

**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**

Portugal

June 2021

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 of General Government units.

List of frequent abbreviations and acronyms

- ACSS** – *Administração Central do Sistema de Saúde* – Health Service Central Management
- AD&C** – *Agência para o Desenvolvimento e Coesão, I.P.*
- ASF** – *Autoridade de Supervisão de Seguros e Fundos de Pensões* – Portuguese Insurance and Pension Funds Supervisory Authority
- AT** – *Autoridade Tributária e Aduaneira* – Portuguese Customs and Tax Authority
- BdP** – *Banco de Portugal*
- BoP** – Balance of Payments
- CEDIC** – *Certificados Especiais de Dívida de Curto Prazo* – Special Certificates of short-term Government Debt
- CEDIM** – *Certificados Especiais de Dívida de Médio e Longo Prazo* – Special Certificates of medium and long-term Government Debt
- CFP** – *Conselho das Finanças Públicas* – Portuguese Public Finance Council
- CGA** – *Caixa Geral de Aposentações* – Civil Servants’ Pension Scheme
- CGE** – *Conta Geral do Estado* – General State Account
- DGAL** – *Direção-Geral das Autarquias Locais* – Directorate-General for the Local Authorities
- DGO** – *Direção-Geral do Orçamento* – Directorate-General for the Budget
- DGTF** – *Direção-Geral do Tesouro e Finanças* – Directorate-General for the Treasury and for Finance
- DREM** – *Direção Regional de Estatística da Madeira* – Regional Directorate of Statistics of Madeira
- DROC** – *Direção Regional de Orçamento e Contabilidade* – Regional Directorate of Budget and Accounting (Autonomous Region of Madeira)
- DROT** – *Direção Regional do Orçamento e Tesouro* – Regional Directorate of Budget and Treasury (Autonomous Region of Açores)
- EDP** – Excessive Deficit Procedure
- ESA** – European system of national and regional accounts
- GEAP** – *Grupo de Estatísticas das Administrações Públicas* – General Government Statistics Group
- GFS** – Government Finance Statistics
- GGSU** – General Government Statistics Unit of INE
- GPEARI** – *Gabinete de Planeamento, Estratégia, Avaliação e Relações Internacionais do Ministério das Finanças*
- IAPMEI** – *Agência para a Competitividade e Inovação*
- IGCP** – *Agência de Gestão da Tesouraria e da Dívida Pública* – Portuguese Treasury and Debt Management Agency
- IES** – *Informação Empresarial Simplificada* – Simplified Corporate Information
- IGF** – *Autoridade de Auditoria* – Auditing Authority (former *Inspeção-Geral de Finanças* – Inspectorate-General for Finance)
- IGFSS** – *Instituto de Gestão Financeira da Segurança Social* – Institute for the Financial Management of Social Security
- IPSAS** – International Public Sector Accounting Standards

INE – *Instituto Nacional de Estatística, I.P.* – Statistics Portugal

ITP – *Turismo de Portugal, I.P.*

LCPA – *Lei dos Compromissos e dos Pagamentos em Atraso* – Law of Commitments and Late Payments

MGDD – Manual on Government Deficit and Debt

MoF – Ministry of Finance

NPI – Non-profit Institutions

OCGB – Other Central Government Bodies

POCAL – *Plano Oficial de Contas da Administração Local* – Official Plan of Accounting for Local Authorities

POCISSS – *Plano Oficial das Instituições do Sistema de Solidariedade e de Segurança Social* – Official Plan of Accounting for Solidarity and Social Security System Institutions

POCP – *Plano Oficial de Contabilidade Pública* – Portuguese Official Plan of Public Accounting

PPP – *Parceria Público-Privada* – Public-Private Partnership

RAA – *Região Autónoma dos Açores* – Autonomous Region of Açores

RAM – *Região Autónoma da Madeira* – Autonomous Region of Madeira

RNAP – *Reposições não Abatidas aos Pagamentos* – Refunds not Deducted in Payments

RPC – *Recursos Próprios Comunitários* – Own Resources

S3CP – *Sistema Central de Contabilidade e Contas Públicas* – Central Public Accounting and Accounts System

SFA – *Serviços e Fundos Autónomos* – Autonomous Services and Funds

SIRIEF – *Sistema de Recolha de Informação Económica e Financeira* – Economic and Financial Information Collection System

SME – Small and Medium Enterprises

SNC-AP – *Sistema de Normalização Contabilística – Administrações Públicas* – Portuguese Normalized Chart of Accounts for General Government

SNS – *Serviço Nacional de Saúde* – Portuguese National Health Service

SOE – State-owned Enterprise

SREA – *Serviço Regional de Estatística dos Açores* – Regional Statistics Unit of Azores

TdC – *Tribunal de Contas* – Court of Auditors

UTAO – *Unidade Técnica de Apoio Orçamental da Assembleia da República* – Portuguese Parliament’s Technical Unit of Budget Support

UTAP – *Unidade Técnica de Acompanhamento de Projetos* – Technical Support Unit to the Portuguese MoF for PPP Projects

WB – Working Balance

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 Portugal.

The General Government sector is composed by 3 sub-sectors: S.1311, S.1313 and S.1314. It includes:

1.1. Central government subsector (S.1311)

The Central Government subsector includes the State, the Portuguese Civil Servants' Pension Scheme (CGA, *Caixa Geral de Aposentações*), Central Government Autonomous Services and Funds (SFA), Non-profit Institutions (NPI) and public corporations classified inside Central Government.

In legal terms the State includes all units under its direct management (defined by the Law No 4/2004 of January 15th) and the Autonomous Services and Funds include the units under the State indirect management (defined by the Law No 3/2004 of January 15th).

In 2019:

- The Central Government SFA subsector comprises 192 units, of which 5 hospitals and 52 institutions of higher education.
- The public corporations classified in Central Government are 108.
- The NPI subsector comprises 45 units.

1.2. State government subsector (S.1312)

This subsector does not exist in Portugal.

1.3. Local government subsector (S.1313)

The Local Government subsector includes the Regional Government and the Local Government.

The Regional Government comprises the two Regional Governments of the Autonomous Regions of Azores and Madeira, as well as the regional SFA and regional public corporations classified inside this subsector.

Regarding Azores, in 2019 the regional SFA subsector includes 61 units of which 9 are local health units and 39 are *Fundos Escolares*. There are 15 public corporations from Azores classified in the Regional Government subsector, of which 3 are general hospitals.

In Madeira, the regional SFA subsector comprises 13 units. There are 10 public corporations from Madeira classified in the Regional Government, including the regional health service.

The Local Government subsector includes Municipalities (308 units), civil parishes – *Freguesias* (3091 units), Local Government SFA (110 units), local public corporations (100 units) and Local Government NPI (106 units).

1.4. Social security funds subsector (S.1314)

The Social Security Funds subsector includes the Social Security General Scheme, which corresponds to the units that constitute the General Social Security Account, compiled by *Instituto de Gestão Financeira da Segurança Social* (IGFSS), the Portuguese Institute for the Financial Management of Social Security.

In 2019, this subsector is comprised by 12 units.

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

The main national laws that specify the collection of fiscal data are:

– **Lei de Enquadramento Orçamental, Budget Framework Law (Law No 151/2015 of September 11th)**

This law has been revised frequently, mainly to consider the reinforced European Union fiscal framework and the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union (fiscal compact). The revisions had also the purpose of accommodating the developments in the regional and local financing laws. The previous revision of the law, in June 2013, improved budgetary procedures and principles of budgetary management, reinforcing accountability, transparency and simplification.

– **Decreto-Lei de Execução Orçamental, Decree-Law of Budget Execution**

This annual law establishes the organisation of the internal rules, by determining the precise regulation about statistical information and specific records to be reported by several entities and the specific timing of reporting to *Direção-Geral do Orçamento* (DGO), the Ministry of Finance's Budget General Directorate.

– **Lei das Finanças das Regiões Autónomas, Regional Government Law (Law No 2/2013 of September 2nd)**

This law defines the financing mechanisms of the Autonomous Regions for the implementation of their financial autonomy enshrined in the Constitution and in the political and administrative regional statutes. Article 21 of this law specifies their obligations of compiling and transmitting data for EDP purposes.

Budget laws for the Regional Government of Madeira can be accessed [here](#).

Budget laws for the Regional Government of Azores are available in [this address](#).

– **Lei das Finanças Locais, Local Government Law (Law No 73/2013, of September 3rd)**

This law establishes the financial regimen of the Municipalities and inter-municipal entities.

The main national laws that specify the compilation of GFS, by Statistics Portugal (INE) are:

- **Lei do Sistema Nacional de Estatística, Law of the National Statistical System (Law No 22/2008 of May 13th)**
Approves the general basis of the National Statistical System and is available on [INE website](#).
- **Decree-Law No 136/2012 of July 2nd**
Approves the organic structure of Statistics Portugal and is also available on [INE website](#).

The compilation of General Government Statistics by Banco de Portugal (BdP) is included in the functions attributed in its [Organic law](#) (Law No 5/98 of January 31st) and the corresponding amendments, and by the Law of the National Statistical System.

The division of tasks and the cooperation framework for the compilation of national accounts are defined by a protocol signed in 1998 by BdP and INE. According to this agreement, INE compiles the national non-financial accounts and BdP compiles the national financial accounts. To achieve consistency between the financial and non-financial accounts, the protocol establishes cooperation mechanisms, mutual consultation, and methodological discussions for the compilation of national accounts, namely the harmonized implementation of the European System of National and Regional Accounts.

In the field of General Government Statistics, an [Institutional Cooperation Agreement in the Field of General Government Statistics](#) was concluded in January 2006 between INE, BdP and DGO, focusing on various activities in the compilation of these statistics. This agreement was updated in March 2017 and was signed by ten other institutions: *Agência de Gestão da Tesouraria e da Dívida Pública (IGCP)*, *Conselho das Finanças Públicas (CFP)*, *Direção-Geral das Autarquias Locais (DGAL)*, *Direção-Geral do Tesouro e Finanças (DGTF)*, *Direção Regional de Estatística da Madeira (DREM)*, *Gabinete de Planeamento, Estratégia, Avaliação e Relações Internacionais do Ministério das Finanças (GPEAR)*, *Inspeção-Geral de Finanças (IGF)*, *Serviço Regional de Estatística dos Açores (SREA)*, *Tribunal de Contas (TdC)* and *Unidade Técnica de Apoio Orçamental da Assembleia da República (UTAO)*.

The protocol is available at INE's website, in [Portuguese](#) and in [English](#).

Please see more detailed information in section [2.3.1](#).

Institutional arrangements - Institutional responsibilities for the compilation of General Government deficit and debt data

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:

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.

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

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

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

Institutional arrangements - Institutional responsibilities for the compilation of General Government deficit and debt data

Table 1. - Institutional responsibilities for the compilation of General Government national accounts and EDP tables

Institutional responsibilities <i>(the appropriate cells are crossed)</i>		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			
	planned data	deficit/surplus		X		
		debt		X		
		other variables		X		
EDP table 2 (actual data)	2A central government		X			
	2B state government		NA			
	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				NA	
	3D local government				X	
	3E social security funds				X	
EDP table 4		X		X		

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

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

NCB – National Central Bank

Other – other national body, to be specified in comments

The official names of the institutions involved in the compilation of General Government national accounts are:

a) **NSI:** *Instituto Nacional de Estatística (INE)* – Statistics Portugal:
Departamento de Contas Nacionais – National Accounts Department;
Serviço de Contas das Administrações Públicas – General Government Statistics Unit (GGSU).

b) **NCB:** *Banco de Portugal (BdP):*

Institutional arrangements - Institutional responsibilities for the compilation of General Government deficit and debt data

Departamento de Estatística – Statistics Department;
Núcleo de Estatísticas das Administrações Públicas – General Government Statistics Unit.

c) **MOF:** *Ministério das Finanças (MoF):*

Direção-Geral do Orçamento (DGO) – Budget General Directorate.

For the preparation of EDP notifications, INE has the responsibility of compiling the General Government net borrowing / net lending for the years previous to the current year and BdP is responsible for compiling Financial Accounts and Gross Debt for the same years. The forecasts of the General Government net borrowing / net lending and Gross Debt are a responsibility of the Ministry of Finance.

For Annex 1, the responsibilities for the elaboration of the tables are as follows:

Table 1: INE compiles net borrowing / net lending, General Government expenditure on gross fixed capital formation and gross domestic product at current market prices and BdP compiles gross debt for years n-4 to n-1. DGO compiles forecasts.

Tables 2: Compiled by INE.

Tables 3: Compiled by BdP.

Table 4: BdP compiles trade credits and differences of valuation in debt and INE compiles Gross National Income at current market prices.

For Annex 3, the responsibilities for the elaboration of the tables are as follows:

Table 1: Compiled by INE (Table 1.1) and BdP (Table 1.2).

Table 2: Compiled by INE.

Table 3: Compiled by INE.

Table 4: Compiled by BdP (Tables 4.1) and INE (Tables 4.2).

Table 5: Compiled by INE.

Table 6: Compiled by INE and BdP.

Table 7: Compiled by INE and BdP.

Table 8: Compiled by BdP (Table 8.1) and INE (Table 8.2).

Table 9: Compiled by INE (Tables 9.1 and 9.3) and BdP (Table 9.2).

Table 10: Compiled by INE and BdP.

Table 11: Compiled by INE.

BdP is the entity responsible for the elaboration of Annex 5.

Each entity is responsible for the results in its area of competence. Nevertheless, the EDP Notification is prepared in cooperation among the three institutions and the Working Group created within the institutional cooperation agreement analyses the accounts before each notification and discusses the relevant methodological issues.

EDP tables are transmitted to Eurostat by INE via electronic form (EDAMIS).

Institutional arrangements - Institutional responsibilities for the compilation of General Government deficit and debt data

2.1.1 Existence of an EDP unit/department

At INE the unit/department responsible for EDP notification is the *Serviço de Contas das Administrações Públicas* (General Government Statistics Unit – GGSU) in the *Departamento de Contas Nacionais* (National Accounts Department).

At BdP the tasks related with the EDP notification are made by the *Núcleo de Estatísticas das Administrações Públicas* (General Government Statistics Unit), in the *Departamento de Estatística* (Statistics Department). This unit is also responsible for the compilation of quarterly Financial Accounts of General Government and monthly data on Financing of General Government and General Government Debt.

At DGO the tasks related with the EDP notification are made by the *Direção de Serviços de Análise e Finanças Públicas*.

According to *Lei das Finanças das Regiões Autónomas*, Azores Regional Statistics Unit (SREA) and Regional Directorate of Statistics of Madeira (DREM) are responsible for compiling non-financial accounts and debt of the Autonomous Regions and for reporting it to INE and BdP respectively.

An organization chart of INE is available on [Statistics Portugal - Web Portal](#).

In the case of BdP, please find the organization chart on the following address: [Organisation chart | Banco de Portugal](#).

GGSU is responsible for a number of tasks in the field of General Government Accounts. The competences and duties of the units are defined by the Board of INE in the general organizational structure of INE.

In March 2013 an internal law was published establishing the competences of the GGSU, as follows (available only in Portuguese):

- a. *“Manter atualizada e publicitar a lista de entidades que compõem o setor institucional das Administrações Públicas;*
- b. *Elaborar as contas não financeiras das Administrações Públicas no quadro das contas nacionais;*
- c. *Produzir a informação necessária ao procedimento dos défices excessivos (PDE) e apoiar a representação do INE nos grupos de trabalho e comités europeus relevantes neste domínio;*
- d. *Promover a articulação com entidades externas, nomeadamente com as que detêm responsabilidades partilhadas na preparação da notificação do PDE, para o aprofundamento da qualidade das contas não financeiras das Administrações Públicas;*
- e. *Colaborar com o Serviço de Contas Económicas Integradas na produção das contas anuais e trimestrais dos setores;*
- f. *Validar as contas das Administrações das Regiões Autónomas dos Açores e da Madeira, compiladas pelos respetivos serviços de estatística;*
- g. *Assegurar a produção de estatísticas fiscais;*
- h. *Assegurar, em articulação com o Serviço das Contas Económicas Integradas, a classificação, por setor institucional, de todas as unidades institucionais públicas, para a elaboração das Contas Nacionais;*

Institutional arrangements - Institutional responsibilities for the compilation of General Government deficit and debt data

- i. *Colaborar, em articulação com os Serviços de Contas Económicas integradas, de Contas das Administrações Públicas e de Indicadores de Curto Prazo, com o Departamento de Metodologia e Sistemas de Informação para uma adequada gestão e atualização do Ficheiro de Empresas.”*

In the Autonomous Regions of Madeira and Azores, the Article 21 of the *Lei das Finanças das Regiões Autónomas* establishes that (available only in Portuguese):

- “1 - No âmbito do procedimento dos défices excessivos, até ao final dos meses de fevereiro e agosto, os serviços regionais de estatística apresentam uma estimativa das contas não financeiras e da dívida pública das administrações públicas regionais para os anos anteriores e corrente, de acordo com a metodologia do Sistema Europeu de Contas Nacionais e Regionais, do Manual do Défice e da Dívida e demais orientações definidas pelo Eurostat.
- 2 - As autoridades estatísticas nacionais devem validar a estimativa das contas e da dívida pública apresentadas pelos serviços regionais de estatística até ao final do mês seguinte ao da sua apresentação.
- 3 - No caso de a estimativa das contas e da dívida pública apresentadas pelos serviços regionais de estatística não serem validadas ou serem levantadas reservas, as autoridades estatísticas nacionais devem remeter ao Conselho um relatório detalhado das reservas levantadas, correções efetuadas e respetivos impactos no saldo das contas e na dívida pública das administrações públicas regionais.”

According to Article 13º of the Organic Law of Banco de Portugal, «1. Banco de Portugal shall ensure the compilation of monetary, financial, foreign exchange and balance of payments statistics, particularly, within the scope of its co-operation with the ECB.»

The compilation of statistics underlying the EDP notification is performed by the General Government Statistics unit in the Statistics Department. The main functions defined in the structure of Banco de Portugal, are the following (available only in Portuguese):

“*Principais responsabilidades:*

- *Assegurar, em articulação com as outras entidades relevantes, a definição e atualização do Universo das Unidades Institucionais do Sector das Administrações Públicas;*
- *Assegurar, em articulação com o Núcleo de Contas Financeiras, a produção regular de Contas Financeiras Trimestrais e Anuais do Sector das Administrações Públicas;*
- *Assegurar a produção regular de estatísticas sobre o financiamento das Administrações Públicas, assim como a criação, a manutenção e o acesso às respetivas séries estatísticas;*
- *Assegurar a produção regular de estatísticas sobre a Dívida Pública, assim como a criação, a manutenção e o acesso às respetivas séries estatísticas;*
- *Assegurar, em articulação com as outras entidades relevantes, o Reporte de Portugal no âmbito do Procedimento de Défices Excessivos e participar nas respetivas análises de natureza estatística e metodológica;*
- *Contribuir com análises e informação no âmbito das estatísticas das administrações públicas para as publicações do Banco, Base de Dados de Informação Estatística e Sistema de Difusão de Estatísticas On-Line e para o reporte a organismos nacionais e internacionais.”*

Institutional arrangements - Institutional responsibilities for the compilation of General Government deficit and debt data

2.1.2 Availability of resources for the compilation of GFS data

As mentioned in section [2.1.1](#), GGSU has the responsibility to compile annual and quarterly non-financial accounts. The unit is also responsible for the sector classification of government controlled units, relations with data providers and special data requests, data sources analysis, treatment of ESA transactions and methodological analysis.

For the organisation in BdP see section [2.1.1](#).

- Number of staff working on GFS at INE: 7 people.
- Number of staff working on GFS at BdP: 4 people.
- Number of staff working on GFS at DGO: 4 people.

At INE there is an additional unit, from the Data Collection and Management Department, with a staff of 3 to 4 people that is involved in the recording of the finalised data for the General Government units, namely processing the public accounts, checking and analysing the data sources.

At BdP the General Government Statistics Unit is involved in the designing of data requests from government units and checking and analysing the information received.

The people working in GGSU are also responsible for providing data upon requests of other international and national organizations. Requests are centralized by superiors and technicians have the responsibility to respond to those related to their specific area of work. Additionally, GGSU is responsible for the provision of data to the Parliament and the Portuguese Public Finance Council. Upon request, GGSU also provides information to the International Monetary Fund, the European Commission and the ECB in the framework of the Economic and Financial Assistance Programme to Portugal.

The General Government Statistics Unit of BdP is involved in the provision of data to the European Central Bank (quarterly Financial Accounts and Debt and annual Government Finance Statistics), International Monetary Fund (Financing of Central Government, annual Financial Accounts) and Organisation of Economic Co-operation and Development (quarterly Public Debt details). Additionally, BdP provides information to the Parliament and the Portuguese Public Finance Council.

The staff working at DGO is not exclusively working at GFS, but also accumulates functions regarding the public accounts and Portuguese State Budget compilation.

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

Lei de Bases da Contabilidade Pública (Law No 8/90 of February 20th) is a specific law that regulates the public accounts.

This Law is applicable for all government subsectors.

Central Government

The Central Government subsector includes (among others) the State, the Central Government SFA and the Non-profit Institutions classified in Central Government. Data are in a cash basis. The data of the public corporations classified in central government are in an accrual basis. CGA is classified in State subsector and data are in an accrual basis. The Portuguese National Health Service – *Serviço Nacional de Saúde* (SNS) data is also accrual.

Regional Government

The regional government and regional SFA data are cash basis; public corporations classified in regional government provide accrual data. In Azores and Madeira, data for SFA are accrual in the October EDP notification for n+2.

Local Government

The Municipalities data are cash-based in the April EDP notification and accrual data in the October EDP notification; for civil parishes, SFA and local corporations, data are estimated by INE in the half-finalised accounts. In the October EDP notification, data for local corporations are accrual. In October of n+2 accrual data for local SFA and NPI are also available, whereas data for civil parishes are in a cash basis.

Social Security Funds

The Social Security Funds include the General Social Security Scheme, which corresponds to the units that make up the General Social Security Account, compiled by IGFSS, with cash basis data.

There is a national law for accounting records in cash basis for all public units in General Government, the Decree-Law No 26/2002 of February 14th, that serves as basis for reporting the budget execution and this codification is to be used for State services, SFA, Social Security and regional and local administration.

The Official Plan of Public Accounting, POCP – *Plano Oficial de Contabilidade Pública*, Decree-Law No 232/97 of September 3rd, which incorporates an accrual-based classification,

Institutional arrangements - Institutional arrangements relating to public accounts

was established to be employed by all entities of central administration (State⁴ and SFA), regional administration, local administration⁵ and Social Security⁶.

The institutions responsible for the bookkeeping standards used by public units are DGO, IGF and TdC.

DGO is the institution responsible for designing the financial statements. Where relevant, the design of the new financial statements is done in close cooperation with INE and BdP.

The institutions responsible for data collection and processing are:

- for Central Government: DGO
- for Regional Government:
Autonomous Region of Madeira (RAM): *Direção Regional de Orçamento e Contabilidade* (DROC);
Autonomous Region of Azores (RAA): *Direção Regional do Orçamento e Tesouro* (DROT)
- for Local Government: DGAL
- for Social Security Funds: IGFSS

There are internal quality and consistency checks processes for all the accounting systems.

A new accounting system for public entities, SNC-AP – “*Sistema de Normalização Contabilística – Administrações Públicas*”, based in IPSAS, was established by the Decree-Law No 192/2015 of September 11th, comprising three subsystems: budgetary accounting, financial accounting management accounting. The SNC-AP is meant to improve transparency and accountability in public finances and, at the same time, to ensure compliance with the European fiscal framework. One of the purposes of the new plan is to align public accounting with national accounts by including the accrual basis of accounting. The new plan started to be implemented in central and regional administration in 2018. The SNC-AP implementation in local administration and social security entities was postponed to 2021.

Within central and regional administration entities, the SNC-AP implementation is based upon three dimensions: the training program, the SNC-AP adoption, and the transmission of the accounting data to the public accounts central system (S3CP).

Additionally, a new accounting entity, *Entidade Contabilística Estado* (ECE), is expected to be created, by aggregating the accounting transactions for Central Government (S.1311), namely general revenues, assets and liabilities.

⁴ Except for schools and external services of Ministry of Foreign Affairs, as stated in article 15 of the Decree-Law No 36/2015 of March 9th.

⁵ POCAL – *Plano Oficial de Contas da Administração Local* is the Official Plan of Accounting for Local Administrations and was established by the Decree-Law No 54-A/99 of February 22nd.

⁶ POCISS is the Official Plan of Accounting for the Social Security Institutions: “*Plano Oficial de Contabilidade das Instituições do Sistema de Solidariedade e de Segurança Social*”, established in the Decree-Law 12/2002 of January 25th.

2.2.2 Auditing of public accounts

2.2.2.1 General government units

General Government units are audited by IGF (Auditing Authority) and TdC (Court of Auditors).

The IGF mandate encompasses the entire General Government, including all subsectors (central and local). Accordingly, it includes a horizontal mandate over the State (e.g., direct administration and agencies) as well as over public and municipal state-owned corporations and all other budget funded bodies (e.g., foundations).

IGF's mandate and scope also include private companies, when subject to financial relations with any of the General Government subsectors.

In the case of the Court of Auditors, all the entities included in the General Government sector according to ESA 2010 are subject to frequent audits and financial control but not all entities are audited every year. The General State Account and the accounts of the Autonomous Regions are audited on an annual basis.

In the case of the non-financial corporations, the rules for internal auditing are the following.

- All “share company” are obliged to have their accounts legally certified by a statutory auditor.
- The companies limited by shares must appoint statutory auditors to carry out the statutory audit if they do not have a supervisory board and exceeded, for two consecutive years, two of the three thresholds provided in Article 262 of the Commercial Code: (a) Total Balance: 1 500 000 Euro; b) Total net sales and other income: 3 000 000 Euro; c) Average number of employees during the year: 50.

The auditing of the accounts fully applies the international accounting standards and the specific technical procedures.

The subject and coverage of auditing depends on the nature of the audited entity, the nature of its financial statements and the total amount of revenues and expenditures. All the flows can be verified.

The reports and the opinion on the accounts provided by the IGF must be issued by end of April of the year following the closing year. They must be presented to the TdC (digitally), to DGO and to the Ministry responsible for the involved unit.

For those entities who are audited by IGF as Audit Authority, the auditing takes place until 31 of December (Structural Funds) or 31 of January (Agriculture Funds), according to the EU applicable regulations.

Concerning the TdC, the availability of results depends on the annual auditing plan adopted by the Court.

Concerning the IGF, the results are not available to GFS compilers except for State owned enterprises classified in General Government in national accounts, that follow the same procedures described below.

Institutional arrangements - Institutional arrangements relating to public accounts

The report and opinion on the General State Accounts and the accounts of the Autonomous Regions undertaken by the TdC are now adopted until the end of the year n+1 and published in the Official Journal and in the [website](#) of the Court of Auditors. Specific audit reports by the TdC are published after adoption, depending on its finalisation (no preannounced calendar exists in this case).

In the case of IGF there is a growing practice of publishing the management reports at the website. The audit report is seldom published in the site of each department together with the management report.

Regarding TdC, the audit reports are published at the website of the Court, in the Official Journal and in the Court Magazine, and a summary is available in the Annual Report of Activities.

The audit reports, when issued by IGF, follow the international accounting standards and the specific technical procedures, and therefore should include a risk analysis if relevant.

In the case of TdC, it also depends on the nature of the auditing mainly on those whose object is financial management.

IGF is responsible for the strategic coordination of the functioning of the internal audit system; abstracts of audit reports are available at the [IGF website](#).

The Court of Auditors is the external audit body; audit reports are available on the [Court website](#).

2.2.2.2 *Public units, not part of General Government*

All public units not part of the General Government, both financial and non-financial, are obliged to have annual accounts audited by independent auditors.

In the case of IGF, all state-owned enterprises are subject to audits by the statutory auditor appointed by the audit committee. Entities of public interest (like NPI and foundations) are also subject to the same procedure.

All the entities included in the public corporation sector according to ESA 2010 are subject to TdC jurisdiction⁷ and powers of financial control but not all are audited every year.

In addition, public banks are under the supervision of BdP and, possibly, by the Single Supervisory Mechanism.

The internal control body responsible for auditing the accounts of public corporations is the IGF.

TdC also audits public corporations and takes into consideration auditing reports by other entities sent to the Court, which generally becomes part of its auditing report.

⁷ According to the Article 2 of the Organisation and Procedural Law of the Court of Auditors.

Institutional arrangements - Institutional arrangements relating to public accounts

The International Standards on Auditing (ISAs) and the specific technical procedures are applied in full.

The subject and scope of auditing depends on the nature of the audited entity, on the nature of its financial statements and on the total amount of the balance sheet. The main flows can be verified by the use of sampling tests.

Regarding IGF, the report and the opinion on the accounts must be issued by end of March (individual accounts) or by end of May (consolidated accounts) of the year following the closing year. The accounts must be presented to the Ministry of Finance (MoF) and the ministry responsible for the concerned unit.

MoF has a database called *Sistema de Recolha de Informação Económica e Financeira* (SIRIEF), System for Collection of Corporation's Economic and Financial Information, where all the accounts are stored, including the audit reports. This platform receives the information electronically.

In what concerns the TdC, the timing depends on the annual auditing plan adopted by the Court.

INE receives all the accounts of the public corporations and other public entities through a common electronic platform (*Informação Empresarial Simplificada* (IES), Simplified Corporate Information) that is shared with the tax authority, BdP and the judicial authorities. The entities place the information electronically in that platform until the 15th of July of the following year.

The results of the audits from the Court of Auditors are available to GFS compilers as soon as they are adopted and published in the Official Journal or at the website (www.tcontas.pt).

The audit reports are published at the website of the entity and the Treasury publishes a full report at its website based on the SIRIEF.

The audit reports are published at the website of the Court of Auditors, in the Official Journal, in the media, in the Court Magazine and a summary is presented in the annual Report of Activities.

The audit reports follow the international accounting standards and the specific technical procedures and therefore should include these specified subjects if relevant.

2.3. Communication

2.3.1 Communication between actors involved in EDP

2.3.1.1 *Agreement on co-operation*

A new Institutional Cooperation Protocol was signed on 27 March 2017 in the field of General Government Statistics, superseding the previous Institutional Cooperation Agreement signed on 10 January 2006 by INE, BdP and DGO.

Besides the three institutions with direct responsibility in the reporting, the new agreement includes, as referred on section 2, ten other institutions: *IGCP, CFP, DGAL, DGTF, DREM, GPEARI, IGF, SREA, TdC* and *UTAO*.

The Protocol aims to promote cooperation among the signatory entities in the field of General Government Statistics, notably regarding the Excessive Deficit Procedure. Its purpose is to contribute to the high quality of General Government Statistics and the information on budget outturn by developing institutional cooperation mechanisms among the signatory entities, ensuring high standards in terms of the reliability and consistency of the source data and deadlines for its release, in line with best practice in this domain.

A set of mechanisms for implementing the Protocol has also been established, namely the setting up of a technical Working Group, called the General Government Statistics Group (*Grupo de Estatísticas das Administrações Públicas – GEAP*), which has a consultative nature. GEAP, in its restricted composition, includes representatives from *Departamento de Contas Nacionais* of INE, from *Departamento de Estatística* of BdP and from DGO. The composition of the GEAP may be extended to other signatory entities, depending on the items on the agenda and the scope of the respective competence, for a set of situations described in the Protocol. Participation in GEAP meetings may also be extended to other entities occasionally invited, depending on the issues to be addressed.

GEAP, in its restricted composition, analyses the accounts before each notification and discusses specific methodological issues related to national accounts in EDP notifications (written conclusions are prepared after each meeting). This group meets for the preparation of each EDP notification and also each quarter for the analysis of quarterly results. In addition, it meets whenever there are methodological issues deserving special attention and discussion.

Before the beginning of the work for each EDP notification, the Working Group defines a calendar for the transmission of data between INE, BdP and DGO, including a date for the communication of the results and source data.

After each notification, there are meetings of the GEAP with the other signatory entities to present and discuss the results.

The Protocol also lays down that the IGF and the TdC will release to the national statistical authorities, namely in the framework of the EDP notifications, the information which they have obtained and consider relevant to the compilation of statistics. Conversely, the statistical authorities will submit to those entities the information they collect for the compilation of national accounts and consider relevant to the exercise of those entities' powers and tasks.

Institutional arrangements - Communication

In the beginning of each year INE sends a working agenda to DGO and the Autonomous Regions, with the timing and information to be transmitted. Other information regarding the corporations, SNS, CGA and Social Security are requested directly by INE.

DGAL is responsible for providing information on the Municipalities.

In the case of the Autonomous Regions no specific cooperation agreement is needed as a legal framework for this transmission is established by *Lei das Finanças das Regiões Autónomas*.

In the beginning of each year, BdP also sends a calendar to the regions with the reporting dates.

2.3.1.2 *Access to data sources based on public accounts*

Public accounts data for individual units/groups are delivered to national statistical authorities on paper, in electronic format (*excel*) by mail or are available via the use of internal databases.

For the Central Government, DGO sends the General State Account and the SFA's budget execution of expenditure and revenue by category, Ministry and Entity. INE uses the financial statements of the corporations classified in central government either collected directly or available from IES.

For the Regional Government, each Region is responsible for sending budget execution of the Regional Account and SFA by category of expenditure and revenue and detailed financial statements of corporations classified in General Government.

For Local Government, DGAL sends the budget execution of the Municipalities by category of expenditure and revenue for each Municipality.

For Social Security subsector, IGFSS sends the consolidated account of the Social Security.

All the information is received in electronic format.

BdP uses micro data from the Central Credit Register and the Securities Statistics Integrated System database. Central Credit Register has individual data on loans obtained by public sector entities from domestic financial corporations. The Securities Statistics Integrated System database is a database on a security-by-security basis for debt securities and equity and on an investor-by-investor basis. The reporting institutions for holdings are: Monetary financial institutions, securities dealers and brokers and other residents with securities held outside the resident financial sector.

The source data used for EDP data compilation is "certified" by a signature of the responsible government institution.

The statistical authorities have no direct access to public accounts databases.

Additional information usually available only on pdf format is used to validate the data available in the other formats. This information is requested on a case by case basis.

2.3.2 **Publication of deficit and debt statistics**

2.3.2.1 *Publication of EDP data*

Institutional arrangements - Communication

The EDP notification tables and the supplementary tables for reporting government interventions to support financial institutions are published at INE's website before or at the same time of reporting to Eurostat.

The main results of the EDP figures are published also by BdP in the Statistical Bulletin and *BPStat – Estatísticas online*⁸ in April and October.

INE, along with the EDP tables, publishes detailed data on General Government accounts at its [website](#).

BdP publishes data on the EDP deficit and debt by subsector, on the main items of the deficit-debt adjustment and the supplementary table on government interventions to support financial institutions, for the whole period.

The publication of EDP tables by INE is accompanied by a press release, available at the [website](#), highlighting some relevant aspects that may have an impact on the results.

BdP publishes monthly statistical press releases on government finance statistics, including EDP information, explaining the main results and the methodology followed. A supplement to the Statistical Bulletin was also published in 2016.

The press release always mentions that the notifications are a joint work between national statistical authorities and Eurostat which examines the notifications and publishes the final results for all Member States. In case of any changes after the assessment process (by Eurostat), the amended version of EDP data is published nationally by INE and by BdP. This is also accompanied by a press release explaining the differences.

Note that BdP publishes, [at its website](#), the statistics revision policy followed.

2.3.2.2 *Publication of underlying government ESA 2010 accounts*

Tables 2, 9, 11 and 25 of ESA 2010 Transmission Programme are published at the INE website at the same time of the reporting to Eurostat.

BdP publishes annual and quarterly financial accounts of General Government and government debt. Press releases are published on a quarterly basis, when information is published or when other relevant events occur. Quarterly Government debt is published at t+90 days and quarterly financial accounts, including the details for the General Government Sector, are published at t+100 days. Additionally, General Government debt by instrument is also published in a monthly basis at t+30 days which is accompanied by a statistical press release.

A large set of detailed statistical information for national accounts is available at INE's website. The tables presented in this section are available in Portuguese and in English and are divided by section (section B. Institutional Sectors includes section B.4 General Government, which is dedicated to the government accounts).

⁸ The BPstat | Online Stats is an Internet online access to the Bank's Statistical Interactive Database. BPstat provides relevant statistical information on the Portuguese economy (data and metadata).

Institutional arrangements - Communication

BdP publishes metadata and regularly statistical press releases explaining the main results and methodology followed. A supplement to the Statistical Bulletin was also published in 2016.

These publications are available in:

- Statistical press release:

<https://www.bportugal.pt/en/comunicados/media/banco-de-portugal>

- Supplement to the Statistical Bulletin (under ESA 2010):

https://www.bportugal.pt/sites/default/files/anexos/pdf-boletim/suplemento_2_2016_en.pdf



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 legislation⁹: 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 General Government 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*

Maastricht debt includes the liabilities in currency and deposits, debt securities and loans, according to ESA 2010 definitions.

Portuguese public debt is compiled by BdP, the statistical authority responsible for the report of these figures. The information is obtained using Financial Accounts data with some additional information provided by other institutions: MoF, INE, IGFCSS, CGA and IGCP.

According to *Lei das Finanças das Regiões Autónomas*, the Regional Statistical Services of Azores and Madeira also provide the debt of each region, compiled in close collaboration with BdP.

This additional information can be identified in the following financial instruments: currency and deposits; debt securities and loans.

Currency and Deposits¹⁰

- Includes the amount of coins issued by the Treasury deducted, for consolidation purposes, by the amounts provided by the Treasury. As stated in ESA currencies are treated as liabilities of the central bank, despite of being an instrument issued by the central government. Therefore, the central bank holds another deposit (AF.29) and the central government incurs in liability in the same instrument. The source of information is the Balance of Payment statistics.
- Includes Treasury deposits and Special Certificates of Government Debt of short-term (CEDIC) and medium and long-term (CEDIM):

⁹ https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2014.069.01.0101.01.ENG

¹⁰ AF.22 is composed by short-term Treasury deposits. AF.29 includes the remaining Treasury deposits, CEDIC, CEDIM and saving and Treasury certificates.

According to the Resolution of the Council of Ministers¹¹ No 14/2011, CEDIM (*Certificados Especiais de Dívida de Médio e Longo Prazo*) are representative book value of medium and long-term internal loans, denominated in national currency. The data of issue, the maturity and the interest rate are fixed between IGCP and the institution that takes the loan. The maturity should be greater than eighteen days and the maturity date coincident with the maturity date of a Treasury bond. They are issued at par and repaid at maturity at nominal value. The interest rate is fixed according to the dates of issue and repayment of CEDIM, taking into account the market yields of Treasury bonds series, whose maturity date is coincident with the maturity date of the CEDIM. IGCP can anticipate the redemption of CEDIM, at the request of the borrowing institution but only in a specific case: since it has been more than 18 months after the CEDIM subscription. In this situation, the redemption value is determined by IGCP, taking into account the market rate of Treasury bonds and Treasury bills. The value cannot exceed the nominal value of the redeemed CEDIM. The settlement occurs in the three days following the data agreed between the parts.

Regarding CEDIC (*Certificados Especiais de Dívida de Curto Prazo*), the Resolution of the Council of Ministers¹² No 100/2009, specifies that they are representative book value of short-term internal loans, denominated in national currency. The entities that can subscribe CEDIC are entities of the General Government sector and public corporations and can use CEDIC as a way of application of cash surpluses and they can only be traded between those entities. CEDIC are issued with maturity up to twelve months (or eighteen months depending on an agreement between IGCP and the borrowing entities) and redeemed at maturity or earlier, under the conditions defined between IGCP and the borrowing entities. The redemption can occur in the same fiscal year or in the following year. They are issued at par and repaid at maturity at nominal value, plus accrual interest. IGCP can anticipate the amortization of CEDIC, without any kind of loss for the borrowing entities. The regulation and the placement of CEDIC are structured by IGCP and the conditions of issuance are fixed by agreement between IGCP and the borrowing entities. The interest rate is fixed between IGCP and the borrowing entities, according to the date of issue and the date of redemption.

- Includes Savings Certificates, non-negotiable saving instruments which are treated as deposits for EDP purposes. Saving Certificates are issued by the Portuguese State. They are only held by individuals and transmitted by death. The nominal value of each certificate is one euro and the minimum subscription is 100 units. Each individual can only hold at maximum 250 000 units. Interest is accrued quarterly and capitalized. The redemption of an invested unit determines the repayment of the nominal value of the redeemed units plus the amount of capitalized interest up to the date of redemption.

- Includes Treasury certificates. As with Savings Certificates, Treasury certificates are only held by individuals and transmitted by death. They are issued for terms of 10 years and redeemed on their due date or earlier at nominal value. The nominal value of each certificate is one euro and the minimum subscription is 1 000 units. Interest is payable and distributed annually. The redemption of an invested unit determines the repayment of the nominal value of the redeemed units plus the amount of interest.

Debt securities

¹¹ http://www.igcp.pt/fotos/editor2/2011/Legislacao/RCM_14_2011.pdf

¹² http://www.igcp.pt/fotos/editor2/2009/Legislacao/RCM_111_2009.pdf

- The amount of interest accrued and not paid is not included in this financial instrument.
- Premiums/discounts information is obtained from IGCP. IGCP reports premiums and discounts on issues and redemptions of securities issued by the State, namely Treasury bonds, Treasury bills and euro commercial paper. Premiums and discounts correspond to the difference between nominal value of securities and the issue value. In the case of Treasury bills, there are significant discounts since these bills do not provide for the payment of coupons and interest is deducted on issuance. For Treasury bonds, the premiums and discounts reflect the difference between the coupon interest rate and the market rate at the time of issuance. An adjustment is also included for premiums/discounts related with the redemption of securities. These premiums/discounts occur in cases of early redemption of securities and are related mostly with the fact that, in the moment of redemption, interest has accrued since the last coupon payment. Tables 3A and 3B include this information. Premiums/discounts are not significant for Local Government and Social Security Funds.
- Securities are recorded at face value. The outstanding amount of securities source is the securities statistics database of BdP. The securities issued by the Portuguese government are essentially:
 - Treasury Bills: securities with a par value of one euro and may be issued with maturities up to one year or more than one year. Instruments issued at discounts, through auction or subscription and redeemable at maturity at face value. The placement of Treasury Bills in the primary market is ensured by a group of banks recognized by IGCP as experts in Treasury Bills (EBT).
 - Treasury Bonds are the main instrument used by the Portuguese State to meet their financing needs. They are medium and long-term securities, issued for a period between 1 and 50 years, with or without coupon, with a fixed interest rate and repayable at maturity at face value. There are no cases of capitalised interest bonds.
 - Medium Term Notes (MTN) are similar to Treasury bond. MTN are mainly issued in foreign currency.
 - Euro Commercial Paper (ECP): negotiable instruments issued in non-organized market, at discount and with maturities from one week to one year. The ECP can be issued in dollars or euro, with a maximum outstanding amount of EUR 4 billion or equivalent.
- The balance of financial derivatives set up to cover exchange risk is included in the stock of direct debt of the State for EDP purposes, that include Interest Rate Swaps (IRS), Currency Interest Rate Swaps (CIRS), Fx Swaps and Swaptions. This information is provided by IGCP.
- The off-market swaps are also included in debt.

Loans

- Includes loans obtained by the Portuguese General Government, which were essentially granted by non-resident financial institutions, in the framework of the Economic and Financial Assistance Programme to Portugal (International Monetary Fund, European Financial

Stabilisation Mechanism and European Financial Stability Facility). Interest rates can be fixed or variable. The majority of loans have a long-term maturity, up to 30 years.

- The amount of interest accrued and not paid is not included in this financial instrument.
- Includes trade credits transferred by a supplier of goods and services to a financial institution (for example, using factoring without recourse), as well as trade credits that are subject to renegotiation between the supplier and the General Government.
- Includes loans obtained by public-private partnerships if government bears most of the risks associated to the exploitation of the infrastructure.
- Includes the total guaranteed loans of corporations in a difficult financial situation if new guarantees are provided by the General Government.
- Includes loans obtained by private corporations assumed by General Government.
- Includes long-term trade credits reclassified into loans.

3.1.1.2 Data sources used for the compilation of Maastricht debt

From 2010 onwards, the compilation of public debt is done using data collected in the context of the financial accounts, considering valuation differences between the two concepts. Thus, the sources are essentially the different statistics produced in the Statistics Department of Banco de Portugal:

- Monetary and Financial Statistics, that include data from Central Credit Register, to compile "currency and deposits" and "loans" granted by resident financial institutions;
- Balance of Payments and International Investment Position Statistics for the foreign loans;
- Securities Statistics for the details required for the compilation of debt securities.

All these internal sources are available on a monthly basis, with the exception of the International Investment Position Statistics which is available in a quarterly basis.

For more details about Central Credit Register and Securities Statistics please see section [2.3.1.2](#).

Concerning the publication, the information on loans granted by resident financial institutions to the General Government sector is available on a monthly basis in the Statistical Bulletin and BPSStat – *Estatísticas Online*. The information published by the Balance of Payments and International Investment Position Statistics is available for the General Government sector without reference of the specific financial instrument involved in transaction, except for the case of net changes portfolio investment of debt securities.

Internal information compiled by BdP is complemented with information from external entities:

- IGCP provides details of the Treasury's liabilities in deposits, State's direct debt and issues and redemptions of various debt instruments, namely Savings and Treasury certificates.

- The regional statistical services of Azores and Madeira also provide the debt of each region, compiled in close collaboration with BdP. The regional statistical services compile the debt of the respective region with information collected from the regional Treasuries, public corporations included in the regional government and also of adjustments related with the refinancing of trade credits. The result is complemented with information provided by BdP on additional operations covered by the securities statistics database, monetary and financial statistics, and other sources received by the BdP.
- Social security and DGTF also provide information on their financial instrument's portfolios.
- Finally, INE provides some details, namely on loans obtained in the framework of public-private partnerships.

All data sources are available approximately seven weeks after the end of the reference period, with the exception of loans obtained by public-private partnerships, provided by INE, which has a quarterly frequency and, hence, is made available usually ninety days after the respective quarter.

In the context of the first notification all data sources used for the compilation of debt are available.

After the first notification, the General Government debt may be revised due to updates of basic data sources or methodological changes.

3.1.1.3 Amendments to basic data sources

There are no amendments in terms of valuation of debt, since the valuation follows the criteria foreseen in the Council Regulation and in the Manual on Government Deficit and Debt (MGDD).

The adjustments relating to transactions in debt instruments that are not valued at face value are composed by:

- Issuances above or below nominal value: for this adjustment, detailed information provided by IGCP, in a security-by-security basis, is used to determine the amounts of discount (in cases of issuances below nominal value) and premium (in cases of issuances above nominal value).
- Differences between interests accrued and paid: these amounts are compiled by IGCP and adjusted, in this item, of the payment of discount in case of zero coupon instruments. The payment of discount, for these instruments, is already reflected in the line of change in debt.
- Redemptions of debt above or below nominal value: for this adjustment, detailed information provided by IGCP, in a security-by-security basis, is used.
- Differences between interest accrued and paid on securities issued by Local Government are compiled using information of Securities Statistics Database.

Adjustments relating to a change in nominal debt not resulting from transactions are mainly due to:

- Appreciation or depreciation of foreign-currency debt: for this adjustment, data provided by IGCP is used.
- Changes in sector classification: include the amounts determined following the analysis of specific operations which may lead to reclassification of entities.
- Other changes in financial liabilities: the amounts included are determined following the analysis of specific operations which may lead to changes in the level of debt not explained by financial transactions or by valuation effects and reclassifications.

There are no amendments of data using counterpart information.

The methodological adjustments are related with the inclusion in the amount of debt of:

- Trade credits transferred by a supplier of goods and services to a financial institution (for example, using factoring without recourse), as well as trade credits that are subject to renegotiation between the supplier and the General Government. Information for trade credits is obtained from IES for public corporations. For the other entities included in central government subsector, trade credits data come from INE information and from the budget execution. Trade credits for local government subsector are supplemented by data from the regional statistical services.
- Loans obtained by public-private partnerships if government bears most of the risks associated to the exploitation of the infrastructure. The source of the information is INE.
- Total guaranteed loans of corporations in a difficult financial situation if new guarantees are provided by the General Government. The information is provided by DGO, with an exhaustive list of entities.
- Loans obtained by private corporations assumed by General Government. The source of the information is INE, regional services and DGO.
- Long-term trade credits, which are reclassified in loans. The source to compile the long-term trade credits is INE and DGO.

The compilation of public debt is done using data collected in the context of the financial accounts, allowing for valuation differences between the two concepts.

3.1.1.4 Consolidation of Maastricht debt

Consolidation is performed using the same source of information for intra-flows (only applicable for the Central Government) and inter-flows between General Government subsectors.

In this respect, the following data sources are used:

Currency and deposits

- Information of IGCP namely for Treasury deposits CEDIC and CEDIM.

Securities other than shares excluding financial derivatives

- Information on the securities issued by General Government held by other Government units. In particular, the portfolio of CGA and Social Security is excluded from the debt of Central Government and General Government, respectively. These entities report directly their portfolio to BdP. This data is also validated with information compiled in Securities Statistics. See also section [2.2.1](#).

A cash pool management system exists with the objective of promoting treasury unit so as to ensure the rationalisation and optimisation of public funds management. The system is managed by IGCP, which receives public units' funds issuing three kinds of financial instruments: deposits, CEDIC and CEDIM. These instruments are classified as deposits in financial accounts and increase General Government gross debt when they are an asset of units outside General Government.

Loans

- Information reported by IGCP, DGO and MoF on loans granted by Central Government to other Government units, IES and other financial statements on loans provided between SOEs. Information of conversion of loans into capital is reported by DGO.

In the compilation of financial accounts, a primary source of information subsector is defined for each financial instrument. This subsector is considered to have the most comprehensive information, when compared with the counterpart subsector.

It is only used one subsector as a data source.

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 main central government unit, as reported in the working balance of EDP T2A, refers to the State, as described in [1.1](#).

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

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+months</i>		<i>cross appropriate cells</i>		
				Budget Reporting			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
C/A	M/Q/A	T+65	T+6	(3) Current and capital revenue and expenditure and financial transactions	X	X	
				(4) Balance sheets			
				Financial Statements			
				(5) Profit and loss accounts			
				(6) Balance sheets			
				(7) Cash flow statement			
				Other Reporting			
C	M	T + 30	T + 2	- Monetary and financial statistics and Central Credit Register (Banco de Portugal)			X
A	M	T + 45	T + 7 ^{1/2}	- Balance of payments and international investment position statistics (Banco de Portugal)			X
C	M	T + 45	T + 1 ^{1/2}	- Securities statistics database (Banco de Portugal)			X
A	Q / A	T + 65	T + 10	- Central balance-sheet database (Banco de Portugal)			X
C	M	T + 45	T + 1 ^{1/2}	- Portuguese Treasury and Debt Management Agency (IGCP)		X	X
C	M	T + 45	T + 1 ^{1/2}	- Directorate-General for the Treasury and for Finance		X	X
C	M	T + 30	T + 1	- Data on payables (LCPA – Law of Commitments)		X	X

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

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

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

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

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

The WB is on a cash basis but for some adjustments, namely net borrowing (-) or net lending (+) of other central government bodies, data on an accrual basis is used.

For the compilation of financial accounts and debt, counterpart statistics are used (e.g. monetary and financial statistics, balance of payments, etc.) since complete balance sheet information is not available. Additionally, the use of counterpart statistics improves the consistency of the accounts of the different institutional sectors.

3.2.1.1 Details of the basic data sources

Data reported in the WB are also used for B.9 calculation. The information for the expenditure is available by unit and by transaction and the revenue is aggregated for the whole subsector by category of transaction. The classification of revenue and expenditure is based on universal accounting plans and international standards, which makes it possible to directly identify operations and to provide information on non-financial and financial revenue and expenditure, to disaggregate non-financial operations by economic type and to disaggregate financial operations by instrument, according to the ESA 2010 typology. (Decree-Law No 26/2002 of February 14th).

Usually, basic data sources used for financial accounts are not available for the State, but only for the aggregate Central Government. Information with a detail by unit is available for the Central Credit Register (loans granted by the resident financial sector) and for the Securities Database (issues and holdings). These sources are available with a detail of financial instrument in accordance with ESA 2010 and by counterpart sector.

A detailed analysis of the information allows identifying individual flows which are to be specifically treated/reclassified according to ESA 2010 requirements, e.g. from non-financial into financial transaction and vice versa. Additional information is requested if necessary.

There are no balance sheets for this subsector and no stocks for AF.8 in the basic data sources. For the compilation of stocks for AF.8, several sources of information are combined, namely trade credits data provided by MoF, accumulation of flows, stocks of taxes and social contributions to be received in the next period (in accordance with the cash adjusted method), EU flows and military equipment.

The information used allows and adequate consolidation between General Government units.

The classifications of revenue and expenditure used in budget reporting are applied to all other General Government subsectors. This information is obtained directly from MoF administrative/accounting records. This classification is based on universal accounting plans and international standards, making it possible to directly identify operations and to provide information on non-financial and financial revenue and expenditure, to disaggregate non-financial operations by economic type and to disaggregate financial operations by instrument, according to the ESA 2010 typology (Decree-Law No 26/2002 of February 14th).

INE requests, when necessary, further information to MoF to allow a more detailed classification of certain operations, as for capital injections by corporation, guarantees (stock of guaranteed debt, guarantees called and new guarantees provided) by corporation and details of revenue.

Data available from basic sources is not consolidated and information allows identifying the counterpart sector, even if other than S13. Thus, consolidation is made in the process of compilation of the accounts in line with ESA 2010 rules.

3.2.1.2 *Statistical surveys used as a basic data source*

No specific statistical survey conducted by INE is used for the B.9 compilation.

Nevertheless, the Decree-Laws No 8/2012 of February 21st and No 127/2012 of June 21st created the *Lei dos Compromissos e dos Pagamentos em Atraso* (LCPA), a Law of Commitments that obliges all the General Government entities to monthly report its commitments (*compromissos*), liabilities (*passivos*), payables (*contas a pagar*), arrears (*pagamentos em atraso*) and available funds (*fundos disponíveis*). The Law of Commitments has set tight rules regarding the assumption of financial commitments by the entities subject to it in order to avoid delayed payments and the assumption of commitments they could not comply with.

The information on payables is collected, in a questionnaire format, by MoF for Central Government, by each Region for Regional Government and by DGAL for the Local Entities.

These data are transmitted to INE and used to bring cash basis data closer to accrual basis.

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.

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

The main supplementary sources used for the compilation of non-financial accounts are:

- Cash/accrual adjustments in expenditure and revenue: Information from budget reporting, LCPA, is used to bring cash basis data closer to accrual basis, by deducting from the expenditure paid in year n, the payments relative to previous years' commitments, and adding the expenditure of year n which will remain outstanding for the year n+1. The latter are obtained from a specific questionnaire to Central Government bodies carried out by the MoF.

The detailed information regarding the revenue is obtained from the administrative/accounting records held by the MoF's Autoridade Tributária e Aduaneira (AT), the Portuguese Customs and Tax Authority, while the information from IGCP is used for the accrual recording of interest.

INE validates this information and in case of doubt additional explanations are requested to the entities. If needed INE amends the amounts of the LCPA.

- Debt assumptions, dividends, guarantees and capital injections: these amounts are compiled by DGTF. Each operation is analysed and, in accordance with ESA 2010 and the MGDD, INE decides its classification as non-financial expenditure (capital transfers), financial transaction or other volume changes in the General Government accounts.

- Accrual interest: The adjustment from cash to accrual interest is calculated by IGCP and added to the relevant financial instrument (deposits, securities or loans).

This additional information is available quarterly on a regular basis and the related adjustments lead to changes in B.9.

3.2.1.3.2 Supplementary data sources used for the compilation of financial accounts

Since some sources used for the compilation of financial accounts are on a cash basis, an adjustment to accrual is undertaken during the compilation of financial accounts. To reflect the accrual principle, the sale of an asset is recorded when ownership of the asset is transferred, and not when the corresponding payment is made. Interest must be recorded during the accounting period when it falls due, whether or not it has been paid in this period (as if interest was always accruing over time). When interest is not paid, it should be added to the outstanding principal. This addition should be recorded in the financial account as a new acquisition of this type of instrument, or, when this is not possible, as an addition to “Other accounts receivable”.

Debt assumptions, dividends and capital injections: The amounts of debt assumptions, dividends and capital injections are compiled by DGTF and IGCP. Each operation is analysed and, in accordance with ESA and the MGDD, classified as non-financial expenditure (capital transfers), financial investment or other volume changes in the General Government accounts.

Guarantees: The amounts of new guarantees granted by the State, the stock of outstanding guaranteed debt, and the amounts of guarantees called are compiled by DGTF. New guarantees are analysed and, in accordance with ESA and the MGDD, classified as government debt or kept as a contingent liability of government. Guarantees called are also analysed and, in certain circumstances, may lead to the reclassification of the whole guaranteed debt as government debt.

Accrual interest: The adjustment from cash to accrual interest is calculated by IGCP and through the Securities Statistics Database and added to the relevant financial instrument (deposits, securities or loans).

Other accounts receivable and payable: Information on other accounts receivable and payable is mainly collected by INE, covering, in particular: difference between accrual and cash expenditure, accrual adjustment for taxes and social contributions, adjustments for the acquisition of military equipment and adjustments related with the recording of EU flows. Stocks of trade credits are compiled using information provided by the MoF and IES.

Reclassification of financial instruments: The boundary between liabilities included in EDP debt and other liabilities is analysed by BdP. For this purpose, various sources are used, including annual reports from public corporations and other information collected during the investigation of each issue. When complex or borderline cases arise, the issue is discussed within the working group with INE and MoF.

All the supplementary information is available to statisticians on a regular basis and for all the relevant periods.

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

The WB reported in the first line of EDP table 2 does not include flows of non-financial nature related to “extra-budgetary accounts” as in the national legislation all transactions are scrutinized by budgetary rules.

Non-financial flows recorded in EBA

There are no Extra-budgetary accounts.

Financial flows recorded in EBA

There are no Extra-budgetary accounts.

3.2.2 Data sources for other Central Government units

This section describes data sources available and used for compilation of national accounts and EDP tables for other Central Government units (those not reported in the working balance in EDP T2A).

The other central government units include:

- CGA;
- Central Government SFA, including SNS;
- Central Government NPI;
- Public corporations classified in central government due to the application of the 50% criterion or qualitative criteria including public hospitals of Central Government;
- Other units (public holdings, market regulatory entities, deposit guarantee and resolution funds, etc.).

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

Available source data				Source Data Accounting	Source data used for compilation of	
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			B.9 (NFA)	B.9f (FA)
		First results	Final data			
1	2	3	4	5	7	8
		<i>T + days</i>	<i>T+months</i>			
				Budget Reporting		
				(1) Current revenue and expenditure		
				(2) Current and capital revenue and expenditure		
M	M/Q/A	T+65	T+6	(3) Current and capital revenue and expenditure and financial transactions	X	
				(4) Balance sheets		
				Financial Statements		
A	A/Q	T+65	T+7	(5) Profit and loss accounts	X	
				(6) Balance sheets		
				(7) Cash flow statement		
				Other Reporting		
				(8) Statistical surveys		
				(9) Other:		
C	M	T + 30	T + 2	- Monetary and financial statistics and Central Credit Register (Banco de Portugal)		X
A	M	T + 45	T + 7 ^{1/2}	- Balance of payments and international investment position statistics (Banco de Portugal)		X
C	M	T + 45	T + 1 ^{1/2}	- Securities statistics database (Banco de Portugal)		X
A	Q / A	T + 65	T + 10	- Central balance-sheet database (Banco de Portugal)		X
C	M	T + 45	T + 1 ^{1/2}	- Portuguese Treasury and Debt Management Agency (IGCP)		X
C	M	T + 45	T + 1 ^{1/2}	- Directorate-General for the Treasury and for Finance	X	X

See notes to table 2, on the used abbreviations.

For the compilation of non-financial accounts, information is in a cash basis (for some SFA and NPI) and in accrual basis (SNS, CGA and corporations classified in General Government).

For the compilation of financial accounts and debt, counterpart statistics are used (*e.g.* monetary and financial statistics, balance of payments, etc.) since balance sheet information is not complete. Additionally, the use of counterpart statistics improves the consistency of the accounts of the different institutional sectors.

3.2.2.1 *Details of the basic data sources*

There are balance sheets for some entities in this subsector (namely CGA and public corporations) and no stocks for AF.8 in the basic data sources. Regarding the trade credits in the compilation of financial accounts, flows are partly provided by INE and DGO and partly by variation of stocks. The stocks are provided by the IES for other General Government corporations.

The information used allows for the adequate consolidation between General Government units.

Details in the available basic data sources for the purpose of national accounts compilation

Autonomous Services and Funds and Non-profit Institutions of Central Government:

The sources used for the compilation of half finalised data for SFA are the administrative/accounting records of the MoF – data for the fourth quarter of year n presents accumulated information since the beginning of the year.

The final data on the SFA' budget implementation (year n-1) is prepared and made available in the General State Account in June of year n, 6 months after the end of the reference period.

The account of SNS, which is included in the SFA, is based on accrual information compiled and transmitted by *Administração Central do Sistema de Saúde (ACSS)*, Portuguese Central Administration of the Health System, the unit which manages the SNS resources.

The detailed information available is the same as for the State (see [3.2.1.1](#)).

Data available from basic sources is not consolidated and information allows identifying the counterpart sector, even other than S.13. Thus, consolidation is made in the process of compilation of the accounts in line with ESA 2010 rules.

Public corporations classified in General Government and CGA:

The sources are the profit and loss accounts. The information follows the standards of a balance sheet and is detailed enough to make a correct classification of ESA 2010 codes.

3.2.2.2 *Statistical surveys used as a basic data source*

Please see section [3.2.1.2](#).

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

The main supplementary sources used for the compilation of non-financial accounts are:

Cash/accrual adjustments in expenditure and revenue, adjustment for accrual interest, guarantees capital injections, Public-Private Partnerships (PPPs) and concessions as described in [3.2.1.3.1](#).

Adjustment for European Union grants: INE receives the flows granted to the final beneficiaries from the EU Grants Managing Authorities. This information is available by Fund and by beneficiary (identified by its fiscal number, which allows classifying it by institutional sector). This additional information is available quarterly on a regular basis and the related adjustments lead to changes in B.9.

3.2.2.3.2 Supplementary data sources used for the compilation of financial accounts

Public-Private Partnerships: Information from INE on the debt of assets built under PPPs and concession contracts reclassified as government assets.

Impairments on acquired assets: Information on the impairments affecting the stocks of assets acquired by government units, namely in the context of the financial crisis, is collected by the *Secretaria de Estado do Tesouro*, Secretariat of State of the Treasury. These amounts are deducted from the acquired assets and recorded as a capital expenditure of government.

Other accounts receivable and payable (e.g. advances related with the acquisition of military equipment, counterpart of the transfer of pension funds' assets to General Government, time adjustment for taxes and social contributions, other accrual adjustments to expenditure, excluding expenditure in goods and services, adjustments in expenditure related to military equipment): Information from INE.

All the supplementary information is available to statisticians on a regular basis and for all the relevant periods.

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*

Data sources used for the compilation of WB are used for Non-financial accounts and also for B.9.

3.2.3.2 *Legal basis of the working balance*

The WB for half-finalized and finalised data for State subsector is CGE, except for the April notification where the data used for n-1 is *Síntese da Execução Orçamental Mensal*.

The CGE account (taking 2019 as an example) is available on [CGE - dgo.gov.pt](http://dgo.gov.pt).

The flows associated to the WB used in April for n-1 are published in the monthly DGO Bulletin available on the website under [*Síntese da Execução Orçamental Mensal*](#).

For the October notification the WB of year n-1 is compiled using CGE, released in June, and data of the budget execution, issued monthly, is not revised and thus is not entirely consistent with CGE.

For both April and October notifications the WB published by DGO differs from the one used in EDP table 2A, which does not include two items: *Recursos Próprios Comunitários* (RPC) and *Reposições não abatidas nos pagamentos* (RNAP).

For planned data, the WB is the State Budget.

The State Budget is voted in Parliament in November of the year n-1, the executed budget, or CGE, is presented to the Parliament in June 30th of year n+1 and approved by December 31st of the same year.

The Parliament has its Technical Unit of Budget Support, UTAO. It is “a specialized unit that works under the guidance of the permanent parliamentary committee for budgetary and financial matters and shall provide support for the preparation of studies and technical working papers on public budgetary and financial management”, as defined in the Decree-Law No 77/88 of July 1st, amended by Law No 13/2010 of July 19th.

The CGE is audited every year by the Court of Auditors. The State Budget is not formally audited but it is analysed by UTAO and CFP.

Data for CGE of year n is audited between July and December of year n+1.

The results are always published in the website of TdC under [*Pareceres sobre a Conta Geral do Estado*](#). The results from the auditing process can lead to further investigation and could impact B.9 or B.9f and can be incorporated in the following EDP notification (April of n+2).

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

The units reported in the working balance belong to the government sector as defined by ESA 2010. There are no government units reported in the working balance which do not belong to the Central Government subsector.

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

The line B.9 of other government units includes CGA, SFA, NPI and corporations classified in General Government.

Not all units are on an accrual basis. The relevant accrual adjustments are included in the Net borrowing (-) or net lending (+) of other central government bodies.

The impact of methodological imputations/reclassifications relating to these units (e.g. debt cancellations, debt assumptions, EU flows, dividends, capital injections, etc.) reflected in their B.9 are reported in EDP T2 (line: Net borrowing (-) or net lending (+) of other central government bodies (OCGB)).

A full sequence of ESA 2010 accounts is available separately for CGA, SFA, NPI and corporations.

3.2.3.4 *Accounting basis of the working balance*

The WB is on cash basis and corresponds to the balance of the State including financial transactions and is published in the General State Account, available in [DGO's website](#).

“*Quadro 24 – Conta Consolidada das Administrações Públicas: Ótica da Contabilidade Pública*” of the [CGE for 2019](#) presents the figures for expenditure and revenue of the State by item which are used to compile the WB considered in EDP Table 2A.

Cash balance used is pure cash (in line with transactions in F.2). Occasionally, in some large operations, such as privatizations, revenue can occur with a time lag.

The units considered in the WB are integrated in the General State Account that is audited by the TdC every year.

The WB does not include expenditure related to the previous period not validated in the past.

Since the data of the WB is on a cash basis, it may include revenue or expenditure due in the past but not yet recorded, which is corrected in national accounts and included under the adjustments.

According to *Lei da Programação Militar* (LPM), Law of Military Programming, planned (budgeted) expenditure not actually spent in the current year is recorded in the WB as an “actual” expenditure. The expenditure not actually spent is recorded as revenue in the following year. This is corrected in national accounts and included in the item “other adjustments – other”.

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

Interest expenditure and revenue in the WB are recorded in a cash basis.

All interest expenditure of the main entity (State) is recorded in the WB.

The interests recorded in the WB do not include payment of discount and inflow premium.

The adjustments for expenditure and for revenue are reported in EDP T2 under line “Difference between interests paid and accrued”.

Premiums/discounts information is obtained from IGCP. IGCP reports premiums and discounts on issues and redemptions of securities issued by the State, namely Treasury bonds, Treasury bills and euro commercial paper.

There are no adjustments to accrual interest for the main entities reported under other adjustment lines in EDP T2.

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

Non-financial transactions amended on an accrual basis via receivables are the following:

- Time adjustment for taxes;
- Adjustments in revenue related to military equipment;
- Exclusion of EU funds as they are directly corrected in the B.9 of OCGB;
- Other adjustments in revenue related to cash payments versus accrual namely interests of loans granted by the State that are recorded as expenditure in the corporations' accounts but are not recorded as revenue in the State account;
- Other receivables such as: adjustment to the "VAT and GNI-based own resources" and adjustments related to the dividends' consolidation.

Non-financial transactions amended on an accrual basis via payables are the following:

- Cash/accrual adjustments in all ESA expenditure transactions (deducted the expenditure paid in year n, the payments relative to previous years' commitments, and added the expenditure of year n which will remain outstanding for the year n+1);
- Adjustments in expenditure related to military equipment;
- Other payables such as treatment on pension funds.

The adjustments reported under other accounts receivable/payable F.8 in EDP T2 refer always to replacement of cash flow with accrual, as the WB is on a cash basis.

The adjustments in EDP T2 are fully consistent with F.8 reported in EDP T3 and financial accounts.

3.2.3.4.3 Other accrual adjustments in EDP T2

No other accrual adjustments are reported in EDP T.2

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

There is nothing recorded under the adjustment "Non-financial transactions not included in the working balance".

Non-financial transactions not included in the WB are included under other adjustment lines and refer mainly to transactions which are considered financial in public accounts but that are non-financial in national accounts.

3.2.3.6 *Financial transactions included in the working balance*

The financial assets recorded in the WB are defined by Decree-Law No 26/2002 of February 14th that approved categories of economic classification of revenue and expenditure.

The categories are:

- Deposits, certificates of deposit and savings;
- Short-term securities;
- Long-term securities;
- Financial derivatives;
- Short term loans;
- Long term loans;
- Shares and other equity;
- Other financial assets.

The transactions in financial liabilities that can be recorded in the WB are the same as the financial assets.

There are no financial transactions recorded above the line in public accounts.

3.2.3.7 *Other adjustments reported in EDP T2*

The item “Leasing net” corresponds to the adjustments needed to reflect the different classification of leasing (financial/operating) between public and national accounts.

The item “Capital injections reclassified to D.9” (negative sign) refers to those capital injections that are considered as acquisition of equity in public accounts but that are recorded in national accounts as capital transfers.

The items “Other sector's debts assumed” and “Guarantees called” correspond to transactions not reflected in the working balance and recorded as capital transfer expenditure (negative sign).

The item “Other” corresponds mainly to an adjustment that intends to cancel out temporal distortions in the recording of expenditure caused by budget management procedures – RNAP, Refunds not Deducted in Payments. RNAP are inflows of funds into the treasury either resulting from undue budget payments made in previous years, or because they have not been used, in whole or in part, by the entities that received them (see Decree-Law No 26/2002 February 14th).

In Public Accounts, RNAP are considered revenue. However, given its nature, RNAP are not included in the opening Working Balance (WB) of General Government presented in table 2A.

These RNAP can be separated in the following cases:

- i. General Case
- ii. Special Cases:
 - ii.a. *Recursos Próprios Comunitários*
 - ii.b. *Lei da Programação Militar*
 - ii.c. *Saldos das Escolas*

- i. General Case

Comprises two types of RNAP: *Receitas Gerais*, where the entity is not allowed to use the revenue and has to return it to the State and *Receitas Consignadas*, where the revenue can be used in expenditure in the following year.

There is no conceptual difference between these two types, so the rationale for their treatment in National Accounts is the same: the values are not considered as revenue in the year n and are deducted from expenditure in n-1.

ii. Special Cases

ii.a. *Recursos Próprios Comunitários (RPC)* – Own-resources

Special case that refers to values received due to the EU Amending Budgets or Own-Resources balances adjustments.

In public accounts, the amounts received in year n are recorded as revenue in the same year. In national accounts, the treatment implies not considering those amounts as revenue and to deduct them from D76P of that year.

ii.b. *Lei da Programação Militar (LPM)* – Military Expenditure

The entities of the Ministry of Defence are entitled by law – LPM – to a specific amount of expenditure in each year. When there is a difference between budgeted and actual expenditure in year n-1, that value is recorded as revenue in year n and used in expenditure in that year (following the definition of *receita consignada* in the general case).

Conceptually, there is no difference from the general case, and therefore the adjustment in national accounts from public accounts data is not to consider the values as revenue in the year n and deduct them from expenditure in n-1.

ii.c. *Saldos das Escolas* – Public Schools Balances

In year n-1, public schools register in their accounts actual revenue and expenditure. In year n, the balance (revenue minus expenditure) from year n-1 is registered as RNAP (revenue) of year n. In that year the schools use those amounts to finance expenditure.

Therefore, these RNAP are actual revenue of the schools in year n-1 and do not refer to any correction of the expenditure in year n-1. Thus, in national accounts the RNAP (revenue) is not considered in year n and no adjustment is necessary in year n-1.

3.2.3.8 *Net lending/net borrowing of central government*

B.9 reported in the last line in EDP T2 is derived from the same source data used when calculating the WB. Some adjustments provided by different units (IGCP, Treasury, etc.) are applied.

3.2.4 EDP table 3B

3.2.4.1 *Transactions in financial assets and liabilities*

Financial accounts are used for the compilation of EDP T3.

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

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

	Assets							Liabilities						
Source Data	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							
Other transaction data		X	X	X	X	X		X	X	X		X		X
Stock data	X	X					X		X	X			X	X
Calculation of stocks														
Transaction data			X			X	X					X		X
Stock data	X	X	X	X	X		X	X	X	X		X	X	X

Currency and deposits (F.2)

i) Assets: Money and banking statistics (MBS) are mainly used as an indirect source for transactions and positions vis-à-vis MFIs. Deposits between central government subsector and other General Government subsectors (or other resident sectors) are obtained from DGTF.

ii) Liabilities: Deposits between central government subsector and other General Government subsectors (or other resident sectors) are obtained from IGCP.

Debt securities (F.3)

i) Assets: Direct data from some entities (CGA and FRDP – *Fundo de Regularização da Dívida Pública* (Public Debt Regularization Fund)) and from the securities statistics database are used for securities issued by residents, and Balance of Payments (BoP) data are used for securities issued by non-residents.

ii) Liabilities: Data on debt securities (both stocks and transactions) are based on Securities Statistics (securities issues component), whose main source for Central Government is IGCP. Accrued interest is also obtained from IGCP and from the securities statistics database. The counterpart sector breakdown of securities liabilities is based on data from Money and banking statistics, BoP and Securities Statistics (securities holdings component).

Loans (F.4)

i) Assets: Information on loans granted by Central Government is obtained from DGTF and IGCP. Additionally, information on the acquisition of loans from banks is collected from the Money and banking statistics and balance sheets of the purchasing vehicles.

ii) Liabilities: Information on liabilities is obtained from DGTF, from money and banking statistics and BoP. Supplementary information from various sources (INE, DGTF, DGO and public corporations) on specific operations is also included, namely: reclassification of PPPs, of guaranteed debt under call, rerouting of operations carried out by public corporations, advances reclassified to loans, trade credits transferred by a supplier of goods and services to a financial institution and trade credits that are subject to a renegotiation between the supplier and the General Government reclassified as loans, long-term trade credits.

Equity and investment fund shares or units (F.5)

i) Assets: Sources of information used to compile shares and other equity are:

- Quoted shares and investment funds shares/units – IES, securities statistics database and BoP;
- Unquoted shares and other equity – information on expenditure and revenue of Government in shares and other equity (from DGO and DGTF), IES, securities statistics database and BoP.

ii) Liabilities: Sources of information used to compile shares and other equity are:

- Quoted shares – Not applicable.
- Other equity and investment fund shares or units – information on expenditure and revenue of Government in shares and other equity (from DGO and DGTF), IES, securities statistics database and BoP.

Insurance, pension and standardised guarantee schemes (F.6).

i) Assets: Data source for this instrument comes from *Autoridade de Supervisão de Seguros e Fundos de Pensões* (ASF), the Portuguese Insurance and Pension Funds Supervisory Authority.

ii) Liabilities: Not applicable.

Financial derivatives and employee stock options (F.7) information is obtained from Money and Banking Statistics, BoP and IGCP.

Other accounts receivable and payable (F.8)

Data are based on information collected from the t DGO and, also, on direct sources of INE on operations for which the moment of recording in national accounts is different from the moment of payment. The main operations behind this recording are:

i) Assets: time adjustment of indirect taxes and social contributions, adjustment for EU flows, transfer of pension funds paid over several years.

ii) Liabilities: arrears related with the payment of goods and services, adjustment related with the acquisition of military equipment, timing difference in the payment of capital transfers.

Therefore, to estimate transactions and outstanding amounts for this financial instrument it is thus necessary to use additional information collected by INE and to include various items based on other data sources. The existence of imperfect and incomplete information in these data sources may originate significant time differences in some periods.

Two additional adjustments are made to the financial instrument of other accounts payable:

- Trade credits and other accounts payable which have the feature of a loan are deducted from AF.81 and added to AF.4 Loans. This is the case of trade credits which have been refinanced by the supplier in financial institutions or which have been renegotiated by Government with the supplier with the goal of changing the characteristics of the credit (e.g. extend the maturity),

and the long-term trade credits. In the case of other accounts payable, situations have arisen in which the amounts received by Government do not have the features of time differences and should be classified as a financing.

– The amount needed to achieve the same net lending (+) / net borrowing (-) of General Government in the non-financial and financial accounts is added to other accounts payable. The national statistical authorities, INE and BdP, publish a single net lending (+) / net borrowing (-) of General Government. However, given the different nature of the sources used in the compilation of this balance by each authority, differences exist. Most of these differences result from timing differences between the data sources used for the compilation of financial accounts and those used for non-financial accounts, particularly differences resulting from the time lag between the transaction date and the settlement date. In financial accounts these time differences are included in the item F.8 - Other accounts receivable and payable.

3.2.4.2 *Other stock-flow adjustments*

The item issuance above / below nominal value includes the difference between nominal value and the amount obtained when issuing debt. The main source of information is IGCP. In the case of Portugal this is mainly explained by two types of financial instruments:

- i. Treasury bills (*Bilhetes do Tesouro*): securities issued at discount, corresponding to the symmetrical of the item “issuance above / below nominal value”;
- ii. Treasury bonds (*Obrigações do Tesouro*): securities usually bearing a fixed interest rate coupon, which are redeemable on maturity at nominal value. Since these are fixed rate instruments, the issuance value is usually different from the nominal value, depending on the market interest rate of Portuguese debt, resulting in an entry under the item “issuance above / below nominal value”.

This item is adjusted for consolidation.

The item difference between interest accrued and paid is included since the nominal value of government debt excludes the stock of accrued interest. This item is mainly compiled with information supplied by IGCP. Accrued interest corresponds to the calculation of the continuous accumulation of interest during a certain period. Interest is paid in defined moments and, therefore, payments in a certain year may be different from what accrued in the same year. This item is adjusted reflecting the impact of consolidation.

The item difference between interest accrued and paid includes interest flows attributable to swaps and forward rate agreements. These flows are also given by IGCP.

The item redemptions of debt above/below nominal value arises when government decides to redeem a certain debt instrument before the maturity. In these cases, since the market interest rate of Portuguese debt is usually different from the fixed rate of the redeemed instrument, the amount paid by government for this redemption will be different from the nominal value. This item is calculated using information provided by IGCP.

Government debt denominated in foreign currency is converted to national currency using the market exchange rate (or if it is swapped, the exchange rate foreseen in the swap contract) of the relevant period. Thus, the change in debt reflects not only transactions, but also the changes

in exchange rate of foreign currency debt. The item appreciation/depreciation of foreign currency debt reflects this change in value and is computed for each financial instrument denominated in foreign currencies and included in EDP debt. This item is calculated using information provided mainly by IGCP.

Changes in sector classifications reflects changes in the level of debt caused by changes in the sector classification of units (from or to government). This may occur because an entity changes its nature (e.g. from market to non-market) or because a revision in the classification of an entity occurs, without incorporation of its debt for the whole series.

Other volume changes in financial liabilities includes changes in volume and value not included in other items of table 3. This corresponds to other volume changes that result from other counterpart sectors in the financial accounts compilation, such as reclassifications made in loans granted by financial institutions.

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 national statistical authorities, INE and BdP, publish a single net lending (+) / net borrowing (-) of General Government. The BdP compiles the financial accounts while INE has the responsibility of compiling the non-financial accounts. Both institutions have set up mechanisms for co-operation and consultation, necessary to ensure a high degree of consistency between the financial accounts and the non-financial accounts.

However, the different nature of the sources used in the compilation of this balance by each authority may lead to some differences between financial and non-financial accounts. In fact, most of these differences result from timing differences between the data sources used for the compilation of financial accounts and those used for non-financial accounts, particularly differences resulting from the time lag between the transaction date and the settlement date. It is the case, for instance, of claims resulting from the difference between the date when the transaction is recorded on an accrual basis and the date of actual payment of wages, rents on land and subsoil assets, interest and transactions in financial assets on the secondary market.

In financial accounts, these time differences are included in the item F.8 – Other accounts receivable and payable. This item is not directly obtained from the set of information compiled by BdP, as for the other financial instruments, for which statistics collected by BdP are used (for example, monetary and financial statistics and balance of payment statistics). To estimate transactions and outstanding amounts for this financial instrument it is thus necessary to use additional information collected by INE and to include various items based on other data sources. The existence of imperfect and incomplete information in these data sources may originate significant time differences in some periods.

Additionally, the amounts of discrepancy are subject to a regular monitoring by the statistical authorities.

In the EDP notification tables, the time difference between the non-financial transaction and the cash payment is added to the statistical discrepancies in Table 3 and shown in the line “Other statistical discrepancies (+/-)” of this Table.

The difference between capital and financial accounts (B.9-B.9f) of EDP table 3 presents a null value, since the published capital and financial accounts present a single net lending (+) / net borrowing (-) of General Government.

Changes to intermediate data

No counterpart data is used to obtain the final statistics in Non-financial accounts. For the compilation of financial accounts, counterpart statistics are used (e.g., monetary and financial statistics, balance of payments, etc.) since balance sheet information is not complete.

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

This section is not applicable.

3.3.1 Data sources for State Government unit

3.3.1.1 *Further specifications/comments to the table*

3.3.1.2 *Details of the basic data sources*

Data sources used for compilation of national accounts Working balance

3.3.1.3 *Statistical surveys used as a basic data source*

3.3.1.4 *Supplementary data sources and analytical information*

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

3.3.1.4.2 Supplementary data sources used for the compilation of financial accounts

3.3.2 Data sources for other State Government units

3.3.2.1 *Details of the basic data sources*

3.3.2.2 *Statistical surveys used as a basic data source*

3.3.2.3 *Supplementary data sources and analytical information*

3.3.2.4 *Extra-budgetary accounts*

This section provides information on the so-called "extra-budgetary accounts" of the main local government entities, i.e. about flows, which are not recorded in budgetary accounts that enter the WB, as reported in the first line of EDP table 2.

Non-financial flows recorded in EBA

Financial flows recorded in EBA

3.3.3 EDP table 2B

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

3.3.3.2 *Legal basis of the working balance*

3.3.3.3 *Coverage of units in the working balance*

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

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

3.3.3.4 *Accounting basis of the working balance*

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

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

3.3.3.4.3 Other accrual adjustments in EDP T2

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

3.3.3.6 *Financial transactions included in the working balance*

3.3.3.7 *Other adjustments reported in EDP T2*

3.3.3.8 *Net lending/net borrowing of state government*

3.3.4 EDP table 3C

3.3.4.1 *Transactions in financial assets and liabilities*

3.3.4.2 *Other stock-flow adjustments*

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

3.4.1 Data sources for Local Government main unit: **Municipalities**

Table 5. – Availability and use of basic source data for main local government units

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+months</i>		<i>cross appropriate cells</i>		
				Budget Reporting			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
C	M/Q	T+65	T+7	(3) Current and capital revenue and expenditure and financial transactions	X	X	C
				(4) Balance sheets			
				Financial Statements			
A	A		T+7	(5) Profit and loss accounts		X	
				(6) Balance sheets			
				(7) Cash flow statement			
				Other Reporting			
				(8) Statistical surveys			
				(9) Other:			
C	M	T + 30	T + 2	- Monetary and financial statistics and Central Credit Register (Banco de Portugal)			X
A	M	T + 45	T + 7^{1/2}	- Balance of payments and international investment position statistics (Banco de Portugal)			X
C	M	T + 45	T + 1^{1/2}	- Securities statistics database (Banco de Portugal)			X
C/A	Q	T + 60	T + 8	- Regional Statistical Services			X
C	M	T + 30	T + 1	- Data on payables (LCPA – Law of Commitments)		X	X

A	A		T + 9	Tables on Assets' breakdown (Quadro de Ativo Bruto)		X	
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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.

For the compilation of financial accounts and debt, counterpart statistics are used (e.g. monetary and financial statistics, balance of payments, etc.) since complete balance sheet information is not available, even in the second notification of EDP. Additionally, the use of counterpart statistics improves the consistency of the accounts of the different institutional sectors.

3.4.1.1 Details of the basic data sources

The Local Government data for the year n-1, notified in April of year n, are based on the preliminary information on budget implementation (cash based) reported by the Municipalities for all four quarters. An estimate is made when the budget implementation report for the fourth quarter of year n-1 does not include the data for all Municipalities.

The estimate for the Municipalities with no available information is based on the average year-on-year change rate of all the Municipalities for which budget information for the years n-1 and n-2 is available. The balance for the Municipalities is matched to the financing balance compiled by the BdP.

The information for the main aggregates of other local units and civil parishes' revenue (essentially current transfers and capital transfers) is based on the expenditure data reported by the State and Municipalities, which is in a cash basis.

For the October notification, the data for Municipalities is compiled using the profit and loss accounts based on *Plano Oficial de Contas da Administração Local* (POCAL), the Portuguese Official Plan of Accounting for Local Authorities which is accrual based. Profit and loss accounts and balance sheets exist for all Municipalities.

The information concerning civil parishes is also based in the most up-to-date estimates, compiled from the final data obtained for the current transfers and capital transfers made by the State and Municipalities to the civil parishes (cash basis), as these are the only sources of income of these entities. For the final accounts, INE collects, in year n, the accounts of Parishes of n-1 *Contas de Gerência* for a sample of Parishes, which are used to estimate the breakdown of the expenditure.

DGAL is responsible for providing the data source in the case of Municipalities and in the case of civil parishes, INE collects *Contas de Gerência*, the budgetary control of expenditure and revenue.

Usually, the basic data sources for financial accounts are available for Regional government and for Local government separately.

Information with a detail by unit is available for the Central Credit Register (loans granted by the resident financial sector) and for the Securities Database (issues and holdings). These

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

sources are available with a detail of financial instrument in accordance with ESA 2010 and by counterpart sector. Information from DGAL, profit and loss accounts and balance sheets are not used for the compilation of the financial accounts.

3.4.1.2 *Statistical surveys used as a basic data source*

A sample survey is conducted by INE for some Parishes which is used to estimate the breakdown of the expenditure.

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

Each year, municipality-by-municipality, the Investment is accessed via the analysis of each municipality's *Quadro de Ativo Bruto* – Table on Assets' breakdown. This table shows, by type of assets, all flows related to the stocks (initial stocks, acquisitions, disposals, revaluations, transfers and the final stocks). Municipalities' GFCF is compiled by using acquisitions and disposals items, net of the effects of revaluations and transfers.

The financing data compiled by BdP, and published in its Monthly Bulletin, is used as a reference for the non-financial balance for the year n-1 in the April notification when POCAL data is not yet available. Necessary adjustments in the Non-Financial Accounts are made in order to reconcile the two datasets.

3.4.1.3.2 Supplementary data sources used for the compilation of financial accounts

Other accounts receivable and payable: Information on other accounts receivable and payable is mainly collected by INE, covering the difference between accrual and cash expenditure.

All the supplementary information is available to statisticians on a regular basis and for all the relevant periods.

DGAL has developed a new reporting system for the Municipalities. This new reporting system includes two types of information:

- SIIAL – *Sistema de Informação da Administração Local* – Local Authorities Information System;
- SEL – *Empresas do Setor Local* – Local Sector Corporations.

SIIAL has information on Municipalities, such as details of budget execution, financial statements and financial information related to corporations owned by each Municipality.

SEL has financial and administrative information on local public entities in which Municipalities have a participation in the capital.

This system is very useful and constitutes a significant improvement in accessing detailed information on local government. It will notably allow for the analysis of capital injections into local corporations by Municipality. The financial statements of the corporations are useful to determine which capital injections may be recorded as financial transaction or those which have to be recorded as capital transfer impacting the deficit.

3.4.2 Data sources for other Local Government units: Regional Government

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

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+months</i>		<i>cross appropriate cells</i>		
				Budget Reporting			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
C	M/Q/A	T+65	T+6	(3) Current and capital revenue and expenditure and financial transactions	X	X	
				(4) Balance sheets			
				Financial Statements			
A	Q/A	T+65	T+7	(5) Profit and loss accounts		X	
				(6) Balance sheets			
				(7) Cash flow statement			
				Other Reporting			
				(8) Statistical surveys			
				(9) Other:			
C	M	T + 30	T + 2	- Monetary and financial statistics and Central Credit Register (<i>Banco de Portugal</i>)			X
A	M	T + 45	T + 7^{1/2}	- Balance of payments and international investment position statistics (<i>Banco de Portugal</i>)			X
C	M	T + 45	T + 1^{1/2}	- Securities statistics database (<i>Banco de Portugal</i>)			X
C / A	Q	T + 60	T + 8	- Regional Statistical Services			X
C	M	T + 30	T + 1	- Data on payables (LCPA – Law of Commitments)		X	X

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

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

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

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

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

3.4.2.1 Details of the basic data sources

The information for Regional Government used for the years n-1 and n-2 notified in April of year n is on a cash basis. For the October notification, year n-2 has a mixed nature (cash basis for the integrated Regional Governments of Azores and Madeira, and accrual basis for autonomous services and funds of both autonomous regions). Data for public corporations is on accrual basis.

Data on a cash basis is adjusted by adding the expenditure due and not paid and deducting the liabilities from previous years which were paid during the year in question.

EDP non-financial data are compiled by INE given the information provided by the Regions. Debt data are calculated by the Regions and checked and confirmed by BdP, who receives from the Regions the underlying data.

3.4.2.2 Statistical surveys used as a basic data source

No specific statistical survey is conducted by INE to be used as data source

3.4.2.3 Supplementary data sources and analytical information

Information on financing recorded by the BdP is also used to ensure and confirm the consistency of the Regional and Local Government subsector data. Cross-referencing data between these two sources is very useful for the validation of the results for this subsector's financing needs.

Accrual interest, premiums and discounts are calculated by the Regions in cooperation with the Public Debt Management Agency, IGCP. Information on PPPs and on off-market swaps are provided exclusively by the regions.

On a quarterly basis, INE sends a template to the Regional Authorities to gather the necessary additional information for the adjustments in national accounts, as, e.g., on guarantees and capital injections.

The difference between interest accrued and paid on securities issued by Regional Government are compiled using information of Securities Statistics Database.

Debt assumptions, dividends and capital injections: The amounts of debt assumptions, dividends and capital injections are compiled by the Regional Statistical Services. Each operation is analysed and, in accordance with ESA 2010 and the MGDD, classified as non-financial expenditure (capital transfers), financial investment or other volume changes in the General Government accounts.

Guarantees: The amounts of new guarantees granted by Regional Governments, the stock of outstanding guaranteed debt, and the amounts of guarantees called are compiled by Regional Statistical Services. New guarantees are analysed and, in accordance with ESA 2010 and the MGDD, classified as government debt or kept as a contingent liability of government. Guarantees called are also analysed and, in certain circumstances, may lead to the reclassification of the total amount of guaranteed debt as government debt.

Reclassification of financial instruments: The boundary between liabilities included in EDP debt and other liabilities is analysed. For this purpose, various sources are used, including annual reports from public corporations and other information collected during the investigation of each issue. Trade credits that are subject to renegotiation between the supplier and the entities of local government are also included.

3.4.3 EDP table 2C

3.4.3.1 Working balance - use for the compilation of national accounts

Data sources used for the compilation of WB are used for Non-financial accounts and for B.9.

3.4.3.2 Legal basis of the working balance

The WB includes Municipalities and Regional Government Units (Regional Administration and Regional SFA).

The Court of Auditors audits the financial reports of the Regional Government and issues an annual Opinion on the accounts.

For Local Government, audits are carried out by the Court of Auditors focusing on specific Municipalities or operations (see answer to [2.2.2](#)).

The results from the auditing process can lead to further investigation and could impact B.9 or B.9f.

The WB of the Regional Government sector corresponds to the balance of the accounts of each region (Regional Governments and SFA) including financial transactions.

The accounts of the Regional Government of Madeira are available in the following address: [Conta RAM](#).

The accounts of the Regional Government of Azores are available in the following address: [CRAA - Contas da RAA](#).

The WB of the Local Government is on a cash basis and corresponds to the balance of the Municipalities including financial transactions.

The account of the Municipalities is compiled by the DGAL. The accounts for year n are published in November of n+1, available in the following address: [Portal Autárquico - Contas de Gerência dos Municípios](#).

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 units classified outside the subsector reported in the WB.

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

Some local units (Parishes, Autonomous Services and Funds of local government and local corporations) are classified in the Local Administration subsector but not reported in the WB. Public corporations classified in Regional Government are also not reported in the WB.

3.4.3.4 *Accounting basis of the working balance*

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

The accrual adjustments relating to interest D.41 reported in EDP T2C correspond to Municipalities and to the Autonomous Regions.

Information on premiums/discounts is obtained from IGCP. IGCP reports premiums and discounts on issues and redemptions of securities issued by the State, namely Treasury Bonds, Treasury Bills and Euro Commercial Paper. Premiums and discounts correspond to the difference between nominal value of securities and the issue value. In the case of Treasury bills, there are significant discounts since these bills do not provide the payment of coupons and interest is deducted on issuance. For Treasury bonds, the premiums and discounts reflect the difference between the coupon interest rate and the market rate at the time of issuance.

An adjustment is also included for premiums/discounts related with the redemption of securities. These premiums/discounts occur in cases of early redemption of securities and are related mostly with the fact that, in the moment of redemption, interest has accrued since the last coupon payment.

Premiums/discounts are not significant for Local Government and Social Security Funds.

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

The accrual adjustments reported under other accounts receivable/payable F.8 in EDP T2C for the Regions correspond to cash/accrual adjustments in expenditure (deducted the expenditure paid in year n, the payments relative to previous years' commitments, and added the expenditure of year n which will remain outstanding for the year n+1. The "other accounts receivable" also includes the impact of the neutrality of the European funds.

For the Municipalities, the adjustment corresponds to the difference between cash and accrual data (financing data is used as a reference for the non-financial balance for the year n-1 in the April notification, and POCAL data for previous years as explained in [3.4.1.3](#)).

3.4.3.4.3 Other accrual adjustments in EDP T2C

No other accrual adjustments are reported in EDP T.2C.

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

Completeness of non-financial flows is reported in the lines for other adjustments.

3.4.3.6 *Financial transactions included in the working balance*

The financial assets recorded in the WB are defined by Decree-Law No 26/2002 of February 14th that approved the categories of economic classification of revenue and expenditure.

The categories are:

- Loans;
- Shares and other equity;
- Other financial assets.

3.4.3.7 *Other adjustments reported in EDP T2C*

The item other adjustments includes “Leasing net” which corresponds to the adjustments needed to reflect the different classification of leasing (financial/operating) between public and national accounts; “Capital injections reclassified to D.9” (negative sign) which refers to those capital injections that are considered as acquisition of equity in public accounts but that are recorded in national accounts as capital transfers.

The other adjustments also include “debt assumptions”; “debt cancellation” and “Guarantees called” which correspond to transactions not reflected in the working balance and recorded as capital transfer expenditure (negative sign).

3.4.3.8 *Net lending/net borrowing of local government*

B.9 reported in the last line in EDP T2 is derived from the same source data used when calculating the WB.

3.4.4 EDP table 3D*3.4.4.1 Transactions in financial assets and liabilities***Table 7. – Data used for compilation of transactions and of stocks of financial assets and liabilities**

	Assets							Liabilities						
Source Data	F.2	F.3	F.4	F.5	F.6	F.7	F.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							
Other transaction data		X	X	X	X		X		X	X				X
Stock data	X	X								X				
Calculation of stocks														
Transaction data			X				X							X
Stock data	X	X	X	X	X				X	X				X

Currency and deposits (F.2)

i) Assets: Money and Banking Statistics (MBS) are mainly used as an indirect source for transactions and positions vis-à-vis MFIs. Deposits of local government in the central government subsector are obtained from are obtained from IGCP.

ii) Liabilities: not applicable.

Debt securities (F.3)

i) Assets: Data from the securities statistics database is used for holdings of debt securities by the local government.

ii) Liabilities: Data on debt securities issues (both stocks and transactions) are based on Securities Statistics (securities issues component). The counterpart sector breakdown of securities liabilities is based on data from MBS, BoP and Securities Statistics (securities holdings component).

Loans (F.4)

i) Assets: Information on loans granted by Local Government is obtained from DGO.

ii) Liabilities: Information on loans granted by Central Government is obtained from DGTF. Other loans data is collected from Money and Banking Statistics and BoP. Supplementary information from various sources (INE, DGTF, DGO and public corporations) on specific operations is also included, namely: reclassification of public-private partnerships, of guaranteed debt under call, rerouting of operations carried out by public corporations, advances

reclassified to loans, trade credits transferred by a supplier of goods and services to a financial institution and trade credits that are subject to a renegotiation between the supplier and the General Government reclassified as loans.

Equity and investment fund shares or units (F.5)

i) Assets: Sources of information used to compile shares and other equity are:

- Quoted shares and mutual funds shares – IES, securities statistics database and BoP;
- Unquoted shares and other equity – information on expenditure and revenue of Government in shares and other equity (from DGO and DGTF), IES, securities statistics database and BoP.

ii) Liabilities:

Quoted shares: Not applicable.

Other equity and investment fund shares or units – information on expenditure and revenue of Government in shares and other equity (from DGO and DGTF), IES, securities statistics database and BoP.

Insurance, pension and standardised guarantee schemes (F.6)

i) Assets: Not applicable.

ii) Liabilities: Not applicable.

Financial derivatives and employee stock options (F.7) information is obtained from Money and Banking Statistics, BoP and IGCP.

Other accounts receivable and payable (F.8)

Data are based on information collected from the Monthly Bulletin published by the central government (namely, the DGO) and, also, on direct sources of INE on operations for which the moment of recording in national accounts is different from the moment of payment. The main operations behind this recording are:

i) Assets: time adjustment of indirect taxes and social contributions.

ii) Liabilities: arrears related with the payment of goods and services, timing difference in the payment of capital transfers.

Additional adjustments are made to the financial instrument of other accounts payable:

- Trade credits and other accounts payable which have the feature of a loan are deducted from AF.81 and added to AF.4 Loans. This is the case of trade credits which have been refinanced by the supplier in financial institutions or which have been renegotiated by Local Government with the supplier with the goal of changing the characteristics of the credit (e.g. extend the maturity). In the case of other accounts payable, situations have

arisen in which the amounts received by Government do not have the characteristics of a simple time difference but should be classified as a financing.

- Long-term credits and advances are recorded as long-term loans. This is the case, for instance, of military equipment in which contracts are paid after the delivery of the equipment leading to long-term trade credits. The sources to compile the long-term trade credits are INE and DGO.
- The amount needed to achieve the same net lending (+) / net borrowing (-) of local government in the non-financial and financial accounts is added to other accounts payable.

3.4.4.2 Other stock-flow adjustments

The item difference between interest accrued and paid is mainly compiled with information supplied by INE.

Other adjustments include sector reclassification of entities, when applicable, and other volume changes compiled in financial accounts.

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

3.5.1 Data sources for Social Security Funds main unit: Social Security Funds

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

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+months</i>		<i>cross appropriate cells</i>		
				Budget Reporting			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
C	M/Q/A	T+65	T+6	(3) Current and capital revenue and expenditure and financial transactions	X	X	C
				(4) Balance sheets			
				Financial Statements			
				(5) Profit and loss accounts			
				(6) Balance sheets			

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

				(7) Cash flow statement			
				Other Reporting			
				(8) Statistical surveys			
				(9) Other:			
C	M	T + 30	T + 2	- Monetary and financial statistics and Central Credit Register (Banco de Portugal)			X
A	M	T + 45	T + 7 ^{1/2}	- Balance of payments and international investment position statistics (Banco de Portugal)			X
C	M	T + 45	T + 1 ^{1/2}	- Securities statistics database (Banco de Portugal)			X

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

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

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

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

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

For the compilation of financial accounts and debt, counterpart statistics are used (e.g. monetary and financial statistics, balance of payments, etc.) since balance sheet information is not complete. Additionally, the use of counterpart statistics improves the consistency of the accounts of the different institutional sectors.

3.5.1.1 Details of the basic data sources

Information detailed at entity level is available for the Central Credit Register (loans granted by the resident financial sector) and for the Securities Database (issues and holdings). The source for the non-financial accounts is IGFSS.

3.5.1.2 Statistical surveys used as a basic data source

No specific statistical survey is conducted by INE to be used as data source

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

No other data sources were used in the compilation of non-financial accounts.

3.5.1.3.2 Supplementary data sources used for the compilation of financial accounts

Other accounts receivable and payable: Information on other accounts receivable and payable is mainly collected by INE particularly covering accrual adjustment for social contributions and adjustments related with the recording of EU flows.

All the supplementary information is available to statisticians on a regular basis and for all the relevant periods.

3.5.2 Data sources for other Social Security units:

Not applicable.

3.5.2.1 Details of the basic data sources

3.5.2.2 Statistical surveys used as a basic data source

3.5.2.3 Supplementary data sources and analytical information

3.5.2.4 Extra-budgetary accounts

This section provides information on the so-called "extra-budgetary accounts" of the main local government entities, i.e. about flows, which are not recorded in budgetary accounts that enter the WB, as reported in the first line of EDP table 2.

Non-financial flows recorded in EBA

Financial flows recorded in EBA

3.5.3 EDP table 2D

3.5.3.1 Working balance - use for national accounts compilation

Data sources used for the compilation of WB are used for non-financial accounts and B.9. The WB of Table 2D corresponds to the balance of the Social Security Funds including financial transactions and it is also published in the General State Account. The account can also be found at the following address: <http://www.seg-social.pt/publicacoes>.

3.5.3.2 Legal basis of the working balance

The Court of Auditors audits the accounts. As of late 2004, the Court of Auditors has been compiling and issuing a follow-up on the Social Security budget reporting.

3.5.3.3 Coverage of units in the working balance

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

There are no units classified outside the subsector reported in the WB.

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

There are no units classified inside the subsector not reported in the WB.

3.5.3.4 Accounting basis of the working balance

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

No adjustment is needed for accrued interest, as interest for this subsector is negligible.

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

The accrual adjustments reported under other accounts receivable correspond to time adjustment for social contributions and the neutrality of the European Social Fund and the Fund for European Aid to the Most Deprived (FEAD). There are no adjustments reported under other accounts payable.

3.5.3.4.3 Other accrual adjustments in EDP T2D

No other accrual adjustments occur.

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

This section is not applicable.

3.5.3.6 *Financial transactions included in the working balance*

The financial transactions included in the working balance are:

- Loans (+/-)
- Equities (+/-)
- Other financial transactions (+/-)

3.5.3.7 *Other adjustments reported in EDP T2D*

The accounts of Social Security include, both in the revenue and in the expenditure sides, the flows related with the European Social Fund. These flows are cancelled out and recorded directly from the European Union to the final beneficiaries.

Social contributions are time-adjusted. The method used for the cash/cash adjusted conversion of social contributions consists of deducting the revenue of January of year n from the revenue of that year and adding the revenue of January of year n+1. The source for this adjustment is the monthly budget implementation of Social Security.

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

B.9 reported in the last line in EDP T2 is derived from the same source data used when calculating the WB.

3.5.4 EDP table 3E

3.5.4.1 *Transactions in financial assets and liabilities*

Table 9. – Data used for compilation of transactions and of stocks of financial assets and liabilities

Source Data	Assets							Liabilities						
	F.2	F.3	F.4	F.5	F.6	F.7	F.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							
Other transaction data		X	X	X	X		X			X				X
Stock data	X	X								X				
Calculation of stocks														
Transaction data			X				X							X
Stock data	X	X	X	X	X					X				X

Currency and deposits (F.2)

i) Assets: Money and banking statistics (MBS) are mainly used as an indirect source for transactions and positions vis-à-vis MFIs. Deposits of local government in the central government subsector are obtained from IGCP.

ii) Liabilities: not applicable.

Debt securities (F.3)

i) Assets: Direct data from by the IGFSS is used for the compilation of holdings of securities. Data from the securities statistics database is used to check the accuracy of direct data.

ii) Liabilities: Not applicable.

Loans (F.4)

i) Assets: Not applicable.

ii) Liabilities: Loans granted by banks are collected from Money and Banking Statistics.

Equity and investment fund shares or units (F.5)

i) Assets: Sources of information used to compile shares and other equity are IGFSS (direct data) and Securities Statistics Database (as in F.3, mainly to check accuracy).

ii) Liabilities: Not applicable.

Insurance, pension and standardised guarantee schemes (F.6)

i) Assets: Not applicable.

ii) Liabilities: Not applicable.

Other accounts receivable and payable (F.8)

Data are based on information collected from the Monthly Bulletin published by the central government (namely, the DGO) and, also, on direct sources of INE on operations for which the moment of recording in national accounts is different from the moment of payment. The main operations behind these recordings are:

i) Assets: Time adjustment of indirect taxes and social contributions.

ii) Liabilities: Timing difference in the payment of capital transfers.

As in other subsectors, the amount needed to achieve the same net lending (+) / net borrowing (-) of Social Security Funds in the nonfinancial and financial accounts is added to other accounts payable.

3.5.4.2 *Other stock-flow adjustments*

No other stock-flow adjustments occur.

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 register of units used for non-financial and financial accounts is the same.

The coverage of units reported in EDP tables 2 and 3 is identical.

3.6.2 Financial transactions

The differences between financial transactions in table 2 and table 3 are mainly related with:

- i. Different coverage of the institutional sector and subsectors. In table 2, only the entities included in the WB are included, while table 3 includes information for all entities classified, for statistical purposes, in General Government.
- ii. Different classification of financial instruments. Table 2 follows the classification adopted for public accounts and table 3 follows the classification of national accounts. For example, the boundary between securities and deposits is different between the two accounting systems.

- iii. Different moment of recording. Table 2 follows a cash basis approach while table 3 is based in the accrual principle.

Data on financial transactions reported in the WB are not used for EDP T3 and financial accounts compilation.

For the compilation of financial accounts and EDP T3, counterpart statistics are used (e.g, monetary and financial statistics, balance of payments, etc.) since balance sheet information from government is not complete. Additionally, the use of counterpart statistics improves the consistency of the accounts of the different institutional sectors.

3.6.3 Adjustments for accrued interest D.41

The adjustment in EDP T2A for accrued interest refers to interest expenditure and revenue.

In EDP T2C the adjustment for accrued interest refers to interest expenditure.

In EDP T2D there is no adjustment for accrued interest as the amounts are very insignificant.

The main adjustments are:

- i. In EDP table 3, the adjustment for zero coupon bonds does not include the payment of interest, only the accrued interest. The payment of interest is included in “Issuances above (-)/below (+) nominal value”, as it corresponds to the difference between the amount of redemptions (nominal value) and issuances (discount value) for this instrument.
- ii. Consolidation effect (namely due to securities issued by central government and held by central government and social security funds);
- iii. Accrued interest of securities issued by entities other than the State (namely public companies);
- iv. Accrued interest of loans granted by banks/foreign loans of entities other than the State (public companies).

3.6.4 Other accounts receivable/payable F.8

The main differences between other accounts receivable and payable in EDP tables 2 and EDP tables 3 are mainly related with:

- i. In EDP tables 2, in particular, in table 2A, the impact on deficit of other accounts receivable and payable of entities included in the line of “Net borrowing (-) or net lending (+) of other central government bodies” is excluded from other accounts receivable and payable. In EDP tables 3, other accounts receivable and payable of all entities of General Government are included under this item.
- ii. Some of the other accounts receivable and payable reported in EDP tables 3 are not shown in EDP tables 2, since they are not included in the working balance.

3.6.5 Other adjustments/imputations

The methodological adjustments reported under “other adjustments” in EDP T2 are reflected in table 3 in the following manner:

- i. Adjustments that increase General Government debt through financial transactions (e.g. PPP) are included in the line of change in debt and as transactions in liabilities in the Financial Accounts.
- ii. Adjustments that increase General Government debt through reclassifications are included in the respective line of table 3.
- iii. Adjustments that increase / decrease the value of financial assets are recorded in the respective line of financial assets. For example, super-dividends are recorded as a negative transaction in F.5A, capital injections reclassified into D.99 are deducted from F.5A, etc.

3.7. General comments on data sources

No additional comment is necessary.

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 coverage of the stock of trade credits and advances recorded in EDP table 4 is complete for all sectors of General Government.

The main data sources for calculating the stock of liabilities in trade credits and advances is the information compiled by DGO on “non-financial liabilities”, a concept close to trade credits in national accounts. DGO collects information directly, through surveys, from General Government units, using the national accounts delimitation of the sector.

The Eurostat's decision on the recording of some operations related to trade credits of 31 July 2012 has been implemented for all the subsectors.

Therefore, from the amount compiled by DGO, the value of factoring without recourse and of renegotiation of trade credits is deducted, since these two items are included in the instrument F.4 Loans.

Regarding public corporations included in the General Government sector, information on trade credits stock is collected from the IES dataset and added to the stock compiled as described above.

Long-term credits and advances are recorded as long-term loans. This is the case, for instance, of military equipment in which contracts are paid after the delivery of the equipment leading to long-term trade credits. The sources to compile the long-term trade credits are INE and DGO.

Additionally, the "*net incurrence of other accounts payable (F.8)*" in EDP table 3 concerning trade credits corresponds to the flows derived from the stocks obtained and disclosed under EDP table 4, therefore ensuring the consistency between both tables.

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

Not applicable.

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 following table explains the status of data included in each of the EDP notifications:

April (n)	(n-4) Final (n-3) Final (n-2) Half finalised (n-1) Half finalised (n) Planned
October (n)	(n-4) Final (n-3) Final (n-2) Final (n-1) Half finalised (n) Planned

The first notification for year n-1 occurs in April of year n and previous years are not revised during this compilation. In the notification of October of year n, there is a revision of the data for year n-1. Prior years are only revised if there are compelling reasons that justify the revision, namely benchmark revisions.

As in other areas of national accounts compilation by INE, there are essentially three types of revisions: Regular, Ad-hoc and Benchmark revisions.

Regular revisions reflect the normal update and revisions of basic information from data sources. In case of annual accounts, they are made until the year n-2. Accounts for year n-2 have the status of final accounts. Accordingly, quarterly accounts maybe subject to revisions until year n-2.

Benchmark revisions are a consequence of changes in the conceptual framework of national accounts, like the changes in the ESA regulation, or a reflection of the incorporation of new structural statistics, like new Census data. They imply the change of the benchmark year of national accounts and may entail revisions of past quarterly and annual data before n-4.

Ad-hoc revisions arise from unexpected events or, to a large extent, from events that are exogenous to the production process, thereby significantly affecting statistical compilation. These revisions may still be determined by the need to correct errors, which could not have been carried out immediately and appropriately within the framework of the two types of revision already mentioned.

This policy is in line with the general revision policy of INE issued in December 2008 (document available on [Statistics Portugal - Web Portal](#)).

Revision policy used for annual GFS

4.1.1 Relating to deficit and non-financial accounts

All types of revisions may have an impact on the deficit.

4.1.2 Relating to debt and financial accounts

The revision policy related to the debt or B.9f is similar to the revision policy of deficit B.9.

4.2. Reasons for other than ordinary revisions

Revisions due to other than ordinary revisions may also occur, notably due to audits from the Court of Auditors. These revisions are incorporated, in some cases, in the accounts of the years where the flows actually occurred and in other cases in the accounts of the year where the event was discovered.

4.3. Timetable for finalising and revising the accounts

The following table explains the status of data included in each of the EDP notifications:

April (n)	(n-4) Final (n-3) Final (n-2) Half finalised (n-1) Half finalised (n) Planned
October (n)	(n-4) Final (n-3) Final (n-2) Final (n-1) Half finalised (n) Planned

The first notification for year n-1 occurs in April of year n and previous years are not revised during this compilation. In the notification of October of year n, there is a revision of the data for year n-1. Prior years are only revised if there are compelling reasons that justify the revision, namely benchmark revisions.

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 (NPI) 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 subsector Autonomous Funds and Services of Central Government includes units which are not considered institutional units:

- i. Defaerloc and Defloc. These two units are Special Purpose Vehicles created by the Portuguese Government in order to purchase several aircrafts (dissolved in January and February 2020 respectively).
- ii. Parups and Parvalorem. These units are 100% owned by the State, mainly dedicated to the management of impaired assets and are considered as public defeasance structures, classified in General Government sector.
- iii. Public holdings that do not undertake management activities over their subsidiaries.
- iv. Government controlled entities having the features associated with captive financial institutions.
- v. Market regulatory bodies.
- vi. The deposit guarantee schemes and the resolution Fund. [Decree-Law No 106/2019](#) established that, from January 2020 onwards, the deposits guarantee function of FGCAM – *Fundo de Garantia do Crédito Agrícola Mútuo* was transferred to FGD – *Fundo de Garantia e Depósitos*, so that the guarantee function of all deposits in Portugal is concentrated in a single guarantee fund from thereafter.

Sector delimitation – practical aspects - Sector classification of units

Apart from this subsector, all other subsectors include only institutional units, which have a non-market nature according to ESA 2010.

The market/non-market test is performed for all units under public control, except for the government agencies without financial autonomy, Municipalities and Parishes. More specifically, this includes public corporations under the control of Central, Regional and Local Governments and the Autonomous Services and Funds.

The market/non-market test covers a time horizon of at least three years (exception made for units that were created in the previous two years, for which we use all available periods).

All units are tested once a year, possibly in different occasions depending on the different subsectors, regardless of whether they should be classified in S.13 or S.11.

In the case of public financial institutions, in general a qualitative analysis regarding the nature of the control and of the activity is conducted. In fact, as the FISIM is not calculated on unit-by-unit basis, the market/non-market test is not appropriate for those entities engaged in financial intermediation. For public financial institutions not involved in financial intermediation the market/non-market test is conducted.

Typically, for the public corporations, the test is performed after the October EDP notification, for the Public Corporation Questionnaire, delivered in December. At the third consecutive failure of the market test, the unit is included in the March version of the list of General Government units and only reclassified retroactively for the previous year in the final version of the account to be published in September.

For the units classified inside General Government, the test is usually conducted in the beginning of the second half of each year, after the IES compilation is concluded and the previous year's Business Accounts are published. At the third consecutive success of the market test, the unit is classified in S.11 and removed from the General Government accounts published in September.

In both cases, the reclassification is done for all years in the April EDP notification in cases where the impact is significant. Both timelines are compatible with the determination of the General Government institutional sector for the previous year.

The test is usually conducted using the data from IES or, for the units that do not answer to IES, using the data from the individual balance sheets (individually requested if not available online).

Additional *ad-hoc* analysis of the market/non-market test is done in cases of new entities with significant impact in the General Government accounts, of units that requested a revision of the classification, of borderline cases of units on the verge of becoming market and that can provide evidence before the first EDP notification or of requests from members of GEAP working group regarding specific units.

INE usually uses individual data when attributing a sector classification to a given unit. Nevertheless, in case units are grouped, that is considered. Currently, there are no grouped units classified in S.13.

The nature of the sales of a given entity is also analysed when deciding on the sector/subsector classification of a unit, notably to identify revenues that have the nature of taxes. When there is evidence that the main client of a public corporation is from General Government, for instance,

Sector delimitation – practical aspects - Sector classification of units

a Municipality, the revenue is not considered as sales for the calculation of the market/non-market test. If the prices are not considered to be economically significant, those revenues are also not included in the sales, as was the case of several units acting in the social rental market, that were reclassified inside the General Government sector.

As far as corporations are concerned, INE maintains a statistical units database *Ficheiro das Unidades Estatísticas (FUE)*, Statistical Units File, containing all active units in Portugal and their respective identification number. From that database, we are able to identify the units which were created during the previous year.

Regarding Government Agencies lacking financial autonomy as well as Autonomous Services and Funds, INE receives information from two distinct entities: the Ministry of Finance and the *Direção-Geral da Administração e do Emprego Público (DGAEP)*, Directorate-General for Administration and Public Employment.

This information is received at the beginning of each calendar year.

The National Accounts Department of INE is responsible for the sector classification of institutional units, notably regarding public units.

Nevertheless, particular cases which may raise methodological doubts are always discussed with BdP and DGO, in the Working Group created within the institutional cooperation agreement.

5.1.1 Criteria used for sector classification of new units

As far as legal status is concerned, entities exhibiting a nature of Government SFA as well as General Government Agencies lacking financial autonomy are classified inside General Government.

Units in which General Government either owns more than 50% of the shares or has the ability to appoint the majority of the directors are also considered as public institutional units and hence are subject to the market/non-market test.

Furthermore, units which register their activity as belonging to NACE 841 are studied with a greater detail, as this can be an indicator that their activity does not have a market nature.

The application of the “qualitative criteria” led to the reclassification of several units in the benchmark revision of the Portuguese national accounts. The nature of the revenue recorded in the financial statements of the units was analysed on a case-by-case basis and, in many cases, revenue was not considered as sales for the calculation of the 50% criterion.

This included the cases of sales of government-controlled units to other units classified in the General Government (notably amounts received under program contracts with other General Government units), where no economically significant prices can be observed. Units acting in the social rental market were also analysed and reclassified following the consideration that rents were not at economically significant prices.

Sector delimitation – practical aspects - Sector classification of units

The distinction between government-controlled head offices and holding companies is made. In consequence, all public holdings that do not undertake management activities over their subsidiaries are classified in the General Government sector.

Government controlled entities having the features of captive financial institutions were identified and reclassified in General Government.

The market regulatory bodies were analysed for all areas of regulation and those units were classified to General Government sector.

The deposit guarantee scheme and the resolution Fund were also classified in the General Government sector.

5.1.2 Updating of the register

In order to keep an updated record of all the units controlled by General Government, the GGSU receives information from multiple sources.

The Methodology and Information System Department manages and a general register file of all statistical units, the FUE. It is mainly updated with information received from the Ministry of Justice and the Tax and Customs Authority. On a monthly basis, the National Accounts Department receives information from the FUE and analyses it in order to decide on the institutional classification of any new entity. From this continuous analysis, there may be changes in the sector classification of existing units.

For some special cases, which may either have important impacts in General Government statistics or raise methodological doubts, INE consults GEAP before taking its final decision.

Most of the data used to conduct the market/non-market test is available via the IES dataset. This dataset contains the business accounts of all corporations in Portugal on an annual basis. To conduct the market/non-market test, GGSU uses data from the profit and loss accounts.

For each unit identified as being controlled by General Government, INE analyses its market nature in two steps:

- i) qualitative analysis – analysis of the nature of the main activity of the unit, using the available information via the website of each institution and, if not available or insufficient, via the direct communication with the institution;
- ii) quantitative analysis – if the unit works with economically significant prices, the quantitative approach (market/non-market test) is computed, at least for the last 3 years, using either IES or the annual business reports obtained directly from the entities.

The Market/non-market test follows the simple equation:

$$\text{Market / non-market Test} = \frac{\text{Sales}}{\text{Production Costs}}$$

Sector delimitation – practical aspects - Sector classification of units

Generally applied using the following SNC – *Sistema de Normalização Contabilística* (Portuguese Normalized Chart of Accounts) accounts:

- Sales: SNC number 71 and 72.
- Production Costs: SNC accounts number 74, 61, 62, 63, 64, 691 and 791.

Account Number	SNC - <i>Sistema de Normalização Contabilística</i>	Portuguese Normalized Chart of Accounts (free translation)	Market / Non-market Test
71	<i>Vendas</i>	Sales	(+) Sales
72	<i>Prestações de serviços</i>	Provision of services	(+) Sales
74	<i>Trabalhos para a própria entidade</i>	Own-account production	(-) P. Costs
61	<i>Custo das mercadorias vendidas e das matérias consumidas</i>	Cost of goods sold and materials consumed	(+) P. Costs
62	<i>Fornecimentos e serviços externos</i>	External supplies and services	(+) P. Costs
63	<i>Gastos com o pessoal</i>	Compensation of employees	(+) P. Costs
64	<i>Gastos de depreciação e de amortização</i>	Depreciation and amortisation expenses	(+) P. Costs ⁽¹⁾
691-791	<i>Juros suportados – Juros obtidos</i>	Interests Paid – Interests Earned	(+) P. Costs ⁽²⁾

Notes:

- (1) Proxy for Consumption of Fixed Capital
- (2) Proxy for Cost of Capital

Sales include the accounts number 71 and 72 from SNC, for sales of goods and services, net of any subsidies on production or other transfers from General Government.

Production Costs include

- SNC accounts number 61 and 62 to measure intermediate consumption;
- SNC account number 63 for compensation of employees;
- SNC account number 43, used for consumption of fixed capital, using amortization costs as proxy;
- SNC account number 74 for imputed costs made for own-account capital formation, with a negative sign;
- SNC account 691 minus SNC account 791 representing net interest charge, used as a proxy for the cost of capital.

The business reports of the entities specify the accounts where the subsidies on production and other transfers from General Government are recorded, making it possible to identify when they are included in Sales of goods or services.

Amortization costs from the business accounts are used as proxy for consumption of fixed capital, but the data is analysed in a case by case basis to identify corporations where the amortization costs are not suitable. In those specific cases, a calculation of CFC according to national accounts concepts and definitions is implemented.

Whenever interests earned are higher than interests paid, net interest is considered zero.

Presently, there are still some units in General Government following the previous system of accounts (POCP). For these units, the account numbers are different, but the compiled information is the same. When the use of SNC-AP is widespread, there will be no account

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

number difference between units that are already classified in General Government and units classified outside General Government.

Regarding the timing of data, the information referring to year n is available in the second half of $n+1$.

However, the filling of IES is optional for certain entities. Therefore, in those cases, we need to resort to other data sources, namely business accounts. When these are not available at the entity's website, a direct request to the entity is made by INE.

Whenever backward revisions in the institutional classification of certain entities in national accounts are made, the FUE is not updated for the past periods. As a matter of fact, the FUE works as a photograph taken at a given point in time.

Nevertheless, the GGSU keeps an updated register of public entities, which is constantly monitored.

5.1.3 Consistency between different data sources concerning classification of units

Typically, the GGSU does not carry out statistical surveys. Nevertheless, in case statistical surveys are carried out, the classification of units is consistent with the list of entities classified in General Government given that FUE is consistent with the national accounts institutional sector classification.

The classification of entities used by financial accounts and by money and banking statistics is consistent with the classification used in non-financial accounts. The list of entities classified in General Government, consistent with the classification published by INE, is published at the website of BdP. All the statistics compiled by BdP use this classification. Banks and other reporting entities should follow, according to instructions published by the BdP, the classification of entities published at the website. The quality control of statistics compiled in the BdP includes the verification of the correct classification of units.

As previously mentioned, the definition and update of the list of institutional units classified in the General Government sector is often done jointly with BdP and DGO. Therefore, units are classified in the same way both in financial and non-financial accounts.

5.2. Existence and classification of specific units

The General Government sector includes non-profit institutions in the central and local government subsectors. Those which are controlled by General Government are classified in S.13.

Central Government includes Professional Training Centres and Research Foundations in higher education; Local Government includes associations of regional and local development and also some Foundations controlled by Municipalities.

Very few quasi-corporations have been identified as such in Portugal. These were identified given that their activity is very different from the main activity of the parent unit and separate accounts exist. The main case is the *Departamento de Jogos* of *Santa Casa da Misericórdia de Lisboa* which aims to administer and manage the exploitation of social games – *Jogos Santa*

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

Casa – in the name and on behalf of the State, on an exclusive basis for all national territory and to distribute the respective net results to the beneficiaries, in accordance with applicable law. The *Departamento de Jogos* has a budget and own accounts annexed to the budget and accounts of the *Santa Casa da Misericórdia de Lisboa*. Thus, in national accounts *Departamento de Jogos* unit is considered a quasi-corporation classified in S.11 and *Santa Casa da Misericórdia de Lisboa* is classified in General Government sector.

There are two public companies related to railways in Portugal CP – *Comboios de Portugal, E.P.E.* and IP – *Infraestruturas de Portugal, S.A.*¹³. Both are classified inside General Government, in the subsector of Autonomous Funds and Services of Central Government.

In the case of IP, it is worth mentioning that we use consumption of fixed capital for the market/non-market test rather than depreciation costs from the business accounts. This is due to the fact that IP operates infrastructures which are owned by the State and, therefore, the company does not consider them as its property for depreciation purposes.

Also, regarding the 50% test, both receive *indenizações compensatórias*, which were not considered subsidies to products for the purposes of the 50% test. These amounts are clearly identified for each year in the General State Account, which is compiled and published by the Ministry of Finance. IP also benefits from government financial support via loans and equity injections in cash.

Road infrastructures in Portugal are operated by IP. Regarding the road infrastructures, IP includes in its sales a contribution for road service (*Contribuição de Serviço Rodoviário*) as well as the amounts related to the contracts for building sub-concessions (*contratos de construção de subconcessões*). Both are subtracted from sales when computing the market/non-market test, causing the ratio to be well below the 50% threshold.

As for the public transport companies, such as *Carris* and STCP, these are classified as non-financial corporations as they present market ratios according to the market/non-market test. Nevertheless, it is worth mentioning that both *Carris* and STCP receive *indenizações compensatórias*, which were not considered subsidies on products for the purposes of the 50% test and, therefore, were not included in sales for the market/non-market test. In 2017, the ownership of *Carris* was transferred to the Municipality of Lisbon and in the case of STCP, the transfer of state management powers to the six Municipalities, served by the transport network belonging to the Porto Metropolitan Area, took place in 2018.

Both metro companies (*Metropolitano de Lisboa* and *Metro do Porto*) are classified in the General Government subsector of Autonomous Funds and Services of Central Government. *Metropolitano de Lisboa* also receives *indenizações compensatórias*, which were not considered subsidies on products for the purposes of the 50% test. It is of worth highlighting the fact that, similarly to IP, *Metropolitano de Lisboa* operates infrastructures which it does not own, meaning that it does not consider those infrastructures for depreciation purposes. Therefore, when conducting the market/non-market test, we use the consumption of fixed capital rather than depreciation.

Both companies benefit from government financial support via loans and equity injections in cash.

¹³ IP – *Infraestruturas de Portugal* is the entity that resulted of the merge, in June 2016, of *REFER* and *Estradas de Portugal*, that managed the railway and road infrastructures, respectively.

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

The public utility companies include mainly water and waste management companies and all of them are classified in the public non-financial corporations' subsector.

All of ports and airports companies are classified inside the public non-financial corporations' subsector, since they present market ratios according to the market/non-market test.

All government-controlled universities and schools are classified inside General Government sector. Whereas public universities are Autonomous Funds and Services of Central Government, other public schools are considered Government agencies without financial autonomy.

The market/non-market test for the public schools is not calculated as these units belong to General Government *per se*. As for universities, we do conduct the market/non-market test for those that have a different legal framework, as in the case of Foundations.

Public television in Portugal is operated by RTP, which is classified inside S.13, in the Autonomous Funds and Services of Central Government.

This corporation includes in its sales revenue from *contribuição de audiovisual*, which is considered a tax in national accounts instead of a purchase of services. Therefore, this amount is disregarded when conducting the 50% test. Furthermore, because RTP is receiving taxes, it is classified inside General Government.

RTP also benefits from *indenizações compensatórias*, which are recorded as a transfer, given the institutional classification of RTP.

Public Hospitals in Portugal are all classified in Central Government, regardless of their legal status, SPA hospitals and Corporation Hospitals (HEPE).

The HEPE payment system corresponds to a contract-based approach (called *contratos-programa*). Hospitals' activities and acts are paid for by the Ministry of Health through programme-contracts which define the objectives and qualitative and quantitative goals, schedules, the means and the tools for achieving them, in particular with regard to investment. As these Hospitals are included in the General Government sector, the payments related to the contracts are classified as current transfers.

Portuguese Public Hospitals have arrears towards suppliers, though they do not have fiscal arrears against Government.

The General Government sector includes the following SPVs:

- Defaerloc and Defloc. These two entities were specifically created in order to purchase several aircrafts. Both were classified in the Autonomous Funds and Services of Central Government subsector, until their dissolution in January and February 2020 respectively.

There are several public units involved in financial activities, of which some are classified in the General Government sector, in the Central Government SFA subsector:

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

- i. Parvalorem, Parups and Parparticipadas, which were specifically created in order to hold the impaired assets from the BPN bank.
- ii. Oitante, which was specifically created in order to hold the problematic assets from Banif bank.
- iii. Parpública, which is a public holding company that holds and manages shares of companies operating in several sectors, from real estate to water and waste management.
- iv. Public holdings that do not undertake management activities over their subsidiaries.
- v. The deposit guarantee scheme and the resolution Fund.
- vi. Captive financial institutions: government-controlled entities having the features associated with captive financial institutions such as IFD – *Instituição Financeira de Desenvolvimento S.A.* created with the aim of undertaking financial operations to overcome difficulties in the access to credit of viable Small and Medium Enterprises; SPGM – *Sociedade de Investimento S.A.* and FCGM – *Fundo de ContraGarantia Mutuo* which are part of the Portuguese National Mutual Guarantee System (SNGM) and *Parbanca* that is a public holding company, entirely held by *Caixa Geral de Depósitos, S.A.*, that currently holds participations of 52.28% in *Banco Comercial e de Investimentos, S.A. (BCI)*, from Mozambique and 0.375% in *Banco Nacional Ultramarino, S.A. (BNU Macau)*, from Macau.

While others are in the financial corporations' sector, S.12:

- i. CMVM, which is the entity responsible for regulating the stock markets in Portugal.
- ii. ASF, which is the entity responsible for regulation and supervision for the insurance, reinsurance, pension funds and their management companies and insurance mediation.
- iii. Public Banks (CGD).

It is worth mentioning the classification in General Government of the market regulatory bodies and ENSE – *Entidade Nacional para o Mercado de Combustíveis* (formerly named ENMC), that is engaged in the creation, management and maintenance of strategic reserves of crude oil and petroleum products as well as the task of planning and monitoring within the oil industry, including prospecting, exploration, development and exploitation of petroleum resources within the biofuels sector.

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

ESA 2010 states that taxes and social contributions are derived from two sources: amounts evidenced by assessments and declarations or cash receipts.

If assessments and declarations are used, amounts should be adjusted by a coefficient reflecting assessed and declared amounts never collected. An alternative treatment foresees recording tax/social contribution revenue on a gross basis and adjusting this amount by a capital transfer to the relevant sectors equal to the amounts unlikely to be collected.

If cash receipts are used, the amounts should be time adjusted so that the cash is attributed to the time when the underlying activities, transactions or other events took place to generate the tax/social contribution liability, or when the amount of tax was determined, in the case of some income taxes.

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".

Cash data sources are the administrative/accounting records of the Ministry of Finance. Additional specific information is received from AT for monthly data on individual taxes.

INE uses method C – Time adjusted cash amounts which are attributed to the period when the activity takes place. This time adjustment is linked to the time lag between the moment of the transaction that originates the tax liability and the actual payment moment.

Regarding VAT, the adjustment consists in deducting $\frac{3}{4}$ of the revenue from January and February of year n and to add $\frac{3}{4}$ of the revenue from January and February of year n+1.

In the case of other indirect taxes (taxes on petroleum products, tobacco, alcoholic drinks and alcohol) the time adjustment consists in deducting the revenue of January of year n from the total revenue for that year and adds the revenue from January of year n+1.

Other taxes are not adjusted (income taxes are recorded on a pure cash basis).

The Ministry of Finance, more specifically AT, collects the information and sends it to INE who is responsible for the compilation of the data for EDP tables and related questionnaire.

The amounts related to tax amnesties correspond to amounts actually paid and are recorded when the payment occurred. For example, in 2013 there was a tax amnesty established by the

Time of recording - Taxes and social contributions

Decree-Law No 151-A/2013 of October 31st, approving a debt regularisation scheme for outstanding tax and social security contributions, which allowed taxpayers to settle their tax and contribution situation, with remission of interest and fiscal costs when the debt was paid totally or partially in cash.

Taxes are recorded net of reimbursements. Tax refunds are recorded when the payment occurs. Interest on late payments, fines and penalties for non-payment are recorded as D.7 – current transfers.

The final data for the year n becomes available in June of n+1.

Law No 61/2014 of August 26th approved the special regime applicable to deferred tax assets (DTA).

Part of the DTA reported by a corporation in the corporate income tax annual declaration, under certain conditions, is actually converted into a payable tax credit that must be recorded as such in General Government accounts.

In Portugal, the VAT is recorded as revenue for the Central Government, the Regional Governments and Social Security. The time adjustment is performed only on the Central Government revenue, which is directly linked to the economic activity.

The Regional Governments of RAA and RAM are entitled, under the Article no. 227 of the *Constituição da República Portuguesa*, to define and apply their own tax rates and to adapt the national tax system to regional specificities. The procedures to calculate VAT revenue for the Regional Governments' VAT are stipulated in article no. 28 of *Lei das Finanças das Regiões Autónomas* and in *Portaria No 77-A/2014* of March 31st, that specify that the VAT collected on the operations carried out in each Autonomous Region is revenue of that Region. This means that the VAT revenue is not accounted as a Central Government Revenue or treated as a transfer in Public Accounts.

The annual value is calculated on a provisional basis for the State Budget using a formula that considers the total annual *per capita* VAT, adjusted by the tax rates of each Region¹⁴, and then transferred in twelfths. The annual amount is revised with the publication of CGE (in the middle of the following year), when the final values for the VAT of the previous year are known. Therefore, the revenue is not directly linked to the economic activity of the Autonomous Regions, and does not vary significantly within each year, implying that the time adjustment is small.

Social Security receives an annual share of the VAT, determined in the State Budget, that is transferred in twelfths. The annual amounts (and the corresponding monthly values) are very similar and therefore the impacts on time adjustment are insignificant.

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

¹⁴ The calculation of the twelfths is made according to the capitation regime, adjusted by the difference between the regional rates and the national VAT rates. The calculation is based on a predetermined formula that includes several variables, such as the Central Government net VAT revenue of the previous year, the population of each region and the population of the national territory, the regional average VAT rate and the national average VAT rate.

Time of recording - Taxes and social contributions

employers and employees social contributions, and as "... when the liabilities to pay are created" for self-employed and non-employed persons.

The social contributions are on a cash basis.

We use method C (time adjusted cash) with a one-month lag.

Social contributions are time-adjusted. The method used for the cash/cash adjusted conversion of social contributions consists of deducting the revenue of January of year n from the revenue of that year and adding the revenue of January of year n+1. The source for this adjustment is the monthly budget execution of Social Security.

IGFSS collects the information and sends it to INE who is responsible for the compilation of the data for EDP tables and related questionnaires.

Reimbursements and refunds, interest on late payments, fines and penalties for non-payment are recorded as other current transfers (D.75). In the case of amnesties, the taxes collected are in general recorded in the respective transactions.

The final data for the year n becomes available in June of n+1.

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

Agência para o Desenvolvimento e Coesão, I.P. (AD&C) is the entity responsible for coordinating the Regional Development Policy and the European Structural and Investment Funds (FEEL) in Portugal.

AD&C was created in 2013, by merging IFDR – *Instituto Financeiro para o Desenvolvimento Regional, I.P.*, responsible for the financial coordination of Cohesion Fund and European Regional Development Fund (ERDF), and IGFSE – *Instituto de Gestão do Fundo Social Europeu*, that ensured the management, coordination and financial control of projects funded by the European Social Fund (ESF) and FEAD.

Thus, AD&C is the “Management Authority” whereas IGFSS is responsible for the payments.

Time of recording - EU flows

AD&C was created with the objective of concentrating in a single institution the global coordination functions, certification, payment, evaluation, communication, monitoring and audit of operations.

The structural funds are deposited in an account in IGCP and are transferred directly to the promoters of the programs except for the lines of business support that are channelled to intermediate entities (IAPMEI – *Agência para a Competitividade e Inovação I.P* and ITP – *Instituto de Turismo de Portugal, I.P.*). Both units are classified in the Central Government SFA subsector.

Agricultural funds: European Agricultural Guarantee Fund (EAGF), European Agricultural Fund for Rural Development (EAFRD) and European Maritime and Fisheries Fund (EMFF):

IFAP – *Instituto de Financiamento da Agricultura e Pescas* is the entity responsible for:

(i) ensuring the functioning of the systems of support and direct aid at a national and European level and application at national level, the common rules for direct support schemes under the common agricultural policy;

(ii) ensuring compliance function of the agency from the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD);

(iii) ensuring compliance with the certification authority function under the European Maritime and Fisheries Fund (EMFF), as well as intermediate body within the meaning of Reg (EC) n. 1198/2006 of 27 July 2006;

IFAP is also classified in the Central Government SFA subsector.

INE receives a list by final beneficiary (fiscal number and name) for Cohesion Fund and for the Structural Funds (ESF and ERDF).

For EAGF, EAFRD and EEF, INE receives from IFAP the complete set of agricultural aids, by beneficiary, originated from EU in the framework of Common Agriculture Policy.

IDE, IP-RAM – *Instituto de Desenvolvimento Empresarial* and IDR, IP-RAM – *Instituto de Desenvolvimento Regional* are the entities responsible for the management and distribution of the Cohesion Fund and the Structural Funds (ESF and ERDF) allocated to RAM.

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.

Not applicable.

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.

Financial instruments (FI) can be implemented via Fund of funds/Holding fund, only existing under the programme 2014-2020 (called Portugal 2020), or without a Fund of funds/Holding fund.

The existing Funds of Funds are:

- i) Fundo de Dívida e Garantias (FD&G); Fundo de Capital e Quase-capital (FC&QC); Fundo de Inovação, Tecnologia e Economia Circular and Fundo de Fundos para a Internacionalização managed by Instituição Financeira de Desenvolvimento (IFD);*
- ii) Fundo para a Inovação Social (FIS); Fundo Coinvestimento 200M, managed by PME Investimentos;*
- iii) Instrumento Financeiro para a Energia (IFE 2020) managed by the European Investment Bank and*
- iv) Instrumento para a Reabilitação e Revitalização Urbanas (IFFRU 2020), managed by IHRU – Instituto de Habitação e da Reabilitação Urbana.*

All Funds of funds listed above are classified in the General Government accounts.

IAPMEI and ITP also manage FI. Those entities are responsible for managing EU flows supporting financially Small and Medium Enterprises (SME), through lending.

It is important to distinguish the treatment of financial instruments when these are implemented via Fund of funds/Holding fund and when they are not.

Financial instruments implemented via Fund of funds/Holding fund:

For this kind of schemes, initiated with the Portugal 2020 programme, all EU flows are recorded as purely financial i.e. as a payable (F.89) of the ‘beneficiary’ towards the EU, not as government revenue.

Financial instruments not implemented via Fund of funds/Holding fund (IAPMEI and ITP case):

Time of recording - EU flows

For IAPMEI and ITP, a notional unit (S.11), that receives the EU flows and lends to SME, was recognised. In our view, this way of recording reflects the economic reality as EU flows entering the Portuguese economy must positively affect the balance of total economy, as they are not reimbursed back to the EU. Additionally, with this recording, the principle of EU funds neutrality in S13 units is ensured.

The data available allows distinguishing the final beneficiary and advances/reimbursements made.

The only amounts recorded in the working balance are those related with ESF in table 2D.

In table 2A, no amounts are recorded in the WB, as they are recorded and corrected in the adjustment line B.9 of other government bodies.

The accrual adjustment done in EDP tables 2C and 2D is included in “other accounts receivable”. In EDP table 2A, it is in B.9 of other government units.

Advances received related with EU flows are recorded as assets of government and the money is kept in Treasury accounts.

The adjustment in EDP table 2A for the third resource is considered in “other accounts payable and receivable”.

In financial accounts, data on EU flows is obtained through the BoP system, where the EU transfers are equal to the ones recorded in the non-financial accounts (compiled by INE). These amounts are calculated according to the accrual principle, i.e., correspond to the amounts delivered to the final beneficiary of the funds. The amounts identified under F89, both in BoP and financial accounts, correspond to the difference between “accrual transfers” and “cash transfers”. Cash amounts of EU flows are collected from the Treasury and correspond to the amounts effectively received in each period.

The recording of the adjustment for EU flows is net. Thus, the impact in EDP table 3 is also net, i.e., on other accounts receivable or other accounts payable, depending on the signal.

Additionally, loans granted by AD&C to SME are also recorded as loans in financial accounts. This information is compiled by INE.

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.

In Portugal there are no Market Regulatory Agencies.

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 information concerning military equipment is sent by the Ministry of Defence. This information includes the type of equipment, its function, delivery dates, amounts and the dates of the contracts (pre-payments and post payments if any). The information regarding imported equipment is validated with the data of the international trade statistics.

The natures of the contracts used by military forces are sales in advance with industrial suppliers, with or without the pre-financing of government and trade credits (payments after delivery). An operational leasing contract for the acquisition of helicopters is in force since the beginning of 2004. Most often, these military suppliers are foreign.

The military equipment contracts can be paid after the delivery of the equipment. In the past, the payment occurred in more than one year after the delivery of the equipment leading to long-term trade credits, which were reclassified as loans.

The Ministry of Defence provides the data to INE.

6.3.2 Borderline cases

There are no borderline cases.

6.3.3 Recording in national accounts

For all cases, the time of recording is at the moment of delivery.

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 10. – Availability and basis of data on interest

Instrument	S.1311		S.1312		S.1313		S.1314	
	State	OCGB	Main unit	OSGB	Main unit	OLGB	Main unit	OSSB
Deposits (AF.2)	A	A	M	M	A	A	C	M
Debt Securities (AF.3)	A	A	M	M	A	A	C	M
Loans (AF.4)	A	A	M	M	A	A	C	M
Other accounts receivable (AF.8)	A	A	M	M	A	A	C	M

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

The interests for the State are accrued and calculated by IGCP. The interests for the Regional Government are calculated by DROC and DROT, supported by IGCP.

The methodology used by IGCP for converting interest from cash to accrual basis is made loan-by-loan and security-by-security, at the individual level, and is entirely based on the rules of the ESA 2010. Thus, for all kinds of loans, including related financial derivatives, the interest paid in year n is reduced by the interest paid in year n, but accrued in the previous year, and increased by that accruing in year n but payable in a subsequent year. Moreover, both discounts and premiums (capital gains or losses) in debt issuance are also recorded as interest expenditure in national accounts (see point 6.4.4.).

The interests for other subsectors are obtained from the accounts of the units.

Data for the State and Regions is cash based, but the information for accrual adjustment is available.

For the Municipalities, in April, data is in cash and the accrual adjustment is estimated by INE based on the information of the previous years. In October, data is accrual. Interest data for social security are cash based and no adjustment is undertaken. However, the amounts are negligible.

Data on interest is both cash and accrual, as mentioned in the previous paragraph.

Data by instrument is not available to INE.

Data on interest is available for all subsectors.

Time of recording - Interest

The principle of recording accrued interest under instrument is being followed for all instruments.

Amounts for accrual adjustment on interest are not the same in EDP table 2A and 3B. Nevertheless, it is possible to reconcile them.

6.4.2 Interest Revenue

The interests for the State are accrual and calculated by the IGCP. Interests of other central government units are accrual.

The interests for other subsectors are obtained from the accounts of the units.

The accrual adjustments implemented in EDP tables are related to the difference between cash data considered in the working balance and accrual data considered in national accounts. The adjustments are included in line “Difference between interest paid (+) and accrued (D.41) (-)”.

6.4.3 Consolidation

Consolidation on interest is implemented by using the information of the counterpart sector.

The usual source data allows identifying the counterpart sector. There is no specific source data for consolidation purpose.

Consolidation is applied for all subsectors.

Consolidation does not impact B.9.

6.4.4 Recording of discounts and premiums on government securities

For medium- and long-term debt securities discounts/premiums received or paid (capital gains or losses) in debt issuance are not accounted as interest on a cash basis. So, such premiums and discounts do not enter the Working balance of EDP tables 2. However, for short-term debt securities (namely Treasury bills and Euro commercial paper) or other zero-coupon debt securities, on a cash basis, the discount is considered an interest payment at the date of maturity and hence enters the working balance of EDP table 2A in the period where maturity occurs.

For the State direct debt, premiums/discounts information is obtained from IGCP. IGCP reports premiums and discounts on issues and redemptions of securities issued by the State, namely Treasury bonds, Treasury bills and euro commercial paper¹⁵. Premiums and discounts at issuance correspond to the difference between nominal value of securities and the issue value¹⁶.

¹⁵ Premiums/discounts have also occurred in the disbursement of EFSM/EFSF loans since 2011, namely for those that were issued on a back-to-back basis, as the financial conditions of these loans match the financial conditions of the bonds issued by these institutions in the capital market. Treatment of these premiums/discounts has been identical to that given to premiums/discounts of MLT debt securities.

¹⁶ In the case of Treasury bills, usually there were only discounts, but also premiums have occurred, given the issuance of Treasury bills at negative interest rates since 2015. For Treasury bonds, the premiums and discounts reflect the difference between the coupon interest rate and the market rate at the time of issuance.

Time of recording - Time of recording of other transactions

An adjustment is also included for premiums/discounts related with the early redemption of securities: the premium/discount at issuance, which was to be accrued in the remaining period until the original maturity date, is fully considered (one-shot) at the date of early redemption. Moreover, there may also occur other capital gains/losses associated with the early redemption, if the redemption price is below/above par. These capital gains/losses are to be recorded in the revaluation accounts and have no impact on interest expenditure (point 2.4.3.16., §61-62, of the MGDD).

Premiums/discounts are not significant for Local Government and Social Security Funds. There are some entities reported under “other government bodies” in EDP tables 2 that issue debt.

In national accounts, premiums are treated as negative expenditure.

Tables 3A and 3B include discounts and premiums. These amounts are recorded under lines «Issuances above(-)/below(+) nominal value» and «Redemptions/repurchase of debt above(+)/below(-) nominal value». Premiums/discounts are not significant for Local Government and Social Security Funds.

For instruments issued at discount (like Treasury bills), the discount is recorded with a positive sign in the line of «issuances above (-) / below (+) nominal value».

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

In Portugal, there are no intergovernmental loans in dispute.

6.5. Time of recording of other transactions

All transactions are recorded on accrual basis according to ESA 2010 rules. Data sources in cash basis are adjusted by deducting from the expenditure paid in year n, the payments relative to previous years' commitments, and adding the expenditure of year n which will remain outstanding for the year n+1. The basic data for these calculations come from a data collection process carried out by DGO to all General Government bodies, which enables identifying payables as well as arrears.

The corporation's financial statements used for the compilation of national accounts follow the Accounting Standardisation System which is in line with ESA 2010 rules. (See Part A).

Accrual non-financial flows are consistent with F.8 recorded in financial accounts, all receivables, as booked in public accounts, are finally cashed.

All payables and accumulated arrears / payables of government are taken into account under the LCPA as explained in [3.2.1.2.](#)

All the transactions are recorded according to ESA 2010 rules.

Time of recording - Time of recording of other transactions

Subsidies are recorded when the transaction or the event which gives rise to the subsidy occurs. For attaining this flow, data sources in cash are adjusted by additional information.

Gross fixed capital formation is recorded when the ownership of the fixed assets is transferred to the institutional unit that intends to use them in production.

Capital transfers are recorded at the time the obligation for government is established.

Social benefits are recorded when the claims on the benefits are established.

Financial transactions are recorded together with their counterpart transactions. When the counterpart is a financial transaction, they are recorded at the time the first cash movement is made or at the time the first financial transaction takes place. If the counterpart is a non-financial transaction, the time of recording corresponds to the time the non-financial transaction. F.81 and F.89 reflect the timing differences of the production and distribution accounts.

7. Specific government transactions

Methodological rules applicable for recording of specific government transactions are set up in the MGDD (implementation of ESA 2010), 2019 edition¹⁷.

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*

Recording in public accounts

Guarantees are granted by the Central Government and by Regional Governments. Municipalities do not grant guarantees.

Central Government guarantees are granted to non-financial corporations (mostly public corporations), financial corporations (mainly in the framework of the support to the financial system after the financial crisis of 2008), other government units and foreign governments.

Regional government's guarantees are granted to non-financial corporations and non-profit institutions.

These guarantees cover the borrowing of these institutions both through loans and securities. Government guarantees are recorded in government public accounts.

The complete list of beneficiaries of government guarantees is published in the accounts of Central Government and of the Regional Governments. The details published in government accounts are outstanding amounts of guaranteed borrowing, new guarantees granted, called guarantees, recovered credit from called guarantees and fees received by government.

This information is available on the General State Account and on the Regional Governments Accounts.

Guarantees on borrowing may be divided into guarantees to public corporations, financial corporations, foreign governments, other government units and other.

¹⁷ <https://ec.europa.eu/eurostat/web/government-finance-statistics/methodology/manuals>

Specific government transactions - Guarantees, debt assumptions

Guarantees are recorded as contingent liabilities in public accounts.

Recording in national accounts

The details published on guarantees are available to statisticians on a quarterly basis and include new guarantees granted, stock of outstanding guarantees, called guarantees, recovered credit from called guarantees and fees received by government. Information is available with a breakdown by individual beneficiary.

In general, government guarantees are recorded as contingent liabilities. When guarantees are granted to public corporations with a difficult financial situation (e.g. negative own funds), the stock of guaranteed debt is classified as government debt through a debt assumption, with an impact on net lending (+) / net borrowing (-).

Additionally, when guarantees are called and there is no expectation of recovering the amount paid by government, a capital transfer is recorded in national accounts by the amount of the call. The entire debt amount may be reclassified as government debt, if there is a pattern of regular calls.

Some granted guarantees may be recorded, in national accounts, as government debt (through imputed debt assumption) at the moment of granting of this guarantee. This was the case of a new guarantee on the borrowing by SESARAM – *Serviço de Saúde da Região Autónoma da Madeira* in 2011. Under ESA 2010, this unit was classified in General Government.

7.1.1.2 *Treatment of guarantees called*

Recording in public accounts

Guarantee calls are recorded as a claim.
No provisions are recorded in public accounts.
Debt cancellations may occur by decision of government.

Guaranteed debt may be assumed by the government units. For example, in 2008 the debt of “*Casa do Douro*”, previously guaranteed by the State, was assumed by government. This occurred through a contract between “*Casa do Douro*” and the lender, transferring the debt to the State, after several calls by the bank.

Recording in national accounts

When guarantees are called (both for repayment of principal and interest) and the recovery of the amount paid by government is not expected (for example, in the case of a loss making public corporation), a capital transfer is recorded in national accounts by the amount of the call. The whole debt may be reclassified as government debt, if there is a pattern of regular calls.

If a repayment of the called amount is expected, the call may be recorded as government lending to the beneficiary. In practice this has not yet occurred.

Specific government transactions - Guarantees, debt assumptions

The decision on the statistical treatment of these operations is taken independently by statisticians and based primarily on the accounts of the beneficiary entity, which allow for an assessment of its financial situation.

A call of a guarantee is recorded as a claim if statisticians assess that the amounts paid by government on behalf of the guaranteed entity are recoverable. The claim is recorded at nominal value. The way of recording called guarantees does not depend on the treatment adopted in public accounts but on the assessment performed by national accounts compilers.

If government repayments of the debt occur repeatedly the debt is considered assumed in its entirety and a capital transfer is recorded at the time of the third payment.

7.1.1.3 *Treatment of repayments related to guarantees called*

Recording in public accounts

Repayments related to guarantees called are recorded, in public accounts, as a financial transaction (recovery of guaranteed credits).

Recording in national accounts

When guarantees called are recorded as expenditure, the corresponding repayments are recorded as revenue.

When guarantees are recorded as a claim, the repayments are recorded as a reduction of financial assets of government.

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

Write-offs are not recorded in public accounts as revenue or expenditure. They are simply removed from the list of assets of government and recorded as other volume changes.

7.1.1.5 *Data sources*

The details published on guarantees are available to statisticians on a quarterly basis and include new guarantees granted, stock of outstanding guarantees, called guarantees, recovered credit from called guarantees and fees received by government.

Information is available with a breakdown by individual entity.

Flows related with fees are recorded in the working balance. Guarantees called are recorded as expenditure and then revenue if the claim is recovered.

Information is available for Regional Governments.

Specific government transactions - Guarantees, debt assumptions

7.1.2 Guarantees on assets

7.1.2.1 New guarantees provided

Recording in public accounts

Government insures export credit through a financial corporation (COSEC – *Companhia de Seguro de Créditos, SA*). The beneficiaries of these guarantees are Portuguese exporting firms. Additionally, there are deposit insurance schemes (*Fundo de Garantia de Depósitos* and *Fundo de Garantia do Crédito Agrícola Mútuo*¹⁸) and student loan guarantees.

Guarantees are kept exclusively in government public accounts (Central and Regional).

Export credit guarantees are managed by COSEC but the accounting records of these operations are in government accounts.

Aggregate information on the amounts guaranteed, fees collected, and payments made by government is made public in the General State account.

Guarantees are recorded as contingent liabilities in public accounts.

There are no cases of debt assumption at inception.

There are no known cases of interest payment since inception.

Recording in national accounts

Information on the amounts outstanding, fees collected, and payments made by government are available for statisticians by entity.

Government guarantees on assets are recorded as contingent liabilities. Payments made by government upon a call of guarantees are classified as capital transfers, with an impact on government deficit.

There are few cases of debt assumption at inception.

There are no known cases of interest payment since inception.

7.1.2.2 Treatment of guarantees called

Recording in public accounts

Guarantee calls are recorded as a claim.

No provisions are recorded in public accounts.

Debt cancellations may occur by decision of government.

There are no known cases of assumption of the outstanding amount of debt guaranteed.

¹⁸ As mentioned in section 5.1, the deposits guarantee functions of *Fundo de Garantia do Crédito Agrícola Mútuo* were transferred to *Fundo de Garantia de Depósitos* in January 2020. So currently only one Deposit Guarantee Scheme exists.

Specific government transactions - Guarantees, debt assumptions

Recording in national accounts

When guarantees are called (both for repayment of principal and interest), a capital transfer is recorded in national accounts by the amount of the call. These operations are treated using detailed information and there is a case by case analysis.

The decision on the statistical treatment of these operations is made by statisticians.

The way of recording called guarantees does not depend on the treatment adopted in public accounts but on the assessment performed by national accounts compilers.

In case of repeated calls (after the 3rd call), the whole outstanding amount of the guaranteed debt should be assumed by government and recorded as a capital transfer.

7.1.2.3 *Treatment of repayments related to guarantees called*

Recording in public accounts

Repayments related to guarantees called are recorded, in public accounts, as a financial transaction (recovery of guaranteed credits).

Recording in national accounts

When guarantees called are recorded as expenditure, the corresponding repayments are recorded as revenue.

7.1.2.4 *Treatment of write-offs*

Usually, write-offs are not recorded in national accounts revenue or expenditure. They are removed from the list of assets of government. However, each operation is analysed and, in case statistical authorities consider that a benefit is being given to the counterpart, a capital transfer is recorded.

7.1.2.5 *Data sources*

Detailed information on the amounts guaranteed, fees collected, and payments made by government is available for the compilation of national accounts, although only the aggregated information is public.

Flows related with fees are recorded in the working balance. Guarantees called and recovered credits are recorded as expenditure and revenue, respectively.

These transactions are not relevant for these subsectors. However, detailed information is available concerning regional government.

7.1.3. Standardized Guarantees

The Decree-Law No 309-A/2007, of September 7th, created a specific loan system for students allowing a better financing from the banks.

Loans are granted benefiting from a minimum interest rate, with a maximum spread of 1%, calculated based on the rate of “swaps”, which will be reduced for students with better school performance. The loans are repayable between 6 and 10 years after graduation, with at least 1 year of additional capital shortage. The amount may vary between € 1,000 and € 5,000 per year course, with a maximum of € 30,000 (6-year courses).

The Law established the importance of the Mutual Guarantee Societies (*Sociedades de Garantia Mútua*) and promotes protocols with banking groups to finance education, referred to as “credit line to higher education students with mutual guarantee.”

The protocols are engaged in the provision of loans to finance higher education students, to encourage the extension of academic qualifications of the Portuguese and facilitate advanced training of human resources in Portugal.

The contracts between the Ministry of Education and Science and the *Fundo de Contragarantia Mútuo* (FCGM) regulate the financial disbursements from the Ministry of Education and Science to the FCGM to be used as counter-guarantee of the payments that may be necessary in the future related to the student loans.

The annual costs resulting from the above-mentioned contracts imply a multiannual financial agreement, published in an Ordinance in the Official Journal.

The loans granted by the banking system, under the Mutual Guarantee Loan System for Undergraduate Students, benefit from a counter-guarantee from the FCGM, which is financed by annual payments from the Ministry of Education and Science, recorded in national accounts as expenditure. These annual payments may be seen as the expected losses incurred by FCGM for the guarantees provided, which can be seen, in substance, as being in line with the provisions of the MGDD regarding the recording of standardised guarantees.

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

Loans are granted mainly to public corporations and foreign governments. Additionally, other amounts are granted to private companies. The main entity granting loans is the Treasury. AD&C and IAPMEI grants loans to private companies. Additionally, one government unit (*Parvalorem*) acquired loans from a bank.

There is direct data on transactions on new lending and repayments of loans granted by the Treasury.

Information for the Regions is also available.

For the Municipalities a new reporting system was recently developed by DGAL.

Data on transactions and stocks are consistent although not integrated.

The details that are available for statisticians include data on new lending, repayments, interest received, debt cancellation, by corporation, and aggregated stocks of outstanding debt.

The recoverability of loans granted to public corporations is analysed when they are granted. The financial situation of the recipient company is assessed and if there is likelihood that the company will not repay the loan, the government payment is recorded as capital transfer with a negative impact on B.9. A regular follow-up is undertaken after the loan is granted.

Loans granted to public corporations in a difficult financial situation are classified as a capital transfer and not as a financial transaction. This situation has occurred, namely loans to public hospitals. The decision was taken by compilers of national accounts.

In national accounts, transactions and stocks in F.4 are available for the whole institutional sector of General Government and its subsectors, although not integrated.

There are no cases of government claims kept in books of public corporation outside General Government.

7.2.2 Debt cancellations

Debt cancellations are not recorded in public accounts. They are simply removed from the list of assets of government.

Debt cancellations for the State are reported to the statistical authorities by the Ministry of Finance.

Specific government transactions - Capital injections in public corporations

Information for the Regions is also available. For the Municipalities, a new reporting system was recently developed by DGAL.

Debt cancellations are always recorded in national accounts taking into account the analysis of the operation made by the statistical authorities.

Debt cancellations are recorded as a negative transaction or a negative volume change in the financial instrument of the cancelled debt, including F8. In case a debt cancellation of a debt previously recorded as AF.8 (e.g. trade credits, other accounts receivable) occurs, the impact of the cancellation is recorded in the same instrument.

Debt cancellation is recorded only when there is an official decision to cancel a certain debt.

Accrued interest is recorded for cancelled debt, until the moment of the cancellation. When the cancellation occurs, unpaid accrued interest is treated in the same way as the principal.

Accrued interest on bad loans is included in revenue.

Data on debt cancellations is available for central and regional governments. For the Municipalities, a reporting system developed by DGAL is available.

Stocks of bad loans, meaning loans with provisions, are available for *Parvalorem* and other Central Government entities granting credit (ITP and IHRU).

Debt cancellations are recorded when the decision to remove the asset from the accounts of government is taken.

The amount of debt cancellations includes interest accrued and not yet received.

7.2.3 Repayments of claims

Repayments of claims are recorded as financial transaction if the claim was not previously removed from the assets of government; and are recorded as capital transfer received if the asset has been removed from the assets of government.

Data on repayments of claims are available in the public accounts.

7.2.4 Debt write-offs

Debt write-offs are recorded as a decrease in assets with counterpart in other value changes. Write-offs may be recorded in public accounts when the counterpart ceases to exist. Claims are cancelled (not written-off) when a decision of government is taken.

Debt write-offs by the central government are reported by the Ministry of Finance to the statistical authorities.

Information for the Regions and Municipalities is also available. Debt write-offs for the regional and local government subsector are available to the statistical authorities.

Debt write-offs may be recorded in cases of debt cancellation benefiting companies that will be privatized in the short term. There have been no such cases in recent years.

7.2.5 Sale of claims

There were no sales of claims by government.

Possible sales of claims would be known through the amounts of revenue recorded in the public accounts, information provided by the MoF, or if the financial movements were detected through counterpart statistics (MFI, BoP, etc.).

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.

The information on capital injections is collected by DGO and Regional governments of Azores and Madeira and made available to statisticians. DGAL developed a reporting system for the Municipalities.

For central and regional government, INE receives information on the acquisition of equities and loans granted, by entity, recorded in public accounts.

For local government, the information available does not yet identify the entity benefiting from the capital increase. This identification is done by information of the counterpart sectors.

Information on capital injections in kind is also made available.

The analysis and classification of capital injections follows the guidelines of ESA 2010 and those subsequently issued in the ESA 2010 MGDD.

Beneficiaries' accounts are analysed, in particular to determine whether capital injections should be considered as financial or non-financial transactions.

Once capital injections have been analysed, the amount to be reclassified as non-financial transactions is added to expenditure and deducted from financial transactions (F.4 or F.5).

The capital injection test is made by INE, during the compilation of quarterly accounts. If there are additional doubts on the test, the statistical authorities ask for the business plans of the public corporation, in order to understand the foreseen results.

The analysis is made entity by entity, which allows to decide 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”).

In local government, the capital injections made by regional governments are controlled by similar mechanisms. Regarding the capital injections made by local governments, detailed analysis is made when large amounts are involved (as most of the local corporations are small, the capital injections are typically very small). The capital injections at the local government level (Municipalities) are identified by information of the counterpart sectors.

There are no capital injections into quasi-corporations.

7.4. Dividends

The accounting rules are set out in ESA 2010 paragraphs 20.205-20.207. It is recalled, that the ESA 2010 MGDD 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.

The amounts of dividends for Central and Regional Governments are compiled through data provided by DGO, BdP and the autonomous regions. Dividends for other subsectors (Corporations classified in Central and in Local Governments) are collected via the accounts of the entities.

Each operation is analysed and, in accordance with ESA 2010 and the MGDD, classified as non-financial revenue or transaction in equity.

The super-dividend test of dividends is performed by the statistical authorities. The test consists in comparing the amount of dividends with the operational profit of the corporation, using business accounts.

The test is made when the dividends are registered in the public accounts and is applied in all cases. The profit used for the test is net of income taxes.

Government may receive interim dividends. Interim dividends are recorded as a non-financial transaction up to the limit of the operational profit earned during the part of the year elapsed until the payment was decided. Dividends exceeding this amount are recorded as a financial transaction.

For Local Government, dividends are very small, nevertheless, it is possible to identify the values for the Municipalities in DGAL’s reporting system.

The super dividend test is made always vis-à-vis the corporation that yielded the profit. The accounts approval meetings minutes are analysed to determine the nature of the payments.

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 be considered as taking place on behalf of the government?

The State holding company *Parública – Participações Públicas, SGPS, S.A.* is involved in the privatization of public corporations.

This unit is classified in the institutional sector of General Government.

Privatization income is not recorded in the working balance.

Sales of shares by local government can be split between privatization and other sales, since additional information on the new holder of shares is available.

Transactions in F.5 are recorded when the ownership of shares is transferred to the buyer.

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.

PPPs are common in Portugal.

In the case of PPPs, government is paying to a private partner all or a majority of the fees under a contractual arrangement, thus covering most part of the total cost of the service, while in a concession government makes no regular payments to the partner, or such payments do not constitute a majority of the fees received by the private partner.

For Central Government, *Unidade Técnica de Acompanhamento de Projetos* (UTAP) is an entity with administrative autonomy under the Ministry of Finance, which assumes the responsibility in monitoring PPP and provides specialized technical support, including economic, financial and legal support, publishes quarterly reports and shares the information with INE, when requested.

For Regional Government, the Regional Directorate for Budget of each region is responsible for the processes of PPP and provides to INE all the necessary information.

Specific government transactions - Public Private Partnerships

DGAL has a functionality to collect information on PPP at a municipal level. The results are compiled in a report containing relevant information for the analysis of the PPP in light of the MGDD rules.

All PPPs contracts are analysed, but PPPs are usually contracted at the Central Government level.

For the Regions, the Regional Directorates for Budget provide INE with all necessary information which includes the contracts to be analysed.

For Municipalities, DGAL collects information on PPP at a municipal level. GGSU receives the contracts and makes the risk assessment following national accounting rules.

Government does not provide guarantees for the private partner and there is no government financing for the private partners.

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.”*

7.7.1 Types of derivatives used

IGCP uses the following types of derivatives: Interest Rate Swaps (IRS), Currency Interest Rate Swaps (CIRS), Fx Swaps and Swaptions.

The Regional Governments of Madeira and Azores and some public corporations classified inside central government also use derivatives, mainly interest rate swaps.

7.7.2 Data sources

For Central Government, the data source is IGCP. IGCP's information system automatically manages all the flow of liabilities of debt already contracted, whether capital or interest. It also provides the accrual values and allocates discounts/premiums to the corresponding periods. In the derivatives case, all the flows are reported on the expenditure side (two legs netting flow is recorded as interest).

For the Regional Government of Madeira, information is collected by the Regional Directorate of Budget and made available to INE.

In the national accounts, derivatives are reported in both assets and liabilities.

The accounts of other central government bodies are used for compiling national accounts information for derivatives. The appropriate adjustments are made, in particular the ones regarding swap cancellation, for which the revenue/expenditure is spread throughout the remaining of the term of the cancelled contracts. This information is also provided by IGCP which currently also manages swaps in public corporations.

The swap renegotiations are available and analysed.

7.7.3 Recording

One off-market swap negotiated by the Autonomous Region of Madeira is recorded in accounts.

The payments resulting from swap on interest are entering the WB of the EDP table 2A. The relevant neutralisation adjustments are made under the line “other adjustments – interests on swaps”.

Specific government transactions - Financial derivatives

There are no payments resulting from any kind of swap arrangement or forward rate agreements entering the working balances of the EDP tables 2C and 2D.
There isn't any threshold for swap operations.

7.8. Payments for the use of roads

The main issue is whether payments for road, both in the case of tolls and vignettes, should be considered as sale of services or as a tax, when the infrastructures are owned by public units. The issue is important also because the classification of payments made for the usage of roads, either as sales or taxes, influences the assessment of the 50% criterion, which is fundamental for the purpose of assessing whether a given institutional unit (in some cases, a government-controlled entity receiving the payment of the toll or vignette) is a market or a non-market producer.

Payments for the use of roads will generally be classified as a sale of a service in the case of tolls. They will also be classified as a sale of a service in the case of vignettes whenever users have sufficient choice both in terms of selecting specific roads and of choosing a determined length of time for the vignette.

In Portugal, the payments for the use of roads have the form of tolls.

There is no system of vignettes in Portugal.

The institutional unit collecting tolls is *IP – Infraestruturas de Portugal* and is classified in national accounts in the Central Government Autonomous Services and Funds subsector, in S.13.

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.

A National Plan for the Allocation of Emission Permits existed between 2005 and 2012, defining the conditions in which corporations were functioning under the Emission Trading System (ETS) in the European Union.

Under this National Plan, the Portuguese Environment Agency (APA) determined the limits for the greenhouse gas emissions, allocating for free the corresponding emission permits to the corporations included in this regime.

Since 2013, following Regulation (EU) No 1193/2011, no National Plan exists, and the allocation of emission permits is made at European level. Although there are still emission permits allocated for free, auctions of permits are increasingly becoming the most relevant way of allocating permits to corporations.

These occurrences of sale of emissions are carried out by *Fundo Ambiental* classified in the Central Government Autonomous Services and Funds subsector. Thus, the flows related with emission permits are recorded in table 2A under "Net borrowing (-) or net lending (+) of other central government bodies."

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

In 2007 there was an operation of Sale and leaseback in the Regional Government of Madeira, where the type of assets was Real estate (buildings).

There is no specific procedure in place to be informed on the new operations undertaken by government. The procedures consist in analysing the conditions of the sales of assets performed by General Government. The Court of Auditors reports are considered.

The procedures are the same as those used for central government.

The Ministry of Finance and the Regions inform INE if new operations took place.

For the Municipalities, the information is made available via DGAL's reporting system.

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.

ESA 2010 paragraphs 20.260-20.271 establish securitisation operations accounting rules. The MGDD part 5, chapter 5.5 is dealing with securitisation operations.

There was an operation of securitization of tax credits in 2003. In the 2016 benchmark revision of the Portuguese National accounts, this operation is recorded as government borrowing, increasing General Government gross debt in 2003, diminishing progressively as taxes as contributions are actually paid by debtors.

The Ministry of Finance informs INE if new operations take place.
No operations occurred at Local /R government level.

All necessary information is made available to the statistical authorities.

7.12. Mobile phone 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 ESA 2010 MGDD part 6, chapter 6.1 is dealing with the sale of mobile phone licenses.

In 2011, an auction was carried out, resulting in the sale of the UMTS licences regarding the 4th mobile generation.

The revenue is recorded as rents for the duration of the contract.

There have been no cases of sales made ahead of availability.

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.

According to ESA 2010, dividends are property income which should be paid from the entrepreneurial income. In the case of Central Bank, this means that capital gains and losses, which result from the change in value of the assets, should be excluded, for national accounts purposes, from the amount available to distribute as dividends.

BdP is the Central Bank of Portugal and it is a public entity. BdP distributes dividends to the State, the sole shareholder. The statistical authorities analyse the profit and loss account of BdP to determine the nature of the dividends. When dividends are lower than the profits excluding capital gains and losses, the amount is treated as property income, with an impact in net borrowing / net lending of General Government. When dividends are higher than the profits excluding capital gains and losses, the amount in excess is treated as withdrawal of equity by government, with an impact only in the financial account.

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 have been occurrences of lump sum pension payments in 2003, 2004, 2010, 2011, 2012 and 2013.

The pension funds (CTT in 2003; ANA, NAV, INCM, CGD in 2004; PT and Marconi in 2010; Banks (only for already retired people at that time) in 2011; BPN in 2012; IFAP in 2013; ENVC and GESTNAVE in 2015) were transferred to CGA, with the exception of the obligations with pension payments to current pensioners of the monetary financial institutions, in 2011, that were transferred to the General Social Security Regime (RGSS). In all cases, the amounts transferred to the Government matched the actuarial value of future liabilities to pay pensions involved in the transfer.

These operations were recorded in national accounts accordingly with ESA 2010 and MGDD rules.

7.15. Pension schemes

Classification of pension schemes

Categories of pension schemes:

- A. Social Security schemes;
- B. Private funded schemes administered by insurance companies or autonomous pension funds;
- C. Private funded schemes operated by employers, which maintain special reserves (segregated from other reserves);
- D. Private unfunded schemes operated by employers (without special reserves);
- E. Social assistance;
- F. Other insurance.

Classification of social insurance pension schemes

Under social insurance pension schemes, there are trade unions of bank workers, which include social protection on health side and are financed by contributions paid by employers and employees (compulsory) and mutual benefit associations receiving contributions from the members' associates and paying social benefits such as pensions and health (most are voluntary).

Definition of social security schemes

Social security includes the General Social Security Scheme (which includes private sector employees, civil servants and self-employed workers) as well as the CGA.

Classification of institutional units supporting pension schemes; borderline cases

The following table shows the breakdown of categories of pension schemes, by subsector, in Portugal:

Specific government transactions - Pension schemes

		Categories of pension schemes					
		A	B	C	D	E	F
Institutional sectors/subectors	S.11	xx	Yes	Yes ⁽²⁾	Yes	No	xx
	S.121	xx	Yes			No	xx
	S.122	xx	Yes	Yes	Yes	No	xx
	S.123	xx	Yes		(3)	No	xx
	S.124	xx	Yes		(3)	No	xx
	S.125	xx	Yes		(3)	No	Yes
	S.1311	No	xx	No	Yes	Yes	xx
	S.1312						
	S.1313	No	xx	No		Yes	xx
	S.1314	Yes		No		Yes	xx
	S.14	xx		No			xx
	S.15	xx		No		Yes	xx

Yes=> there are institutional units belonging to the sector/subsector which support (run) pension scheme of specified category;

No=> there is no institutional unit belonging to the sector/subsector which supports (runs) pension scheme of specified category;

XX=> the combination is impossible.

(2) Although they exist the non-financial accounts have not identified them yet

(3) not known

7.16. Rearranged transactions

There are no cases of rearranged transactions.

Specific government transactions - Decommissioning costs

7.17. Decommissioning costs

There are no cases of decommissioning activities in S.13 in Portugal.

Specific government transactions - Income contingent loans

7.18. Income contingent loans

There have been no cases of income contingent loans.

7.19. Concessions

There are cases of concessions in Portugal, namely in the Central Government subsector.

Similarly to PPPs, UTAP also monitors the ongoing concessions and the same DGAL's functionality that accesses the PPP for the local government also analyses concessions.

In OCGB, *Infraestruturas de Portugal* (IP) has several concessions, which are accompanied quarterly.

There are some cases where the asset under a concession is classified in the balance sheet of government.

In the case of Madeira there are two concession contracts considered contracts for the provision of services linked to previously existing assets. The contracts were signed in 2000 and 2004, where the payments to government were recorded as a financial advance (loan) to government which has been progressively reduced by the payment of future regular (unitary) payments to the partner. The GFCF was carried out by RGM and the assets were kept in the balance sheet of government.

In the case of Local Government there are also few cases, and not of significant amounts, where the assets were classified in the balance sheet of Municipalities as a consequence of the risk analysis.

New or modified contracts are analysed on a case by case basis, in particular those with higher amounts involved. Regarding existing contracts, we are not aware of cases where government financed directly or provided a guarantee to finance the asset under concession.

7.20. 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.

The Portuguese Energy Efficiency in Public Administration Programme, ECO.AP (Programa de Eficiência de Recursos na Administração Pública) was established under the Cabinet Resolution No. 2/2011, with the purpose of creating the necessary conditions for the development of an energy efficiency policy. However, in the past, no significant contracts for this purpose and fulfilling the conditions set out for EPC were identified.

Recently, under the Cabinet Resolution No. 104/2020, and in line with the relevant national and international framework, namely the 2030 Agenda for Sustainable Development and the Paris Agreement, a revision was adopted targeting the period 2020-2030 – ECO.AP 2030.

For the existing contracts, most of them involving Municipalities, the recording as an operating lease is appropriate as the EPC contractors can be considered the economic owners of the underlying assets. Most of the risks related with the projects are borne by the EPC contractors, which are responsible for the construction and maintenance of the assets, including the substitution of defective equipment if necessary, with penalties for underperformance. On the other hand, the fees received by the EPC contractors are calculated based on the expected energy savings, being entitled in addition to half of the excess gains if the energy savings are higher than expected.

Thus, in national accounts, the rental payments (EPC fees) made by Municipalities (classified as intermediate consumption – purchase of services) are recorded as expenditure, with impact on government net lending/net borrowing (B.9).

Annex I – List of General Government Units

The list of units is published in the end of March and September of year n with the reference of n-1 together with the EDP notification press release.

The list is available on the link “Units Classified in the General Government Sector” at the [Statistics Portugal - Web Portal](#).