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Directorate D: Government Finance Statistics (GFS)
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FINAL FINDINGS

EDP Dialogue Visit to Austria

27-28 January 2020

Executive summary

Eurostat undertook an EDP dialogue visit to Austria on 27-28 January 2020. The purpose of the EDP dialogue visit was to review the compliance of the Austrian EDP and Government Finance Statistics ('GFS') data with the accounting rules of the European System of Accounts 2010 ('ESA 2010') and with the existing guidance set out in the ESA2010 Manual on Government Deficit and Debt ('MGDD').

Eurostat and the Austrian statistical authorities reviewed institutional arrangements and procedures in place for the compilation of EDP statistics. In this context, Eurostat took note of the third extension of the framework co-operation agreement, the MoU, between the OeNB and Statistics Austria and of the fact that the so-called Maastricht working group now also includes members of the Court of Audit.

With regard to recent developments in the field of data sources, the current state of implementation of the new chart of accounts (VRV 2015) was discussed. Eurostat noted that the proposed additions to the chart of accounts had not been taken up by the 'VR-Komitee', but that Statistics Austria had largely succeeded in implementing the Eurostat recommendations by extending the so-called data interface accordingly. Eurostat explicitly welcomed the fact that the residual compilation for F.3L was discontinued from the EDP reporting year 2018 onwards and discussed with Statistics Austria when the necessary revisions of the data before 2018 has to be implemented in the EDP/ GFS data. For the residual compilation conducted for F.2/ F.8 assets, it was discussed whether the cumulative difference (between source data and money and banking statistics) of around EUR 2 bn should be allocated to the statistical discrepancies or to a financial transaction.

Eurostat continued to discuss with Statistics Austria the bridging of the three parts of the closed accounts (i.e., the P&L accounts, the cash flow statement and the balance sheet) of the central government core unit and noted that it is demanding for financial transactions, as the chart of accounts used for P&L accounts and the cash flow statement are different for these transactions. Similarly, a reconciliation between the cash flow statement and the balance sheet for financial transactions is not an easy task and is therefore only done manually. Eurostat also discussed with Statistics Austria the provision of a table showing the reconciliation of the P&L accounts, the cash flow statement and the balance sheet for the main non-financial transactions for the central government core unit.

Eurostat took note of the stocktaking exercise of Energy Performance Contracts (EPCs) carried out by Statistics Austria at the turn of the year 2018/ 2019, which showed that the capital investment related to EPCs is still relatively low and that factoring without recourse was part of the financing arrangements but not the standard arrangement. The future treatment of EPCs in the Austrian EDP/ GFS data was also discussed and it was pointed out that an off-balance sheet recording requires the use of the EPC guide.

With respect to the holding test applied by the Austrian statistical authorities, Eurostat noted that the 80% threshold used in the test might be too high. In order to obtain the necessary assurance that the 80% threshold will not lead to distorted results, the number of entities has to be determined whose total assets consist of at least 50% but less than 80% of equity vis-à-vis their subsidiaries.

Eurostat took note that Statistics Austria received final values for the pension accounts of those employees who were transferred from the Bank Austria pension fund to the statutory social security scheme and that, on the basis of the updated model calculation, the compensation paid by Bank Austria was too low. The transfer of pension obligations was therefore, contrary to the initial estimate, unbalanced.

Regarding the rearrangement of transactions, the business activities of the Austrian Development Bank (OeEB) has been re-examined. The discussion focused, in particular, on the government guarantees that OeEB could obtain for its projects and the process of granting those guarantees (i.e., the bodies involved and their composition).

With regard to the classification of specific units, the classification of non-profit hospitals (currently classified in the NPISH sector), of the 'Sparkassen-Haftungs GmbH' and of public transport companies were discussed in particular. The discussion on the classification of non-profit hospitals focused on the question of whether they should be considered as controlled by government and thus be classified in general government sector and not in the NPISH sector. The discussion about the classification of the 'Sparkassen-Haftungs GmbH' (the institution-related protection system of the Austrian saving banks recognised as deposit insurance scheme under the Austrian Deposit Guarantee and Investor Compensation Act) took place at the request of the unit itself, as the unit questioned the classification in the government sector by Statistics Austria. The classification by Statistics Austria was confirmed by Eurostat. In the case of the public transport companies, Eurostat discussed with the Austrian statistical authorities the treatment of payments (based on train-kilometres ordered) made under the so-called 'Verkehrsdienstvertrag' to railway companies, notably whether they should be considered as subsidies on product or subsidies on production. In this context, Eurostat reviewed also the sector classification of the 'Österreichische Bundesbahnen-Holding Aktiengesellschaft' (ÖBB holding), which is currently classified in the non-financial corporations sector in national accounts. Eurostat considered that, given that the most important shareholdings of the ÖBB holding are classified in the general government sector, the current classification should be reviewed.

Eurostat took note of the updated information for the so-called 'Forderungseinlösemodell' (a specific factoring operation) and discussed with Statistics Austria the revisions to be made to the EDP/ GFS data, the respect of the principle that the change in debt should in this case correspond to the B.9 impact, and the timing of the revisions.

As regards the time of recording of taxes, Eurostat took note of the fairly new tax credit called 'family bonus', the mechanism of this tax credit and the expected financial impacts. The availability of (detailed) data for tax refunds was discussed, as well as the presentation of tax data in EDP Questionnaire table 5 (avoiding the mixing of balance sheet information (gross stocks) and stocks calculated on the basis of actual net cash inflows).

Eurostat took note that HETA Asset Resolution AG (a central government defeasance structure) and BayernLB signed an out-of-court settlement on 19 December 2018. As a result of the settlement, BayernLB waives payments from the so-called interim distributions. In effect this means that Austrian central government benefits from a debt cancellation. The time of recording of the debt cancellation was also discussed with the Austrian statistical authorities.

Eurostat noted that the procedure for analysing whether a PPP project should be recorded on- or off-balance sheet was adapted by Statistic Austria to the structure of the Eurostat/ EIB guide.

Eurostat appreciated the openness and transparency demonstrated by the Austrian authorities during the meeting and as well as the quality of the documentation provided before the EDP dialogue visit

EDP Dialogue Visit to Austria

27-28 January 2020

Final findings

In accordance with Council Regulation (EC) No 479/2009 of 25 May 2009, as amended, on the application of the Protocol on the excessive deficit procedure annexed to the Treaty on the Functioning of the European Union, Eurostat carried out an EDP Dialogue Visit to Austria on 27-28 January 2020. The agenda agreed for the meeting is annexed to the report (Annex 1).

Eurostat was represented by *Mr Luca Ascoli, Director of Directorate D [Government finance statistics]*, heading Eurostat's delegation, *Ms Rasa Jurkoniene Head of Unit D-1 [Excessive deficit procedure, methodology and GFS]*, *Mr Philippe de Rougemont [Eurostat Unit D1]*, *Ms Luiza Munteanu [Eurostat Unit D1]* and *Mr Thomas Forster [Eurostat Unit D1]*. Representatives of the Directorate General for Economic and Financial Affairs and the European Central Bank [ECB] also participated in the meeting as observers. The Austrian authorities were represented by Statistics Austria [STAT], the Ministry of Finance [MoF], the Oesterreichische Nationalbank [OeNB] and the Austrian Treasury [OeBFA]. A representative of the Sparkassen-Haftungs GmbH (deposit guarantee scheme of the Austrian saving banks) participated in the discussion on the classification of the deposit protection scheme for saving banks. A list of the meeting's attendees is annexed to the report (Annex 2).

The previous Eurostat EDP standard dialogue visit to Austria took place on 8-9 November 2017.

The main objectives of the EDP standard dialogue visit were (1) to review institutional issues and data sources for the EDP/GFS data compilation (in particular, the progress made in the use of P&L, cash flow and balance sheet data for the compilation of other accounts receivable and payable for the central government core unit); (2) the clarification of some outstanding issues from the October 2019 EDP notification; (3) the delimitation of general government sector in the context of ESA 2010 and the sector classification of certain units (notably, the Sparkassen-Haftungs GmbH and the Oesterreichische Entwicklungsbank); (4) the implementation of the accrual principle and (5) the data availability for EPC/ PPP contracts as well as the procedures foreseen/ used for the assessment of such contracts. In addition, it was examined whether the provisions of the Eurostat Manual on Government Deficit and Debt updated in 2019 have been duly implemented in the Austrian EDP and Government Finance Statistics (GFS) data.

With regard to procedural arrangements, Eurostat indicated that, shortly after the meeting, the main conclusions and action points would be sent to the Austrian authorities for their comments. Within weeks, a more comprehensive description of findings from the EDP dialogue visit would be sent to the Austrian authorities for comments. Once the report will have been agreed between Eurostat and the Austrian authorities, the final findings will also be sent to the Economic and Financial Committee (EFC) and published on the website of Eurostat.

Eurostat appreciated the intensive discussions, the openness and transparency of the Austrian authorities during the meeting as well as the sound preparation of the documentation provided before the dialogue visit.

1. Review of institutional arrangements, EDP data sources and procedures

1.1. Governance and co-operation

Introduction

Clear responsibilities and a transparent data flow (i.e., who has to deliver what and when) are crucial elements for the provision of high-quality data. The review of the cooperation and exchange of relevant data for the compilation of the EDP and GFS data between the national statistical authorities is thus a core element of an EDP dialogue visit. Eurostat therefore requests as a standard part of an EDP dialogue visit an update on relevant developments with regard to institutional responsibilities. Prior to the EDP dialogue visit, Statistics Austria provided a copy of the Memorandum of Understanding (MoU) between the Austrian central bank (OeNB) and Statistics Austria, a copy of the third extension of the framework cooperation agreement, an annex to the framework cooperation agreement, which stipulates the principles of the working arrangement, fields of responsibility, the use of data, the quality measures carried out, a copy of the agreement on an enhanced cooperation between the Court of Auditors and Statistics Austria and a copy of the rules of procedure of the Maastricht working group.

Concerning the responsibilities in the context of providing the EDP/GFS data, Statistics Austria is responsible for the compilation of the financial and non-financial accounts as well as for the delimitation of the government sector. The OeNB is responsible for the compilation of the financial accounts for the remaining national accounts sectors and provides specific supplementary information on the government sector for Statistics Austria. The responsibilities and regulations regarding the data flow between the OeNB and Statistics Austria is based on the above-mentioned MoU and framework cooperation agreement. The Ministry of Finance is responsible for the provision of the planned data.

Discussion

The Austrian statistical authorities informed that the third extension of the framework co-operation agreement, the MoU, between the OeNB and Statistics Austria was made in 2017. Like the two previous versions, the framework cooperation agreement is limited in time and ends on 31 December 2022. The cooperation between the OeNB and Statistics Austria concerns not only the area of financial accounts by sector (table 6) and balance sheets for financial assets and liabilities (table 7) but also the area of other economic statistics. Concerning the co-operation with the Court of Audit (CoA), it was explained that the main tasks of the CoA within the co-operation are (1) to serve as a contact point for inquiries from Statistics Austria, (2) to identify and coordinate the transfer of knowledge between the two institutions on current developments at the international level, (3) to inform Statistics Austria about specific findings in published court reports and (4) to secure the early involvement of Statistics Austria in the evaluation of the public accounting rules. A Steering Group was also set up to define and regulate the priorities and procedures for cooperation. In general, the Steering Group meets four times a year and keeps each other informed about recently published reports and to share information on any specific issues.

As a result of the discussions during the 2017 EDP dialogue visit, the so-called Maastricht working group was expanded. In addition to Statistics Austria, the Central Bank (OeNB), the Ministry of Finance (MoF) and the Austrian Treasury (OeBFA), a maximum of two representatives of the CoA are now also member of the Maastricht working group. With regard to the cooperation with the CoA and/or the regional CoAs, Eurostat wondered why the CoA/ regional CoAs did not inform Statistics Austria about the existence of 'Forderungseinlösemodell' (for details on this issue see section 3.1). Eurostat was referring to the 2016 report of the Regional Court of Audit of Carinthia in which the 'Forderungseinlösemodell' was mentioned as well as to the 2016 report of the Court of Audit on the consolidation measures of the state governments (section on the state government of Upper Austria

which dealt with the definition of debt in the public accounting system and in this context also with the ‘Forderungseinlösemodell’).¹

Statistics Austria explained that the audits of the CoA and the regional CoA were aimed at verifying whether the accountants apply the VRV 1997 (chart of accounts) correctly. In the context of the ‘Forderungseinlösemodell’, this mainly concerned the question of whether and the VRV 1997 accounting rules the recording of the related flows and stocks within the accounting item ‘*nicht fällige Verwaltungsschulden*’ is justified or not. Due to different scope of the exercise, possible impacts on the Maastricht debt were not identified, which is probably why Statistics Austria was not informed about the specific audit results. In principle, the fact that the closer cooperation between the two institutions is still in the initial stages, should also be taken into account. An important prerequisite for effective cooperation is also the existence of a deeper knowledge of the ESA accounting rules and the MGDD by the CoA. This knowledge is currently being build up. A particularly important contribution in this respect is that representatives of the CoA have also been members of the ‘Arbeitsgruppe Maastricht’ (Maastricht Working Group) since November 2017. The Austrian statistical authorities confirmed that, in general, the cooperation with the CoA is well on track. If, for example, Statistics Austria identifies a possible critical accounting case, the CoA is informed and asked for support. In this context it is important to stress that the CoA is free to decide whether or not to carry out an audit. The audits of the CoA usually follow an internal audit plan on which Statistics Austria has de facto no influence. In general, the cooperation is designed in such a way that Statistics Austria can ask what kind of transactions are recorded in a certain budget line if this line shows stronger, initially inexplicable fluctuations or irregular developments over time. With regard to the ‘Forderungseinlösemodell’, it should also be noted that the new accounting regulation, the VRV 2015, has clarified the recording of flows and stocks in the budget line ‘*nicht fällige Verwaltungsschulden*’. The VRV 1997 was less clear in this respect and thus opened up certain scope for interpretation.

Eurostat enquired whether the cooperation would also work the other way around, i.e. whether the CoA had ever informed Statistics Austria about an accounting case/ issue and asked for a more detailed analyses/ assessment. It was explained that this had already happened, but that they would have to check the exact facts of the case in their records. In principle, however, so far it was mainly Statistics Austria that asked the CoA for support, which can also be explained by the fact that the CoA is independent in the selection of its audit areas and its audit approach follows a different logic, which generally reduces the need for clarification and coordination with Statistics Austria.

Eurostat wondered why the CoA did not participate in the EDP dialogue visit and asked whether it had been invited to participate. Statistics Austria noted that the agenda was sent to the CoA, but without an official invitation to the EDP dialogue visit.

Findings and conclusions

Eurostat thanked Statistics Austria for the detailed explanations and noted that the agreement with the OeNB has been extended and that representatives of the CoA are also members of the ‘Arbeitsgruppe Maastricht’ since November 2017. Eurostat encouraged Statistics Austria to intensify the cooperation and knowledge transfer with the CoA, to continue and intensify the systematic review of the audit reports and to consider inviting the CoA to the next EDP dialogue visit.

¹ Cf. Report of the Regional Court of Audit of Carinthia, Accounting results 2015 of the state government of Carinthia, LRH 500/B /2016, page 192ff (Bericht des Kärntner Landesrechnungshofes, Rechnungsabschluss 2015 des Landes Kärnten, LRH 500/B/2016, Seite 192 ff.) and Report of the Court of Auditors, Consolidation measures of the state governments, Upper Austria, 2016/1, page 244 (Bericht des Rechnungshofes, Konsolidierungsmaßnahmen der Länder, Oberösterreich, 2016/1, Seite 244).

1.2. Quality and risk management of EDP/ GFS processes

Introduction

Eurostat briefly reviewed the quality management system applied by Statistics Austria for EDP/ GFS processes. Before the EDP dialogue visit, Statistics Austria provided an update of their reply to Eurostat's survey on national quality management systems in relation to EDP/ GFS statistics. In the context of the 2017 EDP dialogue visit, Eurostat was informed that Statistics Austria carries out specific audits in the various statistical fields, but that so far EDP/ GFS statistics have not been subject to these quality reviews.

Discussion

Eurostat enquired whether a quality assessment of EDP/ GFS statistics had taken place since the 2017 EDP dialogue visit and what conclusions had been reached. Statistics Austria first stated that, overall, there had been no major changes in the applied quality management since 2017. This included the fact that the EDP/GFS statistics had not yet been subject to an internal quality assessment. As before, only 2 to 3 such reviews were carried out per year, and the current list of the upcoming quality assessments did not provide for an assessment at least until the end of 2020. Eurostat recalled that it was essential to ensure the quality of the EDP/ GFS data and that therefore it could be considered to take necessary steps for the inclusion of the EDP/ GFS data in the mentioned audit plan. In this context, Eurostat referred to the updated survey on national quality management systems and asked for the standard documentation on EDP/GFS statistics used for internal quality reporting. In particular, whether the standard documentation for the EDP/ GFS domain has recently been updated and whether it could be made available to Eurostat. The Austrian statistical authorities explained that it had to be checked whether there had been recent changes in the standard documentation. In general, the standard documentation is stable, since updates are only made after major shifts in workflows or method changes. However, if changes have been made, there should be no objection to making the standard documentation available to Eurostat. However, it would first of all be agreed with the units involved.

Findings and conclusions

Eurostat took note that there have been no significant changes with regard to the quality assurance/ management of the EPD/ GFS data compared to the 2017 EDP dialogue visit. Eurostat recalled that the provision of high quality EDP/ GFS data is of great an importance and recommended to consider a timely internal quality assessment, knowing that the capacities of the unit in charge are limited. In addition, Eurostat asked to be informed whether there have been any significant changes in the standard documentation on EDP/ GFS data recently and, if so, to provide the relevant documents.

1.3. Sources and data compilation methods

1.3.1. Follow-up on the so-called residual compilation (use of the s-b-s data source for transactions on the asset and liability side)

Introduction

The residual compilation has been implemented by Statistics Austria in order to deal better with some weaknesses observed in the financial source data (e.g. incorrect allocation of transactions by the reporting units and missing splits). The residual compilation is applied for both financial transactions in assets and in liabilities.

For the asset side, Statistics Austria is using the residual compilation to correct F.2/ AF.2 (in particular F.29) reported in the source data with data reported in the monetary and banking statistics (i.e. to use monetary and banking statistics instead of the source data). In order to keep the B.9f unchanged a corresponding adjustment in transaction in other accounts receivable is carried out (i.e. to take account that reporting units often misclassify F.29/ F.8 transactions).

On the liability side the residual compilation results in replacing transaction in F.3L reported in the source data source by transaction in F.3L reported in the security by security database operated by the OeNB. As on the asset side, the resulting differences in the transaction values reported in the two data sources led to a counter entry in transactions in F.8L, so that B.9f remains unchanged by this procedure (same B.9f as reported in the source data). Since the EDP debt level is defined by the source data, the residual compilation had also no effect on the debt level ('imputed' other changes in volume).

Eurostat had doubts about this approach, in particular about the use of residual data compilation for transactions in F.3L instead of using the source data and recommended in the context of the 2017 EDP dialogue visit that Statistics Austria should change its approach. The arguments put forward by Statistics Austria in support of the F.3L residual compilation were not shared. On the assets side, however, Eurostat saw some advantages in the applied methodology. Nevertheless, the resulting effects should be closely monitored and kept within limits. Eurostat took the opportunity of the EDP dialogue visit to review the issue of residual compilation, in particular, the developments since the 2017 EDP dialogue visit. Prior to the EDP dialogue visit, Statistics Austria submitted a note on the way forward regarding the residual compilation.

Discussion

Statistics Austria pointed out that from the reporting year 2018 onwards, the residual compilation for F.3L has been abandoned and that the years before 2018 will be corrected in 2024 the context of the next benchmark revision.

Eurostat took note of the explanations and noted that the recording was now in line with the Eurostat view. However, Eurostat wondered why Statistics Austria wants to postpone the revision of the years before 2018 until 2024. The impact, for example, for the year 2017 is only EUR 46 million and it should actually be easy to revise, i.e., to use the source data for the transactions in F.3L. Statistics Austria explained that, at this stage, the existing differences cannot be assigned to a single unit per sector. The differences are rather the sum of multiple smaller discrepancies. It is therefore not possible to simply use the source data. In general, the approach of Statistics Austria is not to give priority to one data source, i.e., to use the source data instead the security by security database. Instead, the origin of the discrepancies is investigated at unit level, and based on this, the source data is corrected if necessary. The security by security database is an important tool in these analyses. This work will take some time, as it requires in-depth analysis and will also be affected by the implementation of VRV 2015, which currently ties up considerable resources. Statistics Austria also emphasized that the underlying amounts are small and that the B.9f and the EPD debt are not affected by the residual compilation. Therefore, they do not see that postponing the revisions until 2024 would be problematic. Eurostat considered that the F.8L from the residual compilation is not justified and should therefore be allocated to the statistical discrepancies. Any findings from the work carried out by Statistics Austria at the unit level would then affect the statistical discrepancies.

Next, Eurostat enquired about the recording of issuances above/ below nominal value in the source data. Statistics Austria explained that extra-budgetary units, which have to apply commercial accounting, provide information on F.3L at nominal value. In this case the premiums/ discounts are removed from the nominal value to arrive at face value. This adjustment has been carried out for many years. Therefore, the adjustment to the security by security database is not needed for premiums/ discounts but there could be something, which has been missed so far and should be corrected with the help of the security by security database. Eurostat asked about the stock of F.8L, i.e. whether a stock exist and whether it is correct. It was explained that a stock exists and that it is potentially correct. However, it cannot be excluded that it includes some unidentified premiums/ discounts.

Eurostat further enquired about the use of the security by security data base on the asset side. Statistics Austria stated that the data sources used for the compilation of F.3A and F.5A differ from the categories defined in ESA 2010. The security by security database includes detailed information on all stocks and transaction of F.31, F.32, F.511, F.512 and F.522 but no information on F.519. The

aggregated amounts reported in the source data are then broken down into ESA categories according to the security by security database, with the remaining being considered as a transaction in F.519.

Finally, Eurostat asked about the residual compilation carried out for F.2A/ F.8A, which is based on the money and banking statistics. Eurostat noted that there is a cumulative difference of EUR 2 billion over two years and considered that this amount should be allocated to the statistical discrepancies similar to the amounts for F.8L. Statistics Austria questioned this, as the B.9/ B.9f is identical for many entities, which would indicate that the difference should be allocated to another transaction and not to the statistical discrepancy. Eurostat mentioned that a reason for the difference could be the existence of escrow/ trust accounts. If for an escrow/ trust account, the counterpart is not correctly recorded, this would result in a statistical discrepancy. Statistics Austria agreed that escrow/ trust accounts might be a reason for the differences and that they are currently working on this issue. Two cases have already been identified where the money and banking statistics correctly assigned an escrow account to a unit (in one case to the 'Bund' and in another case to an extra-budgetary unit) but the units themselves did not report these accounts in the source data. This work would continue but would be very time-consuming. Eurostat asked about the stock of F.2A as reported in the source data and the money and banking statistics in order to see the differences. Statistics Austria agreed to provide the stock information (AF.8).

Findings and conclusions

Action point 1²: Eurostat took note on the progress made on the residual calculation, in particular, that residual compilation for government liabilities was abandoned starting from 2018. Statistics Austria will consider how and when corrections for the years before 2017 will be implemented. Eurostat considered that keeping entries in F.8 would not be fully justified, thus the observed differences could be shown under statistical discrepancy. Statistics Austria will provide the related stock of AF.8 (payable) to Eurostat: **Deadline April 2020 EDP notification.**

Action point 2³: Eurostat encouraged the Austrian statistical authorities to continue their work as regards the residual compilation for the asset side. Statistics Austria will provide the related stock of AF.8 (receivable) to Eurostat: **Deadline April 2020 EDP notification.**

Action point 3: Statistics Austria will report to Eurostat the stock of observed differences between the F.2 calculated according to the Money and Banking Statistics and the source government data: **Deadline End of September 2020.**

- 1.3.2. Status of the implementation of the VRV 2015 and first experience with new information available, in particular the indication of the counterpart sector, information on leasing operations and on capital injections – if any.

Introduction

The 'Voranschlags- und Rechnungsabschlussverordnung 2015 – VRV 2015' regulates the form and content of the accounts of the state and local governments and of their enterprises and establishments without legal personality and requires those entities to provide a profit and loss statement, cash flow statement and a balance sheet (i.e. to implement a full double entry accounting system). The provisions of the VRV 2015 are to be applied for the financial year 2020 at the latest. It will replace the VRV 1997, which was, in principle, showing the expenditure and revenue (both classified by institutional and by economic criteria) for the following budget year.

The VRV 2015 was issued as regulation by the Federal Ministry of Finance on 19 October 2015 and was intensively discussed with Statistics Austria during the 2017 EDP dialogue visit, as the national discussions on a necessary amendment of the VRV 2015 (due to contradictions, other inconsistencies

² Accomplished.

³ Accomplished.

in the original version and additions such as accounts and new groups of accounts) were nearing completion.

In the course of the discussion, some room for improvement in VRV 2015 was identified. This concerned in particular the distinction between public and private companies, transfers between government entities (consolidation of D.7 and D.9 flows), payables and receivables, the identification of EU flows and the identification of derivative flows on the state and local government subsector. Eurostat requested Statistics Austria to communicate (see action points 2, 15, 53 and 66 of the 2017 EDP dialogue visit) the results of the discussion to the competent body - the so-called 'VRV-Komitee' - in order to work towards a further amendment of the Regulation to better take into account the specific EDP/ GFS data needs, and thereby improving the data quality. Before the 2020 EDP dialogue visit, Statistics Austria provided an overview of the status of the VRV 2015 implementation.

Discussion

Statistics Austria confirmed that, from the reporting year 2020 onwards, the VRV 2015 has to be applied by all state and local governments. In this context, a new data interface was designed to enable state and local governments to report data according to the new legal standards and also to gather additional information necessary to fulfil EDP/GFS requirements better than in the past. A description of the technical requirements accompanied by handbooks was published by the end of 2018. In 2019 mainly implementation details were discussed with the representatives of state and local governments as well as with IT providers. As an outcome of these discussions, the data interface was slightly adjusted and modified. Furthermore, additional guidance for the mapping of counterpart sector information for transactions/ stocks was developed and made available to the reporting units.

State governments will use the new data interface for the first time for the transmission of the monthly data for January 2020 in February 2020 and local government for the transmission of quarterly data for the first quarter of 2020 in April 2020. Therefore, no extensive experience with the new data interface or the new VRV 2015 is available, i.e., whether the new items introduced can be provided at all and, if so, what amounts are involved. Statistics Austria further stated that they received some first test files for a couple of municipalities. Those files, however, contained only planned values ("Voranschlag") on the cash flow statement (Finanzierungshaushalt) and to some extent for the P&L accounts (Ergebnishaushalt). Therefore, the test files can only be used in order to check the IT infrastructure but not for consistency checks. In particular, no balance sheet data or data on counterpart sectors were available. The state governments were also asked to provide data following the new VRV 2015 structure. However, as the implementation is still in progress no state government could provide data that could be used for technical or consistency checks by Statistics Austria. Although the state governments 'Steiermark' and 'Salzburg' have already implemented the VRV 2015 no detailed information is available as both states are still using the data interface designed of the VRV 1997. Notwithstanding the unfavourable initial situation, some advantages of the new reporting standards (double entry accounting system) are recognisable. For example, coherent information for the recording of reserves or accrued interest, which was not available in the VRV 1997.

Eurostat took note of Statistics Austria's explanations but requested that the recommendations made in the context of the 2017 EDP dialogue visit regarding an amendment of the VRV 2015 (e.g. identification of the counterpart sector) need to be addressed more closely, in particular, which of them were ultimately taken into account by the 'VR-Komitee' and thus have been actually implemented in the amended of the VRV 2015. Statistics Austria informed that none of the recommendations from the 2017 EDP dialogue visit were directly taken up the 'VR-Komitee' and led to an amendment to the VRV 2015. There were significant improvements through directly addressing the issues of derivatives and long-term trade credits in the VRV 2015, even though these changes were not a consequence of the discussions that took place in 2017. The chart of accounts (VRV 2015) for EU flows has also changed and should improve the recording of EU flows in the EDP/ GFS data, but some information is still missing. Nevertheless, it is expected that the actual source data situation will improve considerably, as it was agreed in the 'VR-Komitee' that the information necessary to fulfil the EU obligations, in particular, and the EDP/ GFS reporting obligations, should be made available via

the data interface. This means that, although the VRV 2015 lacks certain information, such as an improved sectoral disaggregation of certain transactions, this information should be reported by the reporting units via the data interface. For example, the additional dimension ‘sector’ has been introduced in the data interface for the reporting of the P&L accounts (Ergebnishaushalt) as well as for the cash flow statement (Finanzierungshaushalt). The sector information for the balance sheet items was already available, but the characteristics have changed. This should improve the distinction between private and government-controlled market producers for both non-financial and financial entities, but it is also expected to improve the identification of transactions between government sector entities, thereby improving the consolidation. The list of public corporations, the list of government entities and the list of monetary financial institutions (published by the OeNB) are essential tools used by the reporting units to determine the counterpart sector.

Eurostat understood that counterpart information is asked for stock information as well as for transactions (flows) and wondered whether it is assured that the counterpart information is provided on a uniform basis. Statistics Austria argued that this could be assured. The VRV 2015 is providing the general structure (chart of accounts) and the data interface has a systematic linkage to the chart of accounts, but it provides advanced information, i.e., it provides disaggregated information whereas the chart of accounts provides aggregated information. For example, capital injections are divided according to the ‘Kontenplan’ (chart of accounts for the P&L accounts, cash flow statement and the balance sheet) into transactions with entities with a participation of more than 50%, a participation between 20% and 50% and others (i.e., with a participation of less than 20%). The ‘Kontenplan’ does not indicate to which sector the recipient of the capital injections belongs. From the first category (participation of more than 50%) it can only be concluded that it is a public entity, but not whether the entity is classified in the non-financial corporations sector (S.11), the financial corporations sector (S.12), the government sector (S.13) or, where appropriate, in the rest of the world (S.2). The information is available through the required indication of the counterpart sector in the data interface – for all three categories recognised in the ‘Kontenplan’. Whether the beneficiary of the capital injection is a private or public entity (relevant for participations between 0% < 50%) can also be determined by using the company code information provided via the data interface.

For the EU flows, an improvement was achieved by requesting a further breakdown of the accounting item ‘Transfers von der Europäischen Union’ in the data interface. Reporting units have to indicate whether the final beneficiary of the EU flows is a government core unit or whether the funds are transferred to a government or non-government unit.

Eurostat enquired about the quantity of data transmitted via the data interface. It was explained that, for an average reporting entity, about 20,000 data lines are transmitted, containing information on the P&L accounts, the cash flow statement and the balance sheet.

Findings and conclusions

Eurostat notes that in fact no changes have been made to the VRV 2015, due to the action points adopted in the 2017 EDP dialogue visit. However, by extending the data to be supplied via the data interface, Statistics Austria has created a practicable solution for obtaining the necessary information on, for example, the counterpart sector, the final beneficiaries of EU flows or for the distinction between public and private entities. Eurostat also noted that the data interface is an advanced data collection system that provides integrated source data allowing to compilation of consistent stock and flow data (transactions, other economic flows, revaluation). Furthermore, Eurostat has noted that information on derivatives and long-term trade credits has been included in the new VRV 2015 (chart of accounts).

Eurostat has also understood that the implementation of the new VRV 2015 is a gradual process, which means that it is currently not known whether and how the quality of the data has been improved by the VRV 2015 and its data interface. Eurostat asked Statistics Austria for information on the impacts of the new VRV 2015 and on the additional data requested via the data interface (experience

with the actual provision of data by the reporting entities) on the EDP/ GFS data as soon as they were available.

1.3.3. Function/ procedure and the possible impacts of the new IT infrastructure (mentioned in the context of the 2019 April EDP notification)

Introduction

In the context of the 2019 EDP October notification, Statistics Austria informed Eurostat that they had a major change in their IT infrastructure. The new system is an integrated system for financial and non-financial annual and quarterly accounts. It is expected that the new system will lead to fewer statistical discrepancies in the future. Statistics Austria also explained that the system is designed for different sets of GFS data, which may result in data being more aggregated in some cases. This will probably also result a new presentation of data for EDP Questionnaire Table 4 from the 2020 EDP April notification onwards. In addition, it is expected that the amounts reported in EDP Tables 3A to 3E for the increase and reduction of loans (F4) and long-term loans (F42) are lower than in the April 2019 notification. This also impact EDP Questionnaire Table 8.1.

Discussion

Statistics Austria explained that the ‘new’ IT infrastructure was developed by Statistics Austria itself and is therefore independent from any IT providers. The main advantage of the new IT infrastructure is the use of an integrated database, i.e., it is used for annual and quarterly financial and non-financial data. It allows to show the flows (increase/ decrease) by transaction on the level of the individual reporting entities. This new possibility will impact, for example, the amounts recorded in the lines increase/ decrease of loans in EDP Tables 3 and EPD Questionnaire Table 8.1. Whereas in the old system the increase/ decrease was finally defined by the sign (netting), the new system will directly provide the increases and decrease by financial instrument. Furthermore, the new IT infrastructure improves the consolidation, which is now carried on a net value basis and not on the basis of increases/ decreases in the financial instruments as in the past.

Findings and conclusions

Eurostat took note of the issue.

1.4. Revision policy and EDP Inventory

Introduction

Revisions to government data are made biannually and generally cover the two most recent years. However, a main aim of the revision policy is to ensure full consistency between quarterly and annual GFS data and sector accounts in April, which would be achieved by simply adding up the four quarters in order to compile the annual EDP/ GFS data. Accordingly, Statistics Austria usually implements minor revisions (in the low double-digit million-euro range) resulting from updated source data only in the context of the October EDP notification. However, if there have been major data revisions, these are already implemented in the April notification. In the context of the 2017 EDP dialogue visit, Eurostat took note of the approach taken by Statistics Austria, but pointed out that the EDP reporting period covers four years and that significant revisions must be included in the April EDP notification to avoid breaks in the time series. A delayed implementation of data revisions can, in principle, only be accepted if the impact on the EDP/ GFS data is largely negligible, i.e., the quality of the data is not affected.

Discussion

Statistics Austria confirmed that the revision policy has not changed since the 2017 EDP dialogue visit, i.e., a biannual revision cycle covering the last two years. Major data revisions are already

implemented in April to ensure that Eurostat's data quality requirements (e.g. avoidance of breaks in the time series) for EDP/ GFS data are met. The next benchmark revision will take place in 2024.

In this context, Statistics Austria also mentioned a problem in connection with the data reporting for April, which particularly concerned ESA Tables 8.01 and GFS Table 25 and had raised some questions internally. Statistics Austria explained that with regard to ESA Table 8.01 in April, the quarters of the year t-1 will be revised and the fourth quarter of the year t-1 will be added. GFS Table 25, on the other hand, will be aligned with ESA Table 2 in April. The latter may be subject to revisions up to the year t-3, which are then also taken into account in GFS Table 25. This means that discrepancies between GFS Table 25 and ESA Table 8.01 do occur, and usually there were no consequences. However, in one of the last data transmissions in April, differences between GFS Table 25 and ESA Table 8.01 appeared, in particular, for the year 2018 which exceeded a certain GDP threshold, whereupon Eurostat refused to validate ESA Table 8.01. Statistics Austria is aware that consistent tables are of great importance and also provide information on the quality of the data. Therefore, Statistics Austria has made special effort to ensure the consistency of the tables listed in the ESA transmission programme, i.e., of all mandatory tables. Eurostat took note of the view of Statistics Austria and stressed that EDP data are annual data and that this data is expected to be correct. It seems that, under the current practice, differences between ESA Table 8.01 and ESA Table 8 should not occur, otherwise ESA Table 8.01 will not be published.

Findings and conclusions

Eurostat took note of the revision policy of Statistics Austria and stressed again that major data revisions should already be taken into account in the April EDP notification. For smaller data revisions with negligible impact on the data, the approach chosen by Statistics Austria can be accepted. Eurostat Directorate D will inform Eurostat Directorate C about the concerns of Statistics Austria regarding the linkage between GFS and sector accounts tables - especially with regard to whether the comparison between the two data sets could lead to the validation of a mandatory table being refused.

2. Follow-up of prior EDP visits (2017 EDP dialogue visit and 2016 technical visit)

- 2.1. Reconciliation of cash flow statement, P&L account and balance sheet as a measure to improve the information on other accounts payables/ receivables for the central government core entity.
- 2.2. Reconciliation between balance sheet and P&L account in order to separate between transactions and other economic flows related to financial transactions for the central government core entity.

Agenda items 2.1 and 2.2 are summarised below as they were discussed jointly in the context of the EDP dialogue visit.

Introduction

Eurostat undertook a Technical visit to Austria on 25-27 January 2016. The purpose of the visit was to jointly analyse the existing data sources for compiling EDP statistics, notably the accounts of the Bund, discussing their quality, exhaustiveness, consistency and comparability with each other, to further improve the adherence to the accrual rules of recording of expenditure and revenue as well as to analyse the technical and methodological issues concerning the intra- and inter-subsector consolidation of the Austrian general government accounts. The systematic reconciliation of the cash flow statement, P&L account and balance sheet was considered essential for the improvement of the compilation of B.9-relevant other accounts payable and receivable, also with the aim to reconcile the other accounts payable and receivable as reported in EDP Tables 2 and 3 but also to provide more details in EDP Questionnaire Table 4. Statistics Austria has made considerable progress in this respect in recent years. The details provided in EDP Tables 2 (in particular, EDP Table 2A) as well as in EDP Questionnaire Table 4 increased substantially. The EDP dialogue visit will therefore be used to review and assess the current state of play and discuss any further action that may be necessary.

Discussion

Statistics Austria explained that the bridging of the cash flow statement and the P&L account is done manually for the financial transactions, but automatically for the non-financial transactions. The reason for this is that for non-financial transactions the P&L account and the cash flow statement use the same chart of accounts, which is not the case for financial transactions. Therefore, for non-financial transactions, the difference between the P&L account and the cash flow statement reflects a 'real' other accounts payable/other accounts receivable. This is not the case for financial transactions.

An automatic comparison of the cash flow statement with the balance sheet is also not possible for financial transactions - not even at an aggregated level. Hence, the comparison at the level of financial instruments (securities, loans, equity etc.) can only be carried out manually by Statistics Austria. In practical terms, this means that in a first step the non-financial account compilers check whether the cash flow statement shows high or unusual financial transactions. In addition, a check is made whether there are new transactions in the working balance that are to be classified as financial transactions. The results from these activities are fed back to the financial account compilers, which are comparing the transactions with balance sheet positions. In a second step, the financial transactions shown in the cash flow statement, in particular loans (F.4) and equity (F.5), are reconciled with the corresponding balance sheet items. This manual reconciliation compares the reported stock, the change in stock and the amount reported in the cash flow statement; if the information does not match, more detail is added. In fact, each flow in the cash flow statement is linked manually to the balance sheet. For example, loans (F.4) are each allocated to one item in the balance sheet, whereas in the cash flow statement a large number of individual transactions are shown, which cannot always be unambiguously allocated to the balance sheet item and must therefore be considered individually. This two-step procedure is carried out each quarter.

For the financial liabilities in securities (F.3) and loans (F.4), Statistics Austria uses a specific data interface of the Austrian Treasury, which provides information (line by line database) on the transactions carried out, the nominal value, the original maturity, issuances above/ below nominal value as well as information on interest paid and accrued. The information is available on a quarterly basis and specific issues can be discussed with the accounting experts of the Austrian Treasury during the regular meetings. The discussions have often led to a revision/extension of the data interface. Statistics Austria added that the data interface also contains information on financial derivatives for the 'Bund' (core unit), which, however, are currently obtained from a different source. It is planned to switch for financial derivatives to the data interface of the Austrian Treasury. Since both data sets use the same source interface, it is only a technical changeover, which should not affect financial derivatives figures.

With regard to the reconciliation between the P&L accounts and the balance sheet, Statistics Austria mentioned that write-offs of financial assets recorded in the P&L account are used to correct the change in stocks derived from the balance sheet. Usually the change in stock is interpreted as a transaction, but wherever it is possible to establish a link between a write-off shown in the P&L account and a balance sheet item, the change in stock is split into a transaction and other change in volume.

In general, five specific data interfaces exist for the reconciliation of the three parts (balance sheet, cash flow statement and P&L accounts) of the accounting of the 'Bund'. This includes the data interface for the balance sheet extended for counterpart information, the data interface for debt and deposits, the data interface for equity and shares, the data interface for the P&L accounts and the data interface for the 'Anlagenpiegel' (fixed asset schedule).

The balance sheet data interface contains the following information: year, quarter, detail budget and detail budget text, account and text of account, stock at the beginning of the accounting period, change in stock and stock at the end of the accounting period. The change in stock is generally treated as transaction.

As far as the fixed asset schedule is concerned, the electronic data interface is still under development. Currently, the fixed asset schedule is only available in printed or PDF form. This information is already used at aggregated level to calculate the necessary time adjustment for expenditure on gross fixed capital formation. However, it is planned to replace the 'paper' form in July 2020 by a standardised electronic format with a high level of detail.

Eurostat noted that there are five data interfaces rather than one integrated data source and wondered how Statistics Austria could ensure consistency between the different data interfaces. It was explained that the five data interfaces ultimately access an integrated data set, which essentially ensures consistency.

Eurostat enquired whether Statistics Austria is able to provide for the non-financial transactions, for example, for compensation of employees (D.1), intermediate consumption (P.2) etc. a table with the amounts reported in the balance sheet, P&L accounts and the cash flow statement for the 'Bund' for the last 4 years, i.e., a full reconciliation of the three parts of the closed accounts. Statistics Austria informed that the bridging of the cash flow statement and the P&L account is essentially automatic. However, problems arise with the link to the balance sheet. In the balance sheet the account structure is more aggregated. The individual accounts are grouped, which means that a clear distinction between certain transactions is only possible to a very limited extent. Therefore, a detailed bridging between the P&L account and the balance sheet is very challenging or most likely not achievable.

Eurostat took note of the comments of Statistics Austria and asked whether such an exercise would be possible on an aggregated level, for example, for the last two or three years. The differences identified in such an analysis would then be used to improve the reporting in EDP Questionnaire Table 4. Statistics Austria indicated that balance sheet information for other accounts receivable and other accounts payable is already used in EDP Table 3B and EDP Questionnaire Table 4. Eurostat replied that observed differences might also impact the statistical discrepancies and that it is also important to see the size of the differences.

An alternative would be to create a table with information from the cash flow statement and the P&L account by individual accounts. Based on that information, the total change in balance sheet should be compiled and that residual should enter EDP Questionnaire Table 4. Statistics Austria stated that the comparison between the cash flow statement and the P&L account does not explain whether the payable or receivable has a positive or negative sign, but this information is needed for EDP Questionnaire Table 4.

Findings and conclusions

Action point 4: The Austrian statistical authorities will compile and send to Eurostat a table showing the difference between the cash flow statement and the profit and loss accounts, by 'Konto', as well as aggregated for each ESA category, for the reference year 2019 and will reflect on the way to present this information within EDP Questionnaire Table 4. In addition, Statistics Austria will reconcile this difference with the change in balance sheet, observable at an appropriate level of aggregation (e.g. for total ESA expenditure): **Deadline End of November 2020 EDP.**

Action point 5: The Austrian statistical authorities will consider a similar comparison with respect to financial transactions at an appropriate level of aggregation (presumably rather high as explained during the discussions): **Deadline End of November 2020 EDP.**

2.3. Status of the recording of EU financial instruments (see AP 22 of the technical visit + new MGDD 2019).

Introduction

EU financial instruments are a specific type of support for investments from EU structural and investment funds. Financial instruments consist of loans, guarantees, equity and other risk-bearing

mechanisms. Financial instruments are usually repayable. The accounting treatment of EU financial instruments in GFS/ EDP data was clarified with the publication of the 2019 MGDD in July 2019. The issue of EU financial instruments was last discussed with Statistics Austria in the context of the Technical Visit in 2016. In the questionnaire on EU financial instruments, which was sent out in January 2016, Statistics Austria stated that no financial instruments were used.

Discussion

Eurostat enquired whether the situation regarding EU financial instruments in Austria had changed since 2016 and, if so, whether Statistics Austria applied the new accounting rules. Statistics Austria stated that they were not aware that the situation in Austria had changed, i.e. it is assumed that EU financial instruments are still not used in Austria. Eurostat took note of the statement but referred to the data on the European Structural and Investment Funds and European Fund for Strategic Investments provided by the European Commission. The data source, which covers the period 2014 to 2020, shows that EU financial instruments are also used in Austria, albeit in a de facto negligible amount of only EUR 10 million. In the data source, there are two units listed (the ‘Burgenländische Risikokapital Beteiligungen AG’ and the ‘HightechFonds’ in Upper Austria), which are responsible for the implementation of the EU financial instruments. Eurostat recommended Statistics Austria to review the issue of EU financial instruments, in particular, whether the use of such financial instruments could be regarded as negligible.

Findings and conclusions

Action point 6⁴: The Austrian statistical authorities will confirm the fact that the amounts concerning EU financial instruments in the current EU programming period (2014-2020) are negligible, such that the new provisions of the 2019 Manual on Government Deficit and Debt can be deemed to be applied:
Deadline End of August 2020

2.4. Results of the pilot exercise on EPCs

Introduction

The issue of EPCs was briefly reviewed during the 2017 EDP dialogue visit. At that time, neither the ‘Bund’ nor the state governments had entered into EPC contracts. EPCs of the local governments were treated similar to operating leases in the EDP/ GFS data with the government as lessee. The information available to Statistics Austria on EPCs was generally very rudimentary. There was neither information on the average contract periods nor on the financing arrangements available at Statistics Austria. Therefore, Eurostat recommended a stocktaking exercise on EPCs and the amendment of the chart of accounts/ data interface in order to ensure a consistent data provision and information basis.

A Eurostat decision on the statistical treatment of energy performance contracts was published on 23 December 2019, which stated that “*measures provided by an EPC-contractor are, by convention, to be treated collectively as ‘EPC assets’, and should be recorded on the balance sheet of one of the contractual parties in national accounts.*” The decision on which party should account for the assets should be based on which party bears the majority of the risks and rewards. The Eurostat decision implies that the general accounting approach (operating lease like treatment) applied so far by Statistics Austria has to be reconsidered. Eurostat reviewed, therefore, the issue of EPCs again. Before the 2020 EDP dialogue visit, Eurostat received a note from Statistics Austria on the results of the EPC exercise carried out in spring 2019. The incorporation of EPCs in the VRV 2015, as proposed by Eurostat in the context of the 2017 EDP dialogue visit, was not incorporated in the VRV 2015 by the ‘VRV Komitee’.

⁴ Accomplished.

Discussion

Statistics Austria informed Eurostat that the stocktaking exercise of EPC contracts requested in the context of the 2017 EDP dialogue was carried out in late 2018/ early 2019. In total, the 20 largest municipalities and 80 municipalities, where the undertaking of EPC contracts was suspected, were included in the survey. The selection of the 80 municipalities was based on the analyses of the financial and non-financial data reported to Statistics Austria, discussions with EPC consulting companies and internet research. The response rate was 93% and 70 EPCs with a capital investment of Euro 119 million were identified. The adjusted capital value of all projects amounted to Euro 75 million, of which about Euro 40 million were recorded off-balance sheet and Euro 35 million on the government's balance sheet. Of these, 15 projects (EPCs at schools) were realised by the 'Bund' (Euro 9.6 million adjusted capital value). The remaining projects were realised by the local governments, and in particular Vienna, which is responsible for almost the entire on-balance sheet EPCs and for about three-quarters of the off-balance sheet EPCs. The survey also showed that factoring without recourse was part of the financing arrangements used to finance EPC projects but was far from being the standard. The reported data were compared with other available data sources, which ultimately largely confirmed the results of the stocktaking exercise with regard to the number of the identified projects and the involved amounts (capital investment). In general, the survey asked for the following information from the reporting units: information on the EPC project, the EPC-contractor, whether the EPC-contractor takes the responsibility for the maintenance, the contractual agreed energy saving, the initial capital expenditure, start and duration of the EPC contract, whether the financing is linked with a factoring without recourse arrangement as well as the accounting (used accounting items) of the EPC project in the VRV 1997 (currently applicable chart of accounts).

Eurostat took note of the explanations of Statistics Austria and asked by whom and on what basis it was decided that the identified EPC projects should be recorded on- or off-balance sheet. It was explained that the decision whether a project should be recorded 'on' or 'off' the balance sheet was made by the reporting units themselves. These are the results of the stocktaking exercise, i.e. the current status quo without any further check on whether the classification of the EPCs is correct or not. At the time of the stocktaking exercise it was indeed unclear how the EPCs should be recorded in the national accounts. Two Eurostat Guidance notes (published in 2015 and 2017), a 'Guide to the Statistical Treatment of Energy Performance Contracts' (published in May 2018) and a CMFB opinion (published in October 2018) were available, some of which contained a different opinion or more developed view on the treatment of EPCs. However, the exchange with the reporting units indicate that they have applied the 'Guide to the Statistical Treatment of Energy Performance Contracts', after its publication, for the classification of new EPCs. Before that, however, the situation is less clear.

Eurostat recalled that a Eurostat decision on the statistical treatment of EPCs in the government accounts was published on 23 December 2019. The decision explicitly recommends using the 'Guide to the Statistical Treatment of Energy Performance Contracts' for the classification of EPCs. Statistics Austria asked whether, in principle, a simplified solution could be implemented, for example, all EPCs could be recorded on balance, as the contracts generally only have very small investment volumes and the assessment according to the EPC guide is resource intensive. Eurostat replied that the EPC guide provides guidance for off- or on-balance sheet, and that off-balance sheet recording is only possible if the risks and rewards associated with the EPC assets are borne by the EPC-contractor. Off-balance sheet recording of EPCs requires the use of the EPC guide. Eurostat is aware that checking the EPCs in accordance with the EPC guide requires certain resources. Some countries have solved the issue by developing standard contract that are mandatory for EPCs, which has significantly reduced the review of EPCs. Statistics Austria explained that at least so far, no such standard contracts exist in Austria.

Eurostat further stated that other countries record all EPCs on-balance sheet because the statistical authorities do not have access to the contracts. However, even in these cases, specific information on EPCs is required to implement the correct recording, or at least to model the correct recording in the government accounts. Regarding the availability of EPC data, Eurostat found that the total investment across Europe is still very low but is expected to increase significantly against the background of the 'Green Deal' initiative, i.e., the transformation of the EU towards a sustainable economy. The political

interest in EPCs has increased significantly. It is conceivable that more information on EPCs will be requested in the future similar to that of PPP projects, which finally led to the provision of information on off-balance sheet PPPs as part of the data transmission according to the Council Directive 2011/85/EU (even if this happened against a different background). In order to be able to estimate the overall importance of EPCs, it is important to have information on the capital expenditure of EPCs as recorded in the balance sheet.

Eurostat subsequently enquired about the accounting treatment of EPCs in the government accounts (VRV 2015) and whether EPCs are requested separately in the data interface. Statistics Austria informed that in the VRV 2015 EPCs will be recorded either as financial lease (which automatically leads to capital expenditure being accounted on-balance) or operating lease and that there is no separate request for EPCs in the data interface.

Findings and conclusions

Eurostat took note of the results of the stocktaking exercise and the associated data situation on EPCs as well as of the recording of EPCs in the government accounts. Eurostat recommended the use of the EPC guide in case Statistics Austria decided to record EPCs off-balance sheet (i.e., to carry out the necessary analysis of the risks and rewards in order to see whether the EPC-contractor or the government bears the majority of the risks and rewards associated with the EPC assets). In addition, Eurostat recommended that a regular survey should be implemented (or to adjust the data interface) to collect the necessary information for the off-/ on-balance sheet recording of EPCs, and to examine whether the classification of the EPCs identified in the stocktaking exercise and made by the reporting units is correct.

Action point 7: The Austrian statistical authorities will start applying the EPC guide unless the decision is taken to record all EPC contracts on balance sheet. Applying the EPC guide will require looking into the individual contracts in the absence of standardisation. In any case, the Austrian statistical authorities will have to ensure collecting appropriate information to apply the chosen statistical approach: **Deadline April 2021 EDP notification.**

2.5. Appropriateness of the holding test

Introduction

The distinction between holding companies and head offices was discussed in the 2017 EDP dialogue visit. At that time, Statistics Austria informed that a head office is considered to exist if the following three conditions are met: (1) the equity holdings amount to 80% or more of the total assets of the entity, (2) the entity is employing more than three employees and (3) the annual turnover exceeds Euro 500.000. Eurostat was not convinced about the first criterion, as the use of this criterion might result in an underestimation of public holding companies. Eurostat thought that it is more important to analyse whether the entity provides services to its holding or not. Accordingly, Eurostat asked Statistics Austria to examine the appropriateness of the equity holding test. Statistics Austria informed Eurostat that the distinction between public holding companies and head offices is carried out by the business register section and that the practical experience gained so far with the test has been satisfactory. In addition, no public holding corporations/ head offices of significant size were established in the most recent years. Prior to the EDP dialogue visit, Statistics Austria provided a brief note regarding the criteria used for the holding test.

Discussion

Statistics Austria informed Eurostat that the procedure for distinguishing holding companies and head offices has not been changed since the last EDP dialogue visit. In the business register there is an integrated approach to distinguish holding companies from head offices. The decision tree used would closely follow the recommendations of the 2013 EUROSTAT/ ECB/ OECD “Task Force on Holding companies, Head offices and similar entities”. In order to distinguish head offices, which are actively

engaged in production, from holding companies simply holding assets, thresholds on employment and turnover are applied.

Eurostat noted that Statistics Austria had not changed its approach since the 2017 EDP dialogue visit. Eurostat reiterated its view that the 80% threshold might be too high and that this could lead to underestimation of holding companies. In addition, Eurostat stressed that the ‘Task Force on Holding companies, Head offices and Special Purpose Entities (SPEs)’ proposed a different threshold, which is far below the 80% threshold used by Statistics Austria. According to the Task Force report, the “*Task Force members proposed thresholds of - at least - 50% for the share of equity vis-à-vis subsidiaries within the balance sheet total to distinguish HOs or HCs from other institutional units*”.⁵ Eurostat acknowledged that the 80% threshold might reflect the Austrian situation adequately and that public holding companies and head offices might be correctly identified. However, this would require additional confirmation. Eurostat therefore proposed to analyse whether there are entities where at least 50 % but less than 80 % of the total assets consist of equity vis-à-vis its subsidiaries. For those entities the ‘holding’ test should be applied. Eurostat also considered that, in the case of public entities, the assets to be taken into account should include not only equity but also loans vis-à-vis its subsidiaries. An entity that largely lends to its subsidiaries might be considered as a public holding. Eurostat thought that the existence of such cases should be checked.

Findings and conclusions

Action point 8: The Austrian statistical authorities will enquire whether (big) entities, having equity holdings in their subsidiaries within the range of 50% to 80% of total assets, exist in Austria, and if yes, will apply to them the ‘holding’ test (employment and turnover criteria). The Austrian statistical office will inform Eurostat on their findings. They will also enquire whether adding loans to subsidiaries to the equity holdings for the test could meaningfully increase the number of entities considered holdings or head offices: **Deadline End of August 2020.**

2.6. The ‘0%-Prämienanleihe’ and the transfer of pension obligations from Bank Austria

0%-Prämienanleihe

Introduction

In the 2017 EDP dialogue visit the recording of a specific Austrian bond called ‘0%-DM Prämienanleihe’, which was repaid on 28 May 2016 was thoroughly discussed. The ‘0%-DM Prämienanleihe’ was a non-interest-bearing bond issued on 28 May 1986 (i.e., during the term of the bond, no periodic interest payments were made). The entire interest was paid at the maturity of the bond. The interest was recorded on an accrual basis based on a simplified calculation. The bond itself was always recorded with its face value in the EDP debt figure. The interest accrued over the life of the bond had no impact on the EDP debt figure. For the recording of the ‘0%-DM Prämienanleihe’, Statistics Austria referred to the provisions of the 2016 MGDD Chapter VIII.2.2. and, in particular, to paragraph 6, which provided that for capitalised interest bonds, the face value is the issue value and that the value differs from the redemption value. In contrast Eurostat considered that the ‘0%-Prämienanleihe’ has no significant feature that would materially differentiate it from a zero-coupon bond (defined in ESA 2010 para 5.96(c) as “*single-payment debt securities with no coupon payments*”).

On 27 March 2018 Eurostat sent a letter regarding the statistical treatment of the ‘0%-Prämienanleihe’ in government accounts to Statistics Austria and advised that the characteristics of the ‘0%-Prämienanleihe’ did not allow to record the impact on the EDP debt differently from a zero-coupon bond. Statistics Austria then changed the recording in the EDP/ GFS data in the context of the 2018 April EDP notification. Eurostat used the opportunity of the EDP dialogue visit to finally close the issue.

⁵ Final Report by the Task Force on Head Offices, Holding Companies and Special Purpose Entities (SPEs), 14 June 2013, page 9.

Discussion

Statistics Austria informed Eurostat that the Republic of Austria has not issued any other bonds of this type. In Statistics Austria's view, the issue is closed. Eurostat agreed with Statistics Austria and noted that this specific issue led to a clarification in the update of the MGDD. The 2019 MGDD provides now for bonds with capitalised interest that these are "*instruments that pay a unique lump-sum (at termination date) that is neither pre-fixed nor indexed: the face value is the issue value plus the capitalised interest, similarly to the recording of indexed-linked bonds, to be capitalised period by period according to the formula included in the contract. This value will differ, during the lifetime of the bond, from the redemption value, given that the latter is not known until redemption.*"⁶

Findings and conclusions

Eurostat took note of Statistics Austria's explanations that there are no other bonds of the '0%-Prämienanleihe' bond type in Austria and regarded the issue as closed.

Transfer of pension obligations from Bank Austria to the social security subsector

Introduction

In the 2017 EDP dialogue visit, the transfer of pension obligations from Bank Austria to the social security subsector was discussed with Statistics Austria. Bank Austria paid an amount of around Euro 0.8 billion euro to the Austrian state social insurance scheme as compensation for taking over the around 3300 employees with the related pension obligations. The question was whether the amount of Euro 0.8 billion was sufficient to cover the expected deficit of the social insurance scheme resulting from the transfer.

Statistics Austria compiled the accrued-to-date pension entitlements of the 3300 employees by using a model approach since actual data were not fully available. The approach used, among others, information on the average pension entitlements of the entire social security population by age cohort and sex increased by a factor, which was calculated as follows: average income in NACE K divided by the average income of the entire population. The factor was used to take account of the higher income earned in the financial sector.

In the context of the preparatory work for the 2020 EDP dialogue visit, Statistics Austria informed Eurostat that the first estimate was too low and that the transfer of pension obligation carried out in 2017 was not balanced, contrary to the previous assumption.

Discussion

Eurostat enquired about the reasons why the previous model calculations were too low. Statistics Austria commented that they received final values for the balances of pension accounts from the social insurance scheme in September 2019. This data includes averages by cohorts and gender of all transferred Bank Austria employees. A comparison with social insurance data showed that the estimate for the male population was close to the values registered in the pension accounts. In contrast, the national accounts estimation for the female population was too low. Statistics Austria stated that the reason for the estimation error is in substance due to a lower-than-average part time rate and a substantially higher income of the female employees of Bank Austria. The compensation paid by Bank Austria is therefore by Euro 278 million too low and the transfer is, contrary to the original estimate, unbalanced.

Eurostat enquired about the discount rate used in the recalculation. It was explained that the discount rate of 3% was maintained. Eurostat considered that, in the light of past and current interest rate developments, the discount rate would probably be too high and therefore the recalculated value

⁶ Cf. Manual on Government Deficit and Debt, Implementation of ESA 2010, section 8.2.2.2 Valuation of government debt for EDP purposes. The nominal versus face value, paragraph 12, page 346.

would still be too low. In IFRS⁷ the discount rate would be probably more in the direction of 1 percent or even lower. In addition, it is difficult to justify that the discount rate used for the compilation of the present value of pension entitlements is different from the discount rate used for the compilation of the present value of future decommissioning costs (which might be closer to the IFRS rate). Statistics Austria replied that the discount rate was consistent with the national accounts rate used for the calculation of accrued-to-date pension entitlements for ESA Table 29. An adjustment of this rate could be considered but this would require a discussion at international level. Eurostat agreed that the compilation for government should be consistent with ESA Table 29 but the discount rate is inconsistent with the rate used by private entities. Eurostat further asked about the implementation of the identified imbalance. Statistics explained that a capital transfer (D.99) from the central government subsector to the financial corporations sector in the amount of Euro 278 million will be recorded in the April 2020 EDP notification.

Findings and conclusions

Action point 9⁸: The Austrian statistical authorities will recognise the unbalanced nature of the Bank of Austria pension transfer and will impute a capital transfer expenditure (D.9, 278 million EUR) towards the financial corporation sector (S.12) in 2017. The Austrian statistical authorities will provide an updated table showing the impact of the pension transfer over the years. **Deadline April 2020 EDP notification.**

2.7. Rearrangement of OeEB transactions/ programmes in the context of the 2019 MGDD

Introduction

The classification of the Austrian Development Bank (OeEB) was discussed in detail in the context of the EDP dialogue visit 2017. The main point at stake was whether the framework within which the OeEB carries out its activities is such that the entity can be regarded as controlled by government even though it is formally a subsidiary of a private entity. Furthermore, there was the question of the need to rearrange some of the OeEB's activities to the government accounts. The latter issue was further discussed at bilateral level following the EDP dialogue visit and on the basis of 2016 edition of the MGDD. In the context of this agenda point, the issue of a possible rearranging of activities was raised again, as the new edition of the MGDD, the 2019 MGDD, was published in July 2019. The new edition also contains a substantially revised section on rearranged transactions, which might also have implications for the OeEB activities. This concern, in particular, the procedure for issuing guarantees on the activities carried out by the OeEB, but also the structure of the clients of the OeEB.

Discussion

Eurostat first asked the representatives of the MoF whether they could describe again the business activities of the OeEB. It was explained that OeEB's activities focus on three business areas. The first area focuses on private sector financing in developing and emerging countries. The financing concerns mainly activities in the renewable energies, resource efficiency and the financing of micro, small and medium-sized enterprises. The second area concerns equity participations. In this area, the OeEB can enter in equity investments in the form of direct or fund investment, with OeEB essentially acting as a trustee for the MoF. The equity participations are financed by funds provided directly from the federal budget, without any co-financing by the OeEB. Accordingly, the equity participations are not shown on the OeEB's balance sheet but are recorded directly in the accounts of the 'Bund' (central government core entity). However, OeEB is also able to acquire equity for itself, provided that is compatible with its mandate. Currently, about 12 percent of the total 'equity business' is on the balance sheet of OeEB. The third area concerns the business advisory services or the so-called 'Technical Assistance'. In this segment, the OeEB provides project-related training and qualification

⁷ International Financial Reporting Standards (IFRS)

⁸ Accomplished.

measures, supports the preparation of studies or the introduction of international standards. Technical assistance is financed from OeEB's own funds.

Eurostat enquired about the composition of the customers of the first business area, the 'investment finance' business, in particular whether there were also public customers and if so, what share of the business volume is attributable to this group. The MoF explained that the OeEB has only private customers. The law on the establishment of a development bank would also explicitly stipulate that the OeEB serves to grant loans to private business.

The discussion then moved towards the government guarantees that the OeEB could obtain for their investment projects (guarantees on assets). It was explained that there are two advisory bodies that have to assess an OeEB application for a guarantee. The first body is the committee on economics and development, which advises the OeEB on development policy issues and the possibilities of filing an application for the assumption of a guarantee by the MoF. Only if the committee's assessment is positive an application can be submitted to the second body, the 'Advisory Board' at the MoF. The final decision on whether a guarantee is granted or not is taken by the MoF. The members of both bodies are government sector employees (mainly employees of ministries). Guarantees are not restricted to a certain type of assets. Concerning the work of the two bodies, it was explained that they check, in principle, whether the financing provided by the OeEB is in line with the Austrian development policy and whether the underlying business is commercially viable.

Eurostat took note of the explanations and asked whether the OeEB could provide financing even if the two institutions rejected a guarantee application. It was explained that if the projects were rejected, the OeEB would normally not pursue them further. This is because rejection usually only occurs if the project is not compatible with the OeEB's public mandate and is economically not viable. There is also a very close cooperation between the bodies and the OeEB pre-consults before an official application for a guarantee takes place. Thus, it becomes apparent very early on whether a project runs the risk of not meeting the above conditions. Either such a project is sorted out in advance or the project is amended (if possible). However, OeEB has also its own business in which it is not bound by the said conditions, but it is extremely unlikely that OeEB will carry out economically unsustainable projects.

The Austrian statistical authorities indicated also that it is clear from the outset that the loans granted by the OeEB are not subject to Paris Club negotiations. Eurostat noted that from the point of view of the Paris Club, the OeEB is probably considered a private and not a public entity.

Findings and conclusions

Eurostat took note of the explanations of the Austrian statistical authorities and regarded the OeEB as a borderline case, both in terms of its sector classification and of the need to rearrange some of its activities. Eurostat also referred to the work of the CMFB Task Force on Development Banks, whose final report should be available towards the end of 2020. In this context, a reassessment of the OeEB case might become necessary.

Action point 10: With regard to the statistical classification of the OeEB in the financial corporations' sector (S.12), Eurostat considers the OeEB as a borderline case and therefore the monitoring of the OeEB by Statistics Austria, taking into account the ongoing methodological discussions, should be continued: **Deadline Ongoing task.**

3. Review of the 2019 October EDP reporting and of related data compilation issues

3.1. Follow-up on the issues raised in the EDP notification

The 'Forderungseinlösemodell' a specific factoring arrangement used by some state governments

Introduction

In the context of the 2019 EDP October notification, STAT informed Eurostat about a new issue identified in the course of the implementation of the new VRV 2015 in two state governments. This concerns the so-called ‘Forderungseinlösemodell’, which is a kind of an ex-ante factoring operation/ model. This model is used to pre-finance the construction costs of a project via a bank and the government (here the state governments) repays the debt in the form of annuities. In the budget, the related debt is reported under the accounting item ‘nicht fällige Verwaltungsschulden’ (not included in the Maastricht debt) and not under ‘Finanzschulden’, which are included in the Maastricht debt. In the context of the 2019 EDP October notification, STAT has already corrected the Maastricht debt accordingly, but the impact on government net lending/ net borrowing (B.9) was unclear (i.e., what impact in which year). It was assumed that the impact on B.9 for the years of the EDP reporting period would be rather small. This was supported by two factors: Firstly, the two countries concerned recorded the redemption payments made as expenditure (the state government of Lower Austria recorded already gross fixed capital formation and the state government of Carinthia recorded intermediate consumption) and secondly, Carinthia applied the ‘Forderungseinlösemodell’ only in the period 2005 to 2012. Thus, for the most current years no gross fixed capital formation (P.51) has to be recorded. The B.9 for Carinthia will even improve since expenditure for intermediate consumption (P.2) are to be recorded as repayment of debt. STAT provided a table with the corrections to be made for transactions in B.9, P.51, P.2 and D.41 (interest) for the years 2002 to 2018.

Discussion

Eurostat enquired about the specific accounting line ‘nicht fällige Verwaltungsschulden’ and, in particular, what kind of operations/ transactions are recorded in it. It was explained that there are no uniform guidelines or expert opinions as to what should or should not be included in this accounting item. In general, in the item ‘nicht fällige Verwaltungsschulden’ financing obligations/ commitments for future years are recorded (i.e., it concerns liabilities that are not yet due). From the point of view of the national public finance statistics, these ‘nicht fällige Verwaltungsschulden’ cannot be equated with or added to the so-called financial debt, which is the basis for the calculation of the Maastricht debt. Statistics Austria emphasized, however, that some issues that might be considered as not being a financial debt (in the national perspective) are in fact representing an ESA2020/ EDP debt. This is, for example, the case for the ‘Forderungseinlösemodell’ (often used in road construction) as defined in section 1422 of the Austrian general civil law (Allgemein Bürgerliches Gesetzbuch, ABGB) but also for obligations arising from financial leasing contracts. Statistics Austria added that this issue occurred with the implementation of the VRV 2015 where a reporting entity inquired about the correct treatment of this accounting line in the new VRV 2015 chart of accounts. This also shows that it was a problem of the ‘old’ VRV 1997, because in the new VRV 2015 (applicable from 2020 onwards) this uncertainty regarding what should be recorded in the ‘nicht fällige Verwaltungsschulden’ no longer exists. The concept of ‘Finanzschulden’ is in the VRV 2015 precisely defined and henceforth include the aforementioned issues. In particular, the VRV 2015 includes a separate account for financial leasing operations.

Statistics Austria also assured that they asked all reporting entities on the central, state and local government level whether they have used or are still using the ‘Forderungseinlösemodell’. With the exception of the two known state governments, all other reporting entities submitted a negative report. Eurostat asked whether factoring operations were asked or only factoring operations without recourse. Statistics Austria explained that they asked, in general, for factoring operations irrespective of whether it concerns factoring with or without recourse and similar operations.

The exercise also led to the identification of a long-term trade credit in one state government, which would be recorded as a long-term loan (F.42L) under the forthcoming April 2020 EDP notification. However, the impact on the debt level would be very limited. Eurostat enquired whether it could be ensured that no other reporting unit recorded trade credits or long-term trade credits in the ‘nicht fällige Verwaltungsschulden’. It was explained that there was no specific exercise for trade credits as was the case for factoring operations, but that long-term trade credits had been the subject of

discussions at various meetings with state and local government representatives. There should be no long-term trade credits for local governments. For the state governments the analyses of the accounting item ‘nicht fällige Verwaltungsschulden’ is not yet completed. However, so far, no further trade credits/ long-term trade credits could be identified. Ultimately, this can only be said conclusively when the implementation of the VRV 2015 is completed. For VRV 2015, however, a recording as it was possible under VRV 1997 is excluded.

Eurostat took note of the explanations and then commented on the data provided concerning the calculated B.9 impacts and the corrections to be made to the expenditure items gross fixed capital formation, intermediate consumption and interest for the factoring operations. In particular, Eurostat asked why the calculated B.9 impacts differ from the change in government debt in certain years. Statistics Austria argued that there might be two reasons for the observed difference. On the one hand, the stock of debt would also change due to repayments, but these would not be recognised in the B.9 impacts and, on the other hand, not all data for all projects could be provided by the two state governments so far. Eurostat took note of this explanation but clarified again that, in theory, the change in debt should be equal to the B.9 impact. For the ‘Forderungseinlösemodell’ there is no issue with gross debt versus net debt and the calculated B.9 should be clean. In such a situation, the change in debt from one period to the next equals the deficit for that period. There should be no residual. However, the incomplete data situation might explain the observed differences. Statistics Austria should therefore check the data situation again when all data is available and send a revised table to Eurostat.

As regards the implementation of the necessary data revisions, Statistics Austria thought that most of the adjustments in the more current years are small or even negligible. In view of this fact, the implementation is planned for the next benchmark revision in 2024. The year 2019 will of course already show the corresponding corrections. Eurostat took note of the plan from Statistics Austria and recalled that the next EDP reporting period covers the years 2016 to 2019 and that it is, in general, expected that for those years all necessary revisions were to be incorporated. In the present case, however, the expected revisions are in fact extremely small, which means that there is a certain flexibility with regard to their implementation. Nevertheless, Eurostat asked Statistics Austria to reconsider the planned approach and to correct, at least, the years 2017 and 2018 in the April 2019 EDP notification, even if the actual impact is marginal.

Findings and conclusions

Eurostat noted that the specific accounting treatment of ex-ante factoring operations in the Austrian public finance statistics is related to the unclear guidance as regards the type of operations/ transactions to be recorded in the accounting line ‘nicht fällige Verwaltungsschulden’ provided in the VRV 1997. STAT was able to demonstrate that the associated issue had been recognised, was limited in amount and no longer existed with the implementation of the VRV 2015.

Action point 11: Eurostat agreed with Statistics Austria to implement the B.9 revisions stemming from the ‘Forderungseinlösemodell’ for the period 2001-2017⁹ in the next benchmark revision, due to the small size of the amounts in question. **Deadline October 2024 EDP notification.**

Eurostat also noted that, in theory, the change in debt (nominal value) should be equal to the impact on B.9 and this has not been observed for some of the years. While STAT thought that this could be partly explained by incomplete coverage (on the nonfinancial side), STAT agreed to reconcile the amounts further. **Deadline End of May 2020.**

4. Methodological issues

4.1. Sector delimitation

⁹ As a result of internal discussions, Statistics Austria will implement the B.9 revisions for the years 2017 and 2018 in the context of the April 2020 EDP notification.

Introduction

Prior to the EDP dialogue visit, Statistics Austria provided a list of units newly established in 2019 whose sector classification has not yet been finalised and a list of units whose sector classification is currently under review.

Discussion

Eurostat enquired more about the entities whose sector classification is under review, in particular, the business of the entities and their size in terms of debt and B.9 impact.

Statistics Austria explained that it concerns two foundations (Leopold Museum Privatstiftung and Stiftung Hartheim) a university (Gustav Mahler Privatuniversität) and an entity which operates local public transport (KMG Klagenfurt Mobil GmbH). The main question in the case of the two foundations and the university is whether they can be considered as controlled by government. For the local public transport company, the issue is whether it will pass the 50% criterion (composition of the sales). The entities do not have a significant size in terms of B.9 and debt. Statistics Austria thought that the analysis of the respective units was still at the very beginning, consequently, it would not be appropriate to anticipate any conclusions.

Findings and conclusions

Eurostat noted that the entities whose sector classification is under review are small and that any impact will therefore be limited. Eurostat asked Statistics Austria to finalise its analyses in the near future and to inform Eurostat about the results.

Action point 12: Statistics Austria will finalize the analyses of the sector classification on four units under review (Gustav Mahler Privatuniversität, Leopold Museum Privatstiftung, KMG Klagenfurt Mobil GmbH an Stiftung Hartheim) and will report the results to Eurostat: **Deadline End of August 2020.**

4.1.1. Questionnaire on government controlled entities classified outside the government sector

This agenda point was not specifically discussed during the EDP dialogue visit.

4.1.2. Practical aspects of sector classification

4.1.2.1. 50% criterion, 80% criterion and qualitative criteria

Introduction

During the 2017 EDP dialogue visit, the calculation of the 50% criterion was reviewed by Eurostat. In particular, the calculation of the consumption of fixed capital, which is included in the calculation of the 50% criterion, was examined more closely. Eurostat questioned whether the consumption of fixed capital to be recognised in the 50% criterion could be sufficiently accurately approximated by the depreciation reported in the P&L accounts. Statistics Austria considered the use of the business accounts data as sufficiently accurate since there were no borderline cases (large entities which are close to the 50% threshold). The only exception is ASFINAG. For this unit, consumption of fixed capital is not taken from the business accounts but is calculated approximately on the basis of the perpetual inventory method (adjusted PIM value of the corresponding NACE category).

In addition, to the 50% criterion, Statistics Austria also uses an 80% quantitative criterion to identify ancillary units of government and as a statistical and resource-saving approach to implement the other qualitative criteria set out in ESA 2010 paragraphs 20.25 - 20.26. With the 80% criterion, it is checked whether a public entity generates more than 80% of its turnover with units in the general government sector. If this is the case the entity is classified within the government sector. However, the 80% criterion is not reviewed/applied regularly.

Discussion

Statistics Austria explained that there have been no major changes in the calculation of the 50% criterion since the 2017 EDP dialogue visit. Business accounts are still the usual data source. There is a known exception, where the business accounts data deviate substantially from national accounts concepts, i.e. ASFINAG. The core asset of ASFINAG recognised in the business accounts is the ‘usus fructus’ a non-depreciable intangible asset. In this case the consumption of fixed capital used for the calculation of the 50% criterion is derived from the perpetual inventory method.

Statistics Austria further informed that the questionnaire ‘Meldung neuer Einheiten’ (used for the identification of newly established entities) includes now the 80% criterion for ancillary corporations.

Findings and conclusions

Eurostat took note that the calculation of the 50% criterion has not changed since the 2017 EDP dialogue visit, i.e. that, in general, the depreciation recorded in the business accounts is used. If, however, the business accounts reporting impairs the value of the depreciation, Statistics Austria tries to adjust the depreciation closer to the concept of consumption of fixed capital used in national accounts. Eurostat also noted that Statistics Austria has added a new line to the questionnaire ‘Meldung neuer Einheiten’, which allows to identify ancillary units of government and to classify them accordingly.

4.1.2.2. Classification of public financial entities (financial intermediaries, captive financial entities etc.)

Introduction

Under this agenda item the approach used for classification of public financial entities was reviewed.

Discussion

Statistics Austria informed that the procedure for the classification of public entities follows, in principle, a two-step approach, i.e., first to identify possible cases of public financial entities and second to decide on their classification.

In practice, the first step is mainly done by the unit “Public Accounts and Tax Statistics” at Statistics Austria in corporation with the business register. The starting point is the ‘Meldung neuer Einheiten’ a survey on newly established entities. All units of the government sector have to inform Statistics Austria within two months if they have founded a new unit (see also section 4.1.3.3). In addition, new public entities will also show up in the statistical business register; and/ or specific and significant transactions und restructuring activities may be identified when the government accounts are compiled.

The second step is the classification within the public sector, in particular, whether the public financial entity should be classified in the government sector. In this context, ESA paragraphs 20.5 to 20.55 are analysed. The most common issue that arises with financial entities is whether the entity is to be considered as an ancillary unit or as a special purpose entity. In particular, the following public financial entities are analysed more intensively: (1) entities within a public enterprise group that are predominantly financing government entities of the group, (2) entities whose balance sheet or profit and loss accounts exhibit very unusual characteristics (e.g. negative equity), (3) entities that come into existence or are substantially altered as the result of a major restructuring of assets or liabilities.

Findings and conclusions

Eurostat took note of the explanations provided and recalled that the classification of public financial entities has been intensively discussed in recent meetings of the EDPS WG. At the same time, a Task Force on the classification of development banks has been set up by the Committee on Monetary, Financial and Balance of Payments Statistics (CMFB), headed by Eurostat. Eurostat recommended to follow these discussions and to adapt the process of classifying public financial units if necessary.

4.1.3. Sector classification of specific entities

Hospitals

The classification of hospitals was put on the agenda by Eurostat at short notice, following the discussion/ presentation of survey results at the EDPS Working Group meeting in December 2019.

Introduction

Given the responses of Statistics Austria to the 2018 Eurostat survey on the classification of hospitals, Eurostat again reviewed the classification of the Austrian hospitals in national accounts. There are 275 hospitals in Austria of which 150 are public hospitals (classified in the government sector), 39 hospitals are considered to be non-profit hospitals (classified in the NPISH sector S.15) and 86 hospitals are considered to be private for-profit hospitals (classified in non-financial corporations sector). According to the replies to the aforementioned Eurostat survey, there are some doubts about the current classification of the non-profit hospitals. In particular, the responses give rise to the assumption that the non-profit hospitals can be regarded as controlled by government or even have no decision-making autonomy.

Discussion

Eurostat referred to the information provided by Statistics Austria in the questionnaire (see above) and stated that some elements would question the current classification of the non-profit hospitals in the NPISH sector in national accounts. These relate in particular to the information that non-profit hospitals need authorisation by government to set up specific medical departments, to close down departments or to increase/ decrease the number of beds within a department. Non-profit hospitals also cannot decide on the allocation of beds between, or within, various departments.

In addition, government fixes the number of beds of individual hospitals, finances the majority of the capital formation of non-profit hospitals and government approval is necessary when a hospital management/ hospital owner decides that a hospital should be closed down permanently.

Furthermore, non-profit hospitals, like public hospitals, must accept every patient, whereas this does not apply to private hospitals, and government is also dominating the financing of non-profit hospitals similar to public hospitals. Eurostat noted that some of these elements could be considered sufficient on their own to indicate the existence of government control, but even assuming that all these elements are not individually sufficient, all elements taken together point to the existence of government control. Consequently, the non-profit hospitals would have to be classified in the government sector and not in the NPISH sector.

Statistics Austria replied that some of the information provided in the questionnaire mentioned above represents more a general rather than a detailed view of the situation of Austrian hospitals. Before

drawing far-reaching conclusions, the information provided must be re-examined and, if necessary, adjusted.

Statistics Austria further remarked that a basic indicator for control, which is also considered to be individually sufficient for the indication of government control, is the appointment of the management of the hospitals. The management of the non-profit hospitals is clearly not appointed by the government, but, for example, by the church, which owns a number of these hospitals. It should also be noted that the employment contracts are not public contracts but private contracts. The right to give instructions to the staff is with units that are not classified in the government sector and the wages paid also differ.

Non-profit hospitals are in this respect more similar to private hospitals. In addition, some hospitals are part of bigger groups, which would not be classified in the government sector. With regard to the strong regulation, Statistics Austria was of the opinion that this was not uncommon. Of course, the government would intervene organisationally in a sector like hospitals. Hospitals would adapt to the legal requirements and align their business accordingly, but this would not constitute government control.

Eurostat took note of Statistics Austria's comments, but pointed out that the non-profit hospitals are more similar to public hospitals than to private hospitals or, conversely, there is - apart from the fact that NPISH do not distribute profits to its owners - a greater difference between private hospitals and non-profit hospitals regarding the aforementioned elements.

In general, concerning control of non-profit institutions ESA 2010 paragraph 20.15 indicates that the following five criteria should be considered: appointment of officers, other provisions of the enabling instrument, contractual agreements, degree of financing and risk exposures. It appears that four of the five criteria relating to non-profit hospitals can be considered as fulfilled. Only the first criterion, the appointment of officers, which, if present, would directly indicate government control, is not met.

However, Eurostat also noticed that Statistics Austria wanted to verify the information provided in the questionnaire once again and was therefore of the opinion that the sector classification of non-profit hospitals should be analysed once again by Statistics Austria. The analyses should refer to the above-mentioned control elements and spotlight the differences/ common features between public and non-profit hospitals as well as between private and non-profit hospitals.

Findings and conclusions

Action point 13: Statistics Austria will further investigate the sector classification of the 39 non-profit hospitals (currently classified in S.15) following the discussion in the meeting. With reference to ESA 2010 para 20.15 and para 20.309 the following aspects will be taken into account: the appointment of officers, potential differences among the non-profit hospitals as well as the identified elements of public control (enabling instrument, contractual agreements, degree of financing, risks). In particular, given that dissolution should be agreed by government; the bed count is set by government; approval and financing of main investment by government; provision of guarantees by government; covering some losses by government, Eurostat wondered if, overall, non-profit hospitals resembled more to public hospitals in Austria than to private ones: **Deadline End 2021.**

- 4.1.3.1. Follow-up on the classification of deposit guarantee schemes
The specific case of the Sparkassen-Haftungs-GmbH

Introduction

In the context of the 2017 EDP dialogue visit, the deposit guarantee schemes in Austria were analysed. In this context, Statistics Austria stated that the deposit guarantee system will change from 2019. The new system foresees a single protection scheme (the 'Einlagensicherung AUSTRIA GmbH') instead of five schemes but it allows exceptions for the banking sector, i.e., the creation of a separate deposit

protection scheme. However, a requirement for this is that such a scheme covers at least 15% of the guaranteed deposits of the Austrian banking sector. The result of the discussions held in 2017 was that the five¹⁰ deposit guarantee schemes existing at that time were to be classified in the government sector. In addition, the new single protection scheme, once established, should also be classified in the government sector.

Only one entity, the 'Sparkassen-Haftungs GmbH', has so far claimed the exemption provided for in the new system. With effect from January 2019, the Austrian Financial Market Authority (FMA) officially recognised the institution-related protection system of the domestic savings banks ("Haftungsverbund") as a deposit insurance scheme under the Deposit Guarantee and Investor Compensation Act (ESAEG). Since then, the 'Haftungsverbund' traded under the name of 'Sparkassen-Haftungs GmbH'. After the 'Sparkassen-Haftungs GmbH' was established, Statistics Austria also classified it in the general government sector.

However, the 'Sparkassen-Haftungs GmbH' questioned the classification decision of Statistics Austria, which was based on the discussion of the 2017 EDP dialogue visit. Statistics Austria therefore asked for a further discussion of this issue together with an authorized representative of the 'Sparkassen-Haftungs GmbH'. Prior to the 2020 EDP dialogue visit, Statistics Austria presented a document summarising the main arguments of the 'Sparkassen-Haftungs GmbH' against a classification in the government sector.

Discussion

The representative of 'Sparkassen-Haftungs GmbH' took the view that the 'Sparkassen-Haftungs GmbH' is a contractual (non-statutory) protection scheme and argued that it could not be regarded as controlled by the government and that it has decision-making autonomy. The representative of 'Sparkassen-Haftungs GmbH' referred, in particular, to the control criteria set out in ESA 2010 paragraph 2.39 and explained that the managing directors are exclusively appointed by the general assembly and that the entity has full decision-making autonomy (similar to credit institutions) especially with respect to the pay-out procedure and the use of alternative financing capabilities.

In addition, the member institutions fund both the administrative budget and the financial resources for the deposit guarantee fund. The contributions to be paid by members would also be based on individual risk and the role of the financial market authority would be limited to a pure supervisory function. Furthermore, alternative forms of financing must be implemented on a legal basis. However, the 'Sparkassen-Haftungs GmbH' might also have recourse to a government guarantee for its lending operations, but this would only occur in very exceptional cases. In summary, the representative of the 'Sparkassen-Haftungs GmbH' took the view that the 'Sparkassen-Haftungs GmbH' should be regarded as not being controlled by the government.

Furthermore, it has full decision-making autonomy and should therefore be regarded as a private entity to be classified in the financial corporations sector in national accounts. It was also emphasized that the 'Sparkassen-Haftungs GmbH' is not only a pure fallback solution, as the savings banks in the liability network are mutually responsible for the continued existence of the member banks. This ensures the solvency of the saving banks and avoids a deposit default.

Eurostat took note of the position of the representative of Sparkassen-Haftungs GmbH, but wanted to know more about the Sparkassen and Sparkassen-Haftungs GmbH – notably the number of units involved, their owners, whether these units hold a banking licence, if they are profitable, whether they distribute dividends and, finally, how the scheme has been organised in detail. It was explained that the Austrian saving banks are legal persons under private law. They were founded by municipalities or associations and have as special characteristics the lack of ownership and non-profit status. The saving

¹⁰ The five main protection schemes were 'The Einlagensicherung der Banken & Bankiers GesmbH', the 'Sparkassen-Haftungs AG', the 'Österreichische Raiffeisen Einlagensicherung eGen', the 'Volksbank Einlagensicherung eG' and the 'Hypo-Haftungs-GesmbH'.

banks have also the possibility to transfer their business activities to a public limited company. The shareholders of these public limited companies are the old ownerless saving bank, which then have been converted into share management saving banks or into saving bank foundations. The executive bodies of savings banks are the Board of Management and the Supervisory Board (in the case of public limited companies) or the Savings Bank Council (in the case of the ownerless savings banks). Saving banks can distribute dividends, for example, to the foundations, which then spend the money for well-defined activities. The operating saving banks hold a banking licence. The Austrian saving banks 'sector' consists of the 'Erste Group Bank AG', 'Erste Bank der österreichischen Sparkassen' another 46 saving banks and the 'Die Zweite Wiener Vereins-Sparkasse'. 'Erste Group Bank AG', which is by far the largest saving bank, is listed on the Austrian stock exchange and distributes dividends to its shareholders.

As regards the financing of 'Sparkassen-Haftungs GmbH', it was explained that the saving banks are obliged to make pro rata contributions without delay on the basis of a specific distribution key in the event of a deposit default of a saving bank. If necessary, the other protection scheme (i.e., the statutory single protection scheme) must also step in and also raises pro rata contributions. If the funds raised in this way are not sufficient, the 'Sparkassen-Haftungs GmbH' raises the remaining amount on the capital market. The MoF can provide a guarantee for these lending operations in accordance with special statutory authorization.

Eurostat pointed out that the 'Sparkassen-Haftungs GmbH' has strong similarities with the single protection system (see above) which all banks, except saving banks, are required to join. Otherwise, the 'Sparkassen-Haftungs GmbH' would not be recognised as an equivalent substitute to the statutory single protection scheme. However, Eurostat also took note that the 'Sparkassen-Haftungs GmbH' provides not only deposit protection but also tries to ensure the solvency of the saving banks, which ultimately aims to avoid a deposit protection case. Savings banks are, however, required either to join the single protection scheme or the 'Sparkassen-Haftungs GmbH', which means that the 'Sparkassen-Haftungs GmbH' *de facto* enjoys obligatory membership.

In general, the 'Sparkassen-Haftungs GmbH' does not differ fundamentally from the single protection scheme; it should rather be regarded as a kind of derivative. All provisions that are relevant for the single statutory protection scheme in the event of a deposit guarantee case are also to be applied analogously by the 'Sparkassen-Haftungs GmbH' (e.g. determination of the existence of a compensation case, precise timetable to be followed in the case of a compensation event, compensation to be paid etc.). Thus, the 'Sparkassen-Haftungs GmbH' might be considered to be controlled by government via the ESAEG regulation.

A further point is that the ESAEG provides that if the funds of the 'Sparkassen-Haftungs GmbH' were fully used and additional contributions were called from the member banks, a possible still existing need of resources is to be provided by the statutory single deposit protection scheme in proportion to its own covered deposit. If the pro rata obligations of the statutory single deposit protection scheme have also been used, the 'Sparkassen-Haftungs GmbH' has to raise the remaining amount on the capital market. In principle, the statutory single protection scheme has to contribute proportionately to these credit transactions; in addition, the MoF can provide a guarantee on the credit transactions in accordance with special statutory authorisation.

Eurostat stressed that the government has thus *de facto* the function of a lender of last resort. Eurostat also referred to the 2019 MGDD chapter '1.5 Units engaged in financial activities' where paragraph 20 provides that entities whose function is to fulfil the regulatory required targets normally covered by the deposit protection fund are classified inside government – even if those entities are organised as private entities. This is because they were only created to implement a government programme. Taking into account all the aforementioned aspects, Eurostat was of the opinion that the scheme is to be classified in the general government sector.¹¹

¹¹ Alternatively, the Sparkassen-Haftungs GmbH could, if possible, be divided into two parts: A part/ scheme that serves to protect the deposits of the individual savers and a part/ scheme that serves to secure the solvency of the saving banks. The

Findings and conclusions

Action point 14¹²: Eurostat and Statistics Austria confirm the classification of the deposit guarantee scheme of the Austrian saving banks in government, taking into account that, in case of need, the other deposit guarantee scheme would be called (up to a certain limit, in case when accumulated assets are insufficient to meet the obligation) and that the ‘Bund’ would have to step in as last resort: **Deadline April 2020 EDP notification.**

4.1.3.2. Follow-up on the classification of quasi-corporations

This agenda point was not specifically discussed during the EDP dialogue visit.

4.1.3.3. Existence of public financial entities lending solely to its owners and/or subsidiaries of its owners

Introduction

In the 2017 EDP dialogue visit, a financial entity was discovered which was classified in subsector S.127. This entity provided mostly financial services (loans) to the companies of its parent, the ‘Holding Graz’, but also, to a smaller extent, to the city of Graz and its extra-budgetary entities. The entity was finally reclassified to the local government subsector. Statistics Austria explained in this context that no other such entities would exist in Austria.

Discussion

Eurostat understood that Statistics Austria carried out a special analysis in order to identify entities which are mainly providing loans to government entities and its subsidiaries. However, Eurostat wonders how Statistics Austria can ensure in the future that such units can be identified. It was explained that an important tool for this is the survey on newly established entities (‘Meldung neuer Einheiten’). If a government unit has created a new unit, it has to inform Statistics Austria within two months via the survey ‘Meldung neuer Einheiten’. In general, the information collected via the survey is sufficient to carry out the sector classification of the new entity, but in complex cases Statistics Austria may – if necessary - collect more information. Among other things, information is collected on: date of foundation, company register number, founder/ controlling entity, a detailed description of the business activity, (expected) sales to government entities, other (expected) revenues, financing of the new entity, (expected) impacts (stocks and flows) on the accounts of the founder.

For example, with regard to financing, information must be provided on (1) how the funding is provided and (2) what is to be financed. That means that information has to be provided on whether the entity takes loans from banks or the government, whether there are transfers from government entities or whether the unit finances itself from the sales. In addition, the existence of government guarantees has to be notified. As regards the use of funds, the founder of the entity has to indicate whether they are intended for new buildings, compensation of employees or the provision of loans. The founder is required to provide a detailed list with figures – if available.

The founder of the entity has also to indicate which accounts (stocks and flows) are (expected) to be impacted due to the creation of the new entity, i.e., it has to provide all revenue and expenditure which are either deleted, changed or added in the accounting system.

Statistics Austria thought that the information collected in the survey ‘Meldung neuer Einheiten’ allows to identify such public financial entities that provide most of its financing to government entities, since it is possible to see whether loans are granted to government, how much revenue is generated with government and which type of revenue is generated with government (e.g. interest

former would then also be classified in the government sector while the latter would be classified in the financial corporations sector.

¹² Accomplished.

revenue). In addition, all public entities classified in the financial and non-financial corporations sector are periodically reviewed or if Statistics Austria received a request for reclassification.

Findings and conclusions

Eurostat took note of the detailed information asked via the survey ‘Meldung neuer Einheiten’ and that this information allows to identify the business of the entity (e.g. the financing of the entity and what is financed by the entity) and whether government is the main client of the entity.

4.1.3.4. Public transport companies

Introduction

The ‘ÖBB Personenverkehr AG’ was founded in 2004 and started passenger transport operations, by train and by bus, in January 2005, as set out in the Federal Railways Act 2003. The company is a wholly owned subsidiary of the ÖBB-Holding AG. The ÖBB-Holding is the holding company of the ÖBB Group. All shares of ÖBB-Holding are owned by the Republic of Austria, the administration of share rights is the responsibility of the Federal Ministry for Transport, Innovation and Technology.

The ‘ÖBB Infrastruktur AG’ is responsible for developing, maintaining and operating the rail infrastructure, train stations, buildings, terminals etc. in Austria. The ÖBB-Infrastruktur AG is a 100 percent subsidiary of ÖBB-Holding AG. Both the ‘ÖBB Personenverkehr’ AG and the ‘ÖBB Infrastruktur AG’ are classified in general government sector in national accounts.

Under this agenda point, the existing classification of public transport companies at regional and local level was briefly reviewed.

Prior to the EDP dialogue visit, Statistics Austria provided a brief description of the public transport at the state and local government level.

Discussion

Statistics Austria informed that several railway companies exist at the state and local government level in Austria. They provide regional public transport, act as local cargo companies (partly with subsidiaries in other countries). There are also some tourism-oriented railway entities operating historical locomotives.

The railway companies are mostly owned (by majority) by state governments or (several) local governments. The ‘Bund’ also owns some regional railway companies (e.g. Graz-Köflacher Bahn und Busbetrieb GmbH). In addition to public railway companies, some private companies exist, some of which also cooperate with public railway companies.

For railway companies active in public transportation there is often a service contract (‘Verkehrsdienstvertrag’) with the Federal Ministry of Infrastructure and Transportation in place. These contracts are subject to a public tender. The majority of services of this kind is offered by the ‘Österreichische Bundesbahn’ (classified in S.13). In 2016, the ‘Österreichische Bundesbahn’ accounted for more than 90% of the payments made under the ‘Verkehrsdienstvertrag’, the rest was accounted for all other companies providing public transport. According to Statistics Austria, these payments are recorded as a subsidy on product (D.319) in the EDP/ GFS accounts. Most of the companies are classified in the non-financial corporations sector (16 out of 18 entities). The results for the 50% criterion are generally well above 50%.

Furthermore, so called ‘Verkehrsverbünde’ exist. These entities coordinate the companies providing public transport (either by train, bus, tram or subway) in a specific region. They are mostly classified in the non-financial corporations sector (S.11), given that most companies providing public transport are classified in the non-financial corporations sector.

Eurostat inquired about the basis for calculating the payments made under the ‘Verkehrsdienstvertrag’, in particular whether the payments were made per train-kilometre or per passenger. While there is agreement at European level that payments per passenger should be regarded as subsidies on product, there would be considerable doubt as to whether this would also apply to payments made per train-kilometre. Eurostat as well as some Member States consider that payments per train-kilometre should be recorded as subsidies on production, with the consequence that these payments should not be considered as sales for the calculation of the 50% criterion. Payments per train-kilometre might be seen as a subsidy to reduce the cost of an input factor (use of tracks) of the railway company.

Statistics Austria explained that the ‘Verkehrsdienstvertrag’ provides which train rides are ordered on which route, what quality of the train rides (i.e., quality of the carriages, cleanliness, punctuality etc.) and what payment the railway companies receive. If a railway company does not adhere to the agreed contractual terms, there is a penalty system, and if the targets are exceeded, the railway company receives a bonus. In addition, there also other form of payments to the railway companies, for example, subsidised tickets for students or retired persons. In the ‘Verkehrsdienstvertrag’, train-kilometres are ordered, i.e., the payments made to the railway companies are based on train-kilometres. The basis for these contracts (‘Verkehrsdienstvertrag’) is Regulation (EC) No 1370/2007 of the European Parliament and of the Council of 23 October 2007. The Regulation provides the conditions for the compensation of service operators when government awards public service obligations.

In this context, Eurostat asked about the sector classification of the ‘Österreichische Bundesbahnen-Holding Aktiengesellschaft’ (ÖBB holding) in national accounts. It was explained that the ÖBB holding is classified in the non-financial corporations sector (S.11). Eurostat wondered whether the classification was correct in view of the fact that the two most important shareholdings, the ‘ÖBB Personenverkehr AG’ and the ‘ÖBB Infrastruktur AG’, of the ÖBB holding are classified in the general government sector and the other (except ‘Rail Cargo’) shareholdings appear to be relatively small. Of the total of about 42,000 employees of ÖBB holding, about 25,000 work in the infrastructure and passenger transport entities (both classified in government) and only about 18,000 employees (of which 9,000 employees work for Rail Cargo) work in units not classified in the government sector - i.e., the government part of the ÖBB holding is 60% and the non-government part is only 40%. Statistics Austria mentioned that the debt of these two entities was allocated to the government sector and not to ÖBB holding.

For the bus companies it was explained that the data for the calculation of the 50% criterion are from the structural business survey and that it is not possible to see whether the sale proceeds from tickets include subsidies on production.

Findings and conclusions

Action point 15: The Austrian statistical authorities will provide a detailed analysis on the organisation of railway and bus companies operating on the federal, state and local government level as well as on the sector classification of these companies, notably clarifying the treatment of the public service obligation (PSO) payments and the application of the 50% test: **Deadline End of September 2020.**

Action point 16: Statistics Austria will analyse the sector classification of the ÖBB holding, taking into account the fact that this entity is serving the group where two of the three largest units are classified in S.13: **Deadline End of July 2020.**

4.2. Time of recording

4.2.1. Taxes and social contributions

Introduction

The time of recording of taxes and social contributions was discussed on a regular basis during the past EDP dialogue visits. Statistics Austria records taxes either on a time adjusted cash basis or on a cash basis. The review of the tax data also includes the review of the tax refunds offset against the tax revenue, that is, whether the refund profile has changed over time and, where necessary, if this was taken into account in the time adjustment of the tax revenue. Social contributions are recorded on the basis of assessments/ declarations. The last transmission of the questionnaire on taxes and social contributions took place in December 2019. Prior to the EDP dialogue visit Statistics Austria provided a table with expenditure items which are directly financed from tax revenues and thus reducing the tax revenues, but which are recorded gross in national accounts (i.e., both on the revenue side and on the expenditure side in the EDP/ GFS accounts) in order to show the actual tax burden and the actual government support in the form of social benefits in kind, investment grants, other capital transfers or other miscellaneous transfers.

Discussion

Statistics Austria informed that no major changes in the recording of taxes and social contributions have taken place since the 2017 EDP dialogue visit. The only change carried out in the recent years concern the implementation of the gross recording of value added tax for cross-border electronic services (implemented with the April 2018 EDP notification).

Cash inflows to taxes are adjusted as follows: value added tax (2 months), tax on mineral oils (2 months), duty on vehicles based on fuel consumption (2 months), tax on tobacco (2 months) and wage tax (1 month). Statistics Austria further explained that social security contributions are largely based on assessments net off write-offs.

Regarding the gross presentation of the cash inflows of taxes, Statistics Austria explained that this concerns mainly the research premium (financed through the corporation tax and partly through the income tax), the premium for household's savings tied to construction - 'Bausparprämie' (financed through the income and wage tax), the children's tax credit - 'Kinderabsetzbetrag' (mainly financed through the wage tax partly through the income tax). There are also the premium for provision of old-age ('Zukunftsvorsorge'), the education premium ('Bildungsprämie'), the investment premium ('Investitionszuwachsprämie'), the premium for training apprentices ('Lehrlingsausbildungsprämie'), the premium for provision of pensions and the housing benefit ('Mietzinsbeihilfe'), but these are far less important. The related expenditure are netted in the (quarterly and yearly) tax revenue reported by the 'Bund'. The amounts (revenues/ expenditures) are recorded gross in national accounts and no time adjustment is carried out in this context.

Payable and non-payable tax credits exist in Austria. These are the 'sole earners' tax credit' (payable), the 'single parent's tax credit' (payable), the 'commuter tax credit' (non-payable), the 'pensioner's tax credit' (non-payable), the 'family bonus' (from 2018 onwards, non-payable). They are financed through the income tax.

Statistics Austria added that social contributions are based on assessments ('Beitragsvorschreibungen') of social security institutions. Write-offs are not estimated but assessed by social security institutions. The write-offs are recorded as negative entries in employer's actual social contributions (i.e., they are netted out). To a minor extent, information on social contributions is also provided by central, state or local government entities. These data are cash data and are recorded when they are paid.

Eurostat enquired more about the quite new 'family bonus', in particular, how the tax credit works and what financial impacts are to be expected in the government accounts. It was explained that the 'family bonus' is a deductible amount of EUR 1,500 per child and year until the child reaches the age of 18. After the child's 18th birthday, a reduced 'family bonus' of EUR 500 per year is available, provided that the family allowance is received for this child. It is expected that the measure, once fully effective, will amount to around EUR 1,5 billion per year. However, with the implementation of the

‘family bonus’ other measures will be discontinued. The net impact of the ‘family bonus’ will be therefore approximately EUR 1,2 billion. The expected effect for 2019 is around EUR 750 million, but there is a high degree of uncertainty on whether the amount actually materialises (figure for the employees will be lower and taxpayers will request the ‘family bonus’ ex post). For 2020, the impact will be higher.

Eurostat took note of the detailed explanations and asked whether Statistics Austria could also provide a table with tax refunds, i.e. with the repayments made by the government if the tax prepayments exceeded the tax due. Statistics Austria thought that this should be, in principle, possible (at least on an aggregated basis) but that such a table is currently not available.

Next, Eurostat reviewed briefly EDP Questionnaire table 5 and asked what has been recorded in line 25 (F.89 related to D.2). It was explained that this line is related to emission permits. Eurostat recommended to remove the entries made in this line as well as in line 31. Eurostat continued and asked about the content of line 29, i.e., ‘stocks of other accounts payable (AF.89) relating to total taxes and actual social contributions. Statistics Austria indicated that the amounts reported in this line refer to tax liabilities reported on the balance sheet of the ‘Bund’, i.e. it stock information. Eurostat remarked that Questionnaire table 5 could be compiled in two ways: either the table is calculated on the basis of net flows (time adjusted cash) or on a gross basis using balance sheet information. Here the upper part of Questionnaire table 5 is on a net basis whereas the lower part is based on balance sheet information. A mixture of stock information calculated on the basis of actual net flows and stock information used from the balance sheet (gross information) gives an incorrect picture of the stock of government assets compared with the stock of government liabilities, i.e. the net position of government looks worse than it is.

Eurostat further asked why the F.89 and AF.89 positions are marked with an ‘L’ for the years 2010 and before. Statistics Austria explained that, for these years only information on write-offs is available but not on the amounts expected to be lost, which is actually required. Eurostat thought that the write-offs could be used in order to improve the completeness of the table. In addition, Eurostat asked whether information on tax refunds is available. If this is the case, the corresponding amount(s) should either be allocated to a line in the table, or alternatively, approximately allocated to the different tax categories.

Findings and conclusions

Action point 17: The Austrian statistical authorities will provide data on settlements of tax refunds (taxpayers’ assets when their tax prepayments exceed tax due). Statistics Austria will also explain the existing link between these flows and the stocks of government liabilities AF.8 reported in EDP Questionnaire table 5: **October 2020 EDP notification.**

Action point 18: Statistics Austria will investigate the stock of liabilities AF.8 reported for taxes and social contributions in the EDP Questionnaire table 5, taking into account that the stock of receivables AF.8 is calculated on net cash flow basis, and will adjust the table if needed: **April 2020 EDP notification.**

4.2.2. Interest

Introduction

Eurostat thanked Statistics Austria for the ad hoc table on interest and table 3B1 provided for the EDP dialogue visit. The ad-hoc table on interest is based on data provided by the Austrian Treasury (OeBFA) and includes therefore only data of the central government core entity. The financial results of the defeasance structures are not included in the table. The same applies for table 3B1. With the ad hoc table on interest, Eurostat reconciles the consolidated debt at face value and at nominal value by adding to the face value the stock of coupons and the stock of discounts and premiums. Compared to the 2017 EDP dialogue visit, there was only one major change in the recording of interest, which

concerns the treatment of interest of own holdings (so called 'Eigenquote'). The 'Eigenquote' represents a portion of the issuance volume that was retained by OeBFA. In general, OeBFA retains between 10% and 15% of the auctioned bonds (issuance volume) as own holdings on its balance sheet. If these bonds were sold later on with a discount or premium, those discounts/ premiums were previously not recorded as interest payable/ receivable (D.41) in the non-financial accounts. In the context of the 2019 October EDP notification, Statistics Austria informed Eurostat about the issue and provided already revised data on interest.

Discussion

Eurostat noted that the ad hoc table appears to be filled largely consistently, but that there are still a few points to be clarified. Firstly, this concerns the development of the time series of the figures for coupons sold, which in 2017 were about a quarter lower than in the years before and remained at the lower level also in 2018. The representative of OeBFA explained that this pattern was related to the fact that some zero interest rate bonds were issued in those two years.

Another issue relates to the comparison of relation 17 of the ad hoc table with the row "Difference between interest accrued(-) and paid (D.41)(4)(+)" of Table 3B1, which should, in principle, be identical (provided that both tables have the same coverage) but actually shows slight differences. Statistics Austria first explained that there is a difference between EDP Table 3B and Table 3B1 due to a different treatment of the premiums/ discounts from own holdings. EDP Table 3B is compiled on a consolidated basis. Therefore, the premiums and discounts from own holdings are not included in the table. In contrast, Table 3B1 contains the premiums/ discounts because it would have been difficult to distinguish whether a counterpart position of the central government subsector relates to the central government core unit, the 'Bund', or to other units classified in the central government subsector. Statistics Austria suspected that the reason for the observed discrepancy could also be the different presentation of premiums/ discounts in connection with the own holdings. However, the respective calculations would be re-examined in detail and Eurostat would be informed about the reason for the observed difference and, if necessary, a revised ad hoc table on interest would be provided. Eurostat added that smaller differences can also be observed when comparing the relations 8 (discounts/ premiums at issuance), 12 (amortisation of premiums/ discounts) and 19 (operations on coupons) of the ad hoc table on interest with the row "Difference between interest paid (+) and accrued (D.41)(-)" in EDP Table 2A. In this context, the link between the row "Difference between interest paid (+) and accrued (D.41)(-)" in EDP Table 2A and the row "Difference between interest accrued(-) and paid (D.41)(4)(+)" in EDP Table 3B should also be reviewed. In principle, the sum of the row "Difference between interest accrued(-) and paid (D.41)(4)(+)" and the row "Issuances above(-)/below(+) nominal value" of EDP Table 3B is close to the amounts provided in the row "Difference between interest paid (+) and accrued (D.41)(-)" in EDP Table 2A but not for the years 2016 and 2017. Eurostat wondered whether the differences were mainly due to extra-budgetary units or whether there were other reasons and asked Statistics Austria to consider this in its analysis.

Subsequently, Eurostat enquired about the data situation for the calculation of the stock of coupons and the stock of premiums/ discounts. While the data situation regarding coupons poses, in principle, no problems (the stock of coupons could be easily compiled), the situation of data availability for calculating the stock of premiums/ discounts is generally more difficult. The representative of OeBFA thought that the data availability is sufficient in Austria. The issue price of each bond is available, and each tranche is recorded separately in the database (i.e., a line-by-line database exists), and if a bond is bought back, the average price method is applied. Eurostat recognised that this would allow compiling the stock of premiums/ discounts.

Finally, Eurostat referred to the FISIM shown in the ad hoc table on interest and asked whether it includes FISIM only for the central government core unit or for the whole central government subsector, and whether the FISIM corresponds to both interest revenue and interest expenditure. In principle, the FISIM to be reported in the ad hoc table on interest should relate only to the government debt and not to government assets. Statistics Austria presumed that the FISIM probably refers to the central government subsector because of the calculation method. However, the issue would be re-

examined, as well as the question whether the value provided in the ad hoc table includes FISIM on interest revenue.

Findings and conclusions

Action point 19¹³: The Austrian statistical authorities will review EDP Table 3B1 (for the ‘Bund’), as regards the reported premiums/ discounts in 2018, which would likely allow to reconcile the interest related adjustments reported in EDP Table 3B1 and the EDP Table 2A: **Deadline April 2020 EDP notification.**

4.2.3. Gross capital formation (GCF)

This agenda point was not specifically discussed during the EDP dialogue visit.

4.2.4. Military expenditure

This agenda point was not specifically discussed during the EDP dialogue visit.

4.2.5. EU flows

This agenda point was not specifically discussed during the EDP dialogue visit.

4.2.6. Other (social benefits, compensation of employees, subsidies, financial transactions)

This agenda point was not specifically discussed during the EDP dialogue visit.

5. Specific government transactions

5.1. Re-arranged transactions

This agenda point was discussed in the context of agenda point ‘2.7 Rearrangement of OeEB transactions/ programmes in the context of the 2019 MGDD’.

5.2. Government operations relating to the financial crisis - progress in unwinding of financial positions of government defeasance structures

Introduction

There are three units in Austria, which are defeasance structures: HETA Asset Resolution AG (HETA), KA Finanz AG and Immigon Portfolioabbau AG. All units are allocated to the central government subsector (S.1311). There is also the ‘Kärntner Ausgleichzahlungsfonds’ (KAF), which has the task to acquire (and manage) debt instruments of HETA secured by guarantees provided by the state government of Carinthia. KAF was established to ensure the solvency of Carinthia, which was questioned due to guarantees provided to HETA and the high likelihood that these guarantees would be called. KAF is also classified to S.1311. The entity is involved in operations related to a defeasance structure, but it is not a defeasance structure itself.

Discussion

The Austrian statistical authorities informed Eurostat that an out-of-court settlement had been signed between HETA and Bayern LB, which caused both parties to withdraw their respective claims and counterclaims on 19 December 2018. All existing legal disputes were thus terminated. The settlement provided that Bayern LB will participate with a claim of EUR 2,4 billion in the winding-up of HETA on equal terms with all other senior creditors of HETA. If the non-subordinated claims, which were cut to a level of 64,4% were to be increased or further cut, the same would apply to claims hold by the

¹³ Accomplished.

Bayern LB. In addition, Bayern LB waives payments (i.e. carried out a debt cancellation) from interim distributions up to a maximum of EUR 250 million. This waiver (debt cancellation) takes effect in stages and is capped at EUR 250 million. It is assumed that the maximum amount of EUR 250 million will be achieved.

Eurostat enquired on how Statistics Austria intends to record the debt waiver by Bayern LB. Statistics Austria explained that this would, in principle, lead to the recording of a capital transfer revenue (debt cancellation for the benefit of HETA) in the government accounts. However, the situation has to be carefully analysed as the whole arrangement is quite complex. In particular, the interaction between the haircut and the level of the debt cancelled is not yet entirely clear. Therefore, it is not clear what amount has to be recorded in the EDP/ GFS accounts. Another issue concerns the time of recording of the capital transfer. The out-of-court settlement was signed in December 2018, which would indicate that the time of recording is 2018. However, the debt cancellation appears to be subject to certain conditions which could result in a capital transfer being recorded in different periods. Eurostat thought that an option to split the capital transfer should be carefully analysed and only considered if the debt cancellation is depending on future developments otherwise the whole amount should be recorded at the date of the signature of the out-of-court settlement.

The Austrian statistical authorities further explained that the out-of-court settlement also led to the repayment of the loan which Austria had granted in 2015 to Bavaria as security that Bayern LB would receive payments from the liquidation of HETA of at least this amount. With the out-of-court settlement HETA acknowledged claims from Bayern LB in the amount of EUR 2,4 billion and consequently Bavaria was obliged to repay the loan in the amount of EUR 1,2 billion to Austria in January 2019. This repayment is shown in part 2 of the supplementary table for reporting government interventions to support financial institutions. The repayment was recorded in 2018 in connection with the signature of the out-of-court settlement.

Regarding the individual defeasance structures, the Austrian statistical authorities explained that HETA is expected to conclude its portfolio wind-down by the end of 2020, 'KA Finanz AG' is expected to complete its portfolio wind-down within the next few years. The 'Immigon Portfolioabbau AG' had its wind-down largely completed by the end of 2018. On 1st July 2019 'Immigon Portfolioabbau AG' started its liquidation process which, however, is likely to take a very long time, since full liquidation will only be possible once all the legal disputes have been resolved.

Eurostat then briefly reviewed part 3 of the of the supplementary table for reporting government interventions to support financial institutions, which was provided by Statistics Austria on the occasion of the EDP dialogue visit. Eurostat tried to reconcile the stock information with the information on transactions and calculated on the basis of the available information (e.g. EDP Notification table 3 B) other changes in volume and revaluation (e.g. appreciation/ depreciation in foreign currency) impacts. However, the calculated figures were for some years difficult to understand and Eurostat that therefore also some doubts whether part 3 has been filled consistently. In addition, Eurostat questioned the reporting of the indirect liabilities. In part 2 of the table, Statistics Austria indicated that debt securities are in total indirect liabilities, but in part 3 the transactions are split into transaction in debt securities and in indirect liabilities. Given that the information in part 3 was provided on a voluntary basis and that the aspects identified were of a purely technical nature, as well as the fact that a number of other agenda items were still to be discussed, Eurostat proposed to clarify these aspects on a bilateral basis after the EDP dialogue visit.

Findings and conclusions

Action point 20: Eurostat welcomed the provision of part 3 of the Supplementary tables for reporting government interventions to support the financial institutions. Further discussions on technical issues will continue on a bilateral basis: **Deadline October 2020 EDP notification.**

5.3. Guarantees and other potential obligations of government

Introduction

In general, guarantee cash calls are recorded as acquisition of a loan asset and recoverability is regularly assessed in the public accounts. Repayments of guarantee cash calls are treated as repayment of loan, i.e. with no impact on government net lending / net borrowing. A capital transfer is recorded if a claim is written-off. Guarantee cash calls recorded as acquisition of claims are related to claims for exports according to the ‘Ausfuhrförderungsgesetz’ (the government guarantee system for exports and investment insurance) and claims according to the ‘Unternehmensliquiditätsstärkungsgesetz’.

An exception is made for guarantees granted under the ‘Ausfuhrförderungsfinanzierungs-gesetz’, which are recorded in the accounts of the Bund as well as in ESA accounts as expense/ expenditure (i.e., no claim is recognized).

Discussion

Eurostat reviewed EDP Questionnaire table 9.1 and asked about the breakdown of the stock of guarantees. Eurostat thought that there might be some issue in the reported split between public entities and private entities. In addition, the split is substantially different from the data provided in the context of the so called ‘six pack’ regulations. Statistics Austria informed that there is an error in the table and that the table will be updated in the context of the 2020 EDP April notification. Statistics Austria added that there will still be a difference with the guarantees provided under the ‘six pack’ regulations since there is also an error in this table. It is identical with the data notified in the 2019 October EDP notification. However, the six-pack table will be updated only in the next delivery.

Eurostat took note of the two ways of recording of guarantee calls in the reporting of EDP Questionnaire table 9.1. It was explained that the guarantee cash calls are recorded either as expenditure or as an acquisition of a claim depending on the actual guarantee scheme.

Eurostat asked whether Statistics Austria carries out a revaluation of all government claims on regular basis, or at least when a guarantee cash call took place. Statistics Austria replied that no revaluation is carried out, as the relevant data are taken from the balance sheet of the ‘Bund’. The amounts shown there are the result of a regular review by the accountants of the ‘Bund’. Thus, it is ensured that the claims are correctly valued.

Findings and conclusions

Eurostat took note of the explanations provided. It also understood that the split of the stock of guarantees between public and private companies as reported in EDP Questionnaire table 9.1 is currently wrong and that it will be correct in the context of the 2020 April EDP notification. Eurostat also understands that there will be a temporary difference between the guarantees reported according to the ‘six-pack’ regulations and the data notified on 2020 April EDP notification.

5.4. Debt assumptions, debt cancellations and debt write-offs

This agenda point was not specifically discussed during the EDP dialogue visit.

5.5. Capital injections into public corporations

This agenda point was not specifically discussed during the EDP dialogue visit.

5.6. Dividends and super-dividends

Introduction

Statistics Austria applies the super dividend test only to larger distributions that are identified as peaks in time series. Dividends that accrue on a normal basis are not considered to be super-dividends by default. The related amounts are fully recorded as government revenue.

Discussion

Eurostat took note of Statistics Austria's aggregated approach to the identification of super-dividends. However, in view of the fact that annual dividend payments to general government amount to around EUR 1.5 billion, Eurostat recommended to reconsider the current approach and to proceed in a more disaggregated way. A possibility would be to start with a more detailed analyses at the level of the 'Bund'.

Eurostat then briefly reviewed EDP Questionnaire tables 10.1A and 10.2 and pointed out that the information on dividends (total amounts) in the two tables is not consistent. Statistics Austria explained that they will review the two tables again and provide a consistent set of tables.

Findings and conclusions

Action point 21¹⁴: Statistics Austria will check the entries made for the total dividends in EDP Questionnaire table 10.1A and table 10.2 and will reconcile both tables: **Deadline April 2020 EDP notification.**

5.7. PPPs, EPCs and concessions

Introduction

Statistics Austria has adapted the classification procedure for PPPs based on a recommendation made by Eurostat during the 2017 EDP dialogue visit. In particular, the classification of PPP projects has been adapted to the recommendations and structure of the Eurostat/ EIB 'Guide to the Statistical Treatment of PPPs'.

Based on the Eurostat/ EIB guide, Statistics Austria developed a questionnaire which is sent to the units that have entered into a PPP project. The questionnaire asks explicitly about the risk distribution following the 16 topics raised in the Eurostat/ EIB guide. Before classifying a new PPP project, the relevant entities were asked to complete this questionnaire. Statistics Austria is analysing the questionnaires and compares the answers with the contract documents that have to be provided by the responsible government entity. In this context, all open questions are discussed with the entities and a decision on the statistical treatment of the PPP project is made. Statistics Austria applied the new procedure for all PPPs signed after September 2016.

Prior to the EDP dialogue visit Statistics Austria send a note with three PPP projects that are currently under discussion.

The issue of EPCs was discussed in section 2.4, the issue of concession was not specifically discussed during the EPD dialogue visit.

Discussion

Statistics Austria informed that the analyses of the three PPP projects has been finalised and that all three projects will be reported in EDP Questionnaire table 11 in April 2020. Two of the three projects will be classified as off-balance sheet, since the analysis according to the Eurostat/ EIB guide resulted in just one medium influence on the balance sheet treatment for the government unit. The third PPP project, the 'Konradinum NEU' is a project between the state government of Salzburg and a real estate company in Salzburg as the constructor and operator of the PPP. The PPP concerns the construction and operation of an institution that provides full time care for people with physical and cognitive disabilities. The risk assessment according to the Eurostat/ EIB guide resulted in 4 on balance

¹⁴ Accomplished

influences, 3 high and 3 moderate influences. The PPP project is therefore classified on the balance sheet of government.

Eurostat enquired about the use of the survey for the classification of PPPs, in particular how often it is sent out the reporting entities. Statistics Austria explained that it is a three-step approach: The first step is the sending of the questionnaire to the reporting units, the second step is the completion of the questionnaire by the reporting units and the third step is the verification of each point (16 topics) of the answers given by the reporting units (both units must complete the questionnaire). Whenever differences in the answers of the reporting units arise, Statistics Austria contacts the units and clarifies the matter. At the same time, Statistics Austria analyses the PPP contracts, which also have to be provided. This exercise is carried out twice a year.

Eurostat asked whether the PPP contracts used were very similar in Austria. Statistics Austria replied that this probably depends on which unit concludes the contracts. Contracts concluded by the City of Vienna look very similar, whereas contracts concluded by the state government of Salzburg, for example, can be very different.

Findings and conclusions

Eurostat took note of the explanations of Statistics Austria and noted that the classification of PPP projects has improved substantially since the 2017 EDP dialogue visit. The procedure applied is in line with the Eurostat/ EIB Guide and the Eurostat recommendations made in the 2017 EDP dialogue visit.

5.8. Emission trading permits

This agenda point was not specifically discussed during the EDP dialogue visit.

5.9. Financial derivatives

Introduction

Under this agenda item, Eurostat discussed with the Austrian statistical authorities the use of derivatives, their recording in EDP Tables 3 and the correct application of the relevant accounting rules for derivatives. Prior to the EDP dialogue visit, the Austrian statistical authorities provided an ad hoc table on the use of financial derivatives by government entities. The ad hoc table contained, in particular, information on stock/ transactions in derivatives, stocks/ transactions of hedged debt and collateral on derivatives. As regards the different types of derivatives, Austria uses only interest and currency swaps (other forms of derivatives such as options, forwards and off-market swaps are not used). With respect to the coverage of the ad hoc table on financial derivatives, it should be noted that the stock/ transaction data refer to the general government subsector (bloc 1 of the ad hoc table) while the remaining data (bloc 3 to 5) refer only to the central government core unit (the 'Bund'). Stocks and transactions in swaps are reported for both assets and liabilities. The EDP Tables 3B, 3C and 3D show that derivatives (swaps) are essentially used by the central government subsector. State governments and especially local governments use derivatives to a much lesser extent. However, the chart of accounts officially used by the public core entities until the end of 2019 did not contain specific 'accounts' for derivatives. The information was therefore collected separately (via the data interface) by Statistics Austria. Statistics Austria assumes that the information available on derivatives corresponds to a good coverage, even though there is de facto no reporting obligation due to the lack of a specific account for derivatives in the chart of accounts.

Discussion

Eurostat thanked the Austrian statistical authorities for providing the ad hoc table on derivatives and welcomed the fact that, in Austria, the transactions in derivatives are presented gross (i.e., no netting of derivative transactions in assets and liabilities). Eurostat also took note that that the transaction data

reported are actual transactions and not transactions derived from stocks. Eurostat further took note that the figures provided in the ad hoc table (bloc 1) were overall consistent with the data reported in the October 2019 EDP notification in EDP Table 3A. Regarding the use of currency swaps by different government subsectors, it was explained that the central government core unit mainly uses currency swaps whereas the other subsectors, in particular the state governments, use currency swaps only very occasionally. In this context, Eurostat enquired why bloc 2 of the ad hoc table requiring information on the notional values of derivatives was not completed. Eurostat remarked that the notional value in interest rate swaps is, in principle, a purely theoretical value, which is never exchanged between the swap parties. Nevertheless, knowledge of this value is helpful for the analysis as the notional value is used to calculate the interest payment and gives an idea of the total volume/ transaction size of government activities in swaps. In the case of currency swaps, in particular, the notional value is an important piece of information, as it is not only used to calculate interest payments, but also indicates what the exchanges in two different currencies at inception and at the end of the swap were. Eurostat added that the ‘Bund’ uses currency swaps as a hedging instrument for its foreign currency debt and that therefore the ‘total face value before hedge’ reported in bloc 5 of the ad hoc table represents *de facto* the notional value. The Austrian statistical authorities stated that they would take this into account when providing the ad hoc table next time.

Subsequently, the reporting of liabilities in bloc 3 of the ad hoc table due to the provision of collateral was briefly reviewed. Eurostat enquired about the reporting of AF.2 liability of EUR 2 million, which was netted with AF.4 liabilities in the amount of EUR 309 million in 2018. Eurostat thought that gross recording should be applied and that therefore the amount of EUR 2 million should be considered as an asset of government and not as a ‘negative’ liability reducing the total liabilities of government due to the provision of collaterals. The amount should therefore be reported in the asset section of bloc 3. Eurostat asked whether the ‘Bund’ did not have to provide collateral in the years 2015 to 2017. The Austrian statistical authorities explained that, in 2018, the counterparty arrangement changed. Before 2018, the counterparty arrangements were unilateral, i.e., only the weaker counterparty was required to post collateral. Therefore, the ‘Bund’ did not have to provide collateral in the years 2015 to 2017. Under the new arrangements, either party might be required to provide collateral.

Eurostat asked whether the ‘Bund’ uses or intends to use a central counterparty to clear and settle its derivatives. The Austrian statistical authorities replied that they only have a small swap portfolio and it might therefore not be worthwhile using a central counterparty arrangement (i.e., a central clearinghouse). In addition, and even more importantly, the existing clearing providers offer their services only for plain vanilla swap contracts with a standardised maturity/ frequency of, for example, 30 days. However, Austria concludes many swaps with a broken leg, i.e., with non-standardised maturities (e.g. 28 days). In general, it can be said that the swaps concluded by Austria are customized contracts (non-standardised contracts) which are negotiated directly with the respective counterpart without going through an exchange or a central counterparty. The use of a central clearing counterparty is therefore not advantageous for Austria as long as it offers its services only for plain vanilla swaps. However, even if non-standardised swaps were to be included in their offer in the future, the question remains whether their offer is worthwhile for Austria in view of the limited size of the Austrian swap portfolio.

Finally, Eurostat turned to block 4 of the ad hoc table showing the transactions recorded in the working balance by type of derivative. Eurostat wondered why the line for currency swaps was empty, as currency swaps involve the swapping of interest cash flows in one currency for the same amount in another currency. It was explained that it is currently not possible to split the interest amount between an interest amount relating to interest rate swaps and an interest amount relating to currency swaps. Therefore, the whole amount had been allocated to the line interest rate swaps. It was pointed out that such a split might be possible in the future as the data situation would change slightly.

Findings and conclusions

Action point 22: The Austrian statistical authorities will update the ad hoc table on derivatives following the discussion (reporting the limited collateral posted by Austrian Treasury as AF.2 assets in

bloc 3; filling in notional amounts for the Bund in bloc 2; reporting the split in bloc 4 between interest rate swaps and currency swaps, when the information is available): **Deadline October 2020 EDP notification.**

5.10. Other (pension schemes, privatisation, LTEs/5G, tax credits)

The transfer of pension obligations from Bank Austria to the social security subsector was discussed in the context of agenda point ‘3.1 Follow-up on the issues raised in the EDP notification’.

6. Any other business

6.1. GFS data

This agenda point was not specifically discussed during the EDP dialogue visit.

6.2. Major upcoming government operations

This agenda point was not specifically discussed during the EDP dialogue visit.

6.3. Other

No other points were raised by the participants of the EDP dialogue visit

Annex 1 - Agenda for the 2020 EDP Dialogue Visit to Austria

EDP Dialogue Visit to Austria

1. Review of institutional arrangements, EDP data sources and procedures

- 1.1. Governance and co-operation
- 1.2. Quality and risk management of EDP/ GFS processes
- 1.3. Sources and data compilation methods
 - 1.3.1. Follow-up on the so-called residual compilation (use of the s-b-s data source for transactions on the asset and liability side)
 - 1.3.2. Status of the implementation of the VRV 2015 and first experience with new information available in particular the indication of the counterpart sector, information on leasing operations and on capital injections – if any.
 - 1.3.3. Function/ procedure and the possible impacts of the new IT infrastructure (mentioned in the context of the 2019 April EDP notification)
- 1.4. Revision policy and EDP Inventory

2. Follow-up of prior EDP visits (2017 EDP dialogue visit and 2016 technical visit)

- 2.1. Reconciliation of cash flow statement, P&L account and balance sheet as a measure to improve the information on other accounts payables/ receivables for the central government core entity (see AP 2, AP 4 and AP 6 of the technical visit).
- 2.2. Reconciliation between balance sheet and P&L account in order to separate between transactions and other economic flows related to financial transactions for the central government core entity (see AP 8 of the technical visit).
- 2.3. Status of the recording of EU financials instruments (see AP 22 of the technical visit + new MGDD 2019).
- 2.4. Results of the pilot exercise on EPCs
- 2.5. Appropriateness of the holding test
- 2.6. The '0%-Prämienanleihe' and the transfer of pension obligations from Bank Austria
- 2.7. Rearrangement of OeEB transactions/ programmes in the context of the 2019 MGDD

3. Review of the 2019 October EDP reporting and of related data compilation issues

- 3.1. Follow-up on the issues raised in the EDP notification

4. Methodological issues

- 4.3. Sector delimitation
 - 4.1.1. Questionnaire on government controlled entities classified outside the government sector
 - 4.1.2. Practical aspects of sector classification
 - 4.1.2.1. 50% criterion, 80% criterion and qualitative criteria
 - 4.1.2.2. Classification of public financial entities (financial intermediaries, captive financial entities etc.)
 - 4.1.3. Sector classification of specific entities
 - 4.1.3.1. Follow-up on the classification of deposit guarantee schemes
The specific case of the Sparkassen-Haftungs-GmbH
 - 4.1.3.2. Follow-up on the classification of quasi-corporations
 - 4.1.3.3. Existence of public financial entities lending solely to its owners and/or subsidiaries of its owners
 - 4.1.3.4. Public transport companies
- 4.4. Time of recording

- 4.4.1. Taxes and social contributions
- 4.4.2. Interest
- 4.4.3. Gross capital formation (GCF)
- 4.4.4. Military expenditure
- 4.4.5. EU flows
- 4.4.6. Other (social benefits, compensation of employees, subsidies, financial transactions)

5. Specific government transactions

- 5.1. Re-arranged transactions
- 5.2. Government operations relating to the financial crisis - progress in unwinding of financial positions of government defeasance structures
- 5.3. Guarantees and other potential obligations of government
- 5.4. Debt assumptions, debt cancellations and debt write-offs
- 5.5. Capital injections into public corporations
- 5.6. Dividends and super-dividends
- 5.7. PPPs, EPCs and concessions
- 5.8. EU flows
- 5.9. Financial derivatives
- 5.10. Other (pension schemes, emission trading permits, privatisation, LTEs/5G, tax credits)

6. Any other business

- 6.1. GFS data
- 6.2. Major upcoming government operations
- 6.3. Other

Annex 2 - List of participants

No.	Name	Institution
1	Ursula Havel	Statistics Austria
2	Walter Stübler	Statistics Austria
3	Karl Schwarz	Statistics Austria
4	Samuel Berger	Statistics Austria
5	Hermine Chromy	Statistics Austria
6	Lukas Dörfler	Statistics Austria
7	Martin Fuchs	Statistics Austria
8	Tommaso Gerstgrasser	Statistics Austria
9	Philipp Haunschmid	Statistics Austria
10	Christian Helperstorfer	Statistics Austria
11	Claudia Hofer	Statistics Austria
12	Bogdan Mihajlovic	Statistics Austria
13	Andrea Paukowitsch	Statistics Austria
14	Nora Prean	Statistics Austria
15	Johannes Schimmerl	Statistics Austria
16	Nadine Schmid-Greifeneder	Statistics Austria
17	Agnes Singer-Pesau	Statistics Austria
18	Gerald Wimmer	Central Bank of Austria
19	Lukas Reiss	Central Bank of Austria
20	Daniel Bierbaumer	Austrian Ministry of Finance
21	Kristina Fuchs	Austrian Ministry of Finance
22	Verena Hagg	Austrian Ministry of Finance
23	Johann Kinast	Austrian Ministry of Finance
24	Christoph Kreutler	Austrian Ministry of Finance
25	Alfred Lejsek	Austrian Ministry of Finance
26	Kurt Mlekusch	Austrian Ministry of Finance
27	Stefan Rossmanith	Austrian Ministry of Finance
28	Nadine Wiedermann-Ondrej	Austrian Ministry of Finance
29	Jürgen Göttinger	Sparkassen-Haftungs GmbH
30	Markus Stix	Austrian Treasury
31	Stefan Girsch	Austrian Treasury
32	Luca Ascoli	Eurostat
33	Rasa Jurkoniene	Eurostat
34	Philippe de Rougemont	Eurostat
35	Luiza Munteanu	Eurostat
36	Thomas Forster	Eurostat
37	Henri Maurer	European Central Bank
38	Marie-Luise Schmitz	DG ECFIN

