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FINAL FINDINGS

EDP dialogue visit to Romania

10-11 May 2021

Executive summary

Eurostat undertook an EDP dialogue visit to Romania on 10 - 11 May 2021 as part of its regular visits to EU Member States. The purpose of the meeting was to review the existing institutional responsibilities as regards the compilation of EDP statistics and government accounts, to review the implementation of the accrual principle, to examine the classification of some institutional units and to review the recording of specific government transactions, in particular in the context of the COVID-19 crisis.

First, the institutional arrangements and institutional responsibilities currently in place were reviewed. Further clarifications were received on the data sources within the EDP framework. Detailed discussion took place on the recording of taxes in the context of the Single tax declaration, on the new amendment to the VAT law, as well as on the bonus scheme related to corporate income tax, introduced in relation to COVID.

Then, Eurostat reviewed the activities of the three guarantee Funds – the Rural Guarantee Fund, the SME Fund and the Counter-Guarantee Fund and their respective sector classification.

The discussion continued on the implementation of the ESA2010 sector classification rules. In particular, the Romanian Statistical Authority explained the reclassification of units based on both qualitative and quantitative criteria. Several units are to be reclassified after the dialogue visit. At the same time, the table on detailed revenue and expenditure of OCGB and OLG for 2019-2020 was analysed.

Some issues left open following the October 2020 and April 2021 EDP Notification were reviewed. Most importantly, the statistical authorities clarified the recording of the loans granted to several companies (Blue Air, Tarom, Unifarm) in the context of the COVID pandemic. The recording of the tax deferrals under the newly introduced Supplementary table for reporting measures taken in the context of the Covid-19 pandemic (Annex 8) was also analysed.

A representative of Exim Bank presented the Three Seas Investment Fund S.A. SICAV-RAIF” (3SIIF), and the related statistical treatment. Discussions continued on specific cases related to capital injections and guarantees in relation to Exim Bank, acting on the name and on behalf of the State.

On the implementation of the accrual principle, Eurostat verified and clarified, among others, the accrual adjustments for taxes and social contributions, the recording of interest, and EU flows. Eurostat and the Romanian Statistical Authorities discussed in detail the recording of the EU flows in EDP Tables 2 as well as the related amounts in Questionnaire Table 6.

Finally, the latest developments and current status in the area of PPPs, EPCs, and UMTS, have been reviewed and confirmed.

In addition to the above, a representative from Nuclear Electrica presented the project for further development of the Cernavoda Power Plants, aiming at producing electricity.

Eurostat very much appreciated the good co-operation and transparency demonstrated by the Romanian statistical authorities during the meeting and the quality of the documents provided beforehand.

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 annexed to the Treaty establishing the European Community, Eurostat carried out an EDP dialogue visit to Romania on 10 - 11 May 2021. The meeting took place in a form of video-conference.

The delegation of Eurostat was headed by Mr Luca Ascoli, (Director, Directorate D - Government Finance Statistics (GFS)). Eurostat was also represented by Ms Rasa Jurkoniene, Mr Philippe de Rougemont, Mr Martim Assunção and Ms Luiza Munteanu. Representatives of the European Central Bank (ECB) participated in the meeting as observers, while representatives from the Directorate General for Economic and Financial Affairs (DG ECFIN) could not attend, but took note of all the material prepared in written.

Romania was represented by the Romanian National Statistical Institute (NSI), the Ministry of Finance, and the Central Bank. A representative from Exim Bank was present in relation to the specific point on capital injections, and a representative from Nuclearelectrica joined the meeting and presented the planned investment projects on new power plants.

The previous Eurostat EDP dialogue visit to Romania had taken place on 6 - 8 February 2018.

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

The visit aimed to review, in particular, the sector classification of units, and the implementation of the accrual principle, for taxes and for the recording of EU funds, and to analyse the *Supplementary table for reporting measures taken in the context of the Covid-19 pandemic* (Annex 8) and the recording of the reported government measures (especially guarantees), as well as to discuss other methodological issues.

With regard to procedural arrangements, the *Main conclusions and action points* were sent to Romanian statistical authorities for review. Then, the *Provisional findings* would be sent to Romania for review and comments. Afterwards, *Final findings* will be sent to the Romanian Statistical Authorities and to the Economic and Financial Committee (EFC) and published on the website of Eurostat.

Eurostat greatly appreciated the co-operation and transparency demonstrated by the Romanian Statistical Authorities during the meeting and the documents provided before the dialogue virtual meeting.

1. Statistical organisational issues

1.1. Review of institutional responsibilities in the framework of the EDP data reporting and government finance statistics compilation

Introduction

Eurostat reviewed the institutional responsibilities in the framework of the reporting of EDP and government finance statistics data. There are four key partners in the GFS production: the National statistical institute (NSI), the Romanian Central Bank (BNR), the Ministry of Finance (MoF) and the National Commission of Prognosis. An inter-institutional cooperation protocol among the institutions involved in the EDP processes was signed in 2014 and since then it has not been modified. The four institutions meet regularly in the form of Thematic Working Groups.

The National Statistical Institute is responsible for the compilation of ESA non-financial accounts, in general, and for the compilation of the B.9, and co-shares with the Ministry of Public Finance the responsibility for the other non-financial variables in EDP Table 1. Moreover, the National Statistical Institute is the ultimate responsible for the EDP notification in Romania.

The Ministry of Public Finance compiles ESA Table 28 (Maastricht Debt), co-shares with the National Statistical Institute and the National Bank of Romania the compilation of several items of the EDP table 1 as mentioned above and is the sole compiler of EDP Tables 2 adjustment lines.

The National Bank of Romania is responsible for the compilation of ESA 2010 financial accounts (ESA Table 27 and Tables 6-7), co-shares with the Ministry of Public Finance the compilation of EDP Tables 3 and co-shares with the National Statistical Institute and the Ministry of Public Finance the compilation of EDP Table 4.

The National Commission of Prognosis provides planned data in EDP Table 1.

Discussion

The Romanian Statistical Authorities explained that there had been no changes in the institutional arrangements in the framework of the EDP data compilation since the last EDP dialogue visit in 2018 and that no further changes in the near future were foreseen as regards the institutional arrangements and cooperation agreements.

The latest meeting of the four reporting institutions, prior the dialogue visit, took place in February 2020. Due to the COVID pandemics, the sub-sequent planned meetings (as example the one planned for May 2020) were cancelled.

Eurostat recalled the discussion held during the 2018 dialogue visit in relation to the development of an integrated IT system, and enquired with the Romanian Statistical Authorities about the status of the situation. The NSI informed Eurostat that, due to the lack of funds and human resources, no joint agreement has yet been taken in this regard, for the system to become operational, although the integrated IT system was developed.

Main conclusions

Action point 1:

The Romanian statistical authorities confirmed that the integrated IT system, presented during the 2018 EDP dialogue visit, was put in place, though it was not yet operational. Eurostat welcomed further developments in this regard and invited the Romanian statistical authorities to progress towards the use of an integrated IT system as soon as possible. The Romanian statistical authorities will inform Eurostat when the integrated IT system becomes available.

Deadline: when available

1.2. Data sources and revision policy, EDP inventory

Introduction

The EDP Inventory provides detailed information on data sources and methods used for the compilation of the deficit and Maastricht debt instruments.

At the end of July 2020, the Romanian Authorities sent the updated EDP Inventory to Eurostat (in line with the new MGDD version), which was published on Eurostat website. Eurostat was informed prior to the meeting that an updated EDP Inventory version is being developed.

During the previous dialogue visit, Eurostat took note of the information provided by the BNR regarding the ways in which the securities holding statistics are compiled, for both stocks and flows. Concerning the calculation of currency and deposits (F2) and debt securities (F3) it was concluded the following:

For deposits, the main source is the Monetary Balance Sheet of the National Bank of Romania and the Monetary Balance Sheet of the Other Monetary Financial Institutions (OMFI). Another source is the Balance of Payments (BoP) Statistics' for transferable deposits held by embassies. These data sources are exhaustive. Other data sources are individual data on the balance sheets of all public companies reclassified into S.1311 (according to the market/non-market producer test). From the assets side of the balance sheet of the Treasury, only the position "Cash and cash equivalents" is taken into accounts for compiling the financial accounts, in order to reflect the F.21 owned by public institutions.

Discussion

Although the data sources and revision policy has been extensively discussed during the previous EDP visit, in February 2018, Eurostat enquired on different aspects in relation to the developments of data sources based on Money and Banking statistics emphasizing the recording of stock of deposits (AF.2), compilation of ESA Table 27 and associated reporting of EDP Table 3.

Eurostat enquired on the use of Money and Banking Statistics data source for the F2 recording in EDP table 3B, which was taken as an example during the discussion. The Romanian Statistical Authorities explained that the F2 recording uses a combination of data sources as follows: for the compilation of F21, data source is coming from MoF; and for F29 the data is coming from Money and Banking Statistics. A clarification was made in relation to the source data of the reclassified units (other central government bodies). The main data source for F.2

of the reclassified units is Money and banking statistics, deposits held by the banks, and they are available on a monthly basis. In addition, reclassified units provide their data to the NSI on a yearly basis, so F.2 can be identified. As a matter of practice, the exercise related to the deposits of reclassified units is made for the last four years, unit by unit, and the data is compared with the Money and Banking Statistics at the level of stock by sub-sector.

Eurostat argued that a comparison between the stocks of deposits (AF.2) as provided by Money and Banking Statistics and as reported by government units, by subsectors and/or by sub-subsectors (i.e. groupings of units), and for the whole general government, should be performed.

Furthermore, the Romanian authorities explained that the stock of AF.3 Maastricht debt is calculated on the basis of the data coming from the MoF. It includes data on securities issued domestically and externally. In contrast, the calculation of the stock of ESA debt is done using Security Holdings Statistics. The debt securities stocks at nominal value are adjusted to the market value. Stock data from the two sources are crosschecked regularly.

The Romanian statistical authorities recalled that the transactions of debt securities implied in EDP are recorded using the same source data as for the ESA Table 27. The MoF data does not include counterpart information, whereas this is available in the BNR's Security Holdings Statistics (SHS). Eurostat underlined that clear practice should be used for the recording of F3 so that errors in ESA Table 27 would be avoided. Both MoF and BNR perform the compilation of their respective statistics from the same data source, that is BNR's Security Holdings Statistics (SHS). However, the primary data source (SHS) is used differently by the two institutions in order to correspond with their respective purposes. The MoF compiles the transaction in ESA Table 28 data at face value, which is then correlated with data in the EDP tables, while the BNR compiles the financial accounts of general government and its subsectors (Table 27) for the whole sequence of accounts, at market value. In the particular case of debt securities, the transactions in the financial accounts are adjusted each quarter for revaluation.

In order to ensure that there are no errors or significant differences among sources and that the discrepancy in EDP Table 3 is not affected, Eurostat asked the Romanian Authorities to verify whether the transactions in debt securities liabilities in ESA Table 27 (and implied in EDP Table 3) align with the change in face value corrected for premium and discount issued, for differences between interest accrued and paid, for revaluation and relevant other flows, and will report any observed differences. The exercise should be performed for annual non-consolidated data for the last 4 years (2016-2020).

In relation to the EDP inventory, the Romanian Statistical authorities informed Eurostat that a new version of the EDP inventory is in the process of being finalised, and that as soon as it will be ready it will be sent to Eurostat for publication.

Main conclusions

Action point 2:

The Romanian statistical authorities will provide Eurostat with an updated version of the EDP inventory together with an updated Annex B (list of General Government units).

Deadline: September 2021¹

Action point 3:

The Romanian Statistical authorities will provide to Eurostat a comparison between the stocks of deposits (AF.2) as provided by Money and Banking Statistics and as reported by government units, by subsectors and/or by sub-subsectors (i.e. groupings of units), for the whole general government.

Deadline: September 2021²

Action point 4:

The Romanian Statistical authorities will verify if the transactions in debt securities liabilities in ESA Table 27 (and implied in EDP Table 3) align with the change in face value corrected for premium and discount issued, for differences between interest accrued and paid, and for revaluation and relevant other flows, and will report any observed differences. The exercise is to be completed for annual non-consolidated data for the last 4 years (2017-2020). A note will be provided to Eurostat to this effect.

Deadline: September 2021³

2. Follow-up of the EDP dialogue visit of 6-8 February 2018

Introduction

Following the EDP dialogue visit in February 2018, a number of 46 action points were agreed and implemented.

During the current dialogue visit, only one issue from the previous visit needed further clarification. It referred to the point concerning the three Guarantee funds – Rural Guarantee Fund, the SME Fund and the Counter-Guarantee Fund – and to the analysis of their sector classification. The point was of an on-going nature and belonged to a broader topic discussed by Eurostat and the Member States: the delineation between S.13 and S.12. sectors.

The **Rural Credit Guarantee** Fund (FGCR-IFN) was created in 1994, based on a Memorandum concluded between the EU and the Ministry of Agriculture and Rural Development (MARD), as a commercial company mostly owned by private entities: the Romanian Commercial Bank (33.3%), the Romania Bank for Development - Groupe Soci t  G n rale (33.3%), and Raiffeisen Bank SA (33.3%), aside from MARD (0.007%).

Its main field of activity is to assume guaranteeing commitments and to issue guarantees, either on behalf of public funds or on its own funds. This can take the form of guaranteeing credits or other financial instruments granted by Romanian financing institutions, and of issuing guarantee letters in favour of the Agency for Rural Financing (AFIR) or of public beneficiaries

¹ The latest version of the EDP Inventory was provided to Eurostat on 15 December 2021

² The information was provided to Eurostat on 30 September 2021

³ The note was provided to Eurostat on 30 September 2021

of the National Plan for Rural Development (NPRD). The FGCR-INF also manages a scheme of guarantees for 'deposit certificates'.

The **National Credit Guarantee Fund for Small and Medium-Sized Enterprises** (FNG CIMM IFN) was created in 1999, with the Romanian State (Ministry for Small and Medium-Sized Enterprises and Co-operatives) being the unique shareholder. It has the legal mission to improve the Romanian SMEs access to financing, through issuing guarantees and committing to guarantee credits or other financing tools that can be obtained by small and medium-sized enterprises from banks or other sources.

The **Fondul Român de Contragarantare** (Romanian Counter-guarantee Fund) was set up in 2009, with the goal to indirectly improve access to financing for SMEs by taking over part of the risk assumed by the two other guarantee funds. The Romanian Counter-guarantee Fund is owned by the Romanian Government (68% of share capital) and the Post-Privatization Foundation (32% of share capital).

Discussion

Eurostat recalled the agreement during the previous visit that the Romanian National Institute of Statistics will continue monitoring the sector classification of the Rural Guarantee Fund, the SME Fund and the Counter-Guarantee Fund, notably taking into account the on-going work at the EDPS WG relating to the borderline between S.13 and S.12.

The Romanian Authorities informed that these three institutions are still currently classified in the Financial Corporations sector (S.12), subsector Other financial intermediaries, except insurance corporations and pension funds (S.125).

Further details and clarifications were asked by Eurostat in relation to the activity of those funds.

The MoF explained to Eurostat that the Romanian Rural Credit Guarantee Fund – IFN SA (FGCR – IFN SA) provides guarantees to private beneficiaries financed from the Rural Development National Program, European funds and the Operational Program for Fisheries and Maritime Affairs, and extends guarantees on the basis of the working agreements concluded with the financial institutions. It also provides guarantees for working capital loans / financing of current activity in the agricultural field, based on the Certificates issued by the Agency for Payments and Intervention for Agriculture (agricultural lands, animal welfare, etc.).

Eurostat requested further information in relation to the number and the volume of guarantees granted by FGCR-IFN SA, the value of the fees collected, and the share of the staff involved in granting guarantees from public funds in comparison to the total staff. Furthermore, it also asked for clarifications as regards the management of the institution, the Board of Directors, the possible holding of a "golden share" by the state and the control held by the state.

In addition, Eurostat enquired on the relationship of the guarantee fund with AFIR (Agency for Rural Financing) and on the mechanism of payments made on behalf of EU. The Romanian Statistical Authorities explained that AFIR is classified in S.13, and that the agency is subordinated to the Ministry of Agriculture. Based on the government decree dating from 2009, regulating certain measures to stimulate the absorption of funds allocated by the Rural Development National Program for renovation and development of rural areas, the Rural Credit Guarantee Fund issues letters of guarantee for obtaining the advance provided by the AFIR according with the Financing Contracts signed. Eurostat further requested additional

information in relation to relative share of the business carried out with the Agency for Rural Financing (AFIR) and with private banks – e.g. by size of amounts guaranteed, by size of fees, or/and by share of staff dedicated to each activity.

The discussion continued on the analysis of the National Credit Guarantee Fund for Small and Medium Enterprises (FNGCIMM SA-IFN), especially referring to the guarantees granted before COVID pandemics, and also to the guarantees granted during the COVID pandemics and their respective recording in the table on COVID (Annex 8). Eurostat enquired about the number and volume of guarantees granted by FNGCIMM, the value of the fees collected (separately highlighting the programmes launched in the context of the COVID 19 sanitary crisis) and the share of staff involved in granting guarantees for public funds in comparison to the total staff.

The MoF explained that FNGCIMM SA-IFN is a non-banking financial institution, with venture capital, established in order to facilitate SMEs access to financing, by providing guarantees for financial instruments contracted from commercial banks or from other sources. FNGCIMM SA-IFN implements government programs aimed at economic recovery, business development, as well as job creation and support, operating as a joint stock company, with the Romanian State as sole shareholder, under the prudential supervision of the National Bank of Romania. Eurostat was informed that the government pays a fee equal to 0.15% of the value of the stock of guarantee managed on behalf of the state. The COVID schemes related fees are partially covered by grants. In this respect, it was agreed that further information would be provided to Eurostat following the meeting, including a table of the 2020 grants.

Regarding the Romanian Counter-guarantee Fund, it was recalled that it was created to support access to finance for SMEs - low-value counter-guarantees in its own name and on its own account. Further information will be provided in relation to the number of guarantees provided in the name and behalf of the state, as well as for the projects of private loans guarantees.

Main conclusions

Action point 5:

The Rural Guarantee Fund provides guarantees both to the Agency for Rural Financing (AFIR) and to the banking system, on their advances/loans to farmers on EU funding. Although the Rural Guarantee Fund is actually owned by private banks, under ESA 2010, public control could be established by way of contract.

The Romanian Statistical authorities will reflect on the appropriate classification of the Rural Guarantee Fund. The Romanian Statistical authorities will notably verify and inform Eurostat on the relative share of the business carried out with the Agency for Rural Financing (AFIR) and with private banks – e.g. by size of amounts guaranteed, by size of fees, or/and by share of staff dedicated to each activity.

Deadline: July 2021⁴

⁴ The updated information, that was previously sent to Eurostat in July, was provided on 30 September 2021

Action point 6:

The Romanian Statistical Authorities will reflect on the appropriate classification of the National Credit Guarantee Fund for SMEs. The Romanian Statistical authorities will notably, though not exclusively, verify and inform Eurostat on the relative share of the fees paid one way or another by the State – notably after new COVID programmes have been entrusted to this entity.

Deadline: July 2021⁵

3. Follow-up of the October 2020 /April 2021 EDP reporting – analysis of EDP tables and the related questionnaires

Introduction

In the October 2020 EDP notification, Eurostat and the Romanian Statistical Authorities discussed the recording of the capital injections, in relation to BII (BII - Banca Internationala de Investitii /International Investment Bank) and BAI (BAI – Banca Asiatica de Investitii in Infrastructura/ Asian Infrastructure Investment Bank).

Moreover, from the April 2021 EDP notification, two issues were discussed that needed further clarification:

1. The recording, in Annex 8 on Covid measures, of the recording of Guarantees in the context of Covid, as well as of the EU funds

The recording of Annex 8 was extensively discussed during the several requests for clarification of the April 2021 notification. Four versions of the Annex 8 have been transmitted by Romania together with the clarification rounds. During the meeting, Eurostat revised again with the Romanian authorities the recording of the amounts shown in Annex 8, in particular concerning a clarification on deferral taxes. (see also below point 4.3.1 in relation to Covid). The discussion confirmed the recording of Guarantees in the context of Covid, as well as of the EU funds (related to Covid).

2. The Three Seas Investment Fund S.A. SICAV-RAIF” (3SIIF)

In the April 2021 notification, Romania introduced for the first time the issue of the investment fund Three Seas Investment Fund S.A. SICAV-RAIF” (3SIIF), and presented the statistical treatment. Eurostat was informed that the capital called by those funds were treated in the financial accounts (F.5) for the full amount called, and, in line with MGDD 4.6.3.6 paragraph 22, these amounts, less the first tranche paid, were recorded in the stock of external government public debt (and will be gradually decrease with each payment made).

Discussion

In relation to the recording of capital injections in different international banks, it was confirmed and agreed that, following the application of MGDD rules, the Romanian

⁵ The information was provided to Eurostat on 30 July 2021

Authorities record the equity on an accrual basis, with a matching AF8L for short-term settlements and AF4L for settlements of more than 1 year.

Concerning the “Three Seas Investment Fund S.A. SICAV-RAIF” (3SIIF), a representative of EXIM Bank gave a presentation explaining the project.

The 3 SIIF is a commercial and market driven initiative mandated to deliver an attractive return to the investors from investments in a diversified portfolio of infrastructure investments in the Three Seas Region. Its objective is to invest the funds available in infrastructure projects and companies with a view to, inter alia, enhance the security and independence of energy supply of EU Member States; reduce the transmission/transportation costs; contribute to enhanced infrastructure, including digital infrastructure, economic and social cooperation and interconnectivity of the EU Member States; and support and strengthen EU integration by decreasing infrastructural gaps.

The initial shareholders of 3SIIF at the date of incorporation were Bank Gospodarstwa Krajowego Poland and EximBank Romania, acting on behalf and for the account of the Romanian State.

It was explained that the 3SIIF operates in accordance with the market principles applicable to the sectors in which it invests. For each investment, it will seek an appropriate risk adjusted return and cost-benefit profile. The 3SIIF invests directly in minority or majority investments in new or existing companies, indirectly via investment holding companies and/or special purpose vehicles domiciled in the EU. The investments made by the 3SIIF may take the form of equity participation (e.g. share capital, equity, preferred dividends shares, shareholder loans, convertible loans).

There are several member countries taking part to this mutual fund that envisages developing projects in the field of transport, energy and digital area. Among the participating countries besides Romania, these are Hungary, Estonia, Latvia, Lithuania, Croatia, Poland, Bulgaria. It was explained that there are three classes of investors (A, B and C), but there is no difference between these classes.

Eurostat enquired on the decision making process of the fund and especially on its risk exposure. At the same time, Eurostat enquired about the functioning mechanism of the Fund activity, the voting process, the allocation of the projects - by type, or geographical distribution. It was agreed that a further note will be provided to Eurostat in this regard.

Romanian authorities explained that there was no voting process put in place at the level of the Fund itself. The Fund is managed by AIFM, Fuchs Asset Management S.A. (the Manager), which is authorized in Luxembourg. The Manager is responsible for taking all the investment decisions of the Fund on the basis of recommendations from an investment committee established by the Fund. The Fund has appointed Amber Infrastructure Limited as the Investment Adviser, who is responsible for the identification and appraisal of all potential investments of the Fund.

Based on the Business Plan prepared by Amber Infrastructure Limited, the investment adviser to the Fund, and reviewed by Ernst & Young, the 3SIIF aims to achieve a target return of between 12% and 15% per year, a return which is deemed to be reasonable based on the benchmark returns associated with greenfield investments and the Three Seas Region.

The 3SIIF has an initial duration of 15 years, which may be extended up to 20 years, with an investment period of 5 years (with the possibility to be extended for up to two additional consecutive one-year periods), and it will be automatically put into liquidation on the date on which all investments have been disposed of or otherwise realized by the Fund, and the proceeds have been distributed to the investors.

Prior the meeting, Eurostat was informed that EximBank Romania, acting on behalf and for the account of the Romanian state, signed the subscription agreement and irrevocably committed EUR 20 million to the 3SIIF on 27 February 2020. As of 31 December 2020, the capital amount drawn on EximBank Romania was of EUR 7,013,565, and the undrawn commitment amounted at EUR 12,986,434. The amounts committed were recorded in the financial accounts, and according to the capital injection rules in the MGDD 4.6.3.6 paragraph 22, these amounts less the tranche paid were recorded in the stock of external government public debt (which will be gradually decrease with each payment made).

Main conclusions

Action point 7:

The Romanian Exim Bank representative presented the activity of the “*Three Seas Investment Fund S.A. SICAV-RAIF*” (3SIIF) and briefly described the mechanism of the functioning of this investment fund. Eurostat enquired on whether the entity was a genuine market financial intermediary, or was merely a device to carry multi-country government infrastructure investments. Eurostat required further details on which type of investors could participate and on the criteria for substitution between investors.

The Romanian Statistical Authorities will provide a note to Eurostat on the governance of the Three Seas Investment Fund and on the modalities for share transaction between investors.

Deadline: July 2021⁶

4. Methodological issues and recording of specific government transactions

4.1. Delimitation of general government

4.1.1. Changes in sector classification since the 2018 EDP visit

Introduction

Following the implementation of action points (20, 21, 26, 27), from the 2018 EDP dialogue visit, in relation to sector classification, Eurostat was informed that:

Starting with the 2018 March notification, *Regia Autonoma pentru Activitati Nucleare* (RAAN) was classified into the General Government sector for the period 2014-2017 according to the

⁶ The note was provided to Eurostat on 30 July 2021

50% test results. In addition, from the March 2018 notification, the entity *Siderca SA* was classified into the General Government sector for the period 2014-2017.

Following the implementation of action point 20, the National Institute of Statistics carried out, in summer 2018, the survey on the qualitative criteria, which subsequently led to some reclassification of units. Following this exercise, 91 units (18 at central level and 73 at local level) were reclassified into General Government for the period 2014-2017, and the non-financial and financial accounts were revised accordingly.

Concerning the implementation of action point 21, Eurostat was informed that another exercise (survey) on public control for units with less than 50% of ownership was launched, for the second time, in 2020. Following this exercise, no unit was reclassified into General Government.

It was confirmed that following the implementation of action point 26, Romaero was reclassified inside government sector for all EDP years.

Discussion

During the meeting, the reclassifications of units taking place between February 2018 and May 2021 were recalled and all aspects in relation to the above mentioned reclassifications were confirmed.

Eurostat enquired about the practice and the frequency of the sector classification exercise for both the application of the market-non-market test as well as for the qualitative non-market test criteria in relation to the public units.

The practice of the application of the market/non-market test was reviewed and the Romanian authorities explained the process of reclassification of units based on three consecutive years of a unit failing to comply the 50%. The test is performed every year, however the decision on whether to re-classify is taken every four years. Eurostat recalled that, in the past, units were reclassified inside or outside the government sector yearly on the basis of the results of a given year, but this was found not a good practice, as no stability in the sector classification was ensured. It has been agreed in the past that the reclassification would be made on the results of 3 consecutive years, or, in exceptional cases, when it was clear that the unit will not meet 50% in the future. Eurostat explained that the present practice of the Romanian National Statistical Institute, concerning the reclassification of units, to carry out these infrequently and not every year, is not acceptable. It was agreed that the market/non-market test should be performed on a yearly basis, and each year the classification of all units will be assessed, taking into account the previous years' results and the trend.

In relation to the qualitative criteria, Eurostat was informed that the National Institute of Statistics circulated in 2018 a survey/questionnaire, in order to obtain information about the purchaser of the output of a public producer and about government control. In this respect, all public companies that sell to government more than 50% of their output, meaning that the government is their main client, were reclassified into General Government sector S.13. Other criteria that led to the reclassification of the units were: the government control of key committees in the entity; government possession of a golden share; the entity permission from the public sector to borrow. Following this exercise, 91 units were reclassified to S13.

Another exercise related to the control of units was ran in 2020. A questionnaire was sent to all companies selected from the Statistical Register based on the information concerning the structure of the shareholders and ownership. As a result, the qualitative questionnaire was sent to all units (739 units) in which the government is a minority shareholder (holds shares between 0-49.9%). The answers received from 524 units (at central and local level) were analyzed by the National Institute of Statistics. According to the results of the questionnaire, no unit was reclassified into General Government.

Main conclusions

Action point 8:

In relation to sector classification methodology, Eurostat considers that the present practice of the Romanian National Statistical Institute concerning the reclassification of units, apparently carried infrequently and not every year, is not acceptable. The Romanian Statistical Authorities, who perform the market/non-market test on a yearly basis, will, on this basis, assess each year the classification of all units, taking into account the previous years and the trend. Therefore, every year, some units will potentially be reclassified (depending upon cases).

*Deadline: continuous yearly exercise*⁷

4.1.2 Government controlled entities classified outside general government

Introduction

Prior the meeting, the Romanian authorities transmitted to Eurostat the *Questionnaire on the Government controlled entities classified outside general government*. There were 1036 companies in the list. Out of the total, only three companies (*CEC BANK; EXIMBANK; SC FONDUL ROMAN DE CONTRAGARANTARE SA*) are classified in S12, the rest of the companies being classified in S11. Based on the information provided by the questionnaire, Eurostat selected and analysed more carefully the companies for which the liabilities represent more than 0.1% of GDP.

Discussion

Based on the analysis performed by Eurostat, questions were raised on the market-non-market test for a number of units. The discussions concerned the general practice of assessment of units reported in the questionnaire and the reclassification practice. Concrete examples of units deemed to be reclassified or/and having the market-non-market test to be re-done were given and some mistakes were identified.

After reviewing the practice of the implementation of the market/non-market test, along with the qualitative assessment, it was agreed that the Romanian Statistical Authorities would send to Eurostat the list of units classified inside the General Government sector on a yearly basis.

⁷ A note in this regard was provided to Eurostat on 30 September 2021

In relation to specific units, Eurostat raised questions concerning the following units:

- *Complexul Energetic Hunedoara* (with liabilities up to around 0.2% of GDP) shows a market-non market test under 50% for two year out of three. The overall decreasing trend is not likely to revert. Following the analysis, the Romanian Statistical Authorities will reclassify *Complexul Energetic Hunedoara* inside the general government sector.
- *SC Electrocentrale Oradea SA*. Eurostat noticed a low and irregular level of the market/non-market test and a very low number of employees. During the meeting, it was clarified by the National Statistical Institute that the unit was under insolvency. As a result, it was agreed that the Romanian Statistical Authorities would reclassify SC Electrocentrale Oradea SA inside the government sector.
- *SC Centrala Electrica de Termoficare Arad SA (C.E.T.ARAD)* shows high level of liabilities and losses and a decreasing trend of the market/non-market test under 50%. The Romanian Statistical Authorities will reclassify SC Centrala Electrica de Termoficare Arad inside the general government sector.
- *SC Compania Nationala de Transport al Energiei Electrice- Transelectrica SA* has a high profitability (showing a market-non-market test of around 300%), although the liabilities are quite high, reaching close to 0.1% of GDP. The same situation was identified for *Regia Autonoma de Distribuire a Energiei Termice Constanta* that has a high market-non market test over 400% for all three years, but at the same time it shows a loss (of -1 million RON), and the liabilities are less than 0.05% of GDP.
- *SC Compania Nationala Unifarm SA*: the company showed a very high market/ non-market. At the same time the liabilities are around 0.01% of GDP and it recorded a loss (-7 million RON). This company received a loan (non-reimbursable) due to COVID in 2020. Confirmation and a re-calculation of the market-non-market test was requested and received during the meeting. Eurostat recalled that purchases of goods for resale should be accounted on a net basis in the numerator, thus deducting purchases from both costs and sales for the purpose of the 50% test (i.e. accounting for the 'margin' in the numerator).

Given the inaccuracies made when performing the market/ non-market test, notably for goods for resale, for several units, showing extremely high results, the Romanian Statistical Authorities will review the formula and apply correctly the test again, and will accordingly resend to Eurostat the updated table on Government controlled entities classified outside the general government sector.

- *SC Compania Nationala Romarm SA*: National Company Romarm was jointly set-up in 2000 by the union of the most important factories from Romanian Defence Industries and is the largest supplier for military equipment, ammunition and maintenance services in Romania. Romarm is composed of 15 factories (subsidiaries). The company shows a very high market/non-market test for all years. Eurostat enquired on the low the number of employees (displayed by the questionnaire), given the activity of the company and the number of factories/subsidies and the result of the market/non-market test. It was agreed that the Romanian Statistical Authorities will inform Eurostat on the reasons for these results and will closely monitor the situation.

Main conclusions

Action point 9:

The Romanian Statistical Authorities will send to Eurostat the list of units classified inside the General Government sector on a yearly basis.

Deadline: Every September⁸

Action point 10:

Concerning *SC ELECTROCENTRALE ORADEA SA*, Eurostat noticed a low and irregular level of the market/non-market test and a very low number of employees. During the meeting, it was clarified by the National Statistical Institute that the unit is under insolvency.

The Romanian Statistical Authorities will reclassify *SC ELECTROCENTRALE ORADEA SA* inside the government sector.

Deadline: September 2021⁹

Action point 11:

Complexul Energetic Hunedoara (with liabilities of around 0.2% of GDP and very high losses) shows a market/ non-market test under 50% for the last two years, and an overall decreasing trend.

The Romanian Statistical Authorities will reclassify Complexul Energetic Hunedoara inside the general government sector.

Deadline: September 2021¹⁰

Action point 12:

SC CENTRALA ELECTRICA DE TERMOFICARE ARAD SA (C.E.T.ARAD) shows high level of liabilities and losses and a decreasing trend of the market/non-market test under 50%.

The Romanian Statistical Authorities will reclassify *SC CENTRALA ELECTRICA DE TERMOFICARE ARAD* inside the general government sector.

Deadline: September 2021¹¹

⁸ The list of units was provided to Eurostat on 30 September 2021

⁹ Accomplished

¹⁰ Accomplished

¹¹ Accomplished

Action point 13:

Given the inaccuracies made when performing the market/ non-market test, for some units, showing extremely high results, the Romanian Statistical Authorities will review the formula and apply correctly the test again, and will accordingly resend to Eurostat the updated table on Government controlled entities classified outside the general government sector. Eurostat recalled that purchases of goods for resale should be accounted on a net basis in the numerator, thus deducting purchases from both costs and sales for the purpose of the 50% test (i.e. accounting for the ‘margin’ in the numerator).

Deadline: July 2021¹²

Action point 14:

The *SC COMPANIA NATIONALA ROMARM SA* shows a very high market/non-market test for all years. The Romanian Statistical Authorities will inform Eurostat on the reasons for these results and will closely monitor the situation.

Deadline: July 2021/continuous monitoring¹³

Revenue and expenditure of OCGB and OLGB

Introduction

Based on the request made by Eurostat prior to the dialogue visit, the Romanian Statistical Authorities were invited to provide a table on main revenue and expenditure items of the other central government bodies and other local government bodies, by units/groups of units, and their respective financial transactions for 2019 and 2020. The dedicated table on *Detailed revenue and expenditure of OCGB (Other Central Government Bodies) and OLGB (Other Local Government Bodies) for 2019-2020* was analysed during the dialogue visit.

Discussion

Eurostat was informed that the Statistical Office and the National Bank shared the work in filling this table. The Statistical Office provided the information concerning the non-financial accounts and the National Bank provided the financial accounts data of the tables. During the meeting, the Romanian Statistical Authorities explained that the grouping of units chosen to be displayed in the table follows the EDP Table 2A structure.

A detailed discussion aiming to clarify the content of the different columns of the tables took place. Notably, it was explained that the subsidies displayed in the first column of the table show a negative sign by convention in this table, although these amounts are recorded as positive entries in ESA Table 2. Furthermore, the Romanian Statistical Authorities indicated that the item ‘subsidies on production’ is consolidated/netted in GFS. It was agreed that the subsidies received, currently reported as deductions to expenditure, would be more appropriately shown under revenue (with no consolidation).

¹² The relevant information was sent to Eurostat on 30 July 2021

¹³ The information was provided to Eurostat on 30 July 2021

Further details were requested by Eurostat in relation to the units collecting taxes displayed in column two of the table (Public institutions partially or totally financed from own revenues). Based on the link between units reported in EDP Table 2A and the detailed list of units provided in EDP Questionnaire Table 3, it was enquired which precise entities collect taxes in addition to the working balance. The MoF clarified that the units concerned and the taxes referred to, correspond to hospitals, universities (e.g. tuition fees) but also include the environmental tax. It was explained that more than 80% of the taxes collected and recorded in the column refer to environmental related taxes, that decreased significantly from 2019 to 2020 due to the Court decision from 2018 in relation to the Pollution tax (vehicle related tax) ruled to be unconstitutional. Based on the Court decision, the collected taxes were returned to the citizens upon request, with reimbursements being made over a period of three years.

In national accounts, the reimbursable amounts were netted with the tax revenue collected over the respective year. Eurostat asked why recording the reimbursement of taxes were booked as negative tax revenue, rather than following the MGDD rule on Court decisions to record the reimbursement of taxes as capital transfers. It was agreed that the Romanian authorities would clarify the recording of these reimbursements and, if needed, correct the recording by showing taxes on a gross basis and classifying reimbursements as capital transfer (D.9).

Furthermore, details in relation to the flows associated to the Risk Fund and the Guarantee fund were requested. In particular, on what the negative capital transfer of 372 million RON in column 4 corresponded to. Similarly, capital transfers recorded in “repeated guarantees” in column 7 as well as shown in the FGDB (column 5) needed clarification.

A detailed discussion related to columns 13, 14, 15 and 16 took place. Concerning the column 13 on “working balances” it should preferably reflect accrual data so that central government data can be additive across columns. In relation to the column 14 on central government, it was concluded that, for the time being, it is not consistent with ESA table 2 and table 27 and EDP table 3B (though it should).

Eurostat concluded that the table should generally avoid consolidating central government with other general government bodies (current columns 15 and 16), and that, accordingly, column 16 should not be aligned with EDP table 3B (while this is currently the case).

During the discussions, it was also mentioned that this exercise is work in progress, filled in by the Member States for the first time, and thus Eurostat encouraged the Romanian Statistical Authorities to amend the tables following the recommendations.

Main conclusions

Action point 15:

Eurostat welcomed the provision of a dedicated table on *Detailed revenue and expenditure of OCGB and OLGB for 2019-2020*. The Romanian Statistical Authorities will adapt the table based on comments made in meeting:

- (a) The table column 14 (for central government) should preferably be consistent with ESA table 2 and table 27/EDP table 3B – which is not the case yet.

- (b) The table should generally avoid consolidating central government with other general government bodies (current columns 15 and 16), and column 16 should not be aligned with EDP table 3B (while this is currently the case).
- (c) Column 13 on “working balances” should preferably reflect accrual data such that the balancing item is a genuine B.9 and such that central government data can be additive across columns.
- (d) The tax reimbursements following “the legal principle defining the right for reimbursement” recording was discussed. The Romanian authorities will clarify the recording of these reimbursements and, if needed, correct the recording by showing tax on a gross, instead of a net, basis and classifying reimbursements as capital transfer (D.9)
- (e) The subsidies received, currently reported as deductions to expenditure, would be more appropriately shown under revenue. Eurostat noted that the Romanian Statistical Authorities currently consolidate the item ‘subsidies on production’, which is not aligned with ESA 2010.
- (f) The Romanian Statistical Authorities will explain the negative capital transfer expenditure currently shown in the Risk Fund (column 4) and in the ‘repeated guarantees’ (column 7) as well as the capital transfer expenditure shown in the FGDB (column 5).

Deadline: July 2021¹⁴

4.2. Implementation of the accrual principle

4.2.1. Accrual taxes and social contributions

Introduction

Information on taxes and social contributions is collected by the National Agency of Fiscal Administration (ANAF). The time lag applied (TAC) is one month for most taxes and contributions, while profit tax has a time lag of three months.

New rules in relation to the collection of VAT were discussed as well as the newly introduced single tax declaration. The recording of specific tax measures introduced by government in the wake COVID: corporate income tax bonuses and tax deferrals were clarified.

Discussion

VAT

Eurostat noted in the press that, starting from January 2021, some changes occurred in relation to the legal provisions on the VAT, commonly known as VAT cash accounting. This system allows small enterprises (turnover below 2,2 million lei) to account for VAT on sales on the basis of payments received, rather than on invoices issued. In addition, while previously the simplified VAT collection was applied to all taxpayers whose turnover was less than of

¹⁴ The Annex was provided to Eurostat in July 2021 and an updated version was resent on 30 September 2021

2.250.000 lei, starting from 1 January 2021 the threshold increased to 4.500.000 lei. Companies above the threshold follow the general VAT payment rules, that is, tax is paid at a time the invoice is issued, irrespectively of the cash received.

Eurostat requested further clarification on the matter and asked to be informed about any potential accounting consequences of the recent changes in the Fiscal Law in relation to VAT. The Romanian Authorities clarified that this measure was applicable starting from March 2021, and that it is optional. On this basis, Eurostat concluded that this change was without impact on the 2020 government accounts, but explicitly requested to be informed if consequences for the first or the second quarter of 2021 are already visible in the cash accounts. Furthermore, the Romanian Authorities should assess and inform Eurostat about the share of VAT that is concerned by this measure.

The EDP inventory should be updated in the VAT section, making reference to this new law.

Single declaration for income tax

The Romanian Statistical authorities explained to Eurostat that, after the previous dialogue visit, the “single declaration for income tax” was introduced. It represents a single statement for income tax and compulsory social contributions due by individuals for the following types of income:

- income from self-employment;
- income from the disposal of the use of goods;
- income from agricultural, forestry and fish farming activities;
- investment income:
- gains from the transfer of securities and any other transactions in financial instruments, including derivatives;
- earnings from the transfer of financial gold, defined by law;
- income from abroad;
- income from other sources.

It was clarified and confirmed that the taxes on wages and dividends are not concerned by the single declaration.

The first collection of taxes under this structure was in the year 2019 and it concerned the tax revenue related to 2018. The deadline for submitting statements and collecting these revenues was the 15th of March 2019 inclusive, and was extended to the end of July 2019.

For the year 2020, the deadline for submitting the Single Declaration was the 15th of March and was finally extended to the 30 June 2020. In conclusion, according to the legislation, the Single tax declaration and collection was settled in 2019 with a time lag of 7 months for the calculation of year 2018 tax, and was settled in 2020 with a time lag of 6 months for the calculation of year 2019 tax.

It was explained that the Ministry of Public Finance (Treasury Department) is responsible for the collection of information and the compilation of the EDP tables and the questionnaire tables related the EDP. The single declaration tax is declared and paid once a year. For the April

notification, the data is estimated – the Romanian Authorities are booking the tax expected to be collected, while for the October notification, the final data is available and used.

During the meeting, Eurostat also aimed at clarifying the newly introduced scheme in relation to COVID, with bonuses/discounts granted to taxpayers who pay on time, and to assess the impact in the accounts of this measure. This bonus scheme concerns only corporate income tax, while other taxes are not concerned by this measure.

According to the law, the bonus scheme grants a discount to taxpayers who pay on time their quarterly profit tax payment for the first quarter of 2020 (due on 25 April 2020). A discount between 5% and 10% is to be applied depending on the category of taxpayer. Large taxpayers benefit from a 5% discount and small and medium-sized taxpayers, as well as other taxpayers which do not fall into any of these categories (for example, foundations, NGOs, private schools, etc.) receive a 10% discount of the tax due.

The above corporate tax reductions also apply to the taxpayers that pay corporate income tax, but that carry out other activities for which tax is due on profit (these reductions apply only to the profit tax due by these taxpayers) and to the taxpayers which have opted for a different financial year from the calendar year, provided that they pay the amounts due by deadlines set between 25 April and 25 June 2020.

It was explained by the MoF that the taxpayers that pay profit tax would be required to include separately, in the annual declaration of profit tax, the bonus calculated under this bonus scheme. The small and medium-sized taxpayers that benefit from a 10% discount for the payment of the tax due for the first quarter of 2020, with the payment deadline of 25 April 2020, need to deduct from the tax due the allowance calculated according to the bonus scheme law.

Eurostat asked to know whether this bonus scheme law is exceptional in the context of COVID. Eurostat noted that the measure *de facto* introduced incentives for earlier tax payments compared to normal, thus the main issue is to understand whether the cash pattern has been actually and materially changed, and whether the applied t+3 months time lag is still valid. In case the 2020 tax revenue was affected, the amounts needed to be adjusted in the Romanian accounts. Eurostat requested an evaluation of how much taxpayers accelerated their payments in the context of this law and an estimation of the amount that needs to be excluded as an ad-hoc adjustment to TAC.

The Romanian Authorities explained that this law was not designed to accelerate taxpayer payments, but to provide incentives to make them pay on time, given the economic context generated by COVID-19. In total, these bonuses imply a reduction of revenue amounting to 0.9 billion RON for 2020. It was stated that the cash flow receipts are used, and therefore no increase in the revenue of the amounts are foreseen. As the related discount granted to taxpayers (reduction of revenue) stands at 0.9 billion RON, and given that, according to the law, the reductions refer to discounts between 5-10%, depending on different eligibility criteria, it was estimated that the taxes paid on time could be around 10-20 billion (around 1% to 2% of GDP). However, the Romanian Statistical Authorities pointed out that the biggest part presumably consists in mere intra-year shifts, with annual data not being affected.

Furthermore, it was underlined that the payment methodology and deadline for profit tax were not changed. The time lag for profit tax is three months.

It was not known by the time of the meeting if the bonus scheme will continue for the year 2021. Nevertheless, it was agreed that the change in pattern of the cash flows does not occur on annual basis, but it may influence the quarter collection level.

VAT

The experience of the 2019 tax collection was assessed by the Romanian statistical authorities to be generally good for all type of taxes, VAT, CIT, PIT and social contributions. The delays recorded were very small, typically less than 5%. For a better understanding of previous patterns and to assess possible changes to tax collection due to the Covid situation, the Romanian Statistical Authorities will provide to Eurostat the monthly tax cash revenue for CIT, PIT and VAT for the past four years.

Due to Covid, for the year 2020 fiscal deferrals were introduced, where taxes were deferred without penalties. The impact may bring changes in cash patterns for all types of taxes. In this respect, the impact is noticeable in monthly data, but generally deferrals do not exceed one year.

The Romanian Statistical Authorities explained that taxpayers benefited from extensive tax deferrals concerning various tax and social contributions for a total estimated amount of 18 billion lei, with 3.3 billion already refunded in January 2021 (for taxes subject to 1-month TAC) and 3 billion lei being an amount estimated not to be collectable. As a result, a total fiscal claim of close to 12 billion lei was recorded for year 2020 owing to deferrals, in addition to the usual TAC.

Eurostat noted that the Romanian Statistical Authorities could access good level of information in relation to these deferrals: amounts deferred and amounts repaid, distinguishable from other cash flows.

It was clarified that the 3 billion RON, estimated as deferred taxes unlikely to be collected, had been deducted from the accrual adjustment. For the October 2021 notification, when the amounts will be better known, the Romanian authorities should report in the table on Covid (Annex 8), as negative revenue, the amounts never to be paid due to deferrals as well as the 0.9 billion of bonuses as a further loss. The counterpart of these amounts should be treated as indirect debt (3 billion + 1 billion). For the 2021 forecast (impacting the 2022 tax collection), the Romanian Authorities will follow the same practice of recording.

Main conclusions

Action point 16:

The law in relation to VAT was amended at the end of December 2020, relating to an increase in threshold for the VAT collection above which VAT is due upon invoice date (to be now applied to taxpayers whose turnover are less than 4.500.000 lei instead of 2.250.000 lei previously). Given that this measure was applicable starting from March 2021, according to the information provided by the Romanian Statistical Authorities during the meeting, Eurostat concluded that this change was without impact on the 2020 deficit.

The Romanian authorities will make an assessment and inform Eurostat on their findings on any potential accounting consequences of the recent changes in the Fiscal Law in relation to the VAT. In addition, the EDP inventory should be updated in this regard.

Deadline: September 2021¹⁵

Action point 17:

In the context of COVID-19, the Romanian Government approved a decree (in order to stimulate the tax collection) offering bonuses/rebates between 5% and 10% of the tax due if paid on time. Eurostat enquired on whether and to what extent this measure actually changed the cash patterns in a material way, and thus the TAC data. The Romanian Statistical Authorities explained that the rebates granted to taxpayers were only applicable to the quarterly advances of 2020 (and only related to corporate income tax). Eurostat thus concluded that no B.9 impact would concern the 2020 deficit, although it could affect the quarterly profile. The Romanian Statistical Authorities will:

- (a) Inform Eurostat if this measure will be prolonged/reinstated in 2021.
- (b) Adapt the 2020 quarterly profile of tax revenue, in case of need.
- (c) Record in Annex 8 the cost of the bonus (1 billion - the estimated amount by ANAF) as a reduction in tax revenue in 2020, with a counterpart entry in indirect debt.

Deadline: September 2021¹⁶

Action point 18:

The Romanian Statistical Authorities explained that taxpayers benefited from extensive tax deferrals concerning various tax and social contributions for an amount of 18 billion lei, with 3.3 billion already refunded in January 2021 (subject to TAC) and 3 billion lei being the amount estimated not to be collectable. As a result, a total fiscal claim of close to 12 billion lei was thus recorded for year 2020 owing to deferrals, in addition to the usual TAC. Eurostat also noted that the Romanian Statistical Authorities could access good level of information in relation to these deferrals: amounts deferred and amounts repaid, distinguishable from other cash flows.

The Romanian Statistical Authorities will:

- (a) Update Annex 8, showing the amounts unlikely to be collected on taxes deferral as reductions in tax/social contribution revenue (and a counterpart in indirect debt).
- (b) Update Annex 8.2, so to have a more realistic quarterly profile.
- (c) Indicate the type of revenue classified as P.1 that also benefited from deferrals.
- (d) Keep track of re-estimates of the amounts expected not to be collected.

Deadline: October 2021 EDP notification¹⁷

¹⁵ The information was sent to Eurostat on 30 September 2021

¹⁶ The information was provided to Eurostat on 30 September 2021

¹⁷ The information was provided to Eurostat on 30 September 2021

Action point 19:

The Romanian Statistical Authorities will provide to Eurostat the monthly tax cash revenue for CIT, PIT and VAT for four years 2018-2021 (up to August 2021).

*Deadline: October 2021 EDP notification*¹⁸

4.2.2. Accrued interest

Introduction

The Questionnaire on the recording of interest was provided to Eurostat prior this meeting. Interest is recorded on an accrual basis. Data on an instrument-by-instrument basis is not available to the NSI. The principle of recording accrued interest under each instrument in the financial accounts is applied for all debt instruments. Interest flows (D.41) are among the transactions that are consolidated in Romanian government accounts.

In relation to the practice of consolidation, there is sector by sector or sub-sector by sub-sector information for each transaction (in order to identify who pays to whom and who receives which amounts and from whom).

The premiums on government securities are recorded as negative expenditure. Premium and discount associated flows are entering the working balance (cash basis). The premiums and discounts are distributed over the life of the debt instruments, and the appropriate adjustments are implemented within the line “*Difference between interest accrued and paid*” in EDP table 2A.

Discussion

Eurostat commented on the latest submitted version of *Table on interest recording* with the aim of clarifying some elements.

Eurostat observed that the stock of coupons displayed in line 1 of the table are very high, as they correspond to more than one year of coupons accrued. This is unexpected, as such development could only be explained by capitalisation. Therefore the Romanian statistical authorities have to be double-check the figures reported. Eurostat noted that an issue might be the way the stock of coupons is calculated.

Eurostat also stressed that, when the national currency depreciates, revaluations should be applied to both stocks and flows of coupons on these government bonds/loans issued in foreign currency.

The Romanian statistics authorities were advised to revise the methods of calculation of the stock of coupons, which needs to be in line with the cumulated flows. Eurostat advised, as a general approach, to calculate the stock at the end of the year 2020 and in another given year, as for example 2013, and try to reconcile the change in stocks observed with the cumulated flows. Also with a view to examine the ways in which revaluation could be reflected. Eurostat argued that the stock of accrued coupons cannot be the sum of the cumulating flows currently reported because positive re-evaluations were expected (instead of zero), especially given that the Romanian Leu has depreciated over time relative to the Euro.

¹⁸ The information was sent to Eurostat on 30 September 2021

Eurostat observed that FISIM displays a too high value (2 billion out of 17 billion of total interest flow). The Romanian statistical authorities explained that 90% of total interest flow comes from interest on debt securities and 10% represents interest on loans. So *de facto* all interest (or half of it) on loans seems to be classified as FISIM. The Romanian statistical authorities explained that FISIM is calculated as a difference between the interest rates on loans and the interbank rate (which is close to zero in 2019, and recent years). Eurostat agreed that the interbank rates used may be a source of a problem and that it concerned other EU countries.

Main conclusions

Action point 20:

The Romanian Statistical Authorities will provide to Eurostat the precise calculation of the stock of coupons, at least at two points in time in the past (e.g. end 2013 and 2020) in order to ensure a reconciliation between the change in stocks and the cumulated flows. The Romanian Statistical Authorities will also enter figures for revaluation, so to appropriately capture the effect of bonds/loans issued in foreign currency. This will in turn assist on establishing the reasons for the existing stock of coupons to be actually bigger than one year of coupons/interest accrued.

Deadline: October 2021 EDP notification¹⁹

4.2.3. EU flows

Introduction

The time of recording of government revenue from the EU is the same time as the national government expenditure covered by those revenue. This practice ensures that there is no impact on government net lending/borrowing (B.9) arising from these transactions. In general, proceeds from EU funds are classified as follows: amounts received on account of payments made in the current year; amounts received on account of payments made in previous years; pre-financing.

All EU funds (advances and reimbursements) are credited to a bank account opened at the Romanian National Bank, in the name of the Ministry of Finance. All transactions are made through this bank account. For each operational program, there is a management authority (MA) that operates as a directorate within the ministries, namely the Ministry of Regional Development and Public Administration and the Ministry of European Funds. In EDP Table 3B, the related claim is recorded under the item "Other accounts receivable" (F.8).

Referring to the accounting situation, the expenditure (on a cash basis) identified to be financed by the EU leads to the recording of a matching revenue to neutralise the effect within the Working Balance. The budget of the beneficiaries that are fully financed from the State Budget, from the state social insurance, or from other central administration or from the social security administration budgets, comprises the commitment appropriations and the budgetary credits related to the total value of the European funded projects. In contrast, the local public administration authorities that make payments relating to "Non-reimbursable external funds" recover those amounts from the Managing Authority for eligible Program's expenditure. The local budget revenue are recorded as D74. Contrarily to the old 2007-2013 framework, in the

¹⁹ The information was provided to Eurostat on 30 September 2021

2014-2020 financial framework, the agricultural funds are recorded in the government own accounts.

Discussion

Eurostat recalled that the accrual adjustments are made in EDP table 2A neutralizing EU inflows/outflows from the working balance, in “other accounts receivable” detail 4 - *Expenditure made on behalf of EU*. For public institutions, financed partially or totally from own revenues, EU funds are being neutralised and are not impacting the B9 of those institutions, respectively shown under the *Net borrowing (-) or net lending (+) of other central government bodies*, detail 3 - Public institutions partially or totally financed from own revenues. For local government, accrual adjustments are made in table 2C under “other accounts receivable”- detail 3. For social security funds, accrual adjustments related to EU fund from working balance is recorded in table 2D – “other accounts receivable” detail 2 - *Expenditure made on behalf of EU*. In order to be properly monitored, the agriculture funds are recorded separately in the EDP 2A table under “Amounts to be reimbursed by EU in account of agriculture funds”.

Eurostat acknowledged the usefulness of the bridge table between EDP Tables and BGC (Consolidated General Budget, published on the MoF website) especially related to the EU flows, as the balancing item of the State Budget and the working balance of EDP Table 2A comprised more than the EU flows adjustments reported during the EDP Notifications. Eurostat wanted to confirm that in the EDP Table 2A, the EU flows are correctly neutralised (except year 2020, for which the neutralization of EU flow was clear). Eurostat also asked for a confirmation that there were no other flows in addition to the EU flows, when it comes to the item *expenditure made on behalf of EU*.

The Romanian Authorities explained that the expenditure made on behalf of the EU, especially for year 2018 and 2019, related to different capital expenditure, because at inception, when the expenditure was initially made, these were not considered as EU funding, being later on qualified as such. These expenditure were related mostly for projects in the field of transport. When the projects qualified for EU financing, in 2019, the cash received was split between 2018 and 2019, as a proxy of accruals. It was explained that the item includes also some agricultural funds – subsidies for farmers.

Different aspects on the content of the recorded amounts for detail 7 (*F89 temporal adjustment EU fund according to GEO no. 30/2018*), detail 9 (*Amounts paid on behalf of EU to other sectors than government (on expenditure/MA cash flow)*) and detail 11 (*Amounts to be reimbursed by EU in account of agriculture funds*), reported in the EDP table 2A were discussed. It was important to clarify that while detail 9 includes agricultural funds, detail 11 does not.

The discussion continued on the reporting in the Table 6 of the Questionnaire related to the EDP notification tables. Questions were raised regarding item 6 (*Expenditure made on behalf of EU*), as the amounts recorded increased significantly from 4 billion in 2019 to 11 billion in 2020. The Romanian Authorities explained that the expenditure tripled in the context of the ending EU programming period 2014 – 2020; by the end of the programme the peak of expenditure is always noticeable. Also, out of the 11 billion, 3 billion concerned agricultural funds. At the same time it was confirmed that among the remaining 8 billion there were no COVID related EU funds. It was decided that a note would be submitted to Eurostat for further

clarification of this very large increase in expenditure financed through EU funds between 2019 and 2020.

During the discussion, it was discovered that there was a reporting error for the year 2019, so that the 2.2 billion related to agricultural funds were not included, in the Questionnaire Table 6, in both items 4 (*Reimbursement of expenditure*) and 6 (*Expenditure made on behalf of EU*), as it should. As a consequence, the Romanian Authorities will amend the table.

During the discussion, the MoF mentioned that 1.2 billion RON in EU funding related to unemployment scheme, in the context of COVID, are not recorded in Questionnaire Table 6. It was explained that, actually, the funds were paid to unemployed persons and received from the European Commission within the same year (year 2020). The discussion aimed at clarifying if this amount was meant to be recorded in the table questionnaire 6 as any other EU related received funds, or not. It was explained that the 1.2 billion are not in the working balance of EDP table 2A, and as the money has been paid and received within the same year the amount should be 0, so no recording is needed.

Eurostat congratulated the Romanian statistical authorities for sending the Historical on EDP Table 2A, which provided useful light to the discussion above concerning details 9 and 11. It was agreed that also the historical data table will be amended following the discussion and re-sent to Eurostat.

The EDP Questionnaire Table 6, item 12 (*Amounts among net lending/net borrowing of other government bodies*) shows significant amounts, which mainly concern amounts paid on behalf of EU to other sectors than government. Eurostat wanted to clarify if the item includes only EU flows and, in that case, why item 14 (Check) was not zero and why the adjustment was always negative. The Romanian authorities explained that this item includes payments made by AFIR to farmers and that this related amount is recorded as revenue in BGC. It was clarified that these amounts are always negative because AFIR makes every year more payments than it receives from EU. Eurostat argued that the impact should be 0 as AFIR takes out money from the State budget every year (budget not covered by EU funds). Corrections were needed so that the reporting covers only the EU flows and do not include any potential co-financing from the Romanian state. It was thus agreed that the Romanian Authorities will send a note clarifying the recording of the '*Amounts among net lending/net borrowing of other government bodies*' in the Questionnaire Table 6. Moreover, they will consider how the reporting of this table can be improved so to ensure that the line 'Check' (item 12) would be zero, but without losing any detail.

The discussion continued with questions in relation to EDP Table 2C and BCG, aiming at clarifying the recording of non-financial transactions. Eurostat wanted to understand whether there were non-financial transactions that should be *de facto* impacting B9 or not. It was agreed that the Romanian Authorities would clarify, in writing, these adjustments made to the BGC, concerning EDP Table 2C.

Main conclusions

Action point 21:

In relation to EU flows, the Romanian Statistical Authorities will provide:

- A note clarifying the steep increase in expenditure financed through EU funds between 2019 and 2020.
- The correction of an error of 2.2 billion in 2019 in the Questionnaire Table 6, item 4 and 6.
- A note clarifying the recording of the ‘Amounts among net lending/net borrowing of other government bodies’ in Questionnaire Table, and rethinking how the reporting of this table can be improved so to assure that the line ‘Check’ (item 12) is zero, but without losing the detail.
- A clarification of the time series (notably in relation to details 9 and 11 under Other Accounts receivable) of the EDP Table 2A, by way of amending the EDP historical tables already provided.
- Moreover, the Romanian Statistical Authorities will clarify the adjustments made to the BGC, concerning EDP Table 2C.

Deadline: October 2021 EDP notification²⁰

4.2.4. Military expenditure

Introduction

During the April 2021 EDP notification, Eurostat noticed a high increase of military expenditure for the year 2020. This was followed up during the meeting.

Discussion

Eurostat was under the impression that the Romanian Authorities seemingly record advances on military equipment in the non financial accounts, impacting P.51g, instead of showing only financial transactions F.81A (or F.42A if long-term in nature) before delivery. At the time of delivery P.51g is recognised.

The Romanian authorities were invited to comment on Eurostat understanding of the recording practice. The Romanian statistical authorities clarified that in the non-financial accounts of general government sector, the military advances are not recorded as P.51g, but they are correctly treated as financial transactions. The estimations are provided by the Ministry of Defence.

In the financial accounts of the general government sector, the transactions related to the prepayment of military equipment are recorded, since the end of 2016, as follows: under F.81 for contracts with counterpart S.11 (EDP Annex 3, Table 7, item 3) and under F.42 for contracts with counterpart S.2 (EDP Annex 3, Table 7, item 4).

²⁰ The information was sent to Eurostat on 30 September 2021

Main conclusions

Eurostat took note on the good recording practice related to the military expenditure.

4.3. Recording of specific government transactions

4.3.1. Recording of government measures undertaken in the context of Covid-19

Introduction

Among the measures taken by government in order to mitigate the adverse effects of the COVID19 pandemic, the following government guarantees were issued:

- The guarantee granted to BLUE-AIR AVIATION SA for the compensation of the economic losses suffered in the context of the COVID19 pandemic, amounting to RON 300 million, for a period of 6 years.
- The guarantee granted to the National Air Transport Company - Tarom SA for the compensation of the economic losses suffered in the context of the COVID19 pandemic, amounting to EUR 19 million, for a period of 6 years.
- The guarantee associated with the SURE instrument amounting to EUR 393 million
- Governmental programmes with state guarantees that were developed according to the Temporary Framework issued by the EC to support the economy in the context of the coronavirus outbreak:
 - a) SME Invest Romania – state guarantees (80% - 90%) issued for the investment loans and working capital loans contracted by SMEs – RON 11.7 billion
 - b) SME Leasing Program – state guarantees (60%/80%) issued to guarantee the finance leases of companies – RON 0.2 billion.

Moreover, the Ministry of Finance granted to the Company "*Complexul Energetic Oltenia*" a loan up to an amount of EUR 251 million for a period of 6 months. Privatization receipts available in the current account in foreign currency opened with the National Bank of Romania were used for this purpose. The loan was extended until September 30, 2021, following a notification to the European Commission of the CEO Restructuring Plan.

Furthermore, the Ministry of Finance granted to Unifarm S.A. a loan up to an amount of RON 1,150 million, from privatization revenues, available in the general current account of the State Treasury.

Discussion

The Romanian Statistical Authorities explained that the loan to Unifarm was granted for a period of 6 months, with the purpose of the urgent acquisition of sanitary material and equipment in the context of the COVID-19 epidemic in Romania. The loan granted in March 2020 was due for payment in September 2020. The loan principal was not reimbursed at maturity, therefore the claims resulting from the loan are in the process of recovery by the central tax authority responsible for the administering of claims (ANAF), who intends to recover the principal plus the penalties.

As the loan was not repaid by the time it was due, it was reclassified in the accounts as a capital transfer (D.9), until the situation would be clarified. It was stated during the discussion that Unifarm is not a company in liquidation and that it has assets (including sanitary equipment) that could be sold so that the loan would be repaid. The Romanian Statistical Authorities explained that ANAF would act like a creditor and would try to persuade Unifarm to sell its inventories so that the money recovered would go back to the Treasury. Unifarm only started to have very small negative net assets by the end of 2019, so that the loan could be envisaged to be repaid partially or even totally, however no repayment cannot be excluded either.

Eurostat explained that the recording of the loan could be done in three possible ways:

- c) When a loan is granted and it is not likely to be repaid, a capital transfer should be booked at inception.
- d) The second possibility is to book F.4 at inception, however once the loan reaches its maturity and is not repaid a loan cancellation and a respective capital transfer is booked, unless recoveries are expected.
- e) The third possibility, less advisable, is that the loan is not paid but the claim is kept in the accounts and the claim is being cancelled only at the moment in which it could be beneficial for government accounts.

Eurostat concluded that until the situation becomes clearer on whether the loan or part of it would be repaid, the booking of the debt cancellation for Unifarm was a reasonable decision.

The discussions followed on the statistical treatment of the loans granted to Blue – air and Tarom. Following communication during the April 2021 EDP notification period, the Romanian Authorities decided to record the guarantees granted by the MoF to Tarom and Blue Air as called at inception and thus to book capital transfers (D9), with an impact on general government debt and deficit. Both companies were preparing restructuring plans to be submitted to the European Commission.

The guarantee granted to Blue-Air Aviation SA for the compensation of the economic losses suffered in the context of the COVID19 pandemic, amounted to RON 300 million, for a period of 6 years. The loan was provided partially as a rescue loan of around 165 million RON and the rest as COVID loan. Currently, the company is in the process to prepare the notification of a restructuring plan to the EC. Should the EC approve the restructuring plan, the rescue loan will be transformed into restructuring aid. The objective of the restructuring plan is to restore the economic viability of the company.

It was confirmed that Exim Bank (commercial branch) provided the entire amount of 300 million RON loan to Blue Air, under market conditions, and the amount was guaranteed by the state. The loan was split into two parts: one part as a short-term loan for 6 months and another part as a long-term loan for 6 years. The short- term part was however not repaid.

Given that Blue Air has considerable negative assets, it is unlikely that the loan would be reimbursed. The company either will enter liquidation, or be restructured in line with the EC Restructuring Plan. In this context, the entire amount of the loan was booked as a D9 in GFS, in application of ESA 20.256.

Another guarantee was granted to the National Air Transport Company - Tarom SA for the compensation of the economic losses suffered in the context of the COVID19 pandemic, amounting to EUR 19.3 million (94.1 million RON), for a period of 6 years.

The Ministry of Finance also granted to Tarom a loan for the amount of RON 175,9 million from privatization receipts, available in the general current account of the State Treasury. This was done based on Government Emergency Ordinance no. 12/2020 on the establishment of the legal framework for granting individual state aid for rescue and based on the Loan Agreement concluded between the Ministry of Finance, the Ministry of Transport, Infrastructure and Communications and the Romanian National Air Transport Company - TAROM SA.

The Romanian Authorities explained that the loan to Tarom had two components. One part of the loan is a long-term loan for a period of 6 years that was granted just before the COVID pandemics, and the second component was a COVID-related loan, granted for a period of 6 months, that was not reimbursed, and therefore reclassified as a debt assumption, according to the rules.

The Romanian authorities explained that the aim is that, after the EU restructuring plan is received, the 176 million RON in rescue loan would be considered as the state contribution to the company restructuring plan foreseen for 2021, and booked as capital transfer.

Eurostat asked about the statistical treatment of the loan granted to *Complexul Oltenia*. All in all, 1.2 billion RON were disbursed in the first quarter of the year 2020, for a period of 6 months. Eurostat noted that the nature of the loans granted in the context of capital injections have to be scrutinised, especially in situations when the company records high level of losses for the last three years. Eurostat advised that the MGDD chapter 3.2.3.2.2. (Special cases — transactions in other financial instruments) paragraph 39 could be applied here. The Romanian Statistical Authorities confirmed that this loan was granted in the context of COVID and explained that this company is also under a restructuring plan with the European Commission, and once the project would be approved, this loan will be recorded as capital transfer. This recording is envisaged to take place in 2022.

Overall, Eurostat encouraged the Romanian Statistical Authorities to reflect on the appropriate recording of the loans granted in 2020 to *Tarom* and *Complexul Energetic Oltenia*.

Main conclusions

Action point 22

Eurostat took note that two guarantees provided by government on loans extended in 2020 to Tarom (by Eximbank) and to BLUE AIR were recorded as if called at inception (with a debt assumption and a capital transfer), following ESA 20.256.

The Romanian Statistical Authorities will reflect on the appropriate recording of the loans granted in 2020 to Tarom (176 million lei) and to Complexul Energetic Oltenia (1211 million lei). These two units have consistently accumulated relevant losses in the last years. Furthermore, the Romanian Statistical Authorities indicated that these loans will be converted into equity/outright grants, pending approval of a restructuring plan.

Deadline: October 2021 EDP notification²¹

Action point 23

The Romanian Statistical Authorities will closely monitor the situation concerning an emergency loan to Unifarm granted in 2020 (1150 million lei) to finance medical supplies, on which Unifarm defaulted in October 2020 and which was recorded as an expenditure.

Deadline: October 2021 EDP notification²²

4.3.2. Guarantees

Introduction

In Romania, guarantees are provided by the Ministry of Public Finance, by EXIMBANK and by local authorities, and benefit companies, local government or individuals.

The guarantees issued by government through the Ministry of Public Finance are part of debt according to national legislation. At the end of 2020, the outstanding amount of government guarantees increased as compared to 2019 by RON 15.2 billion, as a result of Governmental programmes enacted to fight the effects of the pandemics (i.e. IMM INVEST program), as well as of the guarantee associated with the SURE loans.

In 2020, Eximbank granted guarantees for a total amount of RON 1.1 billion, out of which a guarantee to ROMATSA SA (Romanian Air Traffic Services Administration) reached RON 0.4 billion.

In 2020, calls on guarantees amounted to RON 249.7 million (of which RON 226.2 million for guarantees issued by Eximbank), and an amount of RON 154.6 million (out of which RON 126.2 million from *Electrocentrale Bucuresti*) was recovered from the beneficiaries, in line with the recording in Questionnaire Table 9.1.

Discussion

Eurostat took note during the meeting that, according to an EC Decision in 2020, the Romanian Eximbank may provide guarantees in the name and on behalf of the State. Under this programme, Eximbank grants guarantees for new loans or loans granted by commercial banks, covering up to 90% of loans granted. This rule applies to large companies and to small and medium enterprises with a turnover of over 20 million lei affected by the COVID-19 pandemic.

The MoF confirmed that this temporary amendment of the Eximbank law 96/2000 on providing special conditions for granting loans and guarantees (that is mentioned in the paragraph above), has been prolonged until the end of year 2021. It has been also confirmed that the amounts concerned correspond to the activity of Exim Bank in the name and behalf of the State, and accordingly are re-routed in the government accounts.

Based on the amendment of the above mentioned Eximbank law, in 2020, an amount of 3 billion RON was allocated to Eximbank for granting guarantees and financing in the name of

²¹ The information was sent to Eurostat on 30 September 2021

²² The information was sent to Eurostat on 30 September 2021

the State. In addition, in the general consolidated budget, the operations carried out by Eximbank in the name and on behalf of the state, are reflected on a distinct column starting from August 2020. In EDP Table 2A, the activity of Eximbank for the period from August to December 2020 is reflected in detail 30 and in detail 31 (EDP Table 2A).

As regards the question from the Romanian authorities on the reporting of the stocks of standardised guarantees in Questionnaire tables, Eurostat noted that, while the reporting in Questionnaire Table 9.4 - as standardised guarantees is clear, the inclusion or exclusion of the standardised guarantees also in Questionnaire Table 9.1 (within totals) is not fully harmonised across the Member States. The issue will be brought to the attention of the EDPS WG.

Main conclusions

Eurostat took note on the situation related to the guarantees, in the context of the temporary amendment of the EXIMBANK law.

4.3.3. Government claims; debt assumptions, debt cancellations and debt write-offs

Introduction

The Ministry of Public Finance granted loans to “Other financial institutions” to provide guarantees to farmers and small and medium enterprises (SME). These flows in national accounts are treated as loans, in accordance with Eurostat’s conclusions. Loans are reimbursed to the Ministry of Agriculture and are re-used for the same purpose. That means that there is no net reimbursement in the State budget revenue, for these loans.

Local budgets grant loans for local institutions and services or activities financed totally from own revenue. Social security budget does not grant loans.

In the case of foreign claims, the decision is made by government, in accordance with the international rules (for example Paris Club ones). A claim could be cancelled only if a law is established for this purpose. It depends on the outcome of the international negotiation whether the debt cancellation refers to both principal and interest.

Discussion and Main conclusions

Eurostat did not raise questions on government claims, debt assumptions and cancellations. Their statistical treatment are clarified and confirmed continuously during the EDP notification clarification rounds, when needed.

4.3.4. Capital injections in public corporations, dividends, privatization

Introduction

Dividends

The main data sources on dividends received by government are the financial statements of public companies at central and local level. The super-dividends test is applied annually in March by the National Institute of Statistics, based on the data provided by the Ministry of

Public Finance later on. Data from the financial statements is used and the operating profit of previous year (n-1) is compared with the dividends paid in current year (n).

The interim dividends paid by the central bank are recorded quarterly in the financial accounts of S.1311, under the financial instrument F.8. Then, following the results of a super dividend test, the super-dividends are recorded under the F.5 'Other equity'.

Privatisation

There are four central units responsible for privatisation within the following ministries: the Ministry of Transport – privatization activity; the Ministry of Economy - department for privatisation and administration of state participation; the Authority for State Assets Administration (AAAS); and the Ministry of Energy -privatisation department. The activity of privatization is reported separately from the reporting ministry.

In public accounts, privatization proceeds are reflected in the budget of public institutions financed partially or totally from own revenues. Both the BGC and in EDP tables and national accounts eliminate from the nonfinancial accounts These proceeds, which are to be recorded in the financial accounts (in EDP Tables 3), are eliminated from the nonfinancial accounts both in the BGC and in EDP tables 2 and national accounts. In EDP Table T2C, local budgets privatization proceeds are recorded under "equities".

Capital injections in public corporations

Amounts provided by government to public companies from the State budget for investments are recorded in national accounts either as capital transfer (non-financial transaction) with a negative impact on B.9 or as financial transactions with no impact on B.9.

Related to the capital transfers, the amounts provided by government to finance in whole or in part the acquisition of fixed assets are recorded as D.92 Investments grants; otherwise, when the beneficiary units are public companies controlled by government, an analysis of the financial statements is undertaken – i.e. to check if the company recorded past losses.

In relation to the financial transactions, the Romanian government is deemed to be acting like a private shareholder, expecting a sufficient rate of return; this notably involves the analysis of financial statements – so to check if the company records profits.

The capital injection test is performed annually by the National Institute of Statistics, based on information received from the Ministry of Public Finance.

Discussion

The discussion in relation to capital injections concerned mainly the situation of *Compexul Oltenia*, and reopened the discussion on the loan to Tarom. The discussion is included above under the point 4.3.1.

Main conclusions

The recording of capital injections for foreign banks (International Bank of Investment, Asian Bank for Infrastructure Investment and Bank of Trade and Development of Black Sea) is

correctly performed in Questionnaire 10.2. The conclusion on Tarom and *Compelxul Oltenia*, are referred to above in Action point 19.

4.3.5. Public Private Partnership, concessions and energy performance contracts

Introduction

Public Private Partnership

A law on PPP existed in the past, but amendments were made through a Government Emergency Order during 2017-2018, with the purpose of improving the business environment, achieving a broader private sector involvement in public infrastructure projects as well as of ensuring private financing. In addition to a series of clarifications to the scope of the Law, as well as regarding differentiating PPP contracts from other public procurement contracts, the amended Law brought several other changes. A new draft law on PPP was discussed during the 2018 EDP dialogue visit. Since that moment, no new information in relation to PPPs was transmitted to Eurostat.

Discussion

During the dialogue visit, the Romanian Authorities confirmed that there are no developments in this regard and no PPP project is currently undergoing.

Main conclusions

Eurostat encouraged the Statistical Institute to closely monitor the potential PPP projects that may be proposed to be developed in Romania and to inform Eurostat.

4.3.6. Others: Emission permits, Decommissioning costs, Financial derivatives, Sale and leaseback operations, UMTS

Introduction

EPC

As regards energy performance contracts (EPCs), the Romanian statistical authorities informed Eurostat prior this meeting that no EPC contracts have been signed.

During the 2018 EDP Dialogue visit, Eurostat was informed about the Romanian ESCOs Association (ESCOROM) that was put in place to deal with EPCs. The ESCOROM aims at contributing to the achievement of national policy and strategy objectives in energy efficiency. At the same time, it aims at supporting the implementation and enforcement of existing legislation in Romania in line with European Union requirements, in the field of efficiency energy and the provisions relating to Energy Service Companies (ESCOs).

ETS:

The ETS recording was discussed in the 2018 dialogue visit, and, later on, the recording of ETS was approved by Eurostat during the EDP notification rounds.

The sale of emissions are recorded as taxes on production D.29. The certificates not yet surrendered are implicitly recorded as other accounts payable, because the time difference between cash payments received by government for the permits and the time of recording of the tax revenue in the national account gives rise to a financial liability for government.

The method used is time adjusted cash by one year. In 2018, the recording for ETS certificates was updated for the whole period 2012-2018, in accordance with new provisions from MGDD 2019 edition and Eurostat recommendations.

In EDP Table 2A the cash flow related to ETS proceeds in the Working Balance is neutralized in the line corresponding to “other accounts payable” and in the B.9 of OCGB. A separate adjustment line is reported for accrued D.29 tax revenue of S.13 (as shown in the adapted ETS Table) reflecting the time-adjustment of one year. Also in Table 5 of the EDP Questionnaire, an F8 payable referring to the difference between D2 accrual and cash is shown.

Decommissioning costs

In Romania, there are two active nuclear reactors at the Cernavoda plant. Cernavoda NPP Unit 1 was commissioned in 1996 and Unit 2 in 2007. These two plants are managed by *Societatea Nationala Nuclearelectrica* (Nuclearelectrica National Company) – SNN.

UMTS/ Mobile phone licences

Starting from year 2004, in Romania the UMTS-allocation of mobile phone licenses for the entire amount of the contract was initially recorded at the moment of the license’s allocation.

In 2017, the statistical treatment recommended in the Guidance note modifying the MGDD 2016 on “Mobile phone licenses, exploration rights and other licenses and permits” was applied, for data starting from the year 2012. The treatment consists of recording cash lump sums on the UMTS licenses as F.8 liabilities of the central administration (in EDP table 2A under Other accounts payable, detail 9). The amounts are spread over the duration of the contract and are recorded as rent D.45. The Romanian Statistical Authorities informed Eurostat that mobile phone licences are not sold ahead of their availability.

Discussion

EPC

During the meeting, the Romanian Statistical Authorities explained to Eurostat that no new developments took place with regard to EPC projects, and that the status of the situation remained the same. No model contract for EPC was devised and no EPC projects was signed at government level.

ETS

Eurostat appreciated the quality of the annex filled on the recording of ETS schemes, and confirmed the recording followed by the Romanian statistical authorities in the EDP tables, EDP questionnaires tables and GFS.

Decommissioning costs

During the previous EDP dialogue visit, Eurostat was informed that the Nuclear and Radioactive Waste Management Agency (*Agenția Nucleară și pentru Deșeuri Radioactive*) manages the Fund for the safe management of radioactive waste generated by the operation and the future decommissioning of Units 1 and 2 of the *CNE Cernavodă* (*Centrala Nuclearo-Electrică Cernavodă* and the Decommissioning Fund for these Units).

The Romanian Statistical Authorities informed Eurostat that, for the time being, no developments took place in this regard and confirmed that the sector classification of the Nuclear and Radioactive Waste Management Agency is in S13.

UMTS

No new developments in relation to mobile phone licences took place in Romania.

Main conclusions

Eurostat took note of the current status in relation to EPC, ETS, decommissioning costs, and UMTS. It was agreed that the Romanian authorities will inform Eurostat about any new project in relation to the aforementioned topics, about any new developments as well as on any issues concerning their recording.

5. Other issues

During the meeting, a representative from Nuclear Electrica, presented a new project of developing new nuclear power plants on the Romanian Territory, in Cernavoda.

SN "Nuclearelectrica" S.A. (SNN) is a state-owned Romanian nuclear energy company incorporated in 1998 by the reorganization of RENEL. The company is under the authority of the Ministry of Energy, and the state owns 82.49% of the shares, while other shareholders own 17.50%. The company was listed on the stock exchange in 2013. The field of activity of Nuclearelectrica is the production of electricity, thermal energy and nuclear fuel. Nuclearelectrica is the only producer of nuclear energy in Romania. The company is envisaging to further develop nuclear plants in order to produce electricity at a lower price.

The aim of the presentation was to clarify which national accounts rules are relevant and applicable for investments of this sort in order to qualify for an off-balance-sheet recording. Eurostat explained that the main elements to be taken into account in order to decide if the project would be put on or off government balance sheet are: the presence of private investors, the profitability of the project and the distribution of the risks and rewards. In relation to the investment, it is important knowing how much money the SNN will invest and the level of autonomy of decision that it would be allowed to take in his respect.

Eurostat was informed that the project financing would come from different sources: a part will come from export credit agencies, which are private foreign investors (US Exim bank, Canadian Export Credit Bank and French Credit Agency), some part will be covered by SNN capital injections and another part from loans. Eurostat noted that, as regards the loans, it is important to assess whether it will bear the State guarantee and also whether there may be elements pointing for potential re-routing through government accounts.

Moreover, it is important to understand whether the Romanian government will directly borrow and lend the money to the project or whether SNN will raise itself the debt on the

market. In this specific case, the Romanian state would have a liability (Maastricht Debt) and a claim on SNN until all or part of the loan would be reimbursed, and or debt cancelation would occur.

The economic profile of the project is very important to investors and lenders, therefore it was envisaged that the risk would be reduced by passing the cost to the consumers, by increasing the electricity bill. Eurostat recommended caution in relation to the statistical implications when government materially reduce the risks through de facto guaranteeing the price at which the operator sells its electricity.

Eurostat concluded that the most important elements to be taken into account for such an investment it to assess the profitability – market rate of return, presence of private investors –, which is relevant for the capital injections, and the capability of SNN to reimburse loans. Before starting the project, it is advisable for the Romanian Statistical Authorities to assess the potential implications that this investment would have on the sector classification of Nuclearelectrica.

The Romanian Statistical Authorities were invited to consult Eurostat when the project will start materialising, sufficiently in advance, so to avoid any misunderstanding.

EDP dialogue visit to Romania, 10-11 May 2021

Starting on 10 May at 9:30

Draft Agenda

1. Statistical organisational 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

2. Follow-up of the EDP dialogue visit of 6-8 February 2018

3. Follow-up of the April 2021 EDP reporting – analysis of EDP tables and the related questionnaires

4. Methodological issues and recording of specific government transactions

4.1. Delimitation of general government

4.1.1. Changes in sector classification since the 2018 EDP visit

4.1.2. Government controlled entities classified outside general government

4.2. Implementation of accrual principle

4.2.1. Accrual taxes and social contributions

4.2.2. Accrued interest

4.2.3. EU flows

4.2.4. Military expenditure

4.3. Recording of specific government transactions

4.3.1. Recording of government measures undertaken in the context of Covid-19

4.3.2. Guarantees

4.3.3. Government claims; debt assumptions, debt cancellations and debt write-offs

4.3.4. Capital injections in public corporations, dividends, privatization

- Recording of capital injections for International Bank of Investment, Asian Bank for Infrastructure Investment and Bank of Trade and Development of Black Sea

- Questionnaire table 10.2

4.3.5. Public Private Partnership, concessions and energy performance contracts

4.3.6. Others: Emission permits, Decommissioning costs, Financial derivatives, Sale and leaseback operations, UMTS

5. Other issues

Any other business

List of participants:

<i>no</i>	<i>Participants</i>	<i>Institution</i>
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