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Executive summary

Eurostat undertook an EDP dialogue visit in Belgium on 18-19 November 2021. Due to the COVID-19 related travelling and meeting restrictions, Eurostat and the Belgian statistical authorities held a video conference via Teams instead of the usual on-the-spot visit.

The overall purpose of this EDP dialogue visit was to ensure that the provisions of the European System of National and Regional Accounts (ESA 2010), of Eurostat's Manual on Government Deficit and Debt (MGDD 2019), as well as Eurostat's decisions, are duly implemented as regards the production of Belgian EDP and GFS data.

The mission started discussing the planned reorganisation of national accounts service, which will cause a reduction in the human resources of the GFS team and the attribution of additional tasks to the team. Eurostat expressed concerns about the possible negative effects of these changes on the quality of the EDP and GFS data.

As regards the data sources, Eurostat enquired about the links between the detailed Economic Groupings information and the figures reported in GFS. Then, the recording of the various government measures undertaken in the context of COVID-19 was discussed. To collect the data related to the Recovery and Resilience Facility (RRF), Belgium introduced a new reporting template that should assure a proper recording of the RRF associated flows.

As regards the delimitation of general government, the list of government-controlled units classified outside government sector was reviewed. Concerning the Société Nationale des Chemins de fer Belge (SNCB), some loans guaranteed by government shall be investigated for the possibility of considering them as government debt. The sector classification of the Walloon Investis was also discussed.

The discussion continued with a detailed analysis of the recording of taxes and social contributions. In this context, the compilation method of the figures related to Other Accounts Receivable and Payable needs to be clarified.

The discussion during the SDV confirmed that the Belgian statistical authorities have difficulties in following Eurostat rules related to the recording of EU flows, because they have no information on receivables and payables against the EU. The National Accounts Institute (NAI) intends to address this issue building on the experience gained with the newly introduced RRF reporting. The possible impact on government deficit is likely to be negligible, but the issue might contribute to the large statistical discrepancies observed in the Belgian data.

Concerning the Public Private Partnerships (PPP), the discussion mainly focused on the “Plan lumière”, a PPP contract where fees are paid to the partner for the maintenance of the old asset before the construction of the new asset is done.

As regards emission trading permits, Eurostat expressed doubts on the recording applied, which might not be in line with Eurostat rules.

Finally, the recording of the compensation to the victims of the July 2021 flooding was also discussed.

Eurostat greatly appreciated the co-operation and transparency demonstrated by the Belgian statistical authorities during the meeting and thanked all the authors of the many informative documents provided before the dialogue visit.

Introduction

In accordance with Council Regulation (EC) No 479/2009 of 25 May 2009, as amended, on the application of the Protocol on the excessive deficit procedure (EDP) annexed to the Treaty establishing the European Community, Eurostat carried out an EDP dialogue visit to Belgium on 18-19 November 2021. The meeting took place via a videoconference.

The delegation of Eurostat was headed by Mr Luca Ascoli, Director of Eurostat Directorate D: Government Finance Statistics (GFS). Eurostat was also represented by Ms Rasa Jurkoniene, Ms Olga Leszczynska-Luberek, Mr Philippe de Rougemont, Mr Yordan Yordanov, Ms Milena Georgieva and Ms Daniela Comini.

Representatives of the Directorate General for Economic and Financial Affairs (DG ECFIN) and European Central Bank (ECB) also participated in the meeting as observers.

Belgium was represented by the National Bank of Belgium (NBB), the Belgian Federal Public Service of Economy and the Belgian Federal Planning Office.

The main goals of this EDP visit were the following: understanding if the planned reorganisation of NA division within the Belgian national bank (NBB) could create risks for the compilation of EDP/GFS data; discussing the sector classification of the Invests of Wallonia; analysing the problems that the Belgian statistical authorities are facing compiling data related to EU flows; investigating the off government balance sheet treatment of a PPP contract where fees are paid to the partner before any investment is made.

With regard to procedural arrangements, the *Main conclusions and action points* would be sent to Belgian statistical authorities for review. Then, within weeks, the *Provisional findings* would also be sent to Belgian statistical authorities for review. After this, the *Final Findings* will be sent to Belgian statistical authorities and to the Economic and Financial Committee (EFC) as well as published on the website of Eurostat.

In this draft, footnotes provide information on the implementation status of each Action Point.

1. Statistical capacity issues

1.1 Review of the Institutional responsibilities

Introduction

In Belgium, the compilation of the public finance statistics (governments accounts and EDP-tables) is under the responsibility of the National Accounts Institute (NAI) - *Instituut voor de Nationale Rekeningen (INR)/Institut des comptes nationaux (ICN)* - as stated by the Law of 21 December 1994, amended in 2009. The NAI is a partnership between three entities: the National Bank of Belgium (NBB) - *Nationale Bank van België (NBB)/Banque Nationale de Belgique (BNB)* -, the Federal Planning Bureau and Statistics Belgium. The competences and missions of the three partners in the NAI are determined by the Law.

The NAI does not compile statistics. The compilation is done by the three partners, on behalf of the NAI. In practice the NAI is mainly a coordination arrangement, and has no employees. However the NAI has a President, a Board, and since 2016 also four "scientific" committees, including one responsible for GFS/EDP: the Scientific Committee on General Government Accounts (SCGGA) - *Wetenschappelijk comité voor de overheidsrekeningen (WCOR)/ Comité scientifique des comptes des administrations publiques (CSCAP)*¹.

Discussion

Madame Séverine Waterbley, Présidente du Comité de direction du Service public fédéral Economie, is NAI's president since February 2021. Mrs Sarah La Rosa is the chairman of the SCGGA since 2021 (it was Pierre Crevits up to December 2019, Kris Van Cauter from January 2020). As requested by the 2016 SDV, NAI regularly sends to Eurostat the list of issues discussed by the SCGGA and the minutes of its meetings, as part of the documentation provided with each EDP notification. NAI has a website in FR and NL <https://inr-icn.fgov.be/fr>

Findings and conclusions

Eurostat noted that NAI's website is not updated regularly (the organization chart published is dated July 2012 - and the lists of its advices in FR and NL are not identical) and includes little more than its advices on the sector classification of entities and on other recording issues related to the accounts of the general government. Eurostat suggested that, for transparency reasons, NAI's website should be enhanced, e.g. disseminating all the advices produced and the minutes of the meetings of the SCGGA.

Action point 2021/1 – Enhancing NAI-ICN website

NAI will inform Eurostat with a note about the updates introduced in its website.

Deadline: December 2022.

¹ 15 Juillet 2014, *Accord de coopération entre l'Etat fédéral, la Région flamande, la Région wallonne, la Région de Bruxelles-Capitale, la Communauté flamande, la Communauté française, la Communauté germanophone, la Commission communautaire commune de Bruxelles-Capitale et la Commission communautaire française concernant les modalités de fonctionnement de l'Institut interfédéral de statistique, du conseil d'administration et des Comités scientifiques de l'Institut des comptes nationaux*, Art 22-26 and 32.

1.1.1 The EDP and GFS team

Introduction

Within NAI's framework, the National Bank of Belgium (NBB) is in charge of the compilation of National Accounts and GFS/EDP data. Around 70 NBB staff members work for the NAI².

At the time of the 2021 SDV, the NBB's team in charge of the compilation of EDP/GFS had 8 members, including the head of unit and one vacant post. The team had 10 staff members at the time of the 2018 SDVs.

Discussion

The GFS team lost an experienced member in October 2020, which was replaced in 2022 by a colleague from the Supply and Use team.

Additional workload for the GFS team can be expected because of a reorganisation of the National Accounts Service that NBB will implement at the beginning of 2022, in order to enhance the consistency between its macroeconomic statistics. As part of this reorganisation, additional tasks will be assigned to the EDP/GFS team (compilation of regional accounts, supply and use tables and constant prices, for the aggregates related to government statistics). At the same time, the pooling of IT & data knowledge into one support team for the whole service led to the removing from the GFS team of the IT engineer who was developing applications essential for modernising the compilation of EDP and GFS.

Eurostat expressed its concerns about the possible negative effects of the additional workload and of the reduction in EDP and GFS full-time staff on the quality of the data produced.

Findings and conclusions

Action point 2021/2 – Minimising the adverse effects of the reorganisation

NAI will provide a note on who-does-what in the EDP-GFS team from January 2022,

a second note on the steps it will take to prevent deterioration of the working conditions within the team, and

a third note describing the future steps and the target day for the finalisation of the project related to the development of the GFS ESA Accounts application.

Deadline: June 2022

1.1.2 The public entities rejecting NAI's classification decisions

Introduction

In Belgium, NAI's statistical classification decisions related to public entities are highly contentious, with some entities challenging them and initiating legal proceedings against NAI.

² Below, more precise information of the staff directly employed by NAI (June 2022), expressed in terms of Full Time Equivalent (FTE). Indirect staff such as Data Science Center, ICT, HR, Administration etc is not counted.

NA, GFS/EDP: 50.15 FTE (Of which GFS/EDP 8.8 FTE)

Foreign trade statistics: 13.35 FTE

Financial Accounts: 6.9 FTE

In case the Council of State - Raad van Staat/Conseil d'Etat - concludes that a unit classified inside government based on the ESA rules should be excluded from the S.13 sector, NAI reroutes all its transactions and positions and reports the related figures in *EDP Questionnaire* Table 13 (this currently applies for Gewestelijke Investeringsmaatschappij voor Brussel (GIMB)/Société Régionale d'Investissement de Bruxelles (SRIB) and Credit Immobilier Ouvrier).

Discussion

On 9/03/2018, Eurostat provided an advice on SRIB³, a case that had been discussed repeatedly over the period 2010-2017. In its advice Eurostat concluded that SRIB does not meet the criteria to be considered either as independent captive financial institution, or as market producer and had therefore to be allocated to the sector of its controlling body, S.1312. However, the Conseil d'Etat concluded that SRIB should not be classified in government. Since then, NAI keeps SRIB and some of its affiliates in S.127 and reroutes their transactions and stocks through government accounts. NAI informed Eurostat that SRIB contested also such an approach, since re-routing still implies the consolidation of their debt with that of the Brussels region.

At the end of the year 2020, SRIB underwent structural changes. At the time of the meeting, NAI didn't completely analyse the changes in SRIB organisation, and could not provide a conclusion on the nature of these changes.

In a note provided before the SDV, NAI listed the following three cases of classification decisions still under discussion at Conseil d'Etat: Fonds du logement de la Région de Bruxelles-Capitale, Zorgkassen/Organismes assureurs régionaux and the "pouvoir organisateur" of some catholic schools of the French community.

The case of *Fonds du logement de la Région de Bruxelles-Capitale*, an entity which has the features of a captive financial institution, is long standing, and was taken by the Belgian Council of State to the European Court of Justice (ECJ). On October 3, 2019, the Court of Justice delivered its judgement⁴, confirming that a combination of factors could justify the classification of the entity within government⁵. An important element missing from NAI's contested classification decision was the analysis of the risk exposure of the *Fonds du logement de la Région de Bruxelles-Capitale*. In a note provided before the SDV, NAI explained that, after the conclusions of the European Court of Justice (substantially in line with the position of NAI and of the European Commission), NAI launched two new procedures in order to classify the *Fonds du logement de la Région de Bruxelles-Capitale* and the *Walloon Fonds du logement* in S1312, adding also the analysis of the risk exposure of these two units as recommended by the ECJ. The *Walloon Fonds du logement* abandoned the procedure contesting its classification within S.13 after it received the NAI's new sector classification advice. The *Fonds du logement de la Région de Bruxelles-Capitale* put a new request for cancellation of NAI's classification decision to the Conseil d'Etat. NAI replied to this request in August 2020. It is now waiting for the decision of the Conseil d'Etat on this matter.

³ <https://ec.europa.eu/eurostat/documents/1015035/8683865/Advice-2018-BE-Sector-classification-of-RIB.pdf/8cfac77e-ae4a-43f8-a6c7-b4aacfa68884>

⁴ <https://eur-lex.europa.eu/legal-content/en/TXT/?uri=CELEX:62018CJ0632>

⁵ See also the summary of the case prepared for the EDP WG : EDPS WG_2019 item C.4.b

The case of the *Zorgkassen/Organismes assureurs régionaux* is related to 50 similar non-profit institutions set up by private mutual societies to collect social contributions and/or pay social benefits on behalf of government. In February 2019, NAI decided to reanalyse the classification of the *Zorgkassen*, given the implementation of the sixth State Reform and its potential impact and asked Eurostat advise on the matters. In January 2020, Eurostat advised NAI to classify these entities in government⁶, since they are non-market non-profit institutions financed and controlled by government. The NAI reached the same conclusions and classified the units in S1312. The units contested their classification and filed a cancellation procedure to the Conseil d’Etat. Due to procedural issues, the NAI withdrew its decision and undertook a new full classification procedure, including the mandatory preliminary information about the classification decision to the entities and the possibility for them to reply (*Audit alteram partem*). The advice was also approved by the scientific committee on government accounts and, at the end, a final decision was taken by the Board of the NAI. Following this decision, the concerned entities were classified in S.1312 in April 2021. On May 12, 2021, these units initiated a new suspension and a new cancellation procedure before the Conseil d’Etat. The Conseil d’Etat rejected the grounds for a suspension on October 11, 2021. The Conseil d’Etat has still to decide on the cancelation procedure. In the meantime, *Zorgkassen/Organismes assureurs régionaux* remain classified within S.1312.

The last case is related to *les Ecoles libres subventionnées* and was referred by the Belgian Council of State to the European Court of Justice (ECJ). In August-September 2021 Eurostat, together with the Commission Legal Service, prepared its text of the “*Observations écrites*” for the ECJ. After the Observations of everyone were presented to the ECJ, the parties could have asked for an “*Audience de plaidoirie*”. However, this case was decided by the ECJ in April 2022⁷, without any hearing of the parties. The judgment of the ECJ endorses the observations presented by the NAI and the Commission and supports NAI classification decision.

Conclusions

Action point 2021/3 – Eurostat providing to NAI the Commission Opinion on « les écoles libres subventionnées »

Eurostat will share with NAI the text of the “Observations écrites” prepared by the European Commission for the European Court of Justice.

*Deadline: November 2021*⁸

⁶ <https://ec.europa.eu/eurostat/documents/1015035/10348075/Advice-2020-BE-Sector-classification-of-private-Zorgkassen.pdf/5d1c5e0f-ff6d-6b60-bc25-888e33eb5f7f>

⁷ Judgment of the Court (Tenth Chamber) of 28 April 2022, Case C-277/21

[CURIA - List of results \(europa.eu\)](#)

⁸ A.P. implemented. E-mail sent on 29/11/2021.

1.2 Data sources and revisions

In Belgium, the last National Accounts benchmark revision took place in 2019 and the next one will be in 2024.

1.2.1 Communication related to government budget

DG ECFIN expressed concerns about the misleading Belgian communication related to its budget, which sometimes states that specific items can be excluded from the general government balance. NAI explained that the providers of the information used for the compilation of statistics have clear guidelines for including all sort of government revenue and expenditure in their reporting, with no possible exceptions. Therefore, whatever it is said or written by non-statisticians, NAI is confident that the GFS figures it compiles include all the revenues and expenditures, as required by ESA.

1.2.2 The information included in the Economic Groupings

Introduction

In Belgium, the basic data for the compilation of the non-financial accounts are the Economic Groupings, a 4-digit economic classification of transactions available from the General Documentary Base -*Algemene Gegevensbank/Base documentaire Générale*.

The Economic Groupings are aggregations, according to their economic nature, of the budgetary operations of the different government entities. The Economic Groupings classification covers central and state government (Federal government, Regions, Communities and Community Commissions). In the economic grouping there are 10 main groups. The groups 0-4 register current transactions, the groups 5-7 include capital transactions, the group 8 concerns transactions on financial assets and the group 9 includes transactions in government debt other than interest charges. The economic groupings can be at 2, 3, and 4 digits, with about 500 4-digits codes.

The information from the economic groupings does not cover all the entities included in Central and State government. The coverage of the economic groupings improves every year. For the units for which the data are not yet included, information from the financial statements (as available from the Central Balance Sheet Office of NBB) are used. For some units, ad hoc reporting is necessary.

The balance of the economic groupings, groups 0-8, is called Working Balance and corresponds to the 1st line of EDP Tables 2A/Central government and 2B/State government; it is published on the web⁹.

⁹ <https://bosa.belgium.be/fr/budget-de-letat/working-balance>

Discussion

Eurostat enquired about the basis, cash or accrual, of the figures included in the Tables on economic groupings published on the web¹⁰. Since the units covered by the economic groupings moved to accrual in different moments, it was not clear which figures are on what accounting base. It is also not clear which figures from the economic groupings are used for compiling which GFS figure.

As part of the pre-SDV analysis, Eurostat compared, for year 2019, the Economic groupings data of federal government on *Impot Indirects* (code 36), *Impot directs* (codes 3710 and 3720) and *Social contributions* (codes 3730-3770) with the figures reported as part of the annual GFS. The figures are close for direct taxes, diverge by around 13% for indirect taxes, and much higher discrepancy was observed for social contributions.

NAI explained that, in the Economic Groupings, the information on revenue is cash, while the information on expenditure is accrual. Economic Groupings do not include all expenditure and revenue; for example, the revenue related to the Green Certificates is excluded. NAI also explained that social contributions recorded by the central government are minimal, and most of the revenue for social contribution is recorded in the social security sub-sector. Up to the year 2015, economic groupings included some social contributions related to special pension schemes of public servants administered by central government entities, but these were afterwards transferred to Service fédéral des pensions/Federale Pensioendienst (SFPD), an entity belonging to the social security sector.

Findings and conclusions

Action point 2021/4 – Basis of the figures included in the Economic Groupings

NAI will provide an XLS table, similar to the Tableau III.3 used to disseminate online the figures on Regroupement Economique – Cloture 2020 – Recettes/Dépenses, indicating the accounting base of the main figures

Deadline: June 2022

Action point 2021/5 – Comparing figures from Economic Groupings with GFS figures

NAI will analyse and share with Eurostat the results of its analysis concerning the link between the main figures included in the Economic Groupings and the corresponding figures included in GFS.

Deadline: December 2022

1.2.3 EDP Inventory

Eurostat noted that the Belgian “*Inventory of the methods, procedures and sources used for the compilation of deficit and debt data and the underlying government sector accounts according to ESA2010*” (EDP Inventory)¹¹ on its website, at the time of the mission, was dated January 2019. Some of its parts are highlighted in yellow, and these highlights should be removed. The *Inventory* includes references to Annexes II and III for which Eurostat has only files dated

¹⁰https://bosa.belgium.be/sites/default/files/content/03_2022_regroupement_economique_cloture_provisoire_2021_recettes.pdf

¹¹ <https://ec.europa.eu/eurostat/web/government-finance-statistics/excessive-deficit-procedure/edp-inventories>

2016, that could maybe be erased from the text. The 2019 *EDP Inventory* has been loaded on Eurostat's website together with an updated Annex 1/*Liste des unites publiques* (dated 18/10/2021) that Eurostat downloaded from NAI's website. This *Liste* includes all the public units, those part of S.13, and also those that are kept outside the S.13 perimeter. The link to the *Liste* could be included in the text of the EDP Inventory. However, the *Liste* is not in line with the standard Annex 1 that other countries attach to their EDP inventories, which include only the units that are part of S.13, and an initial sheet with the evolution of the units included in government over the years.

Action point 2021/6 – Updating the EDP Inventory

NAI will provide an updated EDP Inventory for dissemination on Eurostat web, including an Annex 1 covering only units which are part of S.13.

Deadline: December 2022

2. Follow up of the previous EDP Dialogue Visits

The previous EDP dialogue visits to Belgium took place on 28-29 June 2018, 21-22 January 2016, 3-5 and 13-14 February 2014.

Most of the Action Points out of the previous two EDP dialogue visits were implemented, with the following exceptions:

SDV2018 - Action Points 7-9 (SDV2016 AP16, SDV2014 AP14): statistical discrepancies. The issue can be considered ongoing; the issue will be discussed under the next agenda point.

SDV2016 - Action Point 24: Sector classification of hospitals. After a detailed analysis of the hospital sector in Belgium, Eurostat concluded the entities are de facto controlled by government according to ESA2010 and have therefore to be classified in the government sector. Until the moment of the reclassification, the debt of hospitals not already considered as government debt, will be recorded as government debt.

3. Follow up of the last EDP Notification

Introduction

In Belgium, statistical discrepancies, observed as a difference between B.9 and B.9F, are an issue for all subsectors and are more significant than in some other Member States.

According to NAI, most discrepancies between B.9 and B.9F, for both the central government (S.1311) and the state governments (S.1312), stem from the recording of other accounts payable/receivable. Currently, F.89A/L in the financial accounts correspond (almost exclusively) to the time of recording adjustment of the working balance.

NAI also explained that, together with Flanders, it defined, tested, and refined a so-called financial accounts “Building Block” for reporting F.8. The NAI is currently processing three years of F.8 reporting by the Flemish administration. The analysis will reveal if large flows of F.8 for Flanders are missing, and it will also allow to investigate discrepancy at unit level.

Discussion

NAI and Eurostat discussed the possibility to cross-check the information reported as part of the Building Blocks with the totals as included in the Balance Sheet and Profit and Loss of the government entities. NAI explained that Fedcom, the accounting scheme of the federal government, has some problems, and NAI is not using it for compilation of GFS. The Buildings Blocks were created when no balance sheet existed for the federal state. NAI explained that only the Flemish Community has a complete balance sheet and, in addition, is able to bridge the information in its public accounts with the information included in the Buildings Blocks, and does this unit by unit. Still, the Flemish Community is the main contributor to the large discrepancy for State government recorded in 2020.

Conclusions

Action point 2021/7 – Comparing figures in economic groupings with cash figures

NAI will compare the available figures on revenue and expenditure on a cash basis with the Economic groupings figures and report to Eurostat the results of this comparison. See also previous Action Point 5 requiring comparison of Economic groupings with ESA.

Deadline: September 2022

Action point 2021/8 – Analyse the Flemish data on F.89

NAI will continue to analyse the three years of F.89 reported by the Flemish administration, and will conclude on whether such a reporting can reduce discrepancies. It will share the results of this analysis with Eurostat.

Deadline: September 2022

4. Recording of government measures undertaken in the context of COVID-19

Introduction

The following documents were analysed as part of this point of the agenda: the *Table listing all the measures introduced to support the various sectors of the economy affected by COVID* that NAI provided in March 2021; the *Supplementary table for reporting measures taken in the context of the COVID-19 pandemic EDP notification/Annex 8*.

In addition, all the documents provided by NAI before the SDV were considered.

4.1 Supplementary table on COVID - Annex 8

Discussion and Conclusions

Eurostat noted that some of the COVID-related government interventions were missing (or wrongly reported) in the *Supplementary table for reporting measures taken in the context of the COVID-19 pandemic EDP notification/Annex 8*.

In March 2021, NAI provided a *Table listing all the measures introduced* to support the various sectors of the economy affected by COVID. Eurostat enquired about some of the measures

listed in the table for which the amounts indicated are zero (e.g. 8-06-2020, Consumption voucher up to 300). NAI explained that vouchers were issued by the local authorities, and NAI has no information on the amounts spent. They are part of the expenditure of the local authorities, and are accounted as such in GFS/EDP, with no further detail available and therefore no possibility to include entries in Annex 8. Eurostat noted that this means that the amounts of COVID-related expenditure included in COVID Annex 8 are underestimated.

Eurostat enquired about the measure 23-11-2020 Brussels, “Loans to HORECA”, asking if all these loans are recorded as financial. Eurostat stressed that each loan granted as part of COVID measures should be checked, to see if it is really a financial transaction and not as a capital transfer.

NAI explained that when the COVID measures were introduced, there was a discussion with the public accountants about how they (the federal government and the six regions) should record the expenditure in the economic groupings, and they were instructed to book some of the loans as capital transfers from inception, if the scheme that created them did not give them clear features of financial transactions.

Eurostat also enquired about the measure 13-03-2020 “Loans Flanders” and asked how much of the 280 million were recorded as capital transfers and how much as loans. NAI explained that they had analysed the conditions of the loans schemes. Out of the many schemes introduced to support firms, only one was accounted as loans. All the others were recorded at inception in the accounts as expenditure. Each support schemes is analysed to see if in the public accounts/economic groupings it should be recorded as financial or not.

Eurostat suggested to indicate in Annex 8, Table 8.2 how the largest of these schemes were recorded.

Eurostat noted that in Annex 8, Table 8.1 Part 1, as reported on 30/9/2021, **there is a negative entry in row 8/D.99 for EUR -325 million, which corresponds to an estimation of the amounts of deferred taxes and social contributions that will never be collected. Eurostat noted that these should be reported under lines 3 and 4 of the same table.** This estimation is related to the amounts of F.89/Other accounts Receivable reported under row 26, EUR 3173 million, which excludes them. **Detail also for this transaction could be included in Annex 8, Table 8.2.**

Eurostat also noted that, in the *Table listing all the measures introduced*, there are other measures that imply a negative revenue, like the one related to “Temporary VAT-cut in catering industry”, which by itself amounts to EUR 348 million. NAI explained that catering was closed soon after the measure was introduced, so the temporary cut in VAT had little effect. In the *Table listing all the measures introduced*, the figures correspond to the foreseen budgetary impact, not to the amounts of revenue really abandoned; the figures in this table cannot be bridged with those included in the EDP Annex 8.

Eurostat investigated whether, among the negative revenue reported in Annex 8, Table 8.1, there should be also the cancelled dividends of the Central Bank. NAI explained that, in Belgium, the Central Bank did pay normal dividends to the government in 2020. The ECB instructed commercial banks not to distribute dividends in 2020, but this did not apply to the central banks.

Eurostat enquired about the existence of the furlough schemes, as none were listed in Annex 8, Table 8.2. Such schemes were primarily used in the other countries to keep staff employed while the companies were under lockdown. NAI explained that, in Belgium, the previously existing social security provisions were extended to cover all the staff of companies under lockdown, including the self-employed, and therefore all the payments are recorded as D.62. They are labelled “*Chomage Corona pour le salariés* » et « *Droits passerelle pour les indépendants* » in Table 8.2. **Eurostat suggested to indicate, in Table 8.2, that these are indeed furlough schemes.** There is a discussion ongoing at international level on how furlough schemes should be recorded, so it is important to identify them in all countries.

Concerning Annex 8, table 8.2, operations listed under L05 and L06, Eurostat enquired why there were no F.89 payable related to this D.75. NAI explained this D.75 was recorded at the time due, and payments followed closely. Eurostat noted that in case D.75 is booked in December and the payment is done only in January, an F.89 needs to be recorded in order to avoid a discrepancy.

Finally Eurostat noted that in EDP Annex 8, Quarterly data do not perfectly match the annual data.

Action point 2021/9 – Improve the compilation of EDP Notification Annex 8

NAI will double check if COVID-related government expenditure and lost revenue are correctly reported in EDP Notification Annex 8. More detailed information will be presented in the table 8.2.

Deadline: March/September 2022¹²

4.2 Guarantee schemes set up in the context of COVID-19

Discussion and conclusions

Eurostat enquired about COVID-related guarantee schemes that Belgium considers as one-off, because they have a short-term character. NAI explained that a federal scheme was introduced, from April 2020 till September 2020, and prolonged till the end of December 2020, that covered credits up to 12 months granted by banks. There is also one short term program carried out by Ducreire related to trade credits, in place from January 2020 till December 2020, and prolonged until June 2021. For both schemes, the default rate will be known in the near future. Eurostat agreed that it is not necessary to estimate losses for programs of short duration that remain short even after the prolongation. However, this issue should be revisited if/when short-term schemes are prolonged for more years.

In its note provided before the SDV, NAI explained that there is also a **second COVID-related federal program for guarantees**, with provisions for EUR 61,2 million over its lifetime, which was launched in August 2020 going till December 2021, also carried out directly by commercial banks. This one will be treated as a standardized guarantee by NAI, because it is a five-years program, and it will be recorded as soon as the amounts granted will be known. **Eurostat explained that all the F.66 provisions for the expected losses, net of premiums**

¹² Partially done. The EDP Notification Annex 8 delivered on 7/4/2022 furlough schemes are identified, however quarterly data do not match the annual ones.

collected, should be recorded at inception as D.9, in 2020, and then follow the guarantees actually granted in each period.

4.3 Recovery and Resilience Facility data collection

Discussion and conclusions

As part of the documentation provided before the SDV, NAI explained how it will collect the information necessary to fill the Recovery and Resilience Facility/RRF Table that Eurostat added to the EDP notification package.

In Belgium, new RRF reporting templates have been designed, based on the RRF Table that Eurostat added to the EDP notification package, and have so far been used for collecting (from federal government and 5 regions) information on the annual estimated RRF expenditure for 2021 and on the quarterly 2021 actual cash and accrual figures on revenue and expenditure.

DG ECFIN expressed concerns about the correctness of the split between the planned current and capital expenditure. DG ECFIN also noted that the 2021 figures included in the Draft Budgetary Plan prepared by the Belgian Planning Bureau were different from the annual estimated RRF expenditure for 2021 collected by NAI, not so much in the total but rather in the split between current and capital account. The Draft Budgetary Plan was showing that most of the RRF financed expenditure would be gross fixed capital formation, while the figures on the planned expenditure collected by NAI show that the bulk is current expenditure, mainly subsidies. NAI clarified that the figures are reported by compilers (that are working in the administration of the budget) and no comparisons are done with the data included in the Draft Budgetary Plan. NAI focuses on capturing the actual expenditure. NAI explained that the six reporting entities have the instruction to classify the RRF-financed expenditure according to its economic nature, as they do for every other expenditure. It was agreed that NAI will follow up with the reporting entities whether they have encountered problems in classifying expenditure under the correct ESA categories.

Action point 2021/10 – Split between current and capital of the RRF funded expenditure

NAI will double check with the compilers if the 2021 RRF financed expenditure is correctly classified as current or capital and provide a note describing any problems it might encounter in classifying this expenditure.

Deadline: June 2022

Eurostat noted that in the RRF Table added to the EDP notification package there is a part, section 1.2.2, dedicated to “Revenue reduction Measures, Acquisition of Financial Assets and Other costs”, which is not included in NAI’s template for collecting RRF data. This part is intended to collect information on eventual tax reduction measures introduced, or assets bought. NAI confirmed that this detail has not been included among the figures required from data compilers, yet. It might be added in the future, if there is a need.

5. Methodological issues

5.1 Delimitation of general government sector

5.1.1 The list of public units

Introduction

In Belgium, *the List of public units* (EDP Inventory Annex 1) is updated and published twice a year (in April and October) on the website of the NAI. The NAI is responsible for this *List*, which includes government and non-government public units¹³.

Discussion

Analysing *the List* of October 2021, Eurostat noted that, out of the 5011 units (4989 individual and 22 grouped) included, only 1490 public units are not part of any government sub-sector (of which 1482 individual units and 8 grouped units).

Eurostat compared the number of public units not part of any government sub-sector included in *the List*, with the total number of units included in the *Questionnaire on government-controlled units classified outside general government* (the version received by Eurostat on 17/12/2020 includes 1862 units). There is a difference of around 400 units between the two lists, which is unlikely to be explained by the different vintages, since in April and October 2021 only around 60 units were added to *the List*.

Conclusions

NAI checked both files and concluded that the difference between the units included in the *Questionnaire on government-controlled units classified outside general government*, December 2020, and those included in the NAI's *List* (all sectors but S.13), October 2020, amounted to 443 units. This discrepancy was due to the presence in the *Questionnaire* of officially terminated and not anymore active units. All the terminated units were removed from the *Questionnaire on government-controlled units classified outside general government* transmitted to Eurostat on 23/12/2021, which includes 1484 units, and is in line with the content of the on-line NAI's *List*.

Action point 2021/11 – Differences between units in the “List of public units” and those in the “Questionnaire on government controlled units classified outside general government”

NAI will double check the total number of units included in the Questionnaire on government-controlled units classified outside general government, as due for December 2021, with the number of similar units included in the List of public units published in October 2021. A note to Eurostat should explain the differences existing between the two lists.

Deadline: December 2021¹⁴

¹³ <http://inr-icn.fgov.be/fr/publications/comptes-nationaux-et-regionaux>

¹⁴ Done, with a note and an Excel file received by Eurostat on 20/12/2021.

5.1.2 The Questionnaire on government-controlled units classified outside general government

Introduction

Eurostat noted that the Belgian *Questionnaire on government-controlled units classified outside general government* (the version received by Eurostat on 17/12/2020) includes around 245 units for which the Market/Non-Market (M/NM) test is zero for each of the years 2017, 2018 and 2019. These units are small, but in total have liabilities of EUR 1453 million (0,31% of GDP), and losses of EUR 29 million.

Discussion and conclusions

NAI explained that, for some of these units, the result of the M/NM test reported in the questionnaire is zero, while it should rather be “L”, meaning that the test is not available. NAI also clarified that units classified outside general government for which no automatic M/NM test is available are classified according to the results of Fiche 10 (financial data, including 3 years of M/NM test) or according to the nature of their economic activity (as indicated by their NACE code, with some NACE codes assumed to be market). For units with no accounts, if they do not provide Fiche 9 and Fiche 10, the classification remains unchanged (outside government) if they have proved to pass the M/NM test in the past. Many of the units with no accounts and that do not provide Fiche 9 and Fiche 10 are non-profit entities with no staff on their annual accounts. NAI, despite its effort to collect the information, has no authority on local authorities to collect the information on these non-profit entities. NAI also uses a prudent approach by classifying units according to their activity, when no M/NM test is available. Finally, according to NAI, the issue is not very material since large units provide the necessary information for their classification either with the Fiche 10 or in their annual accounts.

Eurostat reminded that for public units excluded from government, to pass the M/NM test is a *conditio sine qua non*. Units that do not provide the M/NM test, do not have accounts, or are not active, should be included in government. NAI should follow a prudent approach and if the units do not answer or do not provide the data that can prove they can pass the M/NM test, they should automatically be classified in S.13. This would be an incentive for the units to deliver the data. NAI doesn't have the power to convince every institutional unit to provide the necessary info, but it has the power to classify them in S.13. The issue might not be very material but is relevant.

Action point 2021/12 – Entities outside S.13 with 0 M/NM test

NAI will revise the Questionnaire on government-controlled units classified outside general government, revisiting entities with non-available M/NM test. NAI will also explain in a note its methodology for the classification of public units outside general government.

Deadline: December 2021¹⁵

NAI explained how the list of public corporations is built, and how the M/NM test is automatically calculated from the Profit and Loss of the companies, when available. For units filing their annual accounts under an abbreviated format, when the entry related to turnover is missing, the automatic programme produces a M/NM test equal to zero. To address this issue,

¹⁵ Done, with a note and an Excel file received by Eurostat on 20/12/2021.

after the SDV, the formula in the GFS_App has been adapted to calculate a M/NM test only when the turnover value is available, otherwise M/NM is reported as non available (“L”).

NAI also explained that 214 units that do not provide their annual accounts are classified outside government because their NACE code shows that the nature of their economic activity is market. This concerns the following activities: social housing companies, elderly homes, creches, crematoriums, intermunicipales for water and electricity supply, local employment agencies, public hospitals, ateliers protégés. These activities sell services to households and generate a turnover that allows them to pass the M/NM test; their eventual funding from public administrations is recorded as social transfer in kind (D.63) and is taken into account in the calculation of the M/NM test. The market nature of these activity has been confirmed over the years by Fiche 10 on financial data.

In the new *Questionnaire on government-controlled units classified outside general government* delivered at the end of December 2021, after the SDV, the amount of liabilities of the units classified in S.11 for which the M/NM test is not available (“L”) for each year 2020, 2019 and 2018 reaches 1,392.3 million in 2020. Units in NACE codes considered by default as market activities have alone liabilities of 1,151,6 million (82.7% of 1,371.1 million).

Eurostat noted that, to classify units based on their NACE activity is acceptable, however NAI should also check if the units have employees or have recourse to employees of other entities (municipalities, other entities of the group, etc). If they are not active, their liabilities should be in government.

Action point 2021/12.1 – Entities outside S.13 with 0 M/NM test and no employees

NAI will revise the Questionnaire on government-controlled units classified outside general government, double-checking entities with non-available M/NM test and no employees. If they are not active, their liabilities should be in government. Provide a note justifying the cases of entities with no M/NM test and no employees that is reasonable to keep outside government.

Deadline: December 2022

According to ESA 3.84, output from units classified in NACE Section Public Administration O/84 is non-market. In the *Questionnaire on government-controlled units classified outside general government*, ten entities were found as classified in NACE 84. Eight of these are part of SRIB or of the Invests galaxy and are included in the institutional sector S.12. Two entities, n.871 and n.1682 are classified in S.11 (and have zero or missing M/NM test). Eurostat noted that either the NACE code of these units is wrong, or they should be in government.

Action point 2021/13 – Entities outside S.13 classified in NACE 84

In the Questionnaire on government-controlled units classified outside general government, NAI should explain the sector classification of the units classified in NACE 84120 and 84130, including entities n. 871 and n.1682. NAI should provide a note to Eurostat on the results of this analysis.

Deadline: December 2021¹⁶

¹⁶ Done, with a note received by Eurostat on 20/12/2021.

NAI explained that STATBEL is responsible for attributing NACE codes to units and it's not easy to change these codes. Probably, for the units of the galaxy SRIB and Invest the NACE code 84 is wrong, since they are providing financial services. However, a change in the NACE code of the units which are part of SRIB and of the Invest is not considered, as long as the classification of these units is under discussion. The unit no.1682 (not related to SRIB or the Invest) will be reclassified in government in April 2022.

Eurostat noted that in the *Questionnaire on government-controlled units classified outside general government*, a number of entities have the M/NM test value above 200, and in one case above 10 thousand. NAI explained this might be due to errors in the accounting items used for the automatic M/NM test.

Action point 2021/14 – Entities outside S.13 with not plausible M/NM values

In the questionnaire on public entities classified outside the general government, when the M/NM test value is above 150, its correctness should be double checked. NAI will provide a note to Eurostat on the results of this exercise.

Deadline: December 2021¹⁷

NAI confirmed that the non-plausible M/NM values were due to mistakes in the procedure that calculates automatically the M/NM test. After a correction of the formula used for the units that compile only simplified accounts, the number of units presenting a M/NM test above 150 has been reduced in the December 2021 *Questionnaire on government-controlled units classified outside general government*, in comparison to the 2020 version of the *Questionnaire* used in the SDV. This issue concerns 18 units in 2021 against 37 in 2020. In the December 2021 *Questionnaire*, only 12 units have a M/NM above 150 for each year 2020, 2019 and 2018; most of them (eight) are active in economic activities considered by NAI as market activities and provide their annual accounts according to the full format.

Among the units included in the *Questionnaire on government-controlled units classified outside general government*, Eurostat noted a unit named Fluxis (ID 827783746), with 1447 million Euro of liabilities, non-negligible losses in 2019 (-11 million) and with the M/NM test value below 50 in 2017 and 2019. Eurostat would expect a gas-transport company to have a M/NM test close to 100%.

Action point 2021/15 – Sector classification of Fluxis

NAI will analyse the unit and provide a note with a detailed M/NM test and an explanation for its classification.

Deadline: December 2022

¹⁷ Done, with a note and an Excel file received by Eurostat on 20/12/2021.

5.1.3 The sector classification of SNCB

Introduction

The 2018 EDP SDV discussed the classification of all the Belgian rail-related entities: SNCB, Infrabel and HR rail.

The SNCB group was restructured in 2014, when the holding SNCB (Société Nationale des Chemins de fer Belge, Nationale Maatschappij der Belgische Spoorwegen) was disbanded and three new entities were set-up: SNCB – rail transport services, Infrabel – infrastructure manager and HR rail - managing the human resources for the other two rail entities.

In June 2018, at the moment of the EDP SDV, NAI was classifying SNCB and Infrabel in S11, and was not considering HR Rail as being an institutional unit.

After the 2018 EDP SDV, NAI corrected the Infrabel 50% test according to Eurostat comments, which ended up well below 50% for each year 2014-2017. Starting with the October 2018 EDP notification, Infrabel was reclassified in government, from the reference year 2014 onwards.

SNCB remains classified in S.11 and is the public unit with the largest losses (in 2017-2020) according to EDP Questionnaire Table 10.2. The figures on SNCB losses included in EDP Questionnaire Table 10.2 correspond to the “Perte d’exploitation” (Code 9901 in SNCB’s non-consolidated “Compte des Résultats”), not to “Perte de l’exercice” (Code 9904), which includes some not relevant financial revenue.

HR Rail is also still excluded from S.13. NAI does not consider it an institutional unit. HR Rail is included in the list of public corporations outside government, with M/NM test close to 100%.

Discussion and methodological analysis

As part of the documentation provided before the 2021 SDV, there is an updated M/NM test for SNCB, which is around 57% in 2017-2019, and drops to 40% in 2020, due to the impact of COVID on SNCB sales. Eurostat noted that M/NM tests below 50 for year 2020 might be a one-off situation resulting from the Covid restrictions. However, if the M/NM test remains below 50% also when the lock-down is over, NAI should analyse if there is a structural problem.

SNCB itself is performing its M/NM test and prepared a very informative note, where it explains how it calculates it. In this calculation, SNCB takes in account the comments Eurostat made during the 2018 SDV (see page 32-33 of 2018 SDV), including the Action Points 19-21 related to the items from the SNCB profit and loss account that should be considered as ESA “sales”. Only the part of the subsidies related to “Dotation variable” (EUR 358 mil out of EUR 1414 mil of subsidies received in 2020) are considered as sales in the M/NM test. In 2019, the “Dotation variable” received by SNCB was determined using the formula $0.040019 \text{ euros}^* \text{ real number}$ (in 2018) of passengers-kilometre.

During the discussion on SNCB, the NAI mentioned some bullet loans of SNCB (related to the acquisition of rolling stock) that so far were considered as debt of a unit outside government guaranteed by government, which was included in *EDP Questionnaire* Table 9.1. However, NAI wondered if part of this debt should rather be included in Maastricht debt, since government will provide the means for reimbursing it. It is not that the guarantee has been

called, or that the government has formally assumed the debt, but rather that the government is providing not only the guarantee on the loans, but also the means to service it, as part of the large subsidies paid to SNCB. The reference here is MGDD (2019) page 329, paragraph 17, including footnotes 260 and 261. If this government debt is missing, also the related entry in government expenditure would be missing.

Conclusions

Action point 2021/27 – Missing SNCB (or rather government) debt

NAI will investigate and correct the Government's debt data, adding the part of the SNCB loans which should rather be considered as government loans, and correcting the EDP questionnaire tables 9.1 and 9.2. NAI will prepare a note clarifying the issue, and the various options considered for its recording.

Deadline: September 2022

5.1.4 The sector classification of the Invests

Introduction

Eurostat's bilateral advice on the sector classification of the Walloon Invests was formally transmitted to NAI on 9/04/2020 (from now on "Estat 9/4/2020"). It concluded that the Invests should remain in S.13. In April 2020, NAI re-classified all these entities in S.11. On 16/04/2020, NAI sent to Eurostat a letter asking "*to postpone the publication of the advice until further notice*", to give NAI the time to reflect on Eurostat's arguments.

Then (02/09/2020) NAI sent to Eurostat a note, where it explained it could not align with Eurostat conclusions. NAI also pointed out that some of the tables included in Eurostat's advice were using information coming from non-comparable data sources.

Discussion and conclusions

Eurostat stressed that NAI's note of September 2, 2020, does not seem to bring sufficient arguments to change its previous conclusions. Eurostat considers that the substance of its advice of April 2020 would hold even removing all the tables included in the document. Eurostat confirmed that it is ready to remove any information deemed as confidential by the Belgian statistical authorities, currently included in the documents, and is ready to publish the redacted version of the advice.

The main Eurostat's arguments that point to a classification of the eight Invest in S.13 are the following:

- 1) All the Invests have the mission, enshrined in the bilateral agreements they signed with the Wallonia Region, to strengthen the local economy, "*to contribute to the development of industrial, commercial and service activities and the creation of jobs in the area of "X"*". Such a mission inherently belongs to government. (See Estat 9/4/2020, p.7)
- 2) All the Invests have the region of Wallonia as the main single shareholder, with different proportion of shares detained by private entities. In Luxembourg Development and Noshag (formerly Meusinvest), government holds directly more than 50% of the shares. Most of the Invests have other Invests as shareholders. (See Estat 9/4/2020 p.8)

3) The activity of the Invests is narrowly framed by the bilateral agreements that define the conditions the Invests must follow when using the *Avances* obtained from the Region. The bilateral agreements defined and still define the activity of the Invests to a degree that gives to the Region control on the interventions of the Invests. (see Estat 9/4/2020 p 9, 28 and 29).

4) The Region provides the majority of the funding to the Invests in the form of *Avances*. The *Avances* are remunerated annually at the rate of the OLO's at five years. The *Avances* are a sort of perpetual lending: there is no maturity date, and no annual repayment of the principal due. Only if, and when, an Invest is liquidated, the Region will eventually recover the funds it has injected, provided the remaining assets of the Invest are large enough. The nature of the *Avances* is closer to equity instruments than to debt instruments. In contrast, the shareholder's shares have some features of debt, given that their remuneration is largely pre-fixed, and, crucially, their liquidation value is fully capped. (see Estat 9/4/2020 p.15, 18, 19, 30)

5) The Invest are not Financial intermediaries S.125, since they do not incur liabilities on the market on their own account (or, if they do so, they do so only marginally) and finance their assets almost exclusively with government money (see Estat 9/4/2020 p.24).

6) The four Invests that recently started borrowing from commercial banks, borrow only small amounts from banks. They are doing so under very advantageous conditions that are not accessible to normal private equity companies or loan brokers or to any other heavily indebted private entity. (see Estat 9/4/2020 p.24 and 27).

In Eurostat view, the Invest (including Investsud) can either be considered as financial auxiliaries (S.126) with all their A&L to be rerouted through government accounts, or as captive financial institutions controlled by government, and as such should be classified in S.13 (see Estat 9/4/2020 p.25-26).

As part of the documentation provided before the 2021 SDV, a note provides updates on the activity of the Invest on their own funds since 2018. This note shows that, out of all the investment decisions taken by the Invest in period 1/7/2018-20/06/2021 (EUR 821 mil), EUR 317 mil (38.6%) was realised through own resources, where most of these own resources (EUR 260.6 mil) are, again, funds made available by the Region at the extra interest of +1%, extra interest due, according to the new bilateral agreements, for investments outside the range of activities listed in the bilateral agreement. Even if we consider this extra charge as corresponding to borrowing at market conditions (which is doubtful), only 6 of the 9 Invest are using this type of "own funds", the main one being Noshag, which alone is using 60 % of these "own resources".

Eurostat invites NAI to re-assess the classification decision, taking in account the comments received.

Action point 2021/16 – Sector classification of the Invest

NAI to re-assess the sector classification of all the Invests, case-by-case.

Deadline: December 2022

5.2 Implementation of the accrual principle

5.2.1 Taxes and social contributions

Introduction

Under this point of the agenda, NAI, ECFIN and Eurostat analysed the trends in the fiscal aggregates and discussed the related compilation methods.

5.2.1.1 Trend of AF.89 and values of AF.89 and D.99 in 2020

Discussion

The discussion of this point of the agenda started with some questions from DG ECFIN.

DG ECFIN enquired about the stocks of Other Accounts Receivable related to taxes and social contributions that increase over time, more rapidly in times of crisis, especially in 2020. NAI explained this is due to the growth of the economy and of the amounts of taxes and social contributions due. In December 2020 government postponed to January 2021 the payment of the VAT that is generally partially paid (as advances) in December, and this explains the large increase in the stock of AF.89 related to D.2 in 2020. This postponement of the advanced payments was in place also for the VAT due in December 2021.

In Belgium, all the measures that granted additional time to pay taxes and social contributions were enacted within the 2020 quarters and did not shift the payments to the next years, with the following two exceptions. The payments of the advances on VAT due in December 2020 were postponed to January 2021 (around EUR 2700 million) and the excise duties on some drinks were postponed for 3 months (around EUR 70 million). All these amounts are included in the 3173 millions of F.89A reported in Annex 8, Table 8.1 Part 2, line 26.

5.2.1.2 Compilation of data on D.211 and D.51

Discussion and conclusions

As part of the documentation provided before the SDV, there were two working files, which provided interesting insights on NAI's compilation methods.

Eurostat analysed the sheet related to VAT – D.211. The transition from cash to accrual in case of the VAT monthly, quarterly and annual data is consistent: the accrual data of Q1, correspond to the cash data of M02-M04, with a shift of one month. The values of VAT Time Adjusted Cash (TAC) data + *Redevances payées pour perception TVA* - Application Mini One Stop Shop (MOSS) + *TVA non perçue suite à des faillites* (recorded as D.995) match the annual figures for Value Added Tax D.211 (and D.995/VAT) reported in GFS. However, the “*Glissement*” (cash minus accrual) does not correspond to F.89 transactions in EDP Questionnaire Tab 5 for the same year.

Action point 2021/17 – F.89 related to D.211

NAI will prepare a note or file to be shared with Eurostat explaining how values of the OAR related to VAT/D.2 (and included in EDP Questionnaire Table 5) are determined

Deadline: June 2022

Concerning the addition of the “*TVA non perçue suite à des faillites*” to the cash data, the Belgian statistical authorities explained this is an adjustment necessary because the value of VAT and D.51 due but not collected as a result of bankruptcies must be included in the GDP.

For VAT and *impot sur les salaires*/withholding tax on salaries, NAI adds to the cash values an estimation of the taxes due but unlikely to be collected. For the VAT this is because households did pay the VAT to the companies that went bankrupt and are unlikely to pay it over to government. Also in the case of the withholding tax on salaries, this was at inception deducted from the salaries paid to the households, and this should be reflected in the gross accrual amounts, even if the company did not pay any amount over to government because of bankruptcy. This estimation is added to the cash values of VAT and withholding tax on salaries every quarter. The estimation was higher in 2020, to reflect the expected increase in bankruptcy caused by COVID. These estimations have no impact on the B.9, since the same value that is added to the revenue is then neutralised as D.995 expenditure.

Eurostat noted that this recording de facto mixes two methods – time adjusted cash and assessment and declarations. Eurostat also noted that D.995 is not necessary to ensure that GDP is correctly measured at market prices, as a correction to the value added of corporations at basic prices could also be made (and this would also be more convenient for compilers using TAC valuation for tax revenue). Mixing methods is not a common approach, and it is not favoured by Eurostat, but it is observed also in few other Member States. NAI explained that it favours the method because it provides a simple and transparent way to align with ESA requirements both GFS and GDP. Eurostat was of the opinion that this specific recording should be explained in the EDP Inventory.

Action point 2021/18 – Explaining in the Inventory the treatment of VAT lost due to bankruptcies

NAI will update the EDP Inventory and describe the nature of D.995 recorded in the accounts.

Deadline: December 2022

From the file provided before the SDV, Eurostat analysed the sheet related to D.51A C02, Business’ advance tax payment (PP), sheet “Pr.P”, which corresponds to the withholding tax on wages. The transition from the cash data to the accrual data is consistent: the accrual data of Q1, correspond to the cash data of M02-M04, with a shift of one month. The annual accrual values included in this sheet are lower (in 2020 the sheet Pr.P shows an ESA 2010 value of EUR 48290 mil), than those included in GFS under D.51A Taxes on household income (EUR 53579 mil), which is perhaps understandable since other income taxes are included in GFS D51A. The main issue here is that the file does not allow to assess how the value of F.89 included in EDP Questionnaire Table 5 is estimated. The values of F.89 related to D.5 included

in EDP Questionnaire Table 5 are far away from the values of the “*glissement*”, the difference between cash and accrual, included in sheet “Pr.P”.

Action point 2021/19 – F.89 related to D.51A

NAI will prepare a note or file to be shared with Eurostat explaining how values of the F.89 related to D.51A (and included in EDP Questionnaire Table 5) are determined

Deadline: June 2022

5.2.1.3 The inflated D.51 revenues of 2018

Introduction

Regulatory changes for the income tax on corporations determined a remarkable increase of direct taxes/D.51 in 2017 and 2018. The tax surcharge in case of insufficient advance tax payments was doubled to 2.25% in 2017, and further increased to 6.75% in 2018; this determined an increase in the advanced payments made by the companies. The change in surcharges was part of a broader tax reform that in 2015-2017 lowered income taxes and social contributions and increased taxes on goods and services and capital taxes. From 2018 onwards, the tax rate on the income of corporations was lowered progressively from 33.99% to 25% in 2020. NAI so far recorded the anticipated payments of D.51 at the time they were made, applying the usual 2-month time adjusted cash method.

Discussion and methodological analysis

During the 2021 SDV, Eurostat noted that, looking at the 2016-2018 profile of direct taxes, the effect of the higher advance tax payments in 2017 and 2018 seems evident. However, NAI was convinced that the increase in the advance payments in 2017 and 2018 did not affect the validity of the normal TAC method used.

Eurostat noted that, if the final settlement is within 2 months, the increase in the advances paid would not be an issue, because the amounts compensate. However, if prepayments of advances shift cash from one year to the other, the normal 2-month TAC would not work, and an adjustment needs to be introduced. It seemed to Eurostat that, because of the increased penalties, corporations paid earlier, with more cash paid as advances and less paid as final settlement. If the final settlement is long after the fiscal year, as it is the case in Belgium for the corporate income tax, it might be that the increase in the surcharges due in case of insufficient advances, brought forward to 2018 cash that, in normal circumstances, would have been paid in 2019. This would imply that more than 12 months of cash were recorded in 2018.

Eurostat recalled that TAC methods should avoid a situation where more than 12 months (or less than 12 months) of cash are recorded in any year as government revenue. This is a principle that must be applied under all circumstances.

Eurostat noted that it must be verified if the shift between advances and final settlements initiated in 2017 and 2018 generated a situation where revenue corresponding to more than 12 months was recorded in a year. Eurostat observed that, ex-post, the Belgian authorities should have reliable information on how much of the taxes cashed in 2017, 2018 and 2019 were prepayments of taxes that normally would have been settled in the following year. If this is the case, it might be that the 2-months adjustment (introduced when advances represented 80%

and final settlement 20%) is not justified anymore, and a 1-month adjustment should be introduced instead.

Conclusions

Action point 2021/20 – Direct taxes revenue of 2017 and 2018

NAI will analyse the Direct taxes revenue recorded in 2017 and 2018, with the aim of assuring that only 12 months of revenue are included in the figures of each year.

It will report about the appropriateness of the 2-month TAC adjustment, considering the change in the proportion between prepayments and final settlements.

Deadline: June 2022

5.2.1.4 Social contributions

Introduction

For the social contributions of employees, NAI uses accrual data, and removes from the accrual figures the amounts of the social contributions due that will not be paid, recording them as D.995. The *Office National de Sécurité Sociale (ONSS)/Rijksdienst voor sociale zekerheid (RSZ)* provides every year a table that compares social contributions due and perceived. For year 2020, NAI has increased the estimation of the amounts due that will never be perceived because the employers will go bankrupt. Since the amounts recorded under D.995 will never be perceived, they are not included in the stocks of F.89 receivable.

From the file “Recovery rate ONSS RSZ” provided before the SDV, Eurostat analysed the three sheets labelled “accrual”, “cash” and “still to perceive”.

Discussion and conclusions

During the SDV, NAI explained how to read the excel spreadsheet used to calculate the D.995 related to social contribution. NAI explained that, if you add the figures in the columns of the two sheets described above, you can, for each year, compare the accrual and the cash.

Eurostat enquired about which of the figures included in the sheets analysed were used for compiling EDP and GFS. Eurostat compared the values at the bottom of the sheet “accrual” with the values reported in GFS under the items D.611+D.613, and could not understand the difference between the two values.

NAI explained that the information included in the sheet “accrual” is not the data source used for compiling the values of social contributions reported as part of EDP/GFS. For compiling the non-financial accounts of the social security subsector, NAI is using the “comptes économique” of ONSS, annual accrual figures on revenue and expenditure.

The file “Recovery rate ONSS RSZ” is only used to estimate the social contribution assessed that will never be paid, reported under “D.995E Employers’ actual social contribution assessed but unlikely to be collected”. For compiling the figures related to GFS D.611 and D.613, other annual accrual data sources are used (financial statements of the units), because the ONSS sheet “accrual” includes only the social security contributions due by the employees. Other types of social contribution payments (e.g. those of retired people) are not included. Eurostat suggested that ONSS, in the compilation of the profits and losses, is maybe using the information included

in the rows of the sheet “accrual” to determine its revenues in 2020, and not the one in the columns.

Eurostat would expect that F.89 corresponds to the sum of the columns in the first sheet “accrual” minus the sum of the lines in the second sheet “cash”, corrected for the amounts not perceived in the third sheet, which is not the case. NAI explained that another source is used for the compilation of F.89

Action point 2021/21 – D.611, D.613 and F.89 related to social contributions

NAI will prepare a note or file to be shared with Eurostat explaining how the values of D.611 and D.613 included in GFS and those related to F.89/Social contributions (as included in EDP Questionnaire Table 5) are determined, starting from the source data.

Deadline: June 2022

5.2.2 Interest

Introduction

NAI provided a table with the detailed figures on debt (at face and at nominal value) and interests that covered S.1311 consolidated, budgetary and non-budgetary units, for the period 2017-2020. In 2020, 83,5% of the Belgian debt was related to S.1311.

Discussion and conclusions

Eurostat made a number of remarks on the table on interest and noted that lines had been added to the standard table, related to consolidation. The following discussion clarified that the standard table on interests required specific adjustments for consolidation, when reporting interest of central government instead of reporting the main state unit (as it could be reported in the voluntary EDP table 3B1). The updating of the template on interest to facilitate tracking the consolidation adjustments, and the addition of a line related to Premium/discount at repurchase (or the re-labelling of the current line Premium/discount at issuance) could be useful and therefore envisaged.

NAI noted that it is rather difficult to fill in the table on interests. Eurostat commented that this is because Belgium filled it for central government, and not for the main state. Eurostat noted that compiling tables 3B.1 and 3B.2 would be very useful for monitoring the statistical discrepancy at the unit level. The NAI stressed that such a compilation would be very difficult in Belgium, because economic groupings aggregate information for most central government units, such that the separation between the main central government and the other units would be resource-intensive and time consuming. At the same time, it was noted that table 3B.1 would be close to 3B, since the Working Balance includes most of the other bodies of central government.

Action point 2021/22 – Adapting the table on interests

NAI will adapt the interest table and EDP table 3B (line Issuance above/below nominal value) following the remarks made during the SDV.

Deadline: April 2022¹⁸

The table on interest has been updated for transactions on the secondary market (shift of premium/discount at purchase). A new sheet has been added with the new version of the table: “Table on interest after SDV”.

5.2.3 Transactions with the EU – EU flows

Introduction

This issue was discussed for the last time during the EDP SDV of 19/06/2008 (see pages 10-11 and AP.4). It was not tackled during the 2010, 2012, 2014, 2016 and 2018 SDVs.

Rules on neutralisation of EU Funds were introduced by Eurostat in 2005. Eurostat’s Decision of 15/02/2005 on “*The treatment of transfers from the EU budget to the Member States*”¹⁹ establishes that:

”In the case where the final beneficiary of a transfer from the EU budget is not a government unit (for example a farmer receiving agricultural subsidies), and the government advances payments to the final beneficiary, the government must be considered as acting “on behalf” of the EU. Neither the transfer from government to the beneficiary, nor the transfer from the EU to government has to be recorded in the government accounts. Therefore, there is no impact on the deficit government or surplus.

In the case where the final beneficiary is a government unit (for example when this unit carries out an expenditure for training or social assistance), the time of recording of the transfer by the EU to government, shall be the time when the government unit makes the expenditure, as government will be reimbursed by the EU only after having made the expenditure and sent the relevant documents for reimbursement. Therefore there is no temporary impact on government deficit.

In the case of prepayments by the Commission to Member States at the beginning of a multi-year programme, these initial payments are to be treated as financial advances”.

Discussion and conclusions

In Belgium, nine entities are involved in the management of EU Funds. Most Regions are now providing to NAI accrual figures on expenditure. The information on which regional entity is providing what type of data included in the 2019 *EDP Inventory* is outdated.

NAI is reporting data related to transactions with the EU as part of ESA Table 2. However, NAI does not have any information on receivable and payable against the EU, except those related to the Belgian contributions to the EU budget. As a consequence, there is no certainty about the funds coming from the EU being properly neutralized. This explains why the *EDP Questionnaire* Table 6 is almost empty. Line 33 Stocks of receivables of general government against the EU, as reported in October 2021, had zero values for 2018-2020.

For compiling ESA Table 2, NAI is using the information from the Economic Groupings, accrual for expenditure, and compilers in theory should take care of neutralising the EU flows,

¹⁸ Done. Revised file on interests received on 02/03/2022.

¹⁹ <https://ec.europa.eu/eurostat/documents/2995521/5184194/2-15022005-BP-EN.PDF/f11e2274-fefb-453b-a930-dac7b8de6b3a?version=1.0>

when appropriate. According to the instructions, if the government unit which is the beneficiary of EU funds spends X in year t, it should record X also as revenue. In case of pre-financing from the EU, generally paid at the beginning of the programme, the units should record as revenue in the Economic Groupings only the part which corresponds to the real expenditure of the year, neutralising the cash received in excess. But NAI is not sure if all the compilers are applying these principles correctly.

NAI does not have full information on which units are making the neutralisation, and how they are making it. Some entities neutralise and others don't. Bruxelles region e.g. does not. Bruxelles region gives to NAI a table with accrual expenditure and cash received, and NAI "neutralises" without having all the details, i.e. the correction is not perfect from year to year, although NAI is convinced that the impact on B.9 is not material. For the entities that do perform the neutralisation, NAI does not know if it is done at the moment they receive the cash, or when the expenditure is made, on an accrual basis.

NAI explained that the neutralisation is understood as neutralising the expenditures in order to have a zero impact on B.9. But it can also be seen as neutralising the cash received. The cash received only intervenes in the determination of OAR/OAP. The NAI acknowledged that there might be sizeable F.89A/L not included in the accounts.

Eurostat noted that there might also be an effect on B.9 when the final beneficiary is a government unit that incurs expenses on behalf of the EU which are not neutralised at the time of the expenditure.

When final beneficiaries are outside government, as for agricultural funds, in Belgium no flows are entering the working balance, nothing is recorded in the revenue and nothing in the expenditure, and everything is recorded only as a Treasury operation. However, also for these EU funds, NAI should be recording F.89A, if government is anticipating some of the EU payments to the farmers.

Eurostat noted that all the missing F.89 related to EU funds contributes to the large Belgian discrepancy already discussed under agenda point 3 of this SDV.

NAI explained that this is one of the problems caused by the missing Building Blocks reporting related to F.89. Belgium has currently no reporting that could capture these data. NAI intends to address this issue, building on the experience gained with the RRF reporting. NAI will design and introduce a new reporting template to capture the flows related to the regular EU funds. The compilers will be required to list all the expenditure financed by the EU and ask which amounts they neutralise under which codes. This will allow NAI to check if the amounts neutralised correspond to the expenditure, or to the cash received, or to none of the two.

Eurostat noted that the amounts involved might indeed be small, but they do have an impact on discrepancies.

Action point 2021/23 – Information currently available on transactions with the EU

NAI will provide a note (and update the EDP Inventory accordingly) explaining in detail what source data is currently being used for compiling transactions with the EU, item by item, expenditure and revenue, clarifying if they are cash based and how they are adjusted.

Deadline: June 2022 and December 2022 for the EDP Inventory

Action point 2021/24 – Improvements of the accounting treatment of the EU flows

NAI will prepare a plan for gathering the information necessary for a correct neutralisation of the EU flows and share it with Eurostat.

Deadline: June 2022

Action point 2021/25 – Delivering enhanced figures related to the EU flows

NAI will deliver enhanced and complete information on EU flows in EDP questionnaire Table 6.

Deadline: March 2023

5.3 Recording of specific government transaction

5.3.1 Guarantees

Introduction

In Belgium one-off and standardized guarantees are issued by all sub-sectors, except the social security funds.

The majority of government one-off guarantees are those provided by the Federal government to financial institutions during the financial crisis (for example to Dexia). Other beneficiaries of guarantees are public corporations, small and medium-sized enterprises, international organizations and government units. Guarantees can be provided by the parent government authority or by a public unit acting on behalf of the government.

The guarantees can be on assets and on borrowings. Guarantees on assets were granted only during the financial crises and were provided to financial institutions on the value of portfolios of financial assets (such as a guarantee by which a government unit covers all or part of the losses if the sale of assets falls below a certain value). Guarantees on borrowing are provided to public corporations, small and medium enterprises and banks.

As part of the SDV documentation, NAI provided the list of government guarantees by beneficiary (for the 10 largest guarantees provided), for the period 2016-2020 (Annex3). The aim of Annex 3 is to reconcile the stocks of guarantees reported in EDP Questionnaire Table 9.1, to see to which entities they are referring.

Discussion and conclusions

Belgium does not include standardised guarantees in the *EDP Questionnaire Table 9.1*, since standardised guarantees should be reported only in Table 9.4.

NAI filled Annex 3 with some figures, but the totals, in the lines A+B, A and B, were missing, which made the reconciliation with Table 9.1 impossible. Eurostat also noted that in table 9.1 some guarantee calls were listed in line 8 for years 2018-2020, and were not reported in Annex 3, again due to the missing totals.

In 2020 fees collected for guarantees increased substantially, due to the newly introduced Ducroire, COVID related, guarantee schemes (see Paragraph 4.2, p. 15).

Eurostat remarked a difference between the values of “Fees collected for guarantees” in *EDP Questionnaire Table 9.1*, line 18, and those of “Fees collected” in *EDP Questionnaire Table 9.3*. NAI explained that **Table 9.3 is filled only for the part related to what is included in EDP Table 2A/central government**, and the fees entering EDP Tables 2B, 2C and 2D are missing. Also some of the capital transfers included in Table 9.4 seem to be missing. **A complete *EDP Questionnaire Table 9.3* will be reported with the next notification.**

NAI explained that, in most cases, there are no provisions for guarantees in the accounts of the units. NAI therefore compiles the stocks of AF.66 reported in Table 9.4, column 1, applying to the new guarantees provided each year the default rate given by the institutions. The same default rate is applied to the stock of guarantees outstanding at the beginning of the year; the change in the provisions (change in expected losses) is booked as D.9.

It was clarified that in the *EDP Questionnaire Table 9.4*, in the column related to F.66/F.2 guarantee calls, the calls should be recorded net of the eventual recoveries observed (which might take place some years later). If the F.66 transaction is only reflecting calls, the stock of F.66 can turn negative. F.89 is the counter-entry to the expected recovery. NAI pointed out that in MGDD the T-accounts for explaining this case are missing.

Action point 2021/26 –Annex 3 Guarantees

NAI will provide an updated Annex 3, including the totals, to allow for a comparison with the figures reported in EDP Questionnaire table 9.1.

Deadline: December 2021²⁰

Action point 2021/28 – EDP Questionnaire Table 9.3 missing figures

NAI will revise EDP questionnaire table 9.3, so that all the guarantee associated flows impacting B.9 are fully reflected.

Deadline: March 2022²¹

Action point 2021/28.1

NAI will provide information (and update the Inventory accordingly) on the methods, data sources, calculations used to estimate Stocks and Flows of F.66, and explain what subsectors and parts of subsectors are covered.

Deadline: December 2022

5.3.2 Government claims, debt assumptions, debt cancellations and debt write-offs

Introduction

In the 2019 *EDP Inventory*, NAI explained that the Buildings Block (BB) questionnaire for loans (BBA_Loans) collects also information on debt cancellations (imputation of a capital transfer) and debt write-offs (no transaction, Other changes in volume), in line with the definitions of ESA 2010. However, the reporting units fill in the template according to their book-keeping practices and not according to ESA 2010 definitions. Sometimes the compilers

²⁰ Done. Revised file on Guarantees received on 23/12/2021.

²¹ Done. The EDP Questionnaire Table 9.3 delivered on 31/3/2022 is filled in all its parts.

report write-downs as write-offs, as in their accounting book, where the stock falls to zero, and this is not in line with ESA. In ESA we should correct the closing outstanding amount, recording instead of a transaction an other economic flow. For big amounts, when NAI observes a write-off, it asks the compiler for clarification. To distinguish between write-downs and write-offs, NAI checks if the counterpart is bankrupt and disappears as an institutional unit.

Discussion and conclusions

Looking at *EDP Questionnaire* Table 8.1, Eurostat noted that Debt write-offs, recorded as Other changes in volume, are not material. The large value of Other changes in volume recorded in 2018 (EUR 351 million) is a break in the time series: all the loans provided by the Belgian Investment Company for Developing countries (BIO), an entity active in cooperation, were previously missing.

NAI provided a note and an Excel file with the details of the few debt cancellations recorded in 2017-2020. Debt cancellations are few, because NAI refuses to accept many loans as such at inception, recording them immediately as capital transfers.

NAI provided also an Excel file with loan-by-loan information on Claims on S.2, which explained where all the values recorded in *EDP Questionnaire* Table 8 come from. NAI explained that most of the claims on S.2 included in *EDP Questionnaire* Table 8.1 are related to the loans of EFSF and those of Club de Paris. Concerning the Club de Paris' loans, recently not many cancellations have been observed, but a lot of rescheduling. The main lender is the main state. **Eurostat noted also the very high intra-quarter values recorded in 2020 (loans to Bremen) that should be investigated.**

5.3.3 Capital injections in public corporations

Introduction

According to the *EDP Inventory*, since 2008 (since 2011 for loans) the NAI applies the rule of classifying as capital transfers all the capital injections for which an extensive and pre-defined documentation is not provided by the unit concerned.

In case of capital injection by way of equity, the units have to provide information covering the nature of the transaction, the possible other (private or public) partners, the financial statements of the corporation for the last 3 years and a financial plan audited by an independent institution. Since 2016, government capital injections in equity are reported through BBA_Shares. Data are reported on a granular basis allowing the identification of counterpart information.

In case of loans, the information is collected by the BBA_Loans, and the additional information required is the amount, the interest charge and the terms of redemption. The NAI does not requalify loans if this information is provided but verifies if the counterpart is a corporation in severe financial distress.

Discussion and conclusions

NAI provided a note and an Excel file including a list of the largest capital injections in public corporations for the period 2017-2020 by beneficiary and treatment in national accounts. Eurostat enquired about how the information included in the file could be reconciled with the information included in *EDP Questionnaire Table 10.2*, which is very different. NAI explained

that the file only covered the federal state and the Flemish and Walloon regions. What's more, the file also included the largest capital injections in private corporations, not included in *Table 10.2*. NAI explained that it includes in *EDP Questionnaire Table 10.2.I* only the government equity injections in public corporation, and not the injections in private corporations, nor the loans, and nor the debt cancellations and write-offs. Eurostat enquired on what is recorded in *Table 10.2.I* non-financial part, columns related to "Expenditure". NAI explained that they record in this part not only the capital injections treated as D.9, but all capital transfers. **Eurostat clarified that in *EDP Questionnaire Table 10.2.I* only the capital injections in equity should be recorded, showing which ones are considered as non-financial and which as financial.** NAI's problem is that the Economic Groupings information does not allow this split. The information included in the Economic Groupings already classifies some financial transactions as non-financial.

Eurostat enquired about the capital injections made by the Walloon Region in 2018 and 2019 and described in file no. 30 as "Restructuring of participations". NAI explained that the Wallonia region reshuffled the portfolio of different units. **Eurostat noted that a reshuffling of a portfolio is not a capital injection**, that implies an increase in resources of the public corporation coming from government and recorded as an addition to equity in the accounts. NAI explained that, in the Building Blocks, this operation was reported as a transaction by the unit and is recorded like this in *EDP Tables*, where it is split between increase and decrease of equity²².

Eurostat noted that the part of local government equity injections considered as expenditure is very small. NAI explained that, for compiling local government capital injections it relies on public accounts, often at an aggregated level. Given the large number of capital injections (for often very small amounts), a standardised procedure is followed to determine whether the capital injection can be regarded as financial in ESA terms. Based on a functional division, some injections are reclassified. These concern capital injections in the social sector, in the education and cultural sector and in the police sector. Generally, these sectors do not yield sufficient return. Without additional justification from the supervisory authorities, injections in this type of activities are not accepted as financial. In principle, equity acquisition in the energy sector or in other corporate sectors are accepted. For the unspecified capital injections, an analysis is made on the basis of the available data. Eurostat noted that classifying all the local government equity injections as financial or non-financial depending on the activity of the beneficiary is a good practice, however it would also be necessary to look at the balance sheets of the beneficiary, to see if the stock of equity increases over-time as per the equity flows recorded. NAI explained that local entities always record the capital injection as financial, even when NAI treats it as an expenditure, and therefore their stock increases too much, and often NAI has to correct it.

Action point 2021/29 – EDP Questionnaire Table 10

NAI will revise the data included in the EDP questionnaire table 10, addressing the mistakes signalled by Eurostat.

Deadline: March 2022²³

²² With The EDP notification of April 2022, NAI revised the treatment of these transactions, removing the related identical inflows and outflows from Tables 10.1A, 10.1B and 10.2.

²³ Done. The EDP Questionnaire Table 10 delivered on 31/3/2022 was extensively revised.

5.3.4 Dividends

Introduction

As part of the documentation provided by NAI before the SDV, a detailed list of the units distributing dividends to: S.1311 (NBB, Bpost, BNP Paribas, Proximus, RPI, Belfius); S.1312 (GIMV and Ethias); S.1313 (the largest, in terms of dividends, being Fluxis) was provided to Eurostat. The file includes the results of the super-dividends test. For NBB, Bpost, BNP Paribas, Proximus, RPI and Ethias other two files provide the details of the calculation of the super-dividend test. NAI shared with Eurostat also the 2018 press release of Ethias announcing an advanced payments of dividends.

Discussion and conclusions

Eurostat enquired about the various entries included in the file related to the Ethias dividends. NAI explained that the file was prepared by an expert in insurance corporations. Starting from the “Current results”, which correspond to the profit of the year before taxes, provisions are added, and capital gains deduced, arriving to the “Entrepreneurial results”, which in 2017 and 2018 are higher than the dividends. It confirms that no distribution of super-dividends occurred in the two years analysed.

Eurostat appreciated that the detailed information on dividends provided was consistent with the figures included in *EDP questionnaire Table 10.2.II*.

5.3.5 Derivatives

Introduction

For this part of the agenda, NAI provided one document describing changes in swaps introduced in 2021, four *Notes on swaps* prepared by the Belgian debt agency related to years 2017-2020, and Annex 4, the *Table on Derivatives*, filled in all its parts for S.1311, years 2018-2020.

NAI’s document explains that, in 2021Q2, the debt agency switched from a unilateral collateral agreement to a bilateral collateral agreement for some swaps. The switch implied the recording of a lump sum as a loan (AF.42L), following the provisions of MGDD 8.3.3 on off-market swaps.

The portfolio contracts of the debt agency were originally concluded based on a unilateral collateral swap agreement (CSA), for which only the counterpart must post collateral to the debt agency. In the context of the unilateral contracts signed by the agency (without a central counterparty), a larger margin is applied to the mid-price, to take into account the fact that the counterpart must bear a risk (the CVA, or credit value adjustment) and a direct cost (FVA, funding value adjustment) greater than in a bilateral contract. In a bilateral collateral agreement using a centralized counterparty (CCP), the price of a swap will always be the mid-price, to which are added a few tenths of base points for administrative costs (around 0.3bp). When shifting to a bilateral CSA, the swaps have not been modified, and the outflows streams paid by the debt agency are higher than requested for a bilateral CSA. The debt agency received a single cash flow at the time of the activation of the bilateral CSA contract to compensate the additional cost of the unilateral CSA at inception of the swap. The lump sum (13.73 million)

was recorded as a loan (AF.42L) and not as a revenue, and constant amortization is applied over the residual maturity of the swaps.

Discussion and conclusions

During the discussion, NAI clarified that, considering the new symmetrical collateral arrangement, the surcharge paid by the debt agency included in the streams of interest of the original swap will repay the lump sum received. The annual cash payment reported by the debt agency as F.7 under the original swap contract will now be partitioned between F.7 and F.4. Eurostat agreed with the treatment adopted for this operation.

Looking at the table on Recording of Derivatives, Eurostat noted that in Block 1, Stocks of derivatives by nature, **the empty lines related to “unwinding of hedging swaps” should include some values, since some hedging swaps are recorded in Block 5, line 33b** related to “Gain/loss at the time of unwinding of hedging derivatives (FX effect)”. NAI commented that, at the time the reporting table was designed, it was not entirely clear what was to be recorded under this item. The transactions related to “unwinding of hedging swaps” cannot be isolated from other transactions.

Looking at Block 2, Eurostat noted that in the table there are around 3 billion of Interest swaps at notional value (EUR 2853 million in 2018) on the Assets side, and around EUR 3 billion (EUR 3270 million in 2018) on the Liabilities side, and they generated EUR 1.2 billion (EUR 1242 million in 2018) of Assets at market value and EUR 1 billion (EUR 710 million in 2018) of Liabilities at market value. **Eurostat asked how it is possible that the market value is only 50% of the notional value.** This would make sense only if the swaps were contracted long ago and had long maturity. **NAI should verify if this interpretation is correct, or if there is an error in the Table.**

Looking at Currency swaps in Block 2, Eurostat noted that 3 billion EUR (3140 million in 2018) are recorded on the Assets side and 3 billion (3132 million EUR in 2018) on the Liabilities side, and 6 billion (6579 million EUR in 2018) are recorded in Block 5, which is more or less consistent for 2018 and 2019, but not for 2020. NAI explained that also the Forex swaps should be added, and Eurostat agreed.

Eurostat compared the **information on swaps included in the Notes of the debt agency with the information included in Annex 4** and noted some **discrepancies, that should be verified and explained.** Eurostat also noted that in Block 5 there is some hedging on loans, which is not mentioned in the *Notes* of the debt agency. It was discussed if this is related to Infrabel. NAI clarified that it is not related to Infrabel. Infrabel has recently reported their derivatives for the first time. They are not yet incorporated in the financial accounts of S.1311. The current table on derivatives only covers the derivatives of the debt agency. **No exercise of consistency between the note and the reporting (Building blocks, on quarterly basis) has been carried on so far.**

Eurostat concluded that Block 1-2 of the Table on Derivatives were compiled correctly, assets and liabilities are split and shown on gross basis, stocks and transactions are classified as assets or liabilities depending on the underlying derivative being an asset or a liability.

Eurostat noted that in Block 5 the interest on the debt hedged is close to 2-3%, and is reducing the amounts of interest due, so that after hedging the interest paid is close to zero, which is plausible, because the interests on Euro debt are very low, much lower than US interest rates.

At the bottom of Block 5 Eurostat noted some values related to “Gain/loss on debt denominated in a foreign currency” and “Gain/loss at the time of unwinding of hedging”, which gives the impression **Belgium has some unhedged debt**, while from the *Notes* of the debt agency it seemed all the Treasury debt is hedged.

Eurostat enquired on how the transactions in derivatives are captured by the economic groupings, included in the working balance. NAI explained that the Economic Groupings provide the aggregated information used for compiling EDP table 2A, line related to other financial transactions/Net settlements under swap contracts. This value is slightly different from the one resulting from the Block 1 of the Table on Derivatives. NAI informed that **the information on derivatives included in the Economic Groupings and the information included in the Table on Derivatives** are provided by the same compiler, so also for them it is not clear why the two **values are different**. NAI has already investigated this issue with the debt agency, which provided the following explanation. The differences between the economic groupings and BB might be due to: (1) FX rate being different (ECB rate vs NBB rate); (2) Economic groupings including the upfront EMTN and amortization; (3) Economic groupings including some derivatives not reported in the BBs (e.g. the forward rate agreement for F.35 are included in BBs, maybe it is the reverse those are included in BBs but not in EGs). **This issue must be further investigated.**

Eurostat noted that in the *Note* of the debt agency there is a table with Off-market swaps. The only big operation is in 2002 (EUR 486,7 million). However also in 2020 there are EUR 6,7 million off-market swaps which are recorded as debt. NAI clarified this last transaction in swaps is related to the hedging of EMTN. Eurostat underlined that, according to the Council regulation (EC) n. 479/2009 liabilities denominated in a foreign currency should be recorded for their value after swaps. The *Notes* of the debt agency confirm that EMTN borrowing covered by currency swaps is recorded in the debt at its value after swaps. In the National Accounts the value of EMTN is before swap.

Eurostat noted that the off-market swaps listed in the *Notes* of the debt agency are not included in Block 3. NAI does not record interests on these off-market swaps, but the amounts involved are very small. NAI explained that the upfront EMTN are recorded as F.42 by the debt agency and they are not considered as off-market swaps to be reported in Block 3. The upfront is a small lump sum payment for currency swap because the EMTN are not issued at par, but the currency hedging is based on the notional value of EMTN at par.

Action point 2021/30 –Investigating various issues related to derivatives

NAI will investigate the various issues highlighted in bold in the text above, report to Eurostat about its findings and adapt the Table on Derivatives, if necessary.

Deadline: December 2022

5.3.6 Public Private Partnerships (PPPs)

Introduction

For this point of the agenda, NAI provided a number of files, including the list of PPPs recorded off government balance sheet.

Among the off-balance sheet PPPs, the “Plan lumière” attracted Eurostat attention, because of unitary charge payments (EUR 15.7 mil 2019 and EUR 18.6 mil 2020) appearing before any investment is made. NAI shared with Eurostat the contract, its very accurate analysis of the case, and other documents from the PPP partner.

Plan Lumière is a PPP contract that the Region of Wallonia signed after a call for tender. The contract covers the modernisation and management of the illumination of Wallonia’s motorways and main roads.

Discussion and conclusions

During the SDV, NAI explained that they had already thoroughly investigated the payment of maintenance fees in this PPP. A note from the PPP partner explains that the fees required for the maintenance of the obsolete equipment (*redevance de Manutention Ordinaire/RMO*) are based on the historical and technical costs of the maintenance service and will therefore not be used to finance the investment in the new equipment. In NAI’s Advice on this case (dated 3/9/2018) published on-line, p.2, it is explained that it was checked if the fees for the maintenance of the old equipment as included in the first submitted offer were in line with the previously paid maintenance costs. NAI explained that, when they first analyzed the contract, the fees to pay for the maintenance of the old lighting system were very low, however, at the end the payments for the maintenance became high, but the PPP partner justified it with the high costs incurred.

Eurostat noted that the fees charged for the maintenance of the old lighting system, charged before any investment in the new system are made, are unusual in a PPP contract, and should be compared with the costs for the maintenance of the old lighting system before the PPP contract entered into force. Otherwise, it is not possible to come to a conclusion whether paying for maintenance before the construction starts is justified, and to establish if this is a hidden way for paying for the construction.

Action point 2021/31 – PPP with fees for the maintenance of the old infrastructure

In relation to the Plan Lumière, Eurostat would like to see a comparison between the fees paid to the PPP partner in 2019 and 2020 for the maintenance of the old infrastructure and the Region expenditure in 2017 and 2018 (before the PPP) for the maintenance of the same old lighting infrastructure.

Deadline: June 2022

5.3.7 Concessions

NAI explained that the works on the Oosterweelverbinding have started at the end of 2017 (for a rather symbolic amount). In its communication to the press, the Flemish government states that it keeps this expenditure outside its financing balance. However, in its reporting to the NAI, this expenditure is included in the data as expenditure.

For this point of the agenda, NAI provided the list of concessions recorded on and off government balance sheet.

Eurostat noted that the NAI's table on concessions is similar to the one related to PPPs and EPCs. Eurostat suggested to add, in the table, also the information on revenue from users.

NAI observed that in Belgium concessions are very small, mainly used by local authorities and related to swimming pools, mainly recorded on balance sheet. If they become more important, additional information might be collected.

Eurostat noted that in the list of concessions, three of them (one not yet started) result as recorded off balance sheet. **NAI should verify if the main revenue of these three concessions comes from private partners.**

5.3.8 Energy Performance Contracts (EPCs)

For this point of the agenda, NAI provided a list of twenty EPCs, of which seven started in 2020 and 2021, and 4 did not yet start. NAI explained that, for the moment, EPC-contracts are not widely used in Belgium. Some small contracts exist at the local level (mainly related to solar panels). All the EPCs included in the list are on government balance sheet.

However, as part of the SDV documentation, NAI also provided to Eurostat a one-page advice, also published on NAI's website, related to the Flemish EPC "deSingel", recorded off government balance sheet, not included in the list of EPCs. NAI's advice is very brief, and Eurostat would like to have more information on the first Belgian EPC that is considered off government balance sheet.

Action point 2021/32 – "deSingel" contract

NAI will provide to Eurostat the text of the signed "deSingel" contract, and also the eventual more detailed analysis of the contract prepared by NAI.

Deadline: December 2021²⁴

Eurostat will analyse this contract and provide eventual comments.

5.3.9 Emission Trading Schemes

For this point of the agenda NAI provided the duly filled table on ETS covering the period 2005-2020.

In the table on ETS, Eurostat noticed differences in the numbers of ETS permits auctioned and the related cash figures, between the central ETS database (publicly available from the EEX commodity exchange) and those reported by Belgium. The Central EU data sources²⁵ are very transparent: on the website they provide information on the Belgian ETS auctions by date and cash raised. For the year 2018, the Central EU data sources show cash received related to the auctioned permits of EUR 381.5 million, while national data sources show EUR 193.4 million in F.2. For the year 2019, the Central EU data sources show auctioned permits for 14.49 million

²⁴ Done. Contract provided on 23/12/2021.

²⁵ <https://www.eex.com/en/market-data/environmental-markets/eua-primary-auction-spot-download>

tons (Mt) and 356.8 million of cash, while national data sources show 21.1 Mt and 407.2 million of F.2. There should not be differences of such magnitude (in 2018, cash is half according to BE). This cash is later used to calculate D.29 and therefore has an effect on B.9.

Action point 2021/33 – Differences in auctioned ETS values between national and EU data sources

NAI will analyze the differences between the figures related to the number of auctioned ETS permits and the related cash revenue available from the national data sources and the analogous figures available from the Central EU data source.

Deadline: June 2022

Eurostat noted that, looking at the ETS table, the Belgian unwinding method looks more like pure-cash-based than weighted-average-price based, as Belgium labeled it. Since 2015, D.29 seems recorded on pure cash basis. During the visit it became clear that the amounts of F.89 related to ETS in the table was not correct and did not correspond to the amounts recorded in the accounts. Since in 2018 Belgium auctioned EUR 381,5 million and cashed only EUR 193,4 million, this generated an F.89. The amounts F.89 in the table related to ETS do not match with these figures. Belgium should double check the way it is recording the transactions related to ETS. The recording should not be on a cash basis.

Action point 2021/34 – Upgrade the ETS compilation method

NAI will investigate the ETS compilation method and check if it really corresponds to the ‘weighted-average-price’. It should consider switching to a more appropriate recording method by either applying the time-adjusted-cash method (+12 months), or a weighted-average-price method including the historically built-up stocks of permits (scenario 3 of the Belgian ETS spreadsheet file).

Deadline: June 2022

5.3.10 UMTS

As part of the SDV documents, NAI provided a document with the history of all the UMTS licenses 2G, 3G, 4G issued by the BE government over the years, starting from 2005 and up to 15 March 2021. The document includes also the values of the royalty fees paid by every operator for the initial attribution of the licenses, and for their successive prolongation. NAI clarified that all the royalty fees were recorded as Rents/D.45, spread over the years of the license, as required by MGDD (2019) pp.262-263.

NAI clarified that the auctions for the 5G will be held in 2022.

5.3.11 Nuclear liabilities

NAI provided a note describing the organisation of the nuclear activity.

Synatom is the main unit responsible for the Belgian nuclear fuel cycle. Synatom is the short name for the *Société belge des combustibles nucléaires/Belgische Maatschappij voor Kernbrand-stoffen Synatom* (Belgian Nuclear Fuel Company Synatom). Synatom is a public limited company under Belgian law. Synatom has a capital of EUR 49,6 million represented

by 2 million shares. All these shares but one are held by Electrabel (a subsidiary of ENGIE Group (a French multinational and the operator of Belgium's seven nuclear reactors). The Belgian State holds a single golden share, giving the Federal Minister of Energy special powers, most notably the right to veto any decision running counter to the country's energy policy. Synatom is classified in the sector of the non-financial corporations (S.11).

Synatom establishes provisions for the operations needed to decommission the nuclear power plants. The provisions for decommissioning are established in such a way as to cover for each nuclear power plant the whole discounted amount of the decommissioning costs at the time of the plant's final shutdown. The provisions are financed with the contributions of the energy companies running the nuclear plants. These contributions are considered by NAI as transactions between private units, and not as taxes imposed by government. At the end of 2020, these provisions amounted to EUR 13,8 billion. Synatom and ENGIE are responsible for all the future costs of decommissioning.

Eurostat enquired on the consequences of the accumulated provisions eventually being lower than the decommissioning costs. NAI believes that in such a case ENGIE will cover the difference.

5.4 Issues relevant for the April 2022 EDP Notification

5.4.1 Flooding in Wallonia in July 2021

Introduction

The Region of Wallonia signed a deal according to which insurance companies will provide 100% of compensation to the victims of the flooding of 14-16 July 2021, even if limits exist in the original contracts on the amounts they should pay. The insurance companies will reimburse not only the contractual amounts, but 100% of the damages, and for the extra-contractual part they will have the right to a reimbursement from the Region. It means that in practice, the insurance companies are pre-financing part of the reconstruction costs on behalf of the government. The regional legislation considers this as a loan from the insurance companies to the government, a loan with no interests that the government will start reimbursing on 1st of August 2024, with the last repayment foreseen for no later than August 1, 2031.

Discussion

From the discussion during the SDV, it appeared that NAI was ready to record the pre-financing from the insurance as a capital transfer D.99 of government (to households) versus a Loan Liability. The controversial part was to decide in which period the pre-financing should be recorded.

Eurostat noted that the D.99 - Government capital transfers to households, should be recorded, “*when the payment is due to be made*”, according to ESA 4.166 (a). The issue is how “*when the payment is due to be made*” should be understood. “*When the payment is due to be made*” can be interpreted in the two following ways:

- When the government pledges to compensate the insurance companies (in 2021Q3). This is an interpretation that Eurostat has already adopted in other D.99 cases, and Eurostat’s preference also for this case.

- When the insurance indemnities must be recorded. The insurance corporations S.128 might record a D.72. According to ESA 4.117 and 16.90, D.72 claims due under a non-life insurance contract are recorded at the time when the insured event occurred. Or S.128 might record all the claims (or part of them) as D.99, considering the flooding a major catastrophe (ESA2010 16.92), in line with ESA 4.165.k. In such a case the time of recording “*when the payment is due to be made*” should be used (ESA 4.166.a). In the last case, it should be checked how S.128 interprets the “*when the payment is due to be made*”

The Belgian expert on insurance corporations informed that S.128 will record all flood-related claims as D.99 in 2021Q3, considering this a “major catastrophe”.

So, in this case, the two possible options come to the same conclusion: the D.99 must be recorded in 2021Q3.

Conclusions

Action point 2021/35 – Time of recording of government compensation to flooded households / corporations

The NAI will decide, in consultation with Eurostat, if the government contributions to the households (to be recorded as D.99), which is to be recorded “when the payment is due to be made”, should be understood as when the D.72 is to be recorded (when the calamity happened) or when the claims become payable.

Deadline: December 2021²⁶

6. Any Other Business

6.1 GFS Issues

Eurostat noted that Belgium is exemplary in providing extended data in ESA Table 2. Also, all the annual series are reported since 1995.

Eurostat expressed concerns about the negative FISIM on deposits for all subsectors recorded since 2011. Some of the negative amounts reported also affect the interests paid, mostly for the social security funds and years 2018-2020, due to negative short-term interest rates to fund cash requirements. Eurostat understands that GFS compilers are not responsible for FISIM calculation, however, the **amounts transmitted (escalating negative FISIM) seem not plausible. The GFS compilers should investigate this issue with their colleagues responsible for the estimation of FISIM.**

In relation to COFOG data, Eurostat recalled that negative amounts, especially in P.3, for historical data but also for the latest periods were observed. These negative amounts are observed in several COFOG groups. **It could be an issue with the classification of revenue (P.131 or P.11 or taxes) rather than only a COFOG allocation issue.**

²⁶ Done. On 23/12/2021 NAI confirmed that in 2021Q3, the financial commitments of the Regions to the affected sectors were recorded as D.99 and Other accounts payable (F.89). From 2021Q4, insurers will begin to make payments to claimants and the financial commitments recorded under liabilities Other accounts payable (AF.89) will start decreasing, replaced by financial liabilities recorded under the instrument Long-term credits (AF.42).

As part of the October 2021 validation of ESA table 27, GFS team observed a cash pooling system recorded as F.41, related to short term transactions between social security funds and central government. Eurostat asked why the transactions were not recorded as F.2L. NAI explained that compilers of Monetary Union Financial Accounts accepted F.2L only for banks, and not for S.1311.

6.2 Issues Belgium would like to discuss

NAI enquired about eventual news on the European Deposit Insurance Scheme (EDIS). NAI was contacted by the Belgium Treasury that was trying to understand if EDIS would set up a new Fund, and what would be the characteristics of this Fund. Eurostat will pay attention to any news on this issue and will keep Belgium and all the Member States informed.

ANNEX 1 - Agenda

Eurostat EDP dialogue video conference with Belgium

18 - 19 November 2021

Starting on 18 November at 09:30

Provisional Agenda

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. Data sources and revision policy, EDP inventory

1.2.1. Changes in data sources and revision policy

1.2.2. EDP Inventory

2. Follow-up of the previous EDP dialogue visit of 28-29 June 2018

3. Follow up of the October 2021 EDP notification

4. Recording of government measures undertaken in the context of COVID-19

4.1. COVID Table

4.2. Table for reporting of expenditure and other costs financed by the RRF

4.3. Expenditure measures, including support to airlines

5. Methodological issues

5.1. Delimitation of general government sector, application of market/non-market test in national accounts

5.1.1. Changes in sector classification since the last EDP dialogue visit

5.1.2. Questionnaire on public entities classified outside the general government sector

5.1.3. Sector classification of selected units: SNCB, Investis and other units

5.2. Implementation of the accrual principle

5.2.1. Taxes and social contributions

5.2.2. Interests

5.2.3. EU flows

5.3. Recording of specific government transactions

5.3.1. Transactions with the EU and related stocks: data sources and methodology for their recording

5.3.2. Government interventions to support financial institutions

5.3.3. Guarantees

5.3.4. Government claims, debt assumptions, debt cancellations and debt write-offs

- 5.3.5. Capital injections in public corporations; dividends, privatizations
- 5.3.6. Financial Derivatives
- 5.3.7. PPPs, Concessions and Energy Performance Contracts (EPC)
- 5.3.8. Emission trading permits
- 5.3.9. Others: sale and leaseback operations, UMTS, securitisation and pension issues, decommissioning costs

5.4. Issues relevant for the April 2022 EDP Notification

6. Any other business

ANNEX 2 - List of Participants

National Bank of Belgium

General Statistics Department

Rudi Acx (Head of General Statistics Department)

Vanessa Baugnet (Head of National & Regional Accounts and Short-term Statistic Service)

Claude Modart

Lies Janssen

Diederik Kumps

Sarah La Rosa

Anne Mulkay

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David Vivet

Research Department

Wim Melyn

Federal Planning Office

Vincent Frogneux

Gina Gentil

Federal Public Policy and Support

Séverine Waterbley (President of Federal Public Service of Economy and President of the NAI)

Anouk Deceulaer

European Commission DG Eurostat

Luca Ascoli (Director of Eurostat Directorate D: Government Finance Statistics)

Rasa Jurkoniene (Head of Unit D1 Excessive Deficit Procedure and methodology)

Milena Georgieva

Olga Leszczynska-Luberek

Philippe de Rougemont

Yordan Yordanov

Daniela Comini (Desk officer for Belgium, Unit D1)

European Commission DG ECFIN

Gilles Thirion

Gert Rammeloo

European Central Bank (ECB)

Henri Maurer