

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

*Belgium*

**January 2019**

## Background

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

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

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

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

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**Annex I** – list general government units

**Annex II** – Law of 21 December 1994 containing social and other provisions (creating NAI)

**Annex III** – Description of audits perform by the Court of Audit (list of units audited)

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

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

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

### 1. General Government

This section describes the coverage of the General Government sector and the sub-sectors for Belgium. The general government sector is composed by 4 sub-sectors: S.1311, S.1312, S.1313 and S.1314.

In Belgium, an exhaustive list of the units making up the General Government sector (S.13) is updated twice a year by the National Accounts Institute (NAI). The general government sector is thus defined precisely based on the list of names of the units belonging to it. This list is published on the website of the National Accounts Institute<sup>1</sup> and included in **Annex I**.

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

The central government sub-sector (S.1311) in Belgium is known as the Pouvoir fédéral/Federale overheid (Federal Authority). It comprises the Belgian State plus institutions of different legal status. The central government subsector covers: the legislative bodies, the civil list, the federal public services, a ministerial department (defence), the planning public services, several scientific and cultural institutions, other public bodies, one social security fund, several services with autonomous bookkeeping, economic and social consultative bodies, one university, special corps, and several public corporations.

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

Since 1970 Belgium has evolved progressively to a more decentralized governing structure, with the creation of communities and regions. Since 1989 their budgetary importance has led to the creation of a S.1312 subsector in the government accounts. The regions, which are territorial defined areas, are

- Vlaamse Gewest/Région flamande/Flemish Region
- Waals Gewest/ Région wallonne/Walloon Region
- Brussels Hoofdstedelijk Gewest/Région Bruxelles-Capitale/Brussels Capital Region

Among their competences are town and country planning, housing, environmental issues, public undertakings, supervising on local authorities and some aspects of agriculture, energy, transport, economic and labor policy. The regions have since 2002 and especially since the sixth state reform

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<sup>1</sup> <https://inr-icn.fgov.be/fr/publications/comptes-nationaux-et-regionaux>

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implemented in 2014/2015/2016 important taxing powers, such as surcharges on the personal income tax, stamp rights, inheritances taxes, taxes linked to traffic.

The communities which consist of the inhabitants belonging to a specific linguistic region have powers in the personal affairs like education, culture, public welfare, and some aspect of the health care. They have nearly no taxing power. The three communities are:

- Vlaamse Gemeenschap/Communauté flamande/Flemish Community
- Franse Gemeenschap/Communauté française/French Community
- Duitstalige Gemeenschap/ Communauté germanophone/German Community

In Flanders the Flemish Region and the Flemish Community are merged and the official name is the Flemish Community

The boundaries of the Regions and Communities overlap: the territory of the Brussels-Capital Region is included in both the Flemish and French Communities, and the territory of the German-speaking Community lies wholly within the Walloon Region. Three Community commissions coexist in the Brussels Capital region:

- Vlaamse Gemeenschapscommissie/Commission Communautaire flamande/Flemish Community Commission
- Franse Gemeenschapscommissie/Commission Communautaire française//French Community Commission
- Gemeenschappelijke gemeenschapscommissie/Commission communautaire commune/Joint Community commission

There were 6 Belgium state reforms (1970, 1980, 1988/89, 1993, 2001 and 2014). Every state reform transferred additional powers to the regional entities. The latest reform for example transferred the competence of the family allocations to the communities and the Joint community commission and several aspects of the labour policy and additional fiscal powers to the regions.

Every region, community or community commission has a different structure. The names of the units belonging to each subpart of the State government are listed in annex. However, some units belong to the subsector S.1312 cannot be attributed to one community, region or community commission. This is because these entities are controlled by several entities from the S.1312 subsector, without any individual entity having the control over the unit.

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

In Belgium, the local government sector (S.1313) currently comprises the country's ten provinces, 589 municipalities, 195 local police zones and 589 public social assistance centers (OCMW/CPAS) - excluding their consolidated hospitals and rest homes -, the Brussels agglomeration, the polders and water boards and the other local public entities not providing market services. In 2015, 34 local assistance zones (fire departments) were created, which also belong to the local government sector. In the Brussels Capital Region an assistance zone (Service d'Incendie et d'Aide Médicale Urgente de la Région de Bruxelles-Capitale, SAIMU) was already created in 1990 and consolidated with the Region.

De jure municipal authorities, CPAS/OCMW hospitals and rest homes, inter-municipal bodies producing market goods and services and "Chapter XII Associations" (Organic Act of 8 July 1976 on CPAS/OCMW, Articles 118-135) are included in the non-financial corporations' sector (S.11). Church councils belong to the private non-profit institutions serving businesses sector (S.15).

In the list which is published, the other local public entities not providing market services are attributed to the region which is responsible to provide the data.

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

The social-security funds sub-sector (S.1314) covers the central and primary entities in the various branches of social security for employed and self-employed persons, except for the "annual holiday allowances" branch and optional insurance schemes.

The management bodies of the "annual holiday allowances" branch are included in the Federal Authority, while the parts of mutual societies managing optional insurance schemes are established as quasi-corporate enterprises and form part of the financial corporations' sector. Besides compulsory insurance, mutual societies also manage optional and complementary sickness-invalidity insurance. This consists of two elements<sup>2</sup>:

- Complementary insurance (daily cash benefits, hospitalisation service, travel in relation to illness, healthcare abroad and miscellaneous services) offering services to which members may or may not be obliged to subscribe (depending on the mutual society and the service);
- Prenuptial savings.

The redundancy fund, the overseas social-security office (OSSOM) and the care insurance companies of the Flemish Community (until 2015 when it is consolidated with the Flemish Community) are also part of this sub-sector.

On 1 January 2015, OSSOM became the Office des régimes particuliers de sécurité sociale (ORPSS) by merging with the Office national de sécurité sociale des administrations provinciales et locales (ONSSAPL).

On 1 April 2016, the Public Sector Pensions Service (PSPS) and the National Pensions Office (NPO) merged to form the Federal Pensions Service (FPS) or the Pensions Service (PSS).

On 1 January 2017, the National Social Security Office (NSSO) took over a significant part of the tasks of the Office for Special Social Security Schemes (ORPSS). The pension responsibilities of local governments (except for the collection of contributions) are transferred to the FPS. On the other hand, the granting, management and payment of overseas social security pensions are the responsibility of the NSSO. The role of ORPSS as a family allowance fund has already been taken over by FAMIFED as from 1 September 2016.

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

## **2. Institutional arrangements**

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

- responsibility of national authorities for compilation of individual EDP tables and underlying government national accounts, as defined by ESA2010 Transmission Programme;
- institutional arrangements relating to public accounts which are used by statistical authorities for compilation of government national accounts and EDP tables;

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<sup>2</sup> In 2008, the optional healthcare insurance, also known as "small risks" insurance for self-employed persons was integrated in the compulsory social security for self-employed persons.

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- general overview about bookkeeping system used by public units, internal quality checks and external auditing;
- communication between individual national authorities involved in EDP;
- publishing of deficit and debt statistics.

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

The compilation of the public finance statistics (governments accounts and EDP-tables) is done by the National Accounts Institute (Instituut voor de Nationale Rekeningen/Institut des comptes nationaux) created by the Law of 21 December 1994, adapted in 2009, in 2014 and in 2015.

Title VIII on the reform of statistical and economic forecasts system of the federal government of the Law of 21 December 1994 containing social and other provisions stipulates that the National accounts institute and its associated authorities, of which the National bank of Belgium for what concerns the national accounts and the EDP related statistics, collect the statistical data necessary for their missions (Art. 108 and 109). This law can be found in **Annex II**.

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

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

National accounts data for general government are transmitted to Eurostat<sup>3</sup> via the following tables (see the related EU legislation)<sup>4</sup> :

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

Table 6 – Financial accounts by sector (annual data)

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

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

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

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

Table 25 - Quarterly Non-Financial Accounts of General Government

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

Table 27 – Quarterly Financial Accounts of General Government

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

Data on government deficits and debt levels are reported to Eurostat twice a year (in April and October) in EDP notification tables<sup>5</sup>.

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

<sup>3</sup> [http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search\\_database](http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database)

<sup>4</sup> <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:174:0001:0727:EN:PDF>

<sup>5</sup>

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

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

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

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

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

NCB - National Central Bank

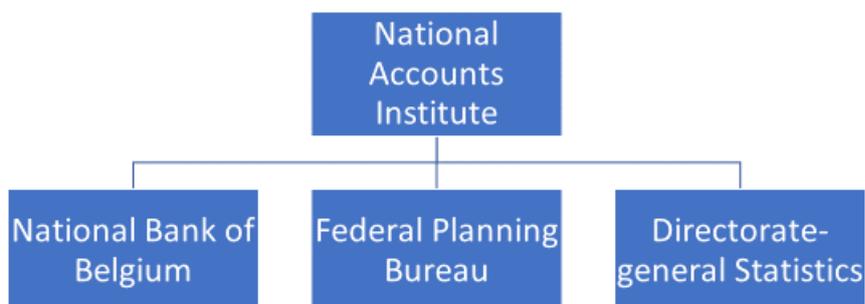
Other - other national body, to be specified in comments

### 2.1.1 Existence of an EDP unit/department

In Belgium the NAI is legally responsible for the production of annual/quarterly financial and non-financial accounts, regional accounts, external commerce statistics, economic forecast as input for the federal budget, supply and use tables and a price observatory.

The NAI is composed of three partners: The National Bank of Belgium (NBB - Nationale Bank van België/Banque Nationale de Belgique), the Federal Planning Bureau and the Directorate-general Statistics. The NAI does not compile statistics itself, the actual compilation of statistics is done in the institutions of the three partners for account of the NAI. The competences and missions of the three partners in the NAI are determined by the Law.

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



The National Bank of Belgium is responsible for the compilation of:

- Non-financial accounts
- Financial accounts
- Quarterly national accounts
- Regional accounts
- Foreign trade statistics
- Yearly and quarterly statistics of the government sector (in collaboration with the Federal Planning Bureau)
- EDP related statistics

The Federal Planning Bureau is responsible for:

- The economic budget
- Input-output tables

The directorate-general statistics is responsible for the:

- Price observatory
- Data provision for the other entities

The board of the NAI consisted until 2016 of 7 members, two from each partner and is chaired by the president of the FPS Economy. The board of the NAI is responsible for the approbation before each Notification of the EDP-tables. In a practical manner the EDP-tables are transmitted to Eurostat, after the approval by the board, by the Head of Department of the General Statistics Department of the National Bank of Belgium, which is also co-secretary at the Board of the NAI.

**In the remaining chapters of the Inventory the Statistical Authority will be abbreviated as NSI, this can in practice refer to the NAI which approves the EDP-figures as well as the National Bank of Belgium which compiles the figures.**

In 2014 a collaboration agreement was concluded between the Federal state and the Communities and the Regions to reform the NAI in order to introduce the state governments into the board of the

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

NAI (Agreement on Interfederalisation of the NAI). The Law assenting to the agreement was promulgated on July 17, 2015.

The board of the NAI is composed by the 6 members representing the three partners and 6 members designated by the state governments. These members must be high level civil servants of their statistical institutes. The president of the board will be appointed by unanimous vote; failing this, the president of the FPS Economy is the chairman.

At the level of the NAI an additional scientific committee has been created for the government accounts in 2016. The aim of this is to oversee and supervise the overall work of the GFS compilers in the National Bank of Belgium, to deal with classification issues and methodological treatment of specific transactions. The scientific committee will consist of 2 members of the National Bank, one member of the Federal Planning Bureau, four civil servants of the Federal administrations and 7 civil servants of the state administrations. The comity gives an opinion on the proposals of the GFS compilers after which the final decision is taken by the board of the NAI.

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

The GFS unit is composed of 10 FTE (of which one software developer) involved in all aspects of GFS compilation. The compilation covers the methodological aspects (implementation of ESA and MGDD) as well as all arrangements relating to access and collection of source data for governments units encompassing designing of questionnaires, processing of statistical questionnaires, compiling of public accounts and checking and analysis of data sources.

The transmissions of GFS data to other Institutions such as the ECB, IMF and the OECD are also carried out by the GFS unit which acts as a statistical hub for all data transmission and queries related to GFS.

## 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

#### 2.2.1.1 *Federal government and social security funds*

Units of the federal government are divided in different categories:

- the services of the central government: public federal services, public programming services (services publics de programmation), federal police, National defence, State companies, administrative services with autonomous accountancy;
- other institutions to consolidate with the central government, generally known as “public interest bodies”;

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

The federal government and the public social security institutions depending of the federal government form what is sometimes called the Entity 1 (Entity 2 corresponding to state government and local government subsectors).

### *General legal basis regulating the compilation of public accounts*

- For services of the central government: **Law of May 22, 2003 concerning the organisation of the budget and accounting of the federal government**, completed by royal decrees, in particular the Royal Decree of November 10, 2009 on the chart of accounts.
- For the public interest bodies (other institutions to be consolidated with the central government): **Law of March 16, 1954 relating to the control of some public interest bodies**.
- For the public social security institutions: **Royal Decree of April 3, 1997 concerning the accountability of public social security institutions** under article 47 of the Law of July 26, 1996 modernizing the social security and ensuring the viability of the statutory pension schemes.

### **Bookkeeping system**

- For the services of the central government: a double-entry bookkeeping on an accrual basis system in which budgetary accounts are integrated;
- For the public interest bodies: bookkeeping system based on an accrual budgeting system according to the Royal Decree of November 10, 2009 on the chart of accounts and sometimes, for particular units, the Belgian generally accepted accounting principles (BE\_GAAP) for private law corporations. For these last units, they use a double-entry bookkeeping system in accordance with the Royal Decree of September 12, 1983 defining the contents and presentation of a standardized chart of accounts or, for units with a status of non-profit organization, the Royal Decree of December 19, 2003 for the bookkeeping obligations and publicity of accounts of some non-profit organizations;
- For the public social security institutions: own bookkeeping system on an accrual basis (inspired by the bookkeeping system of the services of the Federal government and the bookkeeping system of the private sector). A reform aiming at standardizing the accounts of public social security institution has been introduced by Royal Decree of January 26, 2014 on the charts of accounts of the public social security institutions.

### **Bookkeeping standards and data collection**

For the services of the central government:

- The chart of accounts for public administration is fixed in the Royal Decree of November 10, 2009 prepared by the Commission for Standardization of Public Service Accounting. The Law of May 16, 2003 laying down general provisions applicable to budgets, subsidies supervision, the accounts of the communities and the regions, and the organization of supervision by the Belgian Court of Audit foresee the creation of the Commission for Public Accountancy which role is giving opinions on adaptations of the chart of accounts and developing modalities of its application. The Commission is not yet in operation, its members should still be designated, after which, the Commission will be installed.
- The form in which the account of the execution of the budget for the services of general administration must be made is determined by the Law of May 22, 2003, and Royal Decrees of April 29, 2012 establishing additional rules on the presentation of the annual accounts.
- *Data collection*: The Federal Public Services (FPS's), the Public Planning Services (PPS's), the Federal police, the National defense have their own accounting department that is responsible for the keeping of accounts based on the laws, regulations and instructions written by the FPS Policy and Support (FPS BOSA). The accounts are kept in a centralized accounting system (FEDCOM). Each service ensures internal controls about the quality of its accounts. The FPS BOSA perform an overall quality control.
- *Internal quality and consistency checks*: there are different levels of quality checks:
  - At the level of each FPS/PPS/bodies
  - At the level of FEDCOM (federal accountant)

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

- At the level of economic classification of revenue and expenses for statistical purpose (Economic groupings). See 3.2.1.

The Royal Decrees of August 17, 2007 organises the internal control and internal auditing within the federal government. Each FPS and PPS must dispose of an internal control process. Services also must report each year to the audit committee of the federal administration (comité d'audit de l'administration fédérale/Auditcomité van de federale overheid) about the internal control system. In accordance with the decision of the Council of Ministers of July 17, 2015, a common internal audit service for the services of the federal administration will be established by January 1, 2016. See 2.2.2.1.

For the public interest bodies:

- *Bookkeeping standards*: as explained above for services of the central government.
- *Data collection*: Each body keeps their own accounting.
- *Internal quality and consistency checks*: at the level of each public interest body.

For the social security institutions:

- *Bookkeeping standards*: The chart of accounts is fixed in a Royal Decree of January 26, 2014, as prepared by the Commission for standardisation of the accounting of the social security institutions.
- *Design*: defined by the Royal Decree of June 22, 2001 laying down rules about budget, accounting and accounts of the public social security institutions.
- *Data collection*: each public social security institution has its own accounting department that is responsible for the keeping of accounts. Each service should ensure internal controls about the quality of its accounts. The FPS Social security performs an overall quality control.
- *Internal quality and consistency checks*: there are different levels of quality checks:
  - At the level of each public social security institution
  - At the level of the FPS Social security
  - At the level of economic classification of revenue and expenses for statistical purpose (Working balance)

### Foreseen changes in terms of bookkeeping system used by public units

The Law of May 22, 2003 is applicable to (most) public interest bodies as from January 1st, 2018. They submit their accounting data to the FEDCOM system via a new software (eBMC for the consolidation of the data of the public interest bodies).

The federal government will have to submit its general accounts to the certification of the Court of Audit (article 111, Law of 22 May 2003), at the latest starting with the accounts of the 2020 budget year.

### 2.2.1.2 *Communities and regions and local government*

Communities and regions can freely determine their budgetary and accounting rules within the general framework of the Law of May 22, 2003 concerning the organization of the budget and accounting of the federal government. The transition to public accounting system based on double entries and accrual recording in each entity occurs at different pace.

The Law of May 22, 2003 foresaw the setup of a Public Accounts Committee (Commission de la Comptabilité Publique), to advice on and review governments accounting rules and legislation. The commission has not yet met since the royal decree instituting its members has not been voted on. As a result, the application of some accounting principles may be unclear or may result in divergent interpretation.

#### Flemish community

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

The Flemish government implemented the Law of May 22, 2003 by approval of the *Decree of July 8, 2011 Houdende regeling van de begroting, de boekhouding, de toekenning van subsidies en de controle op de aanwending ervan, en de controle door het Rekenhof*, the so-called Rekendecreet (Accounting Decree) establishing an integrated twofold system of budgetary and accrual accounting.

In accordance with article 4, paragraph 1 of the Decree, the Rekendecreet applies to the Flemish ministries, services with separate management and an exhaustive list of Flemish legal entities listed in Article 4, § 1, 2 ° of the Accounting Decree. Additionally, the Accounting Decree applies to all other legal entities that are part of the Flemish community as determined in implementation of ESA 2010.

The Rekendecreet contains provisions concerning the rules on the annual preparation and adjustment of the budget, the multi-year estimates, accounting and reporting, financial monitoring, inspection by the Court of Audit and the allocation and control included on the use of subsidies.

The Rekendecreet was implemented based on the following executive acts:

- Decision of the Flemish Government of October 14, 2011 regarding the accounting rules and the settlements rules applicable to the Flemish ministries, and on the control of the commitment appropriations.
- Decision of the Flemish Government of October 14, 2011 concerning the budget and the accounts of the Flemish legal entities.
- Decision of the Flemish Government of June 1, 2012 amending various acts of the Flemish Government concerning the finances and budgets.
- Decision of the Flemish Government on September 7, 2012 on the control and the single Audit.

In application of the Accounting Decree and the Decision of the Flemish Government of October 14, 2011 a manual has been prepared to explain accounting rules. The initial manual on the accounting rules was communicated to the Flemish Government on 23 December 2011 and was uploaded on a website accessible to all employees of the Flemish Government.

The establishment of the VABN (Vlaamse Adviescommissie Boekhoudkundige Normen) was formalized by an adjustment to the Accounting Decree (Article 67). In the Decision of the Flemish Government of January 8, 2016, the composition and functioning of the VABN were further elaborated.

### Brussels Capital region

The Brussels government worked in a stand-alone position to enable the implementation of the Law of May 22, 2003 from 2006 for ministries and 2008 for its autonomous administrative bodies. The Organic Order of February 23, 2006 on the arrangements applicable to the budget, accounting and the audit (OOBCC) is the legal framework for the developments of the public accounts of the Brussel capitale. The region developed their own chart of accounts and implementation decrees. Given that the normalised chart of accounts did not exist at that time, the region relied on the private law corporations chart (BE GAAP) and IPSAS. The OOBCC applies to all legal entities that are part of the Brussels capital region as determined in implementation of ESA 2010.

The implementation of OOBCC is completed by:

- Royal Decree of November 10, 2009 on the chart of accounts applicable to the Federal state, Regions and Common community commissions
- Executive act of November 15, 2007 of Ministry of Finance and budget on the implementation of accounting rules foreseen in OOBCC

*Internal quality and consistency checks:* The Financial control directorate within the regional public service Finances and budget is the supervisory body which competence covers the control of accountants-treasurers in their management, the conformity of the revenue and expenditure accounts to the accounting figures, and their cash situation. The unit fulfils the role of intermediary with regard the Court of Audit and ensures that the accounts produce their accounts within the prescribed items.

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

### Walloon Region

The Walloon government adopted a Decree in December 15, 2011 implementing the provision of Law of May 16, 2003 and organizing the budget and the accounting of services of government completed by the Decision of the governments of December 13, 2012 containing various provisions concerning the execution of the budget and to the budgetary and general accounting systems. The twofold accounting system is based on a double-entry bookkeeping on an accrual basis in which budgetary accounts are integrated.

The Walloon Decree of December 15, 2011 was modified by a new Decree adopted in December 17, 2015, extending its scope to all units belonging to the sector S1312 from the Walloon Region.

The decree is now applicable to Regional/ public services, government services and administrative services with autonomous management (service à comptabilité autonome – SACA), all public administrative bodies (Unité d'Administration Publique – UAP, type 1,2 and 3), Walloon Social Agency (Aviq), Walloon Parliament and Mediator service.

The new Decree was completed by 3 implementing decree of June 8, 2017 mainly related to:

- the execution of the budget and the budgetary and general accounting systems, the budgetary and accounting reporting;
- administrative and budgetary controls, internal budgetary and accounting audit;
- documentation and justification structure of budgets.

The new decree was an opportunity to transpose the European reporting obligation to Walloon law (partial transposition of directive 2011/85/UE).

The law of March 16, 1954 and Royal Decrees of April 7, and 8, 1954 were repealed for all public administrative bodies by the new legal framework.

### French speaking community

The Law of May 16, 2003 laying down general provisions applicable to budgets, subsidies supervision, the accounts of the communities and the regions, and the organisation of supervision by the Belgian Court of Audit was implemented in the French Community by the Decree of 20 December 2011. This decree is applicable to the entity (Ministry, Ministerial Cabinets and Government Units) as well as to the administrative services with autonomous management (SACAs).

This Decree of December 20, 2011 was amended by a Decree of the French Community of 30 April 2015 to transpose into it the European requirements on budgeting and on the reporting of budgetary and accounting data (partial transposition of Directive 2011/85/EU).

As regards the entity, three implementing decisions have been adopted:

- the French Community Government Decision (AGCF) of December 13, 2012: the execution of the budget and the keeping of budgetary and general accounts;
- the AGCF of November 28, 2013: internal budgetary and accounting control and audit and administrative and budgetary control;
- the AGCF of January 18, 2017: the control, attribution and use of subsidies.

For some SACAs (non-educational SACAs), an implementing decision has been adopted by the Government:

- the AGCF of January 18, 2017: general rules applicable to the budget and accounting.

For public interest and similar bodies:

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

- a preliminary draft decree based on the same principles as that of December 20, 2011 should be finalised soon;
- the organic provisions of certain units will be modified to introduce some or all these principles;
- a decree of the French Community was adopted on 3 May 2018 to introduce a requirement that the budget or draft budget of the bodies within the scope of consolidation (sub-sector S.1312) should be attached to the specific expenditure budget statement of the French Community.

In other areas, the Law of March 16, 1954 and its implementing decisions and the accounting regulations applicable to commercial companies remain applicable.

### German speaking community

The government of the German speaking community implemented the Law of May 22, 2003 by approval of the accounting decree of May 25, 2009 *Dekret über die Haushaltsordnung der Deutschsprachigen Gemeinschaft* (implemented on the basis of Executive act of June 15, 2011) establishing an integrated twofold system of budgetary and general accounting. The decree covers the accounting systems, the budget, the stakeholders and their responsibilities, the scope of application and the control of the Court of Auditors.

The Decree establishes an integrated twofold system of budgetary accrual. The system (ERP) is designed to record all transactions first in the general bookkeeping system. When the transactions have a budgetary nature, a recording is systematically/automatically charged to the budget based on an accrual basis. The system allows the integration of both general accounting and budget for the central administration, services with separate management (8) and other public interest bodies (6).

#### 2.2.1.3 Local government

The Belgian municipalities were the first to reform their accounting systems in the nineties into the twofold system of budgetary and accrual accounting. The supervisory authorities of Flemish local government implemented in 2010 a new set of accounting principles known as BBC – *Beleids-en-beheerscyclus* (Policy and management cycle). The BBC reform was the first to link strategy, planning, budgeting and control. BBC is almost completely in compliance with IPSAS standards.

## 2.2.2 Auditing of public accounts

### 2.2.2.1 General government units

The full description (in FR and NL) of audits performed by the Court of Audit on S.13 units, as well as the list of units being audited are available in **Annex III** as of September 2014.

#### 2.2.2.1.1 Federal government and social security funds

Article 5, §1<sup>st</sup> of the Law of October 29, 1846 concerning organization of the **Court of Audit** states the mission of the Court of Audit:

*La Cour des comptes est chargée du contrôle de la comptabilité générale et de la comptabilité budgétaire des différents services de l'Etat. Elle arrête les comptes généraux des différents services de l'Etat et est chargée de l'examen et de la liquidation des comptes de tous les comptables de l'Etat. Elle examine la légalité et la régularité des dépenses et des recettes de l'Etat.*

*La Chambre des représentants peut charger la Cour des comptes de procéder, au sein des services et organismes soumis au contrôle de la Cour, à un contrôle de légalité et de régularité de certains programmes de dépenses ainsi qu'à des audits financiers.*

*La Cour des comptes a accès en permanence et en temps réel aux imputations budgétaires, tant pour les crédits d'engagement que pour les crédits de liquidation. Elle*

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

*veille à ce qu'aucun article des dépenses du budget ne soit dépassé, et à ce qu'aucun transfert n'ait lieu. Elle signale sans retard à la Chambre des représentants tout manquement aux lois du budget.*

*Les opérations relatives à l'établissement et au recouvrement des droits acquis par l'État et les provinces, y compris les recettes fiscales, sont soumises au contrôle général de la Cour des comptes. Les modalités d'exécution de ce contrôle sont arrêtées dans un protocole conclu entre le Ministre des finances et la Cour des comptes.*

*La Cour des comptes contrôle a posteriori le bon emploi des deniers publics ; elle s'assure du respect des principes d'économie, d'efficacité et d'efficience.*

*La Chambre des représentants peut charger la Cour des comptes de procéder, au sein des services et organismes soumis à son contrôle, à des analyses de gestion.*

All units which are included in the general government sector according to ESA 2010 are subject to the audit of the Court of Audit. According to article 5, §3 of the Law concerning the Court of Audit, the accounts of all units created by the State or depending on the State are transmitted to the Court of Audit. Some units are excluded from the audit perimeter (the civil list financing of the Royal Family, the Parliament and some special bodies as the Court of Audit, the Constitutional Court, Federal mediator).

The scope of the audit of the Court of Audit is not limited to the examination of the accounts. All operations with a budgetary and financial impact can be subject to the audit. Audit of extra budgetary operations takes place when the Court of Audit analyses the working balance. The Court of Audit can permanently audit all accounts. Conclusions of these audits are mentioned in the annual book of observations of the Court of Audit.

Beside the control by the Court of Audit, **other audits are applicable:**

- For Federal Public Services (FPS) and Public Planning Services (PPS): an audit committee for the federal administration has been created by a Royal Decree of August 17, 2007. FPS's and PPS's also must dispose of a process of internal control according to the Royal Decree of August 17, 2007. In accordance with the decision of the Council of Ministers of July 17, 2015, a common internal audit service for the services of the federal administration will be established by January 1, 2016.  
Financial inspectors have a general power to deliver opinions on all categories of revenues or expenditures and all propositions with a financial impact (Royal Decree of November 16, 1994).
- For public interest bodies: Bodies are broken down according to the type of internal control. Bodies of category A are submitted to the hierarchical control of the competent minister. Financial inspectors follow the execution and preparation of the budget (article 1, Royal Decree of April 8, 1954). Bodies of category B, C and D are controlled by the minister who is competent for the organism. This control is exercised by a government commissioner. An external auditor can be designated by the ministers. This auditor must control the accounting entries and to certify their accuracy (article 13, Law of March 16, 1954).
- For public social security institutions: institutions are jointly controlled by the competent minister and by the minister of the budget (for decisions having budgetary or financial impact). This control is exercised by a government commissioner (article 23, Royal Decree of April 3, 1997). The public social security institutions are also controlled by an external auditor. This auditor must control the accounting entries and to certify their accuracy (article 25, Royal Decree of April 3, 1997).

### Time of the auditing of the accounts

- Services of the general administration: annual general accounts must be sent by the Minister of the Budget to the Court of Audit before June 30 of the next year (article 72, Law of May 22, 2003). The Court of Audit must send the general accounts and its observations to the Parliament before October 31 (article 75, Law of May 22, 2003).
- Administrative services with autonomous accountancy: general accounts must be sent by the Minister of the Budget to the Court of Audit before March 31 of the next year (article 82, Law of

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May 22, 2003). The Court of Audit must send the general accounts and its observations to the Parliament before May 31 (article 83, Law of May 22, 2003).

- For the public interest bodies: accounts are established under the authority of the competent Minister (category A) or by the management bodies (categories B, C and D). The Minister of the Budget submits the account to the control of the Court of Audit before March 31 of the next year. The Court of Audit must send the general accounts and its observations to the Parliament before May 31 (article 93, Law of May 22, 2003).
- For the public social security institutions: accounts are established by the management bodies before June 15 (except for the National Social Security Office for which the deadline is 30 September and National Institute of Sickness and Invalidity Insurance and Welfare Fund for Seamen for which the deadline is 31 December). The accounts are sent for approbation to the competent minister within three months with the opinion and the certification of the external auditor. The competent minister must send these accounts within six weeks to the Minister of the Budget. The Minister of Budget has four weeks to send the accounts to the Court of Audit. (Article 12, Royal Decree of June 22, 2011).

The next step consists, at the latest starting with the accounts of the budget year 2020, in a certification of general accounts of the federal state by the Court of Audit (article 111, Law of May 22, 2003).

### **Availability of the results for GFS compiler**

Results are available to the GFS compiler when they are published on the website of the Court of Audit, i.e. when observations of the Court of Audit are communicated to the Parliament.

### **Risk analysis (payables, contingent liabilities)**

The Court of Audit perform a risk analysis has part of its general competence. Nevertheless, the analysis is not published in the rapport and neither communicated to the Parliament. The results of the analysis are only remitted in case of a problematic situation.

#### **2.2.2.1.2. Communities and regions**

There are several stakeholders for the internal and external control at the level of federated entities: "ordonnateur" empowered to incur financial commitments, accountants, external registered auditors, finance inspectors and the Court of Audit. For regional governments, the external audit for most of departments and some of the agencies with legal personality is performed by the Court of Audit.

The general accounts and the budget accounts of the Brussels region and de the German speaking community undergo, beside a strong internal control embedded in the bookkeeping system, a formal certification process by the Court of Audit, while the Flemish government is adopting the single audit approach. This system, in which the various forms on internal and external audit are divided among different auditing bodies (Court of Audit, internal audit agency powered by an independent audit committee and the external registered auditors), is built to avoid multiple audits on the same subject. As at federal level, the finance inspectors are responsible for administrative and budget control.

The Walloon government adopted a Decree in June 8, 2017 implementing rules related to control, internal budgetary and accounting audit applicable to all units of the sector S1312 from the Walloon Region. It also organized the administrative and budgetary control, performed by the Walloon government, Budget Minister and finance inspectors applicable to Regional/ public services, government service and administrative services with autonomous management (service à comptabilité autonome – SACA) and certain public administrative bodies (Unité d'Administration Publique – UAP, type 1),

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A French Community Government Decision of 28 November 2013 has set the rules on internal budgetary and accounting control and audit and on administrative and budgetary control (exercised by the Government, the Budget Minister and the Finance Inspectorate) which are applicable to the entity (Ministry, Ministerial Cabinets and Government Units).

In parallel with these regulatory developments, the Government of the French Community is implementing new computer software for double-entry book-keeping in connection with budgetary accounting, to apply from 1 January 2019.

### 2.2.2.2.3 Local government (provinces, municipalities and public welfare centres)

The BBC reform for local government of the Flemish community did not contain any obligations regarding the internal audit. Regarding the external audit, the Flemish government decided in 2011 not to go through with the implementation of a financial external audit. The external audit consists in the evaluation of the internal control systems and the audit of the main processes. All these tasks are organized within the Flemish audit agency which manages audits at regional and local levels.

Unlike in the Flemish Region, the auditing reforms of the nineties in the Walloon and Brussels-Capital regions have not been updated.

In the Flemish and Walloon regions, the Court of Audit retained its external audit function over the financial statements of the provinces.

Since 2009, the municipalities of Brussels Capital Region have the obligation to implant an internal control system (Local Law). This internal control must guarantee, inter alia, the availability of reliable financial information. An important modification of the organic law for the welfare centers of Brussels Capital Region is in progress. The amended text will contain the same obligation.

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

Alongside the publication of the EDP tables, government financial and non-financial ESA 2010 accounts are updated in the NBB.Stat database available to the public on the website of the National Bank of Belgium.

The following ESA 2010 Transmission program table is available in NBB.Stat, although subject to national presentation:

- Table 2: Main aggregates of general government - annual
- Table 9: Detailed tax and social contribution receipts by type of tax and social contribution and receiving subsector – annual
- Table 11: General government expenditure by function – annual (partial)
- Table 27: Financial accounts of general government – quarterly
- Table 28: Government debt (Maastricht debt) for general government - quarterly
- Not in the transmission program: Non-financial accounts of general government - quarterly

Metadata can be found on the website of the National Bank and a document containing the main methodological revisions and the main evolutions is published. The hyperlink to the EDP-tables, the general government accounts and the methodological notes is the following <http://www.nbb.be/pub/stats/gfs/gfs.htm?l=en>

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

## 2.3. Communication

### 2.3.1 Communication between actors involved in EDP

#### 2.3.1.1 Agreement on co-operation

##### a. Within the NSI

The EDP Tables are prepared by the General Statistics Department of the National Bank, for the planned data the DG Budget of the FPS BOSA provides the estimate of the deficit, the debt is estimated by the General Statistics Department of the National Bank taking into account the deficit and the known deficit-debt adjustments.

As stipulated in the Law on the NSI, the public accounts are compiled by the National Bank of Belgium in close collaboration with the Federal Planning Bureau (FPB). In practice this means that the FPB receives the files, which contains all calculations of non-financial accounts a few weeks, or months (in the case of the October notification) ahead of the deadline, during which discussions between each institution take place.

Before the transmission to Eurostat, the EDP tables are sent to the Board of the NSI for approval.

##### b. With the data providers

The Protocol of July 17, 2013 between the NSI, the Federal level and the communities and regions regulates the relationship between the public authorities and the NSI at two levels: the provision of data sources by the public authorities for the compilation of ESA 2010 and the EDP statistics and the NSI obligations to inform the public authorities.

The description of basic data sources and flows of information for the compilation of the financial and non-financial accounts are described in section 3.2.

Communication of the NSI with the data providers takes different canals:

- Mutual information meetings can be organized on revisions of the MGDD, new interpretations of the ESA, and updates on the activities at the European level (Eurostat);
- Ex-ante advice of the NSI on the statistical treatment of specific projects on request by the administrations;
- Information to the administrations when the NSI has the intention to take a decision on the sector allocation of an entity or on a transaction which has an important impact on the budget of this entity;
- Information meeting regarding the corrections applied by the NSI on the data they provided.

Since the application of the Protocol, the NSI systematically provides the tables which explain the calculation of the deficit and debt of individual entities to the contact persons at the administration which have a 10 days period to react.

If necessary, closely after the notification, a meeting is organized between the NSI and the points of contact at the administrations to review the transmission of the data process, to discuss general issues, issues raised by Eurostat during the round of requests for clarification during the EDP transmission process and to present the action plans of the NSI for the coming months. Bilateral meetings between the NSI and specific government entities are organized on request by the administration, to provide detailed feedback on adjustments applied by the NAI.

The development of new reporting's, changes in the existing reporting systems for financial and non-financial accounts are discussed in the framework of the [Base documentaire générale/Algemene](#)

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

[Gegevensbank](#) (General Documentary Base), set up by a cooperation agreement between the State, the Communities, the Regions and the Community Commissions where experts of the NSI are invited (see 3.2.1.1). In practice the NSI determines the data sources requirements to comply with the ESA 2010 and EDP requirements in accordance with the Protocol.

Experts of the NSI are also invited in workgroups on the accounting systems at the federal level and at the Flemish level.

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

Access to data sources is described in detail when describing compilation of each EDP reporting table.

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

### *2.3.2.1 Publication of EDP data*

The EDP annex 1, annex 5 and historical tables are available to the public on the website of the National Bank of Belgium in PDF format. The link to the EDP-tables is the following <http://www.nbb.be/pub/stats/gfs/gfs.htm?l=en>.

The EDP tables are published with a delay of several days [variable] after the transmission date to Eurostat. The delay between the transmission and the publication is used to cross check the compiling process and data source and to amend the data, if necessary.

A dedicated press release accompanies the publication of EDP data in spring. The publication of EDP data in autumn falls under the general press release accompanying the release of annual national accounts. A specific methodological note explains the main methodological changes in the accounts of general government.

Following the same publication calendar, the NAI publishes in its national publication deficit and debt figures for the eight core entities and a non-divided part of the state government subsector forming the State government sub sector (S.1312).

### 3. EDP tables and data sources

This section reports on availability and use of basic data sources for the compilation of national accounts and EDP tables, by general government subsectors and main units/groups of units. It also aims at describing adjustments to basic data source in order to compile ESA2010based deficit/surplus; EDP tables compilation techniques, balancing practices; link between EDP table 2 and 3.

#### 3.1. EDP table 1

EDP table 1 provides the core, summary information for the reporting period, as requested by the related EU legislation<sup>6</sup>: net borrowing(-)/net lending(+)(B.9) for general government sector and its subsectors, outstanding amount of Maastricht debt by instruments, Gross Domestic Product (GDP), gross fixed capital formation (GFCF) for GG sector and data on interest expenditure (D.41) .

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

##### 3.1.1 Compilation of Maastricht debt

###### 3.1.1.1 Specification of debt instruments

Most of the debt is accounted for by central government (S.1311) - and specifically by the Treasury of the Federal State – which debt represents some 85% of the total gross debt in Maastricht debt instruments. The state government and local government account for respectively some 10% and 5% of the total gross debt, while the debt of the social security sector represents less than 2%.

The financing of the general government through issuances of debt securities represents 70% of the gross debt (before consolidation) in Maastricht instruments, mainly issued by the Treasury of the Federal state and the treasury departments at the level of the state government. The local government finance themselves mostly through loans granted by MFI, while the issuance of treasury bonds is rather marginal. The social security debt is marginal.

##### AF.2 – Currency & deposits

Central government (S.1311): Debt recorded under the instruments AF.2 relates to currency put in circulation by the Fonds monétaire/Muntfonds (FPS Finance).

By convention, AF.2L is used for MFI and the central bank. Short-term debt under the form of deposits overdraft is recorded under AF.41L.

##### AF.3 – Debt securities

Central government (S.1311): Debt securities, both short- and long-term instruments, of the Central Government are issued by de Belgian Debt Agency (BDA), part of Federal Public Service Finance, which is responsible for the public debt management of the Federal State (Treasury).

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<sup>6</sup> <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2014:069:0101:0101:EN:PDF>

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

Two short-term instruments, both under the form of discounted securities, are issued by the BDA: the Belgian Treasury Bills (BTBs; issued both in euro as well as in other currencies, usually with a maturity inferior to 3 months) and Treasury Certificates (issued in euro only, with a maturity between 3 months and one year). Besides differences in maturities and the possibility to issue BTB in foreign currencies, both discounted debt instruments are almost identical, BTBs can be issued “on tap”, whereas treasury certificates are auctioned twice a month.

The long-term instruments consist mainly of linear bonds (OLOs; only issued in euro, mostly for institutional investors). OLOs are issued in tranches forming a line having an identical nominal interest rate and redemption date. OLOs are fungible within each line (i.e. giving subscribers and issuer the same rights and obligations). Fixed rate securities are the rule, but some lines - under Forward rate notes (FRN) - present a floating rate linked to the EURIBOR 3 month. In addition, notes issued within Euro medium term note (EMTN) program of the Kingdom of Belgium (both in euro and other currencies, with fixed or variable interest rates and with maturities between one month and 100 years) and Belgian State Bonds (only euro, primarily targeted at households and non-financial institutions and issued four times a year with maturities of 3, 5 and/or 8 years) are issued as well. The BDA issues tailor made treasury bonds for the Silver Fund, issued as deep-discounted bonds. A full description of the different instruments issued by the Federal State can be found on the website of the BDA ([www.debtagency.be](http://www.debtagency.be)).

In addition to the debt securities issued by the BDA, only one consolidated unit in the S.1311 sector issues debt securities: Apetra, the public corporation that manages the strategic stock of oil for the Belgian government.

State government (S.1312): Debt securities issued by the Communities and Regions consist mainly of (E)MTN programs. These programs, specific to each issuer/state government, are financing tools characterised by the utilisation of a prospectus (a predefined legal documentation settling the issuance terms of the debt securities issued under the programs). The documentation is used to support several issuances, each requiring complementary documents that can be quickly prepared. These programs provide an easy access to capital markets on a continuous basis according to the financial needs of state governments, as well as a large flexibility in terms of characteristics of the securities issued (amount, rate, maturity, etc.). Some Communities and Regions issue short-term treasury bills as well.

The stock of debt securities of the sector S.1312 includes debt securities issued by public units included in the perimeter of the state government like higher education institutions.

Local government (S.1313): Debt securities issued by the local governments mainly consist of treasury bonds.

Social security (S.1314): Debt securities issued by the National Social Security Office (ONSS/RSZ), which is responsible for collecting and managing the employer and employee social contributions used to finance the various branches of social security, take the form of short-term treasury bills.

### AF.4 – Loans

Central government (S.1311): Loans granted to the Federal Treasury cover bilateral loans granted by other units of the general government, other public bodies outside general government and monetary financial institutions (including repo's and collateral deposits), intergovernmental loans (between Treasuries) and Schuldschein (long term loans agreements aimed at professional investors for significant amounts). Central government units participate to a short-term lending facility which operates like a cashpool organised directly between the participants.

The Federal State holds a small amount of loans in its debt portfolio corresponding to debt taken over by the Treasury in the past or debt of other institutions whose debt service costs falls to the federal state.

AF.41 and AF.42 also cover loans granted to extra-budgetary units by the Treasury and by monetary financial institutions and liabilities corresponding to financial leasing contracts.

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

Imputed debt in the framework of EFSF scheme is recorded under AF.42.

State government (S.1312): Loans granted to the Region and Communities cover short term advances and overdraft (the counterpart always being an MFI) in the framework of cash pool management (linked to cash facilities), bilateral loans, loans taken over by the Regions, Schuldschein, liabilities resulting from financial leasing contracts and imputed (rerouted) debt resulting from alternative financing scheme.

Local government (S.1313): Bank loans are the main type of funding tapped by local government units and consist mainly of long-term loans, current account advances, short-term loans and liabilities resulting from financial leasing complete the liabilities under the instruments F.4.

Social security (S.1314): Loans to the National Social Security Office are granted by the Federal State under the form of a credit line and a long-term loan without interest.

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

**The data sources used for the compilation of the Maastricht are the same as the data sources used for the compilation of ESA financial accounts. A detailed description of the data sources and the data gathering process for each sub-sector of the General Government is provided in sections 3.2, 3.3, 3.4 and 3.5.**

Central government (S.1311): Data used for the compilation of the Maastricht debt of the federal main state government is supplied via a quarterly statistical report (T+45), developed by the National Accounts Institute (NAI) and the General Documentary Basis (GDB), called the Building Blocks [of the financial balance sheet]. This report provides information on the stocks (with multiple valuations) and flows for the various debt instruments on an instrument by instrument basis. The collection of data for the report is executed by the Ministry of Finance and transmitted to the NAI. The reporting template is designed to insure full consistency of opening/closing positions and flows during the reporting period as well as the counterpart information (loans) allowing the identification of consolidating elements for the calculation of the Maastricht debt.

The statistical survey is fully consistent with the monthly official statement “*Debt of the Federal state*” previously used (until 2013Q4) for the compilation of the Maastricht debt of the federal main state. This statement comprises debt issued or taken over by the federal government, as well as the debt of other institutions whose debt service cost falls to the federal government and allows the NAI to cross-reference the data obtained with the Building Blocks report.

The financial debt of other consolidated units of the central government is covered via either their annual reports, available to the NAI via the Central Balance Sheet Office (CBSO), before being replaced by a simplified version of the Building Blocks (quarterly, T+45), for all units of S.1311.

Imputed debt in the framework of the EFSF scheme is given by the European Commission (Eurostat). Direct sources are available for other imputed debts recorded based on the recognition of the principal party.

State government (S.1312): The Building Blocks report must be provided by the Communities and Regions as well, following the same guidelines as the reporting process for the central government. This provides harmonised, quarterly (T+45) reports for the 8 main states.

Data on consolidated units that belong to the state government are obtained either via their annual reports, available to the NAI via the CBSO or via an adapted (simplified) version of the Building Blocks (yearly version, T+45), which is extended to all units of S1312, and replace other data sources. Reporting of imputed (rerouted) debt stemming from alternative financing scheme is done through the Building Blocks report.

Local government (S.1313): Balance sheet information is the starting point of the compilation. Balance sheets for the local authorities sensu stricto (i.e. municipalities, social welfare centers and provinces)

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

are provided by the supervising authorities, while balance sheet for the consolidated units are extracted from the database of the Central balance sheet office (NBB\_CBSO). Using bridge tables, the balance sheet rubrics are 'translated' into ESA-instruments. Since little (almost no) counterpart information is available in the balance sheets, hypotheses and/or indirect sources are used to determine the counterpart and/or correct the attribution of the ESA-instrument. Data of the Central Corporate Credit Register (NBB\_CCCR) are used to determine the loans (F.4) granted to local authorities have with the financial institutions (S.122). Debt securities reported by the Securities Settlement System (NBB\_SSS) are recorded under F.3 on the liability side of the (local) government and their counterpart is determined using Securities Holding Statistics (NBB\_SHS). The supplementary local government debt (= total debt in the balance sheets minus debt from indirect sources NBB\_SSS and NBB\_CCCR) is further checked whether it is held by other (local) government units and thus is to be consolidated.

Social security funds (S.1314): The main data source for the debt of social security funds is obtained via a reporting scheme, created and managed by the Treasury. The reporting obligation falls under the Law of 23 December 2013 (which replaced the Royal Decree of 15 July 1997). The law obliges every unit that is considered by the NAI as part of the S.1311 and the S.1314 sector to invest their cash surpluses in consolidation elements and to report those investments for statistical purpose. The reporting scheme is heavily oriented on the financial assets, but a dedicated part for debt instruments is provided as well. The information is transmitted on a quarterly basis to the NAI via the Building blocks reporting scheme.

### 3.1.1.3 Amendments to basic data sources

The basic data sources only require minor amendments; instead the compilation process can be summed up to a correct classification of the debt instruments and the identification of the counterpart sector to identify the consolidating elements.

The valuation of debt in the data sources corresponds to the valuation as foreseen in Council Regulation 479/2009, the only adjustment for data prior to 2014, being performed to report discounted debt securities at nominal value (face value).

Specifically, treasury certificates and Belgian treasury bills are both issued at a discount. The valuation in the official Treasury statement is therefore the discounted value. Since the nominal value of a zero-coupon bond is the redemption value of the security, an adjustment was applied to both instruments based on information provided by the Treasury on the redemption value. The treasury bonds issued for the Silver Fund are deep-discounted bonds and were valued at the discounted value in the statement as well. However, no correction was applied for these treasury bonds since those funds are consolidated intra S.1311 for the compilation of the gross consolidated debt.

No other adjustments were performed on data sources for nominal valuation.

The treatment of debt in foreign currencies follows the provisions of Council regulation 479/2009. The debt is recorded in the data sources after swap, which means that liabilities denominated in a foreign currency, or exchanged from one foreign currency through contractual agreements to one or more other foreign currencies are converted into the foreign currencies at the rate agreed in those contracts. The debt is converted in the national currency based on the representative market exchange rate prevailing on the last day of each year.

The new Building Blocks reporting scheme, used for the data of 2014 onwards, provides direct data valued at nominal value (face value) and debt in foreign currencies is directly converted according to the provisions mentioned in the Council Regulation 479/2009.

Other adjustments (other changes in volume) carried out relate to the reclassification of units. The information for the other changes in volume is acquired during the compilation of ESA accounts on an ad-hoc basis.

### 3.1.1.4 Consolidation of Maastricht debt

The compilation of the financial accounts/gross consolidated debt is based on a system which identifies systematically the counterpart sectors. Therefore, the information on the consolidating elements is embedded in the compilation. In this section, consolidation is commented from the point of view of the creditor subsector (assets)

Central government (S.1311): Intra-sectoral consolidating elements of S.1311 can be broken down in three main categories: securities held in portfolio by the S.1311 – Main state, advances by the Treasury to extra-budgetary units of S.1311 and debt issued by the Treasury held by extra-budgetary units.

The Treasury directly provides the information on OLOs, state bonds and treasury certificates held in portfolio. Those consolidating elements stem from the debt management strategy, mainly resulting from buy backs on lines of OLOs coming to maturity within 12 months (representing a major part of the portfolio). Besides those considerations of debt management, a large part of the intra-sectoral consolidation is accounted for by the securities held by the Silver Fund (classified as long-term loans in ESA accounts).

The Treasury also reports each quarter the advances made to extra-budgetary units on an individual basis, allowing the NAI to identify those made to extra-budgetary units classified as part of S.1311.

The extra-budgetary units are requested to provide information on their financial assets in the framework of the Law of 23 December 2013 (the former Royal Decree of 15 July 1997), which aims at the consolidation of assets of extra-budgetary units and social security funds managed by the S.1311. The law includes provisions for the statistical reporting of financial assets and liabilities of a list of units, identified by the NAI as part of S.1311 or S.1314 sub-sectors, for the calculation of the Maastricht debt. The data is collected by the Treasury and transmitted on a quarterly basis to the NAI (as mentioned above). Part of the data on the assets provided in the reporting in the above-mentioned framework is also available via the Building Blocks on the reporting of the debt of the Federal State (and provides detailed information on an instrument by instrument basis, classified per counterparty). This allows the NAI to cross-reference the data and perform quality checks on the consistency of debt consolidation. The information is transmitted on a quarterly basis to the NAI via the Building blocks reporting scheme.

Inter-sectoral consolidating elements refer to holdings by the central government of debt issued by units of another GG sub-sectors. Those relate to securities issued by the state government, claims on state government, claims on centralisation body of social security funds (ONSS/RSZ), assets of National office for annual holidays and of Société fédérale de participation et d'investissement/Federale participatie- en investeringsmaatschappij.

State government (S.1312): The consolidating elements recorded for state government relate to assets held by the treasuries of the federated entities and of extra-budgetary units of the Communities and Regions, as reported by the federated entities.

The extension of the Building Blocks report to the asset side of the balance sheet (2014 onwards) for S1312 improved the coverage of consolidating elements (assets). For F.2 and F.4 instruments, the assets are cross-referenced with the Buildings Blocks at the liability side. Any inconsistencies between the reporting of assets and liabilities by counterparts is the subject of an investigation on both side (debtor and creditor).

Local government (S.1313): Consolidable assets of local government are treasury bills as reported in the survey on holdership of dematerialised securities (NBB\_SHS). This survey is organised by the National bank of Belgium. The respondents are national custodians.

Social security funds (S.1314): Social security funds are requested to provide information on their financial assets in the framework of the Law of 23 December 2013, which aims at the consolidation of assets of extra-budgetary units of S.1311 and social security funds managed by the S.1311.

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

Information provided in this section refers to data sources available for the Central Government (S.1311), indicates what sources are used for compilation of non-financial and financial accounts and EDP tables for S.1311, and explains the adjustments made in order to comply with ESA2010.

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

The delineation of the main central government unit – The State – covers different reality for the financial and non-financial account compilation reflecting the use of different data sources. See 3.2.1.1 Details of basic data source. For the non-financial accounts, under main state are considered all units included in the Economic Grouping, while for the financial accounts, the main state refers to all administrative departments of the Federal government for which financial transactions are centralised by the Treasury.

#### Non-financial accounts

For the compilation of non-financial accounts the main data source used by the NAI is the [Economic Grouping](#), which is a report according to a codification based on the economic nature of revenues and expenditures in the Budget. The Economic Grouping is compiled by the budget authority (FPS BOSA) and is transmitted to the secretariat of the Base documentaire générale/Algemene Gegevensbank<sup>7</sup> (General Documentary Base), set up by the cooperation agreement of October 1st, 1991 between the State, the Communities, the regions and the Community Commissions. The Economic grouping of the Federal Authority covers the budgetary transactions of the main state and the transactions of several autonomous funds and organisations. All entities use the same economic classification for the reporting.

The purpose of the General Documentary Base is to manage public finance (revenue and expenditure) statistics, establish criteria enabling these statistics to be compiled uniformly for each entity, and transmit the statistics it receives to the National Accounts Institute (ICN/INR) to allow it to incorporate them in the macro-economic framework of the national accounts. They also publish an annual report which contains the working balance for the state and government level.

The Economic grouping is transmitted for the first time before 15 February, an update is sent 15 April (this has been changed to 15 May in 2016) and if necessary an update can be transmitted in May of T+2 year (this has been changed to 15 April in 2016).

#### Financial accounts

In absence of accounting reports, official statements and internal report are/were used for the compilation of the financial accounts. Those sources have been gradually replaced by the Building Blocks [of the financial balance sheet] report. The Building blocks are purpose-built templates for collection of financial data on a quarterly basis for the compilation of the financial accounts/Maastricht debt. The data are available 45 days after the end of the reference period.

Data sources used for financial accounts and B.9f compilation are used for the compilation of EDP T.3.

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<sup>7</sup> The secretariat of the General Documentary Base is provided by the Service Macrobudgétaire du Service Public Fédéral Budget et Contrôle de Gestion/Macrobudgettaire Dienst van het Federal Overheidsdienst Budget en Beheerscontrole (Macrobudgetary Department of the Federal Budget and Corporate Governance Office). FPS Social security plays the same role as the General Documentary Base for the public institutions of social security.

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

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+months</i>		<i>cross appropriate cells</i>		
				<b>Budget Reporting</b>			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
M	A	T+45	T+17	(3) Current and capital revenue and expenditure and financial transactions	X	X	X
				(4) Balance sheets			
				<b>Financial Statements</b>			
				(5) Profit and loss accounts			
				(6) Balance sheets			
				(7) Cash flow statement			
				<b>Other Reporting</b>			
				(8) Statistical surveys			
C	M	T+30	T+1	Statement of (official) federal Government Debt			X
C	M	T+15	T+0.5	Detailed information on investments and borrowing by counterpart			X
C	M	T+15	T+0.5	Information on Treasury Portfolio assets			X
C	Q	T+45	T+1.5	Reporting Building Blocks			X

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

Periodicity (column 2); M - monthly, Q - quarterly, A - annual, 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

#### Non-financial accounts

The Economic Grouping is compiled at the 4-digit level of the economic classification and the guidelines are published on the website of the Macro Budgetary Department. The complete description of the economic codes can be found on the website of the General Documentary base. (<http://www.begroting.be/NL/figures/Pages/grouping.aspx>). For each economic code a description as well as examples is given.

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

The economic grouping distinguishes 10 main groups. The groups 0-4 register current flows, the groups 5-8 concerns capital flows and the group 9 concerns transactions in the government debt other than interest charges.

Group	Expenditure	Receipts
0	Non-divided expenditure	Non-divided receipts
1	Current expenditure for goods and services	Current receipts for goods and services
2	Interest and other expenditure from property	Interest and other receipts from property
3	Current transfers to other sectors	Current transfers from other sectors
4	Current transfers within the government sector	Current transfers within the government sectors
5	Capital transfers to other sectors	Capital transfers from other sectors
6	Capital transfers within the government sector	Capital transfers within the government sector
7	Investments	Disinvestments
8	Capital injection (equities and loans)	Reimbursement of loans and sales of equities
9	Governments debt	Government debt

The economic codes identify the counterparty of transactions. Flows between government sectors receive a specific code (4 or 6 depending on the nature of the transaction), the NAI can based on this verify if the transfers from the federal level and between the different Communities and Regions are consistent

For the transfers to other sectors than the government sector specific economic codes are foreseen, which enables the NAI to compile the relevant economic ESA accounts. However, the units have in some cases difficulties to identify the correct counterparty to the transactions. This is specifically the cases for non-profit institutions serving households, for which they often use the legal status as an indication.

At the time of the implementation of the ESA 2010, the General Documentary Base has adapted the Economic grouping to integrate the changes of the ESA, such as military investments, some new developments, such as the creation of a non-divided state subsector (for entities that cannot be attributed to a specific region or community) or the Sixth State Reform (the economic codes were changed to be able to identify even more clearly the counterpart in the case of transactions between government levels). This new classification will be applied for the first time for the reporting of transactions of the year 2015.

Some transactions are directly consolidated in the Economic grouping (EG). No recording is applied for current transfers, capital transfers, loans granted and equities acquisitions and their reimbursements/cessions to funds and bodies to be consolidated as well as similar transactions between funds and bodies.

### Working Balance

The data reported in the EG are used for the compilation of non-financial accounts and B.9 with some adjustments. The total of the revenue minus the total expenditure of the Economic grouping, excluding the group 9, is reported as the Working Balance (WB) in table 2A.

### Entities covered by the basic data

The Economic grouping of the Federal Authority covers the budgetary transactions of the main state and the transactions of several autonomous funds and organisations. From a strictly budgetary point of view, the revenues correspond to the Budget des Voies et Moyens/Rijksmiddelenbegroting (Ways and Means Budget) while the expenditures correspond to the Budget général des dépenses/Algemene Uitgavenbegroting (General-Expenditure Budget).

The Economic grouping does not consider all units that are part of the central government subsector. For the units for which the data are not reported in the Economic grouping, other sources as financial statements (including the profit and loss accounts and the balance sheets) available by the Central Balance Sheet Office of the National Bank of Belgium are used.

## Financial accounts

The main central government unit - the State – corresponds to the Treasury department.

Until 2013, the basic data for the liabilities were extracted from the monthly Treasury Statement *Debt of the Federal State* supplied by the Treasury of the Federal Finance Office (SPF Finances/FOD financiën). The data sources cover the official public debt and the financial assets of the Treasury in the strict sense (cash management transactions), as well as extra-budgetary debt corresponding to debt taken over by the Treasury at some time in the past or debt of other institutions whose debt service costs falls to the federal state. The data source covers outstanding nominal values (discounted value for short term debt securities) at the end-of-period and is available on a monthly basis within one month after the end of the reference month.

Financial assets are broken down by type of instrument (deposits, public securities, loans granted) and by counterpart sector (sub-sector). The extra-budgetary debt is broken down by major type of borrowing programs, essentially loans of more than a year granted by credit institutions.

Transactions in long-term assets are available in the Economic Groupings under codes 8; the corresponding stocks of assets are not recorded in the general government accounts.

“Clean” stocks of other accounts payable/receivable are not available. Stocks are derived from the adjustments made for accrual recording in the non-financial accounts.

Due to the non-standardised data source, there was no codification of data source. Each data provider uses its own template and own codification system. The data were codified according to the definitions and nomenclatures of ESA2010 during the compilation of the financial accounts. The ESA2010 codification is most of the time straightforward, except for some cases where the distinction between loans and securities other than shares is judgemental.

From 2014 onwards, the quarterly statistical report Building Blocks [of the financial balance sheet] provides information on the stocks and flows of financial assets and liabilities according to definitions and concepts of ESA 2010. The reporting templates are designed to insure full consistency of opening/closing positions and flows during the reporting period, as well as reconciliation between the stocks of liabilities and the Maastricht debt. The reporting Building blocks has replaced gradually the previous data sources.

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

No surveys are used as basic data source for the calculation of the Working Balance.

### 3.2.1.3 Supplementary data sources and analytical information

This section describes supplementary data sources used to amend basic data sources when compiling national accounts. In order to meet ESA2010 requirements, supplementary data could be used for e.g. for accrual adjustments, reclassification of specific transactions, consolidation, amendments of revenue and expenditure structure, amendments of structure of assets and liabilities, identification of a counterpart sector, etc.

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

Several supplementary data-sources are used for the compilation of the non-financial accounts to adjust the WB.

- The financial transactions on assets receive an economic code starting with an 8 in the EG. The correct recording as financial transactions of the capital injections, loans or advances is checked

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

(capital injection test) based on a separate survey in which information is collected on amounts, identification of counterparties, other investors and audited financial plan. See 7.3

- There is a separate survey on guarantees, which serves as a cross check to see if important calls are treated correctly. See 7.1.
- The NAI requests systematic access to the basic budgetary allocations of the budget to assess the quality of the economic codification of the Economic grouping (accuracy and consistency in time to obtain correct economic time series).

An automatic test based on the balance sheets is used to identify super dividends (super dividend test). See 7.4.

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

Special reports provided by the Treasury were used either to adjust the main data source or to record particular transactions impacting B.9F.

- Long term debt securities at face value were converted at market value with an index representing the ratio of market value (excluding interest accrued) on face value calculated based on data from the Securities Settlement System (NBB\_SSS). Stocks of accrued interest not yet paid were added.
- The transactions in debt securities derived from outstanding amounts at nominal value were adjusted for issuance premiums and discounts, interest accrued, and interest paid.
- Information on cash flows relating to swaps cancellation.

Supplementary data source is also used for:

- Imputed debt/asset are recorded based on ad hoc sources (as in the framework of the re-routing of EFSF scheme in the accounts of member states which data are provided by Eurostat);
- Currency put in circulation by the Fonds monétaire/Muntfonds which data are provided by National Bank of Belgium which ensures the effective management for the circulation of coins.

Those supplementary data are available on quarterly basis, in T+30 days.

Since 2014, no adjustments on basic data source are requested. Information collected via the Buildings blocks reporting scheme (BBs) is consistent with ESA 2010 and EDP requirements and allows a better coverage of stocks as well as transactions.

### 3.2.1.4 Extra-budgetary accounts (EBA)

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

The scope of the Economic Grouping is large and not strictly limited to budget transactions per se. It includes some non-budget transactions and transactions of certain funds and autonomous bodies. See 3.2.1.

## 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).

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

Available source data				Source Data Accounting	Source data used for compilation of	
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			B.9 (NFA)	B.9f (FA)
		First results	Final data			
1	2	3	4	5	7	8
		T + days	T+months			
				<b>Budget Reporting</b>		
				(1) Current revenue and expenditure		
				(2) Current and capital revenue and expenditure		
				(3) Current and capital revenue and expenditure and financial transactions		
				(4) Balance sheets		
				<b>Financial Statements</b>		
A	A	T+45	T+7/8	(5) Profit and loss accounts	X	X
A	A	T+45	T+7/8	(6) Balance sheets	X	X
				(7) Cash flow statement		
				<b>Other Reporting</b>		
				(8) Statistical surveys		
C	Q	-	T+2	Statistical obligations under Law of 21 December 2013		
A	A	T+45	T+1.5	Reporting Building Blocks		

See notes to table 2, on the used abbreviations.

### 3.2.2.1 Details of the basic data sources

#### Non-financial accounts

The Economic grouping of the Federal Authority reports the budgetary transactions of the main state and the transactions of several autonomous funds, organisations and units. The coverage of economic grouping evolves with time, units belonging to S.1311 being progressively incorporated.

For the units for which the data are not reported in the economic grouping, information from the financial statements (including the profit and loss accounts and the balance sheets) available at the Central Balance Sheet Office of the National Bank of Belgium (NBB\_CBSO) are used. For some units, ad hoc reporting is also used. Financial statements from the CBSO are available in T+8 month after

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

the end of the reference period, while preliminary information based on ad hoc reporting or bilateral contacts are available in T+45 days.

The financial statements are filed at the CBSO according to two types of models, complete and simplified. The structured information treated as a data base allows the extraction of information and calculations (dividend test, market test). A bridge table is used to convert financial statement according to Belgian generally accepted accounting principles (BE\_GAAP) into ESA 2010 concepts and definitions. Some manual adjustments are nevertheless required because, although the models are standardised, there is certain latitude in the way the statements are filled out.

In 2014, units were added to the perimeter of the federal government sector, mainly for April Notification 2014 and also in the framework of the implementation of ESA 2010 in the October Notification 2014. As the economic groupings are not revised backwards by the governments, a correction for these entities was made under the line “units to be classified inside the subsector, but not reported in the Working Balance”.

The units for which the data are not reported in the economic grouping for the reference year 2017 are few since the policy pursued for several years is to integrate them as much as possible into the economic grouping.

### Financial accounts

Main data sources for all consolidated units (excluding the main State) are:

- the balance sheet available at the Central Balance Sheet Office of the National Bank of Belgium (NBB\_CBSO);
- the quarterly reporting managed by the Ministry of Finances in the framework of the law of the 21th of December 2013 which aims to reinforce the structural character of the consolidation within the sub-sectors of the General Government and which collects data on the asset and liability sides of all units belonging to the Central Government and the Social Security sub-sectors, transmitted since 2016 through the Building blocks reporting scheme;
- the settlement system for securities which is administered by the National Bank of Belgium whose data are available monthly (NBB\_SSS);
- the statistical survey on capital injections;
- Adjustment for accrual recording on WB.

Those sources are used in combination to ensure the maximum coverage of financial assets and liabilities broken down by ESA financial instrument and counterpart sector. As for the non-financial accounts, a bridge table is used for the transition from BE\_GAAP to ESA 2010 financial accounts although both financial and non-financial accounts are not yet fully integrated.

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

See 3.2.2.3

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

This section describes supplementary data sources which are used to amend basic data sources while compiling national accounts. In order to meet ESA2010 requirements, supplementary data could be used for, e.g., accrual adjustments, reclassification of specific transactions, consolidation, amendments of revenue and expenditure structure, amendments of structure of assets and liabilities, identification of a counterpart sector, etc.

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

Several supplementary data-sources are used for the compilation of the non-financial accounts

- **Survey on capital injection:** The financial transactions on assets receive an economic code starting with an 8 in the EG. The correct recording as financial transactions of the capital injections, loans or advances is checked (capital injection test) based on a separate survey in which information is collected on amounts, identification of counterparties, other investors, audited financial plan. This survey has been replaced by the reporting of assets in shares and loans in the Building Blocks See 7.3.
- **Survey on guarantees,** which information serves as a cross check to see if important calls are treated correctly.

An **automatic test based on the balance sheets** is used to identify super dividends (super dividend test).

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

No supplementary data sources are used for the compilation of financial accounts. No adjustment is applied on basic data source prior to the implementation of the Building block reporting scheme (BBs). Since then, the information collected is consistent with ESA 2010 and EDP requirements and allows a better coverage of transactions and stocks.

### 3.2.3 EDP table 2A

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

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

The data sources used for the compilation of the WB are used for the compilation of the non-financial accounts and the B.9. The WB is published on the website of the “service public fédéral stratégie et appui”. (<http://www.budgetfederal.be/FR/figures/WorkingBalance.html>)

#### 3.2.3.2 Legal basis of the working balance

The working balance corresponds to a statistical concept based on economic classification of the budgetary classification (class 8 and 9) of the chart of accounts. The economic classification has been developed for statistical purpose by the General Documentary Base created by the cooperation agreement between the federal government and the communities and the regions of October 1st, 1991.

WBs are not *per se* adopted by the Parliament. However, they are published in the budgetary documents annexed to the budgets adopted by the Parliament.

The WB is not formally audited by the Belgian Court of Audit. However, the concordance between the budgetary data and the working balance is controlled and presented in the annual book of observations of the Court of Audit. The annual book of observations for the Federal State of the Court of Audit is published on its website once it is communicated to the Parliament (<http://www.ccrek.be>).

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

Two adjustment lines due to sector delimitation appear in EDP T2. The purpose of the first adjustment is to exclude flows relating to units which do not belong to the government sector (or to the particular subsector) according to ESA2010 definition. The second adjustment refers to B.9 of other units which are classified within the particular government subsector, but related inflows/outflows are not included in the working balance.

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

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

Not applicable.

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

B.9 of units not reported in the WB (see 3.2.2) is reported in EDP T.2 under Net borrowing/net lending of other central government bodies on an accrual basis.

Methodological imputations/reclassifications relating to these units (e.g. debt cancellations, debt assumptions, EU flows, dividends, capital injections, etc.) are reflected in their B.9.

The full sequence of accounts is built at the level of the whole S.1311 level. Transactions of units not included in the WB are derived from the BE\_GAAP using a bridge table and directly recorded under ESA transactions in the accounts.

### 3.2.3.4 Accounting basis of the working balance

Notwithstanding the harmonisation of the Economic grouping, the public accounting systems differ between the units and they can be cash/accrual or mixed. In principle all units are gradually implementing an accrual recording, however at a different pace. The general principles are fixed in the Law of 22 May 2003 (Loi du 22 mai 2003 portant organisation du budget et de la comptabilité de l'Etat fédéral / wet van 22 mei 2003 houdende organisatie van de begroting en van de comptabiliteit van de Federale Staat).

The WB is calculated on a mixed accounting basis: some transactions are recorded on an accrual basis (expenditure of Federal Public Services, interests on public debt managed by the Treasury) while some others are recorded on a cash basis (fiscal revenue). The expenditures of funds and autonomous bodies are recorded at the time the order to pay is given (ordonnancements/ordonnancerings) while their revenues are recorded on a cash basis except for those funds and autonomous bodies using BE\_GAAP.

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

The interest reported in the WB and in the financial statements (including the profit and loss accounts and the balance sheets) available by the NBB\_CBSO are recorded on an accrual basis. No adjustment is requested in EDP T2.

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

Accrual adjustments under other account receivable/payable are applied for the time of recording of taxes. This is the case for the following taxes, which are recorded following the cash adjusted method:

<b>Taxes</b>	<b>Time-lag between the activity date (or the determination date of the amount of the tax) and the due date</b>
VAT (D211)	1 month
Excise duty on manufactured tobacco (D212)	3 months (until 31 December 1996), 2 months (since 1 January 1997 until 31 December 2008), 1 month (since 1 January 2009)

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

Taxes on stock exchange business (D214C)	1 month (since 1 April 2002)
Vehicle taxes (D29B and D59D)	1 month (since 2002, S.1312)
Advance payment of tax on income from capital (D51A and D51B)	1 month
Advance payment of tax on earnings (D51A)	1 month
Income tax by assessment (D51A and D51B)	2 months
Tax amnesty (D91B)	15 days (since 1 January 2010 for DLUbis, 1 January 2013 for DLUter and 1 January 2017 for DLUquater)

In addition to the recurrent adjustments, ad hoc adjustments are applied on taxes when the perception of taxes incurs a reduction/augmentation in the delay for the perception.

Adjustments are also applied on the recording of the following transactions: current and capital transfers (for example, an adjustment is made for repayments of the GNI contribution when the EU amending budget is voted late and that the effective payment is delayed to the next year, for transfers to Greek government the ANFA-SMP profits made on Greek government bonds held by their National Central Banks, for subsidies and exceptional reimbursements of taxes), lump sum pension, UMTS and LTE licences, fees for guarantees.

Consistency with F.8 reported in EDP T.3 and financial accounts

The accounting basis of WB is mixed (cash/accruals) which mean that in theory the adjustment for accruals recorded in EDP T.2 should corresponds partially to F.89 recorded in financial accounts.

The absence of direct data source for other accounts payable/receivable means that in practice, F.8 is a combination of several entries:

- Adjustments on the WB for accruals recording
- F.89 corresponding to transaction recorded on an accruals basis in the WB (for which there is no adjustments in EDP T.2)
- Direct information on F.81 from data source used for the compilation of financial accounts.

### 3.2.3.4.3 Other accrual adjustments in EDP T2

Adjustments reported in EDP T.2 for time of recording which are not reflected in F.8 correspond to adjustment on cash data (prior to the application of the cash adjusted method), when the period covered by the data is different from the reference period (direct taxes).

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

As general principle, the Economic grouping covers all transactions resulting in a cash flow. For transactions without cash, adjustments are requested. Adjustments for non-financial transactions not included in the WB covers occasional transactions such as script dividend shares in 2009 and 2010.

### 3.2.3.6 Financial transactions included in the working balance

Financial transactions corresponding to transactions in capital participations, loans and financial advances (codes 8) as well as transactions in government debt (codes 9) are included in the WB. In EDP Table 2, the WB is adjusted for those flows as a rule.

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

The financial flows included in the WB (under codes 8) are however systematically examined to determine if they comply with ESA definition of financial transactions, leading when necessary to the re-routing of financial transactions in the non-financial accounts. See point 7.3.

Conversely non-financial transactions may be reclassified as financial transactions like transactions with the National Bank concerning holdings gains regarded as non-financial income in the economic reclassification or super dividends which are considered as dividend in the Economic groupings.

Flows of interest resulting from swaps were reported in the economic groupings under codes 2 (interest paid and received) following Regulation 479/2009 under ESA 1995 (EDP D.41). The WB was adjusted for those flows until reference period 2013. The economic groupings have been adapted for change in ESA 2010 and the interest flows resulting from swaps are recorded under codes 8/9 since reference year 2014 onwards.

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

#### Securitisation

Under the ESA 1995, the securitisation proceeds concerning arrears of taxes and parafiscal charges were recorded, subject to certain conditions, as general government revenue and therefore had a positive impact on the balance (B.9). Under ESA 2010, proceeds of government securitisation operations relating to tax receivables must be treated as government financing (financial transaction).

Reporting of securitisation proceeds in the WB follows the provisions of ESA 1995, and the decision of Eurostat of 2007. Adjustments for securitisation have been recorded in EDP T.2 corresponding to the proceeds of the securitisation of 2005 and 2006.

#### Debt cancellation

Debt cancellations are not accounted for in the Economic Groupings since no cash flows are involved.

Capital transfers are recorded in other adjustment for debt cancellations in the framework of State loans granted by the authorities (Coopération au développement et la Trésorerie du SPF finances / Ontwikkelingssamenwerking en de Thesaurie van FOD Financiën). Information about the State loans including debt cancellation is available since 1995 onwards. For most of the years, the amounts of debt cancellation are marginal. The existence of a compensation mechanism (expenditure) imputed in the budget of the Coopération au développement/Ontwikkelingssamenwerking means that the impact on the financing balance do not correspond to the total amounts of the cancelled debts.

The data collection system developed for the financial assets (building blocks) for 2014 onwards will allow a systematic monitoring of all loans granted by the Federal state, including debt cancellation.

#### Adjustment for transfers within general government

This item concerns corrections on transfers between sub-sectors as recorded in the EG. The adjustments are based on counterpart information (state government and social security funds).

#### Financial derivatives (swaps)

Adjustments for swaps are recorded in EDP T.2. Until 2013, the WB included net interest payments resulting from swaps and forward rate agreements reflecting the definition of EDP B.9 under Council Regulation (EC) 479/2009 as regards references to the European system of national and regional accounts in the European Union. In September 2014, Commission Regulation (EU) No. 220/2014 of 7 March 2014 amending Council Regulation (EC) No. 479/2009 took effect and the adjustment relating to net interest payments resulting from swaps and forward rate agreements was abolished.

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

B.9 as reported in the last line of EDP Table 2 is derived from the Economic groupings used for the calculation of the WB.

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

ESA Financial account of the Central Government sub-sector is the main source for the compilation of EDP T3B. The absence of integrated data source in public accounts for the Central Government means that financial account and non-financial accounts compilation are still largely two separate processes, which is reflected in the discrepancies between B.9 and B.9F as shown in EDP T3.

The compilation of financial accounts is fully articulated by construction, each operation having a recording in stocks, transactions, other change in volume and revaluation by ESA instrument and counterpart sector. The notable exception is the recording of transactions without corresponding stocks which corresponds to the financial transactions included in the WB (codes 8 and related transactions until 2016).

Since the reference period spanning 2014-2016, the main data source for the compilation of stocks and transactions in financial assets and liabilities of the Central Government sub-sector is the report developed by the National Accounts Institute (NAI) and the General Documentary Basis (GDB), called the Building Blocks [of the financial balance sheet]. This report provides information on the stocks - with different valuations to fulfil the requirements of EDP notification and ESA accounts - and flows for ESA instruments at asset and liability side. The reporting template is designed to insure full consistency of opening/closing positions and flows during the reporting period as well as counterpart information. This reporting will eventually cover most of ESA financial instruments on the balance sheet for all units belonging to the Central Government sub-sector.

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

The Building Blocks data collection covers the following instruments:

Main State					
Template name	Template type	Deadline	Frequency	First report	In FA
<b>BBX_Deposits</b>	Full	t+45	Quarterly	2014Q1	Yes
<b>BBL_Debt securities</b>	Full	t+45	Quarterly	2014Q1	Yes
<b>BBL_Loans</b>	Full	t+45	Quarterly	2014Q1	Yes
<b>BBX_Trade credits</b>	Full	t+45	Quarterly	2014Q1	Yes
<b>BBA_Debt securities</b>	Full	t+45	Quarterly	2015Q1	Yes
<b>BBA_Loans</b>	Full	t+45	Quarterly	2015Q1	Yes
<b>BBA_Shares</b>	M	t+45	Annual	2016	Yes
<b>BBX_Derivatives</b>	M	t+45	Quarterly	2018Q1	Yes

Consolidated units						
Template name	Template type	Deadline	Update	Frequency	First report	In FA
<b>BBL_Debt securities</b>	Simplified	t+45	t+180	Annual	2014	Yes
<b>BBL_Loans</b>	Simplified	t+45	t+180	Annual	2014	Yes
<b>BBX_Deposits</b>	Simplified	t+45	t+180	Annual	2014	Yes
<b>BBX_Trade credits</b>	Simplified	t+45	t+180	Annual	2014	Yes
<b>BBA_Shares</b>	M	t+45	T+180	Annual	2016	Yes

BBL : BBs liabilities | BBA : BBs assets | BBX : BBs assets and liabilities

\* Used for the compilation of financial accounts as of 2015Q3 (EDP 2015-2°)

Pending the development of the Building Blocks and its extension to all units belonging to the Central Government sub-sector, main supplementary data sources (see 3.2.1 and 3.2.2.) can still be marginally used for the compilation of the financial accounts of the Central Government sub-sector.

Except for transactions directly reported in the Building Blocks and other secondary sources (transactions only), the financial transactions are derived from stocks, after adjustments for other changes in volume and revaluations where available. Transactions in F.32 prior to 2014, was derived from the stocks at face value, adjusted for interest accrued and not yet paid during the period and for issuance/redemption premium and discounts.

Special transactions such as privatisation, debt cancellation, debt assumption, super dividends and capital injections are treated on a case-by-case basis according to the prescriptions of ESA and MGDD and consistently with the treatment in the non-financial accounts.

At the **liability side**, Deposit (F.2L) covers the notional claim relating to the coins issued by the Belgian Central Bank on the Belgian Central Government. The data source is a document provided by the National Bank of Belgium which manages the operational aspect for the issuance. The data are stocks of coins issued by end of period. Transactions are derived from stocks. No adjustment is required.

Debt securities and loans (F.3L and F.4L) are based on different data sources for the data prior to 2014 for the Main State and for the consolidated units forming the Central Government sub-sector:

- For the Main State, the main data source is the Treasury monthly statement which contains both the official public debt of the Treasury and the extra-budgetary debt (debt of other institutions whose debt service cost falls to the federal Government). Outstanding amounts at end-of-period are valued at face value for long term debt securities (F.32), and at the discounted value for short term debt securities (F.31). Conversion to market value for F.32 is undertaken at a macro level using an index. Market value (clean price) of F.32 and face value of F.42 are adjusted for stocks of interest accrued and not yet paid.
- For consolidated units belonging to the Central Government sub-sector, three main data sources are used: (1) the settlement system for securities which is administered by the National Bank of

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

Belgium (NBB\_SSS) whose data are available on a monthly basis; (2) the balance sheet of the consolidated units (on a yearly basis) if any; and (3) the quarterly reporting managed by the Ministry of Finances in the framework of the law of the 21th of December 2013 which aims to reinforce the structural character of the consolidation within the sub-sectors of the General Government and which collects data on the asset and liability sides of all units belonging to the Central Government and the Social Security sub-sectors (by making reference to the list of the units belonging to the General Government sector defined by the NAI and published on the Internet site of the National Bank of Belgium). Data are available on stocks valued at face value.

Equity liabilities (F.5L) may be recorded in the financial accounts of the Central Government sector reflecting the presence of other shareholders into public units belonging to the Central Government sub-sector.

Concerning the **asset side** (for the F.2A, F3A, F.4A and F.5A instruments), four main data sources are used: (1) the quarterly reporting in the framework of the law of the 21th of December 2013 which collects data on the asset and liability sides of all units belonging to the Central Government and the Social Security sub-sectors (since 2016 via the Building Blocks reporting); (2) the balance sheet of units consolidated in S.1311 (on a yearly basis) if any; (3) the information received on an yearly basis from the Federal Holding and Investment Company (SFPI-FPIM) (since 2016 incorporated in the Building Blocks reporting, (4) the Codes 8 of the Economic Groupings (used for the compilation of the non-financial accounts of the Federal Government sector) which provide the transactions related to capital participations, loans or advances until 2016, replaced now by the reporting via BBA\_Shares and BBA\_Loans.

While the first and the second data sources provide information on stocks (from which transactions are derived), the third one provides information on both and the fourth one only on transactions until reported via the BB scheme.

Those data sources allow data cross-referencing. The NAI ensure that no double accounting result from multiple sources by prioritising the use of sources.

For equities (F.5A) at the asset side, the NAI adjust the valorisation at historical value of participations of the Federal Holding and Investment Company (SFPI-FPIM). The market value is estimated based on the value of net assets of the corporation. The transactions are directly provided by the SFPI-FPIM at market value.

Specific transactions requesting imputation are recorded on basis of ad-hoc information: securitisation of fiscal arrears, off-market swaps, EFSF.

Some information on transactions (for F.4A and F.5A instruments) at the asset side was provided by the Codes 8 of the Economic Grouping (budgetary transactions related to capital participations, loans or advances, for which the correct registration as a financial transaction (in place of an expenditure) was assessed based on of a separate survey. Transactions were recorded without counterpart in stocks. Another change in volume is recorded to neutralise the transaction and complete the horizontal sequence of the financial accounts.

No assets and liabilities related to insurance, pension and standardised guarantee scheme (F.6A/L) are recorded in the financial accounts of the Central Government sub-sector and only transactions in financial derivatives (F.71A/L) were recorded for the main state until 2018 (another change in volume was recorded to neutralise the transaction) Financial derivatives are now reported via the Building blocks reporting for both stocks and transactions.

The information relating to trade credits (F.81A/L) at the liability and asset sides come from an ad hoc questionnaire completed by the FPS Budget and from the balance sheets of consolidated units. Data are recorded in stocks; transactions are derived from stocks considering the other change in volume if any. A specific Building block has been developed to collect data on assets and liabilities under F.81A/L (stocks and flows). The information gathered (for the main state) through this channel aims at collecting information on long term trade credit, trade credits being subject to factoring without recourse and to restructuration to requalify these trade credits in loans according to Eurostat decision

of 31 July 2012. An adapted version should ultimately be extended to consolidated units and replace the data from the balance sheet.

Other accounts payable/receivable (F.89A/L) are recorded based on the adjustment for accruals recording in the non-financial accounts. The information is broken down between fiscal and non-fiscal other accounts payable/receivable.

### 3.2.4.2 Other stock-flow adjustments

From 2014, the stock-flow adjustments due to the face valuation of Maastricht debt recorded in Table 3A relates to the debt of the main state only. Information on issuance above/below nominal value, difference between interest accrued and paid and redemptions/repurchase of debt above/below nominal value are directly reported in the Building block reporting.

- Issuance above/below nominal value covers difference between the issuance price and the face value;
- Difference between interest accrued and paid covers coupons/interest accrued minus the coupons/interest paid, amortization of premiums/discounts and coupons sold;
- Redemption above/below nominal value covers cash premiums/discounts at redemption.

The appreciation /depreciation of foreign currency debt are also reported in the Building block reporting.

Prior to 2014, those adjustments were reported by the Treasury. This information was collected in the framework of the compilation of the financial accounts. Transactions being derived from stocks of liabilities valued at face value, an adjustment was required to consider the issuance (redemption) premiums/discounts, while interest accrued but not paid were used to adjust the valuation at market price based on a clean price index.

Change in sector classification and other changes in volume are recorded in the financial accounts of central government to reconcile the horizontal sequence of accounts. Most of the other change in volume on the debt instruments relates to reclassifications of units either because the reclassification happens at some point in time series, or because the reclassification has not been backcasted over the whole period. The other change in volume reflects breaks in data sources or technical issues stemming from the counterpart financial accounts. Only other changes in volume due to reclassification are recorded in EDP T.3.

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

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

There is no allocation of the observed difference between B.9F and B.9 (discrepancy) neither at the level of source data nor at the final stage of financial or non-financial accounts compilation. The discrepancy is shown in EDP T.3.

The discrepancy may reflect different statistical issues:

- Accruals recording issues: when the basis for revenues and expenditures in the WG is accruals and no F.89 or a non-consistent F.89 is recorded in the financial accounts;
- Coverage of data sources: the compilation of financial and non-financial accounts is based on different data sources. Although theoretically both accounts use the same perimeter, the data sources may not be exhaustive and cover different unit.
- Coverage of financial transactions: All financial transactions are not reported in the financial accounts due to the lack of data source.

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

#### 3.3.1 Data sources for State Government unit

The state government sector consists of 8 core entities: the Flemish Community, the French Speaking Community, the German speaking Community, the Walloon region, the Brussels Capital region and the three community commissions (the Flemish, French and the Joint), plus two notional entities for unallocated or joint transactions/stocks.

The NAI publishes on the website of the National Bank twice a year (at the time of the notifications) a list of entities belonging to the government sector and indicates the entities which belong to the state government sub-sector (S.1312).

Financial accounts/debt figures and non-financial accounts are compiled from different set of data sources.

#### Non-financial accounts

For the compilation of non-financial Accounts the main data source used by the NAI is the [Economic Grouping](#), which is a report according to a codification based on the economic nature of revenues and expenditures in the Budget. The Economic Grouping is compiled by the budget authorities of each of the entities concerned and are then sent to the secretariat of the Base documentaire générale/Algemene Gegevensbank<sup>8</sup> (General Documentary Base), set up by a cooperation agreement between the State, the Communities, the regions and the Community Commissions. All federated entities use the same economic classification for the reporting. The Economic grouping of State Authorities covers the budgetary transactions of the main state and the transactions of several units consolidated with the state authorities. All entities use the same economic classification for the reporting.

The purpose of the General Documentary Base is to manage public finance (revenue and expenditure) statistics, establish criteria enabling these statistics to be compiled uniformly for each entity, and transmit the data it receives to the National Accounts Institute (ICN/INR) to allow it to incorporate them in the macro-economic framework of the national accounts. They also publish an annual report which contains the working balance for the state and government level.

The Economic grouping is transmitted for the first time before 15 February, an update is sent 15 April (this has been changed to 15 May in 2016) and if necessary an update can be transmitted in May of T+2 year (this has been changed to 15 April in 2016).

#### Financial accounts

Official statements and internal report are/were used for the compilation of the financial accounts of main state of federated entities. The balance sheets filed at the NBB\_CBSO was the main source of information for the financial accounts of the consolidated units. Those sources are gradually replaced by the Building Blocks [of the financial balance sheet] report. The Building blocks are purpose-built templates for collection of financial data for the compilation of the financial accounts/Maastricht debt. The data are available 45 days after the end of the reference period, with a quarterly periodicity for main (federated) state and an annual periodicity for all other units.

Data sources used for financial accounts and B.9F compilation are used for the compilation of EDP T.3.

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<sup>8</sup> The secretariat of the General Documentary Base is provided by the Service Macrobudgétaire du Service Public Fédéral Budget et Contrôle de Gestion/Macrobudgettaire Dienst van het Federal Overheidsdienst Budget en Beheerscontrole (Macrobudgetary Department of the Federal Budget and Corporate Governance Office).

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

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+months</i>		<i>cross appropriate cells</i>		
				<b>Budget Reporting</b>			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
M	A	T+45	T+17	(3) Current and capital revenue and expenditure and financial transactions	X	X	X
				(4) Balance sheets			
				<b>Financial Statements</b>			
A	A	T+45	T+7/8	(5) Profit and loss accounts		X	X
A	A	T+45	T+7/8	(6) Balance sheets		X	X
				(7) Cash flow statement			
				<b>Other Reporting</b>			
A	Q/A	T+45	T+1.5	(8) Reporting Building Blocks			X

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

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

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

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

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

### 3.3.1.1 Further specifications/comments to the table

Notwithstanding the harmonisation of the economic grouping, the public accounting systems differ between the entities and they can be cash/accrual or mixed. In principle all entities are gradually implementing an accrual recording, however at a different speed. The general principles are fixed in the Law of 16 May 2003 (wet van 16 mei 2013 tot vaststelling van de algemene bepalingen die gelden voor debegroting en, de controle op de subsidies en voor de boekhouding van de gemeenschappen en de gewesten, alsook voor de organisatie van de controle door het Rekenhof/ Loi du 16 mai 2003 fixant les dispositions générales applicables aux budgets, au contrôle des subventions et à la comptabilité des communautés et des régions, ainsi qu'à l'organisation du contrôle de la Cour des comptes).

The Flemish Community, the Brussels Capital Region and the German speaking Community use an accrual recording. While the Walloon region and the French speaking Community use a mixed recording and accrual adjustments have to be carried out systematically.

### 3.3.1.2 Details of the basic data sources

#### Non-financial accounts

The Economic Grouping is compiled at the 4-digit level of the economic classification and the guidelines are published on the website of the Macro Budgetary Department. The complete description of the economic codes can be found on the website of the General Documentary base. (<http://www.begroting.be/NL/figures/Pages/grouping.aspx>). For each economic code a description as well as examples is given.

The economic grouping distinguishes 10 main groups. The groups 0-4 register current flows, the groups 5-8 concerns capital flows and the group 9 concerns transactions in the government debt other than interest charges.

Group	Expenditure	Receipts
0	Non-divided expenditure	Non-divided receipts
1	Current expenditure for goods and services	Current receipts for goods and services
2	Interest and other expenditure from property	Interest and other receipts from property
3	Current transfers to other sectors	Current transfers from other sectors
4	Current transfers within the government sector	Current transfers within the government sectors
5	Capital transfers to other sectors	Capital transfers from other sectors
6	Capital transfers within the government sector	Capital transfers within the government sector
7	Investments	Disinvestments
8	Capital injection (equities and loans)	Reimbursement of loans and sales of equities
9	Governments debt	Government debt

The economic codes identify the counterparty of transactions. Flows between government sectors receive a specific code (4 or 6 depending on the nature of the transaction), the NAI can based on this verify if the transfers from the federal level and between the different Communities and Regions are consistent

For the transfers to other sectors than the government sector specific economic codes are foreseen, which enables the NAI to compile the relevant economic ESA accounts. However, the units have in some cases difficulties to identify the correct counterparty to the transactions. This is specifically the cases for non-profit institutions serving households, for which they often use the legal status as an indication.

At the time of the implementation of the ESA 2010, the General Documentary Base has adapted the Economic grouping to integrate the changes of the ESA, such as military investments, some new developments, such as the creation of a non-divided state subsector (for entities that cannot be attributed to a specific region or community) or the Sixth State Reform (the economic codes were changed to be able to identify even more clearly the counterpart in the case of transactions between government levels). This new classification will be applied for the first time for the reporting of transactions of the year 2015.

#### Working Balance

The data reported in the EG are used for the compilation of non-financial accounts and B.9 with some adjustments. The total of the revenue minus the total expenditure of the Economic grouping, excluding the group 9, is reported as the Working Balance (WB) in table 2A.

#### Entities covered by the basic data

As with the Federal Authority, the Economic groupings of the communities and regions consider not only strictly budgetary transactions of the main state, but also the transactions of several autonomous funds and organisations for which the information is consolidated within each Community or Region. The economic groupings do not take into account all entities that are part of the state government

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

subsector; however, the different government levels have taken initiatives to include at least the majority of the important entities in the economic grouping.

The important number of reclassifications of units into the government sector in September 2014 in the framework of the implementation of the ESA2010 means that the data for several units are still not transmitted via the Economic groupings. For the units for which the data are not reported in the Economic grouping, other sources as financial statements (including the profit and loss accounts and the balance sheets) available by the NBB\_CBSO are used.

### Financial accounts

See 3.3.4.

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

No surveys are used as basic data source for the calculation of the Working Balance.

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

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

Several supplementary data-sources are used for the compilation of the non-financial accounts.

- **Survey on capital injection:** The financial transactions on assets receive an economic code starting with an 8 in the EG. The correct recording as financial transactions of the capital injections, loans or advances is checked (capital injection test) based on a separate survey in which information is collected on amounts, identification of counterparties, other investors, audited financial plan. See 7.3.
- **Survey on guarantees,** which serves as a cross check to see if important calls are treated correctly. See 7.1.
- The NAI requests systematic access to the basic budgetary allocations of the budget to assess the quality of the economic codification of the Economic grouping (accuracy and consistency in time to obtain correct economic time series).
- An **automatic test based on the balance sheets** is used to identify super dividends (super dividend test). See 7.4.
- **Reports of the Court of auditors:** In the Flemish Region the Economic grouping is audited by the court of auditors (in collaboration with company auditors which audit the ESA accounts of some public corporations and a global report is published (in previous years in the summer). This report contains an overview with possible issues regarding the time of recording or amount recorded and is used in the October Notification to correct the figures.

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

No supplementary data sources are used for the compilation of financial accounts. No adjustment is applied on basic data source prior to the implementation of the Building block reporting scheme (BBs). Since then, the information collected is consistent with ESA 2010 and EDP requirements and allows a better coverage of stocks as well as transactions.

### 3.3.2 Data sources for other State Government units

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

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

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

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

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

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

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

#### 3.3.2.1 Details of the basic data sources

For the units not covered by the economic groupings the accounts are drawn from the financial statements available at the Central Balance Sheet office (NBB\_CBSO). However, for a number of large units the different state governments deliver provisional accounts in due time for the March Notification.

Units not included in the WB are listed in section 3.3.3.3.2.

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

No surveys are used as basic data source for the calculation of the Working Balance

## **3.3.3 EDP table 2B**

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

The economic groupings used for the compilation of the working balance are also used for the compilation of non-financial accounts and financing balance (B.9). The working balances are published on the website of the “service public fédéral stratégie et appui”. (<http://www.budgetfederal.be/FR/figures/WorkingBalance.html>)

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

The legal basis of the working balance is the Collaboration agreement of 1 October 1991 signed by the Minister of Finance and the Budget Minister of the Belgian State, the Communities, de Joint community commission and the Regions. The economic groupings and the WB are published in the annual report of the General Documentary Base.

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

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

The number of units that must be removed from the economic groupings is very limited. In 2014 it only concerned an entity in the Brussels Capital Region.

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

In 2014, an exceptionally high number of units (over 100) was added to the perimeter of the state government sector, first for April Notification 2014 and subsequently in the framework of the implementation of ESA 2010 in the October Notification 2014. As the economic groupings are not revised backwards by the governments, a correction for these entities was made under the line “units to be classified inside the subsector, but not reported in the Working Balance”. Given the importance of these entities the effect on the financing balance can be substantial.

The federated entities have taken since the necessary dispositions to extent the coverage of the economic groupings to most of those new units. In 2017 nearly, all entities have been included in the economic groupings (and thus the working balance). In recent years mainly, the entities of which the sector classification is changed during the year are reported in this line. Only in the Brussels Capital Region not all entities are included in the working balance and there are over 20 entities that are systematically added, however for very limited amounts.

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

Notwithstanding the harmonisation of the Economic grouping, the public accounting systems differ between the units and they can be cash/accrual or mixed. In principle all units are gradually implementing an accrual recording, however at a different pace.

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

Interest payments for the Walloon Region and French Speaking Community require accrual adjustments. The other Communities and Regions register D.41 on an accrual basis.

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

Accrual adjustments under other account receivable/payable are applied for the time of recording of taxes. This is the case for the following taxes, which are recorded following the cash adjusted method:

Taxes	Time-lags
Registration rights (D214C)	1 month (since 1 January 2017 for Flemish region)
Property related taxes (D29A)	2 months
Vehicle taxes (D29B and D59D)	1 month (since 2002) - Flemish Region 2 months (since 2012)
Income tax by assessment (D51A)	2 months (since 2015)
Inheritance taxes (D91A)	2 months
Tax amnesty (D91B)	15 days (since 1 January 2010 for DLUbis and 1 January 2017 for DLUquater)

Several taxes are still perceived at the federal level and after one month the receipts are transferred to the Regions. In the accounts of the Regions these taxes are recorded when they receive the payment of the federal level. An accrual adjustment of one month is therefore applied. Given the fact that the Regions are progressively taking over the collection of different taxes, the adjustments differ between the Regions. Since 2015 the Flemish Region has taken over all important taxes, the Walloon region has taken over the taxes linked to traffic and the Brussels Capital Region has taken over the collection of the tax on immovable property in 2019.

The Flemish Region implements in their economic groupings similar adjustments as the NSI to obtain an accrual adjustment, however those adjustments are calculated at a different point in time, resulting in differences in the adjustments made by the NAI and made by the Flemish Region. Technically, the NAI cancels the adjustments calculated in the economic groupings of the Flemish regions and replaces it by its own calculation.

#### 3.3.3.4.3 Other accrual adjustments in EDP T2

Different schemes of so-called “alternative financing” have been identified in the past. It often concerned public intervention for the construction of buildings for the local administration, rest homes, etc. In general, in the economic groupings, the payments are spread out over a long period. An adjustment is recorded in EDP T.2 to reflect the recording at the time of finalization of the project (at once) in the government accounts of such scheme.

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

In principle all non-financial flows are covered in the working balance. However, several adjustments are applied on the economic groupings:

- For acquisition or cessions of shares in a company which sole activity is holding a building. This transaction is considered as a purchase or a sale of a building.
- For PPP’s contract which must be recorded on balance sheet of government. Most of those PPP’s are not included in the economic groupings.

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

- For transactions resulting from missions delegated by some regions to other entities who work “on behalf of government. These flows are not or only partially recorded in the economic grouping.

From reference year 2015 onwards, delegated missions and alternative financing are integrated in the WBs and BBs using some notional units for reporting.

### 3.3.3.6 Financial transactions included in the working balance

Financial transactions corresponding to transactions in capital participations, loans and financial advances (codes 8) as well as transactions in government debt (codes 9) are included in the WB. In EDP Table 2, the WB is adjusted for those flows as a rule.

The financial flows included in the WB (under codes 8) were however systematically examined to determine if they comply with ESA definition of financial transactions, leading when necessary to the re-routing of financial transactions in the non-financial accounts. This is now done at the level of the reporting of financial transactions for the compilation of the financial accounts (Building Blocks). See point 7.3.

Dividends recorded in the economic grouping correspond with the legal definition of dividends and can therefore contain super dividends which have to be reclassified in as financial transactions.

For the French speaking community and the Walloon region interest are reported after swap in the WB. The effect of swaps is removed from the working balance and recorded in the financial accounts.

### 3.3.3.7 Net lending/net borrowing of state government

B.9 as reported in the last line of EDP Table 2 is derived from the Economic groupings used for the calculation of the WB.

## 3.3.4 EDP table 3C

### 3.3.4.1 Transactions in financial assets and liabilities

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

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

ESA Financial account of the State Government sub-sector is the main source for the compilation of EDP T3C. The absence of integrated data source in public accounts for the State Government means

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

that financial account and non-financial accounts compilation are still largely two separate processes, which is reflected in the discrepancies between B.9 and B.9F as shown in EDP T3.

The compilation of financial accounts is fully articulated by construction, each operation having a recording in stocks, transactions, other change in volume and revaluation by ESA instrument and counterpart sector. The notable exception was the recording of transactions without corresponding stocks which corresponds to the financial transactions included in the WB prior to the development of Building Blocks reporting (codes 8 and related transactions, derivatives).

The compilation of financial accounts is carried out at the level of individual federated entities, except for the F.89 other accounts payable/receivables which are not broken down by entities. Some units are subject to several political controls, for those units not belonging to one federated entity, a notional entity has been created ("not allocated").

Since the reference period 2014, the main data source for the compilation of stocks and transactions in financial assets and liabilities of the State Government sub-sector is the report developed by the National Accounts Institute (NAI) and the General Documentary Basis (GDB), called the Building Blocks [of the financial balance sheet]. This report provides information on the stocks - with different valuations to fulfil the requirements of EDP notification and ESA accounts - and flows for ESA instruments at asset and liability side. The reporting template is designed to insure full consistency of opening/closing positions and flows during the reporting period as well as counterpart information. This reporting will eventually cover most of ESA financial instruments on the balance sheet for all units belonging to the State Government sub-sector.

The Building Blocks data collection covers the following instruments:

Main State					
Template name	Template type	Deadline	Frequency	First report	In FA*
BBX_Deposits	Full	t+45	Quarterly	2014Q1	Yes
BBL_Debt securities	Full	t+45	Quarterly	2014Q1	Yes
BBL_Loans	Full	t+45	Quarterly	2014Q1	Yes
BBX_Trade credits	Full	t+45	Quarterly	2014Q1	Yes
BBA_Debt securities	Full	t+45	Quarterly	2015Q1	Yes
BBA_Loans	Full	t+45	Quarterly	2015Q1	Yes
BBA_Shares	M	T+45	Annual	2016	Yes
BBX_derivatives	M	T+45	Quarterly	2018	Yes

Consolidated units						
Template name	Template type	Deadline	Update	Frequency	First report	In FA*
BBL_Debt securities	Simplified	t+45	t+180	Annual	2014	Yes
BBL_Loans	Simplified	t+45	t+180	Annual	2014	Yes
BBX_Deposits	Simplified	t+45	t+180	Annual	2014	Yes
BBX_Trade credits	Simplified	t+45	t+180	Annual	2014	Yes
BBA_Debt securities	Simplified	t+45	t+180	Annual	2014	Yes
BBA_Loans	Simplified	t+45	t+180	Annual	2014	Yes
BBA_Shares	M	T+45	T+180	Annual	2016	Yes

BBL : BBs liabilities | BBA : BBs assets | BBX : BBs assets and liabilities

\* Used for the compilation of financial accounts as of 2015Q3 (EDP 2015-2°)

Pending the development of the Building Blocks and its extension to all units belonging to the State Government sub-sector, main supplementary data sources are still being used for the compilation of the financial accounts of the Central Government sub-sector.

In general, at the exception of the Building Block Reporting and other secondary sources, the financial transactions are derived from the information on stocks after adjustment for other changes in volume and revaluations where available.

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

At the **liability side**, no Deposit F.2L is recorded in the financial accounts of the State Government sub-sector.

Regarding debt securities F.3L and loans F.4L, different data sources were/are used for the data prior to 2014Q1 for the Main State of each Community, Region and Commissions and for consolidated units of State Government sub-sector which are not yet covered by the Building Block-Reporting:

- For the Main State of federated entities prior to 2014Q1, the main data source are treasuries statements or internal documents emanated from Treasuries department of federated entities. Outstanding amounts at end-of-period are valued at face value, available on a monthly or quarterly basis within two to three months after the end of the reference period.
- For units belonging to the State Government sub-sector (consolidated units), the main data sources are/was (1) the settlement system for securities managed by the National Bank of Belgium (NBB\_SSS) and (2) the balance sheet of the consolidated units (on a yearly basis) available at the NBB\_CBSO or directly from the unit if their financial statements are not standardised. The two sources provide data on stocks basis which are valued at face value.

No equity liabilities (F.5L) are currently recorded in the financial accounts of the State Government sector. Until the reclassification of units in 2014, Private administrators into public units belonging to the State Government sub-sector was a marginal phenomenon. Information on the structure of shareholdings in units belonging to S.1312 is collected via a dedicated building block but is still not used for the compilation of the financial accounts.

Recording under insurance and pensions entitlements F.6L relates to non-autonomous pension fund of the VRT (the Flemish public broadcasting company), classified in the State Government sub-sector since 2002.

Concerning the **asset side** (for the F.2A, F.3A, F.4A and F.5A instruments), four main data sources are used: (1) direct data on the financial assets of the Main State of each Community and Regions transmitted by the treasuries department of the federated entities; (2) the balance sheet of the consolidated units (on a yearly basis) available at the NBB\_CBSO or directly from the unit if their financial statements are not standardised; 3) the Codes 8 of the Economic Groupings (used for the compilation of the non-financial accounts of the State Government sector) which provide the transactions related to capital participations, loans or advances until 2016 (4) the BBs on deposits (from 2014 onwards), loans and shares (from 2016 onwards).

While the first and the second sources provide information on stocks (from which transactions are derived), the third one provides information only on transactions.

Those data sources allow data cross-referencing. The NAI ensure that no double accounting result from multiple sources by prioritising the use of sources.

Prior to 2016, some information on transactions (for F.4A and F.5A instruments) at the asset side was provided by the Codes 8 of the Economic Groupings. The nature of financial transactions of Codes 8 determine based on a separate survey. To avoid double accounting issues, the NAI had to verify systematically that codes 8 transactions were not already recorded in the financial accounts of the State Government sub-sector via another data sources. If it was not the case, the transactions were recorded as a transaction without counterpart in stocks due to a lack of information. An accounting cross-entry was recorded in other change in volume to neutralise the transactions.

No entries are recorded under F.6A and F.7A/L instruments in the balance sheet of State government, nor financial transactions.

The information relating to trade credits (F.81A/L) at the liability and asset sides come from an ad hoc questionnaire completed by accounting department of federated entities and from the balance sheets of consolidated units (NBB\_CBSO). Data are recorded in stocks; transactions are derived from stocks considering the other change in volume if any. A specific Building block has been developed to collect data on assets and liabilities under F.81A/L (stocks and flows). The information gathered (for the main

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

states) through this channel aims at collecting information on long term trade credit, trade credits being subject to factoring without recourse and to restructuration to requalify these trade credits in loans according to Eurostat decision of 31 July 2012. An adapted version should ultimately be extended to consolidated units and replace the data from the balance sheet.

Other accounts payable/receivable (F.89A/L) are recorded based on the adjustments for accruals recording in the non-financial accounts. The information is broken down between fiscal and non-fiscal other accounts payable/receivable.

### 3.3.4.2 Other stock-flow adjustments

From 2014 onwards, the stock-flow adjustments due to the face valuation recorded in Table 3A relates to the debt of the treasuries of federated entities. Information on issuance above/below nominal value, difference between interest accrued and paid and redemptions/repurchase of debt above/below nominal value are directly reported in the Building block reporting.

- Issuance above/below nominal value covers difference between the issuance price and the face value;
- Difference between interest accrued and paid covers coupons/interest accrued minus the coupons/interest paid, amortization of premiums/discounts and coupons sold;
- Redemption above/below nominal value covers cash premiums/discounts at redemption.

The appreciation /depreciation of foreign currency debt must be reported in the Building block reporting. Currently, there are no records of debt denominated in foreign currency.

Prior to 2014, there was no recording for adjustments for face valuation of Maastricht debt.

Change in sector classification and other changes in volume are recorded in the financial accounts of state government to reconcile the horizontal sequence of accounts. Most of the other change in volume on the debt instruments relates to reclassifications of units either because the reclassification happens at some point in time series, sometimes because the reclassification has not been retroplated over the whole period. The other change in volume reflects breaks in data sources or technical issues stemming from the counterpart financial accounts.

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

### 3.4.1 Data sources for Local Government main unit: Provinces, Municipalities, CPAS/OCMW and local police zones

The local government in Belgium encompasses 10 provinces, 589 municipalities, 589 CPAS/OCMW (providing welfare services) excluding hospitals and rest homes consolidated in their accounts, 195 local police zones, the Brussels agglomeration, the polders and water boards and the other local public entities not providing market services. In 2015 34 assistance zones (fire departments) will be created.

The non-financial and the financial accounts are compiled following two separate process and set of data sources. This results from practical as well as historical reasons. Currently, the compilation of the financial accounts relies on indirect data sources available at an infra-annual frequency, while the non-financial accounts is derived from budget reporting and financial statements. The exploitation of the same data sources for the compilation of both financial accounts and non-financial accounts is planned for the October 2017 Notification.

The NAI receives from the supervising authorities the detailed accounts of the municipalities, CPAS, local police zones and provinces. The supervising authorities collect these data to make the statutory

audits on the accounts of the local entities. The regions and the German speaking community are the supervising authorities for the municipalities; the communities are the supervising authorities for the CPAS/OCMW (in Wallonia this is done by the Region); the regions are the supervising authorities for the provinces; the supervising authority for the local police zones is the Federal Government (FPS Interior), in the future this will also be the case for the assistance zones.

**Table 8: Overview of the administrative supervision of local authorities in Belgium**

	WALLONIA	BRUSSELS	FLANDERS
▶ Provinces	Walloon Region		Flemish Region
▶ Municipalities	Walloon Region German-speaking Community (for the 9 German-speaking municipalities)	Brussels-Capital Region	Flemish Region
▶ CPAS/OCMW	Walloon Region German-speaking Community (for the 9 German-speaking municipalities)	Joint Community Commission	Flemish Region
▶ Local Police zones	FPS Interior		

Legally most local government must submit their accounts at the latest six months after the end of the year to the supervising authorities, which have in general around one month to make remarks. These legal deadlines are however often missed.

Before 2013, the supervising authorities transmitted the available accounts twelve months after the end of the year to the NAI. Since October 2013 notification, the NAI received and used for the first time the available data at T+8 months. An indication of the rate of coverage can be found in the publications of the NAI. Additional accounts are transmitted at the NAI at t+12 months, t+16 months and in rare cases t+24 months.

The coverage rate for the polices zones is lower for the most recent years because the deadlines for the compilation of the accounts and those for the supervising authority to make its remarks is up to 200 days in both cases. However, 80% of the expenditures of the local police zones are wages and this information is available from the social security fund of local government, while their financing comes from higher governments and the municipalities.

From February 2014 onwards, the Walloon Region transmits provisional accounts of their local governments with a time lag t+45 days. Since the year 2014 onwards, the reporting in the context of the Regulation 2011/85/EU (six pack) is available in February. These data are in accruals and follow an economic grouping (however at a reduced level). This information is supplemented with data of the economic groupings of the supervising authorities who collect the most important taxes transferred to the local authorities and data on the other (current and capital) transfers the supervising authorities give to the local authorities. Wage data is cross-checked with data with the social security fund for local government (NSSO-PLA).

**Table 9 – Availability and use of basic source data for main local government units**

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		T + days	T+months		cross appropriate cells		
				<b>Budget Reporting</b>			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
A	A	t+240	t+16	(3) Current and capital revenue and expenditure and financial transactions	X	X	
				<b>Financial Statements</b>			
A	A	t+240	t+16	(4) Profit and loss accounts			
A	A	t+240	t+16	(5) Balance sheets			
				(6) Cash flow statement			
				<b>Other Reporting</b>			
A	Q	T+120		(7) Indirect information via the security fund for the local governments			
C	M	T+80		(8) Local Tax receipts collected by higher governments		X	
A	Q	T+60		(9) Reporting in the context of EC 2011/85/EU	X	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.

The local accounts are on accrual basis, however for some taxes collected by higher governments the moment of registration differs from the timing of registration in the ESA. The individual accounts are transmitted for the provinces, municipalities, CPAS and local police zones.

The main data source for the compilation of financial accounts are the balance sheets. Balance sheets for the local authorities sensu stricto (i.e. municipalities, social welfare centers and provinces) are provided by the supervising authorities, while balance sheet for the consolidated units are extracted from the database of the Central balance sheet office (NBB\_CBSO). Using bridge tables, the balance sheet rubrics are 'translated' into ESA-instruments. Since little (almost no) counterpart information is available in the balance sheets, hypotheses and/or indirect sources are used to determine the counterpart and/or correct the attribution of the ESA-instrument.

On the liabilities side of local governments, the Central Corporate Credit Register (NBB\_CCCR) is used to determine the loans (F.4) granted to local authorities have with the financial institutions (S.122). Debt securities reported by the Securities Settlement System (NBB\_SSS) are recorded

under F.3 on the liability side of the (local) government and their counterpart is determined using Securities Holding Statistics (NBB\_SHS).

On the asset side, the total amounts of assets by instrument are determined via the balance sheets. The Securities Holding Statistics (NBB\_SHS) is used to determine the counterparts and/or the attribution of the ESA-instrument.

### 3.4.1.1 Details of the basic data sources

#### Non-financial accounts

Competence for the accounting systems is to a large extent in the hands of each individual community and region and this has caused increasing divergence in bookkeeping systems. The diversity of the bookkeeping systems used in the local administrations makes it more difficult to translate the accounts into ESA concepts and thus compile government statistics because these differences sometimes have an impact on the processing of statistics. Most local administrations (municipalities and local police zones) have a two-pillar accounting system based on budget accounting (annual flows) and general accounting (system of double-entry accounting with a balance sheet and profit-and-loss account). The budget accounting consists of a normal service and an extraordinary service<sup>9</sup>. When available the NAI uses the balance of the normal service as the Working Balance. The WB as defined by the normal service requests important adjustments for the transition to ESA-balance as this balance is influenced by debt reimbursements, balances of previous years and does not consider investments, which are registered in the extraordinary service. This information is available in the budgetary report.

The Flemish government started to implement the new accounting system (BBC) from 2011, which is fully implemented from the accounting year 2014 onwards. The new system increases the details in the accounts and makes it possible to do a complete translation into ESA-categories; the distinction between normal service and extraordinary services disappearing, and the working balance being closer in line with ESA concept.

The NAI has access to the individual data of the local entities, which give an overview of their budgetary transactions (per economic code and functional code) and their financial statements. The accounts themselves and the ESA balance are compiled based on the individual transactions in the accounts which are translated into ESA categories.

The degree of detail in the economic classification is sufficient to distinguish between financial and non-financial transactions. For capital participations by local governments the NAI makes the distinction between a financial and non-financial transaction (capital injection test) based on the functional classification of the expenditure.

It is possible to identify the transfers from the higher governments to the local governments in the accounts of local governments. The amounts reported by the higher and lower governments on what the higher government pays to the local government exhibit some differences. The NAI uses the data from the higher governments as the reference data.

The time of recording of the data provided is netto vastgestelde rechten/droits nets constatés for the receipts and aanrekening/imputation for expenditure, which in principle corresponds closely to a recording of most transactions on an accrual basis. However, for the taxes collected by higher governments, it is different from the time of recording in the government accounts, in that instance the NAI uses transactionalised cash basis recording.

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<sup>9</sup> The normal service contains all expenditure and receipts which normally occur every year, including debt reimbursements, while the extraordinary service contains all expenditure and receipts which have an important influence on the patrimony of the local government (especially investments).

## Financial accounts

Balance sheets for the local authorities sensu stricto (i.e. municipalities, social welfare centers and provinces) are provided by the supervising authorities. The Flemish government started to implement the new accounting system (BBC) from 2011, which is fully implemented from the accounting year 2014 onwards. The new system increases the details in the accounts and makes it possible to do a translation into ESA-categories. The NAI has access to the individual data of the local entities. The accounts themselves and the ESA balance are compiled based on the individual stocks in the accounts which are translated into ESA instruments.

Since little (almost no) counterpart information is available in the balance sheets, hypotheses and/or indirect sources are used to determine the counterpart and/or correct the attribution of the ESA-instrument.

NBB\_CCCR: The Central Corporate Credit Register (NBB\_CCCR) registers the credits granted by banks and other types of institutions to enterprises, associations, the public sector... as well as to sole traders. The participants must report each month to the NBB\_CCCR all information on any current contract and on their debtors. This information concerns more in particular the granted amount and the non-repayments.

NBB\_SSS: The National Bank administers a settlement system for securities (formerly called Clearing), which ensures the secure handling of transactions in, predominantly, dematerialised securities. This system enables the processing of transactions on both the primary market (on which new securities are issued) and the secondary market (on which financial instruments already in circulation are exchanged). The total outstanding amount held on account is comprised mainly of securities issued by the Belgian Government, such as treasury certificates, linear bonds and strips. It also comprises short and long-term securities issued by other government bodies or by the private sector. As administrators, the NBB produce monthly internal statistical reports on outstanding debt securities on securities by securities basis allowing the identification by issuer. These reports are made available to the NBB statistical department.

NBB\_SHS: ECB Regulation (Regulation (EU) 1011/2012) establish the reference framework for ensuring the collection of basic data needed for producing detailed statistics on holdings of securities (Securities Holding Statistics or SHS). The information is collected across all economic sectors and in the form of data for each individual security. Data for each individual security are collected, one by one, either directly from economic stakeholder's resident in Belgium in accordance with their securities holdings or issues, or from custodians established in Belgium in line with the securities deposited with them.

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

In principle no surveys are used for the compilation of the financial and non-financial accounts.

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

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

For the April notification the six-pack data and/or provisional accounts are supplemented with data from the supervising authorities for the ESA-rubrics where the data is deemed insufficient in quality.

The Federal and Regional government level collect the most important local taxes (local additional tax on the personal income tax and on immovable property). This information is transmitted to the NAI monthly. The higher governments also provide information in their accounts on the transfers to local

government sector. For the expenditure side, the NSI receives information on the wages and salaries paid by the local governments at their social security fund (NSSO-PLA).

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

All available counterpart information from the Building Blocks, albeit limited, is also taken into account.

## 3.4.2 Data sources for other Local Government units

The data sources for the compilation of both financial and non-financial accounts of other local government units, like important local government enterprises, come from the Central Balance Sheet Office<sup>10</sup> which contains standardised financial statements (complete and simplified schemes). If these statements are complete it is possible to calculate an ESA balance. However smaller local units do not file their financial statements with the NBB\_CBSO. In that case information on wages and salaries are collected from the social security fund of local governments, their integration being neutral for the financing balance by construction. And their debts are kept via the Central Corporate Credit Register (NBB\_CCCR) if any.

**Table 10 – Availability and use of basic source data for other local government unit**

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

<sup>10</sup> Central Balance Sheet Office: The CBSO collects and handles the annual accounts of nearly all legal entities active in Belgium and makes these accounts available for the public.

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

				(8) Statistical surveys			
				(9) Other:			

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

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

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

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

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

### 3.4.2.1 Details of the basic data sources

The budgets and accounts of the Walloon, Brussels and German-speaking local authorities are coded according to an old version of the Benelux economic classification (Benelux economic classification of expenditure and revenue, 1972). The information in budget reporting and financial statements is sufficiently detailed to calculate the ESA-balance although it is not possible to distinguish between funds received from government and other income.

The Flemish government started to implement the new accounting system (BBC) from 2011, which is fully implemented from the accounting year 2014 onwards. The new BBC-system increases the details in the accounts and makes it possible to do a complete translation into ESA-categories; the distinction between normal service and extraordinary services disappearing, and the working balance being closer in line with ESA concept.

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

None

### 3.4.2.3 Supplementary data sources and analytical information

None

## 3.4.3 EDP table 2C

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

The Walloon, Brussels and German-speaking local entities have a system of budget accounting which makes a distinction between the normal and extraordinary service. The normal service contains all expenditure and receipts which normally occur every year, including for example debt reimbursements, while the extraordinary service contains all expenditure and receipts which have an important influence on the patrimony of the local government (especially investments).

The balance of the normal service, which is the working balance for EDP T.2C, is available in the accounts of the local entities which are public (but not necessary available on the internet).

The Flemish government started to implement the new accounting system (BBC) from 2011, which is fully implement from the accounting year 2014 onwards. The new system increases the details in the accounts and makes it possible to do a complete translation into ESA-categories; the distinction

between normal service and extraordinary services disappearing, and the working balance being closer in line with ESA concept.

The working balance that is used in EDP T.2C is the balance of the normal service of the Walloon, Brussels and German-speaking municipalities in Belgium, the Walloon public social assistance centres and the local police zones. For the Flemish municipalities the WB is a ESA-like balance that can be calculated using their individual accounts.

### 3.4.3.2 Legal basis of the working balance

There is no legal basis for the working balance of local government.

### 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

In principle, the WB includes expenditures and revenues of hospitals and rest homes depending of CPAS, which are deconsolidated afterwards. The deconsolidation is neutral for the balance.

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

The Working Balance does not include the local governments for which the accounting system did not permit a full conversion into ESA or information is not standardised. These are the provinces, the Flemish CPAS and Brussels CPAS or other local entities for which the NAI uses the financial statement of NBB\_CBSO. PM: Please note that the compilation of the accounts for Flemish and Brussels social welfare centres (since 2014) provinces (since 2014 for the Flemish and 2013 for the Walloon provinces) are recently being based on individual accounts so conceptually we could shift their balances to the working balance in local government accounts. To facilitate comparisons with previous Notifications we opted to not implement this shift (yet).

### 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

D.41 is registered on an accrual basis in the local accounts. No adjustment is necessary.

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

Accruals adjustments are applied on taxes. The time-adjusted cash method (with 2-month lag) is used for taxes (property and payroll taxes) perceived at a higher level of authorities for the account of local authorities (municipalities and provinces).

Taxes	Time-lags
Property related taxes (D29A)	2 months
Income tax by assessment (D51A)	2 months

Taxes and social contributions directly collected by local government units are measured using assessments information.

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

Gross capital formation is not included in the working balance, except for the Flemish municipalities that use the BBC-accounting system and for which the WB is much closer to an ESA-balance.

### 3.4.3.6 Financial transactions included in the working balance

Due to the working balance concept chosen, this includes the yearly debt reimbursements, except for the Flemish municipalities that use the BBC-accounting system and for which the WB is much closer to an ESA-balance.

## 3.4.4 EDP table 3D

### 3.4.4.1 Transactions in financial assets and liabilities

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

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

ESA Financial account of the Local Government sub-sector is the main source for the compilation of EDP T3D.

Balance sheet information is the starting point of the compilation. Balance sheets for the local authorities sensu stricto (i.e. municipalities, social welfare centers and provinces) are provided by the supervising authorities, while balance sheet for the consolidated units are extracted from the database of the Central balance sheet office (NBB\_CBSO). Using bridge tables, the balance sheet rubrics are 'translated' into ESA-instruments.

The compilation of financial accounts is fully articulated by construction, each operation having a recording in stocks, transactions, other change in volume and revaluation by ESA instrument and counterpart sector.

In general, financial transactions are derived from information on stocks of financial assets and liabilities, considering the available information about other changes in the volume and revaluation effects.

At the **liability side**, no Deposit F.2L is recorded in the financial accounts of Local Government sub-sector.

Since little (almost no) counterpart information is available in the balance sheets, hypotheses and/or indirect sources are used to determine the counterpart and/or correct the attribution of the ESA-instrument. Data of the Central Corporate Credit Register (NBB\_CCCR) are used to determine the loans (F.4) granted to local authorities have with the financial institutions (S.122). Debt securities reported by the Securities Settlement System (NBB\_SSS) are recorded under F.3 on the liability side of the (local) government and their counterpart is determined using Securities Holding Statistics (NBB\_SHS). The supplementary local government debt (= total debt in the balance sheets minus debt from indirect sources NBB\_SSS and NBB\_CCCR) is further checked whether it is held by other (local) government units and thus is to be consolidated.

No equity liabilities F.5L are currently recorded in the financial accounts of the Local Government sector. Recording under insurance and pensions entitlements F.6L relates the pension fund of the Province Oost-Vlaanderen.

On the asset side, the total amounts of assets by instrument are determined via the balance sheets. The Securities Holding Statistics (NBB\_SHS) is used to determine the counterparts and/or the attribution of the ESA-instrument (for debt securities, listed shares and investment fund shares/units) for stocks as well as transactions and other economic flows.

Deposits (F.2), loans (F.4) and trade credits (F.81) are determined via the balance sheets. Transactions are derived from stocks.

Stocks for unlisted shares are derived from balance sheets taking into account the recording of listed shares and investment fund shares/units given by NBB\_SHS. For local government units *sensu stricto*, transactions are derived from stocks after a correction for consolidated amounts (determined via the equity capital at the liability side of the other local government units). For other local governments, transactions in F.512 are directly provided through balance sheets.

No entries are recorded under F.6A and F.7A/L on the financial balance sheet of Local Government sub-sector, nor financial transactions.

Other accounts payable/receivable (F.89A/L) are recorded based on the adjustments for accruals recording in the non-financial accounts. The information is broken down between fiscal and non-fiscal other accounts payable/receivable.

#### **3.4.4.2 Other stock-flow adjustments**

There is no recording for adjustments due to the effect of face valuation of Maastricht debt and debt denominated in foreign currencies. The only adjustments are adjustments for other change in volume.

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

#### 3.5.1 Data sources for Social Security Funds main units

The main units of social-security funds sub-sector (S.1314) covers the central and primary entities in the various branches of social security for employed and self-employed persons, with the exception of the "annual holiday allowances" branch and optional insurance schemes.

These branches are the sickness-invalidity (excluding INAMI / RIZIV), family allowances, pensions, early retirement, unemployment, occupational diseases and accidents at work for employees and invalidity, family allowances and pensions for the self-employed.

The management bodies of the "annual holiday allowances" branch are included in the Federal Authority, while the parts of mutual societies managing optional insurance schemes are established as quasi-corporate enterprises and form part of the financial corporations' sector. Besides compulsory insurance, mutual societies also manage optional and complementary sickness-invalidity insurance. This consists of two elements<sup>11</sup>:

- Complementary insurance (daily cash benefits, hospitalisation service, travel in relation to illness, healthcare abroad and miscellaneous services) offering services to which members may or may not be obliged to subscribe (depending on the mutual society and the service);
- Prenuptial savings.

**Table 12 – Availability and use of basic source data for social security funds**

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+months</i>		<i>cross appropriate cells</i>		
				<b>Budget Reporting</b>			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
A	A	T+45	T+16	(3) Current and capital revenue and expenditure and financial transactions	X	X	
				<b>Financial Statements</b>			
				(5) Profit and loss accounts			
				(6) Balance sheets			
				(7) Cash flow statement			

<sup>11</sup> In 2008, the optional healthcare insurance, also known as "small risks" insurance for self-employed persons was integrated in the compulsory social security for self-employed persons.

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

				Other Reporting			
				(9) Other:			
C	Q	-	T+2	Statistical obligations under Law of 21 December 2013			X
C	Q		T+2	Internal report on assets of Zorgfonds			X

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

Periodicity (column 2): M - monthly, Q - quarterly, A - annual, 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

Financial accounts/debt figures and non-financial accounts are compiled based on completely different data sources. The NAI publishes in its national publication deficit and debt figures for the social security subsector.

#### Non-financial accounts

Most of the data used to compile social security funds accounts come from the "**social security consolidated accounts**", formerly the "general report on social security" published by the Federal Public Service Social Security.

The consolidated social security accounts consist of a consolidation of the expenditure and revenue accounts of the various social security funds (whether these are collectors of contributions or payers of benefits) managing the employed persons, self-employed persons and, since 2008, INAMI / RIZIV health schemes.

These accounts are the main data source for the compilation of social security funds accounts in the national accounts approach: they cover almost all social security bodies, and they record transactions on an accrual basis whether or not they have matured during the year concerned.

Several versions of this document are used: an initial, provisional version is produced for 15 February of year n+1; a second, semi-provisional version is available by 15 April of year n+1 (this has been changed to 15 May in 2016); and the final version is available by 15 February of year n+2 and may be further updated by 15 April of year n+2.

Contrary to the budget accounts where the entries are based on the concept of acquired rights, transactions are recorded on an accrual basis in the consolidated accounts. However, the concept of accrual basis according to the accounting plan for social security bodies can in some cases differ from the concept of accrual basis in accordance with the ESA 2010 system. Contributions received from employers and employees by social security funds are recorded based on the amounts declared by employers. Contributions received from the self-employed are recorded on a cash basis.

#### Financial accounts

See 3.5.4

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

No surveys are used as basic data source for the calculation of the Working Balance.

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

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

In addition to the transactions in the consolidated social security accounts, the Federal Public Service Social Security collects budgetary data on most social security funds and publishes them in the "Vade-Mecum of financial and statistical data on social protection in Belgium".

Since the budgetary accounts of the Vade-Mecum record entitlements due and do not therefore comply with the ESA 2010 recording rules, they are not used as such, but only to supplement the other available data where necessary.

## 3.5.2 **Data sources for other Social Security units**

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

The social security funds sub-sector (S.1314) covers not only the three main schemes mentioned above (employed persons, self-employed persons and INAMI/RIZIV health schemes), as recorded in the economic accounts of the social security system, but also other schemes such the municipal pensions scheme, the Fonds d'indemnisation des travailleurs licenciés en cas de fermeture d'entreprises/Fonds tot Vergoeding van de in geval van Sluiting van Ondernemingen Ontslagen Werknemers (FFE/FSO), and until 2015 the care insurance of the Flemish Community (Vlaams Zorgfonds and Vlaamse Zorgkas). Since 2016, the competences of the Zorgfonds/Vlaamse Zorgkas have been extended to social assistance benefits and the two units have been reclassified into the sub-sectors of Communities and Regions (S.1312).

For these schemes, information on revenue and expenditure are transmitted to the NAI by the Federal Public Service Social Security or by the responsible entities.

Table 13 – Availability and use of basic source data for other social security units

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+months</i>		<i>cross appropriate cells</i>		
				<b>Budget Reporting</b>			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
C/A/M	A/	T+45	T+16	(3) Current and capital revenue and expenditure and financial transactions	X	X	
				<b>Financial Statements</b>			
				(5) Profit and loss accounts			
				(6) Balance sheets			
				(7) Cash flow statement			
				<b>Other Reporting</b>			
				(8) Statistical surveys			
				(9) Other:			

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

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

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

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

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

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

No surveys are used as basic data source for the calculation of the Working Balance.

### 3.5.2.3 Supplementary data sources and analytical information

### 3.5.2.4 Extra-budgetary accounts

There are no extra-budgetary accounts in the main social security sub-sector.

### 3.5.3 EDP table 2D

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

The starting working balance for the social security funds sub-sector (S.1314) corresponds to a statistical concept corresponding to the concept of savings in the “consolidated account of the social security” (revenue – expenditure) of the Federal Public Social Security Service.

#### 3.5.3.2 Legal basis of the working balance

#### 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

Not applicable.

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

See 3.5.2.

#### 3.5.3.4 Accounting basis of the working balance

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

No adjustment is necessary since interests are already on an accruals basis for the determination of WB.

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

The WB is on an accrual basis. Some adjustments are requested to bring the accrual accounting principle of revenues and expenditures recorded in the accounts of social security bodies in line with the definition of accrual principle of ESA 2010. It is the case with the treatment of investment aid.

In the WB, the investment aid is recorded when they are paid, over several periods of time. Under the ESA, investment aid must be recorded at the time when the payment obligation arises. For most investment aid, that coincides with the completion of the underlying investment project.

In the case of conditional investment aid, the conditional nature of such aid was put forward as an argument to spread over time the recording of the investment aid in the general government accounts. For the investment aid conditional upon the fulfilment of various criteria linked to the use of the assets to influence the timing of the recording of that aid, the conditions must be very strict and binding. If the government intervention exceeds 50 % of the debt service, it seems more correct in economic terms to record the debt for the government at the time the right is first established. Even if the grant of investment aid is subject to very strict conditions, and the aid is linked to the provision of guarantees, the government is deemed to support the debt.

In the case examined by the NAI (VIPA), the conditionality was deemed too weak for the payment of investment aid to be considered as uncertain.

This change concerns the financing of parts A1 and A3 of the hospital financial resources budget supported by the National Institute for Health and Disability Insurance (NIHDI / INAMI - RIZIV) and the financing of rest homes by the Flemish community (VIPA).

#### 3.5.3.4.3 Other accrual adjustments in EDP T2D

#### 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*

No financial transactions are included in the working balance.

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

##### Cancellation of holding gains/losses:

Income from property included in income and expenditure in some cases contains capital gains and losses, which must be taken out.

##### Cancellation of provisions for taxes and social contributions and replacement by an estimation of the amount assessed but unlikely to be collected

In the ESA 2010 accounts, the estimated social contribution which are due but will never be collected is subtracted from the income of the collecting bodies. This is why the amount entered as commissions and amounts written off in the expenditure accounts is cancelled and replaced by an estimate of social contributions which are due but will never be collected.

##### Cancellation of provisions for consumption of fixed capital and replacement by the gross capital formation

The provisions for consumption of fixed capital must be cancelled and replaced by the gross capital formation.

##### Adjustment for transfers within general government

This adjustment results from the alignment of transfers received from the central government on the data from the Economic Grouping of S1311.

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

### 3.5.4 EDP table 3E

#### 3.5.4.1 Transactions in financial assets and liabilities

**Table 14. Data used for compilation of transactions and of stocks of financial assets and liabilities**

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

ESA Financial account of the Social Security sub-sector is the main source for the compilation of EDP T3E. The absence of integrated data source in public accounts for the Social Security means that financial account and non-financial accounts compilation are still largely two separate processes, which is reflected in the discrepancies between B.9 and B.9F as shown in EDP T3.

The compilation of financial accounts is fully articulated by construction, each operation having a recording in stocks, transactions, other change in volume and revaluation by ESA instrument and counterpart sector.

The main data source of the Social Security sub-sector is the quarterly reporting managed by the Federal Public Service Finance in the framework of the law of December 21, 2013 which aims to organize consolidation measures of financial assets of the Social security and Central Government sub-sectors. The reporting collects stock data on the asset and liability sides with counterpart information (for F.2, F.3 and F.4 instruments) for all units belonging to the Central Government and the Social Security sub-sectors at the end of each quarter (available in T+30 days). To ensure the full coverage of the two sub-sectors, the law makes direct reference to the list of the units belonging to the General Government sector managed by the NAI and published on the site of the National Bank of Belgium. Financial transactions are derived from information on stocks of financial assets and liabilities, considering the available information about other changes in the volume and revaluation effects.

Until 2015, the care insurance of Flemish community (Vlaamse Zorgfonds and Vlaamse Zorgkas), amongst all the units belonging to the Social Security sub-sector, is not depending of the federal state. For this unit, information is provided by the Flemish authorities based on quarterly internal report on stocks of asset.

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

Financial transactions are derived from information on stocks of financial assets and liabilities, considering the available information about other changes in the volume and revaluation effects.

At the **liability side**, no Deposit F.2L is recorded in the financial accounts of the Social Security sub-sector. Debt securities F.3L are issued by the National Social Security Office (ONSS/RSZ). No equity liability F.5L is recorded in the financial accounts of the Social Security sub-sector.

No entries are recorded under F.6A/L and F.7A/L on the Social Security sub-sector.

The information relating to trade credit F.81L mainly consists in payable invoices of the sickness-invalidity branch (INAMI/RIZIV). Data are recorded in stocks and transactions are derived from stocks.

Other accounts receivable (F.89A) consists in social contribution arrears and accrued contributions. No other accounts payable (F.89L) are registered in the financial accounts of the Social Security sub-sector.

### *3.5.4.2 Other stock-flow adjustments*

There is no recording for adjustments due to the effect of face valuation of Maastricht debt and debt denominated in foreign currencies. The only adjustments are adjustments for other change in volume.

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

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

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

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

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

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

#### 3.6.1 Coverage of units

For all sub-sectors, the register of units used for financial and non-financial accounts compilation, and for EDP T.2 and T.3 is the same, but the data sources for financial and non-financial accounts are not integrated leading to difference in coverage between the two statistics.

The coverage of entities included in the working balance in EDP T.2a/b is not stable as governments are progressively including the entities that have been reclassified in March and September 2014 in the economic groupings and therefore in the Working balance.

Even if the list of government units is published, there is a considerable uncertainty concerning consistency between primary sources used for the compilation of the B.9 and counterpart data sources used for the compilation of financial accounts with regard to the delimitation of S.1313.

#### 3.6.2 Financial transactions

##### Central government (S.1311) and State government (S.1312)

The data sources used for the compilation of non-financial and financial accounts are not integrated. Financial transactions included in the WB corresponds to group 8 (transactions in financial assets) and group 9 (transactions on debt, excluding interest). Transactions in currencies and deposits are not included in the WB.

The financial transactions in the WB are not used as the main data source for the compilation of the financial accounts which is based on specific data sources (outstanding amounts), the transactions being derived from stocks. The group 8 (transactions in assets) of the EG are used as secondary data

## 4. Revision policy used for annual GFS

source for transactions in F.4 and F.5 when no other data source is available (balance sheet, ad hoc questionnaire or reporting).

Since 2014, financial accounts are compiled based on a new data collection project (BBs) in which the reporting articulates stocks and flows. Data collections on financial assets through the BBs project (under test) will eventually replace the economic groupings for the compilation of financial accounts (2014 onwards).

### Local government (S.1313)

Due to the working balance concept chosen (i.e. the normal service plus the extraordinary service), this includes the yearly debt reimbursements for the Walloon and Brussels Capital local government units. The WB chosen from the new accounting system (BBC) introduced by the Flemish government in 2011 and fully implemented from the accounting year 2014 is closer in line with ESA concept and no longer includes the debt reimbursements.

The financial transactions in the WB are not used as the main data source for the compilation of the financial accounts.

### Social security (S.1314)

Not applicable.

For more details for each sub-sector, please refer to the relevant previous section.

## 3.6.3 Adjustments for accrued interest D.41

### Central government (S.1311) and State government (S.1312)

The correction for the adjustment in EDP T2 for accrued interest refers to interest expenditure; most interest revenue is already recorded on an accrual basis as these interests are received by corporations that follow accrual accounting.

In the non-financial accounts most governments have a different recording practise, which makes that the NAI must perform different corrections on the WB:

- The federal government records on an accrual basis, so no correction is applied by the NAI
- The Flemish region and the German Community record on an accrual basis
- The Brussels Capital and the Walloon region and the French speaking community use for interest expenditure a cash concept, but provide the NAI with the information to apply a correction and to obtain an accrual accounting

Apart from the interest flows recorded in the economic groupings there are important entities, often active in the social housing sector that register important interest revenue and expenditure. Those entities are progressively incorporated in the WB.

Interest accrued in EDP T.3 and in EDP T.2 may differ due to sector coverage. For the main states interest accrued in both table may be consistent although the reporting channel is different (BBs and EG respectively).

### Local government (S.1313) and Social security (S.1314)

There are no accrual adjustments relating to interest reported in EDP Table 2 as interest is reported on an accrual basis in the WB. No interest accrued is currently reported in EDP T.3.

For more details for each sub-sector, for items to be added, please refer to the relevant previous section.

## 4. Revision policy used for annual GFS

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

The accounting basis of WB is mixed (cash/accruals) which mean that in theory the adjustment for accruals recorded in EDP T.2 should only corresponds partially to F.89 recorded in EDP T.3. Other accounts payable/receivable recorded in EDP T.3 covers adjustment for time of recording issue already accounted for in the WB and the additional adjustments on transactions recorded on a cash basis in the WB and reported in EDP T.2 under “other accounts payable/receivable”.

Some difference may still be observed between EDP T.2 and EDP T.3 like:

- F.89 relating to financial transactions (as the claim “Berlaymont”)
- Adjustment on the WB in EDP T.2 without impact on EDP T.3 (recettes encaissées mais non ventilées in December each year)
- Direct information on F.81 from data source used for the compilation of financial accounts which may differ from adjustment of cash transactions for the invoice ledger in EDP T.2.

### 3.6.5 Other adjustments/imputations

Specific adjustments for debt cancellations, superdividends, court decisions (resulting in transactions in other accounts payable), rerouting of financial transactions as non-financial transactions (and conversely) and imputations resulting of the recognition of the principal party to the transactions are consistent in EDP T.3 and EDP T.2.

For more details for each sub-sector, in particular for items to be added, please refer to the relevant previous section.

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

The availability of data sources has been changing rapidly during the last 10 years. For the non-financial accounts, nearly all government levels have made the transition from cash to accrual accounting or deliver the necessary corrections to the NAI. Following the implementation of the ESA2010 an increasing number of public entities have been included in the government sector and government are trying to include directly most of these entities in the Economics groupings they transmit to the NAI.

The building blocks project has been developed by the NAI, with the goal of obtaining standardized information on the debt instruments and more information to reduce data gaps in the financial accounts.

### **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**

Additional data for trade credit and advances (AF.81L) provided in EDP Table 4 relates to trade credits recorded under ESA financial accounts.

Three data sources are used for the recording of AF.81L:

- For the “main” states (S.1311 and S.1312): trade credits are reported in dedicated BBs for the year 2014 onwards. The data collection is designed to identify refinancing of trade credits without recourse upon the original holder and restructuring of trade credits. Although, the information is still difficult to collect, some adjustments being requested in invoices management at the level of data providers to flag those trade credits. The reporting via the BBs has been extended to consolidated units in S.1311 and S.1312.
- The secondary data source is the balance sheets collected in the Central Balance Sheet Office (CBSO). Those data are available for units for which the CBSO is used for the compilation of the financial assets in subsector S.1311, S.1312 and S.1313 and cover years since 1998 onwards.

Trade credits in the social security sector correspond to payable invoices of Health Insurance funds to hospitals as recorded in ESA10 accounts of S.1314.

The basis for EDP T3 is the ESA financial accounts therefore trade credits reported in EDP T4 is consistent with trade credits reported under "net incurrence of other liabilities" in EDP T3.

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

Amounts outstanding in the government debt from the financing of public undertakings are not reported in the EDP T4.

## 4. Revision policy used for annual GFS

### 4. Revision policy used for annual GFS

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

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

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

In principle the international guidelines for routine revisions and benchmark revision are followed.

For routine revisions the revisions are implemented for the Notification period (until t-4) and this at the April and October Notification. This is necessary because for certain data sources it takes up to three years before they become final. Benchmark revisions or methodological revisions normally occur around every 5 years but given the frequent revision of the methodological guidelines in previous years, these are in practice implemented more frequently.

The revision policy for non-financial transactions depends on the magnitude and the nature of the impact on the financing balance (B.9). Those revisions which do not have a material impact on the financing balance are implemented backward until t-4 years in the April and October Notification.

Revisions, often coming from new methodological guidelines, that have an important effect on the financing balance, are applied for the whole period. The impact on the financing balance is in first instance introduced through capital transfers (D.9) entries (if the revisions do not affect GDP and regional accounts, they are recorded under the appropriated transactions) in order to capture the impact on the financing balance for the whole period. At the time of the implementation of a larger revision of the national accounts the revisions are integrated in the correct economic series.

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

The financial accounts and debt follow a policy of continuous review and improvement.

The revision relating to debt and financial accounts are induced by several factors:

- Updates of data to replace provisional data or estimates by final data. Most of these revisions are completed for the second EDP notification (T+9 month);
- Revisions following improvement/change in data source;
- Revisions due to reclassifications;
- Revisions due to methodological changes; when impacting both financial and non-financial accounts, those revisions follow the revisions policy of non-financial accounts.

Break in series in outstanding amounts of financial assets and liabilities stemming from reclassification of units or use of new data source give rise to the recording of another change in volume.

Some revisions in financial accounts relates to counterpart information. Those revisions have no impact on the B.9F, except for the local government sectors (S.1313) where indirect data source is used for the compilation of the financial accounts (see 3.4.2.). Counterpart revisions when relating to the consolidating elements in the Maastricht debt instruments can lead to a change in the debt.

## 4.Revision policy used for annual GFS

### 4.2. Reasons for other than ordinary revisions

Revision for other than ordinary reasons, such as for example new data sources are dealt with on a case by case basis. The importance of the revision and the breaks it creates in the economic series are ascertained before any decision is taken.

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

#### Non-financial accounts

Each Notification, the four years of the Notification period can be revised.

For the federal level and the Communities and regions, provisional data for t-1 is used to compile the April Notification. An update version is used to compile the October Notification. If necessary a final version can be send in May T+2, which is considered for the October t+2 Notification. The basic data is thus then final, but revisions for t-3 or t-4 can occur due to sector reclassification, methodological changes or correction of errors.

For the local authorities *sensu stricto* (municipalities, provinces, CPAS/OCMW) the provisional accounts or accounts provided in the framework of the six-pack are used for t-1. For the October Notification this data is replaced with actual accounts. However, because coverage is not yet exhaustive extrapolations are necessary and revisions due to fuller coverage are possible in the next April and October Notifications of the year t+1. For the consolidated units, for which the accounts are based on the annual accounts deposited with the Central Balance Sheet Office, no data for the year t-1 is available because the annual accounts must be deposited t+7 months at the latest. For the October t Notification, the available data is used and revisions because of fuller coverage are possible in the April and October t+1 revision.

When coverage is full or nearly full (as is mostly the case in year t+2 for accounting year t-1) the basic data is deemed to be final. However, as is the case for other government levels, revisions for t-3 or t-4 can occur due to sector reclassification, methodological changes or correction of errors.

For social security, a provisional version of the "**social security consolidated accounts**" for t-1 (compiled by the Federal Public Service Social Security) is produced for 15 February of year t; a second, semi-provisional version is available by 15 April of year t; and the final version is available by 15 February of year t+1 and may be further updated by 15 May of year t+1.

#### Financial accounts

The revision process is continuous. The financial accounts are susceptible to be revised at each quarterly production round, although data impacting the debt (liabilities in consolidated AF.2, AF.3 and AF.4) are only revised during the EDP notification process.

## B. Methodological issues

### 5. Sector delimitation – practical aspects

#### 5.1. Sector classification of units

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

It is necessary to determine:

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

The National Accounts Institute (NAI) is responsible for the sector classification of units.

The list of public units and their sector classification is updated and published twice a year (usually in April and in October) on the website of the [National Accounts Institute](#). This list includes all government units included in the perimeter of S.13, as well as the public units classified outside S.13, however not all of them are mentioned on an individual basis in the list. There is also a sheet with grouped units that indicated the sector classification of these entities.

#### Public units

There is no administrative list of public corporations in Belgium. The NAI has built a list for the national accounts compilation. Since 2014, the NAI have improved the systematic detection of public units, either new or existing, in order to ensure that the perimeter of public administration is exhaustive.

Three sources of information are used simultaneously to detect public units:

- A first feature is the legal form. All institutional units active in Belgium must be registered in the Crossroads Bank for Enterprises (CBE)<sup>12</sup> under their legal form<sup>13</sup>. An extract of public units based on the legal form detect the units that have a legal form which has been flagged as public<sup>14</sup>. A manual check is performed on the extract to avoid any misclassification in the CBE.
- A second source is the National Social Security Office for Provincial and Local Government (ONSSAPL)<sup>15</sup>, body in charge of the social security services of local government units, including

<sup>12</sup> The CBE was created by the law of 16 January 2003 (« loi portant création d'une Banque-Carrefour des Entreprises, modernisation du registre de commerce, création de guichets-entreprises agréés et portant diverses dispositions »).

<sup>13</sup> The CBE can be consulted at <http://kbopub.economie.fgov.be/kbopub/zoeknummerform.html?lang=en>.

<sup>14</sup> Examples of public legal forms are Ministry, Federal Public Service, Regional Authority, Local Police, State, Public Limited Company, Public Association, Public Welfare Centre, Municipality, intermunicipality corporations, etc.

<sup>15</sup> On 1 January 2015, the ONSSAPL merged with the Social Security Office for Overseas (OSSOM) and the new entity was renamed the Office for Special Social Security Systems (ORPSS).

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

provinces, municipalities, public welfare centres, some Intermunicipality corporations, some units under local government control, etc. All units affiliated to this body are therefore automatically flagged as public.

- A third means of identifying public units is the shareholding links. This information is obtained from four different sources: (i) annual accounts of individual companies, (ii) consolidated annual accounts of groups, (iii) NBB's Foreign Direct Investments (FDI) survey and (iv) reporting on participations of public units:
  - i. most companies are required to file their annual accounts every year under a standardized format at the Central Balance Sheet Office of the National Bank of Belgium (NBB\_CBSO). In their annual accounts, companies must report their participations above 10%.
  - ii. Groups of companies satisfying certain conditions<sup>16</sup> are as well required to file their consolidated annual accounts at the Central Balance Sheet Office. Those accounts contain the list of the subsidiaries which are consolidated and their percentage of ownership.
  - iii. Information is collected from the NBB's survey on FDI. This monthly<sup>17</sup> survey conducted on a selection of resident companies active in FDI asks, amongst others, for the group structure of companies.
  - iv. Finally, shareholding links of public units are also identified by means of a dedicated reporting called Reporting Participations sent periodically to the SPOCs<sup>18</sup> of each government, asking for the participations of all public units identified that do not file annual accounts and for the public mandates of all government units identified. This reporting is filling a gap as many government units do not file standardized annual accounts at the NBB\_CBSO.

Data collected through those four sources enter into a specific algorithm designed to detect the group structures of companies based on participations<sup>19</sup> through an iterative process. For example, if a unit A is owned 30% by a municipality, 30% by regional government and 40% by a public unit, the algorithm will detect that A is public<sup>20</sup>. This unit A is then added to the list of public units mentioned above, its sector classification is assessed as described below and its affiliates are identified through the shareholding links as described above. This process identifies in a systematic way all units whose majority shareholder is directly or indirectly the public sector.

In addition, the SPOC of the controlling entity (or other contacts) may inform the NAI directly when a new unit has been created or is to be created, either just for information or to ask for its sector classification. Although unsystematic, this is a supplementary way of detecting public units.

In the framework of the compilation of financial account, the building blocks covering the assets under the form of shares and other equities (BBA\_Shares) collect information relevant for the definition of the perimeter of general government. All units of central government and state government are subject to the reporting of their direct participation.

### Market/non-market test

The market/non-market test is applied regularly (usually once a year) to public units classified in S.11. For the units which file their annual accounts under the full format at the NBB\_CBSO, the NSI makes use of a specifically designed programme that calculates the market test from the information

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<sup>16</sup> The obligation to draw up and file consolidated annual accounts and a consolidated annual report is governed by Articles 108 to 121 of the Companies Code, Articles 106 to 169 of the Royal Decree of 30 January 2001 implementing that Code and Article 11, § 1 of the law of 17 July 1975 on corporate accounting. These provisions constitute the transposition into Belgian law of the 7th Directive of the Council of the European Communities of 13 June 1983 (RL 83/349/EEG).

<sup>17</sup> For some companies less active in FDI, the survey is conducted yearly.

<sup>18</sup> The SPOCs are the single points of contact that have been designated by the Federal government and the 8 regional governments (Brussels, Flanders, Walloon Region, French Community, German-speaking Community, VGC, COCOM and COCOF) on the request of the NAI in order to facilitate the flow of information between the NAI and the public entities.

<sup>19</sup> Currently, the fourth source (reporting Participations), which is quite new, has not yet been included in the algorithm due to a limited amount of responses but it should be included in the near future.

<sup>20</sup> The algorithm was originally designed to detect the group structure of companies, so its task was to identify the ultimate mother company (head of group) and detect all its subsidiaries. In the case of public control, the process is slightly different since a unit can be considered public because of the joint control of several public units with no other links between them than their public nature (i.e. there might be no unique ultimate mother company). This necessitates a slight adaptation of the algorithm, which is to be implemented in the second half of 2015.

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

contained in the accounts (see below 5.1.2). This concerns around 40% of the public units classified in S.11 and most large units since it is the latter that must file the full format<sup>21</sup>.

For the units classified in S.11 that file their annual accounts under the abbreviated format (around 15% of the public units classified in S.11) or that do not file their annual accounts at the NBB\_CBSO (around 45%), information is collected based on a reporting called “Reporting Périimètre”. This reporting, transmitted once a year to the SPOCs of each government, asks for the financial data which are necessary to perform the market/non-market test. The reporting also asks for the necessary data to assess the qualitative criteria (origin of the revenue, split by counterpart, revenue linked to output, sales of land and buildings, etc.). This specific part on qualitative aspects is sent to all public units classified in S.11, irrespective of which type of accounts they file (if any)<sup>22</sup>.

The test covers the last three years except for borderline cases where there is a need to look at a longer period. For new public units for which no past data are available, the test is applied based on their business plans. If reliable information is not available, a prudent approach is used, where units are first classified in the general government sector and then reclassified if necessary.

The sector classification of government units is reassessed on an ad hoc basis, usually at the request of the concerned unit when it contests its classification.

In accordance with ESA, the market test is irrelevant for public units classified as financial corporations (S.12). The sector classification of these units is assessed based on the analysis of the risk, following the provisions of ESA and the guidance of the MGDD.

For all unclear cases (units belonging either S.11 or S.12), additional information is requested through the relevant SPOCs.

The classification of units is analysed on an individual basis, although some units which present the same characteristics are analysed by group. The main examples are schools (see below), public hospitals (see below), some financial and non-financial units active in the social housing sector and some units allocating social benefits.

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

New public units are identified as described above (see 5.1). In addition to the sources described in section 5.1, the statutes of new units published in the Belgian official journal and other official documents (e.g. laws or other legal provisions) are used to determine whether they are publicly controlled. For important entities the NAI is informed by the government on the creation of the entities.

When relevant, the market/non-market test is applied as described above, based on reliable business plans (or annual accounts if already available). Additional information is used if needed, either publicly available (statutes, annual reports, legal texts, etc.) or provided upon request by the relevant SPOC.

### 5.1.2 Updating of the register

The register of public units is managed in a specific IT application, called the Government Finance Statistics application (GFS\_App), which contains individual information on each unit.

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<sup>21</sup> The format of accounts that a unit has to use depends on its size. Small enterprises may choose between the abbreviated and the full format (in practise they often file the abbreviated format) while large enterprises must file the full format. An enterprise is regarded as small if it has not exceeded more than one of the following ceilings in the last two financial years for which the accounts are closed:

- annual average workforce: 50
- turnover (excluding VAT): 7,300,000 EUR
- balance sheet total: 3,650,000 EUR

unless the annual average workforce exceeds 100 units.

In all other cases, enterprises are considered to be large.

<sup>22</sup> Some units for which there is no doubt on the qualitative criteria are exempted from this part of the reporting.

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

The GFS\_App is fed with standardised information provided directly by the NSI. This includes the sector classification of the unit, the identification of the controlling government (Federal, Brussels, Flanders, Walloon Region, French Community, German-speaking Community, VGC, COCOM, COCOF or a combination of these), the sector of the controlling government (S.1311, S.1312, S.1313 or S.1314), and the type of unit (if applicable, e.g. municipality, police zone, social welfare centre, etc.). Changes made to this information are also stored.

The GFS\_App combines first-hand information with information obtained from other sources (such as the Crossroads Bank for Enterprises, the Central Balance Sheet Office and the National Accounts Database<sup>23</sup>) to centralize all relevant information on public units. This additional information includes the enterprise number, the name, the date of creation and liquidation, the legal status, the address, the NACE code, etc.

When applicable, the GFS\_App also includes a link to the information of the parent unit. However, this functionality is still under development and has some limitations. For instance, it is currently not exhaustive, and the percentages of ownership are not registered. Regardless of this functionality, information on control is adapted manually in the application when changes have been detected as described above (see 5.1). An automation of the process is under examination.

The GFS\_App also includes the type of annual accounts filed by each unit at the NBB\_CBSO and a direct link with the NBB\_CBSO database allowing a built-in functionality to calculate the 50% test. The results of the test are available in the programme for each year (from 1995) for units filing the full format of annual accounts. However, this automatic calculation does not take the qualitative aspects into account. A manual check may thus be necessary in some cases.

For the other units, the calculation is made manually on the basis of the sources described above (see 5.1) and the results of the test are currently not stored in the programme (although this functionality is considered for the near future).

The calculation of the 50% test is based on the items of the individual standardized full-format annual accounts which are the business accounting equivalent of the items used in national accounting. The test is the ratio of the sales to the costs, which are defined as follows:

### **Sales: 70 + 71 + 74 - 740**

with 70: turnover  
71: Increase (decrease) in stocks of finished goods, work and contracts in progress  
74: other operating income  
740: total amount of subsidies and compensatory amounts obtained from public authorities (included in 74)

### **Costs: 60 + 61 + 62 + 630 + 640/8 + 8002 + 649 + 669 + 695 - 72 + (650 - 751); if (650-751)>0, otherwise 0**

with 60: raw materials, consumables  
61: services and other goods  
62: remuneration, social security costs and pensions  
630: depreciation of and amounts written off formation expenses, intangible and tangible fixed assets  
640/8: other operating charges  
8002: new formation expenses incurred during the accounting period  
649: operating charges carried to assets as restructuring costs  
669: extraordinary charges carried to assets as restructuring costs  
695: director's or manager's entitlements to profit to be distributed  
72: own construction capitalised  
650: debt charges  
751: income from current assets

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<sup>23</sup> The National Accounts Database (NAD) is a database centralizing identification and financial data from different sources (VAT, National Social Security Office, etc.).

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

The GFS\_App also allows the production of customized outputs. It is used for instance to produce the list of public units which is published twice a year as well as other outputs used for reporting purposes.

The changes in national accounts caused by a unit reclassification are implemented at least for the last four years in the non-financial account. However, for the changeover to ESA2010, the changes linked to the reclassification of the most important units were implemented since 1995. When some urgent reclassifications are needed, the changes affecting the EDP notification are implemented first and the changes impacting the other parts of national accounts are implemented in a second step.

The impact of a unit reclassification on the financial account and gross consolidated debt is implemented for a longer period, depending of the data availability.

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

The units are classified in the same way in non-financial and financial accounts. All units are subject to the statistical reporting for both accounts.

In addition, other statistical data set requiring a sector classification (ECB, OECD, IMF) use the list of units classified in general government as defined by the NAI: Money and banking statistics, securities holding statistics, securities issues statistics, balance of payments and international investment position. Updates of the list are regularly transmitted.

## 5.2. Existence and classification of specific units

### Non-profit institutions (NPI)

The main NPIs included in government sector are the following:

- Schools, universities and related institutions (S.1312)
- Units dealing with the payment of family allowances (S.1314)
- Officially agreed units dealing with the training of self-employed workers (S.1314)

Public control of a NPI is usually determined by the ability for government to appoint officers in the board of the NPI. This is detected with help of the reporting Participations (see above).

### Quasi-corporations

There are very few quasi-corporations in Belgium. They are mainly units at local level which deal with real estate development ("Régies foncières"). They are usually controlled by local government and are classified in S.11 because they are market units.

### Infrastructure companies

- Railways: SNCB/NMBS and Infrabel (until 2013) are market and classified in S.11. Some of government subsidies to SNCB/NMBS are considered as sales because they are linked to the volume of output. Most of Infrabel's sales are the fees paid by SNCB/NMBS for the use of the infrastructure. The consumption of fixed capital used for the 50% test is the ESA based definition. Since 2014, Infrabel is non-market following the result of the market test (< 50%) and classified in S1311.
- Roads: SOFICO, the unit in charge of most of the roads network in Wallonia, is classified in S.1312 because of the non-market nature of their revenue (qualitative criterion not fulfilled). Beheersmaatschappij Antwerpen Mobiel (BAM), a public company building road and other infrastructure in the Antwerp area is classified in S.1312 due to the non-market nature of its revenue. Its subsidiary, Tunnel Liefkenshoek, who manages a concession for a tunnel in Antwerp, is also classified in S.1312, because it is a 100%-public concession which has only one activity.

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

- Metro, bus, tram: There are three public regional companies dealing with public transport (metro, bus, tram) in Belgium: STIB/MIVB in Brussels, De Lijn in Flanders and SRWT/TEC in Wallonia. All three are classified in S.1312 because they do not pass the market test.
- Public utility companies: The public utility companies (electricity distribution, gas distribution, water distribution and sewage) active in Belgium are classified in S.11 because of their market nature.
- Ports, airports: Public ports and airports which pass the 50% test are classified in S.11. This concerns the ports of Antwerp, Ostend, Bruges, Ghent, Liège and Namur and the airports of Charleroi. The others are classified in S.13. This concerns some inland ports (Charleroi, Brussels, PACO) and some regional airports (Kortrijk, Antwerp, Ostend, Liège). The national airport of Brussels is not publicly controlled.

**Universities and schools** are classified in S.1312. They are publicly controlled NPIs, according to the guidelines set out in the specific part on educational units in the MGDD.

**Public TV and radio** are classified in S.1312 because they are mainly financed by transfers.

**Public hospitals**: All hospitals (except one military hospital) in Belgium are classified in the non-financial corporation sector because they are autonomous institutional units that provide their output at economically significant prices.

**SPE/SPV**: Most government-controlled SPEs are intermunicipality corporations (local level) which have mainly financial activities (financing of other intermunicipality corporations dealing with public utilities). They are classified in S.1313.

**Specific public units involved in financial activities**: In addition to the financial intermunicipality corporations mentioned above, there are a number of publicly controlled companies active at the regional level whose mission is to provide, with the support of government, loans to households for the acquisition of housing or financing to companies which provide social housing. These companies and alongside the regional public holding companies are classified in S.1312 as entities having the features of captive financial institutions.

## 6. Time of recording

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

The time of recording is defined in ESA2010 §1.101. It is the accrual basis, meaning when economic value is created, transformed or extinguished, or when claims and obligations arise, are transformed or are cancelled.

### 6.1. Taxes and social contributions

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

#### 6.1.1 Taxes

This section describes the methods of recording of taxes on an accrual basis. The time of recording of taxes is defined in ESA2010 §4.26 and §4.82 as the time "...when the activities, transactions or other events occur which create the liabilities to pay taxes".

## Time of recording - Military expenditure

The SPF Finances and the relevant departments of regions collect most of the data on taxes. The NSI compiles the data for EDP tables and related questionnaires.

The main data sources to calculate the taxes are cash data for which the final data for year t are already available in March t+1. Only some small taxes received directly by local government and social security funds are reported on an accrual basis. The method to adjust the cash data to accrual-based taxes is the **time adjusted cash method** with a delay of one or two months, or 15 days according to the taxes. In some cases, a purely cash method with no time adjustment is used.

The following table shows the time lags to correct the cash date.

Sub-sector	Taxes	Time-lag between the activity date (or the determination date of the amount of the tax) and the due date
S.1311	VAT (D211)	1 month
S.1311	Excise duty on manufactured tobacco (D212)	3 months (until 31 December 1996), 2 months (since 1 January 1997 until 31 December 2008), 1 month (since 1 January 2009); 0 month from 2015 onwards
S.1311	Taxes on stock exchange business (D214C)	1 month (since 1 April 2002)
S.1311	Vehicle taxes (D29B and D59D)	1 month (since 2002, S.1312)
S.1311	Advance payment of tax on income from capital (D51A and D51B)	1 month
S.1311	Advance payment of tax on earnings (D51A)	1 month
S.1311	Income tax by assessment (D51A and D51B)	2 months
S.1311	Tax amnesty (D91B)	15 days (since 1 January 2010 for DLUbis, 1 January 2013 for DLUter and 1 January 2017 for DLUquater)
S.1312	Registration rights (D214C)	1 month (since 1 January 2017 for Flemish region)
S.1312	Property related taxes (D29A)	2 months
S.1312	Vehicle taxes (D29B and D59D)	1 month (since 2002, S.1312)- Flemish Region 2 months (since 2012)
S.1312	Income tax by assessment (D51A)	2 months (since 2015)
S.1312	Inheritance taxes (D91A)	2 months
S.1312	Tax amnesty (D91B)	15 days (since 1 January 2010 for DLUbis and 1 January 2017 for DLUquater)
S.1313	Property related taxes (D29A)	2 months
S.1313	Income tax by assessment (D51A)	2 months

Ad hoc adjustments are applied on taxes when the perception of taxes incurs exceptionally a longer or shorter delay.

Specific transactions are recorded as follows:

The **interest charges on arrears** (received/paid) are recorded as interest (D.41) at the time the payments occur if these are identifiable. The **finances and penalties** for non-payment are recorded as current transfers (D.75) on a cash basis.

**Tax refunds, irregular and large payments** (for example, because of court decisions with retroactive effect) are treated as capital transfers (D.99e) in expenditure and recorded when the liability was established. **Tax credits** exist only for taxes on individual or household income. They are recorded when the tax credit is assessed. In Belgium, this mainly concerns the tax credit for dependent children, the tax credit for low earned incomes, the tax credit for services paid for with service vouchers, and the tax credit for certain energy-saving work. The whole sum due by way of the tax credit must be recorded as expenditure on social benefits, current transfers or capital, depending on the type of tax credit. This information is provided by the FPS Finance.

### 6.1.2 Social contributions

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

The ONSS and the ONSSAPL collect most of the data while the NAI compiles the data for EDP tables and related questionnaire.

The main sources to calculate the social contributions are based on the assessed amounts for which the final data for year t are available in September t+2 (in March t+1/ EDP notification, only data for three quarters are available). Only some social contributions received directly by central government are on a cash basis.

The assessed amounts are adjusted by a coefficient (to not include the amounts that will be never perceived) calculated by the ONSS and accepted by the NAI. After three years the amount really perceived in cash for a given year(t) is taken as the final amount in the accounts but a good estimation of the amount is available a year and a half after the year (t).

The interest charges on arrears (received/paid) are recorded as interest (D.41) and the fines and penalties for non-payment are recorded as current transfers (D.75).

## 6.2. EU flows

The issue of recording EU flows is important for national accounts, especially government accounts, because – due to the institutional arrangements – in general all amounts transit via government accounts. In order to avoid potential effects on the level of government deficits, countries have to eliminate these flows from public accounts. Eurostat, after the consultation with Member States, released a decision in February 2005. The ESA2010 Manual on government deficit and debt Chapter II. 6 “*Grants from the EU budget*” provide further details concerning the recording of these flows.

### 6.2.1 General questions

The issue of EU flows in Belgium is complex due to the large number of government units (at the S.1312 level) involved in their management. To better assess the situation, data were collected in 2016 (for the year 2015) through an ad hoc questionnaire launched by the NAI to the single point of contact for statistical purpose (SPOC) of the different governments.

The largest amounts of EU flows relate to agriculture programmes (EAGF and EAFRD). These programmes are managed directly by the regional governments of the Walloon Region (Service public de Wallonie – SPW) and the Flemish Region (Agentschap voor Landbouw en Visserij – ALV). The EU flows relating to those programmes are not recorded in the revenue and expenditure of general government and therefore do not enter the working balance.

Regarding the other EU flows, the recording in the working balance differs according to the entity involved.

- In the Brussels Region, all EU flows enter the working balance and the government does not use the matching principle. These amounts were however relatively small in the 2012-2015 period.

## Time of recording - Military expenditure

The same recording is applied by the German speaking Community, but the amounts are not significant.

- In the Flemish Region, several government agencies are responsible for the management of EU flows. Some agencies record the flows on a cash basis while other record them on an accrual basis.
- In the Walloon Region, most EU flows (both received from the EU and paid to the beneficiaries) do not enter the working balance of government and those which do generally follow the matching principle to avoid impacting the working balance. Consequently, there is no impact on the government net lending/net borrowing.
- In the French speaking Community, EU flows (both received and paid) are recorded on a cash basis. The amounts received matched the amounts paid to the final beneficiaries in 2015.

Finally, EU flows to universities have no impact on the government net lending/net borrowing because they are recorded following the matching principle.

### **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.

Belgium did not receive these facilities.

### **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).

Belgium did not receive these facilities.

### **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

## Time of recording - Military expenditure

arranging for giving them away free of charge. These agencies can be involved in storing agricultural inventories, or in arranging for storage, as well as in distributing subsidies.

The question is whether the principle of re-arranging EU transactions would also apply to the recording of changes in inventories (P.52) arising from the interventions of agricultural market regulatory agencies in the market. According to the guidance, in those circumstances where a market regulatory agency acting on behalf of the EU is classified inside general government, the creation of a unit in S.11 is recommended in order to capture the changes in agricultural inventories, and to avoid that such changes in inventories are recorded in national government accounts (as changes in government inventories, with an impact on the government deficit/surplus) or in the rest of the world accounts (as exports and imports). The unit to be created to capture these changes in inventories is a quasi-corporation, rather than a notional unit, in order to ensure an equality of treatment with cases where market regulatory agencies are classified outside government. This is also appropriate because any temporary difference in value arising from changes in market value of these inventories not yet covered by subsidies is likely to be small and on average zero.

Until 30 June 2014, the Belgian market regulatory agency was the Bureau d'intervention et de restitution belge (BIRB). There were also two regional payers, one in Flanders and in Wallonia, which are recognized as European paying agency for the missions of the BIRB transferred to 1 July 2014 following the implementation of the 6th state reform. All these agencies are classified in the general government sector.

The stocks transactions are small and are not recorded in the government accounts.

### 6.3. Military expenditure

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

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

#### 6.3.1 Types of contracts

The main data source for the recording in national accounts of the acquisitions of military equipment is the Economic Grouping, compiled by the budget authority, complemented by direct information on cash payments and cash payments corrected for actual data on receivables/payables and deliveries provided by the Ministry of Defence (MOD).

Types of contracts used by military forces for the procurement of military equipment	Time of recording in national accounts and EDP tables	Remarks
1. Arrangements within the government sector (manufacturing by government units)	Not applicable (no arrangements of this type)	
2. Sales agreed in advance with industrial suppliers, with or without	Accrual (since 2006) / Cash (before 2006)	Depending on contracts prepayments can be due

## Time of recording - Military expenditure

government pre-financing		before one year of delivery
3. Long-term rental contracts	Not applicable (no arrangements of this type)	Operational leases concern only non-military equipment (ex.: civil Airbus)
4. Trade credits (payments after delivery)	Accrual (since 2006) / Cash (before 2006)	
5. Purchasing through an international special agency	Accrual (since 2006) / Cash (before 2006)	
6. Others	Accrual (since 2006) / Cash (before 2006)	Prepayments are typical of contracts with US Government / US suppliers (Foreign Military sales)

## 6.4. Interest

This part aims at describing accrual adjustment for interest.

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

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

### 6.4.1 Interest expenditure

**Table 15 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)	Cash	Cash	Cash	Cash	L	L	L	L
Debt Securities (AF.3)	Accrual	Accrual	Accrual	Accrual	L	L	L	L
Loans (AF.4)	Accrual	Accrual	Accrual	Accrual	L	L	L	L
Other accounts receivable (AF.8)	L	L	L	L	L	L	L	L

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

#### Non-financial accounts

The information available in the basic data for the non-financial account is only the total amount of interest paid, separate between budget and OIP. Some entities provide this information on a cash basis, but then information is provided to apply an accrual accounting (by their treasury department). No detailed information based on the instruments is available.

#### Financial accounts

Information on interest expenditure is collected in the framework of the reporting of financial transactions in the Building blocks templates for central government (S.1311) and state government (S.1312) subsectors. The reporting collect data on interest accrued and interest paid on an instrument by instrument basis. Interest is recording under the instruments. Information on interest accrued for local government and social security funds are not available for the compilation of financial accounts.

The amount of interest accrued recorded in the financial account may differ from interest accrued recorded in the non-financial accounts, the data sources for both accounts being non-integrated. A reconciliation of interest accrued recorded under D.41 and interest accrued recorded under the ESA financial instruments is possible but are currently not performed systematically.

Interest accrued for the main state of federal state is fully consistent.

### 6.4.2 Interest Revenue

#### Non-financial accounts

The information available in the basic data for the non-financial account is only the total amount of interest received, separate between budget and OIP. No detailed information based on the instruments is available.

## Time of recording -Interest

### Financial accounts

Information on interest revenue is collected in the framework of the reporting of financial transactions in the Building blocks templates for central government (S.1311) and state government (S.1312) subsectors. The reporting collect data on interest accrued and interest received on an instrument by instrument basis. Interest is recording under the instruments. Information on interest accrued for local government and social security funds are not available for the compilation of financial accounts.

### 6.4.3 Consolidation

In Belgium the consolidation of accrued interest inside the subsector and between subsectors is based on the expenditure side of the accounts. The amounts to be consolidated are determined by the expenditure transactions and the corresponding revenue in the accounts of the counterpart is aligned so that the consolidation has no impact on B.9. The amounts of consolidation are estimated by applying an average interest rate for the year to either the stocks of financial liabilities of the ESA balance sheets, except for some transactions within the sub-sector central government for which information are directly reported.

The BBs reporting for S.1311 and S.1312 includes information on the ESA counterpart sector of each financial instrument (except for F.3L). The counterpart information could be used (in a later stage of development) to determine the amount of consolidated accrued interest.

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

Flows associated to premium and discount enters the Working balance of on an accrual basis for all general government sub-sectors.

## 6.5. Time of recording of other transactions

Transactions in public accounts are registered on a mixed basis, accrual and cash basis. The NSI makes adjustments on transactions when the cash basis differs significantly from the accrual principle.

The time of recording for the Federal government and the communities and regions is based on the law of 16 May 2003, which states that an accrual accounting should be used. In practice, the following rules are followed:

### Federal government (gradual implementation):

- **Wages:** recording in the period during which the work has been performed;
- **Purchase of goods and services**, except for renting and subscriptions, recording at the time the delivery has been executed and accepted;
- **Purchase or sale of immovable property:** recording at the time the sale is completed.
- **Subsidies:** recording at the time they are due according to the regulation, or at the time the decree comes into force;
- **Contributions to international organisations** in the context of Treaties, this is at the time the contributions are contractually due;
- **Capital participations:** recorded at the time of the decree or notarial deed.
- Court decisions: recording at the date of the final decision or decisions that make the decisions enforceable.

### Brussels Capital Region (since 2008):

- **Wages:** recording of wages in the accounting system some days (6-8 days) before the end of the month;
- **Purchase of goods and services:** recording at the time the invoices are received and validated (normally within 5 days).
- **Subsidies/transfers/social benefits:** they either follow the procedure of wages, or a sort of invoice must be registered and then they follow the procedure of the purchase of goods and services.
- **Investments:** recording at the time the invoices are received and validated (normally within 5 days).

The invoices received until a set date in January can be recorded in the economic groupings of the previous year. After this date, the invoices received are recorded in a regularization account and an adjustment is done by the NSI on the basis of the information provided by the Region.

### Flemish Community (since 2012):

- **Wages:** recording in the period during which the work has been performed.
- **Purchase of goods and services:** recording of invoices in the year delivery has taken place;
- **Subsidies:** this depends on the nature of the subsidies; Unconditional subsidies are recorded at the time of the recognition of the liability to pay subsidies (decision to accept, different from the payment date). Annual unconditional subsidies are recorded pro rata temporis and conditional subsidies are recorded at the time the justifications of conditionality fulfillment are presented.
- **Social benefits:** recording following the same lines as for subsidies
- **Investments:** Invoices are recorded in the accounting year the investment took place.

The **Walloon region** uses the time of liquidation to record their transactions in the economic grouping. They use a system called the "facturier" (invoice ledger) which allows tracking the date of the invoices received. Invoices must be considered as any official document and means therefore also for subsidies, transfers, investments.

The **French speaking Community** records the transactions in the economic grouping at the time of the liquidation. No systematic information is available to the NSI to correct the time of registration. Only large shifts can therefore be corrected.

## Time of recording -Time of recording of other transactions

At the time of the change to accrual accounting systems, the NAI was informed by the governments that there were outstanding payables that were not recorded in the correct year. Often this delay in the registration of invoices dated back to previous decades, so that expenditure was underestimated at that time. The NAI will impute those expenditures to the correct year at the occasion of the next benchmark revision of national accounts. As explained for the Walloon and the Brussels Capital Region systems have put into place to record in the correct year the invoices that are not included in the economic grouping. In the Flemish Region the reports of the court of Auditors sometimes point out important deviations from the accrual registration.

Notwithstanding the fact that an accrual accounting system is used by more entities, the NSI still makes several substantial corrections. This is the case for the recording of investment aids for which the NSI systematically adjust the cash recording. The Federal State and the communities and regions have systems of investment aids which are paid over several years. They record the annual payments in their accounts. Once verified that all initial conditions, future payments are nearly automatic; although small penalties may exist, but they are considered as cosmetic. The NSI records at once the whole amount to be paid over the years as expenditure in the first years and considers the cash payments as reimbursement of a debt in the following years.

## 7. Specific government transactions

Methodological rules applicable for recording of specific government transactions are set up in the Manual on Government Deficit and Debt (implementation of ESA2010), 2013 edition<sup>24</sup>.

### 7.1. Guarantees, debt assumptions

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

#### 7.1.1 Guarantees on borrowing

##### 7.1.1.1 *New guarantees provided*

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

Guarantees are issued on behalf of the government across all sub-sectors (except the social security funds); it concerns both one-off guarantees and standardized guarantees. In practice only, State governments provide standardized guarantees for housing loans, loans granted to specific group of corporations and export insurance (see 7.3 on standardised guarantees).

Most of government one-off guarantees are related to guarantees provided by the Federal government (Central government) to financial institutions in the framework of the financial crisis (around 85 % of total guarantees or 36.9 billion euros in 2015). Other beneficiaries of guarantees are public corporations, small and medium-sized enterprises, international organizations, and government units. Guarantees are either directly provided by the respective government authority or by a governmental unit acting on behalf of the government (delegated mission).

The guarantees are both on assets and on borrowings. Guarantees on assets existed only during the financial crises and were related to guarantees provided to financial institutions on the value of portfolios of financial assets (e.g. a guarantee by which a government unit covers all or part of the losses if the sale of assets falls below a certain value). Guarantees on borrowing are those provided to public corporations, small and medium enterprises and individual banks.

Conditions for granting guarantees are fixed in legislation at the different authority levels.

To date only guarantees of the Brussels Region (State government) and some information on guarantees granted by the Federal government to financial institutions in the framework of the financial crisis are made public. The Brussels Region publishes government guarantees in its accounts, off-

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<sup>24</sup> [http://epp.eurostat.ec.europa.eu/cache/ITY\\_OFFPUB/KS-GQ-13-006/EN/KS-GQ-13-006-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-GQ-13-006/EN/KS-GQ-13-006-EN.PDF)

## Specific government transactions - Guarantees, debt assumptions

balance sheet at an individual level. Some information on the most important guarantee provided during the financial crisis is published on the National Bank of Belgium website (Total outstanding amount of "Guaranteed Liabilities" daily).

Since November 2014, total amount of government guarantees by general government subsector are posted on the website of the Budget Federal Public Service in the framework of the Council Directive 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of the Member States (Six pack). Data covers new guarantees provided, outstanding amounts at the end of the period, cash flows (fees, repayments and calls on guarantees) and provisions for expected loss.

Guarantees granted by general government units are considered as contingent and recorded off balance sheet.

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

The treatment of one-off guarantees and standardised guarantees follows the prescription of ESA 2010, complemented by the provisions of the MGDD chapter on debt related transactions and guarantees.

**One-off guarantees** are contingent liabilities and are not recorded in the national accounts until they are called or are deemed called when government will repay the debt with certainty or when it is judged that government repays or will repay the debt.

Debt assumption resulting from a one-off guarantee call is accounted for in the Economic groupings (public accounts) or in the account of the guarantor at the local government level which serve as primary source for the compilation of the non-financial accounts.

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

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

**One-off guarantee** calls are reported in the Economic groupings (public accounts), under the economic codes 51 - other capital transfers. The subsequent reimbursements made by the government are reported as loan repayments and interest expenditure. Partial calls are reported in Economic groupings for the amount of cash called; the recording does not follow ESA-rules on partial cash called follow which a debt is assumed after the third consecutive call.

However, the reporting on guarantees developed by the NAI does not indicated that these partial calls exist. In practise the amount is called in once.

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

Recording of guarantee calls follows the provisions of MGDD chapter VII.4 Government guarantees.

Given that calls are reported in the economic groupings under the code 51, they are automatically recorded as capital transfers (D.99) to the guaranteed unit in the year in which they are called. The amounts of guarantees called are checked with the questionnaire developed by the NSI. Analysis of the questionnaire shows that repeated partial calls do not really seem to take place; individual call relates usually to the whole amount of the debt outstanding. Incurrence of transferred assets to government resulting of a debt assumption has not been observed in the recent past; consequently, the estimation of the value of any potential assets transferred is not applicable.

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

## Specific government transactions - Guarantees, debt assumptions

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

Any repayments by the original debtor to the government are recorded as capital transfer received at the time the reimbursement takes place.

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

Treatment of repayment related to guarantee calls follows the provisions of MGDD chapter VII.4 Government guarantees.

Reimbursements follow the recording in the accounts, which means that they are considered at the time they take place. At the time of the initial call often there is no reliable information on probability of reimbursements.

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

As indicated above, the NAI has no evidence that there are significant calls in which assets have been transferred. If any significant amounts were observed, the treatment of repayment related to guarantee calls will follow the provisions of MGDD chapter VII.4 Government guarantees.

#### ***7.1.1.5 Data sources***

To implement the provisions of MGDD on government guarantees, the NAI has developed a comprehensive questionnaire to follow the stock of guarantees. Since 2011 the NAI collect systematic information on individual one-off guarantees granted by all level of general government covering outstanding amount, new guarantees, (partial) guarantee calls. The entities also must provide information on guarantee which has been called, such as the service of debt assumed or any resumption of debt by the original debtor. The questionnaire also covers information of standardised guarantee schemes: number of guaranteed units/individuals, total amounts of guarantees, nature of beneficiaries and default rate.

This information is provided twice a year for the federal and state level (the first transmission is for 15 March and the second for 1 July). For local government the information is provided once for 1 July.

For one-off guarantees, the reporting is used to check the records in the economic groupings or accounts of the guarantor and allows the implementation of ESA-rules on partial calls (guarantees considered as called in ESA but not in public accounts).

Individual information on stocks of guarantees, related flows and beneficiaries are available at Federal and State level. For local governments information is gathered for groups of beneficiaries and is not always yet exhaustive.

## **7.1.2 Guarantees on assets**

Guarantees on assets have been reported at the time of the financial crisis and related mainly to guarantees on the value of portfolios of financial assets (e.g. a guarantee by which a government unit covers all or part of the losses if the sale of assets falls below a certain value). These guarantees do not longer exist and were not called at the time they existed.

## Specific government transactions - Guarantees, debt assumptions

### 7.1.2.1 *New guarantees provided*

Not applicable.

### 7.1.2.2 *Treatment of guarantees called*

Not applicable.

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

Not applicable.

### 7.1.2.4 *Treatment of write-offs*

Not applicable.

### 7.1.2.5 *Data sources*

See point 7.1.1.5

## 7.1.3. Standardized Guarantees

At present only State governments provide standardised guarantees. These guarantees cover mortgage granted by credit institution in the framework of the housing policy for the benefit of low-income households, some specific enterprise loans (for small and medium-size enterprises, in specific activities such as agriculture, etc.) and export insurance.

Recording of standardised guarantees follows the provisions of MGDD chapter VII.4 Government guarantees.

**Standardized guarantees** are treated by analogy with non-life insurance, with the recording of a liability in the accounts of the guarantor (AF.66L) equal to the present value of the expected calls; the counterpart of the liability being a transfer in absence of fees which is the general case. When a guarantee called is recorded as a financial transaction in F.2 and F.66 without impact on B.9. Recordings linked to standardised guarantee are determined based on the information collected with a questionnaire on guarantees.

**Standardized guarantee calls** are reported in the Economic groupings (public accounts), under the economic codes 51 - other capital transfers.

End 2014, the NAI has launched a specific questionnaire to identify standardized guarantee schemes granted by government. The questionnaire asks government units to provide, among others, the following statistics: (1) the average default rates (using a probabilities-weighted risk of call), (2) the stock of assets covered by standardized guarantees, (3) the stock of provisions on guarantees in government books, (4) new guarantees granted during the period (flux), (5) guarantees cash calls during the period (flow) or, (6) recoveries from the original borrowers.

The provision on expected calls recorded in 2010 ESA accounts (F.66L) are estimated based on the average default rate on the total stock of guarantees provided, or either on basis of outstanding provisions made by guarantor units in their accounts.

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

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

### 7.2.1 New lending

#### Central government (S.1311) and State government (S.1312)

Loans granted by government units recorded in national accounts cover a wide spectrum of loans and beneficiaries:

- Loans granted in the framework of treasuries operations (repos and reverse repos)
- Loans granted between units of a subsectors
- Loans granted between subsectors of general government like loans granted by the main state of federal government to the social security;
- Loans granted to units classified outside the general government (public or private) or individuals. Those loans can be split between one-off loans (large amounts and specific financing) and standardised loans set up in the framework of programs/policies by specialised units such as by public holdings, housing corporations or financial corporations. The conditions (maturity, interest rates) differ according to the targeted beneficiaries and the aim of the loans.

The NAI collects information on loans granted via the Building blocks project. The public accounting or the Belgian GAAP is not directly used by the NAI. The implementation of the Building blocks reporting allows a comprehensive view on the loans granted by all units belonging to the subsector S.1312 and the main state of S.1311. A specific reporting is available for the loans granted to foreign State in the framework of the Club de Paris.

The data collected via the Building block BBA\_Loans covers opening/closing value (face and nominal) and economic flows during the reporting period split up between new loans, capital amortisation, interest accrued and paid conversion, debt cancellation and write-off. Supplementary data are collected on non-performing loans. All loans are reported in the Building block on an individual basis (with identification of the counterpart).

In general, loans granted are considered as financial transactions. In specific cases, the NAI examines the new loans according to the criteria of the capital injection tests to assess the likelihood of the repayment. Those cases are loans granted by the government to corporation in the framework of recovery or restructuring and repayable advances. For instance, advances, repayable under certain conditions, granted by the Walloon region under standardized contracts are considered as expenditure at inception due to the (small) percentage of repayments; while repayments are considered as revenue.

Some loans are granted by units acting on behalf of the government. Those units are classified inside the government. A notional unit of delegated mission is created for the reporting.

#### Local government (S.1313)

Loans granted by local government recorded in the financial accounts are based on the balance sheet. The transactions are derived from stocks, which do not allow the identification of new loans. All

## Specific government transactions - Capital injections in public corporations

loans granted by local government are considered as financial transactions with units classified as S11.

### Social security (S.1314)

Loans granted by the social security recorded in the financial accounts correspond to funds made available to the federal Treasury in the framework of the law of December 21, 2013 which aims to organize consolidation measures of financial assets of the Social security and Central Government sub-sectors.

## 7.2.2 Debt cancellations

### Central government (S.1311) and State government (S.1312)

Templates for the reporting of loans granted (BBA\_Loans) require information on debt cancellation and debt write-off according to definition of ESA 2010. It appeared that units fill the template according to their bookkeeping practices, reporting write-down and write-back as appearing in their books instead of write-off/debt cancellation according to ESA 2010 definitions. For units following the Belgian GAAP (general accounting accepted practices), debt write-down and a debt write-back are recorded when the repayment is deemed impaired or is reversed impacting the valuation of the claims in the balance sheet. The decision criteria may differ from units to units.

Write-down and write-back are not recognised in ESA, the outstanding stock of loans being valued at nominal value in the financial account. The issue has been addressed by the NSI and some State entities provided correction to comply with ESA definition. In most case, the value of the loans corresponds with bookkeeping practices and the value of the loans is the value reported in the corporation accounts. Write-down and reversal of write-down are treated as partial write-off (Other change in volume in ESA accounting).

Since debt cancellation is not always evidenced by a written consent between the creditor and the debtor, few debt cancellations are reported in the BBA\_Loans. When debt cancellation is the result of legal reorganisation proceedings, the cancellation is forced upon the creditor by a court decision, this is treated as a partial write-off in the ESA accounts of S1311 and S1312.

Debt cancellations are recorded for specific units (like units financing corporations during a restructuring process). In general loans granted by those units are reported in the BBA\_Loans and are monitored closely by the NAI.

Information on non-performing loans (bad loans) is also collected via BBA\_Loans. Non-performing loans are reported either when a debt write down as been acted in the books of the creditor, or when repayment date is past its due date. Non-performing loans are reported in same templates as performing loans, interest accruing under the instrument in the reporting. Interest revenue in non-financial account is reported in the economic groupings and may differ from information collected in the BBA\_Loans.

### Local government (S.1313)

Data on debt cancellations, stocks of bad loans and related accrued interest revenue are not available for local government units.

### 7.2.3 Repayments of claims

#### Central government (S.1311) and State government (S.1312)

In ESA financial account, repayments of claims (principal and interest) are netted with new loans and accrued interest.

When a loan granted is considered at inception as expenditure instead of a financial transaction, it may happen that the financial performance of the company improves to the extent that it starts making debt repayments and can resume its legal obligations for the liability. By analogy with the recording of debt assumption, the previous economic assessment is now obsolete, and the corporation is deemed to “assume” the debt back. The debt should then be recorded as a capital transfer from the corporation to the government, offset by a financial transaction in liability in the corporation financial account.

In the case of debt cancellation, the debt is extinguished by bilateral consent. There should be no subsequent repayments from the debtor. Should any repayment occur on the debt cancellation a new loan should be recorded in the financial accounts with a counterpart entry as capital transfer from the corporation to the government.

Until the reporting of BBA\_Loans, the NAI had no information on the history of repayments at the level of individual loans. Since 2014, new loans considered as expenditure are flagged allowing following any subsequent repayments. In the specific case of advances repayable under certain conditions granted by the Walloon region, where loans granted are considered as expenditure, repayments are symmetrically recorded, as revenue.

If a repayment in kind occurs, an expenditure is recorded when the value of goods and services delivered as repayment or the transfer of asset is inferior to the value of the debt to be repaid. The repayments in kind are currently not accounted for in the reporting BBA\_Loans.

### 7.2.4 Debt write-offs

The recording of write-off follows the provision of the MGDD (cf. 7.2.2 on debt cancellation). Reporting of write-off in the BBA\_Loans is checked for misreporting of debt cancellation.

### 7.2.5 Sale of claims

No sale of claims has come to the knowledge of the NAI.  
Sale of claims is currently not accounted for in the reporting BBA\_Loans.

## 7.3. Capital injections in public corporations

Government capital injections are transactions which occur when governments provide assets (in cash or in kind) to public corporations (or assume liabilities), in their capacity of owner / shareholder, with an aim to capitalize or recapitalize them. The accounting rules are set out in ESA2010 paragraphs 20.197-20.203 and clarified in the Chapter III.2 on Capital injections of the ESA2010 Manual on government deficit and debt. These chapters 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, and to be classified in certain cases as a non-financial transaction (predominantly capital transfer D.9); cf. MGDD III.2.3.2.2.

## Specific government transactions - Capital injections in public corporations

The capital injection test is carried out by the NSI. To perform the test, the federal and state government capital injections must be documented following a strict timeline. Information for the March notification must be provided by 15 February. When no information is provided the NSI adopts a judgemental approach based on previous experiences of similar capital injections, to reclassify capital injection as capital transfers for the first notification. Since 2008 the NSI applies the rule following which all capital injections in the form of equity without documentation for the September notification are reclassified as capital transfers. This rule has been extended in 2011 to loans and other capital injection.

### Central government (S.1311) and State government (S.1312)

All capital injections by government units are reported through BBA\_Shares. Data are reported on a granular basis allowing the identification of counterpart information. The information covered has been designed to meet the requirement of the capital injection test. Additional information is requested based on objective criteria, such as the amount of the injection, conversion of loans in capital, repayment in kind, recording of write-down in the business accounts, existence of non-performing loans at the time of the injection. The way the information is collected enables a statistical approach to determine operation which should be further documented (use of a threshold, exclusion of capital injection performed by incubators or units specialised in spin off/spin out, distinction between capital injection and portfolio investment, capital injections of units specialised in the restructuring of corporations, presence of a public partner/private partner to the injection).

In the case of a capital injection in the form of equity, entities must provide extensive information covering the nature of the transaction, information on the possible other (private or public) partners, the financial statements of the corporation for the last 3 years and a financial plan audited by an independent institution for at least 3 years, if flagged based on the information collected via the BBA\_Shares.

There are three ways a capital injection (equity) can be assessed and accepted by the NSI:

- *Presence of a private partner:* As a rule, the capital injections where there is at least a 25% invested by private partners are considered as financial transactions. However, if the private partner takes part in the capital injection by transforming a loan to the corporation into capital while the government unit is the only partner injecting new cash in the corporation, we check if the corporation did not have accumulated losses or other financial difficulties.
- *Financial soundness and sufficient rate of return:* The financial statements are mostly used to check that there are no accumulated losses, and to check the prospect of future profits. Regular profits in the annual accounts can be used to accept a capital injection as a financial transaction, if the capital injection is a small fraction of the existing capital of the corporation. Otherwise the main attention is given to the financial plan which must be audited by an independent institution, although negative advices of dependent institutions can be used to reclassify the capital injection as a capital transfer. To be recorded as a financial transaction, the financial plan must exhibit a sufficient rate of return, which corresponds at least with the long-term government bond rate, requesting higher return for very risky sectors.
- The NSI requalifies capital injections as capital transfers when they cannot be accepted based on the two criteria above mentioned, **or** when no or incomplete information has been provided, or when information has not been provided in due time.

Following the same line, information must be provided on loans and advances (BBA\_Loans) on the amount, interest charge and the terms of redemption. In 2016 a building block was developed which contains the information on the loans (new loans, reimbursements, write-offs, cancellation and conversions) on the asset side of the governments, this building block replaces the information which was previously collected via the questionnaires. In general, the NSI does not requalify loans if information is provided but verifies if they are not given to corporation in severe financial distress.

## Specific government transactions - Capital injections in public corporations

The building blocks framework present the advantage to collect standardised information on stocks and flows, allowing the follow up on previous capital injections as well as a complete view of all injections in one given corporation. The building blocks application will also allow the flagging of capital injection which failed the capital injection test and follow any subsequent repayments.

For reimbursable subsidies or advances the same information as loans must be provided and an estimation of the repayment rate based on historical data for similar contracts or a financial plan that indicates that the amounts can be repaid. In the absence of historical data on the repayments rate, or if these rates show a low probability of repayment, the NSI record in ESA accounts those advances as expenditures at inception, and symmetrically, the subsequent repayments as revenues.

### Local government (S.1313)

For local government capital injections, a standardised procedure is followed to determine whether these can be regarded as financial transactions in ESA terms, given the large number of capital injections (for often very small amounts). Based on a functional division of capital injections, a number of injections are being reclassified. These concern stakes in the social sector, in the education and cultural sector and in the police sector. Generally, these sectors do not yield sufficient return in order for them to be accepted as a financial transaction. Without additional justification from the supervisory authorities, these are not accepted as capital injection. In principle, stake holdings in the energy sector or in other corporate sectors are accepted. For the unspecified stakes, an attempt is made to discover the important transactions and an analysis is made on the basis of the available data.

## 7.4. Dividends

The accounting rules are set out in ESA2010 paragraphs 20.205-20.207. It is recalled, that the ESA2010 Manual on Government Deficit and Debt chapter III.5 indicates that large and exceptional payments out of reserves which significantly reduce the own funds of the corporation should be treated as superdividends, i.e. transaction in shares and other equity (a capital withdrawal). It also sets out that the resource available for distribution by a unit (a corporation) is the *distributable income* of the unit, as defined in the ESA2010, paragraph 4.55.

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

The NSI receives information on the dividends received by the government via the Economic groupings (basic data for the compilation of the non-financial accounts). Systematically additional detailed information is provided which enables the NSI to identify the origin of the main dividends received.

The superdividend-test is performed by the NSI to verify if these dividends can be recorded as dividends (D.42) in the non-financial accounts or rather as withdrawal of capital (F.5A) in the financial account. As dividends are normally paid out in the year after the fiscal year, information in the balance sheets published at the central balance sheet office (NBB\_CBSO) is available to perform the test. The information on the dividends and the origin of the dividend, paid out by the Central Bank is directly transmitted by the accounting department of the National Bank of Belgium.

## Specific government transactions - Dividends - Privatization-

An automatic test has been developed which can be applied on all entities, outside the government sector, in which the government sector holds a stake. The test is performed for all government levels, also for local public entities. If the test indicates that a superdividend might exist a manual verification is performed to confirm the superdividend.

The automatic superdividend-test is performed on the items “bénéfice courant avant impôts” and the “bénéfice à distribuer” in the balance sheet. This concept can take into account some recurrent financial receipts such as dividends and interest received but can also contain some income from the sale of equity. The NSI follows the evolution of the most important dividends to identify particular movements and tries to identify the origin.

Information on dividends is also collected in the building blocks on shares and other equities (BBA\_shares), allowing the detection of any large swing in dividend received by general government units. Any indication of an unusual large dividend will be cross-checked with the information of the NBB\_CBSO.

Interim dividends are sometimes paid out by large public corporations and recorded during the year they are paid out. These corporations have quarterly accounts, which make it possible to verify if these dividends can be recorded as dividend according to the ESA framework.

## 7.5. Privatization

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

Specifically, chapter V.3.1 of the ESA2010 Manual on government deficit and debt mentions that in some EU Member States, holding companies have been set-up by the government to restructure the public sector with the aim of making the enterprises more competitive and profitable and, in the long run, disengaging the government. Often their main activity is to organise the privatisation efficiently and transfer the proceeds of the sale of shares to other public corporations (owned by the holding company or not), through grants, loans or capital injections.

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

The CGER Holding/ASLK Holding was founded in 1992 as a holding company with the aim of managing the privatizations process of some public financial institutions who later, after the privatization process of the public financial company, became a general holding company called the Federal Holding Company (FHC)/Société fédérale de participations/Federale Participatiemaatschappij. Formerly classified outside the perimeter of general government, the FHC has been reclassified in S.1311 from 1999 onwards.

The proceeds from the privatizations, for the most part, were kept within the FHC and were used to increase the capital of state-owned companies such as the Belgian Post Group and the National Lottery.

The Federal Holding and Investment Company was created on 1 November 2006 by merger of the Federal Participation Company (Federale Participatiemaatschappij / Société Fédérale de Participations) and the Federal Investment Company (Federale Investeringsmaatschappij / Société Fédérale d'Investissement). The Federal Investment Company (FIC) acquired the Federal Holding Company (FHC) in accordance with the Law of 26 August 2006 on the merger of the Federal Investment Company and the Federal Participation Company.

During the first rounds of privatization, the proceeds of privatization were included in the working balance (Economic groupings) as capital transfers received. The neutralization in EDP Table 2A was made by an entry under non-financial transactions re-routed as financial transactions in the item other adjustments, or as financial transactions included in the working balance. Later on, the proceeds of privatization were recorded directly under financial transactions of the economic groupings (codes 8).

At state/local government, it is not possible to separate privatization proceeds from sales of shares, but checks are made to ensure that the proceeds of the sale of equities are neutralized on B.9.

## 7.6. Public Private Partnerships

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

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

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

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

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

The PPP project classification is examined by the NSI. To identify and to collect information on PPP contracts, the NSI have designed since 2012 a standardised reporting for all PPP project for central and state government. From 2013 onwards, the reporting should also include the PPP at the local government levels. From 2015 this reporting has been enlarged to also include concessions and ESCO-contracts.

Usually, at the level of central government and state government, the promoters of PPP project usually seek ex ante advice from the NSI on the recording of their project in ESA accounts. In any case, if government authorities have doubts about the nature of a specific project (PPPs, concessions or operational lease), the public partner is asked to contact the NSI.

Depending on the government level, a specific unit is established to deal with PPPs. At the central level all PPPs are centralised in the entity that manages the buildings of the federal state (Régie des bâtiments/Regie der gebouwen), but this is not an obligation. Some State government levels have also a “knowledge centre” which facilitates and monitors all PPP projects at their level.

The PPP projects are examined by the NSI on an individual basis. For that matter, the NSI requires a full documentation, including the legal contracts between the parties involved. The NSI after examinations of the documentation provided, assess the three dimensions of risk (“construction risk”,

## Specific government transactions - Public Private Partnerships

“availability risk” and “demand risk”) associated with the project and determine who bears the risk. In the event of subsequent changes to the contract, the NSI follows a general principle whereby if the NSI does not receive the contracts linked to a PPP project, the PPP must be recorded on-balance sheet in ESA accounts.

In the PPP contracts concluded before 2014, the government financing often took the form of a minority stake in an SPV's that is created for the project. The government guarantees granted to the private partner varies according to each PPP, but in general the government guarantee has been reduced in the project developed in the recent year. In the most recent contracts no minority stakes, financing or guarantees exist.

### 7.7. Financial derivatives

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

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

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

The recording relating to financial derivatives in the financial accounts of general government covers only the financial derivatives of the Federal State Treasury. Although other entities are involved in this kind of transactions, they are for the time being not accounted for.

#### 7.7.1 Types of derivatives used

The federal state Treasury enters in swaptions and swaps contracts. Swaps contracts covers interest rate swaps, foreign exchange swaps and currency swaps.

#### 7.7.2 Data sources

The Treasury provides a quarterly report on flows (including cancellation premium) generated by derivatives on a cash and accrual basis. No information is currently transmitted on the value (stocks) of derivatives contracts on a regular basis.

The development in the framework of the Building blocks project of a specific data collection covering financial derivatives at the level of S.1311 and S.1312 is foreseen at short/medium term.

### 7.7.3 Recording

Only flows are recorded in the national accounts on a cash basis at the asset side according to ESA 2010 § 5.229. Stocks of financial derivatives are not recorded. The transactions are neutralised via a recording in the other change in volume account.

Off market swaps (IRS and currency swaps) are recording according to the provisions of the MGDD. The off-market swap is divided into two parts: a par swap and a long-term loans (AF.42) corresponding to the up-front received or paid. The subsequent flows exchanged during the life of the contract are portioned between an amortisation of the loan (F.42) and the remaining part as flows linked to the par swaps recorded as transactions under financial derivatives (F.71).

## 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.

Some limited toll systems exist. In the Flemish Region the entity "Liefkenshoek tunnel" collects toll for a specific tunnel. The entity is consolidated with the Flemish Region as it is deemed not to have autonomy of decision.

From April 2016 onwards, a toll is levied on trucks that use the motorways in Belgium. The toll is calculated per kilometre (tracked via satellite systems). It replaces the existing tax on circulation (Euro tax disc), which was not based on the number of kilometres driven. The revenue from tolls is recorded in the national accounts as a sale of service by the regions.

## 7.9. Emission permits

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

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

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

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

## Specific government transactions – 7.7 Financial derivatives

EUAs are sold by the government since 2013. Before that, they were allocated for free which did not give rise to entries in government accounts. They were no sales of AAUs.

The data on permits (number of permits allocated, surrendered, sold, cash revenues, etc.) are directly transmitted to the NSI by the administrator of the Belgian National Registry for greenhouse gas which is the national administrator pursuant to Article 8 of Commission Regulation (EU) No 389/2013 of 2 May 2013 establishing a Union Registry pursuant to Directive 2003/87/EC of the European Parliament and of the Council, Decisions No 280/2004/EC and No 406/2009/EC of the European Parliament and of the Council and repealing Commission Regulations (EU) No 920/2010 and No 1193/2011.

The receipts linked to the auction of permits have to be recorded in the government accounts as a tax on production (D.29). The time of recording of tax on production corresponds to the time corporations surrender the permits as a compensation for the emission of greenhouse gases, at the end of April of Year t for the emissions of Year t-1. Given the fact that it is not possible to distinguish between the permits which have been allocated for free or have been sold by auction a general rule is used to determine the tax revenue.

The tax revenue is equal to the number of permits surrendered multiplied with the price of the permit. The hypothesis is used that the permits that are surrendered are first the permits that have been sold via auction and in a second step, when the permits surrendered are higher than those sold via auction, those allocated for free.

The tax on production is recorded at the Federal level and at the level of the Regions, following the distribution formula fixed in an agreement between these entities.

### 7.10. Sale and leaseback operations

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

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

The following sale and leaseback operations where the contracts are available to the NAI occurred since 2006 are summarised in the table below. Other transactions whose contracts have not all been transmitted to the NAI were carried out by Central government between 2001 and 2005 and were treated as sales of real estate assets in national accounts.

Sub-sector	Name of the sale and leaseback operation	Capital value (gross proceeds)	Sale date	Type of assets involved	National accounts treatment: government borrowing (debt)/disposal of assets/other change in volume (OCV)
S.1311	FEDIMMO	576,0	2006	office buildings	disposal of asset
S.1312	STIB	75,0	2008	office buildings	borrowing (debt)

Since 2014, an annual survey at the level of the Central/State governments is conducted to be informed on the disposals of non-financial assets.

## 7.11. Securitisation

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

The classification of the proceeds received by government as disposal of an asset may lead to an impact on the government deficit, when the asset is a nonfinancial asset or if it is determined that a revenue should accrue. All securitisation of fiscal claims should be treated as borrowing, as well as all securitisation with a deferred purchase price clause and all securitisation with a clause in the contract referring to the possibility of substitution of assets. Also if the government compensates the SPV ex-post, although this was not required according to the contract, the operation should be reclassified as government borrowing.

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

In Belgium three securitisations have taken place from 2000 to date. All three operations were done by the Central government on fiscal claims. No securitisations operations took place at the state or local level. Since the change in treatment due to the Eurostat decision of 25 June 2007 no new securitisation operations have occurred.

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The taxes securitised differ in each operation:

- In 2005: arrears from income taxes on households and corporations;
- In 2006: mostly indirect taxes, but also amount of professional withholding taxes and withholding taxes on movable property;
- In 2007: income taxes on households and corporations.

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Under ESA 2010, the funds obtained in return for securitisation operations concerning arrears of taxes are regarded as the proceeds of sales of financial assets recorded under the instrument "other accounts receivable" (F.8), i.e. as a financing transaction increasing the public debt if no financial asset corresponding to the arrears has been recorded in the accounts.

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Securitisations of fiscal claims	Year	Amounts in millions of euros	Treatment ESA 2010
First operation	2005	500.0	government borrowing
Second operation	2006	715.0	government borrowing
Third operation	2007	160.0	government borrowing

The NAI receives detailed monthly information on each of the operations to apply the correct recordings in the deficit and debt figures from the FPS Finance.

## 7.12. UMTS licenses

The sale of UMTS licenses is to be recorded as the sale of a non-financial asset (the license) at the time the license is allocated. Thus, sale proceeds have a positive effect on B.9 in the year when the license is allocated. The actual payment of cash payment does not influence the recording of this transaction.

In some special cases, the sale of UMTS could be seen as a rent for the use of a non-financial asset, recorded over the life time of the license. In this case, the impact on government B.9 is spread over the duration of the license.

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

Under the ESA 2010, the electromagnetic radio spectrum is explicitly identified as a natural resource (AN.2151) and it is specified that if the government issues a permit (also called a "licence"), it can only be recorded as a new asset "permits to use natural resources" (AN.222) if the transfer of risks and rewards has the effect of creating a separate, transferable permit with a realisable value. Thus, the licence holder must be able to assign the licence to a third party. Conversely, if the government has the right to oppose the transfer for any reason, or if the contract requires the holder to retain the licence until it expires, the licence will not be recognised as an asset, and the payments to the government will be recorded as rent (D.45).

Up to 2005, the permits to use natural resources corresponding to the mobile telephony licences were not transferrable. Since 2005, operators have been able to transfer their permits in whole or in part, including those granted before 2005. The principle of portability was introduced by the Law of 13 June 2005 on electronic communications (with effect from 30 June 2005).

The single payments received when the mobile telephony licences were granted between 1995 and the early 2000s were therefore recorded partly as rent (D.45) which, taking account of the duration of the contracts, was phased over the period from the granting of the licence until 30 June 2005, the balance being recorded as proceeds of sales of permits to use natural resources as at 1 July 2005. In the case of all licences granted after 2010, the proceeds from sales is always recorded as revenue from the sale of permits to use natural resources at the time of granting, regardless of the contractual payment arrangements.

Since the publication of the Eurostat Guidance Note Amending the MGDD 2016 on Mobile phone licences, exploration rights and other licences at the end of March 2017, any proceeds on a mobile telephony licence received since 1995 are recorded as rent. Proceeds collected by government, at inception, on such sales of licences are thus recorded as pre-payments, i.e. as a flow of payable for government (F.8) and of receivable for the buyer/user.

## 7.13. Transactions with the Central Bank

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

It also proposes to apply the rules on capital injections when government makes a payment to the Central Bank. Such payments by government may be made to cover losses made by the Central Bank. Capital losses may occur due to foreign exchange holding losses. Operational losses may occur due to the fact that interest and other operational income do not cover operational costs made by the central bank. Capital losses cannot be recorded as equity

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

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.

### Dividends received from the central bank

Until 2009, the “State Share” in the central bank earnings represents mainly the dividends received from the central bank. They are twofold: the so called “State Share”, recorded as an expenditure in the profit and loss account of the National bank of Belgium (NBB), and the dividends paid to the State in its position of shareholder of the NBB. They form both dividends received by the general government under ESA 2010 definitions.

In accordance with the recommendations of the MGDD on sales of gold and foreign exchange by the central bank, proceeds from a sale of gold or other reserves assets held by the central bank are excluded from the dividends. They are considered as withdrawal of equities, thus not impacting the government net lending/net borrowing.

Since 2010, the rules on the distribution of proceeds of the NBB were modified by the Law of 3 April 2009 amending the financial provisions of the Law of 22 February 1998 establishing the Organic Statute of the NBB. After a profit allocation of year t to dividends and reserve following the rules on the distribution of proceeds, the balance of the profit allocation is allocated to the State and paid at the end of March t+1 whereas the dividends are paid in June t+1.

The NAI examines the profit and loss account of the NBB to identify the nature of the dividends paid to the State to exclude any withdrawal of capital according to the ESA.

### Payments received from the central bank for non-returned banknotes

Following MGDD, the payments received by government from the NBB for non-returned banknotes are treated as financial transactions without any impact on government net borrowing/net lending.

## 7.14. Lump sum pension payments

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

There have been five occurrences of lump sum pension payments as summarised in the following table:

Public enterprises	Year	Amounts in millions of euros
Belgacom	2003	5000.0
Biac	2004	151.0
Belgocontrol	2004	191.0
SNCB / NMBS	2005	267.0
Antwerp Port Authority	2005	214.0

The recording of those lump sum payments follows the ESA 2010 Provisions. Payments made by a firm to the State in connection with a transfer of liabilities under pension schemes set up by the firm, with or without the formation of reserves, and for its own employees have to be regarded as a financial advance (F.8), in other words an early payment for miscellaneous current transfers (D.75) which will be recorded subsequently under public revenue when the corresponding pension payments take place. Consequently, the payment of the lump sum has no impact on the general government balance in the year of the transfer of the liabilities, whereas the balance in subsequent years is improved.

## 7.15. Pension schemes

Pension schemes are often described in three pillars where the first pillar is considered as the pension system, covering disability pensions, old age pensions and survivors' pensions.

The **first pillar pensions** are generally pay as you go (PAYG)-systems based on career duration and income earned where the beneficiaries are imposed by general government to be insured against old age and other age-related risks such as disability, etc. All employees (including civil servants) and most employers as well as self-employees pay a percentage of salaries/incomes into this system. These pensions are generally provided by general government (S.13) or some public corporations as employers (S.11/S.12).

The **second pillar pensions** (i.e. complementary, occupational pensions) are based on conventions between employers and (representatives of) employees, by conventions at an industry level, or by unilateral decisions of individual employers. These pensions are provided by group insurance managed by insurance companies (S.128) and pension funds (S.129). Parties are to a large extent free to define the management type used in the pension schemes. These formulas are all of a defined contribution, defined benefit or cash balance type (or combinations of these types). Some legal restrictions and obligations that are intended to protect the rights of employees are applicable. Most notable is perhaps the minimum return guarantee on defined contribution-schemes.

The complementary pensions might also concern employees of general government and public enterprises who do not have civil servant status.

The **third pillar pensions** are based on private initiatives encouraged by fiscal measures.

### Pension schemes for civil servants

The employment-related pension schemes managed by the Federal Pensions Service (FPS) do not represent an institutional unit and are recorded in the respective controlling government subsector. The existing schemes for the different categories of civil servants are the following:

<i>(Sub)-Sectors</i>	<i>Schemes</i>
<b><i>In central government</i></b>	
Employment-related pension schemes	general scheme for civil servants
<b><i>In state government</i></b>	
Employment-related pension schemes	general scheme for civil servants
Non autonomous pension funds	VRT pension funds (merged with the Flemish Government in 2016) <sup>25</sup>
<b><i>In local government</i></b>	
Employment-related pension schemes	general scheme for civil servants
Non autonomous pension funds	Provincie Oost-Vlaanderen pension funds <sup>25</sup>
<b><i>In social security funds</i></b>	
Social security schemes (with employees and/or employers social contributions)	<ul style="list-style-type: none"> <li>- Fonds des veuves et orphelins (survivors pensions); concerns both civil servants employed in general government sector or in public enterprises;</li> <li>- Pool des parastataux concerns both civil servants employed in general government sector or in public enterprises;</li> <li>- Specific scheme for the police staff (Fonds des pensions de la Police Intégrée) – Since 2012, Fonds des</li> </ul>

<sup>25</sup> It should be noted that both pension funds transferred their pension entitlements to general government in 2015. From 2016 on, transactions regarding these pension schemes are thus no longer to be recorded separately in the S.13 accounts.

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

	<ul style="list-style-type: none"> <li>pensions de la police fédérale ;</li> <li>- Specific schemes for public enterprises for which the central government assumes the pension obligations (La Poste, Belgacom, SNCB, Belgocontrol, BIAC, etc.)</li> <li>- Pool I and Pool II organised by the Office National de Sécurité Sociale des Administrations provinciales et locales (ONSSAPL) – Since 2012, Fonds de pension solidarisé de l'ONSSAPL<sup>26</sup></li> </ul>
<b><i>In some public enterprises</i></b>	
Employment-related pension schemes	general scheme for civil servants of some public enterprises
Non autonomous pension funds	general scheme for civil servants of some public enterprises
<b><i>In financial corporations</i></b>	
Group insurance	general scheme for civil servants of local government and local public enterprises

**Other pension schemes and social assistance systems related to pensions managed by general government**

The other pension schemes and social assistance systems managed by general government are the following:

<b><i>(Sub)-Sectors</i></b>	<b>Schemes</b>
<b><i>In central government</i></b>	
Social assistance	<ul style="list-style-type: none"> <li>- revenu garanti aux personnes âgées – Since 2001, garantie de revenus aux personnes âgées);</li> <li>- Allocations aux handicapés;</li> <li>- Pensions de guerre</li> </ul>
<b><i>In social security funds</i></b>	
Social security schemes (old age pensions, disability pensions, survivors pensions)	<ul style="list-style-type: none"> <li>- general scheme for employees (including employees of general government and public enterprises who do not have civil servant status);</li> <li>- general scheme for self-employed</li> <li>- special scheme for expatriates managed by Office de sécurité sociale d'outre-mer (OSSOM)</li> </ul>

<sup>26</sup> From 1 January 2015, the ONSSAPL becomes the Office des régimes particuliers de sécurité sociale (ORPSS) by merging with OSSOM.