



EUROPEAN COMMISSION  
EUROSTAT

Directorate D: Government Finance Statistics (GFS)  
Unit D-2: Excessive deficit procedure (EDP) 1

Luxembourg, June 2021

# FINAL FINDINGS

## **EDP dialogue visit to Portugal**

**22-23 February 2021**

## Executive summary

Eurostat carried out an EDP standard dialogue visit with the Portuguese statistical authorities on 22-23 February 2021. 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), of Eurostat's Manual on Government Deficit and Debt (MGDD 2019), as well as Eurostat's decisions, are duly implemented as regards the production of the Portuguese EDP and Government Finance Statistics (GFS) data.

The visit aimed 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 those undertaken in the context of the COVID-19 crisis.

Firstly, the functioning of the cooperation among institutions involved in the GFS/EDP data compilation was reviewed. Eurostat took note that arrangements foreseen in the 2017 Institutional cooperation protocol are fully functioning. Eurostat took note that there were no changes as regards the quality management framework and audit/internal control arrangements.

Secondly, the progress on the implementation across the government sector of a new IPSAS based single accounting framework – Sistema de Normalização Contabilística para as Administrações Públicas (SNC-AP) was reviewed. Eurostat took note that the 2024 budget will be presented in the new codes.

Eurostat reiterated its view, expressed in previous EDP dialogue visits, that a discrepancy between the B.9 and B.9f exists and, thus, should be shown explicitly in Portuguese national accounts. Eurostat stressed the importance of consistency in the EDP and GFS reporting and asked the Portuguese statistical authorities to undertake actions on the current inconsistency of reporting different figures of other accounts payables in EDP tables 3 and in ESA table 27, quarterly financial accounts.

As regards the sector classification of specific units, Eurostat called the Portuguese statistical authorities to closely follow the business evolution of the public airline companies in order to determine the appropriateness of their current classification, outside general government. The main characteristics of the newly created *Banco Português de Fomento* were also discussed, and Eurostat preliminarily agreed with its proposed sector classification outside general government.

On the implementation of the accrual principle, the Portuguese statistical authorities were asked to provide more details on the accounting presentation of the VAT transfers made between central government and the local and social security sub-sectors, as well as some data on VAT refunds. Eurostat also discussed the conversion of deferred tax assets into tax credits that have taken place during the period 2017-2020.

Regarding the recording of accrued interest, Eurostat congratulated the Portuguese statistical authorities for the comprehensive overview provided during the discussion on the debt transactions for the period 2017-2020. Eurostat proposed to continue the discussions on the issue of the recording of financial derivatives in national accounts.

Eurostat took note that the Portuguese government does not plan to include expenditures incurred during the year 2020 in its national recovery and resilience plan, which at the time of the meeting was under preparation in the framework of the Resilience and Recovery Facility.

Concerning transactions undertaken in the context of the COVID-19 crisis, Eurostat inquired about the accounting classification of some expenditure actions, guarantee schemes and liquidity measures. More details were requested in relation to some operations, notably the deferral of

VAT. The presentation of those measures in a dedicated summary table was also discussed and some corrections were proposed to the first reported draft.<sup>1</sup>

As regards other specific government transactions, the reporting of government claims, capital injections, government guarantees, debt assumptions, debt cancellations and write-offs were reviewed. Eurostat took note about the detailed information available in Portugal as regards the existing and new PPPs and concession contracts, as well as energy performance contracts signed.

Eurostat appreciated the documentation provided by the Portuguese statistical authorities prior to the EDP dialogue visit.

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<sup>1</sup> The draft supplementary table for the reporting of the measures taken due to the COVID-19 pandemic, based in the template prepared by Eurostat and which was later agreed by the majority of the CMFB.

# Final Findings

## 1. 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 and the Portuguese statistical office agreed to hold the meeting by video conference on 22-23 February 2021.

The delegation of Eurostat was headed by Mr Luca Ascoli, Director of Eurostat Directorate D ‘Government Finance Statistics (GFS)’. Eurostat was also represented by Ms Gita Bergere, Ms Rasa Jurkoniene, Mr Vassil Georgiev and Mr Miguel Alonso. Representatives of the Directorate General for Economic and Financial Affairs (DG ECFIN) and the European Central Bank (ECB) also participated in the meeting as observers.

The Portuguese statistical authorities were represented by Statistics Portugal, the Ministry of Finance and the Banco de Portugal. Representatives from the Portuguese Treasury and Debt Management Agency and from the *Banco Português de Fomento* were also present during some of the discussions.

The previous Eurostat EDP dialogue visit to Portugal took place on 17-18 January 2019.

The visit aimed 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.

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

## 2. Statistical capacity issues

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

#### 2.1.1. Institutional cooperation and EDP processes

##### *Introduction*

The Portuguese statistical authorities informed in advance of the meeting that there had been no changes in the institutional arrangements since the last EDP dialogue visit in January 2019. In particular, the Institutional Cooperation Protocol in the field of General Government Statistics, of 27 March 2017,<sup>2</sup> is still in place. This agreement promotes cooperation among the signatory entities in the field of General Government Statistics and as regards the Excessive Deficit Procedure.

##### *Discussion*

The Portuguese statistical authorities described in more detail the proceeds of a technical working group envisaged in the cooperation protocol, called the General Government Statistics Group (GEAP), which has a consultive nature. GEAP, in its restricted composition, includes representatives from the National Accounts Unit of the Portuguese Statistical Office, from the Statistics Department of Banco de Portugal and from the Ministry of Finance. Under this composition, GEAP analyses the accounts before each notification and discusses specific methodological issues related to national accounts in EDP notifications.

GEAP also foresees an enlarged set-up with the objective of enabling discussions between data providers, compilers and other data users. This composition involves representatives from ten other institutions, including the debt agency, the independent fiscal institution and the Court of Auditors, among others.

The Portuguese statistical authorities explained that, in general, the cooperation is functioning smoothly.

In relation to the staffing arrangements for EDP purposes, the General Government Statistics Unit (GGSU) at Statistics Portugal continues to have the responsibility of compiling annual and quarterly non-financial accounts. The unit is also responsible for the sector classification of government-controlled units and methodological analysis. There are seven people working at GGSU, a reduction of one compared to the previous year, following one retirement. A replacement is foreseen, although not in the short-term.

At Banco de Portugal (BdP), the GGSU is responsible for the compilation of general government financial accounts, public debt, apart from other indicators concerning general government statistics. GGSU in BdP consists of five people.

DGO (Budget Directorate, Ministry of Finance) also comprises four staff members.

Eurostat reminded about the importance of dedicating sufficient resources to the EDP and GFS statistics, stressing the additional workload and reporting requirements in the context of the COVID-19 pandemic. The Portuguese statistical authorities took note and indicated that it would be useful to obtain an overview of the resources allocated to these domains in statistical offices across the EU. Eurostat took note of this request.

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<sup>2</sup> The protocol is available at INE's website, at the following link:  
[https://www.ine.pt/ngt\\_server/attachfileu.jsp?look\\_parentBoui=340372046&att\\_display=n&att\\_download=y](https://www.ine.pt/ngt_server/attachfileu.jsp?look_parentBoui=340372046&att_display=n&att_download=y).

## *Findings and conclusions*

- (1) Eurostat will reflect on the request from the Portuguese statistical authorities regarding the possibility to launch a comparative exercise of human resources dedicated to government finance statistics and the excessive deficit procedure, in the different EU national statistical authorities.

Deadline: status report by EDPS WG of December 2021.

## **2.2. Data sources and revision policy**

### 2.2.1. Changes in data sources and revision policy

#### *Introduction*

There have been no major changes in the data sources since the last EDP dialogue visit.

In previous EDP dialogue visits, the Portuguese statistical authorities presented the implementation of a new accrual based accounting framework, the “Sistema de Normalização Contabilística para as Administrações Públicas” (SNC-AP) aimed at introducing IPSAS across the government sector. An update on this project was provided under this point of the agenda.

#### *Discussion*

The *SNC-AP* presents a single chart of accounts. Previously, different types/groups of units were using different charts of accounts. Another improvement brought by the new system is that balance sheets, profit and loss statements, cash flow statements and other information will be available by spending unit.

All entities in the social security sub-sector are reporting in *SNC-AP*, while more than three-quarters are in the same situation within the central and regional government sub-sectors. On the other hand, the implementation in the municipalities is somehow delayed due to the pandemic situation and few municipalities are reporting complete data under the new reference framework.

The Portuguese statistical authorities explained that *SNC-AP* data for the National Health Service and the corporations classified in the general government accounts will be used in the compilation of the October 2021 EDP notification, since all these entities are due to use the new standards in the preparation of the accounts from July 2020 onward. This objective will be met even while the full implementation of the new reporting system will only take place in the preparation of the 2024 budget, to be approved in 2023. To do so, customized data queries will be used in the compilation of the October 2021 EDP notification.

Eurostat recalled that in previous EDP dialogue visits it was informed that the new chart of accounts had been mapped to the financial accounts. Eurostat encouraged the Portuguese statistical authorities to continue using the new data in the compilation of the financial accounts, for example by analysing cash flow statements and compiling data on a unit by unit basis. This would notably allow identifying and monitoring statistical discrepancies on a unit basis. The Portuguese statistical authorities confirmed that this is being done under the table on the main revenue and expenditure items of GG units/groups of units and financial transactions requested by Eurostat in the preparation of the dialogue visit. The financial accounts part of this table was filled based on micro databases managed by Banco de Portugal, with information on loans, securities issuances, securities holdings and other administrative data for a large set of entities included in the Central Balance Sheet Database. This table shows that no relevant B.9 differences have been identified so far. On the other hand, some differences appeared in the preparation of the balance sheets. Looking forward, the same can

be expected following the implementation of SNC-AP in the municipalities, as this sub-sector was already using an accrual based reporting system (the Official Plan of Accounting for Local Authorities). A more complex scenario may arise upon the full implementation within the central government sector, as some entities are currently having only cash data and they will have to compile a full set of financial statements.

Eurostat moved on to inquire about data sources in relation to the Portuguese recovery and resilience plan (RRP). The Portuguese statistical authorities informed that some new reporting mechanisms were being discussed internally, although no data source issues had been identified so far. The Ministry of Finance will need data on the expenditure carried out under the RRP, and since it is more difficult that the COFOG classification per se will serve that purpose, a new financing source data will be created in order to identify all projects and measures financed in the framework of the RRP. It was also explained that the revenue in this context will be recorded when the related expenditure will take place, and that it was planned that only expenditure incurred in 2021 onwards will be included in the RRP.

In relation to the revision policy, the Portuguese statistical authorities recalled that it is the same for financial and non-financial accounts. In the first EDP notification for year n-1, previous years are revised. In the second EDP notification of year n, there is a revision of the data for year n-1, whereas prior years are only revised if there are compelling reasons that justify the revision (i.e. benchmark revisions). Accounts for year n-2 have the status of final accounts.

Eurostat indicated that it had observed in the previous EDP notification some minor revisions made in EDP tables 3 that had not been reflected in EDP tables 2, somehow questioning the statement that the revisions are the same for financial and non-financial accounts. The Portuguese statistical authorities clarified that a relatively minor change in the revision policy of Banco de Portugal had taken place during 2020, and that this had to be clarified in the EDP inventory.

#### *Findings and conclusions*

- (2) Eurostat takes note that the SNC-AP project, aimed at introducing IPSAS across the government sector, will be fully implemented by 2023, in the preparation of the 2024 budget.
- (3) Eurostat takes note that the Portuguese government does not plan to include expenditures incurred during the year 2020 in its national recovery and resilience plan, currently under preparation in the framework of the Resilience and Recovery Facility.
- (4) The Portuguese statistical authorities will provide a note explaining the changes implemented in the revision policy since the last EDP dialogue visit, notably in relation to the financial accounts.

*Deadline: April 2021 EDP notification.*<sup>3</sup>

### **2.3. Compliance with the Council Directive 2011/85 11**

#### *Introduction*

The Ministry of Finance publishes monthly fiscal data of the central government, local government and social security funds, including cash-basis revenue and expenditure within a month.<sup>4</sup> The Ministry of Finance also publishes, on the same website, information regarding general government guarantees, liabilities of public corporations, off-balance-sheet PPPs,

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<sup>3</sup> The note was provided and the action point is closed.

<sup>4</sup> [https://www.dgo.gov.pt/EstatisticasFinancasPublicas/Paginas/SupervisaoOrcamentalAmbitoUE\\_Eng.aspx](https://www.dgo.gov.pt/EstatisticasFinancasPublicas/Paginas/SupervisaoOrcamentalAmbitoUE_Eng.aspx)

general government non-performing loans and the participation of general government in the capital of corporations.

### *Discussion*

Eurostat congratulated the Portuguese statistical authorities for the degree of detail of the data published under the requirements of the Directive, notably in relation to the monthly fiscal data. Eurostat regularly compares these data with the working balances reported in the EDP notification tables, for the State Budget and the social security funds (in the case of the central and local governments, it is not possible since the EDP figure excludes the so-called “other government bodies”, which are included in the data published under the Directive). The discussion focussed on two reconciling items applicable for the State Budget:

- a) The “*recursos próprios comunitários tradicionais*” represent EU flows that are eliminated from revenues and expenditures, although each year there is a slight difference between both figures. Data reported by the Ministry of Finance includes these EU flows because they are reported within a specific chapter (Chapter 70) of the State Budget that comprises the estimated financial allocations of the transfers to the EU Budget (own resources).
- b) The “*reposições não abatidas nos pagamentos*” (RNAP) record the inflow of funds into the treasury of the State or other entities, as either a result of undue budget payments made in previous years, or because they have not been used, in whole or in part, by the entities that received them. In public accounts, RNAP are considered revenue. However, given its nature, RNAP are not included in the working balance reported in EDP table 2A. Eurostat further inquired about some examples and requested an overview of the RNAP related adjustments recorded in the period 2016-2020 in the EDP table 2A.

In relation to the Directive requirement of publishing the participation of general government in the capital of corporations, Eurostat noted that there seemed to be a difference between the figure published for 2019 (€15 billion) and EDP questionnaire table 10.1B (€41 billion). The Portuguese statistical authorities explained that this was due to the different reporting scope, since the former excludes the participation in the Central Bank, in international organizations and the passive holdings. Eurostat took note of the explanations and suggested adding a clarification note in the data reported in the EDP questionnaire table 10.1B.

### *Findings and conclusions*

- (5) In the context of the so-called *Reposições não abatidas nos pagamentos*, the Portuguese statistical authorities will provide an overview of the amounts adjusted during the period 2016-2020, both at the level of the WB in EDP table 2A and in the lines “other adjustments” and “*B.9 of other central government bodies*” of the same table.

*Deadline: April 2021 EDP notification.*<sup>5</sup>

- (6) The Portuguese statistical authorities will add a comment on EDP questionnaire table 10.1B reconciling this table with the data on participations published at national level, under recommendations of the task force on the statistical implications of Council Directive 2011/85/EU.

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

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<sup>5</sup> The overview was provided and the action point is closed.

<sup>6</sup> The footnote was included and the action point is closed.



### 3. Follow-up to the EDP dialogue visit of 17-18 January 2019

#### 3.1. Progress on the work reducing statistical discrepancies

##### *Introduction*

The reporting of statistical discrepancies in EDP tables 3 and ESA table 27 was discussed in previous EDP visits. Two action points on this matter remain open from the 2019 EDP dialogue visit.

##### *Discussion*

Eurostat recalled that two types of discrepancies could arise in EDP tables 3: 1) The difference between B.9, compiled from non-financial accounts, and B.9f stemming from financial transactions; and 2) the discrepancy arising from the imperfection in stock and flow reconciliations. Due to this, two separate lines are devoted to discrepancies in EDP tables 3: the line "*Difference between capital and financial accounts (B.9-B.9f)*" and the line "*Other statistical discrepancies (+/-)*". However, the EDP tables 3 for Portugal report both types of discrepancies together under the line devoted to other statistical discrepancies. Such reporting in EDP tables 3, in Eurostat's view, creates difficulties for the users, as it becomes impossible to calculate implicit transactions in Maastricht debt, for instance.

The Portuguese statistical authorities recalled that the reason why the line "*Difference between capital and financial accounts (B.9-B.9f)*" is empty in EDP tables 3 is that, in Portugal, B.9f is equal to B.9 by convention.

Separately, the F.8 reported in ESA table 27 differs from the F.8 shown in EDP tables 3, as the former also includes the B.9/B.9f discrepancy item (the statistical discrepancy is eliminated in ESA Tables -Table 25 versus Table 27- by way of adding it to F.8pay).

Eurostat considered that it would be appropriate for the Portuguese statistical authorities to provide further explanations to the users, e.g. by inserting a comment in the EDP tables 3 to the two lines impacted (F.8 payables and B.9/B.9f discrepancy) justifying the difference with ESA tables. The Portuguese statistical authorities recalled that this was one of the action points agreed in the last EDP dialogue visit and that a draft note had been shared with Eurostat. Eurostat committed to provide its feedback on the note.

Banco de Portugal reiterated that the full alignment of B.9f and B.9 is their ultimate goal and that, given the recently improved and better aligned data sources, and *de facto* small overall discrepancies, it is not necessarily appropriate to start publishing two different net borrowings. Eurostat was of the view that it is always better to show the existing discrepancy (even if it is small) rather than zero. It is not uncommon that users do not believe in zeros, as there is no such thing as perfect alignment. Eurostat thought that the current policy of not showing B.9/B.9f discrepancy explicitly may trigger unnecessary questions. The Portuguese statistical authorities explained that this was not exactly their experience with users. Financial accounts users were expressing clear discontent on the observable imbalances in other subsectors (e.g. S.11 non-financial corporations sector). Eurostat agreed that users do not appreciate large discrepancies but noted that this was not the issue here (assuming good accounts). Moreover, Eurostat indicated that the availability of financial data per unit will be a possibility with the implementation of the SNC-AP system, and will further support the analysis of the statistical discrepancies. The Portuguese statistical authorities agreed, while pointing out the difficulties of obtaining counterpart data also on a unit-by-unit basis.

##### *Findings and conclusions*

- (7) Eurostat considers that the discrepancy between non-financial and financial accounts should be shown explicitly in EDP table 3, in order to be consistent with the reported flows of F.8 payable in the EDP tables and to avoid distorting the other statistical discrepancies, as is now the case. The current EDP reporting does not allow users to compile the transactions in Maastricht debt. Eurostat invites the Portuguese statistical authorities to change the current reporting practice.

*Deadline: status report by the October 2021 EDP notification.*

- (8) Eurostat takes note that the Portuguese statistical authorities have proposed a comment, for publication in EDP table 3, explaining to the users the difference in presentation arising from the fact that the statistical discrepancy is eliminated in ESA Tables (Table 25 versus Table 27) by way of an additional F.8pay entry. Eurostat will review the proposal and provide its feedback to the Portuguese statistical authorities.

*Deadline: June 2021.*

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

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

###### 4.1.1. Practical implementation of the market/non-market test

###### *Introduction*

The practical aspects of the implementation of the 50% test were discussed in previous EDP dialogue visits. The discussion was focused on whether there had been recent changes and in specific aspects such as the computation of the depreciation in certain companies.

###### *Discussion*

The Portuguese statistical authorities confirmed that there had been no changes on how the market/non-market test is applied and the descriptions in the EDP inventory are up to date. All units are tested annually, based on non-consolidated financial information. The data from a specific database (IES), covering all corporations existing in Portugal, is used as the main input. In some cases, additional information on subsidies is used, so that subsidies on production could be identified and eliminated from sales. The Portuguese statistical authorities explained that, for certain companies, the consumption of fixed capital (CFC) is used instead of the depreciation derived from the company financial statements. The specific cases in question are companies dealing with substantial assets or companies whose market/non-market test shows results close to 50%. Eurostat took note and indicated that the EDP inventory was missing some information about the criteria applied in deciding the sector classification of financial entities.

###### *Findings and conclusions*

- (9) The Portuguese statistical authorities will update the relevant section of the EDP inventory in order to include information on the criteria applied in deciding the sector classification of public financial entities.

*Deadline: 30 June 2021.<sup>7</sup>*

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<sup>7</sup> An updated version of the EDP Inventory, including this section, was sent to Eurostat on 24 June 2021. The action point is closed.

#### 4.1.2. Government controlled entities classified outside of general government

##### *Introduction*

Changes in sector classification since the 2019 EDP dialogue visit were discussed under this point of the agenda. A detailed table of the changes in sectorisation, indicating the main reason for each, was provided by the Portuguese statistical authorities in advance of the meeting. The discussion also included the revision of the “Questionnaire on government controlled entities classified outside the general government sector” that had been sent by the Portuguese statistical authorities in December 2020, as well as of some specific units chosen because of its methodological relevance.

##### *Discussion*

Eurostat noted that eight units had been reclassified outside the general government following their integration into another company and wondered whether some of the legacy activities of these eight units still had to be re-routed through government accounts. The Portuguese statistical authorities explained that they had performed an internal analysis and concluded that these units were now providing services to their groups and therefore had to be classified in the same sector (outside general government). In addition, most of these eight units belonged to the *Caixa Geral de Depósitos* (CGD) group, and they considered that their previous classification inside general government followed a very strict implementation of the concept of captive financial institutions. Eurostat acknowledged the explanations and requested a note analysing the pertinence of re-routing the activities performed by the units merged within the CGD group.

Eurostat inquired about the status of one unit that had failed the market test during three consecutive years, and about another that had a result below 50% for 2018 following a very significant annual decrease in the ratio. The Portuguese statistical authorities confirmed that both units would be reclassified inside general government.

Eurostat discussed two units from the SATA group (the Açores airline flagship company), since one of them was already very close to the 50% threshold and the business outlook seems negative in the context of the global pandemic. Eurostat also inquired about the computation of the market test for these entities using the CFC, instead of the business depreciation. The Portuguese statistical authorities agreed to closely monitor the evolution of the market test for these entities and will provide the calculation using the CFC, although they did not consider that the result would significantly differ from the one already reported.

The classification of the following units was also discussed during the meeting:

##### Sector classification of TAP SGPS

TAP SGPS is the sole shareholder of TAP, the national flagship airline. In 2015, the Portuguese government privatized TAP, keeping a 50% ownership through Parpública (a public unit classified in S.13 managing the holdings of the Portuguese State) while 45% was owned by Atlantic Gateway (a private company) and the remaining 5% was held by the employees. Under this disposition, Parpública and Atlantic Gateway appointed all members of the management of TAP but only the directors appointed by Atlantic Gateway were executive directors. During the EDP dialogue visit of 2019, it was agreed that TAP SGPS was essentially a funding device for the TAP group, i.e. an artificial subsidiary/ancillary unit to be classified together with TAP, in S.11.

##### *The impact of the COVID crisis*

On 10 June 2020, the European Commission approved a state aid measure for TAP in the form of convertible loans, up to €1.2 billion, to deal with its immediate liquidity needs. The assistance was to be repaid within six months, or converted into equity. On 2 October 2020, the government agreed to increase its participation in TAP SGPS to 72.5% (50% through Parública and 22.5% directly through the State Treasury). After this operation, the loan of €1.2 billion was disbursed to TAP. The Portuguese statistical authorities explained that, considering that TAP presented negative own funds by the end of 2019 and losses for most of the last years, the loan provided was recorded as a D.99Pay. Eurostat took note.

The Portuguese statistical authorities explained that, as it will probably occur with other airline corporations in the European Union, TAP will not be able to fulfil the market/non-market test in 2020 due to the restrictions imposed by the COVID-19. However, it is expected that TAP will be able to return to ratios above 50% as soon as the aviation sector resumes its normal activities. Conditional on the information currently available, notably the fact that a restructuring plan was under discussion, the Portuguese statistical authorities consider that there are no reasons to change the sector classification of TAP, outside general government. Eurostat took note and recalled the importance of closely monitoring the business evolution in order to determine possible changes in the sector classification.

Eurostat also inquired about three bond issuances carried out by TAP during 2019, and notably whether there were explicit or implicit government guarantees attached to them. The Portuguese statistical authorities informed that there were not, but indicated to Eurostat that the Draft Budgetary Plan for 2021 foresees the granting of a government guarantee of €500 million to TAP. Eurostat reminded that, if this guarantee is granted, it should be analysed in order to determine whether it should be called at inception or not.

#### Sector classification of Novo Banco

*Novo Banco* is a “good bank” created in August 2014 during the resolution process of *Banco Espírito Santo S.A.* The Portuguese government privatized the bank in October 2017, when an investor acquired 75% ownership while the National Resolution Fund kept the remaining 25%. The privatization agreement foresaw a Contingent Capital Mechanism (CCM) of up to €3,890 million that protected the buyer against future losses under some circumstances.

The CCM is considered in national accounts as a guarantee. The Portuguese statistical authorities first recorded a guarantee call in 2018 by booking a D.9 for 792 million EUR (NRF expenditure, since nothing is received in exchange, no new shares are issued and the minority position of the NRF remains at 25% of *Novo Banco*’s capital). Subsequent calls were treated similarly. In overall:

- in 2018 for an amount of 792 million;
- in 2019 for a total amount of 1,149 million, and
- in 2020 for 1,037 million euros.

During the 2019 dialogue visit, Eurostat recalled ESA2010 paragraphs 20.256 and 20.245 provisions: when there is high likelihood that the guarantee will be called, such guarantees are recorded as if called at inception or an estimation of the expected loss has to be made. The Portuguese statistical authorities explained that, at that stage, it was difficult to assess the likelihood of a call; in addition, the amounts that might be called in the future are also difficult to define. A double mechanism is needed for the activation for this guarantee: on the one hand, it depends on losses incurred on the insured assets portfolio; and, on another hand, it also depends on the actually realised capital ratio of the Bank, as compared to minimum capital requirements. Separately, the Portuguese statistical authorities noted that the MGDD

states that, in case of guarantees on financial assets, a call is recorded as capital transfer at the time it takes place. Eurostat took note and considered that, taken into account all of the features of the CCM, the approach followed by the Portuguese statistical authorities, to record D.9 at the time of cash call was acceptable.

Eurostat asked about the activation of the CCM foreseen in the 2021 State Budget Proposal, which considered an amount of €476.6 million. It was explained that the 2021 State Budget was approved without this expenditure, as a political party conditioned its parliamentary support on the elimination of that envelope, pending the performance of a dedicated audit. The Portuguese statistical authorities consider nevertheless that the CCM mechanism is a contractual commitment and that the government expects to be able to perform this transfer after providing the required information. Eurostat took note of this information.

#### Sector classification of *Banco Português de Fomento*

The Portuguese statistical authorities informed that *Banco Português de Fomento S.A.* (BPF) is a national promotional bank created in September 2020 through the merger of three public entities responsible for supporting the Portuguese economy: SPGM, Sociedade Portuguesa de Garantia Mútua – Sociedade de Investimentos, S. A., IFD, *Instituição Financeira de Desenvolvimento S.A.* and *PME Investimentos — Sociedade de Investimentos, S. A.*

BPF takes over the tasks and responsibilities previously carried out by those entities but it will be responsible for an enlarged and diversified set of instruments for the financial support and development of Portuguese corporations.

BPF aims at supporting the development of the Portuguese business community, addressing market failures in access to corporate finance, with a focus on SMEs and midcaps. BPF has a share capital of €255 million and total assets of €950 million.

The Portuguese statistical authorities explained BPF's organizational structure, which includes several bodies (general assembly, board of directors, executive committee, management committee and advisory board) and indicated that the organization bodies have autonomy of decision from government in relation to the business decisions. Eurostat agreed that the power of decision seems not to be in the hands of government or government officials, although the existence of veto powers should be further determined.

A discussion followed in relation to the future activities of the entity. BPF will operate essentially on a market economy operator basis, placing itself at risk. However, due to the specific nature of the entity and its objectives to operate mainly where private commercial entities do not operate in full, BPF may deviate from the market economy operator basis principle. In consequence, it may entail a higher risk profile than other private investors as well as a lower financial return. There are no restrictions in the investments that BPF can make, provided they are aligned with the objectives and statutes of the entity.

Concerning the liabilities side, market financing of the entity is possible and no constraints are imposed by the legal framework. Notably, no prior authorization from government is necessary. BPF will not take deposits from the general public. Eurostat inquired whether the debt of BPF would be guaranteed by government, to which the Portuguese statistical authorities replied that this was not the case.

Eurostat recalled that two of the entities that were merged into BPF had been classified inside S.13 because their range of activities was greatly limited by government and they presented restrictions in their assets and liabilities. If this was still the case in parts of the business of BPF, then these activities should be re-routed through government accounts. In general, it was

very important that the Portuguese statistical authorities establish the appropriate information channels with BPF in order to capture activities that are deemed to be re-routed through government accounts. For example, loss-making operations should be considered implemented on behalf of the government and analysed in detail, similarly to the case of supporting a specific company in difficulties. In this respect, Eurostat reminded that all the relevant criteria are well defined in the MGDD.

#### *Findings and conclusions*

- (10) The Portuguese statistical authorities will prepare a note analysing the pertinence of re-routing, through general government accounts, of transactions carried out by the three subsidiaries of *Caixa Geral de Depósitos* recently integrated into that bank.<sup>8</sup>

*Deadline: April 2021 EDP notification.*<sup>9</sup>

- (11) The Portuguese statistical authorities will reclassify inside the general government sector the entities *VRSA Sociedade de Gestao Urbana, E.M.* and *SIMAB – Sociedade Instaladora de Mercados Abastecedores, S.A.* following their failure to comply with the market/non-market test.

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

- (12) The Portuguese statistical authorities will continue to monitor the sector classification of *SATA Air Açores* and will re-calculate the market/non-market test using the consumption of fixed capital instead of depreciation, for the last three years. These calculations will be shared with Eurostat.

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

- (13) The Portuguese statistical authorities will continue to monitor the sector classification of *TAP S.A.* as well as review possible future government guarantees granted to this company, in order to ascertain whether they should be considered as called at inception and recorded appropriately in government accounts.

*Deadline: Update report by the October 2021 EDP notification.*

- (14) Eurostat preliminarily agrees with the sector classification of the recently created national promotional bank (*Banco Português de Fomento, BPF*) outside general government, based on the review of its statutes. Eurostat stressed the importance for the Portuguese statistical authorities to put in place a system for exchanging information with BPF in order to provide the means to analyse operations undertaken by this entity and decide which, if any, need to be re-routed through government accounts.

*Deadline: Status report by the October 2021 EDP notification.*

- (15) The Portuguese statistical authorities will analyse whether some operations carried out by the two entities that were merged into the new *Banco Português de Fomento*, and that were previously classified inside the general government sector, need to be re-routed through government accounts.<sup>12</sup>

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<sup>8</sup> Caixa - Gestão de Activos, SGPS, S.A., Caixa Desenvolvimento, SGPS, S.A. and Caixa Seguros e Saúde, SGPS, S.A..

<sup>9</sup> The note was provided and this action point is closed.

<sup>10</sup> These entities were reclassified in the April 2021 EDP notification. The action point is closed.

<sup>11</sup> The calculations were provided to Eurostat and the current sector classification was confirmed.

<sup>12</sup> SPGM, Sociedade Portuguesa de Garantia Mútua – Sociedade de Investimentos, S. A. and IFD, Instituição Financeira de Desenvolvimento S.A.

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

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

### 4.2.1. Taxes

#### *Introduction*

Prior to the EDP dialogue visit, the Portuguese statistical authorities provided Eurostat with the cash and accrual data for the main tax categories corresponding to the period 2017-2020.

#### *Discussion*

Eurostat observed that part of the VAT revenues (around 10% each year) and excises (around 4%) seem to be collected by, or imputed to, the local government and social security sub-sectors. These revenues do not appear in the receipts data provided by the Portuguese statistical authorities in advance of the meeting. The Portuguese statistical authorities explained that part of the VAT revenues are transferred to the local government and to the social security funds, and that these revenues are recorded on a cash-basis (contrary to the bulk of the VAT revenues, which are recorded following a time-adjusted mechanism of 1.5 months). The transfers are calculated on a yearly basis, according to the projections of VAT revenues. Once the final figure of receipts becomes available in June t+1, the difference is adjusted. Since this part of the tax is collected separately, it was not included in the data provided to Eurostat on VAT receipts. It was also explained that the volume of these transfers is very stable throughout the years, so the practical approach of recording them on a cash basis was considered appropriate. Eurostat appreciated the explanations and requested a note detailing the functioning of these transfers and the amounts involved in the period 2017-2020, as well as updating the EDP inventory with this information.

Eurostat wondered whether the associated revenues should be presented as central government revenue, then transferred to the local and social security funds, or, rather as revenue of these two sub-sectors. The Portuguese statistical authorities explained that the regions are able to decide on the VAT rates applicable in their territories, while this is not the case for the social security funds. Eurostat concluded by recalling that there should be then a difference in the recording of VAT revenues of the regions compared to the social security funds. While the regions may continue to report VAT revenues as if they were collected by them (and the time of recording should follow the same 1.5-month delay as the general collections), the social-security part should be recorded as VAT revenue of the central government, then transferred to that sub-sector.

The discussion continued on the issue of tax refunds. Eurostat made an analysis based on the data provided by the Portuguese statistical authorities and concluded that the monthly profile of tax refunds seemed reasonable for the period 2016-2019. It reminded that the refunds occurring in the months of January and February should be closely monitored, as the recording method in place of adjusting 1.5 months of VAT receipts may be greatly affected by a change in the refunding process. In this context, Eurostat requested an update on the tax refunds data for the years 2020 and 2021.

Regarding corporate and personal income tax, the Portuguese statistical authorities recalled that revenues are recorded on a pure cash basis. There are tax credits, none of them payable except for a special regime applicable to financial entities. Personal income tax declarations are due between April n+1 and June n+1, with government refunds due between April n+1

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<sup>13</sup> In the April 2021 EDP notification, the Portuguese Statistical authorities informed Eurostat that loans granted by the EIB to IFD (classified in S13 before the merger), which were granted to banks to on-lending operations, were rerouted from S.125 to S.13. The action point is closed.

and August n+1. Corporate income tax declarations are due by May n+1, with three advance payments during year n (in July, September and December). Government refunds are due by August n+1. Income tax data becomes final by September n+1.

### **Deferred tax assets**

The deferred tax assets (DTA) were discussed in previous EDP dialogue visits. Since 2014, there is a special regime for financial institutions under which DTA, arising from the non-deduction of costs and negative equity variations from impairment losses resulting from debts and post-employment or other long-term employee benefits, may be converted into deferred tax credits (DTC) when the taxpayer reports an accounting loss. The taxpayer may set this credit off against tax debts or ask for reimbursement from the State. For obtaining these credits, once the Portuguese Tax Authority has validated the tax return, the company has to issue (within a maximum period of three years) a convertible bond to the State, equal to 110% of the tax credit granted. Shareholders may acquire back this bond before its conversion into capital over the following ten years.

The Portuguese statistical authorities explained that the tax authority publishes a report informing about the status of the requirements from financial institutions to convert DTA.<sup>14</sup> As per the latest information available, dated 30 June 2020, six financial entities had submitted requests, for a total value of €1,131 million, from which €690 million had been confirmed and €254 million paid out. All the payments had been made to Novo Banco.

In the case of Novo Banco, the privatisation agreement signed between the government and the private investor stipulates that the ownership of the latter in the entity cannot be diluted. Consequently, the Portuguese statistical authorities record the converted tax credits as a capital transfer, D.9, in the national accounts in the year when they are validated. During the discussions, the Portuguese statistical authorities informed that the last payment for this concept, of €127 million, was made in the 4<sup>th</sup> quarter of 2020. This amount corresponded to the 2017 fiscal period. Eurostat inquired about the long time-lag between the year when the losses were incurred by the entity and the payment from the tax authority. The Portuguese statistical authorities explained that there is a very thorough validation process and noted that the request corresponding to the fiscal year 2019 had not been filed yet. Eurostat took note of this information.

In relation to the recording of a DTA conversion when there would be no limitation for government to increase its shareholding, Eurostat recalled the explanations provided by the Portuguese statistical authorities in the previous EDP dialogue visit. In particular, the conversion rights are recorded source data as F.5, as they are negotiable, but further analysis on a case-by-case basis is due before recording the transaction in national accounts.

### *Findings and conclusions*

- (16) The Portuguese statistical authorities will prepare a note explaining why the VAT revenues currently reported for the regional government and social security sectors are not presented as VAT revenues of the central government, since this sector collects the funds, with a later transfer to the other sectors. The note will also explain why these amounts are not included in the calculation of the adjustment between cash receipts and accrued revenues. The EDP inventory will also be updated to include this information.

*Deadline: April 2021 EDP notification (note) and June 2021 (EDP inventory)<sup>15</sup>*

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<sup>14</sup> See [https://info.portaldasfinancas.gov.pt/pt/Grandes\\_Contribuintes/REAID/Paginas/default.aspx](https://info.portaldasfinancas.gov.pt/pt/Grandes_Contribuintes/REAID/Paginas/default.aspx)

<sup>15</sup> The explanatory note and the EDP inventory were provided. This action point is closed.



- (17) The Portuguese statistical authorities will provide details of the gross monthly receipts and refunds for the main tax categories for 2020 and 2021.

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

- (18) The Portuguese statistical authorities shared with Eurostat a report issued by the tax authority on June 2020, presenting the deferred tax assets that had been converted into tax credits or that were being reviewed.<sup>17</sup> In relation to the requests made by Novo Banco in this context, Eurostat takes note that the amounts corresponding to the 2017 and 2018 fiscal periods were under review at the date of the report, whereas there was no request for the conversion related to the 2019 fiscal period. Eurostat also takes note of the information provided during the dialogue visit that a payment was made to Novo Banco in the fourth quarter of 2020, corresponding to the conclusion of the procedure corresponding to the 2017 fiscal year, and that this payment will be reported as government expenditure.

#### 4.2.2. Social contributions

##### *Introduction*

The recording of social security contributions was discussed at length in previous EDP dialogue visits.

##### *Discussion*

Social contributions are recorded on a time-adjusted cash basis, with one-month delay. Social security declarations must be presented between day 10 and day 20 of every month, regarding the preceding month. The source for this adjustment is the monthly budget execution of Social Security. The final data for the year n becomes available in June of n+1. There are imputations of social security contributions to the central and local government sub-sectors. Eurostat took note of this information and indicated that it had re-calculated the accrual adjustments reported in the EDP tables based on the source data provided in advance of the meeting, finding no major inconsistencies.

##### *Findings and conclusions*

Eurostat took note of the information provided.

#### 4.2.3. The impact of the COVID-19 crisis in taxes and social security contributions

##### *Introduction*

The Portuguese statistical authorities shared in advance of the meeting a summary table of the effect in national accounts of the fiscal measures implemented in response to the COVID-19 crisis, as well as an explanatory note describing the main characteristics of the measures. These documents constituted the basis for the discussion.

##### *Discussion*

The Portuguese statistical authorities explained that several tax deferral measures had been implemented in Portugal in response to the COVID-19 crisis, such as a six months deferral in the collection of the amounts due for VAT. The VAT deferral has been implemented in three

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<sup>16</sup> This data was provided. The action point is closed.

<sup>17</sup> This document was shared with Eurostat shortly after the conclusion of the dialogue visit and is [available](#) on the webpage of the Tax authority.

phases. While the first phase ended in November and it had no impact on the year 2020, the second and third ones will end in 2021. In order to reflect the accrual of the revenue that is due in 2020, the Portuguese statistical authorities recorded some adjustments based on the declarations of companies that requested the deferral of their payments. Eurostat took note of this information and requested to obtain a detail of the adjustment per phase, in order to facilitate its review.

In relation to the corporate income tax, the measures implemented were limited to adjusting the advance payments required during 2020. In a normal year, these advance payments are based on the corporate or personal income reported for the previous year and they are payable in July, September and December. During 2020, companies were allowed to delay their advance payments due in July and September, upon the presentation of some projections of their expected income for the full year. In December, these projections had to be updated and the difference filed in a correcting declaration.

Eurostat inquired about estimations of the amounts unlikely to be collected. The Portuguese statistical authorities informed that this estimation is based on the actual data of collections obtained during the implementation of the first phase by the Ministry of Finance. The uncollectable amounts are estimated at 4.5% of the deferred debt. Eurostat requested an update of that percentage for the months of January and February 2021, to which the Portuguese statistical authorities provisionally indicated 3.5% and 6% respectively. Eurostat recalled the importance of using up-to-date data in the estimations.

In relation to the social security contributions, the payments corresponding to the months of November and December 2020 due by micro, small and medium sized corporations and self-employed workers may be deferred to the second semester of 2021. However, the estimation in this case was more complicated because the parties that want to enter into this deferral option have until 31 May 2021 to express their intention. The Portuguese statistical authorities do not consider that the amounts deferred in this context will be significant.

A discussion ensued in relation to the information that had to be included in the supplementary table for the reporting of the measures taken in the context of the COVID-19 pandemic. Eurostat began by clarifying that the scope of the first part of the supplementary table, named “revenue/expenditure of general government” intended to capture the loss of revenue or expenditure (or the gain, if applicable) due to measures implemented in response to the crisis. The deferral of taxes should not be reported in this part, as they do not represent a loss of revenue, except for the estimation of the amounts unlikely to be collected. Similarly, the effect of the automatic fiscal stabilisers should be out of the scope of the table, while discretionary fiscal policies should be included.

The Portuguese statistical authorities described a measure called “*isenção do pagamento da taxa social única*”. Under this measure, central government exempts companies to pay some social security contributions and transfers the correspondent amount to the social security funds. The Portuguese statistical authorities wondered whether this transaction should be recorded as subsidies on production (D.39) to the employers, while continuing to record the employer’s social contributions (D.12) in the accounts of the employers. Eurostat agreed with this approach and reminded that the effect of this measure (€509 million) had to be reported within part 1 of the supplementary table, as lost revenue.

#### *Findings and conclusions*

- (19) The Portuguese statistical authorities will include, in the table on the impact of COVID-19 crisis related measures, the revenue losses derived from a discretionary fiscal policy decision taken by government, e.g. the exemption of the payment on the *Taxa Social Única*.

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

- (20) The Portuguese statistical authorities will report separately, within the table on the impact of COVID-19 measures, the effect of the deferral of taxes that occurred in each of the three different phases of measure implementation.

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

- (21) In relation to the measure undertaken by government in the framework of the COVID-19 crisis of exempting corporations from the payment of certain social security contributions, the Portuguese statistical authorities will record subsidies on production (D.39) to the employers, while continuing to record the employer's social contributions (D.12) in the accounts of the employers.

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

4.2.4. Interest

4.2.5. Financial derivatives

### *Introduction*

Prior to the EDP dialogue visit, the Portuguese statistical authorities provided to Eurostat an updated table on the recording of interest and reconciliation between the state, the central government and the general government debt.

The Portuguese statistical authorities informed Eurostat in advance of the meeting that the table on the recording of financial derivatives had not been finalized. Eurostat agreed to postpone the discussion on this issue until receiving the table after the meeting, while remaining available for any possible clarification during the dialogue visit.

### *Discussion*

Eurostat recalled that the table on the recording of interest was created to verify the consistency of EDP table 3B. This table is also allowing observing the transit from face value to ESA nominal value of debt, consistently with the specific table on debt, compiled at the initiative of the Portuguese statistical authorities.

The table provided includes now all the Maastricht debt instruments issued by the State, and is an improvement compared to the previous EDP dialogue visit, when some elements representing 10% of the total debt had not been included. In another improvement, the table includes now the stock of premiums and discounts.

Eurostat began by congratulating the Portuguese statistical authorities for the work done in this area. The preparation of documents such as the reconciliation between the state, central government and general government debt, increases the transparency of the valuation of the government debt. In relation to that table, Eurostat inquired about the main items explaining the reconciling lines “debt assumption (securities)” and “loans of public companies” adding to the stock of the State debt in order to arrive at the Maastricht debt. The Portuguese statistical authorities disclosed the name of the main companies involved.

Eurostat then discussed some instruments of the State debt, and noted that there was a specific category for Treasury Bills issued to an entity called “FRDP”. It was explained that FRDP is a public entity used for the provision of collateral under derivatives. Their holdings of debt are consolidated.

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<sup>18</sup> These actions were implemented and the action points are closed.

The discussion moved to the table on interest recording. It was first explained that the data were retrieved from the computation of State interest that is performed on a quarterly basis. This was not the case in the past, when the data were obtained on an instrument per instrument basis, making more difficult to reach the full coverage of the State debt. Eurostat inquired whether there was accurate source data on the bond repurchases, notably to allow for identification of the specific tranche of the bond that was repurchased each time (in order to further identify the related amount of premium/discounts repurchased). The Portuguese statistical authorities confirmed the availability of these data.

Eurostat observed that the coupons accrued decreased between 2017 and 2018 seemingly due to the repayments of the IMF loan that had taken place between June 2017 and January 2018. In relation to the evolution of the discounts/premiums at issuance, the data provided confirms the perceived ameliorating market conditions for the Portuguese debt, with increasing premiums from the latest emissions and exchanges in the secondary market. There were repurchases of debt in all the years reported, and especially during 2019.

In relation to the figure on amortization of discounts, it was confirmed that it includes the periodification of the pre-paid margins of the ESFS loan, originated when the principal financial assistance to Portugal disbursed by the EFSF in June 2011 (€6,026 million) was lower than the nominal amount (€7,128 million). The difference was due to the ‘prepaid margin’ that was present in the EFSF legal framework when the EFSF was created and was applied to the first tranches of disbursements to Portugal. In 2012, the EFSF Board decided to remove the prepaid margin retroactively, and to pay it out to the borrowing countries at maturity, if all payments on the issued bonds are met. In this context, Eurostat had indicated to the Portuguese statistical authorities that no retroactive revisions to government debt and deficit should be implemented. The rebate of prepaid margin was found contingent on the positive programme implementation and, therefore, a D.9REC should be recorded at maturity of the EFSF loans (next one in 2021), when the rebate is established with certainty.

The Portuguese statistical authorities confirmed that the flows related to the coupon bought back and coupon sold are included in EDP table 3B, in the line “difference between interest accrued and paid”.

Eurostat thanked the Portuguese statistical authorities for the information provided and requested to receive an update of the interest recording table, adding the figures pertaining to 2020. In relation to the financial derivatives table, Eurostat noted that it was being fulfilled and will be reported as soon as possible.

#### *Findings and conclusions*

(22) The Portuguese statistical authorities will update the interest recording table, to include figures for 2020, and prepare the financial derivatives recording table.

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

#### 4.2.6. EU flows

##### *Introduction*

The recording of EU flows were discussed in detail during the previous EDP dialogue visits, in particular the recording of the EU Financial instruments. The Portuguese statistical authorities prepared a table summarizing the recording of EU flows for the period 2017-2020.

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<sup>19</sup> The interest recording table with 2020 figures has been provided.

## *Discussion*

The Portuguese statistical authorities reminded that all EU associated flows are transiting through the Treasury Agency (IGCP). The IGCP manages the accounts/funds of the State and shows them as off-balance-sheet amounts. No revenue was recognised and there was no impact on B.9. The funds are transferred directly to the promoters of the programs except for the lines of business support that are channelled through the two intermediate entities classified in the other central government bodies (IAPMEI - Agência para a Competitividade e Inovação and ITP - Instituto de Turismo de Portugal).

In relation to the EU Financial Instruments, when they are implemented via a fund of funds, the associated EU flows are recorded as purely financial i.e. as a payable (F.89) of the ‘beneficiary’ towards the EU, not as government revenue. On the other hand, when they are implemented via IAPMEI and ITP case, a notional unit (S.11) has been created. This unit receives the EU flows and lends to SMEs. The Portuguese statistical authorities consider that this method reflects the economic reality of the EU flows entering the Portuguese economy positively affecting the balance of total economy, as they are not reimbursable, while ensuring the principle of the EU funds neutrality in the general government. Eurostat took note of this information.

The discussion ended with the Portuguese statistical authorities explaining that, when preparing the summary of the recording of EU flows in advance of the meeting, they had found some EU flows related to the European Social Fund instrument that transited through the local government. These flows, of a minor nature, had not been eliminated in the past and an adjustment line will be added in EDP table 2C in the next EDP notification.

### *Findings and conclusions*

- (23) Eurostat takes note that the Portuguese statistical authorities will introduce adjustments to neutralize some EU flows, transiting the accounts of the regional governments, in EDP T2C. The Portuguese statistical authorities will update the EDP inventory accordingly and clarify that some flows related to the European Social Fund are also neutralized in EDP T2D.

*Deadline: April 2021 EDP notification (EDP tables) and June 2021 (EDP inventory)<sup>20</sup>.*

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

- 4.3.1. Other measures in response to the COVID-19 crisis: guarantees, loans and expenditures

### *Introduction*

The Portuguese government launched some new guarantee schemes, as well significant expenditure measures, in response to the COVID-19 crisis.

### *Discussion*

The Portuguese statistical authorities informed that the government had launched several guarantee schemes in response to the COVID-19 crisis. The majority of those schemes follow the same design as the well-established National Mutual Guarantee System, which is based on two levels of guarantees. Under the first level, participants in the “*Sistema Português de Garantia Mútua*” (SGM) obtain a mutual guarantee from the system. Under the second level, the Treasury provides a counter guarantee to the SGM, channelled through the “*Fundo de*

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<sup>20</sup> The necessary adjustments were introduced in the April 2021 EDP notification tables. The updated EDP Inventory was sent to Eurostat. This action point is closed.

*Contra-garantía Mutuo*” (FCGM), which is classified inside the general government sector and managed by the *Banco Português de Fomento*. This scheme was discussed in previous EDP dialogue visits, and the Portuguese statistical authorities do not consider that they present characteristics of standardised guarantees.

As regards the expenditure measures, the Portuguese statistical authorities explained to Eurostat that all relevant items had been reported in the supplementary table, and that there were no methodological issues in relation to their recording. In general, the recording followed the guidance proposed by Eurostat in the draft note on statistical implications of some policy measures in the context of the COVID-19 pandemic.<sup>21</sup>

In relation to loan schemes, the Portuguese statistical authorities informed that there had been no significant measures launched in response to the COVID-19 crisis.

#### *Findings and conclusions*

Eurostat took note of the information provided.

#### 4.3.2. Capital injections in public corporations, dividends, privatization

##### *Introduction*

Prior to the EDP dialogue visit, the Portuguese statistical authorities provided to Eurostat a table listing companies that had paid dividends and their associated profits over 2017-2020.

##### *Discussion*

Eurostat observed that the dividends received by the government mainly come from the Banco de Portugal, with a sizeable contribution from *Caixa Geral de Depósitos* (CGD) in 2019. CGD will not issue a dividend for 2020, in line with the ECB recommendations for 2019 and 2020 fiscal years in the context of the COVID-19 crisis.

As regards capital injections, Eurostat took note that, in the period 2017-2020, the biggest part of capital injections to units outside government was undertaken as public support to banks (in 2017). The amounts of capital injections undertaken by government to S.11 units were small. Injections undertaken by regional and local governments were negligible in this period. In recent years, the vast majority of capital injections were recorded in national accounts as D.9 in Portugal.

#### *Findings and conclusions*

Eurostat took note of the situation.

#### 4.3.3. Public Private Partnerships (PPP), concessions and EPCs

##### *Introduction*

Before the visit, the Portuguese statistical authorities sent to Eurostat a list of all existing PPP projects and the concessions signed since 2017. There are 23 PPPs signed, of which three were classified inside government. Nine contracts refer to hospitals and the rest (the majority of the off-balance-sheet PPPs) to motorways. The first construction date was in 2000 and the last in 2010. Some PPP contracts were re-negotiated in 2016.

##### *Discussion*

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<sup>21</sup> <https://ec.europa.eu/eurostat/web/government-finance-statistics/methodology/guidance-on-accounting-rules>

Eurostat took note that the majority of PPPs in Portugal started in 2011 or earlier and that there are no new recent projects under construction. Eurostat recalled that the main data source for central government PPPs is UTAP – *Unidade Técnica de Acompanhamento de Projetos* (Ministry of Finance). For the PPP's in Açores, the information is received from the Regional Government of Açores through the regional statistical office.

The Portuguese statistical authorities informed about a PPP project in relation to a hospital in Lisbon and about the setting-up of a special commission to renegotiate the PPP contract of a motorway.

Eurostat inquired about some recent court rulings that affected PPP contracts. The Portuguese statistical authorities explained that these related to some motorways where the government had decided to upgrade the toll collecting system. The court decisions were limited to the rule that the government should pay the costs due to the system upgrade.

Eurostat took note and inquired whether these rulings do not create a precedent that will be applied to all other PPP contracts where the government has upgraded the toll collection system. The Portuguese statistical authorities will further investigate this matter. Eurostat also recalled that, in general, the statistical authorities should monitor renegotiations and court cases in order to determine any associated change in the risks and rewards, which would affect the accounting treatment of the contract. The Portuguese statistical authorities confirmed that they do this monitoring and reminded that, in the past, three PPP were reclassified as a consequence of the government's decision to introduce a toll system, which substantially affected the balance of risks and rewards.

In relation to concessions, Eurostat asked about some characteristics of the items included in the list provided in advance of the meeting, and requested to complement the list with other significant concessions that had been signed in recent years. During the discussion, it was mentioned that UTAP sometimes includes in its list of PPP contracts some agreements that better fall within the national accounts definition for concessions.

The Portuguese statistical authorities informed that seven EPCs had been identified in the last three years, for a total amount of approximately €25 million. These are treated as operating lease.

#### *Findings and conclusions*

- (24) Following the similar analysis undertaken in the past, the Portuguese statistical authorities will compare, for each applicable PPP contract, the amount of toll revenues received by government and the amount of payments made by government to the private partner.

*Deadline: October 2021 EDP notification.*

- (25) The Portuguese statistical authorities will analyse whether the recent court cases, where the government was ordered to reimburse the costs associated with the installation of toll collection systems in certain motorways under PPP contracts, could create a precedent and may be applicable to other similar existing contracts.

*Deadline: October 2021 EDP notification.*

- (26) The Portuguese statistical authorities will prepare a list with the most economically significant concession contracts.

*Deadline: October 2021 EDP notification.*

#### 4.3.4. Guarantees

##### *Introduction*

Eurostat appreciated the detailed table on guarantees provided by the Portuguese statistical authorities before the EDP visit.

##### *Discussion*

Eurostat inquired about the program “*Crédito Ajuda*” under which government provided guarantees on a stock of debt of €1,081 million, as of 2019. The Portuguese statistical authorities explained that these are export guarantees provided to Portuguese corporations. Eurostat inquired whether these guarantees were remunerated, to which the Portuguese statistical authorities replied that they will follow this up.

##### *Findings and conclusions*

(27) The Portuguese statistical authorities will clarify whether government guarantees (*Crédito Ajuda*), provided to some foreign governments in the context of contracts awarded to Portuguese companies in their countries, are remunerated.

*Deadline: October 2021 EDP notification.*

#### 4.3.5. Debt assumptions, debt cancellations and debt write-offs

##### *Introduction*

Before the EDP dialogue visit the Portuguese statistical authorities provided to Eurostat a table listing all debt assumptions of S.1311 and S.1313, as well as debt cancellations.

##### *Discussion*

Eurostat inquired about the cancellations that had taken place for each year of the period 2017-2020 in relation to debt owned by Mozambique and S. Tomé e Príncipe. The Portuguese statistical authorities explained that the debt of these countries was restructured in 2008 and 2013 respectively, when it was agreed that it could be cancelled on an annual basis in case the debtor countries would not be able to make the repayments. The debt cancellations reflect the fact that no repayments have occurred since then.

Eurostat asked about the outstanding stock of debt (\$219 million for Mozambique and \$31 million for S. Tomé e Príncipe) and requested the Portuguese statistical authorities to further reflect on whether the lack of repayments since the restructuring demands a revision of the accounting treatment of the outstanding stocks. Eurostat also recalled that the interest revenue accrued from interests generated by debt unlikely to be collected should be neutralized. The Portuguese statistical authorities will further investigate these matters.

##### *Findings and conclusions*

(28) The Portuguese statistical authorities will reflect on the accounting treatment of the stock of some intergovernmental claims, for which debt is cancelled every year and for which there is low likelihood of overall repayment. They will also clarify whether interest revenue (D.41) accrued on claims evidenced or considered unlikely to be repaid is neutralised through the recording of a capital transfer payable (D.99), i.e. there is no overall impact on the B.9 of general government.



*Deadline: April 2021 EDP notification.*<sup>22</sup>

4.3.6. Other: Military expenditure, UMTS, ETS, sale and leaseback operations, securitisation and court cases

*Introduction*

The Portuguese statistical authorities prepared in advance of the meeting a number of notes explaining the situation in relation to the issues discussed under this point of the agenda.

*Discussion*

Eurostat took note that in November 2020 government published an auction regulation for the allocation of rights of use of the 5G frequencies. The rights of use shall be granted for a period of 20 years and may be renewed. The auction started on January 2021 and was still ongoing at the date of the discussion. The national accounts treatment will follow the rules established in MGDD.

Eurostat took note that there are no recent cases of sale and leaseback operations, securitisations and privatizations.

In relation to ETS emission permits, it was confirmed that there were no differences between the data from the centralized ETS data sources (single ETS registry, commodity exchanges where ETS permits are auctioned by governments) and the data from national sources. In relation to the ongoing methodological discussions in the framework of the EDPS WG, the Portuguese statistical authorities indicated their preference for calculating the associated D.29 in accordance with the weighted average price method, which is in line with the national recording currently applied. Although the Portuguese EDP authorities conceptually supported subsidy treatment for ETS permits given for free, they considered such subsidy treatment of free permits premature.

Eurostat inquired about the main components that explain the stock of receivables due to military equipment, which represented €336 million as of December 2019 (0.2% of GDP).

In relation to the court cases, the impact in government accounts of some recent rulings was discussed. Eurostat reminded that the impact should be accrued at the time when the rulings are final and the amounts are known. The Portuguese statistical authorities confirmed this approach.

*Findings and conclusions*

Eurostat took note of the information provided.

#### **4.4. Other issues relevant for the April 2021 EDP Notification**

The Portuguese statistical authorities presented the nationalisation, in July 2020, of a company operating in the energy sector. This measure had a temporary nature in order to ensure the stability of the company while finding a new private buyer in the shortest possible span of time. The shares of this company were not listed in the stock market, and the operation was made without the agreement of the owner. The government has reserved some funds to pay compensation, but this cash remains in a separate government account as the previous owner

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<sup>22</sup> The Portuguese statistical authorities provided a note to Eurostat on 31 March 2021, where they explained that the amount of interest due each year is cancelled with the recording of a capital transfer payable, neutralising the overall impact on the B.9 of general government. In relation to the stock of debt, the Portuguese statistical authorities still consider that the claims will be collected. The Action Point is closed and the evolution of the situation will be monitored.

refused to accept it and has decided to challenge the decision in Court. In national accounts, the operation has been recorded as an uncompensated seizure of assets (i.e. other changes in volume) and, once the company is privatized, another financial transaction will be recorded without impact in the B.9 of general government. Eurostat reminded that, if in the future the Court decides about compensation to be paid to the previous owner, there will be an impact in the B.9 of general government. The Portuguese statistical authorities agreed.

## **5. Other issues**

The Portuguese statistical authorities raised a question in relation to the advance payments made by the European Commission to some manufacturers of COVID-19 vaccines on behalf of Member States. These advance payments represent around 25% of the contracts to procure the vaccines. The doses will be delivered directly to each Member State, which also will make the subsequent payments to the manufacturers. The issue raised questioned when the procurement of the vaccines should be recorded in government accounts and for what amount, as well as the statistical treatment of the up-front payments made by the European Commission. Eurostat agreed that this issue should be discussed in the context of the EDPS WG as it affects all Member States.

### *Findings and conclusions*

- (29) Eurostat will launch a stocktaking exercise in order to identify and analyse the recording of payments made by the Commission on behalf of Member States to the producers of COVID-19 vaccines. This analysis will include contributions made by Member States to the EU Emergency Support Instrument, when they are related to the vaccination program.

*Deadline: before the April 2021 EDP notification.*<sup>23</sup>

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<sup>23</sup> Eurostat launched this discussion drafting and sharing with the EDPS WG a note about the Recording of Advance Purchase Agreements in the procurement of the COVID-19 vaccines on 9 March 2021.

## **List of participants**

### **INE**

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### **Banco de Portugal**

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### **Ministry of Finance**

Patrícia Semião  
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Participants from **Banco de Fomento and the Ministry of Economy** to discuss the point on the sector classification of Banco de Fomento.

Beatriz Freitas  
Manuel Queiroz Ribeiro

Participants from **IGCP** to discuss interests and derivatives.

Ana Rangel  
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### **Eurostat**

Luca Ascoli  
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### **ECB**

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# **EDP dialogue visit to Portugal, 22-23 February 2021**

**Starting on 22 February 2021, 9:30 (WET)**

## **Agenda**

1. Introduction
2. Statistical capacity issues
  - 2.1. Review of institutional responsibilities in the framework of the EDP data reporting and government finance statistics compilation
  - 2.2. Data sources and revision policy
  - 2.3. Compliance with Council Directive 2011/85 11
3. Follow-up to the EDP dialogue visit of 17-18 January 2019 16
4. Methodological issues and recording of specific government transactions
  - 4.1. Delimitation of general government sector
    - 4.1.1. Application of the market / non-market test qualitative and quantitative criteria
    - 4.1.2. Government controlled entities classified outside general government
    - 4.1.3. Sector classification of specific units
  - 4.2. Implementation of the accrual principle
    - 4.2.1. Taxes
    - 4.2.2. Social contributions
    - 4.2.3. The impact of the COVID-19 crisis in taxes and social security contributions
    - 4.2.4. Interests
    - 4.2.5. Financial derivatives
    - 4.2.6. EU flows
  - 4.3. Recording of specific government transactions
    - 4.3.1. Other measures in response to the COVID-19 crisis: guarantees, loans and expenditures
    - 4.3.2. Guarantees
    - 4.3.3. Capital injections in public corporations, dividends, privatizations
    - 4.3.4. Debt assumptions, debt cancellations, debt write-offs and government claims
    - 4.3.5. PPPs, concessions, emission trading permits and energy performance contracts
    - 4.3.6. Others: Military expenditure, UMTS, sale and leaseback operations, securitisation and court cases
    - 4.3.7. Other issues relevant for the April 2021 EDP Notification
5. Other issues