

Bulgarian fiscal data (national methodology)

Methodology of reporting of the budget units

The reports for the execution of the budget are prepared on the basis of the national budget classification, which is developed in line with the requirements of the international methodology for the state finances in accordance with the IMF Manual on Government Finance Statistics, 1986 (GFS 86). The classification is obligatory for all budgetary units and is developed in several parts. Within it there are about 100 paragraphs that reflect revenues, expenditures and financing by economic type. These paragraphs are grouped in aggregated indicators within the report on the budget execution prepared by the MoF. The report for the execution of the consolidated state budget drawn by the MoF by the separate constituent budgets also follows the basic principles set in this manual for the presentation of the revenues, expenditures, financing and consolidation of the budgetary transfers between the different levels of the government. Under the national methodology privatization revenues, and from 2002 the acquisition of financial assets and lending to non-financial enterprises, are presented as a part of financing and are exceptions to the GFS 86.

The functional presentation of the expenditures into 9 major functions, that consist of groups and activities gives a notion of the government's policy in the different sectors such as education, health, and social insurance, and could serve as a basis in the transition towards program budgeting. For example, the expenditures for education under the consolidated state budget include the educational services provided by the respective line ministries and agencies, as well as by the municipalities. This gives an opportunity for analysis at the national level.

Periodic reports on execution of the Consolidated Fiscal Budget

The Ministry of Finance prepares the data on cash execution of the Consolidated Fiscal

Program and the Republican budget twice per month (on the 1st and the 17th of the month following the reporting month) on the basis of the BNB data on the statement of the revenue and expenditure accounts of the Central budget, of the line ministries and agencies, the judiciary authority, the social insurance funds, the autonomous budgets (Bulgarian Academy of Science, the state universities, Bulgarian National Radio and Bulgarian National TV) the municipalities and the extra-budgetary accounts and funds. These data are not disseminated.

The **monthly reports** for the budget execution are prepared in Excel for Windows format and are to be presented on a disc and on paper in the MoF 10 days after the end of the respective month. In practice, the line ministries with more subordinate spending units, as well as the municipalities are usually late, and because of that the MoF prepares the monthly report for the consolidated state budget by separate constituent budgets 20-25 days after the end of the respective month. The monthly fiscal data are disseminated 30 days after the reference period.

The monthly report does not give information on spending of the budgetary funds by functions, but consists only of aggregated economic indicators, as follows:

- Own revenues – tax, non-tax and grants;
- Total expenditures, of which: salaries and other remunerations, social insurance contributions, current maintenance, social expenditures and scholarships, subsidies, capital expenditures, reserves gain;
- Transfers;
- Budget balance (deficit/surplus)
- Financing: external and domestic (net), and revenue from privatization.

The **quarterly reports** as well as the annual reports are prepared under the full budget

classification. The MoF receives it and processes it in its computing center 45 days after the reporting period. The quarterly fiscal data are disseminated in the end of the third month after the reference period.

The **annual reports** for the cash execution of the budget are subject to **certification by the Audit Office together with the balance-sheet and the Income Statement** of the budget entities. The MoF receives it and processes it in its computing center 45 days after the reporting period. The MoF prepares the consolidated state budget by the beginning of March and completes the report on its execution by the end of May. The preliminary annual fiscal data are disseminated 3 months after the reference period. In June the Minister of Finance submits the report and the budget for discussions in the Council of Ministers, and after that the government presents it for adoption by the National Assembly. Annual fiscal data submitted by the Council of Ministers to the National Assembly are disseminated by the MoF six months after the reference period.

Coverage of the fiscal data:

The **monthly, quarterly and annual fiscal data** present the execution of the **Consolidated Fiscal Program**, which consists of:

- **Republican budget** – Central budget, Ministries and Agencies' budgets, and the budget of the National Audit Office;
- **Judiciary Authorities' budget.** The budget of the Judiciary authorities includes summarized information on the budgets of courts, prosecution and the National Prosecution Office.
- **Social Security and Health Insurance Funds' budgets** – the budgets of the National Social Security Institute and Health Insurance Fund. Their budgets are approved by the National Assembly separately from the annual Budget Law. The Teachers Pension Fund, defined as an extra-budgetary fund in the Social Security Code, is also shown here. It is approved

by the Supervisory Board of the National Social Security Institute.

- **Public Universities, Bulgarian Academy of Science, Bulgarian National TV, and Bulgarian National Radio** (autonomous budgets)

The Public Universities and the Bulgarian Academy of Science execute their budgets outside state budget since 1998 and the Bulgarian National Television and Bulgarian National Radio – since 2000. Until the above mentioned years the information on those institutions was integrated in the budgets of the corresponding ministries. Now the Parliament approves only transfers from central government, while separate respective laws regulate their revenues, expenditures, transfers and financing.

- **Municipalities' budgets**

Municipalities Budget Law is the legal basis for preparing the budget of local authorities. The National Assembly approves only transfers from the central government to municipalities.

- **Extrabudgetary accounts and funds** of the ministries, government agencies and municipalities.

The Minister of Finance approves the budgets of extra-budgetary accounts, while the Council of Ministers adopts the budgets of extra-budgetary funds. Their number was very high in the years between 1991 and 1998. In recent years many of them have been incorporated in the corresponding budgets. In the Law on the State Budget for 2005 the following extra-budgetary funds and accounts are stated:

At central government level:

- Privatization Expenditures Fund (with the Privatization Agency – Privatization and Post-privatization Control Act);
- Agricultural Fund (Agricultural Producers' Support Act);
- National Fund (with the Ministry of Finance – Ratification of

Memorandum of Agreement between the Republic of Bulgaria and the European Commission);

- State Enterprise for Management of the Environmental Activities (Art.60 of the Law on Environment).

On municipal level:

- Special Account for Privatization Receipts with the municipalities (Privatization and Post-privatization Control Act);
- Privatization Expenditures Fund (with the municipalities - Privatization and Post-privatization Control Act);
- Special Fund for Investments and Fixed assets (with the municipalities - Privatization and Post-privatization Control Act);

Social Security Sector

- Teachers Pension Fund (Defined as an extra-budgetary fund in the Compulsory Social Code, and consolidated in the budget of the Social Security).

Development of reporting methodology

In recent years the EU Candidate Countries have been interpreting and applying EU requirements to their statistics, following Eurostat recommendations. Thus, the Candidate Countries make sure that their statistics, including deficit and debt data, are comparable with those of EU Member Countries.

The concept of deficit and surplus within ESA 95 system requires recording of transactions on an accrual basis as well as financial transactions for policy purposes, which were presented previously in the expenditure side of the budget under the national concepts, to record now in the financing part of the budget.

Prior to 2002 the expenditure side of the Bulgarian national budget included 'the lending to enterprises' that should be recorded as a financing transaction and subtracted from the deficit according to the ESA'95 rules. 'Net lending' in the Bulgarian national methodology

included the following items: net acquisition of shares and other equity (excluding receipts of privatization); loans granted by the government minus repayments to the non-financial or financial enterprises for policy purposes; net payments made by the government on activated debt guarantees.

Since 2002 the ESA 95 and GFSM 2001 (IMF statistical standard) concept of deficit calculation is being interpreted and applied as a national methodology. To ensure consistency of the 2002 fiscal data with the data for the previous years, the Bulgarian authorities revised the national statistical data and reclassified the financial transactions included in the expenditure side of the national consolidated fiscal budget for the previous years as financial items.

The Bulgarian authorities are developing the national methodology of the deficit for the general government further to fulfill all the requirements of the ESA 95

Since 2001 a new chart of accounts for budget enterprises which is harmonized with the ESA 95 and GFSM 2001 requirements has been introduced. It provides accrual data for the operation of the General Government units. Methodology for recording the operations of the central budget (taxes and social security contributions) on an accrual basis is being currently developed.

Changes in General Government Units

Significant changes took place in the area of health care. Prior to 2001 the hospitals were budgetary spending units and were financed from the Republican and the Municipal budgets. Now they are registered under the Law on Health Units, and are functioning as non-financial enterprises. The institutions for in-patient care (hospitals and clinics) are subsidized by the Republican budget and municipalities – the subsidies are for medical aid and health care activity. They are provided through the budget of the Ministry of Health and the local government budgets and are granted to hospital and clinics on the basis of

annual contracts between the financing institution and the corresponding hospitals and clinics in compliance with the State Budget Law. Since July 1st, 2001 a partial financing of hospitals by the National Health Insurance Fund has started, based on the factual medical activity carried out and quality standards to be met by hospitals. The out-patient service (pre-hospital aid) and the diagnostic centers (ex-policlinics) are financed by the National Health Insurance Fund, the amount being linked with the National Framework Agreement for the corresponding year.

Comments on deficit and debt statistics

Data on government deficit and debt are one of the priority areas, which are strictly monitored by the European Commission for the EU member countries. In the context of the pre-accession negotiation, harmonized and comprehensive information on government finance statistics from the Candidate Countries is of key importance, as they would have the same reporting obligations as soon as they become members of EU. In this respect high priority is given to the preparation of data in accordance with Council Regulation 3605/93 on the application of the protocol on the excessive deficit procedure and ESA 95. Bulgaria regularly once a year submits notification tables under the excessive deficit procedure (EDP). In Notification 2005 the assessment on an accrual basis interest on debt and revenue from taxes was included for the first time. As a member country Bulgaria will be obliged to submit the notifications under the EDP twice a year.