Delimitation of general government
The general government sector comprises authorities and institutions which are primarily engaged in producing non-market public services for collective consumption and/or redistributing revenue and wealth. Public services or non-market services are services, which are either actively controlled by public authorities or are made available to the general public, free of charge. The majority of authorities and institutions which produce public services are public. That is, they are integrated (incorporated) into the accounts of central, regional and local government. Some public institutions are not integrated, but keep their own accounts, for example, the national church and the social security funds. A number of institutions which produce public services are legally private and keep their own accounts. The reason why these institutions are incorporated into the general government sector is that they are primarily financed and controlled by the public authorities. Examples of this are private schools and private hospitals.

Provisional versions of public finance statistics are indicated by the sign *. These figures are continuously revised as more primary statistical data are gradually incorporated. In the present edition the February-version 2002 is used.

Public quasi corporations
Public quasi corporations have their accounts incorporated into state or regional accounts. However, their accounts may be isolated in a separate unit. This implies that they are state, regional or local institutional units which resemble a company. The general government sector does, however, fully control these companies, including all legal obligations and covers the operating deficits of the company or receives the operating profits of the company. This implies that these companies are only included in statistics for general government with regard to their profits or deficits. For an enterprise to qualify as a public quasi corporation, the following preconditions apply:

- The accounts are integrated into state and local accounts
- Production is
  1) determined by the market,
  2) large-scale and
  3) primarily sold to the private sector, i.e. revenue from sales constitutes 50 per cent or more than production costs.
- The company is run commercially.

Examples of quasi corporations are the Danish national railroads, municipal utility enterprises and part of the refuse-collection sector.

Public corporations
For public corporations which are organised as a company or similar according to civil law, the following preconditions apply:

- The public authorities are in control of the enterprise and/or
- The public authorities own more than 50 per cent of the enterprise

The public authorities are able to control the enterprise based on legislation which stipulates the activity framework of the enterprise. Furthermore, it may be stipulated that a fixed number of the board of directors and the chairman are to be appointed by the public authorities. Examples of this are DONG A/S, A/S Storebæltsforbindelsen and Post Danmark.

The public sector
The general government sector, public quasi corporations and public corporations make up the total public sector.

The production account illustrates value added created in the public sector.

The income-creation account illustrates how value added created in the public sector is used to pay taxes on production, net, compensation of employees or goes to resident production units in the form of gross profits from production and miscellaneous income.

The income-distribution account illustrates the composition of gross income and gross expenditure, broken down by, for example, subsidies, interest rates and transfers.

The income-use account illustrates how disposable gross income is used for consumption and savings.

The capital account illustrates how accumulation is used for capital formation, capital transfer or as net lending, the last-mentioned of which is the balance of the account, which is often denoted as the financial savings. Negative lending indicates that disposable income has not been adequate to cover all expenditure for consumption and capital formation.

Expenditure, by type of transaction
The purpose of classifying general government expenditure by type of transaction is to divide activities according to the way in which the allocation of resources in the economy is affected. A characteristic feature of actual transactions, i.e. consumption and investment activities, is that the public sector ties up private sector resources for purchases of goods and services as well as manpower. Transfers are expenditure to which no resources are attached (e.g. state pension), but where assets and income are redistributed between the different sectors of the economy.

The break down of expenditure and revenue of general government by type of transaction is comparatively unambiguous and consequently well suited for international comparison of the general government sector over time.

Expenditure items
Public consumption expenditure
In compiling data concerning expenditure, output and government final consumption expenditure are obtained in the following way:

Compensation of employees + consumption of fixed capital
= Gross domestic product at factor cost
+ Intermediate consumption
+ Social benefits in kind
= Output
– Sales of goods and services
= Final consumption expenditure

The government final consumption expenditure comprises actual operating activities carried out for the general government sector. Two-thirds of government final consumption expenditure can be broken down by specific persons or household groups. The remainder is government collective-consumption expenditure.

Compensation of employees comprises all payments by producers of wages and salaries to their employees, in kind as well as in cash, and employee and employer contributions to social security schemes, including pension contributions.

Consumption of fixed capital, also called depreciation or reinvestment, is an estimate of the normal wear and tear of fixed capital goods (including roads, bridges, etc.) in the general government sector.

Intermediate consumption is defined as purchase of goods and services for current consumption, including rentals for offices and buildings, etc., insurance premiums and indirect taxes and duties paid by the general government. Furthermore, some acquisition of durable goods by military authorities (weapon systems) will continue to be considered intermediate production.

Social benefits in kind denote, e.g. health insurance services and aids which the general government purchases on the market and allocates to households in the form of full or part payment to producers for supplying specific products to households.

Sales of goods and services comprise sales of the total output of goods and services. To qualify as sales of goods and services, there must be a remuneration in return and a certain degree of free choice on the part of the buyer in connection with the purchase.

Interest payments, etc., comprise face or nominal interest, for example, distributed losses on issue prices and expenditure on rentals for land and intangible assets. Losses on issue prices are entered (written off) in line with instalments on loans.

Subsidies are defined as unilateral transfers to public or private enterprises and cover a wide range of transfers. EU agricultural subsidies are an example of product subsidies. Other production subsidies are, for example grants for social housing, and enterprise and rehabilitation allowances, etc.

Finally, subsidies to cover losses of public quasi corporations are classified as product subsidies.

Current transfers have an effect on current disposable incomes. These primarily consist of transfers to households and are divided into social transfers, e.g. old-age pension and early retirement pension, civil servants´ pension and unemployment benefits and early retirement pay, cash benefits, sickness and maternity benefits, family allowance, etc., rent subsidies and education grants. To this is added other transfer payments to private institutions, the Faeroe Islands, Greenland, the EU and other countries.

Non-financial capital accumulation comprises actual capital activities for the general government sector, corresponding to the manner in which government final-consumption expenditure comprised actual operating activities. Non-financial capital accumulation is calculated as follows:

Fixed new assets
\+ Acquisition of existing buildings, net
= Gross fixed capital formation
\+ Increase in stocks, net
\+ Acquisition of land and intangible assets, net
= Non-financial capital accumulation

Fixed gross capital formation is calculated as expenditure on construction of new buildings and plants and on purchases of buildings, transport equipment and machinery, etc.

Furthermore, it should be noted that all purchases of software and own development of software, where the amounts involved are significant, are regarded as capital formation.

Finally, all purchases of durable military goods over a certain value - apart from weapon systems - are considered capital formation.

Acquisition of existing buildings, net is defined as purchases of real property, where the existing buildings (compared to the land) are considered the most important factor, less corresponding sales.

Increases/reductions in stocks primarily consist of purchases of goods for intervention stocks and strategic stocks less sales of these stocks.

Acquisition of land and intangible assets, net comprise purchases of real property, where the land is considered the most important factor, less sales. Expenditure on permanent acquisition of different exploration rights is also included.

Capital transfers affect either the assets of the granter or recipient. Examples are plant and investment subsidies, certain damages, loans written down, and similar services, which are frequently non-recurrent.

It should be noted that capital transfers to public quasi corporations to cover capital formation are considered subordinate loan capital, i.e. acquisition of certificates of share ownership, and thus a financial transaction.

Revenue items

Gross operating income constitutes the part of the gross domestic product at factor cost which goes to the general government sector. As general government output is calculated from the expenditure side, the gross operating income by definition corresponds to consumption of fixed capital in the general government sector.

Withdrawals of income from quasi corporations are calculated for public quasi corporations, which are entered into the public accounts, but not incorporated into the general government sector, e.g., port authorities and the Danish Financial Supervisory Authority. Profits include depreciation, but exclude any estimated return on capital. The share of the profit and loss account of Danmarks Nationalbank is also included.

Interest and dividends also comprise dividends and realized capital gains less any losses, in addition to the nominal rate of interest.

Economic rent, etc., comprises rentals, licence fees, etc.

Taxes and duties are defined as compulsory transfers to the general government without any link between payment and acquisition of services. In the general statistics, taxes and duties are, for example, broken down by type of tax and national account group. Placing taxes and duties in different parts of the national account is an attempt to illustrate the manner in which different taxes and duties affect the national economy. Taxes and duties are divided into production and import taxes, current income and property taxes, capital taxes and compulsory contributions to social security schemes. In classifying taxes and duties according to type, only the tax base is taken into account.

Production and import taxes are imposed on production and imports of goods and services or use of production factors. These taxes are independent of the operating profit of business enterprises. Examples of production and import taxes are VAT, excise duties, duties on specific goods, e.g. cigarettes, sugar and spirits. Included are also real property taxes, vehicle excise duty on vehicles used in production and employers´ contributions to different labour market schemes. Production and import taxes are analysed by:

Product taxes are duties levied and collected proportionally with the quantity or value of the goods and services produced.

Other taxes on production are duties imposed on use of the production factors which enterprises (producers) must have in order to enable operation of their business.

Current income and property taxes comprise all compulsory payments imposed by the general government on income and property in the private sector. Current income and property taxes comprise:

Personal income taxes (on earned income, property income, business operations, pensions, etc.).

Penalties, etc., regardless of whether they are paid by private households or enterprises, are also included.

Compulsory contributions to social security schemes are compiled separately due to the fact that, in principle, they are effectively earmarked for social security purposes. Furthermore, contributions must be compulsory, i.e. according to Danish legislation, employers and employees are obliged to make these contributions. Moreover, the scheme must be public, implying that administration may not be performed under the auspices of a private organisation.

Compulsory contributions can be divided into membership contributions and employee contributions.

Voluntary social security contributions entitle the depositor to public social security benefits. Free choice implies no taxes or duties are imposed on contributions. Voluntary schemes comprise voluntary contributions to health and unemployment insurance and voluntary contributions to the Danish Labour Market Supplementary Pension Scheme, ATP, mainly from self-employed persons.

Imputed contributions to social security schemes are estimated contributions paid by civil servants, etc. These contributions correspond to the value for earned entitlement to retirement, which is added to their wages and salaries. In practice, the contribution is calculated as paid out pension for current pension schemes.

Other current transfers originate from other domestic sectors, the EU and other countries.

Concepts of operating surplus

The purpose of the concepts of operating surplus is to obtain indicators of the impact of public finance on income and liquidity as well as indicators of the financial position of the general government sector in relation to the rest of the world.

Current surplus is total current revenue less total current expenditure, which is equivalent to gross general-government-sector savings.

Gross saving is calculated as current surplus, cf. above. Gross savings illustrate public-sector capital value added, excluding depreciation of the capital stock. Negative savings are equivalent to a decrease in capital.

Current and capital surplus is total current and capital revenue less total current and capital expenditure, also called net lending as surplus/deficit imply that the general government sector increases/reduces its outstanding accounts in other sectors. Current and capital surplus is typically used in international comparisons of the general government sector and in analyses of economic policy.

Net lending illustrates changes in the financial position of the public sector to the rest of the world. Overall negative lending corresponds to the debts incurred by the general government (excluding losses on securities). Net lending is used when assessing observance of the convergence criteria in the Economic Monetary Union.

The above surplus concepts refer to the real economic account of public-sector expenditure and revenue. Furthermore, the surplus concepts described below are used in connection with central government finances (the annual budget and central government accounts), particularly when assessing the effects of liquidity in society.

Current, capital and lending surplus. The central government current, capital and lending surplus (the DUA surplus) is obtained by deducting loans made to private individuals from current and capital surpluses and taking differences into account in the compilation method for specific revenues (mainly taxes).

Central government surplus is calculated as total payments received and effected by the central government. The balance is of interest to monetary policies and liquidity.

Central government net surplus is calculated as total payments received less total payments effected, except for instalments on and redemption of central government debt. The balance is of interest in monetary policy and liquidity. The net surplus is obtained by subtracting central government bond purchases (The Social Pension Fund) from the DUA surplus and by adding losses on new issues.

Central government gross surplus is obtained by deducting instalments on foreign government debt and redemption of Treasury notes. A deficit indicates the central government borrowing requirement.

The borrowing requirement may be met by domestic borrowing, by foreign borrowing or by borrowing from the Danmarks Nationalbank. Only sales of government securities counterbalance the effect of a deficit. The gross borrowing requirement is equivalent to the gross deficit.

Central government's financial liabilities illustrate the amount owed by the central government on a specific date. The central government **net financing requirement** is equivalent to the central government net borrowing requirement, and indicates the total amount which the central government must borrow over a specific period in order to avoid using savings. In compiling changes in the central government debt, the net borrowing requirement for losses on new issues, foreign exchange rate adjustment and the central government net position with Danmarks Nationalbank have to be taken into account.

Expenditure by function

The function distribution illustrates the purpose of public activities, i.e. how general government expenditure is used. In statistics regarding the public sector, functions of the public sector are divided into three main groups: principle public services, social and health services and economic services. Expenditure by unclassified functions mainly covers interest payments and other costs related to general government debt.

Principal public services

This main group consists of activities which are considered public, i.e. they cannot be performed by private individuals or enterprises. They comprise, for example, legislative assemblies, principle executive bodies, principle monetary and fiscal policy activities and organs, general public-sector personnel policy, centralised sales and purchasing activities, international relations and police and defence activities.

Social and health services

This main group consists of different services oriented to the individual that are offered to households and private individuals. Services comprise education, national health service, social security, different welfare services, housing, cultural, recreational and religious services.

Economic services

This main group covers public activities connected to public-sector control and regulation of industries. The main group comprises activities which promote economic development, affect regional balances, create a better business environment and improve job prospects.

Distribution of task/burden

The purpose of the distribution of task/burden is to illustrate which sub-sectors perform the tasks and which sub-sectors pay for execution of the task.

Expenditure calculated as a task records operating and capital expenditure of each subsector with respect to other sectors. This aggregate is not necessarily equivalent to the financial impact as some expenditure may be refunded. Conversely, the refund becomes a financial burden, but is not regarded as an actual task in another section of the general government sector.

Expenditure on tasks is obtained as the total operating and capital expenditure less internal public transfers of each sector. The main task is the production of public services and provision of income and capital transfers, primarily to households.

Expenditure classified as a burden illustrates the above financial impact of each sector and is calculated as total operating and capital expenditure less internal public transfers received.