

Regional accounts methods: tables of general government



EUROPEAN
COMMISSION



THEME 1
General
statistics

1

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Luxembourg: Office for Official Publications of the European Communities, 2000

ISBN 92-828-8797-9

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Printed in Luxembourg

PRINTED ON WHITE CHLORINE-FREE PAPER

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1. INTRODUCTION

1.1 Need for information about general government at regional level

Information about general government at regional level is needed to compare the impact of transactions of central, state and local authorities and of social security schemes on the economic situation of regions. Inside the European Union general government differs considerably from one country to another, as far as its structure and responsibilities are concerned. Some federal states like Austria or the Federal Republic of Germany have a largely decentralised general government. In other countries, there is no intermediate level of government between local and central government. In the Netherlands and Denmark, for instance, there is no state government sub-sector. In an intermediate situation, for countries such as Portugal, the state government exists only for some peripheral regions (eg Azores and Madeira), and not in the other regions of the Member State. Local government itself differs from country to country with regard to its competences: in some cases substantial powers are handed over to the local government; in other cases the sphere of competence of the local government sub-sector is much more restricted.

The outcome of this disparity of situations is that the data obtained in the regionalisation of general government accounts, at the level of each sub-sector, is not internationally comparable. It makes no sense, for example, to contrast the level of investment of the local government of two regions from two different Member States if there are tasks that are carried out by local government in one country but by central government in the other. In some specific cases, even direct comparison between two regions in the same country is affected. In Portugal, the central government accounts of the island regions are not comparable with the accounts of the mainland regions, because, in Azores and Madeira, an important part of central government's powers is transferred to the state government.

Although the comparison between the regionalised values of general government sub-sectors' accounts of different countries (and even of a single country) can be misleading, this does not apply to general government as a whole. Even though there are tasks which in certain countries are performed by the general government while in others they are entrusted to the private sector, there is much stronger homogeneity among the European Union countries at this level of aggregation. On the other hand, it may prove interesting to see how far interregional redistribution of income and wealth is affected by each of the different levels of the general

government sector, even if this analysis is limited to regions within one Member State only.

Thus, it becomes absolutely necessary to incorporate into regional tables, referring to the global sector of general government, the ensemble of regionalised values obtained for each of its sub-sectors. As a consequence, we have to deal with aspects of integrating and consolidating the results for the sub-sectors in order to obtain figures for the sector as a whole.

The aim is to have regionalised accounts for general government within the confines of the Nomenclature of Territorial Units for Statistics (NUTS) at level II of this classification. The NUTS provides a single, uniform breakdown of the economic territory of the European Union and is the territorial classification for the compilation of regional accounts (ESA 13.07).

Notwithstanding conceptual and empirical difficulties, the purpose of this manual is to present a methodological approach to obtaining meaningful regional figures. One of the leading ideas is that even if we are not successful in regionalising the transactions of general government totally, useful data for regional analysis can still be provided. The methodology set out in this document tries to describe the problems and outline a number of ways of solving them. However, it is neither intended or possible to totally prescribe a method which can be applied uniformly in all Member States. The financial, legal, cultural and institutional settings vary from one Member State to another, and each Member State's statisticians must find appropriate solutions in adopting this methodology to the domestic situation.

1.2 Relevant features of regional accounts

National Accounts deal with overall national economies. The agents in these economies face uniform circumstances and uniform conditions of currency, foreign exchange, trade, taxation, labour and entrepreneurial framework. What is called a domestic market is therefore largely constituted by the rules and by the budgets of general government, especially by those of central government which is - alongside state and local government and social security funds - one of the four sub-sectors of the general government sector.

National economies can be distinguished from each other and they can be observed statistically. Regional economies are much more difficult to separate from each other. They are variously interlinked and normally¹

¹ In some countries there may be local or state taxes to which statistics can refer.

there are no administrative activities such as taxation, customs clearance or permits on which statistics can be based to observe this interlinking. Regional accounts, i.e. the adaptation of the System of National Accounts to the regional level, follow the primacy of National Accounts both conceptually and empirically. Regional accounts try to construct statistical frontiers where physically and economically there are none. They aim to compile regional estimates of items and aggregates which in their meaning are well known from National Accounts and which, of course, should be compatible with the national figures.

However, there are many obstacles to compiling regional accounts that are as complete and comprehensive as those for National Accounts. For the purpose of international comparison, there are detailed agreements on the concepts and rules of National Accounts, codified in the System of National Accounts (SNA) whose adaptation for Europe is the European System of Accounts (ESA). Special chapters of the SNA and ESA consider regional accounts, and the ESA (1.04) emphasises their “very important specific use ... for granting monetary support to regions in the EU: the expenditure for the Structural Funds of the EU is partly based on regionalised national accounts figures”.

The basic conceptual problems of regional accounts are described in section 13.08 et seq. of the ESA. The treatment of general government forms a crucial part of those problems. However, the present version of the ESA does not yet propose to compile regional accounts for general government. It is still under consideration whether or not this should be introduced into a future revision of the ESA. This document may contribute some aspects to the debate.

In the ESA, the general government sector is made up of four sub-sectors. For the regionalisation of each of them we need special considerations. The units of local government do not raise the severe problems we face in regionalising the transactions of government authorities whose area of competence covers more than one of region. Regionalising central government and social security funds, however, has a lot to do with how to treat these authorities of national or at least multi-regional competence in terms of statistical units.

This document attempts to remain in line with the ESA as well as with Council Regulation 696/93 on statistical units. It tries to match the “Regional Accounts Methods: Gross value added and gross fixed capital formation by activity” (Eurostat’s statistical document 1E, Luxembourg 1995) as well as the method for regional accounts of households “Regional Accounts Methods: Household accounts” (Eurostat’s statistical document 1E, 1996).

The term “regional accounts” is derived from “National Accounts” in order to express the affinity between the two. However, the tools or the statistical output of regional accounts need not be T-accounts involved in a system of double-entry bookkeeping. As indicated in the title of this document, it is intended here to present the statistical output in terms of tables.

1.3 Definition of territory

The regional chapter of the ESA (13.04 et seq.) defines the economic territory of a country and its two components: the regional territories and the extra-regio territory. These definitions can be applied fully for regionalising general government. Embassies, consulates and military bases form part of the extra-regio territory, being almost exclusively local KAUs of central government. Some scientific bases may also belong to general government.

Regional accounts compiling value added and regional gross fixed capital formation (GFCF) by industries have to be drawn up for the regional territories as well as for the extra-regio territory. The ESA (13.29) defines that the sum of gross domestic products per region (GDPR), explicitly including GDPR of the extra-regio territory, equals GDP. For checking completeness and consistency, it is useful to include the extra-regio territory in the regional breakdown of the national values of general government, whether or not the extra-region forms a significant part of general government.

The same is true for the rest of the world, which must be the subject of separate regional tables of general government. Otherwise it would not be possible to partition the transactions totally, omitting payments to and receipts from non-residents. Thus, a country with n internal regions would have to compile $n+2$ regional accounts of general government. However, this is considered only for calculation and plausibility and consistency checking. Whether or not all these figures should be published should be decided in the light of future experience.

1.4 Proceeding step by step

Looking at the various sub-sectors of general government, there is clearly an increasing degree of difficulty in regionalising their transactions, depending on the number of regions covered by their area of competence. For local government a possible regionalisation procedure may simply involve the aggregation, through the bottom-up methodology, of the accounts of the different local government units which operate inside each region. For central

government, however, there are numerous conceptual and empirical problems.

For tackling the task of regionalising the transactions of general government we basically have three options:

- We can start with the least difficult sub-sectors and/or transactions and aggregates, accumulating experience before finally treating the most difficult ones.
- We can start with the most difficult sub-sectors and/or transactions and aggregates, trying to find appropriate solutions and, in case of failure, avoiding too much effort.
- We omit sub-sectoring and try to regionalise all (or almost all) transactions and aggregates at once, not wasting time and resources on a step-by-step approach.

Under the first option, it might be deemed useful to start regionalising the transactions of general government with its sub-sector local government. Indeed, at EU-level there had been compilations exclusively for that sub-sector until Eurostat, urged to tackle the most critical sub-sector, central government, followed option two (for more details see the history of the project in annex B). However, after several years of discussion, it is recommended here to return to option one in a modified form: we should continue to proceed sub-sector by sub-sector, but in the thematic order we should follow another step-by-step approach, i.e. an order of transactions and aggregates according to increasing controversy of methodological discussion and empirical difficulties. This approach has four main steps:

Step 1: tables on gross value added (GVA) and generation of income

Step 2: tables on gross fixed capital formation (GFCF) and investment grants by function of the government

Step 3: tables on distribution of income

Step 4: tables on actual collective consumption, capital transfers and remaining transactions

Only the first three steps are currently proposed for compilation. In the introduction to this document it has already been pointed out that there are severe conceptual problems hindering the idea of regionalising the transactions of general government in total. In order to pursue an approach of acceptable methods that still offer meaningful figures we have to balance the conceptual ideals with the pragmatic need for regional data. The priority is to agree on the less controversial parts of compilation (steps 1 to 3) based on methods that all Member States can adopt, having reached compromises in some areas. Step 4 includes some

problematic transactions such as actual collective consumption, and capital transfers and may even include some transactions preventing a complete regionalisation of all transactions of the ESA accounts I to III (see annex A) of general government. However, it is stressed that a complete regionalisation neglects the scruples of the ESA on that topic and is not the purpose of this manual and should be carried out on behalf of each Member State individually.

The step by step approach will be most useful when testing and implementing the methods proposed in this document. There may be the need to revise, and to increase the detail of, this document in the light of future experience. However, the steps are also useful for continuous compilation and can be carried out in isolation.

The third of the above options, namely to regionalise all or almost all transactions and aggregates at once, has never been envisaged in the European discussions. Even though the figures for the sub-sectors are, as already noted, not comparable from country to country and we finally aim only at total results, we should partition the task with regard to available statistical resources and with regard to the very different features of the sub-sectors we have to encounter in establishing the methods. By this means it is deemed much easier to exploit data sub-sector by sub-sector, to apply appropriate conventions and to check and ensure consistency of the figures. We should use the opportunity to check and realign our figures at sub-sector level, in order to adjust the sum of regions to the national total, i.e. to the corresponding figure in the National Accounts.

1.5 The structure of the document

Chapters 2 to 4 provide important information for compiling and analysing regional figures of general government.

Chapter 2 defines the transactors of the general government sector and throws light on their relevant features. In its final section Chapter 2 emphasises the role of EU funds in their capacity as international fiscal bodies directly transacting with the private sector. It should be stressed that those transactions of the institutions of the EU (some taxes on products, subsidies and investment grants) are not included in the scope of regionalising the transactions of general government.

The underlying concepts and methods of this document are in general those of the ESA. Chapter 3 describes the methods that had to be elaborated beyond the explicit rules of the ESA (though nevertheless

compatible with it). These methods have been discussed in depth, revealing ambiguities for some transactions and suggesting alternatives on how to regionalise them. The detailed arguments at the methodological cross-roads cannot be properly described without going into considerable detail, which would overburden this document in its usefulness as a practical guide. Nevertheless, it has been deemed useful to provide a summary of the chosen concepts as the final section of Chapter 3.

Chapter 4 is structured according to the proposed steps of compilation. It reports the detailed methods of regionalising, transaction by transaction. In its structure and layout this part of the document is expected to serve as a kind of manual. However, this guideline sets out only the philosophy of regionalisation. As already noted, it is not intended to present solutions for the

variety of fiscal and institutional settings in the EU. Thus, it is considered to be no more than a frame for each Member State to adapt its own method in checking its empirical capability.

Chapter 4 also tackles the tables proposed for compilation and presented in Annex C. This may allow both the producer and the user, to understand better the underlying concepts in the context of its statistical output. The text of Chapter 4 incorporates some accounts taken from the ESA-sequence for general government which is provided in full as Annex A .

Chapters 3 and 4 differentiate between the four sub-sectors of general government before treating in detail the individual items. In other words, the sub-sectors are the lowest classifier for this document. This has been preferred in order to avoid redundancies, which would otherwise have been inevitable.

2. THE TRANSACTORS

2.1 The general government sector

The general government sector S.13 is one of the five mutually exclusive institutional sectors making up the total economy. The ESA (2.68) defines it as including “all institutional units which are other non-market producers ... whose output is intended for individual and collective consumption ... and/or ... in the redistribution of national income and wealth”. The principal resources of these units are derived directly or indirectly from compulsory payments made by units belonging to other sectors. The institutional units of general government are mainly entities that administer and finance a group of activities, principally providing non-market goods and services, intended for the benefit of the community.

In addition, general government includes non-profit institutions recognised as independent legal entities which are principally engaged in the production of non-market goods and services, which are controlled by general government and whose principal resources other than the proceeds of sales are derived from payments made by the above mentioned governmental entities and autonomous pension funds (ESA 2.69 b,c).

The general government sector S.13 is sub-sectored (ESA 2.70) into

- central government (S.1311),
- state government (S.1312),
- local government (S.1313) and
- social security funds (S.1314).

In some countries such as the Netherlands and Denmark, there may be no proper intermediate level of government between local and central government, in which case sub-sector S.1312 does not exist.

The general government sector does not include public enterprises established as public corporations, even if those corporations are totally owned by government units. It also does not include quasi-corporations that are owned and controlled by government units. Quasi-corporations keep a complete set of accounts but have no independent legal status. They have an economic and financial behaviour that is different from that of their owners and similar to that of corporations. Therefore they are deemed to have autonomy of decision and are considered as distinct institutional units. Units such as museums and theatres, which supply goods and services on a market basis, should be treated as quasi-corporations whenever appropriate (System of National Accounts 1993, SNA 4.129). However, public producer units that are not quasi-corporations remain an integral part of the government sector (ESA 2.97). It depends

on the special institutional setting of the Member States of the EU whether or not government's market activities are included in sector S.13.

As a general rule (ESA 3.27 f.), institutional units are classified as belonging to the general government sector only if they are “public producers” (for definition see ESA 3.28) and if they cover by sales no more than 50% of their production costs (“other non-market producers”). Public producers that do not match this 50% criterion are to be classified as corporations.

2.2 The sub-sectors of general government

2.2.1 Central government (S.1311)

The ESA (2.71) states that: “The sub-sector S.1311 central government includes all administrative departments of the State and other central agencies whose competence normally extends over the whole economic territory, except for the administration of social security funds.” Included in S.1311 are those non-profit institutions which are controlled and mainly financed by central government and whose competence extends over the whole economic territory.

In defining central government, the SNA provides more detail: “Central government has ... the authority to impose taxes on all resident and non-resident units engaged in economic activities within the country. Its political responsibilities include national defence and relations with foreign governments and it also seeks to ensure the efficient working of the social and economic system by means of appropriate legislation and regulation and also the maintenance of law and order. It is responsible for providing collective services for the benefit of the community as a whole, and for this purpose incurs expenditures on defence and public administration. In addition it may incur expenditures on the provision of services, such as education or health, primarily for the benefit of individual households. Finally, it may make transfers to other institutional units - households, non-profit institutions, corporations and other levels of government” (SNA 4.118).

2.2.2 State government (S.1312)

“The state government sub-sector consists of state governments which are separate institutional units exercising some of the functions of government at a level below that of central government and above that of the governmental institutional units existing at local level, except for the administration of social security funds. Included ... are those non-profit institutions which are controlled and mainly financed by state

governments and whose competence is restricted to the economic territories of the states" (ESA 2.72).

NUTS level II, the level envisaged for regionalising the transactions of general government, does not exist in Denmark, Luxembourg or Ireland. Thus, these countries are not at all involved in compiling regional figures of government. For the other Member States the following table indicates the name of the authorities at level NUTS I (major territories just below national level) and NUTS II. For reason of completeness, the table also includes the NUTS III regions.

Whether or not these authorities of the Member States are classified as units of the state government sub-sector is, of course, determined by the National Accounts' application of the ESA. It is presumed that few Member States will have governmental units to be classified in the state government sub-sector. The parts dealing with state government are particularly relevant to countries such as Germany, which have units of state government whose areas are all classified to NUTS I but some of which cover two or more areas of level NUTS II.

NUTS I		NUTS II	NUTS III
BE	3 Regions	10 Provinces (11 units)	43 Arrondissements
DE	16 Länder	38 Regierungsbezirke	445 Kreise
GR	4 Groups of development regions	13 Development regions	51 Nomoi
ES	7 Agrupaciones de comunidades autonomas	17 Comunidades autonomas + 1 Ceuta y Mellila	50 Provincias + 2 Ceuta y Melilla
FR	8 Z.E.A.T. + 1 DOM	22 Régions + 4 DOM	96 Départements + 4 DOM
IT	11 Gruppi di regioni	20 Regioni	103 Provincie
NL	4 Landsdelen	12 Provincies	40 COROP regio's
AT	3 Gruppen von Bundesländern	9 Bundesländer	35 Gruppen von Politischen Bezirken oder Gerichtsbezirken
PT	1 Continente + 2 Regiões autonomas	5 Comissaoes de coordenação regional + 2 Regiões autonomas	30 Grupos de Concelhos
FI	2 Manner-Suomi/Åland	6 Suuralueet	20 Maakunnat
SE	-	8 Riksområden	24 Län
UK	12 Government Office Regions	37 Individual or groups of counties or unitary authorities	133 Individual or groups of unitary authorities

2.2.3 Local government (S.1313)

"The sub-sector local government includes those types of public administration whose competence extends to only a local part of the economic territory, apart from local agencies of social security funds" (ESA 2.73). Included in S.1313 are those non-profit institutions which are controlled and mainly financed by local governments and whose competence is restricted to the economic territories of the local governments. In defining local governments the SNA provides some more detailed features:

Local government units are, in principle, "institutional units whose fiscal, legislative and executive authority extends over the smallest geographical areas distinguished for administrative and political purposes. The scope of their authority is generally much less than that of central government ..., and they may, or may not, be entitled to levy taxes on institutional units resident in their areas. They are often heavily dependent on grants or transfers from higher levels of government, and they may also act as agents of central or state governments to some extent. However, in order to be treated as institutional units they must be

entitled to own assets, raise funds and incur liabilities by borrowing on their own account; similarly, they must have some discretion over how such funds are spent. They should also be able to appoint their own officers, independently of external administrative control. The fact that they may also act as agents of central or state governments to some extent does not prevent them from being treated as separate institutional units provided they are able to raise and spend some funds on their own initiative and own responsibility.” (SNA 4.128)

“As they are the government units which are in the closest contact with the institutional units resident in their localities, they typically provide a wide range of services to local residents, some of which may be financed out of transfers from higher levels of government. The same rules govern the treatment of the production of goods and services by local government units as are applied to central and state governments. Units such as municipal theatres, museums, swimming pools, etc., which supply goods or services on a market basis should be treated as quasi-corporations whenever appropriate. Units supplying services such as education or health on a non-market basis remain an integral part of the local government unit to which they belong.” (SNA 4.129)

The table in the previous section provides information about the local authorities that exist at regional levels NUTS II and III of the Member States of the EU. Denmark, Luxembourg and Ireland are omitted from this table as they have no further breakdown at NUTS I and II level (Eurostat, Regions, Nomenclature of territorial unit for statistics, March 1995). Several Member States have a further local breakdown at NUTS IV level: Greece (Eparchies, 150), Portugal (Concelhos municipais, 305), Finland (Seutukunnat, 85) and United Kingdom (Districts or unitary authorities, 445). Finally, at local level NUTS V, about 100,000 municipalities exist in the fifteen Member States of the EU.

The above-mentioned local authorities at regional and local levels NUTS II to V form the majority of the local-kind-of-activity units (local KAUs) that constitute the sub-sector local government. They are institutional units. Depending on the institutional organisation of local government in the Member States other (institutional) units may also be part of the local government sub-sector. Examples are Dutch units based on co-operation agreements between municipalities and bodies of surveyors of the dikes. As mentioned before, units supplying services such as education or health on a non-market basis remain an integral part of the government unit to which they belong. However, this implies, for instance, that universities and industrial organisations which are part of central or state government will be included in the

accounts of central or state government, notwithstanding that these institutions may be purely local.

2.2.4 Social security funds (S.1314)

“The sub-sector social security funds includes all central, state and local institutional units whose principal activity is to provide social benefits and which fulfil each of the two criteria:

- by law or by regulation certain groups of the population are obliged to participate in the scheme or to pay contributions;
- general government is responsible for the management of the institution in respect of the settlement or approval of the contributions and benefits independently from its role as supervisory body or employer ...” (ESA 2.74).

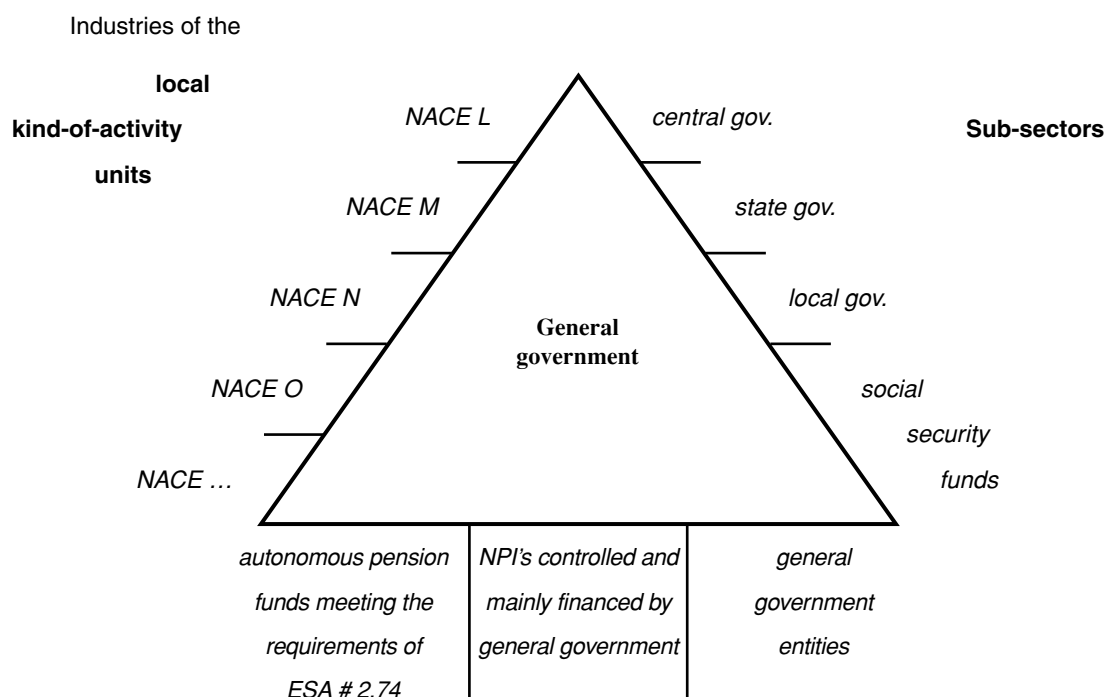
Social insurance schemes organised by government units for their own employees are classified as private funded or unfunded schemes as appropriate and not as social security schemes.

If autonomous pension funds meet both requirements of ESA 2.74 they are to be included in sub-sector S.1314, too (ESA 2.63). Autonomous pension funds are a type of social insurance scheme social contributions are paid to, forming separate institutional units from both the employers and the employees and being responsible for managing the resulting funds and paying the social benefits.

2.3 Government units and their institutional counterparts

It is one of the fundamental principles of the SNA and the ESA to attribute all activities within the boundary of the system to economic units. There are institutional units and sectors on the one hand and local KAUs, industries, activities and products on the other. And there is a hierarchical relationship between institutional units and local KAUs. Local KAUs form part of institutional units. Moreover, they are meant to give a picture of the distribution of production by region and by kind of economic activity. While the local KAUs only appear in the sphere of production and generation of income the institutional units fulfil various economic functions in many respects. They undertake a great number of elementary economic actions. Regional accounts or tables of the sector of general government thus have to deal with institutional units when dealing with the distribution and use of income or with the capital account's transactions, comprehensively.

Subsectors and types of units of general government



Institutional units

- other non-market producers whose output is intended for individual and collective consumption and mainly financed by units belonging to other sectors.
- and / or
- principally engaged in the redistribution of national income and wealth

Institutional units are financial and non-financial corporations or quasi-corporations, non-profit institutions serving households (NPISHs), households and government units. From the regional point of view, there are three types of institutional units to be dealt with in compiling regional sector accounts:

- those which can be locally identified without any doubt (uni-regional units as private households with their jobs and assets inside their region of residence, local government units, corporations or quasi-corporations or NPISHs with single residence),
- those which are spread across regions (multi-regional units e.g. corporations with local KAUs),

- those which require a choice between two possible locations (private households with jobs or assets outside their region of living).

Local government units, in principle, are institutional units whose fiscal, legislative and executive authority extends over the smallest geographical areas distinguished for administrative and political purposes. They are often heavily dependent on grants or transfers from higher levels of government, and to some extent they may also act as agents of central or state governments. However, in order to be treated as institutional units, they must be entitled to own assets, raise funds and incur liabilities by borrowing on their own account. Local government excludes local agencies of social security funds by definition (ESA 2.73).

State governments, if they exist, are separate institutional units whose fiscal, legislative and executive authority extends over the largest geographical areas ("states") into which the country as a whole may be divided for political and administrative purposes. They exercise some of the functions of government at a level below that of central government and above that of the governmental institutional units that exist at local level, except for the administration of social security funds.

Central government is generally composed of a central group of departments or ministries that make up a single institutional unit. The departments may be responsible for considerable amounts of expenditure within the framework of the government's overall budget, but they are nevertheless not separate institutional units (SNA 4.119). This applies even though they may be dispersed geographically and located in different parts of the country. For the purpose of production accounts by type of productive activity, the local KAU is used as the statistical unit.

Social security funds constitute special kinds of institutional units, even though in some countries their finances may be partially integrated with government. They may be found at every level of government.

With regard to the problem of regionalisation we can summarise that, by their very nature, central government and the social security funds operating at national level cannot be directly allocated to regions in their capacity as institutional units. This is also true for state governments whose area of competence covers more than one region of level NUTS II.²

2.4 Ancillary activities

For regional accounts in general, the ancillary activities give rise to special considerations. An ancillary activity is a supporting activity, e.g. data processing, transportation, storage or the like (for definition in detail see ESA 3.12). In National Accounts ancillary activities are treated as integral parts of the principal or secondary activities with which they are associated. As a result, their output is not explicitly recognised and recorded, and the inputs they consume are treated as inputs into the principal or secondary activities with which they are associated (ESA 3.13). In short: ancillary activities are treated as an intermediate output within the enterprise, and not constituting a producing

unit of their own. In regional accounts, however, it is important to locate the ancillary activity in the correct region (see section 5.4 in Eurostat's statistical document 1E "Regional Accounts Methods: Gross value added and gross fixed capital formation by activity").

In the SNA we find some useful guidance for treating non-market producers which supply goods (e.g. weapons, printed documents or stationery) or services to other government agencies or departments: "... An activity which supplies goods to an establishment producing services should be treated as a separate establishment. The situation of government agencies supplying supporting services - for example, transport pools and computing departments - to other government agencies is less clear. Normally it would be appropriate to treat them as ancillary activities whose costs are to be distributed over the various establishments that they serve in proportion to the latter's own costs. However, exceptions to this general principle may be envisaged in the case of very large specialized agencies serving central government as a whole - for example, a very large computer or communications agency - which may be so large that it is appropriate to treat it as a separate establishment". (SNA 5.39)

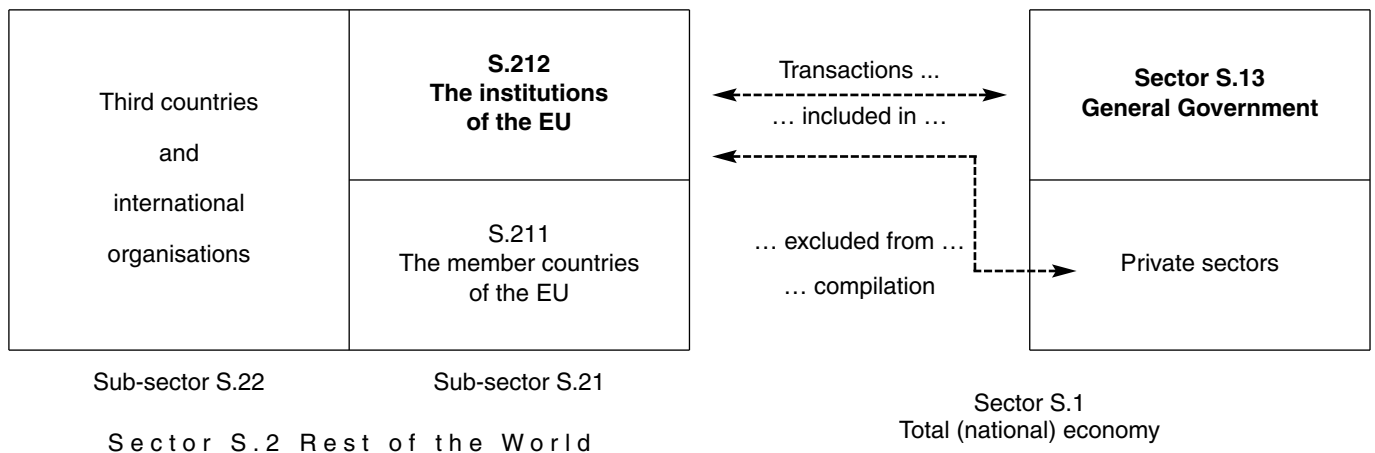
In regional accounting the problem of ancillary activities is well known in a special variant of it: many headquarters of financial and non-financial enterprises are to be treated as carrying out ancillary activities. For the general government sector, however, this type of ancillary activity is not that important as its "headquarters" (e.g. ministries) are treated as local KAUs.

Ancillary activities are only relevant for compiling the tables that later on in this document are outlined to belong to Step 1 and 2. Thus, it is simply recommended here to locate ancillary activities according to Eurostat's statistical document 1E "Regional Accounts Methods: Gross value added and gross fixed capital formation by activity".

2.5 The role of EU funds

The institutions of the European Union might be seen as fiscal bodies whose character and function are fairly similar to those of general government. We might expect or even postulate that the transactions of the institutions of the EU with the national economy should be included in a compilation whose aim is to show the regional impact of general government's transactions on the regions. However, this point of view requires some clarifying remarks.

² This is, incidentally, also true for the sectors non-financial corporations, financial corporations and NPISHs, as they also comprise multiregional institutional units.



The ESA (2.92) treats the European Union (S.21) as one of the two sub-sectors of sector S.2 rest of the world. Sub-sector S.21 is further subdivided into S.211 (the Member States of the EU) and S.212 (institutions of the EU). As regards the subject of this document, we need to look only at the transactions carried out by S.212. As indicated by the arrows in the chart, the institutions of the EU transact not only with the central governments of Member States but also with the private sectors.

The ESA mentions seven types of distributive transactions the institutions of the EU are explicitly involved in:

- Taxes on production and imports levied on mining and iron and steel producing enterprises and paid directly to the European Coal and Steel Community (ECSC). See ESA 4.25 a.
- Taxes on production and imports collected by national governments on behalf of the EU, i.e. levies on imported agricultural produce and the like, customs duties levied on the basis of the Integrated Tariff of the European Union and receipts from VAT (ESA 4.25b).
- Subsidies granted by the institutions of the EU cover current transfers made directly by them to resident producer units (ESA 4.31).
- The non-tax contributions of the Member States to the EU (except the GNP based fourth own resource) form part of D.74 current international co-operation (ESA 4.122a).
- Any current transfers which general government may receive from the EU are covered by D.74 current international co-operation (ESA 4.122c).
- The GNP based fourth own resource established by the Council Decision of 24 June 1988 on the system of Communities' own resources is one of the

miscellaneous current transfers (D.75) and paid by the Member States to the EU (ESA 4.138).

- Investment grants (D.92) include those (see footnote 2 to ESA 4.152) paid directly by institutions of the EU (e.g. European Agricultural Guidance and Guarantee Fund (EAGGF) - Guidance Section).

The transactions described in indents 1 to 3 and in the last indent are to be recorded as being effected directly between the EU and the private sectors. By their very nature they are thus excluded from regionalisation of the transactions general government is involved in.

It might, however, be deemed useful to monitor all levels of administration comprehensively in the regional accounts of general government. Then it might be worth considering the above mentioned EU-transactions with the private sectors as if they were re-routed via central government and thus included as well. In doing so, however, it must be borne in mind that this would, of course, be in discordance with the particular rules of the ESA and that, consequently, the sum of regions recorded this way would mismatch the corresponding National Accounts figure. In the method outlined in this paper it is not envisaged to include the transactions between the EU and the private sectors.

If we do not succeed in including all transactions of the institutions of the EU with the national economy, then it might at least be worthwhile attempting to regionalise the remaining transactions. Most of the disbursements and receipts of the institutions of the EU are channelled via the central government of its Member States. And, of course, it would be useful to state the extent to which the various entries of the regional accounts of central government are refunded by the institutions of the EU or, correspondingly, are ultimately on behalf of the institutions of the EU. However, at present, this sub-classification of transactions is deemed to be out of reach and not proposed to be included into the presentation of central government's regional accounts.

Thus, if, for example, region A happens to get an investment grant from the EU's structural funds and the institutions of the EU pay via central government, then two transactions must be regionalised. Firstly, we allocate the current international transfer from S.212 to S.1311 to the region "rest of the world" (following the so-called counterpart-criterion which is explained in section 3.2.3 below). Secondly, we allocate the capital transfer (investment grant) from central government to region A. However, the fact that this very investment grant is refunded by the institutions of the EU is not clear from this presentation.

To sum up, the transactions involving the institutions of the EU can only be included in our compilation as far as they are carried out with the national general government. By their very nature, they are to be regionalised under "rest of the world" even if for some of those transactions there might be knowledge about the region this very transaction is on behalf of. The transactions within general government or between general government and the private sectors induced by the institutions of the EU cannot be recorded separately under the type of transactions within which they are classified. Transactions between S.212 and the national private sectors do not appear at all in our proposed compilation.

3. THE ESSENTIALS OF THE CONCEPT

3.1 Specifying the aim of regionalising general government transactions

The aim of regionalising general government's transactions can be summarised by the need to answer the following four basic questions:

1. What is the share in regional gross domestic product created by general government's orders of intermediate goods and services and of assets on account of its production of (mostly) non-market services?
2. What are the non-monetary regional benefits from consuming general government's public goods and from using its infrastructure assets?
3. What is the share in regional gross domestic product created by general government's production of (mostly) non-market services and what is the growth of general government's stock of fixed capital?
4. What is the impact of general government's reallocation of income and wealth³; how much does it withdraw from the region and how much does it supply?

However, there is no feasible regional account which gives a comprehensive answer to all of these questions simultaneously. It is not possible to deliver the full variety of information without a loss of clarity and compatibility in concept, and vice versa. Thus, the questions have to be examined one by one to see what is possible and worthwhile.

It would, of course, be important for analytical purposes to have information about where general government obtains its intermediate goods and services and its capital formation goods (question 1). This would involve the decomposition of the value added of all industries supplying goods and services to meet general government's demand. However, this is not straightforward, as the different stages of producing these goods and services may take place in different regions. In addition, this compilation would exclude the value added of general government itself, viz. its generation of labour income. Even assuming uniregional production of the goods and services

demanding by general government and thus limiting the analysis to the first-round effects of criss-cross patterns of regional exports and imports, there would, at present, be no chance of getting reliable, nation-wide empirical data accruing from regional input-output-tables. Interesting though it would be, it is not the aim of regionalising general government's transactions to answer the first question.

Concerning question 2: general government's infrastructure and its goods and services are used by units resident all over the nation and also by non-residents. As far as government services can be seen as individually consumed, they form part of income in kind and are to be monitored as social transfers in kind in a special account (see below). However, much of the consumption of general government services (e.g. services of defence, customs or foreign affairs) cannot empirically be regionalised without further assumptions, which are more or less conventions. Attempting to quantify and regionalise the welfare benefits arising from the use of public assets is even worse. This manual does not pursue this aspect of welfare theory.

Data with respect to the third question are provided by regional accounts of GVA and GFCF by industries. Measuring the production activity of the local units of central government or social security funds does not, in principle, raise any problem other than calculating the GVA of units of local or state government. However, in applying the new ESA and the NACE Rev.1, there will be a slight mismatch between GVA and GFCF by industries of sections L to O of the NACE, and the corresponding figures for the government sector, because there are also non-profit institutions rendering services classified to L to O within the NACE. Thus, it is worthwhile compiling sectoral and sub-sectoral figures of GVA and GFCF within regional accounts of government. As regards GFCF, very useful information will arise from its sub-classification by the function of government.

The same is true for general government's investment grants. They contribute to the capital stock of the units receiving the grants and should also be recorded and classified by the function of government. Investment grants are the most important capital distributive transactions of central government affecting the wealth of the private sector and of local and state government. State government may also disburse important investment grants to local government or to the private sector. Also, without any doubt, the current distributive transactions of general government with their enormous effects on regional incomes must also be included in the compilation of the regional account of general government's transactions.

³ With regard to its more general meaning, the term "wealth" is preferred here, though in the ESA it is rarely (4.164) used. In the sequence of the accounts, the ESA instead uses the term "worth", presumably as it includes aspects of valuation.

The main objective at this stage is to provide information to answer the third question (GVA and its components, GFCF) and the fourth question. The options chosen for the fourth question can be paraphrased in terms of ESA accounts as follows: How do general government's current distributive transactions influence the

- generation of income,
- allocation of primary income,
- secondary distribution of income and
- redistribution of income in kind

in the region under consideration, and how do general government's investment grants affect the region's

- change in net worth due to capital transfers.

For these distributive transactions the aim of regionalising general government's activities can be pointed out as measuring its direct effect on the means for consumption and on the means for investment of the other sectors of a given region.

It has already been indicated that the regional impact accruing from intra-governmental investment grants may be of great analytical interest. This is also true for current transfers between units of government. Intra-governmental transfers may occur between units of different sub-sectors or may be compulsory payments within the sub-sectors of state or local government intended to balance the crudest regional discrepancies of their fiscal power (horizontal transfers). However, recording current and capital transfers within general government implies some conceptual problems, which are addressed in more detail in a special section of this document (3.5 below). Note, however, that due to analytical needs both the net regional impact of general government transactions carried out with the private sector and the net regional impact of intra-governmental transfers should be provided.

For general government's consumption the ESA set of accounts offers two possibilities of compilation and presentation (see ESA 3.74 et seq. and ESA 8.33 et seq.). One of the above chosen terms of accounts indicates that here the more ambitious possibility is taken: The redistribution of income in kind account gives a broader picture of the benefits of private household's use of individual goods and services rendered by government free of charge. These social transfers in kind, as they are called, should be included when general government's impact on regional income

is to be analysed. Moreover, social transfers in kind form part of private households' adjusted disposable income and it could be checked whether or not the figures are consistent with those of the regional account of private households. Following this conceptual variant consequently means dealing with general government's:

- use of adjusted disposable income
- including actual collective consumption.

3.2 Towards dual criteria for regionalisation

3.2.1 The ambiguities of regionalising: an overview

At first glance the regionalisation of the state government and local government sub-sectors appears relatively simple. These sub-sectors report to government levels at regional and local scale, i.e. they exist in the regions, performing within them the multiple functions of government: the production of non-market goods and services and the redistribution of income and wealth, also collecting compulsory payments from the other sectors of the economy. A possible regionalisation procedure would thus consist of the aggregation, through the bottom-up methodology, of the accounts of the various state and local governments operating inside each region.

A problem arises where in some countries, such as Germany, the area of competence of some state governments is a NUTS I region, itself divided into several NUTS II regions. Thus, the regionalisation through the bottom-up procedure suggested above is not possible. Rather, the activity of those state governments must be distributed by the different NUTS II regions, the problem of their regionalisation being therefore similar to the problem faced in the construction of regionalised accounts for the central government. That is to say, certain state governments possess a multi-regional sphere of action, similar to central government, when compiling accounts for regions at the level of NUTS II.

However, a larger problem is to regionalise the transactions of the nation-wide institutional units of central government and social security funds. This has already been mentioned above. A wide range of possible solutions are proposed to overcome these problems. The following diagram gives a rough outline of these, and detailed item by item comment will be provided in Chapter 4.

Ambiguities in regionalising the transactions of general government		
Transaction		Ambiguity
a) distributive transactions		
D.29 Other taxes on production D.319 Other subsidies on products D.39 Other subs. on production D.41 Interest (on public debt) D.42 Distributed income of (public) corporations D.51 Corporate tax D.92 Investment grants		If the counterpart is a multi-regional enterprise then we might regionalise according to the headquarters of the enterprise or according to the residence of the local KAUs
D.1 Compensation of employees D.51 Taxes on income		Do we allocate according to the origin of income (local KAU) or according to the residence of the household of the employee?
D.2 Taxes on production and imports D.3 Subsidies		What should be the criterion: residence of the producing unit or residence of who is carrying the burden / is benefiting in the end?
D.41 Interest (on public debt)		Should we regionalise according to the first-round recipient (i.e. the owner of the bond), should we regionalise "pro culpa" (region of investment raising the underlying debt) or somehow globally?
D.319 Other subsidies on products (losses of government trading organisations) D.42 Distributed income of (public) corporations		Should we reckon the regional origin of profits / losses (local KAU) or should we disregard it and assume homogeneous dispersion in space ("socialising" somehow globally)?
D.99 Other capital transfers (central government balancing accumulated deficits of social security funds)		Should we allocate according to the regional tax accruals (which is deemed to be the source of the transfer) or to the regional imbalance of contributions to the funds and the benefits from it ("pro culpa")? Or should we regionalise somehow globally?
b) transactions in goods and services		
P.2 Intermediate consumption		Should we take the origin of the product (region of producer/supplier) or the residence of the consumer (governmental local KAU)?
P.42 Actual collective consumption		What would be appropriate: residence of the producer (governmental local KAU) or residence of the consumer (viz.: somehow globally)?
P.51 Gross fixed capital formation		What should be the criterion: residence of the investor (governmental local KAU) or the origin of the asset (residence of the supplier)? Or should we regionalise somehow globally, because all regions may benefit from government's infrastructure?

It is evident that we need some guiding principles to minimise the variety of solutions. These principles, of course, have to be uniformly valid for all sub-sectors of general government. In the following two sections two different criteria of regionalisation (residence of local KAU and residence of counterpart-unit) are outlined. It is intended to use no more than these two criteria for regionalising all government transactions.

It is conceptually not possible to overcome this duality towards the uniform and exclusive application of one and only one criterion. This dual approach is well in line with the ESA where we distinguish the two basically different types of statistical units and where we distinguish the concept of residence (purely applied to population, see ESA 11.06) from that of the place of production and labour inputs (see ESA 11.03).⁴

One may say that, for local government and uni-regional state governments, we can widely apply a bottom-up approach in simply aggregating the budget data, at least for some transactions, and thus having a third type of regionalisation criterion. It should be emphasised that this bottom-up compilation requires some conventions about counterparts and local KAUs (see also section 3.5) and thus matches and - as a special variant of each - unifies the two criteria described below.

3.2.2 Applying the residence of local KAU criterion

“As a general principle, aggregates on production activities should be allocated to the region where the unit carrying out the relevant transaction is resident. The residence of the local KAU is an essential criterion for the allocation of these aggregates to a particular region” (ESA 13.19). For all sub-sectors of general government it is relatively easy to identify offices, schools, military camps etc. as local KAUs. The records for the regional accounts of GVA and GFCF by industries may be used, rearranging them institutionally by the sub-sectors of general government.

At first glance there is no conflict with the general principle of allocating GFCF according to ownership (ESA 13.20). However, general government's infrastructure assets such as roads, dams, dikes, waste deposits and the like are normally located outside any local KAU of the government. It is therefore assumed that at the location of the investment a notional

producing unit exists to which the asset can be attributed.

By convention, the same is agreed for investment grants in cases where the grant is aimed at assets of a forthcoming (private or governmental) local KAU that does not yet exist.

It is assumed that we also regionalise intermediate consumption according to the consuming governmental local KAU, thus uniformly regionalising - with the exception of actual collective consumption (see section 4.4.1) - all transactions in goods and services and applying the same criterion as for the distributive-type transactions - investment grants and compensation of employees. For compensation of employees, however, it is assumed to be necessary to provide the regional figures according to the residence of the households of the employees as well. This alternative regionalisation is also proposed to be carried out, in accordance with the criterion of the residence of the counterpart unit, as set out below.

3.2.3 Applying the counterpart criterion

The local KAU criterion can only be applied for the transactions listed above. For all other transactions, a different criterion is necessary. The criterion of the residence of the counterpart unit or, in short, the counterpart criterion, provides an alternative. It is explained here for the most problematic sub-sector, central government.

For nearly all its transactions, central government has a regionally identified partner, i.e. the statistical observation of each of its transactions can in principle refer to government and to the counterpart of the transaction. In most cases, at least one partner of a governmental transaction can be identified with a region. Within regional accounts, the prime purpose of the counterpart criterion is to use this information when regional identification of the transacting governmental unit is neither possible nor useful for analytical purposes. Thus, when there is no government unit to which the transaction can or should be attributed, central government's receipts are regionalised by region of origin (payer) and its disbursements by region of destination (recipient). Only when this idea is not valid must a key for a lump regional breakdown be found.

Even when we are well informed which local KAU or institutional unit of government has performed the transactions we would disregard this information in favour of the counterpart criterion. Regionalising distributive transactions according to the location of encashment or disbursement would not be useful, and might even be misleading because, for the monetary transactions of central government, the only items of

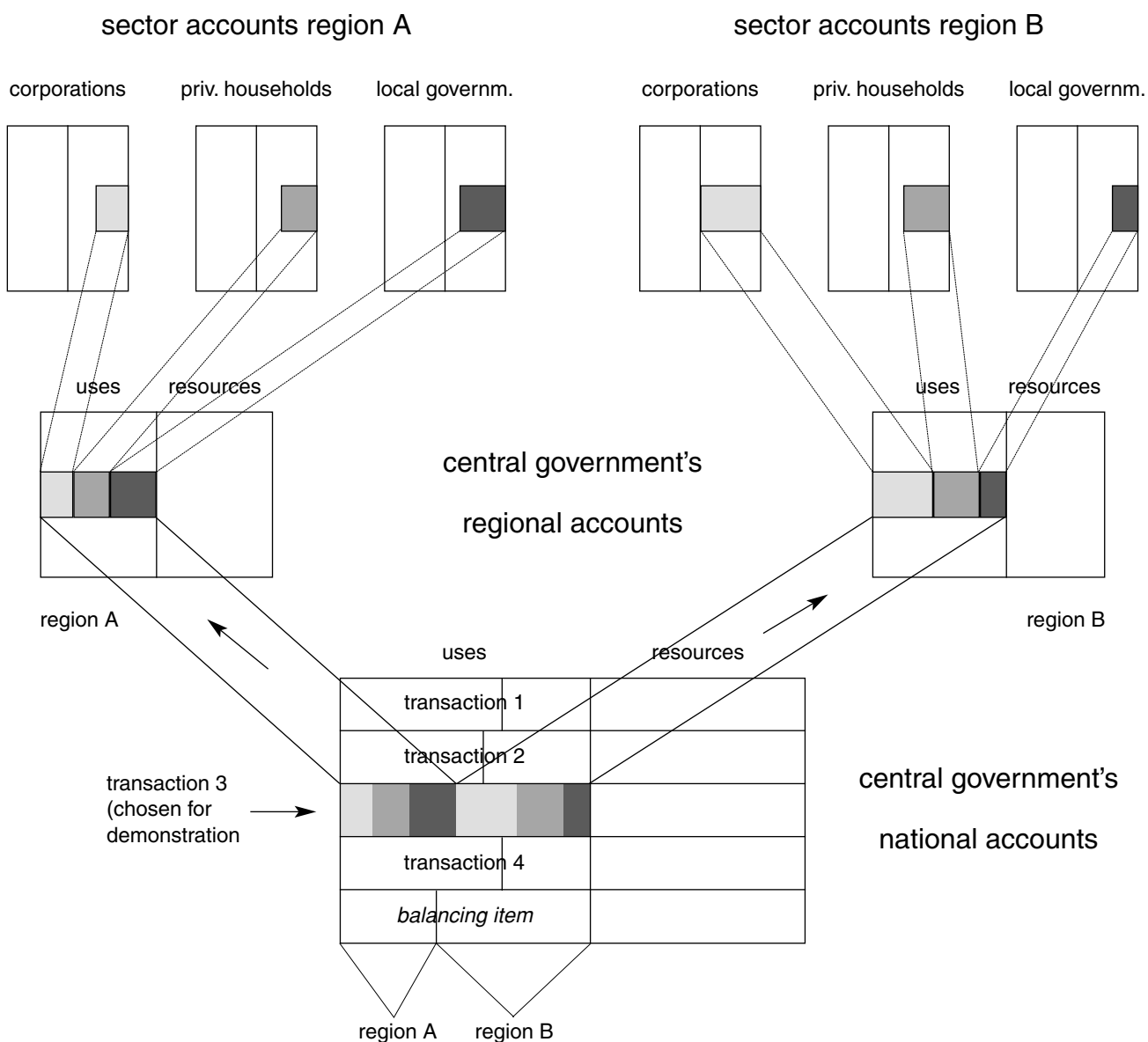
⁴ The ESA partly overcomes this duality by introducing notional units for foreign owners of land or for establishments of foreign corporations. But it does not at all deny the existence of this duality which, effectively, amounts to the difference between GDP and GNP.

interest are where the receipts come from and where the disbursements go. The regional statistical unit of central government based on the counterpart criterion, is rather to be understood as a notional agency whose account reflects the effects on the regional accounts of local government and of the non-governmental institutional units.

Thus, following this idea, central government is deemed to be omnipresent. In other words: in each region, in the extra-region and in the rest of the world, central government has a notional statistical unit to perform its transactions with the region of which this unit forms a part. Information about which unit in fact performs the transaction can be ignored.

Deriving central government's regional account from its national account by applying the counterpart criterion

The scheme is simplified because there are two regions and selected transactors only, and because the transaction chosen for demonstration is one of the use-side of the national account only.



For this chart it has been considered useful to transform this idea into accounting techniques. The entries noted on central government's account of the nation have to be notionally split. The opposite account is no longer a national sector account but a regional one. Item by item, central government's national account is split into the shares of the regions. By this means both sides of the account are virtually and vertically divided, unless the entries in question are deemed totally incapable of regionalisation. However, the balancing item of the regional account is determined residually instead of splitting the national balancing item by some type of regional key. Central government's regional account is a sub-account of its national account, showing the entries on the same side. According to the strict rules of bookkeeping this needs a mirror account which is omitted here.

Some problems nevertheless need to be taken into account:

- We have to account for the existence of multi-regional counterparts.
- The counterpart criterion evidently needs further specifications for cases where there is doubt about the economically significant counterpart of government. This is the case for indirect taxes and subsidies as well as for interest on public debt paid to financial intermediaries.
- For institutional units of government whose area of competence covers only part of the national territory we are faced with a conflict: if we apply the counterpart criterion then we disregard the information about the region of the unit of government in question although the government units themselves and their transactions can also be deemed the object of regional analysis. However, alternatively allocating the transactions of local government to the region of residence of this very governmental unit would not reflect the leading idea of the counterpart criterion. We have to find the solutions or at least conventions compatible with the counterpart criterion which are inevitably needed at the national level of government.

3.2.4 The coexistence of dual criteria: an overview

If it is agreed that the assumption of notional units holds in the above mentioned cases for GFCF and investment grants, then with regard to the criterion of regionalisation it is fair to say that:

- general government's GFCF and its investment grants are homogeneously allocated to the residence of the producing units (local KAU), which for investment grants is that of the (public or private) recipient of the grant,

- general government's transactions in products (except actual collective consumption) are homogeneously allocated to the residence of the producing units, i.e. the governmental local KAU,
- general government's distributive transactions are homogeneously allocated to the residence of the counterpart units,

though investment grants simultaneously belong to the first and third categories and GFCF simultaneously belongs to the first and second categories.

We should not use more than the two criteria "residence of the counterpart unit" and "residence of the producing unit". If it is furthermore agreed that we have to avoid a mix of both criteria and consequently we can only provide isolated aggregates of information, then three main constitutive elements of compilation may be distinguished as being homogeneous in type of transactions and criterion of regionalisation. These elements are identical to the three steps that had been proposed for compilation in Chapter 1 of this document. They could in terms of the sector accounts be scheduled as in the following diagram. Included and attributed by criterion the diagram also presents the remaining elements which belong to Step 4 and which the Member States may carry out for their own account.⁵

The idea is that each of the rectangularly monitored elements may provide a corpus of useful and homogeneously compiled information, it being assumed that all transactions concerned are going to be regionalised. However, as these elements are based

⁵ This may be seen as more than a theoretical option. On the basis of the old ESA 1979, already, the national statistical office of Italy has presented annual regional figures for a complete set of accounts of total (consolidated) general government, the time-series of which starting with 1983 (Istituto Nazionale di Statistica, Conti economici regionali delle Amministrazioni pubbliche e delle famiglie, Anni 1983 - 1992, Rome 1996).

As indicated in the title, this Italian approach provides figures of government and, coincidentally, (compatible) figures of the net disposable income of private households. It is based on the assumption that each regional economy forms a quasi-national economy of its own, breaking down the multiregional institutional units of government into notional uni-regional ones. In the Italian approach even regional balances of payments and functional sub-classifications of the transactions are provided. The criteria of regionalisation consciously vary from transaction to transaction with regard to their different economic nature. So, beside others, the very cunning criterion "pro-culpa" for regionalising the interest on public debt (see section 4.3.2.6 of this document) is part of the Italian method.

The Italian approach is very ambitious and in this publication its methodology is outlined in detail. Nevertheless, this approach is not proposed for all Member States, as the conceptual problems in interpreting balancing items accruing from notional uni-regional units (delineated from multi-regional institutional units) may in other countries give rise to serious objections against the compilation as a whole.

on two different criteria of regionalisation they need to be analysed separately from each other and they cannot consistently be linked to form an overall balancing item, such as general government's regional net lending/net borrowing.

In the diagram investment grants are included twice for the reason already mentioned. Like GFCF they are assumed to be recorded by function of government; on the other hand they are included in the capital distributive transactions which, like the current distributive transactions, are going to be regionalised according to the residence of the counterpart unit. Though investment grants are included in both elements, the figures do not vary.

This is not the case for compensation of employees, which also appears twice in the diagram. It forms part of generation of income (regionalised by residence of the counterpart unit) and simultaneously it forms part of value added (regionalised by residence of the producing unit viz. local KAU) which in the case of government can only be compiled additively and thus also needs the figures of compensation of employees by place of work. Thus, compensation of employees needs to be recorded twofold. However, this may provide useful figures on the effects of commuting by general government employees.

Dual residence principles in allocating general government's transactions: local KAU versus counterpart unit

– Attribution of the accounts of the ESA-sequence –

Criterion of regionalisation: residence of the producing unit (local KAU)

Step	Generation of income
1	Production

Step	Investment grants (entry of the change in net worth due to saving and capital transfers account)
2	GFCF (entry of the acquisition of non-financial assets account)

Acquisition of non-financial assets

Criterion of regionalisation: residence of the counterpart unit

Step	Generation of income
	Allocation of primary income
	Secondary distribution of income
3	Redistribution of income in kind
	Use of adjusted disposable income

Change in net worth due to saving and capital transfers

Bold framed: elements of Steps 1 to 3 to which priority is given

3.3 Aspects of coherence between and within the steps

As already noted, we cannot simplify the dual criteria towards a single, uniformly applicable criterion for regionalising the transactions of general government. It has been argued above that each of the results of the step-by-step approach will nevertheless be analytically useful in its own right. With regard to the well-known and often emphasised logical coherence of the sequence of the ESA-accounts (annex A of this document) this needs some further discussion.

For each institutional unit of the general government sector the inner coherence is, of course, at its greatest. In aggregates of these units at national level this strong coherence is also present. At regional level we have aggregates of institutional units (local governments) on the one hand and local, partly even notional local units of institutional units (central and state governments) on the other. In aggregating local governments, exclusively, we also may provide interconnected accounts with the underlying strictness that is one of the main features of the ESA.

For institutional units of central government and social security funds and for institutional units of state government with an area of competence of more than one region we cannot provide regional figures which are based upon the strictness of completely interconnected accounts, unless we incorporate into our methodology certain assumptions which for many countries would be heroic in the context of their institutional setting. There may even be a contradiction in that the economic interdependence which the interconnection of the accounts is deemed to reflect for the institutional unit as a whole may not be valid for each of its local units. We cannot say that, for instance, the amount of the operating surplus of a local KAU of central government would have any economic meaning for the potential or eagerness to carry out distributive transactions in the region of residence of that local KAU. Central government's decisions on the location of its investment do not depend on the idea that the assets should to some extent be "financed" by its savings (however compiled) in the region of investment. Moreover, central government's collective consumption carried out in a given region (allocated by whatever criterion) does not depend on its adjusted disposable income recorded for that region.

We can say that, due to its function of redistribution of income and wealth, it is just one of the striking characteristics of central government that its regional revenues and its regional disbursements on labour, intermediate consumption, GFCF and redistribution need not be coherent in the sense of any economic interdependence. Thus, the overall interconnection of

the accounts might be seen as reflecting purely bookkeeping principles with only limited economic meaning at the regional level, and might in some Member States be seen as a goal that Eurostat should not be urging them to attain. Therefore, this document generally refrains from detailed proposals covering more than Steps 1 to 3.

The distinctions between the chosen steps can be summarised as follows:

- Step 1 shows the components of value added and, as a balancing item, provides the operating surplus, which for the units of general government are of minor importance. There is no link to Steps 2 or 3.
- Step 2 subclassifies GFCF and investment grants by function. There is no balancing item and no link to Steps 1 or 3 unless GFCF is seen as one of the determinants of production and, especially, of consumption of fixed capital. If in an eventual Step 4 some Member States compile a complete capital account, then GFCF and investment grants may be incorporated.
- Step 3 shows the distribution of income, but disregarding and excluding the operating surplus and thus not exactly matching the meaning of the balancing item "adjusted disposable income". Therefore, the balancing item accruing from the transactions of Step 3 in the tables of this document may better instead be called balance of regionalised current distributive transactions or, for short and thus for use in the tables, "resources less uses" (of the regionalised transactions). There are no links to Steps 1 or 2. In accordance with the counterpart criterion, compensation of employees is regionalised according to the residence of the household of the employee, here, and is consciously different from the compensation of employees as recorded by place of work in Step 1.

If it is intended to carry out Step 4 to its limit, i.e. pursuing the approach of complete accounts at subnational level, then it should be stressed that, at least in case of central government and social security funds, the goods and services making up actual collective consumption cannot be considered as being consumed where they are produced. It would be necessary to impute into the system some notional interregional transfers balancing the regional mismatch between production and consumption of services such as those of armed services, customs or foreign affairs and of other actual collective consumption.⁶

⁶ This has been practised in the Federal Republic of Germany in the first years after the unification of 1990 when there was urgent political need to have a complete set of accounts for the Eastern and the Western parts of Germany.

3.4 Stratifying current distributive transactions

With regard to the items, the types of transaction and the criterion of regionalisation, both Step 1 and Step 2 are homogeneously composed. We need neither prove their internal consistency nor consider any clarifying stratifications.

Step 3 covers the full variety of the current distributive transactions and the group of the ESA-accounts of types II.1 (primary distribution of income), II.2 (secondary distribution of income) and II.3 (redistribution of income in kind). The results are proposed to be recorded in a single table (Table 4 of Annex C). This table has a vertical structure of four strata:

The first stratum is made up of resources and uses of the transactions D.1 to D.4, which are those of the primary distribution of income that general government is involved in.

The second stratum shows the resources and uses of transactions D.5 to D.7 which are those of the secondary distribution of income, however excluding the transfers within general government (D.73), and of the redistribution of income in kind.

The third stratum monitors the current transfers within general government (D.73) separately from the distributive transactions of general government carried out with the other sectors. Special features of regionalising D.73 are discussed in the following section.

The fourth stratum (resources less uses incl. D.73) shows the overall coherence of the transactions and the opening and the closing balancing item of the accounts of types II.1 to II.3 as they are decomposed in this table. This coherence can fully (with figures) be monitored only at national level. Due to the underlying ideas of this document, viz. using two different criteria of regionalisation, net value added can only be regionalised according to the local KAUs of general government and must thus be excluded from regionalising the accounts of type II. This is the reason why in the first two strata of these tables we avoid using ESA terms for balancing items and instead use the term “resources less uses”.

As indicated above, the data in the first stratum are homogeneous in type, making up the primary distribution of income that general government is involved in. Yet there is an important further reason to record them separately: most of the transactions D.2, D.3 and D.4 can only be regionalised by convention. In the presentation of the results it should be pointed

out clearly that in the first stratum we present possibly rather weak data with respect to D.2 to D.4. In some countries, even regionalisation of D.1 according to the residence of the household of the employee may be possible only by means of estimates of commuting.

For portraying the regional impact accruing from general government's current distributive transactions, an additional compilation may be deemed useful, reviving the distinction of the SNA 1968 characterised by the terms “required” or “contractual” versus “unrequired”. For regional analysis of the distribution of income we have to make a clear distinction between factor income on the one hand and compulsory payments and transfers on the other. If factor income paid by general government units is not homogeneously dispersed in space then the only problem might be with regard to aspects of employment. If, however, the balance of compulsory payments to and the transfers from general government varies from region to region then there can be - and in some countries, indeed, there are - heated discussions as to whether this interregional alimentation is justified or not.

Regional accounts of general government may contribute to reveal the pattern of interregional alimentation. Even though in the SNA and in the ESA the architecture of accounts of type II is based on criteria other than the distinction quoted above, the classification of the transactions, however, allows us to provide figures of the proposed dichotomy very easily. It is simply a matter of rearranging the transactions to distinguish factor income from the rest of the distributive transactions.

3.5 Treatment of transfers within general government

Current transfers within general government (D.73) are flows internal to the general government sector, and do not appear in a consolidated account for the sector as a whole (footnote to ESA 4.120). “For sub-sectors or sectors, flows and stocks between constituent units are not consolidated between constituent units as a matter of principle. However, consolidated accounts may be built up for complementary presentation and analyses” (ESA 1.58). These rules and options are valid for National Accounts where by their very nature all transfers within general government are intraregional. For regional accounts, we additionally face the spatial dimension and we have to check whether or not it is

useful at all to deal with transactions internal to the general government sector.

It can be argued that we should exclude D.73 from regionalising the transactions of general government. Neglecting D.73 would not even conflict with the aim of regionalising, as pointed out above in section 3.1, for we intend to measure the impact of general government's transactions on the income of the private sectors of a given region. Flows internal to the government sector do not directly affect this impact.

Nevertheless, we opt in this document to include the transfers within general government (D.73) as additional information, making up a stratum of its own in the structure of the tables of Step 3 (see above). This information may be useful, for example, when a given

sector. In the sum of the regions the figures for the sector add up to zero, of course. Though the accounting procedures of netting and consolidating are not the same (see ESA 1.58 f.), they nevertheless lead to the same result. However, this is only true at national level and at the level of the sector. Table 4 in Annex C may serve as an example.

The application of this recommendation is not straightforward. By its very nature, each transfer within general government involves two counterparts of this sector, many of these transfers involving two different regions and many of them involving two different sub-sectors. In principle, we face the four various combinations of counterparts:

The counterpart units of general government belong ...			
... to the same sub-sector ...		... to different sub-sectors ...	
... and the same region	... but different regions	... and different regions	... but the same region
The net regional result for sector and sub-sector is zero.	The net regional results are non-zero for both the sub-sector (or. sub-sectors) involved and for the sector.		The net regional result for the sector is zero. For the sub-sectors involved it is not.

region competes for transfers from the EU and the EU requires an adequate share to be borne by the national economy. The transactions D.73 may significantly raise or lower the ability of the regional units of government. Some transfers may even be explicitly intended to balance the fiscal power of the regions as an act of regional solidarity. In the Federal Republic of Germany and, maybe in other EU Member States, there is a statutory system of horizontal transfers between the various states in order to balance to some extent their financial means.

Transactions within general government include only flows between institutional units. We call them horizontal when both institutional units involved in a transfer belong to the same sub-sector. Vertical transfers involve institutional units of different levels of government, in most cases the area of competence of the lower-level unit being part of the area of competence of its higher-level counterpart of the transaction.

As some of the transactions D.73 are the net result (+ or -) of multilateral clearing in a system of horizontal transfers, it is recommended that here the resources and uses are not shown separately, i.e. that transactions D.73 are recorded net⁷, with a minus for uses, and recorded for each sub-sector and for the

Even if this is agreed so far, there still remains the problem of multi-regional units of general government. In case of transfers between two uni-regional units we do not face conceptual problems. This is also true for transfers between uni-regional units and their higher-level units of state or central government or social security funds.⁸ However, if both the transferer and the counterpart have a multi-regional area of competence, then we need a conventional key (e.g. population) for distributing the amount among the regions involved. The extreme example of this is transfers between central government and nation-wide social security funds.

Applying these conventional keys is to some extent arbitrary. For current transfers between central government and nationally-based social security funds, a conventional key such as population would be an assumption selected only for the sake of completeness.

⁷ If gross figures are available, it is, of course, possible to record gross. Then the balance of "resources less uses" would lead to the same results which are obtained from net recording.

⁸ For regionalising D.73 the counterpart criterion needs to be further specified as both counterparts belong to general government. It is interpreted here in the sense that the transfer is to be allocated to the residence of the unit at minor level.

It may as well be avoided by excluding those transfers at national level from the regionalisation of D.73. But this convention is necessary for compiling the results at sub-sector level only. If the figures of the transfers between both multi-regional counterparts of different sub-sectors are added to the general government sector, then the result is, of course, zero if the same token is used for regionalising this transfer for central government as well as for social security funds.

This quasi-consolidation at sector level is also true for vertical transfers. Due to the proposal to allocate vertical transfers to the region of the unit of the lower level of government, these vertical transfers disappear when we total the results of the sub-sectors⁹. So, the need to monitor, for example, fiscal means flowing from central government, to specific regions in order to raise their fiscal power can only be met by providing results at the level of the sub-sectors of general government. The results for the sector as a whole consist mainly of the regional impact of horizontal transfers.

Finally, it should be emphasised that, in principle, even at sector level we do not consolidate transactions of type D.73. It is due to the mechanism of netting that some transactions do not influence the regional figures of D.73 for the sector.

What has been outlined here for current distributive transactions within general government should by analogy be applied to capital distributive transactions within general government, which can either be investment grants or other capital transfers (D.99). With regard to the less complicated situation it may be sufficient to show, if appropriate, the intra-governmental capital transfers and their net result in an extra “inclusive of” position. Table 6 in Annex C may serve as an example.

It should be stressed, however, that D.99 may comprise transfers between central government and nationally based social security funds which are designed to balance accumulated deficits and which might attain huge amounts in some countries. Thus, a more complicated calculation might be justified. As transfers between different sub-sectors of general government are recorded twice (viz. for each sub-sector involved) we can apply two different conventional keys: for the social security fund, to regionalise the transfer according to its regional deficit (social contributions less social benefits) and for the transferer central government, to use population or some other key representing the regional fiscal power. Then even after summing up the sub-sectors to the sector as a whole, we reveal the interregional impact of this transfer which

in its sum of the regions, of course, is zero. The convention of allocating these transfers from the viewpoint of central government sub-sector by population may then be justified as an act of solidarity balancing regional discrepancies in the shortfall between accruals of social contributions and social benefits by means of the national tax accruals. Irrespective of the selection of the keys it is deemed important that the same keys are used for the different types of transfers within general government.

3.6 Certain conventions

What has so far been outlined in this manual may sufficiently illustrate that it is not possible to portray the regional impact of general government transactions without agreement about the aim of compilation and without some guiding principles for cases of ambiguity. But even then there are some transactions where we need practical solutions, i.e. conventions. Conventions may serve either

- for conceptual decisions (e.g. regionalising the profits of central banks),
- for lack of empirical means (e.g. regionalising consumption of fixed capital) or for both (e.g. regionalising interest on public debt).

Conventions for economical phenomena that can, in principle, be observed statistically may be deemed less doubtful than conventions that are due to conceptual difficulties only. Conventions may be more or less arbitrary. They are justified by the aim of being comprehensive and consistent in monitoring economic results. For this reason, the National Accounts incorporate many conventions; some of them (such as the re-routing of social contributions) even explicitly disregard observable economic facts.

If it is true that in any event we cannot achieve a full system of regional accounts (ESA 13.14), then conventions in regional accounts aiming at comprehensiveness are only justified when we would not otherwise get even partial information or aggregates. On the other hand, due to the prevalence of the regional dimension, regional accounts need more conventions than National Accounts. So, using again the example of the re-routing of social contributions: we have to find estimates for handling this re-routing with regard to commuting employees and with regard to retired persons who are resident outside the area of the state or local government paying their pension (for further details see Section 4.3.2.13).

There is a basic convention that is frequently used in this manual that the distributive transactions that local or state governments are involved in, are carried out

⁹ Thus the proposed algorithm complies with the rules given for consolidation.

with counterparts resident in the area of competence of that same local or state government unit. For example, it is most unlikely that a local government in a given region will confer investment grants for the finance of an investment located in a different region. Similar examples having the same degree of improbability can be found.

In applying conventional keys for regionalising the transactions of general government we naturally have to check whether we are providing trivial or even misleading information, or whether the convention enables us to provide useful and EU-wide comparable information about a transaction or an aggregate. In this respect even a very vague key, such as population for interest on public debt, may be justified when the alternative is not to regionalise and thus to disregard that interest has a huge and, more importantly, varying importance in the Member States, which has to be taken into account for EU-wide regional comparison.¹⁰

This document does not decline to offer practical proposals for conventions. They are considered in detail in the next chapter and may serve as a last resort for compilation. It is preferable that Member States have statistics to avoid the convention.

3.7 Summary of the chosen concepts

The scope of regionalised transactions is limited to those of the general government sector. Transactions carried out by the institutions of the EU with units of the private sector are excluded from the compilation. Also, we do not offer information about the extent to which transfers within general government or transfers from general government to the private sector are refunded by the institutions of the EU.

Each Member State is invited to compile figures for all its regions of level NUTS II, for the extra-regio and for the rest of the world. Thus, a country with n internal regions would have to provide $n+2$ results.

The statistical output is to be in tabular form. It is proposed to compile a limited set of regional tables of general government. This set of tables is proposed to be based on the concepts of the ESA, adapted for regional purposes and to be attained step by step:

1. Gross value added and generation of income
2. Gross fixed capital formation and investment grants by function of the government
3. Distribution of income

Steps 1 and 2 follow the principle of regionalisation according to the residence of the local KAU and Step 3 follows the principle of regionalisation according to the residence of the counterpart unit. Each of the proposed tables can be attributed to one of the steps, exclusively.

In Step 3 some of the current distributive transactions, e.g. taxes and subsidies on products, interest on public debt and profits of the central bank, can only be regionalised by using conventional keys. These transactions make up the major part of the transactions belonging to the sphere of primary distribution of income which therefore forms a separate stratum in the table of the results of Step 3.

In Step 3 the transfers within general government may reveal interesting regional shifts of the impact of the transactions of general government. The transfers within general government should be recorded separately from other distributive transactions.

The three steps do not completely cover all transactions of general government. It is recommended that Member States are left to decide whether they additionally wish to compile, as Step 4, figures of actual collective consumption and of capital transfers.

In general and as a practical guide, it is advisable to compile separately the (selected) set of tables for each sub-sector of general government. However, only the tables at the aggregated level of the general government sector are proposed to be published. Of course, each Member State is free to publish figures by a more detailed sub-classification.

¹⁰ Imagine two Member States A and B, both being equivalent in amount and structure of government's uses and resources except the amount of public debt and the means for managing it. Member State A has a huge public debt and therefore has to raise a special tax in order to finance the interest on public debt paid to (as assumed) domestic holders of the bonds. The public debt of Member State B is assumed to be zero. If we exclude interest from the analysis the impact of government's transaction on the income of the private sector would in State A be higher than in State B, disregarding the distributive effect of the interests.

4. THE TRANSACTIONS AND THE TABLES

4.1 Step 1: Production, gross value added and the generation of income

4.1.1 Introduction

In the first step, tables on the production and generation of income of general government are considered. The allocation to the residence of the producer unit (viz. local KAU) is the recommended principle of the first step. The methodology of regionalisation adopted in this step is in line with the recommendations of Chapter 13 of the ESA on regionalisation of GVA by industries, and with Eurostat's document 1E "Regional accounts methods: Gross value added and GFCF by activity".

General government is seen, in this first step, as performing its productive function. According to this viewpoint, the generation of income account is assumed to describe the compensation of the factors of production. The regionalisation procedure ought, in this account, to consider the location where those production factors are used in the production process, thus subscribing the principle above (local KAU). In the third step, suggested below, compensation of employees is also one of the distributive transactions concerned. In the third step, however, the counterpart criterion is recommended. Consequently, the compensation of employees is the subject of double regionalisation. Comparison of the data obtained through both types of regionalisation shows the effect of commuters, who contribute to the GVA of a region different from the one they live in.

In this first step, in principle we apply an income approach, in which the gross value added of general government is determined through the sum of its components in the generation of income account, and the output is calculated through addition of intermediate consumption, now under the scope of the production account. It is this approach which justifies the compilation of Table 1 in Annex C. It is acknowledged however that market output can be regionalised through a production approach, in which case the corresponding GVA as well as the operating surplus would be determined as balances. The suggested methodology, in this first step, favours the application of the bottom-up method, even though we recognise that, if these methods prove inapplicable, mixed or top-down methods may have to be adopted.

The residence of the local KAUs should be identified with the premises where the employees of general government generally work, since the output of the

general government sector uses essentially the labour input. However, some exceptions to this principle have to be allowed. The first covers housing services, or other services associated with the renting of buildings or other structures, provided by general government. As the use of the labour input in the production of the services provided is not significant in these cases, it seems appropriate that the regionalisation criterion should be the actual location of the dwellings, or other rented buildings. Other exceptions may be allowed, if the production of goods or services is clearly not intensive in labour (e.g., the exploring of natural or forest resources).

When general government provides transport and communication services or undertakes activities similar to bank or insurance services, the location of production should be according to the recommendations of the ESA and of the methodology for the regionalisation of GVA concerning those industries. In the case of movable equipment which provides defence services (warships, combat aircraft, and so on) the place of production should be the harbour, air base, or material depot where the equipment is based or stored.

The following section deals with the transactions in detail. The heading is, strictly speaking, imprecise as this section includes not only transactions but (in the terminology of the ESA) other flows and balancing items as well.

4.1.2 The transactions

4.1.2.1 Compensation of employees (D.1)

"Compensation of employees is defined as the total remuneration, in cash or in kind, payable by an employer to an employee in return for work done by the latter during the accounting period" (ESA 4.02). It is broken down into wages and salaries (D.11) and employers' social contributions (D.12).

If the regionalisation criterion is the residence of the local KAUs, these items ought to be regionalised according to the place of work of the employees. If there is no direct information on the wages and salaries paid by general government in each one of the regions, permitting a bottom-up methodology, an approximation can be made from the keys developed according to the number of employees in each region.

Employers' social contributions are either actual (D.121) or imputed (D.122). The regional structure of the actual social contributions can be assumed to be equal to that of the wages and salaries. The imputed social contributions need special attention. Firstly, we may even at national level have an inter-temporal

imbalance: In case of distorted ratios between active and retired employees, it may be deemed unjustifiable to “charge” the active employees with the total amount of imputed social contributions on behalf of pensions or medical care for former employees or their survivors. For this aspect see Section 4.3.2.13 on the topic of D.612. Secondly, the regional pattern of social contributions may differ from the regional pattern of the corresponding social benefits. It should be stressed that in Step 1 we consciously disregard this regional imbalance and allocate all imputed social contributions explicitly to the place of work (local KAU) of the employees who are intended to be charged with the imputed social contributions.

In more detail, it is proposed to allocate all imputed social contributions of local and state governments to the region of their local KAUs, regardless of whether or not the active employees or the former employees or their survivors actually live in the region of the unit of government from which they receive the social benefit. In case of imputed social contributions of central government or social security funds, we also disregard the actual residence of the persons receiving the social benefits in question and allocate proportionally (per wages and salaries or per head of active employees) to the residence of their local KAUs.

4.1.2.2 Other taxes on production (D.29)

“Other taxes on production ... consist of all taxes [except taxes on products] that enterprises incur as a result of engaging in production...” (ESA 4.22). They mainly consist of taxes on the ownership or use of land, buildings or other assets used in production or on the labour employed, or compensation of employees paid. Notwithstanding the term “enterprise”, D.29 may be paid by units of governments as well, e.g. on cars. D.29 paid is recorded among uses within the primary distribution (generation) of income. Thus it has to be tackled in Step 1.

The proposal is to bring the regional allocation of D.29 paid by general government into line with the guidelines of Eurostat’s statistical document 1E “Regional accounts methods, Gross value added and gross fixed capital formation by activity” (section 5.5.1): “Other taxes and subsidies linked to production, form part of GVA at basic prices, and should be allocated to the local KAU or local unit where the production takes place.” So, D.29 paid by general government should be allocated to the regions of the residence of the local units where the production takes place, even if these local units belong to the sub-sector of general government receiving the tax.

4.1.2.3 Other subsidies on production (D.39)

“Other subsidies on production ... consist of subsidies except subsidies on products which resident producer units may receive as a consequence of engaging in production”. (ESA 4.36). Included in particular are subsidies on payroll or work force, subsidies to reduce pollution, grants for interest relief and over-compensation of VAT resulting from the flat rate system frequently found in agriculture.

Other subsidies on production are recorded among negative uses in the generation of income accounts of the industries or sectors that receive them. Units of general government may be recipients of D.39. However, for their other non-market output, this is true only when those payments depend on general regulations applicable to market and non-market producers alike (ESA 4.36).

The proposal is to bring the regional allocation of D.39 received into line with the guidelines of Eurostat’s statistical document 1E “Regional accounts methods, Gross value added and gross fixed capital formation by activity” (section 5.5.1): “Other taxes and subsidies linked to production, form part of GVA at basic prices, and should be allocated to the local KAU or local unit where the production takes place.”

In case of D.39 received by units of general government, they should also be allocated to the regions of the residence of the local units where the production takes place, even if these local units belong to the sub-sector of general government paying the subsidy.

4.1.2.4 Consumption of fixed capital (K.1)

“Consumption of fixed capital ... represents the amount of fixed assets used up, during the period under consideration, as a result of normal wear and tear and foreseeable obsolescence, including a provision for losses of fixed assets as a result of accidental damage which can be insured against” (ESA 6.02).

Again, the proposal is to bring the regional allocation of K.1 into line with the guidelines of Eurostat’s statistical document 1E “Regional accounts methods, Gross value added and gross fixed capital formation by activity”. The best criterion for the regionalisation of the consumption of fixed capital would be the location of the stock of capital. However, the adoption of this procedure may not be possible since we cannot apply mortality functions if long time-series for the GFCF at regional level do not exist. As an alternative, it is suggested that the consumption of fixed capital (excluding roads, dams, breakwaters and the like) should be allocated to the regions in proportion to the compensation of employees or the wages and salaries

paid to the employees of general government (or, in the absence of this information, in proportion to the number of employees).

The underlying idea of this proposal is that the fixed capital within the civilian part of general government may be deemed dispersed according to employment. The same is considered to be true for military equipment and assets. It is proposed to regionalise civilian and military services separately. For roads, dams and breakwaters and the like it is proposed to use special statistics or records which may help to estimate the regional dispersion of those assets.

4.1.2.5 Intermediate consumption (P.2)

“Intermediate consumption consists of the value of the goods and services consumed as inputs by a process of production, excluding fixed assets whose consumption is recorded as consumption of fixed capital”. (ESA 3.69).

Intermediate consumption is to be regionalised according to the residence of the local KAUs where the production in which the intermediate goods are consumed takes place. However, in case of multiregional units this information is usually missing. As a second-best solution, it is recommended to adopt a top-down methodology, using the regional structure of the compensation of employees or of wages and salaries as the distribution key. In this case, it is suggested that the intermediate consumption be broken down by institutional entities (ministries or other departments of general government), and that different keys be applied to each institutional unit. Should it not be possible to obtain information on the regional structure of the compensation of employees or of wages and salaries, this may be replaced by keys concerning the number of employees of general government working in each region.

The regionalisation of intermediate consumption of state and local governments and of non-profit institutions funded by general government must be done separately, bearing in mind that most of these institutions are uni-regional in nature and we might simply use budget statistics. Moreover, this may be worthwhile in case Step 4 is intended to be carried out where actual collective consumption is segregated from social transfers in kind, and accurate figures are needed. It is considered that intermediate goods like school-books and other education and health facilities that are intended for social transfers in kind, are mainly acquired by local or state government and can be identified in their budgets.

We also recommend separate regionalisation of the acquisition of military weapons of destruction. They may involve great amounts of money, which, for

reasons of military discretion, are excluded from calculations of regional accounts. In this case, only conventional keys such as GVA of military defence services, if available, can be applied. Finally, the method or convention to be applied depends on the information which military discretion permits and should be left open to the Member States.

As the activity of military defence is unambiguously and exclusively linked to the general government sector, the figures should in any case comply with those that are to be compiled in accordance with the guidelines of Eurostat's statistical document 1E “Regional accounts methods, Gross value added and gross fixed capital formation by activity”.

4.1.2.6 Value added (B.1) and operating surplus (B.2)

The gross value added generated in the production of non-market services is calculated, by an income approach, through the addition of the compensations of employees plus other taxes on production paid, less other subsidies on production received, and plus the consumption of fixed capital. As all these components are regionalised only the operating surplus is needed. By definition, the net operating surplus accruing from non-market output is zero, i.e. regionalisation only has to deal with the operating surplus accruing from market output.

In cases where the production approach appears to be feasible the GVA accruing from the production of market goods and services may be calculated separately, viz. through the difference between the market output and the intermediate consumption involved in market output. In such cases, the gross operating surplus might, in principle, be calculated for each region as a balancing item. However, this production approach is deemed to be unsuitable as normally figures for intermediate consumption dedicated to market and to non-market output are not available separately. Thus, a procedure similar to that adopted for the production of non-market services must be used, in which case the operating surplus will also be considered in the calculation of the GVA, taking into account the distribution of the compensation of employees or of the wages and salaries paid to government officials. In any case, reference should again be made to the guidelines of Eurostat's statistical document 1E “Regional accounts methods, Gross value added and gross fixed capital formation by activity”.

4.1.2.7 Output (P.1)

By definition, “output consists of the products created during the accounting period”. (ESA 3.14). Three types of output are distinguished in the ESA: market output (P.11), output produced for own final use (P.12) and other non-market output (P.13). Institutional units of the general government sector are, by definition (ESA 3.27

f.), other non-market producers. They are also called public producers. Nevertheless, their output does not consist exclusively of non-market output. As a secondary activity they may also have output of the other two types (see also the chart in section 4.3.2.15 dealing with social transfers in kind).

The non-market output is calculated, for each region, by summing gross value added and intermediate consumption, both allocated to the residence of the producer unit (local KAU).

Concerning market output the most advisable regionalisation criterion is also the residence of the local KAUs. When it is not possible to allocate the output to the local KAUs directly, it may be allocated to the regions through a top-down methodology, by application of the same distribution keys suggested for the intermediate consumption.

The rents on dwellings, buildings and other structures are to be regionalised separately, based on lists relating to the location of the buildings or other fixed equipment. An analogous procedure can be adopted for other exceptional situations, such as the exploitation of woodlands or natural resources. The regionalisation of the market output of departments that provide transport or communication services, or activities similar to bank or insurance services, must also be dealt with separately.

4.1.3 The table

The results of Step 1 can be portrayed in a single table (Table 1 in annex C). Its structure is very simple. There is one column for each region and for the national total. The figures for the extra-regio may almost exactly match the extra-regio figures already compiled for the GVA of the industry of section L of the NACE (public administration and defence; ...). By the nature of the transactions under consideration, the rest of the world is not involved here.

In the vertical structure, for each of the sub-sectors of general government and for the sector as a whole the components of GVA and the components of output are shown.

4.2 Step 2: Gross fixed capital formation and investment grants

4.2.1 Introduction

In this section two kinds of transactions are dealt with. One of them, GFCF, is a transaction in products. The other, investment grants, is a type of capital transfer. Despite this difference in character it is proposed here to regionalise them by reference to the same criterion,

which should be the residence of the local KAU the investment in question is or will be located in.

For investment grants the criterion “location of investment” coincides with the principle of regionalising according to the residence of the counterpart unit. To be precise: In case of multi-regional enterprises or entities this means identifying the counterpart as being resident in its establishment (local KAU) in question. This is not necessarily the region of the headquarters of the entity.

It may be that the local KAU whose assets the investment will become part of does not yet exist. Then it is proposed to assume a notional local unit resident at the location of the investment. The same is proposed for general government investments in highways, motorways, dikes, dams etc. which by their nature cannot be part of the assets of a local KAU.

GFCF is also one of the items in the regional accounts by activity (see again Eurostat’s statistical document 1E “Regional accounts methods, Gross value added and gross fixed capital formation by activity”). There are two reasons for compiling GFCF within the regional accounts for general government as well. The first is that, as for GVA, we have to compile the sector results by totalling the relevant figures of the various sections of the NACE to which the local KAUs of government are classified. The second reason is that the figures of GFCF, and also of investment grants, are needed at European level in a breakdown according to the COFOG classification. The criterion of regionalising GFCF and investment grants is the same as applied for GFCF by activity.

4.2.2 The transactions

4.2.2.1 Gross fixed capital formation (P.51)

GFCF of units of general government mainly consists of new or existing fixed assets purchased. However, the ESA (3.103) provides a list of some more features of GFCF that may even have a negative sign (as is the case, for example, for disposals of fixed assets surrendered in barter). It should be noted that in the ESA GFCF includes certain intangible fixed assets such as computer software and artistic originals. This may give rise to empirical problems for compiling the figures even at national level. For the methodology on general government, however, these problems need not be tackled in detail as we have only to rearrange the figures already compiled for GFCF by activity according to sub-sector. In practical terms, GFCF by activity and by sub-sector of general government may be compiled coincidentally, exploiting the same data sources.

By the very nature of GFCF, we should be able to mainly apply a bottom-up approach for its regionalisation. Top-down methods (distributive keys)

may only be necessary for certain equipment goods of central government, such as computers, furniture, motor vehicles, etc., assuming this to be proportionate to the number of the central government employees who work in each region. However, this solution should only be used as a last resort.

4.2.2.2 Investment grants (D.92)

Investment grants paid by units of general government are capital transfers, either in cash or in kind, addressed to other sectors or sub-sectors of the economy with the aim of financing the acquisition of fixed assets. As far as investment grants are rendered within general government, the ESA (4.159) emphasises that transfers of a general nature intended for various or indeterminate purposes are shown under current transfers. The restriction to the specific objective of financing capital formation is also true for investment grants to non-profit institutions and to the rest of the world. Thus, with the exception of capital grants to public enterprises (see ESA 4.157), there is a strong linkage between the monetary capital transfer investment grant and specific, identifiable assets. This renders the options, as far as the criterion of regionalisation is concerned, similar to those proposed for the GFCF promoted directly by general government, namely:

- The criterion of the residence of the (producing) unit receiving the grants (meaning the counterpart criterion)
- The criterion of the investment's actual location.

As already noted, the adoption of the criterion of the actual location of the investment is recommended. In practical terms, the residence of the (producing) unit that receives the grant is a close approximation to the place of the investment. If we choose to approximate the criterion of actual location of investment by the mere identification and location of the beneficiary body, we recommend that, at least for large amounts of investment grants to multi-regional units, some kind of check is made on the actual location of investments, and that the regional allocation be adjusted in conformity with it.

It should be noted that many investment grants are transfers within general government. Usually they are rendered from higher level units (central or state government) to units of the level(s) below, but transfers between units of central or state government and units of social security funds may also be common. Here in Step 2 these investment grants are classified to the paying sub-sector, exclusively, while the regional allocation is according to the residence of the investor receiving the grant. To give an example: An investment grant given from the German central government to the state government of Bavaria for an investment in

Munich will be compiled under the sub-sector central government and for the NUTS II-region to which Munich belongs.¹¹

4.2.3 The COFOG-classification

The classification of the functions of government (COFOG) is one of the “functional” classifications proposed for National Accounts in order to identify the “functions” - in the sense of “purposes” or “objectives” - for which certain groups of transactors engage in certain transactions. The COFOG serves three purposes (SNA 18.2 et seq.):

- The COFOG is used to distinguish between collective services and individual consumption goods and services provided by the government (for further detail see Section 4.3 on the topic of D.632 transfers of individual non-market goods and services).
- The COFOG shows government expenditure on merit “goods” such as health and education services as well as on “bads” such as defence and prison services.
- The COFOG provides users with the means to recast key aggregates such as GFCF for particular kinds of analyses.

The COFOG is also designed for classifying not only capital outlays (capital formation and capital transfers) but some current transactions such as consumption expenditure, subsidies and current transfers. If figures and statistical resources are available we recommend here to classify those transactions by COFOG as well.

In this document it is proposed to classify GFCF and investment grants of general government according to the 14 divisions of the COFOG as shown in the annexed tables. This is considered to be the maximum of possible diversification. In the light of experience, the list of functions might be shortened rather than extended. The ESA provides a more detailed structure comprising the 63 groups of the current version.

4.2.4 The tables

The tables in question are the second (GFCF) and the third (investment grants) in Annex C. They have almost the same structure. The column “Rest of the world” is shown for investment grants only, recording, amongst others, the figures for development aid projects. The results for S.13 “General Government” can simply be

¹¹ For National Accounts the ESA states (footnote to 4.159) that in a consolidated account for the general government sector these transfers do not appear. Thus, at regional level we face almost the same problems as tackled already for the current transfers within general government. This is, however, the object and problem of Step 4 where we propose to balance the uses as well as the resources of the capital transfers general government is involved in.

achieved by totalling the figures for the sub-sectors. The column “National total” must match the figures compiled by the National Accounts.

To give an example according to the notional figures in Table 2 of Annex C: Of the total assets of central government GFCF, 4,15 units are located in region A, of which 0,55 are aimed at education affairs and services.

4.3 Step 3: Distribution of income

4.3.1 Introduction

4.3.1.1 General remarks on the validity of the results of Step 3 and on the structure

In this section we deal with current distributive transactions. As set out in detail in Chapter 3 of this document, it is proposed to regionalise these transactions according to the residence of the counterpart unit. In regionalising some of the transactions we face a large number of conceptual problems which have already partly been dealt with in Chapter 3. Here, each kind of transaction will be tackled by using broadly the same order of topics:

- sphere of distribution (primary and secondary distribution of income, redistribution of income in kind),
- definition of the ESA (either word for word or in appropriate rephrasing),
- general aspects of regionalisation (if necessary),
- the proposed method and
- appearance under uses and/or resources.

These topics are dealt with, if necessary, sub-sector by sub-sector. The order of the transaction is that of the ESA viz. from D.1 to D.75.

It is not possible in this document to give detailed proposals for each transaction. As, for example, in the case of taxes and subsidies on products, it is up to Member States to decide which method is the most appropriate in their institutional and financial circumstances. This is due to the fact that, for some of the current distributive transactions, we are very close to the limits of a serious and profound regionalisation. It has to be emphasised again that especially in the sphere of distribution of primary income some transactions can be regionalised only by applying conventional keys which, due to different rules of taxation or subsidy, or due to different data bases, may vary from Member State to Member State. Consequently, these conventions may be controversial. At least, they manifestly need clarifying methodological comments, footnotes and explanatory remarks in order to avoid over- or misinterpreting the figures. This is the reason for keeping the transactions of primary distribution of income in a stratum of their own in

Table 4 and separating them from other (more valid) transactions.

There may even be some national circumstances or empirical difficulties that prevent some Member States from applying differentiated approximations and force them to use crude conventional keys only. This is the price for attempting to be fairly complete in regionalising the current distributive transactions.

The particular difficulties in regionalising taxes and subsidies on products, interest on public debt and profits of the central bank will be set out in detail below. With regard to the transactions of types D.2 and D.3, some additional introductory remarks directly below are necessary in order to avoid too many redundancies.

Despite all the problems and the inevitable divergence in method, the results are expected to disperse within a fairly narrow range of reliability, being significant enough for careful analysis. Of course, this has to be checked by future test compilations.

4.3.1.2 Special introductory remarks on taxes on production and imports (D.2) and on subsidies (D.3)

Taxes of type D.2 are mainly addressed to units of general government and subsidies (D.3) are paid by general government (if not by the EU). To a small extent, units of general government may also pay D.29 (e.g. taxes on vehicles) or, even less frequently¹², may also receive subsidies (D.39). Also to a small extent, it might be possible that units of general government remit taxes on products or imports (D.21) or receive subsidies on products (D.31). But even this being the case, the concept of valuation at basic prices in the system of the new ESA does not foresee D.21 paid or D.31 received within the accounts of the producers (see ESA 3.48, 4.29 and 4.40). Thus, for general government we have to deal with

D.21 only as resources,

D.31 only as uses (to be precise, as negative resources) and

D.29 and D.39 as uses as well as resources (to be precise, for D.39 received as negative uses and D.39 paid as negative resources).

As a general rule, D.29 or D.39 paid are not netted with D.29 or D.39 received.

In Step 3 we deal with current distributive transactions. To regionalise them we uniformly apply the counterpart criterion. For D.2 and D.3, at least two positions are

¹² In delineating the total output of other non-market producers (viz. units of general government) the ESA states (3.53) that “other subsidies on production to other non-market producers will often be absent in practice or only involve very small amounts”.

possible. First, the counterpart units could be the local units remitting the taxes (and duties on imports) to general government or encash the subsidy. These counterpart units, however, may pass on these taxes or subsidies to the purchasers of their products. The second possibility is more in the direction of the units that ultimately bear the burden of these taxes or, respectively, benefit from the subsidy. This intends to take into account that the taxes and subsidies are passed on, possibly via a transformation process of products or via trading activities, to the intermediate or final users or purchasers, which could be households, corporations, general government or the rest of the world, regardless of whether the taxes are levied (or the subsidies granted) on selected products or on production.

We opt here for the second possibility, even though it probably needs more conventions to be applied. There are three reasons:

First, this option complies with the aim of regionalising the transactions of general government, viz. to record the impact on the regional income, since the taxes on products or production implicitly raise the purchase prices and thus limit the spending possibilities of purchasers (subsidies doing the reverse). In other words, it is assumed that the final user bears the burden of the tax or benefits from the subsidy.

Secondly, this option avoids huge regional discrepancies in tax accruals that totally conceal the final economic impact. These discrepancies inevitably arise when taxes are collected on behalf of central government at the location of production of tobaccos, fuels or alcoholic spirits. Then the location of the encashment of the tax does not at all determine the region benefiting from the fiscal means. Only when the tax is a local one and/or collected at the point of sale to end users would data on tax accruals give fairly reliable regional information, neglecting, however, that there might be significant accruals from tourists or other persons or enterprises not resident in that same region.

Thirdly, this option avoids misinterpretations arising from allocating subsidies to the first-round recipient, that in a complete system of accounts is inevitably necessary. For National Accounts the ESA (1.41) advises not to “try, for instance, to allocate taxes or subsidies to ultimate payers or ultimate beneficiaries under the adoption of assumption”. This advice is due to the strictness of the system’s accounting rules. In our limited system of selected tables of a selected sector and without sub-classification by activity, we are free to use methods which, with regard to regional analysis, lead to more appropriate information (for example see the proposal on agricultural subsidies in Section 4.3.2.4 of this document). We only have to make sure that in the sum of the regional figures we match the national total as recorded in National Accounts.

In economics, the preferred option is called formal incidence. It needs to look for the indirect effects of shifting the burden of the tax or the benefit of the subsidy from the tax-paying (or subsidised) unit to its clients, assuming that this unit has market production. These clients may be final consumers, investors, intermediate consumers or the rest of the world. Obviously, this ambitious approach faces many conceptual problems and, moreover, a lack of sufficient empirical data. Next best approximations are needed which inevitably depend on national data bases. So it is neither possible nor appropriate to outline precise algorithms capable of being uniformly applied in all Member States.

It is considered, however, that the taxes on products form by far the most important part of D.2 and that these taxes can widely be regionalised by data or proxies of the consumption of these goods (e.g. VAT or taxes on alcohol or tobacco). As a last resort it is possible to imagine a proxy of final use such as the total consumption of households.

It is also considered that, in general, the approach of material incidence is harder to follow for subsidies on products (D.31) than for taxes on products (D.21) and is harder to follow for taxes or subsidies linked to production (D.29 / D.39) than for taxes or subsidies linked to products (D.21 / D.31). However, subsidies on production in general are considered to be small amounts and those received by general government especially as being almost negligible. Even subsidies on products may not be very significant.

It should be noted that outlining the methods on regionalising D.2 and D.3 is not straightforward. We would argue that applying a shift-of-burden criterion or, respectively for subsidies, a shift-of-benefit criterion, if at all, should be extended to other compulsory government revenues like corporate taxes as well. We might furthermore criticise that quite different criteria are used and hybrid aggregates are produced which would not lend themselves to economic interpretation. These arguments are very strong. It has to be checked carefully whether or not the ambitious approach of this document leads to meaningful figures. The main argument is that in many Member States regional figures that are based on budgets or accruals of taxes of products would not at all be interpretable.¹³

¹³ In Italy calculations have sufficiently been carried out breaking down taxes and subsidies on products and production as a function of the transaction which gives rise to them. This approach draws exclusively on the economic event, i.e. the operation that gives rise to the tax or subsidy. Depending on the individual type of tax the operation can be the consumption of goods and services, its production or the production activity itself.

4.3.2 The transactions

4.3.2.1 *Compensation of employees (D.1)*

Compensation of employees in the sequence of the ESA accounts is recorded within the primary distribution (generation) of income. It is defined as “the total remuneration, in cash or in kind, payable by an employer to an employee in return for work done by the latter during the accounting period” (ESA 4.02). Compensation of employees is broken down into D.11 wages and salaries and D.12 Employers’ (here general government) social contributions. Employers’ social contributions may be actual (D.121) or imputed (D.122).

It has already been outlined that in this document D.1 is proposed to be regionalised twice. First, in accordance with its character as integral part of GVA it is to be allocated to the place of work, viz. to the local KAU of general government to which the employee belongs (see Step 1). Secondly and within the compilation of Step 3, D.1 is to be regionalised in accordance with the residence of the employee. This can be applied uniformly for all sub-sectors without conceptual problems.

4.3.2.2 *Taxes on products (D.21)*

Taxes on products are “payable per unit for some goods or services produced or transacted” (ESA 4.16). The most striking characteristic of taxes on products is that they raise the price of the products concerned. Taxes on products consist of value-added type taxes (VAT) (D.211), taxes and duties on imports, excluding VAT (D.212) and taxes on products, other than VAT and import taxes (D.214). They may be raised by central, state or local governments forming part of their primary distribution of income (allocation of primary income).

The regional allocation of value added tax (D.211) should be according to the charging of private households for their consumption and according to those industries which are exempted from paying VAT but, as a consequence, are charged with VAT on their gross fixed capital formation. The VAT on intermediate consumption of exempted industries has to be passed on to the residence of the final users of the products of these industries. If there are no regional input-output tables this can, of course, only be done by appropriate conventions.

For taxes and duties on imports (D.212) we know which industries remit to general government these taxes and duties on intermediate purchased goods and services and which taxes and duties are paid directly by households for final consumption and corporations for gross fixed capital formation. In the latter case it is quite clear which units ultimately carry

the burden of these taxes and duties. However, in the case of the taxes and duties on the import of intermediate goods purchased by industries, these industries do not take the ultimate burden, but are assumed to be able to settle the costs of taxes and duties fully in the selling prices of their output. In this case the link has to be estimated between the taxes and duties on imported intermediate products remitted by industries and the purchase prices of the goods and services, destined for final use.

Taxes on products, other than VAT and import taxes (D.214) consist of taxes on goods and services that become payable as a result of the production, export, sale, transfer, leasing or delivery of those goods or services, or as a result of their use for own consumption or own capital formation. Important examples are excise duties on alcohol and petroleum products. In principle, they should be allocated to regions according to the residence of households (consumption), corporations (GFCF), general government (consumption and GFCF) and in principle also to the rest of the world (exports). A simplification could be to allocate taxes and duties on final goods to the residence of households regardless of the type of final use. In this case the regional distribution of private consumption will be taken as a proxy for regionalisation. For taxes on products collected by local governments we may assume the burden of the tax as carried by units which are resident within the area of these very governments and use figures of the relevant revenues provided by budget statistics.

4.3.2.3 *Other taxes on production (D.29)*

“Other taxes on production... consist of all taxes that enterprises incur as a result of engaging in production” (ESA 4.22). They mainly consist of taxes on the ownership or use of land, buildings or other assets used in production or on the labour employed, or compensation of employees paid. For general government, other taxes on production can be revenues (resources) as well as outlays (uses). If they are paid, other taxes on production are recorded within the generation of primary income of the tax-paying unit. If they are received, other taxes on production are recorded within the allocation of primary income.

For D.29 paid by general government, the proposal is to comply with the regional allocation of D.29 (paid) as described in the guidelines of Eurostat’s statistical document 1E “Regional accounts methods, Gross value added and gross fixed capital formation by activity” (section 5.5.1): “Other taxes and subsidies linked to production form part of GVA at basic prices, and should be allocated to the local KAU or local unit where the production takes place.”

For D.29 received by general government, in principle we face the same situation as for D.21. However, D.29 forms part of the output at basic prices and it is even more difficult to establish or, rather, to speculate which intermediate or final consumers or investors bear the burden of the tax which is, like taxes on products, supposed to be shifted from the tax-paying unit to its clients. Thus, reference is made to the last paragraph of Section 4.3.2.2. As a last resort, we may assume that the regional pattern of the units paying D.29 does not vary from the regional pattern of the clients they shift the taxes to. This leads to the use of the figures compiled for GVA based on “Regional Accounts Methods: Gross value added and gross fixed capital formation by activity” (Eurostat’s statistical document 1E).

For social security funds, D.29 can only be found under uses.

4.3.2.4 Subsidies on products (D.31)

“Subsidies on products... are subsidies payable per unit of a good or service produced or imported” (ESA 4.33). These subsidies consist of D.311 import subsidies and D.319 other subsidies on products. D.319 includes

- subsidies on products used domestically (payable to resident producers in respect of their production used or consumed within the economic territory);
- subsidies to public corporations and quasi-corporations to compensate for persistent losses which they incur on their productive activities as a result of charging prices which are lower than their average costs of production as a matter of deliberate government or European economic and social policy;
- direct subsidies on exports payable directly to resident producers when goods leave the economic territory or the services are provided to non-residents,
- losses of government trading organisations whose function is to buy the products of resident producers and then sell them at lower prices to residents or non-residents.

The common element for subsidies on products is that these subsidies reduce the prices of the products concerned. In fact this is the reverse of taxes on products, which raise the prices of the products concerned. So these subsidies are to be treated in line with taxes on products, which means allocating them to the units that benefit in the end when the subsidies are settled in the prices of the final products. This could, as a last resort, be done by proxy, e.g. the regionalised totals of consumption of households.

However, from the viewpoint of regionalisation there are some remarkable features that distinguish D.31 from D.21. On one hand, it is considered to be much more ambitious to practice the approach of material incidence for D.31 than for D.21. On the other hand, subsidies on products are assumed to be far smaller than taxes on products. Moreover, the burden of the taxes and the benefit of the subsidies vary in objective: While D.21 is considered to be completely shifted to the consumer, subsidies may not be aimed exclusively at influencing the level of the price or (via prices) the level of production. Subsidies may also or alternatively be aimed at raising the remuneration of the factors of production (ESA 4.30). This offers an appropriate option for regionalising EU-specific type of subsidies on agricultural products via guaranteed prices (see below).

In general it is proposed that:

- Import subsidies are considered to be of trivial value. They may be regionalised according to the regional final use (consumption or GFCF) of the goods or services in question or, as a second best proxy, according to the consumption of private households. If the imported goods are for intermediate use then appropriate links to final use have to be estimated.
- The same method should, in principle, be applied to subsidies on products used domestically.
- Subsidies to public corporations and quasi-corporations to compensate for persistent losses¹⁴ may be very frequently rendered from local governments to their enterprises carrying out traffic activities and the like. For local and state government subsidies it is assumed that the benefiting units are resident within the area of competence of those governments.
- If central government or nation-wide social security funds (for example unemployment schemes) are paying this subsidy then it is assumed that the benefiting units are also spread all over the country. In some cases, however, this is not straightforward. If, for instance, a subsidy has been given to coal mining companies, it is not entirely clear who benefits. It may be the households of the employees, for reason of avoiding unemployment, or it may be the country as a whole for reasons of keeping alive the production of coal as a means of national strategic providence. Appropriate keys might be found by reference to the special objectives or circumstances pertaining to the subsidy.

¹⁴ For borderline cases to (negative) withdrawals from the income of quasi-corporations see ESA 4.61

- Direct subsidies on exports payable directly to resident producers are considered to be negligible in amount. The receiving enterprise and its employees may be assumed to get the benefits, as these subsidies are considered to let their capacities survive in extremely strong international competition.
- Losses of government trading organisations mainly consist of the losses of the agencies involved in buying and selling agricultural products under the common agricultural policy of the EU. These agencies are situated almost randomly within the national economic territory. With small staff, they carry out trading activities in massive values. It would be totally misleading to allocate the losses of these agencies to their region of residence. It is recommended here to regionalise the losses (which are usually borne by central government in the first instance and then refunded by the EU) according to the regional pattern of the production in question or, as a second best approximation, according to the GVA of the agro-industries concerned.¹⁵

The details of the method to be applied for the subsidies classified in the first four indents should be left open to Member States. In most cases the units benefiting in the end are private households. In some cases, however, it is not straightforward, and the best regional allocation will depend on the institutional settings and the policy goals of general government in the different Member States.

Subsidies on products paid by general government are to be recorded as negative resources in the allocation of its primary income (ESA 4.40).

4.3.2.5 Other subsidies on production (D.39)

Other subsidies on production received by resident market producer units as a consequence of engaging in production, are subsidies not linked to the quantity or value of the goods and services produced or sold. Included in particular are subsidies on payroll or work force, subsidies to reduce pollution, grants for interest relief and over-compensation of VAT resulting from the flat rate system frequently found in agriculture.

For general government, other subsidies on production can be outlays as well as revenues. If they are received, other subsidies on production are recorded as negative uses within the generation of primary income of the subsidised unit. If they are paid, other subsidies on production are recorded as negative resources within the allocation of general government's primary income.

For D.39 received by general government, the proposal is to comply with the regional allocation of D.29 (paid) as described in the guidelines of Eurostat's statistical document 1E "Regional accounts methods, Gross value added and gross fixed capital formation by activity": "Other taxes and subsidies linked to production form part of GVA at basic prices, and should be allocated to the local KAU or local unit where the production takes place."

For D.39 paid by general government, in principle we face the same situation as for D.31. However, D.39 forms a (negative) part of the output at basic prices and it is even more difficult to establish or, rather, to speculate which intermediate or final consumers or investors benefit from the subsidy which, like subsidies on products, is supposed to be shifted from the first-round subsidised unit to its clients. Thus, reference is made to Section 4.3.2.4. As a last resort, we may assume that the regional pattern of the units receiving D.39 does not vary from the regional pattern of the clients to whom they shift the benefit of the subsidy. This leads to use of the figures compiled for GVA based on "Regional Accounts Methods: Gross value added and gross fixed capital formation by activity" (Eurostat's statistical document 1E).

4.3.2.6 Interest (D.41)

Interest is recorded within the primary distribution of income (allocation of primary income). Interest "is the amount that the debtor becomes liable to pay to the creditor over given period of time without reducing the amount of principle outstanding" (ESA 4.42). All institutional units of general government may be both debtor and creditor. Thus, D.41 may be recorded for each sub-sector under resources as well as under uses. Usually the interest paid (on public debt) is one of the major positions of fiscal expenses while interest received is considered to be less important (with the possible exception of government social security schemes maintaining special reserves).

Interest on public debt forms one of the crucial parts of regionalising the transactions of general government. For interest paid four different positions may be taken:

- In each case, theoretically, there is a recipient of interest on public debt and, in principle, this recipient as a counterpart of general government can be geographically identified, in case of multi-regional enterprises using a conventional key for the regional breakdown on their LKAUs. Thus, interest has to be allocated to the residence of the first-round recipients.
- Interest is not a debt of all citizens homogeneously. Instead it is a debt of the citizens of the regions benefiting from it. The empirical problems should be

¹⁵ It would be prudent to use the same token for regionalising the gross operating surplus of the trading organisation as well.

solved by applying time-series of central government's disbursements and receipts per region (excluding interest on public debt) as a key for a "pro culpa" lump regional breakdown.¹⁶

- Interest cannot be conceptually located and should be excluded from regionalisation. It forms a component of a nation-wide and densely interlaced pattern of transactions of financial intermediaries, most of them multi-regional units. There are even many private households owning general governmental bonds which receive the interest via financial intermediaries and not directly from general government.
- For international comparisons D.41 is too important to be omitted. The exclusion of D.41 would falsify the impact we are seeking to measure. Thus, D.41 should be allocated to the regions conventionally by population or, if available, by figures of regional income or savings.

The first position is theoretically recommendable but is considered to lead only to arbitrary figures and should be rejected. The second position suffers a lot from the (assumed) lack of empirical data in most of the Member States. The third position is a very clear and consequent one and the arguments for it are very strong. However, for reasons of completeness we opt here for the fourth position even if we can only use a conventional key such as population or regional savings, assuming that this will widely match the idea of the counterpart criterion. This option should even be taken for local government because we cannot assume at all that the creditors of local government are resident in the region of their debtor. If there is appropriate information from National Accounts or from the balance of payments it would, of course, be useful to restrict the conventional breakdown to domestically paid interest only, and to allocate the amount paid to foreign creditors to the region rest of the word.

Moreover, applying a conventional key may be justified, since interest is a distributive market-based transaction without any compulsory element or aspect of regional policy, and the regional distribution of receipts of payments need not be seen as an economically

relevant statistical item which should better be prevented from pure conventional breakdowns.

One may argue that by applying conventional keys to represent the counterpart criterion (i.e. the aim of the flow) we would disregard available information about regional discrepancies in public debt or interest of local and state governments (i.e. the source of the flow). However, this is not quite true. Given a region with above-average figures of public debt and, consequently, interest then the tax burden can also already be considered to be above average, and the impact on regional income adequately recorded by the (increase of) tax.¹⁷

For interest received we may have distinct knowledge about the location of the paying units which are assumed to be the few banks of which the government unit is a client. If, however, it is not that straightforward, the population key may serve as a last resort. In the case of central government this might even be inevitable.

4.3.2.7 Distributed income of corporations (D.42)

Corporations raise funds by issuing shares. Shareholders are the collective owners of a corporation. They may be in whole or in part units of general government. Distributed income of corporation is either D.421 "Dividends" or D.422 "Withdrawals of the income of quasi-corporations". Distributed income of corporations is recorded within the primary distribution of income (allocation of primary income).

Dividends "are a form of property income received by owners of shares ... to which they become entitled as a result of placing funds at the disposal of corporations" (ESA 4.53). Dividends must be understood to cover all distributions of profits by corporations to their shareholders or owners, by whatever name they are called. Dividends also include the income paid to general government by public enterprises that are recognised as independent legal entities though not formally constituted as corporate enterprises.

Withdrawals from the income of quasi-corporations consist of the amounts which entrepreneurs actually withdraw for their own use from the profits earned by the quasi-corporations that belong to them.

In each of the four sub-sectors of general government there may be units that are either shareholders or owners of either corporations or quasi-corporations. These (for brevity's sake) public enterprises may

¹⁶ To put it more precisely: The viewpoint is that interest is paid by general government in respect of a debt which it has contracted over time for the benefit of the resident units in the region under consideration. The debt is owed by general government which is therefore the distributing agent. The benefit to the residents of the region increases in line with the interest on the debt. The level of interest payments depends on the level of the debt accumulated by general government in the past. This approach has been adopted and applied by Italy. The ISTAT has calculated a time series for regional balances of public accounts starting 1970.

¹⁷ In practice, a local or state government may, instead of raising taxes, also reduce its services rendered to the public. But this might also be seen as a negative impact on regional income accruing from transactions (or rather, non-transactions) of general government.

produce huge profits, as is often the case for the central bank, while others may have losses. The SNA (7.118) clearly states that there cannot be negative entrepreneurial income of corporations or quasi-corporations. Persistent operating deficits of quasi-corporations owned by government are to be treated as D.319 “Other subsidies on products”. Transfers made to cover losses accumulated over several financial years are classified under “Other capital transfers” (D.99).

As far as D.42 is on behalf of local or state governments, we may assume that the public enterprises are located in the area of competence of the receiving unit. For regionalisation of the distributed income of public enterprises of central government there are three different options:

- It is not possible to regionalise these transactions unless the public enterprise is uni-regional.
- Profits of public corporations accrue from economic activities of these corporations and have to be allocated conventionally according to their regional gross operating surplus or value added. It would be useful to apply the same convention as in compiling the regional GVA of these enterprises or industries (see Eurostat’s statistical document 1E “Regional accounts methods, Gross value added and gross fixed capital formation by activity”, section 4.3 and 5.3) in order to avoid a mismatch in what is estimated as generated income and what is withdrawn from it. Moreover, this solution fairly matches the counterpart criterion.
- Independently of the local presence of local KAUs, profits of public enterprises have a homogeneous impact on non-governmental regional income: they increase central government’s saving and thus affect either tax burden or volume of public debt or the scope of public disbursements which, from the regional point of view, in all cases may be deemed *prima facie* as neutral. This is achieved by using a key such as population.

For D.42 in general, the second option is recommended here.

The profits of the central bank, however, need special consideration as these profits sometimes amount to huge sums, accruing mainly from its role in monetary emission which concerns the entire nation. Thus, it may be argued that the central bank serves other purposes than a commercial bank, and even plays an important role in central government policy. Even if, presumably, there are local KAUs of the central bank dispersed over the regions, its profits may nevertheless be seen as non-allocable and as accruing from a nation-wide and even global network of transactions with financial intermediaries. As the problem with this flow is very

similar to the problem of regionalising the interest on public debt, the profits of the central bank should be regionalised accordingly. Thus, for the profits of the central bank the third of the above options might be preferred.

On the other hand, we again have to look at the method agreed for recording the regional GVA of the central bank (see again Eurostat’s document 1E). The method on GVA does not provide more than general recommendations. Thus, regionalising the gross operating surplus (GOS) of the central bank faces the same problems as regionalising the profits of the central bank withdrawn by general government. The best would be to use a global and uniform convention, for example, population for attributing the GOS of the central bank to its local KAUs as well as for attributing the withdrawals of its profits (D.42).

Due to the nature (or definition) of general government, D.42 can only be recorded under resources.

4.3.2.8 Reinvested earnings on direct foreign investment (D.43)

Units of general government may be engaged in foreign enterprises. If they own 10% or more then these enterprises are treated as direct foreign investment enterprises (for more detail see ESA 4.65). While the actual distributions made out of the entrepreneurial income of the foreign investment is treated as withdrawals or dividends (D.42), retained earnings are treated as if they were distributed and remitted to foreign direct investors in proportion to their ownership of the equity of the enterprise and then reinvested by them. These remittances are recorded under the heading D.43 “Reinvested earnings on direct foreign investment”. They are recorded within the primary distribution of income (allocation of primary income).

Reinvested earnings on direct foreign investment can be either positive or (in the case of a negative operating surplus) negative. For general government, they appear under resources. Theoretically, D.43 may also appear under uses for units of general government. This might be the case for autonomous pension funds belonging to the sub-sector social security funds.

By its very nature, D.43 is to be attributed totally to the region rest of the world.

4.3.2.9 Property income attributed to insurance policy holders (D.44)

“Property income attributed to insurance policy holders corresponds to total primary income received from the investment of insurance technical reserves” (ESA 4.68). Any net income received that results from the investment of insurance enterprises’ own funds is to be excluded in proportion to the ratio between own funds

and the sum of own funds and technical reserves. Since technical reserves are assets of insurance policy holders, the receipts from investing them are recorded as being paid to the policy holders under heading D.44. They are recorded within the primary distribution of income (allocation of primary income).

As this income is retained, it is treated as being paid back to the insurance enterprises and pension funds in the form of premium and contribution supplements that are additional to actual premiums and contributions payable. These premiums and contribution supplements on non-life insurance policies and on life insurance policies taken out under social insurance schemes (which can be social security schemes) are recorded together with the actual premiums and contributions of the units concerned.

As units of general government are insured against various risks D.44 appears under resources for all four sub-sectors. However, as these are non-life insurances only, whose technical reserves are limited to cover prepayments of premiums and reserves for outstanding claims, this transaction in case of general government is almost negligible. D.44 should be regionalised according to the transaction D.71.

4.3.2.10 Rent on land (D.45)

"The rent received by a landowner from a tenant constitutes a form of property income" (ESA 4.72). It is recorded within the primary distribution of income (allocation of primary income). As units of general government may be owners of land as well as tenants, D.45 may appear under resources as well as under uses of each of the sub-sectors. The regionalisation should be according to the location of the land. This complies with the rules of the ESA (2.11) at national level: "All units in their capacity as owners of land and/or buildings which form part of the economic territory are deemed to be resident units or notional resident units of the country in which the land or buildings in question are located."

4.3.2.11 Taxes on income (D.51)

Taxes on income are recorded within the secondary distribution of income. They "consist of taxes on income, profits and capital gains. They are assessed on the actual or presumed income of individuals, households, corporations or NPIs" (ESA 7.78). Applying the counterpart criterion may only cause problems for the taxation of multi-regional units. In general government accounts, corporate taxes have to be regionalised on the basis of the residence of the units. This concept is used in Eurostat's statistical document 1E "Regional accounts methods, Gross value added and gross fixed capital formation by

activity". In general, in most of the countries corporate income tax is based on income concepts that are closely related to operating surplus or gross value added. In the regional accounts gross operating surplus has to be calculated for all units and thus also for multi-regional units. That is why it is proposed to regionalise corporate income taxes on the basis of an indicator that is closely related to the operating surplus of units. In principle this means using the same conventions for multi-regionalisation as in the regional accounts by activity.

D.51 only appears under resources of central, state and local government.

4.3.2.12 Other current taxes (D.59)

Other current taxes are recorded within the secondary distribution of income. They include

- current taxes on capital, which consists of taxes payable periodically on the ownership or use of land or buildings by owners, and current taxes on net wealth and on other assets except other taxes on production (which are paid by producers);
- poll taxes levied independently of income or wealth;
- expenditure taxes, payable on the total expenditures of persons or households;
- payments by households for licences to own or use vehicles, vessels or aircraft (not used for business purposes), or licences to hunt, shoot or fish;
- taxes on international transactions.

In most cases we may assume that the unit paying the tax is resident in the region where the tax is encashed. At least for the taxes collected on behalf of local and state government, we may use regional figures of tax or budget statistics. If, for the taxes collected on behalf of central government, we fail in assuming that the regional tax accruals would be according to the counterpart criterion then conventional keys as, for example, the number of registered cars or, as a last resort, population should be applied.

D.59 appears under resources of central, state and local government. As D.59 may in some rare cases also be imposed on units of government, D.59 may appear under uses for all four sub-sectors as well.

4.3.2.13 Social contributions (D.61)

Social contributions are recorded within the secondary distribution of income. They are either actual (D.611) or imputed (D.612).

Actual social contributions include

- employers' actual social contributions (D.6111). These correspond to the flow D.121 that is part of the

compensations of employees and thus the subject of a twofold regionalisation. It should be emphasised again that, in Step 3, D.121 as well as D.6111 and, of course, D.61 in general, are regionalised according to the residence of the household of the employees.

- employees' social contributions (D.6112).
- social contributions by self-employed and non-employed persons (D.6113). These are social contributions payable for their own benefit by persons who are not employees.

It is considered that there are no severe conceptual problems in attributing D.611 to the region of the counterpart unit that, even in the case of D.6111, is the household.

Imputed social contributions represent the counterpart to social benefits (less eventual employees' social contributions) paid directly by employers (i.e. not linked to employers' actual contributions) to their employees or former employees and other eligible persons. They correspond to flow D.122.

As for D.611, it is considered that there are no severe conceptual problems in attributing D.612 to the region of the counterpart unit. However, the concept of re-routing social contributions via private households may, in the case of imputed social contributions on behalf of pensions or medical care for former employees, give rise to special considerations, as there may be a regional mismatch between the number of employees living in a given region and the number of former employees living in that same region. The ESA (4.99) deals explicitly with inter-temporal imbalances, but states finally: "While there are obviously many reasons why the value of the imputed contributions that would be needed may diverge from the unfunded social benefits actually paid in the same period, ..., the benefits actually paid in the current period ... may nevertheless provide sufficient estimates of the contributions and associated imputed remuneration." We should agree that this statement is valid for the regional level as well in order to avoid very artificial and expensive calculations.¹⁸

D.61 social contributions exclusively appear under resources of the sub-sector social security funds.

¹⁸ This convention, however, mismatches the method already agreed upon for households (Eurostat statistical document 1E: Regional Account Methods: Household accounts). In section 5.4.3.2 it is emphasised that "also at regional level there can be differences between imputed social contributions and direct social benefits". However this will be solved within the regional accounts of private households: The result may accordingly be copied to the regionalisation of general government transactions.

4.3.2.14 Social benefits other than social transfers in kind (D.62)

This heading includes

- social security benefits in cash (D.621), payable to households by social security schemes, exclusively,
- unfunded employee social benefits (D.623), payable (in cash or in kind) to employees, their dependants or survivors by employers administering unfunded social insurance schemes. These employers mainly and typically are units of all four sectors of general government. D.623 especially includes payments of retirement or survivors' pensions and general medical services not related to the employers' work.
- social assistance benefits in cash (D.624), payable to households by government units (either central, state or local) or NPISHs to meet the same needs as social insurance benefits but which are not made under a social insurance scheme incorporating social contributions and social insurance benefits.

The transactions of D.62 are recorded within the secondary distribution of income. They only appear under uses of all four sub-sectors. They are regionalised according to the residence of the receiving households.

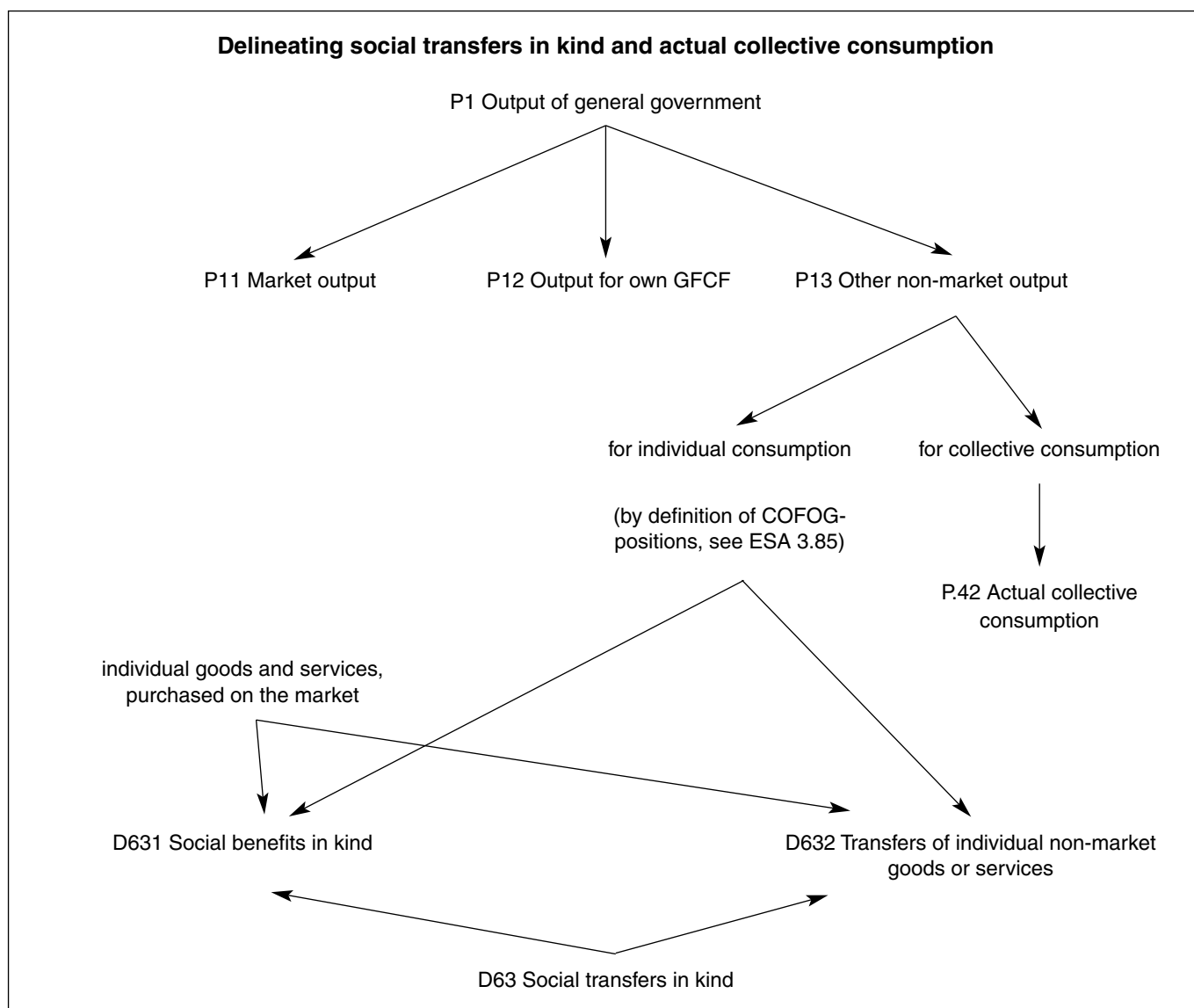
4.3.2.15 Social transfers in kind (D.63)

Social transfers in kind are the only transaction to be recorded within the redistribution of income in kind. As already discussed, this means following the concept of actual final consumption instead of final consumption expenditure.

"Social transfers in kind consist of individual goods and services provided as transfers in kind to individual households by government units or NPISHs, whether purchased on the market or produced as non-market output by government units or NPISHs. They may be financed out of taxation ... or social security contributions ..." (ESA 4.104). Social transfers in kind are either social benefits in kind (D.631) or transfers of individual non-market goods or services (D.632).

Social benefits in kind include

- social security benefits, reimbursements: reimbursement by social security funds of approved expenditures made by households on specified goods or services;
- other social security benefits in kind: essentially health care provided by social security funds;
- social assistance benefits in kind: similar in nature to social security benefits in kind but which are not provided in the context of a social insurance scheme.



It is recommended that social benefits in kind are regionalised according to the residence of households.

“Transfers of individual non-market goods or services consist of goods or services provided to individual households free or at prices which are not economically significant, by non-market producers of government units ...” (ESA 4.106). Examples are education, housing, cultural or recreational services. By convention (ESA 3.85), some headings of the COFOG are to be treated as individual. The individual consumption, in most cases, takes place in the same region as the production of these goods.

Transfers of individual non-market goods or services are regionalised according to the residence of households. However, some cases (students, long-term patients) may be ambiguous. In ESA 13.33 students and patients in hospitals are treated “as

resident of the host region if they stay there more than one year”. Thus, when we use population and household data for regionalising the transfers of individual non-market goods or services, we do not fully include the transfers rendered from local KAUs of government to patients and to schoolchildren and students from outside the region of this local KAU.

By convention (ESA 4.108), there are no social transfers in kind with the rest of the world.

Social transfers in kind appear under uses of all of the four sub-sectors.

4.3.2.16 Net non-life insurance premiums (D.71)

Net non-life insurance premiums are recorded within the secondary distribution of income. They comprise both the actual premiums payable by policy holders to obtain insurance cover during the accounting period

(premiums earned) and the premium supplements payable out of the property income attributed to insurance policy holders (see D.44), after deducting the service charges of insurance enterprises arranging the insurance.

Net non-life premiums are the amounts available to provide cover against various events or accidents resulting in damage to goods or property, or harm to persons as a result of natural or human causes (fires, theft, accidents and the like) or against financial losses resulting from events such as sickness, unemployment etc.

As all units of the government are presumably insured against various of the above mentioned risks, net non-life insurance premiums appear under uses for all four sub-sectors. As the service charge is already deducted (it forms part of government's intermediate as well as actual collective consumption) the insurers can be seen as first-round and economically non-relevant counterparts only, just redistributing premiums and claims, i.e. D.71 and D.72 constitute a redistributive circle of their own. The economically significant counterparts for D.71 are considered here to be insured schoolchildren, employees, military personnel or the local KAUs of general government on behalf of their assets. We propose to use regional figures or proxies of the risks in question.

4.3.2.17 Non-life insurance claims (D.72)

Non-life insurance claims are recorded within the secondary distribution of income. They represent the claims due under non-life insurance contracts, i.e. the amounts which insurance enterprises are obliged to pay in settlement of injuries or damage suffered by persons or goods (including fixed capital goods).

As the service charges on non-life insurance are calculated by subtracting claims due from the premiums, it follows that the total claims due must equal the net non-life premiums receivable by an insurance enterprise during the same accounting period. This underlines the fact that the essential function of non-life insurance is to redistribute resources (ESA 4.114). This redistribution involves industries, sectors and/or regions.

As all units of government presumably are insured against various of the above mentioned risks, non-life insurance claims appear under resources for all four sub-sectors. As the service charge is already deducted (it forms part of government's intermediate as well as actual collective consumption) the insurers can be seen as first-round and economically non-relevant counterparts only, just redistributing premiums and claims, i.e. D.71 and D.72 constitute a redistributive circle of their own. The economically significant

counterparts for D.72 are considered here to be the insured schoolchildren, employees, military personnel or the local KAUs of general government on behalf of their assets. If figures of claims according to location of the stolen or damaged assets or the damaged persons are not available we propose to use regional figures or proxies of the risk in question, viz. to regionalise D.72 just like D.71. It is supposed that the regional impact accruing net from general government's transactions D.71 and D.72 may almost be neglected.

4.3.2.18 Current transfers within general government (D.73)

Current transfers within general government are recorded within the secondary distribution of income. They "include transfers between the different sub-sectors of general government (central government, state government, local government and social security funds) with the exception of ... subsidies, investment grants and other capital transfers" (ESA 4.117). For the treatment of D.73 see Section 3.5 above.

4.3.2.19 Current international co-operation (D.74)

Current international co-operation is recorded within the secondary distribution of income. It "includes all transfers in cash or in kind between general government and governments or international organisations in the rest of the world, except investment grants and other capital transfers" (ESA 4.121). Thus, by its very nature, D.74 is allocated to the region rest of the world. D.74 may appear under resources as well as under uses for all sub-sectors of general government.

4.3.2.20 Miscellaneous current transfers (D.75)

Miscellaneous current transfers are recorded within the secondary distribution of income. As far as general government may be involved, this heading includes

- current transfers to NPISHs (ESA 4.125). Beside others, this might include assistance and grants from general government other than transfers made for the specific purpose of financing capital expenditure which are shown under investment grants. Regionalisation is according to the residence of NPISHs.
- fines and penalties. Regionalisation is according to the residence of the units they are imposed on.
- payments of compensation. They could be either compulsory payments awarded by a court of law, or *ex gratia* payments agreed out of court. This heading covers *ex gratia* payments made by government units or NPISHs in compensation for injuries or damage caused by natural disasters other than those classified as capital transfers. Payments of

compensation are to be regionalised according to the residence of the recipient unit.

- GNP-based fourth own resource. This is a current transfer paid by the general government of each Member State to the institutions of the European Union. This transaction is to be allocated to the region rest of the world.
- other. There are some further items in the ESA, for example, travelling fellowships and awards paid to resident or non-resident households by general government, or bonus payments on savings granted at intervals by general government to households in order to reward them for their savings during the period. Regionalisation should be according to the residence of the counterpart units that in most cases are households.

Miscellaneous current transfer may appear under uses as well as under resources for each of the four sub-sectors.

4.3.3 The tables

For compilation as well as for analysis, Step 3 is the most ambitious and most important of the three steps proposed in this document. Nevertheless, it is envisaged here to provide no more than one table. Table 4 in Annex C is proposed to be compiled, however, for each sub-sector and for general government separately.

The vertical structure of the table has already been outlined in Section 3.4 above. The underlying idea can be explained more practically in terms of some examples taken from the notional figures of the Annex:

General government transactions belonging to the sphere of primary distribution of income and carried out with counterparts resident in region B add up to total resources of 85,36 and to total uses of 53,41. They result in resources less uses of 31,95. In the extra-regio this result is -8,17 mostly because of compensation of employees working in enclaves such as military camps or embassies.

Looking at region B again, in the secondary distribution of income we find 147,80 of total resources of general government accruing from transactions with counterparts belonging to region B, excluding transfers within general government. Under total uses in the same stratum we find 77,45, again excluding transfers within general government but including the social transfers in kind. Thus, resources less uses of that kind of transaction in region B is 70,35. In the extra-regio we find figures only under resources which might be due to military staff and their families, living in military camps located in the extra-regio. Some transactions are also

carried out with counterparts resident in the rest of the world.

The current transfers within general government are recorded net. In the national total they are zero, and by definition they do not involve the rest of the world. The extra-regio may only theoretically be involved. Its figures are zero. It is supposed that in our specimen nation we have a system of horizontal transfers balancing the fiscal means of the regions. So, as recorded in row 33, region B and region D obviously have greater fiscal power than A and C. As a result, region B is charged with 43,70 and region D is charged with 7,30, while A profits from the system of horizontal transfers to the amount of 45,35 and C to the amount of 5,65. Other net transfers (row 34) may be transfers between institutional units of general government which belong to different regions as well as to different sub-sectors (e.g. state government of region A to local governments of region B). These transfers are considered to be rare¹⁹ so that the figures in row 34 are zero. Row 35 simply provides the total of rows 33 and 34.

The stratum at the bottom of Table 4 gives the grand totals, viz. resources less uses including transfers within general government. Rows 36, 37 and 38 simply copy the above results, row 39 monitoring their sum. The only purpose of showing rows 41 and 42 is to demonstrate how the transactions of Table 4 are embedded within the sequence of the ESA-accounts, viz. to demonstrate that in Table 4 we neither include the opening balancing item of the ESA account generation of income nor the closing balancing item of the ESA account use of adjusted disposable income. Thus, the figures of net value added and adjusted disposable income can only be found for the national total.

4.4 Step 4: Actual collective consumption, capital taxes, other capital transfers

4.4.1 Introduction

When all transactions of Steps 1 to 3 have been regionalised, for completing the transactions of the ESA-accounts I, II and III, some transactions are still missing. These are

- P.42 “Actual collective consumption”,

¹⁹ This is true at sector level only. If Table 4 is to be compiled for sub-sectors then the transfers from central government and social security funds to state or local governments are considered to be significant. As these “vertical” transfers for transferor (-) as well as for the recipient (+) are located to the same region, they disappear by the procedure of netting when the results are totalled for the whole sector (as is the case in Table 4 of Annex C)

- the remaining types of capital transfers, viz. D.91 “Capital taxes” and D.99 “Other capital transfers”,
- the remaining types of gross capital formation, viz. P.52 “Changes in inventories” and P.53 “Acquisitions less disposals of valuables” and
- K.2 “Acquisitions less disposals of non-produced non-financial assets”.

As already noted, it is left up to the Member States whether or not they include these transactions into the regionalisation of the transactions of general government. This document nevertheless provides some proposals for the most important of the remaining transactions which are those of the first two indents above. P.52, P.53 and K.2 are deemed to be less important or even negligible.

4.4.2 The transactions

4.4.2.1 Actual collective consumption (P.42)

The use of income account of general government can be compiled in two variants:

- for government’s final consumption expenditure (P.3), i.e. collective consumption expenditure (P.32) plus individual consumption expenditure (P.31) in the use of disposable income account,
- only for the actual collective consumption (P.42) in the use of adjusted disposable income account.

While the concepts of P.3 and P.31 refer to expenditures, the concept of actual final consumption is based on acquisition (ESA 3.74). As already noted in Section 3.1, the second option is retained as it also enables the portrayal of general government’s impact on regional income accruing from the social transfers in kind (see also the chart in Section 4.3.2.15 above).

Actual collective consumption consists of the goods and services that are acquired by government for the direct satisfaction of collective human needs. The ESA (3.85) distinguishes between individual and collective goods and services.

As far as P.42 is provided by local government and by uni-regional state government, it may be assumed that the services are exclusively on behalf of the units resident in the area of competence in question. Thus P.42 would be regionalised according to its production. However, actual collective consumption mainly consists of some classic public goods such as services for military defence, customs or foreign affairs, which are usually provided by central government. Its regional allocation according to the local KAU producing these services would be largely artificial. In principle, there are two possibilities: either somehow to regionalise globally, viz. per capita, or to leave it altogether.

The per capita algorithm gives trivial information, of course, and it can be seen as a contradiction to use capitulation as a key for an item that by definition and nature just cannot be allocated to persons. The global method can only be justified with the purpose of providing complete figures for all of Accounts I, II and III.

Proposals have been made to combine the global allocation of collective consumption with a notional real transfer of non-market services balancing the difference between domestically-produced and, by whatever method compiled, domestically-used collective consumption in order to effect the regional saving of central government.

4.4.2.2 Capital taxes (D.91)

Capital taxes are taxes which are irregularly and very infrequently collected and which fall upon the value of the assets or net worth of economic agents or on the value of assets transferred as a result of legacies, *inter vivos* gifts or other transfers.

Applying the counterpart criterion would mean regionalising according to the location of the tax-paying entity. Insofar as local government and uni-regional governments collect the tax it may again be assumed that the counterpart unit resides within the same region as the government. When the taxes are collected by a multi-region state or by central government, regional figures of tax accruals may be used. In the case of multi-region units paying the tax, we may use the proportion of the regional GVA or, as a last resort, a conventional criterion such as population.

The regionalisation of D.91 has been postponed to Step 4 as it has been deemed to be sufficient to monitor GFCF and investment grants as by far the most important transactions of the capital account. Whether or not the regionalisation of D.91 raises serious problems depends on the national circumstances of how these taxes are imposed and collected and how this is statistically observed.

4.4.2.3 Other capital transfers (D.99)

Other capital transfers refer to the redistribution of savings or wealth among the different sectors or sub-sectors of the economy or the rest of the world. The distinguishing feature in relation to investment grants is that they are not linked to the acquisition of a fixed asset.

The ESA (4.165) provides various examples, some of which are important enough to be mentioned and considered here:

- Transfers between sub-sectors of general government designed to cover unexpected or accumulated deficits.

- Under this heading transfers from central government to social security funds, usually to balance deficits of the funds, remain a very peculiar problem. From their very nature central government as well as social security funds are oriented to the nation as a whole. The source of these transfers is the poly-regional-based tax accrual and their aim is a budget based on social contributions from employees all over the nation. If it is nevertheless deemed necessary to regionalise these transfers somehow, then this can only be done globally. The transfer can be seen as balancing a minus of compulsory contributions as well as balancing payments of social benefits exceeding the resources. It has to be decided whether the key for regional allocation is to be in accordance with the expenditure or the receipts of social security or, if detailed data are provided, with the regional imbalance of the expenditure and receipts of social security.

- Non-recurrent bonus payments on savings granted by general government to households to reward them for their savings carried out over a period of several years.

This item may be represent a significant amount. It should be regionalised according to the residence of the recipients (households).

- Cancellation of debts.

This may be important in amount in case that government cancels a debt owed to it by a foreign country. The regionalisation then is straightforward: the transaction is to be allocated to the rest of the world.

The regionalisation of D.99 has been postponed to Step 4 as it has been deemed sufficient to monitor GFCF and investment grants as by far the most

important transactions of the capital account. Serious conceptual problems arise only in the case of the above mentioned transfers between sub-sectors of general government. For aspects of regionalising these transfers see Section 3.5 of this document.

4.4.3 The tables

As a proposal for Step 4, Annex C of this document provides two tables. Table 5 monitors actual collective consumption by sub-sectors (columns) and by regions (rows). This table is very simple and needs no further explanation.

Table 6 shows the capital transfers of general government by region (column) and by type (rows). In the classification of the ESA, there are three types of capital transfers: capital taxes (D.91), investment grants (D.92) and other capital transfers (D.99). As investment grants as well as other capital transfers may be intra-governmental and thus from the viewpoint of government either receivable or payable, the table is vertically structured as follows: The main sub-classification is according to sub-sector. For each sub-sector and for total general government D.9 payable and D.9 receivable are segregated, and D.9 is subclassified into its three components. For each row of investment grants as well as of other capital transfers there is an “of which” position showing the intra-governmental share.

For each sub-sector there is a position “D.9 net” which may be positive or negative and which may be interpreted as the net regional impact of this particular sub-sector of general government on the wealth of the units resident in the region. As these units may include units of government, the impact accruing from intra-governmental transfers is similarly recorded as an “of which” position.

Annex A - The ESA-accounts for General government

(Excerpt from table A.IV.5 in the ESA 1995 for the purpose of regionalising the transactions of the government sector)

Uses		Production account		Resources
P.2	Intermediate consumption	246	P.1 Output	434
B.1g	Value added, gross	188	P.11 Market output	74
K.1	Consumption of fixed capital	30	P.12 Output for own final use	0
B.1 n	Value added, net	158	P.13 Other non-market output	360

II. Distribution and use of income accounts

II.1 Primary distribution of income account

Uses	II.1.1 Generation of income account		Resources
D.1 Compensation of employees	140	<i>B.1 n Value added, net</i>	<i>158</i>
D.11 Wages and salaries	87		
D.12 Employer's social contributions	53		
D.29 Other taxes on production	2		
D.39 Other subsidies on production	0		
<i>B.2 Operating surplus</i>	<i>16</i>		

Uses	II.1.2 Allocation of primary income account		Resources
D.4 Property income	46	B.2 Operating surplus	16
D.41 Interest	39		
D.42 Distributed income of corporations	0	D.2 Taxes on production and imports	235
D.43 Reinvested earnings on direct foreign investment	0	D.21 Taxes on products	141
D.45 Rent	7	D.29 Other taxes on production	94
		D.3 Subsidies	- 44
		D.31 Subsidies on products	- 8
		D.39 Other subsidies on production	- 36
		D.4 Property income	30
		D.41 Interest	12
		D.42 Distributed income of corporations	18
		D.421 Dividends	5
		D.422 Withdrawals from income of quasi-corporations	13
		D.43 Reinvested earnings on direct foreign investment	0
		D.44 Property income attributed to insurance policyholders	0
B.5 Balance of primary incomes	191	D.45 Rent	0

Uses	II.2 Secondary distribution of income account		Resources
D.59 Other current taxes	0	B.5 Balance of primary incomes	191
D.62 Social benefits other than social transfers in kind	289	D.5 Current taxes on income, wealth etc.	213
D.621 Social security benefits in cash	232		
D.622 Private funded social benefits	0	D.61 Social contributions	268
D.623 Unfunded employee social benefits	5	D.611 Actual social contributions	263
D.624 Social assistance benefits in cash	52	D.612 Imputed social contributions	5
D.7 Other current transfers	139	D.7 Other current transfers	108
D.71 Net non-life insurance premiums	4	D.72 Non-life insurance claims	1
D.73 Current transfers within general government	96	D.73 Current transfers within general government	96
D.74 Current international co-operation	31	D.74 Current international co-operation	1
D.75 Miscellaneous current transfers	8	D.75 Miscellaneous current transfers	10
B.6 Disposable income	352		

Uses	II.3 Redistribution of income in kind account	Resources
D.63 Social transfers in kind	206	<i>B.6 Disposable income</i>
D.631 Social benefits in kind	162	352
D.6311 Social security benefits, reimbursements	78	
D.6312 Other social security benefits in kind	65	
D.6313 Social assistance benefits in kind	19	
D.632 Transfers of individual non-market goods and service	44	
<i>B.7 Adjusted disposable income</i>	146	

Uses	II.4.2 Use of adjusted disposable income account	Resources
P.42 Actual collective consumption	156	<i>B.7 Adjusted disposable income</i>
D.8 Adjustment for the change in net equity of households on pension funds	0	146
<i>B.8 Saving</i>	- 10	

III. Accumulation accounts

III.1 Capital account

Changes in assets	III.1.1 Change in net worth due to saving and capital transfers account	Changes in liabilities and net worth
<i>B.10.1 Changes in net worth due to saving and capital transfers</i>	- 38	<i>B.8n Saving, net</i>
		- 10
		D.9 Capital transfers, receivable
		6
		D.91 Capital taxes
		2
		D.92 Investment grants
		0
		D.99 Other capital transfers
		4
		D.9 Capital transfers, payable
		- 34
		D.91 Capital taxes
		0
		D.92 Investment grants
		- 27
		D.99 Other capital transfers
		- 7

Changes in assets	III.1.2 Acquisition of non-financial assets account	Changes in liabilities and net worth
P.51 Gross fixed capital formation	37	<i>B.10.1 Changes in net worth due to saving and capital transfers</i>
P.52 Changes in inventories	0	- 38
P.53 Acquisition less disposals of valuables	3	
K.1 Consumption of fixed capital	- 30	
K.2 Acquisition less disposals of non-produced non-financial assets	2	
<i>B.9 Net lending (+) / net borrowing (-)</i>	- 50	

III.2 Financial account

(not to be tackled in the regionalisation of transactions of central government)

III.3 Other changes in assets accounts

(not to be tackled in the regionalisation of transactions of central government)

IV Balance sheets

(not to be tackled in the regionalisation of transactions of central government)

Annex B - History of the Eurostat-project of regionalising general government

- | | |
|------|---|
| 1972 | The heads of the statistical offices of EC Member States agree on the ESA-REG, the very first method of European regional accounts and the nucleus of the regional account of government. |
| 1972 | The Working Party "Regional accounts and statistical indicators at regional level" (WP) decides to compile regional figures of GFCF and investment grants of general government. |
| 1975 | The European Regional Development Fund is established. Eurostat promotes the compilation of governmental figures and proposes to record actual disbursements and receipts of local governments |
| 1977 | The WP decides to record at NUTS level II the <ul style="list-style-type: none"> – actual disbursements and receipts of local governments and – GFCF and investment grants of central government by function. |
| 1977 | Eurostat issues its first publication on regional accounts. |
| 1984 | Prof. Ousset presents the results for France from the first pilot study ("La faisabilité des comptes régionaux des administrations publiques centrales") commissioned and financed by Eurostat. |
| 1986 | Eurostat proposes the extension of regionalisation to central government. With reference to a French study it proposes some leading principles. |
| 1987 | Eurostat's second pilot study ("Elaboration des comptes régionaux des administrations publiques centrales") is presented by J.-C. Donnelier and J. Garagnon. In the following years other feasibility studies (Netherlands, Germany) are implemented. |
| 1988 | The three European structural funds are reformed and increased. Eurostat urges completion of compilation of governmental figures and organises a workshop. |
| 1994 | Eurostat organises a seminar in Coimbra in Portugal on regionalising the transactions of central government. Existing methods for compiling regional figures of general government are no longer valid. Eurostat orders a task-force (TF) to develop a method incorporating the Coimbra discussions and leading to a so-called "minimum-scheme" EU Member States would be able to agree on. |
| 1995 | A first draft of the TF's method on regionalising the transactions of central government is presented to the WP in May. The TF then revises the draft. Eurostat extends the remit of the TF to general government. |
| 1996 | A first draft of the TF's joint method on regionalising the transactions of general government is presented to the WP in May. The TF then revise the draft. Eurostat organises a seminar in Rome as a platform for in-depth discussion of the remaining controversial points. |
| 1997 | A second draft of the TF's joint method on regionalising the transactions of general government is presented to the WP in May, implementing the results of the seminar in Rome. |

Annex C - The ESA-accounts for General government

Table 1: Gross value added, intermediate consumption and output of general government by subsectors and by regions

Subsector; transaction	Region				Extra regio	National total
	A	B	C	D		
S. 13 General government						
D1 Compensation of employees	14.00	42.00	56.00	21.00	7.00	140.00
D11 Wages and salaries	8.70	26.10	34.80	13.05	4.35	87.00
D12 Employers' social contributions	5.30	15.90	21.20	7.95	2.65	53.00
D121 actual	4.80	14.40	19.20	7.20	2.40	48.00
D122 imputed	0.50	1.50	2.00	0.75	0.25	5.00
D29 Other taxes on production	0.00	0.00	2.00	0.00	0.00	2.00
D39 Other subsidies on production	0.00	0.00	0.00	0.00	0.00	0.00
B2 Operating surplus	1.60	4.80	6.40	2.40	0.80	16.00
K1 Consumption of fixed capital	3.00	9.00	12.00	4.50	1.50	30.00
B1g Gross value added	18.60	55.80	76.40	27.90	9.30	188.00
P2 Intermediate consumption	24.60	73.80	98.40	36.90	12.30	246.00
P11 Market output	7.40	22.20	29.60	11.10	3.70	74.00
P12 Output for own final use	0.00	0.00	0.00	0.00	0.00	0.00
P 13 Other non-market output	35.80	107.40	145.20	53.70	17.90	360.00
P1 Output	43.20	129.60	174.80	64.80	21.60	434.00
Gross value added per capita	1.43	1.92	1.91	1.86	X	1.88
Gross value added per capita						
(National total = 100%)	76.1	102.3	101.6	98.9	X	100.0
S.1311 Central government (ditto)						
S.1312 State government (ditto)						
S.1313 Local government (ditto)						
S.1314 Social security funds (ditto)						

Table 2: Gross fixed capital formation of general government by subsector by function of government (COFOG) and by regions

Subsector; function of government	Region				Extra regio	National total
	A	B	C	D		
S. 13 General government						
01 General public services	0.33	1.11	1.48	0.56	0.22	3.70
02 Defence affairs and services	0.07	0.22	0.30	0.15	0.00	0.74
03 Public order and safety affairs	0.19	0.56	0.74	0.36	0.00	1.85
04 Education affairs and services	0.55	1.67	2.22	1.11	0.00	5.55
05 Health affairs and services	0.87	2.00	2.66	1.13	0.00	6.66
06 Social security and welfare affairs and services	0.05	0.11	0.15	0.06	0.00	0.37
07 Housing and community amanity affairs and s.	0.74	2.22	3.33	1.11	0.00	7.40
08 Recreational, cultural a. religious affairs and s.	0.11	0.34	0.48	0.18	0.00	1.11
09 Fuel and energy affairs and services	0.25	0.78	1.17	0.39	0.00	2.59
10 Agriculture, forestry, fishing and hunting aff. a. s.	0.07	0.22	0.34	0.11	0.00	0.74
11 Mining and mineral resources affairs a. serv.; manufacturing aff. a. serv.; construction aff. a. s.	0.17	0.33	0.44	0.17	0.00	1.11
12 Transportation and communication aff. a. serv.	0.66	1.33	1.78	0.67	0.00	4.44
13 Other economic affairs and services	0.05	0.11	0.15	0.06	0.00	0.37
14 Expenditures not classified by major group	0.04	0.11	0.16	0.06	0.00	0.37
Total	4.15	11.11	15.40	6.12	0.22	37.00
S.1311 Central government (ditto)						
S.1312 State government (ditto)						
S.1313 Local government (ditto)						
S.1314 Social security funds (ditto)						

Table 3: Investment grants made by general government by subsector by function of government (COFOG) and by regions

Subsector; function of government	Region				Extra regio	Rest of the world	National total
	A	B	C	D			
S. 13 General government							
01 General public services	0.00	0.00	0.00	0.00	0.00	4.00	4.00
02 Defence affairs and services	0.00	0.00	0.00	0.00	0.00	0.00	0.00
03 Public order and safety affairs	0.00	0.00	0.00	0.00	0.00	0.00	0.00
04 Education affairs and services	0.15	0.48	0.56	0.40	0.00	0.00	1.59
05 Health affairs and services	0.14	0.16	0.48	0.37	0.00	0.00	1.15
06 Social security and welfare affairs and services	0.00	0.00	0.00	0.00	0.00	0.00	0.00
07 Housing and community amanity affairs and s.	1.47	2.67	3.31	1.75	0.00	0.00	9.20
08 Recreational, cultural a. religious affairs and s.	0.05	0.14	0.20	0.07	0.00	0.00	0.46
09 Fuel and energy affairs and services	0.07	0.21	0.31	0.10	0.00	0.00	0.69
10 Agriculture, forestry, fishing and hunting aff. a. s.	0.09	0.21	0.15	0.15	0.00	0.00	0.60
11 Mining and mineral resources affairs a. serv.; manufacturing aff. a. serv.; construction aff. a. s.	0.16	0.24	0.24	0.17	0.00	0.00	0.81
12 Transportation and communication aff. a. serv.	1.21	2.01	2.82	2.01	0.00	0.00	8.05
13 Other economic affairs and services	0.03	0.07	0.09	0.03	0.00	0.00	0.22
14 Expenditures not classified by major group	0.03	0.07	0.10	0.03	0.00	0.00	0.23
Total	3.40	6.26	8.26	5.08	0.00	4.00	27.00
S.1311 Central government (ditto)							
S.1312 State government (ditto)							
S.1313 Local government (ditto)							
S.1314 Social security funds (ditto)							

Table 4: Current distributive transactions of general government by subsector and by regions

4.1 General government (ditto for central, state and local government and for social security funds)

	Transaction	Region				Extra regio	Rest of the world	National total
		A	B	C	D			
		Primary distribution of income						
	Resources							
1	D21 Taxes on products	14.10	56.40	42.30	28.20	0.00	0.00	141.00
2	D29 Other taxes on production	9.40	33.84	31.96	18.80	0.00	0.00	94.00
3	D31 Subsidies on products	-0.80	-3.20	-2.40	-1.60	0.00	0.00	-8.00
4	D39 Other subsidies on production	-3.60	-12.96	-12.24	-7.20	0.00	0.00	-36.00
5	D41 Interest	1.20	4.80	3.60	2.40	0.00	0.00	12.00
6	D42 Distributed income of corporations	1.80	6.48	6.12	3.60	0.00	0.00	18.00
7	D43 + D44 + D45 Other property income	0.00	0.00	0.00	0.00	0.00	0.00	0.00
8	Total resources	22.10	85.36	69.34	44.20	0.00	0.00	221.00
	Uses							
9	D1 Compensation of employees	16.80	39.20	50.40	26.60	7.00	0.00	140.00
10	D29 Other taxes on production	0.20	0.80	0.60	0.40	0.00	0.00	2.00
11	D39 Other Subsidies on production	0.00	0.00	0.00	0.00	0.00	0.00	0.00
12	D41 Interest	5.07	11.31	15.60	5.85	1.17	0.00	39.00
13	D42 Distributed income of corporations	0.00	0.00	0.00	0.00	0.00	0.00	0.00
14	D43 + D45 Other property income	0.70	2.10	2.80	1.40	0.00	0.00	7.00
15	Total uses	22.77	53.41	69.40	34.25	8.17	0.00	188.00
16	Resources less uses (8-15)	-0.67	31.95	-0.06	9.95	-8.17	0.00	33.00
		Secondary distribution of income (excluding transfers within general government) and social transfers in kind						
	Resources							
17	D5 Current taxes on income, wealt, etc.	21.30	63.90	74.55	51.12	1.13	1.00	213.00
18	D61 Social contributions	26.80	80.40	93.80	64.32	2.68	0.00	268.00
19	D611 Actual social contributions	26.30	78.90	92.05	63.12	2.63	0.00	263.00
20	D612 Imputed social contributions	0.50	1.50	1.75	1.20	0.05	0.00	5.00
21	D74 Current international cooperation	0.00	0.00	0.00	0.00	0.00	1.00	1.00
22	D72 and D75 Non-life insurance claims; Miscellaneous current transfers	0.55	3.50	2.75	2.20	0.00	2.00	11.00
23	Total resources	48.65	147.80	171.10	117.64	3.81	4.00	493.00
	Uses							
24	D62 Social benefits other than social transf. in kind	86.70	43.35	101.15	57.80	0.00	0.00	289.00
25	D63 Social transfers in kind	61.80	30.90	72.10	41.20	0.00	0.00	206.00
26	D631 Social benefits in kind	48.60	24.30	56.70	32.40	0.00	0.00	162.00
27	D632 Transf. of indiv. non-market goods a. serv.	13.20	6.60	15.40	8.80	0.00	0.00	44.00
28	D71 Net non-life insurance premiums	0.40	1.20	1.60	0.80	0.00	0.00	4.00
29	D74 Current international cooperation	0.00	0.00	0.00	0.00	0.00	31.00	31.00
30	D75 Miscellaneous current transfers	0.40	2.00	2.80	1.80	0.00	1.00	8.00
31	Total uses	149.30	77.45	177.65	101.60	0.00	32.00	538.00
32	Resources less uses (23-31)	-100.65	70.35	-6.55	16.04	3.81	-28.00	-45.00
		Current transfers within general government (D73) paid (-) and received (+)						
33	Net interregional transfers within the same subsector (horizontal transfers)	45.35	-43.70	5.65	-7.30	0.00	X	0.00
34	Other net transfers	0.00	0.00	0.00	0.00	0.00	X	0.00
35	Resources less uses (33+34)	45.35	-43.70	5.65	-7.30	0.00	X	0.00
		Resources less uses incl. D73						
36	Primary distribution of income (16)	-0.67	31.95	-0.06	9.95	-8.17	0.00	33.00
37	Secondary distribution of income and soc.tr in k. (32)	-100.65	70.35	-6.55	16.04	3.81	-28.00	-45.00
38	Current transfers within general government (35)	45.35	-43.70	5.65	-7.30	0.00	X	0.00
39	Total resources less uses (36+37+38)	-55.97	58.60	-0.96	18.69	-4.36	-28.00	-12.00
41	Not regionalised (B1n net value added)	X	X	X	X	X	X	158.00
42	Not regionalised (B7 adjusted disposable income)	X	X	X	X	X	X	146.00

Table 5: Actual collective consumption (P42) of general government by subsector and by regions

Region	S.1311 Central	S.1312 State	S.1313 Local	S.1314 Social security funds	S.13 General govern- ment
	government				
A	9.80	1.57	6.03	0.42	17.82
B	21.87	4.72	18.09	1.25	45.93
C	30.16	6.36	24.41	1.69	62.62
D	11.31	2.36	9.05	0.63	23.35
Extra-regio	2.26	0.79	3.02	0.21	6.28
Rest of the world	0.00	0.00	0.00	0.00	0.00
National Total	75.40	15.80	60.60	4.20	156.00

Table 6: Capital distributive transactions of general government by subsector and by regions

6.1 General government (ditto for central, state and local government and for social security funds)

Transaction	Region				Extra regio	Rest of the world	National total
	A	B	C	D			
D9 Capital transfers, receivable	0.65	1.45	2.00	0.75	0.15	1.00	6.00
D91 Capital taxes	0.26	0.58	0.80	0.30	0.06	0.00	2.00
D92 Investment grants	0.00	0.00	0.00	0.00	0.00	0.00	0.00
of which intra general government ¹⁾	0.00	0.00	0.00	0.00	0.00	0.00	0.00
D99 Other capital transfers	0.39	0.87	1.20	0.45	0.09	1.00	4.00
of which intra general government ¹⁾	0.00	0.00	0.00	0.00	0.00	0.00	0.00
D9 Capital transfers, payable (-)	-4.31	-8.29	-11.06	-6.13	-0.21	-4.00	-34.00
D91 Capital taxes	0.00	0.00	0.00	0.00	0.00	0.00	0.00
D92 Investment grants	-3.40	-6.26	-8.26	-5.08	0.00	-4.00	-27.00
of which intra general government ¹⁾	0.00	0.00	0.00	0.00	0.00	0.00	0.00
D99 Other capital transfers	-0.91	-2.03	-2.80	-1.05	-0.21	0.00	-7.00
of which intra general government ¹⁾	0.00	0.00	0.00	0.00	0.00	0.00	0.00
D9 net	-3.66	-6.84	-9.06	-5.38	-0.06	-3.00	-28.00
of which intra general government ¹⁾	0.00	0.00	0.00	0.00	0.00	0.00	0.00

¹⁾ In the subsectors resp. of which from other gov. units (receivable) or of which to other gov. units (payable)