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**- FINAL FINDINGS -**

**EDP dialogue visit to Lithuania**

**26-27 January 2021**

## Executive Summary

Eurostat carried out an EDP standard dialogue visit to Lithuania, on 26 and 27 January 2021. The purpose of the meeting was to review the existing institutional responsibilities as regards the compilation of EDP statistics and government accounts, to discuss the quality and exhaustiveness of data sources, to examine the classification of some categories of institutional units and to review the recording of specific transactions, in particular in the context of the COVID-19 crisis.

First, the institutional arrangements currently in place were reviewed. There have been no major changes in the institutional framework in the context of GFS and EDP statistics since the previous EDP dialogue visit. Eurostat invited the Lithuanian statistical authorities to consider establishing formal mechanisms of cooperation with the National Audit Office, notably in its capacity as Independent Fiscal Institution.

Eurostat inquired about the recording of measures implemented by government in response to the COVID-19 crisis. In this context, Eurostat concluded that the three financial public entities recently created – VIVA, VIK and the State Aid Fund for business – should be classified inside the general government sector. The deferral of taxes and social contributions and the provision of public guarantees were also reviewed.

Eurostat also inquired about the re-organization of the railway sector that had taken place in 2019, and observed that the company UAB “LTG Link” (the railway passenger company) should be classified inside the general government sector, following its failure to comply with the market/non-market test. The results of the previous EDP dialogue visit and the October 2020 EDP notification were also discussed. Eurostat invited Statistics Lithuania to change the recording of emission trading permits.

The meeting also highlighted certain aspects related to the recording of taxes and social contributions, and to the performance of the market/non-market test. Some issues about the expected impact of the Recovery and Resilience Facility were also discussed. Finally, standard items of EDP dialogue visits were included in the agenda, such as the recording of interest and derivatives, among others.

Eurostat thanked the Lithuanian statistical authorities for the co-operation prior and during the mission.

## **Final findings**

### **Introduction**

In accordance with Article 11(1) of Council Regulation (EC) No 479/2009, as regards the quality of statistical data in the context of the Excessive Deficit Procedure (EDP), Eurostat and the Lithuanian statistical authorities agreed to hold an EDP dialogue visit by video-conference on 26 and 27 January 2021.

The delegation of Eurostat was headed by Mr Luca Ascoli (Director, Directorate D ‘Government Finance Statistics (GFS)’), and included also Ms Gita Bergere, Mr Martim Assunção, Mr Yordan Yordanov and Mr Miguel Alonso. The Lithuanian authorities were represented by Statistics Lithuania, the Ministry of Finance and the Bank of Lithuania. Representatives from the Ministry of Transport and Communication, the State Investment Management Agency (VIVA), the Public Investment Development Agency (VIPA) and the Lithuanian Railways took part in the discussion during different points of the agenda.

Representatives of DG ECFIN and the European Central Bank also participated in the meeting as observers. A full list of participants is provided in Annex 1.

The previous Eurostat EDP dialogue visit to Lithuania took place on 17 and 18 May 2018.

Eurostat carried out this EDP dialogue visit in order to review institutional responsibilities in the field of government finance statistics, including EDP reporting and data sources for the EDP data compilation. In addition, Eurostat reviewed the implementation of the ESA2010 methodology, in particular for the delimitation of general government as well as for the recording of specific government transactions, notably in the context of the COVID-19 crisis.

With regard to procedural arrangements, the main conclusions and action points would be sent to Lithuania for comments. Then, within weeks, the provisional findings would be sent to Lithuania for review. After this, the final findings will be sent to Lithuania and the Economic and Financial Committee (EFC) as well as published on the website of Eurostat.

Eurostat appreciated the documentation provided by the Lithuanian authorities prior to the EDP dialogue visit. Eurostat also thanked the Lithuanian authorities for the co-operation shown during the mission and considered that the discussions were transparent and constructive.

## **1. Statistical capacity issues**

### **1.1. Institutional responsibilities in the framework of the compilation and reporting of EDP and government finance statistics**

#### *Introduction*

Starting from October 2020, the compilation of all EDP notification tables became the sole responsibility of Statistics Lithuania (while previously this responsibility was shared with the Ministry of Finance). All planned data tables remain the responsibility of the Ministry of Finance. The Ministry of Finance closely collaborates with Statistics Lithuania, providing the source data needed to compile GFS and EDP data.

There are several cooperation arrangements in the field of government finance statistics and EDP, notably:

- The cooperation between Statistics Lithuania and the Ministry of Finance is regulated by the Schedule for the Provision of Statistical Information on the General Government Deficit, Debt and other Macroeconomic Statistics, last updated on 25 June 2018.
- The cooperation between Statistics Lithuania and the Central Bank of Lithuania is regulated in a dedicated Agreement for the Provision of Statistical Information and Data, last updated on 11 November 2020.
- The cooperation between Statistics Lithuania and the State Social Insurance Board (Sodra) is also regulated in a dedicated Agreement for the Provision of Statistical Information and Data, in this case last updated on 20 December 2017.

Statistics Lithuania, the Ministry of Finance and the Central Bank of Lithuania meet regularly in the so-called Working Group on Sectorisation to discuss the sector classification of certain units. Although there is no separate working group for EDP and GFS matters as such, related methodological issues may be raised in the Inter-institutional Macroeconomic Statistics Experts Group chaired by Statistics Lithuania with representatives from the Ministry of Finance, the Central Bank and the Ministry of Economy and Innovation.

Statistics Lithuania has no cooperation agreement with the National Audit Office. Nevertheless, Statistics Lithuania receives information from audits which can have impact on government finance statistics and most of the data which Statistics Lithuania use for the compilation of EDP data are audited. The National Audit Office performs the activities of the Independent Fiscal Institution, as envisaged by Council Directive 2011/85 on requirements for national budgetary frameworks.

There are six employees working in the GFS division of Statistics Lithuania, a decrease of one compared to the previous EDP dialogue visit.

#### *Discussion and methodological analysis*

Statistics Lithuania presented the institutional environment in the domain of national statistics, its organizational chart and strategy for the period 2018-2022. Statistics Lithuania also provided an overview of some recent law amendments that facilitate the gathering of company data, such as codes, names, type of economic activity, institutional sector and form of ownership.

The Lithuanian statistical authorities indicated that they consider the existing cooperation arrangements and framework of institutional responsibilities to be effective, and that they do not expect any significant changes in the short-term. Eurostat noted that the description of institutional responsibilities made during the meeting was not fully reflected in the EDP inventory, to which the Lithuanian statistical authorities replied that the EDP inventory needs to be updated.

Eurostat stressed the importance of counting with enough resources in the GFS division, especially observing the additional reporting requirements in the framework of the COVID-19 crisis.

Eurostat recalled that the Lithuanian National Audit Office also acts as the Independent Fiscal Authority and recalled that in some countries there are well-established cooperation mechanisms between the Statistical Office, the National Audit Office and the Independent Fiscal Authority. These type of agreements may be relevant, depending on the specific institutional characteristics of each country, in fostering the quality of EDP data. Eurostat concluded by indicating that some of these agreements are publicly available and may be used as a reference by the Lithuanian statistical authorities.

### *Findings and conclusions*

- (1) The Lithuanian statistical authorities will reflect about the possibility of signing a cooperation agreement with the National Audit Office, in both its capacities as the auditor of the government's financial statements and as the Lithuanian Independent Fiscal Authority. In this context, Eurostat will share with the Lithuanian statistical authorities, as examples, the public cooperation agreements signed between the National Statistical Offices and the Independent Fiscal Authorities of a couple of other Member States.<sup>1</sup>

*Deadline: status report by 30 June 2021.*<sup>2</sup>

- (2) The Lithuanian statistical authorities will review and update the EDP Inventory to reflect the different changes implemented in the methods, procedures and sources used to compile actual deficit and debt data since the last publication of the document in September 2015.

*Deadline: 30 June 2021.*

## **1.2. Data sources and revision policy, EDP inventory**

### *Introduction*

Public accounts (i.e. accounting records based on the framework defined by the national legislation) constitute the basic source data for GFS compilation. Statistics Lithuania has access to public accounts through a database maintained by the Ministry of Finance (VSAKIS database). The coverage of units in this database is the public sector as defined by the Law on Public Sector Financial Reporting. Statistics Lithuania also has access to individual financial statements of public corporations, available on the website maintained by the Governance Coordination Centre for State-owned entities under the Ministry of Economy and Innovation, and to the state enterprises database (Registru centras).

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<sup>1</sup> Eurostat shared these with the Lithuanian statistical authorities on 5 February 2021.

<sup>2</sup> Statistics Lithuania and the National Audit Office signed these agreements on 4 June 2021.

Annual National Financial Statements and State Consolidated Financial Statements are produced by the State Asset Management Department of the Ministry of Finance and audited by the National Audit Office. These are accrual-based statements that comprise a balance sheet, a statement of financial performance, a statement of changes in net assets, and explanatory notes and annexes. In addition, they also present a cash-flow statement. The national financial statements comprise financial statements of all State and municipal budget organizations and social security funds, while the state consolidated financial statements consolidate all State budget organizations.

Annual State Budget Implementation Reports are produced by the State Treasury and audited by the National Audit Office. These present the revenue and expenditure of the State budget on an economic and administrative classification.

Quarterly Accounts for General Government are produced by Statistics Lithuania in accordance with ESA 2010, and include financial assets and liabilities and accrued revenue, expenditure, and financing.

An Annual State-Owned Enterprise Report is produced by the Governance Coordination Centre, presenting the aggregate financial performance of state-owned enterprises.

Monthly Fiscal Data of Central Government and Social Security Funds, quarterly fiscal data of Local Government are produced and published by the Financial Policy Department of the Ministry of Finance and includes monthly cash-basis revenue and expenditure and financing of the State budget, social security funds, and central government extra-budgetary units.

An Annual Public Debt Report is produced by the State Treasury, presenting data and analysis of the State budget borrowing, the debt portfolio and guarantees.

An Annual Budget Revenue Review is produced by the Financial Policy Department of the Ministry of Finance, presenting an analysis of the State and municipal budget revenue together with outturn data on tax expenditure.

The audited annual government financial statements are published within nine months after the end of each financial year. The Law on the Public Sector Accounting requires that the three main government financial statements (the national financial statements, the State consolidated financial statements, and the State budget implementation reports) are audited by October 1, submitted to the National Parliament by October 10, and published by the Ministry of Finance within 10 days after the Government approval.

#### *Discussion and methodological analysis*

The Lithuanian statistical authorities informed on a number of changes implemented in the data sources since the last EDP dialogue visit, notably:

- A dedicated statistical survey (KS-02) was updated in order to collect information about financial lease contracts signed with non-financial corporations.
- Following the creation of the pension annuity fund, Sodra provides its quarterly reports.
- Improvements in budgetary accounts were made to distinguish COVID-19 related expenditure, while additional data from extra budgetary units is received also in this context.

The Lithuanian statistical office informed that there had been no changes in the quality management framework or the revision policy since the last EDP dialogue visit. Non-financial and financial accounts are considered final by October t+2. The debt is typically only revised in the cases of reclassification of units in general government sector or updated data sources.

Eurostat inquired about the data sources in relation to the Recovery and Resilience Facility (RRF). The Lithuanian statistical authorities informed that some changes in the budgetary accounts were being implemented in order to capture detail on the flows associated to the RRF, and confirmed that no expenditures incurred during 2020 will be included in the national recovery plan. Eurostat stressed the importance of being able to trace those expenditures within the appropriate data sources.

### *Findings and conclusions*

Eurostat took note that the Lithuanian statistical authorities consider that the existing data sources are sufficient to provide adequate GFS and EDP detail.

Eurostat also took note that the Ministry of Finance plans to claim expenditures incurred during 2020 for reimbursement under the RRF. Eurostat recalled that, following-up on its latest clarification, the revenue from EU related to that expenditure is not to be recorded in 2020, but at the moment in which The Commission and the Council will accept the Lithuanian RRP, most likely in 2021.

## **1.3. Compliance with Council Directive 2011/85**

### *Introduction*

The Ministry of Finance publishes monthly fiscal data of the central government and the social security funds, including cash-basis revenue and expenditure figures, of the State budget, central government extra-budgetary units, and social security funds, within a month.<sup>3</sup> Data for municipalities are available on a quarterly basis. The Ministry of Finance also publishes on the same website information regarding general government guarantees, liabilities of public corporations, off-balance sheet PPPs, general government non-performing loans and the participation of general government in the capital of corporations.

### *Discussion and methodological analysis*

Eurostat noted that the data published at national level were consistent with the EDP data except for the 'information about participation of general government in the capital of corporations', where there were some minor differences. Eurostat also noted that the working balance of the municipalities corresponding to the fourth quarter of 2019 had not been published yet. The Lithuanian statistical authorities committed to publish these data as soon as possible.

The Lithuanian statistical authorities recalled that the working balances published in the framework of this Directive do not always match those reported in the October EDP notification, due to different primary sources of data on revenue and expenditure. For example, quarterly State budget execution reports differ from monthly State budget execution reports as the quarterly data includes final data on appropriation repayments to the State Treasury, if not used by the receiving unit. Eurostat acknowledged that differences may exist, though noting

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<sup>3</sup> <https://finmin.lrv.lt/en/actual-financial-data/data-according-council-directive-2011-85-eu>

that explaining them contributes towards the principle of budgeting transparency embedded in the Council Directive.

#### *Findings and conclusions*

- (3) The Lithuanian statistical authorities will update the fiscal data published in compliance with the Council Directive 2011/85 to ensure that the figures corresponding to the fourth quarter of 2019 for local corporations are included.

*Deadline: 15 March 2021.*<sup>4</sup>

## **2. Follow-up of the EDP dialogue visit of 17-18 May 2018**

### *Introduction*

Following the previous EDP dialogue visit, Eurostat issued 22 action points. All of them have been implemented.

### *Findings and conclusions*

Eurostat thanked the Lithuanian statistical authorities for implementing all the action points discussed in the previous EDP dialogue visit.

## **3. Analysis of EDP tables - follow-up of the October 2020 EDP reporting**

### *Introduction*

During the October 2020 EDP notification, Eurostat proposed to include two points in the agenda of the current EDP dialogue visit, related to a change in the reporting of the compulsory health insurance fund (CHIF) in EDP T2D and to the composition of the revaluation and other changes in volume in government equity holdings.

### *Discussion and methodological analysis*

#### a) Change in the reporting of CHIF in EDP T2D

Eurostat took note that the working balance is presented in EDP T2D on an accrual basis, and that it includes two entities: the Social Insurance Fund (Sodra) and the Compulsory Health Insurance Fund (CHIF). Sodra collects, on behalf of CHIF, the health insurance contributions that are then transferred to this entity. For 2019, there was a change in the reporting of the working balance of CHIF, which began to include the receivables from Sodra corresponding to health insurance contributions due but not yet collected (around 0.5% of GDP). Since Statistics Lithuania had not received information about the probability of collecting these amounts due, it took the decision of eliminating the impact of the receivables in the B.9 of the social security funds, via a negative adjustment in EDP Table 2D. Eurostat took note that the information about the amounts unlikely to be collected had already been disclosed in a report from the National Audit Office, published on 30 September 2019.<sup>5</sup> According to that information, part of the receivables are assessed as collectable, and therefore should not have been eliminated from the B.9 of the social security funds. However, during the meeting it was not clear how the same

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<sup>4</sup> This was implemented and the action point is closed.

<sup>5</sup> Assessment of Sodra's consolidated financial and budgetary implementation report. Lithuanian National Audit Office, 30 September 2019.



receivables were reported in the working balance of Sodra. The Lithuanian statistical authorities confirmed that they were investigating this issue in order to take a final decision.

b) Revaluation and other changes in volume in government equity holdings for 2019

Eurostat inquired about the reasons for the significant figure reported, for 2019, as revaluation and other changes in volume in government equity holdings (EUR 353 million). The Lithuanian statistical authorities provided a detail of this figure, noting that the most important source was due to the participation in the Central Bank (EUR 283 million), with some other minor entries. Eurostat took note of this information.

*Findings and conclusions*

- (4) The Lithuanian statistical authorities will analyse how the receivables due to health insurance contributions are accounted and reported in Sodra, and provide to Eurostat an account of all the entries both in Sodra and CHIF upstream data as well as in S.1314 accounts. They will further analyse the appropriateness of eliminating these receivables in the B.9 of EDP T2D.

*Deadline: April 2021 EDP Notification.*<sup>6</sup>

**4. Methodological issues and recording of specific government transactions**

**4.1. Delimitation of general government, application of the market/non-market rule in national accounts**

*Introduction*

Statistics Lithuania is responsible for the sector classification of units, with complex cases eventually discussed in the Inter-institutional Working Group on Sectorisation. Qualitative aspects for the sector classification of specific public institutions are also discussed in this group, with their proposals submitted for decision to the Inter-Institutional Group of Macroeconomic Statistics Experts.

*Discussion and methodological analysis*

The Lithuanian statistical authorities explained that the market/non market test is conducted before compiling the questionnaire on public corporations at the end of each year. If less than 50% of the production costs are covered by sales during three years in a row, the unit is considered as a non-market producer and classified inside the general government sector, retroactively from the year when it failed the test for the first time.

*Findings and conclusions*

Eurostat took note of the explanations.

**4.2. Government controlled entities classified outside general government**

*Introduction*

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<sup>6</sup> A status report was provided during the April 2021 EDP notification. The action point remains open.

Since the last EDP dialogue visit, 445 entities have been removed from the general government sector, whereas 116 have been included inside. Prior to the EDP dialogue visit, Statistics Lithuania had provided no details about the reasons for these movements.

#### *Discussion and methodological analysis*

Eurostat inquired about the reasons for some reclassifications and Statistics Lithuania explained that they obtained from the Register of legal units the record of units entering and leaving the perimeter of general government, but not the explanation for those movements. Eurostat noted that, since Statistics Lithuania is the entity ultimately responsible for the sector classification of units, this information should be available to them in order to ensure that the reclassifications are appropriate.

#### *Findings and conclusions*

- (5) Statistics Lithuania will establish a new reporting mechanism to include, within the data of units reclassified inside or outside general government, the reasons for their reclassification. The information will contribute to the work performed by Statistics Lithuania verifying the appropriateness of these movements.

*Deadline: April 2021 EDP Notification.*<sup>7</sup>

### **4.3. Sector classification of specific units**

#### *Introduction*

Statistics Lithuania submits every year, to Eurostat, a questionnaire on government controlled entities. The content of the latest questionnaire was analysed by Eurostat, which proposed to discuss some companies. In addition, Statistics Lithuania indicated that they would like to discuss the sector classification of three entities recently created in response of the COVID-19 crisis.

#### *Discussion and methodological analysis*

##### Ignitis

In September 2020, this public company launched an Initial Public Offering (IPO), becoming the largest share listing to have occurred in the Baltic States. After admission to trading, IPO shares represented 26.9% of the total issued capital of the company. The Republic of Lithuania, acting through the Ministry of Finance, remained the controlling shareholder with 73.1% of the capital. Eurostat asked about the final price of the IPO and about how this partial privatisation was going to be reported in the EDP notification of April 2021. Statistics Lithuania indicated that they would investigate the issue.

##### EPSO-G

The group EPSO-G consists of several companies: a holding company, the transmission system operators managing the infrastructure of electricity and natural gas transmission, the market operators managing natural gas, biofuels and wood exchanges, as well as the company providing the infrastructure maintenance services. The sole shareholder of the holding company is the Ministry of Energy of the Republic of Lithuania. Eurostat inquired about the nature of the

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<sup>7</sup> This was implemented and the action point is closed.

holding, its actual role in the direction of the group, internal regulations, human and physical means, sources of revenue and nature of expenditures. Following the discussion, Eurostat agreed with the Lithuanian statistical authorities that the entity was mainly performing activities in support of its operating subsidiaries, rather than in support of government, and had more the nature of a Head Office and therefore could be classified in the same sector as them (S.11).

#### Vilniaus Kogeneracinė Jėgainė UAB

Eurostat noted that this company had been below the threshold of 50% in the market / non-market test for three consecutive years though, contrary to the usual procedures, it had yet not been reclassified to general government. The Lithuanian statistical authorities explained that this is a project for the construction of a co-generation electricity plant, currently under development. The Lithuanian statistical authorities also clarified that, once the project is completed, and due to its nature, the company is expected to meet the market test. Eurostat took note of this information.

#### UAB Būsto paskolų draudimas

This state-owned insurance company was founded in 1998 by government with a view to facilitate the granting of loans to households, such that banks offered more favourable borrowing conditions to borrowers who had a mortgage insured by this entity. Following its failure to comply with the capital regulatory requirements, the Bank of Lithuania decided to revoke UAB Būsto paskolų draudimas' license and the company was obliged to transfer the rights and duties under insurance contracts until 31 January 2021. Eurostat requested the reclassification of this company inside the general government sector.

#### Units created in response to the COVID-19 crisis

In May 2020, government established two State-owned companies: the State Investment Management Agency<sup>8</sup> (VIVA) and the State Investment capital<sup>9</sup> (VIK). VIK then established the State Aid Fund for Business (the Fund). Following a preliminary analysis, the Lithuanian statistical authorities classified these entities in the public financial corporations sector (the Fund in S.124, VIK in S.125 and VIVA in S.126), while requesting to discuss the issue with Eurostat in the framework of the current EDP dialogue visit.

The objectives of the Fund are to provide investments to large and medium-sized enterprises, to protect sectors of the economy important to the State so that they are best prepared for economic recovery, to promote capital markets in Lithuania and to attract institutional investors. The planned size of the Fund's investment portfolio is EUR 1 billion, of which the State invests EUR 100 million in an initial contribution and up to EUR 400 million in a second phase. The investment due in the second phase is planned through the proceeds of a bond to be issued by VIK and guaranteed by the State. The Fund foresees to attract private and / or institutional investors. Institutional investors will be selected by way of a public, transparent and non-discriminatory call, also inviting international financial institutions. The Fund will invest via granting loans or acquiring bonds, hybrid instruments with characteristics of capital and direct participations in the capital of companies.

The State will offer a first-loss protection through its initial investment in VIK (i.e. capped to EUR 100 million), although the extent of this protection will be determined via the mentioned

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<sup>8</sup> UAB Valstybės investicijų valdymo agentūra

<sup>9</sup> UAB Valstybės investicinis kapitalas

call for expression of interest. Under the planned mechanism, proceeds will be first distributed to the private investors of the Fund, before the State's initial investment is repaid.

Eurostat observed that the Fund had been created by government to channel the policy response to the COVID-19 crisis and has a limited range of activities. At the moment all the funds proceed from government. Moreover, there are restrictions on its liabilities, since they are guaranteed by government, that bears the risks in the absence of private investors. Given all these characteristics, Eurostat considers that the entity should be classified inside general government, albeit it suggested a closing monitoring of future developments.

VIK is the founder and – at the moment – sole participant of the Fund, channelling the State's contribution to the Fund. The goal of VIK is to help the Lithuanian economy recover from the consequences caused by COVID-19, with funds attracted from the State and capital markets, by financing measures intended for business aid and capital market development according to the provisions of the Fund. The governing body is a Board of three members, two of them independent. The Board approves the investment policy of temporarily available funds.

Eurostat observed that, in order to be considered a financial intermediary, VIK should incur liabilities on the market and transform funds on its own behalf. Notably, a financial intermediary does not only act as an agent for other institutional units, but places itself at risk by acquiring financial assets and incurring liabilities on its own account. This does not seem to be the case of VIK, which presents the features of a captive financial institution since, at the moment, it is mainly the vehicle that government uses to provide funds to the Fund. Therefore, Eurostat considers that it should be classified inside general government.

VIVA is a State-owned national promotional institution established by the Ministry of Finance, its only shareholder. The mandate of VIVA is to finance and promote sustainable development in the areas where market failure exists, implementing financial instruments and supporting measures dedicated to ensure the liquidity of medium-sized and large enterprises which activities could be terminated due to COVID-19 outbreak. VIVA has the mandate of pursuing profitable activities, though without a profit-maximization orientation, but rather to sustain its activity. The authorized capital of VIVA is EUR 1 million. VIVA's Supervisory Board consists of five members serving for a term of four years, out of which three are independent, one is a delegate from the Ministry of Finance and the remaining is a delegate from the Bank of Lithuania.

VIVA is responsible for Fund for Business' management, investment evaluation, selection, investment supervision, risk management and the Fund's return. For performing these activities, VIVA will receive a fixed management fee, next to sharing some of the excess returns.

Eurostat noted that VIVA is a fund manager that is currently only managing the Fund (itself to be classified inside general government), in exchange of a fee. In the current situation, VIVA should also be classified inside general government.

#### Public Investment Development Agency (VIPA)

VIPA is a public financial entity classified in S.126, fully owned by the Ministry of Finance. Its aim is to finance sustainable development in areas where market failure exists, being profitable without maximizing profits. During 2019, government injected a capital increase of EUR 9 million into this entity. The sector classification of VIPA was discussed in depth during the 2018 EDP dialogue visit, based on the observation that VIPA was in fact mostly performing

activities on behalf of government. VIPA's business activity was at the time of the 2018 EDP dialogue visit in the verge of changing, diversifying its financing sources and entering into new ventures with no direct supervision from government. In the expectation of those changes, Eurostat agreed to keep VIPA provisionally outside government, albeit with some re-routing of its activities.

Eurostat inquired about recent business developments of VIPA, notably in relation to activities with no direct involvement from government. VIPA representatives presented the development of a platform with the objective of investing in energy efficiency projects, set-up independently from government although in partnership with an energy public corporation. Financing for this platform is planned from own resources and from a line of EIB loans that was signed in October 2019, but remained untapped as of the end of 2020.

Eurostat noted that most of VIPA's activities are still re-routed through government accounts, as they are done on behalf of government, and that there are still no private investors in VIPA's business activities. At the same time, the granting of new loans from the EIB may signal that there are some activities that will be carried-out independently from government. Eurostat considers that the current sector classification may be maintained for the moment, although Statistics Lithuania should continue to closely monitor the evolution of the activities of VIPA.

Eurostat also inquired whether the injection made into VIPA during 2019 had been tested in order to conclude whether it should be recorded as a financial or as a non-financial transaction. The Lithuanian statistical authorities will investigate and report on this issue.

#### AB Lietuvos Geležinkeliai (Lithuanian Railways)

Eurostat observed that the railway sector was re-organized in 2019, with the previously single state company split among a number of separate subsidiaries, including the cargo, passenger and infrastructure units. The liabilities of the group were distributed following an allocation key: EUR 222 million to the cargo company, EUR 201 million to infrastructure company, EUR 79 million to the holding company and EUR 9 million to the passenger company. Eurostat inquired about the rationale for this allocation, and the Lithuanian statistical authorities indicated that they would investigate the matter and provide an answer.

Eurostat observed that Lithuania was the only Member State where all the public railway companies were classified outside general government, and indicated that the market / non-market test of the unit UAB "LTG Link" (the Lithuanian railway passenger company) was below the threshold of 50% for the year after its creation, following the sector reform. Eurostat requested therefore the reclassification inside general government of this entity.

In relation to the unit AB "LTG Infra" (the Lithuanian railway infrastructure company), the Lithuanian statistical authorities confirmed that the market / non-market test had been calculated using the depreciation expenditures in line with the concept of consumption of fixed capital as per national accounts (thus, correcting the figure reported in business accounts). Eurostat followed-up by asking about some qualitative factors, such as the definition of the regulatory tariff established for accessing the railways infrastructure. The Lithuanian statistical authorities agreed to provide some further data in this regard.

#### *Findings and conclusions*

- (6) The Lithuanian statistical authorities will reclassify, from the financial corporations sector to the general government sector, the three public financial entities created during

2020 in response to the COVID-19 crisis, namely Valstybinių investicijų valdymo agentūra (VIVA), Valstybinis investicinis kapitalas (VIK) and the Pagalbos verslui fondas (State Aid Fund for business).

*Deadline: April 2021 EDP notification.*<sup>10</sup>

- (7) The Lithuanian statistical authorities will continue to monitor the sector classification of the unit Viešųjų investicijų plėtros agentūra (VIPA), currently classified as a financial auxiliary in the financial corporations sector. In particular, the Lithuanian statistical authorities will address the implementation of the current plans to develop business lines that are different to the management of government funds, or to engaging in the financial intermediation of transactions that are later re-routed inside general government accounts.

*Deadline: status report by 30 June 2021.*

- (8) The Lithuanian statistical authorities will review the capital injection made by the government into VIPA during 2019 in order to ascertain whether it should be classified as a non-financial transaction. The Lithuanian statistical authorities will share with Eurostat the details of the review.

*Deadline: April 2021 EDP Notification.*<sup>11</sup>

- (9) The Lithuanian statistical authorities will provide a clarification of how the liabilities of the previous single State rail company were distributed among the newly founded subsidiaries.

*Deadline: 5 March 2021.*<sup>12</sup>

- (10) The Lithuanian statistical authorities will reclassify, from the non-financial corporations sector to the general government sector, the unit UAB “LTG Link” (the Lithuanian railway passenger company) following its failure to comply with the market/non-market test.

*Deadline: April 2021 EDP notification.*<sup>13</sup>

- (11) In relation to the unit AB “LTG Infra” (the Lithuanian railway infrastructure company), the Lithuanian statistical authorities will provide further clarifications about:
- a. The percentage that each one of the components of the tariff, set by government’s regulation in order to access the services of the railway infrastructure, represent over the total revenues of the company.<sup>14</sup>
  - b. An analysis, with concrete examples, on how each of those five components is calculated.
  - c. The scope of the above-mentioned tariffs: is it equally applicable to all users of the infrastructure, despite of their ownership or nationality?
  - d. The detailed calculation of the market/non-market test for 2019 (and eventually for 2020 if data is available), including a reference to the appropriate figures of the company’s financial statements.

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<sup>10</sup> This was implemented and the action point is closed.

<sup>11</sup> This was implemented and the action point is closed.

<sup>12</sup> This information was provided to Eurostat on 4 March 2021.

<sup>13</sup> This was implemented and the action point is closed.

<sup>14</sup> These five components are defined in article 3 of Chapter II of the Resolution No 610 of the Government of the Republic of Lithuania of 19 May 2004 (as amended by Resolution No 356 of the Government of the Republic of Lithuania of 8 April 2020).

- e. The calculation mentioned in point d. will identify the corrections made to the figures in the financial statements that are due to subsidies on production (if any) and the corrections made on the depreciation expenditures. Furthermore, it will clarify whether this correction reflects the fact that the amount of asset-related grants is recognised in the company's profit and loss accounts gradually according to the depreciation rate of the assets associated with this grant by recording a reduction in the relevant expense account by the amount of the grant amortisation.

*Deadline: 5 March 2021.*<sup>15</sup>

- (12) The Lithuanian statistical authorities will prepare a note describing the initial public offering of part of the capital of the Ignitis Group that reportedly occurred in September 2020. The note will include a description of how this transaction will be reflected in the EDP tables.

*Deadline: April 2021 EDP Notification.*<sup>16</sup>

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

##### **4.4.1. Accrual taxes and social contributions**

###### *Introduction*

The Ministry of Finance transmits tax revenue data to Statistics Lithuania. Administrative data sources are on cash basis. For value added tax and excises, a time-adjusted method is applied with one-month time lag. For the corporate and personal income tax, as well as for taxes paid once per year, it is assumed that cash is equal to the amounts accrued. Reimbursements, refunds and interest on late payments are recorded together with the corresponding tax, when it is paid. Fines and penalties are recorded separately from taxes as other revenue. There is no record of tax amnesties in Lithuania, and there are no payable tax credits.

For social security contributions, data is provided by the Social Insurance Fund (Sodra), which collects contributions for pensions and for the compulsory health insurance (on behalf of the Compulsory Health Insurance Fund, CHIF). The time of recording is based on accounting accruals derived from assessments and declarations. Sodra assesses social contributions receivable per payer at the end of each reporting period and then calculates the amounts unlikely to be collected through coefficients, estimated for each category of payer on a quarterly basis.

###### *Discussion and methodological analysis*

Eurostat observed that the collection of the personal income tax occurs one month after the related economic activity has taken place, which was confirmed by the Lithuanian Tax Authority. However, the Lithuanian statistical authorities record this tax in National Accounts on a pure cash basis, i.e. without a time lag. This approach contrasts with that followed for the recording of other taxes such as VAT or excises, recorded with a one-month delay, as well as with the time the underlying economic event occurs. The Lithuanian statistical authorities acknowledged that a simulation of the recording of personal income tax with a one-month delay presents no significant difficulties, as compared with the current method. Eurostat thus

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<sup>15</sup> This information was provided to Eurostat on 4 March 2021.

<sup>16</sup> This was implemented and the action point is closed.

considered more appropriate to align the recording to the economic reality of the tax, and requested the Lithuanian statistical authorities to implement this change

The Lithuanian statistical authorities explained that, following the 2019 tax reform and in order to facilitate the financing of the main part of the pension from the State budget, as of 1 January 2019 the part of the social security contributions that covers the main pension scheme was merged with the personal income tax. Consequently, social contribution revenues decreased between 2018 and 2019 (from EUR 5,754 million to EUR 4,709 million). Eurostat took note and inquired why the government's stock of social security receivables increased during 2019, despite of the reduction in contributions due to the reform. The Lithuanian statistical authorities will investigate this issue.

The Lithuanian statistical authorities explained that, following the COVID-19 crisis and the introduction of quarantine measures in Lithuania, the government announced a package of payment deferral measures to assist taxpayers, which led to an increase in arrears for all types of taxes and social security contributions. Some of these amounts will be collected during 2021. The information systems at the State tax inspectorate under the Ministry of Finance and Sodra in the future could permit an accurate identification of the receipts that correspond to 2021 and of those that correspond to earlier years. However, it might not be possible to distinguish whether taxes collected later on refer to 2020 or to previous years, so an estimation might need to be made using the proportion that the flow of the deferrals during 2020 represented in the overall stock of deferred taxes as of the end of 2020. Eurostat agreed that this estimation approach was reasonable.

#### *Findings and conclusions*

- (13) The Lithuanian statistical authorities will adapt the recording of personal income tax in the national accounts to account for the fact that cash payments occur with a one-month delay from the underlying economic activity, for all years reported in EDP. Otherwise, the Lithuania Statistical authorities will provide a justification on why the personal income tax should be recorded in a pure cash basis, when a review of the paying patterns show that the tax collection occur with one-month delay.

*Deadline: April 2021 EDP Notification.*<sup>17</sup>

- (14) The Lithuanian statistical authorities will analyse and explain the reasons why Other accounts receivable related to social contributions increase during 2019, despite the fact that the associated revenues decreased significantly.

*Deadline: April 2021 EDP Notification.*<sup>18</sup>

- (15) The Lithuanian statistical authorities will provide an update of the amount of taxes and social security contributions deferred during 2020, including an assessment of their collectability. They will also disclose the monthly cash receipts for 2021, indicating the collections that correspond to 2021, 2020 and earlier years.

*Deadline: April 2021 EDP Notification.*<sup>19</sup>

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<sup>17</sup> The Lithuanian statistical authorities adapted the recording of personal income tax in the April 2021 notification. This action point is closed.

<sup>18</sup> This action was implemented. It was found that some other receivables were incorrectly reported as social security receivables in EDP Questionnaire Table 5. ESA T27, EDP Table 4 and EDP Questionnaire Table 5 were updated. The action point is closed.

<sup>19</sup> This action was implemented and the action point is closed.



- (16) The Lithuanian statistical authorities will update the information disclosed in the reporting table on the measures taken in the context of COVID-19 (Annex 8), ensuring that the effect in years 2021 and 2022 is also reported.

*Deadline: April 2021 EDP Notification.*<sup>19</sup>

#### **4.4.2. Accrued interest**

##### *Introduction*

The Ministry of Finance provides Statistics Lithuania with data on interest expenditure on State debt securities and loans for central government. Data for local government are not directly available and Statistics Lithuania relies on estimations. Data for social security funds are obtained from financial reports of Sodra.

In EDP tables 2, adjustments for accrued interest reported under the item “Difference between interest paid and accrued” only refer to interest expenditure. In EDP tables 2 and 3, accrued interest adjustments recorded in the lines “Difference between interest paid and accrued” are therefore consistent.

Government issues treasury bills (maturity shorter than one year), bonds (maturity exceeding one year) and 1-, 2-, 3- and 4-year savings bonds for retail investors. Short and medium-term (up to 10 years) sovereign borrowing is raised in the domestic market and medium and long-term borrowing in the international capital markets. Municipalities do not issue bonds.

##### *Discussion and methodological analysis*

Eurostat discussed the data presented in the table on the recording of interest that had received from Statistics Lithuania in advance of the EDP dialogue visit. Eurostat began by congratulating the Lithuanian statistical authorities for completing the table, and reminded that the main objective of this exercise is to obtain an overview on the debt transactions by disclosing the transition from the EDP debt at face value to the debt at nominal value, as well as the interest expenditure. The Lithuanian statistical authorities informed that the scope of the table referred to the State budget. Eurostat inquired about some missing data, such as the stock of debt at face value (line A), the initial stock of coupons or discounts/premiums (lines 1 and 7) and the amount of discounts/premiums repurchased (line 15). The Lithuanian statistical authorities informed that this is work-in-progress and that an update will be shared with Eurostat once completed. Eurostat took note and observed that there was an error in the sign of the FISIM reported in line 21, to be corrected in order to ensure that the result in line 22 of this table can be matched with D.41 PAY in ESA T2A and in EDP Table 1. Eurostat concluded by informing that an updated guidance for compiling the interest recording table is under preparation, and that a draft version could be shared with the Lithuanian statistical authorities for their use and comments.<sup>20</sup>

##### *Findings and conclusions*

- (17) The Lithuanian statistical authorities will update the interest table to reflect the face values of debt (line A), the initial stock of coupons (line 1) and of discounts/premiums (line 7) and the amount of discounts/premiums repurchased (line 15). They will also correct the sign of the FISIM reported in line 21, in order to ensure that the result in line 22 can be matched with D.41 PAY in ESA T2A and in EDP Table 1.

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<sup>20</sup> The draft guidance was sent to the Lithuanian statistical authorities on 5 February 2021.

*Deadline: April 2021 EDP Notification.*<sup>21</sup>

#### **4.4.3. Financial derivatives**

##### *Introduction*

The Lithuanian statistical authorities provided the derivatives recording table in advance of the meeting. Although a misreporting on derivatives is likely to be B.9 neutral and mostly concerns statistical discrepancies, the objective of this table is to monitor derivative flows to ensure that they are correctly identified and coded as financial. An erroneous impact on B.9 may occur if interests on hedged debt are reported after swap, or when the interest to record on the loan component of off-market swaps is not appropriately measured. The table also allows for cross-checking transactions in EDP Table 3 with the stocks reported in ESA Table 27. Lithuania reports a stock of debt in US Dollars of 4,290 million, as of 2019, all completely hedged to local currency (with a face value –after hedging- of EUR 3,570 million).

##### *Discussion and methodological analysis*

Eurostat thanked the Lithuanian statistical authorities for compiling the table and reminded that, while the reporting on a gross basis (separating assets and liabilities) is encouraged, a net reporting is also allowed, consistently with the proposed interpretation of ESA 2010, regarding swaps. However, the same cannot be said about options, because in this type of financial instrument, the buyer is always the creditor and the writer always the debtor. Eurostat further clarified the purpose of Bloc 2 of the table, which had been left empty. It is intended to disclose the notional value of the derivatives, i.e. the value of the underlying assets (the striking price, in the case of an option, the value of the principal exchanged, in the case of a cross-currency swap).

The Lithuanian statistical authorities confirmed that there are no off-market swaps and that there are liabilities related to cash collaterals towards banks, recorded as AF.2. Finally, Eurostat noted that there were some missing data in Bloc 4 of the table, which should disclose those figures reported in EDP T2A, per instrument and per the economic nature of the transaction (i.e. streams of interest payments or cancellation payments, from which unwinding of hedging). Eurostat proposed to share with the Lithuanian statistical authorities a draft guidance under development for clarifying the compilation of this table.<sup>22</sup>

##### *Findings and conclusions*

(18) The Lithuanian statistical authorities will update the derivatives table to fill Bloc 2, the section on transactions by economic nature in Bloc 4 and the section on transactions within Bloc 5. In addition, the total line in Bloc 4 should match the related entry in EDP Table 2A (adjustment "of which: net settlements under swap contracts (+/-)"). Eurostat will share with the Lithuanian statistical authorities some draft explanatory notes and updated derivative table template.

*Deadline: April 2021 EDP Notification.*<sup>23</sup>

#### **4.4.4. EU Flows and the Recovery and Resilience Facility**

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<sup>21</sup> This document was provided. The action point is closed.

<sup>22</sup> The draft guidance was sent to the Lithuanian statistical authorities on 5 February 2021.

<sup>23</sup> The updated table was provided to Eurostat. The action point is closed.

## *Introduction*

This topic was discussed in detail in previous EDP dialogue visits. During the current discussion, the impact in Lithuania of the EU Recovery and Resilience Facility (RRF) was also covered.

## *Discussion and methodological analysis*

EU flows transit via the Treasury account of the Ministry of Finance, appearing in the working balance of central government. EU flows are then transferred from central government to the different levels of government, as well as to non-government units. In the State government budget execution report, Statistics Lithuania can identify expenditure from EU accounts: subsidies, current and capital transfers to municipalities, current and capital transfers to other government units and current and capital transfers to non-government units. Eurostat thanked the Lithuanian statistical authorities for completing a table disclosing the EU flows in advance of the meeting, noting that data are aligned with EDP Questionnaire Table 6.

The Lithuanian statistical authorities informed that they were at the moment preparing the National Recovery Plan, with the Ministry of Finance preparing data on expenditure. They confirmed that any pre-financing received will be first accounted as *other accounts payable*. Although the RRF may be used in principle to finance assets that are not completely depleted during the granting period, Lithuanian authorities are not planning to use the RRF in this way.

## *Findings and conclusions*

Eurostat took note of the explanations provided.

### **4.5. Measures in response to the COVID-19 crisis**

#### *Introduction*

The Lithuanian government has implemented a number of measures to support the economy in response to the COVID-19 crisis. While measures in relation to the deferral of taxes and social contributions have been discussed in section 4.4.1, other measures such as direct fiscal impulses or guarantees and loans schemes were also discussed. The Lithuanian statistical authorities shared with Eurostat, in advance of the meeting, a table with the impact in national accounts of the measures implemented.

#### *Discussion and methodological analysis*

According to the information provided in advance of the meeting, the government adopted measures totalling 5.3% of GDP to mitigate the impact of the COVID-19 pandemic during 2020. The Lithuanian statistical authorities confirmed that the accounting treatment of those measures follow the general rules described in the draft note on statistical implications of some policy measures in the context of the COVID-19 pandemic, published on April 2020 by Eurostat.

In relation to providing liquidity and guarantees to business in difficulties, the initial government 'Plan for Economic Stimulus and Mitigation of Consequences of COVID-19 Transmission' contained two large measures, each amounting to EUR 500 million (2.1% of GDP). One of the two measures was later transformed into the State Aid Fund for Business (see section 4.3).

The support measures to large enterprises were implemented directly from the State budget, whereas for SMEs, the main implementation channel was INVEGA (financial entity classified inside the general government sector). Eurostat noted that INVEGA publishes a detail of the disbursements made under each supporting measure, and that this detail presented some differences with the data provided by Statistics Lithuania in advance of the meeting. The Lithuanian statistical authorities explained that they obtain the data from INVEGA through a reporting table specifically prepared for reporting purposes, and that they will investigate differences to the published data.

#### *Findings and conclusions*

- (19) In relation to the measures in response to the COVID-19 crisis that are implemented by INVEGA, the Lithuanian statistical authorities will reconcile the data sources (i.e. table reported by INVEGA) to the information on funds disbursed that is published in the webpage of INVEGA. They will also reconcile these data to the related impacts in B.9 that are reported to Eurostat in the table on the measures taken in the context of COVID-19 (Annex 8).

*Deadline: April 2021 EDP Notification.*<sup>24</sup>

### **4.6. Guarantees**

#### *Introduction*

In previous EDP dialogue visits, Statistics Lithuania confirmed that called guarantees are recorded as capital transfer expenditure for the amount of the call. The repeated calls rule is fully applied, and after three calls in a row debt is assumed by the general government for the whole outstanding amount. Debt assumption is recorded as capital transfer and increase in loans.

#### *Discussion and methodological analysis*

The Lithuanian statistical authorities explained that there have been no guarantee cash calls during the period 2016-2019, and that there are no guarantees on assets. Student loan guarantees and those guarantees granted to INVEGA and the Agricultural Guarantee Credit Fund are considered standardized guarantees. The Ministry of Finance prepares quarterly information on the total amount of state-supported loans, repayments, accrued interests and outstanding amounts. Credit institutions also provide quarterly reports to the Ministry of Finance where student loans are divided in different risk groups based on their repayment date. Statistics Lithuania estimates F.66/AF.66 for calls under standardised guarantees using data from the financial statements of the State Studies Foundation as well as based on reports from credit institutions about risky loans.

INVEGA and the Agricultural Guarantee Credit Fund issue guarantees to small and medium sized enterprises and agricultural entities. Estimations of provisions are made by these entities in their financial statements. Statistics Lithuania does not make additional estimations or adjustments.

#### *Findings and conclusions*

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<sup>24</sup> This information was provided during the April 2021 EDP notification. The action point is closed.

Eurostat took note of the information provided.

#### **4.7. Capital injections in public corporations, dividends, privatisations**

##### *Introduction*

Data on capital injections for the central government are obtained from the execution of the State Investment Programme and the resolutions of government. Data on capital injections for local government are obtained from municipal budget and from additional information, which is gathered by directly contacting municipalities. Prior to the visit, Eurostat requested updated information on dividends and on privatisations.

##### *Discussion and methodological analysis*

Eurostat explained that it had performed a recalculation of the super-dividend test for the main payments received by government during 2019, and that the results were generally aligned with those reported. However, there are some instances where the calculations done by the Lithuanian statistical authorities seemed conservative, although this may be explained by the consideration of some specific information that Eurostat did not include in its general recalculation.

Eurostat acknowledged the information provided in relation to capital injections and minor privatisations occurred during the period under review.

##### *Findings and conclusions*

Eurostat took note of the information provided.

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

##### *Introduction*

Prior to the mission, Eurostat requested some information about government's claims, debt cancellations and debt write-offs.

##### *Discussion and methodological analysis*

The only debt cancellation for the period 2017-2019 was related to some loans pertaining Sodra (EUR 3,685 million in 2018, reported in Table 2A). No debt assumptions or debt write-offs occurred for the period 2017-2019.

##### *Findings and conclusions*

Eurostat took note of the information provided.

#### **4.9. PPPs, concessions and energy performance contracts (EPC)**

##### *Introduction*

Prior to the mission, Eurostat requested some information about PPPs, concessions and energy performance contracts (EPC).

##### *Discussion and methodological analysis*

There are five PPP contracts reported in the EDP related questionnaire, two of them under construction. Three are off-government balance sheet. In addition, there are seven contracts recently signed or in the process of being signed. The accounting treatment for one of them (Kaunas District Schools Construction, Reconstruction and Maintenance Services) had been consulted with Eurostat for obtaining an ex-post advice. Eurostat reminded that it is awaiting to receive the final financial activity model, as updated after the signature of the contract, in order to continue with its analysis.

During the period 2016-2019 there were nine concession contracts signed, for a total amount of EUR 23 million, all of them with private partners. There were no cases of sales of concession assets. The criteria used by Statistics Lithuania to assess the classification of concession projects include defining who is the partner (private or public?), whether there are government payments and their nature, establishing the share of government payments in the total revenue of partner and other mechanisms of government participation (guarantees, etc.).

Six EPC had been signed since 2018, all of them classified on balance sheet of government, and no new projects are planned at the moment.

#### *Findings and conclusions*

(20) In relation to the ex-ante advice requested to Eurostat in relation to the recording of an agreement in the Kaunas District Municipality, signed on 26 May 2020, Eurostat reminded that is awaiting to receive the final financial activity model, as updated after the signature of the contract, in order to continue with its analysis.

*Deadline: 15 February 2021.*<sup>25</sup>

### **4.10. Military expenditure recording**

#### *Introduction*

During the period 2016-2019, there has been a significant increase in the long-term loans as a consequence of advances paid in the context of military equipment. These represent a stock of 1.4% of GDP as of 2019, compared to just 0.3% of GDP in 2016.

#### *Discussion and methodological analysis*

Eurostat inquired about the reasons for the relatively high stock of advances paid in the context of military equipment. Statistics Lithuania explained that this was mainly related to acquisition of “boxer” vehicles, some of which had to be received in 2019 but were not delivered due to technical problems. Other sizeable purchase include joint light tactical vehicles and black hawk helicopters. During the third quarter of 2020, there was a notable reduction of receivables following the reception of several items.

#### *Findings and conclusions*

Eurostat took note of the information provided.

### **4.11. Other: emission permits, government transactions in the context of the financial crisis, UMTS, Sales and leasebacks and securitisations**

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<sup>25</sup> The final financial activity model was provided to Eurostat on 9 February 2021. The action point is closed.

## *Introduction*

Lithuania is the only Member State that records transactions on emission trading permits as sales of non-financial non-produced assets.

Lithuania reported for the past years an improvement in their surplus/deficit thanks to revenue deriving from their previous support to financial institutions, by around 0.1% of GDP, mainly due to payments from the Deposit Insurance Fund following recoveries during bankruptcy procedures.

Eurostat requested an update on the existence of spectrum auctions, sales and leaseback operations and securitisations.

## *Discussion and methodological analysis*

### Emission permits

In the previous EDP dialogue visit, Eurostat agreed that the current method of ETS recording is not neutral when a Member State is structurally an importer or exporter of permits (structurally, Lithuania is a net exporter). In Lithuania, emission permits for enterprises are provided for free, whereas the remaining emission permits are auctioned to foreign enterprises. While awaiting a change of the existing methodology, in GFS/EDP statistics these transactions are recorded as sales of non-financial non-produced assets (NP). Eurostat explained that this recording is neither in line with current guidance, nor with the practices of the other Member States. Statistics Lithuania agrees that this recording is unsuitable and should be changed.

The issue of emission trading permits was discussed in the EDPS WG that took place in December 2020, when Eurostat presented several proposals (scenarios). Statistics Lithuania had showed a preference for Scenario number 4:

ETS D.7/D.29 is calculated by using weighted average ETS-system-wide permit price. This scenario ensures full homogeneity of ETS recording across member states, as the calculation for countries is done centrally by Eurostat, based on verifiable market prices. Under this scenario, national ETS revenue is calculated as the proportion of the national AF.8 stock divided by the ETS-system AF.8 stock, times the ETS-system D.29 calculated at the ETS-system weighted average prices (this formula was presented during the December 2018 EDPS WG).

Statistics Lithuania has chosen this scenario considering “that recording of sales of emission permits for foreign enterprises as D.74 is more acceptable than as taxes receivable from abroad D.29. As regards emission permits provided for free, we suppose that recording of subsidies D.39 does not reflect the real economic situation as it will increase taxes D.29 and the tax burden as well”.

Eurostat indicated that, while awaiting for a decision in the framework of the EDPS WG, it was advisable that Lithuania began to record ETS as D.29, in line with the MGDD. It recalled that Lithuania is the only Member State using NP for recording ETS. The Lithuanian statistical authorities stated their position that they will continue with the current practice until a decision is taken at a broader level. Statistics Lithuania showed in particular some concerns due to the fact that the major part of ETS under consideration were bought by companies from abroad, which may impact the accounts of S.11 and S.2. It was also mentioned that the balance of

payments and sectoral accounts should be revised simultaneously, which would be better done once, after the EDPS WG took a majority position on the way forward regarding this issue.

#### Government transactions in the context of the financial crisis

Eurostat inquired about the nature of the revenue shown in the supplementary table for reporting government interventions to support financial institutions. The Lithuanian statistical authorities informed that these refer to some bankruptcy proceeds received in the framework of the support provided in the past to the entity AB Utkio bankas. Although the totality of the loans granted to the deposit insurance fund in relation to that support measure were repaid in 2017, these proceeds were still received during 2018 and 2019.

#### Other issues

No new auctions of UMTS took place since 2016. There are no cases of sale and leaseback operations undertaken by government in Lithuania, and there were no securitisation operations.

#### *Findings and conclusions*

- (21) The Lithuanian statistical authorities will change the recording of the Emission Trading Permits, from sales of non-financial non-produced assets (NP) to other taxes on production (D.29), for all years reported in the EDP Notification.

*Deadline: October 2021 EDP Notification.*



## **Annex 1 – List of participants to the EDP dialogue visit**

### **Statistics Lithuania**

Daiva Jurelevičienė  
Gailutė Juškienė  
Darius Astrauskas  
Živilė Dragūnaitė  
Daiva Bersėnaitė  
Mantas Malcius  
Tomas Paulauskas  
Aistė Vaickienė  
Indrė Dailydytė  
Marija Kubliūnaitė

### **Ministry of Finance**

Eglė Radzevičienė  
Marina Apalko  
Mindaugas Baronas  
Aušra Vičkačkienė  
Laurita Kazickienė  
Rasa Baltronaitė  
Daiva Raščiauskaitė  
Jurgita Stepaitienė  
Jurgita Tamulienė  
Irmantas Mikulėnas  
Dovilė Koncienė

### **Central Bank (Bank of Lithuania)**

Birutė Grikinytė  
Virginija Jankauskaitė

### **Ministry of Transport and Communication**

Gražina Šiaučiūnaitė

### **VIVA**

Oksana Kostogriz

### **VIPA**

Kristina Vaskelienė  
Justinas Bučys

### **Eurostat**

Luca Ascoli  
Gita Bergere  
Martim Assunção  
Yordan Yordanov  
Miguel Alonso

### **DG ECFIN**

Aurelija Anciute, unit E.2

### **ECB**

Jorge Diz Dias, DG-S

## **Annex 2 - Agenda of the EDP dialogue visit to Lithuania, 26-27 January 2021**

1. Statistical institutional issues
  - 1.1. Review of institutional responsibilities in the framework of the EDP and GFS
  - 1.2. Data sources and revision policy
  - 1.3. Compliance with Council Directive 2011/85
2. Follow-up of the EDP dialogue visit of 17-18 May 2018
3. Follow-up of the October 2020 EDP notification
4. Methodological issues and recording of specific government transactions
  - 4.1. Delimitation of general government, application of the market / non-market test qualitative and quantitative criteria
  - 4.2. Government controlled entities classified outside general government
  - 4.3. Sector classification of specific units, public holdings and units engaged in financial activities
  - 4.4. Implementation of accrual principle
    - 4.4.1. Taxes and social contributions
      - 4.4.1.1. Corporate income tax
      - 4.4.1.2. Personal income tax
      - 4.4.1.3. VAT
      - 4.4.1.4. Excise taxes
      - 4.4.1.5. The 2019 Tax Reform
      - 4.4.1.6. Social security contributions
      - 4.4.1.7. The 2019 Pension Reform
      - 4.4.1.8. Impact of the COVID-19 crisis
      - 4.4.1.9. EDP Questionnaire Table 5
    - 4.4.2. Interests
    - 4.4.3. Financial derivatives
    - 4.4.4. EU flows
      - 4.4.4.1. The Recovery and Resilience Facility
    - 4.4.5. Measures in response to the COVID-19 crisis
  - 4.5. Guarantees
5. Capital injections in public corporations, dividends, privatizations
6. Debt assumptions, debt cancellations, debt write-offs and government claims
7. PPPs, concessions and energy performance contracts (EPC)
8. Emission trading permits and statistical energy transfers
9. Other matters
10. Military expenditure
11. Government transactions in the context of the financial crisis
12. UMTS, Sales and leasebacks, securitisations.
13. Other issues relevant for the April 2021 EDP Notification
14. Any other Business