

MAIN CHANGES IN GENERAL GOVERNMENT ACCOUNTS

This document describes briefly reasons behind the changes in government financial statistics indicators. The changes were partially resulting of implementation of ESA2010 and partially due to other methodological and technical reasons. Both types of changes could be divided into two: (1) the ones affecting net-lending/ net-borrowing and/or debt and (2) the ones affecting only the level of various transactions but not the level of net-borrowing/ net-lending

1. Changes due to the implementation of ESA2010

1.1 Changes affecting net-lending/ net-borrowing and general government debt

Changes that affected net-lending / net-borrowing were (1) reclassification of units, (2) recording of standardised guarantees and (3) exclusion of settlements under swap contracts. General government debt was affected by reclassification of units.

The number of units reclassified for ESA2010 reasons varied over the years, but was relatively low. In years 2011-2013 in total 32 units were reclassified and for year 2010 the number was 35. The reclassification affected mostly the S.1313 subsector. Below is a table representing the movement of units in year 2012:

Sector ESA95 \ Sector ESA2010	S.11	S.1313	S.15	Total
S.11		9		9
S.1311	2		1	3
S.1313	16		4	20
Total	18	9	5	32

Reclassified units were quite small in size. In 2012 the net revenues of reclassified units were -5 million euros and net expenditures were -5.7 million euros. These net figures represent the difference of total revenues and total expenditures of units classified in and out from the government sector. Negative value means the revenues and expenditures of units classified out from the government sector were larger than the revenues and expenditures of the units classified into the government sector.

1.2 Changes not affecting net-lending/ net-borrowing

There were also changes that did affect the level of transactions but did not affect the net-lending/ net-borrowing. Those changes were:

- 1) change in recording the VAT-based third EU own resource;
- 2) change in recording military expenditures;
- 3) capitalisation of R&D expenditures.

2 Other changes

2.1 Changes affecting net-lending/ net-borrowing and general government debt

The following changes were made for other than ESA2010 implementation reasons that affected the net-lending/ net borrowing and general government debt:

- 1) reclassification of a public transportation company in year 2013;
- 2) recalculations of Fund KredEx figures;
- 3) corrections in year 2013 figures due to the correction of coding rules.

Reclassification of public transport company was associated with the action point 7 from the main conclusions of EDP dialogue visit in February 2013. This change affected both, debt and net-lending/net-borrowing.

In case of Fund KredEx for previous transmissions the estimations based on the financial reports were used to make amendments to the net-lending /net borrowing and debt. For current transmission detailed calculations were made using public sector financial statements (PSFS) data and general ESA rules, taking into account methodological changes from ESA2010 and applying the rules associated with recording of EU grants as suggested by Eurostat during the bilateral consultation on Fund KredEx case in July 2014. The later had quite large effect on the results for years 2011 and 2012, where Fund KredEx had to return part of finances received from EU budget. In financial statements and therefore in previous estimations those amounts were recorded as revenues in corresponding years, affecting the net-lending /net borrowing positively. After detailed analysis and application of recording rules of EU grants those figures were excluded from the calculations and therefore the effect on B.9 was more negative than it had been estimated previously.

The General Guidance of Public Sector Accounting and public sector financial statements (PSFS) used as main source of data for government sector financial statistics is a "living" system, where changes are constantly introduced. As a result, the processing system and coding rules employed by Statistics Estonia have to be updated also. Occasionally some of the changes have not been noticed in time or only one unit has changed their recording practices. Such occasions might result in omission of relevant entries from source data. Corrections in coding rules introduced in 2013 figures were associated with two separate cases. One case applied to non-financial transfer of fixed assets where some entries, which are usually excluded from compilation of gross capital formation based on the bookkeeping accounts, had to be included to reach correct balance between figures of acquisition and surrender. As a result of this exclusion the revenue side of transactions was initially over-estimated.

The other case was associated with automatic controls in coding process which exclude transactions with incorrect sign (e.g. positive values in expenditures). Usually those figures are not large and the exclusion is necessary in order to guarantee that there would not be incorrect figures in more detailed breakdown of figures (e.g. COFOG). In 2013 transaction of 6 million was for that reason excluded in preliminary compilation process. During in-depth data mining carried out in September the figure was recovered and included in the compilation of net-lending/ net-borrowing.

2.2 Changes not affecting net-lending/ net-borrowing

Number of other changes was carried out during the implementation of methodological improvements derived from the reservations to the national accounts data. These improvements affected the division of revenues and/or expenditures between various transactions but did not affect net-lending/ net-borrowing. Some of those changes were associated with changes in FISIM calculation, inclusion of truck registration fees in tax revenues (and exclusion from market production), changes in calculations of net non-life insurance premiums and non-life insurance claims.