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**Unit D-3: Excessive deficit procedure (EDP) 2**

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## Final findings

### **EDP dialogue visit to Germany 18-19 May 2021**

## Executive summary

Eurostat carried out an EDP dialogue visit (in the form of a video conference) with Germany on 18-19 May 2021. The purpose of the visit was to review the compliance of the German EDP and GFS data with the accounting rules of the European System of Accounts (ESA 2010) and with the existing guidance set out in the latest edition of the Manual on Government Deficit and Debt (MGDD). Some of the specific issues addressed were: data sources used for EDP/GFS reporting purposes, verifiability of EDP notification tables, complexity of the working balance, statistical discrepancies, intra-government consolidation, sector classification of units, reporting shortcomings, as well as some of the important COVID-19 measures.

Eurostat and the German statistical authorities reviewed institutional arrangements and procedures in place for the compilation of EDP statistics. In this context, Eurostat took note that there were no major changes regarding the institutional set-up and the division of tasks among the German statistical authorities. Eurostat understood that some progress was achieved with respect to improving the EDP data compilation, reporting and quality monitoring processes since the latest dialogue visit (2018).

As regards data sources available to the German statistical authorities for the compilation of EDP and GFS statistics, Eurostat generally noted that there was room for improvement. In particular, the multitude of different types of data sources used for the compilation of the EDP tables entailed higher and hitherto only partially mitigated risks for data quality.

Eurostat continued to discuss with the German statistical authorities some of the pending action points from the previous visit in 2018. With respect to intra-government consolidation, Eurostat observed three different issues: the amount mismatch issue (different parties of the same transaction reporting different amounts), the time of recording issue (the parties of the transaction recording the same amount but at different times) and the transaction coding issue (different accounts used for the recording). Eurostat suggested to address them in this order.

On the long-standing issue about the reporting of statistical discrepancies, Eurostat appreciated that the German statistical authorities agreed to correct the reporting of statistical discrepancies in EDP notification tables by the October 2022 EDP notification and additionally, to attempt to fully align them with the ESA tables by the same date.

The discussion also continued regarding the appropriate accounting treatment of public service obligation payments made by government to transport service providers and on whether changing the accounting treatment would trigger any reclassifications. It was agreed that while the debate is still not concluded insofar as the appropriate accounting treatment of public service obligation payments is concerned, this should not hinder the correct recording of transactions where the accounting treatment is not in doubt. In this respect, Eurostat noted that any such payment qualifying as subsidy that was, in substance, not linked to unit of product or service provided, or was being paid to cover costs, should be recorded as a subsidy on production (D.39), in line with ESA 2010.

The long-standing issue on the compilation and reporting of the working balance was also discussed. Eurostat recalled that it had repeatedly raised concerns due to the limitations on the reliability and verifiability of the working balances reported in the German EDP tables. Although such limitations were inherent in a multi- and mixed-source statistical data compilation system, like the one in Germany, they should not remain unaddressed. Eurostat suggested three important measures that could mitigate these concerns: (i) further harmonising the methods underlying the data sources used as input for EDP/GFS statistical data compilation purposes; (ii) building

redundancies into the data compilation system and (iii) establishing the legal basis for regular and comprehensive direct verifications of the source data by the German statistical authorities.

As regards the reporting of government claims and guarantees, Eurostat found that the German EDP questionnaire tables 8 and 9 were showing significant shortcomings as regards completeness. Eurostat considered these shortcomings to be substantial even on a horizontal (cross-Member State) comparative basis. During the discussions it was clarified that the lack of data in these tables was partially due to the lack of sufficient detail in source data, even though for some elements the appropriate data seemed to be available. Eurostat invited the German statistical authorities to make a collaborative effort in order to improve, in a lasting way, the completeness of EDP questionnaire tables 8 and 9.

The accounting treatment of guarantee schemes created by Member States in the context of the COVID-19 pandemic was also discussed. Given the considerable differences in the accounting treatments currently used by the Member States, Eurostat agreed to address this issue again bilaterally with the German statistical authorities, once the respective methodological discussion in the EDP Statistics Working Group will be finalised.

Eurostat thanked the German statistical authorities for the timely submission of the supplementary table on COVID-19 measures. It stated that given the uncertain evolution of the pandemic, continuous monitoring of its economic effects, as well as of existing and newly implemented measures would be highly recommended. The appropriate accounting treatment will be further assessed and discussed with all the Member States bilaterally or in common fora, as appropriate.

As regards the treatment of the aid granted to three beneficiaries by the Economic Stabilisation Fund, Eurostat suggested that those support measures should be recorded as non-financial transactions according to the ESA 2010 and MGDD provisions on capital injections and loans unlikely to be repaid, and asked the German statistical authorities to further investigate these cases and continuously monitor the financial situation of these beneficiaries.

Eurostat took note of Germany's loss estimate resulting from tax receivables unlikely to be collected due to the adverse economic effects of the COVID-19 pandemic. It invited the German statistical authorities to update the estimate and report it separately in the next EDP notification.

On the sector classification of professional associations, Eurostat recalled that, on the one hand, the divergent opinions between the German statistical authorities and itself seemed to persist for a relatively long time and, on the other, that the total impact on net lending/borrowing and debt of general government in case of reclassification would likely remain immaterial. Eurostat suggested that the German statistical authorities should perform a more detailed analysis of the entire case, by taking into account all the elements discussed during the visit and to report back to Eurostat.

Eurostat appreciated the clarifications given and improvements achieved by the German statistical authorities. In particular, it noted the improvements to the timeliness of some of the data items of the public corporations questionnaire and encouraged the statistical authorities to aim at improving the timeliness of all reported items. It also noted the significant update to the German EDP Inventory.

Eurostat appreciated the openness and transparency demonstrated by the German statistical authorities during the visit, as well as the quality of the documentation provided before it.

## Introduction

In accordance with Council Regulation (EC) No 479/2009 of 25 May 2009<sup>1</sup>, 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 (in the form of a video conference) with Germany on 18-19 May 2021. The agenda agreed for the visit is annexed to these findings (see Annex 1).

Eurostat was represented by Mr Luca Ascoli (Director of Directorate D “Government Finance Statistics (GFS)”), Mr Jukka Jalava (Head of Unit D3 “Excessive Deficit Procedure (EDP) 2”), Mrs Olga Leszczynska-Luberek (Eurostat Unit D1), Mr Didier Lebrun (Eurostat Unit D3) and Mr Levente Szekely (Eurostat Unit D3). Representatives of the European Commission’s Directorate General for Economic and Financial Affairs (DG ECFIN) and the European Central Bank (ECB) also participated as observers.

The German authorities were represented by the Federal Statistical Office of Germany (Destatis), the German Central Bank (Bundesbank), the German Federal Ministry of Finance (BMF) and the Statistical Office of Berlin-Brandenburg (AfS Berlin-Brandenburg). Representatives of the German Finance Agency (Finanzagentur) and the defeasance structure FMS Wertmanagement (FMSW) participated in discussions on specific agenda items. A list of the meeting’s attendees is annexed to these findings (see Annex 2).

The purpose of the EDP dialogue visit was to review the compliance of the German EDP and GFS data with the accounting rules of the European System of Accounts (ESA 2010)<sup>2</sup> and with the existing guidance set out in the latest edition<sup>3</sup> of the Manual on Government Deficit and Debt (MGDD). More specifically, the following issues were discussed:

- data sources underlying the working balance and net lending/borrowing,
- verifiability of EDP notification tables 2 and 3,
- reporting of statistical discrepancies,
- intra-government consolidation,
- the sector classification procedure and its application to specific entities (in particular to professional associations and transport service providers),
- measures undertaken to mitigate the adverse economic effects of the COVID-19 pandemic (in particular aid packages to corporations in distress and tax receivable collectability),
- reporting of government claims and guarantees (EDP questionnaire tables 8 and 9).

With regard to procedural arrangements, within a few weeks from the EDP dialogue visit Eurostat sent the provisional findings to the German statistical authorities for comments. Once these were agreed between Eurostat and the German authorities, the final findings would also be sent to the Economic and Financial Committee (EFC) and published on the website of Eurostat.

Eurostat very much appreciated the cooperation and transparency demonstrated by the German statistical authorities during the meeting and the quality of the documents provided before the dialogue visit.

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<sup>1</sup> See <https://eur-lex.europa.eu/eli/reg/2009/479/2014-09-01>

<sup>2</sup> European System of National and Regional Accounts (ESA 2010)  
<https://ec.europa.eu/eurostat/web/esa-2010>

<sup>3</sup> Manual on Government Deficit and Debt – Implementation of ESA 2010 – 2019 edition  
<https://ec.europa.eu/eurostat/web/products-manuals-and-guidelines/-/ks-gq-19-007>

## 1. Statistical capacity issues

### 1.1. Review of institutional responsibilities in the context of EDP/GFS reporting

#### Introduction

The collection, processing and compilation of data for the purposes of the EDP and GFS in Germany involves the following institutions:

- the Federal Statistical Office (Destatis, six units from different directorates) and the Statistical Offices of the States (Länder),
- the Federal Ministry of Finance (BMF),
- the German Central Bank (Bundesbank, two units from different divisions).

Due to the complex structure of the system in Germany, the institutional responsibilities and possible resulting risks have been discussed between Eurostat and the German statistical authorities in the past.

During this dialogue visit, the discussions focused on any possible changes in the administrative setup or the division of tasks between the above-mentioned institutions regarding the compilation and reporting of EDP and GFS statistics.

Prior to the meeting, the German statistical authorities provided updated EDP data compilation flowcharts and several other explanatory documents.

#### Discussion

The German statistical authorities confirmed that since the latest dialogue visit,<sup>4</sup> there had been no change regarding the institutional setup or the division of tasks among them, as far as EDP/GFS data production and reporting was concerned. They explained that the proposed amendments to the German Federal Law on Public Finance and Personnel Statistics (FPStatG<sup>5</sup>) being currently in the late stages of the legislative process would have no impact on these issues. They also informed that the Memorandum of Understanding between Destatis and the Bundesbank was currently under review and that the updated version should be concluded by the end of 2021.

During the discussions, Destatis expressed its view that the collaboration between the different statistical authorities was very good and that there were no problems in receiving the necessary data for EDP/GFS reporting purposes. This being the case, Destatis considered that the existing data sharing arrangements between the different statistical authorities would need no update at this time. As an example of the good co-operation with its data providers, Destatis mentioned the additional data provided by the Ministries of Finance of the States on COVID-19-related measures.

At Eurostat's request, Destatis recalled that since the latest dialogue visit nothing changed regarding its role as observer on the committee responsible for setting accounting standards for

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<sup>4</sup> Carried out on 19-20 February and 12 March 2018.

<sup>5</sup> FPStatG – Finanz- und Personalstatistikgesetz, the German Federal Law on Public Finance and Personnel Statistics (<https://www.gesetze-im-internet.de/fpstatg/BJNR021190992.html>)

public bodies at central and state government level in Germany, the so-called HGrG<sup>6</sup> Committee (Gremium zur Standardisierung des staatlichen Rechnungswesens).

### **Findings and conclusions**

Eurostat took note of the explanations and asked the German statistical authorities to provide the most up-to-date versions of their data sharing and collaboration agreements.

#### ***Action Point 2021/1***

*The German statistical authorities shall send to Eurostat, by the end of 2021, the most up-to-date versions of all the formalised agreements (memoranda of understanding or similar) among themselves, on the one hand, and between themselves and any of the data suppliers, on the other, that were concluded (also) for EDP/GFS reporting purposes.*

## **1.2. Quality and risk management of EDP/GFS processes**

### **Introduction**

Since the 2013 dialogue visit, Destatis undertook several steps to improve the quality and risk management of its data production processes.

On a general level, Destatis and the Statistical Offices of the States (Länder) had issued a quality manual (Qualitätshandbuch der Statistischen Ämter des Bundes und der Länder<sup>7</sup>) in 2017 (last updated March 2021), covering all process phases of producing official statistics according to the Generic Statistical Business Process Model (GSBPM).

Concerning public finance statistics, quality data sheets (Qualitätsdatenblätter im Verbund), collecting information for example on the response rate of statistical surveys, had been developed and adopted by Destatis and the Statistical Offices of the States (Länder).

In the field of EDP statistics, a unit for the quality assurance for EDP data had been created in 2015 in the national accounts division with the main responsibility of automating the EDP data compilation process.

Prior to the dialogue visit, Destatis sent updates to its earlier note on the progress in developing a GFS-specific quality management system and to its reply to Eurostat's survey on national quality management systems in relation to EDP statistics (i.e. an updated QMS questionnaire).

### **Discussion**

At Eurostat's request, Destatis provided an update on its on-going IT project<sup>8</sup> concerning the envisaged automation of the EDP data compilation process (an IT application programmed in Java). Destatis explained that this system had been implemented and was used in parallel with the earlier-established data compilation process (which is Microsoft Excel-based) to report, starting with reference year 2019, EDP data for the central government subsector (i.e. EDP table 2A). Further development of the system was focused on improving system output quality and

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<sup>6</sup> HGrG – Haushaltsgrundsatzgesetz, the German Federal Law on Budgetary Principles and Procedures (<https://www.gesetze-im-internet.de/hgrg/BJNR012730969.html>)

<sup>7</sup> See <https://www.destatis.de/DE/Methoden/Qualitaet/qualitaetshandbuch.html>

<sup>8</sup> Eurostat was first informed about the project during the 2018 dialogue visit.

extending its use to report also on the state government subsector (EDP table 2B). For the latter, a first test-run was planned for the upcoming October 2021 EDP notification. In later steps, the system would be extended to the other two subsectors (local government and social security funds).

Destatis clarified that currently it had no plans to involve third parties in either the development or the quality management of the new IT system. However, it will reflect on whether additional checks to ensure the high quality of the system's output should be introduced in the future, especially as the new system will gradually replace the one established earlier (full changeover, for all subsectors of general government, planned to be completed by 2024).

On the issue of quality assurance by third parties, the Bundesbank recalled that its EDP/GFS data compilation process was the subject of repeated internal audits in the past and that it implemented the resulting audit recommendations (four-eyes principle, participating in the Bundesbank-internal IT risk management process), but it explained that no formalised description of these processes was available. The German statistical authorities confirmed that no audits (internal or external) of their EDP/GFS data compilation processes took place since the 2018 dialogue visit.

As regards the extended quality monitoring in the survey on financial transactions, the German statistical authorities indicated that they had started to implement some improvements regarding data collection on cash pooling arrangements<sup>9</sup>, which now included data on transactions, in addition to the data on stocks already collected before. They confirmed that the new data were already available for the April 2021 EDP reporting. The Bundesbank, however, noted that it would only expect a longer-term, gradual quality improvement of these statistics. The quality improvement aspect also included establishing and intensifying direct contact with reporting units and providing them with detailed guidance on their reporting obligations.

## **Findings and conclusions**

Eurostat took note of the explanations. No action points were identified.

### **1.3. Data sources and revision policy, EDP Inventory**

#### **Introduction**

The main data sources used for EDP reporting are the several public finance statistics surveys. In addition, quarterly reports on cash revenue and expenditure, following the classification of the federal budget, are provided by the BMF for all central government budgetary units and special funds. Similar reports are also provided by the main units of the social security funds subsector.

The reporting units of the general government sector are themselves using a wide range of accounting systems:

- “cameralistic” accounting system (Kameralistik, essentially a single-entry, cash accounting system, used by central, state and local budgetary units, where revenue and expenditure follow the budgetary classification, the so co-called “budgetary groups” or “Gruppierungsplan”),

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<sup>9</sup> The appropriate accounting treatment and statistical data collection regarding cash pooling arrangements in which entities classified in the German general government sector also participate were discussed at length during the November 2020 question and answer session and are explained in detail in the German EDP Inventory.

- public double-entry accounting system (Doppik, a system of accounting for public administrations, similar to and derived from the German business accounting standards as stipulated in the German Commercial Code (Handelsgesetzbuch, HGB)),
- business accounting standards (as stipulated in or derived from the HGB),
- several charts of accounts for the different types of social security funds.

Hence, the public accounting systems vary significantly between and within the sub-levels of the general government sector.

Concerning the compilation of financial accounts, at present, the German statistical authorities still rely to a large extent on counterparty information (monetary and banking statistics). Direct, integrated sources from public accounts are not available. In some cases, even though information exists, it might not be collected or used in the data compilation process because of legal constraints.

The wide range of these data sources, the use of public accounts data and counterparty information for the compilation of the German non-financial accounts, as well as several other recurring issues on the compilation of non-financial and financial accounts have been regularly discussed between Eurostat and the German statistical authorities.

Prior to the dialogue visit, the German statistical authorities provided a note on updates in the use of data sources since the 2018 dialogue visit, a note presenting their updated rerouting policy, as well as several bridge tables between accounting systems used in Germany and the transaction codes foreseen in ESA 2010.

## **Discussion**

### *Data sources*

Eurostat enquired whether the German statistical authorities considered that they had access to all relevant data sources necessary for the compilation of EDP/GFS statistics, in line with European legislation and whether there were any data sources that were available but were not used by the statistical authorities.

Destatis commented that while improvements to its national accounts compilation system were always possible, in particular as regards certain databases and intra-government consolidating transactions<sup>10</sup>, in general it considered that the current system was able to provide reliable EDP figures. It further explained that except for some of the units more recently classified into the general government sector, which declined to reply to the EDP-relevant surveys due to still ongoing litigations on the validity of the classification, it had access to all source data necessary for the compilation of EDP/GFS statistics.

The Bundesbank expressed support for Destatis' view on the issues regarding consolidation. It reminded that it had been a long-known problem, which was caused by the lack of data sources that would have allowed a full counterparty breakdown. It also reiterated its opinion that it would have been very much desirable to have a fully integrated accounting system in Germany for the whole sequence of financial and non-financial accounts, but given that these were not available, the Bundesbank expected to continue to rely upon counterparty data sources, which were regularly the cause for discrepancies and, therefore, needed systematic checking.

The BMF stated that the complaints of the Bundesbank regarding the lack of a fully integrated public accounting system were well-known, but the existing system had to serve other-than-

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<sup>10</sup> See section 2.1 on page 13 of these findings.



statistical (e.g. budgetary) purposes too, which it did well and, thus, the introduction of any new system was not being considered at this time. On the other hand, one improvement done recently to the system was adding statements of assets to the federal level. These were, however, not fully integrated with the debt statistics, due to some specific requirements they had to fulfil at the request of the German Parliament. Otherwise, there were no changes made to the public accounting system in Germany.

As regards the amendments to FPStatG, Destatis explained that one of the amendments will establish the legal basis for a new data collection, beginning with reference year 2025, from the public, double-entry accounting systems (Doppik) of the local government units. These data sources, while available<sup>11</sup>, were not utilised before and will not be until then. With the introduced amendments the legislator also attempted to incentivise local government units to improve the timeliness of their reporting. While the local government units in some German states have already fully implemented the double-entry system, in others there is still a long implementation backlog, which is expected to be cleared only by 2025.

The new data collection will cover the complete balance sheets (Vermögensrechnung), which will include data, for example, on fixed assets, other assets, provisions, as well as accrued expenses and deferred income. Moreover, not only stocks, but also accrual-based transactions will have to be reported (e.g. amortisation, changes in provisions, asset impairment). These new reporting obligations will supplement the already existing ones on cash revenues and expenditures and on financial assets. Destatis will receive all new data only beginning with reference year 2025, but expects to then be able to fully interlink the already existing statistics with the new ones from the additional reporting.

At Eurostat's request, Destatis also clarified that the amended FPStatG will not require all local government units to implement the double-entry accounting system (Doppik) for 2025. Local government units in the states of Thuringia and Bavaria are allowed to maintain their single-entry systems (Kameralistik) permanently.

As regards accrual data sources not being utilised, the Bundesbank clarified that, as it had been the case in the past, while it had access to accrual data of public corporations, it still could not use them as (partial) substitutes for its counterparty statistics (e.g. security holdings statistics, monetary financial statistics) for the compilation of financial accounts. This is because in the latter case there was no possibility to distinguish clients (whose transactions and stocks their counterparties belonging to the Bundesbank's reporting population were reporting on) from each other based on the type of their accounting system (i.e. it is not possible to select the ones with accrual systems, in order to use their data directly). The Bundesbank's counterparty statistics were, thus, more suitable to produce breakdowns by financial instruments, rather than by statistical units. However, given that this served the Bundesbank's purposes rather well, there was currently no plan to change it. Nevertheless, some large and special types of entities (e.g. bad banks) were reporting separately on their activities to the Bundesbank.

#### *Mismatch correction*

Eurostat also asked about the so-called "mismatch correction". The German EDP Inventory explains that for state government, annual and quarterly debt statistics reveal some mismatches between intra-core, intra-state and intra-local government liabilities and claims when compared to the respective financial asset stock statistics. A possible explanation for this could be that the sector classification rules in ESA 2010 made it difficult for reporting units to determine, in an automatic manner, whether their counterparties were government units or not, which made intra-government consolidation particularly difficult.

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<sup>11</sup> The data are available at the level of the municipalities, but they are not harmonised with EDP/GFS requirements.

In order to consolidate, compilers had to subtract from debt the claims of non-core government units towards core government units. Short-term loan liabilities of (core) government units vis-à-vis public units (comprising all extra-budgetary units and possibly some non-government units, as well) may well have exceeded short-term claims of extra-budgetary government units vis-à-vis core government. In principle, these short-term liabilities should never fall below the mentioned short-term claims (of extra-budgetary units towards core government units). Nevertheless, such cases existed at local and state government level. In certain circumstances, government units (at least implicitly) may have disagreed on the nature or volume of their financial relationships, or some extra-budgetary units could have chosen the wrong counterparty flag (i.e. reporting a loan to core government, even though the counterparty is a non-core government public unit of the respective subsector.) Without further correction, government debt would have been consolidated by amounts at least partly not included in the unconsolidated debt. Therefore, state (and local) core government debt was increased by the amount of excess financial claims reported and identified on a state-by-state analysis (called the “mismatch correction”). For interim quarters, where no financial asset stock statistics were collected, the last annual financial stocks statistics was used as a proxy.

For any mismatches identified in annual statistics, data from the annual debt statistics were preferred over the data from the financial asset stock statistics. The reason was that, irrespective of accounting system, the reporting units had significantly more experience with reporting on their debt as with reporting on their financial assets.

The Bundesbank confirmed that this problem still existed and was partially corrected for as explained here above. Its main cause was a shortcoming of public finance statistics, which did not distinguish between extra-budgetary units classified inside and public corporations classified outside the general government sector. Thus, the reported debt could not be split accordingly. This issue affected both transactions and stocks, but for the latter it had been partially mitigated by using financial asset stock statistics for intra-government consolidation purposes. If public finance statistics would have fully implemented the “layer model” (Schalenkonzept<sup>12</sup>) for the entirety of the public sector, this issue could have been solved.

The BMF informed participants that while the HGrG Committee had recently developed an updated budgetary classification (Gruppierungsplan) to be fully compatible with Destatis’ “layer model”, the necessary legal amendments for its implementation were rejected by the Budget Committee of the German Parliament, as in the Committee’s view they would have reduced the comprehension of the budget. However, even if the Parliament would have endorsed the new plan, due to complaints of the German States, a very long transition phase should have been expected.

Eurostat took note that the main impediment for the implementation of a fully ESA 2010-compatible budgetary plan in Germany was essentially a legal and not a technical one.

At Eurostat’s request the statistical authorities explained that the amended FPStatG will introduce the possibility of publicly using, for the compilation of the statistics under its scope, an already existing entity identifier that was hitherto considered confidential. This should allow reporting units to correctly break down their transactions and stocks based on counterparty sector, which could result in improved data quality, but arguably to a lesser degree than the implementation of the updated budgetary classification would have likely achieved. Eurostat took note that there is neither a legal obligation, nor a clear economic incentive for reporting units to use the identifier.

### *Valuation of Maastricht debt*

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<sup>12</sup> See <https://www.destatis.de/DE/Themen/Staat/Oeffentliche-Finanzen/Glossar/schalenkonzept.html> (in German)

Eurostat also enquired about the calculation mechanism (as described in the EDP Inventory) of the liability side of financial accounts (at market value) which was actually based on the face value of Maastricht debt to which an average market price index for government securities was applied. The Bundesbank agreed to provide a detailed explanation for this calculation mechanism after the dialogue visit.

#### *Models and estimations*

Some of the models and estimations used by the German statistical authorities for the compilation of EDP/GFS statistics were also briefly discussed. The authorities explained that in this context the two words (models and estimations) should be understood broadly. They agreed to provide Eurostat with further explanations after the dialogue visit.

As regards the superdividend test, Eurostat noted that in Germany it was only systematically performed for the units classified in the budgetary layer of the general government sector. In addition, large cases in the extra-budgetary layer were being monitored. Eurostat considered that this practice was less than sufficient and it suggested improvements.

#### *Revision policy*

The German statistical authorities confirmed that there were no changes to their data revision policies since the 2018 dialogue visit; neither are any changes currently planned. The next benchmark revision will take place in 2024.

#### *EDP Inventory*

Eurostat thanked the German statistical authorities for the good collaboration on the update of the EDP Inventory<sup>13</sup>. In its view, the Inventory should ideally be seen as a “living document” and should be updated whenever necessary.

### **Findings and conclusions**

As regards data sources in Germany for the purposes of compiling EDP/GFS statistics, Eurostat noted that in general there is room for improvement. More details hereto are included in section 3.1 of these findings (starting on page 21).

The following action points were identified under this agenda item.

#### ***Action Point 2021/2***

*The German statistical authorities shall send to Eurostat, by year-end 2021, a note describing in detail the average market price index-based valuation method for the liability side of financial accounts currently referred to in the German EDP Inventory (on page 44).*

#### ***Action Point 2021/3***

*The German statistical authorities shall send to Eurostat, by year-end 2021 a note on all the models and estimations they use for EDP/GFS data compilation and reporting purposes (as presented on the graph sent alongside the flowcharts for the 2021 dialogue visit). The note should describe these models/estimations, insofar they are not yet included in the EDP Inventory, or refer to the specific sections of the Inventory with providing additional details, as appropriate.*

#### ***Action Point 2021/4***

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<sup>13</sup> The German EDP Inventory went through a major update in 2020. The updated version is published on Eurostat’s website under <https://ec.europa.eu/eurostat/web/government-finance-statistics/excessive-deficit-procedure/edp-inventories>.

*The German statistical authorities shall update the EDP Inventory, as appropriate, based on the discussions of the dialogue visit and, in particular, with the information requested under other action points.*

**Action Point 2021/5**

*The German statistical authorities shall conduct a one-off exercise to perform the superdividend test for one reference year, for the entire general government sector and report back to Eurostat by the end of May 2022. The report should contain information on at least the following aspects:*

- (a) the way in which the exercise was conducted (planning, implementation, methods used, assumptions made, reference year selected, etc.);*
- (b) the results of the exercise, broken down by important factors (e.g. type of unit, i.e. budgetary, extra-budgetary; type of method used, i.e. already existing superdividend model, direct verification, any other method);*
- (c) key learning points of the exercise and suggestions on how and by when it could be ensured that the scope of the superdividend test is extended to the entire general government sector in Germany.*

## **2. Follow-up of previous dialogue visits**

Under this agenda item, several action points still open from the 2018 dialogue visit were discussed.

### **2.1. Action point 17 on consolidation**

#### **Introduction**

During the 2018 dialogue visit, the German statistical authorities recalled briefly the consolidation rules in place for the compilation of the non-financial accounts of the general government sector.

Eurostat understood that for the consolidation of intra-governmental flows in public finance statistics, on the one hand, the revenue side of the accounts played a dominant role. Intra-governmental flows were removed from the expenditure and revenue side for the same amount, i.e. the amount recorded on the revenue side was also deducted from the expenditure side. Thus, the balance of the accounts was not changed. In case the recorded expenditure did not equal the recorded revenue, this could have been interpreted in national accounts terms as (i) a time of recording issue or (ii) a problem of codification (e.g. a transfer recognised by one involved unit but not by the other).

On the other hand, in German national accounts, the starting point for the consolidation was on the expenditure side, as it was deemed to be more reliable than the revenue side. Nevertheless, unlike in public finance statistics, not the same amounts were deducted from expenditure and revenue. Thus, in Eurostat's view, the approach taken in national accounts resulted in the consolidation having an impact on the net lending/borrowing (B.9) of general government, since amounts for inter-governmental flows that were not matching with each other were removed. Therefore, the adjustments due to the consolidation approach in German national accounts created a discrepancy.

Eurostat took note of the explanations provided by the German authorities. It invited them to reconsider their approach and use any of the methods applied by other Member States to correct for such discrepancies (e.g. recognising a difference in the time of recording (F.8), amending the counterpart or the transaction category) and issued an action point in this regard (action point 17)<sup>14</sup>.

Since then, this issue has been discussed bilaterally on several occasions by the German statistical authorities and Eurostat and the action point remained open.

#### **Discussion**

During the dialogue visit, Eurostat briefly recalled the main milestones achieved so far on this action point. At its request, the German statistical authorities informed that the project they had launched in 2020 (financed by the BMF, performed by Destatis) to address the underlying issues (i.e. to identify the sources of said discrepancies and suggest ways to reduce them) and which was expected to produce its results by August 2022, was delayed. They explained that the delay of the

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<sup>14</sup> The text of this action point can be consulted in the final findings of the 2018 EDP dialogue visit to Germany, available under <https://ec.europa.eu/eurostat/web/government-finance-statistics/excessive-deficit-procedure/eurostat-edp-visits-to-member-states>.

project was mainly due to human resource constraints. Destatis estimated the final date of delivery to be in the third quarter of 2023.

Some limited progress has been, however, achieved. For example, Destatis found that there was no comprehensive documentation on consolidation policies currently used in the data compilation processes for EDP/GFS statistics. One of the objectives of the project is, therefore, to produce such documentation. In addition, Destatis also found that said discrepancies seem to be caused mainly by the existing budgetary classification and its diverse implementation by the reporting units.

Eurostat enquired whether the project is also expected to produce solutions for the improvement of transaction coding issues (i.e. that both (or all) counterparties to a transaction record it in the appropriate account(s)). The German statistical authorities replied that this was not yet decided, because the stock-taking phase of the project was not yet finished. However, they explained that based on the analysis they conducted so far, transaction coding issues seemed to be a minor cause of existing problems in intra-government consolidation. In the BMF's view, differences in transaction coding were, to a certain degree, inherent in multi-layered, federal government systems. The more pressing problem was (also from the perspective of economic forecasting) that some intra-government transactions were shown with different amounts by the different counterparties (e.g. central government transfers to state government were reported with different amounts by the two subsectors).

## **Findings and conclusions**

Eurostat concluded that as regards intra-government consolidation for EDP/GFS reporting purposes by Germany, three different issues could currently be identified. In their decreasing order of importance these were:

- (1) the amount mismatch issue, i.e. the problem that the different parties to the same transaction reported different amounts. This was a concern for EDP reporting and, thus, needed to be addressed first;
- (2) the time of recording issue, i.e. that the different parties to the same transaction recorded the same amount in the appropriate accounts but at different times (possibly in different reference periods). This was also a concern for EDP reporting and it also needed to be addressed;
- (3) the transaction coding issue, i.e. that the different parties to the same transaction recorded the same amount at the same time, but in different accounts. This was likely an issue affecting only GFS reporting; nevertheless, it should be corrected.

Eurostat suggested to the German statistical authorities to accordingly devote resources to address the above issues. The following action points were identified.<sup>15</sup>

### ***Action Point 2021/6***

*The German statistical authorities shall send, by year-end 2021, a detailed note to Eurostat describing the "consolidation scheme" (as referred to in the flowcharts for public finance statistics they have sent for the 2021 dialogue visit).*

### ***Action Point 2021/7***

*The German statistical authorities shall examine their approach with respect to the consolidation of non-financial flows within and between the subsectors of general government, to reduce, as*

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<sup>15</sup> Action point 2021/7 is a roll-over of action point 17 from the 2018 dialogue visit.

*much as possible, the currently existing discrepancies, as described in the final findings of the 2018 dialogue visit and in line with the findings of the 2021 dialogue visit. The German statistical authorities shall report to Eurostat on the progress of this project with each EDP notification until the closure of this action point. Action point 17 from the 2018 dialogue visit is hereby closed.*

## **2.2. Action points 19 and 20 on discrepancies in EDP tables 3 (B.9-B.9f, ESA table 27)**

### **Introduction**

Eurostat recalled the long-standing and much-discussed issue regarding B.9-B.9f statistical discrepancies. In essence, due to the lack of direct data sources covering all government units and their financial transactions, the German statistical authorities did not calculate separately the balancing item of the financial accounts (B.9f). They considered the balancing item of the non-financial accounts (B.9) as being of higher quality and, thus, as being the benchmark for the balancing item of the financial accounts (B.9f), as well. To ensure consistency between B.9 and B.9f, the other accounts receivable for the compilation of the quarterly government financial accounts (QFAGG, ESA table 27) were accordingly adjusted, thus departing from EDP reporting Table 3 (i.e. the difference regularly appears between other accounts receivable (F.8) reported for government finance statistics and other accounts receivable (F.8) reported for financial accounts).

This issue was discussed at length during the 2018 dialogue visit. At that time, while appreciating the efforts of the German statistical authorities to reduce the level of statistical discrepancies, Eurostat underlined that the approach (still being used) to compile and report B.9f for the government financial accounts was not compliant with relevant ESA 2010 rules and that statistical discrepancies were reported on the incorrect lines of EDP tables 3. Eurostat issued three action points in this regard.<sup>16</sup>

During the bilateral question and answer session of November 2020, this issue was revisited. At that time, the German statistical authorities reiterated that given the limitations in the quality and completeness of the data sources, using B.9 as the best approximation of B.9f was a workable solution that was in place for many years. They also pointed out that financial accounts were not produced solely for EDP reporting purposes; the reporting was serving other user needs, too. The statistical authorities also mentioned that they acknowledged the need to improve on this issue and that they had planned to participate in a workshop organized by the ECB in December 2020 where best practices for vertical reconciliation would be discussed.

While it expressed interest in the outcome of the workshop regarding this issue, given that Germany and Portugal were the only remaining Member States to report statistical discrepancies this way (Germany reporting “M”<sup>17</sup> for the difference between B.9 and B.9f, Portugal reporting zeros), Eurostat asked at that time the statistical authorities of both Member States to consider changing this reporting practice. In this context, for Germany, Eurostat recalled that two of the action points issued in this regard during the dialogue visit of February 2018 were still pending.

### **Discussion**

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<sup>16</sup> These were action points 18-20 in the final findings of the 2018 dialogue visit. (See footnote 15.) Two of these action points (19 and 20) were still open at the time of the dialogue visit (May 2021).

<sup>17</sup> Meaning “not applicable”.

The Bundesbank briefly recalled the issue. It understood Eurostat's request for full alignment of EDP tables 3 with ESA table 27, but it reiterated its opinion that already existing alignment with other statistical reports (e.g. ESA tables 6 and 7) should also be ensured. As a temporary solution, it suggested to report the statistical discrepancies, for EDP purposes alone, as "B.9-B.9f discrepancies" in EDP tables 3, already at the next EDP notification, but without changing the compilation and reporting in ESA table 27 of other accounts receivable (F.8) for the time being. Essentially, this would have implied reporting different balancing figures (B.9f) for quarterly financial accounts (ESA table 27) and for EDP purposes (notification tables 3).

Notwithstanding, in line with the recommendations of the workshop on vertical consistencies organised by the ECB<sup>18</sup>, the Bundesbank planned to further evaluate the various alternatives of balancing approaches and to assess their quantitative effects on the data. Without agreeing to any commitment, the Bundesbank expected to become able to finalise the adjustments necessary to its balancing routines in order to ensure full alignment of EDP tables 3 with ESA table 27 by mid-2022.

The Bundesbank also explained that in either case it would have expected to report all statistical discrepancies in EDP tables 3 as "B.9-B.9f discrepancies", as there seemed to be no other sources for statistical discrepancies in the data compilation process. Eurostat took note.

The acceptable level of overall statistical discrepancies was also briefly discussed. At the Bundesbank's request, Eurostat clarified that it did not establish any quantitative threshold below which statistical discrepancies would be generally acceptable for EDP reporting purposes. In general, for annual data, it would be desirable to reduce the total statistical discrepancies to immaterial levels.

## **Findings and conclusions**

Eurostat appreciated the explanations. In its view, if the Bundesbank could implement the necessary adjustments to its balancing approach to ensure full alignment by mid-2022, as described above, it would be preferable to correct EDP reporting together with the quarterly financial accounts, in order to avoid having two different balancing figures (B.9f).

### ***Action Point 2021/8***

*The German statistical authorities shall correct the reporting of statistical discrepancies in EDP tables 3, beginning with the first upcoming EDP notification by which they will become able to fully align ESA table 27 with EDP tables 3, but no later than the EDP notification of October 2022. Action points 19 and 20 from the 2018 dialogue visit are hereby closed.*

## **2.3. Action points 56 and 57 on DB Regio<sup>19</sup>, type of contracts (gross/net) and nature of public service payments**

### **Introduction**

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<sup>18</sup> Statistical data compilation and reporting on the general government sector (including EDP reporting and GFS) were not within the scope of this workshop.

<sup>19</sup> A subsidiary of the government-controlled German railway group (Deutsche Bahn AG or DB) which operates regional and commuter train services in Germany.



During the 2018 dialogue visit several issues concerning the provision of short-distance public passenger transport services (local and regional public transport), the financing of the operations, and, in particular, the provision of payments for public service obligations were discussed. In Germany, the States (Länder) provided to the transport service providers (TSPs) public service obligation payments (PSOPs) in form of a “Bestellerentgelt” (purchaser’s fee), in addition to the ticket sales.

In principle, PSOPs could be based on two approaches. They could be agreed in either so-called:

- “gross contracts” (Bruttoverträge), where the TSPs transferred the entire revenue stemming from ticket sales to government and received a previously contractually stipulated amount of PSOP per train-kilometre. Hence, in these cases the revenue risk remained with government. Or,
- “net contracts” (Nettoverträge), where the revenue of the TSP was comprised of the revenue from ticket sales and a contractually agreed amount of PSOP which was usually determined so as to cover the difference between planned costs and planned ticket sales revenue.

The contracts for providing regional public transportation were tendered by the state governments, with DB Regio holding around half of all such contracts in Germany. DB Regio operates based on both types of contracts (and even on “mixed” contracts – see below), depending on the respective individual railway lines.

The German statistical authorities informed Eurostat that they recorded the PSOPs in national accounts as subsidies on products (D.31), because the calculation was based on a volume indicator (train-kilometres). Eurostat, however, expressed doubts concerning this interpretation, as in its view the PSOPs would rather satisfy the criteria for other subsidies on production (D.39), than the criteria for D.31. Eurostat argued that the PSOPs were actually not volume-based (train-kilometre), but were more closely related to covering costs in a bundled way: not only those incurred by TSPs, but also upstream costs of the railway infrastructure (track and stations) owners and managers. Accordingly, action points 56 and 57 were issued during the 2018 dialogue visit.<sup>20</sup>

In later, bilateral correspondence on these issues, the German statistical authorities noted that:

- Individual transport contracts are often not pure net contracts or pure gross contracts, as they can have elements of both, but gross contracts seem to be used more often.
- The individual contracts can include additional incentives. In such cases, in addition to the PSOP, the TSP can also receive a part of ticket sale revenues (as a bonus), contingent upon achieving certain targets (e.g. increased number of passengers, improved punctuality, cleanliness, etc.), as a result of which the contract is usually considered to be a mixed type.
- Risks and rewards are usually shared between TSP and government.
- PSOPs are essentially composed of the payments made by the units acting as transport associations (Aufgabenträger<sup>21</sup>) for infrastructure costs (track and station usage fees) and operating costs, according to the type of contract chosen. Ultimately, the result is expressed in euros per train-kilometre.
- In line with German business accounting standards, the PSOPs are recorded as part of sales.

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<sup>20</sup> See the final findings of the 2018 dialogue visit (footnote 14).

<sup>21</sup> “Aufgabenträger” means literally “task carrier”. In essence, these are transport associations having in many cases rights that would usually belong to local transport authorities. All 28 such transport associations were classified into the general government sector in Germany. (See also section 2.4 on page 19.)

- PSOPs are also available to private TSPs.

They also reiterated their argument that because PSOPs are linked to the provision of well-defined (transportation) services, they should continue to be recorded as subsidy on products (D.31).

## Discussion

Eurostat briefly recalled the issue and repeated its earlier arguments for recording PSOPs as subsidies on production (D.39).

Destatis replied that, according to it, the methodological discussion on this issue was still ongoing on the European level and that conclusions were still to be reached. In its view, several aspects not yet considered in this debate should have also been taken into account (e.g. the incentive elements built into these contracts, the existing level of competition on this market or the differences in the ways Member States established PSOP systems).

Eurostat agreed that the methodological debate was still not fully concluded insofar as the economic nature and appropriate accounting treatment of PSOPs is concerned. It recalled, however, that the accounting treatment of some specific transactions (e.g. revenue from ticket sales or outright subsidies) have never been called into question. In this respect, the treatment of PSOPs received by German TSPs under gross contracts could still be considered in debate, because, like in other Member States, such PSOPs seem to be linked to units of services rendered (e.g. train-kilometers).

As regards the cases in Germany, Eurostat expressed doubts on whether PSOPs were based on units of services rendered. In Eurostat's opinion, PSOPs received under net contracts were by design a form of government assistance to cover costs of TSPs and therefore they should have been recorded as subsidies on production (D.39). On the other hand, it still remained to be clarified whether PSOPs under gross contracts were essentially linked to the unit of service rendered or – as seemingly defined in German legislation<sup>22</sup> – were in fact also aimed to cover (a certain part of) the costs of beneficiaries and were only expressed in (i.e. were not necessarily established based on, but would have had to be reported in terms of) the unit of planned or rendered services (train-kilometers).

Eurostat also noted that all PSOPs were already recorded as subsidies (on products) in German national accounts, even though the receiving TSPs reported them as part of sales in their financial statements (in line with German or international accounting standards).

Eurostat also remarked that Germany is one of the very few Member States where the rail infrastructure owner and manager corporations were classified outside the general government sector. In other Member States, such corporations were usually classified in government, because the major part of their revenue was not from sales and because their asset-heavy nature implied very large amortisation expenses, as a result of which they usually failed the 50% test.

The German statistical authorities explained that based on their current approach, the TSPs and the infrastructure corporations classified outside the general government sector had all passed the 50% test, even though some of them were close to, yet still above this threshold.

The sector classification of the parent (Deutsche Bahn AG) and of the financial arm (Deutsche Bahn Finance GmbH) of the Deutsche Bahn Group were briefly addressed. In this context,

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<sup>22</sup> The reference is made, in particular, to Articles 5 and 6 of the German Federal Law on the Regionalisation of Public Local Passenger Transport (Regionalisierungsgesetz) and Article 36 of the German Federal Law on Railways (Eisenbahnregulierungsgesetz).

Eurostat recalled that head offices would have to be classified into the same sector where the majority of the group they manage already was.

Whether any change in the accounting treatment of PSOPs would trigger the reclassification of some TSPs or upstream entities (infrastructure owners and managers, for example) was also briefly discussed. Eurostat asked the German statistical authorities to check this and reclassify them, if needed.

### **Findings and conclusions**

Eurostat took note of the explanations and it concluded that any PSOP qualifying as subsidy that was, in substance, not linked to unit of product or service provided, or was being paid to cover costs, should be recorded as a subsidy on production (D.39), in line with ESA 2010.

The following action points were identified.

#### ***Action point 2021/9***

*The German statistical authorities shall, for the purposes of the 50% test, remove from sales the public service obligation payments received under net contracts (Nettoverträge) by transport service providers, redo the tests accordingly and reclassify any of the service providers, as appropriate. They shall report back to Eurostat on the results of this exercise by the end of September 2021.*

#### ***Action point 2021/10***

*The German statistical authorities shall analyse, based also on applicable legislation in Germany, whether public service obligation payments under gross contracts (Bestellerentgelte die auf Bruttoverträge anzurechnen sind) are indeed established based on the unit of service rendered (e.g. train-kilometre) or if they are essentially designed to cover (some of) the costs of the beneficiary. In the latter case, they shall correct their recording, redo the 50% tests and reclassify the concerned units, as appropriate. They shall inform Eurostat on the results of this exercise by the end of September 2021.*

#### ***Action Point 2021/11***

*The German statistical authorities shall verify whether any of the reclassifications under action points 2021/9 and 2021/10 would trigger the reclassification of further subsidiaries of the Deutsche Bahn Group or of the Group as a whole and if so, reclassify them, as appropriate. They shall inform Eurostat of the outcome by the end of September 2021. Action points 56 and 57 from the 2018 dialogue visit are hereby closed.*

## **2.4. Action point 58 on transport associations (Aufgabenträger)**

### **Findings and conclusions**

Eurostat took note that in Germany all transport associations (Aufgabenträger) created by the German States were classified in the state government subsector (S.1312) and closed action point 58 from the 2018 dialogue visit.

## **2.5. Action point 68 on the constructions survey (data collection for GFCF)**

### **Findings and conclusions**

Eurostat observed that the yearly accrual adjustment figures for GFCF of the central, state and local government subsectors were relatively small. It took note that some of the issues signalled earlier concerning the GFCF data collection and compilation (e.g. no full completeness in reporting units; no coverage for units resident abroad and for self-construction) still remained. However, it understood that the German statistical authorities tried to remedy them via exhaustiveness adjustments (comparing different surveys), as well as additional calculations on own-account production and data from the Bundesbank regarding foreign entities. Therefore, Eurostat decided to close action point 68 from the 2018 dialogue visit.

### 3. Analysis of EDP tables – follow up of the April 2021 EDP notification

#### 3.1. Working balance in EDP tables 2

##### Introduction

Eurostat's concerns with the compilation and the reporting of the working balance (WB) for EDP purposes are long-standing issues, which had been regularly discussed between Eurostat and the German statistical authorities.

In many Member States, the WB is a relatively easy-to-check, high quality, externally assured figure, which is therefore a good starting point for the purposes of EDP reporting as regards the transition between it and net lending/borrowing (EDP tables 2). In the case of Germany, however, the WB is much more complicated to assess, due mainly to the following reasons.

1. The WB includes, for all subsectors of general government, virtually all units that are classified inside them (the handful of exceptions are usually temporary (e.g. newly created units, units with pending legal disputes over the classification decision, etc.) or so important/complex that they are singled out for manual treatment (e.g. bad banks, SPVs resident abroad)). This means that the WB includes essentially both the budgetary and the extra-budgetary layer of general government. In order to gather the appropriate data, all the units classified inside the sector are required to reply to different types of surveys, for which no dedicated quality assurance mechanism is in place.
2. The results of the surveys underlying the WBs are only available for the April EDP notification. The data availability deadline for state and local government is  $t + 90$  days and, thus, too late for the April EDP reporting, therefore Destatis provides "provisional" figures, which include estimates for the fourth quarter. These figures are, therefore, not linked to the compilation process of EDP data and hence result in an increased residual displayed in the EDP tables for the year  $n-1$ . In addition, during the clarification rounds of the April 2021 EDP notification, Eurostat inferred that this practice may also lead to the publication of two different data sets in Germany: the one reported for EDP purposes and the other reported for public finance statistics purposes.
3. As described above (see section 1.3 beginning on page 7), the basic data sources underlying the WB are of many different kinds. For example, while budgetary central government units are fully on cash basis, the extra-budgetary layer includes units on cash basis, as well as units using accrual accounting. The case of state governments is even more complex: both the budgetary and extra-budgetary layers have units on cash and units on accrual accounting basis. Moreover, budgetary state government units are regularly making time adjustments to their essentially cash accounting systems (see point 5 here below, referring to the "fifth quarter adjustments") which results in the reported figures – used to compile the WB – being actually neither fully on cash, nor fully on accrual basis.
4. Based on the bilateral clarification rounds of the April 2021 EDP notification, Eurostat observed that certain elements of the bridge tables between the accrual accounting of extra-budgetary units and the ESA accounts could be incorrect. In particular, it remained unclear whether the accounting treatment of the sale of fixed assets by government units using business accounting standards was appropriately captured in the surveys used by the German statistical authorities to collect the data for EDP/GFS purposes.
5. As mentioned briefly under point 3 above, budgetary state government units perform time adjustments to their cash data. These adjustments are generically called the "fifth quarter

adjustments”.<sup>23</sup> Eurostat discussed this issue in detail during the 2018 dialogue visit and issued action point 21, which was still open at the time of the dialogue visit.

During the course of time, Eurostat repeatedly noted that all these issues together significantly reduced the verifiability of the WBs reported in EDP tables 2 and, by extension, of all tables 3, as well.

## Discussion

During the dialogue visit, the above-mentioned points were addressed. Destatis confirmed that it still reported “provisional” WBs for the state and local government subsectors with each spring EDP notification. It also explained that it had no detailed information on the accounting practice of reporting units regarding their recording of transactions involving the sale of fixed assets. It recalled that all information available to it on this issue was already shared with Eurostat, but it agreed to ask the respective standard setters in Germany to provide their opinions on this matter.

Eurostat also enquired whether the German statistical authorities were aware of any measures under the Recovery and Resilience Plan of the German Federal Government that would improve either the data sources underlying, or the compilation process of the WB. Destatis replied that it is not aware of such measures in the Recovery and Resilience Plan.

The BMF explained that there was a long discussion, including aspects regarding the WB, in the context of the implementation of the EU’s Budgetary Frameworks Directive<sup>24</sup>. During these discussions it was clarified that the same WBs which are reported for EDP purposes are also used as a key indicator for national fiscal policy coordination by the German Stability Council<sup>25</sup> and for the medium-term budgetary framework established in line with the directive. Moreover, the data reported biannually by the Stability Council were endorsed by the Federal Government and the same WB figures were also used to check compliance with the ceilings enshrined in the HGrG<sup>26</sup>. For all these reasons, the BMF expressed its preference to keep the existing compilation method, which it also considered appropriate for EDP purposes.

Eurostat took note of the explanation, but it remarked that based on its understanding the WB was neither externally audited, nor voted on by Parliament, nor published. The German statistical authorities confirmed the first two statements, but clarified that the WBs (the cash balances of budgetary revenues and expenditures) indeed are published: Destatis published the actual WBs from the past, while the projected WBs were published by the Stability Council. However, they acknowledged that the publication dates came after the EDP notifications where the respective WBs were reported to Eurostat. Eurostat appreciated the explanations.

Regarding the fifth quarter adjustments, Eurostat recalled that it had repeatedly asked the German statistical authorities for detailed breakdowns of these adjustments, which it never received due to the difficulties of extracting them from the accounting systems used by reporting units classified in the state government subsector. Destatis explained that the reporting systems of state

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<sup>23</sup> These adjustments usually involve transactions referring to the current reference year, but where the payment happens during the first quarter of the next reference year. In addition, they can contain adjustments in the opposite direction, as well as error corrections.

<sup>24</sup> Council Directive 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of the Member States (<https://eur-lex.europa.eu/eli/dir/2011/85/oj>)

<sup>25</sup> The Stability Council (Stabilitätsrat) is a joint body of the German Federal Government and of the German States (Länder). It was established in 2010 and is enshrined in the Basic Law (Grundgesetz). Together with Germany’s debt brake rules, the Stability Council strengthens the institutional framework for safeguarding the long-term sustainability of public budgets on the federal and state levels. (<https://www.stabilitaetsrat.de/>)

<sup>26</sup> See footnote 6.

governments did not generally have a link between cash and budgetary recording and therefore the identification of these so-called “fifth quarter adjustments” was a relatively time-consuming manual work. The large number of such adjustments, the large number of reporting units and the many states within Germany were further difficulties in receiving replies to any such data request.

## Findings and conclusions

Eurostat recalled that it had repeatedly raised concerns due to the limitations on the reliability and verifiability of the WBs reported in the German EDP tables, inherent in such a multi- and mixed-source statistical data compilation system. In Eurostat’s view, the measures that would – if designed appropriately, implemented well and operating effectively – likely address these concerns are the following (in declining order of importance):

- (1) The harmonisation of methods underlying the data sources used as input for EDP/GFS statistical data compilation purposes. In this context, it would be particularly desirable to require most, if not all reporting entities to use the same accounting standards. However, it would be crucial to ensure, as a minimum and within a reasonable period, that budgetary reporting entities within the same subsector of general government use the same accounting standards. Eurostat considered it regrettable, from this perspective, that neither the Digital Agenda adopted earlier by the German Federal Government, nor the Recovery and Resilience Plan of Germany included any measures in this regard.
- (2) The building of redundancies into the data compilation system by the German statistical authorities. As discussed during the dialogue visit, ideally, the net lending/borrowing (B.9) should be calculated using the WB and transition items reported in EDP tables 2, and then be compared with the independently compiled balancing figures of non-financial accounts (B.9) and financial accounts (B.9f) resulting from the national accounts compilation process. Eurostat noted that in contrast to several other Member States, currently there is no such redundancy built into the German data compilation system. It pointed out, however, that such redundancies could be beneficial also as data quality assurance mechanisms.
- (3) Establishing the legal basis for regular and comprehensive direct verifications of the source data to be carried out by the German statistical authorities, in line with the recommendations of the German Federal Court of Auditors<sup>27</sup>. Eurostat noted that the Court’s recommendations went beyond the simple plausibility checks and year-over-year data comparisons already performed by the German statistical authorities.

Taking into account the fact that there was no EDP- or GFS-dedicated data quality management policy in Germany (as reported by Destatis in the updated questionnaire on national quality management systems sent prior to the dialogue visit) and that in the course of the last few years only incremental improvements were made to the availability of data sources, as well as to the data compilation and quality assurance systems, Eurostat urged the German statistical authorities to consider stepping up their efforts in this regard, in line with Eurostat’s list of suggestions, as presented above.

The following action points were issued.

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<sup>27</sup> See section 4.3 on page 16 of the report of the German Federal Court of Auditors available under <https://www.bundesrechnungshof.de/de/veroeffentlichungen/produkte/pruefungsmittelungen/2015/resolveuid/d5ff4ca47954af0849af29f25248817>

### **Action point 2021/12**

*The German statistical authorities shall ask the Institute of Auditors in Germany (Institut der Wirtschaftsprüfer in Deutschland) as well as the Accounting Standards Committee of Germany (Deutsches Rechnungslegungs Standards Committee) for their opinions on:*

- (a) whether the recording of other operating income and expense referring to the same transaction (e.g. the sale of a non-current, non-financial asset) on a net basis (i.e. only the difference between the sales price and the asset's net book value is recorded as income or expense, depending on the sign of the difference) by public corporations classified into the general government sector of Germany is in line with the German accounting standards*

*and if so,*

- (b) whether, according to their experience, the above practice is generally applied by said entities*

*and if so,*

- (c) whether, in their view, such practice is in compliance with the 'no offsetting' principle of the EU Accounting Directive (Art.6(1)g of Directive 2013/34/EU),*

*and report back to Eurostat (including the opinions received) by year-end 2021.*

### **Action point 2021/13**

*The German statistical authorities shall send to Eurostat, by year-end 2021, a comprehensive report addressing the following points on the so-called 'fifth quarter adjustments':*

- (a) the scope of the adjustments, both in terms of units and transactions;*
- (b) the total gross impact of the adjustments on net lending/borrowing and debt of their respective subsector, for the years 2019 and 2020, separately for each German State;*
- (c) any direct or indirect links of the adjustments to the issues referred to under action point 2021/7;*
- (d) the difficulties encountered by the statistical authorities on the State subsector level in reporting on the adjustments for points (a)-(c) above and due to past requests made by Eurostat.*

*Action point 21 from the dialogue visit of 2018 is hereby closed.*

### **Action point 2021/14**

*The German statistical authorities shall analyse whether the measures discussed during the 2021 dialogue visit to improve the verifiability of the working balance or any measures similar to those would be practicable to implement and if so, how and by when they would envisage their implementation, and report back to Eurostat by the end of June 2022.*

### **Action point 2021/15**

*The German statistical authorities shall investigate and inform Eurostat by year-end 2021 on whether they could provide, with each future EDP notification, a breakdown of the working balance of each subsector of general government that shows for the last four years:*

- (a) separately, the total working balance of the budgetary and extra-budgetary layers;*
- (b) the working balance of each extra-budgetary unit;*
- (c) a web link to the budgetary closure accounts (Rechnungsabschlüsse), specifying whether they were audited or not.*



*However, if any such information is available, it should be provided to Eurostat already with the October 2021 EDP notification.*

## **3.2. Other issues**

### **3.2.1. Reporting in EDP questionnaire tables 8 and 9**

#### **Introduction**

While appreciating the efforts of the German statistical authorities for filling out the EDP questionnaire tables, Eurostat has returned to the incomplete reporting on the stock-flow reconciliation of central government claims (table 8) and raised the issue of guarantees, in general (tables 9).

The issue of stock-flow reconciliation was already discussed during the 2018 dialogue visit. However, tables 9 were not discussed in 2018 and no action point was placed. At that time it was explained that the German statistical authorities were exploring possible ways to resolve the issue of the missing stock data in the table and that the discussions were on-going. As an interim solution, Eurostat suggested to use the stock reported in ESA table 27 for the total stock of loan claims.

As regards guarantee reporting, Eurostat was aware that information on guaranteed debt assumed was stated in questionnaire table 9.2 as not being available, because the German statistical authorities had no indication whether the debt assumption by government was linked to guaranteed debt.

During the April 2021 EDP notification Eurostat announced its intention to return to this issue in the dialogue visit.

#### **Discussion**

Eurostat briefly recalled the issue of missing data in the German EDP questionnaire tables 8 and 9. It enquired whether any improvements could be expected and, if so, by when.

The Bundesbank explained that the main reason for the continually missing stock data in EDP questionnaire table 8 on central government claims was the lack of any progress as regards the balance sheet statistics (Vermögensrechnung) of central government. It further explained that data on transactions in table 8 were compiled from budgetary data sources, but that these were not integrated with the balance sheet statistics, which was the main cause for some of the missing data items on transactions. In summary, several of the data items were not reported, in order to avoid showing the existing discrepancy between the two data sources.

The BMF clarified that it had no knowledge of the data sources used for the transactions reported in questionnaire table 8. As usual, the BMF reported to Destatis the data on assets (including claims) of central government, as part of the balance sheet statistics (Vermögensrechnung).

A lengthy discussion ensued on the possibilities to improve the completeness of table 8, at least insofar as to ensure that all impacts on net lending/borrowing (B.9), resulting, for example, from debt cancellations, are shown. As regards debt cancellations, the Bundesbank explained that in general, Destatis was receiving data on them from the BMF separately and, therefore, any effect on B.9 should be captured. The issue arose from the lack of appropriate data sources (more precisely from the fact that the existing sources were not integrated) that would have allowed

reporting all breakdowns required by the table. Eurostat took note of the explanations, but it underlined that the situation was not satisfactory.

As regards guarantee reporting, Eurostat pointed out that there is a significant lack of data also in EDP questionnaire tables 9 and asked whether the completeness of these tables could be further improved.

The BMF confirmed that, on guarantee reporting, the level of detail that Destatis usually asks for is not entirely available. The BMF reports on guarantees in two publications, neither of which provides breakdowns that are fully compatible with the ones in EDP questionnaire tables 9. In order to completely fill out tables 9, a burdensome additional reporting would have to be established for which the legal background does not exist in Germany.

At Eurostat's request, Destatis confirmed that while it regularly received data from the BMF, it could not use them all to fill out tables 9, due to lack of detail. For example, while data on debt assumptions by government were regularly delivered by the BMF to Destatis, these did not contain a split on whether such debt was or was not guaranteed by government. However, table 9 requires only for the guaranteed debt to be reported.

Destatis also informed that except for student loans, it was not aware of any other standardised guarantee schemes in Germany. It further explained that since all student loans granted were recorded as expenditure at inception (all reimbursements being recorded as revenues when paid), no standardised guarantees were reported in EDP questionnaire table 9.4.

## **Findings and conclusions**

Eurostat took note of the explanations. It concluded that the German EDP questionnaire tables 8 and 9 were showing significant shortcomings as regards completeness. These shortcomings were substantial even on a horizontal (cross-Member State) comparative basis.

Eurostat understood that the lack of data in these tables was partially due to the lack of sufficient detail in source data, but it also noted that for some elements the appropriate data seemed to be available. Thus, Eurostat invited the German statistical authorities to make a collaborative effort in order to improve, in a lasting way, the completeness of EDP questionnaire tables 8 and 9.

The following action points were identified.

### ***Action point 2021/16***

*The German statistical authorities shall together analyse the shortcomings in the reporting in EDP questionnaire tables 8 and 9 and suggest ways (e.g. additional data collections, estimations or modelling, as practicable and appropriate), as well as a reasonable time frame for improvements. They should report back to Eurostat by the end of March 2022.*

### ***Action point 2021/17***

*The German statistical authorities, including the Federal Ministry of Finance, are invited to investigate the accuracy of the two statements below and to report back to Eurostat on their findings by the end of September 2021.*

- (a) During any year between 2017-2020, there were no changes (increases or decreases) in German central government claims that were recorded in German national accounts as 'other changes in volume'.*
- (b) Statement (a) is true, because it is the accounting policy of the German statistical authorities not to record any such change as 'other change in volume'.*

*Depending on the replies, the German statistical authorities shall, as appropriate:*

- (i) *adapt their reporting in EDP questionnaire table 8 beginning with the October 2021 EDP notification;*
- (ii) *update the EDP Inventory by the deadline set in action point 2021/4.*

### **3.2.2. Standardised guarantee schemes and rearrangement in the context of COVID-19 measures**

#### **Introduction**

During the April 2021 EDP notification Eurostat expressed the view that the guarantee scheme established as a measure to address the adverse effects of the COVID-19 pandemic and extended by the Economic Stabilisation Fund (WSF) on loans granted to final beneficiaries in distress by KfW<sup>28</sup> on behalf of government should be considered – in line with ESA 2010 paragraph B5.1.2(b) – a standardised guarantee scheme. In the same vein, Eurostat also suggested that the risk provision recorded by KfW on similar loans should be used as a proxy for any loss provisioning on the standardised guarantee scheme. The German statistical authorities disagreed. They considered that the scheme was a one-off and, as such, it represented a contingent liability for the government. In addition, it was clarified that KfW was not recording any provision for COVID-19 measures.

In this context, the German statistical authorities also pointed out that as it is described in the German EDP Inventory (p.160-161), given that all such KfW loans were rearranged through government accounts impacting Maastricht debt, the reporting requirements of standardised guarantees on such loans were no longer applicable.

#### **Discussion**

At Eurostat's request, the German statistical authorities confirmed their opinion expressed during the clarification rounds of the April 2021 EDP notification. They further explained that in a similar way to the Pan-European Guarantee Fund (PEGF)<sup>29</sup> and Eurostat's methodological guidance note on how to record it<sup>30</sup>, as it would be difficult to estimate the expected losses, it was their intention to keep their accounting treatment of standardised guarantees unchanged.

Eurostat reiterated its preliminary view that these guarantees did seem to satisfy the conditions to qualify as standardised guarantees under ESA 2010. It reminded that in the case of PEGF, the loss estimate was deemed unreliable given that it was only available for the maximum amount of potential losses, which did not seem to be the case for the German scheme created in the context of the COVID-19 pandemic. Eurostat was also not convinced that rearrangement through government accounts (impacting Maastricht debt) of the underlying loans granted by KfW would, in and of itself, permit an exemption from recording also expected losses, in line with the provisions of ESA 2010 and the MGDD.

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<sup>28</sup> Kreditanstalt für Wiederaufbau (KfW) is a German state-owned investment and development bank, based in Frankfurt am Main.

<sup>29</sup> As one of the common European measures to address the adverse economic effects of the COVID-19 pandemic, the European Investment Bank Group established the Pan-European Guarantee Fund (PEGF) to ensure that companies in the participating Member States have sufficient short-term liquidity available to weather the crisis, and are able to continue their growth and development in the medium to long-term.

<sup>30</sup> See [https://ec.europa.eu/eurostat/documents/10186/10693286/EIB+Pan-European+Guarantee+Fund\\_methodological+note.pdf](https://ec.europa.eu/eurostat/documents/10186/10693286/EIB+Pan-European+Guarantee+Fund_methodological+note.pdf).

### **Findings and conclusions**

Given the considerable differences in the accounting treatments of guarantee schemes created by Member States in the context of the COVID-19 pandemic, Eurostat agreed to address this issue again bilaterally with Germany, after the respective methodological discussion will be finalised in the EDP Statistics Working Group.

No action points were identified.

### **3.2.3. Superdividend test for the Bundesbank**

#### **Findings and conclusions**

As noted during the April 2021 EDP notification, Eurostat recalled the issue of the superdividend test for the Bundesbank. During the notification, Eurostat suggested to remove from the superdividend calculation certain items referring to the two profit and loss account positions reflecting other operating income and expenses of the Bundesbank. Considering that most items of these two positions should be removed, as a simplification measure, the German statistical authorities suggested to exclude the two positions entirely.

While it generally would not expect material effects on deficit or debt from such a simplification, considering the importance of the Bundesbank in the entire national economy and that all elements necessary to perform a precise calculation were available, Eurostat suggested that in the future this calculation should be carried out without any simplifications.

## 4. Methodological issues

### 4.1. Delimitation of the general government, application of the 50% rule in national accounts (including public corporations questionnaire)

#### 4.1.1. Sector classification of professional associations and their pension (care) funds (action point 40)

##### Introduction

The national accounts department of Destatis is responsible for decisions on the sector classification of individual units. The delimitation of the general government sector is based on the reporting units management system (BKM<sup>31</sup>). In order to ensure compliance with relevant ESA 2010 rules, Destatis developed several numerical tests besides the 50%-test, including an 80%-test for government ancillary units and a test for holding corporations and head offices.

During the 2018 dialogue visit, it was clarified that in Germany professional associations existed that were statutory bodies under public law (Körperschaften des öffentlichen Rechts or KÖR). Such associations executed tasks of “self-administration”, i.e. they performed specific sovereign regulatory tasks. Eurostat understood that these professional associations benefited from compulsory membership and hence were financed by compulsory fees. Eurostat noted that the compulsory fees could have a para-fiscal nature, as one could not practice his/her profession if one was not member in an association.

In later analysis, Eurostat identified the following professional associations in Germany:

- 79 Chambers of Industry and Commerce (Industrie- und Handelskammer),
- 53 Chambers of Crafts (Handwerkskammer),
- 18 Medical Boards (Ärzttekammer),
- 18 Chambers of Pharmacists (Apothekerkammer),
- 17 Chambers of Architects (Architektenkammer),
- 17 Chambers of Engineers (Ingenieurkammer),
- 28 Bar Associations (Rechtsanwaltskammer),
- 21 Associations of Notaries Public (Notarkammer) and
- 21 Chambers of Tax Advisors (Steuerberaterkammer).

The German statistical authorities explained at that time that the compulsory membership in the professional associations that were statutory bodies under public law only existed because of them being autonomous self-governing bodies with sovereign functions in specific professional areas. The concept had its roots in the history of the professions in Germany. The associations possessed regulatory powers, however, these powers were not delegated but only accepted by government. The law only decreed that an association had to exist. The compulsory membership was only introduced in the statutes of the units.

Moreover, the German statistical authorities argued that the associations provided services to their members by acting as lobby groups for them, and hence the membership fees should be seen as sales of services, as the membership gives the right to use the services.

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<sup>31</sup> BKM is the acronym for Berichtskreismanagement and is the name of the database of all units having statistical reporting obligations under the Public Finance Statistics Law (FPStatG).

As a preliminary conclusion on this point during the 2018 visit, Eurostat took note of the explanations provided by the German statistical authorities. Nevertheless, it expressed doubt on their sector classification and was of the opinion that further assessment of the nature and tasks of the professional associations was necessary to verify their correct classification. Accordingly, Eurostat issued an action point<sup>32</sup>, which at the time of the 2021 dialogue visit was still open.

Since the 2018 visit, this issue was repeatedly discussed between Eurostat and the German statistical authorities.

## Discussion

Eurostat briefly recalled the case. The common feature of these associations was that they are regulated by federal or state law, insofar as the law determines their mandate, general organisation, regulatory powers and financing mechanisms. Moreover, these laws also obliged all members who wanted to exert the specific activity they regulated to pay contributions (Beiträge) in order to finance the associations. In addition to being mandatory, the contributions were usually income-dependent and while the associations were mandated to best represent the interest of all their members, there was no guarantee for services being provided individually in return, i.e. there was a significant horizontal redistributive effect among the members of the association.

Based on this analysis, Eurostat's preliminary view was that all these professional associations were controlled by government (via legislation) and were non-market producers (due to their income being essentially collected from mandatory contributions and due also to their sovereign, regulatory powers within their field of economic activity, as noted already during the 2018 dialogue visit) and should, therefore, be reclassified into the general government sector.

Destatis disagreed. It explained that in its view government established a general legal framework for these associations, which were providing services for their members, not the general public. In addition, the required fees were not disproportionate to the services received by the members. It also pointed to the still on-going methodological discussion on control over non-profit entities that was not yet finalised. In sum, it considered that their current sector classification (in the non-financial corporations sector, S.11) was correct. The German statistical authorities also asked to know in which sector the comparable professional associations were classified in Austria, as they considered the Austrian situation to be in substance equal to the German one. Eurostat answered that, indeed, in Austria they were classified in the general government sector.

A long discussion followed on the details of the case, including the legal background, usual activities, main revenue sources and statutes of these associations, the methodological rules in ESA 2010 and the MGDD on their sector classification, as well as on the borderline between payments for services and taxes. At the end, both Eurostat and the German statistical authorities reiterated their positions.

During the discussions, Eurostat also mentioned that several of these professional associations had a separate and legally mandated or regulated pension (care) fund (Versorgungskasse). In Eurostat's view, based also on the information gathered via bilateral correspondence prior to the meeting, these pension funds were also under government control. This was valid, in most cases, independently from the question whether their parents – the professional associations – belonged to government or not, due to the tight and specific regulatory environment these funds were falling under.

On the other hand, Eurostat noted that government did not decide on the level of contributions to these funds. Moreover, neither regulation nor past evidence pointed to any risk taking by

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<sup>32</sup> Action point 40. See the final findings of the 2018 dialogue visit (footnote 14).

government insofar as the long-term economic viability of these funds was concerned (the funds had to self-ensure that they remained sustainable over the long-term, usually by adjusting the level of contributions or benefits, or both; government did not step in). It was therefore Eurostat's view that these funds should remain in the pension funds subsector (S.129), where they are currently classified, but should be included in the list of public corporations that is yearly provided to Eurostat.

Destatis disagreed. It was not convinced that it would have the legal background to include these care funds into the list of public corporations. It insisted that only if the parents of the funds (i.e. the respective professional associations) would be classified in the government sector would the funds themselves become public entities.

Eurostat took note of the reply.

### **Findings and conclusions**

Eurostat recalled that on the one hand, the divergent opinions between the German statistical authorities and itself seemed to persist for a longer time regarding the sector classification of professional associations in Germany. On the other hand, Eurostat noted that the total estimated impact on deficit and debt in case of reclassification would be immaterial. In order to ensure progress, it suggested for the German statistical authorities to perform a more detailed analysis of the entire case, by taking into account all the elements discussed during the dialogue visit and to report back to Eurostat. The following action points were identified in this regard.

#### ***Action point 2021/18***

*In light of the discussions during the 2021 dialogue visit, the German statistical authorities are invited to reassess the sector classification of the German professional associations and submit a report on it to Eurostat by the end of March 2022. Among others, the report should discuss in detail whether or not the legislative provisions in force referring to these associations do, in line with ESA 2010, effectively grant control to government over them and do essentially cause them to become non-market producers. In the affirmative case, the report should contain a suggested time for their reclassification. Action point 40 from the 2018 dialogue visit is hereby closed.*

#### ***Action point 2021/19***

*In a similar way to action point 2021/18, the German statistical authorities shall investigate and report to Eurostat, by March 2022, whether the legislative provisions referring specifically to the pension funds of some of those professional associations would grant control to government over these funds. If so or as a result to any reclassifications performed under action point 2021/18, they should include all such funds in the public corporations questionnaire beginning with the first EDP reporting after the deadline of this action point.*

### **4.1.2. Inconsistencies in reclassification (BKM time lag) and the reclassification of pension funds**

#### **Introduction**

During the April 2021 EDP notification, Eurostat briefly asked about several reclassifications of pension funds outside the general government sector (not the ones of the professional

associations) performed by the German statistical authorities and said that it would return to this issue during the dialogue visit.

## **Discussion**

Destatis explained that there was only one unit database (BKM) being used in statistical data compilation, which contained the reporting units for public finance statistics purposes. In this sense, there were indeed some reclassifications of pension funds from the government sector (S.13) to the pension funds subsector (S.129). The main reason was that Destatis considered these entities to be quasi-corporations under paragraph 2.105 of ESA 2010.

It further clarified that for national accounts purposes these reclassifications had no effect, since these funds were always considered as being part of subsector S.129. It also informed that some of these funds filed cases in court against said reclassification decisions, as the reclassification triggered a change in their reporting regime, with the new one (for units belonging to the financial sector) being significantly more burdensome. They used as basis for their arguments paragraph 2.106 of the German version of ESA 2010, which allowed a slightly different interpretation as to the autonomous nature of units, due to translation inaccuracies from the original English version.

## **Findings and conclusions**

Eurostat appreciated the explanations. Concerning the legal dispute in Germany, it has pointed out that while it recognised the case law of the European Court of Justice in this regard<sup>33</sup>, for practical purposes, given that it was originally drafted in the English language, it regarded the English version of ESA 2010 as the authoritative one. It also recalled its long-standing opinion that the mere existence of court cases or even court judgments at the national level were generally not critical factors in its sector classification decisions.

### **4.1.3. Public corporations questionnaire**

#### **Introduction**

The basis for the data presented in the public corporations questionnaire is the BKM. This registry covers entities controlled by general government and it also contains information on ownership, NACE classification, accounting system and legal form. It is jointly managed by Destatis and the Statistical Offices of the States (Länder), each with specific access rights. During the 2018 dialogue visit, Eurostat understood that the BKM was being updated by use of a special annual survey (Grundbefragung). The processing of replies was automated using a module of the common public finance statistics data compilation system of the German statistical authorities (Verbundsystem der Finanz- und Personalstatistiken or FiPS).

Eurostat received annually two returns of the questionnaire on government controlled entities, compiled separately by Destatis and by the Bundesbank. The Bundesbank's list included solely

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<sup>33</sup> Stating, in essence, that where there is divergence between the various language versions of any given legal provision, the provision must be interpreted by reference to the context and purpose of the rules of which it forms part (see judgments in cases C- 510/10, [EU:C:2012:244](#), paragraph 45, and C- 89/12, [EU:C:2013:276](#), paragraph 40).



government-controlled monetary financial institutions. The list compiled by Destatis comprised all other entities controlled by government, including a number of financial institutions that were not monetary financial institutions. Three units were listed for historical reasons in both questionnaires. In January 2021, Eurostat agreed with the German statistical authorities that beginning with the 2021 reporting (reference year 2020) only one list would be provided to Eurostat, which contains all public corporations in Germany.

## **Discussion**

There was no discussion.

## **Findings and conclusions**

Eurostat appreciated the improvements (in particular to the timeliness of some data items) achieved by the German statistical authorities to the public corporations questionnaire and encouraged them to aim at improving the timeliness of all reported data items.

The German statistical authorities confirmed that, as agreed, they will provide to Eurostat only one, completely clean list, containing all public corporations in Germany, beginning with the next 2020 reporting year (reporting date: year-end 2021).

## **4.2. Implementation of the accrual principle**

### **4.2.1. Taxes and social contributions**

#### **Introduction**

The data source used for the recording of taxes in national accounts is cash data reported by the BMF, which is then used by Destatis to compile tax data for EDP purposes. In government accounts, time adjusted cash amounts are recorded, attributed to the period when the activity takes place. According to the questionnaire on taxes and social contributions submitted by the German statistical authorities for 2020, in Germany all taxes are recorded either on full cash or on time-adjusted cash basis and are net of tax refunds (gross data on actual tax receipts and actual tax refunds are not available, therefore time-adjustments are applied to the net data).

#### **Discussion**

Eurostat recalled some of the details relating to data collection and recording of tax revenues in Germany. The German statistical authorities confirmed that except for time-adjustments, no other adjustments were applied to the data. They clarified that the recent corporate income tax-related change in the German questionnaire on taxes and social contributions was only an error correction, as corporate income tax had always been recorded on full cash basis in Germany.

Destatis also confirmed that beginning with 2021 the payment deadline for value-added tax (VAT) on imports (Einfuhrumsatzsteuer) was pushed back 40 calendar days and that the change was expected to be permanent. Due to this, the import VAT time adjustment was changed from 1 month to 2 months. At Eurostat's request, Destatis explained that in order to correctly reflect this change (i.e. to ensure that on accrual basis the correct 12-month period is attributed to each year),

it applied a one-off adjustment to the tax data by recording the cash transactions of both January and February 2021 for the reference month of December 2020. Afterwards it continued applying the 2-month time adjustment for the monthly import VAT cash revenues. Considering that in January 2021 the cash receipts were very small (i.e. most of the VAT-related cash inflow was realised in February 2021), Eurostat agreed with this treatment.

Eurostat also recalled the significant delays it encountered with the replies to some of its tax data-related requests. The German statistical authorities confirmed that such and similar requests would be addressed in a timely fashion in the future.

## **Findings and conclusions**

Eurostat thanked the German statistical authorities for the timely submission of the questionnaire on taxes and social contributions, took note of all the explanations and invited them to update the EDP Inventory with the discussed details, in line with action point 2021/4.

The discussion on tax measures adopted in the context of the COVID-19 pandemic is described in section 5.1 of these findings.

No action points were identified.

### **4.2.2. Interest recording**

#### **Introduction**

The issue of interest recording was discussed at length during the 2018 dialogue visit.<sup>34</sup>

During the April 2021 EDP notification Eurostat asked for a reconciliation between the two line items of EDP notification tables 2A and 3B (both for central government) on the difference between interest accrued and paid. It stated at that time that it would return to some of the open questions during the dialogue visit.

#### **Discussion**

At Eurostat's request, the Bundesbank confirmed that the capital uplift of inflation-linked bonds impacted both the amount of interest accrued on and the face value included in the Maastricht debt of these bonds.

The budgetary recording of negative interest was also briefly discussed. The BMF clarified that while capital market transaction-related fees could be planned for relatively well (i.e. the outturn is broadly in line with planned figures), interest could fluctuate based on the underlying financing rate. As a practical simplification, in the central government budget, the interest was always recorded on the expenditure side, even if it was negative (i.e. due to negative rates the budget realises an interest revenue). This presentational issue explains why, in the reconciliation requested during the April 2021 EDP notification by Eurostat, an adjustment was necessary reflecting the difference between the budgetary cost and cash statistics relating to interest recorded for central government.

The German statistical authorities confirmed that there was no change to the capital cost model of the German Finance Agency (Finanzagentur) since the last dialogue visit. They informed that

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<sup>34</sup> For details, please refer to the final findings of 2018 dialogue visit (footnote 14.)

generally, the part of government-issued debt instruments not sold was not included in Maastricht debt, as well as that any initially sold instruments bought back by government before maturity were reducing Maastricht debt.

As regards secondary market transactions for government bonds, the Bundesbank reiterated its earlier concern that the current Europe-wide accounting treatment should be addressed, as it allowed converting interest revenue/expenditure into holding gain/loss, with the ensuing impact on net lending/borrowing.

### **Findings and conclusions**

Eurostat took note of the explanations.

No action points were identified.

### **4.2.3. EU flows**

#### **Introduction**

During the 2018 dialogue visit, the German statistical authorities recalled the data situation concerning EU flows. Revenues from the EU were recorded in the budgets of the central government and the state governments. Information on the related expenditure was compiled by means of a dedicated survey that was completed by the central and state government units on a voluntary basis.

The German statistical authorities confirmed that no information on EU flows was available for local governments. The EU-related flows were not separately listed in the budgetary classifications of local governments and it was not possible and, in their view, not necessary to expand the scope of the voluntary data collection to municipalities.

Eurostat understood that normally central government and the state governments were the first recipients of EU grants. The funds were then further channelled either directly to the ultimate recipients or by the state governments to the local governments for further distribution. The German statistical authorities hence argued that the voluntary survey, although not including local governments, covered all EU flows. However, it operated on the assumption that all funds that were received by local governments were immediately further distributed. This assumption was necessary, because in addition to the missing budget classifications for EU flows in the budgets of local governments, no separate budget classification for EU grants forwarded to local governments existed in the budgets of the state governments.

The German statistical authorities also informed Eurostat that they were not aware of any cases where local government units would have received grants directly from the EU.

Eurostat took note that changes had been made to the voluntary survey (both to the template and to the explanatory notes) and of the fact that the corrections relating to EU flows were not implemented in government accounts for the local government subsector. Moreover, Eurostat observed that the impacts of the related revenue and expenditure were neutralised through adjustments undertaken at state government level.

Prior to the dialogue visit of 2021, the German statistical authorities confirmed that the limitations regarding EU flows, as discussed during the 2018 visit were still valid. They also provided an updated table on EU flows and explained that the revisions to the data referring to 2014-2016 were all due to the correction of errors.

## **Discussion**

There was no discussion.

## **Findings and conclusions**

Eurostat thanked the German statistical authorities for the information provided on EU flows prior to the dialogue visit.

No action points were identified.

### **4.2.4. Gross Fixed Capital Formation (GFCF)**

Please refer to section 2.5 of these findings, starting on page 19.

## 5. Recording of specific government transactions

### 5.1. COVID-19 Measures

#### Introduction

Germany implemented many economic measures designed to address the adverse economic effects of the COVID-19 pandemic. Some of these measures are briefly described below.

In the April 2021 EDP notification the German statistical authorities reported about these measures in the new COVID-19 tables (Annexes 8.1 and 8.2), in line with Eurostat's provisional reporting guidance.

#### 1. Creation of the Economic Stabilisation Fund<sup>35</sup> (Wirtschaftsstabilisierungsfonds or WSF)

- The objective of the fund is “to stabilise companies in the economy by overcoming liquidity bottlenecks and by creating the framework for strengthening the capital base of companies whose existential risk would have a significant impact on the economy, technological sovereignty, security of supply, critical infrastructure or the labor market.”
- Only large<sup>36</sup>, non-financial corporations can apply for help.
- The fund is created as an extra-budgetary special fund (Sondervermögen) of central government, without legal capacity, but with some rights and obligations, as defined in the law.
- With some exceptions, the general administration of the fund is performed by the German Federal Debt Management Agency (Finanzagentur).
- The fund is empowered to do the following (empowerment expires at year-end 2021):
  - Provide guarantees to companies in order for them to counter their liquidity bottlenecks and to help them refinance themselves on the capital market. Upper limit 400 bnEUR (12.2% of GDP)<sup>37</sup>.
  - Take on up to 100 bnEUR (3.0%) of debt in order to perform capital injections to ensure the solvency of companies (in particular acquisition of shares or silent equity participations, subscription of profit participation rights or subordinated debt securities).
  - Take on up to additional 100 bnEUR (3.0%) of debt in order to refinance KfW's operations regarding execution of the special programs assigned to it.

#### 2. Relief for tax payers<sup>38</sup>

- Liquidity measure for special types of businesses (PIT/CIT<sup>39</sup> advance refund for carry-back losses)

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<sup>35</sup> With the adoption in March 2020 of the federal law establishing the Economic Stabilisation Fund (Wirtschaftsstabilisierungsfondsgesetz or WStFG) and amending the Federal Financial Stabilisation Law (Stabilisierungsfondsgesetz or StFG – see <https://www.gesetze-im-internet.de/fmstfg/BJNR198210008.html>)

<sup>36</sup> In the meaning of the EU definition, i.e. satisfying, during the past two reference years, at least two of the following three conditions: total assets higher than 43 mEUR; net turnover higher than 50 mEUR; average number of employees higher than or equal to 250.

<sup>37</sup> In percentage points of 2020 GDP, as reported in the Apr 2021 EDP notification.

<sup>38</sup> Only those measures were included which were subsequently discussed during the dialogue visit.

<sup>39</sup> PIT – Personal income tax, CIT – Corporate income tax

- Claimable by PIT payers, as well as CIT paying self-employed and small and medium enterprises (SMEs), significantly affected by the COVID-19 pandemic.
- 2019 PIT/CIT advance payments (irrespective of whether already paid or not) could be reduced, if claimed by the taxpayer based on 2020 losses that can be carried back to 2019.
- Beginning with 4 June 2020, carry-back loss maximums were increased to 5 mEUR for 2020 and 2021 (10 mEUR for joint filing of PIT). Has to be settled by year-end 2022.
- The claim can result in a combination of PIT/CIT liability-reduction and refund, depending on previously recorded liabilities and payments by tax payers.
- Degressive tax-deductible amortisation schedule introduced for 2020 and 2021.

### 3. Measures via KfW<sup>40</sup>

- Extending syndicated financing to medium sized and large businesses
- KfW participates in syndicated financing constructions with following conditions:
- credit requested for investment or to finance operating costs;
  - amount of credit no less than 25 mEUR;
  - KfW covers up to 80% of the risk, but no more than 50% of the total debt;
  - the risk accepted by KfW is no less than 25 mEUR, but is limited to 25% of net turnover of 2019 or double of personnel costs incurred in 2019 or the current projected financing needs for the next 12 months,
  - at their request, KfW may refinance the other members of the syndicate.

These and several other measures not described here were discussed between the German statistical authorities and Eurostat during the November 2020 question and answer session, as well as the clarification rounds of the April 2021 EDP notification.

## Discussion

Eurostat noted that, in its understanding, the PIT/CIT advance refund (see above) should have no B.9-effect over the entire lifetime of the measure, but it should have per reference year and it enquired about the accounting treatment by the German statistical authorities.

Destatis confirmed that it did not record any one-off adjustment for this measure. It chose to use the flexibility under ESA 2010 paragraph 4.82. Eurostat commented that said paragraph indeed allowed for a certain amount of flexibility in the recording of tax revenues, but under the general principle of time-consistent accounting treatment. Destatis replied that it was not aware of any similar measures taken in the past or being planned for the future.

As regards the measure of allowing tax deductibility for degressive amortisation schedules, Destatis also confirmed that it made no one-off adjustment. Eurostat took note.

On another matter, Eurostat mentioned that during the November 2020 question and answer session and also subsequently, it discussed with the German statistical authorities the appropriate accounting treatment under ESA 2010 of the various elements included in the aid package granted to the German Lufthansa Group. At that time, under continued monitoring, Eurostat provisionally agreed to the accounting treatment suggested by the German statistical authorities (i.e. to record all elements as financial transactions). During the dialogue visit, Eurostat noted that the positive developments happening to Lufthansa in the meantime were underpinning its earlier assessment and suggested to keep the provisionally agreed accounting treatment.

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<sup>40</sup> Only measures discussed were included.

Eurostat then recalled that the capital injection measures undertaken in the context of the pandemic by the Economic Stabilisation Fund as regards TUI, MV Werften and Galeria Karstadt Kaufhof<sup>41</sup> were also discussed during the April 2021 EDP notification. At that time already, Eurostat suggested to the German statistical authorities to record these measures (most of which were implemented during 2021) as capital transfers, because of the worrisome financial situation these beneficiaries were having at year-end 2020 and, by implication, the lower likelihood that they could exit the measures as initially intended.

The German statistical authorities reiterated their position from April 2021, to record the capital injection measures into these three beneficiaries as financial transactions. They argued that, in particular the fact that the recipients were all private entities and the specific nature of the instruments used to grant the aid (special types of equity instruments, in some cases with embedded derivatives), as well as the eligibility criteria for support granted by the WSF would underpin the correctness of their recording. Eurostat took note of these explanations, but reiterated its doubts along the lines of its arguments presented earlier.

Eurostat recalled that during the April 2021 EDP notification the collectability of tax receivables was also discussed. The German statistical authorities explained that they had reported in the COVID-19 tables (Annex 8.2) a tax receivable figure that was net of tax receivables unlikely to be collected.

During the dialogue visit, Destatis explained that this tax loss estimate was based on a provisional assumption of the BMF's Working Party on Tax Estimates (Arbeitskreis Steuerschätzungen). The assumption included all types of taxes for which, in the context of the pandemic, either deferrals were allowed or enforcement measures were suspended. Destatis further clarified that this estimate was not a result of a detailed analysis. Instead, the working party made this assumption as a generic estimate for the entirety of tax revenues, irrespective of tax type.

At Eurostat's request, the German statistical authorities confirmed that they would start reporting, beginning with the October 2021 EDP notification, the tax loss estimate as a separate position in the supplementary table on COVID-19 measures.

## **Findings and conclusions**

Eurostat thanked the German statistical authorities for the timely submission of the supplementary table on COVID-19 measures. It stated that given the uncertain evolution of the pandemic, continuous monitoring of its economic effects, as well as of existing and newly implemented measures would be highly recommended. The appropriate accounting treatment will be further assessed and discussed with all the Member States bilaterally or in common fora, as appropriate.

As regards the treatment of the aid granted to the three beneficiaries by the Economic Stabilisation Fund, Eurostat recalled that these seemed to be all capital injections. Thus, in order to determine their appropriate recording, it should be first analysed whether these were performed in order to cover past or present losses and, second, whether any positive returns (dividends, other

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<sup>41</sup> The three beneficiaries are:

- Touristik Union International (or the TUI Group), a German multinational travel and tourism company, which is the largest of its kind in the world;
- MV Werften, a German company operating three facilities in North-Eastern Germany to construct cruise ships for the Genting Group, of which it is a subsidiary;
- Galeria Karstadt Kaufhof, a large department store chain in Germany, which was under insolvency proceedings until the end of September 2020.

rights) could not be reasonably expected to be realised on them. If any of these conditions hold, those support measures should be recorded as non-financial transactions, with the ensuing impact on net lending/borrowing. Eurostat asked the German statistical authorities to further investigate these cases.

#### **Action point 2021/20**

*The German statistical authorities shall investigate in detail the COVID-19 aid measures implemented by the German Economic Stabilisation Fund (Wirtschaftsstabilisierungsfonds) for the benefit of TUI AG, MV Werften Holding Ltd and Galeria Karstadt Kaufhof GmbH, as well as the economic situation of these beneficiaries, in order to determine the appropriate accounting treatment of these measures under ESA 2010. They shall report back to Eurostat on their findings by the end of September 2021.*

Regarding tax receivable collectability, Eurostat appreciated the clarifications but expressed doubts about the accuracy of the tax loss estimate. It invited the German statistical authorities to update it by the upcoming October 2021 EDP notification.

#### **Action point 2021/21**

*The German statistical authorities are invited to adapt, as necessary and appropriate, the loss estimate resulting from tax receivables unlikely to be collected due to the adverse economic effects of the COVID-19 pandemic and to report this amount separately in the supplementary table (Annex 8), beginning with the October 2021 EDP notification.*

## **5.2. Transactions involving FMSW and Finanzagentur (including derivatives)**

### **Introduction**

Prior to the dialogue visit, the German statistical authorities enquired on the appropriate accounting treatment of off-market swaps they had identified among the transactions involving derivative financial instruments of the defeasance structure FMS Wertmanagement AöR (FMSW) classified in general government. Based on these bilateral discussions, to further clarify some aspects, Eurostat decided to have a separate agenda item on it.

### **Discussion**

The Bundesbank recalled that it became aware of the off-market swaps by analysing the data it received from the German Federal Debt Management Agency (Bundesrepublik Deutschland - Finanzagentur GmbH), as the Finanzagentur was managing the swap contracts of FMSW that were cleared by the Germany-based international derivative exchange Eurex.

At Eurostat's request, FMSW explained that the Finanzagentur acts in double capacity in its close relationship with it: on the one hand, as an entity refinancing part of FMSW's operations (EUR long-term funding) and, on the other, as a clearing broker between FMSW and Eurex for hedging purposes. In the context of the refinancing of FMSW by the Finanzagentur, the premiums resulting from Finanzagentur-issued bonds were one-to-one incorporated into the loans provided by Finanzagentur to FMSW. The interest rate risks arising from this refinancing routine were hedged via interest rate swaps between FMSW and third parties (investment banks), most of them were cleared by Eurex, with the Finanzagentur acting as FMSW's clearing broker. Since the



premiums from the Finanzagentur loans were paid up-front into the swaps, the Bundesbank considered that these swaps were off-market and, thus, the premiums appearing on the liability side should be recorded as part of Maastricht debt, in line with ESA 2010 (paragraph 20.133). Eurostat agreed with this treatment.

Some further details regarding the accrued expense and deferred income reported by FMSW in its annual reports were also briefly discussed. The Bundesbank recalled that the appropriate accounting treatment in national accounts of the risk positions and operations of the former Hypo Real Estate (HRE) Group transferred to FMSW in the wake of the global financial crisis of 2008 was agreed at the time of transfer (2010). The overwhelming majority of these line items on FMSW's balance sheet still contain the yet to be amortised portion of payments made or received as part of derivative instruments transferred to FMSW at that time (resulting from HRE's micro-hedging positions). Only some of the derivative transactions entered subsequently into by FMSW were considered off-market and these represent a small minority of these balance sheet positions.

At Eurostat's request, FMSW clarified that all its financial subsidiaries, except Depfa Bank Plc<sup>42</sup> and FMS Servicegesellschaft GmbH<sup>43</sup>, were expected to be completely wound down by the end of 2022. As regards Depfa Bank, in February 2021 FMSW signed the agreement to sell it to the Austrian retail banking group Bawag P.S.K. FMSW further explained that while it had had also special purpose entities in the past, at year-end 2020 it had none anymore.

Eurostat then enquired on the sector classification of the remaining subsidiaries and special purpose entities. Destatis agreed to investigate this.

## **Findings and conclusions**

Eurostat took note of the explanations, thanked the participants representing FMSW and Finanzagentur and issued the following action point for the German statistical authorities.

### ***Action Point 2021/22***

*The German statistical authorities shall analyse whether any of the subsidiaries or any of the special purpose entities, even if resident abroad, of the German public defeasance structure FMS Wertmanagement AöR would qualify as entities that should be classified into the general government sector of Germany and if so, reclassify them accordingly. The German statistical authorities shall report to Eurostat on the results of this exercise by the end of January 2022.*

## **5.3. Debt assumptions, claims, debt cancellations and debt write-offs**

### **Introduction**

Prior to the dialogue visit, the German statistical authorities sent two notes: one detailing any significant debt assumptions, cancellations and write-offs; the other detailing large government operations.

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<sup>42</sup> Depfa Bank Plc. is the Dublin-based former German-Irish bank that became wholly-owned by FMSW as a result of the bailout of its parent corporation Hypo Real Estate Holding AG.

<sup>43</sup> FMS Servicegesellschaft GmbH acts only as a service provider for portfolio services and associated services for FMSW and Depfa.

## **Discussion**

Eurostat appreciated the information received before the dialogue visit. It enquired about the completeness of the coverage regarding the data collection on debt assumptions, cancellations and write-offs. Destatis confirmed that the coverage was complete (all units in general government did generally reply to the respective survey).

At Eurostat's request, Destatis also confirmed that the two larger debt assumptions in the cases of the Hessenkasse and the Saarlandpakt took place within general government (from one subsector to another).

## **Findings and conclusions**

No action points were identified.

### **5.4. Emission trading permits (new national trading scheme)**

#### **Introduction**

Germany launched its National Emissions Trading System (Nationales Emissionshandelssystem, or nEHS<sup>44</sup>) for heating and transport fuels in 2021. This measure complements the EU ETS and forms part of the Climate Action Programme 2030, a package of measures adopted by the German Federal Government to reach Germany's 2030 climate targets and aim for climate neutrality by 2045. Because greenhouse gas emissions from the country's energy, industry and domestic aviation sectors are already covered by the EU ETS, the introduction of the national ETS leads to most major sectors in Germany facing a CO<sub>2</sub> price from 2021 onwards.

The national ETS will be phased in gradually, with a fixed price per tonne of CO<sub>2</sub> from 2021 to 2025. In 2026, auctions with minimum and maximum prices will be introduced. Whether a price corridor will be applied from 2027 onwards has to be decided in 2025. The coverage of fuels will also be gradually expanded.

The system starts with a limited scope in 2021 and 2022, including fuel oil, liquefied petroleum gas, natural gas, gasoline, and diesel. Other fuels such as coal will be covered from 2023 onwards.

Phase one trading period: 2021-2030. Allowances will be sold for an annually increasing fixed price: in 2021 for 25 EUR/tCO<sub>2</sub>, 2022 for 30, 2023 for 35, 2024 for 45 and 2025 for 55. The auctioning of allowances starts in 2026 and a price corridor with a minimum price of 55 EUR/tCO<sub>2</sub> and a maximum price of 65 EUR/tCO<sub>2</sub> will apply.

#### **Discussion**

There was no discussion.

#### **Findings and conclusions**

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<sup>44</sup> See [https://www.dehst.de/DE/Nationaler-Emissionshandel/nationaler-emissionshandel\\_node.html](https://www.dehst.de/DE/Nationaler-Emissionshandel/nationaler-emissionshandel_node.html)

Eurostat appreciated the information received from the German statistical authorities on the national ETS. Given that the details of the system were already discussed prior to the dialogue visit, Eurostat noted that it may come back to it, once the system will become fully functional or as the need may arise.

## **5.5. Other issues**

### **Suspense accounts**

#### **Introduction**

The German EDP Inventory specifies that the German central government accounting system comprises so-called suspense accounts (Verwahrkonten). Amongst other purposes, they may be used (at national level) for payments to or from non-governmental entities like the European Commission, within the management of EU own resources. These accounts may also serve as money market accounts for the EU. Amounts due on such accounts are treated as deposit (F.2) liabilities of government.

In its 2015 report, the German Federal Court of Auditors stated that (translation from German original): “The recording of the EU suspense account H1 for Maastricht debt is ensured regardless of the different perspectives presented [by the statistical authorities]. The inclusion in the national debt has not been conclusively clarified between the Federal Ministry of Finance, the Bundesbank and the Federal Statistical Office. In this light, it is difficult to understand that other, comparable suspense accounts are already recorded as short-term loans in the annual debt statistics. The Federal Court of Auditors is of the opinion that such suspense accounts should be recorded uniformly. The parties involved should agree on a uniform procedure and inform the Federal Court of Auditors about the result.”

In its reply to action point 7 from the 2018 dialogue visit (closed since then), the Bundesbank explained that EU suspense accounts H1 and H2 were treated as part of Maastricht debt, in line with Eurostat’s provisional guidance.

#### **Discussion**

The Bundesbank confirmed that for EDP/GFS reporting purposes the amounts deposited into EU suspense accounts H1 and H2 were indeed recorded in German national accounts as deposit liabilities (F.2) and reported, therefore, as part of Maastricht debt. It explained that these accounts actually serve a double purpose: on the one hand, they capture timing differences for Germany’s contributions to the EU budget, but on the other they could also be seen as money market accounts for the EU, through which any excess of funds could be transferred back by the EU institutions to the German central government. Due to these reasons, based on earlier discussions with Eurostat, the Bundesbank considered it more prudent to record these amounts as F.2 liabilities, rather than as other accounts payable (F.8).

The Bundesbank emphasized that it had given these same clarifications to the German Federal Court of Auditors. It explained that other suspense accounts that operated in a similar way were treated identically. For example, government entities could have so-called “flow-through” accounts, the amounts on which belonged to third parties and were, thus, recorded as F.2 liabilities.

However, suspense accounts, different from the ones above, also existed and were used by general government units (e.g. in the state level financial equalisation scheme (Länderfinanzausgleich)). In the opinion of the Bundesbank these were, however, rather closer in their nature to other accounts receivable/payable (F.8) and were recorded accordingly.

Thus, despite the Court's recommendation, the Bundesbank did not agree that all suspense accounts should be treated the same way. However, it expressed interest in learning Eurostat's views on how suspense accounts should be treated for EDP/GFS reporting purposes. It estimated that the usual amounts deposited into the EU suspense accounts would be around 3-4 bnEUR, while the amounts on the flow-through accounts are currently below 1 bnEUR.

### **Findings and conclusions**

Eurostat appreciated the detailed explanations. It stated that, in general, it would be helpful to know the nature of the relationship between the donor and recipient, the economic owner of the funds, as well as the specific conditions and circumstances of the transaction itself, in order to judge the nature of it and determine the appropriate accounting treatment.

The Bundesbank agreed to continue this discussion bilaterally with Eurostat after the dialogue visit.

No action points were identified.

## 6. Any other business

### 6.1. State aid recoveries

During the April 2021 EDP notification Eurostat was informed that in relation to state aid case SA.34045<sup>45</sup> a total of 176 mEUR was recuperated by the German government. The German statistical authorities stated that they would provide additional information on how and when this was recorded in the budget and in national accounts.

During the dialogue visit, Destatis explained that this amount was indeed recuperated, but it did not affect government accounts, as the recipient of the recuperated state aid was the electricity grid operating corporation, which is classified outside the general government sector.

No action points were identified.

### 6.2. On-going litigations and potential cases

#### Introduction

Prior to the dialogue visit, the German statistical authorities provided a note describing the recently finalised or still on-going litigations against them, in connection to EDP/GFS statistics.

In the note it was explained that:

- After being asked during 2019 to start reporting data in line with the provisions of the FPStatG, the public broadcasting agencies sent objections to their respective Statistical Offices of the States (Länder).
- After their objections were rejected, two public broadcasters (Rundfunk Berlin-Brandenburg (RBB) and Deutsche Welle (DW)) filed lawsuits.
- The RBB case had been decided on 12.02.2021 in the lower court and RBB's claims were dismissed<sup>46</sup>. RBB appealed the decision.
- DW had just recently withdrawn its complaint.
- The Bavarian State Centre for new Media (a Bavarian State-owned public NPI overseeing the private broadcasters in the state of Bavaria) had won in the court of second instance against the Bavarian Statistical Office and, thus, it did not have to report for the purposes of public finance statistics.
- The Vocational Support Institution of Saxony-Anhalt had also filed suit against the Statistical Office of Saxony-Anhalt. The court case was still pending.

#### Discussion

At Eurostat's request, Destatis briefly recalled the status of on-going and recently decided court cases regarding data reporting obligations for EDP/GFS purposes.

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<sup>45</sup> See [https://ec.europa.eu/competition/elojade/isef/case\\_details.cfm?proc\\_code=3\\_SA\\_34045](https://ec.europa.eu/competition/elojade/isef/case_details.cfm?proc_code=3_SA_34045)

<sup>46</sup> See <https://gesetze.berlin.de/perma?d=JURE210003029>

It was also clarified that usually the entities filing said lawsuits did so not in order to avoid the legal obligation to report data to the statistical authorities, but rather because they did not seem to accept the decision that even for statistical purposes they should belong to the general government sector. Nevertheless, for the national accounts compilation Destatis tried to gather all data available in the public domain and to update its statistics accordingly.

### **Findings and conclusions**

Eurostat appreciated the detailed information and explanations.

No action points were identified.

## **6.3. Statistical transfers of photovoltaic energy**

### **Introduction**

In line with the agreement reached between them, in 2016 Germany and Denmark launched a cross-border auction for ground-mounted photovoltaic installations. The agreement entailed two separate tenders that were mutually open for Danish and German installations. The aim was to grant the capacities to the lowest bid, irrespective of where the installations were located.

First, Germany run an open tender with a volume of 50 MW. Five Danish projects submitted a successful bid while no German project was awarded. Subsequently, Denmark tendered in a pilot run a total capacity of 20 MW, of which up to 2.4 MW was open for competition from bidders in Germany. In the Danish tender, only bids for projects in Denmark were submitted. There was no quota system to ensure that a certain share of successful bids went to a certain country. The instrument of statistical transfer under Directive 2009/28/EC<sup>47</sup> was used for counting the two countries' contributions to the European 2020 renewable energy targets.

### **Discussion**

At Eurostat's request, the German statistical authorities explained that in relation to said statistical transfer of photovoltaic energy between Denmark and Germany no transaction was recorded in government accounts.

### **Findings and conclusions**

Eurostat took note of the explanations.

No action points were identified.

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<sup>47</sup> Directive 2009/28/EC of the European Parliament and of the Council of 23 April 2009 on the promotion of the use of energy from renewable sources  
<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02009L0028-20151005&qid=1620787566953>

## **Annex 1 – Agenda of the meeting**

### **1. Statistical capacity issues**

- 1.1. Review of institutional responsibilities in the framework of the EDP data reporting and government finance statistics compilation
- 1.2. Quality and risk management of EDP/GFS processes
- 1.3. Data sources and revision policy, EDP Inventory

### **2. Follow-up of previous dialogue visits**

(discussions on pending action points)

### **3. Analysis of EDP tables – follow-up of the April 2021 EDP notification**

- 3.1. Working balance in EDP tables 2
- 3.2. Other issues
  - 3.2.1. Deficient reporting in EDP questionnaire tables 8 and 9
  - 3.2.2. Standardised guarantee schemes and rearrangement in the context of COVID-19 measures

### **4. Methodological issues**

- 4.1. Delimitation of the general government, application of the 50% rule in national accounts (including public corporations questionnaire)
  - 4.1.1. Sector classification of professional associations and their pension (care) funds
  - 4.1.2. Inconsistencies in reclassification (BKM time lag) and the reclassification of pension funds
  - 4.1.3. Public corporations questionnaire
- 4.2. Implementation of the accrual principle
  - 4.2.1. Taxes and social contributions
  - 4.2.2. Interest recording
  - 4.2.3. EU flows
  - 4.2.4. Gross Fixed Capital Formation (GFCF)

### **5. Recording of specific government transactions**

- 5.1. COVID-19 measures
- 5.2. Transactions involving FMSW and Finanzagentur (including derivatives)
- 5.3. Debt assumptions, claims, debt cancellations and debt write-offs
- 5.4. Emission trading permits (new national trading scheme)
- 5.5. Other issues

### **6. Any other business**

- 6.1. State aid recoveries
- 6.2. On-going litigations and potential cases
- 6.3. Statistical transfers of photovoltaic energy

## **Annex 2 – Participants in the meeting**

### **European Commission – DG ESTAT (Eurostat)**

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Luca Ascoli	Director – Government finance statistics (GFS)
Jukka Jalava	Head of unit – Excessive deficit procedure (EDP) 2
Olga Leszczynska-Luberek	EDP methodologist
Levente Szekely	EDP desk officer for Germany
Didier Lebrun	Backup EDP desk officer for Germany

### **German Federal Statistical Office (Destatis)**

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Georg Thiel	President
Albert Braakmann	Director – National accounts
Stefan Hauf	Head of division – National income, sector accounts, employment
Jens Grütz	Head of section – General government sector, EU stability pact
Pascal Schmidt	Head of section – Government final consumption expenditure
Daniel Schmidt	Head of section – Quality assurance of EDP data
Nora Heil	National accounts
Melanie Leidel	National accounts
Luisa Baumgärtner	National accounts
Peter Bleses	Director – Health, social statistics, education, finance and taxes
Natalie Zifonun-Kopp	Head of division – Finance and taxes
Wolfgang Riege-Wcislo	Head of section – Public funds, institutions and enterprises
Sigrid Nicodemus	Head of section – Public debt, public assets
Olaf Seese	Public finance statistics
Thomas Wöll	Public finance statistics
Johanna Barasofsky	Public finance statistics
Maria Jabari	Public finance statistics
Sarah Kienzle-Hermann	Public finance statistics
Arne Schmidt	Public finance statistics
Saskia Sandforth	Public finance statistics

### **German Central Bank (Bundesbank)**

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Ulrich Burgtorf	DG Economics – Public finance division
Peter Burgold	DG Economics – Public finance division
Dan Stegarescu	DG Economics – Public finance division
Felix Geiger	DG Economics – Monetary policy and analysis division



Susanne Stollenmayer	DG Economics – Monetary policy and analysis division
Holger Weigand	DG Economics – Monetary policy and analysis division

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### **German Federal Ministry of Finance (Bundesfinanzministerium, BMF)**

Martin Snelting	Head of section – Public finances
Jennifer Ruholl	Public finances
Annika Havlik	Public finances
Alina Schmidt	Public finances

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### **Statistical Office of Berlin-Brandenburg**

Cathleen Faber	Director – National economy
Ilka Seyer	Head of section – Finance and employment statistics

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### **German Federal Debt Management Agency (Finanzagentur)**

Stefan Kämmerer	Head of section – Budget (within Risk Management Division)
Falk Solbrig	Market analyst
Florian Halb	Backoffice employee

### **FMS Wertmanagement (FMSW)**

(defeasance structure of the German Federal Financial Stabilisation Fund – FMS)

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Dirk Wanner	Managing Director, Head of Finance – Controlling and portfolio steering
Rolf Schweinstetter	Director – Controlling and reporting
René Oeß	Director – Finance and tax
Johann Geiginger	Manager – Treasury

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### **Observers**

Kai-Young Weißschädel	European Commission – DG ECFIN – Desk officer Germany
Andreas Hertkorn	European Central Bank – DG Statistics – Desk officer Germany

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### **European Commission – DG Interpretation (SCIC)**

Elizabeth Conroy	Interpreter
Eileen Sullivan	Interpreter
Katharina Schmid	Interpreter
William Smith	Interpreter
Aisling Ni Chathain	Interpreter