

**Inventory of the methods, procedures
and sources used for the compilation of deficit
and debt data and the underlying government
sector accounts according to ESA 2010**

Croatia

December 2020

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 ESA 2010 and the updates mirroring the changes introduced by the ESA 2010. It also includes changes introduced by the August 2019 MGDD version.

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Annex I – list general government units

Annex II – organigram of DZS

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 the Republic of Croatia.

The Croatian Bureau of Statistics (further in text DZS) is responsible for defining, managing and publishing the Official Sector Classification under the ESA 2010 methodology. DZS is running sector classification database in the Statistical Business Register. The Working group on Sector Classification, established under the Agreement on cooperation which was signed (the first one in 2007, second 2013, and the current one in 2020) among the Croatian Bureau of Statistics (Državni zavod za statistiku, DZS), the Croatian National Bank (Hrvatska narodna banka, HNB) and the Ministry of Finance (here abbreviated as MF), is responsible for sector classification of all institutional units in Croatian economy, as well as for delineation of general government sector.

According to analyses performed on ESA2010 criteria, the coverage of government sector has been continuously enlarged, e.g. in 2019 several hundred of units were reclassified into the general government sector from 1995 on (in years where applicable for each unit), of which majority at the local government level.

The general government sector is composed of three sub-sectors: central government (S.1311), local government (S.1313) and social security funds (S.1314).

1.1. Central government subsector (S.1311)

The main units of the central government sub-sector comprise the budgetary users of the State budget, at the first level - ministries, bodies like the State Audit Office and agencies accountable to the Parliament (Hrvatski sabor), as well as budgetary users at lower levels like law courts, hospitals and universities, agencies responsible to ministries etc., which all together (including the heading "general outlays of the State") make the coverage of **budgetary central government**.

Besides that, **other central government bodies** consist of

- **extra-budgetary users** of the State budget as defined by the Budget Act and the Rulebook on determining of budgetary and extra-budgetary users of the State budget and of budgetary and extra-budgetary users of budgets of local and regional self-government units, and on the mode of maintaining the Register of budgetary and extra-budgetary users

This set of units has within the last decade comprised the following: the Croatian Waters (Hrvatske vode, here abbreviated as HV); the Fund for Environmental Protection and Energy Efficiency (Fond za zaštitu okoliša i energetske učinkovitost, FZOEU); the Croatian Roads (Hrvatske ceste, HC), the Croatian Privatization Fund (Hrvatski fond za privatizaciju, HFP) until 31 March 2011, the Agency for Management of the Public Property (Agencija za upravljanje državnom imovinom, AUDIO) until 30 September 2013 and Restructuring and Sale Centre (Centar za restrukturiranje i prodaju, CERP, operating since 1 October 2013, having succeeded part of the responsibilities of the AUDIO, while the rest was succeeded within the State budget); the State Agency for Deposit Insurance and Bank Resolution (Državna agencija za osiguranje štednih uloga i sanaciju banaka, DAB). In 2020 4 public corporations, previously already classified into S.1311, became also extra-budgetary users: the Croatian Motorways Ltd. (Hrvatske autoceste, HAC), the Motorway Rijeka - Zagreb (Auto-cesta Rijeka Zagreb, ARZ), the Croatian Railways Infrastructure (HŽ Infrastruktura, HŽI) and the Croatian Railways Passenger Transport (HŽ Putnički prijevoz, HŽPP). (With the end of 2020, ARZ gets incorporated into HAC.)

- **other public units**, not part of the Register of budgetary and extra-budgetary users, classified into S.1311 Central government subsector on the basis of ESA 2010 qualitative or quantitative criteria, e.g. government controlled units that have fallen MNM test. MNM test is performed once a year in June/July and sector classification regarding MNM test results is updated accordingly for October EDP notification.

Examples of this group of units are the Croatian Radio Television (Hrvatska radio-televizija, HRT), the Croatian Bank for Reconstruction and Development (Hrvatska banka za obnovu i razvitak, HBOR), the Croatian Energy Market Operator (Hrvatski operator tržišta energije, HROTE), Agency Alan, the Croatian Tourist Board, central government port authorities etc. (Some units, initially in this status, have in the meantime become budgetary users, e.g. the Croatian Energy Regulatory Agency (Hrvatska energetska regulatorna agencija, HERA), the Croatian Regulatory Authority for Network Industries (Hrvatska regulatorna agencija za mrežne djelatnosti, HAKOM) etc., while the central government port authorities are to become budgetary users as of 2021.)

The list of all units included in this sub-sector is available on DZS web site.

1.2. State government subsector (S.1312)

Not applicable.

1.3. Local government subsector (S.1313)

The local government subsector includes the total coverage of budgets of local units (the City of Zagreb, 20 counties, 127 cities and 428 municipalities) and their budgetary users (e.g. hospitals, schools, kindergartens). Besides that, as other local government bodies, S.1313 includes 20 extra-budgetary users of local and regional self-government units' budgets - county road authorities, plus other units outside the Register of budgetary and extra-budgetary users, classified into S.1313 according to the ESA 2010 qualitative or quantitative criteria - such as units in liquidation as well as other units fallen MNM test controlled by local government. Some examples of this set of units are

development agencies, county port authorities, tourist boards, part of utility services companies, the Zagreb Electric Tram (ZET), etc.

The list of all units included in this sub-sector is available on DZS web site.

1.4. Social security funds subsector (S.1314)

The sub-sector Social security funds includes three units: The Croatian Pension Insurance Administration (Hrvatski zavod za mirovinsko osiguranje, HZMO), the Croatian Institute for Health Insurance (Hrvatski zavod za zdravstveno osiguranje, HZZO) and the Croatian Employment Service (Hrvatski zavod za zapošljavanje, HZZ). All of them have been in the status of extra-budgetary users of the State budget, with the specific feature of performing their operations through the State Treasury – the HZMO and the HZZ continuously, and the HZZO until 2014 inclusive, after which it operates outside the Treasury. The financial plans of the HZZO and the annual and semi-annual reports on their execution are voted in the Parliament (Hrvatski sabor).

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 ESA 2010 Transmission Programme;
- institutional arrangements relating to public accounts which are used by statistical authorities for compilation of government national accounts and EDP tables;
- general overview about bookkeeping system used by public units, internal quality checks and external auditing;
- communication between individual national authorities involved in EDP;
- publication of deficit and debt statistics.

Legal basis for the compilation of GFS and EDP data

Government finance statistics and EDP statistics are prepared in line with relevant EU legislation and national legislation. The legal framework for the compilation of GFS and EDP data is defined by the Official Statistics Act (Zakon o službenoj statistici, Narodne novine, NN No. 25/20), and more precisely by Development Strategy of Official Statistics of the Republic of Croatia (Strategija razvitka službene statistike Republike Hrvatske), Programme of Statistical Activities of the Republic of Croatia (Program statističkih aktivnosti Republike Hrvatske) and the Annual implementation plan of Statistical Activities of the Republic of Croatia (Godišnji provedbeni plan statističkih aktivnosti Republike Hrvatske). Fiscal data of budgets and accounting data of government units included in the Register of budgetary and extra-budgetary users are prepared according to national acts in which the collection of fiscal data is regulated, such as the Budget Act, the Rulebook on budgetary accounting and the Chart of Accounts, and the Rulebook on financial reporting in budgetary accounting. The accounting data of units which are part of general government sector but not within the said budgetary coverage, and which consequently keep other types of accounting (non-profit, business) are regulated by other acts – the Act on financial operating and accounting of non-profit organizations, the Act on Accounting, with related bylaws. The responsibility for the compilation of Government Finance Statistics is specified in the Agreement on cooperation (see 2.3.1.) and Annexes, signed between the DZS, HNB and MF (the first one in 2007, the second in 2013 and the current one in 2020).

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 Eurostat¹ via the following tables (see the related EU legislation)² :

¹ <https://ec.europa.eu/eurostat/data/database>

² <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1581327918231&uri=CELEX:32013R0549>

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 tables³.

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

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

³ <https://ec.europa.eu/eurostat/web/government-finance-statistics/excessive-deficit-procedure/edp-notification-tables>

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

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

General government accounts and EDP tables are compiled by DZS, HNB and MF. ESA non-financial accounts tables, EDP tables and the reporting are the responsibility of DZS in cooperation with HNB and MF. HNB is compiling data on Interest paid (D.41p). Financial accounts data and Maastricht debt compiled by HNB are used in EDP tables 1, 3 and 4. Planned figures for EDP reporting are prepared by MF. Work on each round of EDP reporting is supported by the National working group for EDP which includes experts from all the three institutions. EDP tables with annexes are transmitted to Eurostat in electronic form (via eDamis) by DZS. The same arrangements apply to April and October reporting.

The official names of the Croatian institutions involved in preparation of EDP tables are:

- NSI: Državni zavod za statistiku (hereinafter: DZS) – English: Croatian Bureau of Statistics, CBS
- MOF: Ministarstvo financija (hereinafter: MF) - English: Ministry of Finance
- NCB: Hrvatska narodna banka (hereinafter: HNB) – English: Croatian National Bank, CNB

Regarding GFS statistics, DZS is also responsible for compilation and transmission of ESA non-financial accounts tables (T2, T8, T801, T9, T11, T25 and T26). Financial accounts data are compiled by the Croatian National Bank and transmitted to Eurostat by ESA tables: T6, T7, T27 and T28. Within EDP tables, the MF is responsible for preparation of planned data as reported in EDP Table 1. Work on each round of EDP reporting is supported by the National working group for EDP which includes experts from all the three institutions. EDP tables with annexes are transmitted to Eurostat in electronic form (via eDamis) by DZS. The same arrangements apply to April and October reporting.

The DZS has been compiling EDP data since the October 2013 Notification onwards. In the previous years, EDP data were compiled by the MF.

2.1.1 Existence of an EDP unit/department

The EDP statistics are the responsibility of the Government Accounts and EDP Department (Služba računa države i izrade fiskalnog izvješća - EDP) within Macroeconomic Statistics Directorate within DZS (the organigram of DZS - Annex 2). The Government Accounts and EDP Unit (four persons as of 2020) is responsible for the compilation and transmission of ESA non-financial accounts and relevant tables for general government annually (Tables 2, 9 and 11) and quarterly (Table 25) together with the preparation of EDP tables/annexes and all corresponding additional documentation as well as clarification in the context of EDP notification. Annual and quarterly financial accounts including calculation of Maastricht debt (Table 28) are the responsibility of the HNB.

The Government Accounts and EDP Unit is also responsible for preparing and analysing the data required for the purpose of GDP compilation (production and expenditure approach), other NA data compilers within NA Department and for providing data of the general government sector upon request to other international and national organizations (OECD, VAT Report for EU own resources, etc.).

Generally, the staff is partially and according to needs, included in designing and processing of additional statistical questionnaires for the purposes of EDP/GFS calculations. The GFS/EDP team does not do continuous logic controls of public accounts and financial reports.

The staff involved in GFS compilation is also engaged in work of national working groups established for EDP purpose e.g. WG for EDP, WG for National Accounts and WG for sector classification.

2.1.2 Availability of resources for the compilation of GFS data

See above 2.1.1.

2.2. Institutional arrangements relating to public accounts

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

2.2.1 Legal / institutional framework

The accounting records and evidence of all public units which make part of the general government sector are stipulated by national legislation.

For the majority of units, which keep budgetary accounting (and for several units – extrabudgetary users which keep other types of accounting but simultaneously compile financial reports also on budgetary accounting), they are stipulated in the Budget Act (Narodne novine - NN 87/2008, 136/12 and 15/15) as general provisions, plus in subordinate legislation, the Rulebook on budgetary accounting and the Chart of Accounts and the Rulebook on financial reporting in budget accounting. For those non-profit organizations which are, according to the ESA 2010 sector classification rules, part of general government, the Act on financial operations and accounting of non-profit organizations (NN 121/14) and the subordinate acts – the Rulebook on non-profit accounting and the Chart of accounts (NN No.1/15) and the Rulebook on reporting in non-profit accounting and on the Register of non-profit organizations (NN No. 31/15) are relevant.

For the non-financial public corporations making part of general government sector according to ESA 2010 sector classification rules, there was formerly relevant the general Accounting Act (NN

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

109/07, 125/11, 54/13. 121/14 – valid until end 2015, and from the beginning of 2016 the new Accounting Act (NN 78/15, 134/15, 120/16, 116/18, 42/20, 47/20), as well as subordinate legislation on financial reporting.

The Article 98 of the Budget Act:

Budgetary accounting shall be based upon the generally-accepted accounting principles: accuracy, verity, reliability and individual presentation of business events, and on the international accounting standards for the public sector. Budgetary accounting shall be conducted pursuant to the principle of double-entry bookkeeping and according to the schedule of accounts in the chart of accounts.

In accordance with the Article 104, par. 1 and 2 of the Budget Act, the acknowledgement (recognition) of revenues and receipts and expenditure and outlays is based on the modified accrual accounting principle. The estimate (valuation) of assets, liabilities and sources of ownership shall be conducted according to the modified accrual accounting principle with the application of the historical cost method.

Some relevant provisions from the Rulebook on budgetary accounting and Chart of Accounts:

- revenues are recognized in the reporting period in which they became available, provided that they can be measured
- expenditures are recognized on the accrual basis and in the reporting period to which they refer irrespective of payment
- depreciation expenses for non-current (long-term) non-financial assets are not recorded (adjustment of the value of assets is recorded in the balance sheet).

The provisions of the Budget Act are related to the State budget and the budgets of local and regional self-government units (hereinafter referred to as: the budget), and to State budget users and users of the local and regional self-government units' budgets (hereinafter referred to as: budget users). Particular provisions of the Budget Act regulate the budgetary relations and rules applied to extra-budgetary funds, companies and other legal persons in which the state or the local and regional self-government unit has a decisive influence on the management, or on the preparation of financial plans, cash management, borrowing and issuing guarantees, accounting, producing and submitting reports and carrying out the budgetary control, which are, with regards to financing sources, included in the general budget (hereinafter referred to as: extra-budgetary users). MF is the institution responsible for bookkeeping standards used by public units, designing of financial statements, as well as for data collection and processing (performed for MF by the Financial Agency – FINA), however the internal quality, consistency checks and validation, are within the responsibility of each institutional unit.

2.2.2 Auditing of public accounts

2.2.2.1 General government units

As stipulated in the Act on the State Audit Office (NN No, 25/19, repealing the former Act published in NN No. 80/11), article 3, the State Audit Office is the highest audit institution in the Republic of Croatia, autonomous and independent in its operations.

According to the article 9 of the Act, the Office is responsible for auditing a wide scope of subjects, as follows:

- units of the government sector (specified as all the bodies of legislative, executive and judicial power),
- units of local and regional self-government
- legal entities financed from budget
- legal entities whose founder is the Republic of Croatia or a unit of local and regional self-government, and legal entities owned by the Republic of Croatia or by a unit of local and regional self-government
- companies and other legal entities in which the Republic of Croatia, respectively a unit of local and regional self-government, has majority ownership of stakes/shares and/or decisive influence on management
- legal entities (daughters) founded by legal entities whose founder is the Republic of Croatia or a unit of local and regional self-government
- legal persons which provide funds for their operating from compulsory contributions, membership fees or other revenues stipulated by law
- political parties, independent representatives and members of representative bodies of units of local and regional self-government, as stipulated by the act regulating the financing of political activities and election campaign publicity
- legal entities in the Republic of Croatia which are beneficiaries of EU funds, of international financial mechanisms or of institution for financing public needs
- (since entering of the new Act into force) the Croatian National Bank – HNB, respecting its independence – article 11 - checking and assessing of use of funds which are not directly engaged in achieving targets and performing tasks stipulated by the law regulating operations of the HNB neither in the tasks stipulated by other acts or performed in accordance with the Treaty on the functioning of the European Union, with the Statute of ESCB and of ECB.

As it can be discerned from the list, the responsibility of the State Audit Office fully covers the general budget according to the general budget definition in the Budget Act (the central budget – which includes the State budget and the financial plans of extra-budgetary users of the State budget - and the local and regional self-government units' budgets and extra-budgetary users of local and regional self-government units). In relation to the general government coverage under ESA 2010 methodology, the list of units over which the Act gives Office competence approximately corresponds, in several categories it is even wider.

According to the article 19 of the Act, the State Audit Office plans and performs audit in the scope which is planned in its annual programme and plan of activities, and also by request of the Parliament (Hrvatski sabor), if the Auditor General assesses the request as justified. The scope of the programme and the plan is based on the provisions of the Act, on the risk assessments, financial significance of subjects, results of former audits and collected information on subjects' operations.

The audit of the Annual report on the State budget execution is obligatorily performed every year, and the report of audit shall be submitted to the Parliament by 15 June for the previous year (previously the deadline was 1 June).

This audit includes checking of functioning of the internal financial controls system in planning and execution of the state budget, conformity of procedures of budget proposal preparation and drafting of legal acts, as well as the execution of revenue and receipts, expenditure and outlays related to the plan. Besides this, individual subjects from the general government sector chosen by the criteria established by law are audited. This audit includes checking of authenticity and credibility of financial statements, execution of expenditure and outlays in accordance with planned purposes and checking of compliance of activity with legal acts. (For companies making part of general government, please see the answer under 2.2.2.2 as concerns auditing by the State Audit Office and also the auditing in the sense of the Act on Audit and the Accounting Act)

For each audited unit all the revenue and receipts, respectively expenditure and outlays are subject to audit, regardless to the source of financing and whether they are included in the State Treasury system or not. Audit takes place after the end of the year for which it is performed, respectively, as a rule, in the current year for the previous year. After completing of all the auditing procedures, the report is compiled on the audit performed. It includes findings and recommendations of the audit, comments of the audited entity to the findings and recommendations, and the opinion on financial statements and on compliance of the unit's activities with legal acts. After finalizing, the reports are immediately delivered to the legal representative of the audited entity. After the completion of audit, the reports are published on the web pages of the State Audit Office (www.revizija.hr). Risk assessment for specific fields (e.g. revenue collection) is performed on the level of individual entity or a group of entities, not on the level of general budget.

2.2.2.2 Public units, not part of general government

As quoted in the section 2.2.2.1, the competence of the State Audit Office covers also groups of public units which are not part of general government by the ESA 2010 criteria. While the audit of the Report on the State budget execution is due every year, the audit of these units follows the annual plan that is passed by the Auditor General.

The State Audit Office performs financial audit and efficiency audit of companies according to its work programme and plan, depending on: risk assessment, financial significance of the entity, results of previous audit, collected information on operating of entity, and other criteria set by internal acts of the Office. In auditing of companies, the State Audit Office mainly focuses on auditing of companies with majority ownership of government and companies of strategic and special importance for the Republic of Croatia (e.g. Croatian Radio-television (Hrvatska radio-televizija, HRT), Croatian electric power industry (Hrvatska elektroprivreda, HEP), Croatian Post (Hrvatska pošta, HP), some of which have been in the meanwhile included into general government, as HŽI, HAC).

The scope of auditing is defined according to significance criterion and to risk assessment of possible occurrence of irregularities and they do not include all the accounts. However, they comprise description of all more significant shortcomings. Legal acts as well as documents and information on companies' operation are studied and analysed for collection of audit evidence. The functioning of internal control system is assessed in order to determine the audit approach. The data of financial statements are compared to the data from the previous period and to the financial plan data, in order to assess the scope of risk. Subsequently, the financial records and the accounting documents that make proof on business events occurred are checked. The consistency of implementation of laws, other legal acts, rules, procedures and internal acts is analysed. Appropriate analytical procedures are applied for calculation and analysis of significant indicators, relations and trends. Detailed check

is performed for items of significant value on specific accounts, while the items of less significant value are tested using the sampling method.

After an audit is completed, the reports on audits performed are sent to the Parliament and are available on the web pages of the State Audit Office. The reports include, besides the general data on the company, also the targets, scope, methods and procedures of audit, the description of irregularities identified, together with recommendations given and the opinion on the financial statements and on operations.

Besides the Act on the State Audit Office, there are also provisions of other related legal acts, concerning public units not part of general government, e.g. public corporations. The Act on Audit (NN No. 127/17, repealing the former Act - NN No. 146/05, 139/08, 144/12 and 78/15) regulates the audit of financial statements and consolidated financial statements of the obliged persons, it defines the persons authorized to perform audit services, the conditions for performing the services and other topics concerning audit. The audit of annual financial statements is regulated in the provisions of the Accounting Act (NN No. 78/15, 120/16, 116/18, 42/20, 47/20, repealing the Act NN No. 109/07, 125/11, 54/13, 121/14). Article 20 of the Accounting Act stipulates the coverage for audit as follows: annual non-consolidated and consolidated financial statements of subjects of public interest, large and medium-sized entrepreneurs not of public interest, entrepreneurs which are head companies of large and medium groups unless they are subject to audit according to the previously said, non-consolidated and consolidated annual financial statements of joint stock companies, limited partnerships and limited liability companies whose non-consolidated, respectively consolidated data in the year preceding the year of audit exceed thresholds for two of the three conditions (total assets over HRK 15 million, total revenue over HRK 30 million, average number of employees in the business year over 25), annual non-consolidated and consolidated financial statements of entrepreneurs who submitted request for quotation, annual financial statements of entrepreneurs who participated in mergers respectively in splitting by taking over, or as newly founded companies. The Company Act (NN No. 111/93, 34/99, 52/00, 118/03, 107/07, 146/08, 137/09, 125/11, 111/12, 68/13, 110/15 and 40/19) also stipulates, among others, auditing of books and financial reports of companies.

2.3. Communication

2.3.1 Communication between actors involved in EDP

2.3.1.1 Agreement on co-operation

The first Agreement on cooperation in the field of the statistics of the National Accounts of General Government and related statistics was concluded in December 2007 between HNB, MF and DZS. It was signed by the heads of the institutions (the Governor of HNB, the Minister of Finance and the Director of DZS). The second Agreement, aligned with the European Code of Practice and Eurostat recommendations, was signed between DZS, HNB and MF - also by the heads of the institutions - in July 2013. It has formalized the new distribution of responsibilities described in point 2.1. The current Agreement was signed by the heads of the institutions - DZS, HNB and MF in January 2020.

The main changes in the current Agreement signed in January 2020 compared to Agreement signed in 2013 are as follows:

1. In general provisions a Council Regulation (EC) no. 2533/98 was added. It defines the scope of the statistical production system under the responsibility of the CNB.
2. Responsibilities of CBS in relation to publication of data on contingent liabilities and NPLs according to requirements of Directive 2011/85 were defined. In particular, this concerns the publication of data according to deadlines specified by Eurostat and DG ECFIN
3. The role of the working group of Sector classification was emphasized. In addition, it is clearly stated that decisions are reached by consensus. If consensus cannot be reached, the CBS makes the final decision on its own or in consultation with Eurostat.
4. In the new version of Agreement it is stated that CBS is responsible for informing institutional units that are, according to the rules of the ESA 2010 methodology, reclassified in the government sector, while further changes and additional demands in financial reporting will be agreed between the CSA.
5. The deadline of source data delivery from MF in March was slightly shortened to 12th March (respectively to first subsequent working day in case of weekend/holiday), the deadline for inter-institutional exchange of input data for compilation was set to 5 days after that, and the cut-off date was introduced, i.e. it was emphasized that all inputs which will be incorporated in the calculation process should be received and the data should be aligned among the institutions 4 working days before delivery date to Eurostat at latest.
6. It was introduced that memorandums or contracts could be signed with other institutions in order to get all the data from different areas needed for compilation e.g. concessions, PPPs etc.

The inter-institutional Committee for managing implementation of the Agreement has among its tasks also the keeping the Agreement up-to-date by reviewing it at least once a year, respectively when necessary, and proposing amendments to the body text of Agreement or enacting amendments to the Annexes of Agreement (in which some specific details on datasets, contact persons for data delivery and participation in working groups are comprised). The Agreement (without Annexes) is published, temporarily only in Croatian language, on the web pages of all the three institutions: <http://www.dzs.hr> (Released data Institutional cooperation); <http://www.hnb.hr/statistika> (Sporazumi o suradnji), <http://www.mfin.hr/hr/statistika-i-izvjesca> (Sporazum o suradnji na području statistike nacionalnih računa opće države i s njom povezanih statistika).

According to the Annex 3 to the Agreement on cooperation of 2013, there were the following inter-institutional working bodies established besides the Committee for managing the implementation of the Agreement: the Working group for sector classification (for making decisions on sector classification of institutional units), the Working group for national accounts (for solving open issues in national accounts) and the Working group for Fiscal Notification (for providing compatibility of the Fiscal Notification tables). The leadership of all the bodies is with the DZS. The initiative for the meetings is assigned to the body leader but also could be initiated by any member of the Working group. The minutes of the meetings are in the responsibility of DZS.

The DZS as well as HNB were consulted by MF e.g. at last revision of the budgetary Chart of Accounts and of budgetary financial statements which has been prepared during 2020 (application since 2021).

2.3.1.2 Access to data sources based on public accounts

The public accounts data comprising financial statements of budgets and budgetary and extrabudgetary users, and those of non-profit organizations, which are collected and warehoused for MF by FINA, are delivered by MF to DZS on CDs (MS Access). The rest of the public accounts data (various types of MF analytical data) are generally delivered in MS Excel, through e-mails.

For the content of the financial statements comprised on CD, each reporting unit is responsible itself. In case other data are delivered parallelly on paper, a signed letter accompanies them.

The data for entrepreneurs (GFI POD) are delivered directly from FINA on CDs (MS Access) to DZS.

2.3.2 Publication of deficit and debt statistics

2.3.2.1 Publication of EDP data

In October 2013, for the first time, DZS published the EDP tables with a press release and a press conference. The practice is that DZS always publishes the EDP tables after validation process in April and October in line with ESTAT publication date. The complete set of EDP tables (Annex 1) in Excel format is available on DZS web site as well as summary in the form of Press release ([http://www.dzs.hr Priopćenja – Nacionalni računi](http://www.dzs.hr/Priopćenja%20-%20Nacionalni%20računi)).

The EDP reports of the Republic of Croatia compiled within the Ministry of Finance in years 2005-2012 and in spring 2013 under the provisions of the Pre-accession Fiscal Surveillance Procedure were not published.

2.3.2.2 Publication of underlying government ESA 2010 accounts

ESA 2010 accounts of the general government sector (ESA tables 2, 9 and 11), and quarterly general government non-financial accounts (ESA table 25) are prepared and transmitted by DZS to Eurostat according to derogations. Tables 2 and 9 are nationally published on DZS web site.

Annual and quarterly financial accounts (tables 6 and 7) and financial accounts of General government (table 27) and quarterly Maastricht debt (table 28) are prepared and transmitted to Eurostat by HNB. Tables 6, 7 and 28 are published all together with methodology on HNB web site (<https://www.hnb.hr/statistics/statistical-data>).

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 ESA 2010 based deficit/surplus; EDP tables compilation techniques, balancing practices; link between EDP table 2 and 3.

3.1. EDP table 1

EDP table 1 provides the core, summary information for the reporting period, as requested by the related EU legislation⁴: 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

Currency and deposits do not exist as a debt instrument in Croatia. Short term debt securities consist of Treasury bills issued by the Ministry of Finance. Regarding currency structure, the Ministry of Finance issues Treasury bills in HRK, indexed to EUR and in EUR. Usual maturities are: 91, 182 and 364 days. Treasury bills are issued just on resident market and the main creditors are banks (S.122), Pension funds (S.129), Non-MMF investment funds (S.124) and non-MMF investment funds (S.126). Debt level valuation is face value i.e. total amount of discount or premium is included in the stock data. Long term debt securities consist of bonds issued domestically and abroad and Treasury bills with more than one year of original maturity (i.e. zero-coupon bonds, but national wording is Treasury bills) issued by the Ministry of Finance. Regarding currency structure, bonds issued on domestic market are denominated in HRK or indexed to EUR; foreign issuances are denominated mostly in EUR. Also, several bonds issued on the US market with initial denomination in USD are hedged against exchange rate movements by contracting cross currency swaps agreements. After SWAP valuation has been used for the debt stock. Usual maturities for bonds are: 5 and 10 years. Main domestic creditors are pension funds, banks and insurance companies (S.129, S.122 and S.128). Long term Treasury bills are issued in HRK, indexed to EUR and in EUR. Usual maturities are: 546 and 728 days. Main domestic creditors are pension funds and banks (S.129 and S.122). Both instruments are valued at nominal value. By definition, values do not include accrued interest. Loans category includes all types of loans given by domestic credit institutions and Croatian bank for Reconstruction and Development (HBOR) and

⁴ https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2014.069.01.0101.01.ENG

also all loans given by non-resident institutions. Loans also include assumed state-guaranteed loans given to institutional units outside general government sector whose guarantees were activated within a period of three years (MGDD 3rd call rule) and those who have been contractually assumed by government. Factoring without recourse made by domestic banks with suppliers of goods and services to general government units is included in the Maastricht debt data. Intergovernmental lending (of loans and debt securities) has been recognized and the EDP debt is consolidated.

3.1.1.2 Data sources used for the compilation of Maastricht debt

The primary data source for domestic and external debt, in the part that relates to treasury bills, bonds (domestic and international issuance) and foreign loans, are MF and other units of government authorities system, units of local and regional self-government, non-financial corporations classified in the general government sector according to ESA 2010 rules and the HNB in the part relating to loans of resident banks and HBOR given to general government units. These main data sources provide for full ESA 2010 coverage of debt instruments and of general government institutional units.

The MF provides monthly data on issued debt securities and taken foreign loans (approximately 10 days after the end of reporting month) and the Monetary and Banking Statistics Collecting System of the HNB (reporting is on the level of institutional unit) provides monthly data on loans from domestic credit institutions, HBOR and HNB (preliminary data 6 days and final data 42 days after the end of reporting month).

The MF also provides documentation on issued state guarantees and the Monetary and Banking Statistics Collecting System of the HNB provides monthly data on stock of general government guaranteed debt of institutional units outside general government. The MF provides monthly data on guarantee calls, which is used for monitoring the number of calls for decision making on debt assumption according to 3rd call rule and it also provides documentation in case of contractual debt assumption.

The timeliness of data sources provides for actual data to be used for the compilation of Maastricht debt for the April EDP notification, so the revision after the first notification is done only exceptionally.

3.1.1.3 Amendments to basic data sources

Concerning debt assumption according to 3rd call rule, the amount of debt assumed corresponds to total amount of guaranteed debt of specific institutional unit and the time of recording is the month of the 3rd call. In case that the statistical recording in national accounts is done before recording in the budgetary/public accounts, the amount of assumed guaranteed debt is added to debt data from primary sources and the stock of government guaranteed debt is reduced by the same amount. In case of contractual debt assumption, the time of statistical recording is the month of conclusion of the contract i.e. when contract takes effect. If the time of recording of the assumption in the Monetary and Banking Statistics Collecting System of the HNB does not correspond to the time when the contract is concluded, a Questionnaire is sent to the bank to provide for data on the guaranteed loan in question.

3.1.1.4 Consolidation of Maastricht debt

Securities holdings statistics database at HNB provides information on intra-governmental holdings of government debt securities (stocks). A quarterly survey is sent to government units holding government debt securities to provide data on stocks and flows for consolidation purposes. Intra-governmental lendings (AF.4) have been recognized so the EDP debt is also consolidated for this instrument. Main government units providing loans to other government units are MF and HBOR, which are also the main source of data.

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 ESA 2010.

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

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

- Basic data sources
- Complementary data sources used for the purpose of special ESA 2010 adjustments (e.g. accrual adjustments, recording of specific government transactions, etc.).

The key data for calculating B.9 of S.1311 are data from financial reports for units keeping budgetary accounting – Report on revenues and expenditures, inflows and outlays - PR-RAS (conditionally corresponding to a Profit and loss account report) which are based on modified accrual basis or so-called mixed accounting basis, and Balance sheet. This source is already available for the April notification but as a preliminary. The same data are used for production accounts of GDP calculation at the activity level and they are on very detailed level. Since the beginning of 2015, the PR-RAS of budgetary units contained nearly 1.000 items, which number was slightly reduced in 2017.

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
		T + days	T+months		cross appropriate cells		
				Budget Reporting			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
C	Q	T+71	T+5	(3) Current and capital revenue and expenditure and financial transactions	x	x	x
				(4) Balance sheets			
				Financial Statements			
M	Q, A	T+71	T+4	(5) Profit and loss accounts		x	
M	A	T+71	T+4	(6) Balance sheets			x
				(7) Cash flow statement			
				Other Reporting			
				(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.

Note: the Budget Reporting data are conditionally marked as final at T+5m according to the legal deadline for submitting the Report on execution of the State budget to the Parliament (Hrvatski sabor). (The Government of the Republic of Croatia submits the Report to the Parliament by 1st June.) The data are final after passing the Report by the Parliament, for which the deadline is not legally prescribed.

3.2.1.1 Details of the basic data sources

Data sources used for compilation of national accounts

The basic data sources consist of financial reports on budgetary accounting processed into database by the FINA and provided to the DZS and to the HNB by the MF, the statistical data provided by MF and the MF - Tax Administration data. The financial reporting follows the national budgetary Chart of Accounts, which is common for both central and local government. The data on non-profit institutions are also provided by the MF, being processed by the FINA, and the business accountancy data on enterprises (which are part of the general government) are provided by the FINA directly to the DZS and the HNB. The last two types of datasets follow special charts of accounts.

The financial reports of budgetary users provide information at the four-digit level bookkeeping records, plus additional breakdown on the five-digit level for a number of accounts in obligatory additional data. For statistical purposes, five-digit level is needed (e.g. sector counterparts of the transactions are available at the fifth digit only).

For the compilation of national accounts, the bridge table from transactions in public accounts to ESA revenue/expenditure components is used, as well as bridge tables for entrepreneurial and non-profit reports. As mentioned above, with this, all budgetary units at the central government level are included. Data of the central budget as the basic data source for the main entity are available at the basic level of accounts.

With central budget data at basic accounts it is possible to distinguish all important flows including intra-government flows and transactions with other sectors of national accounts as well as to solve problems of non-financial versus financial transactions.

Main data sources for compilation of financial accounts for central government are the financial statements/reports processed in the FINA (so called FINA reports) - on budgetary accounting for budgets, budgetary and extra-budgetary users, on non-profit accounting for the non-profit units classified into central government (both types kept by the FINA for the MF), and on business accounting for public non-financial corporations classified into central government, MF metadata reports of issued debt securities, MF reports on transactions in loans and equity, HNB System for Monetary and Banking Statistics and HBOR, HNB External debt statistics and MF EU flows analytical report.

Working balance (WB)

The working balance of S.1311 Central government - current revenue and expenditure balance (including capital transactions) of the central budget (the State budget) is shown in the first line of EDP T2A and the figure is on a cash basis. The data originate from the IT system of the State Treasury and they are comprised in annual reports on budget execution, which are voted by the Parliament.

It is to be noted that the WB of S.1311 comprises also the cash data of two social security funds whose operations are fully included in the State Treasury (HZMO and HZZ). Therefore, their WBs

are immediately excluded from the EDP T2A (as “working balance of entities not part of central government”). In accordance with the Eurostat instruction, for compiling the WBs of these two funds, only the expenditure side is based on the State Treasury data, while the revenue side is based on their financial reports PR-RAS. The reason for introducing this solution was the fact that – unlike the PR-RAS – in the Single Account of the State Treasury the social contributions for those funds were recorded as revenues of the State Budget rather than as specific revenues of the funds, and also that the additional funding from the State budget for the insufficient amounts of contributions is not shown as the funds’ revenues. (Since 2020, the pension contributions in the State Treasury records are assigned as revenues of the appropriate fund (HZMO), while it could not be done for the HZZ, because the employment contribution has been abolished in the meanwhile.)

The working balances of all three subsectors (S1311, S1313 and S1314) are provided by the MF to the DZS and to the HNB in Excel format.

3.2.1.2 Statistical surveys used as a basic data source

Statistical surveys are not used as a basic data source for non-financial accounts or for financial accounts compilation.

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 ESA 2010 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.

Supplementary data sources are used for time-adjusted calculation of taxes and social contributions. The state-owned Financial Agency (FINA) maintains, databases of financial reports of various types of legal entities (with appropriate models of accountancy). Within several of the types, part of units is public. Reporting is based on provisions of legal acts. The financial report databases on budgetary accounting (reports of budgets, budgetary and extra-budgetary users) and on non-profit accounting (reports on non-profit organizations – public and non-public) are kept on behalf of the MF. Budgetary reports are quarterly and annual with detailed information on the revenue and expenses. Non-profit reports are semi-annual and annual (for units with double-entry accounting), respectively annual (for units with single-entry accounting), while quarterly reporting has been abolished. Besides the financial reports databases, data on tax revenues cash flow performed in HRK through FINA are also available in the FINA databases, reported in P-1, P-2 and P-3 monthly reports and they cover most of General Government units. These reports are delivered to DZS by MF. All other additional data needed for TAC calculation is delivered from the MF - Tax Administration. These estimates satisfy the direct information criteria for taxes set out in Article 3 of Commission Regulation (EC) No 264/2000.

Tax revenue obtained from the FINA database represents the amounts of cash received in the period. In the annual and quarterly accounts of General Government, certain taxes (which are specified in the National Tax List) are converted to an accruals basis by time adjusting the receipts using the average delay between the time that tax liabilities are incurred by the taxpayer and the time they are paid.

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

Generally, the majority of ESA categories are compiled from the main data source (i.e. financial reports FINA). This also includes Gross fixed capital formation (P.51g) which was previously calculated from INV-p survey but due to late availability of the data for the EDP purposes and improvement of quality in FINA reports, it is no longer used, but the data is regularly crosschecked between FINA and INV-p as soon as it becomes available and analysed accordingly. Usually, biggest differences are determined and further investigated. In case some errors in recording are determined, the data are corrected by October EDP final data for year t-1.

The supplementary source for calculation of taxes are the monthly data on payments to the EU Budget provided quarterly from the MF, which are used for calculation of customs. The MF also sends data for deposit insurance premiums on the basis of t+30 or t+60 days (final annual data) within the operational reports that they receive from the State Agency for Deposit Insurance and Bank Resolution (DAB).

Supplementary data for TAC calculation of value added tax is report on net payments from MF - Tax Administration, received on quarterly basis. The Tax Administration also on basis of t+30 sends report on reprogramming of tax debts.

The data on Fee for Incentivizing Electricity Production from Renewable Energy Sources and Cogeneration, as well, data for HRT fee, are received on a quarterly basis from Croatian Energy Market Operator (HROTE) and Croatian Radio Television (HRT).

For calculation of taxes on pollution the data is being obtained from the Environmental Protection and Energy Efficiency Fund (FZOEU), in annual form, at the beginning of current year for previous one and, and exception is data on emission permits, delivered annually, in August, from Croatian National Bank (CNB) to DZS.

The data for adjustments to P51g according to MGDD rules, in particular for MZLZ and BINA ISTRA are compiled according to detailed information received directly from BINA ISTRA and for MZLZ from Croatian National Bank (CNB).

Until major D3 revision done in 2018, subsidies in national accounts were all treated as subsidies on products (D31). Annual financial reports of enterprises together with budget data were used as a main source of data whose level of details were not satisfying for the purposes of all national accounts based on ESA 2010.

Revision was done for the period from 2000 onwards. For the period from 2013, more comprehensive data sources are available. The basic data sources for D3 calculations are Ministry of finance and Competition Monitoring Agency (since 2014 as part of the Ministry of Finance), Ministry of Agriculture, Agriculture Paying Agency for Agriculture and Fisheries, Local bodies for small value support and regional aid. The main source of data for the period 2000-2012 is Register of Annual Financial Statements, maintained by the FINA for GFI-POD combined with Competition Monitoring Agency data.

The split of D.3 to D.31 and D.39 for the most important subsidies (the NACE activity 01, 30, 35, 49, 50, 51, 70) was done from the data available on individual level (FINA and Agency sectoral supports) and ESA 2010 principles. The figures for the Agriculture were taken from the Economic Accounts of Agriculture from the year 2005. For the rest of the activities, the structures of the new data for the year 2013-2016, which are available on more detailed level, were used.

Subsidies on products (D.31) include mainly subsidies for passenger transport by railway and bus. However, with reclassification of the Croatian railways - Passenger transport into the general government sector this recording is no longer relevant from 2015. The Croatian government subsidises the tickets for air transport and passenger maritime traffic.

With other subsidies on production (D39), the government supports market producers by relieving different costs of production, supporting employment, reducing or stopping pollution, and increasing certain development to private enterprises from the central and local government level. The biggest importance among these subsidies has the support given to agricultural producers, which are mainly financed from different EU funds.

The data is delivered to GFS/EDP team for yearly calculations while current quarterly calculations are assumed.

Data on accrued interest (D.41 Uses) is calculated by and received from CNB on a quarterly basis for all subsectors of general government. Data on accrued interest (D.41 Uses) on HBOR loans given to general government units are provided by HBOR in form of a Questionnaire defined by HNB on a quarterly basis.

Monthly data on payments to EU Budget and receipts from EU Funds are provided by the Ministry of Finance on a quarterly basis.

Data for capital transfers regarding debt assumptions, capital injections and guarantees called, as well as data for ETS and UMTS are delivered by HNB to DZS on a quarterly basis for all subsectors of general government.

3.2.1.3.2 Supplementary data sources used for the compilation of financial accounts

Supplementary data sources available for financial accounts compilation are HBOR, banks, DZS, MF and HNB Statistical systems for MFI, HBOR, non MMF investment funds, insurance corporations and pension funds as well as external debt statistics.

Monthly data on payments to EU Budget and receipts from EU Funds are provided by the Ministry of Finance on a quarterly basis. Quarterly cash and time adjusted cash data for taxes D.2 and D.5 (see explanation under 3.2.1.3) for calculation of other accounts receivable (F.89 and AF.89) in financial accounts is provided to HNB by DZS on quarterly basis. Also, in case of contractual debt assumption where the time of statistical recording is different from recording in bank's business accounts, and consequently in the Monetary and Banking Statistics Collecting System of HNB, a Questionnaire is sent to the banks to provide for data on the loan in question. HNB Statistical systems for MFI (banks, Money Market Funds and HNB), HBOR, non-Money Market Funds investment funds, insurance corporations, pension funds and external debt statistics are used for sector distribution of debt holdings.

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 that are not scrutinized by budgetary rules can be booked in EBA and not in ordinary budgetary accounts. It is very important that all

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

non-financial flows of the main entity, including those entering EBA, are appropriately incorporated into calculations of deficit.

Not relevant.

Non-financial flows recorded in EBA

Not relevant.

Financial flows recorded in EBA

Not relevant.

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

Within this group of units, there are currently the following extra-budgetary users at the central government level the Croatian Waters (Hrvatske vode, here abbreviated as HV); the Fund for Environmental Protection and Energy Efficiency (Fond za zaštitu okoliša i energetska učinkovitost, FZOEU); the Croatian Roads (Hrvatske ceste), Restructuring and Sale Centre (Centar za restrukturiranje i prodaju, CERP); the State Agency for Deposit Insurance and Bank Resolution (Državna agencija za osiguranje štednih uloga i sanaciju banaka, DAB). Most of these units apply budgetary accounting and have complete set of annual accounting data on modified accrual principle, i.e. revenues cash-based and expenditures accrual based. The DAB keeps non-profit accounting and the HC keeps business accounting but they parallelly report on budgetary accounting. In 2020, 4 public corporations, previously already classified into S.1311, became also extra-budgetary users: the Croatian Motorways Ltd. (Hrvatske autoceste, HAC), the Motorway Rijeka - Zagreb (Auto-cesta Rijeka Zagreb, ARZ), the Croatian Railways Infrastructure (HŽ Infrastruktura, HŽI) and the Croatian Railways Passenger Transport (HŽ Putnički prijevoz, HŽPP) – also with business accounting and parallel reporting on budgetary accounting. (With the end of 2020, ARZ gets incorporated into HAC.) With bridge tables between accounting data and national accounts all categories and components of ESA expenditure and revenue are calculated for these units on an individual unit level. Data sources for these extra-budgetary users are complete but sometimes additional clarification of specific transactions is needed and is generally obtained in cooperation with MF or directly from EBF

Besides extra-budgetary users mentioned above, the units reported under the item of other central government bodies, are either public non-profit organizations or non-market public corporations that are resectorized to S.13 according to qualitative and quantitative criteria in line with ESA 2010 and MGDD (see table 3). Most significant units included in S.1311 are as follows: HRT, HBOR, FNEK, HŽPP (for 2020 on see the paragraph above), Agency ALAN, HROTE, HTZ, Port authorities and other smaller units (units in liquidation, smaller units fallen MNM test). They are running entrepreneurial or non-profit accounting so their financial reports are based on accrual accounting principle. DZS receives preliminary operational reports in March directly from units and these data are used for the April EDP notification. Final statements for those units are available in

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

July and they are cross-checked with preliminary data and updated for the October EDP notification accordingly. (The central government port authorities are to become budgetary users as of 2021.)

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			
				Budget Reporting		
				(1) Current revenue and expenditure		
				(2) Current and capital revenue and expenditure		
C	Q	T+55	T+7	(3) Current and capital revenue and expenditure and financial transactions	x	x
				(4) Balance sheets		
				Financial Statements		
M, A	Q, A	T+71 (budgetary acc.), T+64 (non-profit acc.)	T+4 (budgetary and non-profit acc.), T+7 (business acc.)	(5) Profit and loss accounts	x	x
M, A	A	T+71 (budgetary acc.), T+64 (non-profit acc.)	T+4 (budgetary and non-profit acc.), T+7 (business acc.)	(6) Balance sheets	x	x
				(7) Cash flow statement		
				Other Reporting		
				(8) Statistical surveys		
A	A	T+60		(9) Other: on request - preliminary annual operational reports of agreed coverage of big units (some non-profit organizations and non-financial corporations, part of general government)	x	x

See notes to table 2, on the used abbreviations.

3.2.2.1 Details of the basic data sources

For non-market public corporations, calculation of all ESA revenue and expenditure is done separately for big units and in groups for same type of units (for example Port authorities) according to profit and loss accounts (entrepreneurial and non-profit accounting). Available data sources (FINA reports) together with some additional information or details, received directly from accounting department of those units on request, are used for calculations of complete non-financial expenditure and revenue data on accrual basis.

3.2.2.2 Statistical surveys used as a basic data source

Not applicable.

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 ESA 2010 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

Additional data received from MF (the State Treasury data for cash-based transfers from the State budget) is used for calculation of D.7 and D.9 of Port authorities because in financial reports on non-profit accounting, in accordance with the provisions of the Act on financial operating and accounting of non-profit organizations, some types of revenues (donations related to contracted programs or to non-financial assets which are subject to depreciation) are deferred i.e. acknowledged as revenues in successive reporting periods, in proportion to related costs of performing programs respectively to the costs of use of non-financial assets. (The central government port authorities are to become budgetary users as of 2021.)

3.2.2.3.2 Supplementary data sources used for the compilation of financial accounts

Supplementary data sources that are available in financial accounts on a regular basis are banking statistics, investment fund statistics and International Investment Positions and Balance of Payments statistics, securities statistics.

Please see the description under chapter 3.2.1.3.2.

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 figure of the working balance in the first line of EDP T2A is calculated according to the central budget cash balance of current and capital revenue and expenditure. WB and NFA are not

calculated from the same data source since NFA are calculated from FINA financial reports. Regular analysis and cross-checking of two data sources is done.

3.2.3.2 Legal basis of the working balance

The figure as reported in the working balance of EDP T2A refers to current and capital revenue and expenditure balance - deficit (surplus) of the central budget (the State budget - Državni proračun Republike Hrvatske) – for the historical data from the reports on the State budget execution, for the planned data from the State budget, respectively from its amendments. The State budget as a whole is regulated by the Budget Act. The budget is voted by the Croatian Parliament (Hrvatski sabor) before the beginning of the new budget year, and possible later amendments are voted as well. The annual report on execution of the State budget is prepared by the Ministry of Finance and it shall be submitted to the Government of the Republic of Croatia by 1 May for the previous year, and the Government shall submit the report to the Parliament by 1 June. The report is also voted by the Parliament. Every year the report on budget execution is audited by the State Audit Office (Državni ured za reviziju) and the audit report shall be submitted to the Parliament by 15 June (according to the former Act on the State Audit Office the deadline was 1 June). The audit reports are publicly available in Croatian language, at the webpage www.revizija.hr. Due to the stipulated auditing deadlines, there might be possibility of changes impacting B.9 or B.9f between the spring (preliminary) data and the data for autumn Fiscal Notification.

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 ESA 2010 definition. The second adjustment refers to B.9 of other units, which are classified within the particular government subsector, but related inflows/outflows are not included in the working balance.

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

There are two units classified outside S.1311 but reported in the WB: Croatian Pension Insurance Fund (HZMO) and Croatian Employment Fund (HZZ). Two mentioned funds are part of S.1314. Their balance is excluded from T2A via line WB of entities not part of central government. All data sources needed for calculations of particular line are available in March for T-1. WB of those units as for all other sub-sectors of GG are received from MF.

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

Please see explanation in sections 3.2.2 "Data sources for other Central Government units". The impact of methodological imputations for those units such as debt assumptions and capital injections are reported separately under other adjustments in EDP table 2.

3.2.3.4 Accounting basis of the working balance

As mentioned in section 3.2.1, the figure as reported in the working balance of EDP T2A refers to current deficit (surplus) of the central budget (State budget, Državni proračun Republike Hrvatske) and all transactions are shown according to the cash principle.

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

As interest expenditure is booked in the central budget (WB) on cash basis, adjustment to accrual value is done by using accrued interest data calculated by HNB. Accrued interest (D.41U) is calculated for total set of central government debt instruments bearing interest. It is calculated individually for each security according to its original repayment schedule. For securities issued below/above nominal value, the discount is shown as positive and the premium as negative increase of interest. For data on loans given by resident credit institutions HNB uses its Monetary and Banking Statistics Collecting System which provides full coverage of institutional units for central government subsector according to official ESA 2010 sector classification (available on DZS website) and the full coverage of financial instruments as for debt stock. Data on accrued interest on HBOR loans given to central government units are provided to HNB directly by HBOR. For accrual interest on loans given by non-resident units HNB uses its External debt statistics that is based on direct reporting from the Ministry of Finance.

The line Difference between interest paid and accrued (T2A) covers interest paid by the units of the central government contained in the WB minus accrued interest (D.41_Uses) of the same coverage, while the other part of the total accrued interest of S.1311 (i.e. of other institutional units that are part of ESA 2010 S.1311 and are not in WB) are recorded under line Net borrowing or net lending of other central government bodies.

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

In EDP T2A accrual receivable adjustments are reported for taxes on production and imports (1), current taxes on income, wealth, etc. (2) EU flows and (3) military equipment transfer. Taxes on production and imports: cash data in the central budget (WB) are adjusted for the TAC difference between cash data in WB and TAC data calculated from PR RAS/P1-P2 reports, contained in B.9. In EDP T2A accrual payable adjustments are reported for intermediate consumption (1), compensation of employees (2) gross fixed capital formation (3).

3.2.3.4.3 Other accrual adjustments in EDP T2

No other accrual adjustments.

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

There are no non-financial flows not covered in the working balance that should be shown in the special line of EDP T2A.

3.2.3.6 Financial transactions included in the working balance

The Fund for restitution of expropriated property (Fond za naknadu oduzete imovine, FNOI) operated until the end of 2017, after which, according to a legal act, its tasks and resources have been taken over as an organizational unit of the Ministry of Finance. Two budget activities (items) that FNOI received, respectively later the corresponding activities within the MoF, were the source of data on the payment of the tranches of the bonds issued for restitution of expropriated property, which was entered in the EDP table 2A as "financial transactions included in the working balance". The last instalments of the bonds were repaid in 2019, which ended the necessity of the "FNOI" adjustment. After that there have been no new bonds issued for this purpose, further valid decisions on restitution have been settled by cash payments.

3.2.3.7 Other adjustments reported in EDP T2

Other adjustments are:

- (1) The item "Capital transfer expenditure - guarantees called", showing the impact of calls on guarantees. Guarantees called are recorded as capital transfer expenditure. Guarantees being systematically called three years in a row lead to a debt assumption in national accounts: the whole outstanding amount of debt guaranteed though not yet called at the end of third year is booked as a capital transfer.
- (2) The item "Capital transfer revenue – guarantee repayments", showing the impact of repayments into the State budget by original debtor of guarantees called.
- (3) The item "Capital transfer expenditure - debt assumptions", showing the capital transfer associated with assumption of debt of non-financial corporations outside general government.
- (4) The item "Capital transfer revenue- repayment of assumed debt by original debtor", showing the impact of repayment of the assumed debt by the original debtor.
- (5) The items "Capital injections", show conversions of claims into acquisition of equity in loss-making companies (public and non-public) recorded as capital transfers in national accounts.
- (6) The item "Capital transfers to households", referring to a gift to war veterans based on the Government Decision from 1996 which resulted in transfer from the State Budget to HBOR and commercial banks for the purpose to stimulate employment of demobilized soldiers of the Croatian Army via special lending programme and Government Decision from 2011 when the Government decided for the first time to use a possibility to write-off matured and un-matured claims related to the Lending programme for the employment of demobilized soldiers of the Croatian Army. Recently it includes more write-offs HBOR other claims against S.14 (including trades and crafts) presumed uncollectable which are treated as capital transfer.
- (7) Statistical 'On-Balance treatment' of two cases, Zagreb Airport and Bina Istra. The non-financial asset of Zagreb Airport is recorded on balance sheet of government and the imputed debt related to Gross Fixed Capital Formation is included in government debt as well as the non-financial assets of the motorway company Bina Istra (concessionaire for building and operating the road/motorway network „Istarski ipsilon - Istrian Y“).
- (8) Super-dividend test for all payments from Croatian National Bank to State Budget was performed in accordance with MGDD's definitions from 2011 onwards. The test showed existence of super-dividend in 2012 and in 2015 and thus, in national accounts, revenues

of central government have been revised (decreased) for amounts with corresponding equity withdrawal (F.5A (-)). Also, after performing super dividend test on other units, company HALMED also showed super dividend in 2015.

- (9) Trading with emission permits via general government is relevant from January 2015 when the first auction of the permits was held by the Environmental Protection and Energy Efficiency Fund. The data on all conducted auctions in one year (date of auction, number of permits issued on each auction and average prices by each auction) were supplied by the Environmental Protection and Energy Efficiency Fund as well as the number of permits surrendered in that year. The receipts from the auction are not recognized as revenue in national accounts at the moment of the auction but when the permits are surrendered. Please see under chapter 7.9.
- (10) Financial instruments adjustments related to EU flows : Initially, until 2019, amounts intended for financial instruments, received within EU flows, were included in working balance within revenue accounts of the State budget. Therefore adjustments for eliminating this part of revenues were necessary. From 2020 on, recording of received amounts for EU financial instruments in public accounts has been changed and they are no more part of revenues in the working balance, which makes this adjustment hereafter unnecessary.
- (11) Accrued interest on HAC, HC and ARZ loans received by MF: In January 2019 the debtor units - other central government bodies paid into the State budget amounts relating to December 2017, year 2018 and first days of 2019. The interest revenue was recorded in the cash-based working balance for 2019. This was the reason for adjustments – assigning the amounts of interest revenues included in the working balance from 2019 to appropriate years. The same principle of adjustment continues for payments received in January 2020 relating to the year 2019 and to the beginning of 2020, and so on.
- (12) Adjustment for exchange rates: According to the rules of budgetary accounting, differences originating from exchange rates or foreign currency clauses are treated as revenues (positive differences), respectively as expenditures (negative differences). On that basis they also make part of the working balance. However, as such differences are in ESA treated as holding gains/losses rather than as transactions in revenues/expenditures, adjustments are made in order to exclude them from the working balance, and they are also generally excluded from compilation of B.9.
- (13) Adjustment for HBOR recapitalisation transfer: Amounts for acquisition of equity paid into HBOR capital within the activity of credit supporting exports, infrastructure, economic activities, small and medium entrepreneurship (which accounts are accordingly not included in the working balance) are re-classified to capital transfers expenditure as adjustments.

3.2.3.8 Net lending/net borrowing of central government

As explained above, the final figure of B.9 for subsector central government in the last line in EDP T2A is calculated from individual financial reports i.e. profit-loss accounts. On the other hand, other approach where all relevant adjustments are made to deficit in the working balance (central budget), is also used. Finally, these two approaches are compared and adjusted to comply with the ESA 2010 definition of B.9.

Data sources for other Central Government units, annual accounting data and balance sheet data are exhaustive and available for all units within central government. Data are audited by the State Audit Office as already explained in detail in chapter 2.2.2. The results of audited financial statements and financial reports are available to GFS compilers when they are published by the State Audit Office on its website.

The accounting basis is mixed for central government units and extra budgetary units and accrual for public corporations and non-profit organizations. Cash/accrual adjustments are important for data in the central budget (WB) for main components of revenue (taxes, social contributions, EU flows) and expenditure (intermediate consumption, compensation of employees, transfers and gross fixed capital formation) and they are transparently shown.

3.2.4 EDP table 3B

3.2.4.1 Transactions in financial assets and liabilities

Financial accounts are used in compilation of EDP T3, with some data sources being common for both EDP T3 and financial accounts.

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

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

Assets F2: Data from the Monetary and Banking Statistics and HBOR Collecting System of HNB are used. Data include deposits by institutions in central government held with central bank, other MFIs and HBOR. Net transactions are calculated as difference between stocks less exchange rate adjustments and other changes in volume. Stocks are valued at nominal value and include accrued interest. Deposits denominated in foreign currencies are converted into national currency at mid-point exchange rate on the last day in reference year calculated by HNB.

Assets F3: Data from the Monetary and Banking Statistics and HBOR Collecting System of HNB are used for HBOR's (S.1311) holdings of F.3. Securities holdings statistics database at HNB provides information on intra-governmental holdings of government debt securities (stocks). A quarterly survey is sent to government units holding government debt securities to provide data on stocks and flows for consolidation purposes.

Assets F4: Data from the Monetary and Banking Statistics and HBOR Collecting System of HNB are used for HBOR's (S.1311) holdings of F.4 and MF provides data on transactions on loans given and repaid for the main central government bodies. For the rest of the government units the data are available on annual basis from financial reports databases that are managed by FINA for MF.

Assets F5: Data from MF on equity acquisitions and disposals are used. The reported data are at the level of each individual transaction on which capital injection test is conducted (as described in MGDD) and that is used to calculate financial transactions (F.5_A) as well capital transfer (D.99) in consultation with DZS. This process provides consistency between NFA and FA.

Other financial assets (F1, F6): SDRs are held only by central bank. Data for F61 are obtained from main MF reports that are managed by FINA.

Assets F.7: The net interest flows resulting from cross currency SWAP contracted on central government bonds issued abroad are reported under financial derivatives (on asset and liability side). In case the fair value is positive interest flows are reported on the asset side (F71_A) and if not on the liability side (F71_L). The government uses currency swap operations for protection against USD/EUR exchange rate changes, for bonds originally issued in USD at the USA market. Both flows from swaps are calculated using swap information, so the difference between amounts received on USD and payable on EUR debt is reported for this position. Conversion in HRK was done by monthly midpoint exchange rates.

Other liabilities in financial derivatives (F71): Here the interest flows resulting from cross currency SWAP contracted on central government bonds issued abroad is recorded, if their fair value is negative.

Other accounts receivable (F8): It is calculated as difference between cash and time adjusted cash for taxes (D.2 and D.5) compiled by DZS and adjusted for other accounts receivable for public corporations and other units that are part of central government sector (HAC, ARZ, HRT, HŽI, HŽPP, DAB, HBOR etc.). It also includes correction for EU flows.

Other accounts payable (F8): Transactions are calculated from stock data. Main data sources are financial reports that are managed by FINA for MF for liabilities for goods and services received but not yet paid (trade credits), and other liabilities (to employees, to households, for subsidies, for penalties etc.). The item is also adjusted for other liabilities of public corporations and other units that are part of central government sector (HAC, ARZ, HRT, HŽI, HŽPP, DAB, HBOR etc.) and until now all receipts from EU funds for beneficiaries outside of General government sector were recorded as transactions and stocks under this position.

3.2.4.2 Other stock-flow adjustments

Under "Issuance above/below nominal value", a difference between the value of discount/premium of central government debt instruments at the time of issuance and the value of paid discount/premium is reported. Central government issues short-term and long-term Treasury bills of the Ministry of Finance generally with discount (in 2019 there were some issuances with premium) and some long-term bonds with discount and some with premium.

Under "Difference between interests accrued and paid" a difference between interest accrued and paid for all central government debt instruments (AF.31, AF.32, AF.41 and AF.42) is reported. Interest accrued and paid for debt securities is calculated individually for each security according to its original repayment schedule. For securities issued below nominal value discount is shown as increase of interest and for securities issued above nominal value premium is shown as negative

increase of interest. For data on loans given by resident and non-resident credit institutions, the Croatian National Bank uses its Monetary and Banking Statistics Collecting System and the System for collecting variables of Profit and Loss Account of domestic banks, which provides full coverage of institutional units for central government subsector and the same coverage of financial instruments as for debt stock.

There are no cases reported under the item "Redemptions of debt above/below nominal value" because no redemption occurred.

Data sources for the calculation of the item "Appreciation/depreciation of foreign currency debt" are the same as for the calculation of stocks for each Maastricht debt instrument for central government units (AF.31, AF.32, AF.41 and AF.42). Short term debt securities consist of Treasury bills issued by the Ministry of Finance. Although Treasury bills are issued just on resident market, they are either denominated in HRK or indexed to EUR or issued in EUR. Long term debt securities consists of bonds issued domestically and abroad and Treasury bills with more than one year of original maturity issued by the Ministry of Finance only on resident market. Long term Treasury bills are issued in HRK and in EUR. Bonds issued on domestic market are denominated in HRK or indexed to EUR, while foreign issuances are denominated mostly in EUR. Also, 5 bonds issued on the US market with initial denomination in USD are hedged against exchange rate movements by contracting cross currency swaps agreements. Loans given to central government units by domestic credit institutions and Croatian bank for Reconstruction and Development (HBOR) are either denominated in HRK or indexed to foreign currency (mainly EUR), while loans given by non-resident institutions are all denominated in foreign currency (mainly EUR).

The item "Changes in sector classifications" refers to debt of the unit that changed sector either into S.1311 or outside S.1311 (rarely the case). Once a year the public non-financial corporations are checked whether they are market producers and self-sufficient. When the unit fails market-non-market test for two consecutive years it is reclassified into government.

"Other changes in volume" occurred in 2010 when HNB replaced the old Monetary and Banking Statistics Collecting System with the new one that enabled full coverage of institutional units according to ESA 2010 sector classification.

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.

Allocation of discrepancy B.9 vs B.9f

The analysis of the observed difference in B.9f and B.9 at the level of individual unit is done for the important ones e.g. HAC, HŽI, without allocation of the observed difference.

Changes to intermediate data

Counterpart data are not used to obtain the final statistics in NFA. Counterpart data are not used to obtain the final statistics in FA. Counterpart data are used only where no other data is available. The discrepancy is not allocated at the final stage.

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

Complementary elements on stocks/

The discrepancy is not allocated in financial instruments.

Accruals

Ex-post monitoring

There are no mechanisms to launch an enquiry when discrepancies are too high.

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

The state government subsector (S.1312) is not applicable.

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

3.4.1 Data sources for Local Government main unit: xxx

Table 5 – Availability and use of basic source data for main local government units
Budgets and budgetary users at local level

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		
				Budget Reporting			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
				(3) Current and capital revenue and expenditure and financial transactions			
				(4) Balance sheets			
				Financial Statements			
M	Q, A	T+71	T+4	(5) Profit and loss accounts	x	x	
M	A	T+71	T+4	(6) Balance sheets		x	x
				(7) Cash flow statement			
				Other Reporting			
				(8) Statistical surveys			
				(9) Other:			

3.4.1.1 Details of the basic data sources

For the main units of local government subsector, key data sources for the compilation of non-financial and financial accounts are FINA financial reports on budgetary bookkeeping, of local governments' budgets and their budgetary users. Besides that, data sources for the compilation of financial accounts are MF metadata reports of local government debt securities, the Monetary and Banking Statistics Collecting System of HNB and HNB External debt statistics.

3.4.1.2 Statistical surveys used as a basic data source

Statistical surveys are not used as a data source for compilation of non-financial and 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

There are no supplementary data sources for compilation of non-financial accounts for Local government main units.

3.4.1.3.2 Supplementary data sources used for the compilation of financial accounts

Data on accrued interest (D.41 Uses) on HBOR loans given to local government units are provided by HBOR in form of a Questionnaire on a quarterly basis. Quarterly TAC data (see explanation under 3.2.1.3) for calculation of other accounts receivable is provided by Macroeconomic Statistics Directorate of DZS (F.89). HNB Statistical systems for investment funds, insurance corporations and pension funds were used for sector distribution of debt securities holdings.

3.4.2 Data sources for other Local Government units

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

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		T + days	T+months		cross appropriate cells		
				Budget Reporting			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
				(3) Current and capital revenue and expenditure and financial transactions			
				(4) Balance sheets			
				Financial Statements			
M, A	Q, A	T+71 (budgetary acc.), T+64 (non-profit acc.)	T+4 (budgetary and non-profit acc.), T+7 (business acc.)	(5) Profit and loss accounts		x	x
M, A	A	T+71 (budgetary acc.), T+64 (non-profit acc.)	T+4 (budgetary and non-profit acc.), T+7 (business acc.)	(6) Balance sheets		x	x
				(7) Cash flow statement			
				Other Reporting			
				(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

Main data sources for the compilation of non-financial accounts are FINA financial reports (profit-loss account) for all units, of which for units with budgetary bookkeeping (County Road Administrations) PR-RAS reports. There are numerous other units that are included in S.1313 and running entrepreneurial (business) or non-profit accounting. Their accounts are calculated separately for the group of units with same activities (i.e. port authorities, developing agencies, units fallen MNM test and other). Their profit and loss accounts from FINA database are used.

3.4.2.2 Statistical surveys used as a basic data source

Statistical surveys are not used as a data source for compilation of non-financial and financial accounts.

3.4.2.3 Supplementary data sources and analytical information

Additional data received from MF (the State Treasury data for cash-based transfers from the State budget) is used for calculation of D.7 and D.9 of Port authorities on local level because in financial reports on non-profit accounting, in accordance with the provisions of the Act on financial operating and accounting of non-profit organizations, some types of revenues (donations related to contracted programs or to non-financial assets which are subject to depreciation) are deferred i.e. acknowledged as revenues in successive reporting periods, in proportion to related costs of performing programs respectively to the costs of use of non-financial assets.

3.4.3 EDP table 2C

3.4.3.1 Working balance - use for the compilation of national accounts

The working balance of S.1313 Local government is compiled from consolidated financial statements/reports PR-RAS (Revenues and expenditures, inflows and outlays) of all the 576 budgets of units of local and regional self-government (including the transactions of their budgetary users), on mixed accrual basis. The data on current and capital revenue and expenditure balance - deficit (surplus) are used. It should be noted that the local health institutions' transactions are included as a whole in the local government working balance from 2015 on.

3.4.3.2 Legal basis of the working balance

The obligation to submit financial reports for the said local units' budgets (as well as for their budgetary and extra-budgetary users) is stipulated in the Budget Act and also in the Rulebook on financial reporting in budgetary accounting. The responsible person (head) of the local unit verifies the financial reports.

3.4.3.3 Coverage of units in the working balance

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

There are no such units.

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

There are number of units classified inside the subsector but not reported in the WB. Most of them are grouped i.e. country road administrations, port authorities, tourist boards, developing agencies, units in liquidation and those fallen MNM test as well as other smaller units.

3.4.3.4 Accounting basis of the working balance

The working balance is calculated on a mixed basis. It means that revenues are recognized in the reporting period in which they became available, provided that they can be measured, and expenditures are recognized on the accrual basis and in the reporting period to which they refer irrespective of payment.

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

As interest expenditure in the working balance of local governments' budgets is on cash basis, adjustment to accrual value is done by using accrued interest data D.41 as calculated by HNB. HNB calculates accrued interest (D.41Uses) for total set of local government debt instruments bearing interest. It is calculated individually for each security according to its original repayment schedule. For securities issued below nominal value, a discount is shown as increase of interest. For data on loans given by resident and non-resident credit institutions, HNB uses its Monetary and Banking Statistics Collecting System and the System for collecting variables of Profit and Loss Account of domestic banks, which provides full coverage of institutional units for local government subsector and the same coverage of financial instruments as for debt stock. Data on accrued interest on HBOR loans given to local government units are provided to HNB directly by HBOR.

The line "Difference between interest paid and accrued" shows adjustment only for local government units covered in the WB, while accrued interest of other institutional units that are part of ESA2010 local government subsector are recorded under the line "Net borrowing or net lending of other local government bodies".

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

Adjustment for accruals is done on taxes on production and import, current taxes on income and part of some units' own income, which are not included in the WB.

3.4.3.4.3 Other accrual adjustments in EDP T2C

Not applicable.

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

Not relevant.

3.4.3.6 Financial transactions included in the working balance

Not relevant.

3.4.3.7 Other adjustments reported in EDP T2C

Other adjustments refer to capital injections to public and non-public corporations.

3.4.3.8 Net lending/net borrowing of local government

Net lending/net borrowing calculation at the local level of government is similar to the central government level that means it is calculated from individual financial reports i.e. profit-loss accounts and liabilities report for all units that, according to official sector classification, belong under S.1313.

3.4.4 EDP table 3D

3.4.4.1 Transactions in financial assets and liabilities

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

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

Assets F2: Data from the Monetary and Banking Statistics Collecting System of HNB are used. Data include deposits by institutions in local government held with banks, central bank and HBOR. Transactions are calculated as difference between stocks. Stocks are valued at nominal value. Deposits denominated in foreign currencies are converted to national currency at mid-exchange rate on the last day in reference year calculated by HNB.

Assets F3: Data from the Monetary and Banking Statistics and HBOR Collecting System of HNB are used for S.1313 holdings of F3 issued by of S.122.

Assets F4: Data from financial reports, collected and kept by FINA for MF, are used.

Assets F5: Data from financial reports, collected and kept by FINA for MF, are used.

Other financial assets (F1, F6): SDRs are held only by central bank. Data for F6 are obtained from MF.

Assets F7: There were no transactions in financial derivatives.

Other accounts receivable (F8): National Accounts Department of DZS provides cash and time adjusted cash data for taxes (D.2 and D.5) and the time adjustment is calculated by HNB.

Other accounts payable (F8): Transactions are calculated from stock data. Data source are financial reports, collected and kept by FINA for MF. It includes liabilities for goods and services received but not yet paid (trade credits), and other liabilities (to employees, to households, for subsidies, for penalties etc.).

3.4.4.2 Other stock-flow adjustments

Under "Issuance above/below nominal value", a difference between the value of discount of local government debt instruments at the time of issuance and the value of paid discount is reported. In

the past, local government units issued some bonds with a discount while there were no bonds issued with premium. Currently there are no local government debt securities issued.

Under "Difference between interests accrued and paid", a difference between interest accrued and paid for all local government debt instruments (AF.32, AF.41 and AF.42) is reported. The interest (D.41 Uses) is calculated on an accrual basis for all instruments bearing interest. Interest accrued and paid for debt securities is calculated individually for each security according to its original repayment schedule. For securities issued below nominal value, a discount is shown linearly as increase of interest. For data on loans given by resident and non-resident credit institutions, HNB uses its Monetary and Banking Statistics Collecting System and the System for collecting variables of Profit and Loss Account of domestic banks, which provides full coverage of institutional units for local government subsector and the same coverage of financial instruments as for debt stock.

There are no cases reported on the item "Redemptions of debt above/below nominal value" because no redemption occurred.

The data sources for the calculation of the item "Appreciation/depreciation of foreign currency debt" are the same as for calculation of stocks for each Maastricht debt instrument for local government units (AF.32, AF.41 and AF.42). The local government subsector does not issue short-term debt securities. Long-term debt securities include only bonds issued domestically by local government units that are either denominated in HRK or indexed to EUR. Loans given to local government units by domestic credit institutions and HBOR are either denominated in HRK or indexed to foreign currency (mainly EUR), while loans given by non-resident institutions are all denominated in foreign currency (mainly EUR).

Recent case reported in the item "Changes in sector classifications" is reclassification of Zagreb Electric Tramway (ZET) from S11001 into S1313. The company showed a market - non-market test much below 50% due to the level of subsidies received.

"Other volume changes in financial liabilities" occurred in 2010 when HNB switched to the Monetary and Banking Statistics Collecting System which enabled full coverage of institutional units by ESA 2010 of local government subsector.

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

3.5.1 Data sources for Social Security Funds main unit

Table 8 – Availability and use of basic source data for social security funds HZZO, HZMO and HZZ

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		
				Budget Reporting			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
C	Q	T+64	T+5	(3) Current and capital revenue and expenditure and financial transactions	x	x	x
				(4) Balance sheets			
				Financial Statements			
M	Q	T+64	T+4	(5) Profit and loss accounts	x	x	
M	A	T+64	T+4	(6) Balance sheets			x
				(7) Cash flow statement			
				Other Reporting			
				(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.

Note: the Budget Reporting data are conditionally marked as final at T+5m according to the legal deadline for submitting the Report on execution of the State budget (including HZMO and HZZ data) and the Report on execution of the Financial plan of the HZZO to the Parliament (Hrvatski sabor). (The Government of the Republic of Croatia submits the reports to the Parliament by 1st June.) The data are final after passing the Reports by the Parliament, for which the deadline is not legally prescribed

3.5.1.1 Details of the basic data sources

There are three units in this subsector: the Croatian Health Insurance Fund (Hrvatski zavod za zdravstveno osiguranje, HZZO), the Croatian Pension Insurance Institute (Hrvatski zavod za mirovinsko osiguranje, HZMO) and the Croatian Employment Service (Hrvatski zavod za zapošljavanje, HZZ).

The main data sources for the compilation of financial accounts for social security funds' subsector are FINA reports (PR-RAS – "Profit loss account", balance sheet) of social security funds' budgets, the Monetary and Banking Statistics Collecting System of HNB and HNB External debt statistics.

3.5.1.2 Statistical surveys used as a basic data source

Statistical surveys are not used as a basic data source for compilation of non-financial and financial accounts.

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

Currently there is no need for use of supplementary data sources.

3.5.1.3.2 Supplementary data sources used for the compilation of financial accounts

Currently there is no need for use of supplementary data sources.

3.5.2 Data sources for other Social Security units

Not applicable.

Table 9 – 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
		T + days	T+months		cross appropriate cells		
				Budget Reporting			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
				(3) Current and capital revenue and expenditure and financial transactions			
				(4) Balance sheets			
				Financial Statements			
				(5) Profit and loss accounts			
				(6) Balance sheets			
				(7) Cash flow statement			
				Other Reporting			
				(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.

3.5.3 EDP table 2D

3.5.3.1 Working balance - use for national accounts compilation

The first line of EDP T2D comprises the HZZO, HZMO and HZZ balances of current and capital revenue and expenditure. As previously mentioned, in accordance with the Eurostat request, for the HZMO and HZZ, whose transactions are included in the State Treasury, working balance is calculated as difference between revenues taken from PR RAS reports and expenditures from the SAP system. The HZZO was included with its transactions in the State Treasury until the end of 2014, and since 2015 it has operated outside of the Treasury as an extra-budgetary user of central government with its own financial plan. The report on the execution of plan which is the source for the WB of HZZO is cash-based and it is approved by the Parliament (Hrvatski sabor). The S.1314 working balance is marked as mixed-based in EDP Table 2D due to the described way of compilation.

3.5.3.2 Legal basis of the working balance

The obligation to submit the financial plan and the report on its execution to the Parliament and to submit financial reports is stipulated in the Budget Act and in subordinate acts.

3.5.3.3 Coverage of units in the working balance

The coverage is complete and it consists of three units: HZZO, HZMO and HZZ.

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

Not applicable.

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

Interest expenditure of social security funds is insignificant, but since in the working balance it is on cash basis, adjustment to accrual value is done by using accrued interest data D.41 as calculated by HNB. HNB uses its Monetary and Banking Statistics Collecting System for data on interest.

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

Other accounts payable are standard accrued adjustments for intermediate consumption, compensation of employees, social benefits in cash and in kind, GFCF.

Other accrual adjustments in EDP T2D

Other accrual adjustment in T2D relates to Adjustment of social contributions transferred from second pillar into first pillar - proportional yearly revenue due to neutralisation of transfers from second to first pillar in 2014 and 2015 that are proportionally transferred to the following 30 years.

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

Non-financial flows are complete in the working balance.

3.5.3.6 Financial transactions included in the working balance

Not relevant.

3.5.3.7 Other adjustments reported in EDP T2D

Not relevant.

3.5.3.8 Net lending/net borrowing of social security funds

Net lending/net borrowing of social security funds is calculated from PR RAS financial report on individual level of all three units with all corresponding adjustments. Social contributions are calculated separately based on TAC approach from additional data source received from MF on monthly basis. In addition, B.9 is checked by comparing their cash data plus liabilities from Balance sheets with B.9 calculated from PR RAS in order to achieve consistency between two approaches.

3.5.4 EDP table 3E

3.5.4.1 Transactions in financial assets and liabilities

Table 10. 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
	Calculation of transactions													
Transaction data (integrated in public accounts)	X		X	X			X		X					X
Other transaction data														
Stock data		X			X					X				
	Calculation of stocks													
Transaction data			X	X			X		X					X
Stock data	X	X								X				

Assets F2: Data from the Monetary and Banking Statistics Collecting System of HNB are used. Data include deposits by institutions classified as S1314 held with banks, central bank and HBOR. Transactions are calculated as difference between stocks. Stocks are valued at nominal value. Deposits denominated in foreign currencies are converted to national currency at mid-exchange rate on the last day in reference year calculated by HNB.

Assets F3: Data from the Monetary and Banking Statistics and HBOR Collecting System of HNB are used for S.1314 holdings of F3 issued by of S.122.

Assets F4: Data from financial reports, collected and kept by FINA for MF, are used.

Assets F5: Data from financial reports, collected and kept by FINA for MF, are used.

Other financial assets (F1, F6): SDRs are held only by central bank. Data for F6 are obtained from MF.

Assets F7: There were no transactions in financial derivatives on the asset side.

Other accounts receivable (F8): Accrual adjustment for social contributions is reported here, as cash values are replaced with Time adjustment cash (one-month lag of cash values) values. TAC for social contributions are calculated by DZS from additional data source received from MF on monthly basis.

Other accounts payable (F8): Transactions are calculated from stock data. Data from financial reports, collected and kept by FINA for MF, are used. This item includes liabilities for goods and services received but not yet paid (trade credits), and other liabilities (to employees, to households, for subsidies, for penalties etc.). It also includes adjustment for proportional yearly revenue from social contributions transferred from second pillar into first pillar.

3.5.4.2 Other stock-flow adjustments

There are no cases reported on the item "Issuance above/below nominal value" for social security funds subsector, because S.1314 currently does not have issued debt securities.

Under "Difference between interests accrued and paid" a difference between interest accrued and paid for all social security funds' debt instruments (AF.41 and AF.42) is reported.

Calculated interest (D.41 Uses) is on accrual basis. Currently social security funds have only domestic loans, so HNB uses its Monetary and Banking Statistics Collecting System and the System for collecting variables of Profit and Loss Account of domestic banks, which provides full coverage of institutional units for social security funds subsector and the same coverage of financial instruments as for debt stock.

There are no cases reported on the item interest flow attributable to swaps and FRAs.

There are no cases reported on the item "Redemptions of debt above/below nominal value" because no redemption occurred.

The data sources for the calculation of the item "Appreciation/depreciation of foreign currency debt" are the same as for calculation of stocks for each Maastricht debt instrument for social security funds (AF.41 and AF.42). The S.1314 subsector currently does not have issued securities and loans given by non-resident institutions. Loans given to S.1314 units by domestic credit institutions and HBOR are either denominated in HRK or indexed to foreign currency.

There are no cases reported in the items "Changes in sector classifications" and "Other volume changes in financial liabilities".

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

The same register of units is used for non-financial and financial accounts compilations, and for EDP tables 2 and 3.

The working group on Sector Classification, consisting of DZS, HNB and MF representatives, deals primarily with the delineation of general government sector, and with classification of public units, however, also with classification of other units if necessary. Delimitation of the general government sector is regularly maintained and updated by the Business Register of DZS, and according to the Agreement on Cooperation, in this field as well as in others, DZS is the institution responsible for the decision in case of different opinions – on its own or in consultation with Eurostat. HNB receives daily update of the whole sector classification database for producing statistics according to ESA 2010 and EDP. See chapter 5 for details.

3.6.2 Financial transactions

Financial transactions that are excluded from the WB are exceptional and only relevant for WB at central government level as explained in chapter 3.2.3.6.

Since all issues are discussed in Working group on EDP, there is no inconsistency in this respect between NFA and FA.

3.6.3 Adjustments for accrued interest D.41

The adjustment in EDP T2 for accrued interest refers only to interest expenditure while there is no adjustment for interest revenue. The sources for interest revenue are FINA financial statements of budgetary users on cash basis and non-market public corporations on accrual basis.

The same value of accrual adjustment for interest expenditure is in EDP T2A-D and T3A-E (for details please see explanations under 3.2.3.4.1, 3.4.3.4.1, 3.5.3.4.1, 3.2.4.2, 3.4.4.2 and 3.5.4.2).

3.6.4 Other accounts receivable/payable F.8

Financial transactions in other accounts receivable (F.8A) consist of difference between taxes calculated on time adjusted cash basis and actual cash tax receipts for D.2 and D.5. DZS sends these data to HNB on a regular basis for central and local government. It also includes difference between social contributions calculated on time adjustment cash basis and actual cash social contributions receipts for D.61_R of social security funds. Transactions in other accounts receivable for other units that are classified in central (HAC, ARZ, HŽI, HŽPP, DAB, Port Authorities etc.) and local (ZET, Port Authorities, Tourist Boards etc.) government are added. Those transactions are compiled from FINA reports for corporations, and for HBOR from HNB reporting system. Also advances for military equipment are added, the data being received on annual basis from the Ministry of Defence.

Financial transactions in other accounts payable (F.8L) consist of transactions in other accounts payable of budgetary and extra-budgetary government units for central and local government, EU flows, lump sum payment for transfer from second pillar to first pillar and adjustment for recognition of proportional yearly revenue from those social contributions, emission trading allowances, transactions in other accounts payable for other units that are classified in central (HAC, ARZ, HŽI, HŽPP, DAB, Port Authorities etc.) and local (ZET, Port Authorities, Tourist Boards etc.) government, but which are not in the budget and submit financial reports for corporations or for non-profit organizations (see most recent status and/or reporting changes noted in chapter 1.1), correction for factoring instruments in other liabilities that are already included in EDP debt through HNB reporting system. The data source for transactions in other accounts payable of budgetary and extra-budgetary central and local government units and of big units that are classified in central government but not in budget are 3 types of FINA reports: FINA reports for budgets, budgetary users, extra-budgetary users, FINA reports for non-profit organizations and FINA reports for corporations. Data sources for HBOR are HNB's reporting system. Data on EU flows are received quarterly from the National Fund that is integral unit within MF. Data source for lump sum payment for transfer from second pillar to first pillar is MF (SAP system) and for data on emission trading allowances it is the Ministry of Economy and Sustainable Development (surrendered and free permits) and the Fund for Environmental Protection and Energy Efficiency.

3.6.5 Other adjustments/imputations

There are methodological adjustments reported under the heading "other adjustments" in EDP T2 reflected in EDP T3 such as debt assumption, guarantees called, capital injections and PPPs.

Since those issues are discussed in Subcommittee on EDP, the amounts are identical in EDP tables 2 and 3.

Concerning imputations, there is just one case, the PPP case of Zagreb Airport, whose asset is imputed in financial accounts as well as in GFCF in non-financial accounts.

3.7. General comments on data sources

There are some changes in the accounting rules for budgetary users since the beginning of 2015. The new Rulebook on budgetary accounting and on the Chart of Accounts stipulates recording of capital transfers expenditure and subsidies on an accrual basis.

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

The data source for stocks of liabilities in trade credits and advances (AF.81L) payable in one part is MF, i.e. Balance sheet reports (FINA database) of budgets, budgetary and extra budgetary users as well as of non-profit organizations (Port Authorities, Tourist Boards etc.), and for the rest of units, keeping business accountancy, the reports are received directly from FINA. Data source for HBOR is HNB's reporting system.

Trade credits comprise the stock data on liabilities for acquisition of non-financial assets and liabilities for material expenditure. Transactions in trade credits, reported in the line “net incurrence of other accounts payable (F.8)” in EDP T3, are calculated from stock data of liabilities in trade credits and advances. Thus, consistency between data in EDP T4 and T3 on trade credits and advances has been ensured by using the same data sources for completing both tables.

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

Not relevant.

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

The Revision policy for the domain of National Accounts and Government finance statistics / Excessive deficit procedure statistics has been published on CBSs website in April 2020.

Main aggregates of the general government (annual data) are produced twice a year while quarterly data are produced each quarter. Main aggregates of the general government are directly connected with the production of EDP data. At the level of the EU, EDP is recognized as a strong mechanism for improving national accounts data. Continuity of the time series has priority in national accounts and, therefore, GFS. As a result of this policy, GFS data are consistent over time and all changes are incorporated in the scheduled national accounts, regularly in September/October every year.

4.1.1 Relating to deficit and non-financial accounts

For the non-financial government accounts, consistent series of GFS annual and quarterly data for the general government exist from 1999 onwards. All quarterly revisions are done with the same frequency as the revisions of annual data. The revision of the general government data is performed twice a year, in March/April and in September/October. The revision in April is performed for the EDP notification period (t-4, t-3, t-2 and t-1). Quarterly government accounts (ESA T25) are revised for all 16 quarters (EDP notification years) accordingly. The final sector classification of reporting units that affect the April notification is determined by February of year t for the year t-1. Usually, no revision of historical data is performed in March/April. Major revisions with an impact on B.9 and B.9f are regularly performed in September/October, because some data sources are available only for the second EDP notification. September/October revisions include possible methodological changes, improvements in data sources, reclassification of units and correction of errors. The final sector classification of reporting units for the October EDP notification is determined by July, including revisions based on the market/non-market test and other sectorization criteria. The revision of data for the October EDP notification is performed for all EDP notification periods as well as for all applicable historical years. Quarterly government accounts are revised in October for all applicable quarters (EDP notification period and historical years). Even though changes on tax revenues occur continuously and are incorporated in transmission tables that are due in March/April (i.e. ESA T0200, ESA T2500 and EDP), the revision and transmission of ESA T0900 together with NTL is done once a year, in September, in line with transmission deadlines. The revision of data according to COFOG classification of expenditure (ESA T1100) is performed once a year, in December, in line with transmission deadlines. The government accounts data are consistent in the EDP and GFS ESA2010 tables and are regularly transmitted to Eurostat and mainly published nationally.

4.1.2 Relating to debt and financial accounts

The revision procedure is the same regardless of whether the impact on B.9f and debt is material or not. All reporting years would be revised, in both April and October EDP notifications, if there were evident reasons for revision.

The revisions in the financial accounts of the General Government are mainly driven by revisions in data sources, namely, in monetary and financial statistics, balance of payments and international investment positions, securities issues statistics, securities holdings statistics and statistics from the Central Balance-Sheet Database.

4.2. Reasons for other than ordinary revisions

New or improved data detail or new information or facts that were not available in the past are the reasons for other than routine revisions. Those kinds of revisions are usually done for the whole period under revision, which means the last four years.

4.3. Timetable for finalising and revising the accounts

The ESA transmission programme is followed. Non-financial accounts by subsectors, for all subsectors, are usually revised twice a year as explained in detail in part 4.1.1.

Financial accounts are usually revised for the October EDP notification, because the whole set of data sources for the previous year is available.

B. Methodological issues

5. Sector delimitation – practical aspects

5.1. Sector classification of units

General government is defined by ESA 2010 §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 (ESA 2010 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 Subcommittee for sector classification, consisting of representatives of DZS, HNB and MF, was set up with the aim of providing methodology for sector classification and discussing qualitative aspects and borderline cases. Delimitation of the general government sector is regularly maintained and updated by the Statistical Business Register of DZS. The Statistical Business Register (Statistički poslovni registar, SPR) comprises total population of all institutional units in Republic of Croatia and it is updated on daily basis and publicly available on DZS web page.

The general government subsectors include ministries, agencies etc. and budgetary users such as hospitals, schools etc., non-profit organizations and public corporations that are identified as non-market producers as well as some specific units involved in financial activities e.g. HBOR and DAB. All public corporations which are classified outside of S.13 are regularly tested i.e. those with total liabilities larger than 0.01% of GDP-a are tested every year for the period of three years and the results are submitted to Eurostat in the Questionnaire on government-controlled units; and those with total liabilities below 0.01% are tested every three years for the period of three years with the exception in case there is additional information. In the latter cases, the additional information is used to decide if the unit should be included or not in S.13 and generally two-years period with MNM test below 50% is taken as a benchmark for reclassification.

5.1.1 Criteria used for sector classification of new units

There are special algorithms integrated in the SPR for primary classification of new units. The algorithms consider the following criteria: NACE code, legal status and ownership.

After the financial reports of "new units" are available, the 50% rule is applied and the sector code is updated if the results are different from those given by the algorithm.

5.1.2 Updating of the register

Please see above under chapter 5.1.

5.1.3 Consistency between different data sources concerning classification of units

The basic data source concerning institutional classification for national accounts, statistical survey and other statistics is the business register.

The same sector classification database is used for producing statistics according to ESA 2010 and EDP i.e. for non-financial accounts and financial accounts. HNB receives daily update of the whole sector classification database for producing statistics according to ESA2010 and EDP.

5.2. Existence and classification of specific units

1. Non-profit institutions (NPI)

Non-profit institutions controlled (owned) by the general government sector are included in the general government sector. This relates to Fund for financing decommissioning of the Nuclear Power Plant Krško, tourist boards and port authorities. (The central government port authorities are to become budgetary users as of 2021.)

2. Quasi-corporations

Not relevant.

3. Infrastructure companies

HŽ infrastruktura (HŽI), HŽ Putnički prijevoz (HŽPP), Hrvatske autoceste (HAC) and Auto-cesta Rijeka Zagreb (ARZ) were included in the central government sector (S.1311) as non-market producers, and as of 2020 they are also extra-budgetary users of the State budget, which the Hrvatske ceste (HC) has been from inception. The reason for including them in the sector of general government was the substantial transfers to those units from central government. (With the end of 2020, ARZ gets incorporated into HAC.) Some utility companies (those government controlled that have fallen MNM test) are also included in S.13.

4. Universities, schools

Universities are classified within the central government (S.1311). Primary and secondary schools are classified within the local government (S.1313).

5. Public TV and radio

Hrvatska radio televizija (HRT) is included in the sub-sector of central government since RTV fee is treated as tax.

6. Public hospital

All public hospitals are included in the general government.

7. SPE/SPV

Not relevant.

8. Specific public units involved in financial activities

The Croatian Privatization Fund (Hrvatski fond za privatizaciju, HPF) was the institutional unit involved in privatization until 31 March 2011, then the Agency for Management of the Public Property (Agencija za upravljanje državnom imovinom, AUDIO) until 30 September 2013, substituted since 1 October 2013 by two new public units: Restructuring and Sale Centre (Centar za restrukturiranje i prodaju – CERP) as an extra-budgetary user of the State budget, and the State Property Management Administration, DUUDI) included in the State budget. (In the meanwhile, within the State budget the responsibility for the state property has been changed by reorganization of ministries, so presently the responsible unit is the Ministry of Physical Planning, Construction and State Assets.) All mentioned units are classified in the subsector of central government (S.1311).

The Croatian Bank for Reconstruction and Development (Hrvatska banka za obnovu i razvitak, HBOR) is classified in the central government subsector (S.1311) as a unit which is controlled by the state and has all the features of a "captive financial institution", which means that the unit deals with a limited range of activities set out by the state as part of the policy objectives, the state significantly influences both the assets and the liabilities of the unit and the unit is not behaving as market entity, e.g., market rate of capital return is not expected.

The State agency for deposit insurance and bank rehabilitation (Državna agencija za osiguranje štednih uloga i sanaciju banaka, DAB) is an institutional unit classified in the subsector central government (S.1311) with two main functions - the first is engagement in bank rehabilitation and the second is providing deposit insurance which facilitates functioning of banking market. (In accordance with the organization of the bank rehabilitation system at the level of the EU and with the new national legislation, as of 2021 deposit insurance remains the only function of the unit and its name changes accordingly.)

9. Other specific units

Not relevant.

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 ESA 2010 §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

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 ESA 2010 §4.26 and §4.82 as the time "...when the activities, transactions or other events occur which create the liabilities to pay taxes".

The main data source for recording total amounts of tax revenue is PR-RAS report. Except PR-RAS report, as auxiliary sources for recording total amounts of tax revenue are also used the SAP system report for breakdown into ESA categories (as concerns revenues belonging to the State budget), and also FINA's P-1, P-2 and P-3 reports for breakdown into some ESA categories (as concerns revenues belonging to the Local government units budget) that are not available in PR-RAS report and for time-adjusted cash. Few tax revenues categories are not available in the PR-RAS report or in the FINA's P-reports so they are collected directly from institutions that collect them. HRT fee is collected directly from Croatian Radio Television, some environmental taxes are obtained from the Environmental Protection and Energy Efficiency Fund. Data on Fee for Incentivizing Electricity Production from Renewable Energy Sources and Cogeneration is delivered to DZS by HROTE and for emission permits from HNB. Data on deposit insurance premiums are obtained from Ministry of Finance.

PR-RAS reports are comprised in database kept by FINA for the Ministry of Finance while P-reports are compiled by FINA on monthly basis. The SAP report is obtained from the IT system of the Ministry of Finance - State Treasury. The mentioned institutions collect data, and DZS compiles it for EDP and GFS tables and related questionnaires. Data on tax revenue are government cash receipts adjusted to the concepts of ESA in a way that time-adjusted cash (TAC) method is implemented. Tax revenue obtained from the FINA database and SAP system represents the amounts of cash received in the period. Therefore, in the annual and quarterly General Government non-financial accounts, the most important taxes are converted to an accrual basis by time adjusting the receipts using the average delay between the time that tax liabilities are incurred and the time that they are paid. Time adjustment is implemented on VAT, certain excise duties, taxes on insurance premiums and personal income taxes with time lag of one month (t+1) and corporate income taxes with time lag of four months (t+4). Due to this time lag of four months (t+4), for corporate income tax, in time of April notification the data for March and April of the current year is not yet available so estimated figures are used. The final data for the year t should become available at t+9 months.

6.1.2 Social contributions

The time of recording of social contributions is defined in ESA 2010 §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 information on the amounts of social contributions collected from employers, employees, self-employed and unemployed is obtained directly from the Ministry of Finance and represents the amounts actually collected i.e. the cash contributions received by three Social Security Funds (HZZO, HZMO, and HZZ).

Since HZMO and HZZ are budgetary users of State budget the data for contributions that they receive is collected in PR-RAS and SAP system reports. HZZO is extra-budgetary user of State budget so the data for contributions that they receive is not included in PR-RAS and SAP system reports, yet the data is available from Ministry of Finance that receives HZZO operational report. The mentioned institutions collect data, and DZS compiles it for EDP and GFS tables and related questionnaires.

Since the payment schedule for actual social contributions is similar to personal income taxes, the time-adjusted cash (TAC) method is implemented with time lag of one month (t+1).

The final data for the year t should become available at t+9 months.

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.

ESA 2010 paragraphs 20.294-20.300 foresee that when non-government units are beneficiaries from EU grants, all the flows to and from government should be recorded as financial transactions, without any impact on government net lending/borrowing (B.9).

When final beneficiary is a government unit, the neutrality of EU flows is ensured by matching the time of recording of government revenue from the EU and the time of recording of the government expenditure covered by the EU grant.

The ESA 2010 Manual on government deficit and debt Chapter 2.6 "*Grants from and contributions to the EU budget*" provide further details concerning the recording of these flows.

6.2.1 General questions

National Fund (NF) is the central authority established in beneficiary country through which the EU pre-accession funds are channelled. The NF is also a certifying authority for the SCF programmes 2007-2013 and 2014-2020. NF in the Republic of Croatia is an organizational unit within the Ministry of Finance and consequently classified in S.1311.

The source of data for EU flows is NF that sends data regularly on quarterly basis to DZS and HNB. Data consists of (a) all receipts by each EU fund on the special accounts opened within the central bank and (b) payments from budget accounts at the level of final beneficiaries, by each EU

Time of recording

fund and by type of the transfer (capital, current) and (c) reimbursements of EU funds by each fund. The reporting system enables distinguishing government from non-government final beneficiaries. All receipts to HNB accounts are recorded as central government deposits and are neutralized in financial accounts through increase in other accounts payable.

The amounts from the following funds are entering the working balance with zero effect on working balance since the expenditure and revenue are recorded at the same time: the European Agricultural Fund for Rural Development (EAFRD), The European Fisheries fund (EEF) the European Regional Development Fund (ERDF), the European Social Fund (ESF), Cohesion Fund), except for the European Agricultural Guarantee Fund (EAGF) where the revenues are recorded upon the reimbursement from the EC. Usually, the expenditures are reimbursed from the EC within two months.

Pre-accession funds are held on a separate bank account of the National Fund, not part of the budget accounts, which allows the Ministry of Finance to correctly neutralise the EU flows in the working balance. These data are also submitted to DZS and HNB on quarterly basis within the same channel as EU funds.

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.

Please see chapter 6.2.1. EU flows receivable are first recorded on a special bank account and in the central budget they are included in the year when the amounts are used. The Republic of Croatia accessed EU in July 2013 and received cash through Schengen facility in 2013 and 2014 the amount of HRK 915 million which was available until February 2017. In national accounts the amounts are the same as in the central budget. Like the pre-accession funds, the Transition Facility is also held on the separate account of the NF. Cash-flow facility was received in 2013 and 2014 and recorded as revenue in the same years.

6.2.3 EU financial instruments

The EU has been providing measures of financial support from EU structural and investment funds 'financial instruments' (FI). These instruments may be 'equity or quasi equity investments, loans or guarantees' and they are intended to support activities that will generate income, or result in saving on future expenditure. Unlike grants, they do not constitute a gift to the final recipient, which will typically be a small or medium-sized enterprise (SME) since, under normal circumstances, the funds are expected to be repaid to the creditor and produce a return on the investment (such as interest on the loan, or profit on subsequent sale of equity). EU legislation allows for a choice on how the financial instruments are implemented nationally: the Implementing Authorities can choose whether to assign the implementing task to a newly created entity or contract out the management to the EIF/EIB or to existing financial institutions.

There are EU FI programmes implemented in Croatia since 2017. EU FI are implemented directly and the implementing units are HBOR and HAMAG-BICRO (final beneficiaries), both classified in S1311. Also, one EU FI programme is implemented by EIF/EIB. Units benefiting from EU FI schemes (final recipients) are S.11 (SMEs), S.1313 (local self-government units) and S.14 (craftsmen and farmers). Data on loans provided to final recipients from EU FI programmes are received from the Treasury but the data on repayment and/or on write-off of those loans are not available.

6.2.4 Market Regulatory Agencies

Market regulatory agencies are bodies whose intervention activities are mostly characterised by buying and selling products, often on behalf of the EU, with an aim to stabilize prices and to maintain purchasing prices to farmers at a sufficiently high level: they offer buying agricultural products from domestic producers at a predetermined price (often higher than "market" prices) and reselling them usually at a lower price later on and occasionally arranging for giving them away free of charge. These agencies can be involved in storing agricultural inventories, or in arranging for storage, as well as in distributing subsidies.

The question is whether the principle of re-arranging EU transactions would also apply to the recording of changes in inventories (P.52) arising from the interventions of agricultural market regulatory agencies in the market. According to the guidance, in those circumstances where a market regulatory agency acting on behalf of the EU is classified inside general government, the creation of a unit in S.11 is recommended in order to capture the changes in agricultural inventories, and to avoid that such changes in inventories are recorded in national government accounts (as changes in government inventories, with an impact on the government deficit/surplus) or in the rest of the world accounts (as exports and imports). The unit to be created to capture these changes in inventories is a quasi-corporation, rather than a notional unit, in order to ensure an equality of treatment with cases where market regulatory agencies are classified outside government. This is also appropriate because any temporary difference in value arising from changes in market value of these inventories not yet covered by subsidies is likely to be small and on average zero.

There are no MRAs in Croatia.

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6.3. Military expenditure

The ESA 2010 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 data sources used for compilation of military equipment expenditure are the Ministry of Defence and the Ministry of Finance. The pre-payments for deliveries of military equipment are generally made within the same year, however, there are pre-payments for some large pieces of equipment (e.g. for helicopters in 2019 and 2020) where delivery does not take place in the same calendar year.

6.3.2 Borderline cases

No borderline cases identified.

6.3.3 Recording in national accounts

Regardless of the type of contract used by military forces for the procurement of military equipment, the financial statements of the Ministry of Defence are on so called "modified accrual basis". Ministry of Defence records in its financial statements acquisition of military equipment as non-financial asset what is in alignment with ESA 2010. To derive to the delivery principle Ministry of defense sends additional annual data to statistical authorities (details regarding cash transactions, advances for military equipment, stock of liabilities for military equipment, the total value of deliveries etc.) for the purposes of calculating P.51g, gifts in military equipment by other countries, and related financial transactions according to the concept of "Delivery" defined by ESA 2010.

The data is available from 2002.

These figures are used to correct the PR RAS and BIL reports in order to get values for necessary adjustments for national accounts and EDP tables (Annex 1 and Annex 3 Table 7) to obtain total value of deliveries in a year related to the acquisition of military equipment (p.51g) according to the delivery rule and to record counterpart transactions in financial account (F.2A, F.8A and F.8L) and derive necessary stocks. By this way of recording, all the ESA 2010 rules are applied and all transactions related to the military equipment are vertically fully consistent inside the national accounts.

6.4. Interest

This part aims at describing accrual adjustment for interest.

ESA 2010 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"

ESA 2010 MGDD part 2, chapter 2.4 is dealing with some practical aspects of the recording of interest.

6.4.1 Interest expenditure

Table 11 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)	Not existing	Not existing	M	M	Not existing	Not existing	Not existing	Not existing
Debt Securities (AF.3)	Source:MF Calculation: CNB Accrual	Source:MF Calculation: CNB Accrual	M	M	Source:MF Calculation:CNB Accrual	Not existing	Source:MF Calculation: CNB Accrual	Not existing
Loans (AF.4)	Source:MF (foreign component) and MBS (domestic component) Calculation: CNB Accrual	Source:OCGB unit directly (foreign component) and MBS (domestic component) Calculation: CNB Accrual	M	M	Source:Local government units directly (foreign component) and MBS (domestic component) Calculation:CNB Accrual	Source:OLGB units directly (foreign component) and MBS (domestic component) Calculation: CNB Accrual	Source:SSF units directly (foreign component) and MBS (domestic component) Calculation: CNB Accrual	Not existing
Other accounts receivable (AF.8)	Not existing	Not existing	M	M	Not existing	Not existing	Not existing	Not existing

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

Currency and deposits do not exist as debt instruments in Croatia. The sources of primary data for debt securities are general government units that issue them (the Ministry of Finance for S.1311 and units of local and regional self-government for S.1313). Interest (D.41 Uses) is calculated on an accrual basis for all instruments bearing interest (AF.31, AF.32, AF.41 and AF.42). Information on interest is available for each debt instrument and for each subsector of general government. For bonds issued with coupon, accrued interest is calculated using day count convention (Real by Real number of days). For debt securities issued with discount or premium (recorded as negative expenditure) the difference between face and redemption value is spread over time using compound method and day count convention Real by 360. Treasury bills are generally issued with discount (however in 2019 there were some issuances with premium), while bonds are mainly issued with

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coupon. However, there are some central and local government bonds that are issued with discount and coupon and some central government bonds issued with premium and coupon. For data on loans, as of December 2010, the Croatian National Bank uses the New Monetary and Banking Statistics Collecting System and the New System for collecting variables of Profit and Loss Account of domestic banks, which provide full coverage of institutional units for general government sector and the same coverage of financial instruments as for debt stock. Data on accrued interest (D.41 Uses) on HBOR loans given to general government units are provided by HBOR in form of a Questionnaire defined by HNB on a quarterly basis.

6.4.2 Interest Revenue

The sources for interest revenue are FINA financial statements of budgetary users (modified accrual principle, in which revenue are recorded when collected) and corporations (accrual basis). There are no accrual adjustments in EDP tables for budgetary users.

6.4.3 Consolidation

Securities holdings statistics database at HNB provides information on intra-governmental holdings of government debt securities (stocks). A quarterly survey is sent to government units holding government debt securities to provide data on stocks and flows. Consolidation of interest on the level of central and general government is done by HNB.

Intra-governmental lending (AF.4) have been recognized, so the consolidation of interest is carried out for this instrument within central government subsector and on general government level between subsectors. Data sources used for consolidation of interest are the same as for compilation of financial accounts (see under chapters 3.2., 3.4. and 3.5.).

6.4.4 Recording of discounts and premiums on government securities

The adjustments in tables 2 are done under item Difference between accrued and cash (treatment of discount/premium in a Working balance). Interest (D.41 Uses) is calculated on an accrual basis for the whole set of instruments bearing interest (AF.31, AF.32, AF.41 and AF.42). For bonds issued with coupon accrued interest is calculated using day count convention (Real by Real number of days). For debt securities issued with discount or premium (recorded as negative expenditure) the difference between face and redemption value is spread over life time of instrument using compound method and day count convention Real by 360. Net interest payments resulting from SWAP contracts are included in total accrued interest. Generally, Treasury bills are issued with discount; however, there were cases when they were issued with premium (in 2019). Bonds are mainly issued with coupon. However, there are some central and local government bonds that are issued with discount and coupon and some central government bonds issued with premium and coupon. So far, the entities reported under "other government bodies" in EDP tables 2 have no debt issued above/below par.

6.4.5 Recording of interest accrued on intergovernmental loans in dispute and interest accrued on intergovernmental loans unlikely to be repaid

Currently there are no intergovernmental loans in dispute.

Non-performing loans unlikely to be repaid (intergovernmental or others) are not recognised.

6.5. Time of recording of other transactions

Public accounting rules of budgetary accounting in Croatia are based on the modified accrual principle. Modified accrual principle implies, among others, that revenues are recorded in the reporting period in which they become available, provided that they are measurable, and the expenditures are recorded based on occurrence of transactions (obligations), independently of their payment.

For these units, with cash revenue data (budgets and budgetary/extra-budgetary users at the central and local level) different accrual adjustments are made. Balance sheet adjustments of accounts payable to accrual value are used. For revenue components, accrual adjustments cover main taxes, social contributions and EU flows adjustments. GFCF is calculated from FINA financial reports (PR RAS for budgetary users, GFI POD for entrepreneurs and PR_NPF for non-profit institutions) on accrual basis. Interest is calculated by HNB on the accrual basis.

For public corporations keeping business accounting, no adjustments are needed since their accounting data is on accrual basis.

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 ESA 2010), 2019 edition⁵.

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 7.4 on Government guarantees of the ESA 2010 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

The main data source for new guarantees provided by the central government is the Ministry of Finance. They are reported at the level of each guarantee contract for central government. We do not dispose the data on new guarantee issuances for local government.

New guarantees enter the stock of guaranteed debt if the receiver of the guarantee is outside general government sector and if its debt was not assumed by S13 following statistical rules.

Recording in public accounts

In public accounts, new guarantees provided are recorded off-balance sheet.

Recording in national accounts

In national accounts, new guarantees provided are recorded off-balance sheet.

7.1.1.2 Treatment of guarantees called

Recording in public accounts

In public accounts, guarantees called are recorded as lending (acquisition of financial assets – loans to original debtors); since 2015 according to the amended Rulebook on budgetary accounting and Chart of Accounts, new accounts have been introduced which provide distinction between these loans and other types of loans given. As of 2021, according to recommendations of the State Audit Office, the practice is going to be changed and the guarantees called will be recorded as expenditures, on new accounts introduced in the said Rulebook.

⁵ http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-GQ-13-006/EN/KS-GQ-13-006-EN.PDF

Specific government transactions

Recording in national accounts

Guarantees called are recorded as capital transfer expenditure. Guarantees being systematically called during three years lead to a debt assumption in national accounts: the whole outstanding amount of debt guaranteed at the end of the first month in which a guarantee call occurs in the third year is booked as a capital transfer, for the total amount.

7.1.1.3 Treatment of repayments related to guarantees called

Recording in public accounts

In public accounts, repayments related to guarantees called are recorded as disposals of financial assets - loans; since 2015 according to the amended Rulebook on budgetary accounting and Chart of Accounts, new accounts have been established which provide distinction of these transactions from other transactions in assets disposals. As of 2021, according to recommendations of the State Audit Office, the practice is going to be changed and the repayments related to guarantees called will be recorded as revenues, on new accounts introduced in the said Rulebook.

Recording in national accounts

Repayments by debtors are recorded as capital transfer revenue.

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

Not applicable.

7.1.1.5 Data sources

The primary data source for guarantees issued by central government is the Ministry of Finance. MF reports on guarantees issued, guarantee calls and repayment of guarantees called to the State budget. Source for stocks of government guaranteed debt is HNB's Monetary and Banking and HBOR Statistics Collecting System and External Debt and International Investment Position Statistics Division of HNB.

7.1.2 Guarantees on assets

Guarantees on assets do not exist in Croatia.

7.1.3. Standardized Guarantees

Standardised guarantees do not exist for the time being.

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 ESA 2010 and further clarified in the Chapter 3.2 on Capital injections and Chapter 7.2 on Debt assumption and cancellation of the ESA 2010 Manual on government deficit and debt.

7.2.1 New lending

The main data source for loans (asset side) granted by the central government (State budget) is the SAP system of the Ministry of Finance. MF reports to HNB on gross transactions on quarterly basis. Data on stocks are not available. However, data on transactions are still not very usable due to the problems of identification of the instrument and ability to identify the counterpart. (For the units comprised in the State budget there are annual financial reports ("FINA reports") - balance sheet (BILANCA) available, where the stocks are reported, with breakdown of accounts according to groups/categories of counterparts (beneficiaries), although the breakdown is not fully aligned with the ESA 2010 sector classification.) Thus, the ESA categories are compiled on best effort basis and are subjected to experts' decision. Data on accrued interest are not reported. There are no data on write-offs, revaluations and recoverability of loans. Guarantees called are in budgetary bookkeeping recognized as loans; while in national accounts are booked as non-financial transactions (+D.9U/-F2A). As of 2021, according to recommendations of the State Audit Office, the practice is going to be changed: the guarantees called will be recorded as expenditures, and repayments related to them will be recorded as revenues, on new accounts introduced in the Rulebook on budgetary accounting and Chart of Accounts.

For the moment, the national EDP working group has not identified any provision of loan as capital transfer, according to capital injection test.

Data source on HBOR's lending is the HNB's Monetary and Banking Statistics Collecting System. Net transactions are calculated from stocks, exchange rate adjustments (ERA) and other changes by debtor subsector, disaggregated into short-term and long-term loans.

For other units classified in general government - part of central government, local government and social security funds, data on stocks are available on aggregate level through FINA reports on annual basis, but without detail on beneficiary, interests and recoverability of loans.

7.2.2 Debt cancellations

The matured and un-matured claims of the Lending program for the employment of demobilized soldiers for beneficiaries who are still alive are treated as debt cancellations – capital transfers to households. As well, capital transfers to sports clubs were included in EDP notification according to the Government Decision on the transfer of taxes and other public duties receivables from the Ministry of Finance based on Sport Act (Official Gazette No. 71/2006, 124/2010, 124/2011, 86/2012, 94/2013) Art. 42 paragraph 1). Debt cancellation is relevant for the years 2011 and 2012. As a prudent approach, all write-offs recorded by the HBOR (S1311) in its bookkeeping against S11001 are recorded as capital transfers.

Specific government transactions

7.2.3 Repayments of claims

Repayments of claims are not relevant.

7.2.4 Debt write-offs

Debt write-offs refer to matured and un-matured claims for the beneficiaries (who are not alive) of the Lending program for the employment of demobilized soldiers. Other write-offs of HBOR claims against S.14 (including trades and crafts) presumed uncollectable are treated as capital transfer.

7.2.5 Sale of claims

Sales of claims are not relevant.

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 ESA 2010 paragraphs 20.197-20.203 and clarified in the Chapter 3.2 on Capital injections of the ESA 2010 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 3.2.3.2.2.

Individual unit level data on capital injections are available on request from the Ministry of Finance and are checked with the accounting data in DZS. For companies with current losses equity injections are in national accounts treated as capital transfers. At the central government level, the capital injection test is applied for all amounts.

Data on individual transactions for budgetary central government are provided by Ministry of Finance on quarterly basis. Data consists of financial cash transactions on accounts 53-Expenses for equity investments in corporations and 83-Receipts from sale of equity stakes in corporations from Chart of accounts from level 13 of budgetary central government. For each transaction on account 53-Expenses for equity investments in corporations, capital injection test is performed on individual basis and treatment in national accounts is agreed on national EDP Working group. For other units classified in general government, part of central government, local government and social security funds, the data are available on aggregated level through financial reports on quarterly basis, collected by FINA. The same accounts are used in the calculation but it is not possible to make individual capital injection testing. In accordance with the Eurostat opinion, all acquisitions of equity at the local government level are treated as capital transfers, unless proved otherwise. HNB processes the data, and presents results to the EDP working group which then makes final decision based on profit and loss account of company in question, and whether there are private units involved.

No quasi-corporations exist.

7.4. Dividends

The accounting rules are set out in ESA 2010 paragraphs 20.205-20.207. It is recalled, that the ESA 2010 Manual on Government Deficit and Debt chapter 3.5 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 ESA 2010, 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 ESA 2010 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.

Data on revenue from dividends and withdrawals from income are available at the central budget level from the Ministry of Finance. The super dividend test is performed by DZS on the unit level using operating profit from financial statements of corporations. There are no interim dividends identified.

At the local government level, the super dividend test is not performed because of negligible amounts.

7.5. Privatization

The accounting rules are set out in ESA 2010 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 5.2 indicates that such indirect privatization proceeds are not government revenue. MGDD chapters 5.3 and chapters 5.4, respectively, provide the guidance on the treatment of privatisation proceeds from public corporations and restitution and use of vouchers for privatisation.

Specifically, chapter 5.3.1 of the ESA 2010 Manual on government deficit and debt mentions that in some EU Member States, holding companies have been set-up by the government to restructure the public sector with the aim of making the enterprises more competitive and profitable and, in the long run, disengaging the government. Often their main activity is to organise the privatisation efficiently and transfer the proceeds of the sale of shares to other public corporations (owned by the holding company or not), through grants, loans or capital injections.

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

Specific government transactions

The units involved in privatization are the Restructuring and Sale Centre (CERP) and the Ministry of State Property. Please see under chapter 1.1. The units are classified into the subsector central government (S.1311).

The privatization income is not included in the working balance. Transactions in financial accounts, reduction in F.5_A, are recorded when the cash is paid but since there was no payment in tranches we consider F.5 as being on an accrual basis. The data sources and the process are the same as explained in chapter 7.3.

The last big privatisation occurred in 2014 when the government sold 39% of ownership rights of the Croatia Insurance Company (Croatia Osiguranje) to a private company.

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 ESA 2010 paragraphs 20.276-20.282 and clarified in the Chapter 6.4 of the ESA 2010 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 ESA 2010.

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

PPP assets are classified in the partner's balance sheet if both of the following conditions are met: the partner bears the construction risks and the partner bears at least one of either availability or demand risk, as designed in the contract.

If the conditions are not met, or *if government assumes the risks through another mechanism*, (e.g. guarantees, government financing) then the assets are to be recorded in the government's balance sheet. The treatment is in this case similar to the treatment of a financial lease in national accounts requiring the recording of government capital expenditure and borrowing. In borderline cases it is appropriate to consider other criteria, notably what happens to the asset at the end of the PPP contract.

In Croatia, first PPPs have been contracted in 2005 and presently there are in total 14 PPPs from which 13 are for 7 years in operational phase and one is in construction. The total market value is approximately EUR 360 million.

On the ground of the Public Private Partnership Act, the Agency for Public Private Partnership (Agencija za javno-privatno partnerstvo, AJPP) was established as a central national authority in charge for evaluating, approving and monitoring the implementation of PPP projects. In March 2015, AJPP was merged into the Agency for Investments and Competitiveness, which has retained all the activities of the former AJPP. Pursuant to Article 7 of the Act on PPP, the public body shall deliver to the Agency Information on intention to implement a project.

As there is the central PPP unit, DZS receives information regarding new PPPs. Besides, the PPP unit keeps the public register of newly announced, approved and contracted PPPs. In every single PPP contract there are provisions allowing the PPP Unit to deliver the contract to DZS. Risk assessing is provided in cooperation of the PPP unit and DZS. In specific cases, experts will be engaged.

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.*

ESA 2010 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.”*

Net interest transactions resulting from SWAP arrangement on external bonds were recorded under the instrument financial derivatives (F.7A/L) and they are not included in D.41.

There is no difference between EDP and national accounts interest expenditure amount.

7.7.1 Types of derivatives used

Currently there are 4 central government bonds issued on the US market with initial denomination in USD that are hedged against USD exchange rate movements by contracting fixed-to-fixed cross currency swaps agreements (USD to EUR)

7.7.2 Data sources

Primary data source for cross currency swap agreements for central government external bonds is the Ministry of Finance.

Specific government transactions

7.7.3 Recording

Currently, exchange of principal and net interest payments' transactions resulting from SWAP arrangement on central government external bonds are recorded under the instrument financial derivatives (F.7_Asset/Liability) and according to ESA2010 they are not included in D.41, i.e. deficit. See also F.7_A/L under chapter 3.2.4.1.

There is no difference between EDP and national accounts interest expenditure amount.

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.

Motorways in Croatia are in great part constructed and maintained by HAC (Croatian Motorways, 100% owned by government, classified as part of S.13). HAC collects tolls. In national accounts revenue from tolls are treated as market revenue. Another public institutional unit, managing motorways in concession, and 100% owned by government, is ARZ (Motorway Rijeka-Zagreb), which also collects tolls. It is also classified as part of S.13. (With the end of 2020, ARZ gets incorporated into HAC.)

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 ESA 2010 MGDD part 6, chapter 6.5 is dealing with the statistical recording of the emission trading allowances.

Trading with emission permits via general government is relevant from January 2015 when the first auction of the permits was held by the Environmental Protection and Energy Efficiency Fund (FZOEU). The statistical recording of the emission trading allowances is according to the above-mentioned chapter VI.5 ESA2010 MGDD which means that receipts on the auction will not be recognized as revenue in national accounts at the moment of the auction but when the permits will be submitted using FIFO method.

Data source for permits issued and sold at the auctions is the line ministry – currently Ministry of Economy and Sustainable Development, formerly Ministry of Environment and Energy. The Ministry is also data source for permits issued for free. Data source for permits surrendered is the Environmental Protection and Energy Efficiency Fund. Data are collected quarterly with the date of auction for permits sold at the auctions, while data on permits issued for free and permits surrendered are collected annually.

Sale of permits is recorded as financial transaction. Revenues are recognised in the moment when permits are surrendered up to an amount of total surrendered permits, which is calculated as a product of quantity of permits surrendered and average price realised at the auctions. Revenues are recorded as D29 and are not influenced by permits issued for free.

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 6, chapter 6.2 is dealing with sale and lease back operations

Sales and leaseback operations are not relevant.

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. In addition, 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.

Securitisation is not relevant.

Specific government transactions

7.12. UMTS licenses

The receipts of government following the allocation of mobile phone licenses to operators are to be recorded as rent (D.45) over the whole time of the licence.

In cases when licenses are sold in advance of their actual availability, any prepayment collected by government should be recorded as other accounts payable (F.8).

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.

Issuing UMTS licenses are within the responsibilities of HAKOM (Hrvatska agencija za telekomunikacije) which issued UMTS licenses to A1 Hrvatska (former VipNet), Hrvatski telekom and Tele2. The transactions on licenses sold are recorded in national accounts as rent (D.45) spread over the life time of the license.

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 injection, therefore capital gains and losses are somehow not treated symmetrically. This asymmetrical treatment is nevertheless justified for the purpose of appropriately measuring government deficit.

The distributed capital gains up to the operating profit are recorded as income in national accounts. Payments from central bank to government up to the operating profit are recorded as income in national accounts.

Regular superdividend test is applied to transfers by Central bank to the state budget and income is recorded just up to the operating profit of the Central bank, while the eventual superdividend is recorded as financial transaction (F2A+, F5A-).

7.14. Lump sum pension payments

ESA 2010 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 ESA 2010 MGDD and debt Part 3.6 Impact on government accounts of transfer of pension obligations.

There has been occurrence of lump sum pension payments in the second quarter of 2014 and fourth quarter of 2015. The transfer from second pension pillar to first pension pillar was recorded as pure financial transaction in 2014 and 2015 with no impact on B.9 and with recording revenues in subsequent years through the period in which the pensions are expected/estimated to be paid out (linear allocation of the total of transferred funds to 30 years).

7.15. Pension schemes

The activity of HZMO is the implementation of compulsory pension insurance (first pillar) under which the insured, based on the principles of solidarity and reciprocity, ensure rights for old age, disability, and for the members of their family rights in case of death of the insured. The activities of the Institute comprise the implementation of compulsory pension insurance based on generational solidarity and procedure for children benefit.

The pension insurance is financed by: (a) Pension contributions revenue and (b) Revenue from the state budget used to cover expenses for the rights achieved under favourable conditions and special regulations, pension bonuses and deficit of compulsory pension insurance revenue based on generational solidarity resulting from the introduction of compulsory pension insurance based on individual capitalized savings (II. pillar).

The pension system in Croatia has seen significant changes during the year 2001 and year 2002. The way pensions were financed is changed from pay-as-you go system into a mixed, state and private system. The old pay-as-you go system is still present and constitutes the first pillar. New system, defined contribution system with personal accounts, is introduced as the second pillar. Apart from these two mandatory pillars, the third pillar was introduced. It is voluntary and intended for all citizens who want to save additionally for their pensions.

The Croatian three-pillar pension system consists of a pay-as-you-go pension scheme (first pillar), a fully funded, mandatory, privately managed defined contribution pension scheme (second pillar) and a privately managed voluntary pension scheme (third pillar).

Under this relatively new pension system (the second pillar was introduced in 2002), one part of the social contributions (currently 5% of the gross wage) is transferred to personal accounts in a mandatory second pillar pension fund chosen by the employee. The remaining part of the social contributions (currently 15% of gross wage) is paid in the first pillar pay-as-you-go pension scheme. Four mandatory second pillar pension funds operate currently in Croatia, covering approximately 1.6 million individuals. The financial accounts of these entities are audited and publicly available on their web sites.

The Croatian second pillar pension scheme has a broad coverage, it is a mandatory and fully funded defined contribution pension scheme, and it is classified outside the general government sector namely in S.12 while HZMO is classified in S.1314.

Specific government transactions

7.16. Income contingent loans

This kind of instrument is not relevant.

7.17. Concessions

There are four concessions recorded in government accounts: Bina Istra, MZLZ (International Airport Zagreb), HAC (Croatian Motorways Ltd) and ARZ (Motorway Rijeka - Zagreb). Data source for Bina Istra and MZLZ are financial reports for units keeping entrepreneurial accounting i.e. Annual Financial Statement of Entrepreneurs (Godišnji financijski izvještaj poduzetnika, GFI-POD) and for HAC and ARZ, as of 2020 are financial reports for units keeping budgetary accounting. Until 2019, HAC and ARZ were also reporting according only to entrepreneurial accounting.

Also, HNB's System for Monetary and Banking Statistics and HBOR and HNB's External debt statistics are used as data sources for debt compilation of those units.

Their contracts were analysed and as a result HAC and ARZ are reclassified into S1311 (public partners) while the other two units where the partner is private, Bina Istra and MZLZ, are recorded on-balance sheet of S1311.

For two units (Bina Istra and MZLZ) which asset has been recorded on-balance sheet actual debt method is generally used while also all financing for the investment purposes by the shareholders (out of equity) has been included into debt diminishing the difference between actual and imputed debt model.

(With the end of 2020, ARZ gets incorporated into HAC.)

7.18. Energy Performance Contracts

On 19 September 2017, Eurostat published the Guidance note on the recording of energy performance contracts in government accounts and on 8 May 2018, Eurostat published, in cooperation with the EIB, the Guide on statistical treatment on EPC.

EPCs are recorded off-balance sheet in the national accounts.

In Croatia the standardised model of the EPC contract has been adopted for the public building. This standardised contract was evaluated and it was assessed that the risk/benefit distribution is on private partner's side, therefore off-balance sheet recording is applied.

There is no systematic data collection on the level of EPCs.

