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Unit C-3: Statistics for Excessive Deficit Procedure I



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FINAL FINDINGS

EDP dialogue and ad-hoc visits to Portugal

17-18 January 2011 and 14-15 April 2011

Executive summary

Two Eurostat visits to Portugal took place in January and April 2011. A first dialogue visit took place in January 2011 and led to a series of constructive exchanges that led to the transmission on 31 March 2011 of an EDP notification incorporating significant revisions in deficit and debt of previous years.

A second visit, considered by Eurostat as an ad-hoc visit, was conducted in April, after the request of financial rescue made by Portugal to the European Union and the IMF, anticipating the discussion of some of the issues that remained for further investigation. This second visit led to the transmission to Eurostat and publication by the Portuguese statistical authorities of a second version of the EDP notification (23 April 2011).¹

During both visits, Eurostat appreciated the diligence demonstrated by the Portuguese statistical authorities to provide the needed documentation prior to the visits, during and after the meetings. It also thanked them for their friendly welcome and for the openness demonstrated during the discussions and the many constructive exchanges that occurred during this period.

As far as institutional arrangements are concerned, Eurostat took note that the cooperation between INE, Banco de Portugal and the Ministry of Finance seems to function in a satisfactory way, notably for methodological issues.

Eurostat asked for an update of the EDP inventory as this no longer reflected accurately the current methodology due to new data sources and reclassifications of units that have been implemented since 2007.

Eurostat appreciated the improvement resulting from the use of more appropriate data sources for some transactions and for assets/liabilities and encouraged the Portuguese statistical authorities to make further efforts in this respect in the shortest possible time.

Globally, the quality of the last October 2010 notification data seemed to be quite good as regards coverage and consistency between tables (including the EDP questionnaire). Eurostat has however noted that the existing discrepancies would need further investigations due to the apparent inclusion of some of them under “other accounts payable”. It was agreed that the issue should be solved for the April 2011 notification, and this was done.

Among the methodological issues that have been addressed, the treatment of the Banco Português de Negócios (BPN) was discussed in detail during the first visit. However, because of new elements to take into account, a specific meeting on the issue was set up a few days later in order to examine which treatment should be implemented in the April 2011 EDP notification. The case of the Banco Privado Português was also discussed during the meetings. All these issues were finally resolved for the April 2011 EDP notification.

The delimitation of general government was also a crucial issue discussed during the first meeting, notably for public transport companies. Eurostat raised the issue of the classification of some of them outside the government sector. This was based on a detailed analysis of the items considered as sales and costs for the ESA95 50% test. Notably, the nature of some

¹ Because of the specific status of this report, some action points vary from those established following the first dialogue visit.

government payments (indenizações compensatórias) was seen by Eurostat as needing closer consideration. Following this first meeting, the Portuguese statistical authorities informed Eurostat that they had decided to reclassify three transport companies (Refer, Metro Lisboa and Metro Porto) inside the general government sector. During the second visit, Eurostat was informed that the remaining public enterprises subject to possible reclassifications should have a small impact on deficit and debt and it was agreed that their analysis could wait for the October 2011 notification.

The conditions in which guarantees were granted to some public corporations were also discussed in the second visit. INE, in accordance with the current rules of the MGDD, will record new guarantees granted to public corporations, that will likely not be able to repay their guaranteed debt, as capital transfers from 2011 onwards, without impact on previous years. This issue opens an important action point for the next EDP dialogue visit. At the same time, INE will also maintain the treatment of capital injections in loss making public enterprises as capital transfers.

Eurostat also stressed that the analysis of Private-public-partnerships contracts needed to be improved. In the case of new contracts, Eurostat recalled that a preliminary decision on the classification of the assets should always be available before the beginning of the construction phase. During the second visit, the case of the introduction of tolls for the road PPPs (in particular SCUTs) was thoroughly discussed, and Eurostat and INE converged on the principle of reclassifying these roads in the government balance sheet where tolls exceed 50% of the total cost of the service.

The classification inside general government of three large public transport enterprises, of two subsidiaries of BPN, the reclassification of the call of the debt guarantee granted to BPP as capital transfer and the classification on the balance sheet of government of some SCUTs, led to very significant impacts in the April 2011 EDP notification. As far as other methodological areas were concerned, as a result of the first EDP visit, there were no pending issues possibly resulting in significant revisions of notified EDP data.

Final findings

Introduction

In accordance with article 11(1) of Council Regulation (EC) No 479/2009 as regards the quality of statistical data in the context of the Excessive Deficit Procedure, Eurostat carried out an EDP dialogue visit to Portugal on 17-18 January 2011.

The delegation of Eurostat was headed by Mr. François Lequiller, Director of Eurostat Directorate C – National and European Accounts. The unit C-3 - Statistics for Excessive Deficit Procedure – was represented by Luca Ascoli (Head of unit C3), Denis Besnard (methodological expert and desk officer for Portugal) and Jean-Pierre Dupuis (methodological expert). The Directorate General for Economic and Financial Affairs (DG ECFIN) and the European Central Bank (ECB) also participated in the meeting as observers. The Portuguese authorities were represented by the Statistical Office (INE), the Ministry of Finance (MoF) and the National Central Bank (Banco de Portugal).

A second ad-hoc visit was conducted during 14-15 April 2011, as a follow-up of the first visit. The delegation of Eurostat was headed by Mr. François Lequiller, Director of Eurostat Directorate C – National and European Accounts. The unit C-3 - Statistics for Excessive Deficit Procedure – was represented by Luca Ascoli (Head of unit C3), and Denis Besnard (methodological expert and desk officer for Portugal). Due to the very technical nature of the visit, on the Portuguese side, only the Statistical Office (INE) participated to the meetings. INE maintained close contacts however with Banco de Portugal and the Ministry of Finance on the issues dealt in the meetings. On this occasion, Eurostat, accompanied by the INE, visited also the Portuguese Court of Auditors.

Eurostat carried out these two EDP visits in order to review the implementation of ESA95 methodology and to ensure that the provisions of the ESA95 Eurostat Manual on Government Deficit and Debt and Eurostat decisions are duly implemented in the Portuguese EDP and Government Finance Statistics (GFS) data.

The previous Eurostat EDP dialogue visit to Portugal had taken place on 11-12 February 2008.

More in detail, the main aims of the visits were to deal with some points relating to the EDP tables in the context of the October 2010 EDP notification as well as to deal with methodological issues such as the delimitation of general government, the treatment of guarantees and capital injections, public-private partnerships, the transfer of pension obligations from public corporations to government, military expenditures and the impact on government deficit and debt of financial institutions in distress.

In relation to procedural arrangements, Eurostat explained the procedure, in accordance with article 13 of Regulation No 479/2009, indicating that within days the “Main conclusions and action points” would be sent to the Portuguese authorities, who may provide comments. Within weeks, the Provisional findings would be sent to the Portuguese authorities in draft form for their review. After amendments, the final findings will be sent to the Economic and Financial Committee (EFC) and published on the website of Eurostat.

1. STATISTICAL CAPACITY ISSUES

1.1. Institutional responsibilities in the framework of the reporting of data under the EDP and government finance statistics compilation

Introduction

Eurostat inquired about the present cooperation and division of responsibilities between INE, the MOF and Banco de Portugal, as well as on any changes in this since the last EDP dialogue visit.

Discussion

The Portuguese statistical authorities recalled the agreement signed in 2006 between the three institutions and stated that the cooperation between them was functioning well and that they considered the Portuguese experience as an example of best practice. The working group that has been institutionally set up meets regularly, at least on a quarterly basis, and notably for preparing the EDP notifications in March and September each year. Ad-hoc meetings may also take place for specific methodological issues.

The Portuguese authorities insisted on the fruitful cooperation that has been taken place and has allowed substantial progress in some areas such as the list of government units, the recording of financial assets and the measurement of public debt and quarterly accounts. Minutes of all meetings are disseminated among the institutions. Finally they considered that this has led to a noticeable improvement of the quality of the data and mentioned that, on average, revisions have been decreasing in size during recent years.

Following a question from Eurostat, the Portuguese statistical authorities indicated that the Court of Auditors is not involved in the EDP notifications. Nevertheless, its reports were regularly analysed and constitute an additional source of information for the compilation of General Government statistics. However, it was also mentioned that there was no example of EDP data in recent years being revised because of analyses or information in a report of the Court.

As regards the responsibilities for the EDP notifications, INE is responsible for the centralisation and the sending of the tables and for EDP table 1 (all past years) and tables 2, whilst the Banco de Portugal compiles tables 3 and data on government debt. The Ministry of Finance provides a major part of the information. The IGCP (the Portuguese debt management agency) compiles the amounts of accrued interest for the State debt.

Regarding further improvements of the institutional cooperation, INE considered that the access by statisticians to ex-ante relevant information available in the Ministry of Finance, notably in the context of the preparation of the EDP notification, and enhanced dialogue at technical level, should be issues to continue pursuing in the future.

Findings and conclusions

Eurostat thanked the Portuguese statistical authorities for this information.

1.2. EDP inventory

The current version of the inventory available on Eurostat website was completed in 2007 with a very minor revision transmitted in 2008. There was evidence however that it no longer fully reflected the methodology used for the compilation of the EDP data.

In addition, the list of government units in the inventory's annex was out-of-date due to the reclassifications of units carried out from 2007 onwards. As a matter of principle, Eurostat recalled that the Inventory is required by Regulation 479/2009 to be updated when significant methodological changes are implemented. This must be considered as a permanent process.

Moreover, the Portuguese statistical authorities confirmed that they were not willing to participate in the pilot exercise proposed by Eurostat on a voluntary basis concerning the new Inventory document submitted to the FAWG.

Findings and conclusions

Action point 1: INE will send to Eurostat (unit C3) a new version of the EDP inventory of sources and methods before the 1st April 2011 EDP notification.²

1.3. Data sources and revision policy

Introduction

Eurostat inquired about recent changes in data sources, on which information had already been provided in the context of the October 2010 notification, and on the on-going work that was still being undertaken by the Portuguese statistical authorities.

Discussion

The Portuguese statistical authorities presented briefly the data sources used at present and which should be described in detail in the revised version of the Inventory mentioned above. A particular effort has been made for the local government data, notably for municipalities, where significant weakness had been observed in the past. The present situation still showed nevertheless some shortcomings for certain autonomous funds, in spite of some recent improvements, and for local government and Social Security, notably for accrual estimates. The Portuguese statistical authorities provided some information on their current plans which deal with the integration of different data sources, including balance sheet data, consistency with quarterly data (in the future to become a major source), the improvement in recording accruals for some units and new developments in the compilation of data for municipalities.

Findings and conclusions

Eurostat took note of the progress made concerning the use of more relevant sources and

² The new Inventory was sent to Eurostat on 4th April 2011. During the visit it was also agreed that INE would send to Eurostat a PDF version of the up-dated list of government units, which was later sent. As a matter of fact, the detailed list of units is available in INE and in Banco de Portugal websites and it was updated in the context of the April 2011 EDP notification.

encouraged the Portuguese statistical authorities to complete the intended improvements in various areas. Eurostat will closely monitor the impact of these new data sources on debt and deficit figures in the context of the next two EDP notifications as the Portuguese statistical authorities announced that the results of the works would be progressively integrated during the year 2011. While 2010³ will be the first experience of the use of accrual data for local authorities based in a new high frequency (quarterly data), the INE stated that it did not expect more revisions than in past years between the April and October notifications for the local government sub-sector.

Action point 2: INE will send to Eurostat (unit C3) a note on the progress of the new accrual system for public accounts of municipalities and on its impact on the compilation of government finance statistics, before the October 2011 EDP notification.

2. Follow-up of the EDP visit of 11-12 February 2008

This point of the agenda was only briefly discussed as Eurostat noted that all the action points mentioned as conclusions of the previous EDP visit had been implemented by the Portuguese statistical authorities and that information on progress achieved has been fully provided in the meanwhile.

Notably, Eurostat stressed that there had been significant improvement as regards the local government sub-sector (about 200 units were reclassified in this sub-sector since the 2008 visit), even if the process has not yet come to a final end.

Eurostat also investigated the case of guarantees granted to some public corporations, notably in view of the implementation of the “3 calls rule” stated in the MGDD. The Portuguese statistical authorities stated that such cases had not been observed. Eurostat took note of the answer.

Finally, as regards the substitution of shadow tolls with tolls received by government (Scuts), Eurostat was informed this situation had occurred in 2010 and that it is expected to continue to take place also in the course of 2011 (see point on PPPs below).

3. Follow-up of the October 2010 EDP reporting – analysis of EDP tables

Introduction

This issue was also only briefly discussed as the Portuguese statistical authorities had provided in due time most relevant information in the clarification exercise following the provision of the October 2011 EDP notification. Eurostat had asked for a new EDP notification only because of a minor issue on table 1. For the rest, the explanations provided on the revisions made were satisfactory. Eurostat thanked the Portuguese statistical authorities for their cooperation.

³ For the years from 2006 to 2009 the data of municipalities was already compiled on an accrual basis.

Discussion

The Portuguese statistical authorities gave some additional explanations about the revision of the national accounts benchmark that took place in 2010 and resulted in revisions for all years, as it appeared in the last October 2010 EDP notification. However, for the years 2008 and 2009, there will be still some limited revisions of final data in the next EDP notifications. The Portuguese statistical authorities also provided details on the reclassifications of units that had taken place. Notably, but with no impact at the level of the general government sector, it has been decided to reclassify the CGA pension scheme (for civil servants only) from sub-sector S.1314 to S.1311. Eurostat asked what could have triggered this reclassification whilst there were strong arguments in favour of the previous classification in the current version of the Inventory.

INE mentioned that it has discussed and agreed with unit C1 of Eurostat on a procedure in 2010 for the reclassification of the civil servants pension scheme CGA (Caixa Geral de Aposentações) in the context of the Portuguese National Accounts benchmark revision (that took 2006 as new reference year).

Eurostat also inquired about the amounts of “other accounts payable”, pointing out their considerable size and their high volatility. Notably, there was an important increase in trade credits in 2009 (+63%) which required further consideration. The Portuguese statistical authorities answered that for a large part this was mainly linked to arrears of expenditure of the National Health Service. Other cases of payables were scrutinised such as the arrears of ADSE (health scheme for civil servants).

However, the main part of the discussion involved the inclusion of some discrepancies in other accounts payable. In this respect, Eurostat recalled that these accounts must correspond to actual time lags between accrued transactions and the corresponding cash payments, preferably based on stock data as recorded in public accounts, from which the transactions should be deduced (by elimination of other flows). They should not include inconsistencies deriving from the comparison between different data sources or from time gaps in recording between different accounts or sources. Eurostat insisted on the fact that where the “real” nature of payables cannot be evidenced, as clearly defined by ESA95 and specified above, the corresponding amounts should be shown as a statistical discrepancy. It is Eurostat's view that no statistical discrepancy should be included among other accounts payable.

Findings and conclusions

Eurostat thanked the Portuguese statistical authorities for their openness in the discussion and concluded that further information would be needed on a few issues.

Action point 3: INE will send to Eurostat (unit C3) a short note clarifying the reasons for the reclassification of the civil servants pension scheme CGA (Caixa Geral de Aposentações) before the October 2011 EDP notification.⁴

Action point 4: The Portuguese statistical authorities will reclassify the amounts of other accounts payable (F.7) in tables 3A and 3B as discrepancies, where applicable, in the

⁴ A note was sent on 15 July 2011.

appropriate lines for the 1st April 2011 EDP notification (no impact on the calculation of the net lending / net borrowing (B.9) of the general government).⁵

Action point 5: The Portuguese statistical authorities will send a note to Eurostat (unit C3) reflecting their analysis of the origin of the exceptional discrepancies for year 2009 in table 3 before the 1st April 2011 EDP notification.⁶

4. Methodological issues and recording of specific government transactions

4.1. Derivatives

Introduction

Benefiting from the presence of a member of the IGCP, Eurostat asked several questions on the use of derivatives in the context of public debt management.

Discussion

The rather active use of derivatives by central government was explained in detail in the framework of benchmark debt portfolio objectives pursued by debt managers. Moreover, Eurostat was interested in the method used in practice to identify the interest component to be spread on the remaining life of a cancelled swap, from the holding gains linked to the market value of the swap. Eurostat asked for some documentation on this technical issue.

Eurostat also inquired about the possible use of derivatives for other units in the government sector. Although this does not appear in the financial accounts, there may be a problem of availability of information, especially for local government units that do not seem to face restrictions from a regulatory point of view as regards such transactions.

Findings and conclusions

Eurostat thanked the Portuguese authorities for the detailed explanations provided on the use of derivatives but expressed the need to check whether some derivatives transactions could have been misreported. Eurostat took note that the Portuguese statistical authorities confirmed that there were no off-market swaps conducted by government entities.

Action point 6: The Portuguese statistical authorities will send a note to Eurostat (unit C3) on the use of financial derivatives by local government before the 1st April 2011 EDP notification.⁷

Action point 7: The Portuguese statistical authorities will send a note to Eurostat (unit C3) on the treatment of swap cancellations (split of lump sum payment between interest and holding gains/losses) before the 1st April 2011 EDP notification.⁸

⁵ This has been for a large part implemented in the April 2011 EDP notification.

⁶ Done.

⁷ Done.

⁸ Done. Eurostat agreed on the treatment.

4.2. Treatment of the BPN case (Banco Português de Negócios)

Introduction

Eurostat stressed the insufficient information given to Eurostat on this delicate issue by the Portuguese statistical authorities in the past. Only some partial elements were provided to Eurostat, not allowing a concrete assessment of the case. Notably, the involvement of the CGD in the rescue of BPN – which could have been seen as sign of government support- had never been previously mentioned to Eurostat.

In this context, Eurostat asked for the Portuguese authorities to detail the past and planned events concerning this financial institution in distress, taking also into account the failure of its privatisation in 2010.

Discussion and methodological analysis

The Banco de Portugal presented in the meeting a note on the issue, prepared shortly before the meeting. An amended note was sent to Eurostat on 27 January 2011.

As far as the treatment in national accounts was concerned, the Portuguese statistical authorities proposed a treatment based only on the guarantees provided by government to BPN, which faced in 2008 and 2009 strong difficulties in refinancing itself on the markets. The Portuguese statistical authorities agreed that there should be an impact on government debt but considered that the impact should be recorded at the time more reliable estimations of expected losses on assets had been made available, i.e. in 2009, or, as a second best solution, in 2008.

For Eurostat, the key point was the restructuring of BPN carried out in December 2010, with the creation of three affiliates, of which two dedicated to the management of impaired assets (one exclusively for credits related to real estate). Their resources were predominantly made up of long term bonds with an explicit State guarantee, the rest being provided exclusively by the public-owned CGD.

For Eurostat this restructuring appeared to be the major event to be considered for recording the impact of the BPN case on the government accounts.

Eurostat pointed out that each entity of the group should be treated separately as regards its sector classification, also because the relationship between the mother company (BPN commercial bank) and the above-mentioned affiliates seemed quite weak (and the value of the participation close to nil), if any at all. In addition, Eurostat noticed that only the mother company had kept a banking licence, while the 3 affiliates had not been granted one. Eurostat considered, in addition, that the case was clearly and sufficiently covered by the current provisions in the MGDD on “financial defeasance”.

Finally, Eurostat stressed that these new elements, which appeared during the meeting, necessitated a further analysis of the issue and a further exchange of views. Therefore, Eurostat proposed a specific meeting with INE, BdP and the MOF on this topic in Luxembourg.⁹

⁹ The Portuguese statistical authorities, after the EDP dialogue visit, agreed to report information on the nationalization of BPN in the tables on the financial turmoil. Partial information had also been provided during

Findings and conclusions

Action point 8: All parties concluded that this issue should be dealt with before the April 2011 notification. The Portuguese statistical authorities and Eurostat met on 4 February in Luxembourg. A discussion took place based on a note prepared by the Portuguese statistical authorities, which continued to propose to record an impact in 2009 or, as a second best, in 2008. Eurostat confirmed, in a letter sent on 16 March, that, in its view, the triggering event should be the creation of the financial defeasance structures in December 2010, as confirmed by Eurostat guidance note in preparation (and which was published on 16 March 2011). During the course of the preparation of the notification, the Portuguese statistical authorities and Eurostat opinions converged to implement a reclassification with impact in 2010, in the April 2011 EDP notification.

4.3 Treatment of the guarantee call of Banco Privado Português

Introduction

Eurostat asked for a confirmation of its information on the case of the Banco Privado Português (BPP), which had benefited in 2008 from a State guarantee on its debt, examined under the EU State Aid procedure (and declared compatible by the European Commission under certain conditions). Because of the failure of a restructuring plan, the banking licence of BPP had been withdrawn by Banco de Portugal, acting as supervisory authority, in April 2010 and the BPP entered into a liquidation process. Thus, the guarantee was automatically called and the Portuguese government paid 450 mn euro to the creditors of the bank (Portuguese financial institutions) in May 2010. Eurostat inquired on the way this guarantee had been treated in national accounts.

Discussion

After having recalled the main aspects of the issue, the Portuguese statistical authorities mentioned that the guarantee had been recorded as a contingent asset, with no impact on government deficit and debt. At the time of the call, a financial claim was recorded as a counterpart of the payment with no effect on government deficit. The explanation for this was the existence of a “counter-guarantee”, meaning that some assets had been “pledged” to the Portuguese State. The statistical Portuguese authorities argued that, according to the rules of the current MGDD chapter on guarantees, this could be a reason to classify the calling of a guarantee as a financial transaction. Eurostat disagreed with this interpretation.

Eurostat asked for more information on the value of the pledged assets and whether they could be considered as assets of very good quality while the bank had been recognised as insolvent, i.e. with liabilities not covered by assets. In addition, Eurostat stressed that these assets had not been effectively transferred to the State, as requested by MGDD rules.

Findings and conclusions

the methodological discussions of the task force on the accounting consequences for Government of the financial turmoil in 2008-2009.

Eurostat took note of the information provided by the Portuguese statistical authorities on the issue but expressed doubts on specific aspects, such as the valuation of the pledged assets and the probability of recovery of the amounts paid by the Portuguese government.

Action point 9: Following an exchange of views, Eurostat confirmed via a letter (16 March) to the Portuguese statistical authorities its recommendation that the guarantee call should be treated as a capital transfer (government expenditure) at the time of the call of the guarantee (payment to the creditors) and not as the acquisition of a financial claim. If in the course of the liquidation process, government will recover some amounts, a reverse capital transfer (government revenue) should be recorded at that time. This treatment was agreed and implemented by the Portuguese statistical authorities in the April 2011 EDP notification.

4.4. Recording of military expenditure equipment

Introduction

Eurostat stressed that the recording of military expenditure in Portugal seemed to follow the rules defined some years ago, as evidenced by table 7 of the EDP questionnaire. However Eurostat investigated on the current state of affairs for two submarines ordered from a German shipyard. Some contradictory information had appeared in the Press and there were doubts whether the impact on deficit, if confirmed, could have been considered as fulfilling the Eurostat rules.

Discussion

Eurostat recalled the basic principle of the delivery rule and explained that, in spite of the absence of a precise definition of a delivery for military equipment in the MGDD, notably because of the importance of tests for non-standard equipments, one could rely on the criteria applied by many other EU countries.

The Portuguese statistical authorities informed that one of the submarines was already operated by the Navy and that they had decided to consider also the second one as if it had been already delivered, in spite of being still physically located in Germany, which implied for both submarines a full and single impact on the 2010 deficit.

Findings and conclusions

Eurostat took note of the decision and considered the issue as closed.

4.5 Transfer of pension obligations

Introduction

Eurostat thanked the Portuguese statistical authorities for the information provided on the transfer (which took place in December 2010) of pensions obligations incurred by Portugal Telecom to government (CGA, reclassified in S.1311 as mentioned above). Eurostat inquired about the kind of obligations covered, as there had already been transfers in the past from this corporation to government.

Discussion

The Portuguese statistical authorities explained that the telecommunication sector in Portugal has been deeply restructured during the last two decades. In this context, several firms were taken over and their specific occupational pension funds (referred as to “employer pension schemes” in ESA95) had been closed (in the sense that no new contributors could enter the scheme). The current transfer concerned such affiliates of PT.

Eurostat asked for more information on the classification in national accounts of the pension schemes (that were autonomous), on the composition of the invested assets (as it is under this form, and not cash, that most of the payment occurred) and on their use by government after the transfer.

Finally, Eurostat confirmed that the 2003-2004 decisions were still in force and that the transfer of the pension obligations should be treated as a capital transfer, with a positive impact on deficit for the amount of the lump sum received by government.

In addition, the modalities of payment (three instalments for the cash part) did not raise any remark and were recorded in accordance with Eurostat rules.

Therefore, Eurostat confirmed that the transfer was to be fully recorded in the fiscal year 2010.

Findings and conclusions

Eurostat thanked the Portuguese statistical authorities for the complete explanations provided in the meeting and considered that the issue was closed.

4.6 Private-Public-partnerships

Introduction

It was pointed out that, during recent years, a considerable number of new PPPs were undertaken for the development of public infrastructure. Eurostat thanked the Portugal statistical authorities for the information provided in the context of the dialogue visit.

Discussion

The main issue concerned the analysis of new contracts.

INE confirmed that 16 new PPPs still had to be analysed, even those for which the construction phase had already started (in some cases from 2008 onwards).

Eurostat pointed out that, as a matter of principle, an analysis (whether the assets should be on or off the government balance sheet) must be carried out before the start of the construction as the related GFCF should be recorded from the outset on an accrual basis and not after final completion of the assets.

As far as the two contracts related to hospitals were concerned, the Portuguese statistical

authorities asked for an opinion of Eurostat about the existence of different partners for the construction and the exploitation of the asset.

Eurostat stated that a crucial feature of PPP contracts is that the private partner is responsible for all the lifetime of the contracts, dealing on both construction and exploitation phases (even if, of course, some tasks may be sub-contracted for both). This is moreover frequently presented as one of the key advantage of such contracts, insuring a better quality of construction and shorter delays.

Therefore, if there were in fact two different contracts (one for the construction and the other for the exploitation phase, with two different partners), functioning de facto separately, Eurostat would rather consider the construction as a “normal” procurement process followed by a purchase of management services. This issue was reassessed (see next action point) after further information provided to Eurostat.

Findings and conclusions

Eurostat invited INE to carry out the analysis of the existing PPPs as quickly as possible and stressed that the assessment had to be concluded before the start of the construction phase. Moreover, Eurostat could provide advice at any time, if requested, but could only give a final assessment, on the basis of a preliminary opinion reached at national level.

Action point 10: The Portuguese statistical authorities will analyse the new contracts for hospitals and will send an extensive note to Eurostat on 14 April with the contracts for hospitals.¹⁰

During the April 2011 visit, Eurostat analysed the change in the old SCUT contracts linked to the introduction of tolls during 2010 and recommended that, for those contracts where tolls represent more than 50% of the total cost of the service, they should be classified on balance sheet of the government. A specific note was sent to the Portuguese statistical authorities (for more information on this issue see Annex 1). This was agreed by the Portuguese statistical authorities and implemented in the April 2011 notification. The Portuguese statistical Authorities mentioned that according to them the issue was not explicitly covered by the Manual of Government Deficit and Debt and insisted on the hybrid nature of these (concession/PPP) contracts. Eurostat, nevertheless, stressed that there was in the Manual a clear definition of PPPs as contracts where the majority of the payment for the services were made by government and not by final users. There were also clear provisions in the MGDD in the chapter on concessions about the classification of the involved assets to the unit receiving payments from final users where the latter are the main payers.

4.7 Delimitation of General government

Introduction

During the first visit, Eurostat stressed the importance of the issue of classification of units and asked about the current classification outside government of some important public corporations. On the basis of detailed information received in the context of this dialogue

¹⁰ Done. This issue was also thoroughly discussed during the second visit of 14-15 April. Eurostat confirmed INE's view that the two contracts for hospitals were to be recorded off government balance sheet

visit, Eurostat had observed the considerable amount of government guarantees in the total debt of some corporations. Eurostat had also noted that some of these companies showed permanently negative results and a frequently compromised financial position (negative equity through accumulation of large losses).

Eurostat also stressed that the analysis of the public transport sector as regards its market nature is currently a crucial issue in the EU. Eurostat pointed out that, as a result of dialogue visits carried out in other MS, similar units had been reclassified into the government sector in several Member States (or would be in the context of the April 2011 EDP notification, at the request of Eurostat).

Thus, in this context Eurostat considered that the case of 7 public corporations needed an urgent examination, although in total 25 public corporations seemed also to be potentially concerned by the issue.

Discussion

A first point related to the exact nature of some subsidies called compensatory indemnities (“Indemnizações compensatórias”).

On the basis of some public information about the way they seemed to be calculated (namely “cost-oriented” and pre-determined), Eurostat expressed its opinion that they should be rather considered as “subsidies on production” which must not be taken in account as sales for the 50% test. By contrast, “subsidies on product” are assimilated to sales because they are directly linked to the effective use of the equipment by final users (for instance, as a part of the tickets actually sold). Notably, Eurostat, looking at the trend of these indemnities, stressed that there were not strictly linked to the volume of the activity, which should be the basic feature of subsidies on products.

This opinion was strengthened by remarks in the 2009 report of the Tribunal de Contas (Portuguese Court of Auditors) which in addition pointed out that in most cases there were no contracts between government and the benefiting public corporations, such subsidies being distributed without clear rules and evident rationale.

The cases of Refer, Metro Lisboa and Metro Porto were particularly mentioned in the discussion due to their potentially rather significant impact on government accounts. Another point raised by Eurostat was that for some of these transport corporations, depreciation was surprisingly very low and invited the Portuguese statistical authorities to investigate the issue.

The Portuguese statistical authorities considered at first that such reclassifications should be done at the time of the benchmark revisions of national accounts and should be as much as possible homogeneous between Member States taking into account the sector of activity.

While understanding the necessity of consistent time series of national accounts, Eurostat pointed out that such reclassifications should be carried out on a continuous basis in case the 50% test is not met, on a case-by case basis and not in the context of an analysis to be carried out “by sector”. In addition, Eurostat stressed that differences in classification between EU Member States for corporations undertaking similar activities could be fully justified for economic reasons.

Concerning the "indenizações compensatórias", INE exposed its view that the non existence of formal contracts "per se" was not a reason to consider that they were not subsidies on products as, with the exception of one company, their evolution was in line with the amount of services provided. In addition, those indemnities as other receipts are subject to VAT. However, even if the treatment were changed according to the Eurostat view and reclassified as subsidies to production, the impact would be very small.

Findings and conclusions

Eurostat invited the Portuguese statistical authorities to closely consider the issues of the compensatory indemnities and of depreciation. It was agreed that priority should be given, at first, to a list of 7 public corporations in transport sector, and more specifically to the three mentioned above.

Action point 11: The Portuguese statistical authorities sent an extensive note to Eurostat in early March.

While not convinced by Eurostat's arguments regarding the status of the "indenizações compensatórias", the analysis by the Portuguese statistical authorities confirmed that, just because of the depreciation issue¹¹, the 50% test was not fulfilled by two of the 3 above-mentioned main transport corporation and corporations and by one that, despite its infrastructures having been to a great extent completed, the sales had also not attained 50% of the production costs. Therefore, the Portuguese statistical authorities reclassified the three transport companies as government units in the April 2011 EDP notification.¹² The official service contracts between government and the transport companies were not transmitted to Eurostat because it turned out that they did not, in fact, exist.

It was also agreed, during the second dialogue visit, that the treatment of the "indenizações compensatórias" as subsidies on production or subsidies on product will be discussed in the context of the October 2011 EDP notification.

4.8 Other issues

Capital injections in public hospitals

These transactions have been recorded as capital transfers in 2009 and 2010. Eurostat had no specific remarks on this issue.

Super-dividends

Eurostat considered as quite satisfactory the test carried out by INE, on the basis of the IES system.

Guarantees

¹¹ the amount considered in the business accounts of the companies was too low and was replaced by an estimate taking the depreciation rates used for similar assets in Portuguese National Accounts

¹² In consequence, INE revised Portuguese National Accounts, notably the GDP level, in order to preserve their internal consistency,

All relevant information has been provided. According to the Portuguese statistical authorities there were no cases of “three successive calls” that should trigger an automatic debt assumption by government.

However Eurostat raised, during the second ad-hoc visit, the case of guarantees made in 2010 to loss-making public corporations. Two specific cases were pointed out: CARRIS and STCP. Under the rules of the MGDD published in September 2010, guarantees that have a high likelihood that government would effectively repay these debts, should be reclassified as government debt. In the view of Eurostat, the reports of the Court of Auditors on these two companies, whose conclusions were confirmed during the meeting with the Court on 14 April 2011, confirmed the high probability of this assumption due to the fact that the two companies were "technically bankrupt" for some years. INE stressed that no guarantees had been called until now, the corporations being in a position to cover their losses by bank lending with this government guarantee. INE mentioned furthermore that, previously, there were other Court of Auditors reports that made the same kind of considerations, and still no guarantees were called, so it was difficult for INE to consider this last report as an event leading to a reclassification of their guaranteed debts. However, INE recognized that the chapter of the MGDD devoted to the guarantees issue, clearly mentions the need of economic judgement on the probability of guarantees being called when they are granted.

Eurostat and the Portuguese statistical authorities agreed on a procedure to record these guarantees from 2011 onwards, as confirmed by the exchange of letters of 18 and 20 April (see Annex 2). This item will be followed up in the next EDP dialogue visit.

Visit to the Court of Auditors

The second ad-hoc mission visited the Court of Auditors, and met with its Director General and several auditors. The Court confirmed that it conducts in-depth ex-post verification of the accounts of public entities. These verifications are conducted throughout the year, and thus anticipate the publication of the annual report of the Court of Auditors, which therefore does not lead to a modification of the data used by INE for the April notification. When questioned regarding specific issues pertaining to the verification of the 2010 accounts, the Director General did not mention any specific issue of concern.

Supplementary table on the financial crisis

Eurostat and the Portuguese statistical authorities discussed the possible inclusion of capital injections into the Caixa Geral de Depositos (2.1 bn euro from 2007 to 2010) in this supplementary table.

The Portuguese authorities argued that the CGD was a very solid and profitable financial institution and that, in this respect, government had fully behaved as a normal private investor.

Eurostat, for its part, insisted on the special role played in the economy by the CGD, seemingly acting frequently under instructions from government. Therefore, the CGD could not be considered similar to other commercial financial institutions and the behaviour of government did not seem always to be consistent with the motive of fully maximising equity return.

In addition, Eurostat stressed that these capital injections were carried out in the general context of the financial crisis where the solvency of the banking system was under stress.

Moreover, Eurostat considered that the Portuguese statistical authorities had a too restrictive interpretation of the supplementary table and notably of the footnote 1. For Eurostat, “to support financial institutions” did not necessarily mean that these institutions were “in distress” but that government may wish to consolidate its position in them.

Finally, Eurostat mentioned that in some other EU Member States government had also directly or indirectly made similar capital injections in rather sound institutions and that the amounts had been reported in the supplementary table. Therefore, the request of Eurostat to include such capital injections in the supplementary table was part of its role to ensure full comparability of data between Member States.¹³

Action point 12: The Portuguese statistical authorities will explain the reasons for the capital injections made in 2007, 2008 and 2009 by the government into the Caixa Geral de Depositos (CGD).¹⁴

Privatisations

At the time of the dialogue visit there were no foreseen privatisations, except possibly for the BPN as mentioned above.

Fiscal consolidation measures for 2011

At this stage it was not possible to foresee the impact on the general government sector perimeter that could result from the rationalisation measures (extinguishing/merging some government entities) announced by the government.

ESA95 transmission programme

The Portuguese statistical authorities have taken note of some minor remarks by Eurostat for some tables and assured that they would answer in short time.

¹³ In the context of the April 2011 EDP notification these capital injections into CGD since 2007 were included in the supplementary table on the impact of the financial crisis.

¹⁴ Done.

Annex I: List of participants

Name	Institution	
Carlos Coimbra	INE	Director of National Accounts Department
Pedro Oliveira	INE	Deputy Director National Accounts Department
Rute Dourado	INE	Head of GFS unit
Patricia Semião	INE	GFS unit
João Boavida	INE	GFS unit
João Cadete de Matos*	BdP	Director of Statistics Department
Ana Margarida de Almeida*	BdP	Deputy Director of Statistics Department
Filipa Lima*	BdP	Head of National Financial Accounts and Securities Statistics Division
José Sérgio Branco*	BdP	Head of General Government Statistics Unit
Paula Menezes*	BdP	Head of Methodological Development Unit
Jorge Correia da Cunha*	BdP	Head of Public Finance and Structural Studies Division of the Economics and Research Department
Eugénia Pires*	MoF	Director of Budget General Directorate
Teresa Ferreira*	MoF	Deputy Director of Budget General Directorate
Anabela Rodrigues*	MoF	
Paulo Ferreira*	MoF	
François Lequiller	Eurostat	Director Directorate National and European Accounts
Luca Ascoli	Eurostat	Head of Unit C.3 - Statistics for Excessive Deficit Procedure I
Denis Besnard	Eurostat	Unit C.3 – Desk officer for Portugal
Jean-Pierre Dupuis	Eurostat	Unit C.3 – Expert
Lourdes Acedo Montoya*	DG ECFIN	
Remigio Echeverría*	ECB	
Hans Olsson*	ECB	

* Participated in the dialogue visit of 17-18 January only.

Informal note of Eurostat to the Portuguese statistical authorities.

8 May 2011

PPPs – The Portuguese case

There are long-term contracts between government and corporations for the provision of public infrastructure. In such contracts government acquires services from a non-government entity over a long period of time, resulting from the use of specific "dedicated assets" built by the non-government unit. Such contracts usually show a first phase of construction followed by a rather long period of exploitation, the assets being normally transferred to government at the very end of the contract or even before in case of early termination of the contract.

In national accounts, the term "PPP" is used for long term contracts when the government is the main purchaser of the service of the non-government entity, whilst the final user pays nothing or only a marginal part of the cost of the service (the partner, where relevant, may also get payments for some additional use of the assets, as a minor part of its revenue). The term "concession", on the contrary, is used, when the access to the assets is paid by the final user, in general directly to the partner (government may make some payments but as minor part of the revenue of the partner).

The case of the original SCUTS

In the case of some previous Portuguese long term contracts (the original "SCUTS" contracts related to motorways), government paid "shadow tolls" (estimated on the basis of the effective traffic observed) on behalf of the users. The entity which purchased the service to the private partner was government (and not the final user) and therefore the SCUTS were considered as PPPs. In case of a decrease in traffic, government had to pay lower amounts to the private partners which, therefore, were fully bearing the major part of the risk linked to the assets (here designed as demand risk). Thus, in accordance with the MGDD, the asset was recorded on the balance sheet of the partners and not of government.

Some of these contracts have now been changed into other new contractual arrangements where the users will pay tolls to government and where government will pay an availability fee (not foreseen in the beginning) to the private partner for covering the total cost of the service.¹⁵ This covers the service (interest and principal) of the debt incurred for the construction and the cost of maintenance (government will also pay for the installation/collection of the tolls, which in some contracts takes the form of a specific payment to the partner). Under the provisions of the new contract, government has the full power to introduce tolls on the assets, the right to receive directly the tolls and the power to increase or reduce the amount of tolls to be charged and to extend or reduce the stretch of the highways upon which tolls are to be charged. The private partner has none of these prerogatives (having no power nor say in any decision related to tolls) and is only entitled to receive some amounts related to the availability of the highway according to some

¹⁵ For various reasons (legal and financial), the transformation has taken place as a revision of the previous arrangement while in fact it could be considered as a new contract between the same parties.

performance requirements.¹⁶ Government therefore is now acting as being its own "concessioner", receiving directly the economic benefit of the asset (the roads) via the tolls paid by the final users. It is therefore to be considered, for this reason, as the new owner of the assets as it may discretionarily charge for the use of the assets and has taken directly the economic risk linked to the behaviour of the final users. As a result, a GFCF expenditure should be recorded in the accounts of government, equal to the value of the assets at the time of the change in ownership.

In theory each highway should be divided into segments and those segments which are not subjects to toll payments by users should be considered as PPPs with the asset classified on the balance sheet of the partner which still bears the risk, while those subject to tolls should be considered as assets of government, as it is, on the contrary, the government which is its own "concessioner" on this segment.

In practice, it is not recommended to split the assets as there is one single contract and the calculation might be difficult. This means that the availability fee would cover the whole motorway. Even if some contracts cover a set of motorways instead of a single one, an exact calculation would need very detailed information as it cannot be assumed that the costs of maintenance are strictly similar in all the roads while there would be a need to clearly differentiate the performance of the partner for the segment with tolls as it may result in a reduction in the availability fees. The current contracts do not seem to allow such detailed information. Moreover, the cost of construction is also normally different between portions of the roads which can need a number of different engineering works (bridges, tunnels, viaducts, etc.).

Therefore, a practical rule is to calculate whether the amounts received by government through tolls on the whole highway covered by the contract are higher or lower than half of the total cost of the service. If they would be higher than this threshold, then the infrastructure built has to be treated as GFCF of government, with an impact on the deficit, the counterpart being an increase in government debt under the form of a loan granted by the partner. The GFCF should be equal to the remaining principal amount of the debt incurred by the partner. If not, it has still to be considered as a PPP and the normal assessment of risks and rewards will apply. This reclassification has to be implemented as soon as the above-mentioned condition is met, which might also be not at inception but during the course of the contract.

As far as the payments to the private partner by government are concerned, and when the asset is recorded as being the economic ownership of the government, part of them are to be considered as a reimbursement of government debt and part of them as the payment for the provision of a service (the existence and maintenance of the highway) by the private partner.

New contracts.

The analysis is basically the same for any new long term contract which follows the same model of the new modified SCUTS. In situation where, at inception of the contract, it is stated

¹⁶ One can note that, in the case of these original SCUTS transformed by way of change of contract in 2010, there is in fact not even a construction risk anymore as, when the contract were changed, the infrastructure was already constructed and therefore the risk of construction is now inexistent as government has already agreed that the partner had met its contractual obligations on this point (as a trigger of the previous regular payments by government).

that the final users would provide payments to government for the use of the service through tolls, and these would be more than half of the payments which government makes to the private partner, we would not be in a PPP optic anymore, but in an optic where government receives most of the economic benefits of the asset. The latter is therefore to be considered as its own asset. In case the implementation of the toll system would be introduced progressively, it is only at the time where they exceed 50% of the availability fee that the reclassification would take place.

Fictitious example for an old Scut contract renegotiated

The original cost of the investment was 1000 to be depreciated over 30 years (depreciation equals 33.3 per year). By simplification here the amortisation of the debt is strictly equal to economic depreciation.

(In case the debt is not “bullet-type” but takes the form of a loan with constant instalments in which the part of amortisation is growing compared to the part of interest, the service debt of the partner should be split between principal and interest payments).

The original stream of payment from government to the partner was negotiated on the basis of 120 per year, covering the cost of the investment, financial costs, availability fees and the profit of the partner.

Ten years later, the government raises tolls which are estimated to lead to a revenue of 100 per year. The toll exceeds 50% of the total cost of the service ($100/120 = 83, 33\%$) thus the current value of the asset must now be recorded in the government's balance sheet. This value is equal to the original value less depreciation: $1000 - (10 \times 33.3) = 667$.

A GFCF of 667 is recorded for government, with as counterpart a debt of the government classified in the category of loans (F42).

Under the assumption that the stream of payment to the partner is not changed under the modified contract, in this example, the payment of 120 is split between 33.3, considered to be the reimbursement of the loan covering the original investment and 86.6 to cover the payment of the remaining service. The amount of interest should also be specified.

ANNEX 2

Letter from Eurostat to the Portuguese statistical authorities regarding the treatment of some general government guarantees

18 April 2011



Ref. Ares(2011)435459 - 19/04/2011

Luxembourg, 18 April 2011
ESTAT/C/FL/ms D(2011) 482422

Mr Carlos Coimbra
Director of National Accounts
Instituto Nacional de Estatística
Avenida António José de Almeida, 2
1000-043 Lisbon
Portugal

Dear Mr Coimbra,

We have closely considered the issue about government guarantees on the debt of public corporations in a difficult financial situation, CARRIS and STCP.

Eurostat considers that the reports of the Tribunal de Contas, confirmed during the Eurostat visit on 14th April 2011, represent evidence, as mentioned in the current MGDD, of the high likelihood that government would effectively repay these debts. The reports concluded that the two above-mentioned companies are “technically bankrupt”. The first option for you is therefore to record a debt assumption for these companies for 2010 in the April 2011 notification.

However, Eurostat takes also note of your objections and of your stated intention to record from 2011 onwards any new government debt guarantee to these enterprises in their current or restructured format as a debt assumption, i.e. a capital transfer with as a counterpart an increase in government debt. We must stress that this debt assumption will then have to apply not only to the new government guarantee but to the total amount of outstanding guaranteed debt.

Only under these conditions, Eurostat gives you another option to record the debt assumption by government of the total outstanding amount of guaranteed debt in favour of the above-mentioned public corporations in the year 2011, as we expect, or possibly onwards. As a consequence, this implies that no debt assumption should appear in the revised data for 2010 or for previous years sent in the context of the EDP notification in October 2011 or in future EDP notifications. The situation of the two above mentioned companies should be reviewed by Eurostat and INE in the course of 2011 in the view of a future decision concerning the classification of government guaranteed debt in the context of the developing financial and economic situation of the two companies.

In addition, as mentioned during the meeting in Lisbon on 14-15 April 2011, the case of government guarantees to other corporations showing financial distress, should also be closely examined in the course of 2011.

At this stage, for public corporations, Eurostat would like to point out the cases of Anam, Parque'98 expo (group) and CP (rail transportation), all having accumulated losses and showing negative own funds in their published accounts. Therefore, Eurostat would like INE to investigate during 2011 on these cases and on all other possible cases and apply the same process as above to any public corporation that could also fall under similar treatment.

In addition, as far as guarantees granted by government to private corporations are concerned, we would like INE to confirm that none of them has accumulated recurrent losses.

Moreover, Eurostat would also like to know whether government units other than central government, notably at local level, could provide guarantees to public corporations with the same negative financial features.

Finally, Eurostat considers that it will be quite imperative in the future to closely monitor on a continuous basis under which conditions any government guarantee could be granted also to corporations to which no similar support had been previously provided by government.

I expect an immediate written confirmation on Tuesday 19 April from your part regarding which option you have chosen. If you have chosen the second option, you should confirm in your response clearly the four following points:

- From 2011 onwards, any new guarantee to the debt of CARRIS and STCP will trigger an immediate reclassification of the total guaranteed debt of these enterprises as government guarantee, in the period of the attribution of the new guarantee. The total debt will also be reclassified in the case of new events which would point to a direct or indirect government intervention which would confirm that the company will not be able to repay its guaranteed debt.
- No debt assumption will be assigned, in the future, to 2010 or previous years in this type of cases.
- This process will apply in the future to cases similar to the two enterprises mentioned above. Eurostat will receive before end May 2011 a detailed analysis of the extent to which the process applied to CARRIS and STCP will be extended to all enterprises receiving government guarantees.

This information should be made available to stakeholders of the program under construction with the EU and the IMF.

Yours sincerely,



François LEQUILLER
Director

Letter from the Portuguese statistical authorities to Eurostat regarding the treatment of some general government guarantees

20 April 2011



INSTITUTO NACIONAL DE ESTATÍSTICA
STATISTICS PORTUGAL

Dear Mr Lequiller,

In response to your letter concerning the treatment of General Government guarantees on the debt of public corporations in difficult financial situation, we would like to state the following:

- 1) The section of the MGDD on the treatment of guarantees changed in the updated version of the Manual, issued in October 2010. Among other changes, one was the inclusion of a new criterion - the compiler's economic judgment on the probability of a guarantee being called should be taken into account in the recording of guarantees. In one hand, the introduction of this criterion is understandable in light of the accrual principle as a rule to register transactions. On the other hand, it obviously amplifies the ambiguity and the possibility of having different practices among Member States. In consequence, if the judgment of the Portuguese compiler is based on a set of elements, considered sufficiently relevant to change the treatment of the stock of guaranteed debt of a given unit, these elements will be shared with Eurostat taking into consideration that this could be useful for Eurostat assessment of other similar situations.
- 2) If the report of the Court of Auditors of 2010 would be taken as the event to base the economic judgment for recording this debt as government debt, a problem of consistency would occur: in the past there were other reports of this court with the same kind of consideration on these corporations or on other corporations. Also, all public corporations publish their accounts yearly, which means that the level of own funds is public. The Ministry of Finance also publishes data that

De 21 de Março a 10 de Abril
colabore com o INE e responda
em www.censos2011.ine.pt

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show the negative level of capital of some public corporations. Therefore, the report of the Court of Auditors published in 2010 is not new information and should not be an event to trigger a reclassification process. As a matter of fact, the guarantees granted to public corporations were never called in the past. Thus, if the probability of calling the guarantee is assessed by taking as reference the frequency of such occurrences in the past, the probability would be nil.

- 3) The guarantees granted by the State have been regularly indicated by the Portuguese Statistical Authorities in the EDP notifications. They were recorded according with the rules of the ESA 95 and of the MGDD. In this case with the update of the MGDD, the rules in 2010 changed. Consequently, the recording of new guarantees issued after that change will have to comply with the stricter criteria of the updated MGDD. It is not reasonable to pretend revising ancient data in light of the new criteria and assign all the possible implications to 2010.
- 4) According to the updated version of the MGDD, it is our understanding that, from 2011 onwards, any new guarantee to the debt of a public corporation that is judged, based on consultation of its financial statements, likely not to be able to repay its guaranteed debt or if there is a special event like a direct or indirect government intervention pointing to that conclusion, there will be a reclassification of the total guaranteed debt of this entity to GG debt and, by the same amount, a GG capital transfer will be registered. In case of that special event, INE will consult and inform Eurostat in advance on the situation. A detailed analysis on the financial situation of other corporations that have debt guaranteed by GG will be shortly sent to Eurostat (regardless if these guarantees were issued by Central Government or by other GG entities). In the case of the companies mentioned in your letter, the analysis will be sent before the end of May.

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colabora com o INE e responde
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- 5) Regarding the stakeholders of the program under construction with the EU and the IMF, INE will certainly cooperate with them, supplying the relevant information.

Yours sincerely,

Carlos Coimbra

Carlos Coimbra

Director, National Accounts Department

De 21 de Março a 10 de Abril
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