see section 6.5

These accrual adjustments in EDP table 2 are fully consistent with F.7 reported in EDP T3 and financial accounts.

3.2.3.4.3 Other accrual adjustments in EDP T2

- D.7, D.9 related to timing issue of inter-government transactions (consolidation)
- P.51 Gross fixed capital formation, see section 6.5

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

3.2.3.6 Financial transactions included in the working balance

The following financial transactions are included in the working balance:

- Loans, granted: budgetary institutions record their grant and redemption of loans in the public account in a separate line.

In connection with Gripen lease the annual payment is recorded in the public account as material costs (P.2). Part of the payments is reclassified as redemption of loans and recorded as financial transaction.

There is an item from 2010 connected with BTA Bank debt, which was assumed by the government and recorded under Other adjustment line in EDP T2a (not included in the working balance). The redemption of assumed debt is recorded in the public account, so it is eliminated and recorded as financial transaction.

Some PPP projects were reclassified into the government sector. A simple model was compiled to split availability fee into components: repayment of loan, interest and purchase of service.

- Loans, repayments: budgetary institutions record their repayments of loans in the public account in a separate line.

- Equities, acquisition: capital injection into international organisations, into non-financial and financial corporations, acquisition of shares, which are included in the working balance (in line with the capital injection test).

- Equities, sales: withdrawal of equity.

- Other financial transactions: the main item is the losses and gains on foreign-exchange which is included in the working balance.

3.2.3.7 Other adjustments reported in EDP T2

- Claim cancellation against Social Security funds: according to the law on final accounts in every year the previous years' outstanding debt of Social Security- and Health Care Pension Fund is cancelled by the central government. It is recorded as capital transfer expenditure.

- Gripen reclassification from operative lease to financial lease: A model is used recording the Gripen aircraft acquisition exactly the same way in the financial and non-financial accounts. Before the delivery of aircraft, in 2001-2005 advance payment was recorded as financial transaction (F.4), at the time of delivery, in 2006-2007 intermediate consumption was recorded and since then part of the instalment payments is recorded as loan repayments (F.4).

- Claim cancellation of bad foreign claims (Mozambique, Cambodia): not included in the working balance, capital transfer expenditure was recorded.

- VAT reimbursement adjustment due to European Court decision: the date of Court decision was 2009, the whole amount was 37,1 billion HUF. Only 18,3 billion HUF was paid in 2009, the residual amount in 2010. Reclassification and adjustment was recorded: 37.1 billion HUF was recorded under D.75 (VAT reimbursement claimed) and 18.3 billion HUF under D.211 other adjustments in 2009. In 2010 18.8 billion HUF was recorded under D.211 other adjustment.

- Reduction of EU transfer revenue related to court decision of VAT: according to EU court decision that is VAT part of capital expenditures cannot be financed from EU funds in some projects. This amount was accounted in 2012 as a one-off expenditure (D.74 transfer to EU) on an accrual basis.

- Transactions related to a call on a government guarantee (BTA): a debt assumption from a foreign financial company (BTA, a Kazakh bank) recorded as capital transfer expenditure and at the same time an acquisition of a claim against the same financial company by government recorded as capital transfer revenue.

- Imputed transfer to households related to early repayment of mortgage loans and imputed taxes connected with early repayments of mortgage loans: according to the Eurostat advice provided in 2012 to Hungary on statistical recording of the early repayments of mortgage loans at preferential exchange rates and the related tax rebate.

- PPP assets reclassification: conditions for some PPP projects had changed in the years of 2006-2009, and had to be reclassified in the government sector. Gross fix capital formation was recorded in the non-financial accounts.

- Imputed mobile phone concession fee: according to the Eurostat advice provided in 2013 to Hungary on statistical treatment of the mobile phone spectrum 15 years concession.

3.2.3.8 Net lending/net borrowing of central government

B.9 Net lending/net borrowing, as reported in the last line in EDP T2A, is derived from the same source data used when calculating the Working Balance.

3.2.4 EDP table 3B

3.2.4.1 Transactions in financial assets and liabilities

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

Assets:

Currency and deposits (F.2):

F.2 data are based on counterpart sector data:

- Money and banking statistics data based on CB and MFI monthly reports;

- Balance of payments data based on report of the Government Debt Management Agency (ÁKK) and other government units.

The data sources are exhaustive. Transactions are calculated from the stock data. Holding gains and losses are calculated by currency using daily or monthly stock data. By nature, cash and deposit transaction data cannot be integrated in the public account. Data calculated for financial accounts are compared with the quarterly and annual central budget's balance sheet data, but basic data are usually not amended in the light of balance sheet data because they are correct and reliable. Consolidation issue is not raised in S.131 subsector. Budgetary institutions and extra-budgetary funds keep their accounts at Treasury but these assets are neglected in the system. In the case of cash and deposit the time of recording is always when the transaction takes place. Accrued interest is included based on the banking statistics. AF.2 data are always on nominal value including accrued interest. AF.2 also covers M2M transfers paid by ÁKK to non-residents.

Securities other than shares (F.3)

AF.3 data on debt securities are taken from securities statistics of the Central Bank. Securities statistics collects data at face value and calculates market value on an individual basis by using market prices. Accrued interests are included. Supplementary data sources are public accounts - in which the transactions are integrated - and balance sheets (state, budgetary institutions, extra-budgetary fund, Pension Reform Fund, corporations). Transactions are calculated from the stocks. Supplementary data are compared to basic data. High differences are investigated and the misreporting is corrected. Consolidation of data is made also on the basis of securities statistics data.

Loans (F.4):

Main data sources are balance sheets of the state, the budgetary institutions, the extra-budgetary funds and corporations included in the sub-sector and the daily report of the Treasury. Data on cross-border lending are taken from the balance of payments statistics. Supplementary data sources are the cash-flow statements of the budgetary institutions. Transactions are mainly calculated from the stocks. Transactions are integrated into the public account. AF.4 also includes a type of student loan provided by a non-government unit (Diákhitel Központ) rerouted via central government.

Shares and other equities (F.5):

Quoted shares and mutual fund shares:

Data sources are the securities statistics. Stock data on face value and market price information are collected; the stock on market price is calculated on an individual basis. Transactions are calculated from average price and volume data on monthly basis. Transactions are adjusted using individual budgetary cash-flow information included in cash-flow statements (public accounts, monthly report of the public holding companies).

Unquoted shares: stock data are available from the annex of the annual tax declaration and from the quarterly report of large public companies. Transaction data are taken from two direct sources: from the public account and the monthly report of the two public holding, the Hungarian National Asset Management Inc. and the Hungarian Development Bank.

Insurance technical reserves (F.6)

Data sources are the quarterly balance sheet of the insurance companies. The item covers the prepayments of insurance premiums and reserves for outstanding claims (F.62). By nature this item can not be included in public accounts. In the balance sheet of insurance company data are available for the whole government sector and the proportion of the different subsectors is estimated. The item both for central government subsector and the whole GG is negligible.

Other accounts receivable (F.7)

The item covers trade credit and advances (F.71), and other financial claims due to timing differences between (financial and non-financial) transactions and the corresponding payments (F.79). The most important items of F.79 are tax receivables and claims on EU.

In the case of trade credits for legal central government and corporations classified into central government the data sources are the quarterly and annual balance sheets. For reclassified non-profit institutions quarterly balance sheet is not available, trade credits are estimated. The estimation takes into accounts the purchase of goods and services compared to that of reclassified corporations'. F.71 is reconciled between financial and non-financial accounts. In financial accounts trade credits are consolidated. In the case of budgetary institutions consolidation is based on asset side balance sheet information. Consolidation also takes place between legal central government and reclassified units: if the sales revenue of unit overwhelmingly comes from central budget, its receivables are consolidated.

Transactions are calculated as change in stocks taking into account other volume changes when relevant (e.g. sector reclassification).

In the case of tax receivables stocks are calculated from transactions. Transactions are derived from time adjustment for taxes calculated in non-financial accounts hereby the reconciliation between financial and non-financial accounts is perfect. In non-financial accounts time adjustments are calculated from monthly tax data from Treasury. Tax receivables are not consolidated.

EU transfer receivables consist of two types of transfers: EU agricultural subsidy prepayments by central government and time adjustment to non-agricultural EU transfers. Agricultural EU subsidies are not integrated in the public account – they are transferred by a specific Treasury account. The stock data are available in the daily Treasury report, transactions are calculated. Other EU transfers are channelled via central budget. Time lags between revenue and expenditure of flows constitutes the time adjustment in non-financial account. This equals to the transaction figure in financial accounts; hereby the reconciliation between the two sets of accounts is complete. Stocks are calculated from transaction data.

Besides the above mentioned items other financial claims also cover temporary irregular time lags. Examples are claims originated from sales of licences when payments are spread over the lifetime of the contract or the transfer of pension obligation when the economic event took place earlier than the transfer of financial assets.

Liabilities:

Currency and deposits (F.2):

The item covers the deposits kept by other sectors and subsectors in Treasury. Data source is the daily Treasury report. Local government, social security funds, a public financial corporation and households are involved. Stocks and flows are available in the same report. Consolidation takes place based on the same data.

Securities other than shares (F.3)

Legal central governments' data are taken from two sources. ÁKK reports the individual data on monthly/quarterly basis. The report contains the face value, the difference between face value and issue price, the cash and accrual transactions, and the stock of accrued interests. This source is integrated in the securities statistics of the Central Bank. The split between counterpart sectors is provided by securities statistics which calculates the stocks on market value as well. Transactions are calculated from stocks taking into account the price changes and the exchange rate movements if relevant.

F.3 contains securities issued by the Hungarian National Asset Managements Inc. because this entity is classified into central government. Bonds issued by the Hungarian Railways (MÁV) in 2011 are also included, because this transaction was rerouted via central government. AF.3 is regularly adjusted for repurchase agreements: securities lent or

temporary sold are deducted from the stock. Government securities temporary rebought by ÁKK are added to the stock of AF.3.

Loans (F.4)

Central budget's loans are reported by ÁKK quarterly. Budgetary institutions' and extra budgetary funds' loans provided by the Treasury are covered by the daily Treasury report. The latter data are used for consolidation purpose as well. Loans issued by entities reclassified into central government subsector are covered by the money and banking and balance of payments statistics. Stocks are cross-checked with balance sheet information. Loans are recorded on face value and include interest accrued but not paid. Transactions are calculated from the stocks, in the case of foreign exchange loans the exchange rate movements are taken into account. F.4 also covers imputed loans against non-financial corporations due to PPP contracts, when the PPP assets are classified into central government. Payables related to a long term military contract (Gripen) are reclassified as loan and are covered by AF.4. One type of student loans provided by Student Loan Centre is rerouted via central government and included in AF.4 both on the asset and liability side. AF.4 also includes M2M transfers (margin payments relating to swaps) received by ÁKK.

Other accounts payables (F.7)

Other accounts payables cover F.71 trade credits and advances (F.71) and other financial liabilities. In the case of trade credits for legal central government and corporations classified into central government the data sources are the quarterly and annual balance sheets. For reclassified non-profit institutions quarterly balance sheet is not available, trade credits are estimated. F.71 is reconciled between financial and non-financial accounts. In financial accounts trade credits are consolidated. In the case of budgetary institutions consolidation is based on asset side balance sheet information. Consolidation between legal central government and reclassified units is based on the asset side information provided by the reclassified corporations' quarterly report.

F.79 includes payables on compensation of employees. The entry in financial account is reconciled with the one month time adjustment applied in non-financial accounts. The data source is Treasury monthly report. The stocks are calculated from the transactions.

Tax payables by central budget include two items: income-type taxes of corporations (interim adjustments) and VAT payables. Both are reconciled with non-financial accounts accrual adjustments. In both cases stocks are calculated from transactions.

In the case of subsidies, financial transactions are equal to accrual adjustments applied by non-financial accounts. Stocks are calculated from transactions.

EU transfer payables cover the EU transfer prepayments kept on the Treasury accounts. The data source is the daily Treasury report for deposits denominated in HUF and a monthly Treasury report for deposits denominated in Euro. Transactions are calculated from stocks (revaluation is estimated).

Besides the above mentioned items other financial claims also cover temporary irregular time lags. Examples are dividends prepayments, sales revenue of CO2 licences, time lags between court decisions and the related payments and so on.

3.2.4.2 Other stock-flow adjustments

Other stock flow adjustments cover all the necessary corrections made to financial accounts transactions in order to obtain change in debt data at nominal value.

As debt is measured at nominal (face) value, the issuance and the redemption should be recorded at nominal value as well, meaning that the difference between the issuance price and the nominal value should be eliminated. In practice this item is obtained the following

way: at issuance ÁKK calculates the difference between the issuance value and face value of every government security. This is the opening stock of the issuance above/below nominal value. During the lifetime of the security this stock may change due to interim redemptions and new issuance. The value of stock becomes zero when the redemption of the last piece of security takes place. On table 3B always the change in this stock is recorded.

There is a need for an adjustment called "Difference between interests accrued and paid" because accrued interest is included in the deficit, but it is not included in debt. Accrued interest do not need to be financed (it should be eliminated), on the contrary, this is the interest paid which needs financing (it should be added).

Accrued interest is composed of two components:

- the coupon interest accrued on deposits, loans and securities;
- discount/premium at issuance on securities spread out during the lifetime of the asset.

In table 3B "Difference between interests accrued and paid" is calculated as change in the stock of interest accrued not paid (excluded revaluation). The stock is built up the following way:

Closing stock=opening stock+ interest accrued - interest paid - change in stock of issuance above/below line- revaluation.

"Difference between interests accrued and paid" = interest accrued –interest paid – change in stock of issuance above/below the line –revaluation.

To this amount swap interest is added in order to eliminate the impact of swap interest included in the Maastricht deficit. "Interest flow attributable to swaps and FRAs" is not considered as a non-financial transaction in national accounts. Instead, it is recorded as revaluation of a financial asset (AF. 34) and it is eliminated by financial transaction. This transaction is included among other swap transactions in table 3B in the line "Net incurrence (-) of liabilities in financial derivatives (F.34)" This item balances the change in "Cash and deposits" due to the payment of derivative liability. As the Maastricht definition of deficit treats this amount as interest, there is a need to record again with the opposite sign to eliminate the impact caused by the Maastricht definition. In the Hungarian practice interest flows attributable to swaps and FRAs are reported by ÁKK.

Data under the line "Redemptions of debt above/below nominal value" are recorded only when redemption takes place before the maturity of the security. In this case in the financial accounts a revaluation is recorded. In Table 3 the whole difference between the nominal value and the redemption price is recorded in this line. In the Hungarian practice ÁKK reports the revaluation due to the early redemption of debt securities.

"Appreciation/depreciation of foreign currency debt" can also all be derived from the financial accounts system of the Central Bank. Foreign debt liabilities are converted into national currency at end-of year exchange rate of the Central Bank. In the case of loans the appreciation/depreciation is calculated from the average stocks and the exchange rate changes. In the case of securities it is calculated as a difference between the change in stock and transaction data. The item includes the revaluation of cross currency swap as well.

2009 is the only year when an item is reported under "Changes in sector classifications". This year a PPP corporation (Nemzeti Filharmónia Kft.) classified into the central government subsector merged with its owner corporations. The successor company remained in the subsector, the changes in the assets and liabilities were recorded as OVC. Among liabilities long term loans were affected.

The line "Other volume changes in financial liabilities" of Table 3 is not used in the Hungarian practice.

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

In the Hungarian national accounts huge efforts are made to decrease the difference between the balancing items of financial and non-financial accounts (B.9f and B.9). The reconciliation between the methods and the common adjustments is systematically applied. During the compilation process of financial accounts, data are always compared to the available secondary source information and the differences are investigated, source data are corrected if it is deemed to be justified. Other measures are not used for decreasing the discrepancy. Nor non-financial data are ever touched neither discrepancy is allocated in F.7. Statistical discrepancy between financial and non-financial accounts is always presented in the table.

Changes to intermediate data

Non-financial accounts data are based on administrative data, no counterpart information used to overwrite the primary source data. On the contrary, financial accounts uses divers data sources, several times that of counterpart sub-sectors or financial intermediaries. It occurs that data sources contradict to each other (for example monetary statistics and security statistics). In those cases after an investigation the source data are corrected having an impact on B.9f.

At the final stage discrepancy is never allocated to financial or non-financial instruments.

Complementary elements on stocks/

Accruals

In the administrative data one can observe timing problems in the case of recording wages and salaries. Part of the December wages are paid at the end of December and are recorded in January of the following year. In order to avoid discrepancy due to this timing problem different time adjustments are applied in FA and NFA. Otherwise all the time adjustments are reconciled between the two sets of accounts. Statistical discrepancy occurs mainly due to time of recording problems but these are generated mainly by the cash-flow statements themselves and not by the accrual adjustments applied.

Ex-post monitoring

For reducing the significant discrepancy Hungarian statisticians launched a systematic inquiry in 2010 and 2012 to detect the source of differences. Already the first one reduced the discrepancy successfully. Due to these results recently there was no need to apply ex-post monitoring.

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

This section is not applicable for Hungary.

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

3.4.1 Data sources for Local Government main unit: local governments and national minority local governments

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>		
				Budget Reporting			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
C	Q/A	T+45	T+5	(3) Current and capital revenue and expenditure and financial transactions	x	x	x
A	Q/A	T+45	T+5	(4) Balance sheets			x
				Financial Statements			
				(5) Profit and loss accounts			
A	A		T+5	(6) Balance sheets		x	x
				(7) Cash flow statement			
				Other Reporting			
A	Q/A	T+60	T+8	(8) Statistical surveys		x	
M	M	T+40	T+3	(9) Balance of Payments & International Investment Position statistics			x
A	M	T+35		(10) Securities statistics			x
A	M	T+40		(11) Monetary and banking statistics			x

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

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

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

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

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

3.4.1.1 Details of the basic data sources

For the April EDP notification the following data sources are used:

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

- Quarterly reports on the revenue and expenditure of the local government institutions. These data are available at t+45 days by category of transactions aggregated for the whole subsector. Each local government compiles this report and sends it to the Hungarian State Treasury who aggregates and controls the data. HCSO receives the report from Treasury.

-Quarterly balance sheet data, prepared by the institutions and aggregated for the whole subsector by the Hungarian State Treasury at t+45 days.

Quarterly data are more aggregated by category of transactions as annual data. Some items have to be divided between different ESA categories. Estimations are used based on previous years' annual data and on planned data.

Basic data source for the October and later EDP notifications for local government units are annual financial reports.

In case of local government the following measures regulate the filling of annual institutional reports:

- Public finance law
- Government decree 368/2011 on implementation of public finance law

Annual financial reports include tables about expenditures and revenues of the institutions. There are detailed instructions how to fill in the annual financial reports on the website www.kormany.hu. Every table is available on the website www.kormany.hu from which institutions having internet connection can fill in the tables. Local government institutions without internet connection are given the tables by the regional institutions of the Hungarian State Treasury.

Local government institutions have to send the regional institutions of the Hungarian State Treasury their annual financial reports in electronic and printed form. The regional institutions of the Hungarian State Treasury make data recording and processing. The annual financial report has to be signed by the director of general assembly, the mayor and the parish clerk. The cover page of the annual financial report has to include the name and telephone number of person who prepared the report or can give information in connection with it.

National minority local governments send Ministry of Public Administration and Justice their annual financial reports. The Ministry processes the reports and sends them to the Hungarian State Treasury where there is further procession.

Part of the annual financial reports:

- Cover page: it includes the identifiers of the institutions, the signatures of directors of institutions and name and telephone number of persons who prepared the report or can give information in connection with it
- Tables: the heading of the tables include the identifier of the institutions, the year, the number of table and the period (semi-annual, annual, budget). Tables itself include the costs, revenues, supports etc. data of institutions. Data are mainly in thousands forints.
- About 45 tables are filled in by the local government institutions.

Main tables are the following:

- Balance sheet
- Wages and salaries and employers' social contribution, including regular wage and other remuneration of employees, sick leave allowance, pension-fund contribution and social insurance supplements and actual social contribution. Most of the details can be easily transferred to ESA95 categories however some items have to be reclassified. In this table sick leave allowance and pension fund contribution and

social insurance supplements are among the wages and salaries, but according to ESA95 they must be accounted as employers' social contribution, so corrections are done in connection with it.

- Material expenses and other current costs; material expenses include inventory, communication services, costs of services, VAT, per diem expenses, representation, promotional spending. These costs are accounted as intermediate consumption, as it is determined in ESA95. Other current costs include personal revenue tax paid by the employer, international membership fees, rehabilitation contribution, local taxes, other customs duties, taxes similar payments. These costs are accounted in different ESA categories: personal income tax paid by the employer in D.11, international membership fees in D.74, rehabilitation contribution in D.29, local taxes, other customs duties, and taxes similar payments in P.2.
- Other operation and accumulation costs and social provisions
- Public authority revenues, institutional operation revenues; public authority revenues are administrative service fees, fees of supervisory activities and fines. Administrative service fees and fees of supervisory activities are accounted in P.1, fines are accounted in D.75. Institutional operation revenues include e.g. sale of goods and inventories, sale of services, revenue from rent and leasing, institutional supply fees, fees paid by employees for services provided by employers and penalties. Most of them are accounted in P.1., but penalties are accounted in D.75.
- Social provisions
- Specific revenues of local government institution
- Assets by categories
- Liabilities by categories
- Local government/local association fiscal budget; this table contains aggregated cost and revenue data of institutions.

Data quality must be controlled by the institutions and the supervisory authority of the institutions.

Data processing and technical checking of data takes places in the Hungarian State Treasury.

Treasury sends HCSO annual data in frame of National Statistical Data Collection Program (Hungarian abbreviation OSAP) in period t+150 days; it means the end of May. Data are given in electronic format:

- Institutional data of local government subsector in csv and excel format.
- Aggregated data of local government subsector in excel format.

Institutional data are filled into an Oracle Database.

Some checking is done in HCSO as well. Individual data of institutions are aggregated in case of some ESA categories and they are compared with the aggregated data given by the Hungarian State Treasury. There are some data which appear in several tables and are checked whether the same values are in the different tables. Tables have to be filled in thousand forints; it is also validated in some cases mostly for items just for information purposes in budget reporting but used for national accounts. Some data are compared with the data of the previous years. If growth or decrease is substantial, it must be checked as well.

3.4.1.2 Statistical surveys used as a basic data source

No statistical survey used as a basic data source.

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

- GFCF survey used for estimating GFCF data in general government. The survey covers all government units classified in GG. Data in annual survey (available in August) is cross checked with the budget report of government institutions at individual level; missing data in the survey is imputed from budget report. In April notification GFCF data for year n-1 is taken from budget reports, quarterly survey data is used just for cross checking. At spring no individual budgetary data is available therefore cross checking is possible only at aggregated subsector level.

- Monthly reports on wages and salaries by the Hungarian Treasury used for the accrual adjustment of compensation of employees.

3.4.1.3.2 Supplementary data sources used for the compilation of financial accounts

Monthly reports on the wages and salaries by the Hungarian Treasury: it is used for the calculation of local government liabilities against households in the field of compensation of employees.

3.4.2 Data sources for other Local Government units

The following other local government units are classified here:

- Corporations classified into LG
- Non-profit institutions classified into LG

Table 6 – Availability and use of basic source data for other local government unit

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

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

				(7) Cash flow statement			
				Other Reporting			
C	A	T+220	T+13	(8) Statistical surveys Survey on non-profit institutions		x	x
M	M	T+40	T+3	(9) Balance of Payments & International Investment Position statistics			x
A	M	T+35		(10) Securities statistics			x
A	M	T+40		(11) Monetary and banking statistics			x

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

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

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

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

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

3.4.2.1 Details of the basic data sources

For the April t+1 EDP notification we use t-1 year's data for estimation, as financial statements of corporations classified into local government sector are available only for t+5 months.

3.4.2.2 Statistical surveys used as a basic data source

See section 3.2.2.2

3.4.2.3 Supplementary data sources and analytical information

See section 3.2.2.3.

3.4.3 EDP table 2C

3.4.3.1 Working balance - use for the compilation of national accounts

See section 3.2.1.1

3.4.3.2 Legal basis of the working balance

See section 2.2.1

3.4.3.3 Coverage of units in the working balance

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

There is no such kind of units.

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

All units classified in local government but not reported in the WB are reported in table 2 on accrual basis in lines net borrowing/net lending of other local government bodies. The full sequence of ESA95 accounts are compiled separately for these units.

3.4.3.4 Accounting basis of the working balance

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

There is no accrual adjustment on this issue in the last years.

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

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

- P.131 Payments for other non-market output, see section 6.5

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

- P.2 Intermediate consumption, see section 6.5
- D.1 Compensation of employees, see section 6.5

These accrual adjustments in EDP table 2 are fully consistent with F.7 reported in EDP T3 and financial accounts.

3.4.3.4.3 Other accrual adjustments in EDP T2C

- D.7, D.9 related to timing issue of inter-government transactions (consolidation)
- P.51 Gross fixed capital formation, see section 6.5

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

3.4.3.6 Financial transactions included in the working balance

The following financial transactions are included in the working balance:

- Loans, granted: local government units record their grant and redemption of loans in the public account in a separate line.
- Loans, repayments: local government units record their repayments of loans in the public account in a separate line.
- Equities, acquisition: data of capital injection into corporations and acquisition of shares are included in the working balance in a separate line. Data of year 2010 were examined, capital injection test was made and the split between injection into loss making and profitable corporation was 37-63 %. This ratio is used for some years, later on it will be repeated.
- Equities, sales: withdrawal of equity.
- Other financial transactions: the main item is the losses and gains on foreign-exchange which is included in the working balance.

3.4.3.7 Other adjustments reported in EDP T2C

- Imputed dwelling privatisation financed by loan: related to subsidized purchase of flats by households previously owned by local governments.
- Debt assumption by the State (not included in the Working Balance of local units)

3.4.3.8 Net lending/net borrowing of local government

B.9 Net lending/net borrowing, as reported in the last line in EDP T2C, is derived from the same source data used when calculating the Working Balance.

3.4.4 EDP table 3D

3.4.4.1 Transactions in financial assets and liabilities

Table 7. Data used for compilation of transactions and of stocks of financial assets and liabilities

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

Assets:

Currency and deposits (F.2):

F.2 data are based on counterpart sector data:

- Money and banking statistics data based on MFI monthly reports;
- Treasury report.

The data sources are exhaustive. Transactions are calculated from the stock data. By nature, cash and deposit transaction data cannot be integrated in the public account. Data calculated for financial accounts are compared with the quarterly and annual local government's balance sheet data, and basic data are amended if it is necessary. Consolidation issue is not raised in S.1313 subsector. In the case of cash and deposit the time of recording is always when the transaction takes place. Accrued interest is included based on the banking statistics. AF.2 data are always on nominal value including accrued interest.

Securities other than shares (F.3)

AF.3 data on debt securities are taken from securities statistics of the Central Bank. See under point 3.2.4.1.

Loans (F.4):

Main data sources are balance sheets of local governments and corporations included in the sub-sector. Supplementary data sources are the cash-flow statements of the local governments. Transactions are mainly calculated from the stocks. Transactions are integrated into the public account.

See under point 3.2.4.1.

Insurance technical reserves (F.6)

See under point 3.2.4.1.

Other accounts receivable (F.7)

The item covers trade credit and advances (F.71), and other financial claims due to timing differences between (financial and non-financial) transactions and the corresponding payments (F.79). The most important items of F.79 are tax receivables.

In the case of trade credits for legal local government and corporations classified into local government the data sources are the quarterly and annual balance sheets. For reclassified non-profit institutions quarterly balance sheet is not available, trade credits are estimated. The estimation takes into accounts the purchase of goods and services compared to that of reclassified corporations'. F.71 is reconciled between financial and non-financial accounts. In financial accounts trade credits are consolidated. Consolidation is based on asset side balance sheet information.

Transactions are calculated as change in stocks taking into account other volume changes when relevant (e.g. sector reclassification).

In the case of tax receivables stocks are calculated from transactions. Transactions are derived from time adjustment for taxes calculated in non-financial accounts hereby the reconciliation between financial and non-financial accounts is perfect.

Liabilities:

Securities other than shares (F.3)

Local governments' data are taken from the securities statistics of the Central Bank. See under point 3.2.4.1. Data calculated for financial accounts are compared with the quarterly and annual local government's balance sheet data, and cash flow statements for local governments. The split between counterpart sectors is provided by securities statistics and it is appropriate data source for consolidation as well. Transactions are calculated from stocks taking into account the price changes and the exchange rate movements if relevant.

Loans (F.4)

Local governments' are taken from four sources:

- MFI reports;
- Local government balance sheet (loans provided to local governments, asset side);
- Treasury report;
- Balance of Payments.

Local governments' balance sheets and Treasury reports are used for consolidation purposes as well. Loans issued by entities reclassified into central government subsector are covered by the money and banking. Stocks are cross-checked with local government's balance sheet information. Loans are recorded on face value and include interest accrued but not paid. Transactions are calculated from the stocks, in the case of foreign exchange loans the exchange rate movements are taken into account.

Other accounts payables (F.7)

Other accounts payables cover F.71 trade credits and advances (F.71) and other financial liabilities. In the case of trade credits for legal local government and corporations classified into local government the data sources are the quarterly and annual balance sheets. For reclassified non-profit institutions quarterly balance sheet is not available, trade credits are estimated. F.71 is reconciled between financial and non-financial accounts. In financial accounts trade credits are consolidated.

F.79 includes payables on compensation of employees. The entry in financial account is reconciled with the one month time adjustments applied in non-financial accounts, and are

adjusted further by advance payments not recorded in cash-flow statement of the institutions. The data source is the survey on wages and salaries of local units. The stocks are calculated from the transactions.

Besides the above mentioned items other financial claims also cover pending and transitional items.

3.4.4.2 Other stock-flow adjustments

Except for net acquisition of financial assets and net incurrence of other liabilities (F.7) there was three other stock flow adjustments in local government subsector: accrual adjustment to interest, appreciation / depreciation of foreign currency debt and changes in sector classification.

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

3.5.1 Data sources for Social Security Funds main unit:

Pension Fund, Health Care Fund and budgetary institutions that operate them.

Table 8 – Availability and use of basic source data for social security funds

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+months</i>		<i>cross appropriate cells</i>		
				Budget Reporting			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
C	Q/A	T+45	T+5	(3) Current and capital revenue and expenditure and financial transactions	x	x	x
A	A		T+5	(4) Balance sheets			x
				Financial Statements			
				(5) Profit and loss accounts			
A	A		T+5	(6) Balance sheets		x	x
				(7) Cash flow statement			
				Other Reporting			
A	Q/A	T+60	T+8	(8) Statistical surveys GFCF survey		x	
M	M	T+40	T+3	(9) Balance of Payments & International Investment Position statistics			x

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

A	M	T+35		(10) Securities statistics			x
A	M	T+40		(11) Monetary and banking statistics			x

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

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

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

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

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

3.5.1.1 Details of the basic data sources

For the April EDP notification the following data sources are used:

Monthly reports on the revenue and expenditure of the social security funds are collected directly from the two funds. These data are available at t+45 days by category of transactions. Social security funds are the part of central government subsector from 2011 in the budgetary presentation.

Data source for the October t+1 and subsequent EDP notifications are the annual financial reports.

In case of social security funds the following measures regulate the filling of annual institutional reports:

- Public finance law
- Government decree 368/2011 on implementation of public finance law

Annual financial reports include tables about expenditures and revenues of the institutions. There are detailed instructions how to fill in the annual financial reports on the website www.kormany.hu. Every table is available on the website www.kormany.hu from which institutions having internet connection can fill in the tables.

Institutions of social security funds have to send their supervisory authorities their annual financial reports both in electronic and printed form. The printed annual financial report has to be signed by the economic director and director of the institution. The cover page of the annual financial report has to include the name and telephone number of person who prepared the report or can give information in connection with it. It has to include the name and telephone number of person who checked the annual financial report at the supervisory authority.

Part of the annual financial reports:

- Cover page: it includes the identifiers of the institutions, the signatures of directors of institutions and name and telephone number of persons who prepared the report or can give information in connection with it
- Tables: the heading of the tables include the identifier of the institutions, the year, the number of table and the period (semi-annual, annual, budget). Tables itself include the costs, revenues, supports etc. data of institutions. Data are in thousands forints.
- About 49 tables are filled in by the institutions of social security funds, and it means approximately 1400 data.
-

Main tables are the following:

- Balance sheet
- Wages and salaries and employers' social contribution, including regular wage and other remuneration of employees, sick leave allowance, pension-fund contribution and social insurance supplements and actual social contribution. Most of the details

are easily transfer to ESA95 categories however some items have to be reclassified. In this table sick leave allowance and pension fund contribution and social insurance supplements are among the wages and salaries, but according to ESA95 they must be accounted as employers' social contribution, so corrections are done in connection with it. Sick leave allowance is estimation, because there are other data as well in that row.

- Material expenses and other current costs; material expenses include inventory, communication services, costs of services, VAT, per diem expenses, representation, promotional spending. These costs are accounted as intermediate consumption, as it is determined in ESA95. Other current costs include personal revenue tax paid by the employer, international membership fees, rehabilitation contribution, local taxes, other customs duties, taxes similar payments. These costs are accounted in different ESA categories: personal income tax paid by the employer in D.11, international membership fees in D.74, rehabilitation contribution in D.29, local taxes, other customs duties, and taxes similar payments in P.2.
- Other operation and accumulation costs and social provisions
- Public authority revenues, institutional operation revenues; public authority revenues are administrative service fees, fees of supervisory activities and fines. Administrative service fees and fees of supervisory activities are accounted in P.1, fines are accounted in D.75. Institutional operation revenues include e.g. sale of goods and inventories, sale of services, revenue from rent and leasing, institutional supply fees, fees paid by employees for services provided by employers and penalties. Most of them are accounted in P.1., but penalties are accounted in D.75.
- Assets by categories
- Liabilities by categories
- Central fiscal budget; this table contains aggregated cost and revenue data of institutions.
- Social provisions.

Data quality must be controlled by the institutions. .

Annual financial reports are sent to the Hungarian State Treasury and the Social Security Funds Department of the Ministry for National Economy.

Data processing and technical checking of data takes place in the Treasury.

Hungarian Treasury sends HCSO annual data in frame of National Statistical Data Collection Program (Hungarian abbreviation OSAP) in period t+150 days; it means the end of May.

Data are given in electronic format:

- Institutional data of social security subsector in csv (txt) and excel format.
- Aggregated data of social security subsector in excel format.

Annual financial reports of social security funds are sent both by the Hungarian State Treasury and the institutions as well. Institution of Pension Fund (Hungarian abbreviation ONYF) sends the HCSO its data in paper form; Institution of Health Fund (Hungarian abbreviation OEP) sends its data in electronic format in pdf form.

3.5.1.2 Statistical surveys used as a basic data source

Not relevant.

3.5.1.3 Supplementary data sources and analytical information

Not relevant.

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

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

3.5.1.3.2 Supplementary data sources used for the compilation of financial accounts

3.5.2 Data sources for other Social Security units

No other units are classified in Social security sub-sector.

3.5.3 EDP table 2D

3.5.3.1 Working balance - use for national accounts compilation

See section 3.2.1.1

3.5.3.2 Legal basis of the working balance

See section 2.2.1

3.5.3.3 Coverage of units in the working balance

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

There is no such kind of units

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

There is no such kind of units

3.5.3.4 Accounting basis of the working balance

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

There are no accrual adjustments relating to interest D.41 at the social security funds.

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

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

- P.131 Payments for other non-market output, see section 6.5
- D.2 Turnover taxes on medical products adjusted with three months, public health product tax and tax on collision insurance are adjusted with one month. Tax on sales after representative employees of medical corporations is adjusted with three months.
- D.611 Actual social contributions, see section 6.1.2

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

- P.2 Intermediate consumption, see section 6.5
- D.1 Compensation of employees, see section 6.5
- D.63 Social transfers in kind related to expenditure on products supplied to households via market producers, see section 6.5

These accrual adjustments in EDP table 2 are fully consistent with F.7 reported in EDP T3 and financial accounts.

3.5.3.4.3 Other accrual adjustments in EDP T2D

- D.7, D.9 related to timing issue of inter-government transactions (consolidation)

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

3.5.3.6 Financial transactions included in the working balance

There are no significant figures here.

3.5.3.7 Other adjustments reported in EDP T2D

- Claim cancellation against Social Security funds: according to the law on final accounts in every year the previous years' outstanding debt of Social Security- and Health Care Pension Fund is cancelled by the central government.

- Elimination of technical revenue: (one-off item in 2010) In 2007 SS Funds reached surplus. Government decided to use this 2007 surplus virtually as source of this 2010 extra payment for debt consolidation of health service providers. The Parliament approved a modification on Act on State Budget that this surplus should be accounted as revenue in 2010 for creating the source of payment. As this 27.481 HUF Mn is not current revenue generated in 2010, it was excluded from the working balance.

3.5.3.8 Net lending/net borrowing of social security funds

B.9 Net lending/net borrowing, as reported in the last line in EDP T2D, is derived from the same source data used when calculating the Working Balance.

3.5.4 EDP table 3E

3.5.4.1 Transactions in financial assets and liabilities

Table 9. 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
Calculation of transactions												
Transaction data (integrated in public accounts)			X	X								
Other transaction data						X						X
Stock data	X	X	X	X	-	X	-	-	X	-	-	X
Calculation of stocks												
Transaction data						X						X

Stock data	X	X	X	X	-	X	-	-	X	-	-	X
------------	---	---	---	---	---	---	---	---	---	---	---	---

Assets:

Currency and deposits (F.2):

F.2 data are based on counterpart sector data, the Treasury daily report. This is used for consolidation purpose as well.

This data sources is exhaustive because the funds keep their accounts at Treasury. Transactions are calculated from the stock data.

Other accounts receivable (F.7)

The item covers trade credit and advances (F.71), and other financial claims due to timing differences between (financial and non-financial) transactions and the corresponding payments (F.79). The most important items of F.79 are tax and social contribution receivables.

In the case of trade credits the data sources are the quarterly and annual balance sheets. F.71 is reconciled between financial and non-financial accounts. In financial accounts trade credits are consolidated. The consolidation is based on asset side balance sheet information. Transactions are calculated as change in stocks.

In the case of tax and social contribution receivables stocks are calculated from transactions. Transactions are derived from time adjustment for taxes and social contributions calculated in non-financial accounts hereby the reconciliation between financial and non-financial accounts is perfect. In non-financial accounts time adjustments are calculated from monthly data from Treasury. Tax and social contribution receivables are not consolidated.

Loans: (F.4): Data source is the balance sheet of social security entities. Transactions are calculated from the stocks.

Liabilities:

Loans (F.4)

Data source is the daily Treasury report. This source is exhaustive because the funds are not obliged to borrow in the market. The same data are used for consolidation purpose as well. Transactions are calculated from stock data.

Other accounts payables (F.7)

Other accounts payables cover F.71 trade credits and advances (F.71). In the case of trade credits the data sources are the quarterly and annual balance sheets.

3.5.4.2 Other stock-flow adjustments

Except for change in financial assets and financial liabilities (F.7) there was no more adjustment recorded in table 3E.

The structure of financial assets changed in the observed period:

Acquisition of shares and other equity (F.5) took place until 2001.

Acquisition of securities other than shares (F.3) took place until 1999.

The lack of different financial assets and liabilities is due to the exclusive financial link of the sub-sector to the State Treasury which finances the social security funds through deposits and loans.

3.6. Link between EDP T2 and related EDP T3

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

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

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

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

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

3.6.1 Coverage of units

Sector delimitation in financial and non-financial accounts is the same as Hungarian Central Statistical Office and Central Bank use the same sector classifications and the same register.

Administrative data are compiled by the Treasury (for example in the case of the state or the interim data of central budgetary institutions) or collected and aggregated by the Treasury (for example in the case of local government data or quarterly balance sheet of the subsectors). Before aggregating the data, the Treasury verifies the entirety of reports.

Central Bank uses data sources other than administrative data as well (mainly statistical data collections). When data providers (banks and other financial institutions, non-financial corporations and government units) report data to central bank by counterpart sectors, basically they rely on the coding by economic form (GFO) published by HCSO. In addition the Central Bank publishes the list of reclassified units and data providers are requested to use strictly this list for sector classification.

Temporary deviation may occur when a new reclassification takes place. Decision on the reclassification of a unit in GG sector in year t is usually made one year later. It means there is one year interim period when data providers report the data of the unit in the former sector.

In this period there is a need to make adjustment to data of the two sectors involved. This adjustment is an estimation based on the balance sheet data of the reclassified unit.

3.6.2 Financial transactions

Traditionally public accounts include asset-side financial transactions – except for cash and deposit -of government as revenue or expenditure. These transactions are eliminated in table 2 of the notification (“financial transactions included in the working balance”). These transactions appear on table 3 under the line “net acquisition of financial assets”.

Reconciliation of the two groups of transactions should take into account the following specialties:

First of all the general rule that asset-side financial transactions are recorded above the line does not concern every financial asset of government. The treatment may vary by sub-sector as well.

Secondly “Financial transactions included in the working balance” on table 2 cover only the transactions of government in legal terms (budgetary general government). Financial transactions of budgetary funds, extra-budgetary accounts and reclassified units are not recorded here. On the contrary, the relevant lines of table 3 cover the financial transactions of the whole sector in national accounts terms.

Thirdly, data on table 2 are unconsolidated, on table 3 are consolidated.

Central government financial transactions:

F.3: This item is not reported separately on table 2A; it is included in the line “Other financial transactions”. In table 3B and in financial accounts F.3 transaction includes payments relating to asset-side derivatives. This item is partly missing from the working balance (swap transactions on capital), partly recorded under interest (swap transaction on interest). Since 2011 large F.3 transactions are executed by Pension Reform and Debt Reduction Fund which entity is not part of central government in legal terms.

F. 4: Advance payments to local government are not recorded in public account as expenditure; they are recorded by Treasury under the line as items to be financed. In financial accounts these items are treated as short term loans. The deficit of social security funds is financed from the treasury account during the year. It is also considered as short term loan in financial accounts. Larger loans – as the loan to financial institutions during the financing crisis – were also recorded below the line in the public accounts. F.4 transactions in table 3 cover repo transactions which are not included in working balance. Budgetary funds and reclassified units also have F.4 transactions which are not included in the working balance of the legal central government.

F.5: Privatisation proceeds are not recorded as revenue - they are financing items in the public accounts. Since 2011 F.5 transactions of Pension Reform and Debt Reduction Fund (not included in the public accounts) make an additional difference between table 2A and table 3B figures.

Local government financial transactions:

F.3: These transactions are recorded in public account of local government below the line as financing item.

F.4: In the financial accounts not only the F.4 transactions included in working balance are recorded but the adjustments made to repo transactions as well. Consolidation also makes difference between table 2C and table 3D.

F.5: Transactions in shares and mutual fund shares are recorded in public accounts under the line as financing items (below the line).

Social security funds financial transactions:

F.3: Not relevant.

F.4: Only the consolidation makes difference.

F.5: Not relevant since 2009. The insignificant items recorded on table 2D in 2010 and 2011 are due to misclassification.

3.6.3 Adjustments for accrued interest D.41

Adjustment for accrued interest is calculated in table 2 and table 3 differs for five reasons.

- In table 2 the adjustment concerns only the sub-sectors in legal terms (budgetary government), while in table 3 the subsectors are conceived in national accounts terms. Due to this difference in coverage, consolidation also differs.

- In table 2 both interest revenue and expenditure are adjusted, while in table 3 only interest expenditure adjustments are reported (adjustment of revenues is included in the underlying financial asset as accrued interest).

- While coupon cash interests are identical in both set of tables, cash interests in form of discount/premium – except for deep discount bills - differ. In the public accounts they are recorded at issuance, while in reality and in financial accounts they are paid at redemption (included in the nominal value). That is why the line Issuances above/below par in table 3 should be taken into account when the accrual interest adjustment is compared between the two table sets.

- In the case of redemptions below/above par, in public account interest revenue/expenditure is recorded, and this is included in the table 2 adjustment. It is missing from the accrual adjustment in table 3. That is why the line Redemption below/above in table 3 also should be taken into account when comparing the accrual adjustment.

- As swap interest is included in public accounts and in EDP accrual interest, there is no adjustment for this item in table 2. On the contrary, swap interest is not included in financial accounts interest data that is why it is added to the adjustment line in table 3. This makes also a difference between table 2 and table 3.

Central government:

Comparing the interest adjustments, the following items should be taken account:

Difference between interest paid and accrued in table 2 =

Difference between interest paid and accrued in table 3+ Issuance above/below par except for deep discount bills (therefore not identical with the line issuance above/below par) + Redemption below/above par minus swap interest minus accrual adjustment to interest receivable minus adjustment to interest payable minus receivable to other government bodies.

Local government:

In table 2, usually there is not accrual adjustment made to interest of budgetary local government. In table 3D a small amount is recorded using counterpart sources. It may cause discrepancy between financial and non-financial accounts.

Social security funds: there is no interest-bearing debt in this sub-sector. (Liability of the sub-sector is composed of interest-free liquidity loan from the Treasury.)

3.6.4 Other accounts receivable/payable F.7

Comparing other accounts receivable/payable in table 2 and other financial assets in table 3 four reasons for differences can be detected.

- The adjustment on table 2 covers the main unit, on table 3 covers the entire subsector.
- Other adjustment in table 2 may concern other financial assets/liabilities as well. In this case they are included in table 3 in the relevant line.
- There are accrual adjustments made to financial transactions in table 3 (due to acquisition or sale of financial assets) which are not to be recorded in table 2.
- Table 3 is consolidated, table 2 is not.

The comparison is difficult because there is not straightforward relation between accounts receivable – other financial assets on one side and accounts payable – other financial liabilities on the other side. The relationship can be the opposite between the financial non-financial accounts flows.

Receivables:

Trade credits: Accrual adjustment for output is fully reconciled. In table 3 other financial assets include advance payments which are financial transactions that is why they do not figure in table 2. The coverage of units also differs in the two sets of accounts.

Taxes except for VAT payables: The items are reconciled, only the institutional coverage differs: budgetary funds' tax receipts are included in this line only in table 3.

Dividends: Accrual adjustment made to advance payments. The adjustments are reconciled, but as they are negative receivables they figure on the liability side in financial accounts.

Rents: Concessions, they are reconciled, but in case they are negative receivables in the financial accounts they are recorded on the liability side.

Advance payments to EU: Agricultural advance payments are recorded only in financial accounts because they are paid from a separate Treasury account. Non-agricultural advance payments are fully reconciled.

Timing issue of inter-government transactions (consolidation): only the non-financial accounts treat this item.

Receivables counterbalanced by financial transactions of monetary institutions, other financial intermediaries and insurance corporations: only financial accounts treat this item.

Payables:

Intermediate consumption: reconciled, but consolidation and institutional coverage differ.

Wages and salaries: in central government they are fully reconciled. In local government advance payments before the end of the year are not recorded in public account as expenditure. This amount appears in the accrual adjustment in non-financial accounts. In financial accounts this item is missing from other financial liabilities because it is paid by end of year.

VAT payables: fully reconciled.

Subsidies: fully reconciled.

Gross fix capital formation: adjustment in non-financial accounts is taken from investment statistics, in financial accounts it is a balance sheet item. There is difference in coverage and in consolidation as well. Data sources are regularly cross-checked.

Payables counterbalanced by financial transactions of monetary institutions, other financial intermediaries, insurance corporations and central bank: only the financial accounts treat this item.

Pending and transit items in Treasury accounts: only the financial accounts treat this item.

3.6.5 Other adjustments/imputations

Reconciliation of other adjustments in table 2 and their financial account counterpart:

Central government:

Claim cancellation against Social Security funds (1995-): This transaction is recorded in non-financial accounts as capital transfer. In financial accounts the claim is recorded as short term loan. The cancellation is reflected in the basic data source (daily Treasury account) where the claim against social security funds decrease.

Capital transfer to insurance companies acting in field of agriculture (1995): Transfer of government securities to insurance companies. The transaction is reflected in the basic data sources of financial accounts: Government Debt Management Agency (ÁKK) publication on government debt and the monthly balance sheet of insurance companies.

Claim cancellation because of liquidations and damages caused by nature (1995): In non-financial account this transaction is a capital transfer, which is reflected in financial accounts in the decrease of government loans against non-financial corporations. In financial accounts the data source is a supplementary table on government assets in the central government final accounts where the stock and the change in stock of central government claims are reported.

Capital transfers to Postabank Co. (1998, 2001): In 1998 a capital injection into Postabank by the Hungarian Development Bank (MFB Rt.) was rerouted. In the financial accounts an adjustment was made both to the government equity in MFB and the MFB equity in Postabank. In 2001 when a debt cancellation took place there was no need for a similar adjustment because the data source – balance sheet of Postabank – reflected the transaction.

Capital transfer to MÁV Rt (1995, 1998, 2000, 2002-2003): The transactions are debt assumption. In financial accounts there was no need for adjustment because both data sources -ÁKK report government debt and monetary institutions balance sheets covered the change in stocks.

Expenditure rerouted from Reorg Apport Rt (1998): This transaction relates to the recapitalization of Postabank. Debt securities issued by Reorg Apport have been reclassified as government debt in financial accounts and EDP table 3.

Debt assumption from ÁAK Rt, treated as D.99 capital transfer in 1999, included in 2002 cash budget: Since 1999 in financial and non-financial account the debt of ÁAK Rt was treated as government debt. In 1999 a capital transfer to ÁAK was recorded. In 2002 the assumption of the same debt took place in legal terms. Between 1999 and 2002 adjustment was made both to government loans and the non-financial corporation' loans in financial accounts. In 2002 the debt assumption was included in the public account. It was eliminated in non-financial accounts as other adjustment. In financial accounts the former adjustment made to the stocks was ceased because after this date the data sources - ÁKK publication on government debt – included the correct data.

Mobile phone licences (1999): Recorded in non-financial accounts as disposal of intangible non-produced asset. The sale took place in 1999; part of the proceeds was paid in 2000. In financial account other financial asset was imputed in central government account.

Adjustment to revenues that relate to the restructuring of budgetary funds (1999): Transfer of financial assets (cash and deposit) from budgetary funds wound up to central government. In the public account it was recorded as central government revenue. In non-financial accounts it was eliminated as other adjustment. This adjustment was consolidated inside central government sub-sector in financial accounts.

Deposit account arrangements (2000-2003): Central budget transferred money to a Treasury deposit account in 2000. This transaction was recorded as expenditure in public account. The money was spent in the following three years. In non-financial accounts the transaction in 2000 was eliminated and in the following years imputed. In financial accounts there was not entry because these deposit accounts constitute part of the budget single account.

Capital transfer to NA Rt. temporarily financed by the MFB Rt. (Hungarian Development Bank)(2000-2001): Central government raised capital in Hungarian Development Bank and, using this fund, the bank raised capital in National Motorway CO. (NA RT.) in 2000 and 2001. As NA RT. was classified into central government, the capital injection was reclassified as capital transfer and was rerouted. Other adjustment was applied in order to eliminate the timing differences between the injections.

Claim cancellation against ÁPV Rt. (2001): ÁPV Rt. was reclassified into central government. The claim cancellation was recorded as capital transfer. In financial accounts nor the claim neither the cancellation was recorded. It did not cause discrepancy between the financial and non-financial accounts because ÁPV Rt belonged to the central government.

Claim cancellation against OTIVA Co. (2001): The claim cancellation was recorded as capital transfer in non-financial accounts. In financial accounts this item was not recorded because liabilities of OTIVA were missing from the financial accounts.

Debt (Bős-Nagymaros) assumption in 1995 and then debt cancellation against the State in 2001: The debt assumption and the debt cancellation by Austria were recorded as capital transfer. ÁKK debt statistics, data source for financial accounts reflected the reduction of debt, there was no need for imputation.

The difference between Treasury and Budget data treated as Capital transfer to Sportfólió Kht (non-profit institution classified in CG) (2002): Sportfólió Kht was classified into the central government; the adjustment did not have any impact on the net lending of the sub-sector. In financial accounts there was no need for the adjustment because the data source – ÁKK debt statistics – reflected the correct amount of debt assumption.

Transfers from privatisation receipts paid by State Privatisation Co. to the Treasury single account (off-budget transaction) (2003-2004; 2006-2007) The item is recorded in table 2 for consolidation purposes. State privatisation Co. was reclassified into central government. Privatisation revenues of the company were recorded as financial transactions in the national accounts. However the company paid in part of these proceeds into a Treasury account. In non-financial accounts this payment was recorded as current transfer revenue of the budget and was consolidated. As in financial accounts central budget and Treasury are consolidated, there was no need for this adjustment.

Claim cancellation 2003: against Republic of Russia, 2004: "of old government claim", 2006: Iraq: these transactions were recorded as capital transfers to rest of world. Both for non-financial accounts and balance of payments the data source was the supplementary table on government claims of final accounts and the Ministry of Finance communication. The same adjustment was recorded in non-financial accounts, in BoP and in financial accounts.

Debt assumption from Rendezvénycsarnok Rt. (decision was made in 2002, actual assumption in 2004, included in public balance): This was recorded in non-financial accounts as capital transfer. As the data source for financial accounts - ÁKK debt statistics - included this item there was no need for adjustment in financial accounts.

Income tax paid by Postabank (2004): An indirect privatization of the bank took place by Magyar Posta. Due to the privatisation proceed the mother company paid a high income tax this year. The excess tax was reclassified as equity withdrawal from Magyar Posta. The same adjustment was made in financial accounts.

Capital transfer to MAHART (2004): MAHART Zrt. acquired old government claims against Russia and the government cancelled the claim. The information was based both in financial and non-financial accounts on Ministry of Finance communication.

Capital transfers in kind from non-profit institutions classified in Central Government (2005): This type of non-financial transaction has not impact on financial accounts.

Financial claim of commercial banks on the State (derived from Church compensation), capital transfer (2006): Compensation for the former nationalization of Churches' properties was in delay. In agreement with the government, Churches made factoring transactions with commercial banks. The amount was recorded in non-financial accounts as capital transfer to churches counterbalanced by state borrowing from the banks in financial accounts. The data source for loans – monthly balance sheet report of banks – included this item; there was no need for adjustment in financial accounts.

Acquisition of Gripen aircrafts, reclassification from operative lease to financial lease (2006-): An uniform model has been worked out for recording the transaction in balance of payments, financial and non-financial accounts. In 2001-2005 the payments were reclassified as financial transactions, advance payments. The delivery of assets took place in 2006-2007 increasing the immediate consumption in non-financial accounts. In financial accounts, in these two years, the loans granted were decreased to zero and loans issued increased. Since then part of the payments is reclassified as financial transaction (amortization of debt). Interest payments are recorded as other adjustment. In the financial accounts the decrease of loans is imputed.

PPP assets reclassification (2006-2009): PPP assets formerly classified in the non-financial corporation sector were reclassified as government assets as the conditions defined in the contracts had changed. In the year of reclassification (2006-2009) gross fix capital formation was recorded in non-financial accounts and the same amount was imputed in financial accounts as government loan. Since then parts of the regular payments are reclassified as financial transaction (amortization of debt) both in financial and non-financial accounts.

Capital transfer to non-financial corporations (2006, 2007): MÁV Zrt. acquired old government claims against Russia and the government cancelled the claim. The information was based both in financial and non-financial accounts on Ministry of Finance communication.

Transfer of privatisation receipt from sale of MÁV Cargo to MÁV (2008): Indirect privatization of MÁV Cargo took place by the owner company, the MÁV ZRT. The proceeds were kept by the company. The transaction was recorded as capital transfer to MÁV Zrt. counterbalanced by an imputed equity withdrawal from MÁV Zrt. in financial account in the same amount.

Claim cancellation of "old government claim" Mozambique, Cambodia (2009):

VAT reimbursement adjustment due to European Court decision (2009-2010): On the basis of EU Court decision VAT reimbursement was recorded in 2009 on an accrual basis. The accrual adjustment was counterbalanced by other financial liability (AF.7) imputed in the same amount.

Reduction of EU transfer revenue related to court decision of VAT (2009, 2012): EU court decided that VAT part of capital expenditures cannot be financed from EU funds in some projects. This amount was accounted in 2012 as a one-off expenditure (transfer to EU) on an accrual basis. It was counterbalanced in financial accounts as other financial liability in the same amount imputed.

Transactions related to a call on a government guarantee (BTA) (2010): The transaction was recorded on a gross basis: the call on government guarantee on a Kazakh bank (BTA) liability was recorded as capital transfer payable to rest of world; the financial assets received by the government were recorded as capital transfers received by government. The data sources were the final report and Ministry of National Economy communication. The

recording of transaction was reconciled between balance of payments, financial and non-financial accounts.

Owners' loan provided to MALÉV Plc. and neutralization of expenditure of 2010 (2010-2011): All the capital injections and ownership loans provided to MALÉV in 2010-2011 were recorded in non-financial accounts as capital transfers. The other adjustment in 2010 related to an ownership loan included in public account in 2011 but recorded already in national accounts in 2010. In 2011 the other adjustment was composed of the neutralization of this public account entry and a newly issued ownership loan to MALÉV. There was no need to make adjustments in financial accounts because all transactions were recorded above the line.

Subsidy to MÁV Zrt. financed by issuance of guaranteed securities (2011): MÁV Zrt. is entitled to receive regular subsidy from government. In 2011 instead of paying subsidy government authorized the public company to issue securities. In non-financial accounts the subsidy was imputed. In financial accounts the securities issued by the company were reclassified into the central government (government debt).

Imputed transfer to households related to early repayment of mortgage loans and Imputed taxes connected with early repayments of mortgage loans (2011-2012): Government contributed to the repayment of households' mortgage loans. The contribution took place in the form of reimbursement of special taxes on financial institutions mostly in 2012. In the non-financial account transaction was recorded in a gross and accrual basis: an imputed capital transfer was recorded to households at time of the repayment of loans and imputed special tax revenue at time the tax accrued. In the financial account other financial liability was created reflecting the time differences between the two events.

Debt assumption from local governments (2012): The transaction was recorded as capital transfer in financial accounts. In financial accounts both data sources used – ÁKK report on government debt and monthly report of financial institutions – reflected the transaction. There was no need for imputation.

Imputed mobile phone concession fee (2012): The proceeds of the annulled tender were not recorded in public account. In the non-financial accounts revenue was imputed and in financial accounts the other financial liability of government was cancelled. Originally the data source for the other financial liability was the Treasury daily report.

3.7. General comments on data sources

Fiscal data: Uniform fiscal data are available for all subsectors of fiscal sector due to uniform accounting and reporting and budgetary presentation (economic and activity classification).

Changes in accounting rules: Government Decree 4 of 2013 (I. 11.) on accounting of fiscal sector (legal government units) indicates possible introduction new accounting rules in 2014, depending on preparations. The concept of accounting reform is to clearly separate the two accounting at unit-level, which are mixed at the present rules:

- a) the budgetary accounting, which remains cash flow in line with national budget presentation,
- b) general ledger accounting, which turns into similar to modified accrual concept of accounting in a simplified way. The aim is to get harmonised stock and flow data on accrual basis.

Details of accounting rules and supporting software are under development.

3.8. EDP table 4

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

3.8.1 Trade credits and advances

Trade credits and advances (AF.71 L) is taken from the financial accounts balance sheet.

In the financial accounts the data sources are the balance sheets of government units:

- Central government institutions;
- Intra-government funds;
- Social security funds;
- Local government units.
- Entities classified into the government sector.

For budgetary government institutions and corporations classified into the general government sector, quarterly balance sheets are available. The coverage is full.

As the data are directly taken from financial accounts they are fully consistent with the transactions net incurrence (-) of other liabilities (F.6 and F.7) I table 3A. In table 3A the data cover other accounts receivable/payable, excluding trade credits and advances (F.79) as well.

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

This item is not relevant in the Hungarian practice.

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

There is no separate revision policy for EDP data and GG national accounts data. There is a revision policy of HCSO on national accounts and this refers to GG data as well.

Revision policy

Regular revisions

From June 2009 the data of quarterly and annual national accounts are revised and published according to the following plan:

Regular revisions

Subject	Deadline (months)	Notes
Quarterly and annual flash estimates (GDP index)	T+45 days	
First preliminary data of quarterly and annual GDP	T+70 days	Annual data of the previous year, the sum of the four quarters
Quarterly sector accounts (government and rest of the world sectors)	T+90 days	
Annual National Accounts, second preliminary data	T+9	
First revision of quarterly GDP based on annual (T+9) data	T+10.5	Published together with flash GDP data of quarter 3
Preliminary regional GDP	T+16.5	
Annual NA revision, regional GDP	T+21	Based on preliminary SUT
Second revision of quarterly GDP based on annual (T+21) data	T+22.5	Published together with flash GDP data of quarter 3
Optional revision of annual NA	T+33	Based on final SUT
Optional third revision of quarterly GDP based on annual (T+33) data	T+34.5	Published together with flash GDP data of quarter 3

The publication dates of revisions and revised estimates are adjusted to EU requirements, Hungarian user needs, and the dates of generation of more accurate basic data and more detailed new information. Accordingly, the first flash estimate is published t+45 days and is followed by a further three more detailed and accurate estimates. The new revision policy of Regional Accounts came into effect in 2010 and that of the SUT-based final data in 2011. Currently SUT is published T+36 months.

The latest benchmark revision was in September 2011. NACE Rev.2 was introduced into national accounts (in line with COM 715/2010), as well as supply and use tables (SUT) was integrated in the production process of NA. The benchmark revision due to the new ESA can be implemented in 2014 or 2015, depending on future events.

4.1.2 Relating to debt and financial accounts

Preliminary quarterly financial accounts are published by t+46 days, while final data are published by t+92 days.

When preliminary accounts are compiled backward data are not modified.

Revisions during the compilation of final quarterly accounts:

Quarter I: three years data can be revised (normal revision), and exceptional revision to previous periods is also allowed.

Quarter II: one year data can be revised, no exceptional revision to previous periods.

Quarter III: three years data can be revised (normal revision), and exceptional revision to previous periods is also allowed.

Quarter IV: only data of the previous quarter of the same year “can be revised, no exceptional revision to previous periods.

The same revision policy applies to the government debt as well.

Magyar Nemzeti Bank (NBH) in every quarter publishes the impact of the revisions made in the same quarter on the net lending/net borrowing of the different institutional sectors.

4.2. Reasons for other than ordinary revisions

In recent years several occasional revisions took place due to methodological reasons mostly stemming from GNI requirements and SUT integration in national accounts. In these cases all years are revised when methodological changes are relevant.

Some examples from recent years:

According to ESA fines and penalties must be accounted as D.7, but in annual financial reports of budgetary institutions they are included into operating revenues. That is why in national accounts they were accounted as P.131, but they were corrected and reclassified into D.7 mainly due to SUT integration.

13 off-balance sheet PPP assets connected with higher education were reclassified into the central government subsector from 2007. The reason of reclassification that government partner took back the operation of the project (as well as availability risk). Due to the reclassification and a model for share of interests and repayments of PPPs P.2, D.41, K.1 and F.4 data were changed.

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"

Official register of government units are managed by the Hungarian State Treasury, HCSO receives updated register of GG units on a monthly basis. For the time being all government units are classified in general government sector in national accounts.

The business register managed by the HCSO does not include information on the structure of ownership of institutional units. In order to decide whether a company belongs to the public sector or not, the composition of share capital by owners is used from the balance-sheet information (breakdown of the subscribed capital by owner sectors) included in the annual corporate tax declarations reported by the National Tax and Customs Administration to the HCSO and NBH on individual basis.

According to the current practice, enterprises with 50% or more public (central or local government) ownership are regarded as public companies and are subject to the application of 50% rule. In addition, enterprises with indirect public ownership (cases where the enterprise is controlled by another enterprise with public ownership) are classified and data cleaning process is used to identify incorrect records. The identification of corporations indirectly controlled by the government is carried out by reviewing annual reports of corporations with direct government ownership (where subsidiary companies are listed).

5.1.1 Criteria used for sector classification of new units

Generally new units are treated in the same way as existing units. All public corporations are subject to market/non-market test based on the last three years data available from tax declarations provided by Tax authority. However when large new public unit is established we make decision on classification immediately based on business plans and all available information from government and other sources. That was the procedure in recent years in the case of MAV Start, ÁAK, National Asset Management Corporation etc.

5.1.2 Updating of the register

The first public register containing all corporations directly or indirectly controlled by general government units was compiled at the beginning of 2012 for the reference year of 2010. The updating process is going to be conducted every year after annual reports and tax declarations are available from the tax office. The annual reports are at hand with T+6 months time lag, the tax declarations with T+8 months time lag. The first assessment of public corporations with direct government ownership is made by the HCSO before the September EDP notification. The compilation of the public register including subsidiary companies as well and the detailed assessment of the units can be finished by the end of the year.

5.1.3 Consistency between different data sources concerning classification of units

Classification of units in general government is decided by EDP expert group (HCSO, NBH, MNE) which ensures that all institutions involved in national accounts and EDP statistics treat GG sector exactly the same way. List of non-budgetary units classified in GG sector is published by NBH and MNE on their website. HCSO publishes it in EDP Inventory as an annex also available in HCSO website.

5.2. Existence and classification of specific units

1. Non-profit institutions

Based on the results of the full coverage non-profit surveys of more consecutive years we have completed an approximately correct classification of the NPIs.

The preliminary sectoral breakdown of the institutions is performed with the help of an algorithm which has been developed on the basis of the ESA95 classification criteria: legal form, type and field of activity, structure of incomes and expenses. However the newly established institutions and those which are mainly financed or controlled by the government are needed to be classified on a case-by-case basis.

99 non-profit institutions are reclassified as government units into Central Government subsector by the Hungarian Statistical Office based on the annual statistical survey on 2012.

The main units (total income in 2012 more than 5 billion HUF) are:

Magyar Közút Nonprofit Zrt.

Radioaktív Hulladékokat Kezelő Közhasznú Nonprofit Kft.

*OHÜ Országos Hulladékgazdálkodási Ügynökség Nonprofit Korlátolt Felelősségű Társaság
Educatio Társadalmi Szolgáltató Nonprofit Kft.*

Tempus Közalapítvány

VÁTI Magyar Regionális Fejlesztési és Urbanisztikai Nonprofit Kft.

Magyar Nemzeti Filmalap Közhasznú Nonprofit Zrt.

Vasútegészségügyi Szolgáltató Nonprofit Kiemelten Közhasznú Kft.

118 non-profit units are reclassified as government units into Local Government subsector by the Hungarian Statistical Office based on the annual statistical survey on 2012.

The main units (total income in 2012 more than 1,5 billion HUF) are mainly hospitals whose legal status changed from non-profit to budgetary institution since this year and some other units namely:

Egészségügyi Járóbeteg Központ Szolgáltató Nonprofit Kft.

Gyógyír XI. Egészségügyi Szolgáltató Nonprofit Kft.

Pestszentlőrinc-Pestszentimre Egészségügyi Szolgáltató Nonprofit Kiemelten Közhasznú Kft.

Szent Margit Rendelőintézet Nonprofit Kft.

XIII. Kerületi Egészségügyi Szolgálat Nonprofit Kft.

Városgazda XVIII. Kerület Nonprofit Zrt.

Miskolci Városgazda Városgazdálkodási Közhasznú Nonprofit Kft.

To determine the rate of the public financing we have the exact information from the non-profit comprehensive survey and we apply the 50-percent rule. We cross-check the collected data for these GG payments: subsidies, sales and other subsidies on production from the budgetary sources on individual basis.

Regarding the ownership of units which are non-profit corporations an additional question was inserted in the non-profit questionnaire for the year of 2011, in order to check their sector classifications. This resulted in some adjustments of our lists.

2. *Quasi-corporations*

Not relevant in Hungary.

3. *Infrastructure companies*

Public utility companies, which owners are in majority government units, are examined regularly as well as the other public enterprises. We follow the related ESA paragraphs (3.32, 3.33) to determine their sales and production costs and compare them. According to the result of this comparison – taking into account the last 3 years – these companies do not show less than 50 % ratio of the production costs divided per sales. So these public utility companies are considered to be market producers and classified into the S.11 non-financial corporations sector.

From Hungarian State Railways Company (MÁV) group MÁV-Start (passenger railway company) is classified into general government. MÁV and its other subsidiaries are considered to be market producers based on their market test. To calculate the market test of MÁV we use depreciation from its financial statement. Its sale of revenue mainly consists of fee collected for operating the railway network, paid by MÁV START, MÁV-TRAKCIÓ (traction) and the Rail Cargo Hungary, besides MÁV receives subsidies on products from central government.

The National Infrastructure Development Company (NIF) and the State Motorway Management Company (ÁAK) are classified into general government sector. Their classification is based on the fact, that these companies are mainly financed and controlled by the government.

The Budapest Transport Company (BKV) operates among others the metros as well and according its cost-sale ratio is still a market producer, in its case we use depreciation as cost element instead of ESA95 based consumption of fixed capital.

For request of Eurostat we examined public utility companies separately, nevertheless these companies are part the regularly market test as well. According the result of their market tests these companies proved to be market producers.

Public companies operating airports are classified into non-financial corporation's sector, except one (Pécs-Pogány) which was already classified into general government sector before its structural and ownership change, now it is a subsidiary public corporation and its classification is under examination.

4. *Universities, schools*

For the time being all public schools and universities are classified in general government. In the future for some universities the market test could be relevant.

5. *Public television and radio*

They are classified in general government as they are non-market producers.

6. *Public hospitals*

Time of recording – 6.1 Taxes and social contributions - EU flows

All public hospitals are classified in general government as financing by social security fund is treated as transfers rather than sales of services.

7. *SPVs*

Not relevant in Hungary.

8. *Specific public units involved in financial activities*

Not relevant in Hungary.

9. *Other specific units*

Not relevant in Hungary.

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".

In Hungary the time adjusted cash method is used to record taxes. 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: monthly reports of Hungarian State Treasury.

Cash data are received from monthly reports of Hungarian State Treasury for the first EDP notification, while we get data from final accounts of State Budget for the October notification. Final accounts are sent in period t+7 months.

Accrual adjustment of some tax types:

- Taxes on products:

VAT: tax payments are time adjusted with one month, VAT reimbursement is recorded on accrual basis based on a special data compilation of National Tax and Customs Administration of Hungary.

Excise duties, cultural contribution, gambling tax, contribution to tourism and innovation contribution are time adjusted with one month. Surtaxes for financial institutions are adjusted with two months, while turnover taxes of medical products with three months. Tax revenue of SS funds has increased from the year of 2012 with public health product tax and tax on collision insurance. These are 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, as well as simplified corporation tax and sectoral surtaxes.

Local tax on company sales: advances are recorded on cash basis, considering payments twice a year and fill-up obligation by the end of the tax-year. Final tax liability is recorded on due for payment base (in May of year t+1).

- Other taxes on production:

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

Tax on sales after representative employees of medical corporations is adjusted with three months.

- 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 May 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, while extra capital taxes are time adjusted with two months.

Interests on late payments and fines are recorded on cash basis as D.75 for all types of taxes.

Data for year t become available after approving annual act on final accounts (in period t+7 months).

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.

Similarly to taxes in Hungary the time adjusted cash method is used for recording social contributions.

Cash data for social security funds are calculated from monthly reports of Central Administration of National Pension Insurance (Hungarian abbreviation ONYF) and National Health Insurance Fund (Hungarian abbreviation OEP).

The first EDP notification is based on quarterly accounts, while the October notification 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.

Monthly Treasury accounts are used for accrual adjustment of SS contributions at HCSO.

SS contributions paid to Labour Market Fund are time adjusted with one month. Data source for time adjustment: National Tax and Customs Administration monthly reports.

Social contribution tax (Act CLVI of 2011) was introduced in 2012. The social contribution tax is a compulsory payment imposed on the employers based on the granted wages. The social security contribution has been ceased at the same time. The main change is that the new tax does not entitle employees to draw on social security services. Tax rate is 27% of income.

Due date is the 12th day of the following month. This tax type is time adjusted with one month.

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

General rules of procedures, rules and presentation of EU-funds in –Hungary are the following.

The basic concept of channelling EU-funds via the national budget or not is based on whether national authorities prepare the programmes and make effective decision on beneficiaries and on the amount, whether the programme requires national co-financing:

- a) **if national authorities acts on behalf of EU** and its role is mainly checking the entitlements (mainly direct subsidies), EU-funds are managed out of the budget via assigned authority (Mezőgazdasági és Vidékfejlesztési Hivatal (MVH, Agricultural and Rural Development Agency)). Monthly detailed monitoring report is available covering all involved transactions, including EU reimbursements, disallowances. This report provides source for recording agricultural interventions made on behalf of EU and accounted in national account following the concept of “shell” classified in S.11 Non-financial corporation sector;
- b) **if no national authorities are involved at all** due to direct link between EU budget organs and the beneficiary (direct application to EU and direct financing from EU), EU-funds are managed by the beneficiary, and if it is a legal government unit, it reports data on availability and use of EU-funds in its financial report;
- c) **in all other cases, national authorities elaborates, presents and negotiates programs with EU and makes individual decision on projects and amounts by beneficiaries**, EU funds are channelled via the national budget, and follow the general budgetary rules, including public accounting. Nemzeti Fejlesztési Ügynökség (NFÜ, National Development Agency) as a central budgetary institution (supervised by the Ministry of National Development) is responsible for managing budgeted EU-funds. Under the New Széchenyi Plan HUF 8000 billion is available from Hungarian central budget and European Union funds for 2007-2013. The allocation of such a huge amount of funds requires thorough preparations and planning based on extensive social partnership and in Hungary NFÜ is responsible for the related functions. The institution is responsible inter alia for the following: co-ordination of the operational program’s planning; monitoring of their implementation; finalization of the calls for applications; selection of the developments, investments to be awarded support; operation of the related system of institutions; administration of the necessary EU consultations and preparation of the prescribed documents.

In case of type a), the Hungarian State Treasury (on behalf of the State) makes an advance payment to MVH to finance the subsidies outside the national budget (an internal loan within the Central Government, theoretically included but not reflected to consolidation in Table 3B Currency and deposits (F.2) and Loans (F.4). MVH maintains special treasury banking accounts for EU reimbursement as well, from which source it repays the advance. Any EU refusals due to disallowances are covered from a dedicated national budget appropriation,

and revaluation gains and losses related to advance payment by the Treasury are also accounted in this budgetary line item. As this budgetary line item appears in the working balance of the central government in EDP Table 2A, effects of revaluation gain or loss are neutralised among exclusion of financial transactions included in the working balance (under the item of Other financial transactions (+/-)).

In case of type c), the advance payment from EU is deposited with the Hungarian State Treasury, outside the national budget (in EDP Table 3B EU advance payments kept at the Treasury are recorded as F.2 of central government, therefore are shown in EDP table 3B under Currency and deposits and at the same time under F.7 Other financial assets. EU funds are recorded as budgetary receipts on expenditure basis. Expenditures related to final use by budgetary units or transfers to non-fiscal units include national co-financing part as well. Detailed economically classified expenditure data are available to make distinction between final use by fiscal unit or transfer to non-fiscal non-government units. There are quite often time-lags for appearance of EU-receipts later than the expenditures, thus accrual adjustments are needed. The source data are budget figures and NFÜ-data on more-detailed level for accrual adjustment. In the final phase of projects, the national budget covers the expenditures in 100 %, and NFÜ analytic register provides data on advance payment made by the national budget. These records are the basis for allocating EU-funds to the appropriate year. After final checks made by EU, the reimbursements of the final parts are presented in a dedicated budgetary line item, definitely separated from the budgetary chapter of EU developments that cover the ongoing projects. Reimbursements of the final part that are received in the subsequent year or later are checked and matched by NFÜ. NFÜ also manages the cases of EU-refusal by amending the national budget. In EDP Table 2A, the adjustment to the differences between the expenditures recorded in the budget and not yet received from EU-budget is recorded under the item Other accounts receivable, relates to "EU transfers" line.

Local governments are dominantly involved by NFÜ-organised EU-projects, they receive EU-funds plus national contribution via the general NFÜ budgetary scheme (type c)).

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.

Cash-flow, Schengen and Transitional facilities were part of EU funds that are channelled via State Budget and operated under general budgetary rules. Payments received in cash were part of the Working balance of Central Government.

Cash-flow facilities were received between 2004 and 2007, and were treated in the same year in EDP and general government accounts as the cash, coded D.74 Current international transfer. No adjustment was needed in EDP Table 2A.

Schengen facilities were available between 2005 and 2007. The general rules established by Hungarian statisticians were applied for Schengen facility as well. As the budgetary rules required to record EU funds and use EU funds at the same time with short time-leg, no accrual adjustments were needed. Project revenues and expenditures of Schengen facilities funds were part of the working balance of the Central Government in Table 2A.

PHARE and Transitional (successor of PHARE) facilities were available between 2000 and 2010. The general rules established by Hungarian statisticians were applied for PHARE and Transitional facility as well. As the budgetary rules required to record EU funds and use EU funds at the same time with short time-leg, no accrual adjustments were needed. Project revenues and expenditures of PHARE and Transitional facilities funds were part of the working balance of the Central Government in Table 2A.

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).

Hungary is involved in Jeremie programmes. Following the concept of centralised budget implementation system, Jeremie programmes are organised in the same way as other EU-funds channelled via the State Budget. No holding fund was established. EU funds are kept at Treasury Accounts until their transfer to final beneficiaries. Magyar Vállalkozásfinanszírozási (MV) Zrt. (Venture Finance Hungary Private Limited Company) a public corporation, member of MFB-Group, classified as S.12 Financial corporation) is entitled for managing the funds making payments from the relevant treasury accounts by acting on behalf of NFÜ in the period 2007-2015. MV Zrt. receives services charges and guarantee fees.

Financial intermediaries are chosen by competition procedure. Transfer of money – via the State Budget – to final beneficiaries is paid when the financial intermediaries made decision on the beneficiaries and the amount. Jeremie-1 programmes now result in some repayments from final beneficiaries after 3-5 year use. This repayment appears among the budget receipts in national budgetary presentation and can be used for new payments to beneficiaries.

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.

Time of recording - Military expenditure

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.

In Hungary the Mezőgazdasági és Vidékfejlesztési Hivatal (MVH) (Agricultural and Rural Development Agency), a central budgetary institution (under the supervision of the Ministry of Rural Development) exercises the role of market regulatory agency, beside its main task: being the sole paying agency of EU direct subsidies in Hungary. It implements the aid instruments financed from European Agricultural and Rural Development Funds, both EAGF (European Agricultural Guarantee Fund) and EAFRD (European Agricultural Fund for Rural Development) and besides that, MVH also implements national schemes. MVH as an office is classified into the S.1311 Central Government sub-sector.

MVH reports the stocks and transactions on interventions on quarterly basis. These reports are used for creating a notional unit and recording the stocks and flows of the market regulatory notional unit, which is classified into .central government subsector in statistics.

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.

Data sources for military equipment in Hungary are budgetary accounts of Ministry of Defence and investment survey by HCSO.

6.3.1 Types of contracts used by military forces for the procurement of military equipment

In Hungary there are arrangements within the government sector (manufacturing by government units) and neither do sales agreed in advance with industrial suppliers, with or without government pre-financing exist.

Concerning long-term rental contracts, the Gripen contract an operative leasing of 14 military aircraft from an industrial Supplier exists. Existing aircrafts had to be reconstructed to meet NATO-compatibility criteria, the crew and subsidiary staff had to be trained, ground-control and other facilities for navigation and communication had to be placed in Hungary. The contract identified a 10-year rental period starting from the availability of the first reconstructed aircraft, that was actually in 2006 and 2007. From 2012 the rental period was extended till 2026. The Gripen transactions are recorded in a way of financial lease, following the Eurostat guidelines.

Time of recording - Military expenditure

Trade credits (payments after delivery) occasionally occur. In recent years their amount was 3-10 billion HUF per year.

There are only a few cases of purchasing through an international special agency. There was one case in 2009 and one in 2011 (through NATO agencies, or in the framework of the NATO Security Investment Program (NSIP)).

6.3.2 Borderline cases

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

6.3.3 Recording in national accounts

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

In the case of the Gripen contract, a special model has been worked out for proper transformation of budgetary information into national accounts records. This model delivers consistent data for BoP/IIP statistics and national accounts. This model aims the reclassification of the cash payments relating to the operating lease recorded in budgetary accounts into financial lease to be recorded in national accounts. The contract can be divided into 2 parts: a pre-payment period and a rental period. In the pre-payment period, between 2001 and 2005 the budgetary payments were reclassified as financial transactions, loans to the RoW. The delivery of assets took place in 2006-2007 increasing the immediate consumption in non-financial accounts. In financial accounts, in these two years, the loans granted were decreased to zero and loans issued by the central government increased. Since then part of the payments is reclassified as financial transaction (amortization of debt). Interest payments are recorded as other adjustment. The regular cash payments also cover additional services provided by the RoW (training, maintenance). In the financial accounts the decrease of loans is imputed. Since the contract, the payments and the imputed loan take place in foreign currency, revaluation is calculated due to exchange movements as well.

Time of recording -Interest

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 10 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)	<i>cash and accrual</i>	<i>M</i>	<i>M</i>	<i>M</i>	<i>M</i>	<i>M</i>	<i>M</i>	
Securities other than shares (AF.3)	<i>cash and accrual</i>	<i>cash or accrual</i>	<i>M</i>	<i>M</i>	<i>cash</i>	<i>cash or accrual</i>	<i>M</i>	<i>M</i>
Loans (AF.4)	<i>cash and accrual</i>	<i>cash or accrual</i>	<i>M</i>	<i>M</i>	<i>cash</i>	<i>cash or accrual</i>	<i>cash</i>	<i>cash</i>
Other accounts receivable (AF.7)		<i>M M</i>	<i>M</i>	<i>M</i>	<i>M</i>	<i>M</i>	<i>M</i>	<i>M</i>

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

For the whole legal general government budgetary data on interest expenditure are available. Budgetary data are on cash basis according to the special rules on budgetary accounting.

In addition, for the main unit of central government accrual data on interest expenditure are calculated by Debt Management Agency Ltd. (ÁKK Rt.). Regarding securities other than shares, data for the main unit of central government are available on security by security basis for HCSO and NBH. However the calculation of accrual data is implemented by ÁKK using the method developed by the statistical authorities.

Data on other budgetary institutions are available on a cash basis.

Regarding units reclassified into the central government subsector interest expenditure data are on an accrual basis. For corporations the income statements, for non profit institutions the annual survey on NPIs is the data sources.

Local government interest is available on a cash basis both for the main units and the other budgetary institutions. Accrual adjustment is made by the NBH using securities statistics and banking reports.

Interests of units reclassified into the local government are on accrual basis.

Social security interest data are available on a cash basis.

In the financial accounts, the accrued interest is recorded under the appropriate instrument.

In the EDP notification tables accrual adjustments are reported both in tables 2 and 3 in the lines "Difference between interest paid (+) and accrued (EDP D.41) (-)". It is a complex task to reconcile the items in the two table sets, because they reflect the different approaches of non-financial and financial accounts. The adjustments are different for five reasons.

1. In tables 2 adjustments made both to interest expenditures and revenues are included in this item. In tables 3 only the adjustment made to expenditure is presented in this line.
2. In public accounts and in table 2 discounts and premiums at issuance of interest bearing (coupon) securities are included in cash interest expenditure and revenue at time of issuance. In tables 3 these items are included in the cash interest at redemption. The difference of the two approaches is reflected in the line Issuances above (-)/below (+) par". When comparing the accrual adjustment of the two table sets this item also should be taken into account.
3. In public accounts and in tables 2 the difference between the nominal and redemption value is also included in the cash interest. In table 3 it is recorded under "Redemptions of debt above (+)/below (-) par". This item also should be considered for the comparison.
4. In public accounts and in tables 2 swap interests are included both in cash and accrual items. In tables 3 swap interests are added only to the accrual item.
5. Accrual adjustment in tables 2 include only the legal government subsectors, accrual adjustment in tables 3 include reclassified units as well.

6.4.2 Interest Revenue

Interest revenue data on cash basis are available for the whole legal general government sector. Reclassified units have accrual source data.

Debt Management Agency Ltd. (ÁKK Rt.) calculates accrual interest revenue data for the main unit of central government. Accrual adjustment of other parts of general government (if relevant) is calculated by the NBH using securities statistics and banking sources.

In the EDP notification in tables 2 the related accrual adjustments are reported under the line "Difference between interest paid (+) and accrued (EDP D.41) (-)". In tables 3 they are reported in different lines of "Net acquisition (+) of financial assets".

6.4.3 Consolidation

Consolidation of interest between subsectors is based on the estimations worked out in the interest income matrix.

Interest income matrix is compiled for the whole economy. Its source data are taken from the monetary and securities statistics, balance of payments and different budgetary and corporate reports. (In the case of central government assets and liabilities, accruals worked out by Debt Management Agency are built in the interest income matrix.) If data are not available from these sources (for example in the case of loans provided by government subsectors) it uses estimation based on stock and interest rate data. Interest income has the same structure in the matrix as the underlying financial instruments broken down by issuer and holder (sub) sectors. Consolidation is made inside the central and local government subsectors and between these subsectors. Social security subsector has not interest revenue at all and it does not pay interest on the loans borrowed from central government; there is no consolidation issue for this subsector.

Consolidation generally has a negative impact on the local government net lending/net borrowing, and with the same amount improves the central government B.9.

6.4.4 Recording of discounts and premiums on government securities

In the public accounts premiums and discounts on interest bearing (coupon) government securities are recorded as a lump sum at issuance as interest revenue and expenditure. The discounts on zero coupon bills enter into the working balance at redemption.

In the national accounts premiums and discounts (including the discount on zero coupon bills) are spread over the lifetime of the assets. In tables 2 of EDP notification the adjustment is included in the line "Difference between interest paid (+) and accrued (EDP D.41) (-)". The adjustment means the elimination of the lump sum amount of the public account and the inclusion of the spread amount which is considered as accrued interest.

Entities reported under "Other government bodies" in table 2 do not issue securities above/below par. However, corporations and non-profit institutions included in the government sector report true accrual figures for interest income.

While in the public accounts premiums are recorded as interest revenue, in the national accounts spread premiums are treated as negative interest expenditure.

The repayment of discount is identifiable from the redemption of the security. By that time the stock of accrued interest of premium/discount must be equal to the amount of premium/discount at issuance. If the security is repurchased before the deadline the stock of accrued interest is lower than the initial amount. In this case the rest is recorded as holding gain or loss.

6.5 Time of recording of other transactions

Transactions are recorded on accrual basis according to ESA95 rules. Cash data sources are used in case of budgetary institutions, and accrual data sources are used in case of entities classified into the general government.

Accrual non-financial flows in most cases are consistent with other accounts receivable/payable (F.7) recorded in financial accounts. The accrual adjustment is the same in the non-financial accounts as it is recorded in financial accounts on F.7 with the following exceptions:

- gross fixed capital formation: different data sources are used in the non-financial and financial accounts. In the non-financial accounts GFCF is recorded according to the accrual data from the HCSO gross fixed capital formation survey. It means that cash data from the public accounts are changed for this accrual data. In the financial accounts balance sheet data are used as accounts payable for investments minus advance payments.
- wages and salaries: in the non-financial accounts monthly budgetary cash-flow statements (for central government) and supplementary tables (for local government) from the Treasury are used for 1-month time adjustment of wages and salaries. In financial accounts the same method and sources are applied but an additional adjustment is recorded in the case of advance payment. It means that wages paid out at the end of December from advances granted by the Treasury appear in the budgetary statements only in January next year however the true cash-flows occur in December.

Time of recording of the following transactions:

- Subsidies payable:
Agricultural subsidies (D.31 and D.39), in the case of SAPS and national top-up subsidies are recorded on accrual basis, the exact data come from the satellite agricultural accounts. Further items are recorded on cash basis. Data sources are reports of Agricultural Agency and final accounts chapter for Ministry of Rural Development. Subsidies for public transport to railway- and bus companies (D.31) are recorded on time adjusted cash basis with one month delay. Basic data sources are the budget reporting.
- Current and capital transfers payable are recorded when they are paid. Basic data sources are the budget reporting.
- Gross fixed capital formation is recorded according to the accrual data from the HCSO gross fixed capital formation survey.
- Dividends (and interim dividends) receivable are recorded at the time they are due to be paid and examined by the super dividend-test regarding the year concerned. Interim dividends are also examined and compared to the entrepreneurial income of the corporation. If the income is higher than the amount distributed, it is recorded as a dividend. Basic data sources are the budget reporting and profit and loss accounts of corporations.
- Social benefits payable are recorded when they are paid. Basic data sources are the budget reporting.
- Intermediate consumption: cash data are adjusted with the delays in payments according to the changes in stock of payables for goods and services. Basic data sources are the budget reporting, supplementary data sources are the balance sheets of budgetary institutions.
- Compensation of employees is recorded on time adjusted cash basis with one month delay. Basic data sources are the budget reporting and for the local government are Treasury statements.

Time of recording -6.5 Time of recording of other transactions

- Payments for other non-market output: cash data are adjusted with the change in stock of receivables. Basic data sources are the budget reporting, supplementary data sources are the balance sheets of budgetary institutions.
- Social transfers in kind related to expenditure on products supplied to households via market producers: cash data are adjusted with the change in stock of payables relates to the subsidies on medicament, therapeutical devices and purchase of health services by the Health fund.

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 .

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

Government guarantees are provided by the central government and by local government subsector. The beneficiaries are financial and non-financial corporations, households and government sector (local government, non-financial corporations and non-profits reclassified into the GG). Guarantees on assets and on borrowings exist as well. The following description contains information only on government guarantees provided by the central government.

In Hungary there are 3 types of guarantees in legal terms:

1. **Individual guarantees (These are all guarantees on borrowing.):** Government guarantees based on published Government decree and provided by the Minister for National Economy. In most of the cases it is provided to loans for development or investment. The guarantee is provided when the Minister for National Economy on behalf of the Government signs the contract on the guarantee. Issuing a government guarantee is forbidden if there is a probability of non-payment or there is no collateral. In case of a call on the guarantee, there is no automatic debt assumption but the government provides a liquidity-type loan and the National Tax and Customs Administration has a legal authorisation to execute government claim if the beneficiary does not make repayment of this loan.

7. Specific government transactions - 7.1. Guarantees, debt assumptions

2. **Guarantees based on a legal act (One part of that is guarantees on borrowing, the other part is guarantees on assets.):** if conditions - laid down in a legal act – are met, government guarantees are provided automatically. These are provided to some public financial institutions transactions (Hungarian Development Bank Ltd Pte Co. (MFB Zrt), Hungarian Export-Import Bank Ltd Pte Co. (Eximbank Zrt.), Hungarian Export Credit Insurance Pte Ltd. (MEHIB Zrt.), or to financial institutions transactions provided to a large part of the society (housing loan, agricultural loan). It has to be decided in a legal act, some details could be determined in a government regulation. The financial institution has to order collateral in an amount of 50% of the loan. In case of a call on the guarantee, there is no automatic debt assumption but the government provides a liquidity-type loan and the National Tax and Customs Administration has a legal authorisation to execute government claim if the beneficiary does not make repayment of this loan. The expected call on guarantees has to be forecasted in the budget as expenditure.
3. **Guarantees backed by a government guarantee (These are all guarantees on assets):** based on a legal act and in a proportion set in that legal act the Government provides a guarantee for some specialised institutions (Garantiqa Hitelgarancia Zrt., Agrárvállalkozási Hitelgarancia Alapítvány). It is automatically provided if the legal conditions are met. The institutions that provided the guarantee which is backed by the government guarantee have to be prudent in their transactions. In case of a call on a guarantee the Treasury pays, the execution of the government's claim is the task of the institution that gave the original guarantee. The expected call on guarantees has to be forecasted in the budget as expenditure.

The related accounting records on government guarantees are kept exclusively in government public accounts.

Information on government guarantees are made public. Government decrees and the Budget Law sets the limit of the new guarantees provided and there is a table on government guarantees in the Final accounts. This table contains the stock of guarantees annually (year end data) by types or by institutions and for the time period of Q4 (t-1)-Q4 (t)(quarterly data).

Types of guarantees on borrowing:

- Individual guarantees,
- Guarantees related to loans provided by International Financial Institutions/Multilateral Development Banks,
- Guarantees on borrowing of MFB Zrt. (Hungarian Development Bank),
- Guarantees on borrowing of Eximbank (Hungarian Export-Import Bank Private Limited Company),
- Guarantees on agricultural loans,
- Guarantees on borrowing of Diákhitel Központ (Student Loan Company),
- Guarantees on housing loans,
- Guarantees on vocational retraining loans.

Granted guarantees are not recorded in the public accounts, they are treated as contingent liabilities. Therefore only the calls and the repayments of guarantees are recorded as expenditures and revenues.

There are no cases of debt assumption at inception. Debt assumption is only recorded when there is an explicit decision on debt assumption.

There is a special case of a government guarantee to MAV Zrt., when the guarantee is issued substituting a certain part of normal payment for public services based on public service agreement (as in 2011 in an amount of HUF 35 billion.) (In this case the financing of the non paid normal payment for public services is financed from the market and backed by a

7. Specific government transactions - 7.1. Guarantees, debt assumptions

government guarantee.) The interest payment of that government guaranteed debt is treated as a justified cost not covered by income, therefore has to be paid by the government. (The redemption has to be also covered by the government of that kind of government guaranteed debt to MAV Zrt.)

Recording in national accounts

There are data related to stocks of guarantees available for statisticians. Availability of details depends on the type of the guarantee. Data related to guarantees based on a legal act are by institutions (who is the provider of the guarantees) and as for individual guarantees by corporations (who is the receiver of the guarantee) available.

Guarantees in case of calls and when it is certain that the guarantee will be called (according to the financial situation of the beneficiary of the guarantee) are recorded as expenditure in national accounts.

7.1.1.2 Treatment of guarantees called

Recording in public accounts

Guarantee calls are recorded as **expenditures** in public accounts. There is no automatic debt assumption but the government provides a liquidity-type loan and the National Tax and Customs Administration has a legal authorisation to execute **government claim** if the beneficiary does not make repayment of this loan.

Recoverability (repayment) is assessed and calculated for the Budget Law and accounted as a revenue in the budget.

There was a debt cancellation in 2006 in an amount of HUF 4059 million to MTV Zrt. In September 2006 a government guarantee was called in that amount, which created a government claim as was earlier discussed. Later a Parliament decision cancelled this claim. At that time government claim cancellations were treated as expenditures. From 2012 it is not accounted as an expenditure anymore.

According to the previous Public Finance Law (the organic budget law) transactions of debt assumption, claim cancellation and conversion of repayable policy loans for non-repayable transfer had to be appropriated and accounted as budgetary expenditures in public accounts between 1996 and 2011. From 2012 the new Public Finance Law does not qualify these transactions as budgetary expenditures in public accounts. The time-series of the cases:

Debt assumption by government included in the public accounts (billion HUF)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
ÁAK Zrt. (with transfer of road assets)	63,7					20,5				
NA Rt. (with transfer of road assets)	191,0			177,8	415,9	37,6				
MÁV Zrt. (public railway)	57,2									50,0
BKV Zrt. (Budapest public transport)	36,7									
Debrecen Főnix Cultural Complex	4,1									
Local government sport and recreation buildings	2,5									
Local public transport	2,6									
Budapest Arena Cultural and Spor Complex			28,9							
Sportfolió kht. Sport buildings	5,4		2,8							
Budai Városgondnokság (cultural buildings)				2,5						
Local governments: Counties + Budapest										196,0
Debt assumption in public accounts	363,3	0,0	31,6	180,3	415,9	58,1	0,0	0,0	0,0	246,0

7. Specific government transactions - 7.1. Guarantees, debt assumptions

Recording in national accounts

Guarantee calls are in all cases recorded as expenditures in national accounts similarly to public accounts. Debt assumption is recorded when there is a decision made by government.

7.1.1.3 Treatment of repayments related to guarantees called

Recording in public accounts

Repayments by the original debtor are treated as revenues and at the same time as the reimbursement of the liquidity type of loan that was created when the guarantee was called.

Recording in national accounts

Repayments are recorded as revenues in the national accounts.

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

Recording in national accounts

Not relevant for Hungary.

7.1.1.5 Data sources

Depending on the type of the government guarantee whether there are individual data available or just aggregated data.

Calls on government guarantees enter the working balance and are accounted as expenditures.

At the local level calls on guarantees enter the working balance as expenditures as well. However we do not have individual data on stocks of guarantees and the related flows only aggregated data.

7.1.2 Guarantees on assets

7.1.2.1 New guarantees provided

Recording in public accounts

Government guarantees are provided by the central government and by local government subsector. The beneficiaries are financial and non-financial corporations, households and government sector (local government, non-financial corporations and non-profits reclassified into the GG). Guarantees on assets and on borrowings exist as well. The following description contains information only on government guarantees provided by the central government.

In Hungary there are 3 types of guarantees in legal terms: See point 7.1.1.1.

The related accounting records on government guarantees are kept exclusively in government public accounts.

7. Specific government transactions - 7.1. Guarantees, debt assumptions

Information on government guarantees are made public. Government decrees and the Budget Law sets the limit of the new guarantees provided and there is a table on government guarantees in the Final accounts. This table contains the stock of guarantees annually (year end data) by types or by institutions and for the time period of Q4 (t-1)-Q4 (t)(quarterly data).

Types of guarantees on assets:

- Loans and guarantees provided by the Hungarian Development Bank and guaranteed by the government,
- Guarantees provided by Eximbank (Hungarian Export-Import Bank Private Limited Company) and backed by government guarantee,
- Insurances provided by MEHIB (Hungarian Export Credit Insurance Pte. Ltd.) and backed by government guarantee,
- Guarantees by Garantiqa Hitelgarancia Zrt. (Garantiqa Creditguarantee Co. Ltd.) and backed by government guarantee
- Guarantees provided by Agrárvállalkozási Hitelgarancia Alapítvány (Rural Credit Guarantee Foundation) and backed by government guarantee

Granted guarantees are not recorded in the public accounts, they are treated as contingent liabilities. Therefore only the calls and the repayments of guarantees are recorded as expenditures and revenues.

There are no cases of debt assumption at inception. Debt assumption is only recorded when there is an explicit decision on debt assumption.

There are no cases among guarantees on assets when since inception government pays regularly interest.

Recording in national accounts

There are data related to stocks of guarantees available for statisticians. Availability of details depends on the type of the guarantee. Data related to guarantees based on a legal act are by institutions (who is the provider of the guarantees) and as for individual guarantees by corporations (who is the receiver of the guarantee) available.

Guarantees in case of calls and when it is certain that the guarantee will be called (according to the financial situation of the beneficiary of the guarantee) are recorded as expenditure in national accounts.

7.1.2.2 Treatment of guarantees called

Recording in public accounts

Guarantee calls are recorded as **expenditures** in public accounts. There is no automatic debt assumption but the government provides a liquidity-type loan and the National Tax and Customs Administration has a legal authorisation to execute **government claim** if the beneficiary does not make repayment of this loan.

Recoverability (repayment) is assessed and calculated for the Budget Law and accounted as a revenue in the budget.

There were no debt cancellation among guarantees on assets.

There was no assumption of the outstanding amount of debt in case of guarantees on assets.

Recording in national accounts

7. Specific government transactions - 7.1. Guarantees, debt assumptions

Guarantee calls are in all cases recorded as expenditures in national accounts similarly to public accounts. Debt assumption is recorded when there is a decision made by government.

7.1.2.3 Treatment of repayments related to guarantees called

Recording in public accounts

Repayments by the original debtor are treated as revenues and at the same time as the reimbursement of the liquidity type of loan that was created when the guarantee was called.

Recording in national accounts

Repayments are recorded as revenues in the national accounts.

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

Not relevant for Hungary.

7.1.2.5 Data sources

Depending on the type of the government guarantee whether there are individual data available or just aggregated data.

Calls on government guarantees enter the working balance and are accounted as expenditures.

At the local level calls on guarantees enter the working balance as expenditures as well. However we don't have individual data on stocks of guarantees and the related flows only aggregated data.

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.

Claim cancellations do occur, these cases are reported in EDP Tables. This is the case also for claims on loans to foreign government.

There are specific provisions for write-off de minimis amounts of claims, the limit is 100.000 HUF (350 euro), that is more related to payment for services, administrative fees, reimbursements or penalties, and not to claims on loans.

7. Specific government transactions - 7.3. Capital injections in public corporations

Net of increase and write-offs related to claims on loans in public accounts reported as other change in volume (data in HUF million)	2008	2009	2010	2011
1) State /1	-45,9	-383,8	-284,6	0
2) Central budgetary units	-35	-2	-212	70
3) Budgeted funds /2	0	-1700	0	2
Central level government excl. SS Funds (1+2+3)	-81	-2086	-496	72
Social Security Funds	0	0	0	0
Local governments	708	-476	84	490
Total	627	-2561	-412	562

/1 Write-off of loans of corporations for the remaining part of the stock of loans after completing the liquidation process in 2008-2011 years.

/2 Write-off of non-performing loans 1700 HUF million in the books of Labour Market Funds related to short term loans of a special wage guarantee scheme.

7.2.1 New lending

Government can provide owner's loan to government owned companies, loans to financial institutions according to the Stability Act and liquidity type of loan and advances to government institutions.

Recoverability of owner's loan and loans to financial institutions according to the Stability Act is assessed when it is granted.

7.2.2 Debt cancellations

CXCV(2011) New Act on Public Finances sets the general rule, that cancellation of claims can be made only based on specific authorisation of a law within the boundary of central level of legal government. This was also the rule in the previous Law from 2008. The same is relevant for local governments, where these kinds of specific provisions can be set by local government decree. A debt cancellation was recorded as expenditure in the public accounts and in the working balance until 2012. From 2012 it is not recorded as an expenditure anymore.

7.2.3 Repayments of claims

7.2.4 Debt write-offs

Write-offs can be accounted only for cases where the partner no more exists, thus write-off of claims on loans can be accounted in most cases after liquidation of the partner.

Unilateral write-offs (with an entry other change in volume) as it is defined by MGDD related to any claims occur in small amounts in the practice. The so-called balance report includes the elements of changes between opening and closing stock: a) cash transactions, b) non-cash transactions, c) other volume change, d) revaluation. Other change covers plus and minus items, the net amount is reported. No detailed data on write-offs are available from central budgetary institutions and local governments, only for the State, Budgeted Funds and Social Security Funds from their supplementary information attached to the annual financial report.

7. Specific government transactions - 7.3. Capital injections in public corporations

7.2.5 Sale of claims

There was a case of sale of claims against Iraqi.

7. Specific government transactions - 7.3. Capital injections in public corporations

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.

At the central level of government there has always been separate institutional unit for managing state property classified into S.1311 central government subsector, either in a form of budgetary institution or in a form of public corporation.

According to the Act CVI of 2007 on state property, Magyar Nemzeti Vagyonkezelő (MNV) Zrt. (Hungarian National Asset Management Inc.) is the main assigned institution of managing state-owned corporations and privatisation. Its predecessors were also public corporations and wore similar name (Állami Vagyonügynökség, Állami Privatizációs és Vagyonkezelő Rt.). Property-managing entity of MNV (beside its own account office-type activity) belong to the State, its balance sheet is integrated in the government balance sheet, and its transactions are part of a dedicated State Property Management Chapter in the State Budget) from 2008. From 2011 Magyar Fejlesztési Bank (MFB) Zrt. (Hungarian National Development Bank Plc.) also became an entity (beside its banking entity) who manages public corporations similar way as MNV by modification of the law. (Note: National Land Fund also has the same asset-manager status by law in respect to arable land.)

MNV- and MFB-managed capital injections in cash on behalf of the State are made from the dedicated budgetary chapter when appropriated. In kind transactions, such as transfers of shares or securities have to be reported in their monthly report and annual financial report.

Although the national concept of budgetary revenues and expenditures in the State budget includes only cash transactions, accounting rules oblige the above-mentioned property managing entities to record non-cash transactions, such as capital injection in kind, as well. Information is available from monthly and annual report of these units.

Capital injections and purchase of equities in cash are part of the working balance of central government in EDP Table 2A. Amounts related to equity transactions in statistics are neutralised in line of “Equities” under “Financial transactions included in the working balance”. Capital injection in kind, if any and needs adjustment, are recorded among “Other adjustments”.

Capital injection test is made by HCSO and NBH together. In case of central government individual data (by beneficiaries) are available on monthly basis for capital injections made by Hungarian National Asset Management Inc. (MNV Zrt.) and Hungarian National Development Bank Plc. (MFB Zrt.). Based on these data we have the possibility to examine the beneficiary case by case if it is profit-, or loss-making, what is the expected rate of return etc. Besides the activity of MNV and MFB Zrt. expenditures related to capital injections may be accounted in other budgetary chapter as well, for example in chapter of Ministry of National Economy. In the latter case there are monthly reports which may contain detailed

7. Specific government transactions - 7.4. Dividends - 7.5. Privatization-

information related to the transaction or in the supplementary annexes of the annual report there are detailed information to be found according to them the decision can be made.

At the local level of government, the local governments are the autonomous owners of their property, no central control or inspection exists. According to national concept of budgetary revenues and expenditures, transactions of purchase of shares and capital injections in cash are part of the budget of the local governments, thus they are part of the working balance of the local governments in EDP Table2C. No data on individual transactions are collected. Until 2012 aggregated data are available only on total purchase of equities plus capital injections. From 2013 onwards separated data are available for these two categories.

In case of local governments only aggregated data are available. The database includes individual financial reports in which there is a separate line for equities acquisition. For 2010 some local governments which recorded large values on this line were asked about the beneficiaries they injected capital. Possessing this information capital injections tests could be carried out and according to the results 37% of the total capital injections were recorded as capital transfers and 63% as equities acquisitions. Until this examination will be repeated we are using this 37-63% ratio to record the capital injections of local governments.

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 measuring dividends there are three basic data sources, and for applying the superdividend test the financial statements of the public corporations are also available on an individual basis.

1) The first data source is the budget reporting for central and local government. Not only the aggregated dividend revenue data are available, but in the budget execution report the public companies paying the largest dividends into the central budget are also listed.

2) The second data source is the quarterly report by the two holding companies, the Hungarian National Asset Management Company (MNV Zrt.) and the Hungarian Development Bank. The most important public corporations are controlled by these institutions. The report contains the list of public companies paying dividends and the amount of dividend paid. For these companies the superdividend test is applied by HCSO and the results are approved by the EDP working group. Applying super dividend test means comparing dividend paid in the year t to profit after income tax of year $t-1$.

3) The third data source is a specific NBH survey on the largest public corporations (central and local) launched in 2007 available. The survey covers both profit and dividends data.

Recently 19 companies controlled by central government (other than MNV and Hungarian Development Bank) and 23 local government controlled public companies are surveyed by NBH. The super dividend test for these companies is applied by NBH and the result is approved by EDP working group. The survey also covers public companies classified into general government sector, this enables the statistical authorities to reclassify (as D.7) and consolidate dividends paid by these companies.

In rare cases government receives interim dividends. Interim dividends are also subject to superdividend test. In this case the advance payment is compared to the profit reported in the interim financial statement of the company. If the dividend exceeds the half year profit, the excess is recorded as advance payment in the national accounts.

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.

7. Specific government transactions - 7.4. Dividends - 7.5. Privatization-

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 be considered as taking place on behalf of the government?

In Hungary, at the central level of government there has always been separate institutional unit for managing state property and privatisation and classified into general government sector (S.1311 Central Government sub-sector), either in a form of budgetary institution or in a form of public corporation. Due to importance and size of privatisation receipts, documentation of the Final Accounts on implementation the Budget presented to the Parliament includes information on privatisation receipts, irrespectively on recording them in or out of the State Budget in different periods. Between 1996 and 2007 the amount of privatisation receipts to be transferred in the State Budget and the aim of the use of the rest (operation and direct costs of preparation for privatisation) were determined by the Annual Budget Law in advance, so part of the privatisation receipts were included in the working balance of the central government subsector. Between 2008 and 2011 these receipts were collected and used up out of the State Budget, thus were not parts of the working balance.

From 2012 onwards privatisation receipts are again part of the State Budget.

According to Preamble of the Act CVI of 2007 on state property, the period of "institutionalised privatisation" has ended. Magyar Nemzeti Vagyonkezelő (MNV) Zrt. (Hungarian National Asset Management Inc.) is currently the main assigned institution of managing state-owned corporations and privatisation. Its predecessors were also public corporations and wore similar name (Állami Vagyonügynökség, Állami Privatizációs és Vagyonkezelő Rt.). The property-managing entity MNV (beside its own account office-type activity) belongs to the State, its balance sheet is integrated in the government balance sheet, and its transactions are part of a dedicated State Property Management Chapter in the State Budget from 2008. From 2011 Magyar Fejlesztési Bank (MFB) Zrt. (Hungarian National Development Bank Plc.) also become an entity (beside its banking entity) who manages public corporations similar way as MNV by modification of the law. (Note: National Land Fund also has the same asset-manager status by law in respect to arable land.)

Receipts from sale of equities that are part of the Working balance (1996-2007) were neutralised in block of financial transactions, in line "Equity sales" in EDP Table 2A.

In other years, when privatisation receipts were directly paid in the Treasury Single account (off-budget transactions) between 2003-2007, the transfer was accounted as expenditure of MNV thus part of MNV balance, in the line of "Net borrowing (-) or net lending (+) other central government bodies", and were neutralised under the line "Other adjustments" in EDP Table 2A.

Annual reports of the above-mentioned state property managers, and **Government annual report on state property management to Parliament** provides details of transactions; cases of full privatisation or of sale of shares can be separated.

7. Specific government transactions - 7.4. Dividends - 7.5. Privatization-

At the local level of government, the local governments are the autonomous owners of their property, no central control or inspection exists. As receipts from sale of shares are parts of the local governments' budget and may have significant impact on budgetary sources, the financial information system always collects data on purchase and sale of equities embedding in the intra-annual and annual budget reporting. Privatisation receipts are part of the working balance of the local governments in EDP Table 2C. There are no data on each transaction, only cash flow aggregates are available on sale of equities + withdrawal from equities, held long-term (for policy purpose) or short-term (for liquidity purpose). There is no information whether the receipts relate to full or partial privatisation.

From 2013 onwards separate data are available for sale of equities and for withdrawal from equities.

7. Specific government transactions - 7.6. Public Private Partnerships

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.

In Hungary there are several PPP projects in various fields: motorways, prisons, higher education infrastructure, concert hall as well as gymnastic halls for schools. The public partner can be a ministry, university or local government as well. 88 projects were examined in the frames of HCSO's monitoring exercise. Most PPPs started to work during the 2002-2010 period and will last for 15 to 30 years.

<i>Project types</i>	<i>off- balance</i>	<i>on- balance</i>	<i>total</i>
<i>Highway</i>	5		5
<i>Higher education</i>	32	13	45
<i>Prison</i>	2		2
<i>Network</i>	1		1
<i>Concert hall</i>		1	1
<i>Sport facilities</i>	34		34
<i>Total</i>	74	14	88

7. Specific government transactions - 7.6. Public Private Partnerships

Two highway lines (M5 and M6) were carried out in five sections. Two types of higher education buildings were implemented in the frames of a ministerial programme: construction and reconstruction of educational buildings and student hostels. Construction of gymnastic halls and swimming pools was launched by former National Sport Office, in order to amend students' prospects.

At local level we are aware of these sport PPP's only. Service fees are paid by local authorities, and partially supported by the state budget.

There was a regular committee called the PPP Interdepartmental Committee led by the Minister of Economy and Transport and with a membership of HCSO. It was founded by Government decision 2098/2003 (V.29.) on the application of the new forms of partnerships (PPP) between the public and private sector. According to this regulation, all PPP project plans had to be submitted to the committee by the public partner (usually a ministry). Since the HCSO was permanent member of the committee, it was aware of the PPP contracts. PPP Committee was ceased in 2009 by Government decision 1161/2009 (IX. 17.).

As all projects should have been presented to the PPP Committee, HCSO was 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) were also submitted to HCSO. HCSO scrutinised these document in order to decide on the sector classification of the PPP assets.

In Hungary there was not any accepted specific act on PPP's. There are general regulations: Act on Concession No. XVI/1991 (on long term contracts between general government units and non-government partners) and Act No. XXXVIII/1992 on the Public Finance - 12/A.§ (2) , 22.§, 23.§ (on long term obligations of the state).

Government decision 24/2007 (II.28.) on certain rules of long term commitments regulated the conditions of government supporting concerning new projects. A priority rank should have been compiled in every year.

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 prescribes the development of higher education infrastructure with the involvement of private capital. Point 3 stipulates, that preliminary contracts (in case of every project) have to be submitted to HCSO in order to examine whether they can be classified off- or on-balance sheet.

Government decision 1055/2004 (VI. 8.) on the reorganisation of the developing and operation system of sport institutions proposed the building of new gymnastic halls, swimming pools as well as sport halls within the frames of PPP model. The standard contract for these projects was analysed at PPP Committee.

Every other draft contracts for planned projects were regularly discussed by PPP Committee.

7. Specific government transactions - 7.6. Public Private Partnerships

From 2010, the new government started to revise all PPP projects. Government tries to modify contracts, and in some cases (where it can be economically more favourable) aims at the purchase of the infrastructure. There were no new projects during the last three years.

Within the frames of Ministry of National Development the Ministry of State for State Property deals with public-private partnerships.

There has been the Government decision 1219/2012 (VI. 26.) made in 2012. The law contains the planned purchase of several sport PPPs (at local government level) to the degree of 15 bn HUF.

That has been modified by Government decision 1356/2012 (IX. 11.), as a corollary the provided amount was decreased to 11.9 bn HUF.

The Unified Digital Radio Communications System (EDR) has been bought out by government as well, in September 2012.

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

In 2012, HCSO carried out a regular monitoring exercise. From 2013, within the frames of National Statistical Data Collection Program (OSAP), a short questionnaire will provide HCSO regularly main PPP data (e.g. annual service fees, amendments of contracts). This will be an annual, full coverage data collection. Information can be also acquired from the relevant state secretary of the Ministry of National Development, from the ministries involved and from the Treasury. The registration of the PPP projects is the task of the Treasury.

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".

The first contract from 1994 defined M5 highway project as a concession. Later, when the construction of the second stage was commenced, HCSO reclassified that to a PPP project.

In Hungary there are no government guarantees in the fields of PPP. Government wasn't in any other way involved in the financing of the project during the construction phase, either.

7. Specific government transactions – 7.7 Financial derivatives

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 EDPD41of streams of interest payments. "*

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

7.7.1 Types of derivatives used

In accordance with its strategy and benchmark, the State Debt Management Agency (ÁKK) uses swap operations to set the foreign currency composition and to optimise the interest rate composition of foreign currency debt. Cross currency swap (CCRS), interest rate swaps (IRS) and foreign currency (FX) swaps are applied. No other types of derivatives are used. Derivatives issued by other levels of government are negligible.

7.7.2 Data sources

Government Debt Management Agency (ÁKK Zrt.) reports swap interest data on cash and accrual basis and the net stock of CCRS in its quarterly report to HCSO and to NBH.

As the public account contains swap interest on a cash basis HCSO compiling national accounts uses the cash data of this report for eliminating swap interest from the non-financial transactions. It uses the same data for the swap correction in the EDP notification.

NBH has three other data sources:

- ÁKK quarterly report on the stocks of derivative assets, liabilities, revaluations and transactions (including swap interests) vis-a-vis rest of the world;
- central bank's quarterly report on the stocks of derivative assets, liabilities, revaluations and transactions (including swap interests) vis-a-vis ÁKK.
- financial corporations' monthly report on the stock of derivative assets, liabilities, transactions (including swap interest) vis-a-vis the central government.

These three data sources cover all the derivative transactions in the financial accounts. AF.3 financial derivative instruments are recorded as assets or liabilities depending on the direction of the expected future flows (financial revenue or expenditure).

In tables 3A and 3B of EDP notification the swap correction is implemented as in EDP table 2A.

In line with the definition government debt at nominal value presented in the EDP-reporting is an "after swaps" debt.

7. Specific government transactions – 7.7 Financial derivatives

7.7.3 Recording

In the Hungarian practice swap or FRA cancellations never occurred. No off-market swaps have been used.

In the public account swap interest flows are recorded on cash basis. ÁKK also compiles swap interest on accrual basis. For swap adjustment in EDP notification the cash data are used. Data used are complete; no threshold is used in the calculations.

In the financial accounts swap interest related flows are recorded on gross basis meaning they appear either under asset and liability side depending on the balance sheet position of the contracts. Financial transactions are recorded on gross basis but they are netted on contract level. According to this, transactions relating to swap operations can occur under financial assets (F.3) and under liabilities (F.34) in EDP table 3A and 3B. Regarding EDP table 2A, swap interests are recorded in the starting line (WB). As EDP B.9 also includes swap interest there is no adjustment for this item in EDP tables 2. On the contrary, in table 3 there is a need for swap interest because these tables are based on financial accounts where the impact of swap interests is eliminated. The adjustment is included under item “Difference between interest (EDP D.41) accrued (-) and paid (4)(+)”. In the budgetary presentation, swap interests are included in the interest expenditures on net basis.

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.

In Hungary the payments for the use of roads is carried out in the form of buying vignettes. There are 10 days-, monthly- and annual vignettes. The income from the vignettes is classified as sales revenue. Coordination Center for Transport Development (KKK) which is a budgetary institution classified in the central government possesses the vignette revenues. State Motorway Management Co. (SMMC, classified in central government subsector) is responsible for the operation and maintenance of motorways and operation of vignette system.

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.

Emission permits are identified as negotiable property rights and they are part of the national property, Ministry of National Development is entitled for selling quotas that are not distributed free of charge. **2005/XV. Law on trading of emission greenhouse gases** identifies the rules and responsibilities, and details are set by government decrees dedicated to each of trading periods (2005-2007: 2006/66; 2008-2012: 2008/13). **National Inspectorate For Environment, Nature and Water** as first instance authority issues permits for certain activities. It is inter alia national authority and supervisor of emission trading, maintains the national registry of emission quotas, and checks the compliance of applicants and their reports on emission. Receipts from sale of any kind of emission quotas belong to the state and are thus part of the national budget. Final Accounts of Implementation the Annual Budget, monthly fiscal monitoring issued by the Ministry for National Economy and official news issued by the Ministry for National Economy are the main data sources of sale of quotas. The time-series of receipts from sale of different emission quotas are the followings:

Sale of emission trading rights

Year	Budget title	Type	What	To whom	Amount million HUF	ESA-category
2012		EU-s	EUA	non-resident	10 560,4	F.7
2011	16/02/49	Kyoto	RMU (removal units)	non-resident	4 317,9	negative K.2
2010	16/10/2/11	Kyoto	CER	non-resident	1 927,1	negative K.2
2009	16/10/2/11	Kyoto	AAU	non-resident	7 923,3	negative K.2
2008	16/10/2/11	Kyoto	AAU	non-resident	22 008,0	negative K.2
2008	16/10/2/11	Kyoto	AAU	non-resident	6 200,5	negative K.2
2007	42/6/3	EU	EUA	non-resident	257,4	D.45
2006	42/6/3	EU	EUA	non-resident	2 246,7	D.45

7. Specific government transactions - 7.13. Transactions with the Central Bank - 7.14. Lump sum pension payments - 7.15. Pension schemes

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.

There is no information on sale and lease-back transactions in the Hungarian General Government sector until 2011.

In case of central level of legal government sector units, all assets of the units form part of the national property and in case of selling assets; one can have permission from the National Property Management Co. in advance or has to transfer the asset to the National Property Management Co. for selling.

As a new rule, Law CXCV of 2011 on economic Stability of Hungary regulates that all units that are classified into General Government sector in ESA-statistics have to ask permission for contracting repos and financial lease in advance. No application has been known under this regulation.

A new public corporation, namely National Asset Management Co. (classified into the central government sector) was established with a specific social protection function: buying real estates from those individuals whose loan become non-performing due to revaluation of foreign currency based debt. The specific scheme allows rerenting the real estate by the original owners for a social-type rental fee. The scheme provides a possibility for the tenant to buy back the real estate if his financial position allows a within some years. Statisticians investigated the scheme and agreed that these transactions wholly transfers of the economic ownership of the real estate, so the scheme is a real sale.

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.

Securitisation as such is regulated by the Law on credit institutions and financial entrepreneurs, it relates only financial corporations.

7. Specific government transactions - 7.13. Transactions with the Central Bank - 7.14. Lump sum pension payments - 7.15. Pension schemes

Legal government sector (fiscal sector) units are not allowed to issue securities by Law on Public Finances, only local governments and only debt-type securities with approval of Government.

Public corporations and non-profit institutions reclassified in General Government sector also have to ask permission from the Minister for National Economy to issue debt-type securities in advance.

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.

Sale of UMTS licences are recorded in the national accounts as sale of non-produced non-financial assets (K.2) at the time the asset is created and allocated.

The first UMTS tender took place 2004. The concession fee was composed of three parts: 16 billion HUF payments in 2004, 19 billion HUF in 2005 and a series of annual payments. The latter was based on the corporations expected proceeds; the estimated amount was 17 billion HUF. All the 52 billion HUF was recorded as K.2 in 2004. The sum of the 2004 payments and the estimated future annual payments were counterbalanced in financial accounts by other liabilities (F.79).

The second sale of licence occurred in 2007; the proceeds amounted to 20 billion HUF. The transaction was analysed by the statisticians and it was concluded that the allocation of the rights took place in 2008. The payments of 2007 were recorded as advance payments (F.79) in the financial accounts, and it was recorded as sale of assets (K.2) in non-financial accounts only in 2008.

The third tender was announced in 2012. After the tender decision and the payment of the concession fees (44 billion HUF) three existing competitors appealed against the decision asking for the exclusion of the fourth new company. The final decision of the court - annulment of the tender - was made only 2013. Despite of the court case the licences were economically exploited by three old competitors during the year and it was certain that the rights will not be withdrawn from the three service providers in the course of a future tender either. In the national accounts the payments made by these competitors (34 billion HUF) were recorded as sale of assets (K.2) only the payments by the fourth company (10 billion HUF) were considered as advance payment (F.79). This treatment is underpinned by Eurostat advice of 10 April 2013 published on Eurostat website.

In 2013 a series of new tenders were announced. The expected concession fee amounts to 111 billion HUF. The tender justified the statistical treatment of the 2012 tender because the licences were distributed between the three old competitors. The concession fee is foreseen

7. Specific government transactions - 7.13. Transactions with the Central Bank - 7.14. Lump sum pension payments - 7.15. Pension schemes

to be recorded this year diminished by the 34 billion HUF revenue accounted last year in national accounts.

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.

When central bank pays dividend to the central government the amount of dividend is compared to the operating profit of the previous year. If the dividend is higher than the previous year operating profit, the excess is recorded as financial transaction, withdrawal of equity (F.5). Operating profit equals to the net interest income and other operating income minus operating cost. This is the maximum amount that can be recorded as property income, D. 42.

Concerning payments to central bank the Act on Magyar Nemzeti Bank (NBH) regulates the reimbursement obligation by central government. The government under definite circumstances is obliged to cover losses measured in the profit and loss accounts and the negative balance of revaluation reserves. Revaluation reserves include unrealised foreign exchange holding gains and losses and changes in the market value of foreign currency securities.

The recently effective Act CCVIII of 2011 on Magyar Nemzeti Bank (NBH) laid down the following obligations of central budget: central government has to give a capital injection into the bank the following year

- if the sum of profit reserves and the profit of the year is negative
- or
- if the negative balance of the revaluation reserves is higher than the positive sum of profit reserve and the profit of the year.

Any capital injection should always be recorded in the business accounts as an increase in the accumulated profit reserve.

Transfers covering the losses are recorded in national accounts as capital transfers (D.9), while transfers covering the unrealised holding losses in the revaluation reserves are treated as financial transaction, acquisition of equity (F.5). This practice is in line with Eurostat advice of 19 January 2012 (Hungary - Methodological treatment of government injection in the revaluation reserves of the Magyar Nemzeti Bank). http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/documents/HUNGARY-Methodological_treatment_of_government_injection.pdf

7. Specific government transactions - 7.13. Transactions with the Central Bank - 7.14. Lump sum pension payments - 7.15. Pension schemes

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.

Concerning the legal background of such cases, two main types of payments to government from transfer of pension obligations can be identified:

- a) Law LXXXII of 1997 on private pensions and private pension funds (compulsory second pillar of pension scheme) provided some possibilities for limited groups of second pillar pension fund members to come back to the Social Security scheme (age or occupation criteria) between 2000-2010. The lump sum payments were received by the Pension Fund of Social Security (classified in S.1313 Social Security subsector).
- b) General possibility for anyone to choose Social Security scheme in 2011, and a second option in 2012. The lump sum payments were received by a dedicated new off-budget fund called Pension Reform and Debt Reduction Fund (classified in S.1311 Central Government subsector).

Year	Criteria, legal background of coming back to Social Security	Lump sum transfer (in million HUF) to SS Pension Fund (classified in S.1314 Social Security subsector)		Lump sum transfer (in million HUF) to Pension Reform and Debt Reduction Fund (classified in S.1311 Central Government Subsector)	Treated in ESA as
		individual choice	due to disability pension (by law)		
2000	Voluntary members allowed to return to SS scheme until the end of 2000	1 250,0	0,0	-	D. 61121
2001	Voluntary members allowed to return to SS scheme until the end of 2002	2 240,3	151,8	-	D. 61121
2002	a) Voluntary members allowed to return to SS scheme until the end of 2002 b) New workers who became member compulsorily by Law during the period between 1 July 1998 and 31 Dec 2001, allowed to return to SS scheme until the end of 2002	5 246,4	295,1	-	D. 61121

7. Specific government transactions - 7.13. Transactions with the Central Bank - 7.14. Lump sum pension payments - 7.15. Pension schemes

Year	Criteria, legal background of coming back to Social Security	Lump sum transfer (in million HUF) to SS Pension Fund (classified in S.1314 Social Security subsector		Lump sum transfer (in million HUF) to Pension Reform and Debt Reduction Fund (classified in S.1311 Central Government Subsector	Treated in ESA as
		individual choice	due to disability pension (by law)		
2003	a) Voluntary members allowed to return to SS scheme until the end of 2002 b) New members who became member between 31 Dec 2001 and 1 Jan 2003 and member still on 31 Dec 2002, allowed to return to SS scheme until the end of 2003	9 100,6	299,4	-	D. 61121
2004	Members with less than 120 month long membership and entitled for private pension, but the pension provided by the private pension fund is less than 25 % of the corresponding SS pension, allowed to return to SS scheme without any time-limit.	656,4	961,9	-	D. 61121
2005	Members with less than 120 month long membership and entitled for private pension, but the pension provided by the private pension fund is less than 25 % of the corresponding SS pension, allowed to return to SS scheme without any time-limit.	1 500,8	1 753,5	-	D. 61121
2006	Members with less than 120 month long membership and entitled for private pension, but the pension provided by the private pension fund is less than 25 % of the corresponding SS pension, allowed to return to SS scheme without any time-limit.	1 884,7	2 219,9	-	D. 61121
2007	Members with less than 120 month long membership and entitled for private pension, but the pension provided by the private pension fund is less than 25 % of the corresponding SS pension, allowed to return to SS scheme without any time-limit.	4 949,9	3 066,0	-	D. 61121

7. Specific government transactions - 7.13. Transactions with the Central Bank - 7.14. Lump sum pension payments - 7.15. Pension schemes

Year	Criteria, legal background of coming back to Social Security	Lump sum transfer (in million HUF) to SS Pension Fund (classified in S.1314 Social Security subsector		Lump sum transfer (in million HUF) to Pension Reform and Debt Reduction Fund (classified in S.1311 Central Government Subsector	Treated in ESA as
		individual choice	due to disability pension (by law)		
2008	a) Members with less than 120 month long membership and entitled for private pension, but the pension provided by the private pension fund is less than 25 % of the corresponding SS pension, allowed to return to SS scheme without any time-limit. b) Voluntary members. c) Professional military staff having at least 20 year service before 31 Dec 2007.	10 777,7	3 351,1	-	D. 99
2009	a) Members with less than 120 month long membership and entitled for private pension, but the pension provided by the private pension fund is less than 25 % of the corresponding SS pension, allowed to return to SS scheme without any time-limit. b) Voluntary members and age reached of 52 before 1 Jan 2009 c) Professional military staff having at least 20 year service before 31 Dec 2007.	9 211,2	3 515,7	-	D. 99
2010	a) Members with less than 120 month long membership and entitled for private pension, but the pension provided by the private pension fund is less than 25 % of the corresponding SS pension, allowed to return to SS scheme without any time-limit. b) Professional military staff having at least 20 year service before 31 Dec 2007.	11 182,2	3 720,6	-	D. 99
2011	Members, who wish to get entire amount of SS pension.	2 997,9	1 173,3		D. 99
2011	Members, who do not make a			2 677849	D. 99

7. Specific government transactions - 7.13. Transactions with the Central Bank - 7.14. Lump sum pension payments - 7.15. Pension schemes

Year	Criteria, legal background of coming back to Social Security	Lump sum transfer (in million HUF) to SS Pension Fund (classified in S.1314 Social Security subsector		Lump sum transfer (in million HUF) to Pension Reform and Debt Reduction Fund (classified in S.1311 Central Government Subsector	Treated in ESA as
		individual choice	due to disability pension (by law)		
	statement on keeping private pension fund membership until 31 Jan 2011 - First general option				
2012	Members, who wishes to get entire amount of SS pension.	461,9			D. 99
2012	Second general option			55086,0	D. 99

A special unit, called **Pension Reform and Debt Reduction Fund** was established by Law CLIV of 2010 as a reporting unit managed by Államadósság Kezelő Központ Zrt. (State Debt Management Office). Statisticians have agreed to classify the Fund as a central government unit in ESA/EDP statistics. Management costs are covered from the Fund. As the actual asset portfolio was taken over from second pillar private pension funds, and the Fund keeps and sells them, as the aim is to reduce government debt and temporarily finance pension-related expenditures in the state budget and in the SS Pension Fund. The portfolio at the second pillar pension funds comprised government securities, other securities and shares and other equities and cash deposits. Government securities were transferred to ÁKK and annulled, while other portfolio assets may be kept for a certain period to avoid disturbing the financial market.

The overall lump sum transfer reached 9,6 percent of GDP in 2011, and 0,2 percent of GDP in 2012.

7.15. Pension schemes

7.15.1 Defining pensions

In Hungary the definition of pension has changed from 2012. Earlier, pension schemes covered all of the seven categories mentioned below

- | | |
|--|--------------|
| 1) disability pensions | (disability) |
| 2) early retirement benefits due to reduced capacity to work | (disability) |
| 3) old age pensions | (old age) |
| 4) anticipated old age pensions | (old age) |
| 5) partial pensions | (old age) |

7. Specific government transactions - 7.13. Transactions with the Central Bank - 7.14. Lump sum pension payments - 7.15. Pension schemes

- | | |
|--|----------------|
| 6) survivors' pensions | (survivors) |
| 7) early retirement benefits for labour market reasons | (unemployment) |

Now, pensions cover old age pensions and survivors' pensions and are financed from Social Security Pension Fund. The remaining categories are not included as pensions but as social benefits and are financed from the Central Budget.

7.15.2 Classification of pension schemes

In Hungary the compulsory social security scheme called "pension fund" is classified as a general government unit. Until 2011, even in the case one entered the private pension funds (see below), there was 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 were obliged to participate in these schemes, for example young people entering to work for the first time. Others had got the right to decide and choose one or the other scheme (on the basis of their own calculations). 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).

In 2011 two elements of changes have been introduced:

- a.) Employees' social contributions earlier paid into compulsory second pillar private pension fund have to be transferred into Social Security Pension Fund from November 2010 to December 2011
- b.) Option for employees to return back from the compulsory private pension funds to the Social Security Pension Fund until the end of January 2011.

Members of private pension funds had to provide a statement declaring their intention to maintain their membership in the private pension system. Membership of those persons who did not declare, automatically terminated and returned back to the SS Pension Fund. It concerned 3 million members out of 3,1 million.

For this reason, a special unit, called Pension Reform and Debt Reduction Fund was established which keeps and sells the asset portfolio was taken over from the private pension funds (2678 billion HUF). Its aim is to reduce government debt and finance pension-related expenditures in the state budget and in the SS Pension Fund. Government securities (as parts of the portfolio) were transferred to State Debt Management Office (ÁKK) and annulled immediately.

From 2012, according to the law, all employees' social contributions have to be transferred to the SS Fund. Paying member fee to the private pension funds is not compulsory any more.

Additional option for members of the private pension funds to return back to SS Pension Fund until the end of March 2012.

7. Specific government transactions - 7.13. Transactions with the Central Bank - 7.14. Lump sum pension payments - 7.15. Pension schemes

7.15.3 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.

7.15.4 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 until 2011 the obligation is, that an employee must participate either in the social security scheme or in a private pension fund. Since 2012 the obligation to participate in private pension funds has ceased.

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.

7.15.6 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.